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Annual Report 1955



West Canadian oil & gas Ltd.



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TRANS EMPIRE OILS LTD.

Company Information, Directors and Officers

TRANS EMPIRE OILS LTD.

(Incorporated under the Laws of Canada on October 30, 1950.)

CAPITAL :	Authorized	-	-	-	5,000,000 Shares of a Par Value of \$1.25 each.
	Issued	-	-	-	2,617,750 Shares of a Par Value of \$1.25 each.
	Listings	-	-	-	Calgary, Vancouver, Toronto, Canadian, American and Los Angeles Stock Exchanges.
FUNDED DEBT :	Authorized	-	-	-	\$5,000,000.
	Outstanding	-	-	-	\$814,000 Convertible Sinking Fund Secured. Notes 5% Series "A". \$801,500 Convertible Sinking Fund Secured. Notes 5½% Series "B".
DIRECTORS :	John D. Boyd	-	-	-	Calgary, Alberta.
	Clifton C. Cross	-	-	-	Calgary, Alberta.
	F. Lawson Glasgow	-	-	-	Montreal, Quebec.
	John W. Lehman	-	-	-	Calgary, Alberta.
	Russell P. Leveque	-	-	-	Calgary, Alberta.
	John H. R. Thomson	-	-	-	Calgary, Alberta.
	Harold E. Wright	-	-	-	Vancouver, British Columbia.
OFFICERS :	John D. Boyd	-	-	-	President and General Manager.
	John H. R. Thomson	-	-	-	Vice-President and Treasurer.
	John W. Lehman	-	-	-	Vice-President and Secretary.
	Stanley W. Jones	-	-	-	Assistant Secretary-Treasurer.
REGISTRARS :	Prudential Trust Company Limited	-	-	-	Calgary, Alberta, Canada.
	Registrar and Transfer Company	-	-	-	Jersey City, New Jersey, U.S.A.
TRANSFER AGENTS :	Prudential Trust Company Limited	-	-	-	Calgary, Alberta.
	Prudential Trust Company Limited	-	-	-	Vancouver, British Columbia.
	Prudential Trust Company Limited	-	-	-	Toronto, Ontario.
	Prudential Trust Company Limited	-	-	-	Montreal, Quebec.
	Registrar and Transfer Company	-	-	-	Jersey City, New Jersey, U.S.A.
AUDITORS :	Morton and Hills	-	-	-	Calgary, Alberta
SOLICITORS :	Nolan, Chambers, Might, Saucier, Peacock & Jones	-	-	-	Calgary, Alberta.
BANKERS :	The Royal Bank of Canada	-	-	-	Calgary, Alberta.

Comparative Summary of Significant Facts

	<i>Year ended December 31, 1955</i>	<i>* Year ended December 31, 1954</i>	<i>* Year ended December 31, 1953</i>
Number of crude oil wells in which interest held	75	78	79
Net crude oil wells owned	54.4	56.4	56.5
Number of gas wells in which interest held	13	7	7
Net gas wells owned	7.9	3.74	3.24
Barrels of crude oil produced	529,980	496,901	447,705
Value of crude oil produced after payment of royalties	\$1,007,270.20	\$1,012,503.22	\$893,897.07
Realization per barrel after Royalties	\$1.90	\$2.04	\$2.00
Estimated oil reserves	7,748,464 bbls.	8,209,382 bbls.	8,555,533 bbls.
Estimated gas reserves	29.5 billion cu. ft.	28.46 billion cu. ft.	30 billion cu. ft.
Total income from all sources	\$1,126,053.39	\$1,065,432.45	\$1,084,282.20
Net cash profit	\$494,190.35	\$471,911.37	\$520,713.88
Number of shareholders	6,908	7,007	7,051
Gross acreage holdings	2,269,193	2,203,095	2,159,215
Net acreage holdings	333,289	322,859	303,125
Book value per undrilled net acre	\$2.96	\$2.30	\$2.29

** Figures for the years 1953 and 1954 are for the Parent Company only.*

Directors' Report to the Shareholders

Trans Empire Oils Ltd. continued during 1955 the policy announced to shareholders in the Directors' report of one year ago. This policy contemplated the restriction of expenditures on development and exploration in order to improve the Company's cash position, reduce its debt and conserve and improve its land position.

As a result of the policy outlined above the Company participated in the drilling of only seven wells of which four were wildcats and three step out wells. In other words, none were on proven land. Of these, three were dry, the remaining four being productive of either oil or gas. In addition, the Company carried out geophysical surveys in five separate areas of Alberta and continued with its partners the exploration and evaluation of its lands in British Columbia. Geological work was carried out by ourselves and our consultants in southeastern Saskatchewan, so that we are now in a position to commence a program of exploration and development in that area. This, your Directors hope, will result in a considerable increase in both Trans Empire's daily production and total reserves of oil.

The Company's consolidated debt has been reduced by a total of \$624,000.00, and although current assets have decreased by \$473,487.00, due to exploration costs, the net improvement amounts to \$150,513.00. Our acreage was maintained and added to, total holdings being increased by 10,430 net acres. Some land was dropped after careful appraisal, with the result that our holding of new lands is considerably in excess of the net increase, e. g. the Company acquired in excess of 20,000 net acres in the hot granite wash area of Northern Alberta.

The year saw the Company produce more oil than ever in its history and although income after royalties was slightly below last year's, this was due to the reduction of crude prices early in the year and the increased percentage of crude deliveries from areas such as Campbell and Stettler. It appears likely, however, that our production will continue its upward trend from Alberta sources, leaving aside the possibilities mentioned earlier in the Ralph area of southeastern Saskatchewan, with a resultant increase in income.

The approval of the Westcoast Transmission project by the Federal Power Commission and the very rapid start on the building of the line have already increased interest in Northeast British Columbia and Northwest Alberta tremendously. The benefits to your Company with its holdings in British Columbia in the Peace River area of Alberta are obvious.

Your Directors now feel that Trans Empire can again embark on a reasonably aggressive program of exploration and development. They feel confident that such a program, coupled with new land acquisitions and the preliminary work done during 1954 and 1955, will result in a reasonable measure of success.

Trans Empire is still in need of capital funds. However, our banking arrangements have so far been most satisfactory and the Directors anticipate no problem in acquiring funds to carry out the program planned for 1956.

The Directors would like to thank the shareholders for their continued confidence and to express their appreciation to all employees for the loyalty and efficiency displayed throughout the year.

On behalf of the Board,

J. D. BOYD,

President.

Exploration and Production

During 1955 the Company and its associates drilled the following wells:

<i>Well Name</i>	<i>Trans Empire Interest</i>	
Trans Empire Campbell No. 17	100%	Gas
Trans Empire Red Deer No. 1.....	100%	Dry
Canadian Export Gas Trans Empire Helmsdale No. 1 ...	15%	Gas
Stanolind et al St. Albert, No. 5	7.25%	Oil
Stanolind et al St. Albert No. 6	7.25%	Oil
Union et al Quaich No. 1	8%	Dry
Canada Southern et al Kelly Lake	12½ %	Dry

Total development expenditures are estimated at \$157,296.78

● GEOLOGICAL AND GEOPHYSICAL

During the year, gravity surveys were carried out in acreage belonging to us in the Lake Newell and Drumheller areas in South-Central Alberta. In the north part of the province we completed magnetometer and gravity surveys on reservations near Hotchkiss River, and north of Lesser Slave Lake. Evaluation of this work is in progress.

Satisfactory results were achieved in our geological study of the 37,000-acre Peace River block held by us under farm-out from Leduc-Calmar. We will be drilling at a selected location as soon as equipment is available, with a double objective, gas in the Gething Sand and oil in the Triassic.

● JOINT OPERATIONS — BRITISH COLUMBIA

We hold a 12½ % interest in 1,600,00 acres in Northeastern British Columbia. Our group, with Canada Southern as operators, did sufficient work in 1955 to carry the reservations well into 1956. An exploratory driller, Canada Southern et al Kelly Lake No. 1, on Permit No. 218, failed to find commercial production in zones down to 7,500 feet, but oil discovered in small quantities in the Cardium formation indicates that the 100,000-acre permit should be considered promising as a future play.

In the opinion of the group, Permits 178 and 224 containing 114,000 acres in one block, offer possibilities for both oil and gas. Wells drilled by major operators on all sides of the two permits, have obtained good gas shows, while twenty miles to the southeast, the N.F.A. team found at Boundary Lake what is likely to be a very good Triassic light oil field.

The year 1956 should see further discoveries by others in this general area, discoveries which could cause us to do a great deal more work on these two permits than would have been the case otherwise.

We like British Columbia as a hunting ground for hydro-carbons. One of the most attractive features is that the bulk of our acreage in B.C. is only about 360 miles from the Pacific inland waterway port of Bella Coola. Future oil pipe lines to that port should enable producers to compete effectively in west coast and far east trade.

Now that the question of gas exports from British Columbia to the United States has been settled, the way is open for large scale exploration which will almost certainly react to the benefit of our holdings, even if the current discovery ratio of 40% fails to hold up.

TRANS EMPIRE OILS LTD.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Take notice that the Annual General Meeting of the Shareholders of Trans Empire Oils Ltd. will be held in the Canadian Legion Hall, 624 Eighth Avenue West, in the City of Calgary, in Alberta, on the 20th day of April, 1956, at the hour of 2:30 o'clock in the afternoon, for the purposes of:

- (a) Receiving and approving the report of the Directors and the Balance Sheet and Statement of Income and Expenditure and the Auditors' Report, all as contained in the Annual Report of the Company for the year ended 31st December, 1955.
- (b) Approving and ratifying all actions of the Directors and Officers of the Company.
- (c) Electing a Board of seven Directors for the ensuing year.
- (d) Appointing auditors for the ensuing year.
- (e) Transacting such other business as may properly come before the meeting.

The transfer books will not be closed.

Each Shareholder who will not be able to attend the meeting is respectfully requested to detach the proxy hereto annexed, specify thereon the manner in which the shares represented thereby are to be voted, sign it, and return it to the Company.

Pursuant to Clause 95 of By-Law No. 1 of the Company the instrument appointing a proxy shall be deposited at the Head Office of the Company not less than 24 hours before the time fixed for holding the meeting.

A copy of the Company's Annual Report above mentioned is enclosed herewith.

DATED at Calgary, this 2nd day of March, 1956.

By order of the Board.

JOHN W. LEHMAN,

Secretary.

PROXY STATEMENT

GENERAL INFORMATION :

The management solicits your proxy for use at the Annual Meeting of Shareholders to be held on April 20, 1956, and any and all adjournments thereof. A form of proxy is attached. Any Shareholder who executes and delivers the proxy may revoke it at any time prior to its use. The costs of soliciting the proxies will be borne by the Company.

At the meeting it is proposed to present a Resolution for the approval and adoption of the Directors' Report, Auditors' Report and Financial Statements all as contained in the Annual Report of the Company for the year ended December 31, 1955, copy of which is mailed herewith.

It is also proposed to present a Resolution approving and ratifying all actions and proceedings of the Directors and Officers of the Company as set forth or described in the Minute Books of the Company and in the Annual Report of the Company.

PROVISIONS RELATING TO VOTING :

Holders of shares of the Capital stock of the Company at the close of business on the 21st day of March, 1956, will be entitled to vote for the election of Directors, the appointment of Auditors and all other matters which properly come before an Annual Meeting of Shareholders. The number of shares outstanding as at March 2, 1956, is 2,617,750.

In case the address of a Shareholder signing a proxy appears on the records of the Company to be in the United States, the proxy will not be used in connection with any vote on the Annual Report of the Company or on the Acts and Proceedings of the Directors and Officers as set forth or described in the Minute Books of the Company and in the Annual Report of the Company.

ELECTION OF OFFICERS :

At the meeting a Board of seven directors is to be elected for the ensuing year, and it is the intention of the persons named in the attached form of proxy to vote such proxy for the election of the following seven as Directors of the Company. All seven are present Directors of the Company and are standing for re-election. In case any of these Nominees should become unavailable for election for any presently unforeseen reason, the persons named in the proxy will have the right to use their discretion to vote for a substitute.

Name and Principal Occupation	Year First Became a Director	Beneficially Owned as of Jan. 31, 1956
Boyd, John Drummond <i>President, Trans Empire Oils Ltd., Calgary, Alberta</i>	1950	5,047 shares
Cross, Clifton Cuthbert <i>President, Clifton C. Cross & Co. Ltd., Investment Dealers.</i>	1950	53,216 shares
Glasgow, Frank Lawson <i>Vice-President and Director, Royal Securities Corporation Ltd., Montreal, P.Q., Investment Dealers and General Financial Agents.</i>	1950	1,900 shares

TRANS EMPIRE OILS LTD.

TO OUR UNITED STATES SHAREHOLDERS :

The enclosed proxy stipulates that "in case the address of the Shareholder signing this proxy appears on the records of the Company to be in the United States, this proxy will not be used in connection with any vote on the Annual Report of the Company or on the actions or proceedings of the Directors and Officers as set forth or described in the Minute Books of the Company and in the Annual Report of the Company".

We feel that an explanation for this apparent restriction should be given to our United States shareholders.

It is our understanding that United States Corporations do not as a general rule ask for the approval by stockholders of the Annual Report or of the actions taken by the Directors during the fiscal year preceding the Annual Meeting. While it is not compulsory under Canadian Law, almost all Canadian Corporations submit these matters for the approval of their shareholders.

The Securities and Exchange Commission—a United States regulatory body—has ruled that if the Annual Report and the actions of the Directors are to be submitted to the shareholders for approval, the Annual Report must make a full and complete report of all actions taken by the Directors and Officers of the Company — not just the effect thereof as reflected in the results of operations. Such a recital would, in our opinion, make the report unwieldy. In addition, the Financial Statements included in the Annual Report would have to be prepared in a much more detailed form. Accordingly, many Canadian Corporations, including this Company, have adopted the restriction outlined above as an alternative to the report and accounting procedures required by the Securities and Exchange Commission.

TRANS EMPIRE OILS LTD.

P R O X Y

Know all men by these presents, that the undersigned Shareholder, of TRANS EMPIRE OILS LTD., has appointed and hereby appoints JOHN D. BOYD, or failing him, JOHN W. LEHMAN, the Proxy for and in the name of the undersigned, to vote at the Annual General Meeting of Shareholders of the said Company called for the 20th day of April, 1956, and any adjournment thereof; the undersigned hereby agreeing to ratify and confirm all that the said Proxy shall lawfully do in the premises by the virtue hereof.

The said Proxies are directed to vote:

- (a) FOR or AGAINST approval and adoption of the Directors' Report and the Balance Sheet and Statements of Income and Expenditures, and the Auditors' Report, all as contained in the Annual Report of the Company.
- (b) FOR or AGAINST approving and ratifying all actions and proceedings of the Directors and Officers of the Company as set forth or described in the Minute Book of the Company and in the Annual Report of the Company.
- (c) In the election of Directors.
- (d) FOR or AGAINST the appointment of Morton & Hills as auditors of the Company.
- (e) In their discretion, upon all other matters coming before the meeting.

This Proxy is solicited on behalf of the Management of the Company. It is understood that the shares represented hereby will be voted, and will be voted in accordance with the instructions made above, but if no instruction is indicated the vote of the undersigned is to be cast in favour of Morton & Hills as Auditors of the Company.

DATED

1956.

Signature of Shareholder

Address

(Print name plainly.)

NOTES :

1. In case the address of the Shareholder signing this proxy appears on the records of the Company to be in the United States, this proxy will not be used in connection with any vote on the Annual Report of the Company or on the actions and proceedings of the Directors and officers as set forth or described in the Minute Books of the Company and in the Annual Report of the Company.
2. This proxy must be signed and deposited at the Head Office of the Company, 627 - 8th Avenue West, Calgary, Alberta, Canada, not later than 24 hours before the time of the meeting.
3. Any alteration made in this proxy should be initialled.
4. The Person appointed by this proxy must be a Shareholder of the Company, unless the Shareholder be a Corporation, in which case its proxy need not be a Shareholder.
5. In the case of joint holders, this proxy may be signed by any one of such holders.
6. If the Shareholder is a Corporation, the proxy should be under its Corporate Seal, duly attested.

Name and Principal Occupation	Year First Became a Director	Beneficially Owned as of Jan. 31, 1956
Lehman, John William _____ <i>Vice-President in charge of administration and Secretary of Trans Empire Oils Ltd., Calgary, Alberta.</i>	1950	5,000 shares
Leveque, Russell Pierre _____ <i>President, R. P. Leveque Investments Ltd., Calgary, Alberta, Investment Dealers and Stock Brokers.</i>	1952	11,700 shares
Thomson, John Henry Reginald _____ <i>Vice-President in Charge of Operations and Treasurer, Trans Empire Oils Ltd., Calgary, Alberta.</i>	1950	2,608 shares
Wright, Harold Edwin _____ <i>Assistant General Manager of Canadian Bakeries Ltd., Vancouver, B.C.</i>	1952	700 shares

The aggregate amounts paid or set aside by the Company during the year ended December 31, 1955, to all persons as a group, who were Directors or Officers are as follows :

Group

Directors	Fees _____	\$ 1,800.00
Officers	Salaries _____	58,700.00
Officers	Pension Fund Payments * _____	9,295.52
	Total _____	\$ 69,795.52
	* Estimated Annual Benefits Upon Retirement _____	\$ 14,945.64

No Director, Officer or Nominee of the Company received remuneration in excess of \$25,000.00 during the fiscal year ended December 31, 1955, from the Company.

There is no individual or Corporation known to the management holding beneficially more than ten per cent of the outstanding Capital Stock of the Company.

APPOINTMENT OF AUDITORS :

The Shareholders present in person or represented by proxy will be asked to vote for the re-appointment of Morton & Hills, Chartered Accountants of Calgary, Alberta, the present auditors of the Company. There is no material relationship between Morton & Hills and the Company except in the capacity of independent auditors of the Company.

OTHERS MATTERS WHICH MAY COME BEFORE THE MEETING :

The only business that the Management knows will be presented to the meeting is the business set out in the Notice.

If other matters properly come before the Meeting, it is the intention of the persons named in the attached form of proxy to vote the said proxy in accordance with their judgment in such matters.

BY ORDER OF THE BOARD OF DIRECTORS,

JOHN W. LEHMAN,

MARCH 2, 1956.

Secretary.

Looking down the road, we believe that British Columbia gas, in due course, will reach markets as far as California and that, following a historic pattern such markets will increase rapidly once they are established.

● NORTHERN ALBERTA

Permit No. 2446 of 19,840 acres in Twp. 83, Rges. 5 and 6, W5th, near Lesser Slave Lake which we bought during the year has assumed considerable importance, due to the fact that a well is being drilled by the Great Plains-Triad team two miles north of our land. Eighteen miles further northwest, Union Oil recently announced the discovery of the best "Granite wash" well to date. A frenzied land play ensued, in the course of which the majors gobbled up all reservation land within 100 miles of the discovery.

While oil in the Lesser Slave Lake region is a very long distance from markets, we consider ourselves quite fortunate nevertheless, in having land there. What we do in 1956 on this permit will depend, no doubt, on results achieved at the Great Plains-Triad test.

● SECONDARY RECOVERY PROJECTS

The Leduc D3 Pressure Maintenance Scheme, inaugurated in September, has proved successful. Pressures have been maintained, and in consequence, allowables are likely to remain at present levels or higher for some time. It is estimated that an additional 7 or 8% of oil in place, will be recovered from the reservoir as a result of the scheme.

Another maintenance project in the northwest part of the Leduc field has arrested pressure declines in about 70 D2 wells. This project also acts as a depository for salt water which is being produced in relatively small quantities along with oil.

At Stettler, the various owners of D2 acreage, have agreed to the unitization of the field, and the installation of pressure maintenance by water injection wells. Technical details are now under consideration, and the end of this year should see the completion of a very compact unit, designed to produce the whole field scientifically, to the ultimate benefit of all participants in the pool.

Our Campbell gas repressuring project has justified all hopes. Production has increased, and over-all gas-oil ratios are substantially lower. Remedial work planned for four wells not now on production should add another 100 barrels daily to the Company's take.

● SOUTHEAST SASKATCHEWAN

Judging from 1955 operations in that area, the southeast corner of Saskatchewan contains many undiscovered oil pools. We have leases scattered throughout the region, but to drill wildcats on any of these isolated quarters would hardly be advisable. Accordingly, we recently secured, under a very favourable farm-out arrangement, seven quarter sections in the Ralph-Weyburn area. The land lies in three separate parcels, each offset by a producing well.

Our first driller, offsetting Socony Central Del Rio 28-2, will go down early in 1956. Subsequent wells, also on an offset basis are scheduled to be drilled at regular intervals during the year.

Typical Ralph-Weyburn producers on 80-acre spacing contain from 250,000 to 300,000 barrels of recoverable oil. Of 30 to 31 A.P.I. gravity, it sells for \$1.85 per barrel after trucking expenses. The Westspur

Exploration and Production — (Continued)

pipe line now completing to Midale is likely to be extended to Ralph and Weyburn when sufficient recoverable reserves have been proven. This should favourably affect the wellhead price of oil produced in the field.

Assuming the land under farmout to be as good as our technicians and consultants think it is, we could have a very profitable operation in the Weyburn area.

● LIFTING COSTS

From well completion date to the end of 1955, the cost of lifting all oil produced by us and by others for our account, amounts to 47.14 cents per barrel. Royalties paid to date on the same oil are at the rate of 34.48 cents per barrel.

● OIL AND GAS RESERVES

The following table sets out the Company's estimate of present recoverable reserves after deduction of royalty-owners' share.

Light Oil—End of 1954	5,923,382	
Less: Withdrawals 1955	364,465	5,558,917
Medium Oil—End of 1954	365,300	
Less: Withdrawals 1955	58,181	307,119
Heavy Oil—End of 1954	1,920,700	
Less: Withdrawals 1955	38,272	1,882,428
		<u>7,748,464</u> bbls.

Reserves on St. Albert 5 and 6 while not yet calculated by Stanolind, are estimated by our own staff to be in excess of 1,000,000 barrels. Our proportion of this oil is 7.25%.

As a result of drilling during the year and the small amount of gas produced from the Company's properties during 1955, we estimate our present gas reserves to be 29.5 billion cubic feet.

● 1955 PRODUCTION

	<i>Production in Barrels</i>	<i>Company's Share Production After Royalty Deductions</i>	<i>Company's Share of Revenue</i>
Leduc	272,125	234,046	\$ 609,289.46
Stettler	99,805	84,834	170,067.60
Campbell	42,344	38,080	76,243.38
Cessford	65,371	58,181	80,348.08
Buffalo Coulee	41,407	38,272	51,126.98
St. Alberta	5,008	4,385	11,352.94
Redwater and Other Fields	3,920	3,120	8,841.76
	<u>529,980</u>	<u>460,918</u>	<u>\$1,007,270.20</u>

● FINANCIAL

During the year 1955, Bank Loans were reduced from \$661,268.00 to \$192,500.00. Series "A" Notes outstanding were reduced through purchases on the open market by \$30,000.00 while Series "B" Notes were reduced by \$90,000.00.

Bank Loans totalling \$192,500.00 are made up as follows:

Production Loan	\$105,000.00
Inventory Loan	48,500.00
Special Loan	39,000.00

The Production Loan is being paid off at a rate of \$25,000.00 per month and will therefore be retired about the end of April.

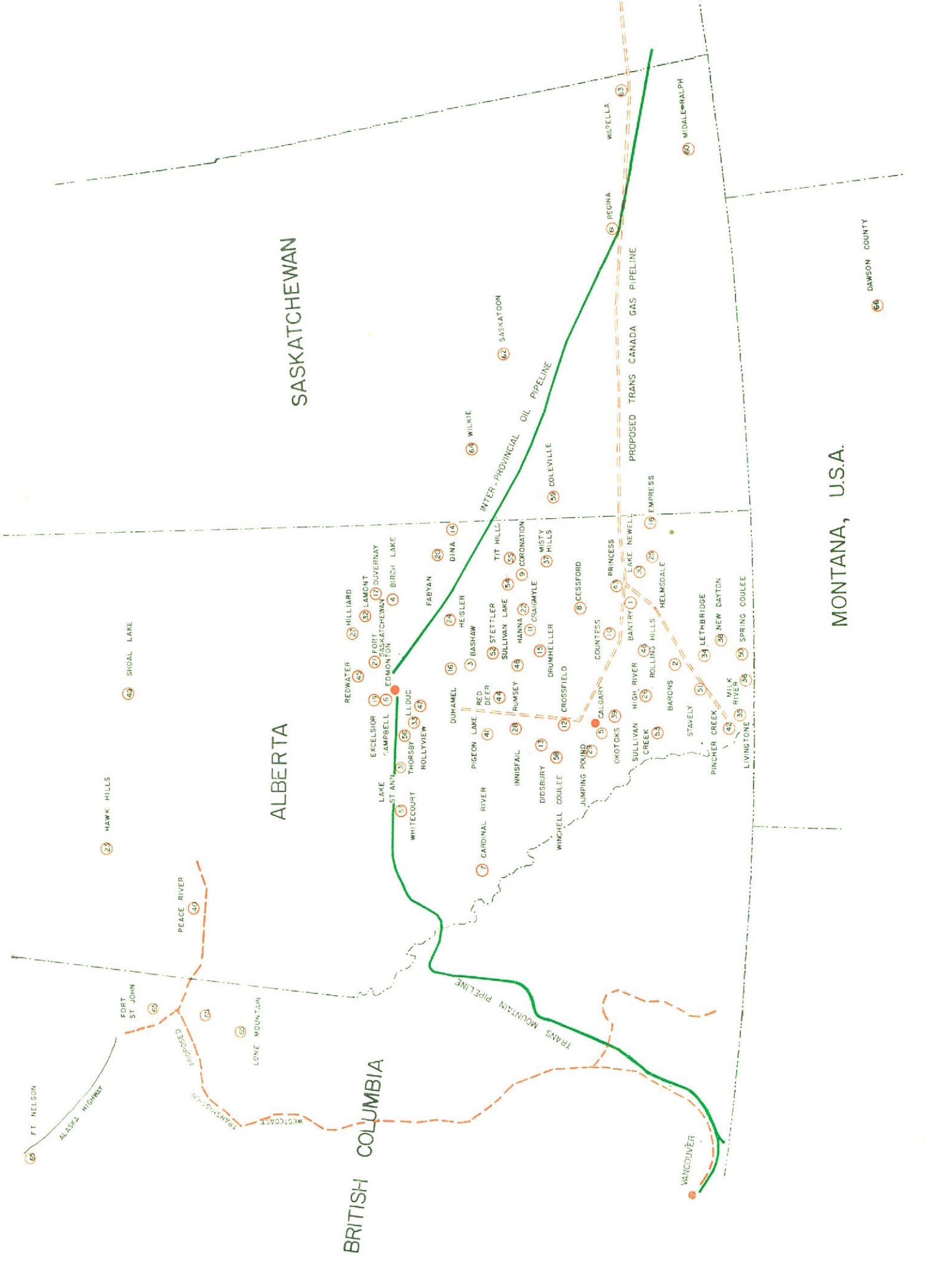
The Inventory Loan is against tubular goods presently held in stock. As these goods are removed from stock, the loan is reduced accordingly.

The Special Loan is self-liquidating.

● SHAREHOLDERS

The following is a breakdown of the distribution of outstanding shares:

<i>Location</i>	<i>Number of Shareholders</i>	<i>Shares Held</i>	<i>Percentage of Shares Outstanding</i>
Alberta	1,785	274,712	10.50
British Columbia	681	133,538	5.10
Saskatchewan	279	77,359	2.96
Manitoba	332	76,665	2.93
Ontario	662	116,592	4.45
Quebec	324	87,509	3.34
Maritime Provinces	301	67,269	2.57
North West Territories	7	383	.01
United States	2,129	548,971	20.97
Other	20	1,866	.07
Canadian Brokers	225	493,427	18.85
United States Brokers	163	739,459	28.25
	<u>6,908</u>	<u>2,617,750</u>	<u>100.00</u>



Gross and Net Acreage as at December 31, 1955

● ALBERTA

	<i>Gross</i>	<i>Net</i>		<i>Gross</i>	<i>Net</i>
1. Bantry	2,560	154	30. Lake Newell	12,800	12,800
2. Barons	320	320	31. Lake St. Ann	155	155
3. Bashaw	4,420	1,480	32. Lamont	509	509
4. Birch Lake	320	320	33. Leduc	3,040	1,480
5. Calgary	316	316	34. Lethbridge	321	321
6. Campbell	5,613	3,124	35. Livingstone	161	161
7. Cardinal River	5,760	5,760	36. Milk River	320	320
8. Cessford	4,160	2,400	37. Misty Hills	319	319
9. Coronation	641	641	38. New Dayton	640	640
10. Countess	23,040	5,760	39. Okotoks	160	160
11. Craigmyle	479	479	40. Peace River	38,560	19,280
12. Crossfield	319	319	41. Pidgeon Lake	160	40
13. Didsbury	480	480	42. Pincher Creek	2,352	1,176
14. Dina	3,792	1,264	43. Princess	6,085	198
15. Drumheller	7,760	5,720	44. Red Deer	400	400
16. Duhamel	111	111	45. Redwater	160	29
17. Duverney	640	640	46. Rolling Hills	150	150
18. Empress	479	479	47. Rollyview	160	160
19. Excelsior	162	162	48. Rumsey	150	150
20. Fabyan	640	640	49. Shoal Lake	19,840	17,856
21. Fort Saskatchewan	240	240	50. Spring Coulee	320	320
22. Hanna	4,960	4,960	51. Stavely	159	159
23. Hawk Hills	9,600	4,800	52. Stettler	640	480
24. Heisler	4,350	3,263	53. Sullivan Creek	800	800
25. Helmsdale	12,792	1,918	54. Sullivan Lake	643	643
26. High River	1,280	1,280	55. Tithills	640	640
27. Hilliard	798	798	56. Thorsby	4,440	1,110
28. Innisfail	480	480	57. Whitecourt	7,168	1,035
29. Jumping Pound	280	280	58. Winchell Coulee	954	954

● SASKATCHEWAN

59. Coleville	620	620	62. Saskatoon	285	285
60. Midale, Ralph	2,810	2,529	63. Wapella	800	800
61. Regina	160	160	64. Wilkie	160	160

● BRITISH COLUMBIA

65. Fort St. John	2,064,720	217,062
Lone Mountain		

● MONTANA

66. Dawson County	640	640
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● TOTALS

TOTAL GROSS ACREAGE	2,269,193
TOTAL NET ACREAGE	333,289

Trans Empire Oils Ltd. and Wholly Owned Subsidiary Companies—Taylor
Consolidated Balance Sheet as at December 31, 1955 and Comp

● **ASSETS**

	1955	1954
CURRENT:		
Cash on Hand and in Banks	\$ 28,667.04	\$ 289,865.68
Accounts Receivable—		
For Sales of Products and Services	90,560.18	224,707.20
Other	58,988.44	145,278.94
Less Provision for Doubtful Accounts		(9,942.53)
Inventories—at the lower of cost or market—Note 2	101,631.50	103,424.68
	<u>\$ 279,847.16</u>	<u>\$ 753,333.97</u>
SINKING FUND :		
Cash and Investments held by Prudential Trust Company Limited under Terms of Trust Deed—		
Cash	\$ 3,348.54	\$ 53,144.48
Other Investments as Specified in Trust Deed at Cost— (Market Value 1954—\$24,687.50) (Market Value 1955—\$37,093.75)	6,250.00	6,250.00
	<u>\$ 9,598.54</u>	<u>\$ 59,394.48</u>
INVESTMENTS :		
Bonds, Debentures, Mortgages and Royalties at Cost—Less Amounts Written Off	\$ 13,086.49	\$ 26,694.79
Share Investments—at Cost—Less Amounts Written Off	46,911.50	82,615.70
Other Investments at Nominal Value	1.00	1.00
	<u>\$ 59,998.99</u>	<u>\$ 109,311.49</u>
FIXED ASSETS—AT COST: Note 3		
Property, Plant and Equipment	\$ 1,569,399.45	\$ 1,576,432.93
Less Accumulated Depreciation—Note 4	(1,000,497.98)	(982,391.33)
	<u>\$ 568,901.47</u>	<u>\$ 594,041.60</u>
DEVELOPMENT—AT COST: Note 5		
Producing and Drilling Wells and Development—at Cost	\$ 3,600,405.54	\$ 3,747,356.67
Interest Exploratory Development—at Cost	195,534.74	73,545.93
Interest in Petroleum and Natural Gas Rights, Leases, Permits and Reservations—at Cost	1,613,478.34	1,542,310.13
Add Revaluation re Acquisition Redwater Leaseholds Ltd., and Roxboro Oils Limited—Net	306,331.25	306,331.25
Other Lease Revaluations	411,194.85	237,842.71
	<u>\$ 6,126,944.72</u>	<u>\$ 5,907,386.69</u>
Less Accumulated Provision for Recovery of Development	(1,811,985.47)	(1,532,907.51)
	<u>\$ 4,314,959.25</u>	<u>\$ 4,374,479.18</u>
Abandoned Wells—at Cost	\$ 1,837,763.43	\$ 1,527,307.24
Less Provision for Wells Abandoned	(1,837,763.43)	(1,527,307.24)
OTHER ASSETS:		
Security Deposits	\$ 13,492.00	\$ 15,056.00
Discount on Convertible Sinking Fund Secured Notes Less Amortization	69,691.07	77,819.49
Organization Expense	60,966.82	60,966.82
Deposit with Trustee re Exchange of Shares	1,044.00	1,044.00
Prepaid Insurance and Rentals		8,106.60
Sundry Refund	2,405.22	2,405.22
	<u>\$ 147,599.11</u>	<u>\$ 165,398.13</u>
Premium Paid Upon Acquisition of Shares of Subsidiary Companies—Note 6	\$ 3,662.00	\$ 3,662.00
The notes appended hereto form an integral part of these statements.	<u>\$ 5,384,566.52</u>	<u>\$ 6,059,620.85</u>

Petroleum Operators Limited and Moose Jaw Refineries Limited

Comparative Consolidated Balance Sheet as at December 31, 1954

● **LIABILITIES**

	1955	1954
CURRENT:		
Bank Loans—Note 7	\$ 192,500.00	\$ 661,268.70
Accounts Payable—Trade	35,544.12	70,971.14
Accrued Interest on Secured Notes	18,046.18	18,422.78
	<u>\$ 246,090.30</u>	<u>\$ 750,662.62</u>
FUNDED DEBT: Note 8		
Convertible Sinking Fund Secured Notes—		
Authorized—\$5,000,000.00		
Issued—\$1,500,000.00—5% Series "A" Maturing March 1, 1966	\$ 1,500,000.00	\$ 1,500,000.00
Less Converted to Shares and Purchased for Cancellation	(686,000.00)	(656,000.00)
	<u>\$ 814,000.00</u>	<u>\$ 844,000.00</u>
Issued—\$1,000,000.00—5½%—Series "B" Maturing December 1, 1967		
Less Purchased for Cancellation	(198,500.00)	(108,500.00)
	<u>\$ 801,500.00</u>	<u>\$ 891,500.00</u>
Total Funded Debt	<u>\$ 1,615,500.00</u>	<u>\$ 1,735,500.00</u>
CAPITAL AND SURPLUS: Note 9		
Authorized—		
5,000,000 Shares, Par Value \$1.25 each including 306,945 shares reserved for conversion of secured notes and 100,000 shares re option agreement with officers of Company.		
Issued and Outstanding—2,617,750	\$ 3,272,187.50	\$ 3,272,187.50
Earned Surplus	88,325.80	138,807.81
Surplus arising from Conversion to Par Value Shares and Premium on Sale of Shares—Note 10	162,462.92	162,462.92
	<u>\$ 3,522,976.22</u>	<u>\$ 3,573,458.23</u>

SIGNED ON BEHALF OF THE BOARD:

JOHN D. BOYD, Director

JOHN W. LEHMAN, Director.

Submitted with our Report Dated February 15, 1956,

MORTON & HILLS, Chartered Accountants.

\$ 5,384,566.52 \$ 6,059,620.85

Trans Empire Oils Ltd. and Wholly Owned Subsidiary Companies —
Taylor Petroleum Operators Limited and Moose Jaw Refineries Limited

Statement of Consolidated Profit and Loss

For the year Ended December 31, 1955, and
Comparative Statement for the Year Ended December 31, 1954.

INCOME:	1955	1954
Proceeds from Production obtained from Wells—less Royalties	\$ 1,007,270.20	\$ 1,012,503.22
Sales Refinery Products		712,209.79
Servicing and Engineering	55,018.41	96,287.10
OTHER INCOME:		
Interest, Dividends, Royalties and Income from Sources Other than Oil Production	63,764.78	18,737.26
Increase in Value of Leases—Note 5	173,352.14	237,842.71
	<u>\$ 1,299,405.53</u>	<u>\$ 2,077,580.08</u>
DEDUCTIONS:		
Production Costs—		
Well Operating Expense, Lease and Well Maintenance, Repairs and Renewals	\$ 205,571.46	\$ 208,968.84
Manufacturing Refinery Products		691,662.01
Servicing and Engineering	3,031.49	23,708.92
Taxes and Assessments (Other than Income Taxes)	17,810.88	25,204.34
Executive Salaries Charged to Production	39,900.00	40,510.00
Depreciation of Equipment	81,813.84	169,601.60
	<u>\$ 348,127.67</u>	<u>\$ 1,159,655.71</u>
General and Administration Expense—Less Recoveries and Charges to Production	\$ 165,222.05	\$ 181,306.87
Selling		25,948.72
Counsel and Solicitor's Fees and Salaries of Executive Officers including all Salaried Directors, including Directors Fees of \$1,800.00 Less Charges to Production Costs	18,841.21	22,076.68
Geological Expense	8,551.96	5,206.59
Interest on Secured Notes and Bank Charges	104,673.24	148,399.03
Lease Rentals	68,260.75	77,357.57
Amortization of Discount on Notes	6,495.92	6,641.68
Depreciation of Furniture and Fixtures and Cars	9,720.00	7,410.88
Adjustment re Investments Written Down	30,460.59	
	<u>\$ 412,225.72</u>	<u>\$ 474,348.02</u>
Provision for Depletion—Note 5	\$ 220,486.80	\$ 213,667.10
Provision for Abandoned Wells—Note 5	\$ 310,456.19	\$ 60,073.75
Provision for Abandoned Leases	\$ 58,591.16	\$ 237,842.71
Net Loss Transferred to Earned Surplus	<u>\$ 50,482.01</u>	<u>\$ 68,007.21</u>

The notes appended hereto form an integral part of these statements.

Trans Empire Oils Limited and Wholly Owned Subsidiary Companies—
Taylor Petroleum Operators Limited and Moose Jaw Refineries Limited

Statement of Consolidated Earned Surplus

As at December 31, 1955

Balance as at December 31, 1954	\$ 138,807.81
Loss Transferred from Statement of Consolidated Profit and Loss— per Statement attached	50,482.01
Balance as at December 31, 1955	<u>\$ 88,325.80</u>

Auditor's Report

To The Shareholders,
Trans Empire Oils Ltd. :

We have examined the consolidated balance sheet of Trans Empire Oils Ltd. and wholly owned subsidiary companies as at December 31, 1955, and the statements of consolidated earned surplus and profit and loss for the year ended on that date and have obtained all the information and explanations we have required. Our examination of the accounts of Trans Empire Oils Ltd. and the subsidiary company, Taylor Petroleum Operators Limited, included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. We inspected the financial statements and the report thereon by another firm of chartered accountants in respect of Moose Jaw Refineries Limited whose records were not examined by us.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated earned surplus and profit and loss, including notes thereon, are properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of Trans Empire Oils Ltd. and wholly owned subsidiary companies as at December 31, 1955, and the results of their combined operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the companies which we examined and the audited accounts of the one consolidated company referred to above.

MORTON & HILLS
Chartered Accountants
AUDITORS.

Calgary, Alberta,
February 15, 1956.

Trans Empire Oils Ltd. and Wholly Owned Subsidiary Companies —
Taylor Petroleum Operators Limited and Moose Jaw Refineries Limited

Notes to Consolidated Financial Statements

As at December 31, 1955

● NOTE 1 —

Principles of Consolidation.

The consolidated statements for 1955 include the accounts of the parent company and its wholly owned subsidiary companies, Taylor Petroleum Operators Limited and Moose Jaw Refineries Limited.

As at November 30, 1954, the assets of Moose Jaw Refineries Limited consisting of the refinery, plant and equipment were sold. The only activity of the company since that date has been the realization of assets remaining and the payment of liabilities.

The parent company's investment in Moose Jaw Refineries Limited cost \$70,000.00. Advances of \$109,855.50 were written off during the year 1955.

● NOTE 2 —

Inventories.

The inventory includes oil in tanks valued at \$17,619.77 being the posted field price of the oil, less royalties.

● NOTE 3 —

The following is a summary of property, plant and equipment and accumulated provision for depreciation of the parent company and its subsidiary companies as at December 31, 1955, and December 31, 1954 —

	1955		1954	
	<i>Assets</i>	<i>Accumulated Provisions</i>	<i>Assets</i>	<i>Accumulated Provisions</i>
Production and Field Equipment ---	\$ 1,412,434.61	\$ 955,157.23	\$ 1,405,751.60	\$902,127.77
Servicing and Field Equipment, Cars and Trucks -----	95,890.89	30,779.43	110,175.49	68,236.38
Furniture and Fixtures -----	25,827.49	14,561.32	25,066.88	12,027.18
Land -----	35,246.46		35,438.96	
	<u>\$ 1,569,399.45</u>	<u>\$ 1,000,497.98</u>	<u>\$ 1,576,432.93</u>	<u>\$982,391.33</u>

Land was sold in January, 1956, for a net amount of \$83,300.00. Cost of this land acquired from a predecessor company was \$23,021.46.

● NOTE 4 —

Depreciation on fixed assets has been provided at rates not in excess of the maximum allowed by Dominion Income Tax Regulations.

● NOTE 4 (Continued) —

The rates used for the years ended December 31, 1955, and December 31, 1954, are as follows:

Production Equipment—

1st and 2nd years—30% on reducing balance

3rd and subsequent years—15% on reducing balance.

Field Equipment—20% on reducing balance.

Service and Drilling Rig—15% on reducing balance.

Cars and Trucks—30% on reducing balance.

Furniture and Fixtures—20% on reducing balance.

Depreciation Charged 1955—

Production Equipment	\$ 80,696.01
Servicing and Field Equipment	1,117.83
Cars and Trucks	6,903.45
Furniture and Fixtures	2,816.55

\$ 91,533.84

Profit and Loss Reconciliation—

Operating Charges	\$ 81,813.84
General	9,720.00

\$91,533.84

Depreciation could be charged under Income Tax Regulations amounting to \$181,043.23.

● NOTE 5 —

The following is a summary of development and leasehold costs of Trans Empire Oils Ltd. and related accumulated provision for depletion as at December 31, 1955 and December 31, 1954.

	1955		1954	
	<i>Assets</i>	<i>Accumulated Provisions</i>	<i>Assets</i>	<i>Accumulated Provisions</i>
Producing and Drilling Wells	\$ 3,600,405.54	} \$ 1,515,551.60	\$ 3,747,356.67	} \$ 1,295,064.80
Producing Leases	1,053,979.69		1,113,739.62	
Abandoned Wells	1,837,763.43	1,837,763.43	1,527,307.24	1,527,307.24
Abandoned Leases	296,433.87	296,433.87	237,842.71	237,842.71
Interest in Exploratory Development	195,534.74		73,545.93	
Undeveloped Leases and Permits	980,590.88		734,901.76	
	<u>\$ 7,964,708.15</u>	<u>\$ 3,649,748.90</u>	<u>\$ 7,434,693.93</u>	<u>\$ 3,060,214.75</u>

During 1954 the valuation of undeveloped leases was increased by \$237,842.71 and in 1955 by \$173,352.14. These amounts were transferred to Profit and Loss Account.

