NORTH CANADIAN OILS LIMITED
Annual Report
1987

Contents

Price Range of Common Stock

	Toronto Stock Exchange Selling Price (Cdn.)		American Stock Exchange Selling Price (U.S.)	
	High	Low	High	Low
1987				
First Quarter	$15.25	$10.75	$11.63	$ 7.75
Second Quarter	18.25	14.25	13.75	10.88
Third Quarter	22.25	17.13	16.63	12.25
Fourth Quarter	23.63	16.25	18.13	12.25

Annual Meeting

The Annual and Special Meeting of Shareholders of North Canadian Oils Limited will be held in the Grand Salon, 10th Floor, Richmond-Adelaide Centre, 130 Adelaide Street West, Toronto, Ontario at 11:00 a.m. on May 5, 1988.

A Shareholder Information Meeting will be held in Calgary, Alberta at 11:00 a.m. on Monday, May 9, 1988, in the Bonavista Room of the Westin Hotel, 4th Street and 4th Avenue, S.W., Calgary, Alberta.

Corporate Profile

North Canadian Oils Limited is a conservatively managed, financially and technically strong, Canadian oil and gas exploration, production and marketing company with exploration activity concentrated primarily in Western Canada.

The Company's major shareholder is Noranda Inc., the premier natural resources company in Canada, which holds 49% of the common shares.

NCO's common and preferred shares are traded on the Toronto and Montreal stock exchanges ("NCO") and its common shares are traded on The American Stock Exchange ("NCD").

Highlights

	1987	1986	% Change
Financial			
(Dollars in thousands except per share amounts)			
Gross revenues net of royalties	$105,727	$112,160	-6%
Net earnings	26,311	16,825	+56%
Per common share	0.61	0.30	+103%
Cash flow from operations	65,308	60,232	+8%
Dividends on preferred shares	13,192	13,224	—
Capital expenditures	51,528	31,812	+62%
Investments and note receivable	315,278	274,337	+15%
Long-term debt	130,139	211,344	-38%
Shareholders' equity	547,751	433,633	+26%
Number of common shares outstanding	27,212,208	18,434,217	+48%
Operating			
Daily Production			
Natural gas (mmcf/d)	130	131	-1%
Crude oil and natural gas liquids (bopd)	3,252	2,302	+41%
Reserves			
Natural gas (bcf)			
Proven	875	760	+15%
Probable	114	128	-11%
Crude oil and natural gas liquids (mbbls)			
Proven	9,235	6,478	+43%
Probable	979	1,126	-13%
Finding costs ($ per equivalent barrel)	2.39	4.44	-46%
Land holdings (thousands of acres)			
Gross	4,209	4,047	+4%
Net	1,799	1,708	+5%
Wells drilled			
Gross	230	192	+20%
Net	149	79	+89%
Number of employees	249	221	+13%

President's Report

In keeping with our management philosophy of encouraging innovation, you will notice quite a difference as you read through this year's annual report, particularly in the financial section. We have adopted a new annual report format whereby the detailed financial statements and notes are now included in the Proxy Circular rather than in this report. In their place is a more readable and we think, a more informative financial review.

The Proxy Circular is sent to all shareholders and is also available to anyone else who wishes a copy, as is our Form 10-K filed with the U.S. Securities and Exchange Commission.

The annual and quarterly reports are important communication vehicles for all of our publics — shareholders, employees, the investment community, governments and the public generally. We wish to continually improve the quality of our reporting and if you have any comments on how this might be done please let us know.

I am pleased to be able to report that NCO had a very successful year. The objectives for 1987 set out in our 1986 annual report were accomplished.

In summary, here is our report card for 1987:

- increased net earnings from $17 million to $26 million with per share earnings doubling from 30¢ to 61¢;
- increased cash flow from $60 million to $65 million;
- maintained natural gas production at 130 million cubic feet per day despite significant reductions in takes by our systems gas purchasers which are Western Gas Marketing Limited and the Saskatchewan Power Corporation;
- increased crude oil production from 2,302 barrels per day to 3,252 bopd;
- increased net proven gas reserves from 760 billion cubic feet to 875 bcf;
- increased net proven oil reserves from 6.5 million barrels to 9.2 million barrels;
- increased undeveloped land holdings from 863,000 net acres to 906,000 net acres;
- increased shareholders' equity from $434 million to $548 million, principally through a successful issue of 6 million common shares in July (net $102 million to the Company);
- maintained an investment portfolio which exceeded debt by $181 million at year end.

Operations

Exploration activities added substantial reserves and the Company had particular success with oil discoveries in the Rainbow Lake area of northwestern Alberta. The Rainbow program will continue for several years and is expected to add further reserves and production. Early in 1988 we announced the discovery of oil in our first well drilled into the Winnipegosis formation of southeastern Saskatchewan. Further wells are planned for this play during 1988.

Most of the additional natural gas reserves resulted from an extensive development program in the Hatton area of southwestern Saskatchewan where we also increased our deliverability by close to 50 mmcfd. By year end 1987 the revenue mix between gas and oil was brought into a better ratio. It changed from 85% gas and 15% oil at the end of 1986 to 72% gas and 28% oil for 1987. We expect the mix in 1988 to be 68% gas and 32% oil.

Drilling success and finding costs are one of the measures of technical competence in the oil and gas industry. NCO's exploratory drilling success ratio of 64% and development drilling success ratio of 91% were above industry averages. Finding costs in 1987 of about $2.40 per equivalent barrel were significantly below the industry average of around $6.00. This was a result of the oil discoveries in Rainbow and the extensive gas development at Hatton.

The development and production groups did an excellent job in keeping costs under control and in bringing new reserves into production in record time thereby adding to our cash flow and earnings. During peak days in December gas production was close to 190 mmcfd and is forecast to average 165 mmcfd during 1988. Oil production was over 4,000 barrels per day by year end and is expected to average about 5,000 bopd during 1988. One of NCO's strategies is to be operator wherever possible because this enhances our knowledge base and provides for better cost control. Currently 90% of gas production and 82% of oil production is Company operated.

The development of our own marketing expertise continued as a high priority during 1987 because we consider this vital in the new deregulated natural gas environment. Direct sales increased from an average of 10% of production in 1986 to an average of 28% for 1987. By year end direct sales were 60 mmcfd or 40% of total daily production. We were successful in increasing sales in Alberta, Saskatchewan and Eastern Canada.

In January 1988 the Company announced the acquisition of a 51% interest in Trigen Resources Corporation of Long Beach, California which is a natural gas brokerage firm that sold an average of 100 mmcfd of U.S. gas to customers in California during 1987. Trigen also has special expertise in the development of co-generation facilities which can provide a good rate of return and the opportunity for long-term gas sales contracts. This form of co-generation involves the construction of a gas fired electrical generating facility on the site of an industrial plant that uses a large amount of both electricity and steam. Economies are enhanced because steam used to drive the turbines to generate electricity is also used in the industrial process. The Trigen acquisition fits NCO's long-term strategy of selling gas directly to customers in the United States once U.S. regulatory and transportation problems are resolved.

Financial

Long-term debt was reduced by $81 million during the year, principally through the sale of securities held in the investment portfolio. The remaining long-term debt is at favourable rates and terms and is unsecured. Investments plus the note receivable exceed debt by $181 million.

The investment portfolio provides the Company with a steady stream of earnings and makes it possible to take advantage of investment and acquisition opportunities in the oil and gas business. During 1987 a few small acquisitions of reserves and production were made. However, in reviewing substantial sized companies or reserves, nothing was found which met our acquisition criteria. An acquisition must have future upside potential to be of interest. We will not make an acquisition just to become larger.

Shareholders' equity was increased with the issue at mid-year of 6 million common shares ($102 million net to the Company). In addition, the conversion of the Class B Preferred Shares, Series 1 and 2 transferred $40 million to common share equity. This conversion will also reduce annual preferred share dividends by $2.4 million and thereby improve earnings to common shareholders in 1988 and beyond. The issue of these new common shares and conversion of the preferred shares has improved the NCO float making the Company's shares more attractive to institutional investors.

The Normal Course Issuer Bid, which authorized NCO to buy back up to one million of its common shares, was not utilized to any great extent as our share price moved back up from the lows caused by the general stock market collapse in October 1987. From November 10 to December 31, 1987 a total of 79,000 common shares were re-purchased at an average price of $16.89 per share. No shares have been re-purchased in 1988 up to the date of this annual report.

The common shares of NCO qualify under the Canadian and British Insurance Companies Act and certain other Canadian federal and provincial statutes governing investments by insurance, trust and loan companies, pension funds and trustees. This makes an investment in NCO common shares available to a wider range of institutional investors.

General Management

NCO has a set of business principles and a strong belief in the contribution each employee can make to the success of the Company. These principles are set out in the back of this report and I urge you to read them. They are a clear statement of how we manage the Company.

The oil and gas business is very much a knowledge business. It is vital to maintain a work environment that fosters innovation and creative thinking. This means keeping the work groups small, delegating authority and responsibility as deep in the organization as possible to provide job challenge and to back it all up with good training and a compensation program that is competitive, fair and gives the employee an opportunity to participate in the Company's success. Programs are in place to accomplish these objectives and we are committed to attracting and keeping first rate employees and to developing their full potential.

At year end Hees International Corporation transferred their major shareholding in NCO to Noranda Inc. another member of the Edper/Brascan/Hees group of companies. We look forward to being part of the Noranda "family".

Two new directors have joined the Board — Alf Powis, Chairman and Chief Executive Officer of Noranda and Al Thomas, Senior Vice President Finance of Noranda. We welcome their participation. Two directors have resigned — Bill L'Heureux, Managing Partner, Financial Services of Hees and Doug Miller, Executive Vice President and President, Petroleum Division of Westmin Resources Limited. Both of these gentlemen have been excellent board members and we appreciate the counsel and advice they have given the Company.

Outlook

The forecast for 1988 is for increased production, increased cash flow and earnings, increased capital expenditures and further net additions to our natural gas and crude oil reserves.

The United States is a very important market for Canadian crude oil and natural gas. It is vital for the Canadian industry that access to that market be maintained. In turn, Canada can be a reliable and secure supplier of oil and gas to consumers in the U.S. The Canada-U.S. Free Trade Agreement can enhance both of these objectives and I hope that agreement will be ratified during 1988.

It is always difficult to project oil and gas prices but at least in NCO's case our lower costs allow us to remain profitable in the worst case projections currently making the rounds. We see oil prices continuing to fluctuate in the U.S. $15 to $20 range but do believe that gas prices have reached their bottom and there will be a gradual improvement commencing with the 1988-89 heating season. Any increase in the price of natural gas will have a significant impact on NCO's results. For example, based on the present 27.2 million common shares outstanding and the projected average production of 165 mmcfd in 1988, for each 10¢ per mcf change in the price of natural gas, NCO's earnings per share change by 10¢ and cash flow per share by 18¢.

Our corporate strategy for 1988 is more of the same. With sound technical expertise, motivated employees, a large inventory of undeveloped land and substantial financial resources, the Company expects to continue strong internal growth and to add significant value for shareholders in 1988.

Our employees are dedicated and hardworking. I know they join me in the excitement of planning for a very successful future for the Company.

Norman R. Gish
President and Chief Executive Officer

March 15, 1988

Natural gas compressor facilities capable of producing 18 mmcf/d.

Left to right: Kent Edinga, Grant Billing, Nick Baiton, Mike Stone and Mickey Callahan ▶

"By year end direct sales were 40% of total gas production"

Marketing

Deregulation of the Canadian Energy Industry continues to be a gradual and at times painful process.

One of NCO's objectives for 1987 was to aggressively step up its marketing initiatives in order to take advantage of the opportunities created by deregulation of the natural gas industry. As part of that objective, a concentrated effort was made to develop uncontracted gas reserves and market the production directly to end users.

The objective was met and although total natural gas sales levels remained virtually unchanged, direct sales in Alberta, Saskatchewan and Eastern Canada accounted for 36.6 mmcfd or 28% of total sales volumes compared to 13.0 mmcfd or 10% in 1986. At year end direct sales were 60 mmcfd and accounted for approximately 40% of total Company production. These efforts diversified markets and reduced the Company's reliance on systems gas purchasers such as Western Gas Marketing and the Saskatchewan Power Corporation whose takes have continued to decline.

A key factor in the growth of direct sales was the Company's conscious decision to expand its activities in Saskatchewan. On October 6, 1987, the Saskatchewan Government announced Phase II of its natural gas deregulation initiatives which enhanced the economics of exporting natural gas and allowed Saskatchewan producers to sell gas directly to end users. At year end, the Company was averaging over 12 mmcfd to this new market and selling substantial Saskatchewan volumes outside the Province.

Regulatory and transportation problems have hampered the Company's ability to sell gas into the United States market. However in early 1988 the Company did take a major step with the purchase of 51% of Trigen Resources Corporation of Long Beach California. Trigen is a gas brokerage firm which purchased and resold, during 1987, an average of 100 mmcfd of U.S. produced gas into the California market. There will be a longer term opportunity to substitute NCO's gas for this market. Trigen also has expertise as a developer of electrical cogeneration projects. Such projects should provide opportunities for long-term gas sales and for possible investment with an acceptable rate of return. The interest in Trigen gives the Company a marketing presence in the important California market which annually consumes more natural gas than all of Canada.

Natural Gas Sales — Major Purchasers

	1987		1986	
	mmcfd	%	mmcfd	%
Western Gas Marketing	**53.3**	**41**	61.5	47
Saskatchewan Power Corporation	**28.6**	**22**	39.0	30
Intra Alberta	**21.0**	**16**	13.0	10
Eastern Canada	**14.6**	**11**	—	—
Intra Saskatchewan	**1.0**	**1**	—	—
Other	**11.5**	**9**	17.1	13
	130.0	**100**	130.6	100

Production and Revenue Net Backs

Successful direct marketing initiatives in Alberta and Eastern Canada offset purchase reductions by the Company's traditional buyers such that average natural gas sales of 130 mmcfd in 1987 were close to the 131 mmcfd in 1986.

The success of the oil exploration and development program in the Rainbow Lake area more than offset normal declines in the Company's more mature fields such as Taber in southern Alberta, Joarcam in east central Alberta and North Plato in southwestern Saskatchewan. Crude oil and natural gas liquids production increased 41% to 3,252 bopd in 1987 from 2,302 bopd in 1986.

"Crude oil production increased by 41% to average 3,252 bopd"

Oil and natural gas revenue, net of royalties, was $85.7 million for 1987 as compared to $90.8 million in 1986. The decrease in revenue was primarily related to the 23% decline in natural gas net backs to $0.93 per mcf resulting from the 20% fall in natural gas prices in the deregulated market. Natural gas royalties, being price sensitive, fell 26% to $0.31 per mcf while operating costs, which are not price sensitive, remained relatively constant at $0.33 per mcf.

Average crude oil and natural gas liquids prices improved by 18% over 1986 to $21.99 per barrel as a result of the stabilization in world crude oil prices during 1987. Oil royalties reduced 14% to $2.35 per barrel due to the higher proportion of the Company's oil being produced from royalty free wells in 1987. Operating costs declined 19% to $3.50 per barrel because of the three new high volume Rainbow wells and reduction in transportion costs by installing pipelines at existing fields.

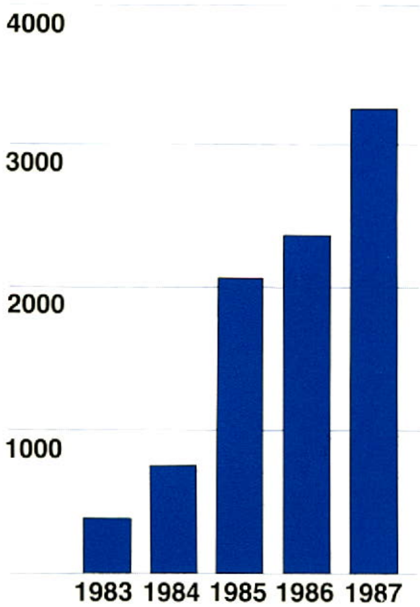
Natural Gas Production	1987		1986	
	mmcfd	%	mmcfd	%
Central Alberta	**47.4**	**37**	53.8	41
Saskatchewan	**42.0**	**32**	39.0	30
Southern Alberta	**34.3**	**26**	33.3	26
Northern Alberta	**6.3**	**5**	4.5	3
	130.0	**100**	130.6	100

Crude Oil and NGL Production	1987		1986	
	bopd	%	bopd	%
Northern Alberta	**1,693**	**52**	497	21
Saskatchewan	**860**	**26**	914	40
Central Alberta	**446**	**14**	561	25
Southern Alberta	**253**	**8**	330	14
	3,252	**100**	2,302	100

Revenue Net Backs	Gas		Oil	
	1987	1986	**1987**	1986
	($/mcf)		($/bbl)	
Revenue	**$ 1.57**	$ 1.96	**$21.99**	$18.68
Royalties	**0.31**	0.42	**2.35**	2.75
Operating costs	**0.33**	0.34	**3.50**	4.31
	$ 0.93	$ 1.20	**$16.14**	$11.62

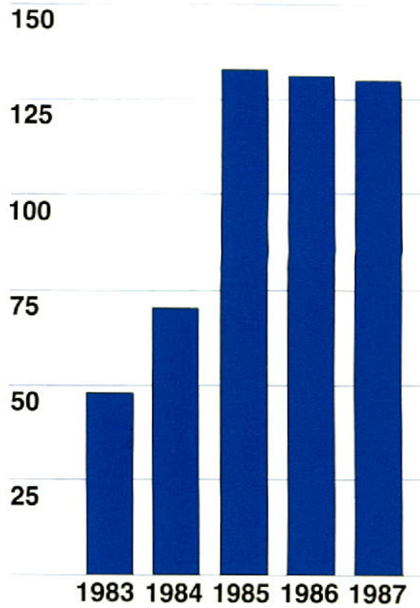
Crude Oil and NGL Production

Barrels of Oil per Day



Natural Gas Production

Millions of Cubic Feet per Day



Major Areas of Activity

Saskatchewan

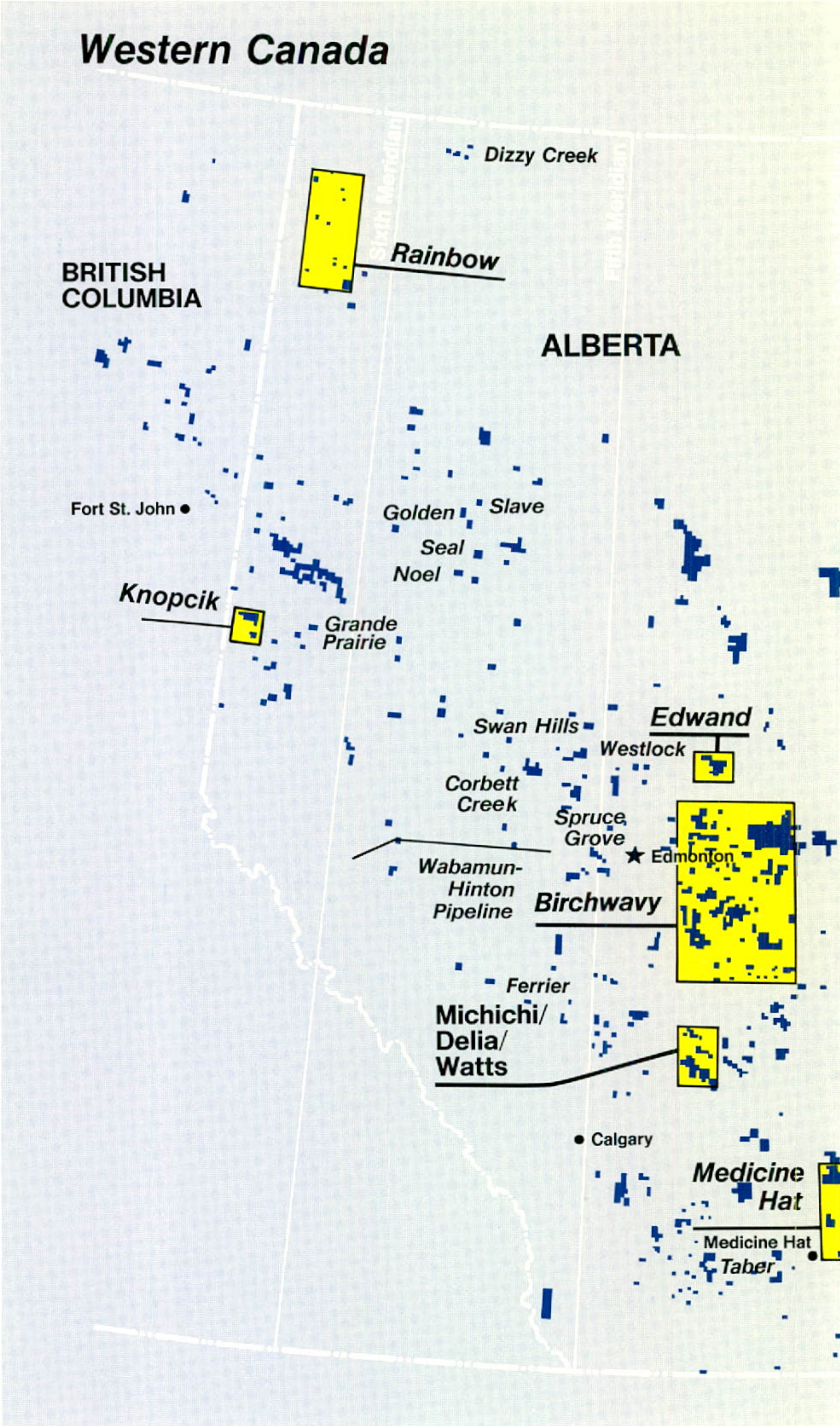
NCO is a major producer in Saskatchewan and the largest supplier of natural gas to the Saskatchewan Power Corporation. With the introduction of Phase II of Saskatchewan's natural gas deregulation initiatives in 1987 the Company increased activities to take advantage of its substantial position in that province.

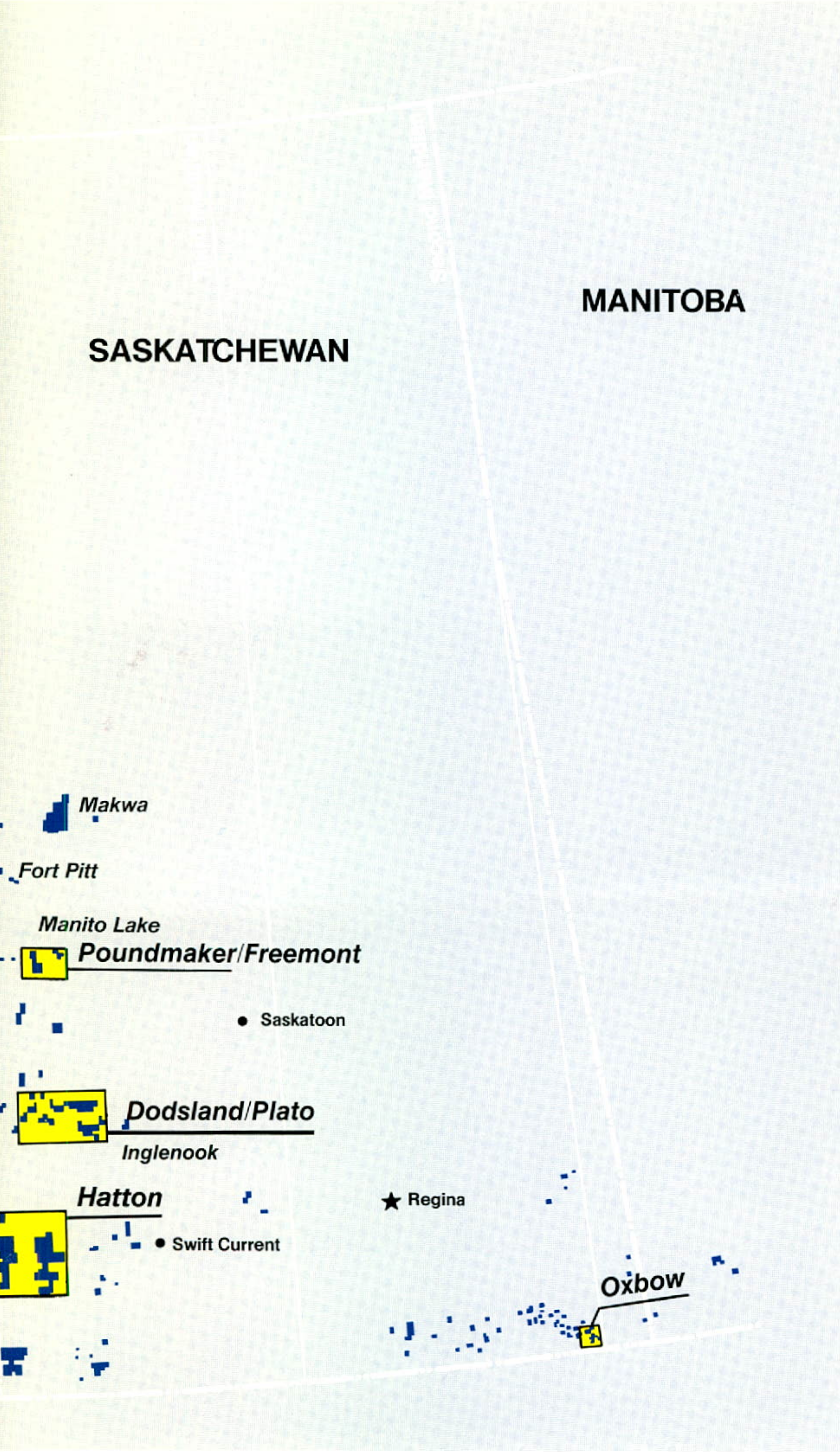
During the year the Company spent $24 million in Saskatchewan representing 47% of its total capital expenditures. Over 132,000 gross (102,000 net) acres of undeveloped land were purchased at an average cost of $61 per acre and more than 1,000 miles of new seismic data were acquired. The Company participated in 133 wells representing 58% of the total number for NCO for the year. Success ratios remained high at 63% for exploration wells and 97% for development wells. New oil reserves of 753,000 barrels and new gas reserves of 119 bcf were added and deliverability was increased by 200 bopd and 50 mmcfd.

Sales of natural gas from Saskatchewan grew 8% in 1987 to an average of 42 mmcfd or 32% of total Company production compared to 39 mmcfd or 30% in 1986. The full impact of the 1987 development program will increase production from Saskatchewan to about 50% of the Company total.

Oil production was 860 bopd compared to 914 bopd in 1986. The decrease of 6% was a result of normal reservoir decline. Saskatchewan production now represents 26% of the Company total.

At year end total natural gas reserves in Saskatchewan were 456 bcf or 46% of the Company total and oil reserves of 1.7 million barrels were 17% of the Company total.





Saskatchewan will continue to be a key part of future plans. The province has a vast amount of undeveloped land and the new policy initiatives have created an environment that encourages oil and gas exploration and development. The Company expects to spend over $20 million in the province in 1988.

Hatton

The major focus of the Company's activity in Saskatchewan during 1987 was in the Hatton field located in the southwest corner of the province. NCO undertook a three stage development program to supply new contracts in eastern Canada as well as within Saskatchewan. A total of 94 wells were drilled, increasing the number of wells capable of production to over 600. Two new compressor stations and associated gas gathering systems were also constructed. Gas production averaged 42 mmcfd up from the 39 mmcfd in 1986. Approximately 119 bcf of proven natural gas reserves were added and deliverability was increased by close to 50 mmcfd.

Poundmaker/Freemont

The Company was active in the Poundmaker/Freemont area, north of Hatton, where approximately 100 miles of new seismic data and 15,000 net acres of undeveloped land were acquired. The Company expects to drill at least ten wells in this area during the early part of 1988.

Temporary crude oil tank farm used in production testing, located at 10-31-108-6 W6 in the Rainbow Lake area.

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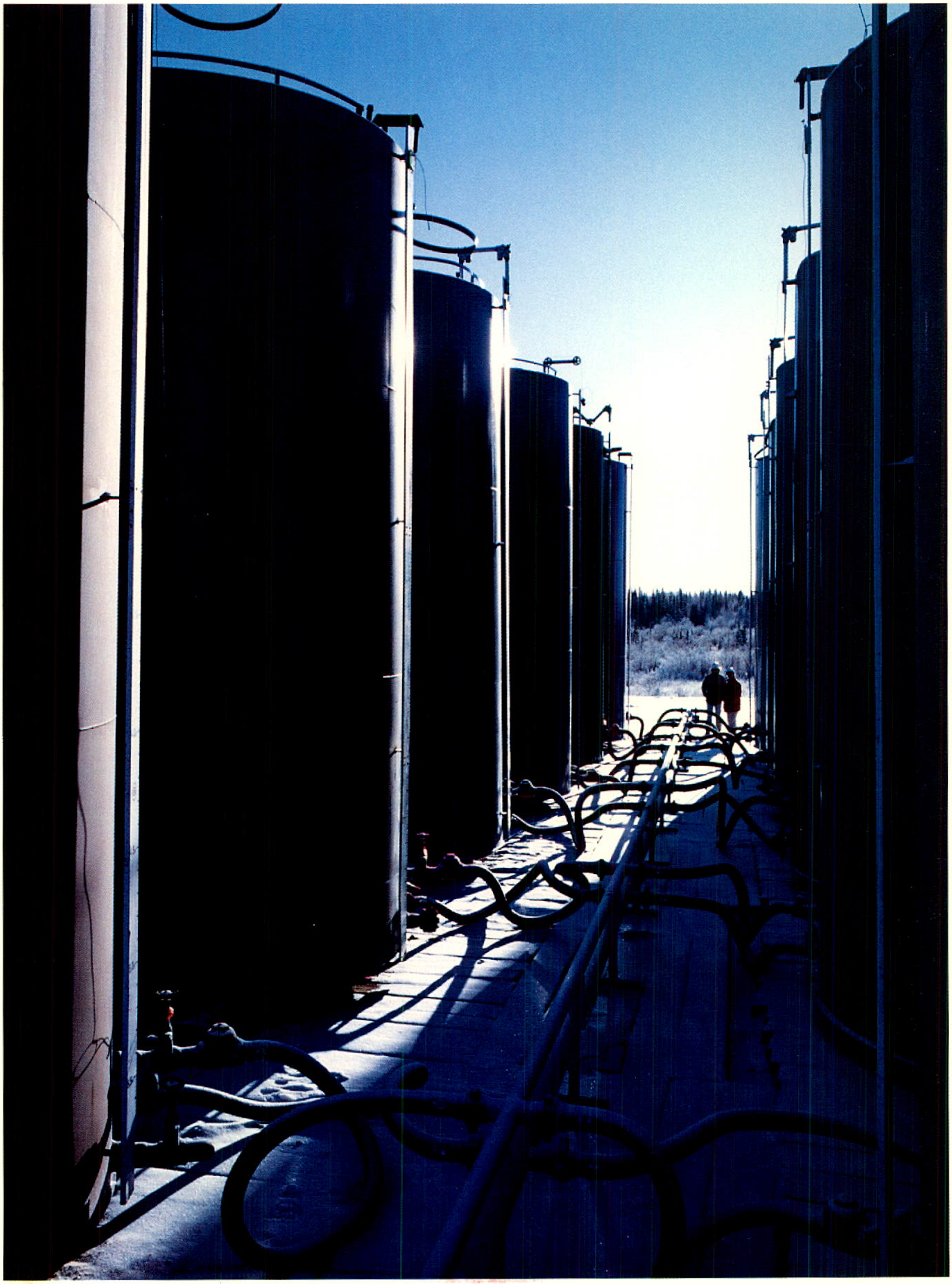


Dodsland/Plato

The Dodsland/Plato and Manito Lake areas of southwestern Saskatchewan continued to be the source of NCO's Saskatchewan oil production. In Dodsland/Plato seven successful development wells were drilled bringing the total producing wells to 105. Manito Lake now has 18 producing oil wells with work underway to determine the feasibility of in-fill drilling to enhance recovery in the area.

Oxbow

Late in 1987 the Company successfully completed a Winnipegosis oil well near the town of Oxbow in southeastern Saskatchewan. This well is expected to produce up to 250 bopd initially with the Company's interest being 50%. The producing formation is similar to that in the Rainbow Lake area of Alberta and NCO has been able to utilize technical expertise developed in northern Alberta in this Saskatchewan play. In addition, 600 miles of seismic were acquired and 26,000 net acres of land were purchased. The Company has plans to drill a number of additional exploratory wells during 1988 in this area.

Alberta

Alberta continued as the Company's main area of activity accounting for 68% of its natural gas production and 74% of its oil production. In addition, 53% of its natural gas reserves, and 83% of its oil reserves, are situated in Alberta.

During 1987 NCO participated in the drilling of 97 gross (35 net) wells, 39 gross (10 net) of which were oil and 29 gross (13 net) natural gas for a success rate of 66% for exploration wells and 64% for development wells. In addition, 1,500 miles of new seismic data were acquired and 94,000 net acres of undeveloped land were purchased. Capital expenditures in Alberta amounted to $27.5 million representing 53% of the Company total for the year.

Northern Alberta

Rainbow Lake in northwestern Alberta continued to be a major area of activity for the Company in 1987. During the year the Company drilled eight successful oil wells, three of which are highly productive. These wells added over four million barrels of oil to the Company's proven reserve base while production from the area averaged 1,300 bopd or 40% of the Company's total oil production. In addition, the Company acquired some 470 miles of new seismic data and purchased a further 4,800 net acres of land. NCO is operator in the area with an average working interest of 50%.

The Company has identified a number of additional drilling locations in Rainbow for 1988 and will build a substantial oil battery and gas plant. These facilities are expected to cost $6 million and be capable of handling 6,000 bopd and 6 mmcfd of gas. This plant, which is anticipated to come on stream in the fall of 1988, will reduce operating costs, enable the Company to control its own production from the area and provide 6 mmcfd of additional gas for market.

The Edwand area northeast of Edmonton continued to be an active play. Five successful gas wells were drilled during 1987 bringing the total to ten. In addition 90 miles of new seismic data were acquired together with over 10,000 net acres of land. During 1988 a gas plant and gathering system is planned by our joint interest partner for a cost of approximately $5 million. The plant will be capable of producing 25 mmcfd and is expected to be ready for startup in November, 1988. The Company's net share in the area is approximately 21%.

The Company increased its interest in the Knopcik area northwest of Grande Prairie by purchasing 5 bcf of natural gas reserves and 150,000 barrels of natural gas liquids reserves from a working interest partner. In addition, two significant gas wells have been drilled which are expected to produce up to 8 mmcfd of gas plus 440 barrels per day of natural gas liquids. The Company's interest in these wells is 63.5%. NCO also acquired 1,000 additional net acres to add to its existing land base in the area. During 1988 the Company is planning to drill up to three additional wells and expand its gas plant bringing the total capacity of the facilities to over 40 mmcfd plus 1,500 barrels per day of natural gas liquids. It is anticipated the facility will be ready for the fall of 1988. NCO operates the plant and has an average interest of around 30%.

Central Alberta

In the Birchwavy area of central Alberta NCO has a 70% working interest in 350 wells and 20 gas plants. Production is contracted to Western Gas Marketing under TransCanada Pipelines contracts. Production declined slightly to 38.4 mmcfd from 41.6 mmcfd in 1986, a result of reduced rates of take by Western Gas Marketing.

Southern Alberta

In the Medicine Hat area in southeastern Alberta, the Company has an interest in over 1,300 wells producing to 10 processing plants. NCO's share of production increased slightly to 34 mmcfd in 1987 from 33 mmcfd in 1986. This was primarily the result of a workover program for 58 wells which added 16 bcf of new reserves to the Company's proven reserve base.

*Left to right:
Don Christensen,
Dave Jacobus
and
John Williams*

Land Position

During 1987, NCO acquired 282,307 gross (196,189 net) acres of undeveloped land, the majority of which was acquired at crown land sales. Approximately 161,000 gross (67,000 net) acres of undeveloped land was allowed to expire during the year. The total cost of the land acquired was $16 million or 31% of the Company's total capital expenditures for the year. Prices averaged $97 per acre in Alberta and $61 per acre in Saskatchewan up from the 1986 averages of $38 and $36 respectively. Industry prices at crown sales climbed in 1987 averaging $121 per acre in Alberta and $50 per acre in Saskatchewan.

Although prices have returned to near 1984/85 levels, particularly in Alberta, the opportunity still exists for the Company to continue building a quality land inventory at reasonable prices.

Land Holdings

Land Holdings as at December 31, 1987

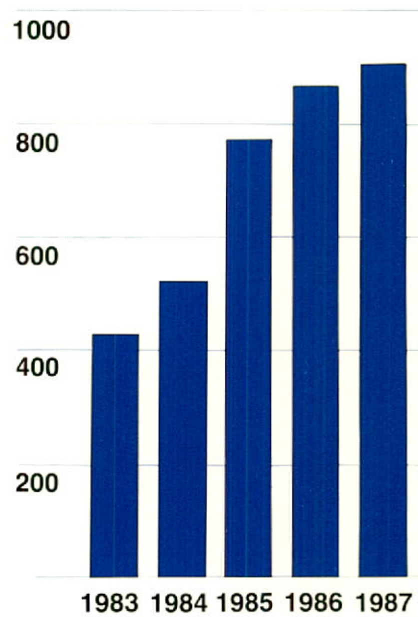
	*Developed Acres		Undeveloped Acres	
	Gross	Net	Gross	Net
Alberta	1,639,631	639,696	1,421,405	527,049
Saskatchewan	364,455	250,791	684,648	357,732
British Columbia	7,960	2,208	78,840	15,949
Manitoba	40	20	12,035	5,697
	2,012,086	**892,715**	**2,196,928**	**906,427**

*Developed acres are those defined by the drilling spacing unit or as designated so by the Crown.

"The Company continued to aggressively acquire undeveloped land"

Undeveloped Land

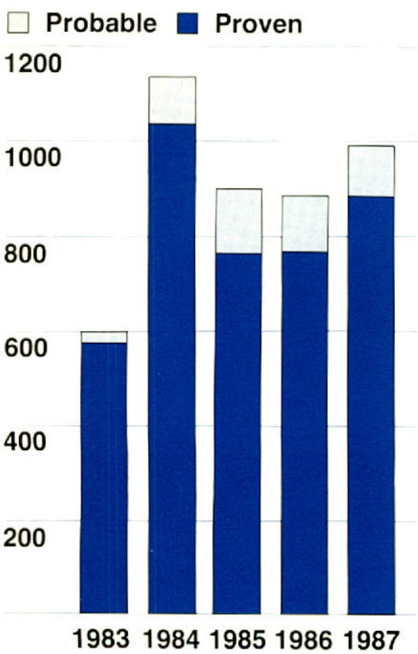
Thousands of Acres



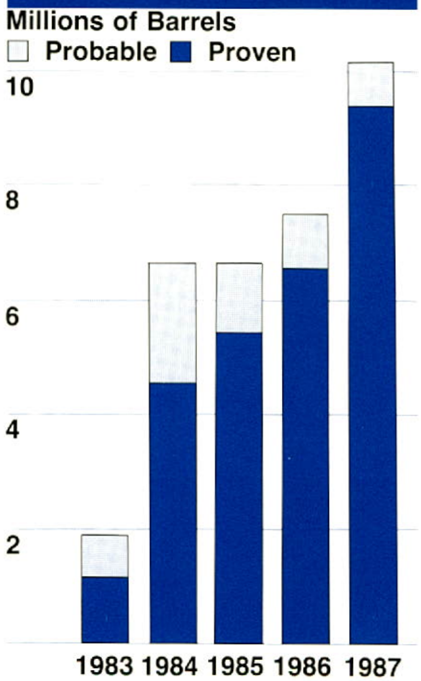
Proven and Probable Reserves

	Natural Gas			Crude Oil & NGL		
	Proven	Probable	Total	Proven	Probable	Total
		(bcf)			(mbbls)	
Reserves at 01/01/87	760	128	888	6,478	1,126	7,604
Exploration and development	121	9	130	5,494	—	5,494
Improved recovery	17	—	17	—	—	—
Purchase of reserves	3	2	5	89	67	156
Sale of reserves	(1)	(1)	(2)	(330)	(140)	(470)
Revisions	22	(24)	(2)	(1,309)	(74)	(l,383)
Reserves produced	(47)	—	(47)	(1,187)	—	(1,187)
Reserves at 12/31/87	875	114	989	9,235	979	10,214

Proven and Probable Reserves Natural Gas (bcf)



Proven and Probable Reserves Crude Oil and NGL



Reserves

Proven gas reserves increased 15% after production with the Company replacing reserves at a rate of nearly three times production. Saskatchewan accounted for 80% of the gas reserves added.

Proven crude oil and natural gas liquids reserves increased by 43% with the new discoveries in Rainbow Lake, Alberta and Oxbow, Saskatchewan accounting for 4.8 million barrels of the increase. Revisions to previous engineering estimates in declining oil pools resulted in adjustments to opening reserve numbers.

Based on 1987 production rates and proven reserves, the reserve life index for natural gas is 19 years and for crude oil and natural gas liquids is 8 years.

"Proven gas and oil reserves increased significantly during the year"

Reserve Values

The estimated present value of NCO's proven and probable reserves as at January 1, 1988, as determined by an independent engineering consultant, are outlined in the accompanying table. These values represent the forecast of income derived from the production and sale of net reserves, less capital expenditures, wellhead taxes and operating costs but before the deduction of interest, income tax or other corporate costs. Average prices used for the next five years as outlined with real price increases above a 6% inflation factor, averaging 1% for both oil and gas from 1993 onward.

Finding Costs

With significant reserve additions in 1987, NCO continues to keep its finding costs below average. The large single well oil pools discovered at Rainbow plus the inexpensive shallow gas reserves found at Hatton contributed significantly to these very low costs. NCO's $2.39 average finding cost still remains well below the industry average of around $6 per equivalent barrel.

Price Forecast

	Oil	Natural Gas
1988	$21.73	$1.52
1989	$23.11	$1.65
1990	$24.43	$1.87
1991	$25.94	$2.13
1992	$27.52	$2.33

Reserve Values ($000)

	Undiscounted	10% Discount	15% Discount
Proved	$1,758,335	$687,893	$509,630
Probable	358,217	69,138	36,423
	2,116,552	757,031	546,053
Tax credits	113,142	38,550	27,963
Total	**$2,229,694**	**$795,581**	**$574,016**

Finding Costs	**1987**		1986	
Proven developed reserves added * (mbbls)	**17,594**		4,372	
	$000	$/bbl	$000	$/bbl
Drill and complete	**22,000**	**$1.25**	11,000	$2.52
Land	**16,000**	**0.91**	5,000	1.14
Seismic	**4,000**	**0.23**	3,400	0.78
	42,000	**$2.39**	19,400	$4.44

*Gas converted to oil equivalent using 10 thousand cubic feet (mcf) per barrel.

Daily maintenance performed on a compressor unit.

Drilling

The Company participated in the drilling of 230 gross (149 net) wells during 1987 compared to 192 gross (79 net) during 1986.

Exploratory Drilling

	1987		1986	
	Gross	Net	Gross	Net
Oil wells	**14**	**4.8**	25	6.8
Gas wells	**42**	**34.7**	22	10.4
Dry and abandoned	**37**	**22.2**	30	8.3
	93	**61.7**	77	25.5
Success ratio		**64%**		67%

Development Drilling

	1987		1986	
	Gross	Net	Gross	Net
Oil wells	**42**	**11.3**	60	33.1
Gas wells	**79**	**68.0**	38	14.9
Dry and abandoned	**16**	**7.8**	17	5.9
	137	**87.1**	115	53.9
Success ratio		**91%**		89%

Pipelines

NCO owns and operates a 136 mile, 10" diameter, intraprovincial natural gas transmission line and several miles of connecting laterals in the Wabamun-Hinton area of west central Alberta. The two major customers of the line are a pulp mill in Hinton and a local distributing company. The contract with the pulp mill calls for up to 24 mmcfd to April 30, 1997. During 1987, the Company averaged 23.6 mmcfd (8.6 bcf for the year) through the line, down from the 1986 figure of 27.5 mmcfd (10 bcf for the year).

NCO also owns and operates a 1.7 mile, 4" diameter line serving an industrial customer in the Balzac area north of Calgary. During 1987, the Company averaged 3.1 mmcfd (1.1 bcf for the year) through this line, compared to 3.7 mmcfd in 1986.

Polaris Mine

NCO, through its 87% owned subsidiary, Bankeno Resources Limited, owns a 25% royalty interest in the total net proceeds from the Polaris Mine, a lead-zinc mine operated by Cominco Ltd. on Little Cornwallis Island in the Canadian Arctic. The Polaris Mine has operated continuously since startup in March 1981. The costs of developing the mine, the initial start up costs and the operating costs net of sales, together with interest incurred on those amounts, totalling approximately $233.5 million at year end 1987, must be recouped before the Company receives any payment.

Over the past few years the energy industry has been characterized by much uncertainty. It is important that the Company maintains a financial position that is not only secure enough to manage the ups and downs so typical of today's environment but also strong enough to enable the Company to take advantage of opportunities as they are presented. NCO carefully manages its financial position to ensure there is sufficient liquidity in the investment portfolio to capture opportunities for internal growth or acquisitions. As well, a strong and balanced shareholders' equity is important to provide the long-term stability needed to support NCO's long-term oil and gas asset base. NCO has accomplished this stability with a balance between preferred share equity and common share equity.

Left to right: Norm Gish, Dawne Stirling, Ed Flanagan, Don McKechnie, Tom Buchanan and Peter Jones

"NCO's strong financial position provides the base for future growth"

Investments and Note Receivable

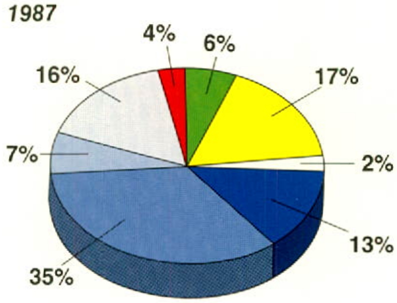
The Company maintains a portfolio of marketable securities and a note receivable, the result of the investment of surplus funds from debt and equity issues. The marketable securities are made up of preferred and common shares of companies with large market capitalizations whose market values are considered by NCO to be at a substantial discount from their underlying value.

The Company maintains this portfolio pending utilization of the funds in the oil and gas business. The portfolio provides a ready source of cash for investment and, being principally in preferred shares, has not been seriously affected by the recent stock market decline.

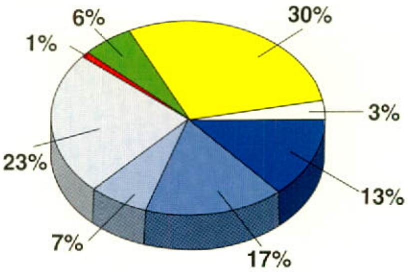
Capital Structure and Liquidity

Capitalization

1987



1986



- **Deferred Revenue**
- **Long-term Debt**
- **Deferred Income & Resource Taxes**
- **Minority Interests**
- **Convertible Preferred Shares**
- **Non-Convertible Preferred Shares**
- **Common Shares**
- **Retained Earnings**

Liquidity and Debt

	1987	1986
	(millions of dollars)	
Debt		
10% debentures	**$ 70.1**	$ 70.1
Revolving loan	**55.0**	130.9
Income debentures	**3.6**	11.1
Other loan	**5.0**	4.8
11¼% sinking fund debentures	**—**	2.7
	133.7	219.6
Less current portion of debt	**3.6**	8.3
Long-term debt	**130.1**	211.3
Investments and note receivable	**315.3**	274.3
Excess of investments and note receivable over long-term debt	**$185.2**	$ 63.0

Early in 1987 the Company reduced long-term debt by $81 million principally from the sale of marketable securities. The Company currently feels that the remaining debt has attached to it, terms and conditions that are very attractive and warrant retention on the balance sheet. These terms and conditions are as follows:

- 10% debentures bear interest at floating rates based on bankers acceptances (roughly 1% below prime) with a ceiling of 10%, are unsecured and mature in September, 1994.
- $55 million revolving loan was undertaken in conjunction with the acquisition of the $65 million note receivable. While the Company receives interest on the note receivable at the bank prime rate, interest on the debt is at bank prime less ⅛%. As the note receivable is well secured, the Company has virtually no risk related to this net transaction. The debt is unsecured.
- The income debentures bear interest at one-half of the bank prime rate plus 1⅛%, mature on June 30, 1988 and are secured by certain oil and gas properties.
- The other loan bears interest at prime and both principal and interest will be paid out of income from the assets to which it relates.

NCO continues to be debt free on a net basis. In fact, at December 31, 1987, the value of its investments exceeds its long-term debt obligations by $185.2 million. Based on the 27.2 million shares outstanding, this represents over $6.80 per share of value.

Deferred Income and Resource Taxes

	1987	1986
	(millions of dollars)	
Deferred income taxes	**$43.7**	$39.7
Deferred Petroleum and Gas Revenue Tax	**4.8**	4.8
	$48.5	$44.5

Deferred income taxes represent the amount of tax a Company would have paid had the timing of income and expense items recorded for accounting purposes matched that for income tax purposes. These timing differences arise primarily because the Company expenses its property and equipment for accounting purposes at its annual production or depletion rate, currently 6%, while the government allows those costs to be deducted against income for tax purposes at rates varying from 10% to 100%. Generally the higher the risk of finding producible reserves, the higher the allowable tax deduction. If a company continues an aggressive capital program, particularly with a significant portion of the costs going into the higher risk programs, the payment of taxes is deferred.

Deferred Petroleum and Gas Revenue Tax ("PGRT") relates to amounts due under the previous PGRT program that were deferred until some later date by utilizing oil and gas income tax deductions not currently required to eliminate taxable income. Should these costs be required in the future for income tax purposes, the PGRT liability will have to be paid.

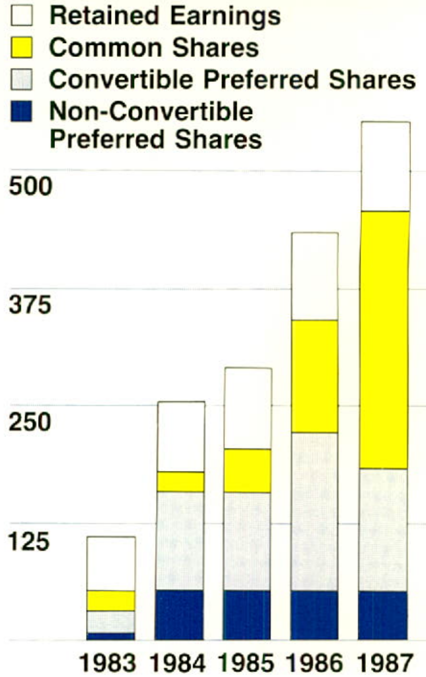
Currently, NCO has in excess of $200 million of unused oil and gas tax deductions available to offset future tax liabilities. These deductions can be used at a weighted average rate of 30% per year. The Company can continue to add to these pools to the extent it continues an ongoing capital expenditure program.

Minority Interest

	1987	1986
	(millions of dollars)	
Preferred shares	**$20.0**	$ —
Common shares	**6.1**	6.1
Retained earnings	**.5**	.2
	$26.6	$6.3

Minority interest represents that portion of ownership in the equity of Bankeno not held by NCO. As required under accounting rules, NCO "consolidates" 100% of Bankeno's assets, liabilities, incomes and expenses and adjusts for the minority's share through this account. During 1987 Bankeno issued 800,000 Convertible Cumulative Redeemable First Preferred Shares, Series A for a total consideration of $20 million. These shares earn dividends at an annual rate of one half bank prime plus two and one half percent and are convertible at $4.00 per common share. Currently 100% of the preferred shares and approximately 13% of the common shares of Bankeno are not held by NCO.

Shareholders' Equity
Millions of Dollars



Preferred Shares

	Conversion	Dividend	Outstanding	Amount
				(millions of dollars)
5½% Preferred	Not Convertible	5½%	15,556	$ .8
Class A Preferred	Not Convertible	70% of Prime	2,000,000	50.0
Class B Preferred				
Series 3	$20.00	½ of Prime	2,155,745	64.7
Series 6	$73.53	8%	1,303,699	32.6
Series 7	$27.47	7½%	1,100,355	27.5
				$175.6

In the last quarter of 1987, the holders of the Class B Preferred Shares Series 1 and 2, exercised their right to convert to common shares resulting in the issue of 1,500,000 and 1,200,000 common shares respectively and the transfer of $40 million to common shareholders' equity.

All series of preferred shares earn cumulative dividends and are redeemable by the Company under certain conditions, but are not retractable by the holder.

Common Shares

	Shares	Amount (millions of dollars)
Outstanding, January 1, 1987	18,434,217	$126.2
Issued for cash	6,000,000	106.5
Conversion of preferred shares	2,704,230	40.1
Other	73,761	.4
	27,212,208	273.2
Less notes receivable	—	(3.4)
Outstanding, December 31, 1987	27,212,208	$269.8

Effective October 28, 1987 the Board of Directors, being of the opinion that the market value of the common shares was well below the underlying asset value per share, authorized the buy back of up to one million common shares. To December 31, 1987, 79,000 common shares were repurchased at an average price, including commissions, of $16.89. No shares have been repurchased in 1988 up to March 15, 1988.

Fully Diluted Common Shares

	Shares	Amount (millions of dollars)
Outstanding at December 31, 1987	27,212,208	$269.8
Potential conversions		
Class B Preferred Shares		
Series 3	3,233,617	64.7
Series 6	443,258	32.6
Series 7	1,001,323	27.5
Employee Stock Options	780,443	11.3
Fully diluted at December 31, 1987	32,670,849	$405.9

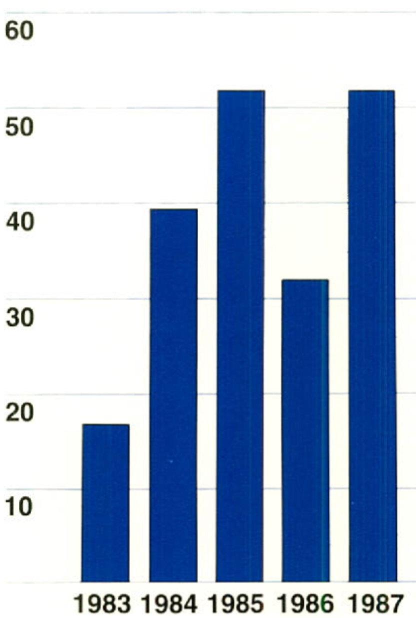
It is NCO's belief that all employees are responsible for the success of the Company and as such should share in that success. In addition, if employees are also shareholders of the Company, their common objective of improving share values will increase their motivation. As a result, all full time and permanent part-time employees are eligible for Company stock incentive plans currently in place. Existence of plans allowing all employees to participate in common share ownership is relatively unique in the Canadian oil and gas industry and is one of the reasons the Company has a highly motivated, technically proficient staff.

Capital Expenditures

NCO's financial strength and operational success allowed the Company to increase significantly its capital expenditure program. Total expenditures before government incentives of $5.3 million (1986 — $5.8 million) increased 51% to $56.8 million in 1987 from $37.6 million in 1986. During 1988 the Company estimates its total capital expenditures will increase to around $70 million with that amount expected to be split evenly between exploration and development.

Capital Expenditures

Millions of Dollars



Results of Operations

Earnings and Cash Flow

A reduction in interest expense offsetting a decline in oil and gas revenue resulted in a 57% increase in net earnings to $26.3 million in 1987 from $16.8 million in 1986. After deducting preferred share dividends of $13.2 million for both years, net earnings attributable to common shareholders increased by over 260% to $13.1 million from $3.6 million. Based on a weighted average number of common shares outstanding of 21.4 million in 1987 and 11.9 million in 1986, basic earnings per common share increased 100% to $0.61 from $0.30. Fully diluted earnings per common share for both years is not applicable as no convertible issues are dilutive. Convertible issues are not dilutive when the effective dividend rate for the issue, based on the equivalent number of common shares created by the conversion, exceeds the basic earnings per common share.

Cash flow from operations, being the major source of funds for the Company's capital expenditure program, increased 8% to $65.3 million in 1987 from $60.2 million in 1986.

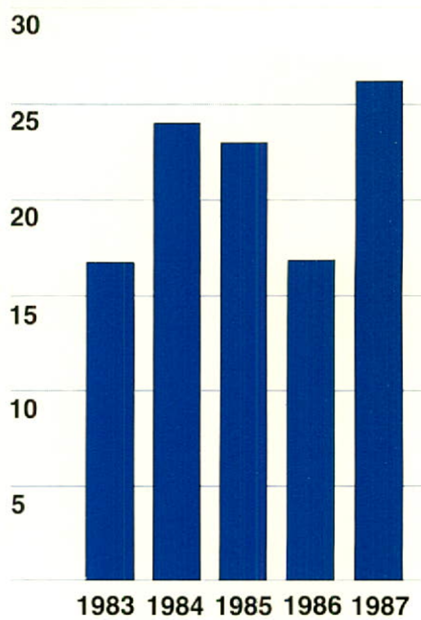
The following discussion addresses the individual elements making up earnings and cash flow.

Oil and Gas Operating Income

Despite the 40% increase in oil production and the consistent level of gas production, oil and gas operating income (after royalties) decreased to $85.7 million in 1987 as compared to $90.8 million in 1986. This was primarily a result of falling natural gas prices. A more complete discussion of revenue net backs has been included in the operations section of this annual report.

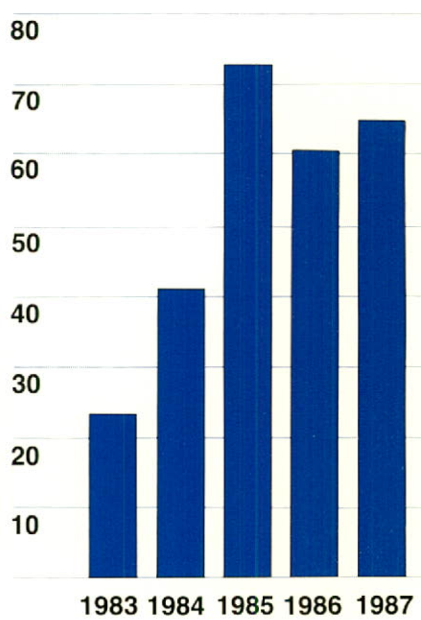
Net Earnings

Millions of Dollars



Cash Flow from Operations

Millions of Dollars



Investment Income

During 1987, income from investments and the note receivable decreased 6% to $20.0 million as compared to $21.4 million in 1986. This was primarily due to the reduction in the investment portfolio early in 1987, the proceeds of which were used to reduce long-term debt. The portfolio was built up later in the year through the investment of the net proceeds received from the July common share issue.

General and Administrative Expenses

The increase in general and administrative expenses to $8.9 million from $7.4 million is consistent with increases in both the capital expenditure program and the Company's production volumes. NCO's accounting policy is to not capitalize any general and administrative expenses other than to the extent of the Company's working interest in capital projects as provided for in joint operation agreements.

Interest on Long-term Debt

Interest expense decreased 45% to $14.6 million in 1987 from $26.5 million in 1986 as a result of lower average long-term debt balances.

Depreciation and Depletion

Consistent with the majority of Canadian oil and gas companies, NCO follows the "Full Cost" method of accounting for its oil and natural gas properties whereby all costs related to the exploration for and development of oil and gas reserves are charged to the balance sheet account "Property and Equipment" even if the wells resulting from these costs are unsuccessful.

Annually, the Company expenses to depreciation and depletion expense a portion of these costs based upon the amount of production for the year as a percentage of the total estimated proven reserves. Oil is converted to gas on the ratio of six thousand cubic feet of gas for each barrel of oil which represents the relative energy equivalent.

In addition, the Company applies a "ceiling test" to ensure the total costs charged to property and equipment, net of accumulated depreciation and depletion, do not exceed the future estimated net revenues from production of proven reserves at year end prices less estimated future administrative, financing and income tax costs. In 1987 NCO met the test by a considerable margin.

Depreciation and depletion expense for 1987 of $31.1 million was down 7% from $33.3 million in 1986 principally because of a reduction in the rate to $0.57 per equivalent mcf of gas produced from $0.62. The decline in the rate is due to the Company's low finding costs of $2.39 per equivalent barrel as noted earlier in the report. Based on the 1987 rate the Company is producing 6% of its proven reserves annually.

United States Generally Accepted Accounting Principles

As a Canadian company, NCO follows accounting principles generally accepted ("GAAP") in Canada, however, being a U.S. Registrant, the Company is required to report the affect, if any, of differences in GAAP between the two countries. Under U.S. GAAP the calculation of the ceiling test under the full cost method requires the discounting of future net revenues from production of proved oil and gas reserves by 10%. In addition, deductions from net revenue for administrative and financing costs under the calculation are not permitted.

The revision of the original terms of the conversion in 1986 of the 8% debenture required, under FAS #84, an increase in common share capital and a corresponding decrease in earnings and retained earnings for that year.

The effect of the above differences between Canadian and United States accounting principles would result in a reduction in depreciation and depletion expense of $1,459,000 compared to additional depreciation and depletion in 1986 of $26,000,000, and $Nil expense in 1987 relating to the conversion of the 8% debentures compared to $26,380,000 in 1986. The net earnings (loss) and the basic and fully diluted earnings (loss) per common share would be $27,770,000, $0.68 and $0.68 respectively for 1987 and ($35,500,000), $(4.11) and $(4.11) for 1986.

The net book value of property and equipment, common share capital and retained earnings would be $439,058,000, $296,212,000, and $56,282,000 respectively as at December 31, 1987 and $419,890,000, $150,292,000 and $41,704,000 respectively as at December 31, 1986.

Consolidated Balance Sheets

(thousands of Canadian dollars)

Assets

	December 31 1987	December 31 1986
Current Assets		
Investments	**$250,278**	$209,337
Accounts receivable	**26,741**	33,591
Prepaid expenses	**828**	1,102
	277,847	244,030
Note Receivable	**65,000**	65,000
Property and Equipment	**463,599**	445,890
Other Assets, at cost	**7,615**	5,599
	$814,061	$760,519

Liabilities and Shareholders' Equity

	1987	1986
Current Liabilities		
Accounts payable	**$ 36,045**	$ 32,444
Current portion of deferred revenue	**3,160**	3,121
Current portion of long-term debt	**3,637**	8,333
	42,842	43,898
Deferred Revenue	**18,243**	20,931
Long-term Debt	**130,139**	211,344
Deferred Income and Resource Taxes	**48,505**	44,455
Minority Interest	**26,581**	6,258
Shareholders' Equity		
Share capital		
Preferred shares	**175,551**	215,637
Common shares	**269,832**	123,912
Retained earnings	**102,368**	94,084
	547,751	433,633
	$814,061	$760,519

On behalf of the Board:

Director

Director

Consolidated Statements of Earnings

(thousands of Canadian dollars)

	Years ended December 31	
	1987	1986
Revenue		
Oil and gas, net	**$ 85,743**	$ 90,808
Investment and other income	**19,984**	21,352
	105,727	112,160
Expenses		
Operating	**20,669**	20,854
Administrative	**8,879**	7,395
Interest on long-term debt	**14,596**	26,487
Depreciation and depletion	**31,136**	33,283
Income and resource taxes	**3,009**	5,108
	78,289	93,127
Earnings before minority interest	**27,438**	19,033
Minority interest	**1,127**	2,208
Net Earnings	**26,311**	16,825
Dividends on preferred shares	**13,192**	13,224
Net earnings attributable to common shares	**$ 13,119**	$ 3,601
Earnings per common share	**$0.61**	$0.30

Consolidated Statement of Changes in Financial Position

(thousands of Canadian dollars)

	Years ended December 31	
	1987	1986
Operating Activities		
Net earnings from operations	**$ 26,311**	$ 16,825
Non-cash items:		
Depletion and depreciation	**31,136**	33,283
Deferred income & resource taxes	**6,811**	8,551
Minority interest	**1,127**	2,208
Other	**(77)**	(635)
	65,308	60,232
Financing Activities		
Issue of common shares	**141,085**	79,017
Issue of preferred shares	**—**	60,104
Issue of preferred shares by subsidiary	**20,000**	—
Conversion of preferred shares	**(40,086)**	—
Increase in long-term debt	**—**	404
Repayment of long-term debt	**(81,205)**	(93,682)
Change in long-term debt with affiliates	**—**	(23,000)
Decrease in deferred revenue	**(2,688)**	(3,575)
Increase in notes receivable	**—**	—
Dividends paid on preferred shares	**(13,192)**	(13,224)
Dividends paid by subsidiary	**(805)**	(1,839)
	23,109	4,205
Investing Activities		
Expenditure for property and equipment	**(51,528)**	(31,812)
Purchase of minority's interest in subsidiary	**—**	(83,598)
Sale of investment in subsidiary	**—**	11,500
Changes in other current accounts	**6,068**	816
Other	**(2,016)**	(403)
	(47,476)	(103,497)
Increase (decrease) in investments	**40,941**	(39,060)
Investments, beginning of year	**209,337**	248,397
Investments, end of year	**$250,278**	$209,337

Consolidated Statements of Retained Earnings

(thousands of Canadian dollars)

	Years ended December 31	
	1987	1986
Balance at beginning of year	$ 94,084	$ 90,342
Net earnings attributable to common shares	13,119	3,601
Transfer from contributed surplus	—	141
Cost of common shares issued	(4,835)	—
Balance at end of year	$102,368	$ 94,084

Report of Independent Chartered Accountants

The Shareholders
North Canadian Oils Limited

We have examined, in accordance with generally accepted auditing standards, the consolidated balance sheets of North Canadian Oils Limited as at December 31, 1987 and 1986 and the related consolidated statements of earnings, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1987 appearing in Appendix A to the proxy statement for the 1987 annual meeting of shareholders of the Company (not presented herein). In our opinion dated February 12, 1988, also appearing in that proxy statement, we expressed an unqualified opinion on those consolidated financial statements which were prepared in accordance with generally accepted accounting principles in Canada.

In our opinion, the information set forth in the accompanying consolidated balance sheets as at December 31, 1987 and 1986 and the related statements of consolidated earnings, retained earnings and changes in financial position for each of the two years in the period ended December 31, 1987 is fairly stated in all material respects in relation to the consolidated financial statements from which they have been derived.

Calgary, Alberta
February 12, 1988

Touche Ross & Co.
Chartered Accountants

North Canadian Oils Limited will conduct its business activities according to the highest standards of ethical behaviour and in keeping with the following basic principles:

- *Operations will be conducted in a cost effective manner and in the best interest of all shareholders with emphasis on total return comprising increases in underlying asset values as well as reported earnings;*
- *A belief in the individual responsibility of each employee and in nurturing an environment of trust and co-operation so that all employees want to do what needs to be done;*
- *Practice participative management based on open communications and a system which reinforces downward delegation of responsibility, accountability and authority for decision making;*
- *Listen to each other so that issues of concern can be aired and meaningful feedback provided;*
- *Continually look for ways to develop each individual's knowledge and skills through expanding job opportunities and technical and non-technical training;*
- *Encourage a climate for excellence in all areas, for innovation and for an understanding that errors can provide a constructive learning experience;*
- *Provide a financial reward system which is equitable, competitive, essentially based on performance and has a strong element of ownership so that the objectives and return are the same for the shareholder and employee;*
- *Operating the Company's facilities with a high priority for safety and for generally accepted environmental standards;*
- *Encourage participation, both individually and collectively, in community activities in areas in which the Company has operations.*

Corporate Information

Directors

Walter J. Adams (2)
President of Canadian American Loan and Investment Corporation Limited
Calgary, Alberta

Norman R. Gish (1)
President and Chief Executive Officer of the Corporation
Calgary, Alberta

Paul J. Hill (2)
President of McCallum Hill Limited
Regina, Saskatchewan

Marshall A. Jacobs (3)
Member of the law firm of Jacobs Persinger & Parker
New York, New York

James F. Kay (3)
Chairman of the Board of Dylex Limited
Toronto, Ontario

David W. Kerr (1)
President of Noranda Inc.
Toronto, Ontario

Willard J. L'Heureux, Q.C.*
Managing Partner, Financial Services of Hees International Corporation
Toronto, Ontario

Ross A. MacKimmie, Q.C. (3)
Counsel to the law firm of MacKimmie Matthews
Calgary, Alberta

Paul M. Marshall (1)
Vice Chairman of Brascan Limited
Toronto, Ontario

Douglas W. Miller*
Executive Vice President and President, Petroleum Division of Westmin Resources Limited
Calgary, Alberta

Alfred Powis** (1)
Chairman and Chief Executive Officer of Noranda Inc.
Toronto, Ontario

Alan R. Thomas** (2)
Senior Vice President Finance of Noranda Inc.
Toronto, Ontario

* Resigned March 3, 1988
** Appointed March 3, 1988
(1) Member of Executive Committee
(2) Member of Audit Committee
(3) Member of Stock Option Committee

Senior Officers

Norman R. Gish
President and Chief Executive Officer

Grant D. Billing
Senior Vice President Operations

Donald F. Christensen
Senior Vice President Exploration and Land

Senior Management

Nick Baiton
Vice President Production Operations

Thomas W. Buchanan
Controller

Michael D. Callahan
Vice President Marketing

Kent J. Edinga
Vice President Production Development

Edward J. Flanagan
Manager, Human Resources and Administration

David C. Jacobus
Land Manager

Peter D. Jones
Manager, Information Services

Donald D. McKechnie
Vice President Finance

Michael J. Stone
Vice President Saskatchewan

John H. Williams
Vice President Exploration

Corporate Secretary

Dawne L. Stirling

Head Office

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Regina, Saskatchewan S4P 3X2

Telephone: (306) 525-0143
Telecopy: (306) 525-9880

Auditors

Touche Ross & Co.

Registrar and Transfer Agents

The Royal Trust Company
Calgary, Alberta; Toronto, Ontario and Montreal, Quebec (all issues)

The Bank of Nova Scotia Trust Company
New York, New York (common shares only)

Stock Exchange Listings

Toronto Stock Exchange ("NCO")
The Montreal Exchange ("NCO")
American Stock Exchange ("NCD")

The Company's 1987 Annual Report to the Securities and Exchange Commission on Form 10-K and the Information Circular-Proxy Statement for the Annual Meeting are available by writing to the Corporate Secretary at the Company's head office in Calgary, Alberta.

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