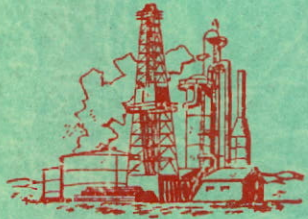
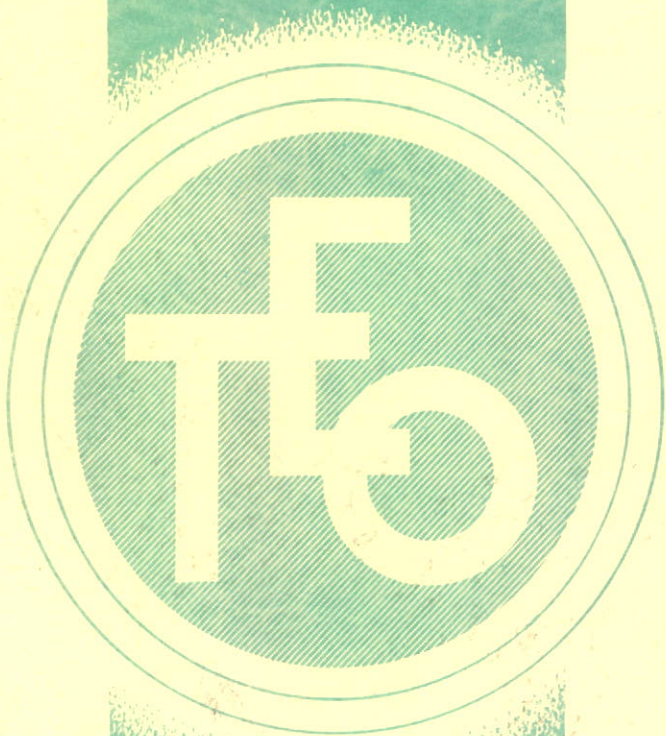


Annual
Report
1954



West Canadian oil & gas Ltd.



TRANS EMPIRE OILS LTD.

MAR 31 1955

McGILL UNIVERSITY

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 22nd day of April, 1955, 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, 1954.
- (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 3rd day of March, 1955.

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 22, 1955, 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, 1954, 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 23rd day of March, 1955, 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 3, 1955, 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 Feb. 23, 1955
Boyd, John, Drummond <i>President, Trans Empire Oils Ltd., Calgary, Alberta.</i>	1950	5,047 shares
Cross, Clifton Cuthbert <i>Chairman of the Board, Trans Empire Oils Ltd., Calgary, Alta.</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	500 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 American 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 — an American 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.

PROXY

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 22nd day of April, 1955, 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 1955.

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 Feb. 23, 1955
Lehman, John William <i>Vice-President in charge of administration and Secretary of Trans Empire Oils Ltd., Calgary, Alberta.</i>	1950	7,000 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, 1954, to all persons as a group, who were Directors or Officers are as follows:

Group

Directors	Fees	\$ 1,800.00
Officers	Salaries	56,958.50
Officers	Pension Fund Payments *	9,100.40
	Total	\$ 67,858.90
	* 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, 1954, 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.

OTHER 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,

J. W. LEHMAN,

Secretary.

MARCH 3, 1955.

Trans Empire Oils Ltd.



Fourth Annual Report

1954

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	-	-	-	\$844,000 Convertible Sinking Fund Secured Notes 5% Series "A". \$891,500 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 :	Clifton C. Cross	-	-	-	Chairman of the Board.
	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, B.C.
	Prudential Trust Company Limited	-	-	-	Toronto, Ontario.
	Prudential Trust Company Limited	-	-	-	Montreal, P.Q.
	Registrar and Transfer Company	-	-	-	Jersey City, New Jersey, U.S.A.
AUDITORS :	Morton & 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, 1954</i>	<i>Year ended December 31, 1953</i>	<i>Year ended December 31, 1952</i>
Number of crude oil wells in which interest held	78	79	58
Net crude oil wells owned	56.40	56.5	36.5
Number of gas wells in which interest held	7	7	9
Net gas wells owned	3.74	3.24	5.25
Barrels of crude oil produced	496,901	447,705	301,953
Value of crude oil produced	\$1,012,503.22	\$893,897.07	\$689,323.50
Realization per barrel	\$2.04	\$2.00	\$2.20
Estimated oil reserves	8,209,382 bbls.	8,555,533 bbls.	6,023,753 bbls.
Estimated gas reserves	28.46 billion cu. ft.	30 billion cu. ft.	Not Estimated
Total Income from all sources	\$1,065,432.45	\$1,084,282.20	\$1,060,732.51
Net profit before depreciation and depletion	\$471,911.37	\$520,713.88	\$583,773.38
Number of Shareholders	7,007	7,051	6,921
Gross Acreage Holdings	2,203,095	2,159,215	2,243,187
Net Acreage Holdings	322,859	303,125	537,614
Cost per Undrilled Net Acre	\$2.30	\$2.29	N/A

* Parent Company only.

Directors' Report to the Shareholders

Trans Empire Oils Ltd. was incorporated on October 30, 1950. During the following three years it conducted an aggressive program of exploration and development. This program was successful to the point that by December 31, 1953, oil reserves had been almost tripled, average daily production had increased from 600 barrels per day to 1,450 barrels per day and holdings of acreage had increased from 54,651 net acres to 303,125 net acres.

The capital cost to your Company, however, had been considerable and by mid-1953 working capital had been virtually exhausted. Fortunately, available cash income was running at around half a million dollars so that your Company was in a position to obtain funds by bank borrowing rather than by recourse to sale of its securities during a period when for Western Canadian oils, the financial market was severely depressed.

Your Directors felt that in 1954, as there has been little or no change in stock market conditions, the Company would be better advised to go slowly, do only work which was essential in order to conserve its holdings of land and attempt to improve the Company's cash position from its own resources.

This policy was followed throughout the year except that in mid-September, it was realized offset obligations were such that it would be necessary either to borrow additional funds or sell a very limited amount of stock. As it happened, the latter course was followed and your Company obtained \$320,000.00 by the sale of 200,000 shares of its capital stock.

In October, Trans Empire, as the sole owner of Moose Jaw Refineries Limited, was approached by Husky Oil & Refining Ltd. in regard to the sale of the refinery at Moose Jaw to Husky. The refinery had been a substantial drain on your Company during the past two years due to our inability to uncover sufficient heavy oil reserves to satisfy its demands. We were faced, therefore, with very large expenditures in a further effort to uncover heavy oil in southwestern Saskatchewan or alternatively larger expenditures on the refinery itself in order that it might utilize medium crudes available in the Moose Jaw area. This latter would also require expanded retail and wholesale marketing outlets with a further large outlay of capital funds. It was decided that rather than follow either of the above two alternatives, we would be better advised to retire from the refinery field at least temporarily even though our loss over the past four years would be substantial and accept Husky Oil & Refining Ltd's offer. The sale was completed on December 1, 1954, with an improvement to our cash position in excess of \$100,000.00.

The audited financial statements have this year for the first time been prepared on a consolidated basis so that the accounts of our wholly-owned subsidiaries, Moose Jaw Refineries Limited and Taylor Petroleum Operators Limited, are included with those of Trans Empire Oils Ltd. This policy will be followed in the future as it is expected Moose Jaw Refineries Limited will cease to function as a corporate entity during the current year and Taylor Petroleum Operators Limited is by and large the operator of Trans Empire's various producing properties although engineering on a consulting basis is sometimes undertaken.

Oil production was up for the second consecutive year by 49,196 barrels for a dollar increase of \$118,606.15. In fact Trans Empire's income from oil was this year almost equal to its total income from all sources in the years 1952 and 1953 when other income amounted to \$372,000.00 and \$190,000.00 respectively. In those years the substantial amounts obtained from other sources were primarily in the form of capital gains resulting from the Company's holdings of shares in other companies. The Company is primarily a producer of crude oil and not a holding company. We believe, therefore, that the trend is a favorable one.

Considerable confusion continues to exist with regard to Trans Canada Pipe Lines and export of natural gas from Southern and Central Alberta to Eastern Canada and the Midwest United States. Your Company continues to hold a watching brief and has by initial work placed itself in the position where it can immediately commence operations to uncover any reserves of gas which may be present on its holdings in the gas area. It is our hope that within the year, the various governments, financial backers, purchasers and sellers involved in this great project, will by mutual agreement and through common interest arrive at some solution which although it may not be the final answer will allow the project to go ahead.

The Westcoast Transmission project for the export of natural gas to the Northwest United States and Southern British Columbia seems now to face only one government hurdle, one which seems unlikely to be much more than a matter of form. This having been overcome, construction should commence in the spring or early summer. The benefits which will accrue to Northeast British Columbia and Northwestern Alberta both exploration and development wise are tremendous. Even now the stepup in activity in the area is remarkable, with the result that several promising oil strikes have been made, one of which at least appears commercial.

Your Directors, bearing the above factors in mind together with recent favorable developments throughout Western Canada in the form of oil and gas discoveries, feel that 1955 will again be a banner year for the industry. It is our hope that, through the efficient use of our present resources and a more aggressive program of exploration and development, Trans Empire will keep pace with the industry. The need for further capital funds is still with us but this, too, we expect, will be overcome in 1955.

The Company, despite the deliberate policy of retraction followed in 1954, produced more oil than ever in its history and was able to sustain its position reasonably well. At the same time, it increased its working capital and reduced its funded debt substantially.

The Directors would like to express their thanks for the continued confidence shown by the shareholders and the loyalty and efficiency displayed by the employees during the year.

On behalf of the Board,

J. D. BOYD,
President.

Exploration and Production

At the end of 1953, our working capital position was low. It was decided, therefore, to curtail 1954 activities on wild-cat acreage, and to do only such development drilling as was made necessary by offset requirements. In consequence, little new oil was discovered.

During the year under review, the Company and its associates drilled six wells:

<i>Well Name</i>	<i>Trans Empire's Interest</i>
Trans Empire Campbell No. 20	100% before cost
Trans Empire Campbell No. 19 **	100% before cost
Trans Empire Campbell No. 18 *	100% before cost
Calvan Bokenfohr No. 1	42%
Amurex Trans Empire Crown No. 2-2 **	50%
Amurex Trans Empire Consumers Co-op Forest No. 1-10 **	33.33%

* Gas Wells — Capped.

** Abandoned Wells.

Total development expenditures on the six wells amounted to \$100,328.32. Equipment costs were \$10,029.07.

We also purchased our partner's 50% interest in Trans Empire Phillips No. 1 and No. 2 for \$2,500.00. Equipment on these two wells has a salvage value of over \$6,000.00 in the event of abandonment. Moreover, Phillips No. 1 is producing at the rate of 22 barrels a day. We calculate that this well has a large drainage area, and in spite of poor porosity, will continue to make oil for a long period. It has already repaid our purchase price and the cost of repairs. Phillips No. 2, a large gasser, will remain capped, pending further development.

▶ REPAIRS AND MAINTENANCE

One well at Buffalo Coulee gave us trouble in 1954 and is still off production. As it is a good well, we propose to do further work on it during 1955.

At Leduc, it was necessary to insert a liner in our No. 5 well, in order to cut down an excessive gas/oil ratio.

Three of our D2 wells at Calmar showed signs of water intrusion. These were repaired. The small percentage of bottom water still being produced can be handled easily by our treater installation.

Phillips No. 1 was given a small acid treatment which increased production from one to twenty-two barrels daily.

▶ CONSERVATION MEASURES

PRESSURE MAINTENANCE AND SALT WATER DISPOSAL

A large pressure maintenance scheme for the D3 producers at Leduc is being considered. If details can be worked out among the various owners, it is believed that the scheme will be of great benefit, because of increased daily production, and possibly greater ultimate recovery of oil.

D2 wells in the Leduc area are beginning to show a small water intrusion. To avoid contamination of farm lands, the Conservation Board has laid down rules for the injection into the formation of salt water produced by such wells.

As a result, Imperial has inaugurated a salt water disposal system on the west side of the Leduc field, to which independent Leduc operators are allowed to truck their water. Capacity of this system is about 5,000 barrels a day. The injection of water constitutes a local pressure maintenance operation, the effects of which are beginning to show to advantage in some of our D2 wells in the vicinity.

At Stettler, preliminary talks covering gas gathering and pressure maintenance systems were held during the year. These systems, when implemented, will be of definite benefit to our operations.

▶ LIFTING COSTS

From well completion date to the end of 1954, the cost of lifting all oil produced by us, and by others for our account, works out at 48 cents per barrel. Royalties paid to date on the same oil amount to 35.52 cents per barrel.

▶ PROJECTS FOR 1955

EASTERN SASKATCHEWAN :

We own 2,100 acres in the Midale and Wapella districts. This acreage is fairly well located and several farm-out proposals have been made to us during the past few months. We may accept one of these deals if we decide not to drill in the area ourselves.

LAKE NEWELL :

Because of the discovery of oil in the Basal Quartz, four miles north of our Lake Newell permit of 12,800 acres, we have stepped up our exploratory activity on this land, and before spring break-up, hope to complete thereon a detailed geophysical survey. The object of this, of course, is to locate anomalies, or erosional highs where the drill might find oil and gas traps. Oil, due to present marketability, would be preferred. Nevertheless, if gas only is discovered, we are convinced that the nearness of our holdings to the proposed Gas Trunk Line will ensure a market relatively soon.

RED DEER :

Oil successes at opposite ends of the Joffre Viking sand oil field in Central Alberta have extended the length of the field to five and a quarter miles. The northwest end of the Joffre field is within three and three-quarter miles of Imperial Oil's Red Deer producers.

In this three and three-quarter mile gap, Trans Empire owns a quarter section of Freehold rights. If, as expected, the Joffre and Red Deer fields are connected, our land very probably will be productive. Before drilling a test hole this summer, however, we hope to have had the benefit of the work of major companies, who, doubtless, will continue drilling in the gap. Should the two fields be combined, the amount of high grade crude available will in all probability render necessary the construction of a pipe line to Stettler.

Exploration and Production — (Continued)

BRITISH COLUMBIA :

A group of companies, in which Trans Empire is included, hold upward of 1,500,000 acres of oil and gas permit rights in northeastern British Columbia. Our interest is 12½%. The operator of the project, Canada Southern Petroleum Ltd., has the majority interest.

During 1954, extensive geophoto and geological work carried out by the group indicated the presence of interesting structural conditions on several of the permits. Arrangements were, therefore, made to place two seismic crews in the field, as soon as cold weather made the area suitable for operations.

These crews are presently compiling data from which one or more drilling sites may be selected.

In the Fort St. John area and to the north, the main objectives are found at a lesser depth than 6,000 feet. In some other areas north of Dawson Creek, the main objectives are expected at 4,000 feet or under. Southwest of Dawson Creek, the same horizons are expected to occur down to 12,000 feet, and as our main block lies in this area, it is likely that an informational test will be drilled there to some considerable depth on the basis of results obtained from the seismic work now in progress.

One of our permits, No. 224, is located 24 miles northwest of the N. F. A. discovery well at Boundary Creek. Additional subsurface information concerning this permit will probably be forthcoming when a test well scheduled for this winter is completed by one of the major companies, three miles from the eastern boundary of our land.

Other wells are drilling in various parts of northeastern British Columbia and northwestern Alberta. General information about the geology of the country obtained from these tests, will be added to that which is already in our possession.

The various partners in this venture are highly enthusiastic as to prospects for both oil and gas in British Columbia.

CAMPBELL :

Negotiations leading to the sale of Campbell gas did not work out in 1954. However, it is hoped that a deal will this year be consummated with another purchaser who shows willingness to pay a higher price per thousand cubic feet of gas. Should this transaction not materialize, we will return our excess gas to the formation. The compressor is installed now, but it is considered unwise to lay high-pressure lines to input wells as long as there is a possibility of using the same pipe to supply a gas purchaser who might contribute as much as \$65.00 a day to our revenues.

Talks with Imperial Oil regarding future drilling sites in the Campbell farmout, are being held at present.

If agreement is reached on this subject, it is our intention in 1955 to drill two or more wells in the proven portion of the area. Because each hole drilled in this field has its own problems, we feel that the more pre-drilling information we can secure from all available sources, the better will be the ultimate results.

Exploration and Production—(Continued)

PEACE RIVER, ALBERTA :

Negotiations for the acquisition of a substantial interest in a 40,000 acre block of oil and gas rights astride the Peace River are in the process of completion.

The land, in Townships 81 and 82, Ranges 5 and 6, West of the 6th Meridian, appears to have good prospects for the production of gas, and a fair chance for oil.

It is expected that surface geological work, performed after the spring break-up in late May, will lead to the drilling of one and perhaps two exploratory wells through the Triassic formation during 1955.

Should gas be discovered, the close proximity of the land to the surveyed route of the West Coast Transmission line, would be of major importance.

▶ OIL AND GAS RESERVES

At December 31, 1954, Trans Empire's share of future recoverable reserves under producing wells, as calculated by the Company's reservoir engineers, amounted to 7,309,382 barrels of crude oil.

F. K. Beach, a recognized consultant, estimates that upward of 900,000 barrels of additional oil will be found beneath proven but undrilled acreage in the Campbell field.

A breakdown into categories, shows drilled and proven reserves as follows:

Light Oil	(28 to 38 API Gravity)	5,923,382	
Medium	(24 to 26 API Gravity)	365,300	
Heavy	(13 to 15 API Gravity)	1,920,700	
		<u>8,209,382</u>	<u>barrels.</u>

The Company's share of recoverable gas estimated for properties in Leduc, St. Albert, Campbell, Coleville and Cessford, amounts to 28.46 billion standard cubic feet.

Other properties at Bashaw, Fabyan and Calmar, known to have substantial gas reserves, but insufficiently tested, have been omitted from our calculations.

▶ 1954 PRODUCTION

	<i>Company's Share of Production in Barrels</i>	<i>Company's Share of Revenue</i>
Leduc-Calmar	272,880	\$ 651,212.04
Stettler	52,611	104,663.17
Campbell	39,956	70,732.17
Cessford	63,917	93,562.21
Buffalo Coulee	56,858	69,557.06
St. Albert	6,454	12,676.28
Redwater and Other Fields	4,225	10,100.29
	<u>496,901</u>	<u>\$ 1,012,503.22</u>

▶ FINANCIAL

A marked improvement in the Company's working capital position has developed during the current year.

At December 31, 1953, the Company and its two wholly-owned subsidiaries, Taylor Petroleum Operators Limited and Moose Jaw Refineries Limited, showed a net working capital deficit of \$609,056.00. At December 31, 1954, the Consolidated Balance Sheet contained in this Report shows a working capital surplus of \$111,982.84, an improvement during the year of \$721,038.84. During the same period, the amount of outstanding Series "A" and Series "B" Notes of the Company was reduced by \$135,500.00.

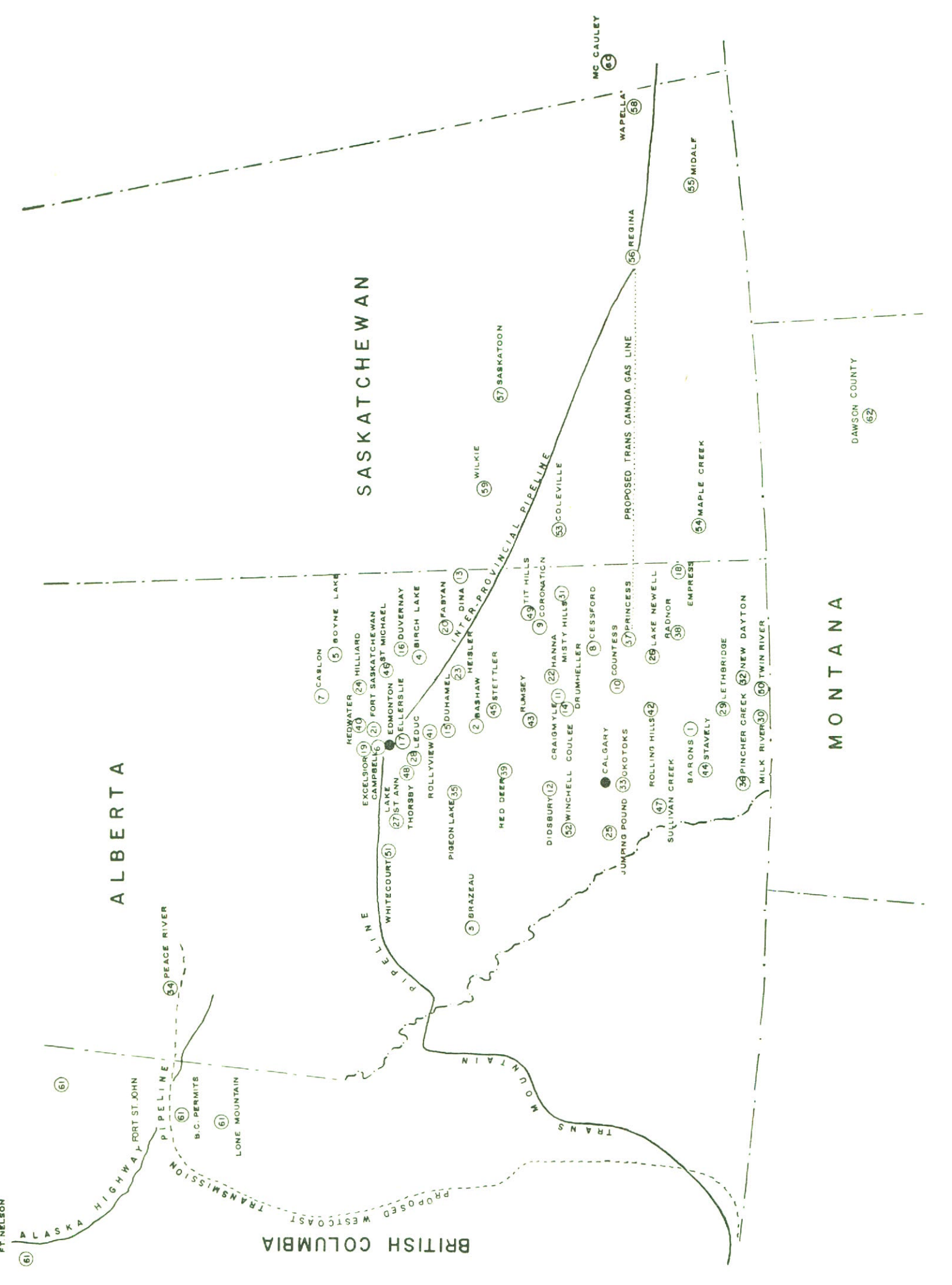
Equity financing during the year amounted to \$320,000.00. This amount was realized through the sale of 200,000 treasury shares to a Canadian holding company. No public offering of shares was made by the Company because of the depressed condition of the market.

The parent company's bank loan at December 31, 1954, totalled \$468,000.00. This amount is repayable at the rate of \$25,000.00 per month out of revenues, but for accounting purposes is included as a current liability. Bank loans of subsidiary companies have been retired completely since the year end.

▶ SHAREHOLDERS

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

<i>Location</i>	<i>No. of Shareholders</i>	<i>Shares Held</i>	<i>Percentage of Shares Outstanding</i>
Alberta	1,889	353,542	13.50
British Columbia	723	147,034	5.61
Saskatchewan	322	85,222	3.25
Manitoba	343	83,174	3.18
Ontario	622	124,107	4.74
Quebec	358	101,979	3.90
Maritimes	298	62,188	2.38
Newfoundland	8	1,830	.07
North West Territories	3	265	.01
United States and Territories	2,025	490,205	18.73
Others	17	1,549	.06
Canadian Brokers	234	412,551	15.76
United States Brokers	166	754,104	28.81
	<u>7,007</u>	<u>2,617,750</u>	<u>100.00</u>



ALBERTA

SASKATCHEWAN

MONTANA

DAWSON COUNTY

- 1. CALGARY
- 2. BASHAW
- 3. OKOTOKS
- 4. BIRCH LAKE
- 5. BRAZEAU
- 6. FT. NELSON
- 7. CARLON
- 8. CESSFORD
- 9. CORONATION
- 10. COUNTESS
- 11. HANNA
- 12. DIDSBURY
- 13. DINA
- 14. DRUMHELLER
- 15. DUHAMEL
- 16. DUVERNAY
- 17. ELLERSLIE
- 18. EMPRESS
- 19. EXCELSIOR
- 20. FABYAN
- 21. FORT SASKATCHEWAN
- 22. HANNA
- 23. HEISLER
- 24. HILLIARD
- 25. CALGARY
- 26. LAKE NEWELL
- 27. ST. ANN LAKE
- 28. ROLLING HILLS
- 29. LETHBRIDGE
- 30. TWIN RIVER
- 31. MISTY HILLS
- 32. WINCHELL COULEE
- 33. JUMPING POUND
- 34. PEACE RIVER
- 35. PIGEON LAKE
- 36. PINCHER CREEK
- 37. SASKATOON
- 38. RADNOR
- 39. RED DEER
- 40. MEDWATER
- 41. ROLLYVIEW
- 42. ROLLING HILLS
- 43. RUMSEY
- 44. STAVELY
- 45. STETTNER
- 46. THORSBY
- 47. SULLIVAN CREEK
- 48. EDMONTON
- 49. ST. MICHAEL
- 50. WILKIE
- 51. MISTY HILLS
- 52. WINCHELL COULEE
- 53. COLEVILLE
- 54. MAPLE CREEK
- 55. MIDALF
- 56. REGINA
- 57. SASKATOON
- 58. WAPELLA
- 59. MC CAULEY
- 60. TWIN RIVER
- 61. FT. NELSON
- 62. DAWSON COUNTY
- 63. MC CAULEY

BRITISH COLUMBIA

PROPOSED WESTCOAST TRANSMISSION PIPELINE

ALASKA HIGHWAY, FORT ST. JOHN
B.C. PERMITS
LONE MOUNTAIN

INTER-PROVINCIAL PIPELINE

PROPOSED TRANS CANADA GAS LINE

Gross and Net Acreage as at December 31, 1954

▶ ALBERTA		<i>Gross</i>	<i>Net</i>	<i>Gross</i>	<i>Net</i>
1. Barons	320	320	27. Lake St. Ann	155	155
2. Bashaw	4,420	1,361	28. Leduc	1,240	922
3. Brazeau	4,800	4,800	29. Lethbridge	161	161
4. Birch Lake	966	966	30. Milk River	480	480
5. Boyne Lake	641	641	31. Misty Hills	319	319
6. Campbell	4,453	3,277	32. New Dayton	640	640
7. Caslon	640	640	33. Okotoks	1,440	1,440
8. Cessford	4,160	2,400	34. Peace River	38,560	19,280
9. Coronation	1,284	1,284	35. Pigeon Lake	160	40
10. Countess	23,040	5,760	36. Pincher Creek	2,992	2,319
11. Craigmyle	479	479	37. Princess	8,645	372
12. Didsbury	1,115	1,115	38. Radnor	1,272	1,272
13. Dina	3,792	1,264	39. Red Deer	1,125	1,002
14. Drumheller	7,760	5,720	40. Redwater	160	29
15. Duhamel	111	111	41. Rollyview	320	240
16. Duvernay	640	640	42. Rolling Hills	151	151
17. Ellerslie	2,240	360	43. Rumsey	159	159
18. Empress	487	487	44. Stavely	159	159
19. Excelsior	162	162	45. Stettler	958	798
20. Fabyan	640	640	46. St. Michael	509	509
21. Fort Saskatchewan	400	400	47. Sullivan Creek	800	800
22. Hanna	4,320	4,320	48. Thorsby	6,080	1,520
23. Heisler	4,550	3,185	49. Tit Hills	640	640
24. Hilliard	639	639	50. Twin River	320	320
25. Jumping Pound	280	280	51. Whitecourt	159	159
26. Lake Newell	12,800	12,800	52. Winchell Coulee	954	954

▶ SASKATCHEWAN		<i>Gross</i>	<i>Net</i>	<i>Gross</i>	<i>Net</i>
53. Coleville	640	320	57. Saskatoon	285	285
54. Maple Creek	65,120	21,706	58. Wapella	640	640
55. Midale	1,369	1,369	59. Wilkie	160	160
56. Regina	160	160			

▶ MANITOBA		<i>Gross</i>	<i>Net</i>
60. McAuley	160	160	

▶ BRITISH COLUMBIA		<i>Gross</i>	<i>Net</i>
61. North East B.C.	1,980,224	208,528	

▶ MONTANA		<i>Gross</i>	<i>Net</i>
62. Dawson County	640	640	

▶ TOTALS		<i>Gross</i>	<i>Net</i>
TOTAL GROSS ACREAGE		2,203,095	
TOTAL NET ACREAGE		322,859	

Trans Empire Oils Ltd. and Wholly Owned Subsidiary Companies—Taylor P
Consolidated Balance Sheet as at December 31, 1954, and Com

▶ **ASSETS**

	1954	1953
CURRENT :		
Cash on Hand and in Bank	\$ 289,865.68	\$ 22,708.11
Accounts Receivable—		
For Sales of Products and Services	224,707.20	334,527.42
Other	145,278.94	27,750.09
Less Provision for Doubtful Accounts	(9,942.53)	
Inventories	103,424.68	319,609.74
	<u>\$ 753,333.97</u>	<u>\$ 704,595.36</u>
SINKING FUND :		
Cash and Investments held by Prudential Trust Company Limited under Terms of Trust Deed		
Cash	\$ 53,144.48	\$ 9,634.28
Dominion of Canada Bonds—at Cost		3,803.98
Other Investments as specified in Trust Deed—at Cost (Market Value \$24,687.50) ...	6,250.00	108,736.36
	<u>\$ 59,394.48</u>	<u>\$ 122,174.62</u>
INVESTMENTS :		
Bonds, Debentures, Mortgages, and Royalties—at Cost—Less Amounts Written Off	\$ 26,694.79	\$ 20,682.14
Share Investments—at Cost	82,615.70	11,056.70
Other Investments at Nominal Value	1.00	1.00
	<u>\$ 109,311.49</u>	<u>\$ 31,739.84</u>
FIXED ASSETS—AT COST : Note 2		
Property, Plant and Equipment	\$1,576,432.93	\$2,029,465.17
Less Accumulated Depreciation—Note 3	(982,391.33)	(916,968.91)
	<u>\$ 594,041.60</u>	<u>\$ 1,112,496.26</u>
DEVELOPMENT—AT COST : Note 4		
Producing and Drilling Wells and Development—at Cost	\$ 3,747,356.67	\$ 3,650,245.35
Abandoned Wells—at Cost	1,527,307.24	1,467,233.49
Interest Exploratory Development—at Cost	73,545.93	143,823.08
Interest in Petroleum and Natural Gas Rights, Leases, Permits and Reservations—at Cost	1,542,310.13	1,491,322.47
Add Revaluation re Acquisition Redwater Leaseholds Ltd. and Roxboro Oils Limited—Net	306,331.25	1,090,372.75
Other Lease Revaluations	237,842.71	
	<u>\$ 7,434,693.93</u>	<u>\$ 7,842,997.14</u>
Less Accumulated Provision for Recovery of Development	(3,060,214.75)	(2,548,631.19)
	<u>\$ 4,374,479.18</u>	<u>\$ 5,294,365.95</u>
OTHER ASSETS :		
Security Deposits	\$ 15,056.00	\$ 20,556.00
Discount on Convertible Sinking Fund Secured Notes less Amortization	77,819.49	86,448.63
Organization Expense	60,966.82	60,966.82
Deposit with Trustee re Exchange of Shares	1,044.00	4,500.00
Prepaid Insurance and Rentals	8,106.60	3,830.92
Sundry Refund	2,405.22	
	<u>\$ 165,398.13</u>	<u>\$ 176,302.37</u>
Premium Paid Upon Acquisition of Shares of Subsidiary Companies—Note 5	\$ 3,662.00	\$ 3,662.00
	<u>\$ 6,059,620.85</u>	<u>\$ 7,445,336.40</u>

Petroleum Operators Limited and Moose Jaw Refineries Limited

Comparative Consolidated Balance Sheet as at December 31, 1953.

▶ LIABILITIES

	1954	1953
CURRENT :		
Bank Overdraft	\$	\$ 6,922.17
Bank Loans—Note 6	661,268.70	1,084,757.72
Accounts Payable—Trade	70,971.14	166,567.39
—Other		509.66
Accrued Interest on Secured Notes	18,422.78	19,198.07
Sundry Accruals		15,874.45
Sinking Fund Payment—Series B—Due December 1, 1954		51,561.74
	<u>\$ 750,662.62</u>	<u>\$ 1,345,391.20</u>
FUNDED DEBT : Note 7		
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	(656,000.00)	(629,000.00)
	<u>\$ 844,000.00</u>	<u>\$ 871,000.00</u>
Issued—\$1,000,000.00—5½% Series "B" Maturing December 1, 1967	\$ 1,000,000.00	\$ 1,000,000.00
Less Current Liability		(51,561.74)
Less Purchased for Cancellation	(108,500.00)	
	<u>\$ 891,500.00</u>	<u>\$ 948,438.26</u>
Bank Loans—Secured Due 1953-1956		<u>\$ 175,000.00</u>
Total Funded Debt	<u>\$ 1,735,500.00</u>	<u>\$ 1,994,438.26</u>
CAPITAL AND SURPLUS : Note 8		
Authorized—		
5,000,000 Shares, Par Value \$1.25 each including 329,745 shares reserved for conversion of secured notes		
Issued and Outstanding—		
2,417,750	\$ 3,114,650.42	\$ 3,114,650.42
200,000 Issued in 1954	250,000.00	
	<u>\$ 3,364,650.42</u>	
Transfer Capital Surplus	(92,462.92)	
	<u>\$ 3,272,187.50</u>	<u>\$ 3,114,650.42</u>
2,617,750		
Earned Surplus	138,807.81	206,815.02
Surplus—arising from Conversion to Par Value Shares and Premium on Sale of Shares—		
Note 9	162,462.92	
Surplus—arising from Revaluation of Assets—Note 4		784,041.50
	<u>\$ 3,573,458.23</u>	<u>\$ 4,105,506.94</u>
 SIGNED ON BEHALF OF THE BOARD :		
	JOHN D. BOYD, Director.	
	JOHN W. LEHMAN, Director.	
 Submitted with our Report Dated February 17, 1955.		
MORTON & HILLS, Chartered Accountants.		
	<u>\$ 6,059,620.85</u>	<u>\$ 7,445,336.40</u>

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, 1954, and
Comparative Statement for the Year Ended December 31, 1953.

INCOME :	1954	1953
Proceeds from Production Obtained from Wells—Less Royalties	\$ 1,012,503.22	\$ 893,897.07
Sales Refinery Products	712,209.79	734,850.15
Servicing and Engineering	96,287.10	113,454.97
OTHER INCOME :		
Interest, Dividends, Royalties and Non-Operating Income	18,737.26	194,191.76
Increase in Value of Leases (Note 4)	237,842.71	
	<u>\$ 2,077,580.08</u>	<u>\$ 1,936,393.95</u>
DEDUCTIONS :		
Production Costs—		
Well Operating Expense, Lease and Well Maintenance, Repairs and Renewals	\$ 208,968.84	\$ 223,985.91
Manufacturing Refinery Products	691,662.01	663,026.90
Servicing and Engineering	23,708.92	35,656.78
Taxes and Assessments (Other than Income Taxes)	25,204.34	23,967.19
Executive Salaries Charged to Production	40,510.00	40,030.00
Depreciation of Equipment	169,601.60	258,120.41
	<u>\$ 1,159,655.71</u>	<u>\$ 1,244,787.19</u>
General and Administration Expense—Less Recoveries and Charges to Production	\$ 181,306.87	\$ 176,434.94
Selling	25,948.72	25,763.25
Counsel and Solicitors' Fees and Salaries of Executive Officers including all Salaried Directors, including Directors' Fees of \$1,800.00 less charged to Production Costs	22,076.68	21,815.08
Geological Expense	5,206.59	10,829.86
Interest on Secured Notes and Bank Charges	148,399.03	134,298.78
Lease Rentals	77,357.57	50,789.86
Amortization of Discount on Notes	6,641.68	6,802.26
Depreciation of Furniture and Fixtures and Cars	7,410.88	8,225.61
	<u>\$ 474,348.02</u>	<u>\$ 434,959.64</u>
Provision for Depletion	\$ 273,740.85	\$ 210,055.75
Provision for Abandoned Leases (Note 4)	\$ 237,842.71	
Net Profit Transferred to Earned Surplus Account		<u>\$ 46,591.37</u>
Net Loss Transferred to Earned Surplus Account	<u>\$ 68,007.21</u>	

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

Statement of Consolidated Earned Surplus

As at December 31, 1954

Balance as at December 31, 1953	\$ 206,815.02
Loss Transferred from Statement of Consolidated Profit and Loss— per Statement attached	68,007.21
Balance as at December 31, 1954	<u>\$ 138,807.81</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, 1954, 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 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, 1954, 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 17, 1955.

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

Notes to Financial Statements

As at December 31, 1954.

NOTE 1 —

Principles of Consolidation.

The consolidated statements for 1954 include the accounts of the parent company and its wholly-owned subsidiaries, Taylor Petroleum Operators Limited and Moose Jaw Refineries Limited.

As of November 30, 1954, the assets of Moose Jaw Refineries Limited consisting of the refinery, plant and equipment were sold.

The parent company's investment in Moose Jaw Refineries Limited is set up at a cost of \$70,000.00 and it is estimated this investment will have a value of \$20,000.00 after the liquidation of the other assets of the company and the payment of liabilities.

NOTE 2 —

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

	1954		1953	
	<i>Assets</i>	<i>Accumulated Provisions</i>	<i>Assets</i>	<i>Accumulated Provisions</i>
Production and Field Equipment	\$ 1,405,751.60	\$902,127.77	\$ 1,304,889.95	\$754,737.35
Refinery, Plant and Equipment			531,290.40	91,640.14
Servicing and Field Equipment	59,380.61	39,312.61	59,375.06	35,839.75
Cars and Trucks	50,794.88	28,923.77	52,515.94	25,218.46
Furniture and Fixtures	25,066.88	12,027.18	24,180.88	9,533.21
Land	35,438.96		57,212.94	
	<u>\$ 1,576,432.93</u>	<u>\$982,391.33</u>	<u>\$ 2,029,465.17</u>	<u>\$916,968.91</u>

The refinery, plant and equipment of Moose Jaw Refineries Limited was sold during the year.

NOTE 3 —

Depreciation on fixed assets has been provided at rates not in excess of maximum allowed by the Dominion Income Tax Regulations. The rates used by the company for the year ending December 31, 1954, are as follows —

Production Equipment —

1st and 2nd year, 30% on reducing balance;
3rd and subsequent years, 15% on reducing balance.

Cars and Trucks—30% on reducing balance.

Furniture and Fixtures—20% on reducing balance.

NOTE 4 —

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, 1954, and December 31, 1953 —

	1954		1953	
	<i>Assets</i>	<i>Accumulated Provisions</i>	<i>Assets</i>	<i>Accumulated Provisions</i>
Producing Wells	\$ 3,747,356.67	\$ 1,295,064.80	\$ 3,650,245.35	\$ 1,081,397.70
Producing Leases	1,113,739.62		1,897,750.97	
Abandoned Wells	1,527,307.24	1,527,307.24	1,467,233.49	1,467,233.49
Abandoned Leases	237,842.71	237,842.71	203,564.24	
Interest in Exploratory Development	73,545.93		143,823.08	
Undeveloped Leases and Permits	734,901.76		480,380.01	
	<u>\$ 7,434,693.93</u>	<u>\$ 3,060,214.75</u>	<u>\$ 7,842,997.14</u>	<u>\$ 2,548,631.19</u>

The valuation placed on producing leases at the date of acquisition from predecessor companies resulting in a credit to Capital Surplus Account has been reduced by the amount of this credit during the year 1954.

During the year 1954 a reserve was set up to cover cost of abandoned leases. The valuation of undeveloped leases was increased by \$237,842.71 and this amount transferred to Profit and Loss Account.

Depletion provision for producing wells including leasehold costs has been calculated on the basis of engineering estimates of recoverable oil.

NOTE 5 —

Reconciliation of investment in subsidiaries consolidated as shown by the parent company's books and the parent's equity in the net assets of such subsidiaries as shown by the books of the latter.

		<i>Subsidiary Company Book</i>	<i>Parent Company</i>
Taylor Petroleum Operators Limited—			
Stated Value of Shares	\$ 25,000.00		
Surplus Account—December 31, 1950	20,378.03		
		\$ 45,378.03	
Cost to Trans Empire Oils Ltd.			\$ 39,995.20
Moose Jaw Refineries Limited—			
Stated Value of Shares	\$ 20,000.00		
Surplus Account—December 31, 1950	40,955.17		
		60,955.17	
Cost to Trans Empire Oils Ltd.			70,000.00
		<u>\$106,333.20</u>	<u>\$109,995.20</u>

Notes to Financial Statements — (Continued)

▶ NOTE 5 (Continued) —

Premium Paid on Acquisition of Shares	\$ 3,662.00	
Investment in Subsidiaries as per Parent Company Books		\$109,995.20
Parent Company Equity as per Subsidiary Company Books—		
Moose Jaw Refineries Limited	(\$100,911.94)	
Taylor Petroleum Operators Limited	26,659.96	
		(\$ 74,251.98)
		\$184,247.18
<i>Deduct</i> Premium Paid on Acquisition of Shares		3,662.00
		<u>\$180,585.18</u>
Surplus Trans Empire Oils Ltd.	\$319,392.99	
<i>Deduct</i> Loss Subsidiary Companies	180,585.18	
Earned Surplus as per Consolidated Statement	<u>\$138,807.81</u>	
Trans Empire Oils Ltd. Earned Surplus Account		\$319,392.99
Taylor Petroleum Operators Limited Earned Surplus Account		1,659.96
		<u>\$321,052.95</u>
Moose Jaw Refineries Limited—Deficit Account		120,911.94
		<u>\$200,141.01</u>
<i>Deduct</i> Surplus of Subsidiary Companies at Date of Acquisition—		
Taylor Petroleum Operators Limited	\$ 20,378.03	
Moose Jaw Refineries Limited	40,955.17	
		\$ 61,333.20
		<u>\$138,807.81</u>

▶ NOTE 6 —

Bank loans are secured by an assignment of the proceeds from the company's share of production.

▶ NOTE 7 —

Convertible Sinking Fund Secured Notes.

Authorized—\$5,000,000.00.

Issued—\$1,500,000.00—5% Series A.

Yearly Sinking Fund Requirement of \$100,000.00 commencing March 1, 1953.

Maturity Date March 1, 1966.

▶ **NOTE 7 (Continued) —**

Payment to the Sinking Fund re Series A notes is not required until March 1, 1957, because of conversions of secured notes to shares. On March 1, 1957, a sinking fund payment of \$15,000.00 will be required if further conversions of secured notes to shares are not made.

Converted to shares as per terms of trust deed	\$485,000.00
Purchased for Cancellation	\$171,000.00

Issued—\$1,000,000.00—5½% Series B.

Yearly Sinking Fund Requirements of \$65,000.00 commencing December 1, 1954.

Maturity Date December 1, 1967.

Payment of \$65,000.00 will be due December 1, 1955, if conversion to shares not made.

Notes Purchased for Cancellation	\$108,500.00
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Convertible to Capital Stock as per terms of Trust Deed and Deeds supplemental thereto.

Series A and Series B Notes—

To December 31, 1956—19 shares for each \$100.00 principal amount.

To December 31, 1957—18 shares for each \$100.00 principal amount.

▶ **NOTE 8 —**

The consideration received by Trans Empire Oils Ltd. on issue of its Capital Stock was as follows—

	<i>Shares</i>	<i>Consideration</i>
Consideration other than cash for the net assets of Globe Oil Company Limited, Leduc West Oil Co. Ltd., British Empire Oil Developments Ltd.	1,920,002	\$1,600,878.12
For the net assets of Redwater Leaseholds Ltd.	242,857	452,904.24
For the net assets of Roxboro Oils Limited	143,334	600,083.06
Secured notes converted to shares as per terms of Trust Deed	111,550	460,750.00
Cash Consideration	7	35.00
Shares Issued and Consideration as at December 31, 1953	<u>2,417,750</u>	<u>\$ 3,114,650.42</u>

Supplementary Letters Patent were issued May 14, 1954.

- (1) Changing 2,417,750 shares without nominal or par value of the capital stock of the company, representing a paid up capital of \$3,114,650.42 into 2,417,750 shares of the par value of \$1.25 and transferring to Capital Surplus \$92,462.92.
- (2) Changing 2,582,250 unissued shares without nominal or par value into 2,582,250 shares of par value of \$1.25 each.

	<i>Shares</i>	<i>Consideration</i>
Shares as above	2,417,750	\$ 3,022,187.50
Issued in 1954	200,000	250,000.00
	<u>2,617,750</u>	<u>\$ 3,272,187.50</u>

Notes to Financial Statements — (Continued)

▶ NOTE 9 —

The Capital Surplus arises as follows —

Transfer as per Note 8	\$ 92,462.92
Sale of 200,000 shares at \$1.60—Premium 35 cents per share	70,000.00
	<hr/>
	\$162,462.92
	<hr/> <hr/>

▶ NOTE 10 —

The company maintains a contributory pension plan for all officers and male employees who have completed two years of service (five years in the case of female employees). Individuals contribute six per cent of their salaries and the company a like amount. The estimated annual cost to the company is \$12,000.00.

The normal retirement age is 65 except in the case of employees who join the plan after age 55. These employees are pensionable 10 years after joining the plan.

Under an insurance plan (Great West Life Assurance Company) in the event of any employees' death while in the company's employ, his estate or beneficiary shall be entitled to his pension policies in full.

If the employee is not insurable, his estate or beneficiary will receive all contributions made by the employee and the company plus accrued dividends.

When an employee as participated in the plan for 10 years the company will vest in him 10 per cent of its contributions to the plan and an additional 10 per cent each year thereafter until all contributions are vested in the employee.

▶ NOTE 11 —

The treasurer and secretary of the company have an employment agreement to December 31, 1956.

▶ NOTE 12 —

The company will not pay any dividends (other than stock dividends) or purchase or pay off any paid up capital of any of its shares when its net current assets are or would thereby be reduced below 25% of the principal of the secured notes for the time being outstanding, or if and so long as it is in default in any respect under the trust deed.

▶ NOTE 13 —

Provision for taxes on income is not required because deductions from income for development expenditures are allowed under income tax regulations. Such allowances for the year ended December 31, 1954, substantially exceed provisions for depletion and amortization as provided on the company's books which was calculated on a unit of production method based on independent engineering estimates of recoverable oil from producing wells.

There is a possible contingent liability in connection with Moose Jaw Refineries Limited in the amount of approximately \$8,400.00.

