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ALBERTA EASTERN GAS LIMITED **AEG**

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ANNUAL REPORT 1976



HEAD OFFICE

1200 Western Union Bldg.
640 - Eighth Ave. S.W.
Calgary, Alberta T2P 1G7
Telephone 261-7040

DIRECTORS

W. J. Bushnell, Toronto, Ontario
R. A. McCullough, Calgary, Alberta
A. D. Rogan, Calgary, Alberta
F. G. Vetsch, Calgary, Alberta
John T. Wood, Calgary, Alberta

OFFICERS

F. G. Vetsch, President and Chief Executive Officer
R. A. McCullough, Vice-President and Treasurer
A. D. Rogan, Vice-President Production
D. A. Finlay, Secretary

TRANSFER AGENTS

Montreal Trust Company
Toronto, Calgary
Vancouver, Regina
Winnipeg, Montreal

AUDITORS

Thorne Riddell & Co.

BANKERS

Canadian Imperial Bank of Commerce
The Royal Bank of Canada

LISTED

Toronto Stock Exchange
Alberta Stock Exchange
Montreal Stock Exchange

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THE ANNUAL MEETING of the shareholders will be held in the Oval Room of the Palliser Hotel, 133 - 9th Ave. S.W., Calgary, Alberta, on Tuesday, October 21, 1976, at 10:00 a.m.

COVER STORY:

THE UPPER CRETACEOUS

'Shallow gas' is found in rocks deposited during this relatively recent geological epoch, sometimes referred to as "The Age of the Reptiles". Within it, in southern Alberta and Saskatchewan, are the gas-bearing Second White Specks, Medicine Hat and Milk River sands. All carry fossilized remains of sea life. Deposition of upper cretaceous rocks started some 105 million years ago during the last large ocean invasion of the Continent by a sea extending from the Gulf of Mexico to the Arctic Ocean.

During the latter part of Upper Cretaceous times, about 70 million years ago, large reptiles inhabited the swampy forest lands which covered most of Alberta. Their fossilized remains can be found today in the sediments contained in the Edmonton Formation.

THE BADLANDS

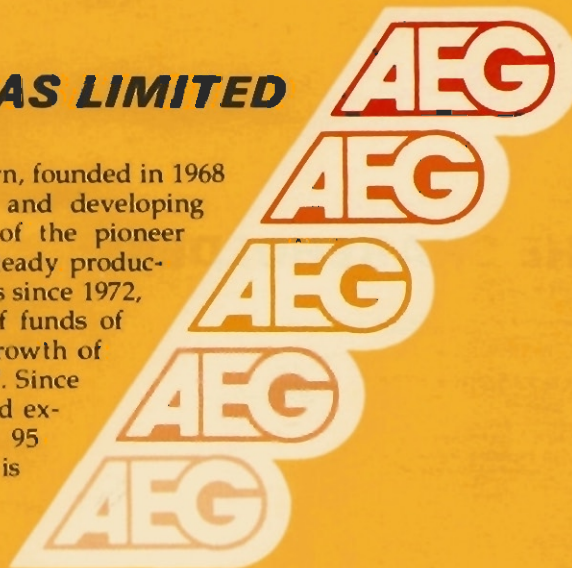
Within the last 10,000 years, as ice of the last ice age melted, a sudden rush of water eroded the wide valley of the Red Deer River exposing many dinosaur bones and leaving some spectacular landscapes, as illustrated on the front cover.

The Red Deer Valley is rated among the big three Cretaceous 'digs' in the world and its skeletons are exhibited in various museums in the Americas and Europe.

Some 110 skeletons or parts of them, were recovered from the area of the Province Dinosaur Park adjacent to the Company's 'shallow gas' development, as shown on the center page map.

Photo — Courtesy of Kijoshi Kimura, Brooks, Alberta

ALBERTA EASTERN GAS LIMITED



COMPANY BACKGROUND: Alberta Eastern, founded in 1968 with the specific objective of evaluating and developing shallow gas in southern Alberta, is one of the pioneer Western Canadian producers of such gas. Steady production growth and increased natural gas prices since 1972, have resulted in a 1976 fiscal year flow of funds of \$10,360,000 (\$2.07 per share) with further growth of more than 30 percent expected in fiscal 1977. Since 1974, the Company has aggressively pursued exploration and property acquisition. About 95 percent of Alberta Eastern common stock is held by Canadians.

ANNUAL REPORT TO JUNE 30, 1976

HIGHLIGHTS 1976

1976 1975 1974 1973 1972

OPERATING RESULTS

PRODUCTION

GAS — Billions of cubic feet (Bcf)	18.03	15.81	13.39	10.98	5.94
— Millions cubic feet (MMcf) per day	49.26	43.31	36.68	30.07	16.30
OIL — Barrels	10,163	9,643	10,697	9,894	1,530
— Barrels per day	27.8	26.4	29.3	27.1	4.2

ACREAGE (thousands of acres)

GROSS	1,480	1,234	1,055	1,084	855
NET	761	630	532	519	477

WELLS DRILLED (cumulative)

GROSS	829	650	519	409	347
NET	647	514	427	360	307

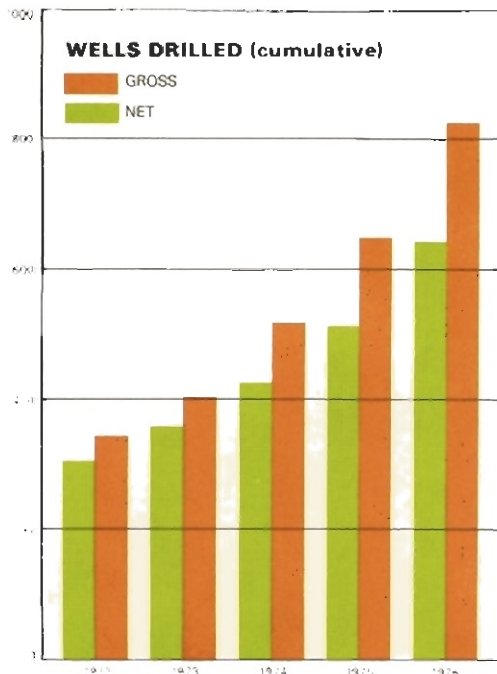
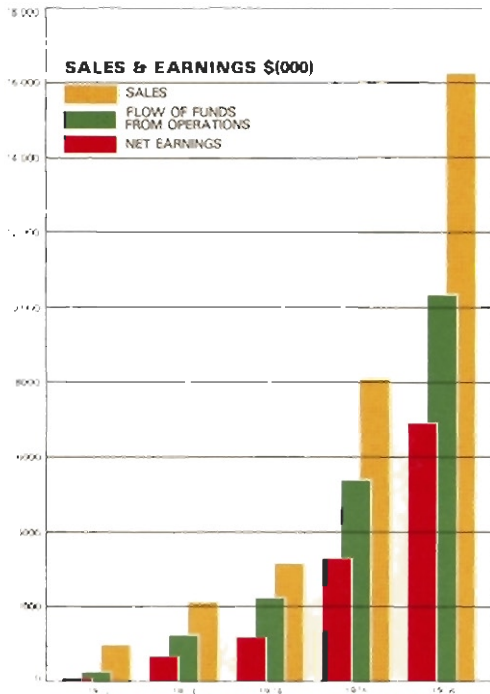
FINANCIAL RESULTS \$(000)

SALES	\$16,241	8,117	3,193	2,114	979
FLOW OF FUNDS from Operations	10,360	5,408	2,268	1,247	263
NET EARNINGS	6,906	3,298	1,188	665	62

PER SHARE (dollars)

FLOW OF FUNDS from Operations	\$2.07	1.08	0.46	0.28	0.07
NET EARNINGS	1.38	0.66	0.24	0.15	0.02

TO THE SHAREHOLDERS:



In our annual report to Shareholders last year, we announced a shift in emphasis from southern Alberta shallow gas development to exploration and development outside of this traditional area of activity. This change, necessarily a gradual one, has proceeded on schedule with considerable success as you will note in the ensuing pages. The Exploration and Production sections of this report provide details of results in northern Alberta, central west Alberta, northeastern British Columbia and the United States. Consistent with this policy, the Company's 1977 exploration budget will be increased by about 30 percent over last year.

The acquisition of a 50 percent interest in Alberta Petroleum & Resources Ltd. and 100 percent of Oriole Oil & Gas Ltd., effected in mid 1976, added about 30 bcf of gas reserves and 125,000 gross acres of potential lands to the Company.

These acquisitions, along with the expansion of producing rates in some of our existing properties, have increased our southern Alberta development budget from a planned \$3.5 million to \$6.0 million. This expansion is expected to raise our southern Alberta producing capacity to approximately 60 MMcfd by early 1977. The exploration and development programs will be financed out of current revenues.

We are pleased to report the following financial results for the twelve months ending June 30, 1976, compared to results for the previous fiscal year:

Oil and gas revenue increased from \$8,117,000 to \$16,241,000, an increase of 100 percent.

Flow of funds from operations rose from \$5,408,000 to \$10,360,000, that is \$1.08 to \$2.07 per share, an increase of 92 percent.

Net earnings increased from \$3,298,000 to \$6,906,000, \$0.66 to \$1.38 per share, up 110 percent.

These improvements resulted from the combination of higher producing rates and natural gas prices. Production rose by about 15 percent while natural gas prices increased from 66 cents to about 75 cents per Mcf on August 1, 1975 and to about 97 cents per Mcf on November 1, 1975.

During fiscal 1977, natural gas field prices are expected to rise in the following order:

from July 1, 1976 to September 9, 1976 \$1.03 per Mcf;

from September 10, 1976 to December 31, 1976 \$1.10 per Mcf and;

after January 1, 1977 \$1.20 per Mcf.

For fiscal 1977, therefore, we forecast gains in cash flow and earnings of about thirty percent.

The Company provides estimates by its staff engineers of proved remaining recoverable reserves, net before royalty, effective June 30, 1976, after production of 67.9 Bcf in the past six years.

Alberta and British Columbia	545 Bcf
Saskatchewan	276 Bcf
Total	821 Bcf
Oil Reserves	400,000 Bbls

In addition, the Company estimates a further probable reserve of 175 Bcf divided between provinces as below:

Alberta	44 Bcf
British Columbia	30 Bcf
Saskatchewan	101 Bcf
Total	175 Bcf
Proved and probably gas reserves total	996 Bcf

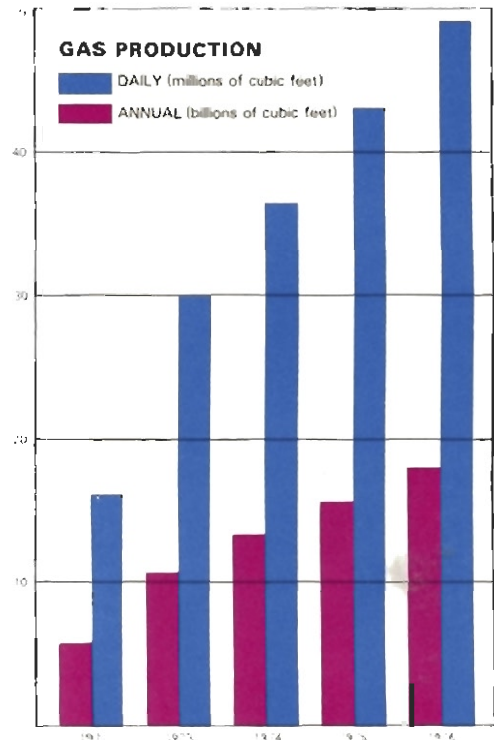
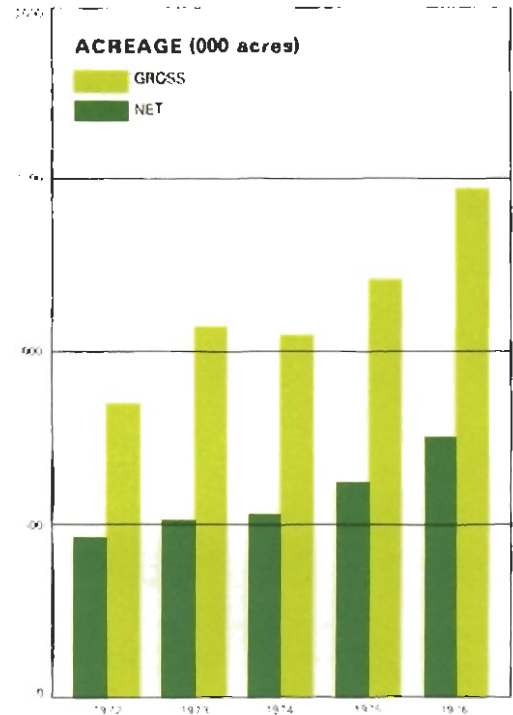
The Company wishes to recognize the fine contributions of all of its employees. During the year, two key personnel were added to the staff: Mr. D. A. Finlay was engaged as Land Manager & Corporate Secretary and T. J. Wright joined the Company in the position of Manager, Accounting and Administration.

On behalf of the Board of Directors



E. G. VETSCH
President & Chief Executive Officer

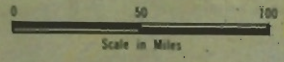
September 10, 1976



ALBERTA EASTERN GAS LIMITED

LEGEND

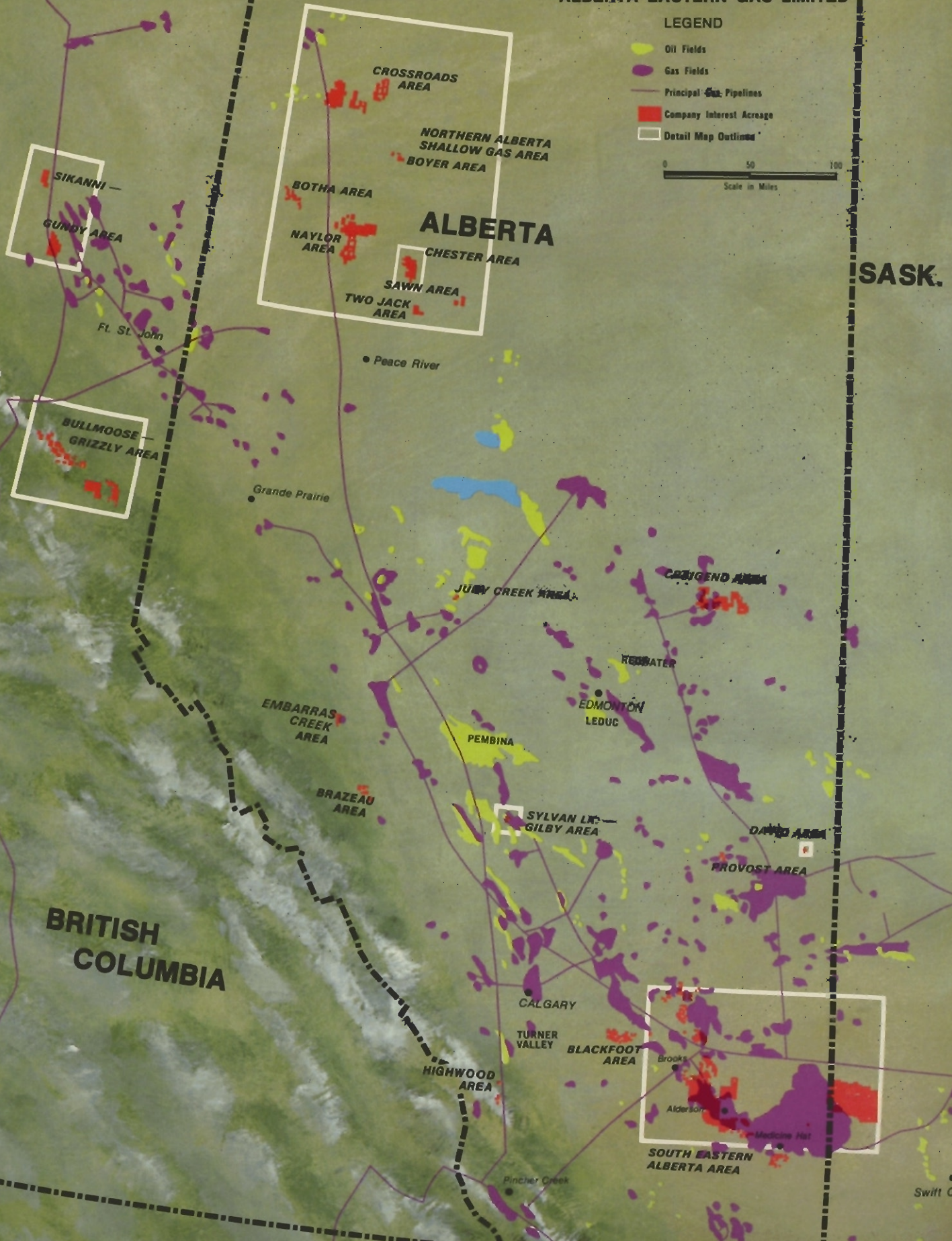
- Oil Fields
- Gas Fields
- Principal Gas Pipelines
- Company Interest Acreage
- Detail Map Outline



ALBERTA

SASK.

BRITISH COLUMBIA



EXPLORATION

GENERAL

Consistent with the Company's stated plans to emphasize exploration and diversification into new areas, approximately \$3.1 million was spent during fiscal 1976 in exploratory ventures including drilling and land acquisitions, an increase of 105 percent over 1975. Our 1977 budget anticipates a further increase in exploration to approximately \$4.0 million. The Company participated in 32 exploratory wells during the year, of which one was completed as an oilwell and 12 were completed as gas wells. In addition, of eight wells drilled by others, two were completed as gas wells.

ALBERTA

CRETACEOUS SHALLOW GAS

Alberta Eastern and partners drilled 18 wells on eight prospects exploring for shallow Cretaceous Bluesky sands in Northern Alberta. Prospect depths varied from 700 feet to 2500 feet.

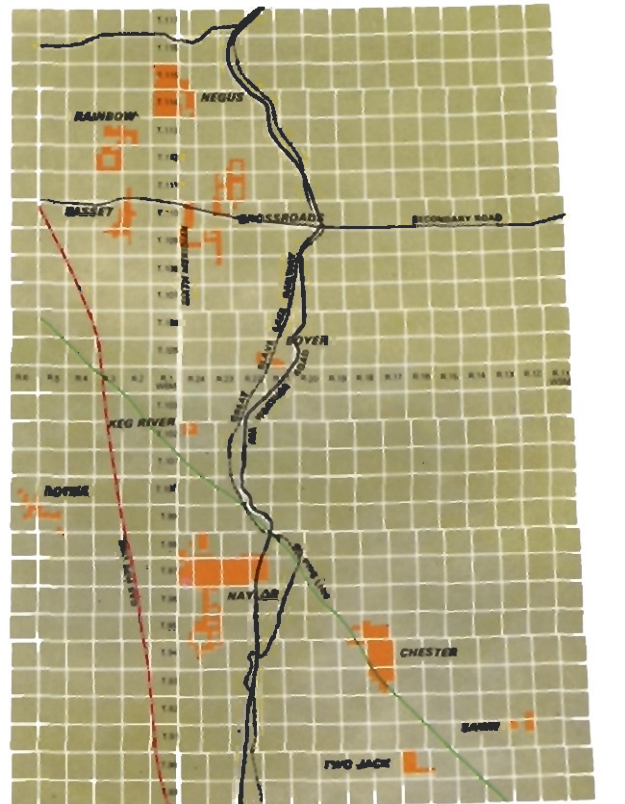
Gas was discovered in three of the prospects drilled as outlined below:

Naylor. Natural Gas was discovered on a 16,160 acre Natural Gas Licence purchased in early 1975. A second Natural Gas Licence containing 23,040 acres was acquired following this gas discovery. Alberta Eastern has an interest in a total of 116,800 acres in the Naylor area and expects to drill six wells on the acreage next winter.

Keg River. The Company and its partners earned a 50% working interest in eight sections by drilling a 1,400 foot well which resulted in a Bluesky gas discovery. Alberta Eastern's working interest is 21 percent.

Rainbow. Gas was found in two wells on a 23,040 acre gas licence purchased in early 1975. Further evaluation is needed to determine the potential of the area. Company interest is 25 percent.

Chester. In addition to the Bluesky gas discoveries at Naylor, Keg River and Rainbow, six step-out wells were drilled at Chester which delineated approximately 47,000 acres of proven and probable Bluesky reserves.



**NORTHERN ALBERTA
SHALLOW GAS AREA**

LEGEND

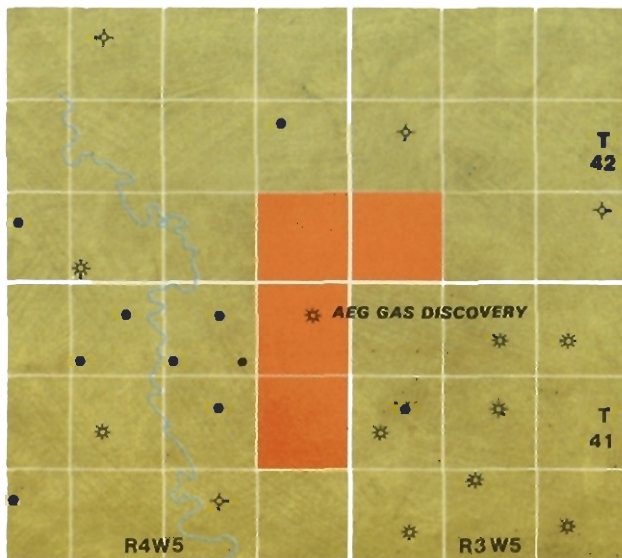
Company Interest

OTHER AREAS

Botha. Alberta Eastern acquired a 20 percent working interest in a 12,480 acre Gas Licence at Botha considered primarily potential for Mississippian Debolt gas. Drilling depth is 2100 feet. A 35 mile seismic program is planned for late fall and one or more wells will be drilled on the gas licence before the end of next winter.

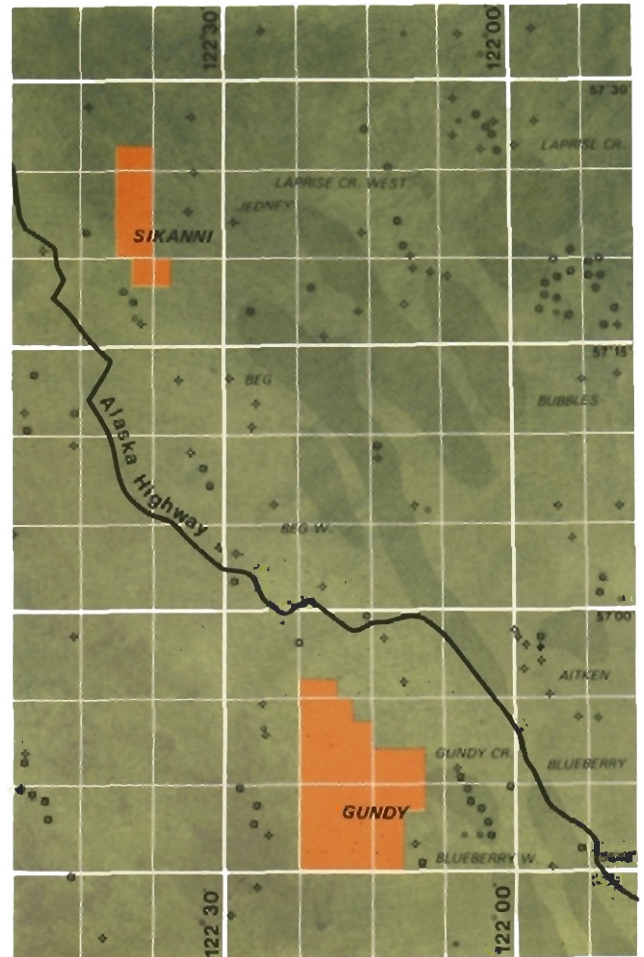
Sylvan Lake-Gilby. The Company is actively pursuing exploration in the general Sylvan Lake-Gilby areas of central western Alberta. The first well drilled in the program, at 10-36-41-4W5, was completed as a gaswell. Several additional wells are planned for this area before the end of 1976.

SYLVAN LAKE — GILBY AREA



- LEGEND**
- Company Interest
 - Location of Drilling
 - Gas Well
 - Oil Well
 - ✕ Dry Hole

SIKANNI — GUNDY AREA



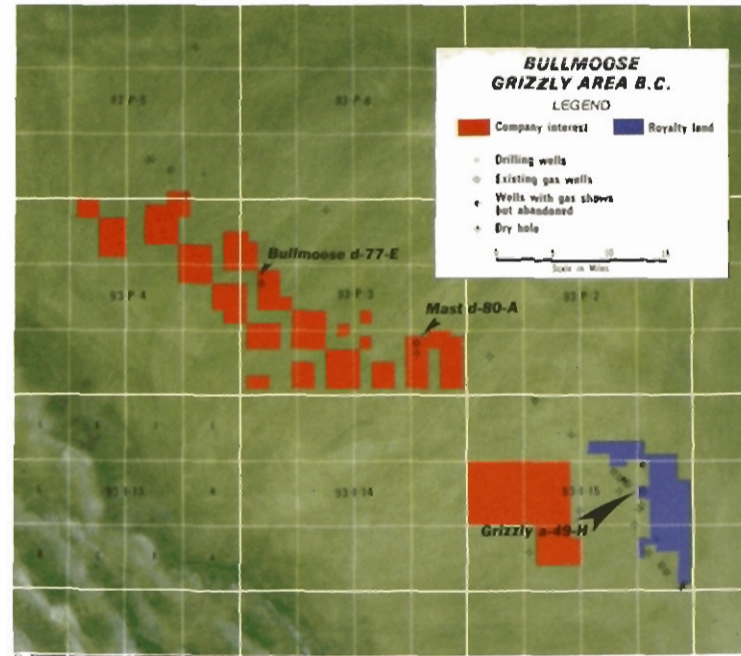
BRITISH COLUMBIA

Gundy. Alberta Eastern, in late 1975, acquired a 33-1/3 percent interest in two large permits (48,648 acres) in the outer foothills belt of British Columbia. The acreage covers at least one large anticline which will be further delineated by a seismic program in the fall of 1976. It is presently planned to drill a 5,500 foot Haltway test on the prospect before the end of the 1976-77 winter season.

Sikanni. The Sikanni prospect, containing 15,005 acres straddles part of the crest of a well-defined seismic structure and is prospective for Mississippian Debolt gas. A 7,000 foot Mississippian test is planned on the structure next winter. Alberta Eastern has a one-third interest in this prospect.

Bullmoose-Grizzly. Alberta Eastern Gas Limited increased its acreage holdings from 4,664 to 20,351 net acres in the past twelve months and will participate in a 29 mile seismic program with its partner this fall. Further production testing of the Bullmoose d-77-E well is planned and it is expected that at least one additional well will be drilled following completion of the proposed seismic program. It is expected that the area will be connected to markets by late 1977.

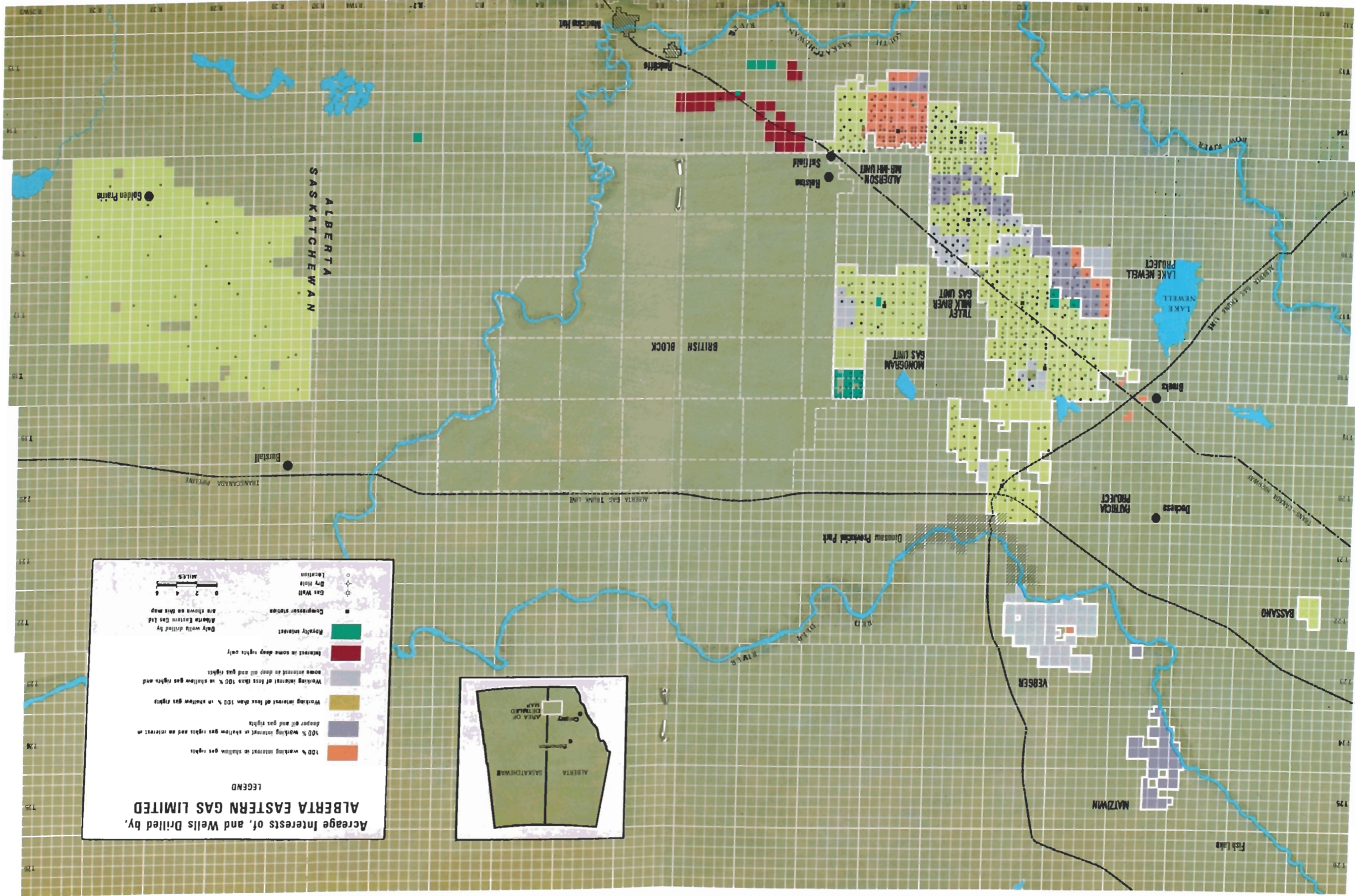
UTAH AREA



UNITED STATES

Moroni, Utah. The Company is paying 5 percent of the cost of a 19,000 foot Nugget sandstone test in central Utah to earn a net 2.5 percent interest in the prospect. Alberta Eastern and its partners farmed-in 40,000 acres covering a large seismically defined structure. The well is currently drilling below 7,000 feet.

Gunnison, Colorado. A metallurgical coal deposit was evaluated in Gunnison Co., Colorado during the year and an option to purchase approximately 300 acres of coal rights was exercised. The acreage is well situated for future development and a number of coal companies have expressed an interest in acquiring an interest in the acreage.



Acreage Interests of, and Wells Drilled by, ALBERTA EASTERN GAS LIMITED

LEGEND

- 100% working interest in shallow gas rights
- 100% working interest in shallow gas rights and an interest in deeper oil and gas rights
- Working interest of less than 100% in shallow gas rights
- Working interest of less than 100% in shallow gas rights and some interest in deep oil and gas rights
- Interest in some deep rights only
- Royalty interest

Daily wells drilled by Alberta Eastern Gas Ltd. are shown on this map

- Compressor station
- Dry Well
- Location

MILES
0 2 4 6



ALBERTA
SASKATCHEWAN

Golden Prairie

BRITISH BLOCK

RAKSTON
SPTFIELD

ALDERSON
MOR-301 UNIT

MOGRAM
GAS UNIT

TILEY
MAY RIVER
GAS UNIT

LAKE NEWELL
PROJECT

LAKE
NEWELL

BROOKS

PATRICIA
PROJECT

DUCKS

DIAMOND
PROVINCIAL PARK

VEBBER

MATZWIN

BASSANO

Fish Lake

TRANSCANADA PIPELINE

ALBERTA EAST TRUNK LINE

ALBERTA EAST TRUNK LINE

TRANS-CANADA PIPELINE

Hardisty Plant

Redwater

SASKATCHEWAN

BOW RIVER

RED RIVER

PEACE RIVER

Fish Lake

PRODUCTION

NATURAL GAS

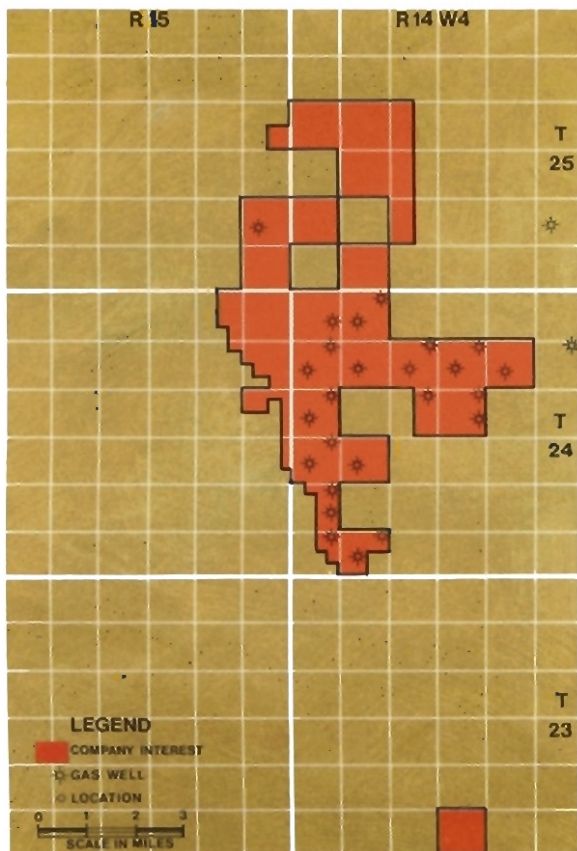
Net production averaged 49.3 MMcf per day for the fiscal year, an increase of 15.0 percent over 1975.

As of June 30, 1976 the Company had working interests in 629 producing gas wells; seven plants comprising 12,700 compressor horsepower; and approximately 480 miles of gathering system throughout southeastern Alberta.

The total development program for the Company and subsidiaries for fiscal 1977 will be about \$6.0 million. This will increase average net daily production by an estimated 6.0 MMcf, or 12 percent greater than 1976.

Significant additions to the system either completed during the year or underway as of mid-1976, included expansion of existing compressor capacity at the Patricia and Monogram Stations and commencement of new project production development in the following areas:

MATZIWIN AREA



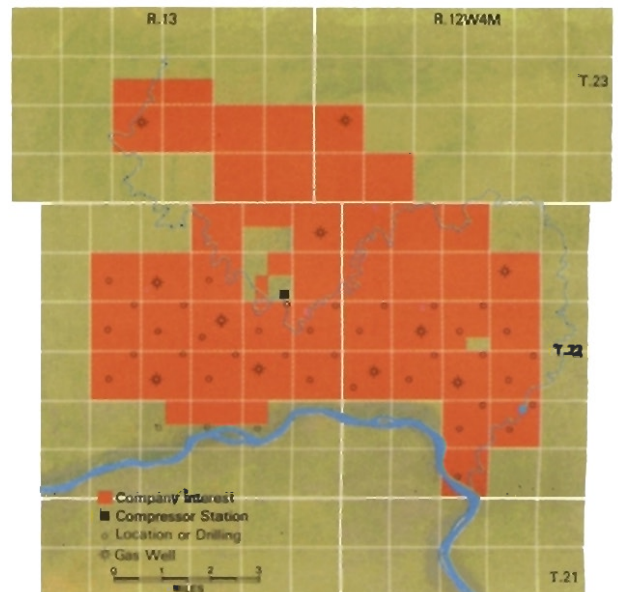
MATZIWIN PROJECT

The Matziwin land holdings were expanded to 15,960 acres with the acquisition of additional Crown lands in 1976. Production of 4 MMcf per day from the Milk River and Medicine Hat Formations will begin in November 1976. Twenty-seven wells and a compressor station will initially be installed on the property as detailed in the accompanying map. Alberta Eastern's interest is 100 percent.

VERGER PROJECT

Alberta Eastern, as Operator, in cooperation with a group of companies will commence development of the Verger property in 1976. A total of 43 wells will be completed in the Milk River, Medicine Hat and Second White Specks Formations to provide an initial station capacity of 15 MMcf per day. Alberta Eastern will have a net share of 3.0 MMcf/d. Production is expected to begin by January, 1977.

VERGER AREA



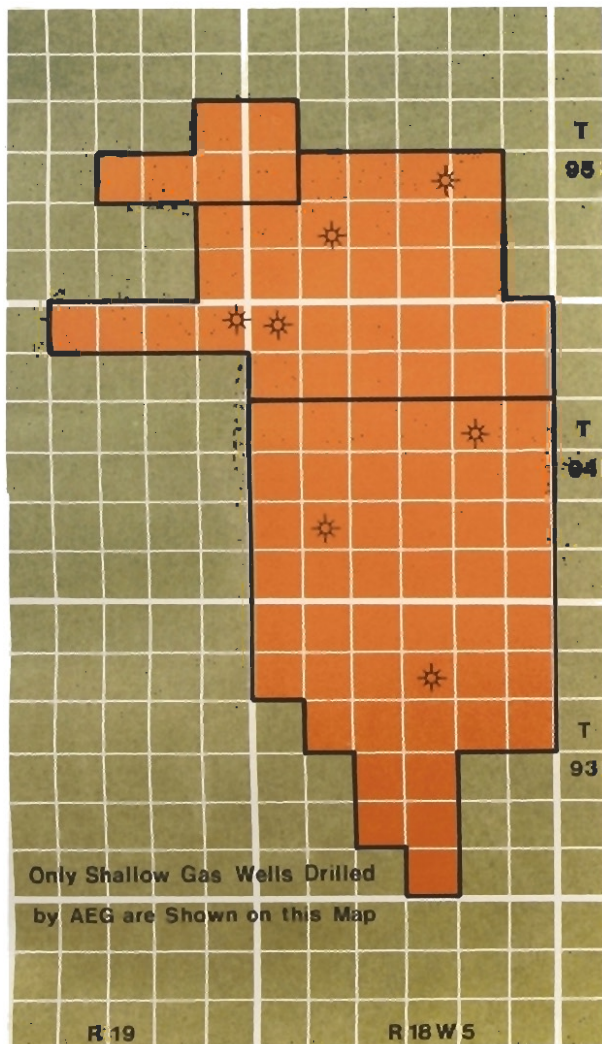
OTHER PROPERTIES

Acquisition of the Alberta Petroleum & Resources Ltd. and Oriole Oil & Gas Ltd. companies in 1976 has added production capacity and new development lands in the Fish Lake, Thompson Lake, Bassano and Patricia areas of Alberta.

CHESTER PROJECT

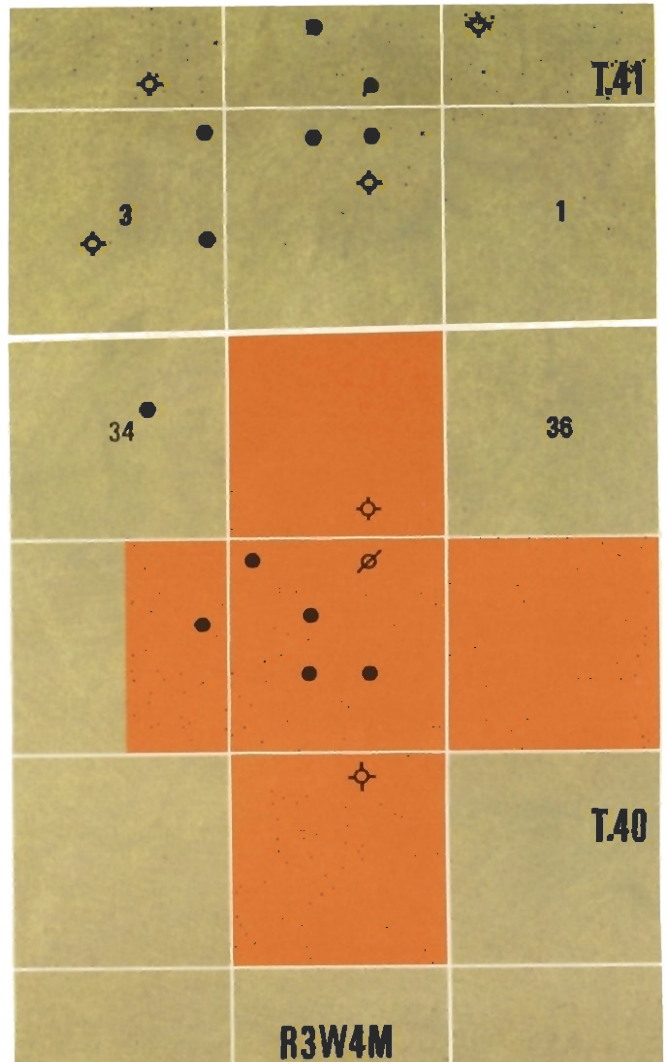
Six delineation wells were drilled and completed in the Chester area of Northern Alberta. The Bluesky shallow gas zone is present over 47,000 acres. Results to date indicate a proved and probable gas reserve of 40 Bcf (Alberta Eastern 48.6 percent). A pipeline connection to provide a market for this reserve may be available by early 1978.

CHESTER AREA



- LEGEND
- Company Interest
 - Location of Drilling
 - ☼ Gas Well
 - Oil Well
 - ◇ Drift Well

DAVID AREA



0 5 10
Scale in Miles

CRUDE OIL DAVID PROJECT

The David project was expanded in 1976 with the drilling and completion of four new Wainwright sand oilwells. Estimated proven reserves are 360,000 barrels (Alberta Eastern 100 percent). Further wells are currently being drilled to complete land earning and to fully delineate the extent of the pool.

ALBERTA EASTERN GAS LIMITED
and subsidiary company

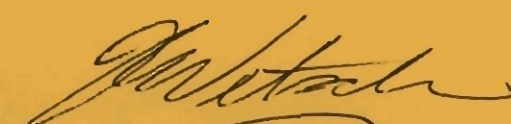
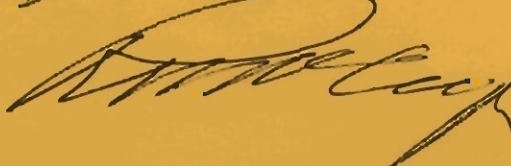


CONSOLIDATED BALANCE SHEET
JUNE 30, 1976

ASSETS

	<u>1976</u>	<u>1975</u>
CURRENT ASSETS		(note 1 (b))
Cash	\$ 2,583,944	\$ 271,290
Accounts receivable	2,543,491	1,667,295
Prepaid expenses	121,150	—
	<u>5,248,585</u>	<u>1,938,585</u>
INVESTMENT IN OTHER COMPANIES	<u>630,230</u>	<u>—</u>
PROPERTY, PLANT AND EQUIPMENT		
Natural gas and petroleum leases, reservations and rights including exploration, development and equipment thereon, at cost	31,250,660	23,226,350
Accumulated depletion and depreciation	2,342,572	1,533,485
	<u>28,908,088</u>	<u>21,692,865</u>
OTHER ASSETS		
Deposits	30,866	30,052
Receivable from officer and director	44,500	—
	<u>75,366</u>	<u>30,052</u>

Approved by the Board

 Director
 Director

\$34,862,269 \$23,661,502

LIABILITIES

	<u>1976</u>	<u>1975</u>
		(note 1 (b))
CURRENT LIABILITIES		
Accounts payable and accrued liabilities.....	<u>\$ 3,846,295</u>	<u>\$ 1,869,053</u>
DEFERRED INCOME TAXES	<u>6,915,371</u>	<u>4,270,889</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 3)		
Authorized		
7,500,000 common shares of no par value		
Issued		
5,027,500 (1975 - 4,986,500) shares.....	<u>10,877,300</u>	<u>10,703,100</u>
RETAINED EARNINGS	<u>13,223,303</u>	<u>6,818,460</u>
	<u>24,100,603</u>	<u>17,521,560</u>
	<u>\$34,862,269</u>	<u>\$23,661,502</u>

ALBERTA EASTERN GAS LIMITED
and subsidiary company



**CONSOLIDATED STATEMENT
OF EARNINGS**

YEAR ENDED JUNE 30, 1976

	1976	1975 (note 1 (b))
REVENUE		
Sale of gas and oil production	\$16,240,595	\$8,116,782
Less royalties	3,867,530	1,741,504
	<u>12,373,065</u>	<u>6,375,278</u>
Interest and other	147,790	102,115
	<u>12,520,855</u>	<u>6,477,393</u>
 EXPENSES		
Production	1,347,339	821,574
Freehold mineral tax	663,267	166,952
General and administrative	288,756	163,994
Engineering and consulting	78,745	41,642
Interest	2,000	9,705
Depletion and depreciation	815,410	589,750
	<u>3,195,517</u>	<u>1,793,617</u>
EARNINGS BEFORE INCOME TAXES	<u>9,325,338</u>	<u>4,683,776</u>
INCOME TAXES		
Current	197,011	—
Deferred	2,640,187	1,520,048
Provincial royalty credits	(418,353)	(134,587)
	<u>2,418,845</u>	<u>1,385,461</u>
NET EARNINGS	<u>\$ 6,906,493</u>	<u>\$3,298,315</u>
 EARNINGS PER SHARE, based on weighted average number of shares outstanding during the year	 <u>\$1.38</u>	 <u>\$0.66</u>

ALBERTA EASTERN GAS LIMITED
and subsidiary company



CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED JUNE 30, 1976

	1976	1975
WORKING CAPITAL DERIVED FROM		
Operations		(note 1 (b))
Net earnings	\$ 6,906,493	\$3,298,315
Add charges not requiring working capital	3,453,569	2,109,274
Flow of funds from operations	10,360,062	5,407,589
Issue of capital stock	174,200	46,600
Other	—	1,823
	<u>10,534,262</u>	<u>5,456,012</u>
WORKING CAPITAL APPLIED TO		
Property, plant and equipment	8,024,310	7,640,903
Receivable from officer and director	44,500	—
Investment in other companies	630,230	—
Dividends	501,650	—
Deposits	814	—
	<u>9,201,504</u>	<u>7,640,903</u>
INCREASE (DECREASE) IN WORKING CAPITAL	1,332,758	(2,184,891)
WORKING CAPITAL AT BEGINNING OF YEAR	69,532	2,254,423
WORKING CAPITAL AT END OF YEAR	<u>\$ 1,402,290</u>	<u>\$ 69,532</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS YEAR ENDED JUNE 30, 1976

	1976	1975
RETAINED EARNINGS AT BEGINNING OF YEAR		(note 1 (b))
As previously reported	\$ 6,706,371	\$3,530,251
Retroactive change in accounting for natural gas and petroleum operations (note 1)	112,089	(10,106)
As restated	6,818,460	3,520,145
Net earnings	6,906,493	3,298,315
	<u>13,724,953</u>	<u>6,818,460</u>
Dividends	501,650	—
RETAINED EARNINGS AT END OF YEAR	<u>\$13,223,303</u>	<u>\$6,818,460</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1976

1. ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned United States subsidiary, A. E. G., Inc.

(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 its 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 expenses related to exploration activities. The costs accumulated are depleted using the unit of production method based on estimated recoverable reserves of gas and oil as determined by the Company's engineers. All of the Company's natural gas and petroleum operations since inception have been within continental North America (principally Western Canada) which is treated as one cost centre.

Prior to 1976 costs excluding overhead expenses were accumulated using "project area" cost centres and depletion was provided on costs associated with producing areas using a unit of production method based upon estimated recoverable reserves of gas and oil within each project area as determined by the company's engineers. If exploration activities within a project area proved unsuccessful, the costs accumulated therein were written off against earnings. In 1976, the Company retroactively changed its accounting policy to that described above. As a result of this change, net earnings for 1975 increased by \$122,194 (\$.02 per share) and for 1976 by \$126,407 (\$.03 per share). The 1975 financial statements have been restated to reflect this change in accounting policy.

(c) 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.

(d) Income Taxes

The Company follows the tax allocation method of accounting whereby the income tax provision is based on earnings reported in the accounts. Accordingly, the Company makes full provision for income taxes deferred as a result of claiming capital cost allowances and exploration and development costs in excess of the amounts provided for depreciation and depletion in the accounts.

(e) Investment in Other Companies

The Company follows the equity method of accounting for its 50% equity interest in Plains Investments Ltd. which has a 95% equity interest in Alberta Petroleum & Resources Ltd. Under this method the investment is carried at cost which is adjusted for the Company's share of the increase or decrease in the shareholders' equity accounts of Plains Investments Ltd.

2. RECEIVABLE FROM OFFICER AND DIRECTOR

During the year the Company loaned an officer, who is also a director, \$44,500 to exercise an employee stock option. The receivable is repayable by May 7, 1978 and secured by shares of the Company.

3. CAPITAL STOCK

During the year, the Company issued 41,000 common shares for \$174,200 on exercise of employee stock options. At June 30, 1976 70,000 common shares were reserved under stock options granted to employees. The options are exercisable until 1981 in varying amounts at \$4.08 to \$9.80 per share.

Reference is made to note 4.

4. SUBSEQUENT EVENT

Subsequent to June 30, 1976 the Company acquired all the issued and outstanding shares of a private company engaged in oil and gas exploration, development and production for a total consideration of \$1,960,000 cash and 55,000 shares of the Company.

The Company has paid \$1,465,200 cash and issued 48,000 shares valued at \$11.375 each. The balance of the consideration will be paid prior to July 29, 1977 as the vendor meets the conditions of the agreement.

5. ANTI-INFLATION LEGISLATION

The Company is subject to dividend restrictions under provisions of the Federal Anti-Inflation Act. Maximum dividends which may be paid during the twelve month period ending October 13, 1976 are approximately \$.16 per share of which \$.10 per share was paid on May 1, 1976.

6. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Direct remuneration paid during the year to directors and senior officers totalled \$258,558.

AUDITORS' REPORT

To the Shareholders of
Alberta Eastern Gas Limited

We have examined the consolidated balance sheet of Alberta Eastern Gas Limited as at June 30, 1976 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 30, 1976 and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for natural gas and petroleum operations referred to in note 1 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Calgary, Alberta
September 7, 1976

· THORNE RIDDELL & CO.
Chartered Accountants

ANNUAL REPORT 1976
ALBERTA EASTERN GAS LIMITED



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