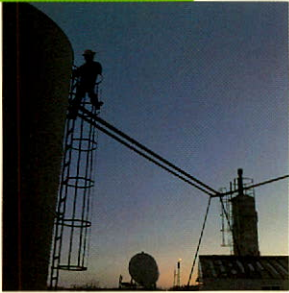


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**Prairie**  
Oil Royalties Company, Ltd.



ANNUAL REPORT 1988



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## ANNUAL MEETING

The Annual Meeting of Shareholders of the Company will be held on Wednesday, May 10, 1989 at 10:30 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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## 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, 1988, 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 the United States and is engaged in oil and gas exploration and development in Western Canada.

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# PRAIRIE OIL ROYALTIES COMPANY, LTD.

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

## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual and Special 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

**Wednesday, May 10, 1989**

at 10:30 o'clock in the forenoon, local time, for the following purposes:

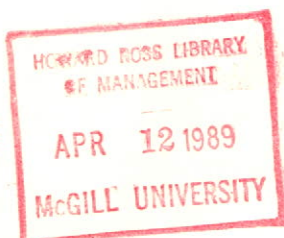
1. to receive the annual report including the consolidated financial statements for the year ended December 31, 1988 and the auditors' report thereon;
2. to elect directors;
3. to appoint auditors and authorize the Board of Directors to fix their remuneration;
4. to consider and, if thought fit, approve a special resolution approving the amendment of the Company's Articles to create new classes of Senior Preferred Shares and Junior Preferred Shares; and
5. 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 23rd day of March, 1989.

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 23, 1989

### 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 and Special Meeting of Shareholders (the "Meeting") of the Company called for May 10, 1989 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 4, 1989.

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 as to any matter in which a vote has not already been cast pursuant to the authority conferred by the proxy, by depositing such form of proxy or of revocation with the Chairman of the Meeting on the day of 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, for the appointment of auditors and for the creation of Senior Preferred Shares and Junior Preferred Shares, 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 31, 1989 as the record date for determination of the shareholders entitled to receive the notice of Meeting. Only persons who are shareholders of record at the close of business on March 31, 1989, or who subsequently become shareholders 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 28, 1989, will be entitled to vote at the Meeting. On a ballot all persons who are shareholders entitled to vote will be entitled to one vote for each share held.

The capital stock of the Company presently consists of a single class of common shares. 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 37.5% of the Multiple Voting Ordinary Shares and 31.2% of the Subordinate Voting Ordinary Shares of Norcen which are currently outstanding.*

*As a result of the corporate relationships described herein, trusts, whose beneficiaries include Edward M. Bronfman and Peter F. Bronfman and their respective families, may be deemed to be "beneficial owners" of Norcen and "control persons" of Norcen within the meaning of United States Federal securities laws. Edper Enterprises Ltd., which is controlled by the aforementioned trusts, indirectly owns approximately 50.1% of the shares of Brascan Holdings Inc. ("Brascan") and approximately 40% of Hees International Bancorp Inc. ("Hees"). Hees owns approximately 49.9% of Brascan. Brascan owns, directly and indirectly, approximately 49% of Brascan Limited which, in turn, directly or indirectly owns approximately 42.4% of the voting shares of Noranda. Therefore, pursuant to United States Federal securities laws the aforementioned trusts may be deemed to be the beneficial owners of the 37.5% of Norcen's Multiple Voting Ordinary Shares and 31.2% of Norcen's Subordinate Voting Ordinary Shares beneficially 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 and officers as a group.

Company	Class of shares	Number of shares beneficially owned	Percent of class owned
Prairie Oil Royalties Company, Ltd.	Common	11,200	0.143
Norcen Energy Resources Limited	Multiple Voting Ordinary Subordinate Voting Ordinary	4,924 347,186	0.018 1.109

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. 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 eligible for election and, with the exception of two persons, are presently Company directors, 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 date on which each nominee became a director of the Company, if applicable, and (iv) the number of shares of the Company and Norcen beneficially owned or controlled, directly or indirectly, by each nominee as at March 23, 1989 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, 1988. 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)		
			Company Shares	Norcen Multiple Voting Ordinary Shares	Subordinate Voting
COCHRANE, Barry D. Chairman of the Board and President of the Company since Aug. 1988 and Sept. 1986, respectively. Senior Vice-President from Feb. 1983 to Sept. 1986, and Senior Vice-President, Exploration and Production since Sept. 1986, all with Norcen.	53	1986	—	2	107,266
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. From Jan. 1988 to Sept. 1988 President and Director of GasTrade Incorporated.	55	—	400	—	—
GALVIN, Edward A. Chairman and Director, Poco Petroleums Ltd. (oil and gas exploration and development company) and Director of its affiliates, Bonanza Oil & Gas Ltd. and Central Explorers Inc.	76	1966	3,200	—	—
McKINNON, Frederick A. Company Director	71	1966	—	—	—
NEWHOUSE, Wayne M. Vice-President, Production since July 1983 with Norcen.	49	1988	—	651	84,851
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.	55	—	—	—	77,386
RAE, Clifford A., Q.C. Barrister and Solicitor. Administrator of private foundation and Counsel to Macleod Dixon, Barristers and Solicitors. Prior to Feb. 1986 partner with Macleod Dixon.	51	1966	—	—	—



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
TYERMAN, David M., Q.C. Secretary of the Company since May 1966. Barrister and Solicitor, Counsel to MacPherson, Leslie & Tyerman, Barristers and Solicitors.	82	1963	8,000	1,000	1,000

- (1) The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by each nominee. No shares of the Company or Norcen are beneficially owned by members of the immediate families of the nominees.

### 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, technical and administrative positions with the Company and/or Norcen and certain of its other subsidiaries. Mr. Cochrane holds directorships in Iron Ore Company of Canada and Progas Limited.

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 CanCapital Corporation, Domequity Growth & Calgary Ltd. and Remington Energy Ltd.

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 companies). At the present time, Mr. McKinnon is a director of Fluor Daniel Canada Inc., NOVA Corporation of Alberta, Novalta Resources Ltd. and Webex Oil & Gas Ltd.

Mr. Palmer is a Chartered Accountant who 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 five meetings of the Board of Directors. The only committee of the Board of Directors is the Audit Committee (the "Committee"), composed of three directors, two 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 and Galvin. The Committee held one meeting during 1988.

During 1988 all directors, with the exception of Mr. Rae, attended at least 75% of the aggregate of all Board of Directors and Committee meetings.

### 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 and 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 and employment last five years	Age	Position with Company (1)	Appointment Date
William T. Kilbourne Vice-President, Legal and Secretary since Feb. 1983, all with Norcen.	54	Vice-President, Legal	May 4, 1988
Gordon B. Singer Vice-President, Accounting and Services from Feb. 1983 to Sept. 1986 and Vice-President and Comptroller since Sept. 1986, all with Norcen.	48	Vice-President, Comptroller	December 2, 1982
D. Stephen Muir Manager, Accounting and Systems from Mar. 1983 to Dec. 1986 and Treasurer since Dec. 1986, all with Norcen.	37	Treasurer	December 10, 1986
Robert J. Breen Accountant, from 1981 to Oct. 1986 with Labrador Mining and Exploration Company Limited (a wholly-owned subsidiary of Norcen), Investment Analyst from Nov. 1986 to Feb. 1988 and Assistant Treasurer since Feb. 1988, with Norcen.	45	Assistant Treasurer	December 10, 1986
Donna M. Barber Senior administrative/supervisory capacities in the Canadian Exploration Department for more than five years; Land Supervisor, Contracts and Administration since Jan. 1989, all with Norcen.	52	Assistant Secretary	May 4, 1988
Linda G. Swan Corporate secretarial functions for over five years; Assistant Secretary of numerous subsidiary companies from July 1986 and Administrator, Corporate Services since Apr. 1987, all with Norcen.	42	Assistant Secretary	September 10, 1986

(1) 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, 1988)

Directors of the Company, excluding those who are officers of the Company and employees of Norcen, receive an annual fee of \$4,000 plus an attendance fee of \$400 for each board meeting attended. Chairmen and members of committees receive fees of \$500 and \$400, respectively, for each meeting attended. Directors' fees paid for the year 1988 totalled \$23,300 and were paid to four 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 and 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 the Company during 1988.

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, 1988, the fee paid and payable to Norcen was \$3,640,000 composed of \$2,222,000 for exploration overhead and \$1,418,000 for administrative fees. The comparative amounts for the year ended December 31, 1987 were \$2,829,000, \$1,743,000 and \$1,086,000, respectively.

The insiders of Norcen as at March 23, 1989 are set forth in the attached Schedule "A" as required by securities legislation of the Provinces of Ontario and Saskatchewan.



## **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.

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 1988 was \$189,000, which amount was paid by Norcen on behalf of itself and certain of its subsidiaries, including the Company.

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 1988 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 Thorne Ernst & Whinney as auditors of the Company to hold office until the next annual meeting of shareholders. Thorne Ernst & Whinney were first appointed as auditors of the Company on October 27, 1967 under the name of Riddell, Stead & Co.

Representatives of Thorne Ernst & Whinney 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.

## **Creation of Senior Preferred Shares and Junior Preferred Shares**

The shareholders will be requested to consider and, if thought fit, to approve a special resolution amending the Company's Articles to create additional classes of Senior Preferred Shares and Junior Preferred Shares. An unlimited number of shares of each class will be authorized. The full text of the special resolution, and of the rights, privileges, restrictions and conditions attaching to the Senior Preferred Shares and the Junior Preferred Shares, is attached as Schedule "B" to this Proxy Circular and Statement.

The Senior Preferred Shares and the Junior Preferred Shares will each be issuable in series, each series to consist of such number of shares having such designation, rights, privileges, restrictions and conditions, (including terms, if any, relating to dividend rates, conversion rights, voting rights, redemption prices and other terms) as may be approved by the Board of Directors of the Company prior to issuance. No further approval by the shareholders will be required for the authorization of any series of shares of either class, or for the issuance of shares of any such series.

The Senior Preferred Shares will rank prior to the Junior Preferred Shares and the Common Shares with respect to the distribution of the property of the Company on a liquidation, dissolution or winding up, and the Junior Preferred Shares will rank prior to the Common Shares with respect to such a distribution.

Approval of the special resolution will require the affirmative vote of not less than two-thirds of the votes cast. The Company has been informed that Norcen intends to vote its Common Shares in favour of the special resolution. The votes so cast by Norcen would be sufficient to ensure approval of the special resolution. The Board of Directors recommends that shareholders vote in favour of the special resolution.

## **Purpose and Effects of Proposed Amendment**

The Company has no present plans to issue any Senior Preferred Shares or Junior Preferred Shares that are proposed to be authorized (collectively, the "Preferred Shares"). The purpose for authorization of the additional shares is to allow the Company flexibility in meeting its future financing requirements. If the proposed authorization amendment were postponed until specific needs arose for use of the Preferred Shares, there would be delay and additional expense in a situation requiring said shareholder action. In addition, having to seek specific shareholder authorization could deprive the Company of flexibility in negotiating and consummating a desirable acquisition where prompt action is essential. Such flexibility and the ability to act promptly will be available if the shareholders authorize the proposed additional shares. However, it is recognized that in certain acquisitions and other proposed corporate actions further approval of the shareholders may be required.



In the event that Norcen were to no longer hold sufficient Common Shares to control the Company, the issuance of Preferred Shares could have an effect on contests for control of the Company. In the event of a tender offer or other attempt to gain control of the Company which the Board of Directors does not approve, the authorized unissued Common Shares or Preferred Shares could be used to make a change in control of the Company more difficult to achieve. Such shares, for example, could be privately placed with purchasers who might align themselves with the Board of Directors in opposing a hostile takeover. In addition, the Board of Directors could authorize the holders of a series of Preferred Shares to vote as a class, either separately or with the holders of Common Shares, on any merger, sale or exchange of assets by the Company or other extraordinary corporate transaction. The issuance of any shares could be used to dilute the ownership of a third party seeking to obtain control of the Company. Certain companies have issued preferred shares or rights to purchase a third party corporation's common or preferred shares as a dividend to holders of such company's common shares having terms designed to protect against possible adverse consequences to existing shareholders of certain tender offer practices. Such actions may deter a third party from making certain offers to acquire the Company that are not approved by the Board of Directors.

Although the Company has no current intention to issue Preferred Shares or rights for such purposes, the authorized but unissued Preferred Shares would be available for such purpose. For so long as Norcen continues to hold a majority of the voting shares of the Company, it would not be necessary to take any such action in the case of an attempt to gain control of which Norcen does not approve. The Company is not aware of any plans by Norcen to decrease its ownership in the Company. Further, the creation of the Preferred Shares is not being proposed as an anti-takeover measure by the Company.

It should also be noted that the various uses of the authorized but unissued Common Shares which are described above would also be available to the Company at the present time, if it were so inclined, whether or not the proposal to create the two classes of Preferred Shares is approved by the shareholders.

#### **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 1988 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.**

#### **Material Incorporated by Reference**

The financial statements of the Company contained in its Annual Report for 1988, a copy of which accompanies this Proxy Circular and Statement, the information contained therein under the heading "Supplemental Information" and the information contained therein under the heading "Management's Discussion and Financial Analysis" are herein incorporated by reference.

#### **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 1990 must be received at the offices of the Company no later than February 8, 1990 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 23, 1989

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

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

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

BLACK, G. Montegu  
43 Russell Hill Road  
Toronto, Ontario

BLACKSTONE, James P.  
6314 Allentown Drive  
Spring, Texas

BRASCAN LIMITED  
Toronto, Ontario

BREEN, Robert J.  
109, 540 - 18th Avenue S.W.  
Calgary, Alberta

COCHRANE, Barry D.  
1120 Beverley Boulevard 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

DUNFORD, Robert A.  
43 Steeplechase Avenue  
Aurora, Ontario

DYER, Byron F.  
10907 Lakeside Forest Lane  
Houston, Texas

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

EDWARDS, Donald J.  
8 Caledonia Court  
Unionville, Ontario

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

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

HANRAHAN, Thomas P.  
1213 Varsity Estates Road N.W.  
Calgary, Alberta

HEES INTERNATIONAL  
BANCORP INC.  
Toronto, Ontario

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

MALYSHEFF, George A.  
56 Strathdale Close S.W.  
Calgary, Alberta

MARSHALL, Paul M.  
21 Elgin Avenue  
Toronto, Ontario

MENGLE, Jay S.  
4037 Marquette Street  
Houston, Texas

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

POWIS, Alfred  
70 Woodlawn Avenue West  
Toronto, Ontario

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

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

STEPHENS, Kenneth A.  
89 Crescent Road  
Toronto, Ontario

TYERMAN, David M., Q.C.  
3465 Argyle Road  
Regina, Saskatchewan

WALKER, Martin D.  
23487 Quail Hollow  
Westlake, Ohio

WEST, Cliff M., Jr.  
5612 Terwilliger Way  
Houston, Texas

WOOD, Arthur L.  
740 Willard Road S.E.  
Calgary, Alberta

YARNELL, John R.  
161 Roxborough Drive  
Toronto, Ontario



## SCHEDULE "B"

### Text of Special Resolution Regarding Creation of Additional Classes of Shares

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

- A. The Articles of the Corporation be amended to create new classes of Senior Preferred Shares and Junior Preferred Shares and to specify the rights, privileges, restrictions and conditions attaching to such shares and to the Common Shares of the Corporation, as follows:
1. Paragraph 3 of the Articles is amended to read: "The attached Schedule "A" is incorporated herein by reference".
  2. The following is attached as Schedule "A" to the Articles of the Corporation:  
The Corporation is authorized to issue:
    - (a) an unlimited number of Common Shares;
    - (b) an unlimited number of Senior Preferred Shares;
    - (c) an unlimited number of Junior Preferred Shares;each having the rights, privileges, restrictions and conditions set out below.

#### **Common Shares**

The rights, privileges, restrictions and conditions attaching to the Common Shares shall be as follows:

- (1) The holders of Common Shares shall be entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Corporation except meetings of the holders of another class of shares. Each Common Share shall entitle the holder thereof to one vote.
- (2) Subject to the preferences accorded to the holders of the Senior Preferred Shares and the Junior Preferred Shares (collectively, the "Preferred Shares"), the holders of Common Shares shall be entitled to receive such dividends as may be declared thereon by the Board of Directors of the Corporation from time to time.
- (3) In the event of the liquidation, dissolution or winding up of the Corporation, the holders of Common Shares shall be entitled to receive pro rata all of the assets of the Corporation remaining for distribution after the payment to the holders of the Preferred Shares, in accordance with the preference on liquidation, dissolution or winding up accorded to the holders of the Preferred Shares.

#### **Senior Preferred Shares**

The Senior Preferred Shares shall, as a class, have the following rights, privileges, restrictions and conditions:

- (1) The Board of Directors of the Corporation may at any time and from time to time issue the Senior Preferred Shares in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board of Directors.
- (2) The Board of Directors of the Corporation may (subject to as hereinafter provided) from time to time fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to each series of Senior Preferred Shares including, without limiting the generality of the foregoing, the amount, if any, specified as being payable preferentially to such series on a distribution of capital of the Corporation; the extent, if any, of further participation in a distribution of capital; voting rights, if any; and dividend rights (including whether such dividends be preferential, or cumulative or non-cumulative), if any.
- (3) In the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of each series of Senior Preferred Shares shall be entitled, in priority to the holders of Common Shares, Junior Preferred Shares and any other shares of the Corporation ranking junior to the Senior Preferred Shares on a distribution of capital, to be paid rateably with the holders of each other series of Senior Preferred Shares the amount, if any, specified as being payable preferentially to the holders of such series on a distribution of capital of the Corporation.

## **Junior Preferred Shares**

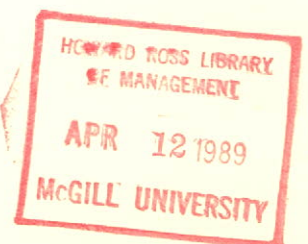
The Junior Preferred Shares shall, as a class, have the following rights, privileges, restrictions and conditions:

- (1) The Board of Directors of the Corporation may at any time and from time to time issue the Junior Preferred Shares in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board of Directors.
  - (2) The Board of Directors of the Corporation may (subject to as hereinafter provided) from time to time fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to each series of Junior Preferred Shares including, without limiting the generality of the foregoing, the amount, if any, specified as being payable preferentially to such series on a distribution of capital of the Corporation; the extent, if any, of further participation in a distribution of capital; voting rights, if any; and dividend rights (including whether such dividends be preferential, or cumulative or non-cumulative), if any.
  - (3) In the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of each series of Junior Preferred Shares shall be entitled, subject to the rights attached to the Senior Preferred Shares, in priority to the holders of Common Shares and any other shares of the Corporation ranking junior to the Junior Preferred Shares on a distribution of capital, to be paid rateably with the holders of each other series of Junior Preferred Shares the amount, if any, specified as being payable preferentially to the holders of such series on a distribution of capital of the Corporation.
- B. The Directors of the Corporation are authorized to prepare and file Articles of Amendment effecting this resolution or to revoke this resolution before it is acted on without further approval of the shareholders.

## HIGHLIGHTS

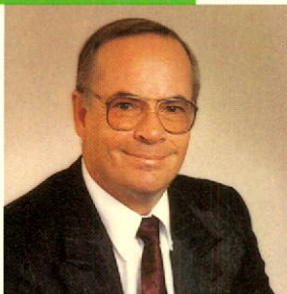


	1988	1987
	(thousands of Canadian dollars except per share amounts)	
<b>Financial</b>		
Revenue	\$15,148	\$16,986
Net earnings	3,627	6,947
Net earnings per share	0.46	0.89
Cash generated from operations	13,536	14,680
Shareholders' equity	63,286	59,659
Total assets	99,137	93,585
<b>Production</b>		
Crude oil and natural gas liquids — barrels per day	2,299	2,014
Natural gas — thousand cubic feet per day	8,340	5,915





## REPORT TO SHAREHOLDERS



Prairie Oil conducted an aggressive exploration and development program in Western Canada during 1988, substantially expanding its reserve base while adding to its crude oil and natural gas production volumes.

Through increased participation in key exploration and development areas and the acquisition of oil and gas properties in Alberta, the Company substantially expanded its reserve base achieving a 61 per cent increase in crude oil and natural gas liquids reserves and a 25 per cent increase in natural gas reserves. Crude oil and natural gas liquids production rose 14 per cent last year while natural gas production grew by 41 per cent.

Higher production volumes were offset by continued volatility in crude oil and natural gas prices. The price of West Texas Intermediate ("WTI"), North America's benchmark crude, declined from its 1987 high of U.S.\$22.40 per barrel to U.S.\$17.69 per barrel at the beginning of 1988 to a low of U.S.\$12.60 in early October. Following an agreement reached by the Organization of Petroleum Exporting Countries ("OPEC") on November 21 to maintain production quotas effective January 1, 1989, prices closed the year at U.S.\$17.24 per barrel. WTI prices continued to climb in January, reaching a high of U.S.\$19.28 per barrel.

### Financial

Prairie Oil's net earnings for the year were \$3.6 million compared with \$6.9 million in 1987 and cash generated from operations was \$13.5 million compared with \$14.7 million in 1987. Lower earnings reflect a 39 per cent increase in depletion and depreciation expense to \$7.5 million resulting from increased production volumes and higher depletion rates.

Capital spending in 1988 rose 135 per cent to \$29.9 million net of incentive grants totalling \$3.6 million under the Canadian Exploration and Development Incentive Program. A major capital expenditure in 1988 was the \$10.4 million acquisition of oil and gas properties at Cherhill, Alberta.

### Operations

The Cherhill properties form part of the proposed Cherhill Banff "F" pool unitization scheme which, upon completion in early 1989, should contribute 650 barrels of oil and 1.3 million cubic feet of gas to daily production levels.

Crude oil and natural gas liquids production for the year averaged 2,299 barrels per day, up 14 per cent from 1987 levels, due to major exploration and development additions at the Company's Hays/Enchant, Long Coulee, Cherhill, Windfall and West Pembina operations.

More significantly, natural gas production at 8.3 million cubic feet per day increased 41 per cent from 1987 arising from additional sales at the Cherhill, Verger and Big Bend areas and new production from Ferrier.

As part of its increasing focus on exploration and development activity in Western Canada, the Company's U.S. subsidiary P.O.R. Oil & Gas Inc. was sold, effective December 31, 1988. This division held minor interests in oil producing properties in Wyoming whose value was written-down in 1986 following the application of ceiling tests in accordance with Canadian accounting guidelines.

### Management

In May of 1988, Donald D. Barkwell retired from Norcen, the Company's parent, and subsequently resigned as director and chairman of the board of Prairie Oil. Mr. Barkwell's strong leadership has been a significant factor over the years and his efforts on the Company's behalf are gratefully acknowledged.

On August 23, 1988 Barry D. Cochrane, the Company's president, was also appointed chairman of the board and Wayne M. Newhouse, vice-president, production of Norcen, was named to the board of directors.

### Outlook

Highlighting the 1989 program, the Company will pursue further exploratory success at Enchant in the southern Nisku play which contributed one-third of its oil discoveries in 1988. Also of major interest will be exploratory drilling at Berland-Fir in the Deep Devonian play of central Alberta exposing the Company to substantial gas reserve potential. In northern Alberta, activity will focus on the Granite Wash and Slave Point formations which proved productive in 1988.

Prairie Oil will continue to increase its working interests in key exploration and development areas in Western Canada. With its enhanced prospect inventory and exploratory success in 1988, the Company is well-positioned to further expand its reserve base and production volumes in the coming year.

On behalf of the Board

A handwritten signature in black ink, appearing to read "Barry D. Cochrane". The signature is fluid and cursive, written over a white background.

Barry D. Cochrane  
Chairman of the Board and President

Calgary, Alberta  
February 21, 1989



## EXPLORATION AND DEVELOPMENT



Capital expenditures for exploration and development in 1988 increased to \$29.9 million, net of federal and provincial incentives, as compared to \$12.7 million in 1987.

In 1988, major areas of activity were the Hays/Enchant, Pembina, Ogston, Long Coulee, Cherhill, Badger and Windfall areas of Alberta. In total, the Company participated in the drilling of 68 (11.03 net) exploratory wells resulting in 22 (4.04 net) oil wells and 9 (1.91 net) gas wells. These include 24 wells drilled at no cost to Prairie Oil on Company lands under farmout agreements. The Company also participated in the drilling of 15 (3.96 net) development wells resulting in 13 (2.91 net) oil wells.

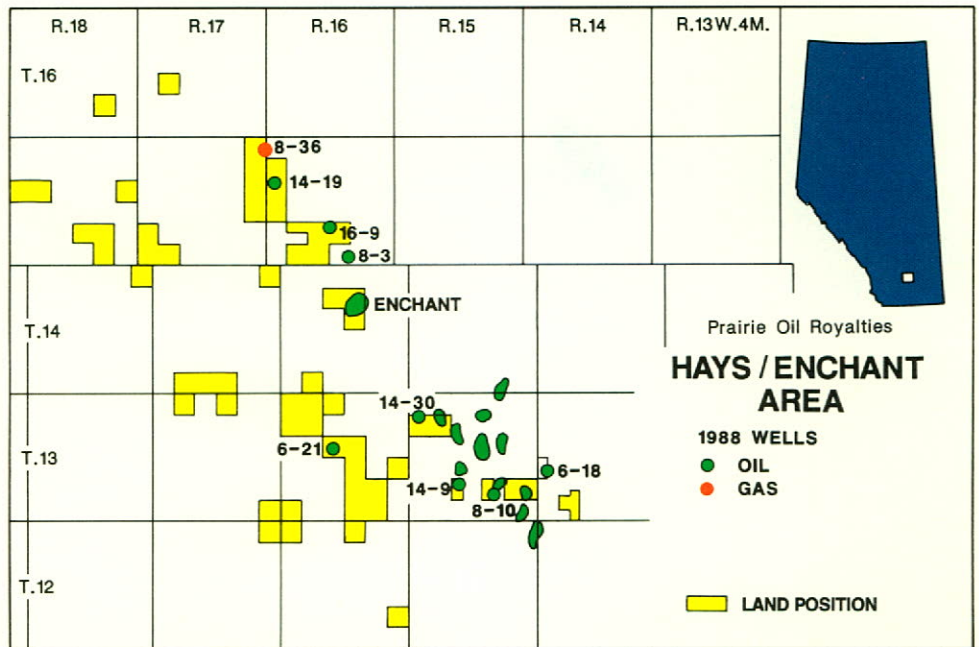
The Company's principal areas of operation during 1988 were:

### Cherhill

On September 30, 1988, Prairie Oil acquired oil and gas producing properties in the Cherhill area of Alberta which form part of the proposed Cherhill Banff "F" Pool unitization project. The acquisition increased the Company's production in the fourth quarter by approximately 300 barrels of oil per day. Following completion of unitization and a gas conservation scheme this spring, the Company anticipates its 42 per cent interest in the unit will add an additional 350 barrels of oil and 1.3 million cubic feet of gas to current daily production levels.

### Hays/Enchant

Prairie Oil participated in the drilling of 11 successful wells at Hays/Enchant which included 8 exploratory wells and 3 development wells. The Company's share of production increased by approximately 145 barrels of oil per day from working interests which range from 10 to 40 per cent. This area will see increased drilling activity in 1989 with an expansion of the play into new areas.





### **Pembina (Cardium)**

During the year, 2 development wells were drilled in this area. The Company owns 100 per cent interests in both wells, which contributed approximately 125 barrels of oil to daily production.

### **Ogston N.E.**

Prairie Oil participated in a successful exploratory well with a 50 per cent working interest adding approximately 65 barrels of oil per day to the Company's share of production.

### **Long Coulee**

Prairie Oil holds a 50 per cent working interest in a successful gas exploratory well drilled at Long Coulee. Gas sales should commence in early 1990, contributing 0.75 million cubic feet to daily production levels.

### **Windfall**

During the year, the Company participated with a 48.75 per cent working interest in a successful gas exploratory well. Gas sales, scheduled to commence this summer, should add 0.7 million cubic feet of gas and 75 barrels of natural gas liquids to daily production volumes.

### **Badger**

The Company holds a 25 per cent working interest in an exploratory gas well drilled during 1988. Gas sales should commence during the fourth quarter of 1989, contributing 0.5 million cubic feet of gas per day.

### **United States**

P.O.R. Oil & Gas Inc., a wholly-owned subsidiary, held interests in 9 producing wells in the Sandbar East field in Wyoming's Powder River Basin. Prairie Oil's share of production in 1988 was 50 barrels of oil per day. Effective December 31, 1988, Prairie Oil sold this company as part of an increased focus on Western Canadian operations.

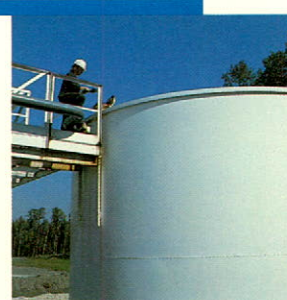
### **1989 Exploration and Development**

A 1989 capital budget of \$15.5 million, net of government incentives, was approved by the Board of Directors. Expenditures have been budgeted to balance available cash flow and will be concentrated on exploration and development in Western Canada.

### **Reserves**

As of December 31, 1988, the Company's established reserves of crude oil and liquids, before royalties, were estimated at 7.1 million barrels, representing a 61 per cent increase in the crude oil reserve base. Established natural gas reserves, estimated at 64.4 billion cubic feet, before royalties, increased by 25 per cent over 1987 levels.





### Oil and Gas Land Holdings (Acreage)

	Developed*		Undeveloped				Total	
	Leases		Leases		Reservations and Permits		Gross	Net
	Gross	Net	Gross	Net	Gross	Net		
Alberta	255,363	46,131	450,257	84,216	220,290	57,660	925,910	188,007
British Columbia	34,660	2,399	42,621	3,472	35,114	3,695	112,395	9,566
Saskatchewan	11,981	1,369	74,130	32,952	32,134	16,067	118,245	50,388
Manitoba	1,440	480	79,532	23,813			80,972	24,293
Ontario	100	20	1,045	225			1,145	245
Arctic Islands					270,084	4,411	270,084	4,411
United States	1,512	51	75,035	2,797			76,547	2,848
<b>TOTAL</b>	<b>305,056</b>	<b>50,450</b>	<b>722,620</b>	<b>147,475</b>	<b>557,622</b>	<b>81,833</b>	<b>1,585,298</b>	<b>279,758</b>

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

At December 31, 1988, the Company owned interests in 1,585,298 gross (279,758 net) acres as shown in detail in the summary above. This compares with 1,539,395 gross (231,928 net) acres at the end of 1987. The increase is due to acquisitions made during the year at Alberta and Saskatchewan land sales. In addition, the Company holds royalty interests in 195,392 gross 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, 1988:

Year	Exploratory Wells					Development Wells				
	Gross Wells	Net Wells			Total	Gross Wells	Net Wells			Total
		Oil	Gas	Dry Holes			Oil	Gas	Dry Holes	
1984	49	2.22	.13	4.96	7.31	90	1.02		.22	1.24
1985	57	2.62	.29	8.99	11.90	159	.97	.12	.65	1.74
1986	33	1.24	.24	2.88	4.36	44	.25	.04	.20	.49
1987	49	2.72	.54	6.69	9.95	48	.52	1.30	.33	2.15
1988	68	4.04	1.91	5.08	11.03	15	2.91		1.05	3.96
	256	12.84	3.11	28.60	44.55	356	5.67	1.46	2.45	9.58

As at December 31, 1988, the Company had working interests in 676 gross (31 net) producing oil wells and 353 gross (52 net) producing gas wells including 63 gross (10 net) shut-in gas wells in Western Canada, and royalty interests in 475 gross (12 net) producing oil wells and 12 gross (0.50 net) producing gas wells, most of which were in Saskatchewan.

## MANAGEMENT'S DISCUSSION AND FINANCIAL ANALYSIS



The severe weakening of crude oil prices during 1988 resulted in a decline in financial performance despite record levels of production and reserve replacement. Although production volumes increased significantly, net earnings declined to \$3.6 million or 46 cents per share from \$6.9 million or 89 cents per share in 1987. These results compared favorably with 1986 earnings of \$2.1 million or 27 cents per share. Cash generated from operations of \$13.5 million was down marginally from \$14.7 million in 1987 but was greater than \$11.0 million in 1986. Return on shareholders' equity was 5.9 per cent compared with 12.4 per cent in 1987 and 4.1 per cent in 1986.

The decline in oil prices during 1988 arose from the Organization of Petroleum Exporting Countries' inability to regulate production levels among its members. The resulting surpluses led to significant inventory build-ups which prevented prices from achieving OPEC's target level of U.S.\$18.00 per barrel. The price of West Texas Intermediate benchmark crude oil remained volatile throughout 1988, reaching a low of U.S.\$12.60 per barrel in October before recovering to close the year at U.S.\$17.24 per barrel. An agreement on new production quotas reached by OPEC members last November has led to optimism that average prices may improve in 1989.

Through its continued participation in the Canadian Exploration and Development Incentive Program, Prairie Oil qualified for \$3.6 million in grants during 1988. In 1989, grant levels will be reduced to one-sixth of eligible expenses. The program will expire at year-end.

### Revenues and Expenses

In 1988, sales and revenues returned to 1986 levels of \$15.1 million, and were down from \$17.0 million in 1987. Costs and expenses were \$12.2 million, compared to \$9.0 million in 1987 and \$11.8 million in 1986. Expenses for 1986 include a write-down of non-productive U.S. assets of \$1.3 million.

Oil and natural gas liquids production increased to 2,299 barrels per day ("b/d"), from 2,014 b/d and 1,827 b/d in 1987 and 1986 respectively. The 1988 increase originated primarily from new discoveries in Alberta's Hays/Enchant and Windfall areas, interests acquired in the Cherhill area, and completion of the enhanced recovery program at West Pembina. Prairie Oil's average per barrel price received for crude oil and natural gas liquids fell by 28 per cent to \$15.20 in 1988, from \$21.25 in 1987 and \$17.00 in 1986. This was due to the decline in world oil prices and production of lower quality oils at Cherhill and Enchant.

Natural gas production recovered to 8.3 million cubic feet per day ("mmcf/d") in 1988, from 5.9 mmcf/d in 1987 and 8.1 mmcf/d in 1986. New discoveries at Ferrier, and increases at Verger, Big Bend and Cherhill in Alberta contributed to the increased production which, in turn, was driven by general growth in export volumes to the United States.

Operating costs in 1988 increased \$0.8 million over 1987 and \$0.6 million over 1986, reflecting the Cherhill acquisition and expenses associated with placing new oil and gas discoveries on production.

In 1988, depletion and depreciation expense increased to \$7.5 million, from \$5.4 million in 1987 and \$5.7 million in 1986. This was due to higher production levels and increased capital expenditures during the year.

Income taxes declined by \$1.7 million, reflecting lower taxable income in 1988 and the reduction in federal corporate tax rates from 35 per cent to 28 per cent effective July 1, 1988. Offsetting the tax provisions are Alberta Royalty Tax Credits of \$1.9 million in 1988 (\$2.7 million in 1987, \$2.2 million in 1986).

### Capital and Other Spending

In 1988, the Company purchased, for \$10.4 million, additional oil and gas interests in the Cherhill area of Alberta. This acquisition, coupled with continued exploration and development programs in the Western Canadian Sedimentary Basin, resulted in record capital expenditures of \$29.9 million in 1988, compared with \$12.7 million in 1987 and \$8.7 million in 1986. The Company will continue to participate in new exploration programs in Western Canada under an arrangement with its parent company, Norcen Energy Resources Limited.

The 1988 capital program resulted in the expansion of established oil and natural gas liquids reserves to 7.1 million barrels at December 31, 1988, from 4.4 million barrels in 1987. Natural gas established reserves increased to 64.4 billion cubic feet from 51.6 billion cubic feet.

### Liquidity

In 1988, Prairie Oil used funds from the sale of certain of its long-term and short-term investments and cash generated from operations to fund its capital expenditure program. In 1987 and 1986, capital programs were funded by cash generated from operations. For 1989, the Board of Directors has approved a capital program of \$15.5 million which, assuming the continuation of prevailing oil and natural gas price levels, will be funded from internal cash flow.

On December 31, 1988, the Company sold its wholly-owned U.S. subsidiary, P.O.R. Oil & Gas Inc., to Norcen Energy Resources Limited for \$0.8 million. The sale was part of the Company's strategy to assume larger interests in each operational play. In Western Canada, this option exists, so consequently, all operations in the United States were terminated.



CONSOLIDATED BALANCE SHEET

As at December 31, 1988 and 1987  
(thousands of Canadian dollars)

	1988	1987
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and short-term investments	\$ 652	\$ 15,594
Accounts receivable	4,360	3,854
Income tax receivable	434	
	5,446	19,448
<b>Investments</b>		
(quoted market value — \$1,762; 1987 — \$3,463)	1,776	3,999
<b>Properties, Plant and Equipment (Note 2)</b>	<b>91,915</b>	<b>70,138</b>
	<b>\$99,137</b>	<b>\$93,585</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued charges	\$ 1,303	\$ 1,997
Income taxes payable		889
Due to parent company	3,738	2,068
Current amount of deferred gas revenues	574	584
	5,615	5,538
<b>Deferred Gas Revenues</b>	<b>2,761</b>	<b>3,169</b>
<b>Deferred Income Taxes</b>	<b>27,475</b>	<b>25,219</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Capital Stock</b>		
Authorized: An unlimited number of Common Shares		
Issued : 7,846,076 Common Shares	1,962	1,962
<b>Contributed Surplus</b>	<b>574</b>	<b>574</b>
<b>Retained Earnings</b>	<b>60,750</b>	<b>57,123</b>
	<b>63,286</b>	<b>59,659</b>
	<b>\$99,137</b>	<b>\$93,585</b>

Approved by the Board

 , Director

 , Director

## CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

Years Ended December 31, 1988, 1987 and 1986  
(thousands of Canadian dollars except per share amounts)

	1988	1987	1986
<b>Sales and Other Revenues</b>			
Oil and gas	\$ 12,431	\$ 13,154	\$ 12,124
Royalties	1,693	2,426	1,633
Interest and other	1,024	1,406	1,308
	<b>15,148</b>	16,986	15,065
<b>Costs and Expenses</b>			
Production	3,074	2,313	2,440
Production revenue taxes			917
Depletion and depreciation	7,507	5,385	5,652
General and administrative	1,541	1,218	1,392
Financial expense	42	61	79
Write-down of non-productive assets (Note 3)			1,341
	<b>12,164</b>	8,977	11,821
Earnings before income taxes	<b>2,984</b>	8,009	3,244
Income taxes (Note 4)			
Current (recovery)	(2,899)	(1,286)	(809)
Deferred	2,256	2,348	1,941
	<b>(643)</b>	1,062	1,132
<b>Net Earnings</b>	<b>3,627</b>	6,947	2,112
<b>Retained Earnings, Beginning of Year</b>	<b>57,123</b>	50,176	48,064
<b>Retained Earnings, End of Year</b>	<b>\$ 60,750</b>	\$ 57,123	\$ 50,176
<b>Earnings Per Share</b>	<b>\$ 0.46</b>	\$ 0.89	\$ 0.27

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Annual Report and the accompanying consolidated financial statements have been prepared by Management and approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a consistent basis and comply with United States disclosure requirements 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 consolidated financial statements, and that all information contained in the Annual Report is consistent with the consolidated financial statements. The Company's auditors are responsible for auditing the consolidated financial statements and expressing an opinion on them. The Audit Committee of the Board of Directors is responsible for reviewing the annual consolidated 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.



**CONSOLIDATED STATEMENT OF CHANGES  
IN FINANCIAL POSITION**

Years Ended December 31, 1988, 1987 and 1986  
(thousands of Canadian dollars)

	1988	1987	1986
<b>Cash Generated</b>			
Net earnings	\$ 3,627	\$ 6,947	\$ 2,112
Add non-cash items:			
Deferred income taxes	2,256	2,348	1,941
Depletion and depreciation	7,507	5,385	5,652
Write-down of non-productive assets			1,341
Other	146		
Cash generated from operations	13,536	14,680	11,046
Deferred gas revenues	(408)	(710)	(691)
Sale of subsidiary (Note 5)	837		
Decrease in working capital (i)		984	2,707
<b>Total Cash Available</b>	<b>13,965</b>	<b>14,954</b>	<b>13,062</b>
<b>Cash Invested</b>			
Investments	(1,890)		3,999
Expenditures on properties, plant and equipment	33,453	13,888	10,095
Government incentive payments earned	(3,552)	(1,191)	(1,375)
Increase in working capital (i)	896		
<b>Total Cash Invested</b>	<b>28,907</b>	<b>12,697</b>	<b>12,719</b>
<b>Increase (Decrease) in Cash</b>	<b>(14,942)</b>	<b>2,257</b>	<b>343</b>
<b>Cash, Beginning of Year</b>	<b>15,594</b>	<b>13,337</b>	<b>12,994</b>
<b>Cash, End of Year</b>	<b>\$ 652</b>	<b>\$ 15,594</b>	<b>\$ 13,337</b>

(i) Working capital excludes cash and short-term investments.

**AUDITORS' REPORT**

To the Shareholders of Prairie Oil Royalties Company, Ltd.

We have examined the consolidated balance sheet of Prairie Oil Royalties Company, Ltd. as at December 31, 1988 and 1987 and the consolidated statements of earnings and retained earnings and changes in financial position for each of the years in the three year period ended December 31, 1988. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1988 and 1987 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, 1988 in accordance with generally accepted accounting principles applied on a consistent basis.

Calgary, Alberta  
February 3, 1989

Thorne Ernst & Whinney  
Chartered Accountants

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 1988, 1987 and 1986  
(thousands of Canadian dollars)

### 1. Accounting Policies

#### *Basis of Presentation*

The consolidated financial statements include the accounts of Prairie Oil Royalties Company, Ltd. and its wholly-owned subsidiary, P.O.R. Oil & Gas Inc., except P.O.R. Oil & Gas Inc. is excluded from the balance sheet to reflect the sale of the subsidiary on December 31, 1988. All of the Company's operations are in one business segment, namely, oil and gas exploration, development and production, and substantially 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.

#### *Foreign Currency Translation*

Monetary assets and liabilities are translated at the rates of exchange prevailing at the balance sheet dates. Long-term assets are translated at rates in effect at the dates the assets were acquired. Sales and other revenues and costs and expenses are translated at the average rate of exchange during the month incurred. The resulting gains and losses are included in earnings.

#### *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 (prior to January 1, 1987, on a world-wide 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.

#### *Income Taxes*

The Company follows the tax allocation method of accounting whereby provisions for income taxes are based on the earnings reported in the accounts. This method results in the provision of deferred income taxes to the extent that taxes currently payable have been reduced by claiming depletion and depreciation for income tax purposes in amounts differing from those reported in the accounts.

#### *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, commenced in 1984, and are governed by contractual arrangement.

### 2. Properties, Plant and Equipment

	1988	1987
Properties	\$118,352	\$ 93,795
Production equipment	14,294	12,060
	132,646	105,855
Accumulated depreciation and depletion	40,731	35,717
Net book value	\$ 91,915	\$ 70,138

During the year, the Company capitalized \$2,222 (\$1,743 in 1987) of administrative overhead expenditures directly related to exploration and development activities.

### 3. Write-Down of Non-Productive Assets

In 1986, as a result of the first time application of the ceiling test on a country-by-country basis, the Company wrote down exploration costs incurred in the United States, which had no supporting reserve base, in the amount of \$1,341.

NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS

Years Ended December 31, 1988, 1987 and 1986  
(thousands of Canadian dollars)

**4. Income Taxes**

Deferred income taxes result from timing differences in the recognition of income and expenses for income tax and financial statement purposes. The source of these differences and the tax effect of each are as follows:

	1988	1987	1986
Exploration and development expenditures and capital cost allowances deducted for income tax purposes in excess of depletion and depreciation	\$ 2,385	\$2,321	\$1,938
Other items	(129)	27	3
	<b>\$ 2,256</b>	<b>\$2,348</b>	<b>\$1,941</b>

The provision for income taxes in the consolidated statement of earnings and retained earnings varies from the amount that would be computed by applying the Canadian federal statutory rate of 41.5 per cent to earnings before income taxes for the following reasons:

	1988	1987	1986
Earnings before income taxes	\$ 2,984	\$8,009	\$3,244
Canadian federal statutory rate of income tax	41.5%	45.5%	46.0%
Computed income tax expense	\$ 1,238	\$3,644	\$1,492
Increase (decrease) in income tax resulting from:			
Alberta Royalty Tax Credit	(1,941)	(2,673)	(2,181)
Non-deductible capital losses (net of gains)	60		422
Non-deductible production revenue taxes			475
Non-deductible crown payments less federal resource allowance	16	(43)	924
Other, net	(16)	134	
Actual income tax expense	\$ (643)	\$1,062	\$1,132
Effective income tax rate	(21.5%)	13.3%	34.9%

**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 Energy Resources Limited ("Norcen"), for a cash consideration of \$837. The book value of the assets of P.O.R. Oil & Gas Inc. was \$650.

**6. Related Party**

The Company's operations are managed by its parent company, Norcen, which owns 74.4 per cent of the Company's common shares. For the year ended December 31, 1988, management fees paid to Norcen amounted to \$3,640 (1987 — \$2,829).



Years Ended December 31, 1988 and 1987  
(thousands of Canadian dollars except per share amounts)

**Quarterly and Other Financial Data**

	Quarter				Year
	First	Second	Third	Fourth	
<b>1988</b>					
Revenue	\$4,199	\$3,415	\$3,787	\$3,747	\$15,148
Earnings before income taxes	1,347	804	768	65	2,984
Net earnings	1,216	821	1,027	563	3,627
Earnings per share	0.15	0.11	0.13	0.07	0.46
Market price per common share (i)					
High	7 <sup>3</sup> / <sub>8</sub>	7 <sup>3</sup> / <sub>8</sub>	6 <sup>3</sup> / <sub>4</sub>	5 <sup>7</sup> / <sub>8</sub>	7 <sup>3</sup> / <sub>8</sub>
Low	4 <sup>7</sup> / <sub>8</sub>	5 <sup>7</sup> / <sub>8</sub>	5 <sup>5</sup> / <sub>8</sub>	5	4 <sup>7</sup> / <sub>8</sub>
<b>1987</b>					
Revenue	\$ 4,089	\$ 3,957	\$ 4,379	\$ 4,561	\$ 16,986
Earnings before income taxes	1,874	1,939	2,340	1,856	8,009
Net earnings	1,721	1,729	1,716	1,781	6,947
Earnings per share	0.22	0.22	0.22	0.23	0.89
Market price per common share (i)					
High	7 <sup>3</sup> / <sub>8</sub>	7 <sup>1</sup> / <sub>8</sub>	9 <sup>3</sup> / <sub>4</sub>	7 <sup>5</sup> / <sub>8</sub>	9 <sup>3</sup> / <sub>4</sub>
Low	6	6 <sup>1</sup> / <sub>8</sub>	6 <sup>3</sup> / <sub>8</sub>	4 <sup>7</sup> / <sub>8</sub>	4 <sup>7</sup> / <sub>8</sub>

(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 Financial Accounting Standards Board ("FASB") Statement No. 69 "Disclosures about Oil and Gas Producing Activities".

*Exploration and Production Activities*

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

	1988	1987
Properties		
— Proved	\$108,392	\$ 85,014
— Unproved	9,960	8,781
Production equipment	14,294	12,060
	<b>132,646</b>	105,855
Accumulated depreciation and depletion	40,731	35,717
Capitalized costs	<b>\$ 91,915</b>	\$ 70,138

SUPPLEMENTAL INFORMATION (Unaudited)

Years Ended December 31, 1988, 1987 and 1986  
(thousands of Canadian dollars)

The following table presents information on the Company's oil and gas property acquisition, exploration and development activities:

	1988	1987	1986
Costs capitalized in the year			
Property acquisition	\$14,473	\$ 3,297	\$ 800
Exploration (i) — Proved	7,867 (ii)	7,160	5,330
— Unproved	1,179	907	796
Development (i)	3,272	1,333	1,794
Total capitalized	\$26,791 (ii)	\$12,697	\$ 8,720

(i) Exploration and development costs are shown net of government incentive payments earned of \$3,552 in 1988 (\$1,191 in 1987; \$1,375 in 1986).

(ii) Net of \$3,110 from sale of subsidiary.

	1988	1987	1986
Net revenues from producing oil and gas			
Revenue	\$17,174	\$19,110	\$17,227
Production expenses (i)	6,245	5,955	7,023
Depreciation and depletion (ii)	7,507	5,385	5,652
	3,422	7,770	4,552
Income tax expense (recovery)	(505)	953	1,038
Results of operations from producing activities (excluding corporate overhead and interest costs)	\$ 3,927	\$ 6,817	\$ 3,514

(i) Production expenses include oil and gas operating expenses, production revenue taxes as well as freehold and crown royalty payments of \$3,171 in 1988 (\$3,642 in 1987; \$3,665 in 1986).

(ii) Depletion expense per equivalent barrel was \$5.56 in 1988 (\$4.47 in 1987; \$4.05 in 1986).

*Reserves*

The reserve information provided below is provided on a proved reserve basis only after deducting royalty interests of governments and others. Substantially all of the Company's proved reserves are developed. The reserve quantity information summarizes the changes in quantities of net proved oil and gas reserves determined using constant prices and costs. The reserve information for 1986 was determined by independent reservoir engineers, McDaniel & Associates Consultants Ltd. and did not include the United States reserves.

	1988		1987 (i)		1986	
	Oil and Gas Liquids	Gas	Oil and Gas Liquids	Gas	Oil and Gas Liquids	Gas
	(000's bbls)	(mmcf)	(000's bbls)	(mmcf)	(000's bbls)	(mmcf)
Beginning of year	3,594	40,995	3,165	34,299	2,902	33,936
Revision of previous estimates	44	1,096	531	8,579	652	2,519
Purchase of reserves in place	1,025	6,353				
Extensions, discoveries and other additions	1,515	4,877	484		119	43
Production	(693)	(2,387)	(586)	(1,883)	(508)	(2,199)
End of year	5,485	50,934	3,594	40,995	3,165	34,299

(i) Included are revisions arising from the use of reserve estimates determined by internal engineers, which historically differ from estimates determined by McDaniel & Associates Consultants Ltd. primarily due to timing differences and the inclusion of United States reserves.

Years Ended December 31, 1988, 1987 and 1986  
(millions of Canadian dollars)

*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 December 31, 1988, 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 EASB Statement No. 69 rules, to the future net cash flows. The reserve information from 1986 was determined by independent reservoir engineers, McDaniel & Associates Consultants Ltd. and did not include reserves located in the United States. 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.

	1988	1987	1986
	(millions of Canadian dollars)		
Future cash inflows	\$212.6	\$178.2	\$164.6
Future production costs	(78.5)	(62.5)	(63.9)
Future development costs	(3.3)	(2.7)	(2.8)
Future income tax expense	(37.6)	(38.9)	(38.6)
Future net cash flows	\$ 93.2	\$ 74.1	\$ 59.3
Standardized measure of future net cash flows discounted at 10%	\$ 56.6	\$ 44.3	\$ 33.1

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

	1988	1987	1986
	(millions of Canadian dollars)		
Sales of oil and gas and value of transfers	\$ (10.9)	\$ (13.2)	\$ (10.0)
Net changes in prices and production costs	(8.6)	1.3	(26.5)
Extensions, discoveries and improved recovery, less related costs	13.3	6.0	1.2
Purchase of reserves in place	10.6		
Development costs incurred during the period	0.3	0.2	0.2
Revisions of previous quantity estimates and other		11.3	5.1
Accretion of discount	6.8	5.5	4.7
Net changes in income taxes	0.8	0.1	11.3
Net increase (decrease)	12.3	11.2	(14.0)
Beginning of period	44.3	33.1	47.1
End of period	\$ 56.6	\$ 44.3	\$ 33.1



**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									
	1988		1987		1986		1985		1984	
<b>Revenue</b>										
Oil sales	\$ 9,108		\$10,239		\$ 7,772		\$13,224		\$11,474	
Gas sales	3,323		2,915		4,352		5,291		5,083	
Royalties	1,693		2,426		1,633		3,665		3,216	
Interest and other	1,024		1,406		1,308		1,475		2,128	
	<b>15,148</b>		<b>16,986</b>		<b>15,065</b>		<b>23,655</b>		<b>21,901</b>	
<b>Expenses</b>										
Production and administration	4,615		3,531		3,832		3,462		2,775	
Production revenue taxes					917		2,802		2,926	
Depreciation and depletion	7,507		5,385		5,652		5,172		3,859	
Financial expense	42		61		79		92		7	
Write-down of non-productive assets					1,341					
Income taxes	(643)		1,062		1,132		5,543		5,882	
	<b>11,521</b>		<b>10,039</b>		<b>12,953</b>		<b>17,071</b>		<b>15,449</b>	
<b>Net Earnings</b>	<b>\$ 3,627</b>		<b>\$ 6,947</b>		<b>\$ 2,112</b>		<b>\$ 6,584</b>		<b>\$ 6,452</b>	
<b>Cash Generated from Operations</b>	<b>\$13,536</b>		<b>\$14,680</b>		<b>\$11,046</b>		<b>\$15,463</b>		<b>\$13,983</b>	
<b>Capital Expenditures (i)</b>	<b>\$29,901</b>		<b>\$12,697</b>		<b>\$ 8,720</b>		<b>\$17,129</b>		<b>\$13,541</b>	
<b>Total Assets</b>	<b>\$99,137</b>		<b>\$93,585</b>		<b>\$83,413</b>		<b>\$82,455</b>		<b>\$76,126</b>	
<b>Production (before royalties)</b>										
Crude oil and natural gas liquids (barrels per day)	2,299		2,014		1,827		1,660		1,516	
Natural gas (mcf per day)	8,340		5,915		8,078		8,674		7,284	
<b>Common Shares</b>										
Issued and outstanding	7,846,076		7,846,076		7,846,076		7,846,076		7,846,076	
Number of shareholders	650		692		693		705		719	
Earnings per share	\$ 0.46		\$ 0.89		\$ 0.27		\$ 0.84		\$ 0.82	
<b>Market Prices</b>										
American Stock Exchange (U.S. \$)	<b>1988</b>		1987		1986		1985		1984	
	<b>High</b>	<b>Low</b>	High	Low	High	Low	High	Low	High	Low
1st Quarter	7 <sup>7</sup> / <sub>8</sub>	4 <sup>7</sup> / <sub>8</sub>	7 <sup>3</sup> / <sub>8</sub>	6	5 <sup>7</sup> / <sub>8</sub>	3 <sup>7</sup> / <sub>8</sub>	6 <sup>3</sup> / <sub>4</sub>	6	5 <sup>1</sup> / <sub>2</sub>	4 <sup>3</sup> / <sub>8</sub>
2nd Quarter	7 <sup>3</sup> / <sub>8</sub>	5 <sup>7</sup> / <sub>8</sub>	7 <sup>1</sup> / <sub>8</sub>	6 <sup>1</sup> / <sub>8</sub>	5 <sup>7</sup> / <sub>8</sub>	4 <sup>3</sup> / <sub>4</sub>	7 <sup>7</sup> / <sub>8</sub>	5 <sup>3</sup> / <sub>4</sub>	6 <sup>3</sup> / <sub>8</sub>	5 <sup>1</sup> / <sub>8</sub>
3rd Quarter	6 <sup>3</sup> / <sub>4</sub>	5 <sup>5</sup> / <sub>8</sub>	9 <sup>3</sup> / <sub>4</sub>	6 <sup>3</sup> / <sub>8</sub>	5 <sup>3</sup> / <sub>8</sub>	4	7	6	7 <sup>1</sup> / <sub>8</sub>	5 <sup>5</sup> / <sub>8</sub>
4th Quarter	5 <sup>7</sup> / <sub>8</sub>	5	7 <sup>7</sup> / <sub>8</sub>	4 <sup>7</sup> / <sub>8</sub>	6 <sup>1</sup> / <sub>2</sub>	4 <sup>3</sup> / <sub>4</sub>	6 <sup>5</sup> / <sub>8</sub>	5 <sup>1</sup> / <sub>8</sub>	7 <sup>3</sup> / <sub>4</sub>	6
Toronto Stock Exchange (Cdn. \$)	<b>1988</b>		1987		1986		1985		1984	
	<b>High</b>	<b>Low</b>	High	Low	High	Low	High	Low	High	Low
1st Quarter	8 <sup>1</sup> / <sub>4</sub>	6 <sup>3</sup> / <sub>8</sub>	9 <sup>1</sup> / <sub>2</sub>	8	7 <sup>1</sup> / <sub>2</sub>	6 <sup>7</sup> / <sub>8</sub>	9 <sup>1</sup> / <sub>4</sub>	8 <sup>1</sup> / <sub>2</sub>	6 <sup>3</sup> / <sub>4</sub>	6 <sup>1</sup> / <sub>8</sub>
2nd Quarter	8 <sup>1</sup> / <sub>2</sub>	7 <sup>1</sup> / <sub>2</sub>	9 <sup>1</sup> / <sub>2</sub>	8 <sup>3</sup> / <sub>4</sub>	8	6 <sup>1</sup> / <sub>4</sub>	10 <sup>1</sup> / <sub>4</sub>	7 <sup>3</sup> / <sub>8</sub>	7 <sup>7</sup> / <sub>8</sub>	6 <sup>1</sup> / <sub>2</sub>
3rd Quarter	7 <sup>3</sup> / <sub>4</sub>	7	12	9	7 <sup>1</sup> / <sub>2</sub>	6 <sup>1</sup> / <sub>4</sub>	9 <sup>5</sup> / <sub>8</sub>	8 <sup>3</sup> / <sub>8</sub>	7 <sup>5</sup> / <sub>8</sub>	7 <sup>3</sup> / <sub>8</sub>
4th Quarter	7 <sup>1</sup> / <sub>4</sub>	6 <sup>1</sup> / <sub>4</sub>	10	6 <sup>1</sup> / <sub>2</sub>	8 <sup>3</sup> / <sub>4</sub>	7	8 <sup>1</sup> / <sub>2</sub>	7 <sup>1</sup> / <sub>8</sub>	10 <sup>1</sup> / <sub>2</sub>	8 <sup>3</sup> / <sub>8</sub>

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

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## CORPORATE INFORMATION

### **Board of Directors**

BARRY D. COCHRANE\*, Calgary, Alberta  
Senior Vice-President, Exploration and Production  
Norcen Energy Resources Limited

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

FREDERICK A. MCKINNON\*, Calgary, Alberta  
Director of various companies

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

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

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

\*Member of the Audit Committee



**Corporate Officers**

BARRY D. COCHRANE, Chairman of the Board  
and President

WILLIAM T. KILBOURNE, Vice-President, Legal

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**

715 Fifth Avenue Southwest  
Calgary, Alberta T2P 2X7

**Registered Office**

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

Morgan Shareholder Services Trust Company

New York, U.S.A.

**Auditors**

Thorne Ernst & Whinney

Calgary, Alberta

**Stock Exchange Listings**

(Symbol — POY)

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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# Prairie

**Oil Royalties Company, Ltd.**

715 FIFTH AVENUE SOUTHWEST  
CALGARY, ALBERTA T2P 2X7