Alberta Natural Gas Company Ltd

Annual Report 1985

Corporate Mission Statement:

Through planned and controlled expansion and diversification Alberta Natural Gas Company's mission is to continue to achieve above average, sustained growth, while maintaining its financial strength.

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Annual Meeting

The Annual Meeting of Shareholders will be held in the Bel Aire Room, Westin Hotel, Calgary, Alberta, on Tuesday the 22nd day of April, 1986 at 9:30 a.m.

The notice of meeting and proxy form are being mailed with this report to all shareholders of record.

About the Cover:

The sky turns a crimson hue over the blue mountains of the Canadian Rockies, providing a breathtaking backdrop to this deethanizing tower at Alberta Natural's Cochrane plant.

Financial Highlights

	1985	1984
Operating revenue	$372,806,000	$309,201,000
Net income	24,968,000	24,178,000
Income per average outstanding common share		
— first quarter	.33	.30
— second quarter	.35	.32
— third quarter	.32	.33
— fourth quarter	.37	.37
— annual	1.37	1.32
Dividends paid per common share		
— annual rate	.60	.56
Common equity		
— total at year end	124,584,000	107,549,000
— per share	6.86	5.89
Total assets	340,183,000	301,044,000
Capital expenditures	27,801,000	10,243,000
Average number of common shares outstanding	18,174,171	18,256,684

Common Share Market Information

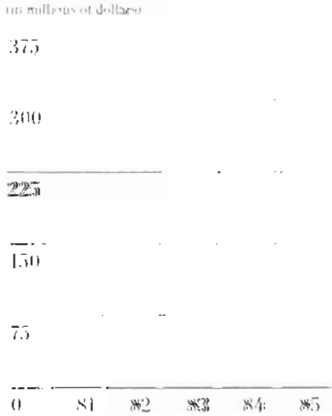
(Toronto Stock Exchange)

	High	Low	Close	Shares Traded	Dividends Paid
1985					
First Quarter	$16.25	$14.00	$14.50	262,325	$0.15
Second Quarter	15.62	14.12	14.87	204,530	$0.15
Third Quarter	15.25	12.75	13.50	5,632,959	$0.15
Fourth Quarter	16.00	13.25	15.87	817,662	$0.15
Year	**16.25**	**12.75**	**15.87**	**6,917,476**	**0.60**
1984	$14.50	$8.00	$13.75	1,558,196	$0.56

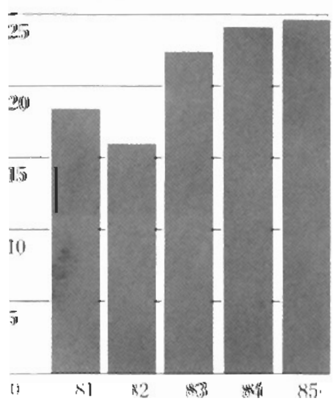
Closing price — Valuation Day, December 22, 1971 — $1.33

Note: Share information has been adjusted to give retroactive effect to the five-for-one stock split on May 26, 1980 and the three-for-one stock split on May 18, 1984.

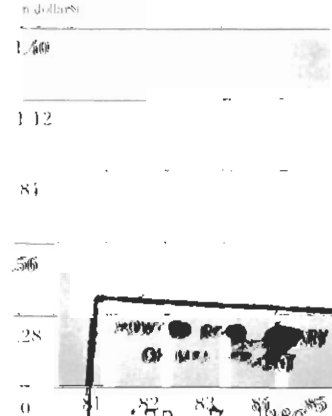
Operating Revenue
(in millions of dollars)



Net Income
(in millions of dollars)



Income per Average Outstanding Common Share
(in dollars)



1960: *Initial offering of 12,779,790 shares of common stock was issued.*

Requisite regulatory approvals were obtained for the construction of an interprovincial pipeline.

1961: *Company issues first annual report for the year 1960.*

1966: *Purchased land in downtown Calgary to provide location for head office building.*

1967: *Historic residence moved from downtown lot to Heritage Park and restored.*

1968: *Approvals received to permit construction and operation of hydrocarbon liquids extraction plant near Cochrane, Alberta, at an estimated cost of $12 million.*

1980: *Approvals received for construction of high rise on present building site. A joint venture with Olympia & York, estimated at $80 million.*

Approval received for construction of Phase I of Alaska Highway Pipeline Project.

To our Shareholders

The year 1985 marked 25 years of operation in Canada for Alberta Natural. In 1960, construction of the Alberta-California Pipeline System commenced, and in 1961 natural gas first moved through the Company's pipeline in southeast British Columbia. These 25 years are highlighted in a later section of this report.

Your Directors are pleased to report that your Company has achieved satisfactory 1985 earnings, a level slightly higher than in 1984. Consolidated net income amounted to $24,968,000 or $1.37 per average outstanding common share, an increase of $.05 per share over last year. The increase is largely attributable to the production and sale of natural gas liquids (NGL) from the Cochrane plant, where a combination of higher production volumes and better fourth quarter product prices led to increased profit.

As a result of market-responsive pricing policies with respect to Canadian natural gas moving to United States markets, volumes of gas available to the Cochrane plant and moving through the pipeline system were significantly higher than in the past several years. As previously mentioned, these higher volumes translated into improved earnings from our NGL business, but otherwise affected the Company primarily in an operational sense.

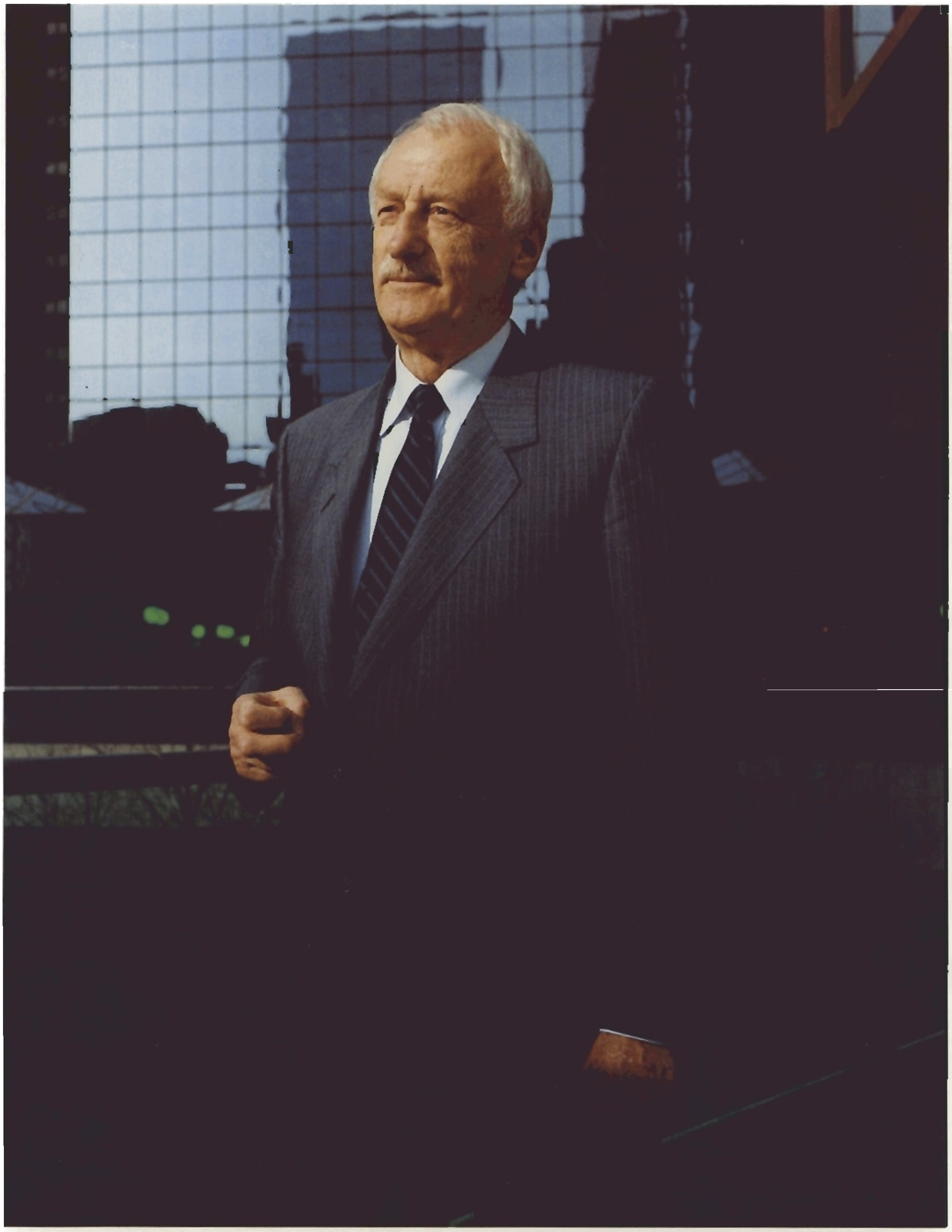
Our subsidiary and affiliate companies in the United States, ANGUS Chemical Company and ANGUS Petroleum Corporation, continue to be important factors in our current success and offer opportunities for the future. ANGUS Chemical, in 1985, maintained the high level of earnings achieved in 1984. ANGUS Chemical continues to aggressively seek out new investment opportunities intended to provide for substantial growth in the coming years. At year end 1985, its new fine chemicals plant in Ireland was largely completed, with limited production expected to commence in March. ANGUS Chemical's strong recent performance and resulting financial strength means that the company is well positioned to take advantage of appropriate opportunities that become available.

ANGUS Petroleum Corporation continued to expand its base in the United States in 1985. New properties were acquired in Colorado, Texas and California. While recent declines in oil prices will impact negatively on ANGUS Petroleum, we believe that as the company moves into a state of improved production rates, it will contribute positively to the Alberta Natural

The Crowsnest Compressor Station No. 1 was constructed in 1960 and 1961 as part of the 1,700 mile Alberta-California natural gas pipeline system.

A fog filled valley highlights the mountain ranges stretching out behind this worker, as the Alberta-California pipeline makes its way through the Rocky and Kootenay mountain ranges in Southwestern Alberta and Southeastern British Columbia in 1962.

A solitary worker perches high above the surrounding countryside on one of the cryogenic demethanizers at the Cochrane plant.



1981: *Corporate offices moved to Esso Plaza in downtown Calgary. Existing building demolished in preparation for new tower.*

1982: *ANG and PGT establish ANGUS Chemical Company, headquartered in Northbrook, Illinois, resulting from the purchase of nitroparaffins division of International Minerals and Chemical Corporation.*

ANGUS Chemical forms subsidiary, ANGUS Petrotech Corporation based in Golden, Colorado (now ANGUS Petroleum Corporation) to participate in Enhanced Oil Recovery ventures in the U.S.

1984: *Agreement reached with Shell Canada whereby ANG will construct, own and operate a 50 mile pipeline to supply natural gas to Shell's Peace River Expansion Project.*

To Our Shareholders (continued)

The year saw two construction projects initiated, and both will become operational in 1986. The Shell Pipe Line Project, located in the Peace River area of Alberta, estimated to cost $13.4 million, was essentially completed in 1985, while construction of the $3.6 million carbon dioxide (CO_2) recovery facility at Cochrane was somewhat delayed by cold weather in November. This facility will be completed in early spring.

When the new chemical plant in Ireland, the Shell Pipe Line, and the Cochrane CO_2 facilities become operational, they will contribute to our future earnings. At the same time, we recognize that by themselves, these activities may not be sufficient to maintain the growth rates we have achieved in the past. Our past success has provided a strong basis for future growth in new areas and we plan to devote significant resources to our Enhanced Oil Recovery (EOR) activities over the next several years. We are mindful of the recent dramatic declines in the price of crude oil, and pricing considerations will most certainly influence our investment philosophy in this area. We do not believe that oil prices will decline indefinitely, or that once bottom is reached that prices will sit locked at that level. Rather oil prices will, we believe, run in cycles just like prices in other products and commodities. We are also actively seeking substantial new investment in other areas that, when combined with EOR, will allow us to meet the objectives of utilizing our financial strength and managing a new period of corporate growth.

In September, 1985, Dallas E. Hawkins resigned from the Board of Directors and we acknowledge his contributions to the affairs of the Company. Following the Annual Meeting of the Company in April, 1985, Robert K. Craig was appointed Senior Vice-President and in September, William J. Demcoe was appointed Vice-President, Finance and Administration and Patricia M. Mahoney was appointed Treasurer.

The Board of Directors takes this opportunity to acknowledge, with sincere appreciation, the loyalty and dedication of our employees and their continued contribution to the successful operations of the Company in 1985.

For the Board of Directors

H. Booth

Chairman of the Board
and Chief Executive Officer

J. S. Gourdie

President

March 5, 1986

Cold winter air and a dazzling sunset combine to bathe the Cochrane plant in a portrait of rose colored light and rising steam.

Construction began in 1985 on the 50 mile Shell Canada Resources Pipeline to supply natural gas to its Peace River, Alberta Expansion Project.

This large diameter 36-inch pipeline is lowered into place on Flathead Ridge in 1961 at the highest point (7,000 feet) on the Alberta California Pipeline.

[illegible] President

Twenty-Five Years of Growth and Development

This 1985 annual report reviews twenty-five years of growth and development for Alberta Natural. This review reveals how the Company's operations have changed over that period.

During the first decade, the Company's only function was the operation of its gas transmission facility in southeastern British Columbia.

Receipt of the regulatory and governmental authorizations for the construction of a 106 mile large diameter pipeline occurred in 1960, allowing construction to commence. 1961 marked the completion of the construction phase and the commencement of deliveries of natural gas through the international chain of facilities comprising the Alberta-California natural gas pipeline system, a 1,700 mile pipeline stretching from the gas fields of northern Alberta to the markets in California.

In 1970, the NGL extraction plant near Cochrane, Alberta was completed, and commenced delivering substantial volumes of NGL, for sale principally to markets in eastern Canada and the mid-western United States. Expanded on two subsequent occasions to extract ethane for use in the petrochemical industry in Alberta, the plant is designed to produce 41,400 barrels of ethane and 16,300 barrels of NGL per day.

Construction of facilities to permit the recovery of approximately 170 tons per day of liquid CO_2 at the plant commenced last summer with completion scheduled for April, 1986. Our Cochrane plant operations now provide a significant portion of the Company's overall earnings.

In 1980, Alberta Natural acquired a 49% interest in Foothills Pipe Lines (South B.C.) Ltd., one of the companies involved in the Alaska Highway Pipeline Project. The Foothills (South B.C.) pipeline parallels Alberta Natural's line through southeastern British Columbia. Alberta Natural directed the construction of this pipeline and currently operates it as an integral part of its system.

Jerry Smith, Manager of the Cochrane plant, has a panoramic view as he climbs one of the towering structures at the plant.

The morning mist provides an eerie quality to this platoon of bulldozers grading a creek embankment in 1962 on the Alberta-California pipeline right of way in the Porcupine Hills of Southwestern Alberta.

This central alarm panel at the Crowsnest Compressor Station No. 1 monitors a wide variety of functions.

lberta Natural's liquids extraction plant, as seen from the North

Twenty-Five Years of Growth and Development (continued)

In 1981, the Company concluded an agreement with Olympia & York Developments Limited, a major Canadian developer, for the construction of a 31 storey office tower on property owned by the Company in downtown Calgary. While the project was deferred due to the economic conditions experienced during recent years, construction of the sub-structure to ground level was undertaken and completed in 1985. Construction of the 700,000 square foot tower is expected to proceed once a lead tenant has been secured.

In 1982, the Company and its affiliate Pacific Gas Transmission Company purchased the nitroparaffins division of International Minerals and Chemical Corporation, and formed ANGUS Chemical Company, located in Northbrook, Illinois, to operate that new business venture. ANGUS Chemical is owned 56% by Alberta Natural, 42% by Pacific Gas Transmission and 2% by certain key management employees. Production facilities, which are located at Sterlington, Louisiana and Ibbenbeuren, West Germany, utilize feedstock derived from natural gas in the production of nitroparaffins and nitroparaffin derivatives that are marketed worldwide. ANGUS Chemical, as a 90% joint venturer with Isochem S.A. of France, is expanding its operations with the construction of a new plant in Ringaskiddy, County Cork, Ireland. This facility, which is scheduled to commence limited production in March, 1986, will manufacture fine chemicals for sale primarily to the pharmaceutical and agricultural industries in western Europe.

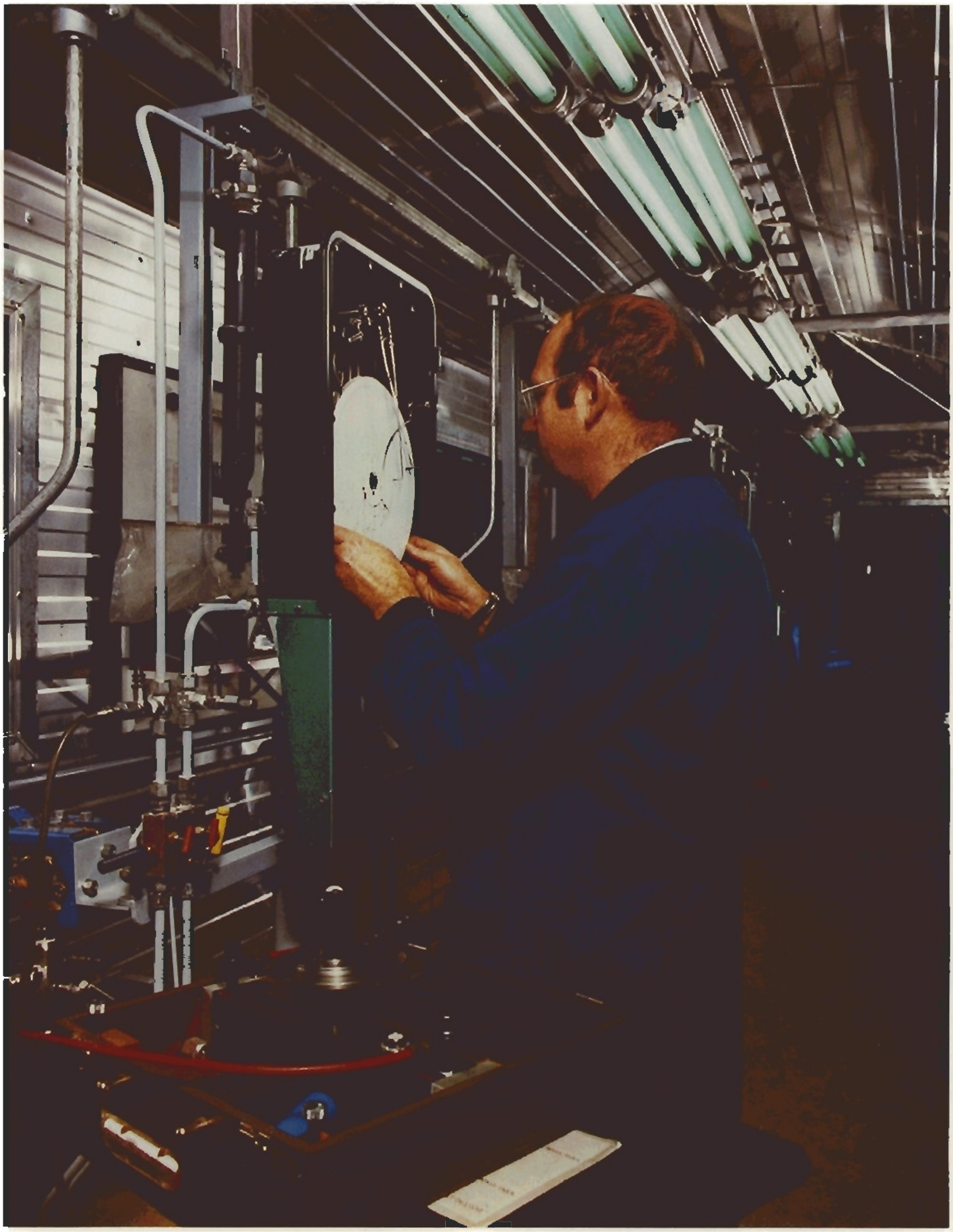
Since 1982, ANGUS Petroleum, owned 20% by Alberta Natural and 80% by Pacific Gas Transmission, has established itself in the EOR business, concentrating on steam flood operations in the western United States.

In 1985, the Company became involved in the EOR sector of the petroleum business in Canada by establishing a department under a senior officer to identify and acquire properties susceptible to enhanced recovery techniques. The Company expects that substantial resources will be dedicated to this business over the coming years.

The golden hues of frost tinged aspen and larch provide a changing backdrop to Compressor Station No. 1.

Authorization was received in 1968 to begin construction of Alberta Natural's Cochrane plant, at an estimated cost of $12 million.

In 1982, construction began on the second plant expansion. One of the two demethanizer towers is being raised.



An employee at the international meter station at Kingsgate, on the Canada/U.S. border, is calibrating gas meters, which is done each month.

1968: *Contract with Dome Petroleum and Amoco Canada for the purchase of the liquids produced at the Cochrane plant*

1969: *Field construction of the Cochrane plant began*

1970: *Cochrane plant commenced production late in second quarter*

1977: *Agreement with Alberta Gas Ethylene (AGE) whereby ANG would expand plant to permit sale to AGE of extracted ethane Plant to be modified and turbo expander facility added at estimated cost of $50 million*

1978: *Ethane first produced from modifications to existing plant*

1981: *Regulatory approvals received and construction began for expansion of ethane facilities Two new turbo expander units to operate in parallel with existing units*

1983: *Construction of facilities for recovery of additional ethane and removal of carbon dioxide from ethane product completed*

1985: *Construction began on food grade CO_2 liquefaction facility at plant site at an estimated cost of $3.6 million*

Review of Operations

Petrochemical

Cochrane Plant

The Cochrane plant operated continuously in 1985, except for two days to permit scheduled upgrading on the pipeline systems of Nova, An Alberta Corporation, and Pacific Gas Transmission. Alberta Natural took advantage of this brief shutdown to overhaul major equipment. The Company's preventive predictive maintenance programs continue to be effective in minimizing downtime.

New records for liquids recovery and gas throughput were set during the year. On November 25, a single day total liquid production record of 11 198 cubic metres (70,502 barrels) was achieved, surpassing the record of 10 854 cubic metres (68,385 barrels) set on December 22, 1984. An average daily gas throughput record was established for the month of December of 33.878 million cubic metres (1,202 Mmcf) which surpassed last December's record of 29.977 million cubic metres (1,064 Mmcf) per day.

Feed gas volumes for 1985 averaged approximately 27.8 million cubic metres (987 Mmcf) per day compared with 18.40 million cubic metres (653 Mmcf) per day in 1984, an increase of 51%. Production of NGL in 1985 averaged 2 235 cubic metres (14,070 barrels) per day compared to 1 625 cubic metres (10,230 barrels per day in 1984, an increase of 37.5%. During 1985, an average of 6 160 cubic metres (38,940 barrels) per day of ethane was produced, a 31% increase over the 1984 rate of 4 695 cubic metres (29,575 barrels) per day. Ethane produced at the plant is sold to The Alberta Gas Ethylene Company Ltd. to be used principally as feedstock for its ethylene plants at Joffre, Alberta. At the request of the buyer, due to reduced demand, approximately 12% of the total ethane production was re-injected into the residue gas stream during the year. However, due to the cost of service arrangements in our ethane contract with Alberta Gas Ethylene, re-injection has no financial impact on Alberta Natural.

Construction of the food-grade CO_2 facility at the plant site began in the fall of 1985. All major equipment has been ordered and began arriving on site in January, 1986. The new facility, which will produce up to 170 tons per day of liquid CO_2 destined for use as a miscible flood agent for EOR and for use in carbonated beverages, is expected to be operational by the end of April.

The nerve centre of the company's Cochrane plant is this ultra modern control room which monitors controls all vital plant functions.

This welder was one of many workmen who laboured on the Cochrane plant's second expansion which took place in 1982

The first crane moves into place to begin construction of the new Cochrane gas plant in 1969

Douglas R. Fenton
Executive Vice President

1983: *ANGUS Petroleum ownership restructured. ANG currently holds 20% of common shares.*

1984: *ANGUS Fine Chemicals Ltd. (90% owned by ANGUS Chemical) builds new plant in Ringaskiddy, Cork County, Ireland to produce chemical intermediaries.*

ANGUS Chemical expands Sterlington and Ibbenbeuren (West Germany) amino derivative production facilities.

Petrochemical (continued)

ANGUS Chemical Company

ANGUS Chemical recorded another outstanding year, with earnings just short of the record level achieved last year. ANGUS Chemical's markets have been generally strong while production costs have remained stable. Construction of the ANGUS Fine Chemicals Ltd. plant in Ireland is expected to be completed in phases throughout the first half of 1986. The company is encouraged by several promising business opportunities for this new venture.

As part of its continuing program of product development and customer satisfaction, ANGUS Chemical has expanded its research activities. A new laboratory facility has been acquired near the Northbrook, Illinois offices, and is being equipped to suit the company's specific needs. The expanded research and development effort will be directed towards optimizing current nitroparaffin activities, will work towards new applications and products that may not be nitroparaffin based, and will support ANGUS Fine Chemicals as that company moves into its production stage. We fully expect that the increased activity in this area will benefit ANGUS Chemical and its customers, both by expanding the product base and improving efficiency.

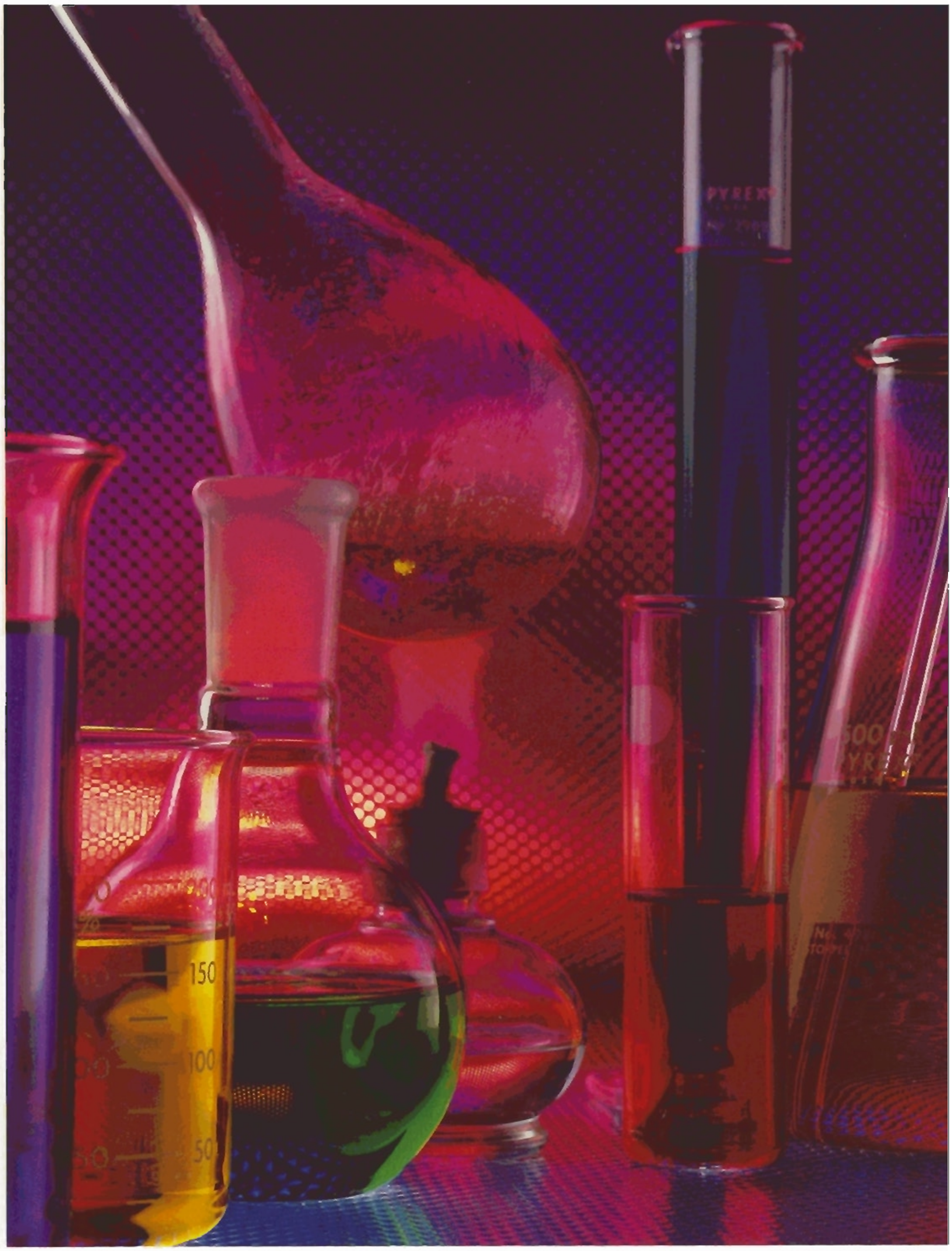
ANGUS Petroleum Corporation

Since 1982, ANGUS Petroleum, owned 20% by Alberta Natural, has been engaged in the acquisition, development and operation of EOR. These ventures involve interests in partially depleted oil properties suitable for steam injection or polymer and alkaline enhanced water flooding for secondary and tertiary recovery processes. ANGUS Petroleum actively continued acquisition and development of reserves during 1985.

ANGUS Chemical's Ringaskiddy plant in Cork County, Ireland is currently under construction.

Earth movers take the first bites of Irish sod for construction at the Ringaskiddy site.

ANGUS Chemical operates this large manufacturing facility at Sterlington, Louisiana, in addition to other plants at Ringaskiddy, Ireland and Ibbenbeuren, West Germany.



IMC's Chemical maintains an ongoing program of product development, including a new laboratory facility near its Northbrook, Illinois offices

1961: *1,700 mile Alberta California natural gas pipeline completed. First deliveries in December.*
Crowsnest Compressor Station No. 1 (3,400 hp.) and Cranbrook maintenance base completed.

1966: *Moyie Compressor Station No. 2B (14,300 hp. ISO) constructed and completed.*

1967: *14,300 hp. ISO centrifugal compressor unit installed at Station No. 1.*

1969: *Elko Compressor Station No. 2A (14,300 hp. ISO) constructed and completed.*

1970: *Additional gas turbine compressor units installed at all three stations, increasing total horsepower to 99,400 ISO.*
Authorization received to install 36 inch pipe at two river crossings and three mile loop on Flathead Mountain to provide protection against failures.

1981: *Phase I of Alaska Highway Pipeline Project completed.*

1982: *The four original compressor units at Crowsnest replaced with new 10,600 hp. ISO gas turbine driven centrifugal compressor unit.*

1985: *Construction began on 50 mile pipeline to supply natural gas to Shell Canada's Peace River Expansion Project at an estimated cost of $13.4 million.*

Pipeline

During the year 1985, natural gas deliveries to the United States on behalf of the shippers, Alberta and Southern Gas Co. Ltd., Westcoast Transmission Company Limited, and Pan-Alberta Gas Ltd. averaged 31.9 million cubic metres (1,127 Mmcf) per day, an increase from 23.17 million cubic metres (818 Mmcf) per day for 1984. This dramatic increase of nearly 40% can be primarily attributed to the removal by the Government of Canada of natural gas price control for gas exports.

In order to keep pace with technological change, the Company continued to modernize equipment during the year. The control systems at Crowsnest and Moyie were replaced with micro-processor based equipment, which uses programmable logic to control the compressors. The Elko station control system will be replaced in 1986. The installation of flow measurement equipment and telemetering for fuel gas measurement was completed at all three compressor stations. These capital expenditures were $1.3 million.

In 1984, real-time electronic measurement equipment was installed at the international border meter station at Kingsgate, British Columbia. This equipment is now fully in service, being operated in parallel with the traditional chart measurement system. It is intended that the electronic system will be used for custody transfer measurement of gas in 1986.

Construction began in September, 1985, on the 80 km (50 mile) 324 mm (12 inch) pipeline to supply natural gas to Shell Canada Resources Limited for its Peace River Expansion Project. Alberta Natural will own and operate this $13.4 million line, which is expected to be completed in the summer of 1986.

Heavy equipment moves into place at the banks of the Peace River in preparation for the laying of the pipeline.

Aerial view of the Elko Compressor Station in southeastern British Columbia, completed in 1969.

Construction began in 1967 to increase the compressor capability of Alberta Natural's Crowsnest Compressor Station No. 1.

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Regulatory Review

During 1985, the National Energy Board undertook the development of several new regulations and the revision of existing regulations, concerning onshore and offshore pipelines, construction cost and financial information, and environmental guidelines. Alberta Natural participated in the development of the proposed changes. The revisions remain in various stages of development at year end, with none having received final approval.

The year 1985 witnessed a significant movement towards deregulation of the natural gas industry in both domestic and export markets. This movement included changes in the industry affecting both Alberta Natural and its affiliate, the principal shipper on Alberta Natural's system, Alberta and Southern Gas.

After months of negotiation, the federal government and the producing provinces signed the Federal-Provincial Agreement on Natural Gas Markets and Prices on October 31, 1985. This Agreement changed the minimum price for exported gas and will allow Canadian gas to be competitive in the northern and central California market. Effective November 1, 1985, the Toronto City Gate price criterion, which had set a minimum price for all exports of natural gas, was eliminated and replaced by the "adjacent border price test". This new test provides that the price of natural gas shall not be less than the price charged to Canadians in the area adjacent to the export point.

Under the terms of the Agreement, a Pipeline Review Panel has been set up to examine the role and operations of international and interprovincial pipelines involved in the buying, selling and transmission of natural gas. Although this review is confined to TransCanada PipeLines Limited and Westcoast Transmission Company Limited, the Company is presently assessing its possible involvement in these proceedings.

A giant valve is installed on the Alberta-California natural gas pipeline project in 1962.

In order to remain competitive in Pacific Gas and Electric Company's market, Alberta and Southern filed applications for price changes during 1985 which saw the commodity rate reduced from $2.99/MMBtu to $2.56/MMBtu. These price changes assisted in maintaining a significantly higher load factor on the Company's pipeline. On November 1, 1985, the NEB recommended, and the Governor-in-Council approved, a reduction in the commodity portion of the export selling price applied for by Alberta and Southern for sale of natural gas to Pacific Gas Transmission. Since October, Alberta and Southern has also provided volumes of gas at prices competitive with spot gas in PG&E's market, on a month-to-month basis. This gas competes with United States domestic volumes going into the PG&E spot market.

The final weld on the Alberta California Pipeline was made in 1961, at this ceremony on the International Border at Kingsgate, B.C., completing the 1,700 mile line.

In the latter part of 1985, Phase I of the Omnibus Gas Export hearing was conducted by the NEB to review natural gas surplus determination procedures. A decision by the Board is pending. The timing of future phases of the hearing is uncertain at this time.

On December 3, 1985, Alberta and Southern applied to the NEB to extend the current level of authorized annual volumes through to the year 2010. This application will likely be considered in a later phase of the current Omnibus Gas Export hearing.

These valve assemblies are a portion of the Kingsgate Meter Station on the International Border.

The setting sun is overpowered by the flash of a welder's arc on the Shell Canada Resources pipeline at Peace River, Alberta

Safety

The Cochrane plant has achieved fourteen consecutive years without lost time due to injury. The Company received awards acknowledging this from the Canadian Gas Processors Association, the Alberta Workers' Health, Safety and Compensation Division and the Canadian Gas Association.

The pipeline division of the Company also received an award from the Canadian Gas Association for the achievement of four consecutive years without a lost-time injury.

The Company considers safety of paramount concern in the planning and execution of every task. A comprehensive and detailed Safety Policy Manual and a Safety Handbook are being prepared to formalize guidelines and general policies in use in all operational areas. A Safety Policy Committee has been established to formulate new policies, as well as to review existing operational and safety procedures to ensure continued excellence in safety.

We acknowledge the continued dedication of our field personnel to the performance of their work to such high safety standards.

All visitors to the Cochrane plant are reminded of employees' dedication to safety.

Alberta Natural's safety program started more than 20 years ago. In this 1964 photograph, mouth to mouth resuscitation is demonstrated at the Cranbrook Maintenance base, using an early model of "Rescusi Anne".

George R. Walsh (left), President of the Canadian Gas Processors Association and Vice President of Alberta Natural, presents an award to Cochrane plant Manager Jerry Smith for the plant's 14 consecutive years without loss of time due to injury.

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1962: *Initial annual dividend of 5.3¢ was declared*

1970: *Rights to subscribe for additional shares offered to existing shareholders (1 additional share for every 2½ shares then held)*

1980: *Shareholders approve special resolution authorizing splitting of Company shares on a 5 for 1 basis*

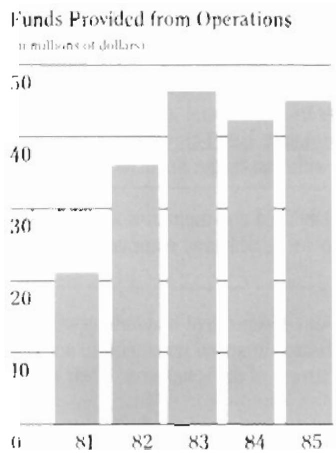
1984: *Shareholders approve 3 for 1 stock split.*

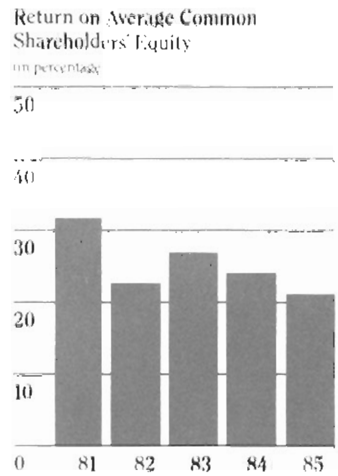
Financial Review

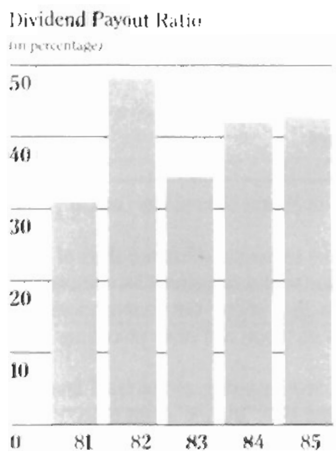
The consolidated net income of Alberta Natural for 1985 was $24,968,000, or $1.37 per average outstanding common share. In 1984, consolidated net income was $24,178,000, or $1.32 per share.

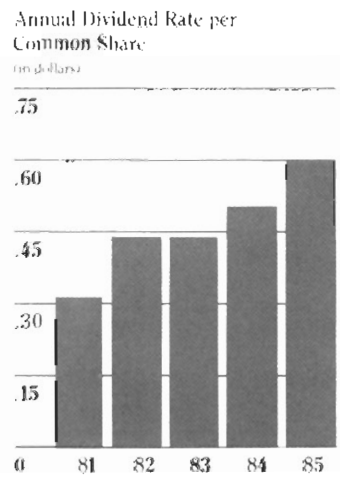
The major factors contributing to the continued favourable results in 1985 include the excellent performance of our 56%-owned subsidiary, ANGUS Chemical, and an increase in Alberta Natural's share of marketing profits from the sale of NGL's by Dome Petroleum Limited and Amoco Canada Petroleum Company Ltd.

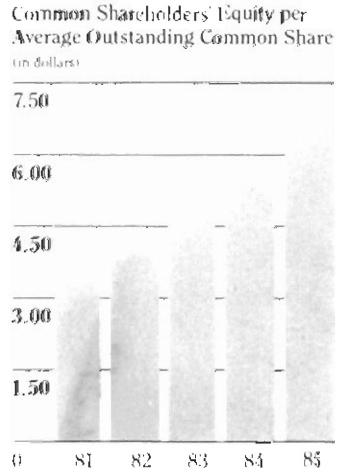
The annual dividend rate paid on the Company's common shares was increased to 60¢ per share from 56¢ per share, effective with the March, 1985 quarterly dividend payment, and was further increased to 64¢ per share, effective with the quarterly payment in March, 1986.


Funds Provided from Operations
(in millions of dollars)
50
40
30
20
10
0
81
82
83
84
85


Return on Average Common Shareholders' Equity
(in percentage)
50
40
30
20
10
0
81
82
83
84
85


Dividend Payout Ratio
(in percentage)
50
40
30
20
10
0
81
82
83
84
85


Annual Dividend Rate per Common Share
(in dollars)
.75
.60
.45
.30
.15
0
81
82
83
84
85


Common Shareholders' Equity per Average Outstanding Common Share
(in dollars)
7.50
6.00
4.50
3.00
1.50
0
81
82
83
84
85

Report of Management

The accompanying consolidated financial statements have been prepared by management, which is responsible for the integrity and objectivity of this information. These financial statements, prepared on an historic cost basis, are in accordance with generally accepted accounting principles in Canada and are also in conformity with International Accounting Standards with respect to historic cost. Where appropriate, amounts based on estimates and judgements are included. Other financial information included in the Annual Report is consistent with that in the financial statements.

Management has established and maintains appropriate systems of internal control, policies and procedures which are designed to meet its responsibility for reliable and accurate reporting. These systems of control include periodic reviews by the internal auditors.

Arthur Andersen & Co., independent auditors appointed by the shareholders, have reviewed the systems of internal control and examined the consolidated financial statements in accordance with generally accepted auditing standards, to enable them to express an opinion on the fairness of the statements. Their report is included herewith.

Through its appointed Audit Committee, the Board of Directors oversees management's responsibilities for financial reporting. The Audit Committee meets annually with management, the internal auditors and the independent auditors to review auditing and financial matters. Internal and external auditors have free access to the Audit Committee. The consolidated financial statements have been approved by the Board on the recommendation of the Audit Committee.

Auditors' Report

To the Shareholders of Alberta Natural Gas Company Ltd:

We have examined the consolidated balance sheet of Alberta Natural Gas Company Ltd (a Canada corporation) as of December 31, 1985 and 1984, and the related consolidated statements of income, reinvested earnings, contributed surplus and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of the Company as of December 31, 1985 and 1984, 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 applied on a consistent basis.

Calgary, Alberta
February 3, 1986

ARTHUR ANDERSEN & CO.
Chartered Accountants

Consolidated Statement of Income

For the year ended December 31, 1985
(with 1984 figures for comparison)

(thousands of dollars)	1985	1984
Operating Revenue:		
Petrochemical	$314,397	$269,930
Transportation and sale of gas	58,409	39,271
Total operating revenue	372,806	309,201
Operating Expenses:		
Operating and maintenance	233,002	188,302
Gas purchases	33,898	16,199
Selling, administrative and research	28,153	24,583
Depreciation	14,841	16,261
Taxes — excise	3,491	7,029
— property and other	5,076	4,166
Total operating expenses	318,461	256,540
Operating Income	54,345	52,661
Interest and Other Income	5,475	3,985
Income Before Income Deductions	59,820	56,646
Income Deductions:		
Interest on long term debt	2,042	2,222
Interest on other debt	4,618	5,468
Other	49	49
Total income deductions	6,709	7,739
Income Before Income Taxes	53,111	48,907
Provision for Income Taxes	21,802	18,481
	31,309	30,426
Minority Interest	6,341	6,248
Net Income	$ 24,968	$ 24,178
Earnings Per Average Common Share	$ 1.37	$ 1.32

See accompanying summary of significant accounting policies and notes.

Consolidated Balance Sheet

December 31, 1985
(with 1984 figures for comparison)

Assets

(thousands of dollars)	1985	1984
Plant, Property and Equipment	**$277,058**	$245,878
Less accumulated depreciation	**105,307**	89,639
Net plant, property and equipment	**171,751**	156,239
Current Assets:		
Cash and interest bearing deposits	**54,003**	49,097
Accounts and notes receivable	**58,762**	51,061
Inventories	**30,852**	22,618
Other	**1,989**	1,133
Total current assets	**145,606**	123,909
Investments and Advances	**21,072**	18,294
Deferred Charges	**1,754**	2,602
Total	**$340,183**	$301,044

Approved by the Board:

H. Booth Director John A. Sproul Director

Shareholders' Equity and Liabilities

(thousands of dollars)	1985	1984
Shareholders' Equity:		
18,223,430 common shares (1984 - 18,236,130)	$ 17,705	$ 15,076
Contributed surplus	—	2,169
Reinvested earnings	100,866	87,779
Cumulative translation adjustment	6,013	2,525
Total shareholders' equity	124,584	107,549
Minority Interest	47,437	39,917
Long Term Debt	34,503	29,882
Deferred Income Taxes	36,569	36,882
Current Liabilities:		
Notes payable	56,774	45,787
Accounts payable	33,299	26,349
Income taxes payable	1,785	7,638
Other	5,128	6,936
Total current liabilities	96,986	86,710
Contributions in Aid of Construction	104	104
Total	$340,183	$301,044

See accompanying summary of significant accounting policies and notes

Consolidated Statement of Reinvested Earnings

For the year ended December 31, 1985
(with 1984 figures for comparison)

(thousands of dollars)	1985	1984
Balance at Beginning of the Year	**$ 87,779**	$73,835
Net Income	**24,968**	24,178
	112,747	98,013
Purchase and Cancellation of Common Shares	**970**	—
Dividends Paid on Common Shares	**10,911**	10,234
Balance at End of the Year	**$100,866**	$87,779

Consolidated Statement of Contributed Surplus

For the year ended December 31, 1985
(with 1984 figures for comparison)

(thousands of dollars)	1985	1984
Balance at Beginning of the Year	**$ 2,169**	$2,877
Purchase and Cancellation of Common Shares	**(2,169)**	(708)
Balance at End of the Year	**$ —**	$2,169

See accompanying summary of significant accounting policies and notes

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1985
(with 1984 figures for comparison)

(thousands of dollars)	1985	1984
Funds Provided:		
From operations:		
Net income	$ 24,968	$24,178
Add (deduct) non-cash items:		
Depreciation	14,841	16,261
Deferred income taxes	(530)	(3,341)
Equity earnings	136	(237)
Other income deductions	49	49
Minority interest	6,341	6,248
	45,805	43,158
Dividends — Foothills Pipe Lines (South B.C.) Ltd.	1,960	867
Common shares issued	2,818	1,033
Increase in long term debt	3,447	388
Deferred charges — decrease (increase)	606	(409)
Effect of exchange rate changes on working capital	4,302	3,218
Other	1,153	(54)
Total	$ 60,091	$48,201
Funds Applied:		
Net additions to plant, property and equipment	$ 27,801	$10,218
Dividends to		
— shareholders	10,911	10,234
— minority shareholders of subsidiary	1,892	595
Investments and advances — increase (decrease)	4,738	(4,355)
Common shares repurchased	3,328	757
Change in working capital	11,421	30,752
Total	$ 60,091	$48,201
Changes in Working Capital Components:		
Cash and interest bearing deposits	$ 4,906	$25,013
Accounts and notes receivable	7,701	226
Inventories	8,234	3,938
Notes payable	(10,987)	8,900
Accounts payable	(6,950)	(5,530)
Income taxes payable	5,853	(569)
Other	2,664	(1,226)
Change in working capital — increase (decrease)	$ 11,421	$30,752

See accompanying summary of significant accounting policies and notes

Summary of Significant Accounting Policies

December 31, 1985

Operations:

Alberta Natural owns and operates an extraction plant near Cochrane, Alberta which removes propane and heavier liquids (NGL) and ethane from the gas stream. Alberta Natural also owns and operates a 914 mm (36 inch) pipeline from a point near Coleman, Alberta to Kingsgate, on the British Columbia-Idaho border for the transportation of gas owned by Alberta and Southern Gas Co. Ltd. and Westcoast Transmission Company Limited, and for the transportation of gas for Foothills Pipe Lines (South B.C.) Ltd. Alberta Natural also operates the pipeline facilities owned by Foothills Pipe Lines (South B.C.) Ltd. located in southeastern British Columbia.

The sale agreements with the purchasers of NGL and ethane and the gas transportation contracts and operating agreement with the gas shippers provide for the full recovery of all operating expenses, depreciation, property and income taxes, together with a return on the unrecovered investment. In addition, Alberta Natural is entitled to 25% of the cumulative net marketing profits arising from the sale of the NGL by each of the buyers, Dome Petroleum Limited and Amoco Canada Petroleum Company Ltd. and a share of the annual net profit realized by the buyer, The Alberta Gas Ethylene Company Ltd., on the sale outside Alberta of ethane surplus to ethylene plant requirements.

Alberta Natural, through its subsidiary ANGUS Chemical Company, owns and operates nitroparaffin production facilities at Sterlington, Louisiana and Ibbenbueren, West Germany. The facilities utilize feedstocks derived from natural gas in the production of nitroparaffins and other derivative products that are marketed worldwide.

Regulation:

The gas transmission segment of Alberta Natural's operations is subject to the National Energy Board Act and to the jurisdiction of the Board created thereby. This Board regulates accounting matters, export of gas, construction and operation of gas pipelines and rates, tolls and tariffs charged for such operations.

Consolidation:

The consolidated financial statements include the accounts of Alberta Natural and its 56%-owned U.S. subsidiary ANGUS Chemical Company.

Investments:

Alberta Natural follows the equity method of accounting for its investment in a 49%-owned affiliate, Foothills Pipe Lines (South B.C.) Ltd. and for its 20% investment in ANGUS Petroleum Corporation.

Foreign Currency Translation:

The accounts of ANGUS Chemical Company have been translated into Canadian dollars using current rates of exchange for all assets and liabilities and average rates of exchange for revenue and expenses. The cumulative effects of foreign currency translations are included in shareholders' equity.

The Series A and B Bonds are payable in United States dollars, and are recorded in Alberta Natural's accounts at the current rate of exchange. As provided by the gas transportation contract, Alberta Natural receives from the gas shippers, in substitution for Canadian dollars, sufficient U.S. dollars to make the annual principal and interest payments on the Series A Bonds (under the original terms of the Deed of Mortgage and Trust) and accordingly the Company is protected against foreign currency fluctuations with respect to this Series.

Summary of Significant Accounting Policies (continued)
December 31, 1985

Plant, Property and Equipment:	Plant, property and equipment is carried at cost. An allowance for funds used during construction is capitalized for plant under construction. Any such allowance recorded is included in other income. Depreciation on the portion of the extraction plant used for the removal of NGL is calculated at an annual rate of 2.5% on a straight-line basis. The ethane portion of the extraction facility is being depreciated at an initial rate of approximately 6.3% decreasing to 4.6% in 1994. Gas transmission plant is being amortized at an annual rate (approximately 3.7%) based on the proportion that the annual volume of throughput authorized for export by the shippers bears to the total volume remaining under the licences granted by the National Energy Board. Nitroparaffin production facilities are being depreciated on a straight-line basis over the estimated useful life of the assets. Buildings are depreciated over 9 to 25 years and equipment is depreciated over 3 to 15 years.
Inventories:	Nitroparaffin product inventories are carried at the lower of cost or market on the last-in, first-out (LIFO) method of accounting for inventory cost. Inventories of materials and supplies are carried at average cost.
Income Taxes:	Income taxes are provided on the tax allocation basis for all income except liquids extraction income which is subject to cost of service contracts. Income taxes will be provided on this source of income only to the extent that taxes are included in costs of service under such contracts.
Deferred Charges:	Project costs are initially recorded as deferred charges pending evaluation of the projects. Deferred charges applicable to projects which have been terminated are expensed.

Notes to the Consolidated Financial Statements

December 31, 1985
(Tabular amounts shown in thousands of dollars)

1. Plant, Property and Equipment:

	1985	1984
Petrochemical	$187,441	$180,104
Gas transmission	61,894	61,220
Under construction	27,723	4,554
	277,058	245,878
Less accumulated depreciation	105,307	89,639
Net plant, property and equipment	$171,751	$156,239

During 1985, an allowance for funds used during construction of $931,000 (1984 - $38,000) has been capitalized and included in other income

2. Investments and Advances:

	1985	1984
Foothills Pipe Lines (South B.C.) Ltd.	$ 7,446	$ 8,085
Foothills Pipe Lines (Yukon) Ltd (preferred shares at cost)	3,210	3,271
ANGUS Petroleum Corporation	6,206	3,501
Other	4,210	3,437
	$ 21,072	$ 18,294

3. Shareholders' Equity:

The classes of shares Alberta Natural is authorized to issue consist of an unlimited number of preference shares, having such rights and privileges attached to them as the Directors may by resolution determine, and an unlimited number of common shares

In accordance with the provisions of a Senior Management Stock Option Plan, 1,140,000 common shares were reserved for issuance under the Plan. Options have been made available on 194,400 shares at a price of $7.75 per share, 88,200 shares at a price of $7.55 per share, 132,000 shares at a price of $7.83 per share, 99,400 shares at a price of $13.90 per share, 4,700 shares at a price of $12.96 per share and 98,800 shares at a price of $13.92 per share. To December 31, 1985, all of the options have been exercised in the amount of $6,024,000. Of this amount $3,770,000 is included in accounts receivable. A total of 286,400 common shares were repurchased by the Company at market price and cancelled in accordance with the provisions of the Plan.

Restrictions on the payment of cash dividends under certain circumstances are contained in the Deed of Mortgage and Trust securing Alberta Natural's bonds. At December 31, 1985, $3,082,000, otherwise available for dividends, was restricted in this manner.

Notes to the Consolidated Financial Statements (continued)
December 31, 1985
(Tabular amounts shown in thousands of dollars)

4. Long Term Debt:

	Year Issued	Maturity	1985	1984
First mortgage pipe line bonds				
6⅝% Series A ($543,000 U.S.)	1963	1986	$ 759	$ 2,154
9⅝% Series B ($3,000,000 U.S.)	1969–70	1991	4,193	4,625
8⅝% Series C	1971	1992	4,500	5,250
Revenue bonds 6⅝% ($13,008,000 U.S.)	1978–79	2003–08	18,179	17,189
Other ($5,961,000 U.S.)			8,330	2,761
			35,961	31,979
Less sinking fund instalments due within one year			1,458	2,097
			$34,503	$29,882

Sinking fund requirements for the next five years are:

	Series A ($U.S.)	Series B ($U.S.)	Series C ($CDN.)	Other ($U.S.)
1986	543	300	750	
1987		300	750	–
1988		300	750	623
1989		300	750	1,246
1990		300	750	1,246

The 1986 sinking fund requirement for the Series C Bonds has been provided for by the purchase and cancellation of $750,000 principal amount of such bonds and consequently the liability for sinking fund instalments due within one year has been reduced by this amount.

5. Income Taxes:

The provision for income taxes varies from the amount that would be computed by applying current federal and provincial income tax rates for the reasons shown in the following table:

	1985	1984
Income before income taxes and minority interest	$53,111	$48,907
Less: Income which is not subject to tax allocation	6,170	6,166
Equity earnings	(136)	237
Income subject to tax allocation	$47,077	$42,504
Expected income tax provision at 48.8% (1984 – 48.0%)	$22,974	$20,402
Add (deduct) adjustment to income taxes resulting from:		
Manufacturing and processing profits credit	(1,447)	(645)
Other tax credits	(972)	(1,490)
Provision for withholding taxes on foreign income	416	302
Other	831	(88)
Actual income tax provision	$21,802	$18,481

Notes to the Consolidated Financial Statements (continued)

December 31, 1985
(Tabular amounts shown in thousands of dollars)

6. Segmented Information: a) Financial information by segment:

	Petro-chemical	Pipeline Transport	Other	Total
1985				
Operating revenue	$314,397	$23,444	$34,965	$372,806
Depreciation expense	$ 12,582	$ 2,259	$ —	$ 14,841
Operating income	$ 51,566	$ 4,024	$(1,245)	$ 54,345
Total identifiable assets	$289,795	$24,343	$26,045	$340,183
Total capital expenditures during the year	$ 19,846	$ 7,955	$ —	$ 27,801
1984				
Operating revenue	$269,930	$22,721	$16,550	$309,201
Depreciation expense	$ 12,319	$ 3,942	$	$ 16,261
Operating income	$ 47,694	$ 5,676	$ (709)	$ 52,661
Total identifiable assets	$253,553	$18,412	$29,079	$301,044
Total capital expenditures during the year	$ 9,387	$ 856	$ —	$ 10,243

b) Financial information by reportable geographic area

	Domestic	Foreign
1985		
Operating revenue	$268,775	$104,031
Operating income	$ 30,469	$ 23,876
Total identifiable assets	$178,946	$161,237
1984		
Operating revenue	$209,660	$ 99,541
Operating income	$ 29,476	$ 23,185
Total identifiable assets	$175,563	$125,481

Notes to the Consolidated Financial Statements (continued)

December 31, 1985

(Tabular amounts shown in thousands of dollars)

7. Related Party Transactions:

Alberta and Southern Gas Co. Ltd. and Pacific Gas Transmission Company are subsidiaries of Pacific Gas and Electric Company. Pacific Gas Transmission Company in turn owned 49.35% of the outstanding capital stock of Alberta Natural Gas Company Ltd. at December 31, 1985. Alberta Natural owns 49% of the outstanding capital stock of Foothills Pipe Lines (South B.C.) Ltd., 56% of ANGUS Chemical Company and 20% of ANGUS Petroleum Corporation. Significant transactions with these related companies were as follows:

	1985	1984
(1) Net charges for personnel and related administrative costs from		
Alberta and Southern	$ 6,606	$ 5,941
Pacific Gas Transmission	261	266
(2) Charges for liquids extraction feedstock and fuel purchased from		
Alberta and Southern	113,746	96,222
(3) Net charge for transportation of gas to		
Alberta and Southern	11,933	13,810
Foothills (South B.C.) Ltd.	2,063	2,640
(4) Interest paid to		
Pacific Gas Transmission	—	374
(5) Amounts outstanding at December 31		
Payable to		
Alberta and Southern	13,596	11,036
Pacific Gas Transmission	39	42
Receivable from:		
Alberta and Southern	1,803	1,171
Foothills (South B.C.) Ltd.	176	264
ANGUS Petroleum Corporation	2,633	2,660

8. Commitment:

The Company has entered into an agreement with Olympia & York Developments Limited for the joint development of Alberta Natural's property in downtown Calgary. In accordance with the terms of the development agreement, Olympia & York is responsible for financing the project during the construction period. Preliminary expenditures have totalled $17,445,800 to date. Alberta Natural's security pledged for construction loans is restricted to its share of the project land, the cost of which is included in Plant Under Construction. Construction commenced during 1985 on Phase 1 of the project which will complete the sub-structure to ground level.

Ten Year Comparative Highlights

	1985	1984
Financial and Share Data		
Operating revenue ($000's)	372,806	309,201
Net income ($000's)	24,968	24,178
Earnings per average outstanding common share ($)	1.37	1.32
Common shareholders' equity per average outstanding common share ($)	6.86	5.89
Capital provided: ($000's)		
Common shareholders' equity — total	124,584	107,549
Long term debt (including current portion)	35,961	31,979
Short term debt	56,774	45,787
Minority interest	47,437	39,917
Deferred income taxes	36,569	36,882
Average equity outstanding ($000's)	116,067	99,092
Average debt outstanding ($000's)	85,251	81,500
Return on average common shareholders' equity — (%)	21.51	24.40
Cash dividends ($000's)	10,911	10,234
Annual dividend rate per common share ($) — year end	.60	.56
Dividend payout ratio (%)	43.7	42.3
Average number of common shares outstanding	18,174,171	18,256,683
Plant		
At year end: ($000's)		
Original cost	277,058	245,878
Depreciated cost	171,751	156,239
Capital Expenditures ($000's)	27,801	10,243
Operational		
Daily volume of gas delivered		
Average		
(10^6m^3)	31.9	23.17
(MMcf)	1,127	818
Daily production: (average)		
NGL		
(m^3)	2 235	1 625
(Bbls)	14,070	10,230
Ethane		
(m^3)	6 160	4 695
(Bbls)	38,940	29,575

Notes: Accounts of ANGUS Chemical Company have been consolidated since July, 1982.
1981 results include the effect of an extraordinary item ($4,786,000, or $.27 per share).
Share information has been adjusted to give retroactive effect to the five-for-one stock split on May 16, 1980 and the three-for-one stock split on May 18, 1984.
Operational data does not include production from ANGUS Chemical Company.

1983	1982	1981	1980	1979	1978	1977	1976
290,257	214,618	130,904	116,135	110,207	62,150	52,387	47,317
22,779	16,004	18,800	12,304	10,057	7,271	5,787	5,701
1.27	.89	1.05	.69	.56	.41	.32	.32
5.04	4.04	3.64	2.92	2.52	2.15	1.87	1.65
90,635	72,282	65,171	52,335	45,040	38,442	33,426	29,601
30,546	31,374	17,755	20,128	22,502	24,875	27,249	29,604
54,687	69,102	13,083	—	—	11,011	4,999	—
32,164	28,596	—	—	—	—	—	—
40,116	34,521	23,209	20,475	22,476	18,974	14,118	9,530
81,459	68,727	58,753	48,687	41,741	35,934	31,513	27,663
92,855	65,657	25,483	21,315	29,194	34,067	30,926	30,794
27.96	23.29	32.00	25.27	24.09	20.23	18.36	20.61
7,932	7,873	5,964	5,009	3,459	2,255	1,962	1,825
.44	.44	.33	.28	.19	.13	.11	.10
34.8	49.2	31.7	40.7	34.4	31.0	33.9	32.0
17,982,677	17,892,330	17,892,330	17,892,330	17,892,330	17,892,330	17,892,330	17,892,330
232,912	221,750	137,488	120,921	119,449	114,419	90,503	75,213
160,052	163,842	89,320	73,984	78,308	79,112	59,162	47,220
13,875	40,982	22,569	1,499	5,073	23,926	15,318	271
24.66	26.64	26.58	27.82	33.99	30.57	35.13	34.56
871	940	938	982	1,200	1,079	1,240	1,220
1 630	1 970	1 600	1 705	1 930	1 680	1 840	2 020
10,270	12,385	10,085	10,730	12,160	10,540	11,600	12,700
3 920	3 025	3 370	3 480	3 485	2 630		-
24,780	19,105	21,230	21,800	21,920	16,530		

Directors and Officers

Directors

John F. Bonner,
San Francisco, California
Executive Consultant
Former President and
Chief Executive Officer,
Pacific Gas and Electric Company

† Harry Booth,
Calgary, Alberta
Chairman of the Board
and Chief Executive Officer,
Alberta and Southern Gas Co. Ltd.

D.R. Fenton,
Calgary, Alberta
President,
Alberta and Southern Gas Co. Ltd.

J.E. Goudie,
Calgary, Alberta
Executive Vice-President,
Alberta and Southern Gas Co. Ltd.

* R.A. MacKimmie, Q.C.,
Calgary, Alberta
Counsel, MacKimmie Matthews

† Frederick W. Mielke, Jr.,
San Francisco, California
Chairman of the Board and
Chief Executive Officer,
Pacific Gas and Electric Company

†* C.O. Nickle,
Calgary, Alberta
Retired

R.H. Peterson,
San Francisco, California
Consultant,
Former Chairman of the Board,
Pacific Gas and Electric Company

†* J.S. Poyen,
Calgary, Alberta
Oil and Gas
Management Consultant

B.W. Shackelford,
San Francisco, California
Consultant,
Former President,
Pacific Gas and Electric Company

† John A. Sproul,
San Francisco, California
Chairman of the Board and
Chief Executive Officer,
Pacific Gas Transmission Company and
Executive Vice President,
Pacific Gas and Electric Company

Officers

Harry Booth,
Chairman of the Board
and Chief Executive Officer

J.E. Goudie,
President

D.R. Fenton,
Executive Vice-President

R.K. Craig,
Senior Vice-President

D. McMorland,
Senior Vice-President

W.J. Demcoe,
Vice-President,
Finance and Administration

E.W. Mychaluk,
Vice-President,
Business Development

G.T. Noland,
Vice-President,
Corporate Planning

D.A. Sharp,
Vice-President,
Operations and Engineering

G.R. Walsh,
Vice-President

F.G. Horner,
Secretary and Assistant to the
Chairman of the Board

P.M. Mahoney,
Treasurer

A. Kenney,
Assistant Secretary

* Member of Audit Committee
† Member of Compensation Committee

Corporate Information

Alberta Natural Gas Company Ltd was incorporated under the laws of Canada by a Special Act of Parliament, June 1, 1950. On July 8, 1971, Alberta Natural was continued as a company under Part I of the Canada Corporations Act and on May 14, 1979, was further continued as a corporation under the Canada Business Corporations Act.

Corporate Office

East Tower, Esso Plaza
24th Floor, 425 - 1st Street S.W.
Calgary, Alberta
T2P 3L8

Subsidiary Company

ANGUS Chemical Company
Northbrook, Illinois

Subsidiary Company Executives

R.E. Secrist,
Chairman and Chief Executive Officer

O.W. Chandler,
President and Chief Operating Officer

R.B. Kayser,
Executive Vice President

Stock Exchange Listings

Common shares are listed for trading on the Alberta, Montreal, Toronto and Vancouver Stock Exchanges, and trade under the symbol ANG.

Transfer Agent and Registrar

(Capital Stock and 8⅜% First Mortgage Pipeline Bonds, Series C.)

Montreal Trust Company

Calgary, Montreal, Regina, Toronto, Vancouver, Winnipeg

Auditors

Arthur Andersen & Co.
Chartered Accountants
Calgary, Alberta

Notice of change of address should be sent to the Transfer Agent.

Alberta Natural Gas Company Ltd
East Tower, Esso Plaza
24th Floor, 425 First Street SW
Calgary, Alberta
T2P 3L8

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