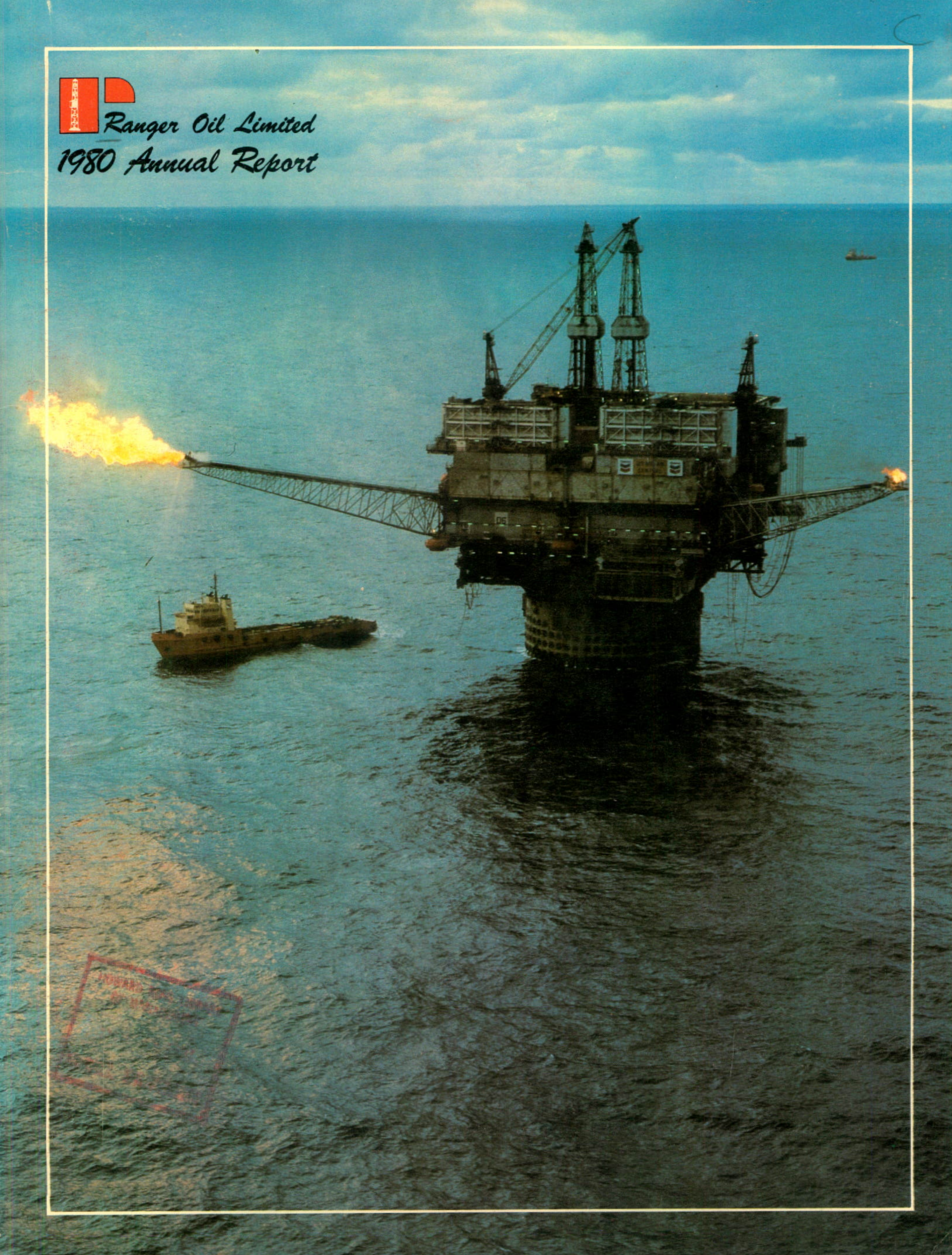
Ranger Oil Limited
1980 Annual Report



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CORPORATE HISTORY

The Company was incorporated in the Province of Ontario, Canada, August 21, 1950 as Maygill Petroleum Company. Its name was changed to West Maygill Gas & Oil Limited on May 13, 1954 when its capital was reduced by 10:1. The name was changed to Ranger Oil (Canada) Limited on August 5, 1958 and on June 12, 1980, the Company was continued under the Canada Business Corporations Act as Ranger Oil Limited. The valuation day (December 31, 1971) value of the Company's common shares for capital gains tax purposes in Canada is $1.15 per share (as adjusted for subsequent stock splits). The Company and its subsidiaries are engaged in the exploration for and development and production of oil and natural gas on a world-wide basis.

COMMON SHARE MARKET DATA

The common shares of the Company are listed on the Toronto, American, and London stock exchanges. The high and low sales prices for the common shares on the Toronto and American stock exchanges for each quarter of the two fiscal years 1980 and 1979 are tabulated below. The Company has not paid any dividends on its common shares.

	Toronto Stock Exchange (Canadian dollars)		American Stock Exchange (U.S. dollars)	
	High	Low	High	Low
1980				
1st Quarter	$11.67	$ 6.50	$10.25	$ 5.21
2nd Quarter	14.08	7.71	12.25	6.42
3rd Quarter	15.42	12.42	13.58	10.71
4th Quarter	27.50	14.13	23.38	12.13
1979				
1st Quarter	3.61	2.67	3.13	2.50
2nd Quarter	5.19	3.23	4.46	2.79
3rd Quarter	6.13	4.42	5.31	3.83
4th Quarter	9.13	5.50	7.83	4.63

The figures quoted have been adjusted to give effect to a two-for-one stock split in December 1979 and a three-for-one stock split in October 1980.

NOTE:
Copies of the Company's Form 10-K (without exhibits) as filed with the Securities and Exchange Commission are available upon written request free of charge to all shareholders of record and beneficial owners of shares. Exhibits to the Form 10-K will be supplied upon request for a fee which represents the Company's cost of reproduction and mailing. Any such request should be addressed to the Corporate Secretary of the Company at its head office.

Ranger Oil Limited

FINANCIAL HIGHLIGHTS (thousands of U.S. dollars)

Commencing with the fiscal year-end 1979, the Company's financial results including prior years have been stated in U.S. dollars, as the majority of the Company's business is now transacted in that currency.

	1980	1979
Gross Revenue	**$140,776**	$ 69,961
Cash Flow	**$108,526**	$ 50,125
Net Earnings	**$ 25,501**	$ 10,942
Working Capital	**$ 7,529**	$ 374
Long term Debt	**$118,414**	$163,987
Common Shares Outstanding (thousands)	**60,090**	59,649
Per Share — Cash Flow	**$ 1.81**	$ .87
— Net Earnings	**$ .43**	$ .19

OPERATIONAL HIGHLIGHTS

	1980	1979
Gross Daily Production		
Crude Oil and Natural Gas Liquids (barrels)		
Canada	**1,159**	1,201
United States	**73**	96
United Kingdom	**12,000**	8,109
TOTAL	**13,232**	9,406
Natural Gas (thousands of cubic feet — Mcf)		
Canada	**11,608**	14,230
United States	**2,554**	3,414
TOTAL	**14,162**	17,644
Gross Proven Reserves At December 31		
Crude Oil and Natural Gas Liquids (millions of barrels)		
North Sea	**60.1**	51.2
North America	**4.5**	4.7
Natural Gas (billions of cubic feet)		
North America	**111.3**	103.0

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Chairman's Report

J. M. Pierce,
Chairman

A year ago, your company reported on the excellent results of the first year of production from the Ninian oil field in the United Kingdom sector of the North Sea. The Company's performance continued in 1980 with an expanded exploration and development program and record oil production, revenues, cash flow and earnings.

Ninian Oil Field

Production from the field averaged 231,000 barrels per day during the year with accumulated production since start-up to December 31, 1980 totalling 142 million barrels of oil. The field is currently producing at a rate of approximately 310,000 barrels per day. Development drilling from all three platforms continued as planned during 1980 with total well completions at year-end of 30 production and 15 injection wells. The overall development well program of approximately 100 production and injection wells will continue throughout 1981/82.

Crude prices continued to increase during 1980, increasing from $29.55 U.S. per barrel on January 1 to $35.95 U.S. at year-end, for an average price of $35.19 during the year. Effective January 1, 1981, the Company's Ninian crude selling price was increased to $38.95 U.S. per barrel.

Under the terms of the Ninian Unitization Agreement, the first redetermination of the participants' field equity interests occurred in 1980. As a result of this redetermination, the Company's unit interest increased, effective January 1, 1981, by approximately 20% to 6.1783%. This increase in unit interest will directly affect 1981 as the Company will receive an increased equity interest in daily production, plus an additional 1.4 million barrels of adjustment oil due to the retroactive nature of the equity change. The Company's share of field capital costs was also adjusted to reflect the increased equity interest, with a payment of $37.2 million U.S. made on February 27, 1981.

North Sea Exploration

The 3/8a-5A and 6A wells were drilled and tested in mid-1980. The 5A well was drilled on a large structure south of the Ninian field and was a successful appraisal of the 3/8a-3 oil discovery. The 5A well tested oil from four separate pre-cretaceous intervals at a combined flow rate of 15,200 barrels per day. An additional well, 3/8a-7, was spudded approximately six kilometres southeast of the 5A in March 1981 to further evaluate this structure.

The 6A well, located 1.7 kilometres northeast of the 3/8a-5A oil discovery, also discovered oil on a separate structure adjacent to and south of the Ninian field. Oil was tested from four separate pre-cretaceous intervals at a combined rate of 20,500 barrels per day. A follow-up well is planned for mid-1981. As both structures are adjacent to the main Ninian field, any future development plans would utilize certain of the existing production facilities, the pipeline and the terminal.

The U.K. government recently announced the results of the 7th round of awards with interests in blocks 3/8b and 209/4 being awarded to Ranger U.K. Block 3/8b (Ranger interest 20%) lies directly east of the Ninian field. Block 209/4 (Ranger interest 16%) is in a promising exploration area west of the Shetland Islands.

Australia

The Company has recently opened an exploration office in Perth, Western Australia. An exploration permit covering 3,950,000 acres was awarded to a Ranger operated group (Ranger interest 56%) in late 1980 and an expansive seismic program is expected to commence on the property in May 1981. Additional exploration prospects are currently being evaluated and the Company intends to expand its activities during 1981.

Other International

During 1980, the Company continued its exploration efforts in both Guyana and offshore The People's Republic of China.

The second year's seismic program in Guyana, has now been completed on the 3,340 square mile concession (Ranger interest 20%). Following final interpretation of the seismic data, the decision to commence drilling in late 1981 will be made.

Offshore The People's Republic of China, the Company is a participant with several major oil companies in seven seismic group surveys covering approximately 154,500 square miles. The seismic surveys are now complete and final interpretations will be submitted to the Chinese authorities by mid-1981. The government is expected to announce the formal regulations covering the awarding of exploration permits as early as late 1981.

North America

During 1980, the Company participated in the drilling of 91 wells (Canada 84, U.S. 7) of which 6 were successfully completed as oil wells and 20 as gas wells. An additional 10 wells have been cased pending further evaluation. Drilling activity was concentrated in the Edson, Auburndale, Craig Lake and Suffield areas.

Production from Canadian gas properties continue to be restricted by market conditions, however, the Company has negotiated contracts for the majority of its newly discovered gas reserves.

Exploration activity continued on the Company's coal property in northeastern British Columbia. The mine development potential of this area was enhanced recently with the announcement by the federal and provincial governments that the necessary rail and port facilities would be developed. Coal sales contracts have been signed by the Japanese steel industry and two Canadian companies with mine development plans adjacent to the Company's property. Preliminary sales contract discussions have also taken place between the Company and the Japanese and Korean steel industries.

Outlook

As previously stated, the Company's primary objective is to actively pursue new exploration prospects on a global basis. As a result of this policy, the Company has recently expanded its senior professional staff and has initiated and developed new exploration programs in six countries. The Company's oil and gas reserve base has also been strengthened with continuing developments in both North America and the North Sea. Adverse governmental taxation policies affecting the energy industry in Canada and the United Kingdom have created uncertainties with respect to the industry in general, however, the Company believes that a favourable climate for energy exploration and investment will be achieved, through the co-operative efforts of both industry and government.

New Ventures

The Company announced in late December 1980 that agreement had been reached with the shareholders of Kissinger Petroleum Corporation, to acquire all of the outstanding shares of the privately held company based in Denver, Colorado. The purchase was completed on March 20, 1981, and involved a consideration of \$22 million U.S. in cash and a \$23 million U.S. 8½% convertible debenture, convertible into 800,000 common shares of Ranger at a conversion price of \$28.75 U.S.

Kissinger Petroleum Corporation and its wholly-owned Canadian subsidiary own net interests in approximately two million gross acres of oil and gas leases and oil and gas reserves in both Canada and the U.S. The companies also own and operate four drilling rigs of varying depth capacities.

Also in March 1981, the Company announced that agreement had been reached with Sedco, Inc., a major international offshore drilling contractor, to form a 50/50 joint venture with Ranger to own and operate a heavy duty semi-submersible offshore drilling rig. The rig, to be named the Sedco 714, costing \$100 million U.S. will be built in Korea and completed in mid-1983.

The Sedco joint venture will complement Ranger's worldwide exploration activities as drilling units of this type are in constant demand and their current short supply is expected to continue for the balance of the decade.

Financial

The Company's financial position continued to strengthen during 1980, with record revenues, cash flow, net earnings and an improved balance sheet.

Net earnings for 1980 were \$25.5 million U.S. (\$.43 per share), an increase of 133% over 1979 net earnings of \$10.9 million U.S. (\$.19 per share). Gross revenue for 1980 increased to \$140.8 million U.S. from \$70 million U.S. and cash flow from operations amounted to \$108.5 million U.S., an increase of \$58.4 million U.S. over the previous year.

During the year the Company reduced its bank loans by \$45.6 million U.S. to \$118.4 million U.S. at year-end. The recent Kissinger acquisition and the Ninian redetermination payments were financed utilizing short-term bank loans and a \$23 million U.S. convertible debenture. As a result of the projected increased cash flow in 1981, the Company anticipates a substantial reduction in its bank debt by the end of the year.

The Company announced on October 16, 1980 a three-for-one split in the Company's common shares. Share certificates for the additional shares were distributed to shareholders in late November.

The excellent results during the year are due to the dedication and resourcefulness of our employees. To all employees the Directors express their sincere appreciation.

On behalf of the Board

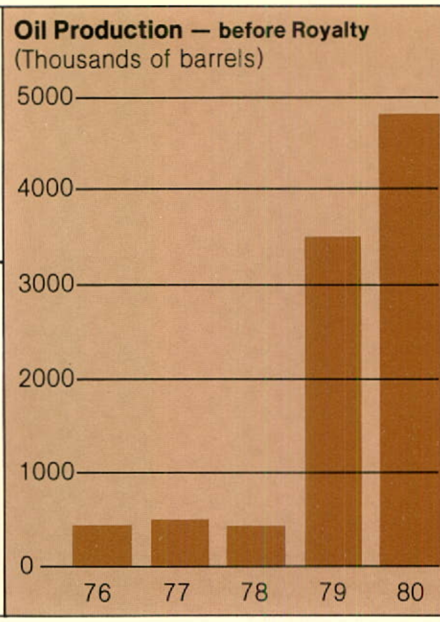
Jack M. Pierce

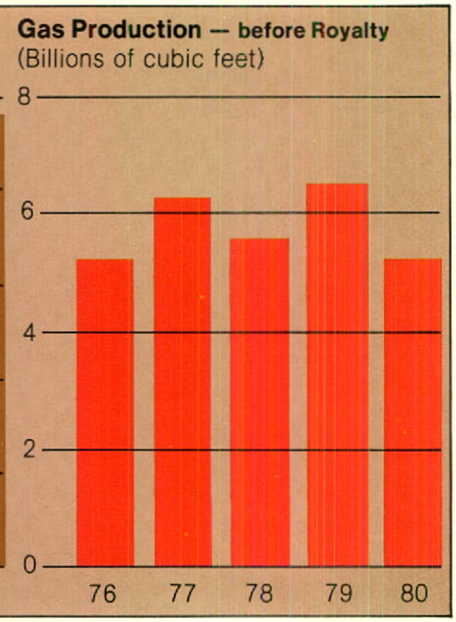
March 31, 1981

J. M. Pierce
Chairman

Production

Tanker at jetty at Sullom Voe





Daily gross production and the net proceeds after royalties from the sales of such production for 1980 are as follows:

United Kingdom — Crude Oil

Ranger's gross share of production of oil from the Ninian field averaged 12,000 barrels per day during 1980. A total net revenue of $129 million (U.S.) was received for the Company's share of production of 3.7 million net barrels at an average price of $35.19 (U.S.) per barrel. The prevailing price on January 1, 1981 was $38.95 (U.S.) per barrel.

Canada — Crude Oil

Production of oil and condensate averaged 1,159 barrels per day during 1980. Revenue from oil and condensate sales totalled $3.2 million (U.S.) during 1980, an increase of 14% compared to 1979.

The wellhead price received by the Company for its oil production in Canada increased $3.00 (Cdn.) per barrel during 1980. The current wellhead price is $17.75 (Cdn.) per barrel.

Canada — Natural Gas

Production of gas averaged 11,608 Mcf per day during 1980. Revenue from gas sales totalled $5.9 million (U.S.) during 1980, an increase of 9% compared to 1979.

The average wellhead price received by the Company for its gas production in Canada also increased during 1980. The current average wellhead price for gas in Alberta is approximately $2.65 (Cdn.) per Mcf.

United States — Crude Oil

Production of oil and condensate averaged 73 barrels per day during 1980. Revenue from oil and condensate sales totalled $433,000 (U.S.) during 1980.

The wellhead price received by the Company for its U.S. oil and condensate production varied between $6.25 (U.S.) per barrel and $39.50 (U.S.) per barrel in 1980.

United States — Natural Gas

Production of gas averaged 2,554 Mcf per day during 1980. Revenue from gas sales totalled $1.3 million (U.S.) during 1980, a decrease of 29% compared to 1979.

The average wellhead price for gas sales in the U.S. varied between $.94 (U.S.) per Mcf for interstate sales, to $2.64 (U.S.) per Mcf for intrastate sales in 1980.

Reserves

J.J. Newman,
Senior Vice President Exploration and Production

Ninian Northern Platform

NORTH SEA — NINIAN OIL FIELD

Based on a March 2, 1981 reserve study by DeGolyer and MacNaughton, independent Petroleum Consultants, estimated remaining gross proven reserves of crude oil and natural gas liquids as of December 31, 1980 are as follows:

	Thousands of barrels
Crude Oil	
Total Remaining Oil Recoverable	906,979
Ranger's 6.1783% Interest (1)	56,036
Ranger's Retroactive Adjustment Oil (2)	1,404
Total (2)	57,440
Natural Gas Liquids	
NGL's Recoverable	42,508
Ranger's 6.1783% Interest (1)	2,626
Total Oil & NGL's — Ranger's 6.1783 Interest (2)	60,066

North Sea oil and gas reserves outside of the Ninian Oil Field are not included in the above figures. This applies specifically to the discoveries on blocks 3/8 and 23/27, and the block 48/18b gas discovery.

(1) Unit agreement percentage following first redetermination of interest.
(2) Ranger's Ninian Unit Interest increased from 5.192% to 6.1783% retroactive to start of production.

NORTH AMERICA

The Canadian reserve estimates have been prepared by Company engineers. The United States reserve estimates have been prepared by Keplinger and Associates, Inc.

Estimates of proven reserves before royalty as at December 31, 1980 are as follows:

Canada	
Crude Oil and Natural Gas Liquids (thousands of barrels)	4,385
Natural Gas (millions of cubic feet)	106,182
United States	
Crude Oil and Natural Gas Liquids (thousands of barrels)	148
Natural Gas (millions of cubic feet)	5,179
CORPORATE TOTAL	
Crude Oil and Natural Gas Liquids (thousands of barrels)	64,599
Natural Gas (millions of cubic feet)	111,361

World-wide Acreage Holdings

as at December 31, 1980

OIL AND GAS ACREAGE

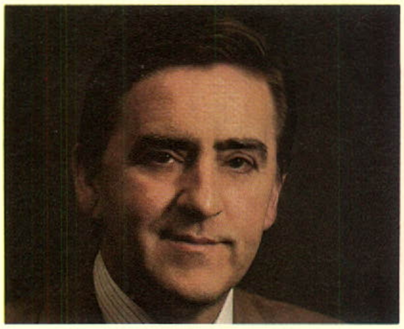
Geographical Area	Nature of Interest	Block Numbers	Gross Acres	Net Acres
(a) Oil and Gas **Developed** Acreage				
Canada (1)				
Alberta	Leases		254,182	80,218
British Columbia	Leases		10,748	1,790
Saskatchewan	Leases		3,401	1,586
			268,331	83,594
United States (1)				
Louisiana	Leases		2,448	1,679
Texas	Leases		6,838	2,928
Wyoming	Leases		3,992	210
Other States	Leases		4,000	876
			17,278	5,693
United Kingdom — North Sea	Licence P.199	3/8a — Ninian	7,715	1,543
Total Oil and Gas Developed Acreage			293,324	90,830
(b) Oil and Gas **Undeveloped** Acreage				
Canada (1)				
Alberta	Leases, reservations and licences		178,127	52,563
British Columbia	Leases		12,067	1,852
			190,194	54,415
United States (1)				
Louisiana	Leases		1,632	372
Texas	Leases		9,685	5,943
Other States	Leases		1,704	70
			13,021	6,385
United Kingdom — North Sea (3)	Licence P-114 (2)	22/27a	41,711	16,685
		23/27	49,273	19,709
	Licence P-128 (2)	48/18b	16,754	3,854
		48/19b	19,818	4,558
	Licence P-229 (2)	3/30a	38,302	7,660
		4/21	2,298	460
		4/26	10,329	2,066
	Licence P-199 (2)	3/8a	17,317	3,463
	Licence P-329	3/8b	12,516	2,503
			208,318	60,958
Guyana			2,137,600	427,520
Australia			3,950,000	2,212,000
Total Oil and Gas Undeveloped Acreage			6,499,133	2,761,278

COAL EXPLORATION ACREAGE

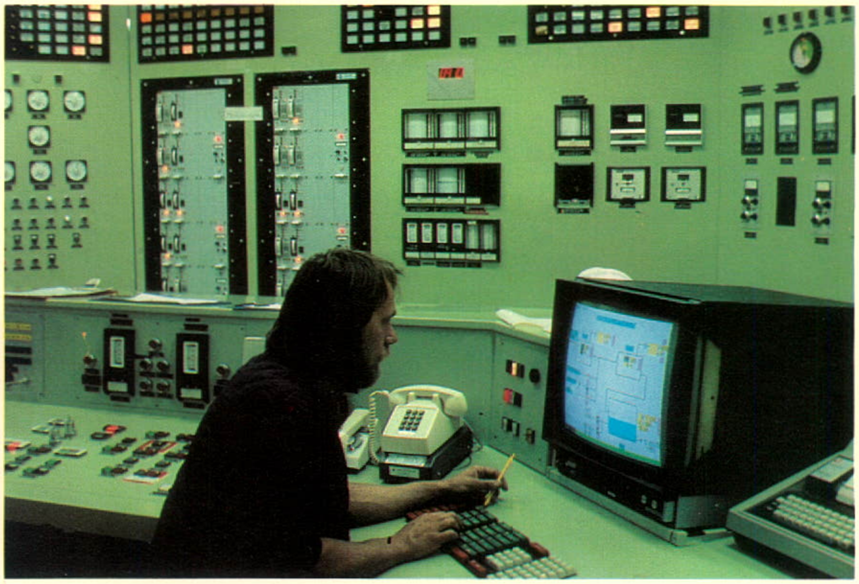
Canada				
British Columbia	Licences		19,745	13,821

(1) Does not include Kissinger properties. See page 23.
(2) At the end of the initial six-year term, 50% of the acreage reverts to the Crown. The above table gives effect to the required relinquishment.
(3) Block 209/4 awarded March 1981 not included.

International Operations



A. L. Evans,
Vice President Exploration,
International



Ninian Central Platform, control room

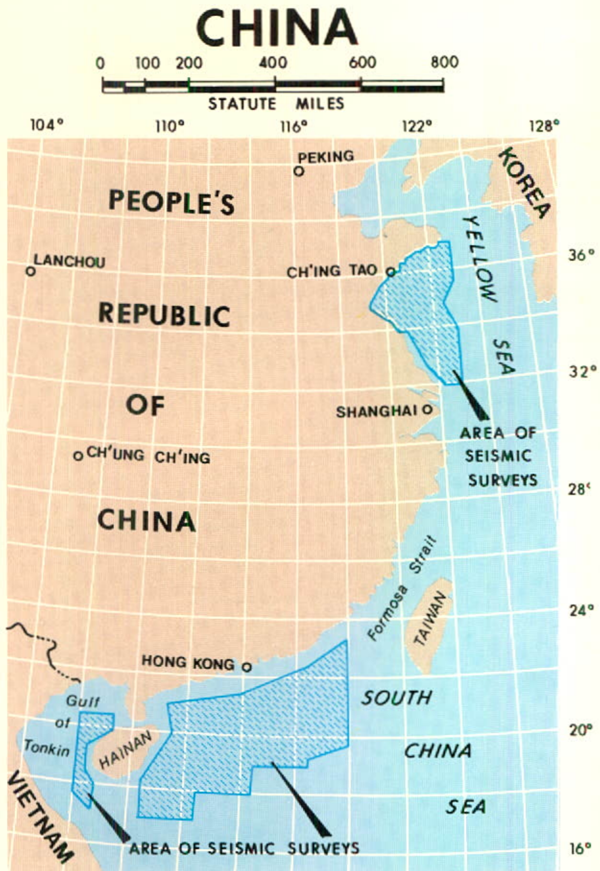
The Company has expanded its international exploration activities during 1980 to include Australia and has established an exploration office in Perth, Western Australia. Exploration activities are currently under way, outside North America, in the U.K. sector of the North Sea, Guyana, offshore the Peoples' Republic of China and Australia. Other areas of the world are being reviewed with a view to possible exploration activity.

Guyana

The Company holds a 20% interest in a concession area covering approximately 3,340 square miles in the interior of Guyana. An initial seismic program of 300 miles was completed during the year and a second program of 470 miles was commenced. The current program will concentrate on detailing structures indicated by the initial survey. The terms of the concession require the drilling of an exploratory well during the third contract year which commences November 1981.

China

The Company is a participant in seven group-seismic surveys covering approximately 154,500 square miles offshore the People's Republic of China. All the surveys were completed during the year. Interpretation of survey results is under way and final reports on each of the survey areas will be delivered to the Chinese authorities prior to June 1981. The Chinese Government is expected to announce an initial round of licence applications during late-1981. Ranger, by virtue of its involvement in all seven group seismic surveys, will be eligible to apply in all licencing areas.

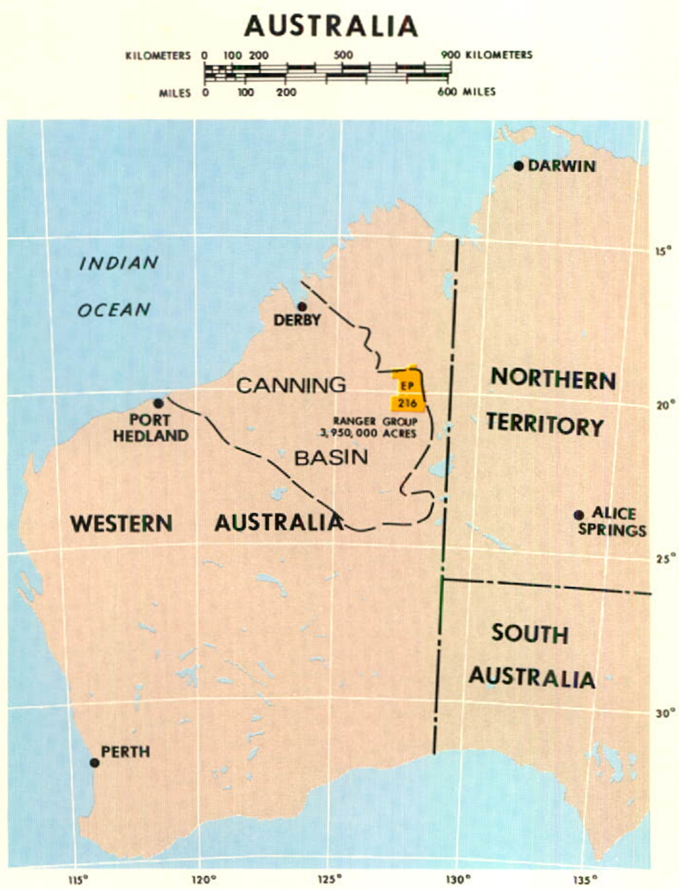


Australia

The Company has been awarded an Exploration Permit covering approximately 3,950,000 acres in the Canning Basin of Western Australia. The Company holds a 56% net interest and will act as Operator for the Permit. In addition, the Company holds a 20% equity interest in Pontoon Oil and Minerals N.L., an Australian company, which holds a 24% interest in the Permit.

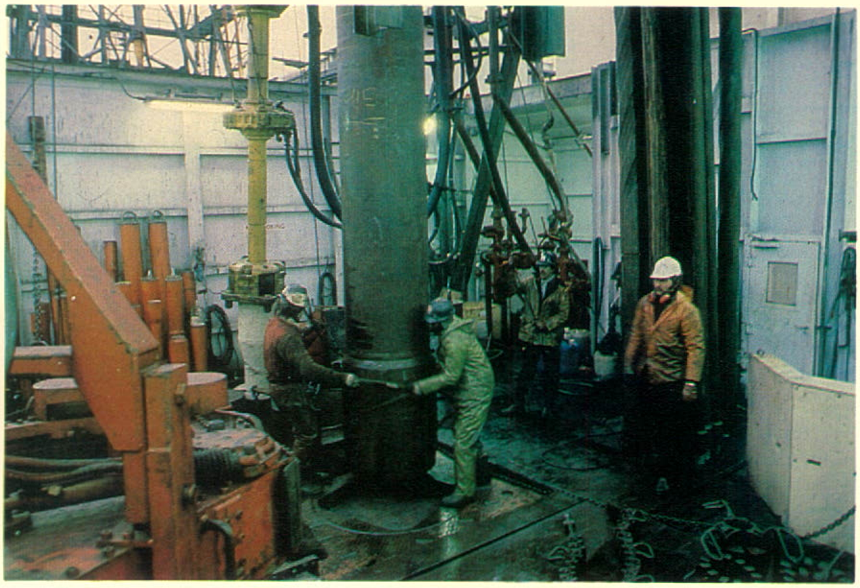
An initial seismic survey of over 1,000 kilometres will be undertaken in 1981.

The Company is currently reviewing other areas of potential exploration interest, both onshore and offshore.



United Kingdom Operation

G. H. Bowman,
Managing Director, Ranger Oil (U.K.) Limited



Running 30" casing on Northern Platform

U.K. Seventh Round

The U.K. Government announced the Seventh Round of offshore licencing during 1980. Ranger, in partnership with other companies, applied in both the Company Nominated Area and the Government Designated Area. The Nominated Area awards were announced in December 1980 and Ranger was successful in the joint application with BP and LSMO for block 3/8b. The Designated Area awards were announced in March 1981. The Sun Oil group of which Ranger is a 16% participant was awarded block 209/4.

Licence P-114; 22/27a and 23/27 (Ranger interest 40%).

A seismic programme will be conducted across block 22/27a in 1981 to evaluate further prospects on this block. The 23/27 Paleocene oil discovery is also being re-evaluated with a view towards further drilling to determine the commercial potential of this prospect.

Licence P-128; 48/18b and 48/19b (Ranger interest 23%).

A detailed 1 km seismic grid covering both blocks will be shot in 1981 and a re-evaluation of the licence will then take place with a view to further drilling.

Licence P-199; 3/8a (Ranger interest 20%).

The Company participated in two successful exploration wells in 1980 on block 3/8a south of the Ninian oilfield.

Well 3/8a-5A was drilled on a large structure south of the Ninian field and was a successful appraisal of the oil discovery made in 1975 by the BP/Ranger 3/8-3 well. The 3/8a-5A well tested oil from four separate pre-cretaceous intervals at maximun flow rates of 3,688, 100, 4,874 and 6,520 barrels of oil per day respectively.

Well 3/8a-6A, located 1.7 km. northeast of the 3/8a-5A oil discovery, was drilled on a separate structure adjacent to and south of the Ninian field. Oil was tested from four separate pre-cretaceous intervals at rates of 7,200, 4,900, 4,700 and 3,700 barrels of oil per day respectively.

A detailed 1 km seismic grid will be shot across both structures early in 1981 and a development feasibility study carried out. The first of a two-well appraisal program on the structures was spudded in early March.

Licence P-229; 3/30a, 4/21 and 4/26 (Ranger interest 20%).

Due to adverse weather, the seismic planned for 1980 was postponed and will now be shot in 1981 and the licence re-evaluated following the survey.

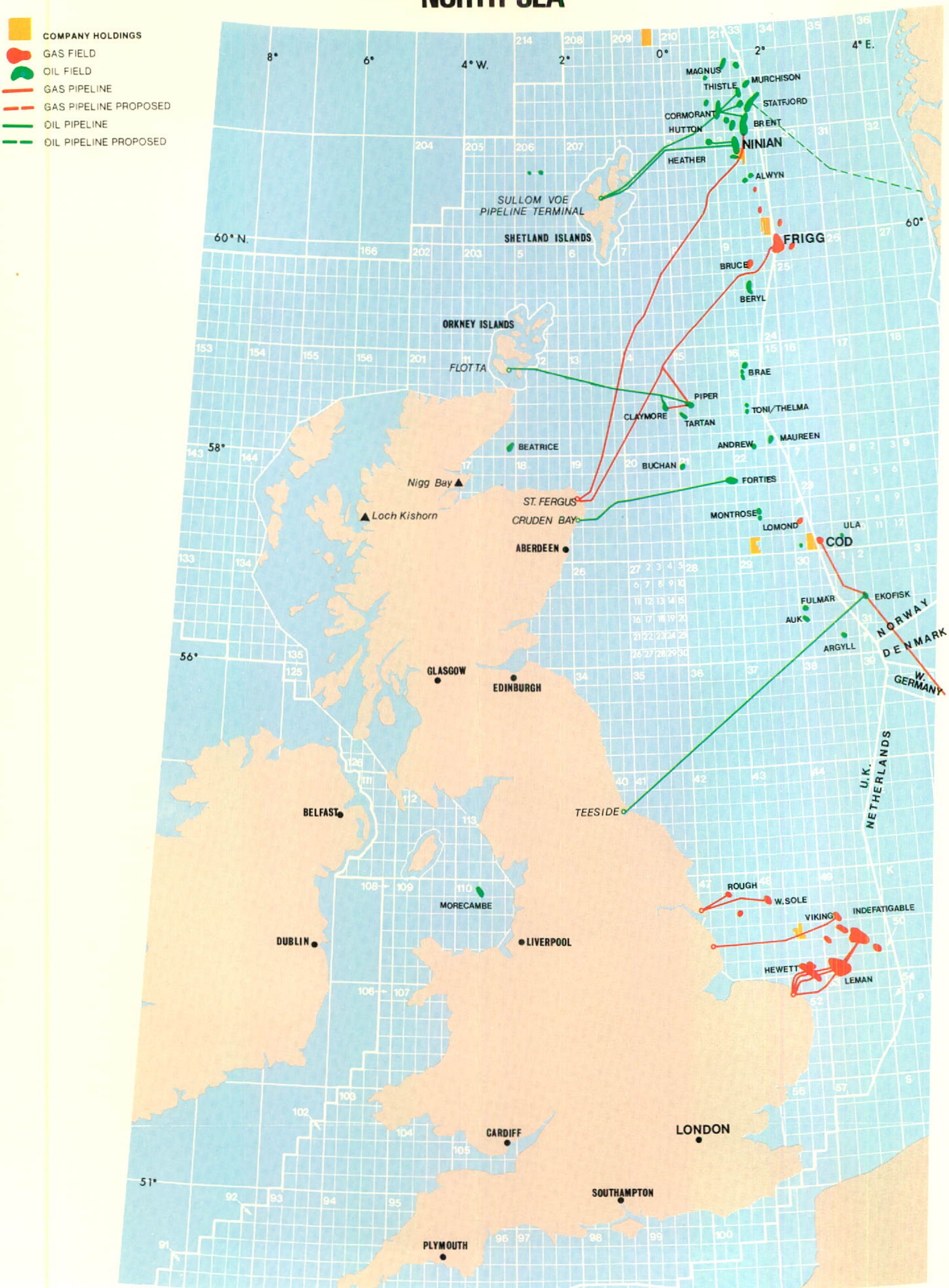
Licence P-329; 3/8b (Ranger interest 20%).

This licence was awarded in the 7th Round of U.K. awards and comprises the eastern half of block 3/8, which was relinquished in 1978 under the terms of the original block 3/8 licence. A seismic survey of the block will be carried out during 1981.

Block 209/4 (Ranger interest 16%).

Awarded in the 7th Round of U.K. Awards this block is located in the West Shetland basin. In addition, Ranger has a 16% equity interest in Union Jack Company Limited which has a 24% interest in the block.

NORTH SEA


COMPANY HOLDINGS
GAS FIELD
OIL FIELD
GAS PIPELINE
GAS PIPELINE PROPOSED
OIL PIPELINE
OIL PIPELINE PROPOSED
MAGNUS
MURCHISON
THISTLE
STATFJORD
CORMORANT
BRENT
HUTTON
NINIAN
HEATHER
ALWYN
SULLOM VOE PIPELINE TERMINAL
SHETLAND ISLANDS
FRIGG
BRUCE
BERYL
ORKNEY ISLANDS
FLOTTA
BRAE
PIPER
TONI/THELMA
CLAYMORE
TARTAN
BEATRICE
ANDREW
MAUREEN
BUCHAN
Nigg Bay
FORTIES
ST. FERGUS
Loch Kishorn
CRUDEN BAY
MONTROSE
LOMOND
ULA
COD
ABERDEEN
EKOFISK
FULMAR
AUK
NORWAY
ARGYLL
DENMARK
W. GERMANY
GLASGOW
EDINBURGH
U.K.
NETHERLANDS
BELFAST
TEESIDE
ROUGH
W.SOLE
MORECAMBE
VIKING
INDEFATIGABLE
DUBLIN
LIVERPOOL
HEWETT
LEMAN
LONDON
CARDIFF
SOUTHAMPTON
PLYMOUTH
8°
6°
4° W.
2°
0°
2°
4° E.
60° N.
60°
58°
56°
51°

Ninian

Aerial view of crude oil tankage at Sullom Voe

Ninian Southern Platform

The Ninian oilfield was discovered in January 1974 by the BP/Ranger 3/8-1 well. By 1976, eight exploration and appraisal wells had been drilled and a decision was made to develop the field under a Unitization Plan utilizing three production platforms.

Production commenced on December 23, 1978 from the first well drilled from the Southern Platform.

By the end of 1980, 30 wells were producing oil from the field and 14 were injecting seawater into the reservoir as part of the water injection pressure maintenance plan to enhance recovery from the field. A further well was injecting surplus LPG into the reservoir as a gas conservation measure pending the commissioning of LPG recovery and marketing facilities at the Sullom Voe Terminal in 1982.

A total of 142 million barrels of oil had been produced from the field by the end of 1980, and the rate of production at year-end was approximately 300,000 barrels daily. The Company's net share of production during 1980 was 3.7 million barrels of oil, which were sold at an average price of $35.19 (U.S.) per barrel to Chevron Petroleum (U.K.) Limited under a long-term sales contract.

Field Development

The installation of process equipment and support facilities continued during 1980, but construction work offshore was entering the final phase by the end of the year.

On the Southern and Central Platforms, the LPG processing and injection systems were put into operation and injection of LPG into well C-5 began on May 28. The Alternate Living Quarters module was lifted onto the Central Platform and is the first phase of a program to increase offshore accommodations.

The Northern Platform received a Certificate of Fitness for drilling on May 1. Production facilities were completed and certified and production commenced on September 1.

Reservoir Development

Development drilling continued during 1980 with two rigs on each of the Southern and Central Platforms and one on the Northern. By year-end, a total of 22 wells had been completed from the Southern Platform, of which 14 were producing and 8 injecting water. On the Central Platform, 20 wells had been completed by year-end, 13 of these being producers and 7 injectors. The Northern Platform completed two wells during the year, both producers. During December 1979, an experimental subsea well was tied-in to the Central Platform as an additional producer.

Pressure maintenance by water injection started in July 1979 and by year-end 1980 a total of 78 million barrels had been injected into the reservoir. Current daily injection rate is approximately 250,000 barrels per day and when the water injection scheme is completed, it is planned that injection volumes will match fluid withdrawals from the reservoir.

Gas Conservation

Plans for conservation of surplus associated offshore gas include the connection of the field to the western leg of the FLAGS pipeline system, together with reinjection into the reservoir of surplus LPG. Equipment for LPG injection was commissioned at the end of May 1980, and by year-end some 2.5 million barrels had been returned to the reservoir at an average rate of 12,000 barrels per day.

Department of Energy consent has been received for offshore flaring of dry associated gas pending commissioning of the FLAGS gas-gathering system.

The feeder line to the west leg of the FLAGS gathering system was laid in July. The 17 kilometres of line were tied in and successfully hydrotested. The gas compressor module was installed on the Cental Platform and connected to the existing system and the FLAGS feeder line. The compressors and feeder line are awaiting completion of the FLAGS facilities in late-1981 before being brought into service.

Sullom Voe Terminal

Construction at the Sullom Voe Terminal continued at the programmed rate during 1980. All the major equipment components are now on site and being installed. This includes crude oil stabilization, gas compression and LPG recovery facilities in addition to the existing storage, shipping jetties and power facilities.

The Terminal is designed to handle 1,410,000 barrels of stabilized crude oil per day. Current production from both the Ninian and Brent pipeline systems exceeds 700,000 BOPD. Twelve crude oil storage tanks are in service, each having an effective capacity of 590,000 barrels. One of the four jetties in service is capable of handling refrigerated LPG.

Ninian Pipeline

The 36-inch main oil line from the Ninian field to the Sullom Voe Terminal continued to operate without problems during 1980. The routine annual survey of the line in mid-summer found all elements in satisfactory condition.

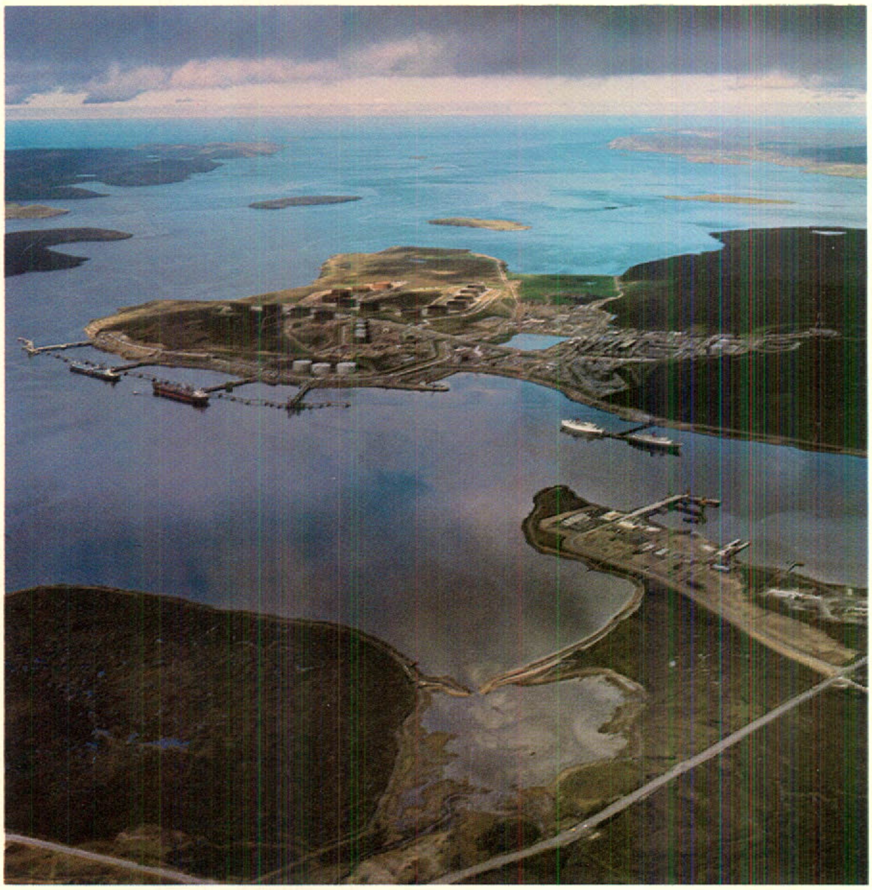
The line carries crude from the Ninian field and from the Heather field. Output from the Magnus field will be added when that field comes on stream in 1984. In addition, approaches have been made during 1980 by another field group to put crude through the line in 1985 and negotiations are currently in progress.

Unitization

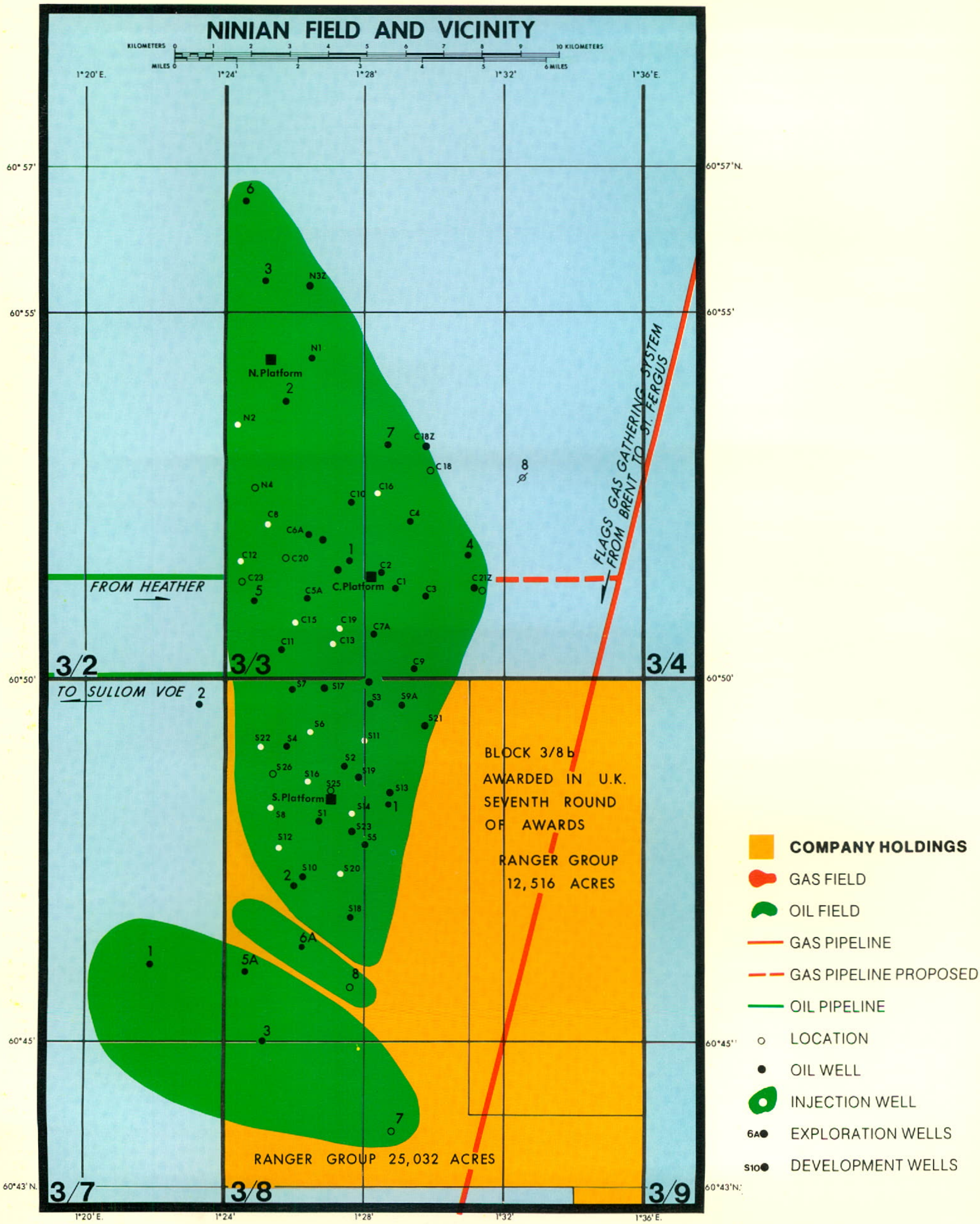
On January 25, 1979, the Operating parties in the Ninian field signed a Unitization Agreement which defined the principles of unitized operation, including the methods of sharing the oil produced from the field and the associated operating and capital costs.

Under this Agreement, each party's interest in the Unit is determined according to a formula. The equity participation resulting from the formula is redetermined from time to time as additional reservoir data become available, with the final determination expected to take effect not later than July 1, 1984. At each such redetermination, oil production, operating expenses and capital expenditures for field, pipeline and terminal facilities will be retroactively adjusted in accordance with the new equity participation assigned.

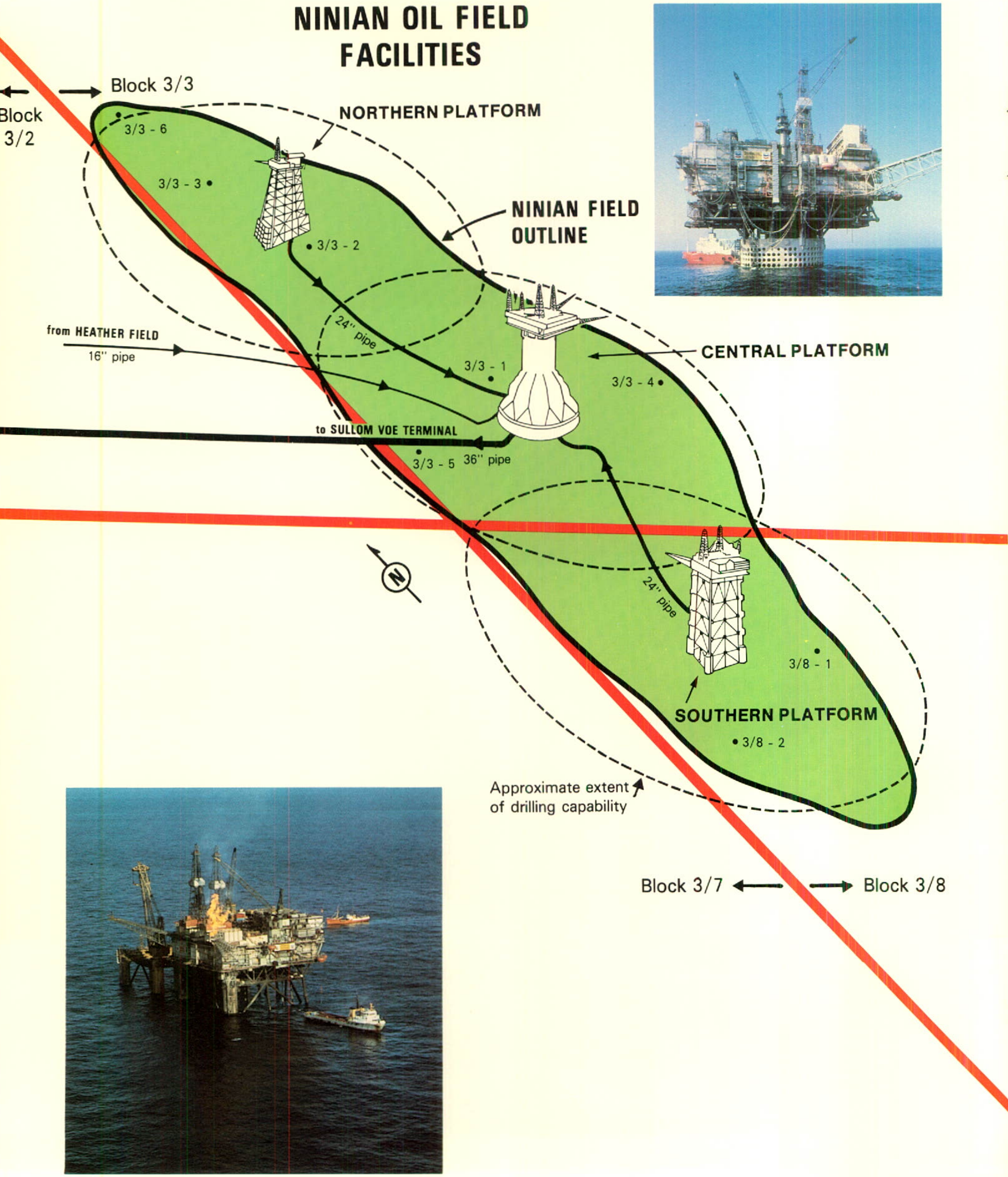
Initially, the Company was entitled to 5.192% of production from the Unit. As a result of redetermination negotiations during 1980, this share was increased to 6.1783% effective January 1, 1981. In addition to this increased equity, the Company will receive some 1.4 million barrels of oil during 1981 in accordance with the retroactive adjustment procedures of the Unit Agreement.



Sullom Voe Terminal in the Shetland Islands


NINIAN FIELD AND VICINITY
KILOMETERS 0 1 2 3 4 5 6 7 8 9 10 KILOMETERS
MILES 0 1 2 3 4 5 6 MILES
1°20' E.
1°24'
1°28'
1°32'
1°36' E.
60° 57'
60°57'N.
60°55'
60°50'
60°45'
60°43'N.
N3Z
N1
N.Platform
N2
N4
C18Z
C18
C16
C10
C4
C8
C6A
C12
C20
C2
C23
C.Platform
C1
C5A
C3
C21Z
C15
C19
C7A
C13
C11
C9
S7
S17
S3
S9A
S21
S6
S11
S22
S4
S2
S26
S16
S19
S25
S13
S.Platform
S14
S8
S1
S23
S5
S12
S10
S20
S18
6A
5A
FROM HEATHER
TO SULLOM VOE
FLAGS GAS GATHERING SYSTEM FROM BRENT TO ST. FERGUS
3/2
3/3
3/4
3/7
3/8
3/9
BLOCK 3/8 b
AWARDED IN U.K.
SEVENTH ROUND
OF AWARDS
RANGER GROUP
12,516 ACRES
RANGER GROUP 25,032 ACRES
COMPANY HOLDINGS
GAS FIELD
OIL FIELD
GAS PIPELINE
GAS PIPELINE PROPOSED
OIL PIPELINE
LOCATION
OIL WELL
INJECTION WELL
6A EXPLORATION WELLS
S10 DEVELOPMENT WELLS

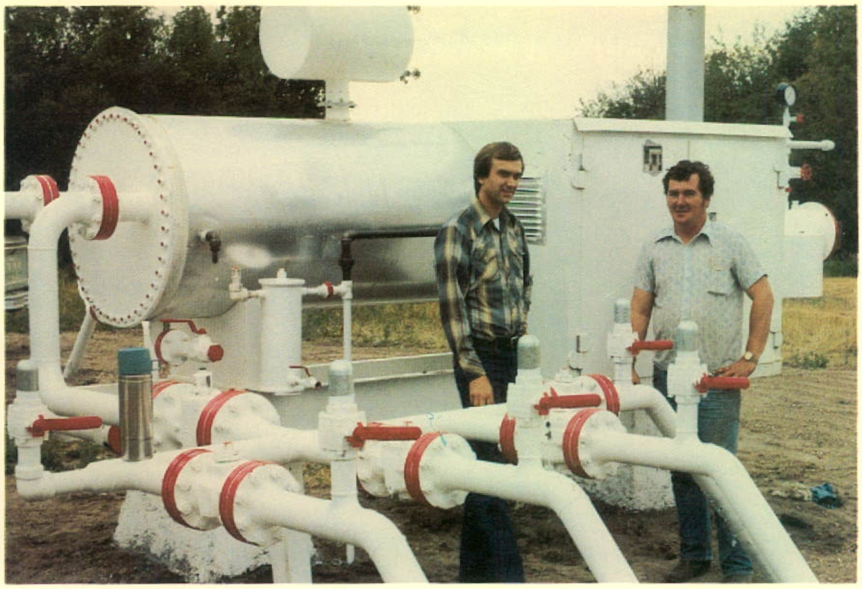
NINIAN OIL FIELD FACILITIES



North American Operations

Canada

S. B. Smith,
Vice President Operations, North America



A. Sanden and W. Wallace inspecting a gas facility

The Company carried out an active exploration program in 1980 by participating directly in the drilling of 84 wells, and indirectly in 14 royalty interest wells.

Emphasis continued in several established areas of interest, notably Edson, Auburndale and Craig Lake areas, as well as several new areas.

An analysis of the 1980 drilling is shown in the following table. A new category — Cased for Evaluation — has been incorporated this year to identify those wells which, although cased, will require extensive production testing to determine their ultimate status.

Total Wells
(Direct Participation)

	1980	1979
Oil	5	16
Gas	20	20
Service	1	0
Cased	10	0
Abandoned	48	16
Total	84	52
Net Wells	15.1	10.2

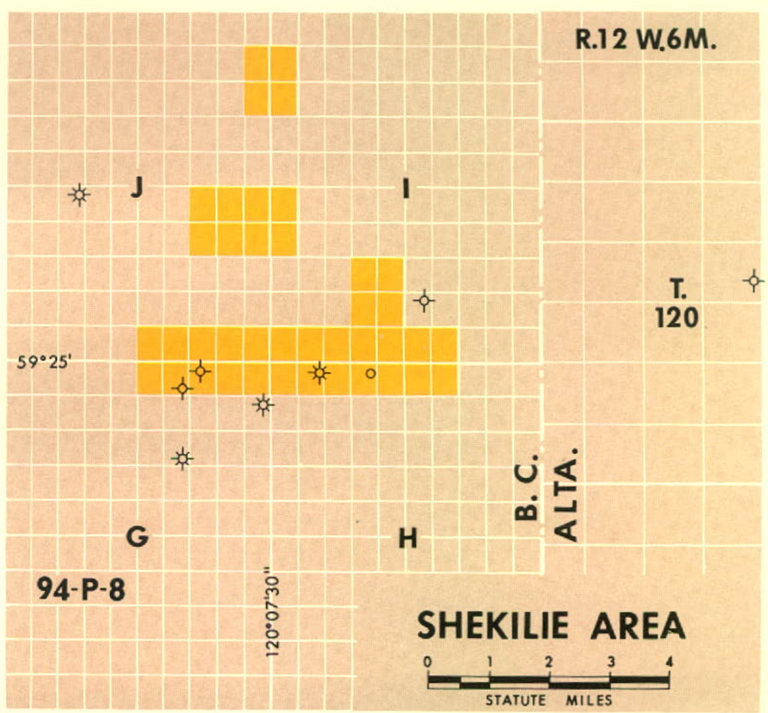
Despite generally adverse gas marketing conditions in the industry, Ranger was able to obtain new or additional contracts in three areas during 1980. Auburndale, Craig Lake and the Rich areas commenced production on new contracts during the year.

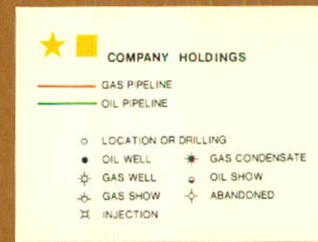
Shekilie

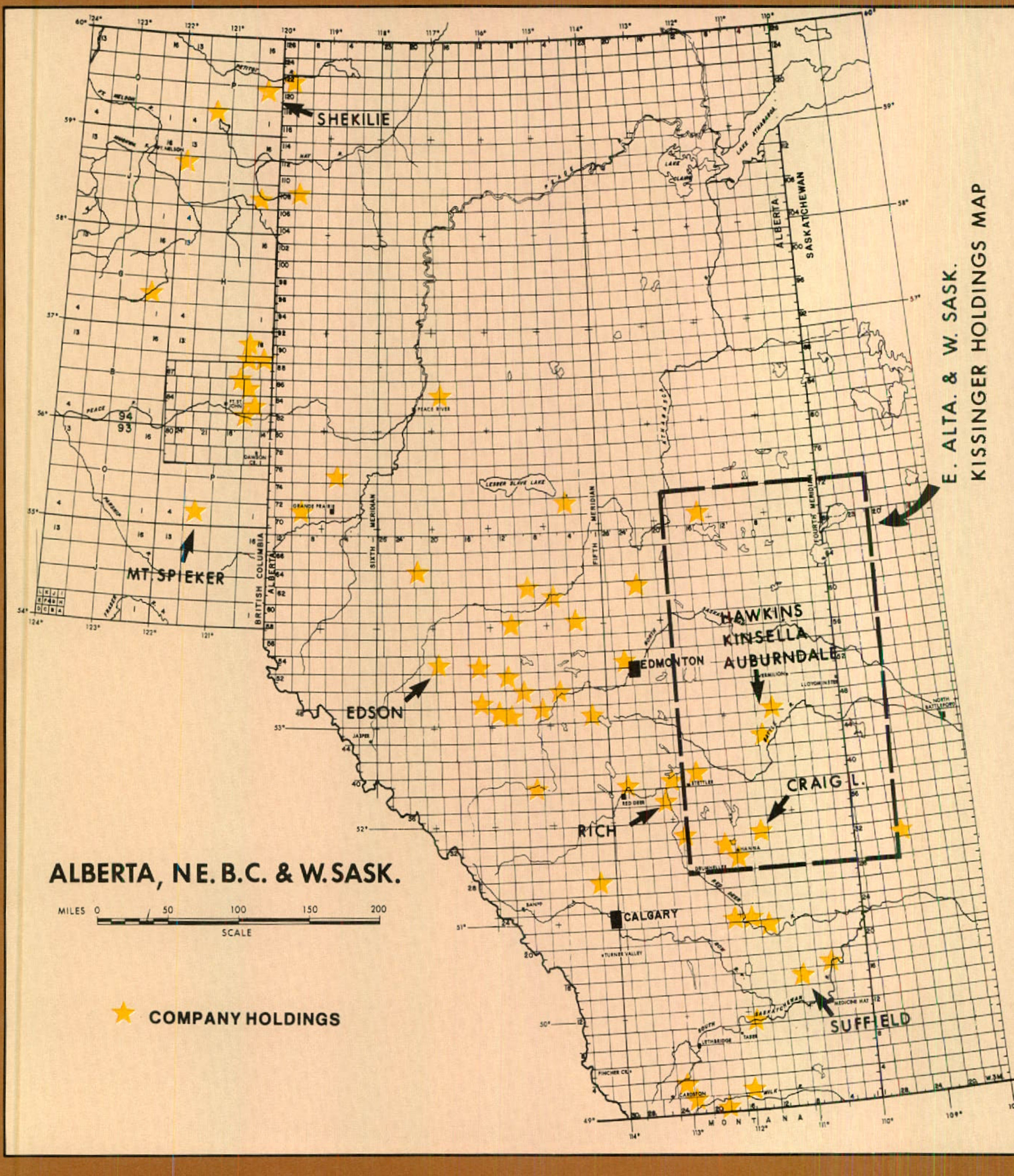
A significant gas discovery was drilled in the Shekilie area of northeastern B.C. in March 1980.

The d-99-H well was tested at a rate of 6.0 MMcfd from the Slave Point formation. Further production testing is scheduled for the 1980-81 winter season.

Two additional wells will be drilled during 1981. The Company has working interests varying between 19% and 25% in a total of 4,560 acres adjacent to the discovery.

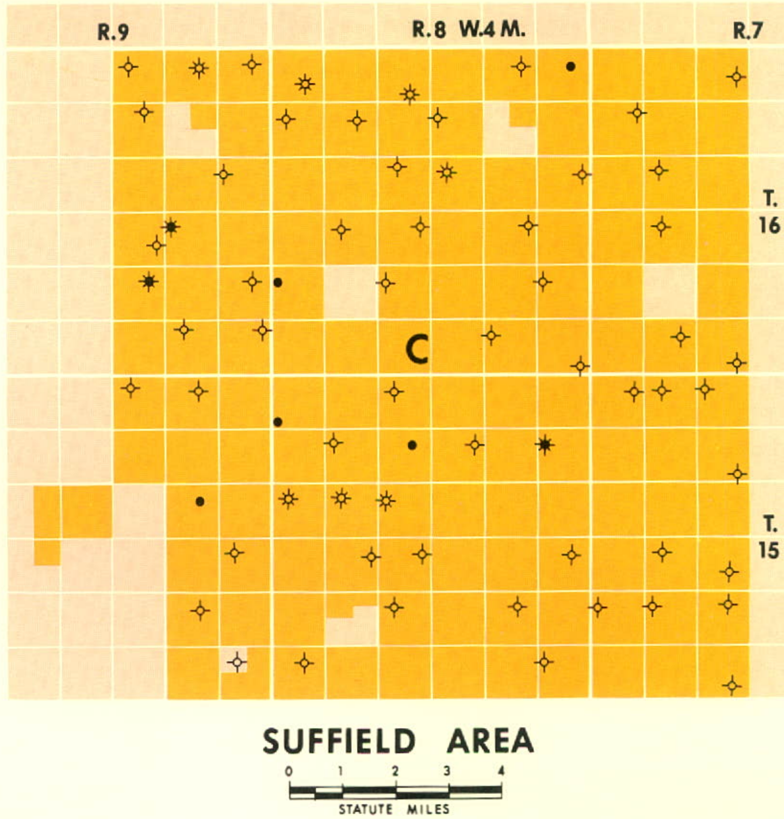



COMPANY HOLDINGS
GAS PIPELINE
OIL PIPELINE
LOCATION OR DRILLING
OIL WELL
GAS WELL
GAS SHOW
INJECTION
GAS CONDENSATE
OIL SHOW
ABANDONED


E. ALTA. & W. SASK.
KISSINGER HOLDINGS MAP
SHEKILIE
MT. SPIEKER
EDSON
EDMONTON
HAWKINS
KINSELLA
AUBURNDALE
CRAIG L.
RICH
CALGARY
SUFFIELD
BRITISH COLUMBIA
ALBERTA
SASKATCHEWAN
SIXTH MERIDIAN
FIFTH MERIDIAN
FOURTH MERIDIAN
LESSER SLAVE LAKE
LAKE ATHABASCA
MONTANA
ALBERTA, NE. B.C. & W. SASK.
MILES 0 50 100 150 200
SCALE
COMPANY HOLDINGS

Suffield "C" Block

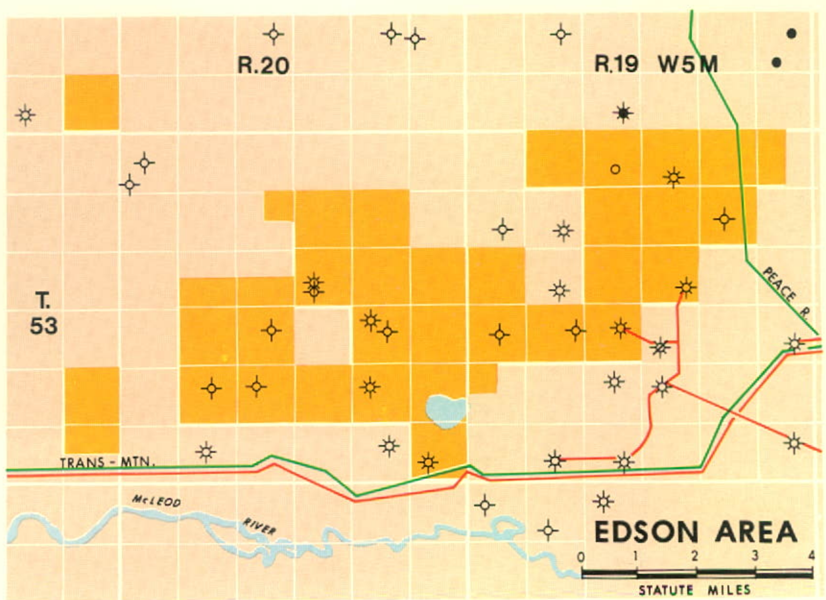
The extensive drilling program in this block was completed in 1980 with the drilling of 55 wells to bring the total to 67. The program has resulted in 8 oil and 7 gas discoveries. By completing the program, the Company has earned a 15% working interest in this 88,080 acre block.



Edson

Drilling continued in Edson West and resulted in 2 multi-zone gas wells bringing to 4 the total of productive wells in this area. Completion and testing are now under way on these wells in preparation for anticipated first production in 1982. At least one additional well will be drilled in 1981.

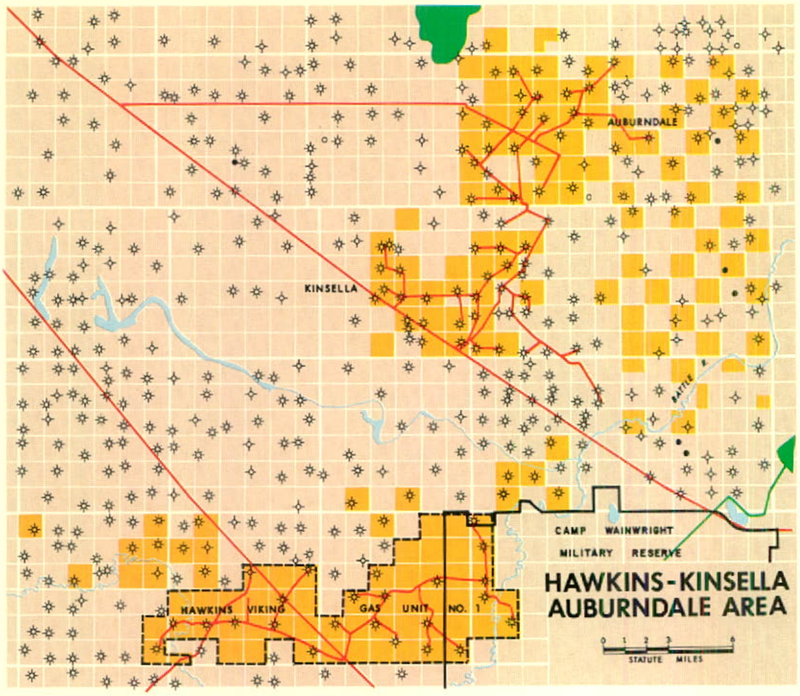
Excellent production performance was maintained in the existing Edson Viking contract area during the year. The A10-16-53-19 well was recompleted in the Viking zone and indicated productivity in excess of 8 MMcfd.



Kinsella-Auburndale

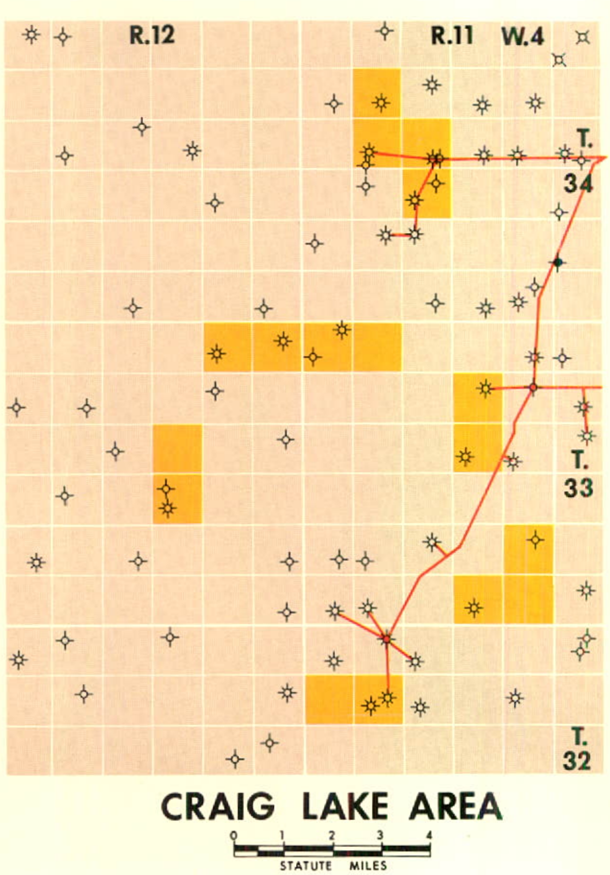
Successful drilling continued in the Auburndale area of Alberta with a total of 12 wells, all of which resulted in gas wells. Also, during 1980, gas contracts were obtained on 7 Auburndale wells, 4 of which went on production in November. Further facility construction and contracts are anticipated in 1981. Extensive facility renovations were made in the Viking Kinsella field during 1980. Productivity from this field remains at 9.6 MMcfd.

The combined productivity of the Kinsella-Auburndale-Hawkins area is estimated to be 18 MMcfd with Ranger's share 7.2 MMcfd. Drilling in this area in 1981 is expected to involve approximately 7 wells.



Craig Lake

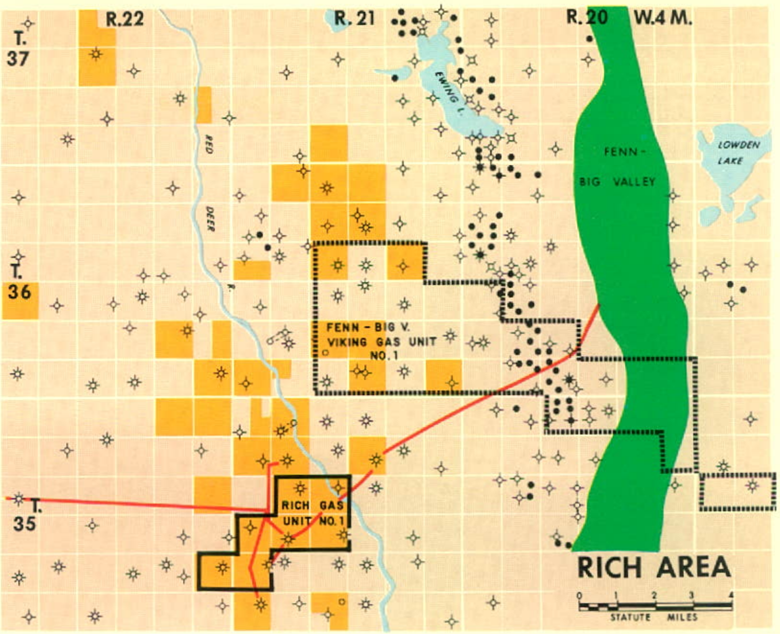
This area saw the drilling of 7 gas wells in 1980 to earn Ranger a 50% working interest in 8,960 acres. Three previous 100% Ranger wells in this area were granted a gas contract in 1980. Facilities were constructed and the wells were placed on production in September.

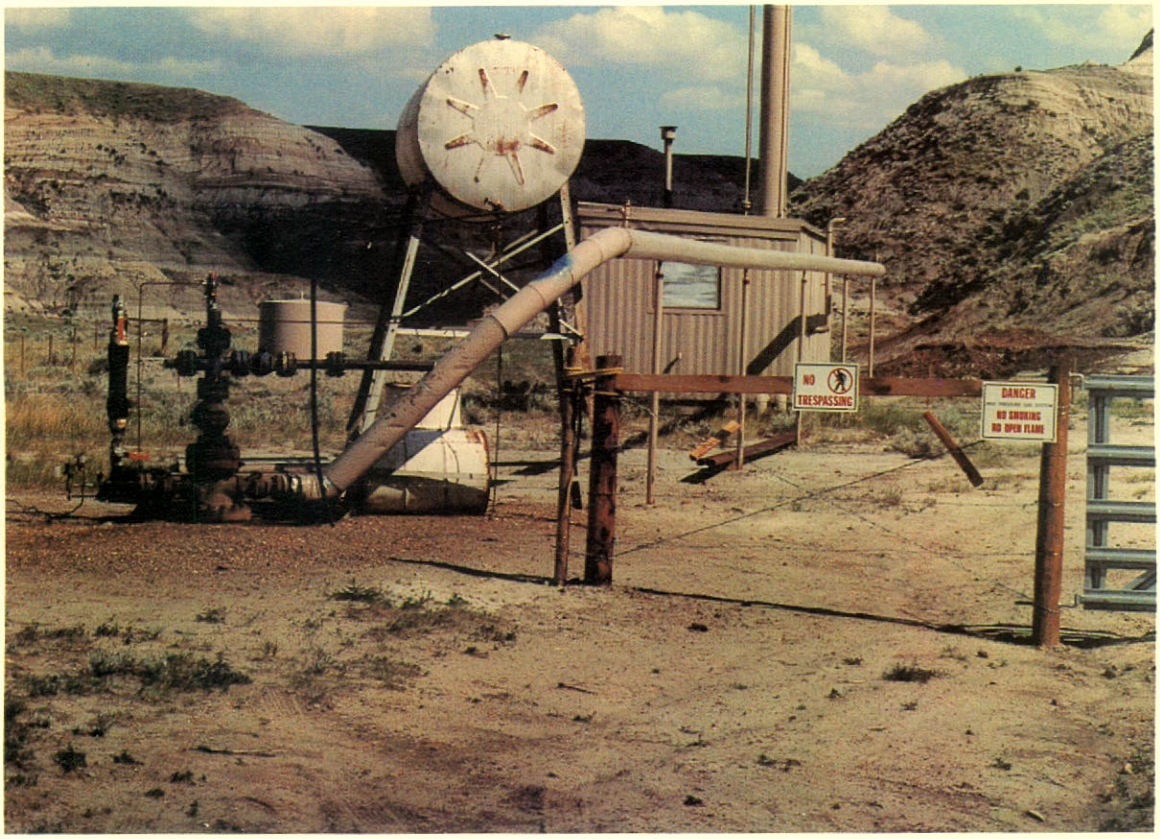


Rich-Fenn West

Production operations were maintained successfully during 1980, and an additional well, 10-6-35-21, was equipped and tied into the gas plant. The well is capable of rates in excess of 2 MMcfd.

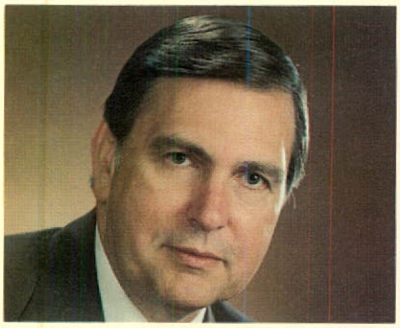
Five additional wells are planned for 1981 and additional gas contracts for the area are expected to be available in 1982.





Sweetgrass facility, Alberta

United States



E. Tonn,
President, Ranger Oil Company

Testing the Cartwright # 1 oil well

In view of the attractive economic climate for oil and gas exploration in the United States, the Company plans to significantly expand its scope of U.S. operations. As a major first step towards this objective, Ranger has purchased Denver-based Kissinger Petroleum Corporation. This acquisition will provide Ranger with a strong exploration base in the Rocky Mountain Area.

Further acceleration in Ranger's U.S. operations will be accomplished by developing a production and exploration organization with the capacity to operate in the major U.S. oil and gas States. Its principal short-term goal will be to assure reserve additions from successful exploratory drilling in traditional producing areas. Its main long-term goal will be to implement exploration strategies that will result in developing an attractive prospect and lease inventory with the potential for contributing sizable reserve additions.

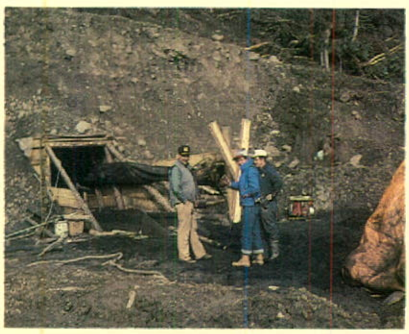
Exploration activities in the U.S. during 1980 included participation in the drilling of seven gross exploratory wells in South Texas and South Louisiana. An oil discovery was completed in Live Oak County, Texas.

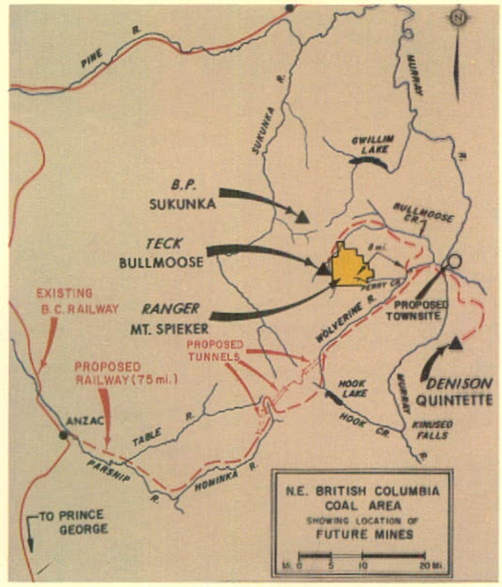
Daily U.S. production averaged 2,554 thousand cubic feet of gas and 73 barrels of oil from 25 wells located in Texas, Louisiana, Kansas and Wyoming.

TEXAS
LOUISIANA
MISS.
KENTWOOD
BOGALUSA
MERRYVILLE
EUNICE
CASSELMAN OIL
BATON ROUGE
LAKE CHARLES
JENNINGS
WELSH
LAFAYETTE
PLAQUEMINE
VINTON
LE BLANC GAS
NEW IBERIA
BAYOU GROSBEC GAS CONDENSATE
KENNER
NEW ORLEANS
DELACROIX GAS
MISSISSIPPI RIVER
FRANKLIN
HOUMA
SOUTHERN LOUISIANA U.S.A.
0 10 20 40 60
STATUTE MILES
PRODUCING PROPERTY
GULF OF MEXICO

TEXAS
RIO GRANDE R.
LAREDO
ORANGEDALE GAS CONDENSATE
SEALY GAS CONDENSATE
BEEVILLE
VICTORIA
HEBBRONVILLE
LAGARTO OIL
WARMSLEY GAS
HOUSTON
S. GLEN POINT GAS & OIL
BEAUMONT
CORPUS CHRISTI
E. LONG MOTT OIL
GALVESTON
GULF OF MEXICO
MEXICO
BROWNSVILLE
SOUTHERN TEXAS U.S.A.
0 10 20 40 60
STATUTE MILES
PRODUCING PROPERTY

Minerals Exploration





Mount Spieker coal project — northeastern British Columbia

The Company holds 20,000 acres of metallurgical coal licences in the Mount Spieker area of northeastern British Columbia. During 1980, seven additional core holes were drilled on the property, one of which was located in the previously undrilled southeastern sector of the property and established the presence of a major additional coal-bearing area. Four adits were driven in the proposed future open-pit area in order to obtain bulk coal samples. The coal samples were subsequently shipped to Japan and South Korea for analysis by potential purchasers.

It is estimated that the property could eventually produce at a peak rate of 1.45 million tonnes per annum and that mine life would be 19 years; these figures exclude consideration of coal reserves in the southeastern sector.

The owners of two properties immediately adjacent to Mount Spieker have recently concluded sales agreements with Japanese steel mills. It is expected that commitments by the B.C. and Federal Governments will result in early construction of the necessary railroad and terminal facilities to accommodate export of northeastern B.C. coal.

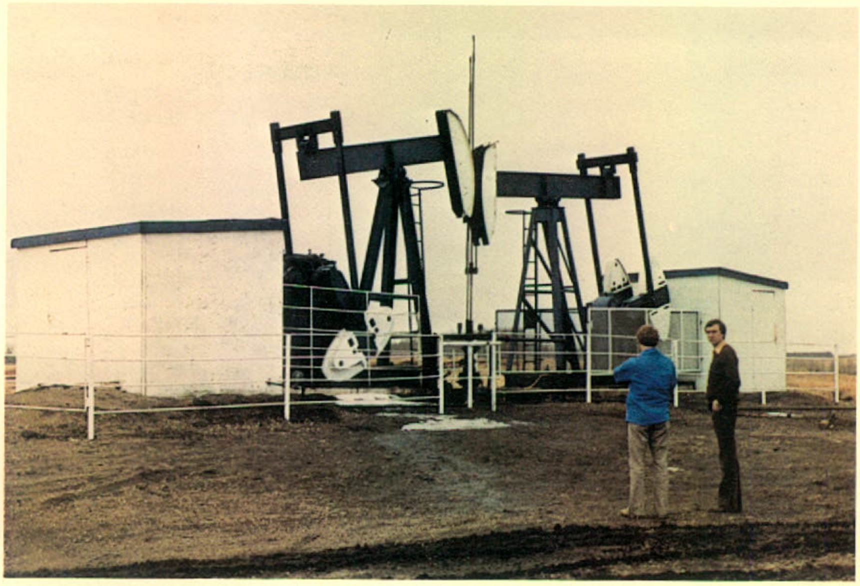
The Company has recently examined and made application for several mineral licences in New South Wales, Australia. The licences lie within the historic area of early-20th century gold mining activity in the State.

The Company has continued its policy of basic prospecting within Canada, both in its own right and in joint venture arrangements. During 1980, several claims were staked in areas of potential mineralization.

Mount Spieker exploration camp

Kissinger Acquisition

Saddle Lake gas plant



Dual pumping unit at Chigwell

Kissinger Petroleum Corporation

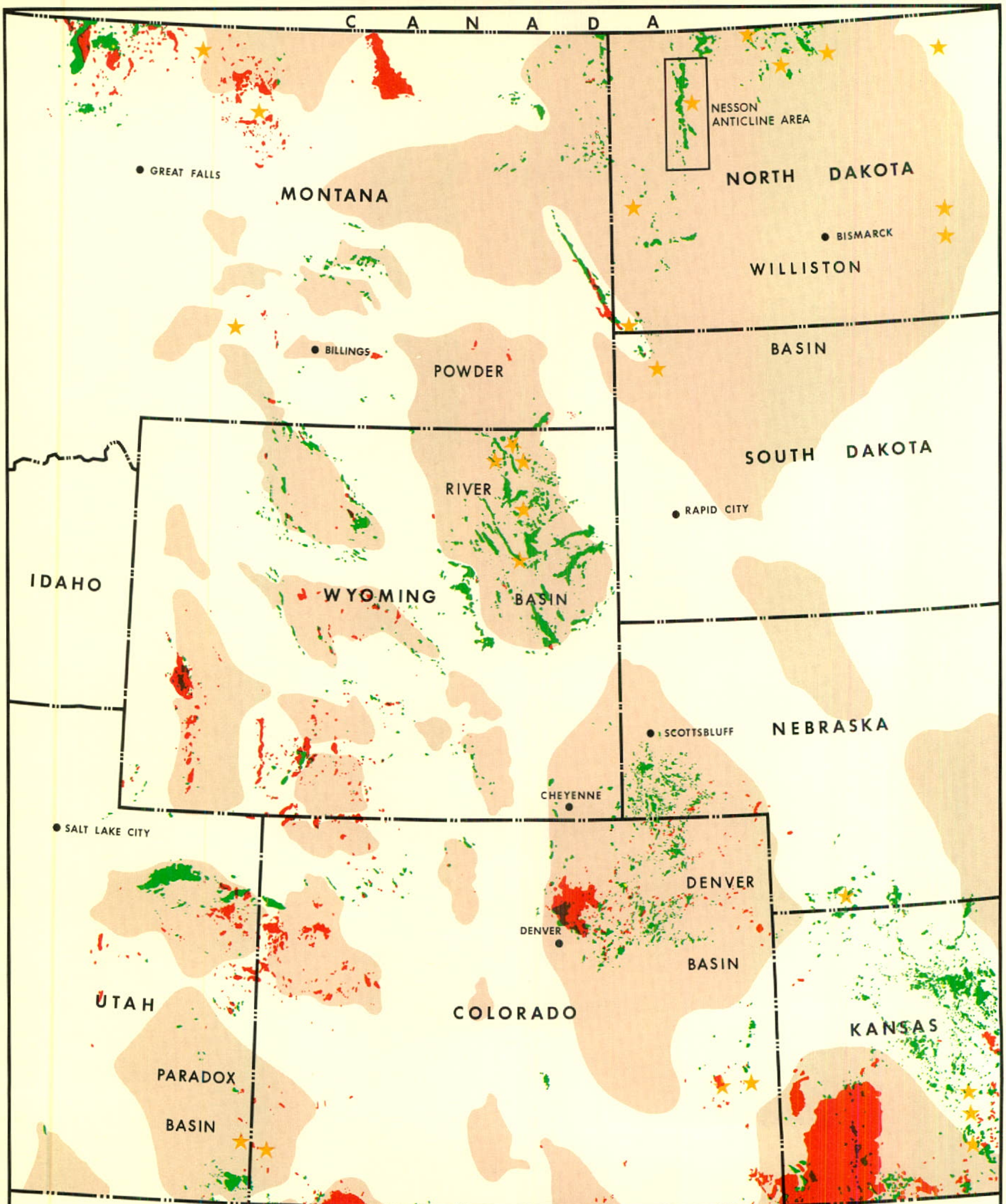
Consistent with corporate strategy to more aggressively pursue North American oil and gas exploration, Ranger has acquired Denver-based Kissinger Petroleum Corporation. This company, with an established daily production of 180 barrels of oil and 9,785 Mcf of gas in the U.S. and Canada, will act as a nucleus to bring an active U.S. exploratory and development operation into immediate focus. The company has over a million gross acres of prime undeveloped land located in some of the major oil and gas basins in the Northwestern United States. An active and experienced staff is in place in Denver and will, under the guidance of Ranger's Houston office, continue to pursue evaluation of these extensive properties, in addition to seeking new exploratory ventures in the Western U.S. Region.

Kissinger also owns and operates four drilling rigs, three in Canada and one in the U.S., with rated capacities of 6,500, 4,600, 2,600 and 18,000 feet.

In Canada, Kissinger Petroleum Ltd. has some 931,000 gross acres of developed and undeveloped land concentrated in the gas prone area of east-central Alberta. A vigorous drilling program has been maintained on these lands for Cretaceous gas sand reservoirs which, on establishing production, can be put on stream to the adjacent province of Saskatchewan. In addition, these lands are centrally located in an area containing large known deposits of heavy oil. A number of extraction and enhancement schemes by major companies to recover these oil reserves are currently in progress in the immediate area. A pilot project with Amoco is under way on Kissinger lands and has been highly encouraging in its early recovery results.

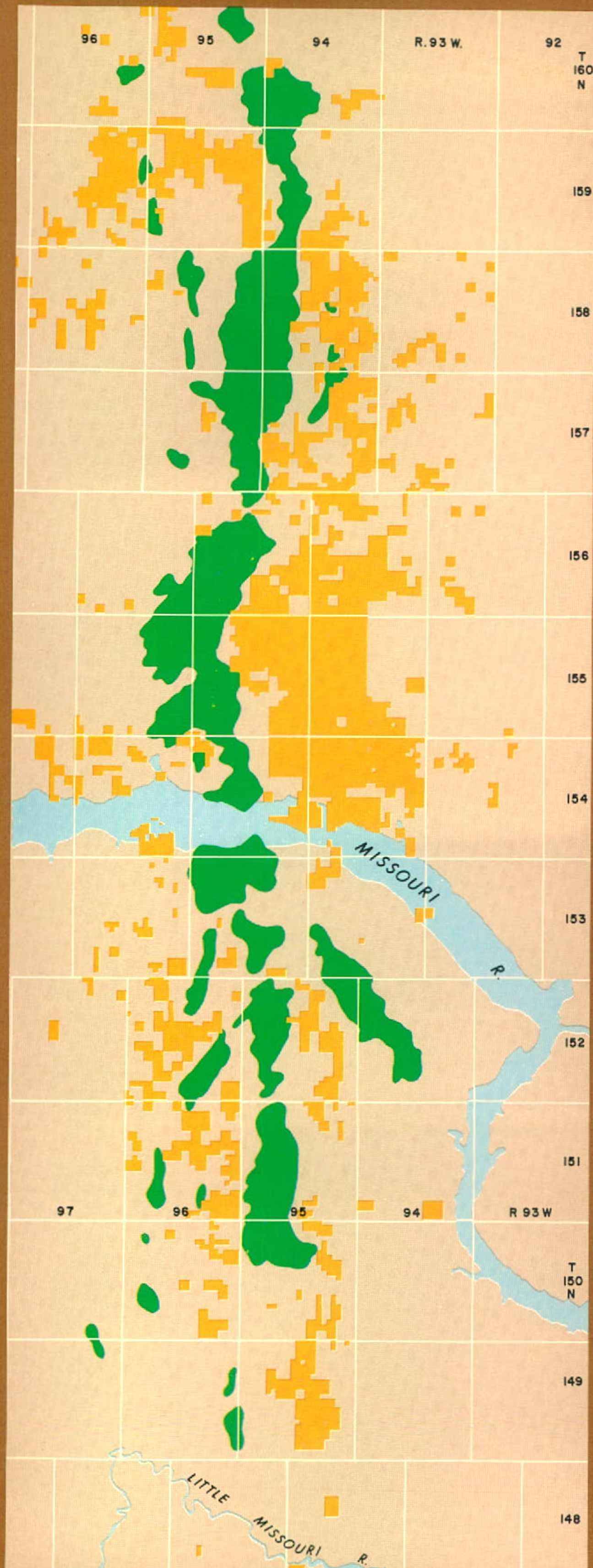
The following table indicates Kissinger's net Oil and Gas Undeveloped Acreage as at December 31, 1980:

	Net Acres
Canada	
Alberta	113,249
Saskatchewan	20,997
British Columbia	313
Manitoba	542
	135,101
United States	
Colorado	20,327
Montana	39,437
North Dakota	155,648
South Dakota	12,762
Kansas	11,270
Other States	15,338
	254,782
Total	389,883



N.W. UNITED STATES

★ KISSINGER HOLDINGS



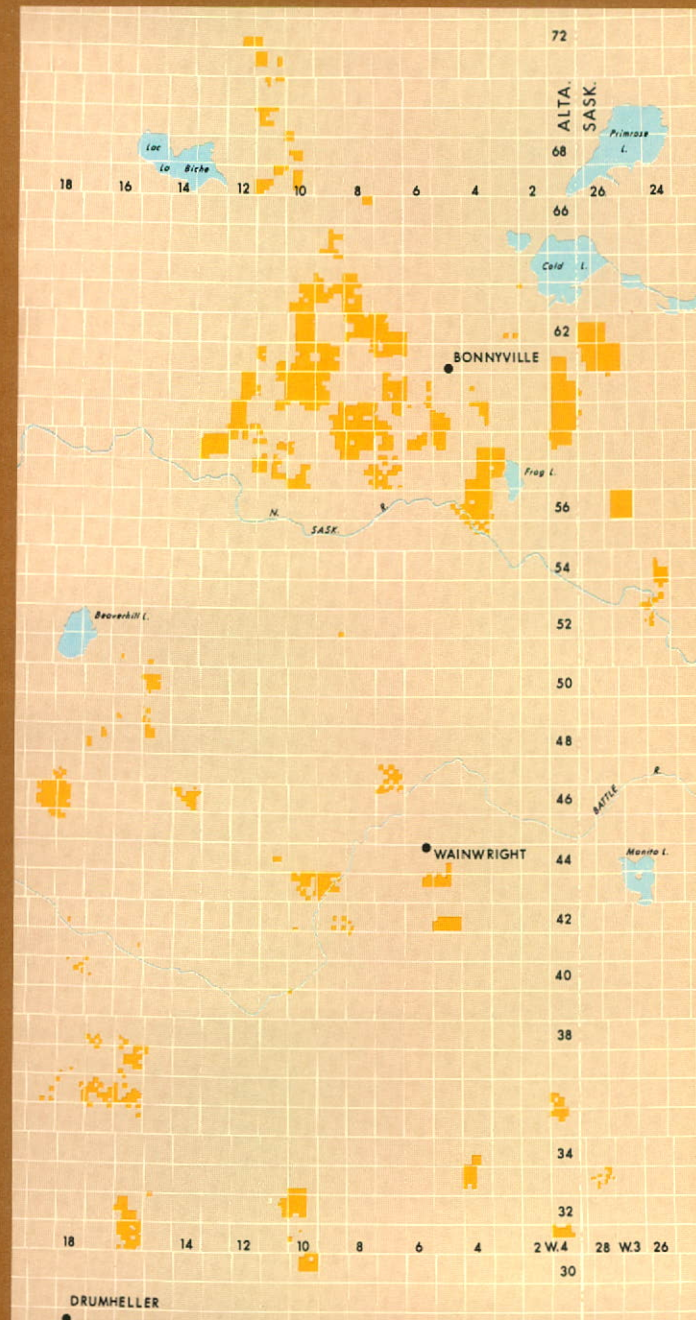
NESSON ANTICLINE AREA

NORTH DAKOTA

KISSINGER HOLDINGS

5 0 5

STATUTE MILES



E. ALBERTA & W. SASKATCHEWAN

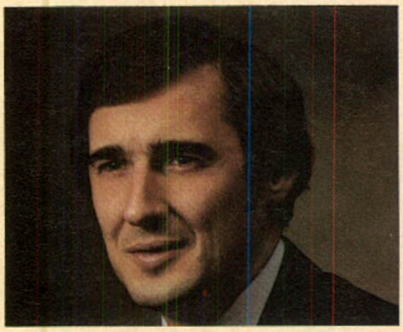
KISSINGER HOLDINGS

10 5 0 10 20 40

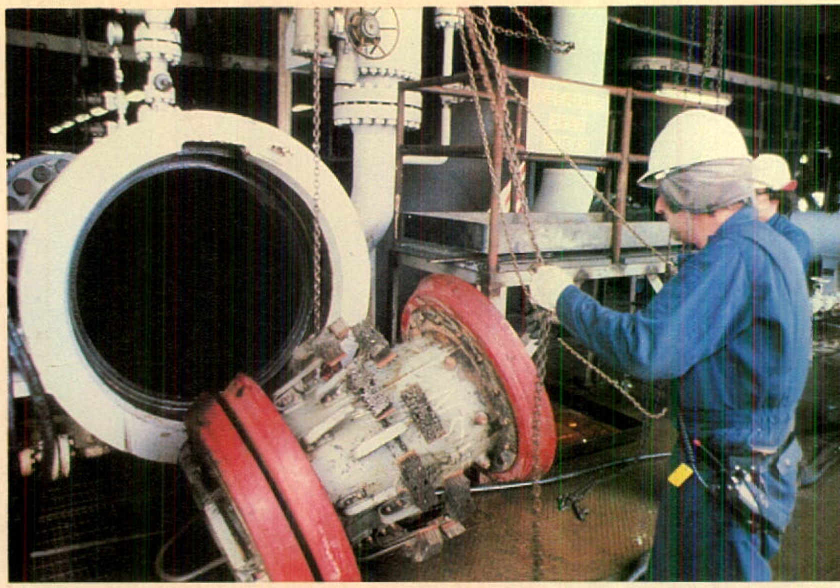
STATUTE MILES

Financial Review and Analysis of Operations

(expressed in U.S. dollars)



A. K. Surridge, Senior Vice President, Finance



Central Platform — Picking up "pig" to put into the "pig launcher".

The substantial increase in the Company's 1980 revenue, net earnings and funds generated from operations, compared to the previous two years, reflect the increased production and higher prices from the Ninian oilfield in the North Sea. The bar graphs, on Page 27, indicate the dramatic impact the commencement of Ninian production in December 1978 has had on the Company's operations. The Ninian field currently accounts for 90% of the Company's gross revenue, net earnings and funds generated from operations.

Earnings

Net earnings for 1980 were $25.5 Million ($.43 per share), an increase of 133% over 1979 net earnings of $10.9 Million ($.19 per share). Net earnings for 1980 were reduced by $3.2 million dollars net of income taxes attributable to a write-down of oil and gas properties. Under S.E.C. "full cost" rules, cost centres are established on a country-by-country basis and should not exceed the value of related reserves computed utilizing S.E.C. guidelines.

Revenue

Oil and gas sales increased by $70.6 Million in 1980 compared to 1979. The increase is a result of higher prices ($61.6 Million) and increased production ($29 Million), offset by increased royalty payments ($20 Million). As over 90% of the Company's oil sales are based on world market prices, any change in world oil prices will have a significant impact on the Company's future gross revenues. The average sales price for Ninian crude oil during 1980 was $35.19 U.S. per barrel and the current price is $38.95 U.S. per barrel. Prices received for oil and gas produced in North America also increased during the past two years.

Expenses

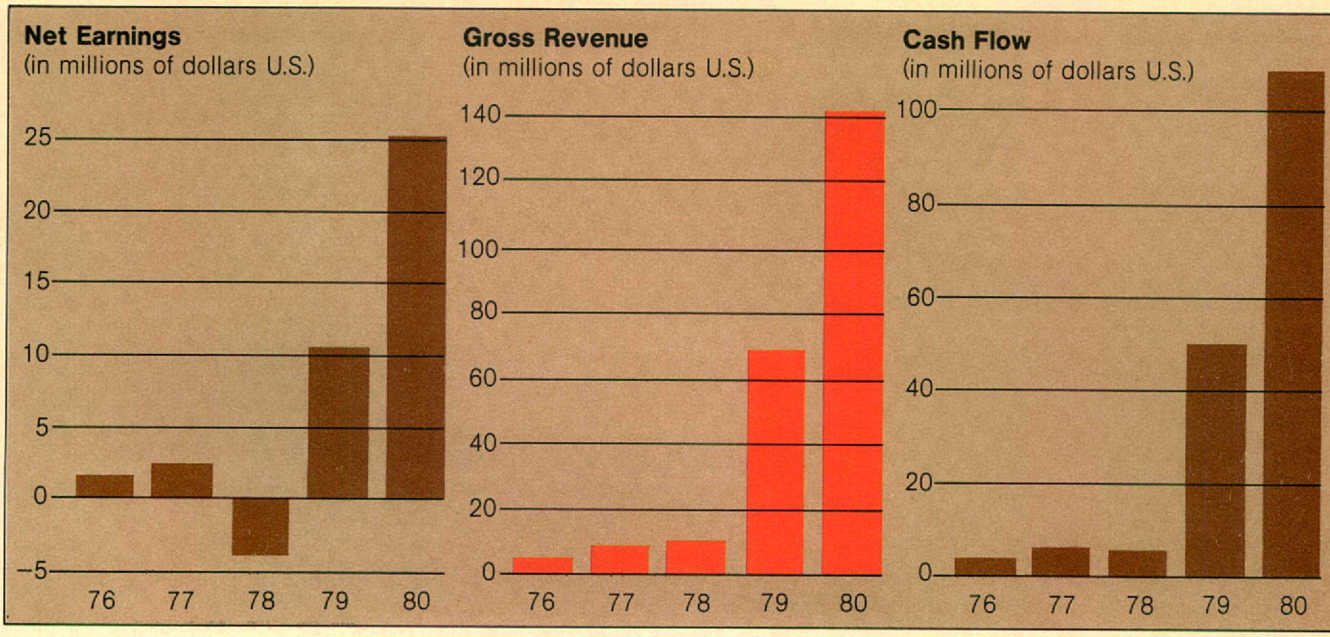
Total expenses for 1980, excluding income taxes, amounted to $63.6 Million, an increase of 65% from 1979. The increase is mainly attributable to the higher level of production from the Ninian Field. Although the Company's total bank indebtedness decreased during the year, interest expense increased due to the higher percentage of interest charged to earnings under the Company's interest capitalization policy. In addition, the average effective interest rate for 1980 was substantially higher than the 1979 rate.

Income Taxes

The provision for deferred Income and U.K. Petroleum Revenue Taxes amounted to $51.7 Million, an increase of $31.3 Million from 1979.

The Company's U.K. operations were not subject to current Corporate and Petroleum Revenue Taxes in 1980 due to the capital expenditure write-off allowances associated with the development of the Ninian oilfield available for tax purposes.

Current tax provisions are expected to be required in 1981, of which the first payments will be made in 1982. The amount of current tax payable in future years will depend somewhat on the level of exploration and development expenditures to be incurred in 1981 and subsequent years.

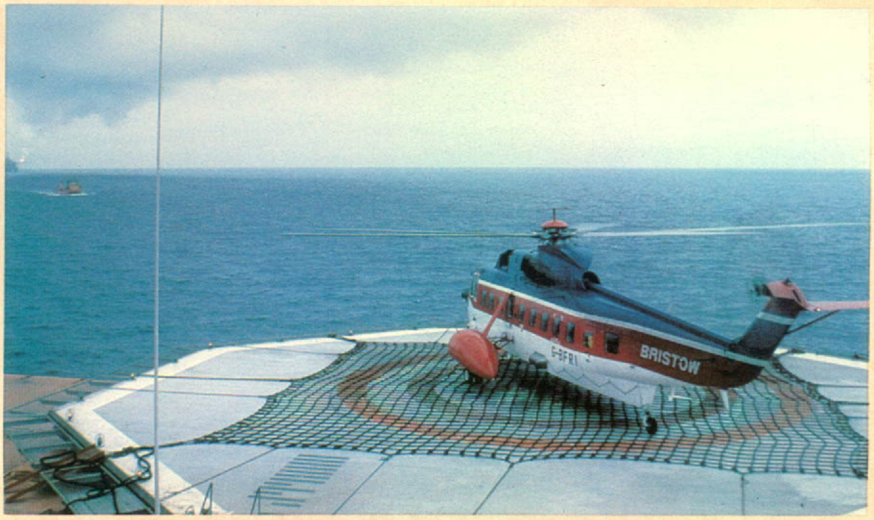


Capital Expenditures

The Company's capital expenditures for 1980 were $57.2 Million compared to $55.2 Million in 1979. Ninian expenditures decreased by $14.1 Million in 1980 relative to 1979, as total project development is almost complete. On February 27, 1981, the Company paid $37.2 Million related to past Ninian development costs under the redetermination agreement, whereby the Company's interest in the Field increased to 6.1783 percent from 5.192 percent.

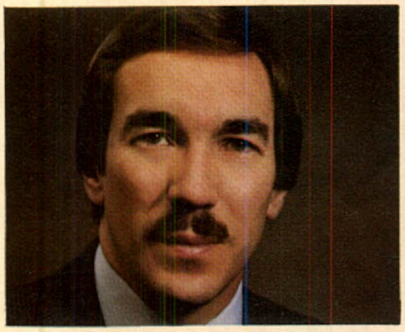
In March 1981, the Company entered into a joint venture with Sedco Inc. to build and operate a semi-submersible, offshore drilling rig. The drilling rig, which is estimated to cost $100 Million, will be owned 50 percent by Ranger and contracted to the Company for a minimum of 5 years.

Oil facility in Alberta

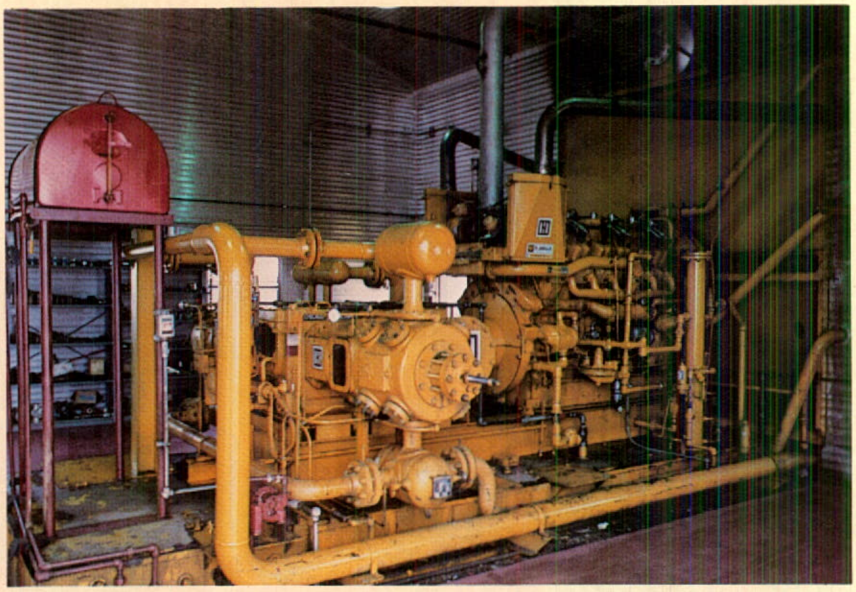


Helicopter on Ninian Central Platform

Financial Review and Analysis
(continued)



F. J. Dyment, Treasurer



St. Paul compression unit

Financial Position

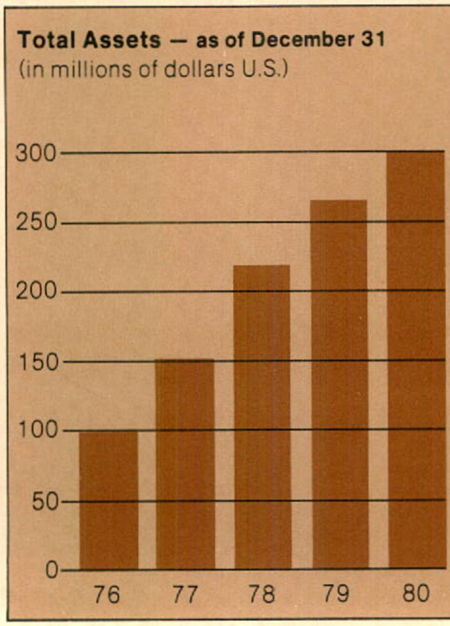
The increased funds generated from operations has allowed the Company to reduce long term debt, mainly associated with Ninian development, from $178.3 Million as at December 31, 1978 to $118.4 Million as at December 31, 1980. The net cash flow from the Ninian field will substantially reduce the U.K. bank loan in 1981.

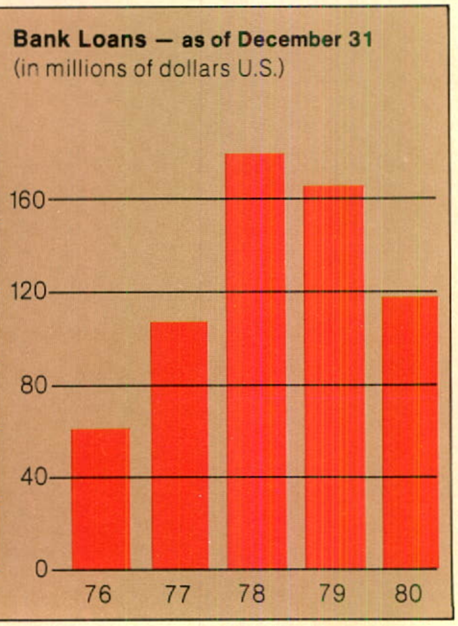
The increase in the Company's interest in the Ninian field from 5.192 percent to 6.1783 percent, effective January 1, 1981, as described in Note 8 to the consolidated financial statements, will enhance future revenue, net earnings and funds generated from operations.

This increase will be somewhat offset in the near term by the U.K. Government's proposed new Supplementary Petroleum Duty that will be applied at a rate of 20 percent on oil and gas revenue for a period of 18 months, commencing January 1, 1981. The Supplementary Petroleum Duty will be deductible for Corporate and Petroleum Revenue Taxes during this 18-month period.

In addition, the March 10, 1981 U.K. budget speech proposed certain revisions to the Petroleum Revenue Tax, which would increase the amount of PRT payable in future years. The Government has indicated that they will be reviewing the total oil taxation structure over the next 18-month period. Any changes as a result of the U.K. Government's review of the oil taxation structure would have an effect on the Company's financial position.

On March 20, 1981, the Company purchased all of the outstanding shares of Kissinger Petroleum Corporation for $45 Million U.S. The acquisition was financed by a $23 Million U.S. 8½% debenture, convertible into 800,000 common shares of Ranger at a price of $28.75 U.S. per share, and a $22 Million U.S. bank loan. In addition, the Company has arranged to refinance Kissinger's existing $19 Million bank debt.





Ranger Oil Limited

Consolidated Statement of Earnings and Retained Earnings

Three Years ended December 31, 1980
(expressed in thousands of U.S. dollars)

	1980	1979	1978
Revenues			
Oil and gas sales	**$139,780**	$69,158	$ 8,746
Investment and other income	**996**	803	802
	140,776	69,961	9,548
Expenses			
Production	**11,049**	6,290	1,321
General and administrative	**3,774**	2,280	1,207
Interest (note 2)	**17,354**	11,189	2,461
Depletion and depreciation	**25,079**	16,542	1,680
Write-down of oil and gas and mineral properties	**4,243**	323	7,662
Provision for future site restoration costs	**2,093**	2,053	—
	63,592	38,677	14,331
Earnings (loss) before taxes	**77,184**	31,284	(4,783)
Income and U.K. Petroleum Revenue Taxes (Recoveries) (note 7)	**51,683**	20,342	(1,010)
Net Earnings (Loss)	**25,501**	10,942	(3,773)
Retained earnings at beginning of year	**16,582**	5,640	9,413
Retained Earnings at End of Year	**$ 42,083**	$16,582	$ 5,640
Net Earnings (Loss) Per Common Share, based on weighted average number of common shares outstanding (note 6)	**$.43**	$.19	$(.07)

Ranger Oil Limited

Auditors' Report

To the Shareholders of
Ranger Oil Limited

We have examined the consolidated balance sheet of Ranger Oil Limited as at December 31, 1980 and 1979 and the consolidated statements of earnings and retained earnings and changes in financial position for the three years ended December 31, 1980. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and 1979 and the results of its operations and the changes in its financial position for the three years ended December 31, 1980 in accordance with generally accepted accounting principles applied on a consistent basis.

Thorne Riddell
Chartered Accountants

Calgary, Canada
March 2, 1981

Ranger Oil Limited

Consolidated Balance Sheet

as at December 31, 1980 and 1979
(expressed in thousands of U.S. dollars)

	1980	1979
ASSETS		
Current Assets		
Cash and short-term deposits	**$ 922**	$ 4,194
Accounts receivable	**24,498**	17,705
Income taxes recoverable	**720**	169
Inventory, at lower of cost and net realizable value	**—**	529
	26,140	22,597
Property, Plant and Equipment ("full cost" basis — note 4)	**273,731**	245,975
	$299,871	$268,572
LIABILITIES		
Current Liabilities		
Accounts payable	**$ 10,211**	$ 17,727
Current maturities on bank loans	**8,400**	4,496
	18,611	22,223
Bank Loans (note 5)	**118,414**	163,987
Deferred Gas Revenue	**1,447**	700
Provision for Future Site Restoration Costs	**4,146**	2,053
Deferred Taxes	**76,655**	25,117
SHAREHOLDERS' EQUITY		
Capital Stock (note 6)		
Authorized		
Preferred shares without par value in unlimited number		
Common shares without par value in unlimited number		
Issued		
60,089,792 (1979 — 59,649,192) Common shares	**38,515**	37,910
Retained Earnings	**42,083**	16,582
	80,598	54,492
	$299,871	$268,572

Approved by the Board

E O Parry

______________________, Director

E. O. Parry

Jack M. Pierce

______________________, Director

J. M. Pierce

Ranger Oil Limited

Consolidated Statement of Changes in Financial Position

Three Years ended December 31, 1980
(expressed in thousands of U.S. dollars)

	1980	1979	1978
Source of Funds			
Net earnings (loss)	**$ 25,501**	$10,942	$ (3,773)
Charges (credits) not involving funds			
Depletion and depreciation	**25,079**	16,542	1,680
Write-down of oil and gas and mineral properties	**4,243**	323	7,662
Provision for future site restoration costs	**2,093**	2,053	—
Deferred taxes	**51,610**	20,265	(516)
Funds generated from operations	**108,526**	50,125	5,053
Bank loans	**27,204**	21,711	76,172
Deferred gas revenue	**747**	303	397
Issue of common shares	**605**	17,425	354
	137,082	89,564	81,976
Application of Funds			
Property, plant and equipment	**57,150**	55,228	79,891
Bank loans	**72,777**	36,003	2,792
Deferred charges	**—**	—	433
	129,927	91,231	83,116
Increase (Decrease) in Working Capital	**7,155**	(1,667)	(1,140)
Working capital at beginning of year	**374**	2,041	3,181
Working Capital at End of Year	**$ 7,529**	$ 374	$ 2,041

Summary of Changes in Working Capital

	1980	1979	1978
Increase (Decrease) in Current Assets			
Cash and short-term deposits	**$ (3,272)**	$ 1,167	$ 1,098
Accounts receivable	**6,793**	10,325	(1,940)
Income taxes recoverable	**551**	(985)	509
Inventory	**(529)**	(87)	(642)
	3,543	10,420	(975)
Decrease (Increase) in Current Liabilities			
Accounts payable	**7,516**	(10,122)	(426)
Current maturities on bank loans	**(3,904)**	(1,965)	261
	3,612	(12,087)	(165)
Increase (Decrease) in Working Capital	**$ 7,155**	$ (1,667)	$ (1,140)

Notes to Consolidated Financial Statements

1. INCORPORATION AND CHANGE OF NAME

In June, 1980, the shareholders authorized the continuance of the company under the Canada Business Corporations Act. The name of the company was changed from Ranger Oil (Canada) Limited to Ranger Oil Limited.

2. ACCOUNTING POLICIES

(a) **Principles of Consolidation**

The consolidated financial statements include the accounts of Ranger Oil Limited and its subsidiaries ("the Company"), all of which were wholly-owned as of December 31, 1980.

(b) **U.S. Dollar Reporting**

The majority of the Company's business is transacted in U.S. dollars and, accordingly, the consolidated financial statements are expressed in that currency.

(c) **Currency Translation**

The accounts recorded in other currencies have been translated into U.S. dollars on the following basis:

(i) Current assets and current liabilities, at the rate of exchange in effect as at the balance sheet date;

(ii) Property, plant and equipment, at the rate of exchange in effect at the date on which the respective assets were acquired;

(iii) Bank loans, at the rate of exchange in effect at the date on which the funds were borrowed;

(iv) Revenue and expenses (excluding depletion, depreciation and write-downs of oil and gas and mineral properties which are translated at the same rates as the related assets), at average rates in effect during the year.

Unrealized gains arising on translation which are not significant, have been included in earnings.

(d) **Oil and Gas Operations**

The Company follows the "full cost" method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas reserves are capitalized. Such costs, including the costs of production equipment, are accumulated in centres established on a country-by-country basis and depleted using the unit-of-production method based upon the estimated proved oil and gas reserves in each cost centre, or charged to income if exploration in any cost centre is determined to be unsuccessful.

(e) **Capitalization of Interest Costs**

The costs of developing oil and gas reserves include interest and other financing charges on funds specifically borrowed to finance major costs of ongoing developments (such as the Ninian Field in the North Sea). Such charges are capitalized (1980 — $5,156,000; 1979 — $10,083,000; 1978 — $9,598,000) and amortized against production revenues on the same basis as other development costs.

(f) **Site Restoration**

The Company provides for major site restoration costs (such as the removal of offshore production platforms at the end of the producing life of a field) on a unit-of-production basis, based on its share of the estimated future liability for such costs.

(g) **Mineral Exploration**

Costs relating to mineral exploration are capitalized, and will be depleted based upon production from related mineral reserves as and when discovered or charged to income if exploration is determined to be unsuccessful.

(h) **Taxes**

The Company follows the tax allocation method of accounting under which (a) the provision for corporate income taxes is based on the earnings reported in the accounts, and (b) the estimated total liability for U.K. petroleum revenue tax is apportioned to accounting periods on the basis of gross revenue derived from U.K. oil and gas production.

(i) **Depreciation**

Depreciation of aircraft and other equipment has been provided in the accounts at methods and per annum rates (ranging from 7% to 30%) which are estimated to amortize the cost of the assets less salvage values over their useful lives.

(j) **Joint Ventures**

Substantially all the Company's exploration and development activities related to oil and gas are conducted jointly with others. The accounts reflect only the Company's proportionate interest in such activities.

(k) **Oil and Gas Sales**

Revenue from oil and gas sales is net of all royalties and the financing fee of 8% of the Company's share of crude oil production from the Ninian Field (see note 5).

(l) **Earnings Per Share**

Earnings (loss) per common share have been computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the year. In determining the number of common shares used in the computation, no consideration has been given to outstanding stock options or shares to be issued under the Company's stock bonus plan, which, although considered to be common share equivalents under United States accounting principles, would not have a material effect on the calculation of earnings (loss) per common share as reported.

3. UNITED STATES ACCOUNTING PRINCIPLES

The accounting principles as described in note 2 differ from those generally accepted in the United States in the following respects:

(a) Currency Translation

Under United States accounting principles, the Canadian dollar bank loans (see note 5) would have been translated into U.S. dollars at the exchange rate in effect at the current balance sheet date.

(b) Capitalization of Interest Costs

The Company has capitalized interest on the portion of its outstanding bank loans that is regarded to relate to the ongoing development activities in the Ninian Field in the North Sea. Under United States accounting principles, the interest capitalization period for the Ninian project would have ended upon the commencement of production from the Field.

The effect on consolidated net earnings of the difference between Canadian and United States accounting principles in the area of currency translation is not significant.

The effect on consolidated net earnings of the difference between Canadian and United States accounting principles in the area of interest capitalization is summarized as follows:

	1980		1979	
	Amount (000's)	**Per Share**	**Amount (000's)**	**Per Share**
Net earnings as reported	**$25,501**	**$.43**	$10,942	$.19
Effect of capitalized interest, net of deferred income taxes	**(1,930)**	**(.03)**	(4,248)	(.07)
Net earnings under United States accounting principles	**$23,571**	**$.40**	$ 6,694	$.12

The effect on the Company's balance sheet of the above difference in accounting policy is summarized as follows:

	As Reported	(Decrease)	Under United States Accounting Principles
		(000's)	
December 31, 1980			
Property, plant and equipment	**$273,731**	**$(12,762)**	**$260,969**
Deferred income taxes	**76,655**	**(6,584)**	**70,071**
Retained earnings	**42,083**	**(6,178)**	**35,905**
December 31, 1979			
Property, plant and equipment	245,975	(8,750)	237,225
Deferred income taxes	25,117	(4,502)	20,615
Retained earnings	16,582	(4,248)	12,334

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depletion and Depreciation	Net
		(000's)	
December 31, 1980			
Oil and gas properties*			
Canada	**$ 41,654**	**$10,986**	**$ 30,668**
United States	**10,231**	**5,237**	**4,994**
United Kingdom			
Exploration	**26,537**	**3,390**	**23,147**
Ninian development	**229,729**	**32,754**	**196,975**
Other foreign areas	**4,913**	**—**	**4,913**
Mineral properties	**3,058**	**—**	**3,058**
Aircraft	**10,032**	**741**	**9,291**
Other equipment	**1,257**	**572**	**685**
	$327,411	**$53,680**	**$273,731**
December 31, 1979			
Oil and gas properties*			
Canada	$ 32,882	$ 9,455	$ 23,427
United States	13,071	4,329	8,742
United Kingdom			
Exploration	20,175	1,267	18,908
Ninian development	200,316	12,580	187,736
Other foreign areas	2,378	—	2,378
Mineral properties	2,490	—	2,490
Aircraft	1,219	654	565
Other equipment	858	465	393
Land and buildings	1,388	52	1,336
	$274,777	$28,802	$245,975

*Includes oil and gas properties, together with exploration, development and production equipment thereon.

5. BANK LOANS

	1980	1979
	(000's)	
Ranger Oil Limited		
U.S. dollar bank loan	**$ —**	$ 28,975
Banker's acceptance notes ($18,200,000 Cdn.), bearing interest at an average effective rate of 15½%	**15,247**	—
Canadian dollar bank loan (1980 — $200,000 Cdn. 1979 — $4,000,000 Cdn.), bearing interest at bank's prime lending rate	**167**	3,408
	15,414	32,383
Ranger Oil (U.K.) Limited		
U.S. dollar bank loan	**111,400**	136,100
	126,814	168,483
Less current maturities included in current liabilities	**8,400**	4,496
	$118,414	$163,987

The banker's acceptance notes and loan of Ranger Oil Limited are secured by the company's Canadian oil and gas properties, together with a first floating charge over all its other assets, subordinate to the security for the Ranger U.K. loan. The notes and loan are repayable from the company's oil and gas production revenues.

The Ranger U.K. loan has been advanced under production loan facilities, bears interest at the London Interbank Offered Rate plus ⅝% per annum and is principally secured by the company's interest in the Ninian Field in the North Sea plus a guarantee provided by Ranger Oil Limited. The effective rate of interest for 1980 was 17.2% (1979 — 12.8%). The loan is repayable from the net cash flow from Ninian Field production. Ranger U.K. also continues to pay a financing fee, relating to earlier loan arrangements for financing the development of the Ninian Field, equivalent to 8% of its share of Ninian crude oil production.

Ranger U.K. pays a stand-by fee of ¼% per annum on the unused portion ($9,000,000 as of December 31, 1980) of its loan facilities.

Subsequent to December 31, 1980, the Company arranged additional bank loan facilities to finance its increased share in the Ninian Field (see note 8) and the acquisition of Kissinger Petroleum Corporation (see note 11).

6. CAPITAL STOCK

(a) Effective October 31, 1980, the Company's issued common shares were split on a three-for-one basis. All share and per share data in the accompanying financial statements and notes thereto reflect the three-for-one split retroactively.

(b) Changes in outstanding common share capital during the three years ended December 31, 1980 were as follows:

	Number of Shares	Amount
Balance, December 31, 1977	51,261,792	$20,131,000
Shares issued for cash on exercise of employee stock options	307,200	354,000
Balance, December 31, 1978	51,568,992	20,485,000
Shares issued		
For cash on exercise of employee stock options	280,200	397,000
For cash on public offering	7,800,000	17,028,000*
Balance, December 31, 1979	59,649,192	37,910,000
Shares issued		
For cash on exercise of employee stock options	**200,600**	**305,000**
For a promissory note	**240,000**	**300,000**
Balance, December 31, 1980	**60,089,792**	**$38,515,000**

*Net of share issue expenses of $888,000, less applicable income tax benefits of $413,000.

(c) As of December 31, 1980, common shares in the capital stock of the Company were reserved as follows:

1,141,600 shares under an employees' stock option plan of which options to purchase 1,017,800 shares are outstanding, exercisable from time to time to December 1986 at prices ranging from \$1.46 Cdn. to \$21.00 Cdn. per share;

600,000 shares under an employees' stock bonus plan of which 111,100 shares have been awarded and are to be issued as fully paid without consideration in five equal annual instalments commencing December 1, 1981.

(d) Changes in the number of shares issuable under outstanding options during the three years ended December 31, 1980 were as follows:

	1980	**1979**	**1978**
Shares under option at beginning of year	**1,431,000**	1,825,200	1,848,000
Options granted	**73,000**	120,000	594,000
Options exercised	**(440,600)**	(280,200)	(307,200)
Options cancelled	**(45,600)**	(234,000)	(309,600)
Shares under option at end of year	**1,017,800**	1,431,000	1,825,200

7. INCOME AND U.K. PETROLEUM REVENUE TAXES (RECOVERIES)

Earnings (loss) before taxes and the provision for taxes for the three years ended December 31, 1980 are summarized as follows:

	Canada	**United States**	**United Kingdom**	**Other Foreign Areas**	**Total**
1980			**(000's)**		
Earnings (loss) before taxes	**\$2,868**	**\$(3,413)**	**\$78,239**	**\$(510)**	**\$77,184**
Corporate income taxes					
Current	**\$ 60**	**\$ 13**	**\$ —**	**\$ —**	**\$ 73**
Deferred (reduction)	**1,011**	**(279)**	**25,135**	**(234)**	**25,633**
	1,071	**\$ (266)**	**25,135**	**(234)**	**25,706**
U.K. petroleum revenue tax					
Deferred	**—**	**—**	**25,977**	**—**	**25,977**
	\$1,071	**\$ (266)**	**\$51,112**	**\$(234)**	**\$51,683**
1979					
Earnings before taxes	\$1,548	\$ 266	\$29,470	\$ —	\$31,284
Corporate income taxes					
Current	\$ 77	\$ —	\$ —	\$ —	\$ 77
Deferred	146	—	8,435	—	8,581
	223	—	8,435	—	8,658
U.K. petroleum revenue tax					
Deferred	—	—	11,684	—	11,684
	\$ 223	\$ —	\$20,119	\$ —	\$20,342
1978					
Earnings (loss) before taxes	\$2,058	\$(5,930)	\$ —	\$(911)	\$(4,783)
Corporate income taxes (recovery)					
Current	\$ (494)	\$ —	\$ —	\$ —	\$ (494)
Deferred	672	(769)	—	(419)	(516)
	\$ 178	\$ (769)	\$ —	\$(419)	\$(1,010)

Deferred corporate income and U.K. petroleum revenue taxes result from claiming exploration and development costs for tax purposes in excess of the related depletion and depreciation provisions reflected in the accounts.

Tax expenses for the three years ended December 31, 1980 differ from the taxes which would result from applying the Canadian Federal tax rate to consolidated earnings (loss) before taxes. The reasons for these differences are summarized as follows:

	% of Earnings (Loss) Before Taxes Year Ended December 31,		
	1980	**1979**	**1978**
Computed "expected" tax expense (recovery)	**46.0%**	46.0%	(46.0)%
Provincial royalties on oil and gas production included in income for tax purposes, less provincial refunds	**1.6**	2.9	16.5
Deduction of depletion allowance on Canadian oil and gas income	**(.5)**	(.7)	(5.8)
Deduction of Federal resource allowance	**(1.5)**	(3.8)	(22.0)
Effect of rate differences on foreign earnings			
United States	**1.7**	—	40.5
United Kingdom*	**19.6**	21.1	—
Other items	**.1**	(.5)	(4.3)
Actual tax expense (recovery)	**67.0%**	65.0%	(21.1)%

*Includes United Kingdom corporate income taxes and petroleum revenue tax.

8. NINIAN FIELD REDETERMINATION

Under the Ninian unitization agreement, the Company's interest in the Ninian Field in the U.K. sector of the North Sea is based on the allocation of oil reserves in place and is subject to periodic adjustment as additional reservoir data from the Field becomes available. Effective January 1, 1981, the Company's interest in the Field was redetermined and increased to 6.1783% from 5.192%. Accordingly, the Company will be liable to other participants in the Field for a proportionately increased share of past development costs and operating expenses (including interest thereon) of $37,167,000 and $2,181,000, respectively, and payable by the Company on February 27, 1981. In addition, the Company is entitled to a correspondingly increased share of past oil production of approximately 1.4 million barrels (before deduction of royalties and 8% financing fee) of which the Company will take delivery commencing April 1, 1981.

The above effects of redetermination will be reflected in the 1981 accounts of the Company; no provisions have been made in the accompanying financial statements for the Company's additional share of past costs and expenses, or for additional oil production revenues.

The next redetermination of interests is to be made in July 1982, and it is expected that the final determination of the Company's interest in the Field will occur not later than July 1, 1984.

The Company's share of the total costs of developing the Field, including related financing costs, is expected to amount to $295 million (including its additional share of capital expenditures resulting from redetermination discussed above), of which approximately $230 million has been incurred as at December 31, 1980.

9. LEASE COMMITMENTS

Future minimum lease payments under operating leases relating to the rental of office and other building facilities (but excluding leases relating to oil, gas and mineral rights) are as follows:

Year ending December 31,	
1981	$ 626,000
1982	830,000
1983	877,000
1984	877,000
1985	877,000
Thereafter	3,896,000
	$7,983,000

Total lease rentals charged to operations during each of the three years ended December 31, 1980 were not significant.

10. SEGMENT INFORMATION

The Company has a single line or segment of business, which is the exploration for, and the development and production of oil and gas. Information about the Company's operations by geographic area for the three years ended December 31, 1980 is as follows:

	Year Ended December 31,		
	1980	1979	1978
		(000's)	
Oil and gas sales			
Canada	**$ 9,140**	$ 8,266	$ 7,168
United States	**1,694**	1,974	1,578
United Kingdom	**128,946**	58,918	—
Other foreign areas	**—**	—	—
	$139,780	$ 69,158	$ 8,746
Operating profit (loss)			
Canada	**$ 5,761**	$ 4,838	$ 4,753
United States	**(3,298)**	449	(5,759)
United Kingdom	**79,482***	30,002*	—
Other foreign areas	**(510)**	—	(911)
	81,435	35,289	(1,917)
Investment and other income	**996**	803	802
General corporate expenses	**(3,774)**	(2,280)	(1,207)
Interest expense (excluding Ninian loan interest)	**(1,473)**	(2,528)	(2,461)
Earnings (loss) before taxes	**$ 77,184**	$ 31,284	$ (4,783)
Identifiable assets			
Canada	**$ 43,498**	$ 28,018	$ 24,181
United States	**5,064**	8,791	6,429
United Kingdom	**220,256**	207,317	177,172
Other foreign areas	**4,913**	2,378	426
	273,731	246,504	208,208
Corporate assets	**26,140**	22,068	11,994
Total assets	**$299,871**	$268,572	$220,202

*After deduction of Ninian loan interest

The Company received approximately 92% and 85% of its oil and gas revenues from oil sales to one customer in 1980 and 1979, respectively.

11. SUBSEQUENT EVENTS

(a) Under an agreement dated January 30, 1981, the Company has agreed to purchase all the outstanding shares of Kissinger Petroleum Corporation ("Kissinger") for $22,000,000 U.S. cash and $23,000,000 U.S. principal amount of convertible subordinated debentures of the Company. Kissinger is a privately-held Colorado corporation engaged in oil and gas production activities and drilling operations in the United States and Canada.

The debentures have a term of 20 years, bear interest at 8½% per annum and are redeemable under certain circumstances at the option of the Company. The debentures are convertible into common shares of the Company commencing September 21, 1982 at a price of $28.75 U.S. per share. Arrangements have been made by the Company to finance the cash portion of the purchase and to refinance existing bank debt of Kissinger of approximately $19,000,000 through bank borrowings.

(b) Subsequent to December 31, 1980, the Company entered into an agreement to form a joint venture company with Sedco Inc. to own and operate a Sedco 700 type, heavy duty, semi-submersible, offshore drilling rig. The drilling rig will be owned 50 percent by the Company and 50 percent by Sedco and will be constructed at an estimated cost of $100,000,000 U.S. The rig is expected to be completed in June 1983, at which time it will be contracted to the Company for a minimum of 5 years.

12. OIL AND GAS PRODUCING ACTIVITIES

(a) Net Revenues from Oil and Gas Production

	Canada	United States	United Kingdom	Other Foreign Areas	Total
			(000's)		
1980					
Oil and gas sales	**$9,140**	**$1,694**	**$128,946**	**$ —**	**$139,780**
Production expenses	**1,519**	**498**	**9,032**	**—**	**11,049**
Net revenues	**$7,621**	**$1,196**	**$119,914**	**$ —**	**$128,731**
1979					
Oil and gas sales	$8,266	$1,974	$ 58,918	$ —	$ 69,158
Production expenses	1,360	489	4,441	—	6,290
Net revenues	$6,906	$1,485	$ 54,477	$ —	$ 62,868
1978					
Oil and gas sales	$7,168	$1,578	$ —	$ —	$ 8,746
Production expenses	1,106	215	—	—	1,321
Net revenues	$6,062	$1,363	$ —	$ —	$ 7,425

(b) Costs Incurred in Oil and Gas Producing Activities

	Canada	United States	United Kingdom	Other Foreign Areas	Total
			(000's)		
1980					
Property acquisition	**$1,118**	**$ —**	**$ 2,326**	**$ —**	**$ 3,444**
Exploration	**5,802**	**688**	**4,229**	**3,045**	**13,764**
Development	**2,930**	**—**	**29,221**	**—**	**32,151**
	$9,850	**$ 688**	**$35,776**	**$3,045**	**$49,359**
Production expenses	**$1,519**	**$ 498**	**$ 9,032**	**$ —**	**$11,049**
Depreciation, depletion and writedown of oil and gas properties	**$1,552**	**$4,477**	**$22,426**	**$ 510**	**$28,965**
1979					
Property acquisition					
Unproven	$ 363	$ (106)	$ —	$ —	$ 257
Proven	—	1,517	—	—	1,517
Exploration	3,078	915	213	1,952	6,158
Development	2,254	1,036	43,816	—	47,106
	$5,695	$3,362	$44,029	$ 1,952	$55,038
Production expenses	$1,360	$ 489	$ 4,441	$ —	$ 6,290
Depreciation and depletion	$1,663	$1,039	$13,761	$ —	$16,463
1978					
Property acquisition	$ 165	$ 340	$ —	$ —	$ 505
Exploration	1,042	3,530	3,065	426	8,063
Development	2,177	1,908	64,270	—	68,355
	$3,384	$5,778	$67,335	$ 426	$76,923
Production expenses	$1,106	$ 215	$ —	$ —	$ 1,321
Depreciation, depletion and writedown of oil and gas properties	$1,228	$7,189	$ —	$ 911	$ 9,328

13. OIL AND GAS RESERVES AND RELATED RESERVE RECOGNITION ACCOUNTING DATA (UNAUDITED)

(a) Oil and Gas Reserves

The following tables set forth the Company's net proved and proved developed oil and gas reserves as at December 31, 1978, 1979 and 1980. The quantities of proved and proved developed oil and gas reserves are determined by the Company's engineering staff for the Canadian reserves and by independent consulting engineers for the United States and the United Kingdom reserves.

(i) Oil and Natural Gas Liquids (thousands of barrels)

	Canada	United States	United Kingdom	Total
Proved Reserves, December 31, 1977	3,145	407	47,708	51,260
Revision of previous estimates	302	(258)	(4,394)	(4,350)
Extensions, discoveries	8	122	—	130
Production	(255)	(28)	—	(283)
Proved Reserves, December 31, 1978	3,200	243	43,314	46,757
Revision of previous estimates	(283)	(84)	1,329	962
Purchase of reserves	—	15	—	15
Extensions, discoveries	184	24	—	208
Production	(252)	(28)	(2,666)	(2,946)
Proved Reserves, December 31, 1979	2,849	170	41,977	44,996
Revision of previous estimates	**66**	**(30)**	**—**	**36**
Extensions, discoveries	**116**	**2**	**2,504**	**2,622**
Production	**(245)**	**(19)**	**(3,664)**	**(3,928)**
Proved Reserves, December 31, 1980	**2,786**	**123**	**40,817**	**43,726**
Additional Reserves due to redetermination of Ninian working interest (Note 8)	**—**	**—**	**8,911**	**8,911**
Proved Reserves, January 1, 1981	**2,786**	**123**	**49,728**	**52,637**
Proved Developed Reserves:				
December 31, 1978	3,200	243	—	3,443
December 31, 1979	2,849	154	5,533	8,536
December 31, 1980	**2,786**	**107**	**23,695**	**26,588**

(ii) Natural Gas (millions of cubic feet)

	Canada	United States	Total
Proved Reserves, December 31, 1977	62,049	13,765	75,814
Revision of previous estimates	1,460	(3,940)	(2,480)
Extensions, discoveries	580	706	1,286
Production	(3,109)	(831)	(3,940)
Proved Reserves, December 31, 1978	60,980	9,700	70,680
Revision of previous estimates	(397)	(3,950)	(4,347)
Purchase of reserves	—	2,036	2,036
Extensions, discoveries	9,187	537	9,724
Production	(3,746)	(900)	(4,646)
Proved Reserves, December 31, 1979	66,024	7,423	73,447
Revision of previous estimates	**(873)**	**(2,847)**	**(3,720)**
Extensions, discoveries	**13,757**	**—**	**13,757**
Production	**(2,988)**	**(663)**	**(3,651)**
Proved Reserves, December 31, 1980	**75,920**	**3,913**	**79,833**

Proved Developed Reserves:			
December 31, 1978	60,980	9,700	70,680
December 31, 1979	66,024	5,431	71,455
December 31, 1980	**75,920**	**1,920**	**77,840**

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids, which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Based on this definition, the United Kingdom proved oil reserves do not include any reserves attributable to the South Ninian 3/8a-5A and 3/8a-6A wells drilled in 1980. Additional appraisal drilling will be required to determine the economic viability of these separate reservoirs.

Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. The proved developed reserves of the United Kingdom have been calculated based on the ratio of Ninian wells drilled as at December 31 compared to the total Ninian wells to be drilled.

Net reserves are calculated after deducting any working, royalty (including government royalties) and override interests of other parties in the Company's properties.

(b) **Future Net Revenues**

Future net revenues from estimated production of the Company's proved and proved developed oil and gas reserves and the present value of such future net revenues as of December 31, 1978, 1979, 1980, as determined by the Company's engineering staff, is set forth in the following tables. Future net revenues in the United Kingdom are based on the Company's 6.1783 percent interest in the Ninian Field.

	Canada	**United States**	**United Kingdom**	**Total**
Future Net Revenues (thousands of U.S. dollars)				
Proved Reserves:				
1981	$ 5,804	$1,041	$ 168,617	$ 175,462
1982	6,907	757	202,055	209,719
1983	8,705	856	208,937	218,498
Thereafter	121,684	5,885	821,650	949,219
	$143,100	$8,539	$1,401,259	$1,552,898
Proved Developed Reserves:				
1981	$ 5,804	$1,041	$ 78,240	$ 85,085
1982	6,907	757	93,753	101,417
1983	8,705	560	96,947	106,212
Thereafter	121,684	2,085	381,245	505,014
	$143,100	$4,443	$ 650,185	$ 797,728
Present Value of Future Net Revenues (thousands of U.S. dollars)				
Proved Reserves:				
December 31, 1978	$ 49,373	$ 6,297	$ 455,076	$ 510,746
December 31, 1979	$ 56,275	$ 9,077	$ 634,731	$ 700,083
December 31, 1980	**$ 60,038**	**$ 5,095**	**$ 990,904**	**$ 1,056,037**
Proved Developed Reserves:				
December 31, 1978	$ 49,373	$ 6,297	$ —	$ 55,670
December 31, 1979	$ 56,275	$ 7,358	$ 83,658	$ 147,291
December 31, 1980	**$ 60,038**	**$ 3,156**	**$ 459,779**	**$ 522,973**

Future net revenues have been estimated using current sales prices, royalties, operating costs and future development costs necessary to produce such reserves. The present value of estimated future net revenues has been computed using a mid-year discount factor at a 10% rate.

The sales prices used in the calculation of estimated future net revenues are based upon the sales price received by the Company for production on December 31. Sales price increases occuring subsequent to year-end have not been considered in this calculation.

(c) **Summary of Oil and Gas Producing Activities**

The following information with respect to Reserve Recognition Accounting has been prepared in accordance with Securities and Exchange Commission guidelines. Under this method of accounting, annual earnings are based on the change in value of proved reserves relative to the exploration and development expenditures incurred for the corresponding period.

Although Management supports the additional disclosure requirement of the future net revenues and net present values of reserves prepared under specific guidelines, they feel there are too many inherent difficulties in the estimation process to utilize this information in determining earnings for a period. The earnings determined under RRA will differ substantially from the cash flow generated from production operations and do not reflect the funds available for dividend payments or exploration and development.

	1980	1979
	(000's)	
Additions to estimated proved oil and gas reserves	**$ 12,463**	$ 6,253
Revision to estimates of reserves proved in prior years:		
Change in prices	**205,294**	169,664
Other	**6,264**	(21,272)
Interest factor — accretion of discount	**70,008**	51,075
	294,029	205,720
Additional value due to redetermination of Ninian working interest (Note 8)	**160,698**	—
	454,727	205,720
Exploration and development cost		
Costs incurred:		
Acquisition	**3,444**	1,774
Exploration	**13,764**	4,206
Development	**2,193**	3,114
	19,401	9,094
Changes in deferred costs	**(9,600)**	(1,908)
	9,801	7,186
Additions and revisions to proved reserves over excluded costs	**444,926**	198,534
Provision for income and U.K. petroleum revenue taxes	**299,555**	153,749
Results of oil and gas producing activities on the basis of reserve recognition accounting	**$145,371**	$ 44,785

Additions to estimated proved oil and gas reserves represent the present value of future revenues to be obtained from proved oil and gas reserves discovered during the current year.

Revision to estimates of reserves proved in prior years represents the change in present value of future revenues to be obtained from proved oil and gas reserves discovered in prior years.

Exploration and development costs represent the acquisition and drilling costs incurred by the Company which have been determined to be productive or non-productive during the year. Acquisition and exploration costs are deferred until it is determined whether or not the property contains proved reserves, at which time they are expensed.

Provisions for income taxes represents the estimated increased tax liability which exists at the end of the current year. As this estimation of the liability only considers tax legislation in effect at the year-end, certain additional liabilities may exist for legislation subsequently enacted.

Legislation has been proposed in both Canada and the United Kingdom which has not been taken into account in computing the results for the year ended December 31, 1980. In Canada, the new Petroleum and Gas Revenue Tax of 8% on net revenues from oil and gas production, before deduction for crown royalties, will be applicable January 1, 1981. In the United Kingdom, a Supplementary Petroleum Duty, to be levied at a rate of 20% on gross revenues, subject to certain allowances, has been proposed for an 18-month period commencing January 1, 1981. In addition, certain changes to the PRT legislation, with respect to uplift and safeguard, were proposed, which would increase the amount of PRT payable in future years.

(d) **Summary of Changes in the Present Value of Estimated Future Net Revenues from Proved Reserves**

	1980	1979
	(000's)	
Increases:		
Additions to estimated proved oil and gas reserves	**$ 12,463**	$ 6,253
Revision to estimates of reserves proved in prior years	**281,566**	199,467
Additional value due to redetermination of Ninian working interest	**160,698**	—
Purchase of reserves in place	**—**	2,315
Expenditures that reduced future development costs	**29,958**	44,170
	484,685	252,205
Decreases:		
Production revenue less production costs	**128,731**	62,868
Increase in present value	**355,954**	189,337
Balance at beginning of year	**700,083**	510,746
Balance at end of year	**$1,056,037**	$700,083

14. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table summarizes selected quarterly financial data for 1980 and 1979:

	Three Months Ended			
	March 31	June 30	September 30	December 31
	(in thousands of dollars, except per share amounts)			
1980				
Oil and gas sales	**$27,814**	**$35,646**	**$35,021**	**$41,299**
Net earnings	**$ 4,624**	**$ 5,926**	**$ 6,135**	**$ 8,816**
Net earnings per share	**$ .08**	**$ .10**	**$ .10**	**$ .15**
1979				
Oil and gas sales	$ 6,096	$ 12,784	$ 22,662	$ 27,616
Net earnings	$ 1,436	$ 2,193	$ 2,647	$ 4,666
Net earnings per share	$ .03	$ .04	$ .04	$ .08

Net earnings for the fourth quarter of 1980 includes an increase in net earnings of approximately $3,700,000, related to a reduction in the provision for U.K. Petroleum Revenue Tax than that estimated in the first three quarters, and a decrease in net earnings of $3,204,000 (net of applicable taxes of $1,039,000) related to a write-down of oil and gas and mineral properties.

Ranger Oil Limited

Five Year Statistical Review

(in thousands unless otherwise stated — dollar amounts are expressed in U.S. dollars)

	1980	1979	1978	1977	1976
Earnings					
Gross Revenue	**$ 140,776**	$ 69,961	$ 9,548	$ 9,032	$ 6,539
Cash Flow	**$ 108,526**	$ 50,125	$ 5,053	$ 5,610	$ 3,703
Net Earnings (Loss)	**$ 25,501**	$ 10,942	$ (3,773)	$ 2,461	$ 1,778
Net Earnings (Loss) per share	**$ .43**	$ .19	$ (.07)	$ .05	$ .03
Balance Sheet					
Working Capital	**$ 7,529**	$ 374	$ 2,041	$ 3,181	$ 2,773
Property, Plant & Equipment — net	**$ 273,731**	$ 245,975	$ 207,592	$ 137,043	$ 89,462
Bank Loans	**$ 118,414**	$ 163,987	$ 178,279	$ 104,899	$ 60,895
Shareholders' Equity	**$ 80,598**	$ 54,492	$ 26,125	$ 29,544	$ 27,039
Number of Shares Outstanding — at Year End	**60,090**	59,649	51,569	51,262	51,226
Market Price for Shares					
Toronto — High	**$ 27.50**	$ 9.13	$ 3.31	$ 2.60	$ 1.60
— Low	**$ 6.50**	$ 2.67	$ 2.15	$ 1.50	$ 1.06
American — High	**$ 23.38**	$ 7.83	$ 2.88	$ 2.50	$ 1.64
— Low	**$ 5.21**	$ 2.50	$ 1.81	$ 1.48	$ 1.04
Capital Expenditures					
North America	**$ 18,270**	$ 9,247	$ 13,130	$ 6,346	$ 7,348
North Sea	**$ 35,835**	$ 44,029	$ 66,335	$ 42,904	$ 30,899
Other Foreign Areas	**$ 3,045**	$ 1,952	$ 426	$ —	$ —
Land Holdings — Acres					
North America — gross	**489**	423	498	1,088	1,751
— net	**150**	132	164	172	679
North Sea — gross	**216**	204	204	335	335
— net	**62**	60	60	111	111
Other Foreign Areas — gross	**6,088**	2,138	—	—	—
— net	**2,640**	428	—	—	—
Production — North America					
Crude Oil & Natural Gas Liquids — before royalty					
Annual (bbls)	**451,000**	473,000	477,000	507,000	489,000
Daily Average (bbls)	**1,232**	1,297	1,307	1,388	1,339
Natural Gas — before royalty					
Annual (Bcf)	**5.2**	6.4	5.6	6.2	5.3
Daily Average (Mcf)	**14,162**	17,644	15,243	16,940	14,425
Production — United Kingdom					
Crude Oil & Natural Gas Liquids — before royalty					
Annual (bbls)	**4,392,000**	2,960,000	—	—	—
Daily Average (bbls)	**12,000**	8,109	—	—	—

The above Net Earnings per Share and Share Market prices have been adjusted to give effect to a two-for-one stock split in August 1978, a two-for-one stock split in December 1979 and a three-for-one stock split in October 1980.

BOARD OF DIRECTORS

J. M. Pierce (Calgary, Alberta)
Chairman & President of the Company

E. O. Parry (Calgary, Alberta)*
President of Morrin Holdings Ltd.,
a family holding company

E. M. Bronfman (Toronto, Ontario)
Chairman of Edper Investments Ltd.,
a family investment and financial company

F. R. Matthews, Q.C. (Calgary, Alberta)*
Partner, MacKimmie Matthews,
Counsel for the Company

A. B. Henderson (London, England)
Managing Director,
Lombard O'dier International Portfolio Management Ltd.

A. G. Hall (Calgary, Alberta)*
President of Sepic River Resource Ltd.

W. B. Dingle (Calgary, Alberta)*
Retired Oil Executive

** Member of Audit Committee and of Compensation Committee*

OFFICERS & SENIOR PERSONNEL

J. M. Pierce
Chairman and President

J. J. Newman
Senior Vice President, Exploration and Production

A. K. Surridge
Senior Vice President, Finance

S. B. Smith
Vice President Operations, North America

E. Tonn
President, Ranger Oil Company

G. H. Bowman
Managing Director, Ranger Oil (U.K.) Limited

A. L. Evans
Vice President Exploration, International

E. E. Felzien
Vice President, Drilling Operations

F. J. Dyment
Treasurer

L. Treloar
Corporate Secretary

SUBSIDIARY COMPANIES

Ranger Oil Company
Ranger Oil (U.K.) Limited
Ranger Oil (International) Limited
Ranger, Inc.
Ranger Oil (Australia) Limited
Kissinger Petroleum Corporation
Kissinger Petroleums Ltd.

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Calgary, Alberta

AUDITORS

Thorne Riddell
Calgary, Alberta

LEGAL COUNSEL

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Calgary, Alberta

Norton, Rose, Botterell & Roche
London, England

TRANSFER AGENTS

Guaranty Trust Company of Canada
Calgary, Vancouver, Toronto

The Chase Manhattan Bank
New York

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Toronto Stock Exchange
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London Stock Exchange

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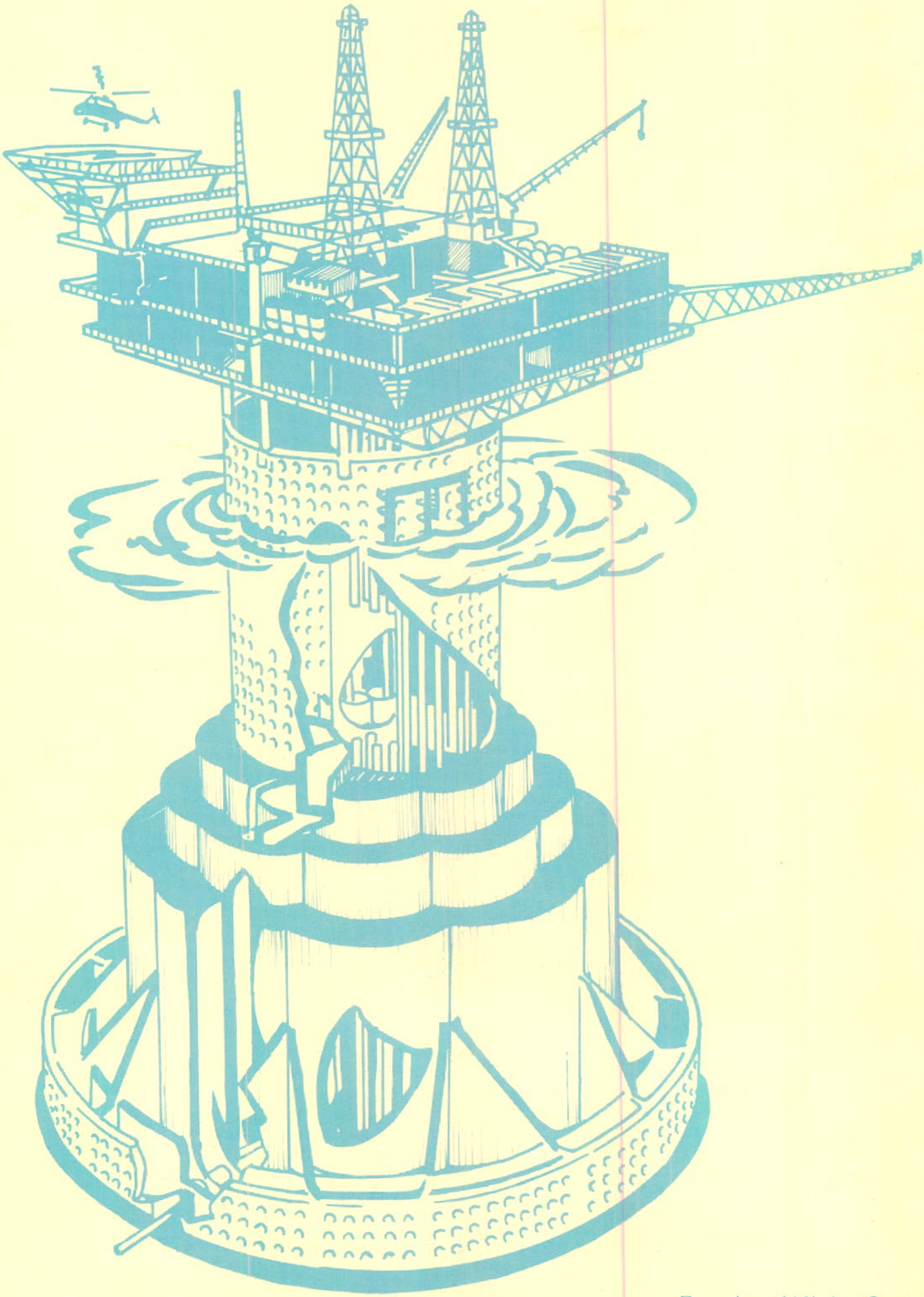

Drawing of Ninian Central Platform.