AEC

ALBERTA ENERGY COMPANY LTD.

1991 ANNUAL REPORT

Contents

The Company

Alberta Energy Company Ltd. is a Canadian natural resource development company with more than 40,000 shareholders. AEC participates in Canada's oil and natural gas, pipelines, forest products and petrochemicals industries. AEC is among the top ten oil and gas companies in Canada in terms of reserves, production levels and exploratory landholdings.

Highlights

Financial Results ($ millions except per share amounts)	1991	1990
Net earnings	13.8	53.6
• $ per common share	0.12	0.72
Cash flow from operations	165.8	205.5
• $ per common share	2.37	3.01
Revenues, net of royalties	517.6	562.5
Capital spending	166.8	224.2

Operating Performance	1991	1990
Natural gas		
• sales (million cubic feet/day)	304	278
• price ($/million btu)	1.37	1.54
Conventional oil and NGLs		
• sales (barrels/day)	6,470	6,880
• price ($/barrel)	15.53	21.26
Synthetic oil		
• sales (barrels/day)	16,510	15,530
• price ($/barrel)	22.67	26.85
Lumber		
• sales (million board feet)	209	196
Medium density fibreboard		
• sales (million square feet)	60	59
Pulp		
• sales (thousand air dried tonnes)	29	-

Major Activities

- The Corporation's natural gas storage facility was expanded by 50 percent to 180 million cubic feet per day which, when combined with sustainable average production of 315 million cubic feet per day, enables a peak daily sales capacity of about 500 million cubic feet.
- Gas reserve increases exceeded production by 59 billion cubic feet mainly due to exploration discoveries and positive engineering revisions of two major producing fields.
- Syncrude achieved a production record of 16,510 barrels per day (AEC share) and reduced operating costs by $1.05 per barrel.
- Tests of new cold production techniques for recovery of Primrose heavy oil demonstrated good producibility at significantly lower costs.
- Gas sales to new northeast U.S. markets via the Iroquois Gas Transmission System commenced in the fourth quarter. Regulatory approval already is being sought for the pipeline's first expansion.
- Natural gas service to Vancouver Island via the Pacific Coast Energy Corporation pipeline began late in the year.
- The pipeline division recorded a significant safety milestone of five years with no lost-time accidents.
- The commissioning of the Slave Lake chemi-thermo-mechanical pulp mill achieved all desired product specifications. Production rates from this chlorine-free process increased during the year, averaging 64 percent of design capacity in the fourth quarter, in response to improving market conditions.

President's Remarks to Shareholders

In 1991, natural gas prices declined to their lowest levels in 14 years; our average crude price dropped 18 percent, and some of the other commodities produced by AEC sold for lower prices than in 1990. Earnings and cash flow from operations per share were 17 and 79 percent, respectively, of the levels achieved in the prior year.

It was a brutal year for the oil and gas industry as a whole, with highly unsatisfactory financial results, layoffs, curtailment of capital investment plans and other signs of a depressed business. Poor conditions were evident in other Canadian industries, as well as in the economies and industries of most countries throughout the world.

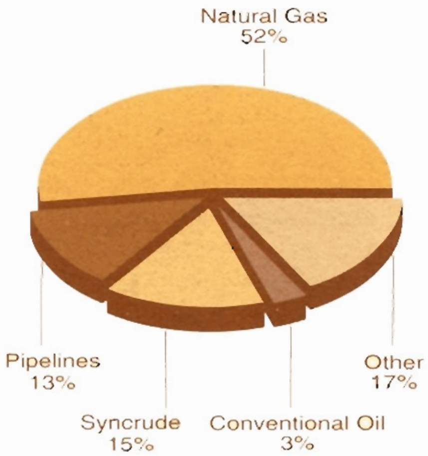
AEC did fairly well compared with others, but that was cold comfort as financial results were unacceptably low. There were, however, a number of positive developments, as tabulated below.

- Natural gas reserves were higher year over year, after deducting 1991 production. These reserve estimates were made by outside professional engineering consultants, McDaniel & Associates.
- Exploration for gas and oil yielded satisfactory results.
- Syncrude produced its 500 millionth barrel early in the year and achieved a record rate of 203,000 barrels per day during December. AEC's share of Syncrude's mineable synthetic oil reserves is 193 million barrels, equivalent to 32 years of production at 1991 rates.
- The pipeline division performed very well and delivered stable earnings.
- The Slave Lake pulp mill had an excellent commissioning and is producing an environmentally friendly, chlorine-free, top quality product.
- Interest expense was reduced by $7 million, and the Corporation remains financially sound in a difficult economic environment.
- Significant reductions in overhead and further refinement of operating efficiencies will have positive effects in the years ahead. Corporate and operating general and administrative costs in 1991 were reduced by a total of $4 million. Staff changes resulted primarily from decreased use of consultants and attrition, the combination of which effectively reduced the personnel count by 7 percent since the end of 1990.
- Contrary to the situation of some others in the industry, AEC does not need to write down either its gas and oil reserves or its value for Syncrude. The market value of our Syncrude assets is considerably more than our book value. Also, in 1990 AEC commenced making provision for wellsite abandonments and does not now face this requirement as a new item.

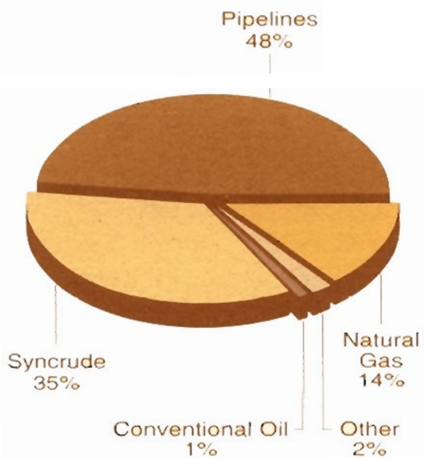
While natural gas constitutes 52 percent of our assets, sale of our gas delivered only 14 percent of operating income, and almost one-third of that percentage was derived from the storage and marketing of gas produced by others. AEC's natural gas has tremendous financial potential when prices turn upward.

Some of AEC's diversified activities have been especially beneficial during the downturn in the natural gas business. Nonetheless, greater focus of AEC's corporate investments is desirable. Our coal interest has been sold for more than book value, effective year-end 1992. A small leasing business was sold in 1990, and a drilling company previously

Investment Mix - Assets



Operating Income



owned by a corporation AEC acquired will be sold when conditions are appropriate. As well, the fertilizer business in North America is undergoing a period of rationalization, and AEC's fertilizer ownership also could become part of that process when a suitable opportunity arises.

AEC is in sound financial condition and has no need for, or present interest in, raising capital by equity sale or increasing debt.

In 1991 we completed virtually all capital commitments for major projects. We will continue an active exploration program, maintain all producing facilities in top condition and, hopefully, achieve a cash surplus in 1992.

The year just ended provided pointed reminder to Canadians that working smarter and with greater dedication in our highly competitive global environment is fundamental if we are to increase, or even maintain, the quality of our lifestyle. Glaring balefully at governments and expecting them to provide the quick fix is not the answer. Governments can help or hinder, but it is the combined determination of government, labour and business that is needed to win in today's world. Why should buyers pay one iota more or accept any less quality for a Canadian product than they do for the goods of others? Should we blame the Japanese for their successes or ourselves for our lack of such achievements?

Although Canada's difficult economy and need for jobs are quite similar to those in many other developed countries, Canadians also must deal with the biggest challenge in our history — satisfactory resolution of the constitutional question. Sadly, it never should have been necessary to risk wrenching the country apart with this issue, but we cannot turn back the clock. Those who would expect a divided Canada to create more jobs or a better economy, or cause no decrease in Canada's stature throughout the world, will be in for a rude shock if this country-mending is unsuccessful. We concentrate, group by group and area by area, on "what is in it for me" when, without a single Canada, there is less in it for everyone.

A note of appreciation is in order for the staff of AEC. They have displayed admirable realism about the need for changes and, in many cases, added work responsibilities in order to meet the need to be more cost effective.

Two Directors who have served on AEC's Board since it became operational 17 years ago, Peter L.P. Macdonnell and Gordon H. Sissons, will be retiring at the Annual Meeting of Shareholders, due to mandatory age restrictions. These two gentlemen have served AEC with outstanding ability and dedication, and we offer special thanks for all that they have done.

David E. Mitchell, O.C.
President and
Chief Executive Officer

February 14, 1992

Oil and Gas

Extraordinarily mild winter weather and the economic recession further depressed natural gas prices throughout North America. Nevertheless, AEC's sales volumes grew as a result of phasing in new long-term gas contracts and increasing short-term sales. These increased sales volumes were met through a strategy combining spot gas purchases and resale, transportation access, and gas storage to optimize profitability, defer development capital expenditures and preserve valuable gas reserves.

Natural gas reserves grew again in 1991, and AEC maintained its position as one of the industry's lowest unit cost producers. As well, the Corporation maintained exploration and development costs below the industry average.

Due to record production at Syncrude, oil and natural gas liquids sales increased despite Interprovincial Pipe Line transportation bottlenecks and AEC's decision to shut in heavy gravity crude production during periods of very low prices. At Primrose, further success was achieved in the testing of advanced heavy oil recovery technology aimed at reducing capital and operating costs.

AEC continued to attach priority to safety and environmental protection, evident through its work with military and environmental authorities toward establishment of a National Wildlife Area on a portion of the Suffield Military Range.

Reserves

McDaniel & Associates Consultants Ltd. completed a full evaluation of AEC's conventional oil and gas reserves. The table opposite gives the McDaniel estimates, as well as a reconciliation with AEC's year-end 1990 reserves estimates.

These independent engineering estimates confirm that natural gas reserve additions have exceeded production over the three-year period to the end of 1991.

Reserves

Natural Gas (Billion Cubic Feet)

	Proven	Probable	Total
Balance at December 31, 1990	1,398	282	1,680
Revisions of established pools	113	(57)	56
Discoveries and extensions	64	29	93
Acquisition of reserves	10	-	10
Production	(100)	-	(100)
Balance at December 31, 1991	1,485	254	1,739

Crude Oil and Natural Gas Liquids (Million Barrels)

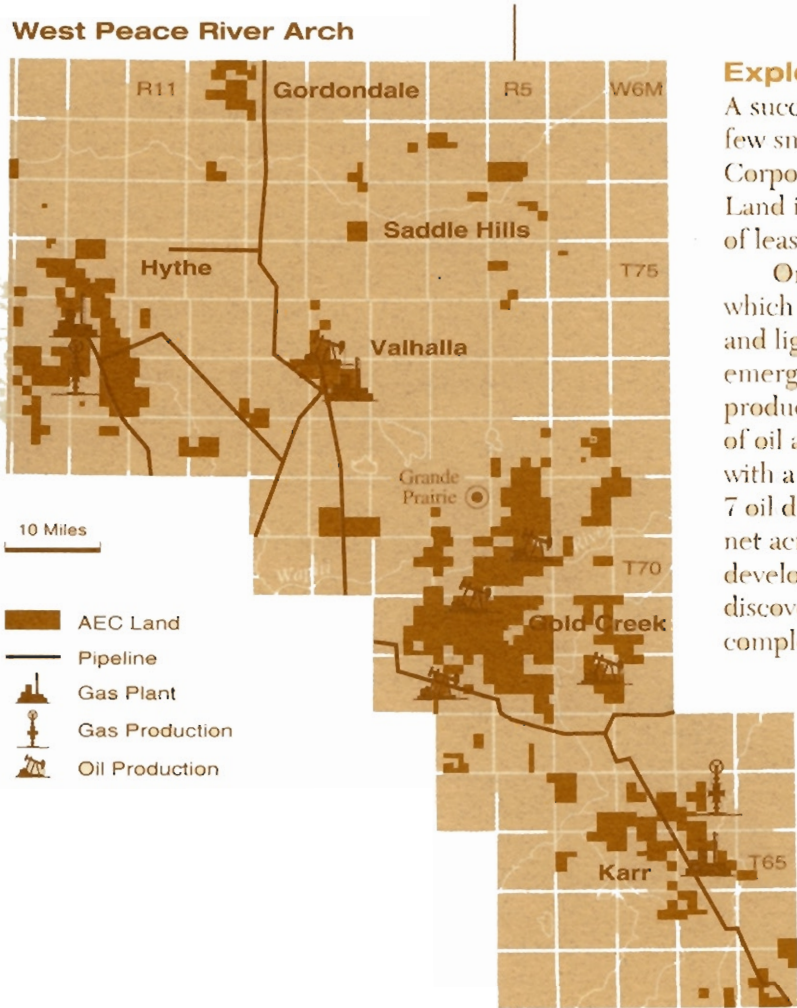
	Proven	Probable	Total
Balance at December 31, 1990	20.0	6.8	26.8
Revisions of established pools	(4.6)	1.9	(2.7)
Discoveries and extensions	1.0	(0.4)	0.6
Acquisition of reserves	0.1	-	0.1
Production	(2.4)	-	(2.4)
Balance at December 31, 1991	14.1	8.3	22.4

Synthetic Oil (Million Barrels)

	Proven	Probable	Total
Balance at December 31, 1990	199	-	199
Revisions of previous estimates	-	-	-
Production	(6)	-	(6)
Balance at December 31, 1991	193	-	193

In Situ Heavy Oil

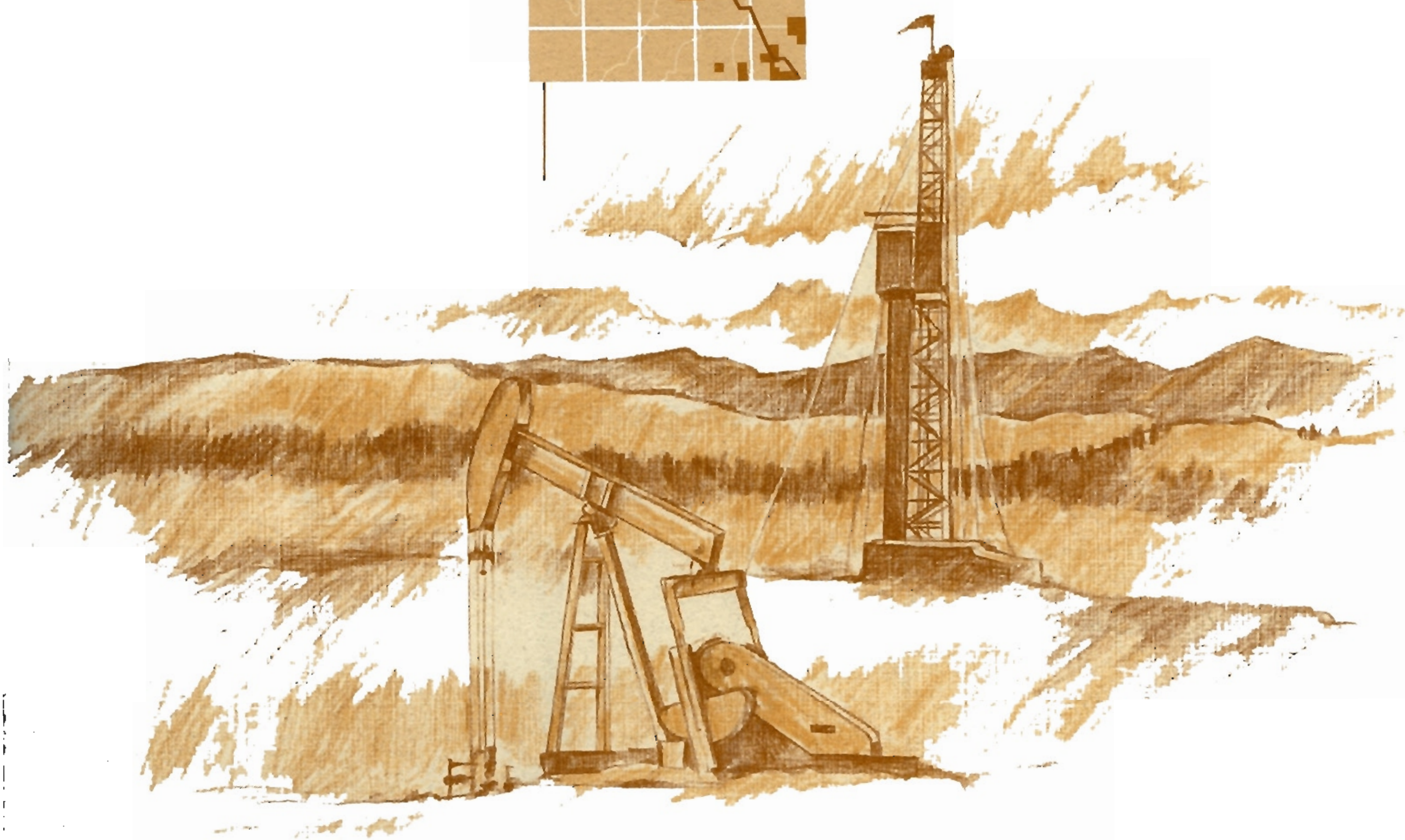
The above reserves do not include in situ heavy oil. AEC holds an estimated 25 billion barrels of heavy oil in place, net of the amount participants have earned or are entitled to earn, primarily on the Primrose Range in northeast Alberta. Over 3 billion barrels of the oil is contained within the Clearwater "B" formation at combined thicknesses of more than 33 feet. Using standard industry estimates of recoverability, AEC's share of recoverable oil is anticipated to be 300 to 600 million barrels from the Clearwater "B" alone. In situ heavy oil may be recognized as reserves on a progressive basis as and when commercial development projects proceed.



Exploration

A successful exploration program was supplemented by a few small reserve acquisitions which added to the Corporation's working interest in key production areas. Land inventory was increased through an active program of lease posting and purchase.

One key focus area was the West Peace River Arch, which features multiple zone potential for liquids-rich gas and light oil. This area has three existing, and one emerging, production centres with combined daily production of 35 million cubic feet of gas and 1,380 barrels of oil and natural gas liquids. AEC holds 224,494 net acres, with a 52 percent average interest, and has had 26 gas and 7 oil discoveries since 1987. In 1991 AEC purchased 40,589 net acres of land and participated in 13 exploration and development wells, which resulted in 6 gas and 3 oil discoveries. One additional well was re-entered and completed as a gas well.



Deep Devonian

The Deep Devonian focus area features plays with high gas deliverability, high drilling costs and large reserve potential. AEC has been one of the most successful Deep Devonian explorers over the past three years with 4 discoveries out of 8 tests. Of the two wells drilled in 1991, one appears to be a significant discovery while the second is unlikely to be commercial. A follow-up exploration well in the 100 percent-owned Colt discovery area was drilling at year-end. AEC has an attractive prospect inventory and plans further drilling in 1992.

The East Peace River Arch is a medium-depth, light oil focus area in which AEC has been one of the more active explorers in recent years. In 1991, 2 discoveries were achieved out of 7 wells drilled. The royalty holiday incentive program introduced by the Alberta government in late 1991 will increase the number of wells drilled in 1992 on AEC's East Peace River Arch lands.

In the East Central Alberta shallow gas focus area, exploration success continued with 12 discoveries out of 16 tests in and near the Primrose Range.

AEC has a sound base of exploration prospects to be drilled, the majority of which remain attractive despite lower oil and gas prices.

1991 Well Statistics

Exploratory

	Gross	Net
Oil	3	1
Gas	42	17
Cased-Waiting Evaluation	11	6
Dry & Abandoned	15	10
Total	71	34

Development

	Gross	Net
Oil	14	7
Gas	20	15
Cased-Waiting Evaluation	-	-
Dry & Abandoned	4	3
Total	38	25

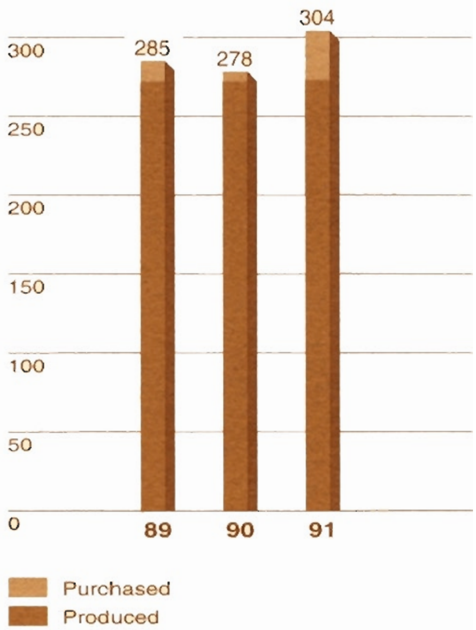
1991 Landholdings (Acres)

	Total		Undeveloped	Developed
	Gross	Net	Net	Net
Alberta	4,478,641	3,148,438	1,000,584	2,147,854
Saskatchewan	187,380	147,299	135,144	12,155
British Columbia	306,540	154,799	137,013	17,786
Beaufort	489,881	12,934	12,934	-
Total	5,462,442	3,463,470	1,285,675	2,177,795

Canada's largest producer-owned underground natural gas storage facility provides considerable flexibility to AEC in meeting changing gas market conditions. Produced or purchased gas is injected into previously depleted gas reservoirs for storage until markets warrant its withdrawal and sale.

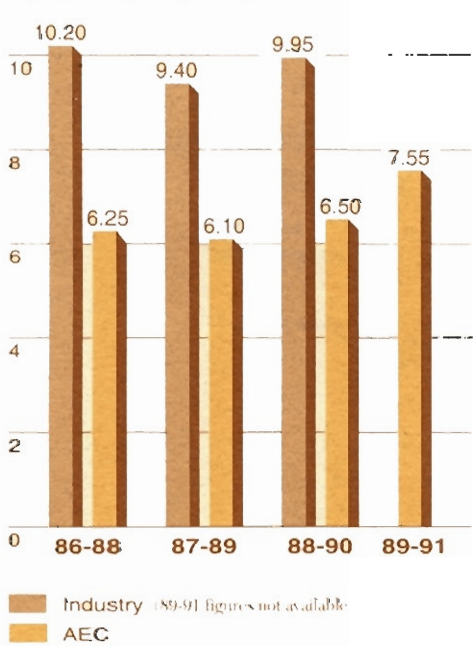
Natural Gas Sales

(million cubic feet per day)



Finding and Development Costs

($ per barrel of oil equivalent)



Natural Gas

Natural gas contract sales rose to record levels, averaging 304 million cubic feet per day. Average natural gas prices for contracts underpinned by AEC reserves fell by $0.17 to $1.37 per million btu as almost every major supply/demand factor contributed to decreased prices. Production of AEC's gas reserves was maintained at about the same level as in 1990, while sales volume increases were met mainly with gas purchased at lower Alberta spot market prices. Natural gas production operating costs were held to $0.23 per thousand cubic feet, one of the lowest levels in the industry.

Excluded from the above figures are short-term sales of purchased gas, using AEC storage and transportation capacity. These sales averaged 15 million cubic feet per day.

AEC's gas storage facility was expanded by 50 percent to 180 million cubic feet per day of injection/withdrawal capacity. The combination of gas storage capability, new long-term contracts, short-term gas purchase and resale, priority access to major gas transportation systems, and field production capability gives AEC considerable flexibility in meeting the needs of a changing market. This optimizes profitability from AEC's natural gas investments, while preserving reserves and deferring the need for new development capital until gas prices strengthen.

In addition to facilitating the purchase and resale of spot gas, the storage facility also allows AEC to produce gas at consistent levels year-round, thus increasing efficiency and reducing unit production costs.

AEC's engineering groups have achieved very positive results by concentrating on maximizing the production performance and recovery from all properties. At Suffield, for example, a three-year engineering effort has resulted in substantial reserve additions to this key AEC property.

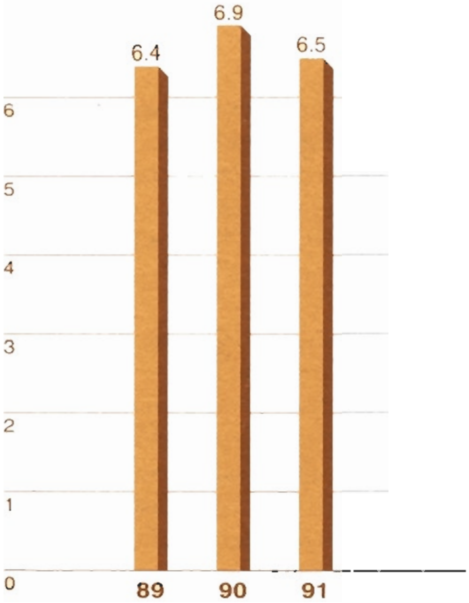
Capital expended in the maintenance of major producing fields, including completion of a large compression facility at Hythe, brought sustainable annual average field producing capacity to 315 million cubic feet per day and peak capacity, including storage, to about 500 million cubic feet per day.

The Iroquois Gas Transmission System began shipping gas to the northeast U.S. in December 1991. AEC's direct and indirect sales are expected to gradually build to 38 million cubic feet per day by November 1992. AEC is the only direct producer-supplier to the founding U.S. consortium of purchasers in this project.

During the year, a long-term sales contract for volumes growing from 10 to 20 million cubic feet per day was concluded with a gas and electric utility company in Washington State.

Although 1991 was a difficult year for gas producers and the outlook is similar for 1992, AEC is confident that natural gas markets and prices will strengthen over the next two to three years.

Conventional Oil and NGL Sales
(thousand barrels per day)



Conventional Oil

The benchmark North American WTI crude price averaged U.S. $21.46 compared with U.S. $24.50 in 1990. A world surplus of heavy crudes, reinforced by local competition, reduced their value against the WTI benchmark crude. AEC responded by shutting in its heavy oil production during the spring when this differential was extraordinarily large. Production from conventional oil properties was reduced when downstream transportation was restricted due to capacity limitations. The heavy oil shut-in and restricted transportation access reduced AEC's oil and NGL production to 6,470 barrels per day. AEC expects conventional crude and natural gas liquids sales in 1992 to exceed 1991 levels.

As in the case of natural gas, AEC maintained its position as one of the lowest operating cost producers in the industry at $3.20 per barrel.

In 1991 AEC's conventional liquids production was comprised of 47 percent Suffield heavy oil, 37 percent light and medium gravity oil, and 16 percent natural gas liquids.

Excellent results were achieved in enhancing the recovery performance of Suffield heavy oil through such techniques as horizontal drilling and a proprietary water blocking technology known as AWACT, developed at Suffield and now being marketed to industry in general.

In Situ Heavy Oil

New technological developments which appear to have potential for early commercial application in the heavy oil sands deposits on the Primrose Range are in either pilot or advanced testing stages. Four wells have been producing for more than a year at rates averaging 140 barrels per day per well, using a newly developed "cold production" technique. This technique significantly improves the economics of in situ oil sands production by eliminating the capital necessary for steam injection facilities and by reducing operating costs. Work is under way to test this technology in another area of Primrose during 1992.

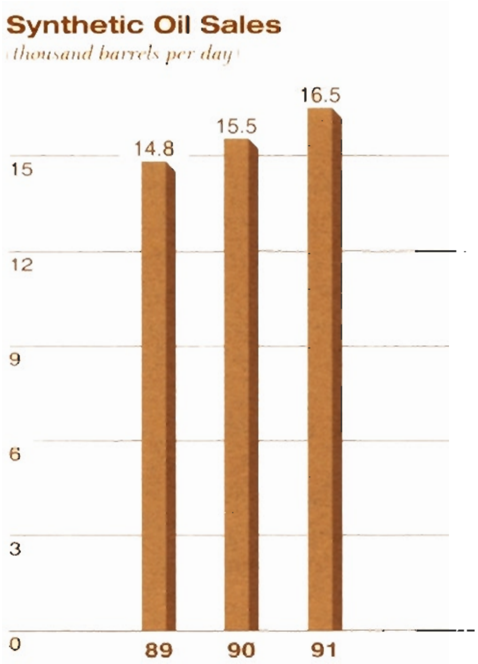
AEC estimates that cold production technology could yield 6,000 barrels per day by 1993, with a planned expansion to 12,500 barrels per day in 1995, assuming adequate heavy oil prices and success of the technology. The Corporation holds a 12.5 percent working interest and a 5.4 percent net profits interest in this potential development.

Elsewhere at Primrose, a 25-well cyclic steam pilot is under way, and in another area of Primrose a new approach, using horizontal wells with steam stimulation, is being tested. AEC holds a combination of working interest and/or net profits interest in the horizontal well venture, allowing it to choose the most profitable form of participation with very little capital exposure until commercial viability is established.

Syncrude

A number of operations records were established in 1991 which resulted in record annual synthetic oil sales net to AEC of 16,510 barrels per day. The higher production combined with a comprehensive cost reduction program resulted in the unit cost of production being reduced by $1.05 per barrel to $16.48. Good operational performance combined with AEC's royalty interest and low book carrying cost resulted in a strong profit contribution from Syncrude.

Syncrude, which produces synthetic oil in an amount equal to 18 percent of Canada's light and medium gravity oil production, has sufficient proven reserves to maintain the 1991 production rate for 32 years. AEC owns a 10 percent working interest plus an average 7 percent overriding royalty on another 10 percent of Syncrude revenue.



Pan-Alberta Companies

AEC owns one-half of Pan-Alberta Gas Ltd. and Pan-Alberta Resources Inc. (PARI).

Pan-Alberta Gas, the second largest exporter of Canadian natural gas, exported 370 billion cubic feet of gas in 1991. Despite poor market conditions, Pan-Alberta was able to maintain volumes and prices at levels close to those of 1990. Pan-Alberta continues to seek expanded markets in the United States and Canada on behalf of AEC and its other producer suppliers.

PARI has a 50 percent interest in the Empress natural gas liquids extraction plant, which operates on a cost-of-service basis. PARI's profit share of NGLs extracted from the Pan-Alberta Gas stream processed by the Empress and Cochrane plants continues to make a substantial contribution to PARI's earnings.

Chieftain International, Inc.

AEC participates in international oil and gas activities through its 50 percent ownership in Chieftain International, Inc. (CII).

Through acquisitions and exploration, CII increased its proven gas reserves in the United States and the British sector of the North Sea by 66 percent to 77.8 billion cubic feet, while proven reserves of crude oil and natural gas liquids increased by 2 percent to 7.3 million barrels. In response to the sharp decline in U.S. gas and oil prices, CII redirected 60 percent of its exploration and development budget to the purchase of producing properties. By year-end the company had completed the purchase of two Gulf of Mexico producing properties in the Mustang Island area, offshore Texas, and in the South Pass area, offshore Louisiana.

In the British sector of the North Sea, an exploratory well was suspended as a potential producing well on the western portion of the gas field situated on West Sole Blocks 48/12a and 48/13b. CII holds a 17.8 percent interest in the well and the blocks. The well was drilled at no cost to CII. In the U.S., CII participated, with interests of 25 and 17.5 percent, respectively, in developing two Gulf of Mexico gas discoveries on Eugene Island Block 265 and West Cameron Block 115. Onshore, CII held interests ranging from 13.4 to 21.4 percent in drilling 10 infill oil wells in Utah.

In response to weak gas prices, gas sales were reduced to an average 33.5 million cubic feet per day compared with 46.2 million cubic feet per day in 1990. Crude oil and NGL sales averaged 1,720 barrels per day compared with 1,790 barrels per day.

CII expanded its holdings of gas and oil rights in the Gulf of Mexico region to 39 blocks covering 204,000 gross (54,800 net) acres offshore in federal waters and 17,000 gross (4,100 net) acres onshore in southern Louisiana, Texas, Mississippi, and Alabama. Overseas, CII acquired interests in an exploration permit covering 116,000 acres in France's Paris Basin.

1991 Landholdings (Thousand Acres)

	Gross	Net
United States	278	75
North Sea	74	13
France	116	29
Total	468	117

Pipelines

The year was highlighted by the start-up of two natural gas pipelines outside Alberta in which AEC has investments — the Pacific Coast Energy Corporation natural gas system serving the lower B.C. mainland and Vancouver Island and the Iroquois Gas Transmission System serving the northeast United States. As well, regulatory approval was received to construct a pipeline connecting the Cold Lake system to a pipeline accessing the new bi-provincial upgrader at Lloydminster.

Construction of the Vancouver Island natural gas pipeline was completed during the year, and natural gas service to the Island commenced in October. The pipeline is owned and operated by Pacific Coast Energy Corporation (PCEC), 50 percent owned by AEC. The pipeline stretches 333 miles from Coquitlam, B.C. across the Strait of Georgia to Vancouver Island and traverses the Island from Campbell River to Victoria. Natural gas is transported to residential and commercial customers as well as seven pulp mills. AEC's equity investment will be at least $13.4 million. The equity component will be finalized by the British Columbia Utilities Commission in the first half of 1992.

The delivery of Alberta natural gas to the northeast U.S. via the Iroquois Gas Transmission System commenced in December 1991. This service began after more than six years of regulatory hearings, project reviews and pipeline construction. An AEC subsidiary owns a 6 percent partnership interest in this 370-mile pipeline, and its equity investment will total $11.7 million.

The initial demand for natural gas service has exceeded expectations, and Iroquois has filed an application with the U.S. Federal Energy Regulatory Commission for its first expansion. The expansion will cost approximately $20.9 million and will add 65 million cubic feet per day to the existing capacity of 576 million cubic feet per day.

AEC received an Energy Resources Conservation Board permit to install and operate an interconnection between AEC's Cold Lake Heavy Oil Pipeline and a pipeline system accessing the new bi-provincial heavy oil upgrader at Lloydminster. The interconnection, expected to be in service by the third quarter of 1992, will add another market for Cold Lake area heavy oil.

In November AEC's pipelines division completed five years with no lost-time accidents. In addition to this outstanding safety achievement, the Canadian Petroleum Association also presented AEC with an award to recognize its pipelines operating proficiency.

As a result of record output from Syncrude, the Alberta Oil Sands Pipeline transported a record 165,000 barrels per day. During the year AEC assumed operating responsibility for the Redwater Pipeline which transports conventional crude oil from the Redwater oil fields to the Edmonton area.

In response to the Corporation's desire to continue to be environmentally sensitive and responsible, the division has appointed a manager to develop and maintain environmental standards and guidelines.

Operating Summary

	Alberta Oil Sands Pipeline	Cold Lake Pipeline		Redwater Pipeline
Product	Synthetic Crude Oil	Blended Bitumen	Condensate (Diluent)	Conventional Oil
1991 Throughput (barrels/day)	165,000	118,000	32,600	10,300
1990 Throughput (barrels/day)	156,300	131,000	35,700	12,100
Pipeline Size (inches)	22	24	12	16
Length of Pipeline (miles)	280	150	150	32

Forest Products

AEC's forest products division continued to emphasize product quality and responsiveness to customer needs during the weak economy of the past year. The Slave Lake pulp mill was successfully commissioned.

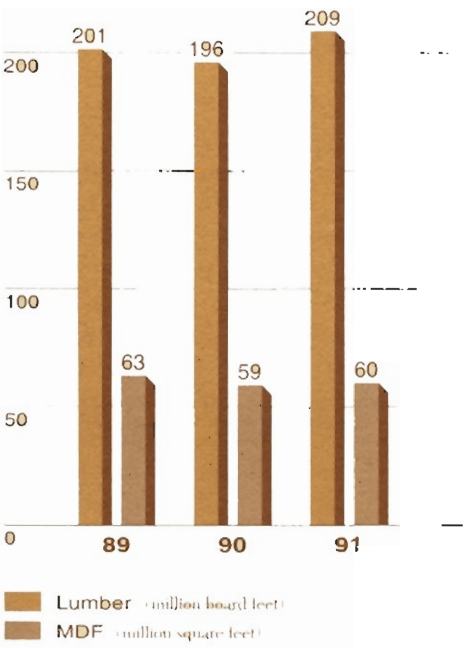
Wood Products

Lumber sales volumes from Blue Ridge Lumber (1981) Ltd. increased 7 percent to a record 209 million board feet in 1991 while medium density fibreboard (MDF) sales volumes were up slightly to 60 million square feet.

North American lumber markets were volatile during 1991 in response to economic conditions. Lumber mill net prices were up 4 percent over 1990 levels. In order to better meet the needs of its customers, Blue Ridge, in April, began direct marketing of its lumber production.

Effective October 4, 1991, the Government of Canada terminated its Memorandum of Understanding with the United States regarding Canadian exports of softwood lumber thereby eliminating the Canadian export tax on sales to U.S. customers. The U.S. Government has required that a bond equal to the 15 percent export tax be posted while it investigates alleged subsidies to the Canadian lumber industry. Mill net

Lumber and MDF Shipments



returns to Alberta producers could increase, depending on the resolution of the issue, which is expected in 1992.

Average mill net sales prices for MDF were up 4 percent in 1991, with improvements in operating performance contributing to higher profitability.

Pulp

Commissioning of the Slave Lake pulp mill proceeded exceptionally well during 1991 with all technical objectives being achieved.

The state-of-the-art environmental control technology incorporated in the mill design is performing very well and is meeting or exceeding the requirements of the various environmental licences. The chlorine-free production process uses hydrogen peroxide as the bleaching agent.

Due to depressed market conditions during the year, mill production was restricted to 58 percent of design capacity during the third quarter and 64 percent during the fourth quarter. Markets for the high-quality, aspen chemi-thermo-mechanical pulp strengthened in late 1991 and have shown continued improvement in early 1992, with increased shipments and prices being recorded.

Timber Lands

Timber for the Blue Ridge Lumber and Slave Lake Pulp operations is supplied primarily through long-term Forest Management Agreements with the Alberta government. These timber areas are managed on a sustained yield basis and total approximately 2.1 million acres of forest lands. In 1991, five million trees, or 9,774 acres, were planted while an additional 1,124 acres were seeded. The Corporation is committed to the reforestation of all harvested lands.

The Corporation's lumber, medium-density fibreboard and aspen-based pulp are all marketed under the **Ranger**® trade name.

Petrochemicals

Improved operating results for the nitrogen fertilizer venture were due to higher urea prices, which reflected the international supply/demand balance, and lower feedstock costs in all operations. Although fertilizer returns have increased, they still are not satisfactory relative to AEC's original investment.

In 1991 AEC and its joint venture partner, Cominco, introduced a program to increase margins through operating cost reductions, distribution and transportation savings, and provision of a product mix in tune with changing markets.

Agricultural demand during the fall nitrogen application season was quite weak, particularly in western Canada, because of the early arrival of winter. However, this is expected to generate a stronger market in the spring of 1992, assuming the income of grain farmers will be adequate to support that seasonal need.

The United States agricultural economy is much stronger. Although close to two-thirds of AEC's fertilizer volumes are destined for the U.S. market, earnings from these sales suffered in 1991 due to the strong Canadian dollar.

Cominco, as operator and marketer for the fertilizer joint venture's product, is taking steps to solidify its market position in light of the new heavily government-supported nitrogen plant expected to come on stream in Saskatchewan in 1992.

Other Investments

Tri-City Drilling (1968) Ltd.

Tri-City is a wholly owned subsidiary of AEC which operates 14 drilling rigs specializing in shallow-to-medium-depth contract drilling for oil and gas. It has a reputation throughout the industry for its efficiency, low drilling costs and good safety record. In 1991, Tri-City's rig utilization was one of the best in the drilling industry at 45 percent compared with 31 percent for the industry. Even with the downturn in drilling activity, Tri-City's efficient operations made a positive contribution to AEC earnings. Since contract drilling is not a primary AEC business, Tri-City will be sold when conditions are appropriate.

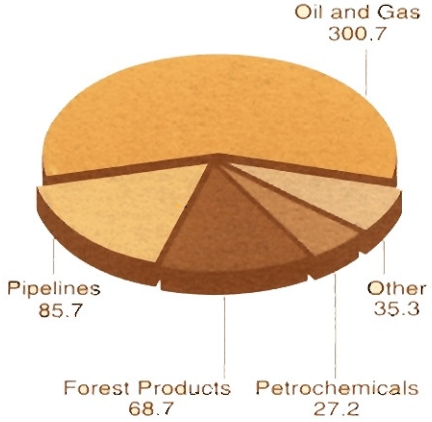
Coal Valley

AEC has agreed to sell its 25 percent interest in the Coal Valley mine to its joint venture partner, Luscar Ltd., effective December 31, 1992. Proceeds from the sale will be greater than the value recorded on AEC's books for the asset. The sale is consistent with the Corporation's policy to focus attention on its primary areas of business and is particularly timely considering the need to gradually expand the mining operation beyond the joint venture lease boundaries where AEC does not have an interest. Luscar, which owns the remaining 75 percent and is the operator of the venture, has been a very good partner, with excellent coal mining, management and marketing skills.

Management Discussion and Analysis

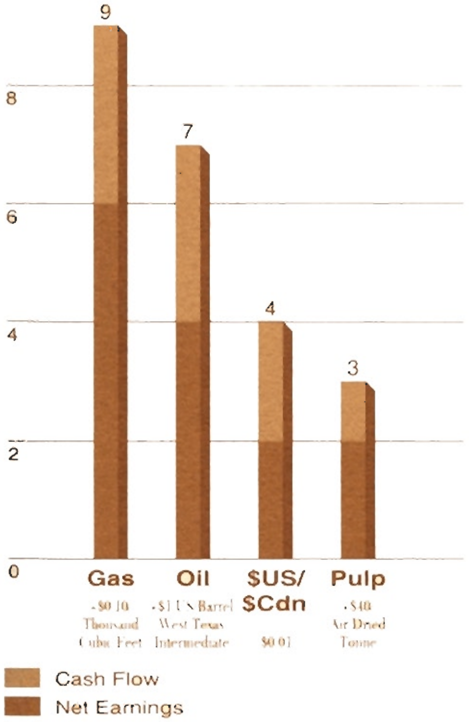
1991 Revenues Net of Royalties

(millions of dollars)



1992 Sensitivities — Net Earnings and Cash Flow From Operations

(millions of dollars)



TO BE READ IN CONJUNCTION WITH THE 1991 AUDITED CONSOLIDATED FINANCIAL STATEMENTS (COMPARISONS ARE WITH 1990 AMOUNTS UNLESS OTHERWISE STATED)

Revenues, net of royalties, declined in 1991 mainly due to reduced oil and gas prices, while operating expenses remained almost even. Lower interest rates and borrowing in $U.S. caused interest expense to fall by $7 million. Depreciation, depletion and amortization expense declined slightly and includes a $2 million provision for future site restoration. Losses from Chieftain International, Inc. and from the new pulp mill at Slave Lake caused by the inclusion of start-up expenses and depressed pulp prices resulted in significantly lower equity earnings.

Net earnings and cash flow from operations for 1992 will be largely dependent on oil and gas prices, the $U.S./$Cdn. exchange rate and pulp markets. It is not expected that the Corporation will pay cash income taxes in 1992.

Oil and Gas revenue decreased largely due to an 18 percent drop in oil prices and an 11 percent decrease in gas prices. Synthetic oil volumes increased by 6 percent, while conventional oil, excluding NGLs, declined 12 percent. Produced gas sales volumes increased marginally, while purchased gas sales volumes increased severalfold to over 14 percent of total gas sales. For 1992, oil and gas prices are expected to remain soft.

Pipeline revenues remained flat, with AEC's two major operated pipelines generating most of the total. Revenue in 1992 is expected to be about the same.

Forest Products revenue increased, primarily due to higher prices and volumes for lumber and medium density fibreboard. The Slave Lake pulp mill had an excellent technical start-up but pulp prices were very low during the year and, accordingly, the Partnership incurred losses in 1991. Modest improvement for pulp is expected in 1992.

Petrochemicals revenue was unchanged. A small price increase was accompanied by a decrease in the cost of sales resulting in positive operating income. For 1992, the Corporation expects modest price, cost and volume improvements.

In 1991, capital investment in property, plant and equipment totalled $122 million, mainly relating to oil and gas. Equity investments grew by $44 million, most of which was related to the new Slave Lake pulp mill. Capital investment in 1992, to be funded by cash flow from operations, is expected to be about two-thirds of the 1991 level. Much lower capital expenditures and equity investments are expected in oil and gas and forest products in 1992.

The Corporation has completed an agreement to dispose of its 25 percent interest in the Coal Valley joint venture effective December 1992 for an amount greater than book value.

The debt to equity ratio remained at 42:58 and is expected to improve in 1992. The average term to maturity of long-term debt is 8 years, and approximately 95 percent of it is unsecured. Mandatory long-term debt repayment over the next five years totals $118 million, most of which will occur in June 1996 with the maturity of a debenture issue. At year-end, approximately $230 million was available in unused long-term lines of credit.

Approximately 60 percent of revenue is directly or indirectly in $U.S. During 1991, approximately $200 million of $Cdn. debt was converted into $U.S. debt at an average exchange rate of $U.S. 0.875/$Cdn. This, combined with lower interest rates generally, permitted interest expense to be reduced. For 1992, additional amounts are expected to be converted to $U.S., and it is expected that interest expense also will be lower.

Auditors' Report

To the Shareholders of Alberta Energy Company Ltd.:

We have audited the consolidated balance sheets of Alberta Energy Company Ltd. as at December 31, 1991 and 1990 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1991 and 1990 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Price Waterhouse

Chartered Accountants
Edmonton, Alberta
February 5, 1992

Consolidated Statement of Earnings

Year Ended December 31 ($ millions, except per share amounts)

	Note Reference	1991	1990
Revenues, Net of Royalties		**$ 517.6**	$ 562.5
Costs and Expenses			
Operating		**284.0**	280.4
General and administrative		**21.3**	21.5
Interest, net	2	**49.9**	57.1
Depreciation, depletion and amortization		**137.9**	139.8
		493.1	498.8
Earnings before the Undernoted		**24.5**	63.7
Income tax expense	3	**2.8**	26.7
Equity earnings (loss)		**(7.9)**	16.6
Net Earnings		**$ 13.8**	$ 53.6
Earnings per Common Share		**$ 0.12**	$ 0.72

Consolidated Statement of Retained Earnings

Year Ended December 31 ($ millions)

	1991	1990
Balance, Beginning of Year	**$ 254.8**	$ 228.8
Net Earnings	**13.8**	53.6
	268.6	282.4
Dividends - Preferred Shares	**5.8**	5.8
- Common Shares	**22.0**	21.8
	27.8	27.6
Balance, End of Year	**$ 240.8**	$ 254.8

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheet

As at December 31 ($ millions)

Assets	Note Reference	1991	1990
Current Assets			
Cash and short-term investments, at cost which approximates market		**$ 18.6**	$ 29.8
Accounts receivable and accrued revenue		**68.1**	79.5
Inventories	4	**37.1**	42.2
		123.8	151.5
Investments	5	**231.6**	209.8
Property, Plant and Equipment	6	**1,687.3**	1,704.2
Deferred Charges and Other Assets		**20.4**	16.7
		$ 2,063.1	$ 2,082.2

Liabilities and Shareholders' Equity	Note Reference	1991	1990
Current Liabilities			
Notes payable		**$ 12.8**	$ 37.8
Accounts payable and accrued liabilities		**93.7**	101.7
Current portion of long-term debt	7	**3.5**	3.0
		110.0	142.5
Long-Term Debt	7	**609.6**	595.9
Other Liabilities		**36.9**	34.6
Deferred Income Taxes		**433.1**	437.0
		1,189.6	1,210.0
Shareholders' Equity			
Share capital	8	**635.3**	619.8
Retained earnings		**240.8**	254.8
Foreign currency translation adjustment		**(2.6)**	(2.4)
		873.5	872.2
		$ 2,063.1	$ 2,082.2

Approved by the Board:

Director Director

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Financial Position

Year Ended December 31 ($ millions)

	1991	1990
Operating Activities		
Net earnings	$ 13.8	$ 53.6
Depreciation, depletion and amortization	137.9	139.8
Deferred income taxes	(3.9)	19.2
Equity earnings, net of dividends from affiliates	17.7	(6.1)
Other	0.3	(1.0)
Cash Flow From Operations	165.8	205.5
Net change in non-cash working capital	6.4	(27.6)
	172.2	177.9
Investing Activities		
Purchase of property, plant and equipment	(122.4)	(167.1)
Additions to equity investments	(44.4)	(57.1)
Proceeds on disposal of assets	3.8	9.7
Repayment of advances	7.3	1.4
Other	(1.9)	(1.0)
	(157.6)	(214.1)
Dividends		
Preferred share dividends	(5.8)	(5.8)
Common share dividends	(22.0)	(21.8)
	(27.8)	(27.6)
Decrease in Cash before Financing Activities	(13.2)	(63.8)
Financing Activities		
Net issue of revolving debt	14.5	60.9
Issue of common shares	15.5	14.0
Repayment of deferred revenue	-	(39.9)
Repayment of non-revolving debt	(3.0)	(3.2)
Payment of other liabilities	-	(1.7)
	27.0	30.1
Increase (decrease) in cash and short-term investments less notes payable	$ 13.8	$ (33.7)
Cash and short-term investments less notes payable, end of year	$ 5.8	$ (8.0)

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

(Tabular amounts in $ millions, unless otherwise indicated)

1. Summary of Significant Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of Alberta Energy Company Ltd. (the "Corporation") and its subsidiaries, all of which are wholly owned.

Investments in unincorporated joint ventures are accounted for using the proportionate consolidation method, whereby the Corporation's proportionate share of revenues, expenses, assets and liabilities are included in the accounts.

Investments in companies and partnerships over which the Corporation has significant influence or joint control are accounted for using the equity method.

A listing of major subsidiaries, affiliates, unincorporated joint ventures and partnerships is included on page 32.

(b) Property, plant and equipment

Oil and gas

Conventional

The Corporation accounts for conventional oil and gas properties in accordance with the Canadian Institute of Chartered Accountants' guideline on full cost accounting in the oil and gas industry.

All costs associated with the acquisition, exploration and development of oil and gas reserves are capitalized in cost centres on a country by country basis. Direct general and administrative costs related to exploration activities are capitalized while interest is not capitalized.

Depletion and depreciation is calculated using the unit-of-production method based on estimated proven reserves, before royalties. For purposes of this calculation, oil is converted to gas on an energy equivalent basis. All capitalized costs are subject to depletion and depreciation including costs related to unproven properties as well as estimated future costs to be incurred in developing proven reserves.

Future removal and site restoration costs are estimated and amortized over approximately 20 years.

A ceiling test is applied to ensure that capitalized costs do not exceed estimated future net revenues less certain costs.

Oil sands

Property, plant and equipment associated with both surface mineable and in situ commercial oil sands projects are accumulated, at cost, in separate cost centres. Substantially all of these costs are amortized using the unit-of-production method based on estimated proven developed reserves applicable to each project. Project expenditures during the exploratory and pilot phases are depreciated using a straight-line method over terms up to five years.

Pipelines

Property, plant and equipment related to pipelines is carried at cost and is depreciated using a straight-line method over the remaining term of each applicable pipeline service agreement.

(c) Deferred charges and other assets

Financing costs

Financing costs relating to long-term debt are deferred and amortized over the life of the related debt.

Project investigation costs

Project investigation costs for new business opportunities are charged to earnings as incurred until such time as the commercial viability of the project is established. Subsequent expenditures are capitalized and amortized on a basis appropriate for the project.

(d) Foreign currency translation

The accounts of self-sustaining foreign subsidiaries are translated using the current rate method, whereby assets and liabilities are translated at year-end exchange rates while revenues and expenses are converted using average annual rates. Translation gains and losses relating to these subsidiaries are deferred and included in shareholders' equity.

Long-term debt payable in U.S. dollars is translated into Canadian dollars at the year-end exchange rate, with any resulting adjustment amortized using a straight-line method over the remaining life of the debt.

(e) Inventories

Inventories are valued at the lower of cost or estimated net realizable value.

(f) Interest capitalization

Interest is capitalized during the construction phase of large capital projects.

(g) Comparative figures

Certain 1990 figures have been reclassified for comparative purposes.

Notes to Consolidated Financial Statements

(Tabular amounts in $ millions, unless otherwise indicated)

2. Interest, Net

		1991		1990
Interest expense - long-term debt	$	**51.8**	$	54.2
- other		**0.2**		5.8
Interest income		**(2.1)**		(2.9)
	$	**49.9**	$	57.1

3. Income Taxes

		1991		1990
Current	$	**4.5**	$	6.0
Deferred		**(3.9)**		19.2
Alberta royalty tax credit		**(1.5)**		(1.7)
Large corporations tax		**3.7**		3.2
Income tax expense	$	**2.8**	$	26.7

The following table reconciles income tax expense calculated at statutory rates with actual income tax expense:

Earnings before income tax expense and equity earnings after partnership earnings (losses)	$	**5.8**	$	64.5
Income tax expense at statutory rate of 44.2% (1990 - 43.8%)	$	**2.6**	$	28.3
Effect on taxes resulting from:				
Non-deductibility of:				
Crown royalties and lease rentals		**9.8**		11.3
Depreciation, depletion and amortization		**5.4**		5.7
Federal resource allowance		**(15.1)**		(21.1)
Cominco Fertilizers Partnership		**(1.1)**		(1.0)
Alberta royalty tax credit		**(1.5)**		(1.7)
Large corporations tax		**3.7**		3.2
Other, net		**(1.0)**		2.0
Income tax expense (Effective Rate: 1991 - 48.3%; 1990 - 41.4%)	$	**2.8**	$	26.7

The Corporation's U.S. subsidiaries have approximately U.S. $19 million of tax losses available which can be applied, with certain restrictions, against future taxable income earned in the U.S. The benefit of these tax losses, which will expire between 2001 and 2003, has not been recorded.

4. Inventories

	1991	1990
Parts and supplies	**$ 15.9**	$ 14.9
Finished goods	**7.5**	6.3
Gas in storage	**7.2**	12.3
Raw materials	**6.5**	8.7
	$ 37.1	$ 42.2

5. Investments

	Percent Interest	1991	1990
All of the following investments are accounted for using the equity method.			
Corporations:			
AEC Power Ltd. (50% voting)	66.67	**$ 31.4**	$ 31.7
Chieftain International, Inc.	50	**75.6**	78.7
Pacific Coast Energy Corporation	50	**15.9**	14.5
Pan-Alberta Gas Ltd. (40% voting)	49.995	**8.7**	8.6
Pan-Alberta Resources Inc. (40% voting)	49.995	**5.0**	2.0
Partnerships:			
Cominco Fertilizers Partnership	25	**16.2**	16.8
Iroquois Gas Transmission System	6	**10.7**	4.1
Slave Lake Pulp Partnership	75	**68.1**	53.4
		$ 231.6	$ 209.8

Notes to Consolidated Financial Statements

(Tabular amounts in $ millions, unless otherwise indicated)

6. Property, Plant and Equipment

	1991			1990
	Cost	Accumulated depreciation, depletion and amortization	Net	Net
Oil and gas	**$ 2,054.9**	**$ 748.1**	**$ 1,306.8**	$ 1,291.8
Pipelines	**356.4**	**128.0**	**228.4**	244.0
Forest products	**86.6**	**47.2**	**39.4**	43.1
Petrochemicals	**103.1**	**26.4**	**76.7**	81.6
Other	**116.0**	**80.0**	**36.0**	43.7
	$ 2,717.0	**$ 1,029.7**	**$ 1,687.3**	$ 1,704.2

7. Long-Term Debt

	1991	1990
Canadian dollar debt:		
Unsecured debentures		
10.50%, due June 1996	**$ -**	$ 100.0
6.75% convertible subordinated, due June 2002	**125.0**	125.0
7.25% convertible subordinated, due September 2003	**150.0**	150.0
First Mortgage Sinking Fund Bonds		
Series A, 9⅞%, due June 1997	**11.1**	12.1
Series B, 9¾%, due June 1997	**13.1**	14.5
Mortgage, 11.75%, due September 2000	**5.0**	5.0
Revolving credit and term loan borrowings		
Notes payable	**83.6**	171.9
Term loans	**10.0**	20.0
Other	**2.6**	3.2
U.S. dollar debt:		
Revolving credit and term loan borrowings		
Notes payable (U.S. $98.8 million; 1990 - nil)	**114.1**	-
U.S. swap agreement, due June 1996		
(U.S. $87.6 million; 1990 - nil)	**101.2**	-
	615.7	601.7
Current portion of long-term debt	**3.5**	3.0
Unamortized portion of debt discount	**2.6**	2.8
	$ 609.6	$ 595.9

(a) Mandatory five-year debt repayments

The minimum annual repayments of long-term debt required over each of the next five years are as follows:

1992	-	$ 3.5
1993	-	3.4
1994	-	3.5
1995	-	3.6
1996	-	104.2

(b) U.S. swap agreement

During the year, the Corporation entered into a U.S. dollar swap agreement which effectively converted Canadian $100 million unsecured debentures, which bear interest at 10.5%, into U.S. dollar debt of $87.6 million bearing interest at a rate set semi-annually. The rate for the period July 1 to December 31, 1991 was 6.67%.

(c) Convertible debentures - 6.75%

Each debenture is convertible at the option of the holder into Common Shares at any time until June 29, 1997 or the last business day prior to the date fixed for redemption, whichever is earlier, at a conversion price of $23.375 per Common Share.

Subject to certain conditions, the debentures are redeemable at the option of the Corporation, at prices varying from 103.75% to 100.00% of the principal amount.

(d) Convertible debentures - 7.25%

Each debenture is convertible at the option of the holder into Common Shares at any time until September 29, 1997 or the last business day prior to the date fixed for redemption, whichever is earlier, at a conversion price of $25.50 per Common Share.

Subject to certain conditions, the debentures are redeemable at the option of the Corporation, at prices varying from 104.0% to 100.0% of the principal amount.

(e) First Mortgage Sinking Fund Bonds

Alberta Oil Sands Pipeline Ltd. ("AOSPL"), a subsidiary of the Corporation, is obligated to retire $2.8 million of these bonds annually. The bonds are secured by both a fixed and floating charge on AOSPL's assets that relate to the Syncrude project which at December 31, 1991 had a carrying value of $71.3 million. The participants in the Syncrude project, including the Corporation to the extent of 10%, are committed to provide funds for the repayment of these bonds.

Notes to Consolidated Financial Statements

(Tabular amounts in $ millions, unless otherwise indicated)

(f) Revolving credit and term loan borrowings

The Corporation has $375 million of revolving credit and term loan facilities available with three banks. One facility is fully revolving until converted to a five-year revolving reducing facility at the option of the lender and upon 24 months' notice to the Corporation. The other two facilities are fully revolving until 1993 and 1994, respectively, with provisions for yearly extensions at the option of the lenders following 19 months' notice from the Corporation. If not extended, the two facilities convert to revolving reducing facilities over seven and four years, respectively.

All three loan facilities are unsecured and are available in Canadian and/or U.S. dollar equivalent amounts and currently bear interest at the lenders' rates for Canadian prime commercial or U.S. base rate loans, or at Bankers' Acceptance rates or LIBOR plus applicable margins.

The Corporation also has a $75 million unsecured revolving credit and term loan facility which is fully revolving until 1997 and provides for an extension to 1998 and successive anniversaries thereafter, at the option of the lender following notice from the Corporation. If not extended, the facility is repayable in full on expiry of the revolving term. Amounts advanced under this facility bear interest at the lender's prime commercial lending rates minus a factor up to $\frac{3}{4}$% or at Bankers' Acceptance rates plus an applicable margin.

Alenco Inc., a subsidiary of the Corporation, has a U.S. $20 million unsecured revolving credit and term loan facility available which is guaranteed by the Corporation. This facility is fully revolving until 1993 with provision for yearly extensions at the option of the lender upon 19 months' notice from Alenco Inc. If not extended the facility converts to a revolving reducing facility to be repayable in full by the end of seven years.

Notes payable consist of U.S. and Canadian dollar Commercial Paper and Bankers' Acceptances maturing at various dates to July 6, 1992 with a weighted average interest rate of 6.49% (1990 - 12.48%). Notes payable shown as long-term debt represent amounts which are not expected to require the use of working capital during the year and are fully supported by the availability of term loans under the revolving credit facilities.

8. Share Capital

Authorized

20,000,000	First Preferred Shares
20,000,000	Second Preferred Shares
20,000,000	Third Preferred Shares
300,000,000	Common Shares
5,000,000	Non-Voting Shares

	1991		1990	
	Number of Shares	Amount	Number of Shares	Amount
Issued and Outstanding				
Second Preferred Shares, Series 2				
7.75% Deferred Convertible Redeemable with a paid-up amount of $25 per share	**2,999,700**	**$ 75.0**	2,999,700	$ 75.0
Common Shares				
Balance, beginning of year	**66,785,038**	**544.8**	65,849,537	530.8
Issued for cash				
Shareholder Investment Plan	**1,126,403**	**13.9**	788,541	11.9
Employee Share Option Plan	**25,275**	**0.3**	82,760	1.0
Employee Savings Plan	**89,774**	**1.3**	64,200	1.1
Balance, end of year	**68,026,490**	**560.3**	66,785,038	544.8
		$ 635.3		$ 619.8

(a) Second Preferred Shares, Series 2

Subject to certain conditions, the shares are redeemable at the option of the Corporation at prices varying from $26.00 to $25.00 per share. Dividends relating to these shares are cumulative.

The Series 2 Preferred Shares are convertible, at the option of the holder, into 1.28 Common Shares until May 16, 1995.

(b) Employee Share Option Plan

The Employee Share Option Plan provides for granting to employees of the Corporation and its subsidiaries options to purchase Common Shares of the Corporation. Each option granted under the plan expires after seven years and may be exercised in cumulative annual amounts of 25% on or after each of the first four anniversary dates of the grant.

At December 31, 1991 employee share options, exercisable between 1992 and 1998, were outstanding to purchase 1,402,075 Common Shares at minimum prices ranging from $9.79 to $21.60 per share.

(c) Common Shares Reserved

At December 31, 1991, a total of 20,670,006 Common Shares were reserved for issuance, primarily relating to conversion of Subordinated Debentures and Second Preferred Shares and to the Employee Share Option Plan and Shareholder Investment Plan.

(d) Alberta Energy Company Act

Pursuant to the Alberta Energy Company Act, aggregate beneficial ownership of voting shares in the Corporation by non-residents of Canada is limited to 10% and the maximum beneficial ownership of any one shareholder is limited to 5% of the total number of issued and outstanding voting shares of each class of the Corporation. The Government of Alberta is the only exception, and it can acquire or hold up to 50% of the total number of issued and outstanding voting shares of the Corporation.

Notes to Consolidated Financial Statements

(Tabular amounts in $ millions, unless otherwise indicated)

9. Supplementary Information

(a) Unincorporated joint ventures

The Corporation has included in its accounts the following aggregate amounts in respect of major unincorporated joint ventures:

	1991	1990
Assets	**$ 418.2**	$ 428.5
Liabilities	**39.6**	42.3
Revenues, net of royalties	**197.0**	214.4
Expenses	**156.6**	156.9

(b) Partnerships

The Corporation accounts for partnerships using the equity method. Following are the aggregate amounts of the Corporation's interests in the partnerships:

	1991	1990
Assets	**$ 218.7**	$ 159.6
Liabilities	**125.0**	85.6
Revenues	**26.0**	16.8
Expenses	**43.7**	15.2

(c) Capitalized general and administrative expenses

General and administrative expenses capitalized to oil and gas properties during the year amounted to $7.6 million (1990 - $7.0 million).

(d) Ceiling test prices

The prices used in the ceiling test evaluation of the Corporation's conventional reserves at December 31, 1991 were as follows:

Natural gas	$ 1.47 per million btu
Oil and natural gas liquids	$14.83 per barrel

(e) Pension plans

At December 31, 1991, the market value of pension fund assets was $35.9 million (1990 - $26.8 million) and the accrued pension liability, as estimated by the Corporation's actuaries, was $30.4 million (1990 - $24.4 million).

(f) Related party transactions

During the year, the Corporation sold approximately $36.3 million (1990 - $41.2 million) of natural gas to affiliates of which $2.8 million (1990 - $5.5 million) is included in accounts receivable at year-end.

(g) Commitment

The Slave Lake Pulp Partnership mill commenced start-up operations in December 1990. Project financing of $96 million has been advanced which requires the partners to cause the mill to meet certain production levels by 1995. In addition, the partnership has a working capital credit facility in the amount of $25 million, which is secured by certain partnership assets.

10. Segmented Information

	Revenues, Net of Royalties		Operating Income (Loss) & Equity Earnings		Identifiable Assets		Additions to Property, Plant & Equipment and Investments		Depreciation Depletion & Amortization	
	1991	1990	**1991**	1990	**1991**	1990	**1991**	1990	**1991**	1990
Oil and gas	**$300.7**	$346.1	**$54.6**	$108.0	**$1,455.1**	$1,455.8	**$113.5**	$142.9	**$ 99.3**	$101.3
Pipelines	**85.7**	85.8	**52.8**	50.2	**271.8**	281.5	**6.2**	11.7	**17.2**	16.2
Forest products	**68.7**	65.2	**(24.1)**	(3.6)	**124.2**	115.7	**38.2**	45.2	**6.0**	6.1
Petrochemicals	**27.2**	27.2	**0.7**	(0.1)	**103.7**	110.9	**4.4**	4.1	**6.0**	6.0
Other	**35.3**	38.2	**7.9**	8.5	**48.9**	56.5	**1.8**	2.0	**5.3**	6.1
	517.6	562.5	**91.9**	163.0	**2,003.7**	2,020.4	**164.1**	205.9	**133.8**	135.7
Corporate	**-**	-	**(78.1)**	(109.4)	**59.4**	61.8	**2.7**	18.3	**4.1**	4.1
Total	**$517.6**	$562.5	**$13.8**	$ 53.6	**$2,063.1**	$2,082.2	**$166.8**	$224.2	**$137.9**	$139.8

Historical Review

Unaudited

Financial *($ millions)*	1991	1990	1989	1988	1987
Earnings before extraordinary items	$ **13.8**	$ 53.6	$ 37.3	$ 36.1	$ 60.5
Net earnings	**13.8**	53.6	37.3	51.4	60.5
Cash flow from operations	**165.8**	205.5	187.1	196.2	207.0
Revenues, net of royalties	**517.6**	562.5	505.9	477.2	464.0
Property, plant and equipment	**1,687.3**	1,704.2	1,683.5	1,726.6	1,584.5
Long-term debt	**609.6**	595.9	538.2	597.8	537.9
Share capital	**635.3**	619.8	605.8	494.5	391.4
Total assets	**2,063.1**	2,082.2	2,003.4	1,931.3	1,858.8
Per Share Data					
Earnings before extraordinary items	$ **0.12**	$ 0.72	$ 0.52	$ 0.52	$ 1.02
Net earnings	**0.12**	0.72	0.52	0.79	1.02
Cash flow from operations	**2.37**	3.01	2.99	3.24	3.68
Common shareholders' equity	**11.74**	11.94	11.49	10.68	9.48
Common dividend	**0.33**	0.33	0.33	0.30	0.30
Shares					
Registered shareholders	**42,699**	43,920	45,326	45,339	46,528
Common Shares outstanding	**68,026,490**	66,785,038	65,849,537	59,773,585	53,814,652
Total volume of Common Shares traded	**15,767,013**	17,424,979	17,275,199	12,014,918	21,188,500
Common Share price range (TSE)					
High	$ **16.88**	$ 20.25	$ 22.75	$ 19.50	$ 25.25
Low	**11.50**	15.50	15.63	13.63	14.38
Close	**12.50**	16.88	19.88	15.75	15.88
Operating Data					
Produced gas sales *(billion cubic feet)*	**99.6**	99.3	99.3	102.3	85.0
Synthetic oil sales *(million barrels)*	**6.0**	5.7	5.4	5.5	5.0
Conventional oil and natural gas liquids sales *(million barrels)*	**2.4**	2.5	2.3	2.4	1.8
Lumber sales *(million board feet)*	**209**	196	201	173	169
Medium density fibreboard sales *(million square feet)*	**60**	59	63	55	47
Pulp sales *(thousand air dried tonnes)*	**29**	-	-	-	-
Nitrogen fertilizer sales *(thousand tonnes)*	**345**	355	349	292	135
Coal sales *(thousand tons)*	**542**	544	548	514	501
Pipeline throughput - all systems *(million barrels)*	**171.4**	173.6	166.8	173.0	160.0

At Year-End 1991

Net petroleum and natural gas rights	3.5 million acres
Natural gas reserves *(billion cubic feet)*	
Proven 1,485 / Probable 254	Total 1,739
Proven and probable natural gas reserve life[*]	17 years
Oil and natural gas liquids reserves *(million barrels)*	
Proven 14.1 / Probable 8.3	Total 22.4
Proven and probable oil and natural gas liquids reserve life[*]	10 years

Proven synthetic oil reserves	193 million barrels
Synthetic oil reserve life[*]	32 years
Net Primrose heavy oil in place	25 billion barrels
Timber lands	2.1 million acres
Coal reserves	4.2 million clean short tons
Coal reserve life[*]	8 years
Pipelines *(in 7 pipelines)*	2,100 miles

[*] At 1991 production rates

Directors and Officers

Board of Directors

Mathew M. Baldwin
President
Embee Consulting Ltd.
Edmonton, Alberta

Peter L.P. Macdonnell, C.M., Q.C.
Corporate Director
Edmonton, Alberta

John E. Maybin
President
Colmac Energy Inc.
Calgary, Alberta

Stanley A. Milner
President & CEO
Chieftain International, Inc.
Edmonton, Alberta

David E. Mitchell, O.C.
President & CEO
Alberta Energy Company Ltd.
Calgary, Alberta

Raymond J. Nelson
President
Nelson Lumber Company Ltd.
Lloydminster, Alberta

Valerie A.A. Nielsen
Oil & Gas Consultant
Calgary, Alberta

Gordon H. Sissons
Chairman of the Board
I-XL Industries Ltd.
Medicine Hat, Alberta

J. Harry Tims
President & General Manager
McTavish, McKay & Company Limited
Calgary, Alberta

H. Richard Whittall
Corporate Director
Vancouver, British Columbia

Corporate Officers and Senior Personnel

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President & Chief Executive Officer

Gwyn Morgan
Senior Vice-President

Frank W. Proto
Senior Vice President

Roger D. Dunn
Vice-President

Hector J. McFadyen
Vice President

John D. Watson
Vice-President, Finance and
Chief Financial Officer

Derek S. Bwint
Treasurer

David W. Richardson
Assistant Treasurer

Barry D. Gilchrist
Corporate Secretary

Brian C. Ferguson
Secretary to the Board of Directors
and Assistant Corporate Secretary

Keith O. Fowler
Director, Tax & Risk Management

Wayne G. Holt
General Counsel

Drude Rimell
Director, Computer Services

Robert A. Towler
Director, Petrochemicals

Richard H. Wilson
Director, Public Affairs

Principal Officers of Divisions

AEC Oil and Gas

Gwyn Morgan
President

Roger D. Dunn
Senior Vice-President

Dennis W. Cornelson
Vice-President, Marketing

Allan F. Kiernan
Vice-President, Production

R. William Oliver
Vice-President

Robert O. Potter
Vice-President, Exploration

AEC Pipelines

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Bernie J. Bradley
Senior Vice-President

Wallace W. Scott
Vice-President, Engineering

John D. Watson
Vice-President, Finance

AEC Forest Products

Hector J. McFadyen
President

Richard E. Huff
Vice-President

John D. Watson
Vice-President, Finance

Offices

#1200, 10707 - 100 Avenue
Edmonton, Alberta T5J 3M1
(Registered Office)

#2400, 639 - 5 Avenue S.W.
Calgary, Alberta T2P 0M9
(Executive Office)

Transfer Agent and Registrar (Common Shares)

National Trust Company
Calgary, Edmonton, Vancouver,
Regina, Winnipeg, Toronto,
Montreal, Halifax

Transfer Agent and Registrar (Second Preferred Shares, Series 2) and Trustee (Convertible Debentures and 10.50% Debentures)

The Royal Trust Company
Calgary, Edmonton, Vancouver,
Regina, Winnipeg, Toronto,
Montreal, Halifax

Auditors

Price Waterhouse
Chartered Accountants
Edmonton, Alberta

Stock Exchange Listings

The Alberta Stock Exchange
The Montreal Exchange
The Toronto Stock Exchange
Vancouver Stock Exchange

Major Subsidiaries, Affiliates and Partnerships

AEC Power Ltd. (50% voting)	66.67%
Alberta Oil Sands Pipeline Ltd.	100%
Alenco Inc.	100%
Alenco Iroquois Pipelines Inc.	100%
Alenco Petrochemicals Inc.	100%
Alenco Pipelines Inc.	100%
Alenco Resources Inc.	100%
Blue Ridge Lumber (1981) Ltd.	100%
Chieftain Energy Resources Ltd.	100%
Chieftain International, Inc.	50%
Cominco Fertilizers Partnership	25%
Iroquois Gas Transmission System, L.P.	6%
Pacific Coast Energy Corporation	50%
Pan-Alberta Gas Ltd. (40% voting)	49.995%
Pan-Alberta Resources Inc. (40% voting)	49.995%
Ranger Forest Products Ltd.	100%
Slave Lake Pulp Corporation	75%
Slave Lake Pulp Partnership	75%
Tri-City Drilling (1968) Ltd.	100%

Major Joint Ventures

Coal Valley	25%
Ethane Gathering System	33.33%
Nitrogen Fertilizer	25%
Syncrude	10%

Duplicate Annual Reports

Receipt of duplicate shareholder material results from shareholders having shares of the same class or series registered in different names or addresses. You can avoid receiving duplicates and help AEC save money by contacting your Transfer Agent (see Transfer Agent and Registrar) to have your holdings registered under one name and address.

Annual Meeting

The Annual Meeting of Shareholders of Alberta Energy Company Ltd. will be held in the Canadian Room, Wayside Inn, 5411 - 44 Street, Lloydminster, Alberta, at 3:00 P.M. local time on Wednesday, April 8, 1992.

Annual Reports

Copies of AEC's 1991 Annual Report may be obtained by contacting the Corporate Secretary at:
Alberta Energy Company Ltd.
#2400, 639 - 5 Avenue S.W.
Calgary, Alberta T2P 0M9
Telephone: (403) 266-8111

Shareholder Investment Plan

Shareholders wishing to increase their holdings of Common Shares of Alberta Energy Company Ltd. may take advantage of the Shareholder Investment Plan which offers two options.

The dividend reinvestment option provides a convenient method for shareholders to invest their cash dividends to purchase Common Shares at 95 percent of Average Market Price.

The share purchase option allows a shareholder to purchase Common Shares at the Average Market Price ($5,000 maximum per calendar quarter, $50 minimum per remittance).

Since all administrative costs are borne by AEC, shareholders pay no commissions, service charges, or brokerage fees to acquire Common Shares via the Plan.

Registered shareholders of Common Shares or 7.75% Deferred Convertible Redeemable Second Preferred Shares, Series 2 are eligible to participate.

Detailed information and copies of the Plan may be obtained from: National Trust Company, Corporate Trust Services, Suite 1008, 324 - 8 Avenue S.W., Calgary, Alberta T2P 3B2, Telephone (403) 263-1460.

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