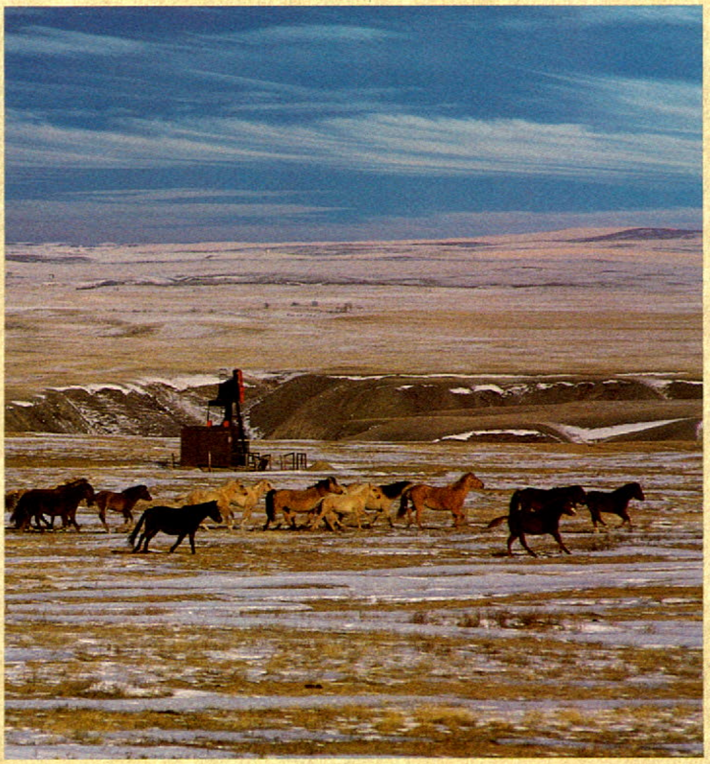
1990 ANNUAL REPORT



Prairie

Oil Royalties Company, Ltd.

Corporate Profile

Prairie Oil Royalties Company, Ltd. was incorporated July 13, 1951, under the laws of the Province of Saskatchewan in Canada. At December 31, 1990, there were 7,846,076 common shares issued and outstanding. Norcen Energy Resources Limited of Calgary, Alberta, Canada, owns 74.4 per cent of the common shares. The Company produces and sells crude oil, gas liquids and natural gas in Canada and is engaged in oil and gas exploration and development in Western Canada.

Contents

Annual Meeting

The Annual Meeting of Shareholders will be held on Thursday, May 9, 1991, at 9:30 a.m., local time, in the boardroom of Norcen Energy Resources Limited, 32nd Floor, 715 Fifth Avenue Southwest, Calgary, Alberta, Canada.

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PRAIRIE OIL ROYALTIES COMPANY, LTD.

715 Fifth Avenue Southwest
CALGARY, ALBERTA, CANADA T2P 2X7

NOTICE OF
ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the "Meeting") of Prairie Oil Royalties Company, Ltd. (the "Company") will be held in the Boardroom of Norcen Energy Resources Limited, 32nd Floor, 715 Fifth Avenue Southwest, Calgary, Alberta, Canada, on

Thursday, May 9, 1991

at 9:30 o'clock in the forenoon, local time, for the following purposes:

1. to receive the annual report including the financial statements for the year ended December 31, 1990 and the auditors' report thereon;

2. to elect directors;

3. to appoint auditors and authorize the Board of Directors to fix their remuneration; and

4. to transact such other business as may properly come before the Meeting or any adjournment thereof.

Shareholders who do not expect to attend the Meeting in person are requested to complete, date and sign the form of proxy enclosed with this notice and forward it, in the envelope provided, to the Secretary of the Company, c/o Montreal Trust Company of Canada, 411 Eighth Avenue Southwest, Calgary, Alberta, Canada, T2P 1E7.

DATED at Calgary, Alberta, Canada this 26th day of March, 1991.

BY ORDER OF THE BOARD OF DIRECTORS

W. T. KILBOURNE
Vice-President, Legal

PRAIRIE OIL ROYALTIES COMPANY, LTD.

715 Fifth Avenue Southwest
CALGARY, ALBERTA, CANADA T2P 2X7

Proxy Circular and Statement

March 26, 1991

Solicitation of Proxies

This Proxy Circular and Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of Prairie Oil Royalties Company, Ltd. (the "Company") for use at the Annual Meeting of Shareholders (the "Meeting") of the Company called for May 9, 1991 at the time and place and for the purposes set forth in the accompanying notice of Meeting. The solicitation will be primarily by mail but proxies may also be solicited personally by the directors and officers of the Company. The cost of this solicitation will be borne by the Company. The Company will pay persons holding shares in their names or in those of their nominees for their reasonable expenses in sending solicitation material to their principals. This Proxy Circular and Statement and a form of proxy will be mailed to the shareholders on or about April 1, 1991.

All dollar amounts herein are stated in Canadian dollars.

Appointment, Revocation and Delivery of Proxies

The persons named in the attached form of proxy to represent shareholders at the Meeting are directors of the Company. Shareholders desiring to appoint some other person to represent them at the Meeting may do so either by inserting such other person's name in the blank space provided in the enclosed form of proxy or by completing another form of proxy. A person appointed as a proxyholder need not be a shareholder of the Company.

To be voted at the Meeting, a proxy must be received by the Secretary of the Company or by the Chairman of the Meeting prior to or at the Meeting. A shareholder who has given a proxy may revoke it by depositing another form of proxy bearing a later date or a form of revocation of proxy, signed by the shareholder or by the shareholder's attorney authorized in writing, at the office of the Company at the address shown above, or at the Company's registered office, at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof. Alternatively, the shareholder may revoke the proxy and may vote in person, as to any matter on which a vote has not already been cast pursuant to the authority conferred by the proxy, by depositing such form of revocation with the Chairman of the Meeting at the Meeting or any adjournment thereof, or may revoke the proxy in any other manner permitted by law.

Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy will vote all shares in respect of which they are appointed to act on any ballot that may be called for and they will vote or withhold from voting such shares in accordance with any directions given therein. In the absence of any directions to the contrary, the shares represented by the proxies will be voted for the election of directors and for the appointment of auditors, as stated under those headings in this Proxy Circular and Statement.

The attached form of proxy confers discretionary authority upon the persons appointed with respect to amendments to matters identified in the notice of Meeting and with respect to any other matters which may properly come before the Meeting. The directors of the Company know of no matters to come before the Meeting other than the matters referred to in the notice of Meeting. If any matters which are not now known should properly come before the Meeting, the persons named in the enclosed form of proxy will vote on such matters in accordance with their best judgement.

Voting Shares

The Board of Directors has fixed the close of business on March 25, 1991 as the record date for determination of the shareholders entitled to receive the notice of Meeting. Only persons who are holders of record of common shares at the close of business on March 25, 1991 or who subsequently become holders of record of such shares and make a request to vote to the Secretary of the Company in accordance with the provisions of The Business Corporations Act of Saskatchewan, by the close of business on April 26, 1991, will be entitled to vote at the Meeting. On a ballot at the Meeting each common shareholder will be entitled to one vote for each share held. There are 7,846,076 common shares outstanding, all of which are entitled to be voted at the Meeting.

A quorum at the Meeting will consist of at least two persons holding or representing by proxy not less than 25% of the outstanding shares of the Company.

Principal Shareholders and Ownership

To the knowledge of the directors and officers of the Company, the following table shows the share ownership in the Company of each person or company beneficially owning, or exercising control or direction over, more than 5% of the outstanding shares of the Company. This information, not being within the knowledge of the Company, has been furnished by its parent company (oil and gas company), Norcen Energy Resources Limited ("Norcen").

Name of beneficial owner	Class of shares	Number of shares beneficially owned	Percent of class owned
Norcen Energy Resources Limited *(i)* 715 Fifth Avenue Southwest Calgary, Alberta	Common	5,837,236	74.4

(i) Noranda Inc. ("Noranda") directly owns 10,262,950 Multiple Voting Ordinary Shares and 9,775,334 Subordinate Voting Ordinary Shares of Norcen, which holdings represent 37.0% of the Multiple Voting Ordinary Shares and 30.4% of the Subordinate Voting Ordinary Shares of Norcen which are currently outstanding.

As a result of the corporate relationships described herein, a trust, whose beneficiaries include Peter F. Bronfman and his family, may be deemed to be "beneficial owners" of Norcen and "control persons" of Norcen within the meaning of the United States federal securities laws. This trust, through wholly-owned Edper Investments Ltd. owns a 54% interest in Edper Holdings Inc. which, in turn, owns a 70% interest in Edper Enterprises Ltd. ("Edper"). Edper owns approximately 50.1% of the shares of Brascan Holdings Inc. ("Brascan") and approximately 75% of Hees Holdings Limited which, in turn, owns approximately 46% of Hees International Bancorp Inc. ("Hees"). Hees owns approximately 49.9% of Brascan. Brascan owns, directly or indirectly, approximately 49% of Brascan Limited which, in turn, directly or indirectly through its subsidiary, Brascade Resources Inc., beneficially owns approximately 47% of the voting shares of Noranda. Accordingly, pursuant to the United States federal securities laws the aforementioned trust may be deemed to be the beneficial owner of 37.0% of Norcen's Multiple Voting Ordinary Shares and 30.4% of Norcen's Subordinate Voting Ordinary Shares owned by Noranda and, in turn, the shares of the Company held by Norcen and "control persons" of the Company.

To the knowledge of the directors and officers of the Company, the following table shows the beneficial ownership of, or control or direction over, the Company's shares and those of Norcen, by the Company's directors, nominees for director and officers as a group.

Company	Class of shares	Number of shares beneficially owned	Percent of class owned
Prairie Oil Royalties Company, Ltd.	Common	28,600	0.365
Norcen Energy Resources Limited	Multiple Voting Ordinary	3,413	0.012
	Subordinate Voting Ordinary	511,317	1.591

No director or officer of the Company beneficially owns, or exercises control or direction over, more than 1% of the outstanding shares of the Company or more than 1% of any class of the outstanding shares of Norcen.

Election of Directors

Under the Articles and By-Law No. 1 of the Company, the Board of Directors consists of a minimum of three members and a maximum of fifteen members and the number of directors within such range is to be determined by the Board of Directors from time to time. At present there are eight directors in office and the Board of Directors has fixed by resolution that there shall be eight directors elected at the Meeting. A director need not be a shareholder of the Company.

The following table sets forth the names and ages of the eight persons nominated for election as directors of the Company, all of whom are current Company directors and are eligible for election, together with (i) all other positions and offices with the Company now held by them (if any), (ii) their present principal occupations or employments, (iii) the year in which each nominee became a director of the Company, and (iv) the number of shares of the Company and Norcen beneficially owned or controlled, directly or indirectly, by each nominee as at March 26, 1991 except that holdings of Norcen Multiple Voting Ordinary Shares and Subordinate Voting Ordinary Shares under Norcen's Employee Savings and Investment Plan are included as at December 31, 1990. The persons named in the enclosed form of proxy intend to vote for the election of the eight nominees whose names are set forth below save where there is a direction to withhold voting. Each of the proposed nominees has consented to serve as a director, if elected, but should any nominee become unable to do so for any reason prior to the Meeting, the persons named in the attached form of proxy reserve the right to vote for another nominee in their discretion. Each director elected at the Meeting will hold office until the next annual meeting of shareholders or until his successor is elected or appointed.

Name, position with the Company, and present principal occupation or employment	Age	Served as a Director since	Shareholdings(1)		
				Norcen Ordinary Shares	
			Company Shares	Multiple Voting	Subordinate Voting
COCHRANE, Barry D. Chairman of the Board since Aug. 1988 and President of the Company from Sept. 1986 to Nov. 1989. Senior Vice-President from Feb. 1983 to Sept. 1986, Senior Vice-President, Exploration and Production from Sept. 1986 to Oct. 1989, Executive Vice-President and Chief Operating Officer from Oct. 1989 to Dec. 1990 and President and Chief Executive Officer since Jan. 1991, all with Norcen.	55	1986	—	2	94,338
FROST, Norman E. President and Director, CanStates Gas Marketing (natural gas marketing company) since Oct. 1988. President and Director, Canadian Oil and Gas Division, Sulpetro Ltd. from Aug. 1980 to July 1986 and from Aug. 1986 to Sept. 1987 of Sulpetro Gas Enterprises Inc. From Oct. 1987 to Dec. 1987 Consultant to Sulpetro Ltd. (both oil and gas exploration and development companies). From Jan. 1988 to Sept. 1988 President and Director of GasTrade Incorporated (natural gas marketing company).	57	1989	1,400	—	—
GALVIN, Edward A. Chairman and Director, Poco Petroleums Ltd. and Director of its affiliates, Bonanza Oil & Gas Ltd. and Central Explorers Inc. (all oil and gas exploration and development companies).	78	1966	23,200	—	—

Name, position with the Company, and present principal occupation or employment	Age	Served as a Director since	Shareholdings(1) Company Shares	Norcen Ordinary Shares Multiple Voting	Subordinate Voting
McKINNON, Frederick A. Company Director.	73	1966	—	—	—
NEWHOUSE, Wayne M. Vice-President, Production from July 1983 to Oct. 1989 and Senior Vice-President, Production since Oct. 1989, all with Norcen.	51	1988	—	—	96,936
PALMER, Paul H. Senior Vice-President, Administration and Comptroller from Feb. 1983 to Sept. 1986, and Senior Vice-President and Chief Financial Officer since Sept. 1986, all with Norcen.	57	1989	—	—	58,386
RAE, Clifford A., Q.C. Barrister and Solicitor. Administrator of private foundation and Counsel to the law firm of Macleod Dixon. Prior to Feb. 1986, partner with Macleod Dixon.	53	1966	—	—	—
TYERMAN, David M., Q.C. Secretary of the Company since May 1966. Barrister and Solicitor. Counsel to the law firm of MacPherson, Leslie & Tyerman.	84	1963	4,000	—	—

(1) The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by each nominee. It does not include shares beneficially owned by members of the immediate families of nominees as follows: Mr. E. A. Galvin, 3,500 Norcen Multiple Voting Ordinary Shares and 8,628 Norcen Subordinate Voting Ordinary Shares to which he disclaims beneficial ownership.

Background Information on Nominees for Election as Directors

Messrs. Cochrane and Newhouse are professional engineers, both of whom during the past five years have been engaged in the field of natural resource exploration and development and have held various executive positions with the Company and/or Norcen and certain of its other subsidiaries. Mr. Cochrane serves on the Board of Norcen and Mr. Newhouse holds directorships in Cansulex Limited (sulphur exporting company) and Progas Limited (natural gas marketing company).

Mr. Frost is a professional geologist who, over the past five years, has been involved in the exploration, development, and marketing activities of several natural resource companies. Sulpetro Ltd., of which Mr. Frost had been an executive officer, was placed in receivership on June 17, 1987. Mr. Frost serves as a director of a number of private companies.

Mr. Galvin, a professional engineer, has held senior executive positions in the natural resource exploration and development field over the past five years. Mr. Galvin is a director of CMP Resources Inc. (oil and gas exploration and development company) and Domequity Resource Fund Inc. (mutual fund company).

Mr. McKinnon is a professional geologist. Prior to his retirement in 1977, he occupied executive, technical and administrative positions with BP Canada Inc. and BP Exploration Canada Limited (both oil and gas exploration and development companies).

Mr. Palmer, a Chartered Accountant, has been involved in natural resource exploration and development activities over the past five years as a senior executive officer of Norcen and as a director of several of its subsidiary companies.

Messrs. Rae and Tyerman are barristers and solicitors who have been associated with their respective law firms during the past five years and have been and continue to be involved in legal and business matters relating to natural resource exploration and development companies, including the Company (see "Other Transactions"). Mr. Rae currently serves as a director of Norcen.

Meetings of the Board and Audit Committee

During the last full fiscal year there were six meetings of the Board of Directors. The only committee of the Board of Directors is the Audit Committee (the "Committee"), composed of four directors, three of whom are neither officers nor employees of the Company or Norcen. The Committee reviews all financial statements and auditors' reports and reports to the Board of Directors thereon. At the Board's request the Committee reviews the scope of the examination to be performed by the auditors, the Company's internal financial controls and the appointment and remuneration of the Company's auditors. In the course of performing these functions the Committee meets with the Company's auditors and financial officers. The present members of the Committee are Messrs. McKinnon (Chairman), Cochrane, Frost, and Galvin. The Committee held one meeting during 1990.

During 1990 all directors, with the exception of Messrs. McKinnon, Newhouse, Palmer and Tyerman, attended at least 75% of the aggregate of all Board of Directors' and Committee meetings of which they were members.

Management

The following table presents information with respect to certain officers of the Company. For information concerning Mr. B. D. Cochrane, Chairman of the Board, Mr. W. M. Newhouse, President, and Mr. D. M. Tyerman, Secretary, reference is made to "Election of Directors" and "Background Information on Nominees for Election as Directors."

Name and Principal Occupation (1)	Age	Position with Company (2)	Date Appointed to Present Company Position
D. K. Bruce Fenwick Vice-President, Domestic Exploration	45	Vice-President, Exploration	November 1, 1989
William T. Kilbourne Vice-President, Legal and Secretary	56	Vice-President, Legal	May 4, 1988
J. Gerhard Schopp Vice-President, Operations	53	Vice-President, Operations	November 1, 1989
Gordon B. Singer Vice-President and Comptroller	50	Vice-President, Comptroller	December 2, 1982
D. Stephen Muir Treasurer	39	Treasurer	December 10, 1986
Robert J. Breen Assistant Treasurer	47	Assistant Treasurer	December 10, 1986
Donna M. Barber Land Supervisor, Special Projects	54	Assistant Secretary	May 4, 1988
Linda G. Swan Administrator, Corporate Services	44	Assistant Secretary	September 10, 1986

(1) All principal occupations are with Norcen and the above-named officers have been engaged for more than five years in their present occupation or in other executive, management, or administrative capacities with Norcen.

(2) Officers hold their positions for an indefinite term at the discretion of the Board of Directors.

Compensation of Directors and Officers (Year ended December 31, 1990)

Directors of the Company, excluding those who are officers of the Company and employees of Norcen, receive an annual fee of $5,000 plus an attendance fee of $500 for each board meeting attended. Chairmen and members of committees receive fees of $600 and $500, respectively, for each meeting attended. Directors' fees paid for the year 1990 totalled $38,600 and were paid to five directors.

The Company's officers do not receive any compensation from the Company. With the exception of Mr. D. M. Tyerman, who does not receive a salary as Secretary of the Company, all of the Company's officers are employees of Norcen, receive their remuneration from Norcen, and participate in the employee benefit plans, including the pension plan, maintained by Norcen. The Company has no employees.

None of the directors and officers of the Company received personal benefits from, or were indebted to, the Company during 1990.

Other Transactions

Substantially all of the Company's participation in land acquisitions and related exploration and development operations are in projects in which Norcen is a participant.

Management services are provided to the Company by Norcen under a management contract. The amount paid or payable to Norcen under this contract is composed of two elements: an exploration overhead fee and an administrative fee, both calculated by reference to the total exploration and administration costs of Norcen and of certain specified companies managed by Norcen.

For the year ended December 31, 1990, the fee paid and payable to Norcen was $3,844,000 composed of $1,934,000 for exploration overhead and $1,910,000 for administrative fees. The comparative amounts for the year ended December 31, 1989 were $3,899,000, $2,176,000 and $1,723,000, respectively.

Norcen maintains, on its own behalf and on behalf of certain of its subsidiaries (including the Company), directors' and officers' liability insurance with a policy limit of $15,000,000 aggregate per policy year. Under this insurance coverage, Norcen would be reimbursed for indemnity payments made on behalf of its directors and officers and those of its subsidiaries (including the Company) subject to a deductible of $250,000 per occurrence. Individual directors and officers of the Company would also be reimbursed for losses arising during the performance of their duties for which they are not indemnified by the Company subject to an individual deductible of $5,000 and an aggregate deductible of $25,000. The total premium for directors' and officers' liability insurance in respect of 1990 was $180,000, which amount was paid by Norcen on behalf of itself and certain of its subsidiaries, including the Company.

Messrs. Cochrane, Newhouse, and Palmer are executive officers of Norcen. The Company was indebted to Norcen in the amount of $10,419,000 at the end of 1990. This debt has no fixed payment schedule and interest is charged at prime rate.

The insiders of Norcen as at March 26, 1991 are set forth in the attached Schedule "A" as required by securities legislation of the Provinces of Ontario and Saskatchewan.

Mr. D. M. Tyerman and Mr. C. A. Rae serve as counsel to the firms of MacPherson, Leslie & Tyerman and Macleod Dixon, respectively. Both law firms rendered legal services to the Company during 1990 and the Company proposes to retain these firms in the current fiscal year.

Appointment of Auditors

As set forth in the notice of Meeting, action will be taken at the Meeting with respect to the appointment of auditors. In the absence of any directions to the contrary the persons named in the attached form of proxy intend to vote for the appointment of Peat Marwick Thorne as auditors of the Company to hold office until the next annual meeting of shareholders. Peat Marwick Thorne were first appointed as auditors of the Company on October 27, 1967 under the name of Riddell, Stead & Co.

Representatives of Peat Marwick Thorne are expected to be present at the Meeting with the opportunity to make a statement if they desire to do so and to respond to any appropriate questions.

Other Business

While there is no business of which the directors are aware to be presented for action by the shareholders at the Meeting other than that mentioned above, it is intended that the proxy votes hereby solicited will be exercised upon any other matters and proposals that may properly come before the Meeting, and at any adjournment thereof, in accordance with the discretion of the persons authorized to act thereunder.

Annual Report on Form 10-K

Upon written request by any shareholder to the Secretary of the Company, 715 Fifth Avenue Southwest, Calgary, Alberta, Canada, T2P 2X7, the Company will provide to such shareholder, without charge, a copy of the Company's 1990 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission pursuant to the provisions of the United States Securities Exchange Act of 1934.

Shareholder Proposals

To comply with the provisions of The Business Corporations Act of Saskatchewan, proposals intended to be presented by a shareholder or shareholders of the Company at the annual meeting to be held in 1992 must be received at the offices of the Company no later than February 7, 1992 for inclusion in the Company's Proxy Circular and Statement and form of proxy relating to that meeting. Such proposals should be submitted by registered mail — return receipt requested.

The Board of Directors has approved the contents of this Proxy Circular and Statement and the sending of this Proxy Circular and Statement to shareholders.

W. T. KILBOURNE
Vice-President, Legal

SCHEDULE "A"

Insiders of Norcen as at March 26, 1991

BASSETT, Douglas G.
118 Forest Hill Road
Toronto, Ontario

BATTLE, Edward G.
6128 Belvedere Road S.W.
Calgary, Alberta

BLACK, Conrad M., O.C.
26 Park Lane Circle
North York, Ontario

BLACK, G. Montegu
69 Chaplin Crescent
Toronto, Ontario

BRASCAN LIMITED
Toronto, Ontario

BREEN, Robert J.
68 Woodfern Rise S.W.
Calgary, Alberta

COCHRANE, Barry D.
1104 Baldwin Crescent S.W.
Calgary, Alberta

COCKWELL, Jack L.
34 Whitney Avenue
Toronto, Ontario

COURTOIS, E. Jacques, Q.C.
21 Westwood Drive
Hudson, Quebec

DESPRÉS, Robert, O.C.
890 rue Dessane
Quebec City, Quebec

DOLPHIN, Dale R.
Bearspaw Road
R.R. #4, Box 11, Site 30
Calgary, Alberta

EATON, Fredrik S., O.C.
104 Forest Hill Road
Toronto, Ontario

EYTON, Honourable J. Trevor, O.C., Q.C.
Tudorcroft
R.R. 2
Caledon, Ontario

FENWICK, D. K. Bruce
Box 7, Site 19,
SS #1
Calgary, Alberta

FROST, Norman E.
809, 300 Meredith Road N.E.
Calgary, Alberta

GALVIN, Edward A.
4103 Crestview Road S.W.
Calgary, Alberta

KENDA, George V.
234 - 10A Street N.W.
Calgary, Alberta

KERR, David W.
6 Glengowan Road
Toronto, Ontario

KILBOURNE, William T.
Wood Ditton
Box 2, Site 2
Subdivision Service 3
Calgary, Alberta

LOUGHEED, Honourable Peter, P.C., C.C., Q.C.
805 Prospect Avenue S.W.
Calgary, Alberta

McKEAG, Honourable W. John
510 Kelvin Boulevard
Winnipeg, Manitoba

McKINNON, Frederick A.
2314 - 7th Street S.W.
Calgary, Alberta

MARSHALL, Paul M.
21 Elgin Avenue
Toronto, Ontario

MUIR, D. Stephen
2420 Ulrich Road N.W.
Calgary, Alberta

NEWHOUSE, Wayne M.
4115 - 14A Street S.W.
Calgary, Alberta

NORANDA INC.
Toronto, Ontario

PALMER, Paul H.
D302, 500 Eau Claire
Avenue S.W.
Calgary, Alberta

PAUL, John A.
1008 Deer River Circle S.E.
Calgary, Alberta

POWIS, Alfred, O.C.
70 Woodlawn Avenue West
Toronto, Ontario

PRATT, E. Courtney
164 Wedgewood Drive
Oakville, Ontario

RAE, Clifford A., Q.C.
96 Massey Place S.W.
Calgary, Alberta

SCHOPP, J. Gerhard
2612 Linden Drive S.W.
Calgary, Alberta

SINGER, Gordon B.
103 Lake Mead Drive S.E.
Calgary, Alberta

TYERMAN, David M., Q.C.
2254 Wascana Greens
Regina, Saskatchewan

WALKER, Martin D.
23487 Quail Hollow
Westlake, Ohio

YARNELL, John R.
161 Roxborough Drive
Toronto, Ontario

PRAIRIE OIL ROYALTIES COMPANY, LTD.

Form of Proxy
Solicited by the Board of Directors of the Company for the 1991 Annual Meeting of Shareholders

The undersigned shareholder of Prairie Oil Royalties Company, Ltd. (the "Company") hereby appoints Barry D. Cochrane or, failing him, Wayne M. Newhouse, with power of substitution, or, instead of either of them, ______________________________ as proxyholder of the undersigned, to attend and vote on behalf of the undersigned at the Annual Meeting of Shareholders (the "Meeting") of the Company to be held on May 9, 1991 and at any adjournment thereof, **for the transaction of the business stated below**, all as described in the Proxy Circular and Statement attached to the notice of Meeting.

(a) **Election of Directors.**

Nominees: B. D. Cochrane, N. E. Frost, E. A. Galvin, F. A. McKinnon,
W. M. Newhouse, P. H. Palmer, C. A. Rae, D. M. Tyerman

☐ **FOR** all nominees listed above, except as marked to the contrary

☐ **WITHHOLD VOTE** for all nominees listed above

(Instruction: To withhold authority to vote for any individual nominee strike a line through the nominee's name in the list above).

(b) **Appointment of Peat Marwick Thorne** as Auditors at a remuneration to be fixed by the Board of Directors.

☐ **FOR** ☐ **AGAINST** ☐ **WITHHOLD VOTE**

(c) In their discretion, the above Proxies are authorized to vote upon amendments to the above matters or upon such other business as may properly come before the Meeting.

NOTES:

(1) This form of proxy must be signed by the shareholder in the form in which the shares are registered or by the shareholder's attorney, authorized in writing. If not dated, the form of proxy will be deemed to bear the date on which it was mailed to the shareholders by management.

(2) When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, etc., please give full title as such. If the shareholder is a corporation, the form of proxy must be executed under its corporate seal or by an officer or attorney duly authorized.

(3) When properly executed, this form of proxy will be voted in the manner indicated by the undersigned shareholder. **In the absence of any directions to the contrary, this form of proxy will be voted in the affirmative for all nominees listed in proposal (a) and for proposal (b).**

(4) **A shareholder has the right to appoint a person other than any of the persons designated in this form of proxy to attend and act on his behalf at the Meeting. This right may be exercised by inserting such other person's name in the blank space provided for that purpose or by completing another form of proxy.**

(5) To be voted at the Meeting the completed form of proxy must be received by the Secretary of the Company, c/o Montreal Trust Company of Canada, 411 Eighth Avenue Southwest, Calgary, Alberta, Canada, T2P 1E7, prior to the Meeting or by the Chairman of the Meeting or the Secretary of the Meeting.

Number of Shares ______________________ Signature ______________________

Dated ______________________ Signature ______________________
(if jointly held)

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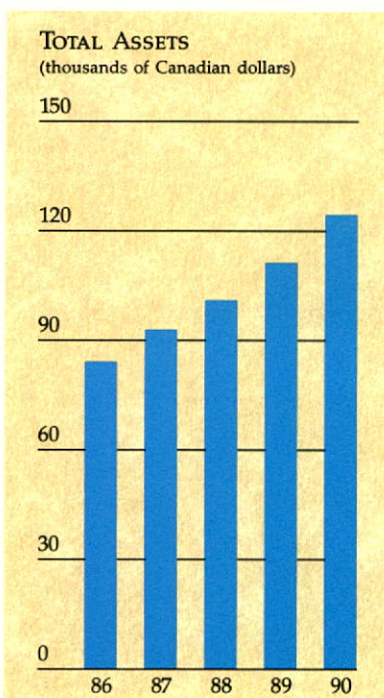
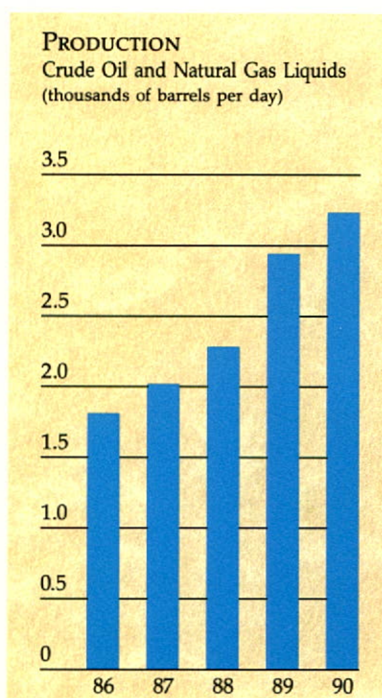
PLEASE INDICATE
ANY CHANGE OF ADDRESS

HIGHLIGHTS

	1990	1989	% Change
Financial			
(thousands of Canadian dollars except per share amounts)			
Revenue	**$ 27,227**	$ 21,402	+27
Net earnings	**$ 6,076**	$ 4,306	+41
Net earnings per share	**$ 0.77**	$ 0.55	+40
Cash generated from operations	**$ 20,539**	$ 15,711	+31
Cash generated per share	**$ 2.62**	$ 2.00	+31
Shareholders' equity	**$ 73,668**	$ 67,592	+ 9
Total assets	**$123,012**	$110,008	+12
Operations			
Production			
Crude oil and natural gas liquids			
(barrels per day)	**3,223**	2,997	+ 8
Natural gas (millions of cubic feet per day)	**11.6**	9.1	+27
Established reserves			
Crude oil and natural gas liquids			
(millions of barrels)	**11.2**	9.7	+15
Natural gas (billions of cubic feet)	**74.2**	71.8	+ 3
Land holdings (thousands of acres)			
Gross	**1,283.3**	1,373.5	− 7
Net	**264.4**	273.5	− 3





REPORT TO SHAREHOLDERS

Production and reserve gains, reflecting Prairie Oil's successful exploration, development and acquisition strategies, coupled with sharply increased oil prices during the second half of 1990, generated another year of strong earnings and cash flow growth for the Company.

FINANCIAL

In 1990, net earnings rose 41 per cent to $6.1 million while cash generated from operations increased 31 per cent to $20.5 million compared with 1989. Revenues rose 27 per cent from $21.4 to $27.2 million. The average price received by Prairie Oil for its oil and natural gas liquids in 1990 reached $23.24 per barrel, up from $18.53 in the previous year, reflecting the escalation in oil prices that followed Iraq's invasion of Kuwait on August 2, 1990.

Capital expenditures of $22.9 million in 1990 included $3.4 million for the acquisition of oil producing properties at Wayne-Rosedale and Hays/Enchant in southern Alberta. These acquisitions, completed during the last quarter of the year, added 215 barrels of oil per day to production and 650,000 barrels to reserves.

OPERATIONS

Oil and gas liquids production rose eight per cent to 3,223 barrels per day ("b/d") reflecting exploration and development successes at Prairie Oil's Hays/Enchant properties and increased volumes resulting from the Cherhill Units No. 1 and No. 2 gas conservation schemes.

Significant contributions to liquids production capability also included the full year effect of the 1989 acquisition at Golden in northwestern Alberta, and an infill drilling program at these properties in 1990. The program's first three wells boosted the Company's share of field production by approximately 600 b/d to 1,050 b/d.

In 1990, natural gas production rose 27 per cent to 11.6 million cubic feet per day ("mmcf/d") from 9.1 mmcf/d in 1989. Major contributors were the Cherhill Unit No. 1 gas conservation scheme brought onstream in mid 1989, the Cherhill Unit No. 2 which was implemented in May of 1990, and the full year contribution from the gas cap blowdown at the West Pembina Nisku "E" Pool. During the year, Prairie Oil tied in natural gas wells at Harmattan, Long Coulee and Badger/Enchant with total productive potential of more than 2.0 mmcf/d. Sales from the three wells are expected to begin early in 1991.

Barry D. Cochrane, Chairman of the Board

At December 31, 1990, established crude oil and natural gas liquids reserves were up 15 per cent to 11.2 million barrels, reflecting acquisitions as well as exploration and development successes. Particularly noteworthy were the continuing gains at Hays/Enchant where three exploration and one development well contributed 1.1 million barrels or 39 per cent of Prairie Oil's 1990 crude oil and liquids reserve additions. Established gas reserves, estimated at 74.2 billion cubic feet, increased three per cent from last year's level.

Wayne M. Newhouse, President

Outlook

Prairie Oil's 1991 capital budget has been set at $20.1 million of which $15.1 million has been allocated to exploration. At Hays/Enchant, the Company plans to drill 11 exploratory wells with an average working interest of 31 per cent while 10 wells, in which the Company holds an average working interest of 20 per cent, are budgeted for the Deep Devonian gas play in west-central Alberta.

During 1990, the Company enhanced its land position in the Deep Devonian in preparation for an aggressive drilling program. Three wells were drilling at year-end and the first five wells of a 10-well drilling program budgeted for 1991 were also underway during the first quarter.

Development projects for 1991 include a minimum of six wells at Golden, a gas conservation scheme at Hays/Enchant where five development wells will be drilled, and the tie-in of a 1989 gas discovery at Windfall West in the Deep Devonian play.

Oil price volatility resulting from the Middle East conflict continued into the first quarter and may extend well into 1991. Despite this outlook, oil price volatility in recent years has not prevented Prairie Oil from achieving consistent gains in both its financial and operating results. The Company's strong financial base, aggressive exploration programs and ongoing acquisition of strategic producing properties is expected to result in continued growth in production, reserves and earnings.

On behalf of the Board,

Barry D. Cochrane, Chairman of the Board

Wayne M. Newhouse

Wayne M. Newhouse, President

Calgary, Alberta
February 26, 1991

EXPLORATION AND DEVELOPMENT

Capital expenditures for exploration and development programs together with acquisitions in 1990 amounted to $22.9 million as compared to $24.4 million in 1989.

Major areas of activity in 1990 were the Hays/Enchant, Cherhill, Ogston, Golden and Kaybob South areas of Alberta. The Company participated in the drilling of 37 gross (10.9 net) working interest wells which resulted in 13 gross (3.9 net) oil wells and 6 gross (0.6 net) gas wells. The Company also participated through farmout agreements in 10 wells which resulted in three oil and four gas discoveries.

Hays/Enchant

Prairie Oil participated in four successful oil wells at Hays/Enchant in 1990 which added 140 b/d of oil to productive capacity. The Company's working interests in these wells range from 15 to 50 per cent. Since 1987, successful exploration and development programs in this area have consistently expanded both production and reserves. An aggressive drilling program is planned for 1991 comprising up to 11 exploratory and five development wells.

Cherhill

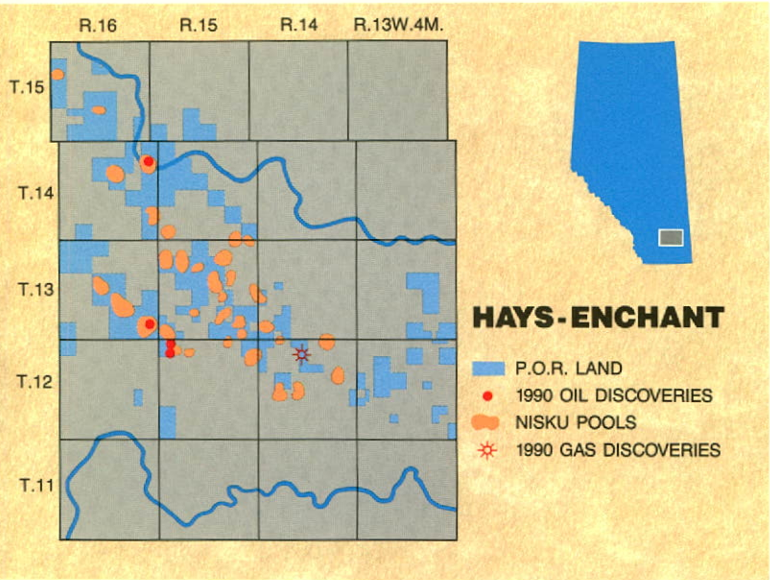
At Cherhill, Alberta, a second unitization and gas conservation scheme was implemented in May 1990. The Cherhill Unit No. 2 gas conservation scheme added 100 barrels of oil and 1.0 mmcf of gas to Prairie Oil's 1990 daily production volumes.

Ogston

Prairie Oil participated in one successful exploratory well, in which it holds a 32.5 per cent working interest, adding approximately 40 b/d to the Company's productive oil capacity.

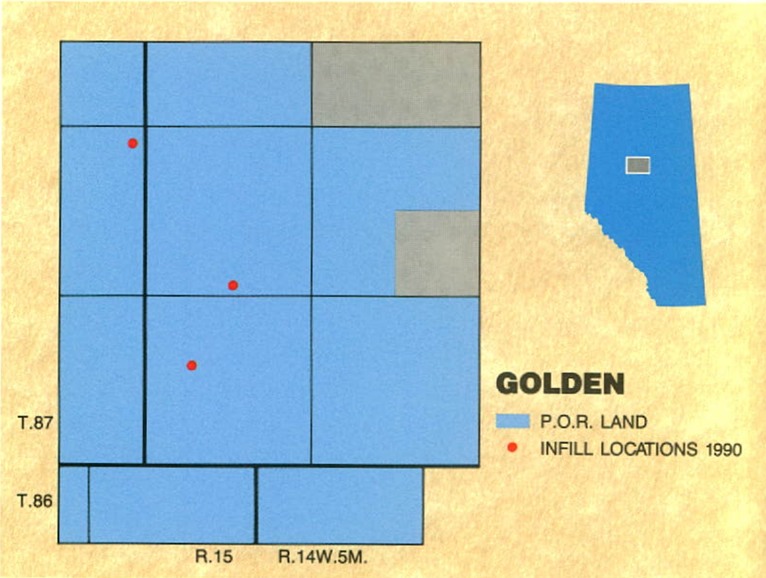
Golden

An infill drilling program initiated at Golden in northwestern Alberta in 1990 was still in progress at year-end. By late February 1991, a total of eight wells had been drilled. All eight were successful oil wells, adding approximately 1,000 b/d to Prairie's productive capacity. All wells are being placed on production upon completion which will raise the Company's share of gross field production at Golden to at least 1,450 b/d by March 1991.



Reserves

At December 31, 1990, the Company's established reserves of crude oil and natural gas liquids, before royalties, were estimated at 11.2 million barrels, compared with 9.7 million barrels a year earlier. Natural gas reserves, estimated at 74.2 billion cubic feet, increased three per cent from 71.8 billion cubic feet in 1989. Prairie Oil's successful exploration and development programs, together with acquisitions and revisions, achieved reserve replacement and growth.



Deep Devonian

At Kaybob South in the Deep Devonian play of west-central Alberta, Prairie Oil participated in land and seismic acquisition programs to follow up on its successful late 1989 discovery, where it holds a 30 per cent interest. The well, which tested in excess of its total productive capacity of 5 mmcf/d and 300 b/d of gas liquids, will be tied in during 1991, utilizing nearby facilities for a part of that capacity. Within the Deep Devonian play, three wells were underway at year-end and an additional five wells (including three in the Kaybob area) will begin drilling during the first quarter as part of a 10-well, 1991 Deep Devonian drilling program.

1991 Exploration and Development

A 1991 capital budget of $20.1 million has been approved by the Board of Directors. Expenditures are expected to be funded entirely from internally generated cash flow and will focus predominantly on exploration programs in Western Canada.

EXPLORATION AND DEVELOPMENT

Oil and Gas Land Holdings (Acres)

	Developed*		Undeveloped				Total	
	Leases		Leases		Permits and Licences			
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Alberta	260,285	52,498	396,439	90,255	129,120	40,945	785,844	183,698
British Columbia	25,158	1,632	32,409	3,582			57,567	5,214
Saskatchewan	29,621	10,467	63,382	30,257	13,734	6,867	106,737	47,591
Manitoba	1,440	480	76,488	23,091			77,928	23,571
Ontario			100	20			100	20
Arctic Islands					255,144	4,351	255,144	4,351
TOTAL	316,504	65,077	568,818	147,205	397,998	52,163	1,283,320	264,445

*Developed leases are leases upon which one or more productive or potentially productive wells have been drilled.

At December 31, 1990, the Company owned interests in 1,283,320 gross (264,445 net) acres as shown in detail in the summary above. This compares with 1,373,500 gross (273,471 net) acres at the end of 1989. The decrease in holdings is due to surrenders and expiries in all provinces. Prairie Oil has an overriding royalty or net carried interest in 182,494 acres.

Drilling Summary

The following summary table sets forth the gross and net exploratory and development wells in which the Company participated during the five-year period ended December 31, 1990:

	Exploratory Wells					Development Wells				
		Net Wells					Net Wells			
Year	Gross Wells	Oil	Gas	Dry	Total	Gross Wells	Oil	Gas	Dry	Total
1986	33	1.24	0.24	2.88	4.36	44	0.25	0.04	0.20	0.49
1987	49	2.72	0.54	6.69	9.95	48	0.52	1.30	0.33	2.15
1988	68	4.04	1.91	5.08	11.03	15	2.91		1.05	3.96
1989	21	2.08	0.51	3.00	5.59	22	1.70	1.38	0.36	3.44
1990	24	1.23	0.58	6.12	7.93	13	2.66	0.04	0.28	2.98

As at December 31, 1990, the Company had working interests in 1,314 gross (56.9 net) producing oil wells and 370 gross (59.2 net) producing gas wells in Western Canada, and royalty interests in 1,459 gross (19.5 net) producing oil wells and 87 gross (1.4 net) producing gas wells, most of which were in Saskatchewan.

MANAGEMENT'S DISCUSSION AND FINANCIAL ANALYSIS

Financial performance, which increased in 1989 over 1988, further improved in 1990 reflecting higher oil prices and increased production volumes. Net earnings increased to $6.1 million (77 cents per share), up 41 per cent from $4.3 million (55 cents per share) in 1989 and up from $3.6 million (46 cents per share) in 1988. Cash generated from operations rose to $20.5 million in 1990 from $15.7 million in 1989 and $13.5 million in 1988.

Oil prices, which had firmed up in 1989 over 1988 following agreement among Organization of Petroleum Exporting Countries' members on production quotas, initially increased further in early 1990, but fell through the balance of the first half until the invasion of Kuwait by Iraq. Overall, the price for WTI oil, which had averaged U.S.$20.08 per bbl in the first half and U.S.$28.62 per bbl in the second half, averaged U.S.$24.35 per bbl for the year compared to an average of U.S.$19.36 per bbl in 1989 and U.S.$15.96 per bbl in 1988.

Operating Results

Revenues increased by $5.8 million, to $27.2 million in 1990, up from $21.4 million in 1989 and $15.1 million in 1988. The increase was primarily due to higher oil prices ($4.6 million) coupled with gas and liquids production increases ($2.4 million), partially offset by higher royalties in 1990.

Oil and natural gas liquids production increased to 3,223 b/d in 1990 from 2,997 b/d in

1989 and 2,299 b/d in 1988 primarily as a result of the 1989 acquisitions at Golden, the Cherhill Units No. 1 and No. 2 gas conservation schemes, and exploration and development successes at Hays/Enchant. The average price received for oil and liquids was $23.24 per bbl in 1990 compared with $18.53 in 1989 and $15.20 in 1988. Liquids volumes are expected to increase in 1991 reflecting recent discoveries at Golden as well as acquisitions in the Enchant and Wayne-Rosedale areas of Alberta and 1991 exploration and development successes.

Natural gas production increased to 11.6 mmcf/d in 1990 from 9.1 mmcf/d in 1989 and 8.3 mmcf/d in 1988 primarily due to new gas conservation schemes at Cherhill and the full year of sales from the West Pembina Nisku "E" Pool. Average gas prices in 1990 were $1.46 per mcf, up from $1.40 per mcf in 1989 and $1.41 per mcf in 1988.

Operating expenses were $4.9 million in 1990, up from $4.5 million in 1989 and $3.1 million in 1988. On a unit cost basis, however, the liquids operating cost declined from $2.80 per barrel to $2.64 per barrel and from $0.44 per mcf to $0.37 per mcf for natural gas. Depletion and depreciation expense increased to $10.3 million compared to $9.0 million in 1989 and $7.5 million in 1988. These increases were totally attributable to the production increases as the depletion rate remained constant at $5.45 per barrel.

A higher average debt position resulted in financial expense of $1.4 million in 1990 versus $0.9 million in 1989 and less than $0.1 million in 1988.

Income tax expense increased in 1990 as a result of the higher pre-tax earnings. Prairie Oil's ARTC in 1990 remained constant at $1.7 million compared with 1989, down slightly from $1.9 million in 1988. A delay in the implementation of certain new ARTC rules announced by the Government of Alberta in 1989 will allow the Company to receive full benefit of the allowable credit in 1991.

When oil prices escalated after the invasion of Kuwait, the Company attempted to take advantage of this opportunity and hedged 60,000 barrels of fourth quarter production. The continuing threat of war in the Persian Gulf through the fourth quarter kept actual prices in excess of those hedged and resulted in approximately $0.2 million of foregone revenues. Prairie Oil is continuing to monitor current developments in the Middle East and their effect on oil futures markets, and may hedge some part of its 1991 production if target pricing objectives can be met.

Liquidity and Capital Spending

The 1990 acquisitions and capital program were financed through cash generated from operations and augmented by financings from Prairie Oil's parent. At December 31, 1990, the amount due to the Company's parent stood at $10.4 million compared to $6.8 million at year-end 1989 and $3.7 million in 1988.

Acquisitions and capital expenditures in 1990 totalled $22.9 million compared to $24.4 million in 1989 and $29.9 million in 1988. Property acquisitions of $2.4 million in the Wayne-Rosedale area and $1.0 million in the Hays/Enchant area contributed 0.7 million barrels of oil and 1.3 billion cubic feet of gas to reserve levels in 1990. In early 1991, Prairie Oil acquired an interest in the Golden area for $0.5 million.

For 1991, a capital budget of $20.1 million was approved by the Board of Directors, consisting of an exploration budget of $15.1 million and a development budget of $5.0 million. Exploration activity will continue to concentrate on the Nisku oil zone in southern Alberta and the Deep Devonian natural gas play in west-central Alberta.

Outlook

The volatility in world oil markets introduced by the Iraqi invasion of Kuwait is expected to continue to at least mid-1991. Prairie Oil's 1991 capital spending program is based on a forecast U.S.$22.00 WTI price for the year. At this price level, it is expected that internally generated cash flow will fund the 1991 capital program, but in the event that oil prices decline below this projected level for any significant period of time, the Company would review its capital commitments. A change of U.S.$1.00 per barrel in the North American WTI benchmark price of crude will affect Prairie Oil's 1991 earnings and cash generated from operations by $0.6 million.

In each of the past three years, Prairie Oil has more than replaced the reduction in reserves from production through exploration and development activities, as well as from revisions of prior years' estimates. Although this continues to be the Company's objective, it may not always be possible to achieve at economic finding costs because of the risks and uncertainties inherent in oil and gas exploration activities.

BALANCE SHEET

As at December 31, 1990 and 1989 (thousands of Canadian dollars)	1990	1989
ASSETS		
Current Assets		
Cash and short-term investments	**$ 259**	
Accounts receivable	**2,544**	$ 2,503
Income tax receivable	**208**	125
	3,011	2,628
Properties, Plant and Equipment (Note 2)	**120,001**	107,380
	$123,012	$110,008
LIABILITIES		
Current Liabilities		
Accounts payable and accrued charges	**$ 2,447**	$ 2,933
Due to parent company	**10,419**	6,803
Current amount of deferred gas revenues	**773**	586
	13,639	10,322
Deferred Gas Revenues	**1,609**	2,197
Deferred Income Taxes	**34,096**	29,897
SHAREHOLDERS' EQUITY		
Capital Stock (Note 3)		
Issued: 7,846,076 common shares	**1,962**	1,962
Contributed Surplus	**574**	574
Retained Earnings	**71,132**	65,056
	73,668	67,592
	$123,012	$110,008

Approved by the Board

Director

Wayne M. Newhouse Director

STATEMENT OF EARNINGS AND RETAINED EARNINGS

Years Ended December 31, 1990, 1989 and 1988 (thousands of Canadian dollars except per share amounts)	**1990**	1989	1988
Sales and Other Revenues			
Oil and gas	**$ 24,758**	$19,298	$12,431
Royalties	**2,345**	1,947	1,693
Interest and other	**124**	157	1,024
	27,227	21,402	15,148
Costs and Expenses			
Production	**4,873**	4,535	3,074
Depletion and depreciation	**10,264**	8,983	7,507
General and administrative	**2,040**	1,854	1,541
Financial expense	**1,352**	925	42
	18,529	16,297	12,164
Earnings before income taxes	**8,698**	5,105	2,984
Income taxes (Note 4)			
Current (recovery)	**(1,577)**	(1,623)	(2,899)
Deferred	**4,199**	2,422	2,256
	2,622	799	(643)
Net Earnings	**6,076**	4,306	3,627
Retained Earnings, Beginning of Year	**65,056**	60,750	57,123
Retained Earnings, End of Year	**$ 71,132**	$65,056	$60,750
Earnings Per Share	**$ 0.77**	$ 0.55	$ 0.46

STATEMENT OF CHANGES IN FINANCIAL POSITION

Years Ended December 31, 1990, 1989 and 1988 (thousands of Canadian dollars)	**1990**	1989	1988
Operating Activities			
Net earnings	**$ 6,076**	$ 4,306	$ 3,627
Add non-cash items:			
Deferred income taxes	**4,199**	2,422	2,256
Depletion and depreciation	**10,264**	8,983	7,507
Other			146
Cash generated from operations	**20,539**	15,711	13,536
Deferred gas revenues	**(588)**	(564)	(408)
Sale of subsidiary (Note 5)			837
Decrease (increase) in working capital (i)	**(423)**	3,808	(4,636)
Net Cash Available	**19,528**	18,955	9,329
Investing Activities			
Investments		(1,776)	(1,890)
Expenditures on properties, plant and equipment	**22,885**	24,448	29,901
Total Cash Invested	**22,885**	22,672	28,011
Deficiency Before Financing	**(3,357)**	(3,717)	(18,682)
Financing Activities			
Advances from parent	**3,616**	3,065	3,740
Change in Cash	**259**	(652)	(14,942)
Cash, Beginning of Year		652	15,594
Cash, End of Year	**$ 259**	$	$ 652

(i) Working capital excludes cash, short-term investments and amounts due to parent.

AUDITORS' REPORT

To the Shareholders of

PRAIRIE OIL ROYALTIES COMPANY, LTD.

We have audited the balance sheet of Prairie Oil Royalties Company, Ltd. as at December 31, 1990 and 1989 and the statements of earnings, retained earnings, and changes in financial position for each of the years in the three year period ended December 31, 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1990 and 1989 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1990 in accordance with generally accepted accounting principles.

Calgary, Canada
February 1, 1991

Peat Marwick Thorne
Chartered Accountants

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 1990, 1989 and 1988
(Tabular amounts are in thousands of Canadian dollars except where otherwise noted)

1. Accounting Policies

The Annual Report and the accompanying financial statements have been prepared by Management and approved by the Board of Directors. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a consistent basis and comply with United States generally accepted accounting principles in all material respects. The principles used were those judged by Management to be the most appropriate in the circumstances. Management acknowledges responsibility for the fairness, integrity and objectivity of all financial information contained in the Annual Report including the financial statements, and that all information contained in the Annual Report is consistent with the financial statements. The Company's auditors are responsible for auditing the financial statements and expressing an opinion on them. The Audit Committee of the Board of Directors is responsible for reviewing the annual financial statements and reporting thereon to the Board, making recommendations to the Board with respect to the appointment and remuneration of the Company's auditors, reviewing the scope of the audit and reviewing the Company's internal financial controls.

Basis of Presentation

All of the Company's operations are in one business segment, namely, oil and gas exploration, development and production, and all of the Company's operations are conducted in one geographic segment, Canada. Accordingly, no separate disclosure has been made of financial data by segment.

Properties, Plant and Equipment

Oil and gas properties and production equipment, in accordance with the full cost method of accounting, include expenditures related to the acquisition, exploration and development of oil and gas reserves, whether or not potentially productive. These costs are depleted and depreciated, on a country-by-country basis, using the unit of production method based on total estimated proved recoverable reserves. Natural gas reserves and production are converted to equivalent barrels of crude oil based on relative energy content. Proceeds on sale of properties are credited to asset costs.

Capitalized costs are limited to estimated undiscounted future net revenues, based on year-end prices, plus the net cost of unproved properties (the ceiling test). An enterprise ceiling test is also conducted, taking into account future interest costs, administrative costs and income taxes attributed to oil and gas operations.

Deferred Gas Revenues

Deferred gas revenues represent payments received under take-or-pay gas contracts. These amounts are included in revenue as the gas to which the payments relate is delivered. Deliveries, which are to be made over a ten year period, ending in 1993, are governed by contractual arrangement.

2. Properties, Plant and Equipment

	1990	1989
Properties	**$158,399**	$139,000
Production equipment	**21,580**	18,094
	179,979	157,094
Accumulated depreciation and depletion	**59,978**	49,714
Net book value	**$120,001**	$107,380

During the year, the Company capitalized $1,934,000 ($2,176,000 in 1989, $2,222,000 in 1988) of administrative overhead expenditures directly related to exploration activities.

3. Capital Stock

(a) *Authorized*

The authorized share capital of the Company consists of an unlimited number of common shares; an unlimited number of junior preferred shares; and an unlimited number of senior preferred shares.

(b) *Issued*

The Company has 7,846,076 common shares issued and outstanding of which 74.4 per cent are owned by the Company's parent, Norcen Energy Resources Limited ("Norcen").

4. Income Taxes

Deferred income taxes result from timing differences in the recognition of income and expenses for income tax and for financial statement purposes. The source of these differences is principally exploration and development expenditures and capital cost allowances deducted for income tax purposes in excess of depletion and depreciation.

The provision for income taxes in the Statement of Earnings and Retained Earnings varies from the amount that would be computed by applying the Canadian federal statutory rate to earnings before income taxes for the following reasons:

	1990	1989	1988
Earnings before income taxes	**$ 8,698**	$ 5,105	$ 2,984
Canadian federal statutory rate of income tax	**38.84%**	38.84%	42.43%
Computed income tax expense	**$ 3,378**	$ 1,983	$ 1,266
Increase (decrease) in income tax resulting from:			
Alberta Royalty Tax Credit	**(1,738)**	(1,716)	(1,941)
Provincial income taxes in excess of federal abatement	**492**	263	150
Large Corporations Tax	**123**	92	
Non-deductible Crown payments less federal resource allowance	**45**	(72)	16
Non-deductible depletion	**364**	217	
Other items, net	**(42)**	32	(134)
Actual income tax expense (recovery)	**$ 2,622**	$ 799	$ (643)
Effective income tax rate	**30.14%**	15.65%	(21.55)%

In December 1987, the Financial Accounting Standards Board ("FASB") issued SFAS No. 96, "Accounting for Income Taxes", requiring the use of the liability method. In January 1990, the FASB deferred the effective date to years beginning after December 15, 1991. The liability method bases the amount of deferred taxes payable on existing tax rates and requires, in accordance with accounting principles in the United States, in the year of adoption, restatement of prior periods' expense or recognition of the cumulative effect in the current year's Statement of Earnings and Retained Earnings. The Company has not determined the financial impact of adopting SFAS No. 96, but it is anticipated that a substantial reduction of the deferred tax balance will result.

5. Sale of Subsidiary

Effective December 31, 1988, the Company sold its 100 per cent interest in P.O.R. Oil & Gas Inc. to Norcen for a cash consideration of $837,000. The book value of the assets of P.O.R. Oil & Gas Inc. was $650,000.

6. Related Party

The Company's operations are managed by its parent company, Norcen. For the year ended December 31, 1990, management fees paid to Norcen amounted to $3,844,000 ($3,899,000 in 1989, $3,640,000 in 1988). Amounts due to Norcen stood at $10,419,000 at year-end ($6,803,000 in 1989, $3,738,000 in 1988). This debt has no fixed payment schedule and interest expense, charged at the prime rate as reported by the Canadian Imperial Bank of Commerce, in 1990, was $1,258,000 ($923,000 in 1989, nil in 1988).

SUPPLEMENTAL INFORMATION (Unaudited)

Years Ended December 31, 1990, 1989 and 1988
(tabular amounts are in thousands of Canadian dollars except per share amounts and where otherwise noted)

Quarterly and Other Financial Data

	Quarter				
	First	Second	Third	Fourth	Year
1990					
Revenue	**$6,558**	**$4,595**	**$6,935**	**$9,139**	**$27,227**
Earnings before income taxes	**2,334**	**351**	**2,357**	**3,656**	**8,698**
Net earnings	**1,774**	**296**	**1,768**	**2,238**	**6,076**
Earnings per share	**0.23**	**0.03**	**0.23**	**0.28**	**0.77**
Market price per common share(i)					
High	**8⅞**	**8⅞**	**11½**	**11½**	**11½**
Low	**7⅝**	**7⅝**	**8½**	**7½**	**7½**
1989					
Revenue	$4,422	$4,694	$5,993	$6,293	$21,402
Earnings before income taxes	1,015	1,155	1,673	1,262	5,105
Net earnings	1,094	1,020	1,441	751	4,306
Earnings per share	0.14	0.13	0.18	0.10	0.55
Market price per common share(i)					
High	6½	6¾	7⅜	8⅜	8⅜
Low	5⅜	6	6⅝	7⅛	5⅜

(i) The market prices are as reported by the American Stock Exchange (the primary market) in U.S. dollars.

Oil and Gas Information

The following unaudited supplementary information is disclosed in accordance with the provisions of SFAS No. 69 "Disclosures about Oil and Gas Producing Activities".

Capitalized Costs

The Company has capitalized property acquisition, exploration and development costs pertaining to its oil and gas operations as follows:

	1990	1989
Properties		
Proved	**$148,513**	$129,784
Unproved	**9,886**	9,216
Production equipment	**21,580**	18,094
	179,979	157,094
Accumulated depreciation and depletion	**59,978**	49,714
Capitalized costs	**$120,001**	$107,380

SUPPLEMENTAL INFORMATION (Unaudited)

Costs Incurred for Property Acquisition, Exploration and Development Activities

	1990	1989	1988
Costs capitalized in the year			
Property acquisition – Proved	**$ 3,485**	$ 6,440	$10,378
– Unproved	**3,455**	2,738	4,095
Exploration (i)	**11,847**	11,041	12,156
Development (i)	**4,098**	4,229	3,272
Total capitalized	**$22,885**	$24,448	$29,901

(i) Exploration and development costs are shown net of government incentive payments earned, nil in 1990 ($1,706,000 in 1989, $3,552,000 in 1988).

Results of Operations for Oil and Gas Producing Activities

	1990	1989	1988
Revenue	**$33,408**	$25,054	$17,174
Production expenses (i)	**11,703**	8,686	6,245
Depreciation and depletion (ii)	**10,264**	8,983	7,507
	11,441	7,385	3,422
Income tax expense (recovery)	**3,825**	1,793	(505)
Results of operations from producing activities	**$ 7,616**	$ 5,592	$ 3,927

(i) Production expenses include oil and gas operating expenses, production revenue taxes as well as freehold and crown royalty payments of $6,830,000 in 1990 ($4,151,000 in 1989, $3,171,000 in 1988).
(ii) Depletion expense per equivalent barrel was $5.45 in 1990 ($5.45 in 1989, $5.56 in 1988).

Reserves

The reserve information provided below is provided on a proved reserve basis only after deducting royalty interests of governments and others. The reserve quantity information summarizes the changes in quantities of net proved oil and gas reserves determined using constant prices and costs.

	1990		1989		1988	
	Oil and Gas Liquids (mbbls)	**Gas (mmcf)**	Oil and Gas Liquids (mbbls)	Gas (mmcf)	Oil and Gas Liquids (mbbls)	Gas (mmcf)
Proved developed and undeveloped reserves						
Beginning of year	**7,428**	**55,735**	5,485	50,934	3,594	40,995
Revision of previous esimates	**217**	**4,724**	306	3,118	44	1,096
Purchase of reserves in place	**499**	**934**	1,315		1,025	6,353
Extensions, discoveries and other additions	**956**	**1,215**	1,226	4,565	1,515	4,877
Production	**(944)**	**(4,242)**	(904)	(2,882)	(693)	(2,387)
End of year	**8,156**	**58,366**	7,428	55,735	5,485	50,934
Proved developed reserves						
End of year	**8,156**	**50,156**	7,428	40,803	5,485	39,789

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves

In calculating the standardized measure of discounted future net cash flows, prices and costs in effect at year-end were assumed to be constant, were applied to proved reserves as determined by internal engineering estimates and provision was made for estimated future development expenditures that will be required to produce the reserves. Royalty deductions were based on laws, regulations and contracts existing at the end of the fiscal year. The discounted future net cash flows are derived by applying a 10 per cent discount factor, as required by the SFAS No. 69 rules, to the future net cash flows.

Management believes that this information does not sufficiently reflect the current economic value of the oil and gas producing properties or the present value of estimated future cash flows since no economic value is attributed to potential reserves, the use of a 10 per cent discount rate is arbitrary and prices constantly change from year-end levels.

	1990	1989	1988
	(millions of Canadian dollars)		
Future cash inflows	**$ 404.2**	$ 306.3	$ 212.6
Future production costs	**(152.4)**	(118.6)	(78.5)
Future development costs	**(3.7)**	(3.0)	(3.3)
Future income tax expense	**(84.3)**	(59.2)	(37.6)
Future net cash flows	**$ 163.8**	$ 125.5	$ 93.2
Standardized measure of future net cash flows discounted at 10%	**$ 93.3**	$ 73.1	$ 56.6

The following table sets out principal sources of change in the standardized measure of discounted future net cash flows during the respective periods:

	1990	1989	1988
	(millions of Canadian dollars)		
Sales of oil and gas and value of transfers	**$ (21.8)**	$ (16.4)	$ (10.9)
Net changes in prices and production costs	**26.7**	14.0	(8.6)
Extensions, discoveries and improved recovery, less related costs	**9.4**	12.8	13.3
Purchase of reserves in place	**5.6**	8.6	10.6
Development costs incurred during the period	**1.1**	1.4	0.3
Revisions of previous quantity estimates and other	**2.7**	0.8	
Accretion of discount	**10.8**	7.9	6.8
Net changes in income taxes	**(14.3)**	(12.6)	0.8
Net increase	**20.2**	16.5	12.3
Beginning of period	**73.1**	56.6	44.3
End of period	**$ 93.3**	$ 73.1	$ 56.6

SELECTED FINANCIAL AND OPERATING DATA

(thousands of Canadian dollars except per share amounts and Stock Exchange quotations)

FIVE YEAR SUMMARY

Long-term obligations, including capital leases, redeemable preferred stock and dividends are not applicable for the disclosed periods.

	For the Years Ended December 31				
	1990	1989	1988	1987	1986
Revenue					
Oil sales	**$ 19,637**	$ 15,041	$ 9,108	$10,239	$ 7,772
Gas sales	**5,121**	4,257	3,323	2,915	4,352
Royalties	**2,345**	1,947	1,693	2,426	1,633
Interest and other	**124**	157	1,024	1,406	1,308
	27,227	21,402	15,148	16,986	15,065
Expenses					
Production and administration	**6,913**	6,389	4,615	3,531	3,832
Production revenue taxes					917
Depreciation and depletion	**10,264**	8,983	7,507	5,385	5,652
Financial expense	**1,352**	925	42	61	79
Write-down of non-productive assets					1,341
Income taxes	**2,622**	799	(643)	1,062	1,132
	21,151	17,096	11,521	10,039	12,953
Net Earnings	**$ 6,076**	$ 4,306	$ 3,627	$ 6,947	$ 2,112
Cash Generated from Operations	**$ 20,539**	$ 15,711	$13,536	$14,680	$11,046
Capital Expenditures (i)	**$ 22,885**	$ 24,448	$29,901	$12,697	$ 8,720
Total Assets	**$123,012**	$110,008	$99,137	$93,585	$83,413
Production (before royalties)					
Crude oil and natural gas liquids (barrels per day)	**3,223**	2,997	2,299	2,014	1,827
Natural gas (mcf per day)	**11,622**	9,118	8,340	5,915	8,078
Common Shares					
Issued and outstanding	**7,846,076**	7,846,076	7,846,076	7,846,076	7,846,076
Number of shareholders	**596**	635	650	692	693
Earnings per share	**$ 0.77**	$ 0.55	$ 0.46	$ 0.89	$ 0.27

(i) Capital expenditures are net of government incentive payments earned.

Market Prices

American Stock Exchange
(U.S.$)

	1990		1989		1988		1987		1986	
	High	**Low**	High	Low	High	Low	High	Low	High	Low
1st Quarter	**8⅞**	**7⅝**	6½	5⅜	7⅛	4⅞	7⅜	6	5⅞	3⅞
2nd Quarter	**8⅞**	**7⅝**	6¾	6	7⅜	5⅞	7⅛	6⅛	5⅞	4¾
3rd Quarter	**11½**	**8½**	7⅜	6⅝	6¾	5⅝	9¾	6⅜	5⅜	4
4th Quarter	**11½**	**7½**	8⅜	7⅛	5⅞	5	7⅝	4⅞	6½	4¾

Toronto Stock Exchange
(Cdn.$)

	1990		1989		1988		1987		1986	
	High	**Low**	High	Low	High	Low	High	Low	High	Low
1st Quarter	**10⅝**	**9**	7½	6¾	8¼	6⅜	9½	8	7½	6⅞
2nd Quarter	**10½**	**9¾**	8¼	7⅛	8½	7½	9½	8¾	8	6¼
3rd Quarter	**11½**	**10**	8⅝	8	7¾	7	12	9	7½	6¼
4th Quarter	**11**	**9½**	9⅜	8⅜	7¼	6¼	10	6½	8¾	7

CORPORATE INFORMATION

Board of Directors

BARRY D. COCHRANE*, Calgary, Alberta
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Chief Executive Officer
Norcen Energy Resources Limited

NORMAN E. FROST*, Calgary, Alberta
President
CanStates Gas Marketing

EDWARD A. GALVIN*, Calgary, Alberta
Chairman of the Board
Poco Petroleums Ltd.

FREDERICK A. McKINNON*, Calgary, Alberta
Company Director

WAYNE M. NEWHOUSE, Calgary, Alberta
Senior Vice-President, Production
Norcen Energy Resources Limited

PAUL H. PALMER, Calgary, Alberta
Senior Vice-President and
Chief Financial Officer
Norcen Energy Resources Limited

CLIFFORD A. RAE, Q.C., Calgary, Alberta
Barrister and Solicitor

DAVID M. TYERMAN, Q.C., Regina, Saskatchewan
Barrister and Solicitor
MacPherson, Leslie & Tyerman

*Member of the Audit Committee

Corporate Officers

BARRY D. COCHRANE, Chairman of the Board

WAYNE M. NEWHOUSE, President

D.K. BRUCE FENWICK, Vice-President, Exploration

WILLIAM T. KILBOURNE, Vice-President, Legal

J. GERHARD SCHOPP, Vice-President, Operations

GORDON B. SINGER, Vice-President, Comptroller

DAVID M. TYERMAN, Q.C., Secretary

D. STEPHEN MUIR, Treasurer

ROBERT J. BREEN, Assistant Treasurer

DONNA M. BARBER, Assistant Secretary

LINDA G. SWAN, Assistant Secretary

Executive Office

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Calgary, Alberta T2P 2X7

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1500 Continental Bank Building
1874 Scarth Street
Regina, Saskatchewan S4P 4E9

Registrars and Transfer Agents

Montreal Trust Company of Canada
Regina, Saskatchewan and Toronto, Ontario

First Chicago Trust Company of New York
New York, U.S.A.

Auditors

Peat Marwick Thorne
Calgary, Alberta

Stock Exchange Listings

(Symbol – POY)
The Toronto Stock Exchange
American Stock Exchange

Form 10-K

Copies of the Annual Report on Form 10-K filed with the Securities and Exchange Commission of the United States are available to Shareholders by writing to the Corporate Secretary of the Company.

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