

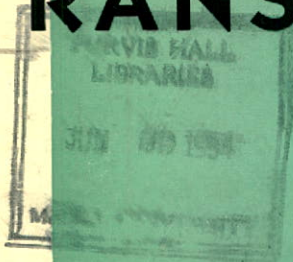
Annual
Report
1953



West Canadian Oil & Gas Ltd.



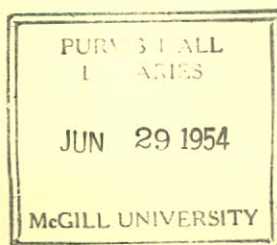
TRANS EMPIRE OILS LTD.



Trans Empire Oils Ltd.

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Third Annual Report

1953



Company Information, Directors and Officers

TRANS EMPIRE OILS LIMITED

(INCORPORATED UNDER THE LAWS OF CANADA ON OCTOBER 30, 1950)

CAPITAL:	Authorized - - - -	5,000,000 Shares of No Par Value.
	Issued - - - -	2,417,750 Shares of No Par Value.
	Listings - - - -	Calgary, Vancouver, Toronto, Canadian, American, and Los Angeles Stock Exchanges.
FUNDED DEBT:	Authorized - - - -	\$5,000,000.
	Outstanding - - - -	\$871,000 Convertible Sinking Fund Secured Notes 5% Series "A". \$1,000,000 Convertible Sinking Fund Secured Notes 5½% Series "B".
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
DIRECTORS:	Clifton C. Cross - - -	Calgary, Alberta
	John D. Boyd - - -	Calgary, Alberta
	John H. R. Thomson - -	Calgary, Alberta
	John W. Lehman - - -	Calgary, Alberta
	Russell P. Leveque - -	Calgary, Alberta
	F. Lawson Glasgow - - -	Montreal, Quebec
Harold E. Wright - - -	Vancouver, British Columbia	
REGISTRARS:	Prudential Trust Company Limited -	Calgary, Alberta
	Registrar and Transfer Company -	Jersey City, New Jersey, U.S.A.
TRANSFER AGENTS:	Prudential Trust Company Limited -	Calgary, Alberta, Canada
	Prudential Trust Company Limited -	Vancouver, B.C.
	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 & Hills - - - -	Calgary, Alberta
SOLICITORS:	Nolan, Chambers, Might, Saucier, Peacock & Jones - - - -	Calgary, Alberta
	BANKERS:	The Royal Bank of Canada - - - -

Comparative Summary of Significant Facts

	Year ended Dec. 31, 1953	Year ended Dec. 31, 1952	Year ended Dec. 31, 1951
Number of crude oil wells in which interest held	79	58	42
Net crude oil wells owned - - - - -	56.5	36.5	23
Number of gas wells in which interest held -	7	9	2
Net gas wells owned - - - - -	3.24	5.25	1.5
Barrels of crude oil produced - - - - -	447,705	301,953	339,851
Value of crude oil produced - - - - -	\$893,897.07	\$689,323.50	\$693,196.36
Realization per barrel - - - - -	\$2.00	\$2.20	\$2.04
Estimated oil reserves - - - - -	8,555,533 bbls.	6,023,753 bbls.	3,983,636 bbls.
Estimated gas reserves - - - - -	30 billion cu. ft.	Not Estimated	
Total income from all sources - - - - -	\$1,084,282.20	\$1,060,732.51	\$763,090.31
Net profit before depreciation and depletion -	\$520,713.88	\$583,773.38	\$378,284.00
Earnings per share (before depreciation and depletion) - -	21.5c	24.1c	19.7c
Number of shareholders - - - - -	7,051	6,921	4,841
Gross acreage holdings - - - - -	2,159,215	2,243,187	695,069
Net acreage holdings - - - - -	303,125	537,614	122,431

Directors' Report to the Shareholders

ANNUAL REPORT FOR 1953

The Annual Report of your Company for the year ended December 31, 1953, like the preceding Annual Report, has been designed to compare activities during the past year with similar items in the report immediately prior to it. To assist in this comparison, Balance Sheet, Profit and Loss Account and Statistical Information covering all phases of the Company's operations together with the Financial Statements of the Company's two wholly-owned subsidiaries, Taylor Petroleum Operators Limited and Moose Jaw Refineries Ltd., have been included.

The audited statements indicate that the net revenue to the Company from all sources for the year amounted to \$802,154.22. The small decrease of \$17,205.33 was the result of a reversal of the factors which allowed the Company to show such a large increase in 1952 over the year ended 1951. During the year under review, there was a decrease in income from sources other than oil production of \$181,023.88. Oil production was up by 145,752 barrels for a dollar increase of \$204,573.57. In 1953 the additional income from oil cost the Company an additional \$40,755.02 in operating expense, so that, although total income exceeded that of 1952 by \$23,549.69, net revenue was decreased by the figure shown above.

The directors feel that, despite the small reduction in revenue, the trend bodes well for the Company's future. It is anticipated that oil income will continue at rates at least equal to those of the last six months of 1953, when the Company's monthly oil revenue after royalties averaged \$87,000.00.

Throughout the industry there has been and continues to be some worry as to the effect of the recent discoveries at Pembina and Sturgeon Lake in Alberta and at Smiley in Saskatchewan on the producers of light oil from areas other than these. It appears likely that the floods of oil predicted from these fields and in particular from Pembina will affect to some extent income of other producers at least temporarily since immediate new markets are not available.

On the other hand, refinery construction on the West Coast will increase Trans Mountain Pipe Line's take by 25,000 barrels per day prior to the end of 1954 and by 75,000 barrels per day by mid 1955. When one realizes that production from Redwater, currently Alberta's largest field, amounted to approximately 70,000 barrels per day during December, it should be obvious that development will have to proceed more rapidly than is presently the case, in order to fill this demand. Certainly none of the new fields mentioned are yet in a position to fulfill much more than a fraction of this new market.

In the meantime, the industry is bending every effort towards the acquisition of new markets capable of taking care of the anticipated increases in production. Your directors feel that the industry will be successful in this endeavor and they do not feel that as yet more oil has been obtained in Western Canada than can be efficiently and profitably marketed.

Reference to the figures quoted elsewhere in this report will show that reserves have again been substantially increased during the period under review. As in the past, such reserves have been calculated under drilled wells only and current figures have been arrived at by engineers independent of the Company. There is some question as to the validity of the reserves as calculated at Buffalo Coulee. The Company has accepted the higher of two independent opinions, one of which is less than half the other. If the lower opinion is accepted, then the Company's reserves of heavy oil must be reduced by 1,400,000 barrels. The Company's own engineers feel that a figure midway between the two is more nearly acceptable.

General, administration and geological expenses, lease rentals and note interest amounted to \$281,440.34, leaving net earnings of \$520,713.88. This is equivalent to 21.5c per share of outstanding stock. In accordance with Canadian Tax Accounting, maximum allowable depreciation of \$244,005.27 was taken. This exceeded depreciation taken in 1952 by \$84,855.87. After providing \$6,802.26 for Amortization of discount on Notes and \$210,055.75 for depletion, a decrease of \$57,996.49 from that taken in 1952, \$59,850.60 was carried forward on the surplus account.

1953 PRODUCTION

Area	Company's Share of Production in Barrels	Company's Share of Revenue
Leduc-Calmar	301,115	\$660,211.95
Stettler	26,428	39,951.37
Campbell	35,095	76,757.77
Redwater	5,128	11,370.74
Cessford	34,082	42,136.32
Buffalo Coulee	35,701	43,174.87
St. Albert	9,771	18,546.62
Other Fields	385	1,747.43
	447,705 barrels	\$893,897.07

SHAREHOLDERS

Although there was no increase in the number of outstanding shares during 1953, the number of registered shareholders increased from 6,921 to 7,051.

The following table gives a breakdown of the distribution of outstanding shares:

Location	No. of Shareholders	Shares Held
Alberta	1,991	350,783
British Columbia	745	152,882
Saskatchewan	326	78,803
Manitoba	394	92,417
Ontario	735	125,644
Quebec	357	99,697
New Brunswick	133	25,464
Nova Scotia	118	23,758
Prince Edward Island	49	11,196
Newfoundland	6	1,525
North West Territories	7	540
United States	1,819	351,635
Others	14	1,209
Canadian Brokers	209	565,100
United States Brokers	148	537,097
	7,051	2,417,750

The following is an analysis of shareholders by group holdings.

1 to 500 Shares	500 to 999 Shares	1000 to 4,999 Shares	5000 Shares and Over
6,274	403	314	60

FINANCIAL

No public financing was undertaken by the the Company during the year under review. The principal amount of outstanding Series "A" 5% Sinking Fund Notes was reduced during the year from \$996,000 to \$871,000. This was accomplished by the purchase, on the open market, of Series "A" Notes with Sinking Fund monies.

The amount of Series "B" 5½% Notes outstanding remains at \$1,000,000 since there were no conversions nor purchases of these Notes in the Sinking Fund during the year 1953.

Directors' Report (Continued)

It will be noted from the Balance Sheet that the working capital position of the Company at December 31, 1953, is materially down from that of December 31, 1952. It is also to be noted, however, that during the year 1953 development, exploratory and lease acquisition expenditures amounted to \$924,475 and well equipment additions were \$417,131. The resultant increase in oil reserves was 2,531,780 barrels. Unlike manufacturing corporations, whose products on hand are treated as a current asset, oil reserves are not classified as such.

The Company has, however, on the strength of its substantial income and established oil reserves, made arrangements for adequate bank financing.

EXPLORATION AND PRODUCTION

During the year under review, the Company, through its engineering subsidiary, Taylor Petroleum Operators Limited, drilled 12 wells and deepened one.

Well Name	Trans Empire's Interest
Trans Empire Canada Southern Buffalo Coulee	
No. 8-1	} 100% before cost.
No. 8-3	
No. 7-1 *	
No. 6-1	
No. 6-3	
No. 3-1	
No. 3-3	
No. 4-1	
No. 12-1	
No. 11-3 *	
No. 4-3	
No. 11-1 **	
Trans Empire Campbell No. 21	100%
(Deepened to Devonian—plugged back to Cretaceous. Shut down pending sand-frac operations.)	

Seventeen additional wells in which Trans Empire has an interest were drilled in 1953 by other operators, as under:

Well Name	Trans Empire's Interest
Stanolind St. Albert Unit No. 2	7.25208%
Amurex Trans Empire Chris	
No. 5-11	} 50%
No. 3-16	
No. 4-15	
Amurex Trans Empire Fulton	
No. 2-14 *	
Amurex Trans Empire Nestor	
No. 5-4 **	
Amurex Trans Empire Verlin	
No. 1-13	
No. 5-14	
No. 2-15	
No. 7-16	
No. 4-12	
Amurex Trans Empire Laura	
No. 1-13 **	
Amurex Trans Empire Crown	
No. 1-1	
Amurex Trans Empire Kading	
No. 2-1	

Amurex Trans Empire Co-Op. Benson No. 1-11 **	50%
Stanolind St. Albert Gas Unit No. 1 *	15.95178%
No. 2 *	8.23019%

* Gas Wells — capped.

** Failures.

Of the 29 completions in which the Company had an interest, only four failed to disclose the presence of oil or gas.

COSTS

The following tables show what we paid to drill and complete the wells above:

Well Name	Development	Equipment
Trans Empire Canada Southern Buffalo Coulee		
No. 8-1	\$ 34,802.00	\$ 9,324.00
No. 8-3	46,361.00	9,194.00
No. 7-1	43,640.00	5,700.00
No. 6-1	45,599.00	9,564.00
No. 6-3	26,766.00	9,089.00
No. 3-1	25,368.00	9,023.00
No. 3-3	28,617.00	9,338.00
No. 4-1	26,103.00	8,972.00
No. 12-1	40,119.00	8,023.00
No. 11-3	24,453.00	1,373.00
No. 4-3	29,836.00	9,120.00
Stanolind St. Albert Unit No. 2	3,761.00	417.00
Stanolind St. Albert Gas Unit No. 1	3,931.00	303.00
No. 2	3,873.00	361.00
Amurex Trans Empire Chris No. 5-11	12,935.00	4,384.00
No. 3-16	13,265.00	4,400.00
No. 4-15	13,074.00	4,697.00
Amurex Trans Empire Fulton No. 2-14	9,838.00	87.00
Amurex Trans Empire Verlin No. 1-13	13,064.00	4,733.00
No. 5-14	14,336.00	4,515.00
No. 2-15	12,760.00	4,880.00
No. 7-16	12,884.00	4,589.00
No. 4-12	12,505.00	4,560.00
Amurex Trans Empire Crown No. 1-1	7,282.00	3,741.00
Amurex Trans Empire Kading No. 2-1	15,254.00	4,222.00
Tank Battery—Stanolind St. Albert Unit		2,478.00
Tank Battery—Buffalo Coulee		140,590.00
Tank Battery—Cessford		144,487.00
	<u>\$520,426.00</u>	<u>\$422,164.00</u>

Directors' Report (Continued)

Abandoned Wells	Trans Empire's Interest	Cost to Trans Empire
Amurex Trans Empire Co-op Benson No. 1 - 11	50%	\$ 17,423.00
Amurex Trans Empire Nestor No. 5 - 4	50%	11,120.00
Amurex Trans Empire Laura No. 1 - 13	50%	9,640.00
Trans Empire Canada Southern Buffalo Coulee No. 11 - 1	100%	16,675.00
		<hr/>
		\$ 54,858.00

PURCHASE OF OIL IN THE GROUND

During March we completed the purchase from South Brazeau Petroleums Ltd. of their 50% net interest in Trans Empire South Brazeau D3 Wells Nos. 1 and 2, for a cash consideration of \$130,000.00. These wells, located in the heart of the Leduc field, contained at the time of sale, reserves of oil, calculated by our own engineers, at 436,339 barrels. In other words, we bought 50% of 436,339 barrels (218,169 barrels) at 59.6 cents per barrel.

RECAPITULATION

Development Costs of Successful Wells	\$ 520,426.00
Cost of Abandoned Wells	54,858.00
Estimate for Unpaid Bills	7,000.00
	<hr/>
	582,284.00
Equipment Paid For	422,164.00
Estimate for Unpaid Bills	36,000.00
	<hr/>
	1,040,448.00
Cost of Reserves Purchased	130,000.00
	<hr/>
	\$ 1,170,448.00

OIL RESERVE ADDITIONS FOR 1953

Total Estimated Reserves at December 31, 1953	8,555,533 barrels
Total Estimated Reserves at December 31, 1952	6,023,753 barrels
	<hr/>
Increase	2,531,780 barrels
Add Withdrawals for 1953	447,705 barrels
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Total Increase for 1953	2,979,485 barrels
	<hr/>
Total Cost of Finding Reserves of 2,979,485 barrels	\$ 1,170,448.00
Cost per Barrel — 39.8c.	

REPAIRS AND MAINTENANCE

CAMPBELL FIELD

When daily production from the Company's 12 wells at Campbell declined by the end of 1952 to less than 10 barrels per well, it was decided to do something about it. Accordingly, in the Spring of 1953, engineering studies were initiated, as a result of which, in July, hydraulic fracturing was tried at Trans Empire High Crest No. 1-A. This well, which had been shut down as non-commercial for nearly a year, was given a treatment of mud acid followed by 3,000 pounds of sand mixed with oil and pumped into the formation at high pressure, ahead of 190 barrels of input oil. In theory, the graded sand, forced into the pay zone under terrific pressure, would split the formation at the desired point and remain there when the pressure was removed, thus propping the pay channels open and allowing the oil to reach the bore of the hole with greater ease. In this case it was hoped to increase production from a meager two barrels a day to something like 10 barrels a day. It was not considered that the well would be anything but a pumper.

However, when placed on test following the treatment, it was found to be capable of flowing at the rate of six barrels an hour through a 5/16" choke. Six months after being treated, it is still making its allowable in six hours.

In quick succession, Campbell 1, 3, 4, 5, 7, 9, 13 and 2 were treated and all responded as predicted. Wells 4, 7, 9 and 13, which were always gassy, will require further work, but the remainder are producing between two and three times the former output of all the wells. Pumps are no longer necessary.

Further increases in production can be expected if we are successful in marketing our "flare gas". To this end, we are endeavoring to arrange the sale, to a near-by gas company, of up to a million feet of gas a day. Not only will such a deal provide additional revenue, but, if approved by the Petroleum and Natural Gas Conservation Board, it will also do away with gas/oil ratio penalties under which we are presently operating, and enable all our wells to produce at field allowable (38 barrels).

Full statistical data will not be available until all remedial work has been completed. From what has been learned to date, however, it is evident that a sand-frac treatment, costing on the average \$4,000.00 will pay out in a little under five months.

The main low-pressure Campbell Tank Battery was moved from its former location in swampy ground, and rebuilt as a high pressure operation. The three other small tank farms in the field were done away with, their equipment being used at the main installation. All producers are now piped into one battery with resultant economy in personnel and materials.

OTHER FIELDS

Outside of normal maintenance, no repair work was done at Leduc or Stettler in 1953.

At Coleville (Buffalo Coulee) due to the intrusion of sand into the well bores, it was found necessary to keep our service rig in that area all year. Engineering problems still exist in our Buffalo Coulee location. The heavy viscous crude is not the easiest material to deal with, but in 1954, it is expected that production progress will be made, either by way of sand-frac treatments or heat injection.

LIFTING COSTS

The lifting cost, from well completion date to the end of 1953, of all oil produced by us, and by others for our account, works out at 52 cents per barrel. Royalties paid to date on the same oil amount to 36.65 cents per barrel.

Directors' Report (Continued)

STEEL

Plenty of steel is available, at present, for drilling and production purposes. No shortage is anticipated in 1954.

PROJECTS FOR 1954

In the opinion of those competent to speak for the oil industry, the year 1954 will see a degree of restraint in many expansion plans. Consumption in North America as a whole will have to catch up with production. We feel that oil in the ground will be worth more in a year or two, than if forced on a glutted market now.

- (a) Our Coleville operation was halted at 17 wells when we struck gas on the North half of Section 22, Township 32, Range 24, West of the 3rd Meridian, instead of the expected oil. Although it is reasonably certain that there are several more good oil locations on the North half, we do not expect to drill them unless offset obligations make it mandatory.
- (b) At Cessford in 1953, Hudson's Bay Oil & Gas Company Ltd. drilled out the bulk of Section 8, adjoining the block of acreage which we share with Amurex. We may have to offset six of their wells in 1954.
- (c) The St. Albert D-3 reef in which we own a 7.25208% interest, proved to be very small. Two good oil wells and two gas wells were drilled in 1953, from which we have already received a complete pay-out. It is not certain at this time whether the operator, Stanolind, will do any further work on the unitized acreage in the coming year.
- (d) We are convinced that five offset locations at Campbell will be excellent producers. Although forty other possible sites exist on our acreage, it is not likely that we will commence an intensive drilling program until further seismic work indicates in what direction we should proceed. A seismic survey will also provide some evidence of the presence or otherwise, of a reef structure.

INTERESTING ACREAGE

LAKE NEWELL

Postponement of gas export until 1954 caused us to defer exploration work on this 12,800 acre C.P.R. reservation. We feel, however, that its attractiveness has not diminished, and hope that settlement of the gas question will allow us to drill a test well, either on our own account or in partnership with others, later in the year.

DRUMHELLER - HALLADAY

Our two 4,000 acre spreads in this general area are becoming more interesting as other discoveries approach our boundaries. We value the land more for its probable gas production than as possible oil land. No further work will be done here until a guaranteed market for gas appears imminent.

EASTERN SASKATCHEWAN

Our quite extensive holdings in the Wapella, Midale-Weyburn areas are becoming very valuable and may be the subject of a farmout deal during the present year.

B.C. PERMITS

Exploratory work on 1,500,000 acres of Permit land in which we have a 12½% interest, will be continued during 1954, and accelerated if West Coast Transmission receives permission to commence pipeline construction.

REFINING OPERATIONS

During the year 1953, the Company's wholly-owned subsidiary, Moose Jaw Refineries Ltd., distributed 8,094,398 gallons of products in the south Saskatchewan area for a value of \$734,850.00.

Inclement summer weather held up road construction and asphalt deliveries with the result that approximately 1,000,000 gallons of asphalt contracted for by the Saskatchewan Government will be carried over to 1954.

Some difficulty has been encountered in the marketing of light end products resulting in a substantial inventory of these products at the year end.

Additions to plant and equipment for the period exceeded \$100,000.00.

ACREAGE

It will be noted that the Company's gross acreage interests are slightly below those of 1952. Most of this difference is accounted for by the dropping of acreage in the Boyle area. The area was fully explored through the drilling of three wells, all of which proved non-productive.

The Company's net acreage position is considerably reduced from that of 1952. Early in 1953 the Company disposed of 50% of its interest in the B.C. Permits — comprising a gross of 1,500,000 acres — at a substantial profit. The Company still retains a 12½% interest in this area.

An analysis of the Company's cost of non-producing acreage follows.

Cost of Abandoned Leases	\$203,564.24
(Majority of which was carried forward from predecessor companies.)	
Cost of Undeveloped Leases	480,380.01
	<u>\$683,944.25</u>
Number of Net Undeveloped Acres Owned	298,971
Average Cost per Undeveloped Acre	\$ 2.29

RESERVES OF OIL IN THE GROUND

Independent analyses have produced an oil reserve picture under drilled wells only of 8,555,533 barrels as at December 31, 1953. Of this amount 6,120,186 barrels are classified as light oil and 2,435,347 barrels as heavy oil.

During the year, we extracted from all wells a total of 447,705 barrels. At the same time we have discovered or proven up additional reserves, by independent calculation, of 2,979,485 barrels so that our net reserve position shows an increase of 2,531,780 barrels.

The cost of uncovering these reserves is calculated as follows:

Cost of Drilling and Equipping Producing Wells	\$ 3,650,245.35
Cost of Producing Leases	1,897,750.97
	<u>5,547,996.32</u>
Less Accumulated Depletion	1,081,397.70
	<u>4,466,598.62</u>
Less Surplus Revaluation	784,041.50
Number of Barrels	8,555,533
Cost per Barrel	43c
	<u>\$ 3,682,557.12</u>

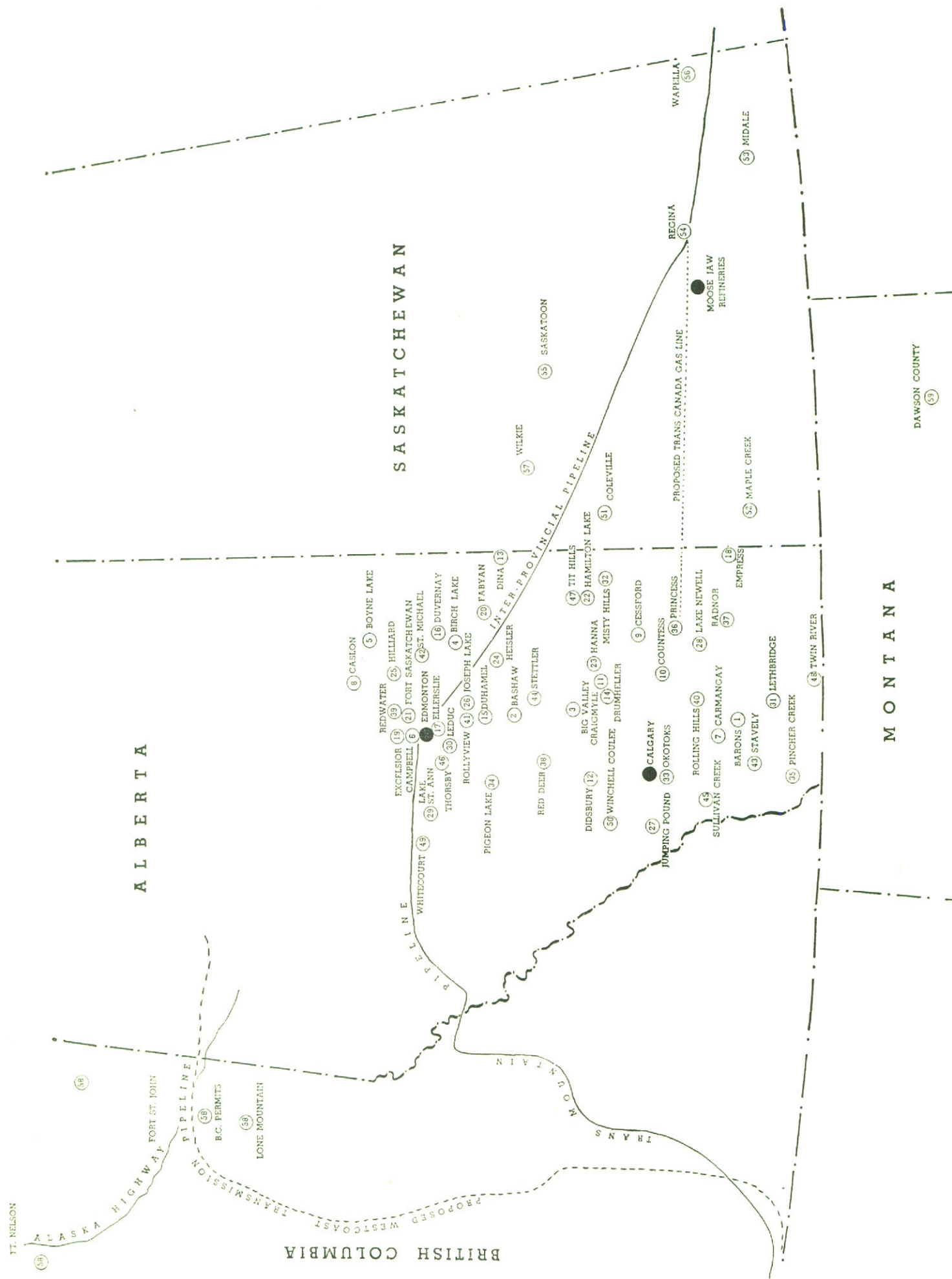
CONCLUSION

The Company was able, during the year 1953, to produce and market more oil than ever before. It was able to substantially enlarge its reserves of oil in the ground and to maintain its position among other Canadian independent oil companies. The apparent need for additional working capital at year end, it is hoped, will be eliminated during 1954.

The Board would like to express its appreciation and thanks for the continued confidence of the shareholders and for the loyalty and efficiency displayed by all employees. These factors have enabled the Company's work to go forward unhindered by any but external matters over which it has no control.

On behalf of the Board,

J. D. BOYD, President.



BRITISH COLUMBIA

ALBERTA

SASKATCHEWAN

MONTANA

DAWSON COUNTY

T.T. NELSON

ALASKA HIGHWAY
FORT ST. JOHN
TRANSMISSION PIPELINE
B.C. PERMITS
LONE MOUNTAIN

PROPOSED WESTCOAST TRANSMISSION PIPELINE
MOUNTAIN
TRANS

8) CASLOO
5) BOYNE LAKE
REDWATER
19) EXCELSIOR
25) HILLIARD
21) FORT SASKATCHEWAN
6) CAMPBELL
21) ST. ANNE
45) WHITECOURT
17) ELLERSLIE
16) DUVERNAY
4) BIRCH LAKE
15) JOSEPH LAKE
15) DUHAMEL
20) FABYAN
2) BASHAW
4) HEISLER
4) STETTLER
2) RED DEER
3) DIDSBURY
12) BIG VALLEY
11) CRAIGMYLE
14) WINCHELL COULEE
11) DRUMHELLER
27) CALGARY
33) JUMPING POUND
33) OKOTOKS
9) ROLLING HILLS
40) CARMANGAY
1) BARONS
4) STAVELY
45) SULLIVAN CREEK
7) LETHBRIDGE
35) PINCHER CREEK
48) TWIN RIVER

13) DINA
13) HEISLER
13) WILKIE
35) SASKATOON
51) COLEVILLE
47) TIT HILLS
22) HAMILTON LAKE
9) CESSFORD
10) PRINCCESS
18) LAKE NEWELL
18) RADNOR
18) EMPRESS
52) MAPLE CREEK

REGINA
64) WAPELLA
56) MIDDALE
MOOSE JAW
REFINERIES

PROPOSED TRANS CANADA GAS LINE

Gross and Net Acreage as at December 31, 1953

ALBERTA

	Gross	Net		Gross	Net
1. Barons	320	320	26. Joseph Lake	632	316
2. Bashaw	5,218	1,927	27. Jumping Pound	280	280
3. Big Valley	636	397	28. Lake Newell	12,800	12,800
4. Birch Lake	966	966	29. Lake St. Ann	155	155
5. Boyne Lake	641	641	*30. Leduc	1,360	989
*6. Campbell	4,700	3,368	31. Lethbridge	161	161
7. Carmangay	2,568	2,568	32. Misty Hills	319	319
8. Caslon	640	640	33. Okotoks	1,440	1,440
*9. Cessford	4,160	2,400	34. Pigeon Lake	160	40
10. Countess	23,040	7,680	35. Pincher Creek	2,511	1,836
11. Craigmyle	479	479	36. Princess	6,085	218
12. Didsbury	1,115	1,115	37. Radnor	1,272	1,272
13. Dina	3,792	1,264	38. Red Deer	1,125	1,002
14. Drumheller	4,640	4,640	*39. Redwater	160	29
15. Duhamel	111	111	40. Rolling Hills	150	150
16. Duvernay	640	640	41. Rollyview	320	240
17. Ellerslie	2,240	360	42. St. Michael	509	509
18. Empress	487	487	43. Stavely	159	159
19. Excelsior	482	322	*44. Stettler	958	638
*20. Fabyan	640	640	45. Sullivan Creek	800	800
21. Fort Saskatchewan	400	400	46. Thorsby	6,080	1,480
22. Hamilton Lake	1,924	1,924	47. Tit Hills	640	640
23. Hanna	5,440	5,440	48. Twin River	160	160
24. Heisler	4,550	2,957	49. White Court	159	159
25. Hilliard	639	639	50. Winchell Coulee	954	954

SASKATCHEWAN

*51. Coleville	640	320	55. Saskatoon	285	285
52. Maple Creek	65,120	21,707	56. Wapella	800	800
53. Midale	1,369	1,369	57. Wilkie	160	160
54. Regina	160	160			

BRITISH COLUMBIA

58. N.E. B.C. Fort St. John ... 1,980,224 208,613

MONTANA

59. Dawson County 640 640

TOTALS

TOTAL GROSS ACREAGE 2,159,215 Acres
 TOTAL NET ACREAGE 303,125 Acres

* DENOTES PRODUCING ACREAGE.

Trans Empire Oils Ltd. — Comparative Balance Sheet as at

ASSETS

	1953	1952
CURRENT :		
Cash in Bank	\$ 20,578.57	\$ 301,904.72
Accounts Receivable—Trade—for Sale of Oil—Net	94,590.66	58,260.55
Accounts Receivable—Sundry	19,987.43	16,314.25
Moose Jaw Refineries Ltd.—Subsidiary Company—Advances	56,597.57	
Taylor Petroleum Operators Limited—Subsidiary Company	19,011.46	11,121.72
Inventory of Tubular Goods—at Cost as Certified by the Management	97,946.72	74,621.40
	<u>\$ 308,712.41</u>	<u>\$ 462,222.64</u>
SINKING FUND:		
Cash and Investments held by Prudential Trust Company Limited under Terms of Trust Deed—		
Cash	\$ 9,634.28	\$ 60,186.61
Dominion of Canada Bonds—at Cost	3,803.98	72,275.06
Other Investments as Specified in Trust Deed—at Cost	108,736.36	116,903.16
	<u>\$ 122,174.62</u>	<u>\$ 249,364.83</u>
INVESTMENTS:		
Securities of Subsidiary Companies—at Cost (Note 1)	\$ 181,995.20	\$ 181,995.20
Share Investments—at Cost—Less Amounts Written Off—Market Value \$14,085.00	9,500.00	6,500.00
Bonds, Debentures, Royalties and Mortgages—at Cost—Less Amounts Written Off	20,682.14	16,112.26
	<u>\$ 212,177.34</u>	<u>\$ 204,607.46</u>
FIXED—AT COST—(Note 2):		
Production Equipment	\$ 1,304,889.95	\$ 887,759.43
Cars	19,674.73	16,920.21
Furniture and Fixtures	22,061.40	16,878.30
	<u>\$ 1,346,626.08</u>	<u>\$ 921,557.94</u>
Less Accumulated Depreciation (Note 3)	771,512.38	546,263.02
	<u>\$ 575,113.70</u>	<u>\$ 375,294.92</u>
Land	35,438.96	35,521.46
	<u>\$ 610,552.66</u>	<u>\$ 410,816.38</u>
DEVELOPMENT (Note 4):		
Producing, Drilling Wells and Development—at Cost	\$ 3,650,245.35	\$ 2,863,772.66
Abandoned Wells—at Cost	1,467,233.49	1,429,478.24
Interest in Exploratory Development—at Cost	143,823.08	130,524.08
Interest in Petroleum and Natural Gas Rights, Leases, Permits and Reservations	1,491,322.47	1,404,374.31
Add Revaluation re Acquisition Redwater Leaseholds Ltd. and Roxboro Oils Limited (Note 5)	1,090,372.75	1,090,372.75
	<u>\$ 7,842,997.14</u>	<u>\$ 6,918,522.04</u>
Less Accumulated Provision for Recovery of Development	2,548,631.19	2,338,575.44
	<u>\$ 5,294,365.95</u>	<u>\$ 4,579,946.60</u>
OTHER ASSETS:		
Security Deposits	\$ 17,510.00	\$ 15,010.00
Discount on Convertible Sinking Fund Secured Notes less Amortization	86,448.63	93,732.14
Organization Expense	60,760.87	60,760.87
Deposit with Trustee re Exchange of Shares	4,500.00	4,500.00
Prepaid Costs—re Drill Sites		2,629.00
	<u>\$ 169,219.50</u>	<u>\$ 176,632.01</u>
DEFERRED:		
Moose Jaw Refineries Ltd.—Subsidiary Company (Note 6)	\$ 75,000.00	\$ 73,277.57
	<u>\$ 6,792,202.48</u>	<u>\$ 6,156,867.49</u>

December 31, 1953

LIABILITIES AND CAPITAL

CURRENT:	1953	1952
Accounts Payable	\$ 28,494.43	\$ 10,209.00
Bank Loans—Secured—Including Accrued Interest (Note 7)	683,740.85	
Accrued Liabilities—		
Canadian Federal and Provincial Income Taxes	4,506.25	4,506.25
Accrued Interest on Secured Notes	19,198.07	20,739.96
Sinking Fund Payment—Series "B"—Due December 1, 1954	51,561.74	
	<u>\$ 787,501.34</u>	<u>\$ 35,455.21</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, 1966	\$ 1,500,000.00	\$ 1,500,000.00
Less Converted to Shares and Purchased for Cancellation	629,000.00	504,000.00
	<u>\$ 871,000.00</u>	<u>\$ 996,000.00</u>
Issued—\$1,000,000.00—5½% Series "B" Maturing December 1, 1967	948,438.26	1,000,000.00
	<u>\$ 1,819,438.26</u>	<u>\$ 1,996,000.00</u>
 CAPITAL AND SURPLUS (Note 9):		
Authorized—5,000,000 Shares Without Nominal or Par Value including 392,910 reserved for Conversion of Debentures.		
Issued—2,417,750	\$ 3,114,650.42	\$ 3,114,650.42
Surplus—Earned as per Statement Attached	286,570.96	226,720.36
Surplus—Arising from Revaluation of Assets (Note 5)	784,041.50	784,041.50
	<u>\$ 4,185,262.88</u>	<u>\$ 4,125,412.28</u>
 CONTINGENT LIABILITIES:		
Guarantee of Bank Loans re Subsidiary Company—Moose Jaw Refineries Ltd.—\$582,939.04 (See Notes 1 and 6).		

APPROVED ON BEHALF OF THE

BOARD OF DIRECTORS:

JOHN D. BOYD, Director.

JOHN W. LEIHMAN, Director.

Submitted with our Report Dated February 9, 1954,

MORTON & HILLS, Chartered Accountants.

\$ 6,792,202.48

\$ 6,156,867.49

Trans Empire Oils Ltd. — Statement of Operations

COMPARATIVE STATEMENT OF OPERATIONS

For the Years Ended December 31, 1952, and December 31, 1953.

INCOME:	1953	1952
Proceeds from Production obtained from Wells—Less Royalties	\$ 893,897.07	\$ 689,323.50
Interest, Dividends, Royalties and Non-Operating Income	190,385.13	371,409.01
	<u>\$ 1,084,282.20</u>	<u>\$ 1,060,732.51</u>
DEDUCTIONS:		
Production Costs—		
Operating Expense, Lease and Well Maintenance, Repairs and Renewals	\$ 223,985.91	\$ 184,062.96
Taxes and Assessments (Other than Income Taxes)	18,112.07	18,610.00
Executive Salaries Charged to Production	40,030.00	38,700.00
Depreciation of Production Equipment	235,779.66	152,054.06
	<u>\$ 517,907.64</u>	<u>\$ 393,427.02</u>
General and Administration Expense Less Recoveries and Charges to Production	\$ 84,571.35	\$ 91,872.93
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	21,815.08	23,569.21
Geological Expense	10,829.86	15,732.78
Interest on Secured Notes and Bank Charges	113,434.19	60,014.50
Lease Rentals	50,789.86	41,128.89
Amortization of Discount on Notes	6,802.26	3,267.86
Depreciation of Furniture and Fixtures and Cars	8,225.61	7,095.34
	<u>\$ 296,468.21</u>	<u>\$ 242,681.51</u>
Provision for Depletion	\$ 210,055.75	\$ 271,586.64
Net Profit Transferred to Earned Surplus	<u>\$ 59,850.60</u>	<u>\$ 153,037.34</u>

Trans Empire Oils Ltd. — Earned Surplus — Auditor's Report

STATEMENT OF EARNED SURPLUS

December 31, 1953

December 31, 1952—Balance	\$ 226,720.36
December 31, 1953—Transferred from Operating Account for the Year Ended December 31, 1953	59,850.60
	<u>\$ 286,570.96</u>

AUDITOR'S REPORT

To the Shareholders,
Trans Empire Oils Ltd.

We have examined the balance sheet of Trans Empire Oils Ltd. as at December 31, 1953, and the related statements of operations and earned surplus for the year ended on that date and have obtained all the information and explanations we have required.

Our examination included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary in the circumstances.

In our opinion, the balance sheet and related statements of operations and earned surplus, including notes thereon, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company, as at December 31, 1953, and the results of its operations for the year ended on that date according to the best of our information and the explanations given to us and as shown by the books of the Company.

MORTON & HILLS,
Chartered Accountants
AUDITORS.

Calgary, Alberta,
February 9, 1954.

Trans Empire Oils Ltd.—Notes to Financial Statements,

1. Trans Empire Oils Ltd. has agreed to forego principal payment of Moose Jaw Refineries Ltd. bonds in the amount of \$72,000.00 until such time as Moose Jaw Refineries Ltd. repays a bank loan of \$582,939.04.
2. The following is a summary of the fixed assets and relative accumulated depreciation as at December 31, 1953:

	1953		1952	
	Assets	Accumulated Provisions	Assets	Accumulated Provisions
Production Equipment	\$ 1,304,889.95	\$754,737.35	\$887,759.43	\$534,745.01
Cars	19,674.73	8,212.14	16,920.21	6,022.08
Furniture and Fixtures	22,061.40	8,562.89	16,878.30	5,495.93
	\$ 1,346,626.08	\$771,512.38	\$921,557.94	\$546,263.02

3. Depreciation of Fixed Assets has been provided at the maximum rates allowed under Dominion Income Tax Regulations. The rates presently used are as follows:

Production Equipment—30% on reducing balance
Cars and Trucks—30% on reducing balance
Furniture and Fixtures—20% on reducing balance.

4. The predecessor companies have provided reserves against leasehold and development costs predicated largely upon Canadian Income Tax regulations. The officials of Trans Empire Oils Ltd. are of the opinion the present "Reserve for Recovery of Development Costs" is sufficient to cover depletion to December 31, 1953, and also the amount shown as abandoned wells. Their opinion is based on engineering estimates of recoverable oil. (See also Note 15).

The asset "Abandoned Wells" is carried on the balance sheet as this amount can be used as a write off for income tax purposes.

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, 1953:

		Assets	Accumulated Provisions
Producing Wells	\$ 3,650,245.35		
Producing Leases	1,897,750.97		
		\$ 5,547,996.32	\$ 1,081,397.70
Abandoned Wells		1,467,233.49	1,467,233.49
Interest in Exploratory Drilling		143,823.08	
Abandoned Leases		203,564.24	
Undeveloped Leases and Permits		480,380.01	
		\$ 7,842,997.14	\$ 2,548,631.19

5. The Surplus from revaluation of assets arises as follows:

Re Assets acquired from Redwater Leaseholds Ltd.
242,857 Shares Trans Empire Oils Ltd.

Issued for Net Assets:

Market Value of Shares @ \$5.55 per share	\$ 1,347,856.35	
Assets at Book Value Roxboro Oils Limited	452,904.24	
		\$894,952.11

Re Assets acquired from Roxboro Oils Limited
143,334 Shares Trans Empire Oils Ltd.

Issued for Net Assets:

Market Value of Shares @ \$5.55 per share	\$ 795,503.70	
Assets at Book Value Redwater Leaseholds	600,083.06	
		195,420.64

Increase added to Interest in Petroleum and Natural Gas Rights \$1,090,372.75

Deduct Cost of Abandoned Wells acquired from Redwater
Leaseholds Ltd. (added to Reserve for Recovery of Development) 306,331.25

\$784,041.50

6. Trans Empire Oils Ltd. has agreed to postpone payment of an Account Receivable from Moose Jaw Refineries Ltd., a subsidiary company, in the amount of \$75,000.00 until such time as Moose Jaw Refineries Ltd. repays a bank loan of \$582,939.04 mentioned in Note 1.

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

8. Convertible Sinking Fund Secured Notes—

Authorized—\$5,000,000.00.

Issued—\$1,500,000.00—5% Series "A" Yearly Sinking Fund

Payments of \$100,000.00 commencing March 1, 1953

Final Payment March 1, 1966

Payment to the Sinking Fund is not required until March 1, 1959, because of secured Notes purchased and cancelled and conversions to shares

Converted to Shares as per Terms of Trust Deed \$485,000.00

Purchased for Cancellation \$144,000.00

Issued—\$1,000,000.00—5½% Series "B" Yearly Sinking Fund

Payments of \$65,000.00—commencing December 1, 1954

Final Payment December 1, 1967.

Convertible to Capital Stock as per Terms of Trust Deed and Deeds supplemental thereto;
Series "A" and Series "B" Notes

To December 31, 1954—21 Shares for each \$100.00 Principal Amount

To December 31, 1956—19 Shares for each \$100.00 Principal Amount

To December 31, 1957—18 Shares for each \$100.00 Principal Amount

Notes to Financial Statement—(Continued)

9. The Consideration received by Trans Empire Oils Ltd. on issue of its Capital Stock was as follows :

	Shares	Consideration
Cash Consideration	7	\$ 35.00
Consideration other than cash for the net assets of Globe Oil Company Limited, Leduc West Oil Company Limited.		
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
	<u>2,417,750</u>	<u>\$ 3,114,650.42</u>

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 percent of their salaries and the company a like amount. The estimated annual cost to the company is \$5,700.00.

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

Under an insurance plan (Great West Life Assurance Company), in the event of an employee's 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 has participated in the plan for ten years, the company will vest in him 10% of its contributions to the plan, and an additional 10% each year thereafter, until all contributions are vested in the employee.

11. The Treasurer and Secretary of the company have an employment agreement to December 31, 1956.
12. Profit or Losses of subsidiary companies are not taken into account in the statement of Trans Empire Oils Ltd. as at December 31, 1953.
13. Inventory of Oil in Tanks at well heads having an estimated net value of \$23,975.07 has not been reflected.
14. The company will not pay any dividends (other than stock dividends) or redeem 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 notes for the time being outstanding or if and so long as it is in default in any respect under the trust deed.
15. 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, 1953, substantially exceed provision 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.

Financial Statements
Subsidiary Companies

•
Taylor Petroleum Operators Limited
Moose Jaw Refineries Limited

Taylor Petroleum Operators Limited — Balance Sheet — Statement

COMPARATIVE BALANCE SHEET

As at December 31, 1952 and December 31, 1953

		ASSETS	
CURRENT ASSETS:		1953	1952
Cash on Hand and in Bank		\$ 602.16	\$
Accounts Receivable—General		732.94	22,521.29
Due from Associated Company			330.16
Sundry Advances to Employees for Expenses		397.38	357.18
Deposits		3,046.00	3,030.00
Inventory of Casing, Tubing, Line Pipe and Well Supplies—at cost			9,944.00
Total Current Assets		\$ 4,778.48	\$ 36,182.63
FIXED ASSETS—at Cost (Note 1):			
Automobiles and Trucks		\$ 32,841.21	\$ 39,428.98
Furniture and Fixtures		2,119.48	2,270.09
Servicing and Field Equipment		59,375.06	59,393.49
		\$ 94,335.75	\$ 101,092.56
Less Reserve for Depreciation		53,816.39	49,110.23
OTHER ASSETS:		\$ 40,519.36	\$ 51,982.33
Investments		\$ 1,557.70	\$ 1.00
The notes appended hereto form an integral part of these statements.		<u>\$ 46,855.54</u>	<u>\$ 88,165.96</u>
		LIABILITIES	
CURRENT LIABILITIES:			
Bank Overdraft		\$	\$ 26,588.93
Accounts Payable—Trade		901.40	10,844.20
Accounts Payable—Sundry			2,404.55
Advances from Parent Company		19,011.46	11,121.72
Total Current Liabilities		\$ 19,912.86	\$ 50,959.40
Deferred—Safety Committee		\$ 509.66	
CAPITAL:			
Authorized—50,000 Shares Without Nominal or Par Value.			
Issued—50,000 Shares for Cash		\$ 25,000.00	\$ 25,000.00
Surplus—as per Statement Attached		1,433.02	12,206.56
		<u>\$ 26,433.02</u>	<u>\$ 37,206.56</u>
		<u>\$ 46,855.54</u>	<u>\$ 88,165.96</u>

Approved on behalf of the Board:
H. A. TAYLOR, Director.
J. H. R. THOMSON, Director.

Submitted with our Report Dated February 8, 1954
MORTON & HILLS,
Chartered Accountants.

NOTES TO FINANCIAL STATEMENT

December 31, 1953

NOTE 1—Depreciation on Fixed Assets has been provided for at rates not in excess of the maximum rates allowed for income tax purposes.

The rates presently used are as follows:

Furniture and Fixtures—Twenty per cent on reducing balance.
Automobiles and Trucks—Thirty per cent on reducing balance.
Field Equipment—Twenty per cent on reducing balance.
Servicing Equipment—20% on reducing balance.

The following is a summary of the equipment and related accumulated provisions for depreciation as at December 31, 1953:

	1953		1952	
	Asset	Accumulated Provisions	Asset	Accumulated Provisions
Automobiles and Trucks	\$ 32,841.21	\$ 17,006.32	\$ 39,428.98	\$ 17,322.38
Furniture and Fixtures	2,119.48	970.32	2,270.09	754.83
Servicing and Field Equipment	59,375.06	35,839.75	59,393.49	31,033.02
	<u>\$ 94,335.75</u>	<u>\$ 53,816.39</u>	<u>\$101,092.56</u>	<u>\$ 49,110.23</u>

NOTE 2—The company maintains a contributory pension plan for all officers and employees who have completed two years of service. Individuals contribute six per cent of their salaries and the company a like amount. The estimated annual cost to the company is approximately eighteen hundred dollars.

Statement of Operations — Surplus Account — Auditor's Report

COMPARATIVE STATEMENT OF OPERATIONS

For the Year Ended December 31, 1952, and December 31, 1953

INCOME:	1953	1952
Drilling and Operation Supervision	\$ 52,850.00	\$ 66,016.67
Equipment Rentals	27,192.47	20,947.58
Service Rig Operations—Net		3,372.50
Discounts and Miscellaneous	314.56	4,681.78
Non-Operating Income	1,252.60	11,496.90
	<u>\$ 81,609.63</u>	<u>\$ 106,515.43</u>
EXPENDITURES:		
Operating—		
Field Expense	\$ 444.30	\$ 5,603.95
Geological		3,280.28
Taxes and Licenses	1,575.04	1,361.12
General and Administrative	66,408.86	64,834.41
Executive Salaries	9,185.00	9,400.00
Loss on Servicing Rig Operations	1,799.98	
Loss on Sale of Automobiles		352.26
Depreciation	12,969.99	21,856.32
	<u>\$ 92,383.17</u>	<u>\$ 106,688.34</u>
Net Loss for Period Transferred to Surplus Account	<u>\$ 10,773.54</u>	<u>\$ 172.91</u>

SURPLUS ACCOUNT

December 31, 1953

Balance—December 31, 1952	\$ 12,206.56
Deduct Loss for Year Ended December 31, 1953, transferred from Statement of Operations	10,773.54
Balance—December 31, 1953	<u>\$ 1,433.02</u>

AUDITOR'S REPORT

To The Shareholders,
Taylor Petroleum Operators Limited

February 8, 1954.

We have examined the balance sheet of Taylor Petroleum Operators Limited as at December 31, 1953, and the statement of operations and surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination 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.

In our opinion, the accompanying balance sheet and statement of operations and surplus, including the notes thereon, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1953, and the results of its operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the company.

MORTON & HILLS
Chartered Accountants
AUDITORS.

Moose Jaw Refineries Limited — Balance Sheet, as at Dec

ASSETS

CURRENT ASSETS:

Cash on hand		\$ 1,527.38
Accounts Receivable:		
Customers	\$239,203.82	
Miscellaneous	7,049.65	
		<u>246,253.47</u>
Advances to Employees		315.63
Inventories (valued at lower of cost or market):		
Crude Oil	\$ 31,127.60	
Finished Products	182,820.11	
Unfinished Products	399.38	
Treating Supplies	6,881.00	
Miscellaneous	434.93	
		<u>221,663.02</u>
 Total Current Assets		 <u>\$469,759.50</u>

PREPAID EXPENSES:

Insurance	\$ 3,745.48	
Spur Site Rental	85.44	
		<u>3,830.92</u>

PROPERTY AND EQUIPMENT:

Land		\$ 21,773.98
Refinery Plant, Equipment and Vehicles	\$531,290.40	
Less: Accumulated Depreciation	91,640.14	
		<u>439,650.26</u>
Organization Expense		461,424.24
		<u>205.95</u>

NOTE "A"—

Collateral security to Bank Loans includes the following: Assignment of inventories under Section 88—The Bank Act; general assignment of book debts; insurance on buildings, machinery and equipment; assignment of entire outstanding issue of General Mortgage bonds; guarantee of Trans Empire Oils Ltd.

Approved on behalf of the Board,

H. E. HANSEN, Director.

J. W. LEHMAN, Director

\$935,220.61

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Bank Overdraft		\$ 6,922.17
Bank Loans—Secured (Note "A"):		
Operating	\$326,016.87	
Capital—portion due within one year	75,000.00	
		<u>401,016.87</u>
Accounts Payable:		
Trade and General	\$137,171.56	
Salary Tax	869.10	
Gasoline Tax	3,753.97	
Sales and Education Taxes	6,009.88	
		<u>147,804.51</u>
Accrued Liabilities:		
Workmen's Compensation Insurance	\$ 375.25	
Interest on General Mortgage Bonds	360.00	
		<u>735.25</u>
Total Current Liabilities		<u>\$556,478.80</u>

BANK LOANS—Secured (Note "A"):

Capital—due 1955 and 1956		175,000.00
---------------------------------	--	------------

DUE TO TRANS EMPIRE OILS LTD.:

Equipment Purchases	\$ 15,000.00	
Other Advances	116,597.57	
		<u>131,597.57</u>

FUNDED DEBT:

6% General Mortgage Bonds—maturing December 1, 1952, to December 1, 1960, inclusive—Redemptions deferred by agreement with holders—Trans Empire Oils Ltd.:		
Authorized—\$100,000.00—Issued	\$ 82,000.00	
Less: Redeemed	10,000.00	
		<u>72,000.00</u>

CAPITAL AND DEFICIT:

Capital Stock:		
Authorized—100,000 shares without nominal or par value— maximum \$1.00 per share.		
Issued and Outstanding—20,000 shares		20,000.00

DEFICIT:

Balance December 31, 1952	\$(17,370.07)	
Add: Loss for the year ended December 31, 1953	(2,485.69)	
		<u>(19,855.76)</u>

This is the Balance Sheet referred to in our report
to the Shareholders dated January 29, 1954.

R. L. BAMFORD & CO.,
Chartered Accountants.

\$935,220.61

Moose Jaw Refineries Limited—Statement of Manufacturing

STATEMENT OF MANUFACTURING, TRADING, PROFIT AND LOSS

For the Year ended December 31, 1953.

SALES:

Gasoline		\$ 91,127.68	
Distillate		624.94	
Solvent		5,591.17	
Light Diesel		114,148.78	
Heavy Diesel		54,301.81	
Bunker		182,472.62	
Asphalt		269,970.92	
Burner and Miscellaneous Sales		16,612.23	
			<u>\$734,850.15</u>

COST OF SALES:

Inventory of Finished and Unfinished Products—December 31, 1952		\$ 51,978.96	
Cost of Refined Products:			
Crude Oil Consumption	\$578,328.64		
Direct Wages	64,828.02		
Blending Gasoline and Tetra Ethyl Lead	12,540.79		
Overhead Expenses (Schedule 1 attached)	132,535.89		
		788,233.34	
Finished Products Purchased from Others		85,609.74	
		<u>\$925,822.04</u>	
Less: Inventory of Finished and Unfinished Products—December 31, 1953		183,219.49	
			<u>\$ 742,602.55</u>
	Gross Loss		<u>\$ 7,752.40</u>

TRUCK OPERATIONS:

Operating Expenses	\$ 4,655.72		
Depreciation	4,358.35		
	<u>\$ 9,014.07</u>		
Less: Truck Earnings	6,938.88		
		<u>\$ 2,075.19</u>	

SELLING EXPENSES:

(Schedule 2 attached)	25,763.25		
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ADMINISTRATIVE EXPENSES:

(Schedule 2 attached)	41,454.32		
		<u>69,292.76</u>	
	Operating Loss		<u>\$ 77,045.16</u>

DEDUCT:

Depreciation Deferred		68,000.00	
		<u>\$ 9,045.16</u>	

OTHER INCOME:

Rental Income	\$ 400.00		
Adjustment re 1952 Tank Car Mileage Credits	2,546.39		
Adjustment on Sales Tax	1,899.86		
Discounts and Commissions Earned	1,156.03		
Miscellaneous Income	557.19		
		<u>6,559.47</u>	

Net Loss for the Year

\$ 2,485.69

— Statement of Deficit — Auditor's Report

AUDITOR'S REPORT

January 29, 1954.

To The Shareholders,

Moose Jaw Refineries Limited, Moose Jaw, Saskatchewan.

We have examined the books and accounts of Moose Jaw Refineries Limited for the year ended December 31, 1953. In connection therewith, we examined or tested accounting records of the Company and other supporting evidence. We also made a general review of the accounting methods and of the income and operating accounts for the year, but we did not examine the details of all transactions.

We attached hereto Balance Sheet as at December 31, 1953, and Statement of Manufacturing, Trading and Profit and Loss for the year and our comments thereon as follows:

BALANCE SHEET

Cash on Hand and in Bank

Cash on hand was verified by count during the course of our examination and we have obtained confirmation from your bankers as to the balance on deposit and liabilities on bank loans.

Accounts Receivable

We verified the customers' accounts receivable by mailing the Company's statements to all trade debtors at December 31, 1953, requesting any differences in their accounts be reported directly to us. No differences have been reported. In our opinion, based upon our review of the accounts, no provision for doubtful accounts is required.

Miscellaneous receivables were similarly confirmed with the exception of refundable income tax amounting to \$2,405.22, and pension fund payments recoverable in the amount of \$2,059.64.

Inventories

We attended at the time of inventory taking and verified physical quantities on hand December 31, 1953. We also scrutinized inventory computations and satisfied ourselves that the inventories have been valued at lower of cost or market. In the case of those products valued at market an allowance was made to cover the costs of marketing.

Property and Equipment

Additions to plant and equipment for the period amounting to \$100,582.69 were examined in detail. Depreciation has been provided at 16.8% of the maximum rates allowed under the Income Tax Act resulting in a net charge for the year of \$13,729.11.

Accounts Payable

Trade and general accounts payable have been verified by reference to creditors' statements on file, no significant differences being noted.

Auditor's Report — (Continued)

We also checked the calculations of sales, education, gasoline and salary taxes and accrued accounts as at December 31, 1953.

Due to Trans Empire Oils Ltd.

No direct confirmation was received from Trans Empire Oils Ltd., but all transactions affecting relating to this account in December were checked in detail and a reconciliation was made between the balance reported to Trans Empire Oils Ltd. as at November 30, 1953, and the liability as shown at December 31, 1953.

OPERATIONS

Operations for the year ended December 31, 1953, resulted in a net loss of \$2,485.69 after making a net provision for depreciation of \$13,729.11. Manufacturing operations have been charged with the maximum rates allowed under the Income Tax Act and the production costs obtained thereby were used when checking the valuation of inventories of manufactured products.

AUDITOR'S REPORT

We have obtained all the information and explanations we have required and based upon our examination, report that, in our opinion, the attached Balance Sheet and related Statement of Operations are properly drawn up so as to exhibit, in accordance with accepted accounting principles, a true and correct view of the financial position of the Company at December 31, 1953, and the results of its operations for the year then ended, according to the best of our information and explanations given to us and as shown by the books of the Company.

Respectfully submitted,

L. R. BAMFORD & CO.
Chartered Accountants

