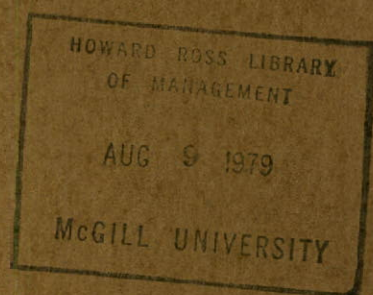




# OCELOT INDUSTRIES LTD.



Annual  
Report  
1979









**OCELOT INDUSTRIES LTD.**





OCELOT INDUSTRIES LTD.

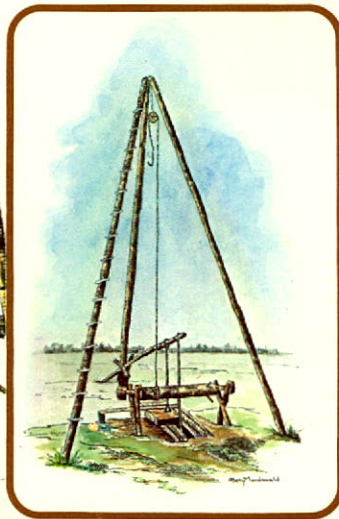


## PROFILE OF THE COMPANY

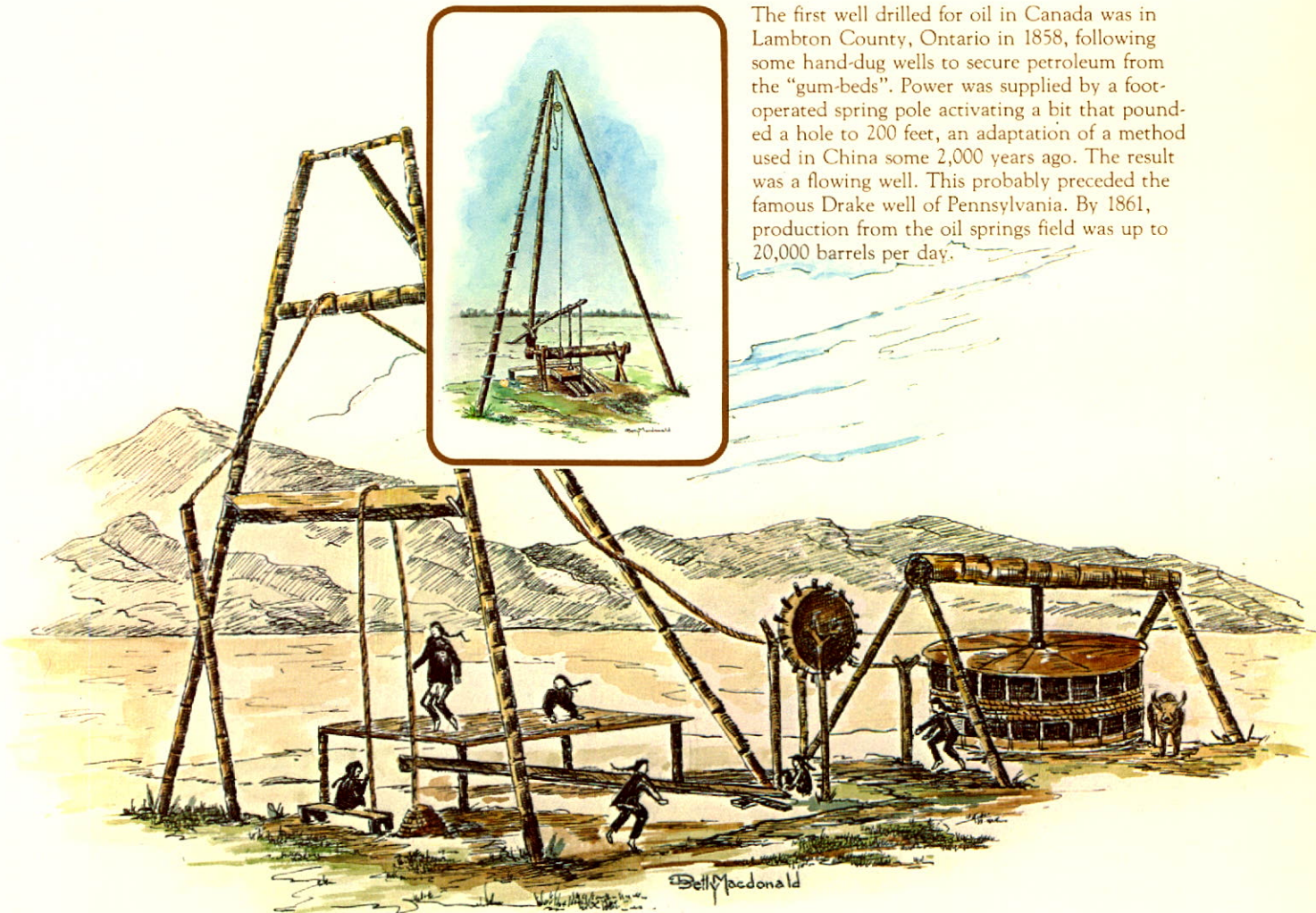
**I**n this Annual Report to Shareholders, we illustrate and describe some of the milestones in the development of the oil and gas industry in Canada; from the drilling of the first well in North America in Lambton County, Ontario, to the construction of delivery systems across Canada and into the United States. These systems are reminiscent of the construction of the railways in the 1800's which spanned the continent.

Ocelot Industries Ltd., in a few short years, has become an aggressive member of the energy producing community, particularly in the supply of natural gas and in services to other members of the industry.

The sketches and paintings illustrating the major events in the industry are by Calgary artist, Betty Macdonald.



The first well drilled for oil in Canada was in Lambton County, Ontario in 1858, following some hand-dug wells to secure petroleum from the "gum-beds". Power was supplied by a foot-operated spring pole activating a bit that pounded a hole to 200 feet, an adaptation of a method used in China some 2,000 years ago. The result was a flowing well. This probably preceded the famous Drake well of Pennsylvania. By 1861, production from the oil springs field was up to 20,000 barrels per day.





## FINANCIAL AND OPERATING SUMMARY

**FINANCIAL** In thousands  
except per share amounts

	1979	1978
REVENUE		
a) Oil and Gas Sales .....	\$ 51,573	\$ 40,881
b) Contracting and Supply Services .....	103,099	45,655
	\$154,672	\$ 86,536
CASH FLOW FROM OPERATIONS .....	\$ 36,441	\$ 26,429
Per Share .....	\$ 2.68	\$ 1.93
NET EARNINGS .....	\$ 17,005	\$ 14,232
Per Share .....	\$ 1.25	\$ 1.04
CAPITAL EXPENDITURES		
a) Development, Plant and Equipment .....	\$ 37,667	\$ 23,507
b) Exploration and Land .....	30,886	15,005
c) Corporate Acquisitions .....	8,793	16,305
	\$ 77,346	\$ 54,817
CROWN ROYALTIES & MINERAL TAXES .....	\$ 7,581	\$ 5,551
LONG-TERM DEBT .....	\$137,376	\$ 64,321

## OPERATING

NATURAL GAS PRODUCTION		
Millions of cubic feet .....	31,840	28,430
Millions of cubic feet per day .....	87	78
OIL AND CONDENSATE PRODUCTION		
Barrels .....	202,500	174,485
Barrels per day .....	555	478
PRODUCTIVE WELLS OWNED		
Gross .....	1,783	1,390
Net .....	1,252	975
PETROLEUM & NATURAL GAS RIGHTS (000 acres)		
Gross .....	2,836	2,424
Net .....	1,422	1,242
NUMBER OF DRILLING AND SERVICE RIGS .....	32	30
NUMBER OF EMPLOYEES .....	766	594



## TO THE SHAREHOLDERS:

I am able to report again this year increased sales and earnings in our divisions and subsidiaries, increased cash flow from operations, increased capital investment, increased proven reserves of oil and gas, increased production of oil and gas, and an expansion of both exploration and oilfield services into other geographical areas, including the United States, Australia, and Africa.

In addition, I am also able to report that as a result of the continued build-up of Canadian gas and oil reserves by your Company the producing life index of our gas has been extended to 35 years and proven oil to 34 years. If probable reserves are included with the proven reserves, then the indicated producing life of our natural gas is extended to 70 years. We now have interests in 130 gas wells shut in, awaiting market. These wells are capable of producing 85 million cubic feet of natural gas per day. Unless new markets for this product are secured, it will be difficult to increase our production and to maintain the present exploration level in our Canadian operations. Nevertheless, in the coming year we plan to reinvest a major portion of our cash flow, together with external financing, in the exploration and development of resources in Canada and the United States.

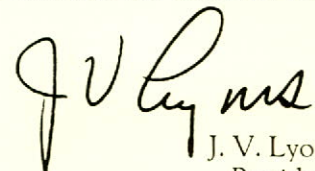
You are invited to read further in the annual report for details of our successful year; however, I am particularly pleased to report that this year the Company drilled 301 exploratory and development wells, of which 272 were completed as gas wells and 5 as oil wells, and 24 were abandoned. The Company's estimate of proven reserves discovered this year is 80 billion cubic feet of gas and 622,000 barrels of oil, which are at-

tributed to 21 areas in western Canada. The full extent of the increased probable gas reserves discovered this year must await definition by further development, however preliminary work indicates an additional 300 billion cubic feet of gas reserves to your Company.

Our plans to build a plant to produce methanol from natural gas at either Kitimat or Prince Rupert and to bring into production a gold deposit near Hope, also in British Columbia, are progressing.

Finally, I am pleased to report that since becoming a public company in 1973, we have been able to expand and diversify the Company's operations at a rate unmatched in the industry and we have also been able to recruit and maintain an in-depth management and employee team well equipped to look after your Company in the years ahead.

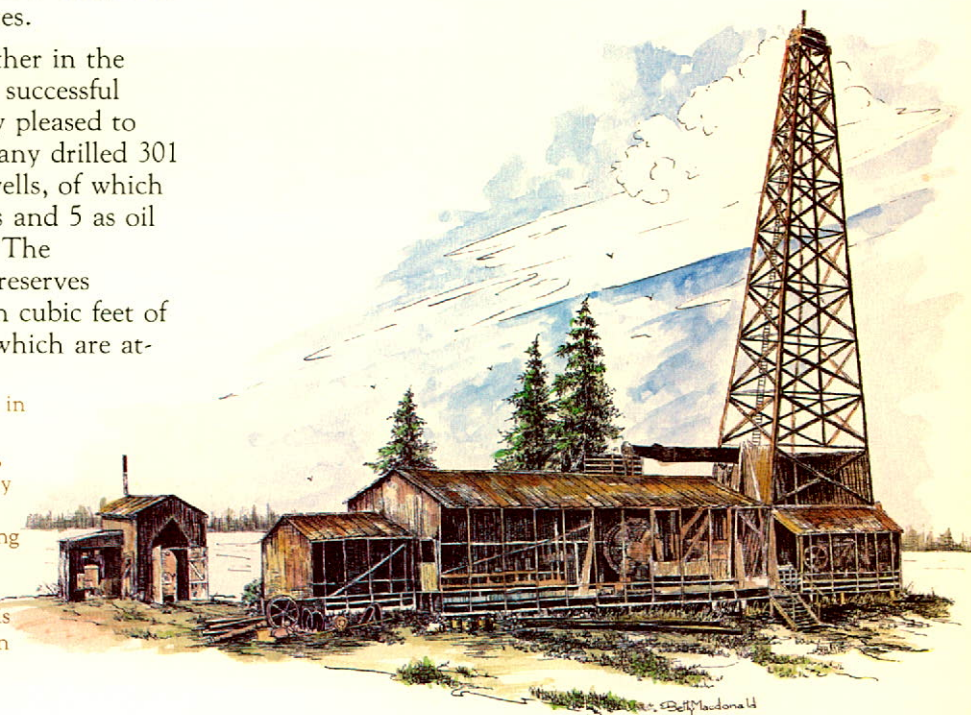
ON BEHALF OF  
THE BOARD OF DIRECTORS



Calgary, Alberta  
August 2, 1979

J. V. Lyons  
President

The first big interest in oil exploration in western Canada was sparked by the discovery of a light crude oil, naphtha, along with natural gas in Turner Valley in 1914. The engine driven cable-tool drilling rig was adapted from the drilling principles used in Lambton County, Ontario over fifty years before. The sketch to the right is of a replica of this rig erected by the Glenbow Foundation at Heritage Park in Calgary.





## PRODUCTION AND RESERVES

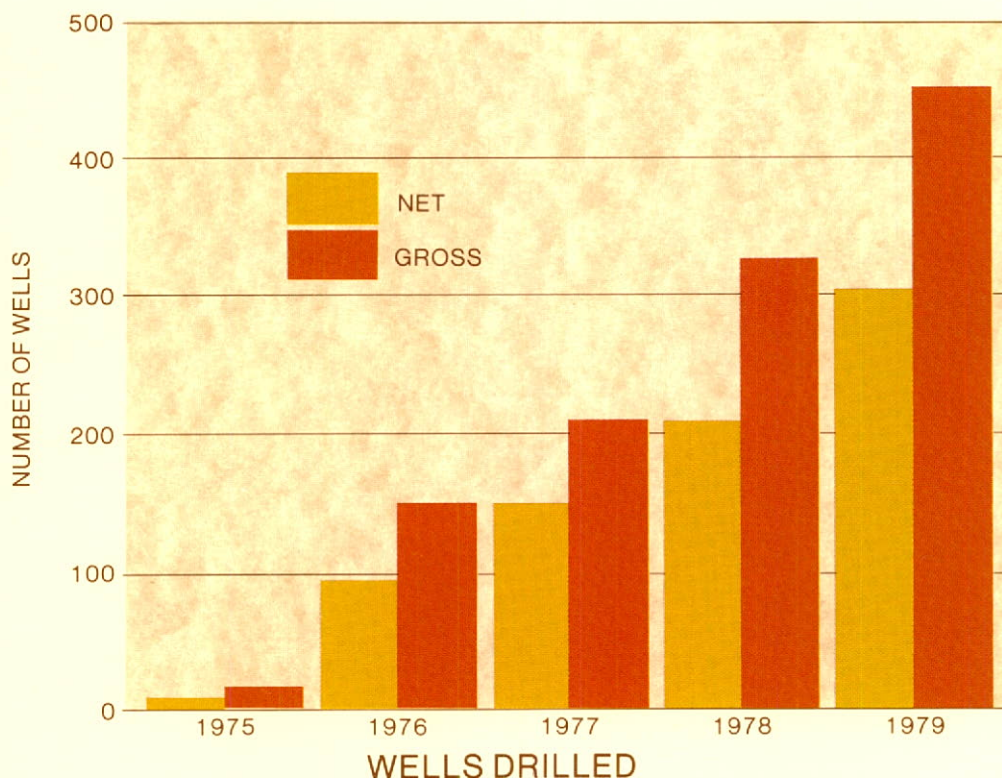
### Drilling

**F**

or the second year in succession, Ocelot drilled more wells than any other operator in western Canada.

During this most active drilling year in the Company's history, a total

of 447 wells (301 net) were drilled in the reporting period April 1, 1978 to March 31, 1979 of which 377 were operated by Ocelot. The majority of these wells, namely 330, were drilled in the conventional shallow gas area under our continuing infill drilling program.



### Production

**G**

as and liquids production continued to increase during the past year, averaging 87.2 MMCF/D of gas and 555 B/D of oil, for net gains of 12 and 16 percent respectively. The majority

of this increase is the result of the increased gas contract quantity for the Medicine Hat-Brooks area and the purchase of Sedalia Gas Limited.

The infill drilling program in the Medicine Hat-Brooks area fully made-up the



deliverability declines during the year and added approximately 11 MMCF/D (net) of new production starting November 1, 1978. The properties in which Sedalia Gas Limited had interests are capable of producing 7.5 MMCF/D of gas, net to the Company.

In the deeper Peco area, two new wells were tied in and one well was in the process of being tied in at year-end. These Peco gas wells have tested a total of 5.25 MMCF/D of gas plus 220 B/D of condensate. During December, 1978, gas production commenced from the Grizzly Units in the British Columbia foothills area in which Ocelot has minor working and royalty interests.

New oil production commenced at Bulrush, British Columbia in March, 1978 at rates of 100 B/D. However, due to rapidly increasing gas production, the well was shut-in until a gas sales line could be installed. This work is now complete and production from Bulrush should average 50 BOPD and 500 MCF/D of gas. At Grand Forks, Alberta, two oil wells were drilled and placed on production, and are currently producing 110 B/D, net to the Company. In addition, one potential oil well is currently being completed.

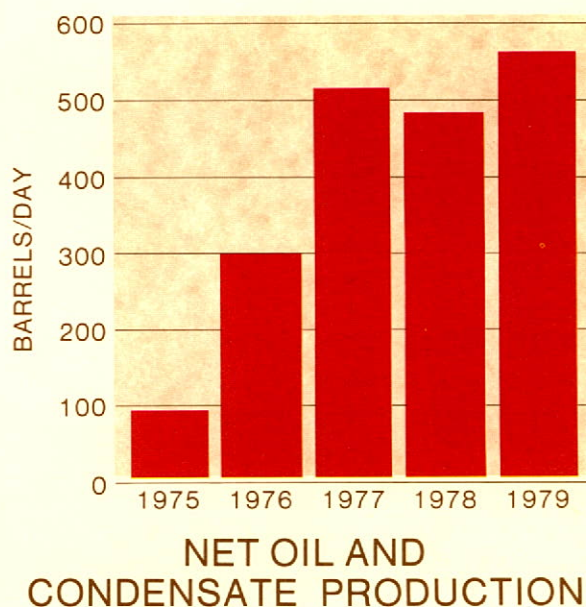
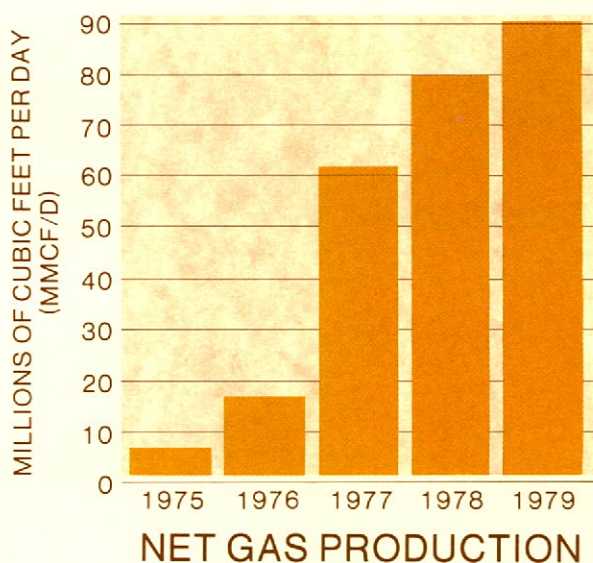
During the coming year, significant new gas production will be developed on our shallow gas properties. A new compressor station capable of delivering 24 MMCF/D is being constructed of which approximately one-third will be standby capacity used to eliminate losses due to normal compressor downtime at our seven existing stations.

New gas production is also scheduled to commence from the Bullmoose field in British Columbia in late 1979 when the sour gas plant at Pine River is completed. Ocelot has a 15% working interest in two completed gas wells that have tested at a combined rate of 40 MMCF/D of raw gas. Sales volume will be reduced by approximately 50% due to the removal of acid gases from the gas stream at the Pine River plant and will amount to 2.8 MMCF/D, net to Ocelot.

Additional gas production should begin from the Hotchkiss, Keg River and Fourth

projects in late 1979, and moderate amounts of new oil production are expected from one well recently completed at Caroline and from deeper zones in the Bantry area.

With all of these increases, the Company's net gas production should increase by a further fifteen percent during the coming year.





## Proven Reserves

**P**roven reserves before royalties, but after the deduction of production, were increased by 63 BCF of gas and 126 MSTB of oil and liquids. The majority of this increase is the result of the Company's exploration and development program; with 11 BCF added as a result of the purchase of Sedalia Gas Limited. At March 31, 1979, the proven reserves estimated in part by the Company's engineering consultants, Sproule Associates Limited, and in part by the Company's engineers are as follows:

### Natural Gas

Alberta	803 BCF
Saskatchewan	178 BCF
British Columbia	53 BCF
U.S.A.	1 BCF
Total	<u>1035 BCF</u>

### Oil & Natural Gas Liquids

Alberta	7959 MSTB
British Columbia	292 MSTB
Manitoba	24 MSTB
Total	<u>8275 MSTB</u>



A historic marker on the Trans-Canada Highway describes the first discovery of gas in Alberta in 1883. The formation which produced this gas, in combination with other zones, forms one of the three largest proven reserves on the Continent. The area has over 10,000 producing gas wells, some 1,500 of which are operated by Ocelot.



## Gas Contracts

**G**as production in Alberta was curtailed due to an over-supply situation in which TransCanada PipeLines Limited gained industry-wide support to limit production voluntarily in proportion to the minimum contractual obligations, thereby sharing markets more equitably among producers. Any gas deliveries contracted for, but not taken, are paid for by TransCanada at the end of the calendar year, and this prepaid gas can be taken by TransCanada at such time as it is required over the succeeding ten years.

Effective November 1, 1978, the maximum daily quantity of gas that TransCanada is obligated to accept under the Medicine Hat Gas Contract was increased from 73 MMCF/D to 90 MMCF/D, for a net gain to Ocelot of 11 MMCF/D. Effective November 1, 1979 the Company will receive a further increase in this contract to 106 MMCF/D. Net production should increase initially by approximately 7 MMCF/D when this increase becomes effective. Both of these gas contract increases are based on the favourable production performance from the Milk River, Medicine Hat and Second White Specks zones.

The company also has gas reserves under contract in the Hotchkiss, Keg River and Fourth areas of northern Alberta and the Bullmoose area in British Columbia, all of which should go on stream in late 1979. Net production from these areas should be approximately 4 MMCF/D.

Canadian Western Natural Gas Company Limited, the purchaser of gas from our Chinook area, served Ocelot with a notice to redetermine gas prices paid under the contract effective November 1, 1978. No further action has been taken by the gas purchaser and we do not anticipate any significant change in the gas prices to be paid under this contract.

## Product Prices

**T**he Toronto City Gate price for natural gas increased by 15¢/MCF on August 1, 1978, but the majority of this price increase was absorbed by the increased tariffs for the transportation of gas from the Alberta border to Toronto. A further price increase of 15¢/MCF was projected for February 1, 1979 but this was deferred for six months by the mutual agreement of the Federal and Provincial Governments.

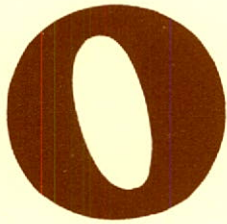
Western Canadian crude oil is currently selling at less than 70% of international crude prices. The Federal and Provincial Governments proposed a \$1.00/bbl increase on July 1, 1979 and a further \$1.00/bbl increase in January, 1980. Since international prices are predicted to increase at the approximate rate of inflation, larger annual increases in crude oil prices will have to be made if Canadian crude oil is to reach price parity with international markets within the next few years.

We anticipate that natural gas prices at the Toronto City Gate will continue at 85% of the crude oil price, on a heating value basis, and will continue to track oil price increases with the 85% relationship. Proposals have recently been made to move gas into new markets in eastern Canada at a reduced price. We understand this will affect only a small portion of the overall gas stream, since the price paid for this gas will be rolled into the overall sales volume. The net reduction in gas prices to the producers should be minor.

During the coming year, wellhead gas prices could increase by as much as 30¢/MCF over the \$1.55/MCF received in March, 1979 if both of the \$1.00/bbl crude oil price increases proceed as planned. However, we anticipate actual wellhead price increases may total only 25¢/MCF due to increased gas transmission costs.



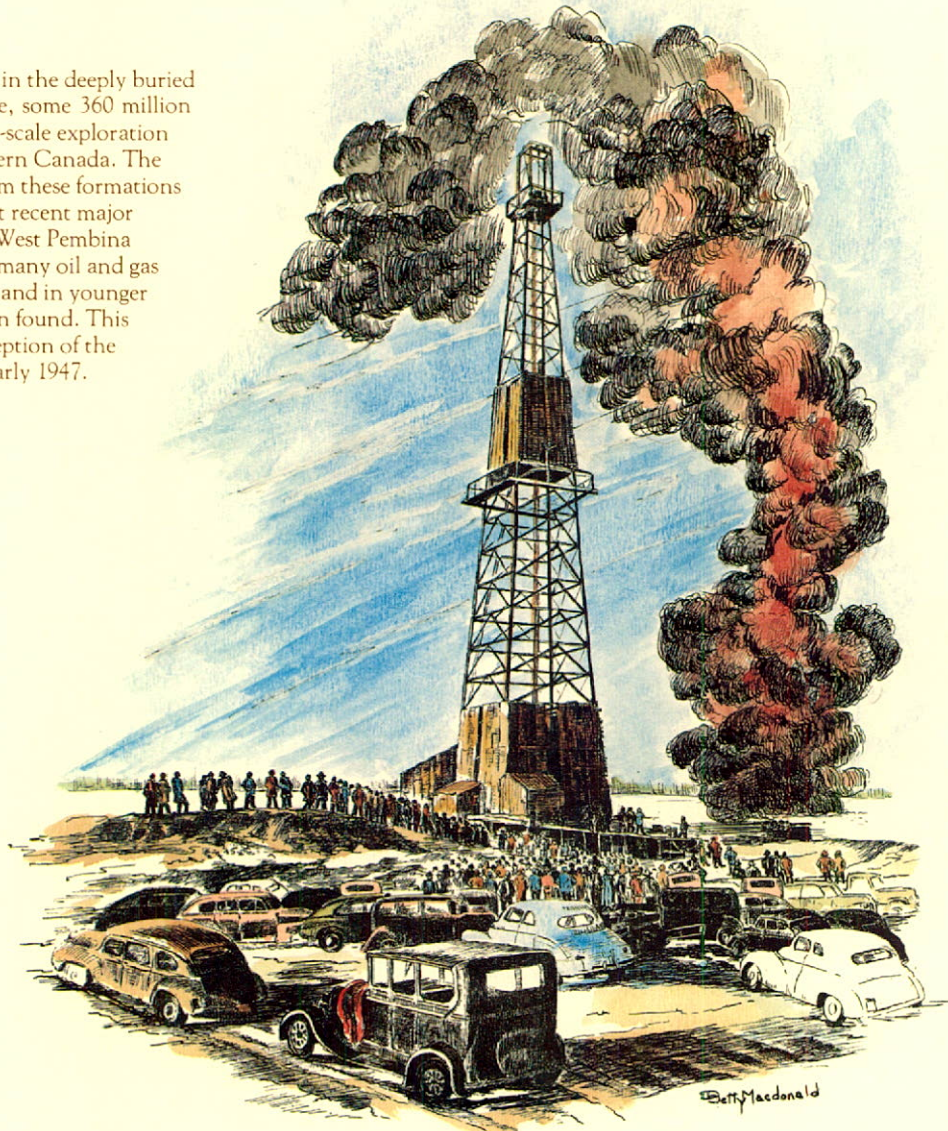
### Highlights



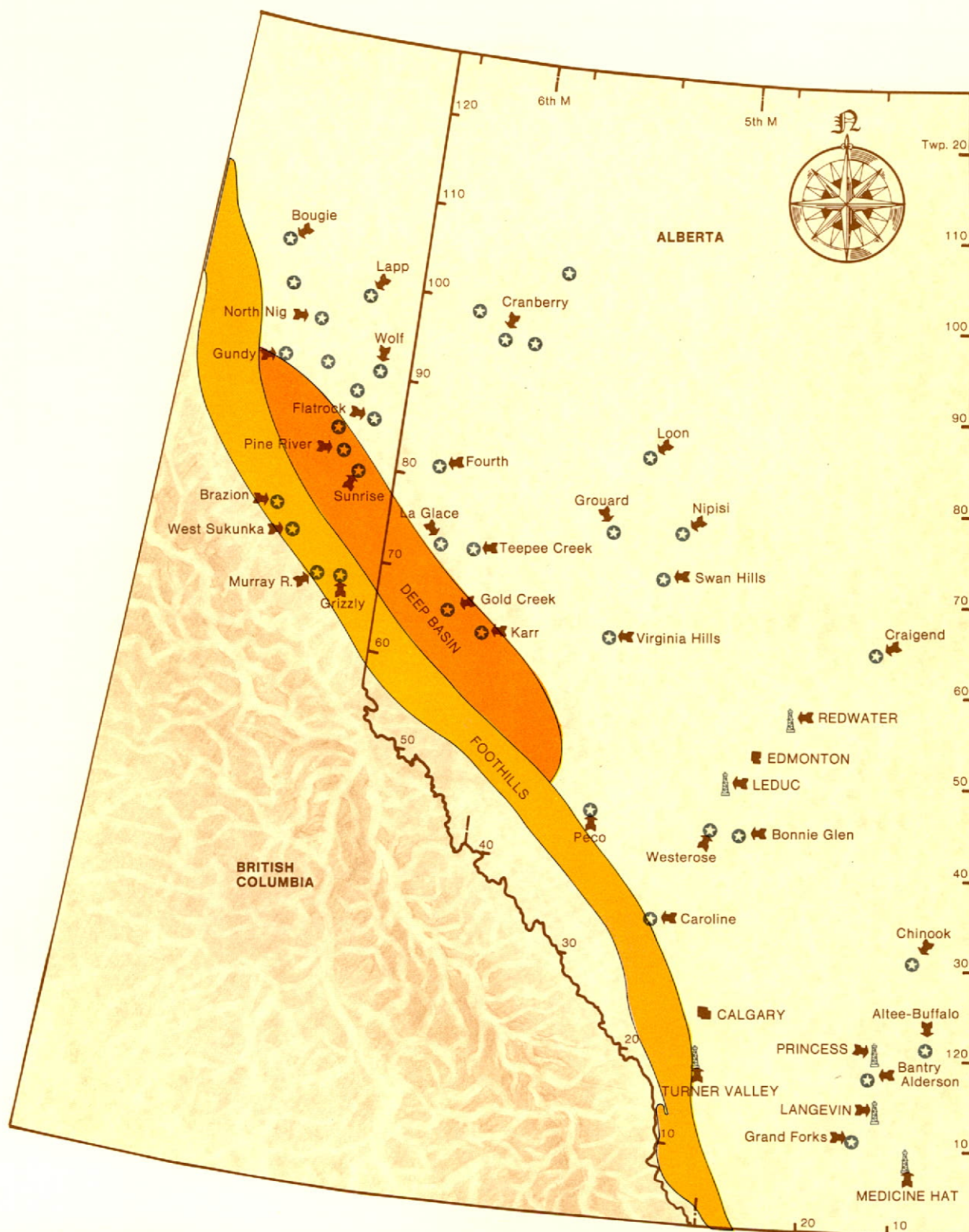
celot's exploration activities reached record highs in the reporting period April 1, 1978 to March 31, 1979.

Successful results in the foothills of British Columbia, the "Deep Basin" of northwestern Alberta and in southeastern Alberta were the highlights of the Company's efforts.

The 1947 discovery of oil in the deeply buried reefs of the Devonian age, some 360 million years old, began the large-scale exploration and development in western Canada. The search for production from these formations continues today, the most recent major success being in the new West Pembina area. During this search, many oil and gas fields at shallower depths and in younger geological zones have been found. This sketch is the artist's conception of the Leduc discovery well in early 1947.









The Company continued its aggressive land acquisition program with expenditures in excess of \$13,000,000 to obtain various interests in 155,570 gross (91,525 net) acres. In addition, interests were earned in an additional 52,588 gross (25,205 net) acres through drilling on lands held by others.

#### Summary of Land Holdings

	Gross (acres)	Net (acres)
Alberta	1,455,250	808,474
British Columbia	528,329	178,671
Saskatchewan	354,812	229,944
Manitoba	2,848	2,848
Total	<u>2,341,239</u>	<u>1,219,937</u>

In addition to the land holdings shown above, Ocelot holds approximately 372,626 gross (172,650 net) acres in the Cameroons of West Africa and approximately 122,564 gross (29,131 net) acres in the United States.

In the foothills of British Columbia, your Company participated in the drilling of a significant gas discovery which has enhanced our estimates of the ultimate potential of our extensive land holdings in the area.

Within and also adjacent to the much publicized "Deep Basin" or "Elmworth" trend, Ocelot participated in the drilling of two gas discoveries and one gas and oil discovery during 1978, and acquired interests in 31,680 gross (9,619 net) acres of exporation rights.

In British Columbia, the "Deep Basin" trend is expected to extend over the Company's land holdings in the Sunrise and Pine River areas.

In addition to our extensive shallow gas development programs in southeastern Alberta, Ocelot participated in the drilling of twenty-one wells to test the deeper potential of the area.

During the last year, Ocelot expanded its international exploratory efforts with the farmout of its Sanaga Sud concession in the Cameroons of West Africa. The Company will also be participating in a number of prospects in the mid-western United States in

1979 and 1980 under recent joint venture agreements.

These prospects and others contributed to a record drilling year for Ocelot. The results, which exclude the 330 well shallow gas development program, are summarized below:

	Oil	Gas	Dry	Total
Gross	10	53	54	117
Net	4	16	24	44

#### Northeastern British Columbia



our Company had a very successful year in the foothills of northeastern British Columbia. In the Sukunka-Bullmoose area,

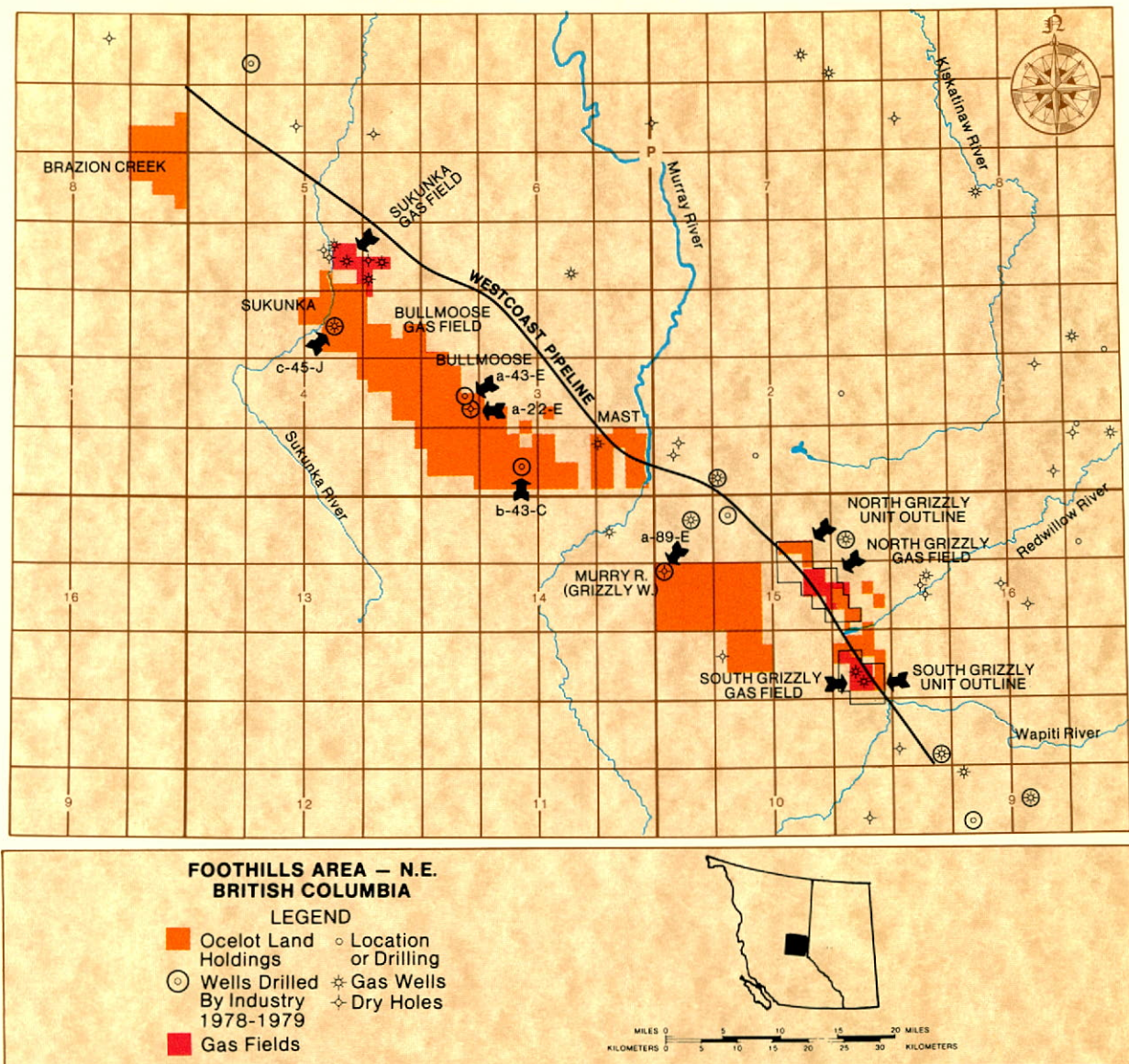
Ocelot participated in the drilling of two important wildcats. The West Sukunka c-45-J well (Ocelot 50%) is currently awaiting completion after testing gas from two zones at rates of up to 20 MMCF/D. The well is of particular interest to the Company as it proves the existence of gas in the deeper structures west of the main Sukunka-Bullmoose productive trend. Two wells are presently drilling (Ocelot 15%) to further evaluate our 99,817 gross (30,872 net) acres of holdings in this area. The a-22-E well was abandoned after having tested gas in non-commercial quantities.

On the basis of seismic data required in 1978, we anticipate the drilling of three more wells to evaluate other indicated, but as yet untested, structures.

A well in the Murray River block was drilled and abandoned at no cost to the Company. Our retained interest is 15%.

Ocelot acquired a 40% working interest in 18,152 gross acres of Crown lands at Brazion Creek during the past year. Geological and geophysical studies indicate that this permit has similar productive potential to the Sukunka-Bullmoose trend.





In the area fringing the foothills, the Company was also active. In the Bougie area, Ocelot earned a 12½% interest in 15,098 gross acres by participating in the drilling of two deep Devonian wells. Although both wells encountered gas at various depths, additional work will be required to evaluate these discoveries.

The Company farmed-out a portion of its interest in a 15,006 gross (5,001 net) acres block in the Sikanni area. The b-64-G earning well is currently drilling toward its target in the Mississippian strata.

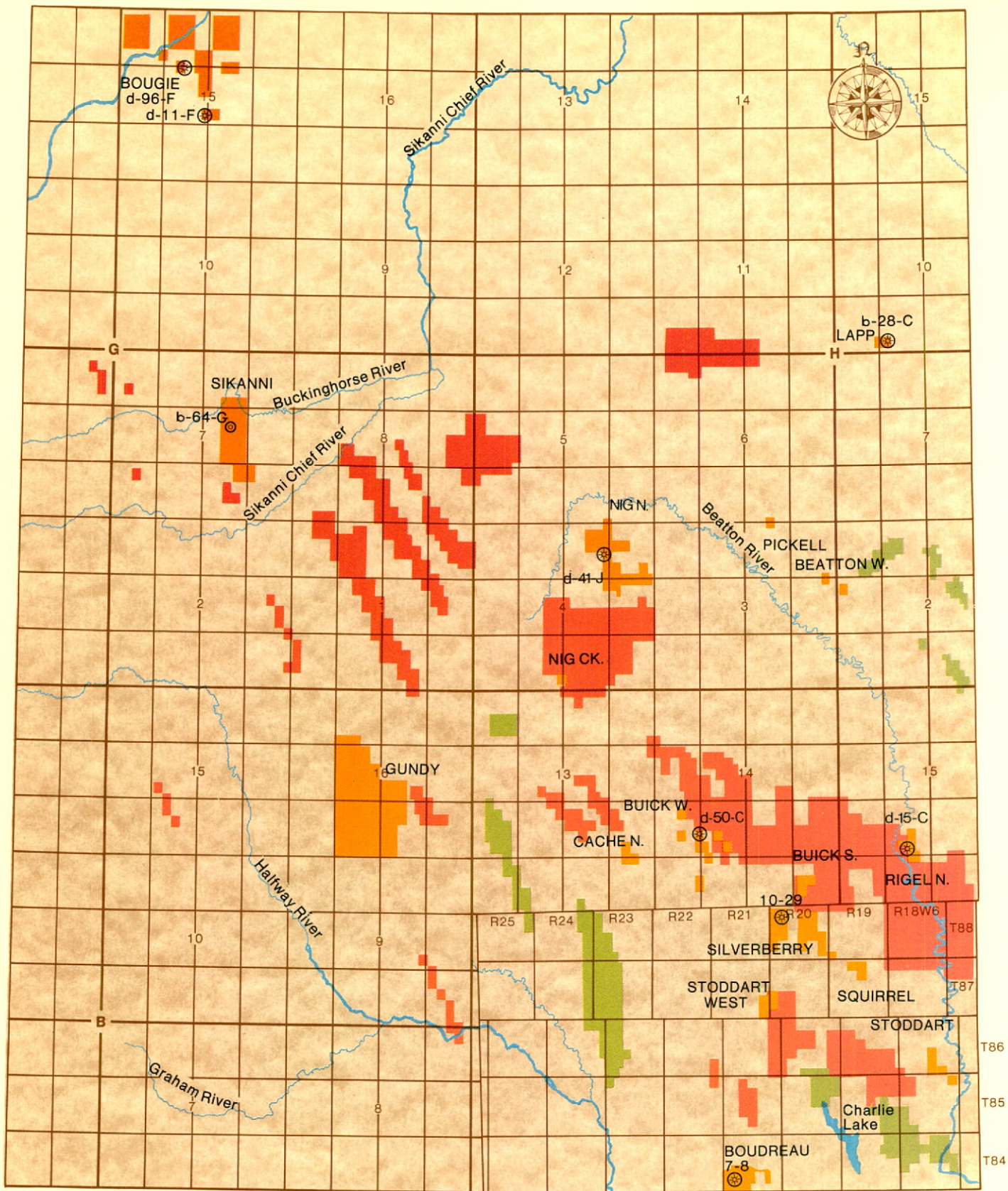
A significant gas discovery was completed to the northwest of our sizeable Gundy holdings. Seismic and geological studies will be undertaken to evaluate the possibility of future drilling on this block of 48,648 gross (16,217 net) acres.

Recent drilling has indicated that the prolific "Deep Basin" play, developed in

Alberta, extends northwesterly into British Columbia. Gas discoveries have been made to the north and south of the Sunrise block in which the Company holds a 50% interest in 53,575 gross acres. A seismic program undertaken on this block during 1978 indicated favourable targets for drilling in the coming year. At Pine River, an option has been secured to earn 50% in 12,650 acres by drilling a test well.

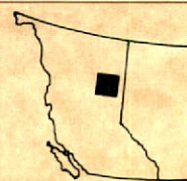
In the very active plains area of north-eastern British Columbia, Ocelot participated in the drilling of sixteen wells resulting in one oil and seven gas completions. Success was encountered at Rigel, Nig Creek North, Buick Creek West, Lapp, Flatrock, Silverberry, Boudreau and Wolf. The Company has interests varying from 18% to 100% in these wells and the 55,758 gross acres in this area. We anticipate a sizeable drilling and land acquisition program in the coming year to further enhance our position.





**PLAINS AREA — N.E. B.C.**  
**LEGEND**

- Ocelot Land Holdings
- Gas Fields
- Oil Fields
- Location or Drilling
- ✱ Gas Wells



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## Northwestern Alberta

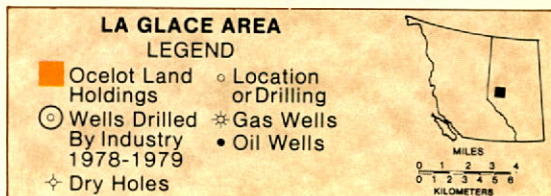
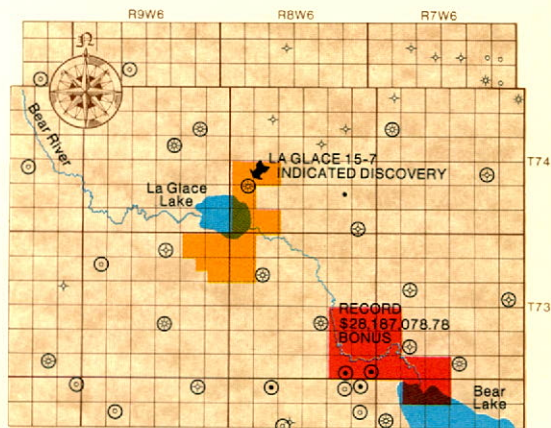
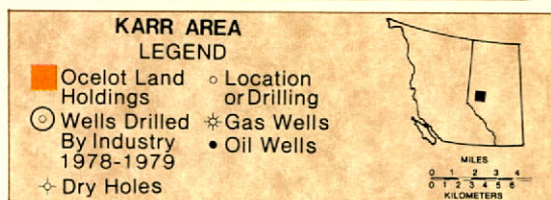
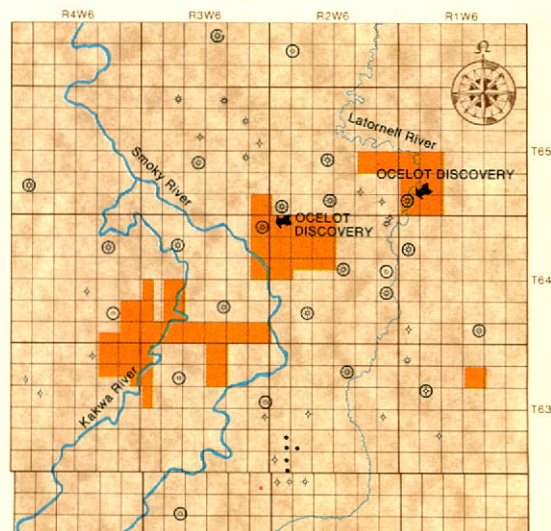
As with much of the industry, the "Deep Basin" or "Elmworth" trend was the centre of extensive activity for the Company. At Karr, on the eastern end of the play, Ocelot drilled two significant gas discoveries. Both wells were drilled on farmouts which earned the Company an interest in 1,920 acres. Based on encouraging information from these two wells and other indicated finds in the area, Ocelot acquired an interest in an additional 22,560 gross (5,843 net) acres at subsequent Crown land sales. Intense competition resulting from numerous prolific discoveries pushed land prices over the \$1,000/acre mark in the area. Continued active exploration in this area is planned by Ocelot for the coming year.

Further north, at La Glace, Ocelot purchased a 33 1/3% interest in a 6,560 acre block in the heart of an active oil and gas play. Subsequently, the company participated in the drilling of a well which is currently being completed as a potential dual-zone oil and gas well. Industry activity in this 40 mile trend has been very high as evidenced by approximately \$59,000,000 having been spent in land acquisition costs from October, 1978 to April, 1979. One block four miles from Ocelot's holdings brought a bonus consideration of \$28,187,078 for 8,320 acres. Further drilling is anticipated on this block during the coming year.

In the Teepee Creek area, the Company bought a 50% interest in a 5,760 acre block at a Crown land sale. Upon completion of technical studies presently underway, Ocelot anticipates the drilling of a deep test on this block.

Exploratory drilling by the Company resulted in a dual-zone gas discovery in the Fourth area. This well earned Ocelot a 50% interest in 8,320 acres which are included in an existing gas sales contract. Subsequent land sale activity added 5,760 gross (2,880 net) acres to the Company's land holdings on the trend. Although two follow-up wells have been abandoned to the west and south of the discovery, additional drilling is planned to determine the extent of the reservoirs.

Elsewhere in northwestern Alberta, Ocelot participated in fifteen wells which resulted in three indicated gas wells and one indicated oil well.





## Central Alberta

**O**celot pursued a variety of exploration prospects throughout central Alberta in 1978. From a total program of eleven wells drilled, six were completed as gas wells and one as an oil well.

At Peco, the OIL 6-23-47-15 (W5M) well was completed after having tested significant quantities of hydrocarbons. Dual-zone gas successes were encountered at Craigend, New Norway and Bonnie Glen while Chip Lake was a single-zone gas completion. Further drilling as determined by land availability and geophysical data is anticipated in most of these and other areas during 1979.

At Caroline, the Company participated (40%) in the drilling of a Cardium oil well that is more than capable of its provincial production allowable of 70 B/D. This well has now been placed on-stream and a second well will be drilled in the coming year.

## Southeastern Alberta

**I**n addition to the Company's extensive shallow gas development program, we were also active in exploring for both oil and gas in deeper horizons in this area. Of a total of twenty-one wells drilled in southeastern Alberta, six were completed as oil wells and ten as gas wells.

Most notable was the completion of three oil wells and two gas wells in the Grand Forks area. The two gas wells are included in an existing gas purchase contract area. The success realized in this area will be followed-up this year with further drilling.

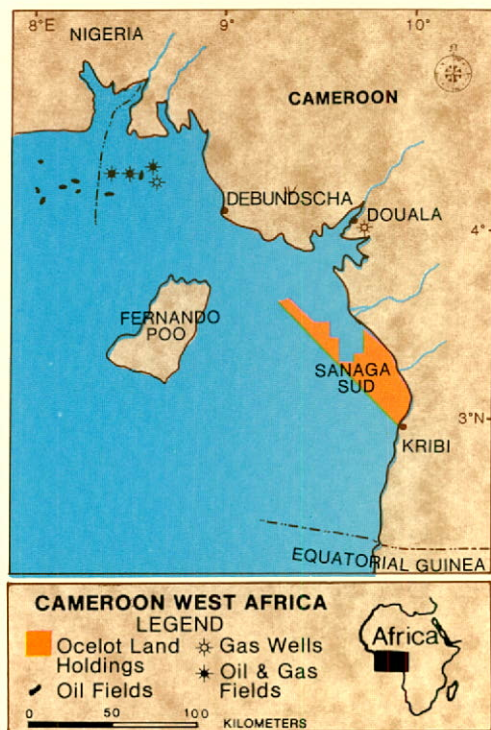
The Company also participated in successful wells at Atlee-Buffalo, Coleman Lake, Bantry-Alderson and Chinook. Land acqui-

sitions and further drilling is anticipated in all of these areas in 1979.

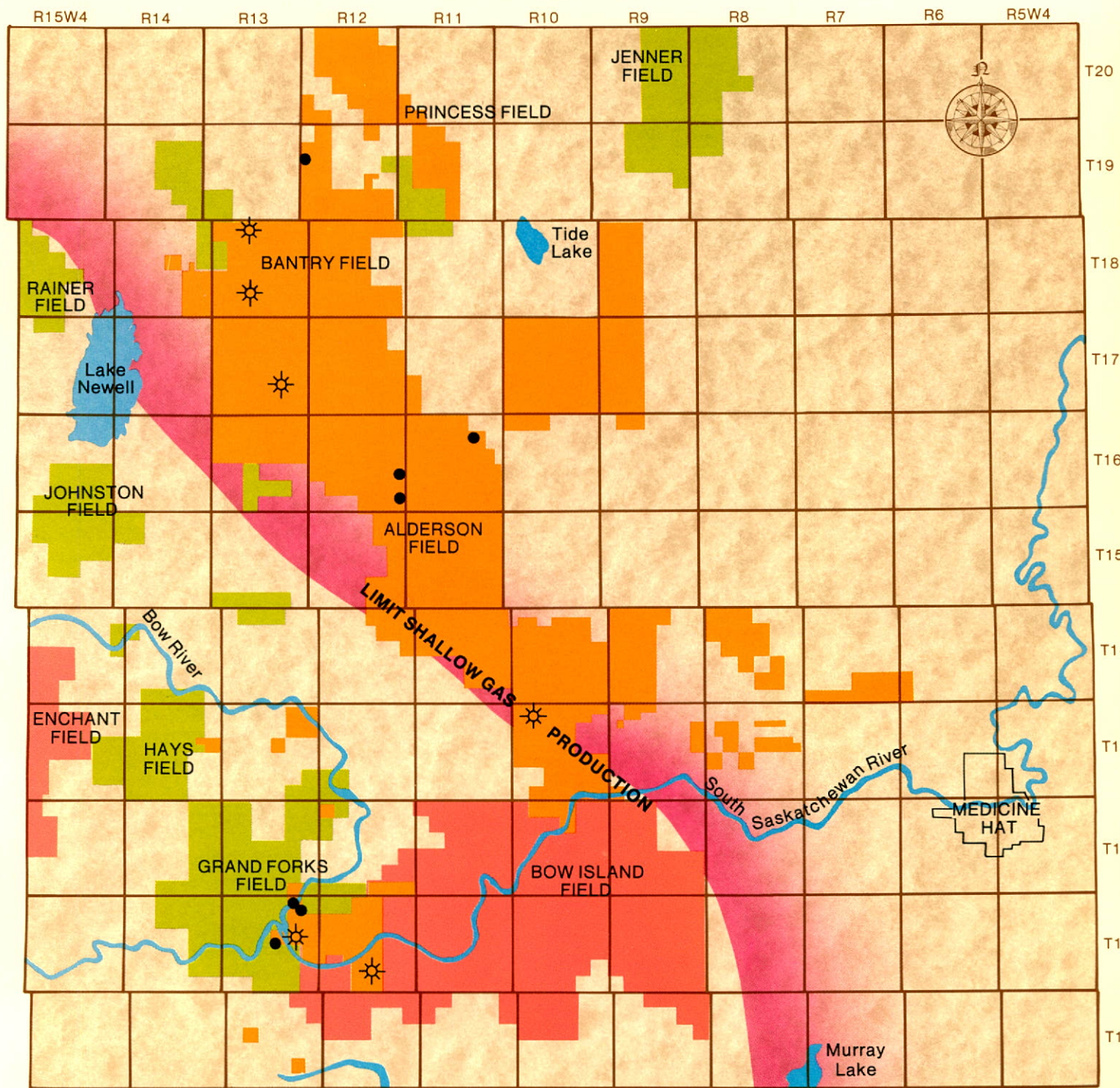
## Other Areas (Foreign)

**I**n the Cameroons, West Africa, the Company has granted a large multinational oil company the right to evaluate Ocelot's Sanaga Sud concession with seismic and the right to earn an interest in the lands by drilling a well prior to February, 1980.

In 1979, Ocelot commenced an exploration program in the United States through joint venture agreements whereby Ocelot will be participating in purchasing leases and drilling on approximately thirty prospects in the mid-western United States. Participation in other ventures in the United States is planned.

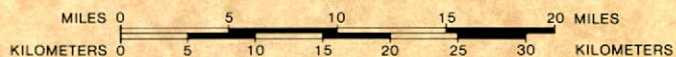






# **SOUTHEASTERN ALBERTA** LEGEND

- Ocelot Land Holdings
- Gas Fields
- Oil Fields
- Oil Wells
- Gas Wells





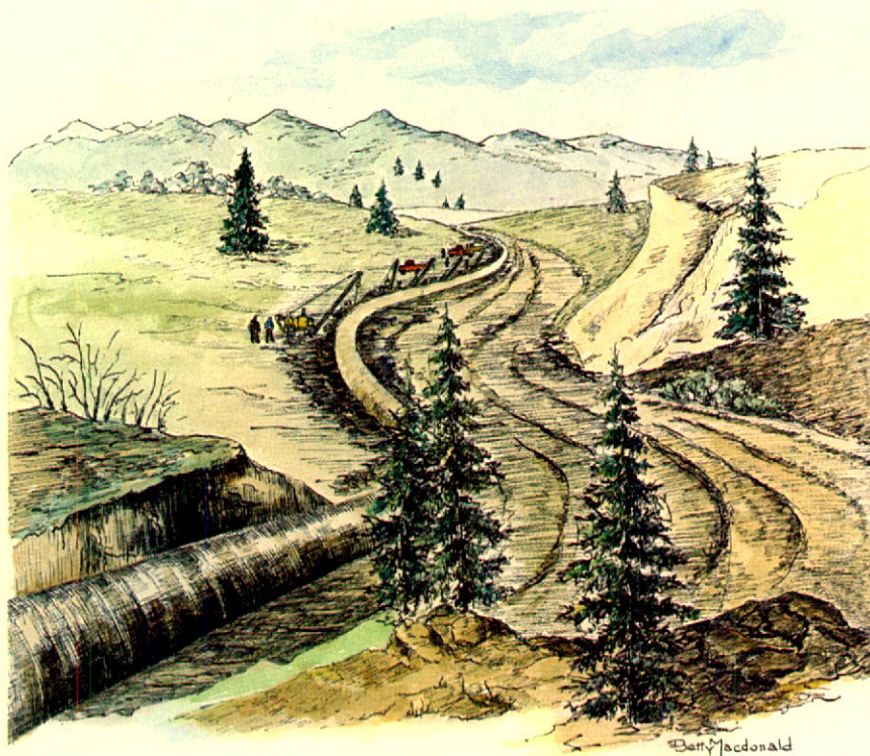
### Contract Drilling

**D**uring the year the operations and personnel of Jennings International Drilling and Cactus Drilling were merged. The resulting Cactus Drilling division currently operates twenty-one drilling rigs in western Canada and is presently constructing another 9,000 foot-capacity rig. As a result of the high level of activity in the petroleum industry, the drilling division experienced another year of close to full utilization and, together with the Brooks Field Service division, recorded total gross revenues of \$37.0 million. The previous year's gross sales included only three months of operations from Cactus and Brooks.

Brooks presently operates eleven service rigs in western Canada and it has six additional service rigs under construction which have been specifically designed for servicing low gravity oil wells in the Lloydminster area of Alberta. These six rigs have been contracted on a long-term basis, with the first rig expected on site in September, 1979.

Demand for drilling and service rigs continues to remain strong and the contract drilling division expects continued good results in the ensuing year.

A recent acquisition was the drilling rig assets of Cardinal Drilling Company of Billings, Montana, which were acquired in June, 1979. The acquisition included fourteen drilling rigs capable of drilling from 5,000 feet to 13,500 feet. These rigs will continue to operate in the United States.



Supplies of oil and gas after the Leduc discovery soon exceeded local markets. During the 1950's, pipeline delivery systems for both oil and gas were built to Ontario and Vancouver providing markets and funds for exploration.



## Oilfield Equipment and Supplies

**S**heamar Supply and Wilson Oilfield Supply experienced another year of growth as evidenced by the opening of supply centers in Brooks and Grande Prairie, Alberta, and the acquisition of Herman Karst Enterprises of Casper, Wyoming in July, 1978. Karst's present sales are comprised of steel pipe and oilfield pumps and with the additional items being planned for resale, it will have a full range of oilfield supply equipment. Gross sales of this division rose from \$28.4 million in 1978 to \$60.4 million in 1979, and the Company expects further growth next year.

## Pipelining

**O**. J. Pipelines Ltd. completed its first full year of operations with projects including numerous small-diameter field gathering and distribution projects from British Columbia to Ontario, as well as a major 30-inch pipe replacement and upgrading project on a gas transmission system in western Ontario.

The market for large-diameter pipeline construction has been depressed for the past several years and this situation is expected to continue until government approvals are obtained for one or more of the major pipeline projects currently planned. Although the current year's volume of big-inch projects is expected to be marginally greater than last, competition in these projects will be keen. O. J. Pipelines is continuing development of its personnel and equipment fleet in readiness for significant participation in the construction of each of the new major pipeline systems currently planned. The organization will also take advantage of selective short-term construction opportunities.

The longer-term outlook for improved market conditions is encouraging, with approvals anticipated for major gas transmission and distribution facilities in Quebec and eventually the Maritimes. National Energy Board hearings will be held during the year to assess the pre-building plans of the Alaska Highway Gas Pipeline Project. The continuing decline of the international oil supply situation may lead to the recognition of the need for additional large-capacity oil pipeline facilities serving North America. Regulatory hearings are scheduled during the next year to assess the need for such facilities.

The South Eastern Pipeline Construction division had another active year in 1979 and the Company looks forward to an increased level of activity in the following years.



## FINANCIAL REVIEW

### Earnings

**C**onsolidated net earnings for the 1979 fiscal year was \$17.0 million, a 20% increase over the 1978 consolidated net earnings of \$14.2 million.

Earnings per Class A and Class B common share amounted to \$1.25 compared to \$1.04 for 1978. The weighted average number of Class A and Class B common shares outstanding during the year was 13.6 million compared to 13.7 million in 1978, and there were 13.1 million outstanding at March 31, 1979. Funds generated from operations in 1979 increased to \$36.4 million (\$2.68 per share), an increase of 38% over the previous year's \$26.4 million (\$1.93 per share).

The rate of return on shareholders' equity (net earnings expressed as a percentage of average shareholders' equity) increased from 22.2% to 24.6% in 1979.

### Revenues

**G**ross production revenue for the 1979 fiscal year totalled \$51.6 million, a gain of 26% over 1978. This gain was attributed to both increased production and to higher prices. Details of production volumes and sales prices are provided in the "Production and Reserves" section of this annual report.

Contract drilling revenue totalled \$37.0 million in 1979, which includes a full year of operations from the Cactus Drilling and Brooks Field Service subsidiaries. It should be noted that only three months of operations from these subsidiaries were included in 1978. The Sheamar group contributed gross sales of \$60.4 million in the 1979 fiscal year compared to \$28.4 million for the previous year, (which included only nine months of operations), and gross sales of the pipeline construction companies totalled \$5.7 million in 1979. Details of the revenues and contributions to earnings from operations, by segment, are set out in Note 6 to the Consolidated Financial Statements.

### Financial Position

**T**he Company showed a significant increase of \$24.8 million in working capital at March 31, 1979 from the 1978 fiscal year-end.

The major factor contributing to the improved working capital position was the completion of the private placement financing of \$86.3 million and the subsequent repayment of current bank debt of \$46.8 million. In view of the Company's improved financial position and its policy of maintaining financial flexibility, the Company will continue to seek and examine future financing alternatives.



## Capital Expenditures

**C**apital expenditures relating to capital assets and corporate acquisitions totalled \$77.3 million in 1979, an increase of 41% over the capital expenditures incurred in 1978. The major components of these expenditures were: increased outlays on undeveloped oil and gas rights together with a more active exploration drilling program for \$30.9 million (\$15.0 million in 1978), expenditures on development, including the largest shallow gas development program undertaken by the Company to date, amounting to \$15.9 million (\$11.7 million in 1978), and the completion of the construction of the three deeper-capacity drilling rigs for \$6.9 million (\$6.5 million in 1978). The gross investment in property, plant and equipment at March 31, 1979 of \$256.2 million represents an increase of 42% over the 1978 amount of \$180.9 million. In addition, corporate acquisition expenditures in 1979 of \$8.8 million included the acquisition of the net assets of Sedalia Gas Limited for \$8.3 million, as detailed in Note 1 to the Consolidated Financial Statements.

## Shares of the Company

**A**t April 30, 1979 there were 2,321 registered shareholders of which 448 held Class A shares ("A") and 1,873 held Class B shares ("B"), and 99% of the total outstanding shares were Canadian-owned. During the year, the Company expended \$7.7 million towards the purchase and cancellation of 186,977 Class A common shares and 325,268 Class B common shares. The following table shows the high and low sales prices of the A and B shares as reported by The Toronto Stock Exchange for each quarterly period during the 1978 calendar year and the 1979 calendar year to June 30, 1979.

Calendar Year		High	Low
1978			
First Quarter	A	15½	12½
	B	15⅞	12
Second Quarter	A	13¾	10½
	B	13⅞	10⅞
Third Quarter	A	15½	12⅞
	B	15	12½
Fourth Quarter	A	15⅞	11¾
	B	15⅞	11½
1979			
First Quarter	A	16	14
	B	15⅞	13½
Second Quarter	A	18½	13⅞
	B	18⅞	13⅞





**Consolidated Balance Sheet  
as at March 31, 1979**

ASSETS		
	1979	1978
CURRENT ASSETS		
Cash and short-term deposits .....	\$ 8,524,000	\$ 1,479,000
Accounts receivable .....	36,083,000	23,823,000
Income taxes recoverable .....	1,581,000	—
Inventories, at lower of cost and net realizable value ....	7,605,000	3,709,000
Drilling and construction contracts in progress .....	443,000	418,000
Prepaid expenses .....	322,000	327,000
	<u>54,558,000</u>	<u>29,756,000</u>
PROPERTY, PLANT AND EQUIPMENT,		
at cost (note 2) .....	256,237,000	180,945,000
Accumulated depletion and depreciation .....	19,343,000	9,349,000
	<u>236,894,000</u>	<u>171,596,000</u>
OTHER ASSETS .....	<u>3,074,000</u>	<u>1,445,000</u>
	<u>\$294,526,000</u>	<u>\$202,797,000</u>

Approved by the Board:

*J. V. L. M.* Director

*R. A. F.* Director





## LIABILITIES

	1979	1978
CURRENT LIABILITIES		
Bank indebtedness, secured .....	\$ 10,057,000	\$ 20,940,000
Accounts payable and accrued liabilities .....	32,330,000	32,378,000
Current maturities on long-term debt .....	12,463,000	1,258,000
	<u>54,850,000</u>	<u>54,576,000</u>
DEFERRED PRODUCTION REVENUE .....	1,716,000	—
LONG-TERM DEBT (note 3) .....	<u>137,376,000</u>	<u>64,321,000</u>
DEFERRED INCOME TAXES .....	<u>29,575,000</u>	<u>19,901,000</u>
 CAPITAL STOCK (note 4)		
Authorized		
7,500,000 Class A common shares of no par value		
25,000,000 Class B common shares of no par value		
Issued		
4,434,943 (1978 - 4,167,880) Class A shares .....	8,283,000	2,117,000
8,681,362 (1978 - 9,637,855) Class B shares .....	29,961,000	40,208,000
RETAINED EARNINGS .....	<u>32,765,000</u>	<u>21,674,000</u>
	<u>71,009,000</u>	<u>63,999,000</u>
	 <u>\$294,526,000</u>	 <u>\$202,797,000</u>





**Consolidated Statement of Earnings**  
**year ended March 31, 1979**

	<u>1979</u>	<u>1978</u>
REVENUE		
Operating (note 6) .....	\$136,494,000	\$70,882,000
COSTS AND EXPENSES		
Cost of sales and operating expenses .....	88,129,000	38,364,000
Depletion and depreciation .....	10,397,000	6,050,000
	<u>98,526,000</u>	<u>44,414,000</u>
EARNINGS FROM OPERATIONS BEFORE		
UNDERNOTED ITEMS (note 6) .....	37,968,000	26,468,000
Interest and other income .....	(895,000)	(181,000)
Interest on long-term debt .....	10,909,000	6,126,000
Other interest .....	2,320,000	572,000
	<u>12,334,000</u>	<u>6,517,000</u>
EARNINGS BEFORE INCOME TAXES .....	<u>25,634,000</u>	<u>19,951,000</u>
INCOME TAXES (note 5)		
Current .....	122,000	544,000
Deferred .....	9,588,000	6,164,000
Alberta royalty tax credit .....	(1,081,000)	(989,000)
	<u>8,629,000</u>	<u>5,719,000</u>
NET EARNINGS .....	<u>\$ 17,005,000</u>	<u>\$14,232,000</u>
EARNINGS PER SHARE		
Weighted average number of Class A and Class B shares outstanding during the year .....	<u>13,607,530</u>	<u>13,714,574</u>
Earnings per Class A and Class B share .....	<u>\$1.25</u>	<u>\$1.04</u>

**Consolidated Statement of Retained Earnings**  
**year ended March 31, 1979**

	<u>1979</u>	<u>1978</u>
BALANCE AT BEGINNING OF YEAR .....	\$ 21,674,000	\$ 7,442,000
Net earnings .....	17,005,000	14,232,000
	38,679,000	21,674,000
Excess of consideration paid over assigned value of shares purchased and cancelled during the year (note 4) .....	(5,914,000)	—
BALANCE AT END OF YEAR .....	<u>\$ 32,765,000</u>	<u>\$ 21,674,000</u>





**Consolidated Statement of Changes in Financial Position**  
**year ended March 31, 1979**

	<u>1979</u>	<u>1978</u>
<b>WORKING CAPITAL DERIVED FROM</b>		
Operations .....	\$ 36,441,000	\$ 26,429,000
Issue of shares		
- for cash .....	290,000	81,000
- for Sedalia (note 1) .....	8,540,000	—
- for Sheamar Equipment .....	—	2,872,000
Long-term debt .....	127,465,000	1,631,000
Sale of property, plant and equipment .....	1,883,000	1,303,000
Deferred production revenue .....	1,716,000	—
	<u>176,335,000</u>	<u>32,316,000</u>
<b>WORKING CAPITAL APPLIED TO</b>		
Property, plant and equipment .....	68,553,000	38,512,000
Long-term debt .....	65,365,000	1,885,000
Acquisition of net assets of:		
- Sedalia (note 1) .....	8,314,000	—
- Karst (note 1) .....	479,000	—
- Sheamar Equipment .....	—	1,213,000
- Cactus Drilling .....	—	15,092,000
Purchase of Class A and Class B shares .....	7,690,000	—
Other .....	1,406,000	471,000
	<u>151,807,000</u>	<u>57,173,000</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL POSITION</b> .....	24,528,000	(24,857,000)
<b>WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR</b> .....	<u>(24,820,000)</u>	<u>37,000</u>
<b>WORKING CAPITAL (DEFICIENCY) AT END OF YEAR</b> .....	<u>\$ (292,000)</u>	<u>\$ (24,820,000)</u>

**Auditors' Report**

To the Shareholders of  
Ocelot Industries Ltd.

We have examined the consolidated balance sheet of Ocelot Industries Ltd. as at March 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. 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 March 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada  
June 22, 1979

THORNE RIDDELL & CO.  
Chartered Accountants





## **Notes to Consolidated Financial Statements year ended March 31, 1979**

(Tabular amounts shown in thousands of dollars)

### **Summary of Significant Accounting Policies**

#### **(a) Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. All significant subsidiaries are wholly-owned with the exception of O.J. Pipelines Ltd. in which the Company has a 70% interest. The amount by which the cost of the shares of subsidiaries exceeded the underlying net book value at dates of acquisition has been allocated to property, plant and equipment, goodwill and investment in Class A and Class B shares of the Company, as appropriate, and is subject to the accounting policies outlined below.

#### **(b) Natural Gas and Petroleum Operations**

The Company follows the full-cost method of accounting for natural gas and petroleum operations whereby all costs of exploration for and development of gas and oil reserves are capitalized by cost centre. Such costs include land acquisition costs, geological and geophysical expense, carrying charges of non-producing property, costs of drilling both productive and non-productive wells and overhead charges related to exploration activities. These costs are charged to earnings as set out below:

(i) Costs accumulated in Western Canada are depleted using the unit of production method based on estimated recoverable reserves of gas and oil as determined by Company engineers.

(ii) Costs in other areas are amortized on a straight-line basis over varying periods. Under this policy, should exploration in a particular area prove successful, the unamortized balance in that cost centre will be depleted on the unit of production basis. Should the area prove to be unproductive, the unamortized balance in that cost centre will be written off to earnings.

Substantially all of the exploration and production activities are conducted jointly with others and accordingly these financial statements reflect only the Company's proportionate interest in such activities.

#### **(c) Drilling and Well Service Rigs and Related Property and Equipment**

Costs of new equipment and upgrading existing equipment are capitalized. Repairs and replacements which do not extend the useful lives of assets are expensed as incurred. The cost and related accumulated depreciation are removed from the accounts when an asset is sold or retired and the resulting gain or loss is included in earnings.





(d) Depreciation

Depreciation of production equipment is provided on a unit of production basis based upon estimated recoverable reserves of gas and oil within a project area.

Depreciation on drilling and construction assets is provided on methods and at rates which will amortize the cost of the assets over their estimated useful lives. The annual rates of depreciation on major classes of assets are:

Drilling rigs	- 10 percent (based on operating days)
Construction equipment	- 20 percent to 35 percent

(e) Income Taxes

The Company follows the tax allocation method of accounting under which the income tax provision is based on the earnings reported in the accounts. Under this method, the Company provides for deferred income taxes to the extent that income taxes otherwise payable are reduced by claiming capital cost allowances and exploration and development costs in excess of the depreciation and depletion provisions reflected in the accounts.

(f) Revenue Recognition

The revenues and expenses on drilling and construction contracts are recorded on the percentage of completion basis.

(g) Foreign Currency Translation

Current assets and current liabilities are translated to Canadian dollars using the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated at the rate in effect at the time the original transactions took place. Revenue and expenses (excluding depletion and depreciation which are translated at the rate of exchange applicable to the related asset) are translated using average rates of exchange throughout the year.

The gain on translation has been credited to earnings.

## **Note 1 Business Combinations**

During the year, the Company entered into the following business combinations:

(a) Effective July 1, 1978, the Company purchased all the issued and outstanding shares of Herman Karst Enterprises Incorporated (Karst), a private company engaged in the distribution of oilfield equipment and supplies. The total purchase consideration (including outlays and expenses) was \$590,000 of which \$196,000 was paid in cash on consummation of the agreement and the balance is payable in cash in three annual instalments commencing July 1, 1979.





(b) Effective September 15, 1978, the Company purchased all the issued and outstanding shares of Sedalia Gas Limited (Sedalia), a private company controlled by certain officers and directors of the Company and engaged in the exploration for and development of natural gas and petroleum, for 610,000 Class A shares of the Company (issued at an ascribed value of \$14.00 per share and representing 12.8% of the Company's total Class A shares outstanding after giving effect to the issue of such shares) and outlays and expenses of \$10,000. The purchase consideration was determined on the basis of the average quoted market value of the Company's shares, and an independent appraisal of Sedalia's net assets.

These business combinations were accounted for by the purchase method and the results of operations of Karst and Sedalia have been included in the consolidated statements since the effective dates of acquisition.

The acquisitions are summarized as follows:

	Sedalia	Karst
Book value of acquired assets .....	\$ 13,852	\$ 1,710
Book value of assumed liabilities .....	(12,306)	(1,408)
Book value of acquired net assets .....	<u>1,546</u>	<u>302</u>
Excess of the cost of shares over the underlying book value of acquired net assets, assigned to:		
Natural gas and petroleum properties .....	5,965	—
Investment in Class A and Class B shares of the Company .....	1,039	—
Goodwill .....	<u>—</u>	<u>288</u>
	<u>7,004</u>	<u>288</u>
Amount of consideration given .....	\$ <u>8,550</u>	\$ <u>590</u>
Represented by:		
Cash (includes outlays and expenses) .....	\$ 10	\$ 196
610,000 Class A shares of the Company at an ascribed value of \$14.00 per share .....	8,540	—
Long-term debt .....	<u>—</u>	<u>394</u>
	\$ <u>8,550</u>	\$ <u>590</u>

Funds applied during the year on the acquisition of Sedalia and Karst comprised:

	Sedalia	Karst
Amount of consideration given .....	\$ 8,550	\$ 490
Working capital acquired .....	(236)	(11)
Other net assets acquired .....	<u>\$ 8,314</u>	<u>\$ 479</u>
Represented by:		
Property, plant and equipment .....	\$ 8,320	\$ 263
Investment in Class A and Class B shares of the Company .....	11,135	—
Goodwill .....	<u>—</u>	<u>288</u>
Other assets .....	222	—
Long-term debt .....	(10,901)	(53)
Deferred income taxes .....	<u>(462)</u>	<u>(19)</u>
	\$ <u>8,314</u>	\$ <u>479</u>





## Note 2 Property, Plant and Equipment

	1979			1978
	Cost	Accumulated Depletion and Depreciation	Net	Net
Natural gas, petroleum and mineral leases and rights together with exploration, development and equipment thereon . .	\$ 210,715	\$ (14,392)	\$ 196,323	\$ 146,445
Contract drilling equipment . . . . .	32,778	(3,389)	29,389	13,950
Drilling and service rigs under construction . . . . .	329	—	329	7,320
Pipeline construction equipment . . . . .	4,336	(575)	3,761	507
Land, buildings and other equipment . . . .	8,079	(987)	7,092	3,374
	<u>\$ 256,237</u>	<u>\$ (19,343)</u>	<u>\$ 236,894</u>	<u>\$ 171,596</u>

## Note 3 Long-Term Debt

	1979	1978
Bank loans (a) . . . . .	\$ 57,618	\$ 60,909
9½% Senior Secured Notes due March 31, 1998 (U.S. \$62,500,000) (b) . . . . .	72,838	—
10½% Senior Secured Notes due March 31, 1998 (b) . . . . .	13,500	—
Advance for development (c) . . . . .	3,834	4,126
Other . . . . .	2,049	544
	<u>149,839</u>	<u>65,579</u>
Less current maturities . . . . .	<u>12,463</u>	<u>1,258</u>
	<u>\$ 137,376</u>	<u>\$ 64,321</u>

(a) The bank loans are evidenced by demand promissory notes, bear interest at ¾% and 1% above bank prime rate, are secured by the Company's interest in certain petroleum and natural gas properties, a general assignment of accounts receivable and a floating charge debenture on certain contract drilling and service rigs and related equipment, and are repayable from future production and contract drilling revenues.





(b) These notes are secured by mortgages on certain producing petroleum and natural gas properties and term deposits in the amount of \$742,000 (included in other assets).

(c) During 1975 arrangements were made for the financing of the development of certain of the Company's natural gas and petroleum properties. Under the terms of an agreement dated December 17, 1974, an unrelated corporation has agreed to advance up to \$45,000,000 in varying amounts, subject to the proving of additional reserves, to 1989. The advances bear interest at 1% above a bank prime rate and are secured by and repayable from a royalty interest in production from the specified properties. As at March 31, 1979, \$3,900,000 had been received and \$66,000 had been repaid under this arrangement.

The estimated amount of long-term debt maturities for the five years subsequent to 1979 are as follows: 1980 - \$12,463,000; 1981 - \$12,535,000; 1982 - \$12,228,000; 1983 - \$11,676,000; and 1984 - \$12,361,000.

#### Note 4 Capital Stock

(a) The Class A and Class B shares rank equally one with the other except that each Class A share carries twenty votes and each Class B share carries one vote, and Class A shares are convertible at the option of the holder into Class B shares on a one-for-one basis.

(b) Changes in the capital stock of the Company during the year were as follows:

	Number of Shares		Consideration	
	Class A	Class B	Class A	Class B
Balance, March 31, 1978.	4,167,880	9,637,855	\$ 2,117	\$ 40,208
Issued as consideration in the acquisition of Sedalia (note 1) . . . .	610,000	—	8,540	—
Issued on exercise of employee stock options . . . . .	—	35,600	—	290
Conversion of shares . . . .	(16,850)	16,850	(9)	9
Acquired on acquisition of Sedalia and subsequently cancelled (note 1) . . . . .	(139,110)	(683,675)	(1,947)	(9,188)
Purchase and cancellation of shares (i) . . . . .	(186,977)	(325,268)	(418)	(1,358)
Balance, March 31, 1979.	<u>4,434,943</u>	<u>8,681,362</u>	<u>\$ 8,283</u>	<u>\$ 29,961</u>

(i) Pursuant to a Notice of Intention dated November 10, 1978, the Company advised its shareholders of a program to purchase from time to time up to a maximum of 5% of its issued and outstanding Class A and Class B shares at prevailing market prices of such shares. During the year, 4.1% and 3.7% of the issued and outstanding Class A and Class B shares respectively were purchased under this program. These shares were subsequently cancelled and restored to the status of authorized and unissued shares of the Company. The excess of consideration paid over the assigned value of shares purchased and cancelled has been charged to retained earnings.





(c) As at March 31, 1979, there were 149,900 Class B shares of the Company reserved for exercise of employee stock options to 1983 at prices ranging from \$7.65 to \$13.28 per share as follows:

Outstanding at March 31, 1978	145,500
Granted at \$10.13 to \$13.28 per share	46,000
Exercised at \$7.65 to \$11.14 per share	(35,600)
Cancelled	(6,000)
Outstanding at March 31, 1979	<u>149,900</u>

All options were granted under an employee stock option plan and an additional 266,500 Class B shares have been reserved for future options which may be granted under this plan.

## Note 5 Income Taxes

Income tax expense differs from the amounts which would be obtained by applying the Canadian federal income tax rate to the respective years' pretax earnings. These differences result from the following items:

	1979		1978	
	Amount	Percentage of Pretax Income	Amount	Percentage of Pretax Income
Computed "expected" tax expense .....	\$11,792	46.0%	\$9,178	46.0%
Royalties and other payments to provincial governments .	3,541	13.8	2,614	13.1
Other non-deductible costs ...	1,546	6.0	886	4.4
Depletion allowances on Canadian oil and gas production income .....	(2,263)	(8.8)	(2,123)	(10.6)
Federal resource allowance ....	(4,331)	(16.9)	(3,413)	(17.1)
Provincial income taxes less federal abatements .....	225	.9	173	.9
Federal investment tax credit ..	(797)	(3.1)	(554)	(2.8)
Refund of taxes under provincial incentive plans .....	(1,084)	(4.2)	(1,042)	(5.2)
Actual tax expense - current and deferred .....	<u>\$ 8,629</u>	<u>33.7%</u>	<u>\$5,719</u>	<u>28.7%</u>





## Note 6 Business Segments

The Company's operations are conducted through four business segments. These segments are natural gas and petroleum operations, contract drilling of oil and gas wells, sale of oilfield equipment and supplies, and pipeline construction. Presented below are data relative to each business segment.

### (a) Revenues and Earnings

	1979		1978	
	Revenue	Earnings from Operations	Revenue	Earnings from Operations
Natural gas and petroleum operations (i) . . . . .	\$ 37,992	\$24,016	\$30,456	\$20,546
Contract drilling of oil and gas wells . . . . .	37,021	11,145	14,856	4,273
Sale of oilfield equipment and supplies . . . . .	60,369	3,287	28,424	2,155
Pipeline construction . . . . .	5,709	270	2,375	583
	<u>141,091</u>	<u>38,718</u>	<u>76,111</u>	<u>27,557</u>
Elimination of intersegment transactions (ii) . . . . .	(4,597)	(750)	(5,229)	(1,089)
	<u>\$136,494</u>	<u>\$37,968</u>	<u>\$70,882</u>	<u>\$26,468</u>

(i) Revenue is net of royalties of \$13,581,000 (1978 - \$10,425,000)

(ii) Intersegment transactions are priced at market prices for similar products and services

	1979	1978
(b) Total Assets		
Natural gas and petroleum operations . . . . .	\$220,972	\$155,765
Contract drilling of oil and gas wells . . . . .	42,486	30,500
Sale of oilfield equipment and supplies . . . . .	25,538	14,911
Pipeline construction . . . . .	5,530	1,621
	<u>\$294,526</u>	<u>\$202,797</u>
(c) Capital Expenditures		
Natural gas and petroleum operations . . . . .	\$ 51,863	\$ 30,681
Contract drilling of oil and gas wells . . . . .	11,440	7,296
Sale of oilfield equipment and supplies . . . . .	1,640	333
Pipeline construction . . . . .	3,610	202
	<u>\$ 68,553</u>	<u>\$ 38,512</u>
(d) Provisions for Depletion and Depreciation		
Natural gas and petroleum operations . . . . .	\$ 7,132	\$ 4,920
Contract drilling of oil and gas wells . . . . .	2,437	756
Sale of oilfield equipment and supplies . . . . .	510	196
Pipeline construction . . . . .	318	178
	<u>\$ 10,397</u>	<u>\$ 6,050</u>





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**Note 7 Subsequent Event**

Subsequent to March 31, 1979, the Company commenced negotiations for the purchase of the contract drilling operations of a private company for \$16,000,000 (U.S.) cash.

**Note 8 Statutory Information**

During the year, directors and senior officers (including the five highest paid employees) of the Company received remuneration of \$837,000 of which \$4,000 was paid as directors' fees.



## **OCELOT INDUSTRIES LTD.**

### **DIRECTORS AND OFFICERS**

J. V. Lyons, Director – President and Chief Executive Officer  
R. O. Fisher, Director – Executive Vice President  
W. J. Bushnell, Director  
O. R. Edmonds, Director  
N. M. Hannon, Director  
G. C. Solomon, Director  
R. A. McCullough – Senior Vice President  
I. L. Levorson – Vice President, Production and Operations  
B. W. Wilson – Vice President, Finance and Administration  
A. M. Wasylenko – Corporate Secretary

### **DIVISIONS AND SUBSIDIARIES**

Sheamar Supply  
Wilson Oilfield Supply  
Cactus Drilling  
Brooks Field Service  
South Eastern Pipeline Construction  
O. J. Pipelines Ltd.

OIL Resources Inc.  
Ocelot Oil Corp.  
Herman Karst Enterprises Inc.  
L. P. Anderson Supply of Billings  
Canyon Petroleums Ltd.  
Ocelot Petroleum Exploration Company Ltd.

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Calgary, Alberta T2P 3B6  
Telephone (403) 261-2000

### **BANKERS:**

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Calgary, Alberta  
Canadian Imperial Bank of Commerce  
Calgary, Alberta

### **STOCK EXCHANGES:**

Alberta Stock Exchange  
Montreal Stock Exchange  
Toronto Stock Exchange

### **AUDITORS:**

Thorne Riddell & Co.  
Chartered Accountants  
Calgary, Alberta

### **REGISTRAR AND TRANSFER AGENTS:**

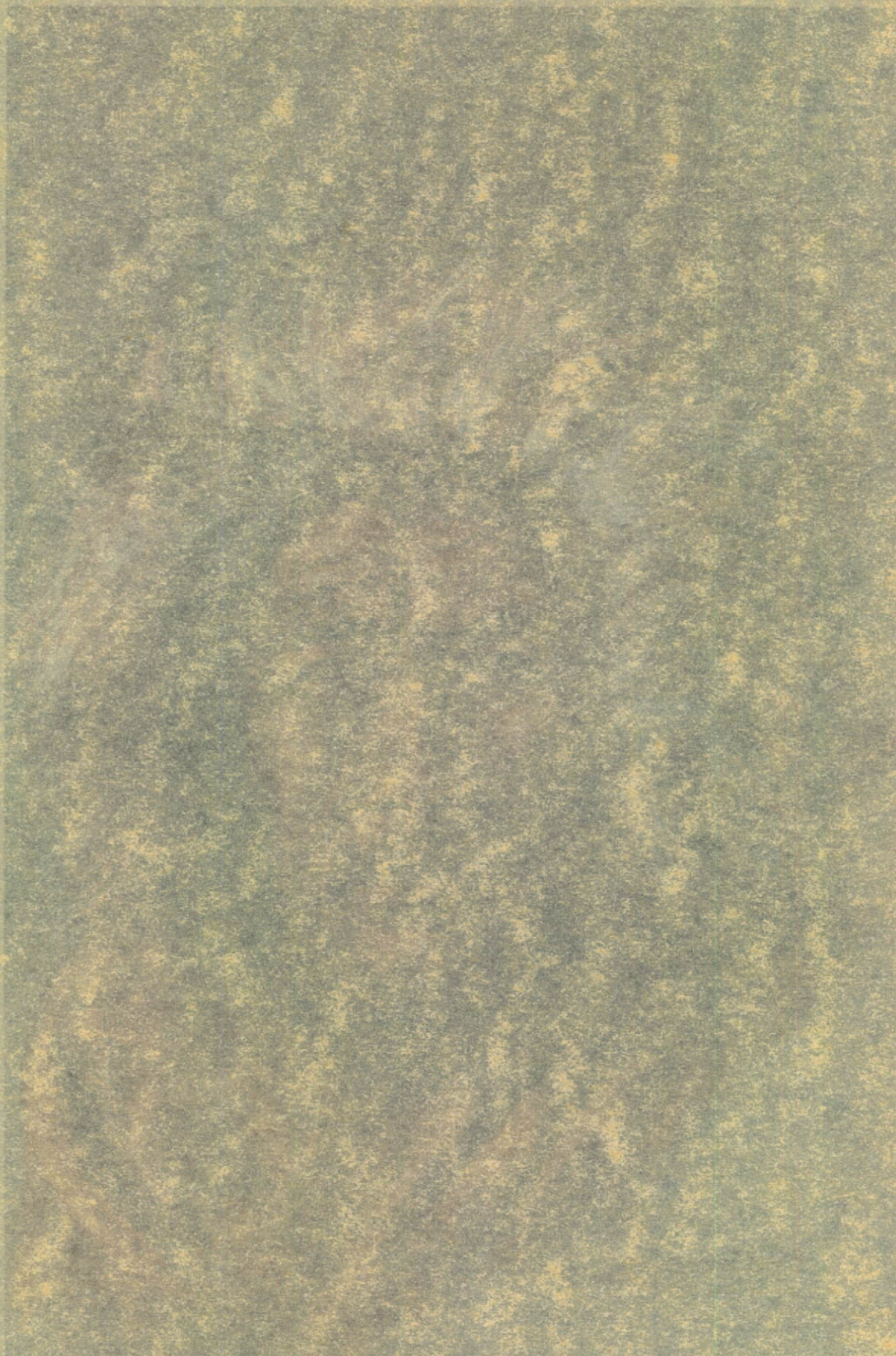
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Oil and gas explorers, in the tradition of their kind, continue to expand their search into new areas. In Canada's Arctic, home of the Eskimo, the search for new sources is under way in the Beaufort Sea and the Arctic Islands.





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