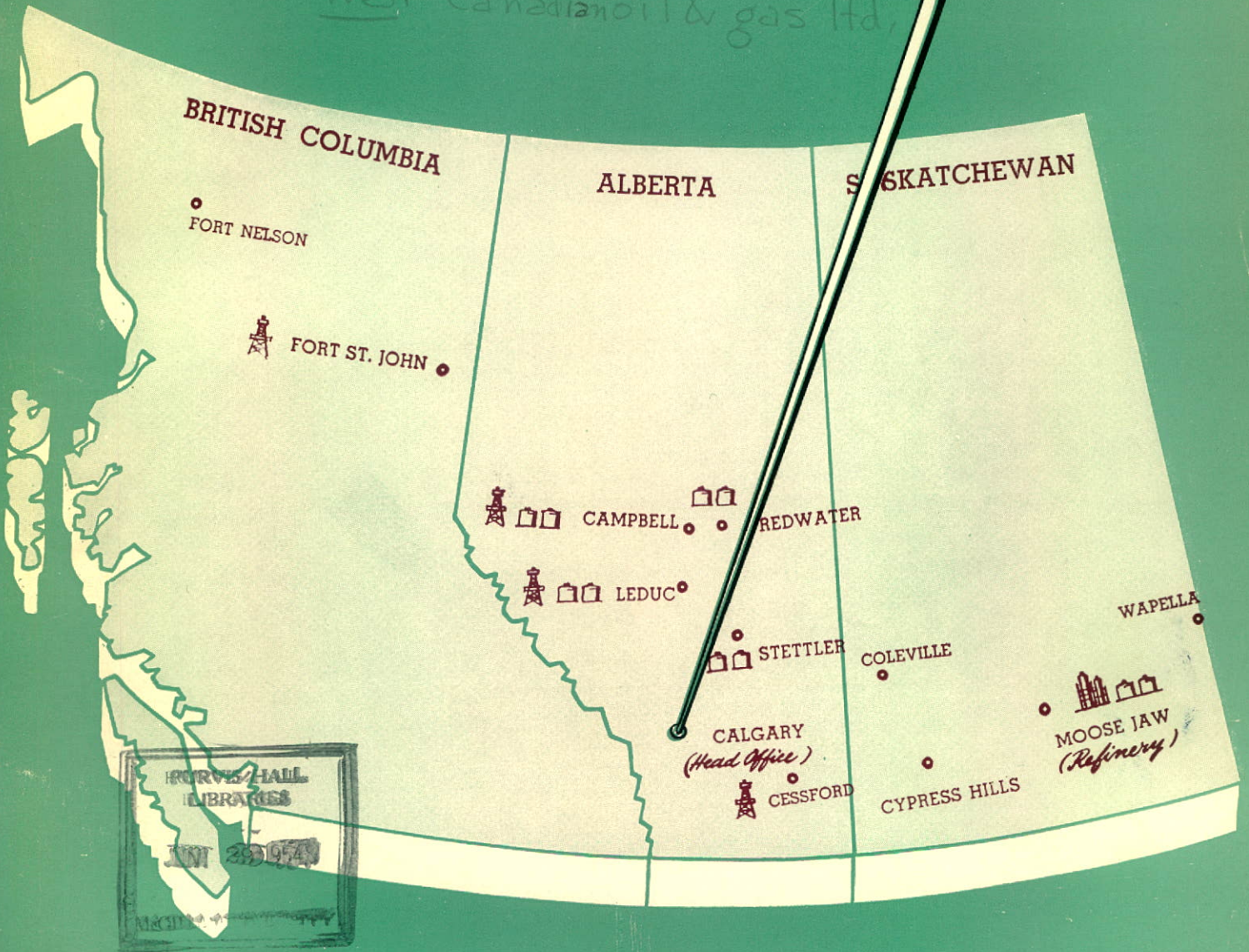


Stock

1952

# TRANS EMPIRE OILS LTD.

West Canadian oil & gas Ltd.



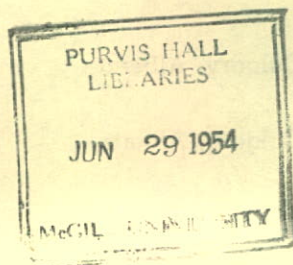
## Second Annual Report



# TRANS EMPIRE OILS LTD.

## TRANS EMPIRE OILS LTD.

## 2<sup>nd</sup> ANNUAL REPORT 1952



# Company Information and Officers

## TRANS EMPIRE OILS LTD.

(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.  
Listed on Calgary, Vancouver, Toronto, American and Los Angeles Stock  
Exchanges and Montreal Curb Market.

**FUNDED DEBT:** Authorized - - - \$5,000,000.  
Outstanding - - - \$996,000 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 - - - Vancouver, British Columbia  
Harold E. Wright - - - Toronto, Ontario

**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  
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 - - - - - Calgary, Alberta

# Comparative Summary of Significant Facts

	Year ended December 31, 1952	Year ended December 31, 1951
Number of crude oil wells in which interest held	58	42
Net crude oil wells owned - - - - -	36½	23
Number of gas wells in which interest held -	9	2
Net gas wells owned - - - - -	5¼	1½
Barrels of crude oil produced - - - - -	301,953	339,851
Value of crude oil produced - - - - -	\$689,323.50	\$693,196.36
Realization per barrel - - - - -	\$2.20	\$2.04
Estimated oil reserves - - - - -	6,023,753 barrels	3,983,636 barrels
Net profit before depreciation and depletion -	\$583,773.38	\$378,284.00
Earnings per share - - - - -	24.1c	19.7c
Number of employees (including subsidiaries) -	78	57
Number of shareholders - - - - -	6921	4841
Gross acreage holdings - - - - -	2,243,187	695,069
Net acreage holdings - - - - -	537,614	122,431
Funds invested in acreage - - - - -	\$2,494,747.06	\$843,881.00
Average cost per net acre - - - - -	\$4.64	\$6.89

# Directors' Report to the Shareholders

In this, the Second Annual Report of your Company, an effort has been made by the use of charts and tables to compare activities during the year ended December 31, 1952, with those of the Company's first year of operation. To assist in such 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.

For the industry as a whole, the year 1952 may well go down as the year in which the approach to maturity was first apparent. Many great projects, not visualized even after the discoveries at Leduc and Redwater, were commenced and others were brought to the point from which great strides forward can be taken once approval has been obtained from government authority in this country and in the United States of America.

The effect of these projects on the oil and gas industry has not yet been fully felt. The year 1953 should see the completion of several with a resultant increase in income and activity on the part of practically all companies engaged in the search for oil and gas, provided they are in a strong working capital position or can readily obtain the funds required to take advantage of the future. Specific reference to one or the other of these projects will be made in the report which follows.

The audited statements indicate that the net revenue to the Company from all sources for the year amounted to \$819,359.55. This was an increase of \$254,003.24. The improvement was due entirely to an increase in income from sources other than oil production and was in fact primarily obtained from profits on sale of investments and acreage. Oil production was

down by 37,898 barrels for a dollar decrease of \$3,872.86. The reason for this is readily apparent when it is realized that production at Stettler was cut by approximately 50% due to lack of markets for the crude.

The directors feel that the price per barrel of crude oil will not be materially altered during the current year except at Stettler where the completion of the Canadian Gulf Oil Company's pipeline to Edmonton ensures an increase of 40c per barrel on a former base price for 28° A.P.I. gravity oil of \$1.40 per barrel. We think, however, that the completion of the Trans-Mountain Pipeline to the Pacific Coast and the extension of Inter-provincial Pipeline to Sarnia, Ontario, early this fall will ensure a considerable increase in allowable production with a resultant rise in the Company's income from sale of crude oil.

It will be noted that reserves under drilled wells have almost doubled in the period, although little or no advantage accrued financially to the Company during 1952 as a result of these acquisitions and discoveries. The discoveries at Cessford and St. Albert were not assessable until nearly the end of the year and the program at Buffalo Coulee had just commenced. The increase in income due to these new reserves of oil should be felt to a marked degree in the coming year however, and it is our feeling that revenue from oil production alone should exceed \$100,000.00 per month by the end of 1953.

General and administrative expenses, lease rentals and note interest amounted to \$235,586.17, leaving net earnings of \$583,773.38. This is equivalent to 24.1c per share of outstanding stock. In accordance with the principle of Canadian Tax Accounting, maximum allowable depreciation of \$159,149.40 was taken. After providing \$271,586.64 in order to write off abandoned wells, \$153,037.34 was carried forward to the surplus account.

## 1952 PRODUCTION

AREA	Trans Empire's Share of Production (in barrels)	Trans Empire's Share of Revenue
Leduc-Calmor .....	219,850	\$540,399.77
Stettler .....	48,751	68,778.54
Campbell .....	28,224	64,360.90
Redwater .....	3,373	8,403.69
Other Fields .....	1,755	7,380.60
	<u>301,953</u>	<u>\$689,323.50</u>

## SHAREHOLDERS

On December 31, 1951, the Register of Transfers showed that there were 4841 registered shareholders. This figure had increased to 6921 by December 31, 1952. Part of this increase may be attributed to the acquisition by the Company of Redwater Leaseholds Ltd. and Roxboro Oils Ltd. which resulted in the issuance of additional shares of the Company.

The following table gives a breakdown of shareholders:

	Number Share- holders Dec. 31, 1952	Number Share- holders Dec. 31, 1951
British Columbia .....	771	715
Alberta .....	2,141	1,420
Saskatchewan .....	321	249
Manitoba .....	406	309
Ontario .....	786	741
Quebec .....	380	458
New Brunswick .....	124	120
Nova Scotia .....	117	140
Prince Edward Island .....	47	42
Newfoundland .....	6	6
United States of America .....	1,784	632
Others .....	38	9
<b>TOTAL</b>	<u>6,921</u>	<u>4,841</u>

## FINANCIAL

In our first annual report, we suggested that in view of our extensive development program for 1952, it was likely that additional financing would be advisable.

Accordingly, in December of 1952, the Company issued 5½% Convertible Sinking Fund Secured Notes to mature in 1967, for a principal amount of \$1,000,000. The entire issue was underwritten by Royal Securities Corporation Limited.

The \$1,500,000 Series "A" 5% Notes issued by the Company in February, 1951, had been reduced through conversions and redemptions to an outstanding amount of \$996,000 as at December 31, 1952.

The total funded debt of the Company, made up of Series "A" and Series "B" Notes, amounted to \$1,996,000 at December 31, 1952. At the same date, a total of 2,417,750 No Par Value shares were outstanding. This compares with outstanding shares of 1,920,469 as at December 31, 1951. This increase of 497,281 shares is accounted for as follows:

By Conversion of Series "A" Notes .....	111,090
For Acquisition of Redwater Leaseholds Ltd. and Roxboro Oils Ltd. ....	386,191

Because of the increasing number of American shareholders, particularly on the West Coast, the Directors decided that as an added service to those shareholders, the shares of the Company should be listed for trading on the Los Angeles Stock Exchange. The Company's shares are now listed on the following Exchanges:

Calgary Stock Exchange  
Vancouver Stock Exchange  
Toronto Stock Exchange  
Montreal Curb Market  
American Stock Exchange  
Los Angeles Stock Exchange

# Exploration and Production

During the year under review the Company, through its engineering subsidiary Taylor Petroleum Operators Ltd., drilled seventeen wells.

WELL NAME	Trans Empire's Interest	Trans Empire's Share of Reserves Bbls.
* Trans Empire Pacific		
Hycharger Bashaw No. 1 - - - -	50%	Nil
R.A.C.E. Calmar No. 1 - - - -	17.85%	8300
R.A.C.E. Calmar No. 2 - - - -	17.85%	23000
R.A.C.E. Redwater No. 2 - - - -	17.85%	33000
• Trans Empire Maple Creek No. 1 - - -	100% before cost 50% after cost	Nil
• Gas and Oil Offset Reality No. 1 - - -	50% after cost	Nil
• United Canadian Quach No. 1 - - -	Nil	Nil
Trans Empire Campbell No. 12 } - - -	60% before cost 65% after cost	113000
Trans Empire Campbell No. 13 } - - -		
Trans Empire Campbell No. 14 } - - -		
• Trans Empire Admiral Gateway No. 1 } - - -	40%	Nil
• Trans Empire Admiral Gateway No. 2 } - - -		
• Trans Empire Admiral Gateway No. 3 } - - -		
Trans Empire Canada Southern		
Buffalo Coulee No. 1 } - - -	100% before cost 50% after cost	550000
Buffalo Coulee No. 1-1 } - - -		
Buffalo Coulee No. 3 } - - -		
Buffalo Coulee No. 2 } - - -		
Buffalo Coulee No. 1-3 } - - -		
		727300 Bbls.

Ten additional wells in which Trans Empire has an interest were drilled in 1952 by other operators as under:

WELL NAME	Operator	Trans Empire's Interest	Trans Empire's Share of Reserves
Amurex Trans Empire Nestor No. 1-7 - -	Amurex	50%	1,915,000 Bbls.
* Amurex Trans Empire Kading No. 1-11 -	Amurex	50%	
Amurex Trans Empire Chris No. 1-10 -	Amurex	50%	
Amurex Trans Empire Nestor No. 2-6 -	Amurex	50%	
Amurex Trans Empire Chris No. 2-9 -	Amurex	50%	
Amurex Trans Empire Nestor No. 3-8 -	Amurex	50%	
Amurex Trans Empire Nestor No. 4-2 -	Amurex	50%	
Amurex Trans Empire Gurnett No. 1-5 -	Amurex	50%	
* Amurex Trans Empire Fulton No. 1-15 -	Amurex	50%	
Stanolind St. Albert Unit No. 1 - - -	Stanolind	14.5% in gas 7.25% in oil	Not Yet Estimated

\* Gas Wells — Plugged. • Failures.

Of the twenty-six wells in which the Company had an interest, only six failed to produce either oil or gas.



## RESERVES

Trans Empire's share of crude reserves under the successful wells has been calculated by engineers, not connected with our Company, to be 2,642,300 barrels.

No calculation for the D3 oil discovered at Stanolind St. Albert Unit No. 1 has yet been made, because with only one of a total of twenty possible sites drilled out, it is not feasible to do more than estimate the recoverable reserves under the relevant forty acre location. From all appearances, however, our 7.25% in oil reserves in this block might well amount to more than a million barrels.

Our Coleville, Saskatchewan, venture will eventually contain 32 wells. The operation covers one complete section of land, on which it appears that all locations are good. Although Trafford and Associates, consulting engineers of Calgary, calculate that recoverable reserves under the Section amount to 3,340,000 barrels, we have included in our table only the five wells completed in 1952. Therefore, in sight for 1953 we already have 2,790,000 barrels from Coleville area and probably 1,000,000 barrels from St. Albert.

## GAS RESERVES

At Campbell, where we have a 65% interest, gas reserves are estimated by Floyd K. Beach, P.Eng., at 15 billion cubic feet.

Although our gas reserves at Cessford, Calmar, St. Albert and Fabyan have not been made the subject of detailed studies, they are extensive, and might well exceed those at Campbell.

The following tables show what we paid to uncover the reserves mentioned above:

WELL NAME	DEVELOPMENT COSTS	EQUIPMENT COSTS
R.A.C.E. Calmar No. 1 - - - - -	\$ 13,368.00	\$ 4,638.00
R.A.C.E. Calmar No. 2 - - - - -	14,818.00	2,956.00
R.A.C.E. Redwater No. 2 - - - - -	8,037.00	4,126.00
Trans Empire Campbell No 12 - - - - -	40,065.00	8,658.00
Trans Empire Campbell No. 13 - - - - -	28,474.00	10,490.00
Trans Empire Campbell No. 14 - - - - -	28,542.00	5,850.00
Trans Empire Canada Southern No. 1 - - - - -	32,735.00	8,035.00
Trans Empire Canada Southern No. 2 - - - - -	32,000.00	8,000.00
Trans Empire Canada Southern No. 3 - - - - -	26,860.00	2,825.00
Trans Empire Canada Southern No. 1-3 - - - - -	24,247.00	-----
Trans Empire Canada Southern No. 1-1 - - - - -	12,573.00	-----
Amurex Trans Empire Nestor No. 1-7 - - - - -	16,870.00	3,818.00
Amurex Trans Empire Kading No. 1-11 - - - - -	7,832.00	473.00
Amurex Trans Empire Chris No. 1-10 - - - - -	19,082.00	4,317.00
Amurex Trans Empire Nestor No. 2-6 - - - - -	17,770.00	4,891.00
Amurex Trans Empire Chris No. 2-9 - - - - -	9,911.00	511.00
Amurex Trans Empire Nestor No. 3-8 - - - - -	16,805.00	4,194.00
Amurex Trans Empire Nestor No. 4-2 - - - - -	1,725.00	258.00
Amurex Trans Empire Gurnett No. 1-5 - - - - -	60.00	-----
Amurex Trans Empire Fulton No. 1-15 - - - - -	51.00	-----
Stanolind St. Albert Unit No. 1 - - - - - (Estimated)	10,000.00	5,000.00
	<u>\$361,825.00</u>	<u>\$ 80,090.00</u>

Tank Batteries and loading racks at Coleville and Cessford, and a five mile pipe line at Cessford have not been completed and invoices for these and for the last three Cessford wells are not yet in our records. These costs are properly chargeable against 1952 operations, but for the above reasons only an estimate is available. If we add \$100,000.00 to the equipment total and \$65,000.00 to drilling costs, we can say without too much exaggeration that the successful completions required to produce the aforementioned reserves will have cost us \$606,915.00.

One more calculation must be considered before we can make the final recapitulation. This covers the cost of the six abandoned wells in which Trans Empire had an interest. We list them hereunder:

WELL	Trans Empire's Interest	Cost to Trans Empire
Trans Empire Pacific Hycharger No. 1 - - -	50%	\$ 40,402.00
Trans Empire Maple Creek No. 1 - - - -	100% before cost	129,880.00
Gas & Oil Offsets Reality No. 1 - - - -	50% after cost	Nil
Trans Empire Admiral—		
Gateway No. 1 - - - - -	40%	10,490.00
Gateway No. 2 - - - - -	40%	8,883.00
Gateway No. 3 - - - - -	40%	13,173.00
		\$202,828.00

#### RECAPITULATION

Successful Wells—Paid to Date for Development - - - -	\$361,825.00
Abandoned Wells—Cost - - - - -	202,828.00
Estimate for Unpaid Bills - - - - -	65,000.00
	\$629,653.00
Total Cost of Finding 2,642,300 bbls. of oil - - - -	
Equipment—Paid for - - - - -	\$ 80,090.00
Estimate for Unpaid Bills - - - - -	100,000.00
	\$180,090.00
Total Cost of Producing the Above Reserves - - - -	\$809,743.00

Cost per bbl.—31 cents  
(excluding land acquisition.)

## REPAIRS AND MAINTENANCE

Two of our D2 wells in the northern part of the Leduc field required remedial work in 1952. As a result, they are again on steady production and, while not large producers, will in 1953 return the \$13,000.00 spent on them.

At our South Calmar location, 13-49-27-W4th, where four D2's are producing it was found necessary to place Trans Empire Admiral 1, 2, and 3 on the pump. Cost of equipment and work-over for the three wells was \$40,000.00. Trans Empire Admiral No. 5 turned to water early in the year and was abandoned, the equipment being salvaged. Our efforts to rework this well cost \$17,000.00.

In December, our Stettler No. 6 well suddenly refused to flow. Investigation proved that the gas-oil ratio had declined to a point where it was not sufficient to lift the oil column. Accordingly, arrangements were made to instal pumping machinery at a cost of about \$5,000.00. Two of our five Stettler producers are now on pump.

At Tank Battery No. 2 near Devon we spent \$4,000.00 in 1952 replacing gathering lines and laying a water main from the town hydrant to our boiler house.

The completion of Tank Battery No. 5 at Calmar required the expenditure of \$8,000.00. It is now fully equipped as a one man semi-automatic installation.

## OPERATING COSTS

The cost of lifting a barrel of oil is a figure which is of especial value to management. This Company computes its lifting cost on the following basis:

Number of barrels oil produced to date  
from all wells  
divided into

Total cost of operating the same wells.

The result is an overall figure in which both direct and indirect costs are included. Defined as those items which enter directly into the producing operation, direct costs include labor, repairs, fuel, water, trucking, supervision, supplies, etc. Indirect lifting costs are defined as those items which are incidental to the production and sale of crude oil but are not essential, such as taxes, insurance, and office overhead.

The lifting cost from completion to end of 1952 of all oil produced by us, works out at 46c per barrel. Royalties paid to date on the same oil amount to 38c per barrel.

Our statistical department is geared to produce monthly figures, but useful as these are to us, they are likely to fluctuate widely for many reasons and no purpose is served in tabulating them here.

## STEEL

As the Petroleum Division of the Defence Production Board is still functioning, no great difficulty is seen in the provision of steel for our 1953 operations. We have on hand, or on order sufficient tubular goods to finish our Coleville wells. Our partners in the Cessford and St. Albert ventures also advise us that they are well stocked with pipe for these operations.

## PROJECTS FOR 1953

(a) 25 wells will be drilled at Coleville, Saskatchewan on Section 22, Township 32, Range 24, West 3rd. These wells produce from the Banff Sand at about 2700 feet. Oil is of 15° API gravity. It is expected that by June, our daily shipment to Moose Jaw Refineries Ltd. will amount to 750 barrels.

(b) Seven step-out wells are planned in the newly discovered D3 pool at St. Albert. Our interest in these wells will be 14.5% in the gas down to and including the Cretaceous, and 7.25% in all oil. Stanolind Oil and Gas Ltd. is the operator. The present policy of the partners Stanolind, Imperial, Pacific and Trans Empire, is to continue drilling within the confines of the 856 acre block as long as commercial production is found.

(c) Further step-out wells will be drilled to prove up the 5,000 acre block which we share with Amurex Oil Developments Ltd. at Cessford, Alberta. Development will be on a well to well basis. The oil is found in the Basal Colorado member of the Lower Cretaceous formation. It is 25° API gravity, and most suitable for processing in our Moose Jaw Refinery. We hope to be shipping 800 barrels daily by mid-year 1953.

(d) In 1952 we drilled a Lower Cretaceous well in Section 16-54-25-W4th near St. Albert. In view of the D3 discovery two miles west, we are giving some thought to the deepening of this Lower Cretaceous well. The presence here of oil below the Cretaceous would prove up our Section 17, which is between the D3 discovery and our own well. Cost of deepening is not expected to exceed \$10,000.00.

(e) Our partner, Amurex, is scheduled to conduct a detailed geophysical survey over 60,000 acres in the Maple Creek, Saskatchewan

district which we hold with Saskatchewan Federated Co-Operatives Ltd. If the results warrant it, a well will be drilled to the Madison limestone during the summer.

#### **SEMI-PROVEN OR INTERESTING ACREAGE**

##### **1. Fort Saskatchewan**

Our leases (676 acres) in Twp. 55, Range 22, West 4th, have been the subject of negotiation during 1952. Reason for this is their close proximity to the big Sherrit-Gordon plant now in process of erection. There seems no doubt that marketable dry gas exists under these leases. During 1953 arrangements will be made to have the acreage tested, probably on a farm-out basis.

##### **2. Drumheller**

The seismic survey undertaken in 1952 on our 4,000 acre block south of the Drumheller pool was, apparently, inconclusive, with the result that the company to whom we agreed to farm it out has decided not to drill the acreage. Nevertheless, the presence of commercial oil wells on three sides of this block, convinces us that despite the lack of definite geophysical data, the tract is well worth retaining.

##### **3. Campbell**

Except for work of a remedial nature little was done on this farm-out during the last half of 1952. Approaches to us have been made by two prospective gasoline plant operators who wish to tie up our very large potential gas reserves. They are now making studies of the area, after which, it is expected that firm proposals will be forthcoming. Before a decision to drill further wells can be reached, these proposals will have to be evaluated.

##### **4. Lake Newell**

Our 20,000 acre C.P.R. reservation has assumed more importance in the eyes of observers since the discovery of good quality light crude at Eyremore a few miles west. A portion of our permit may be the subject of farm-out negotiations in the near future.

#### **SERVICE EQUIPMENT**

The Cardwell service rig operated by our wholly-owned subsidiary Taylor Petroleum Operators Ltd. continues to be most useful. At the moment it is on the Coleville lease completing wells which have been drilled and cased by the drilling contractor. The use of the service rig in this way is expected to effect a considerable saving in completion costs.

#### **REFINING OPERATIONS**

In the Company's First Annual Report to shareholders, reference was made to the purchase of a sixty-acre tract of land on the northeast limits of the City of Moose Jaw and the removal of the refinery, owned and operated by our wholly-owned subsidiary, Moose Jaw Refineries Ltd., from its original location to the new site. At the same time it was proposed to enlarge the plant's capacity to more than 2,000 barrels per day and to install equipment capable of producing all products up to and including Grade 1 and Grade 2 gasolines.

The steel strike last spring and summer unfortunately intervened with the result that there was a considerable delay in completing storage facilities and in obtaining the necessary equipment to complete the Perco Unit and the desulphurization unit, both of which are required in order to produce gasolines of Grade 1 and Grade 2 quality. It was not until late in the year that the plant was able to operate on a full time basis so that a loss on operating account of \$72,527.11 resulted. Fortunately the carried forward surplus plus certain refunds to which the refinery was entitled under Canadian Income Tax Law enabled the refinery to show a deficit of only \$17,370.07 as at December 31, 1952.

The total value of the plant on completion will be in excess of \$600,000.00. Storage capacity will exceed 115,000 barrels and daily run will exceed 2,000 barrels of crude oil per day. The new location will also provide space for expansion in the future.

Since January 1 of this year, the plant has operated regularly, although due to seasonal requirements, full runs in excess of 2,000 barrels per day have not been advisable. The average daily run has exceeded 1,150 barrels which is more than sufficient to show an operating profit. Production can be stepped up at any time and will be increased when the spring break up occurs.

Long-term contracts for bunker "C" oil have been met and all products with the exception of gasoline, the demand for which is subject to seasonal variations in the area, are moving well. The stored gasoline will be processed as Grade 1 and Grade 2 and marketed without difficulty in the spring, the normal practice of all Western Canadian refiners being to build up stocks of gasoline for sale in the spring and summer months when demand for this product exceeds refining capacity.

## ACREAGE ACQUISITIONS

During the year under review the Company acquired varying interests in 1,548,118 acres at a cost to us of \$560,493.31. The acquisition of this acreage gave the Company total gross holdings of 2,243,187 acres and total net holdings of 537,614 acres. The bulk of these lands are located in Alberta, Saskatchewan and north-east British Columbia, although small blocks are held in Montana and Manitoba.

In order to comply with correct accounting practice, it was necessary that the acreage acquired from Redwater Leaseholds Ltd. and Roxboro Oils Ltd. be revalued upwards for statement purposes. The additional value attributed to the lands, producing and non-producing acquired from the two companies, was \$1,090-372.75. The addition of this amount placed a value on all lease and reservation holdings of \$2,494,747.06. In the opinion of J. O. G. Sander-son, Ph.D., and our own land department, this is considerably less than the actual worth of the properties and places an average value of only \$4.64 per acre on the entire holding whether producing or non-producing.

## RESERVES OF OIL IN THE GROUND

As at December 31, 1951, our engineers had calculated our reserves of oil under drilled wells at 3,983,636 barrels. During the year we had two independent surveys of our reserves made. The average of these surveys placed our reserves as at December 31, 1951, at 3,682,386 barrels or a decrease from our own calculations of 301,250 barrels. There is no positive means of indicating which of the above two figures is correct but we, for purposes of estimating our reserve position, have accepted the lower and independent figure as the base on which to add reserves discovered or proved up during 1952.

In the year, as will be noted by reference to the chart on page 5, we extracted from all wells 301,953 barrels. At the same time we have discovered or proved up additional reserves, by independent calculation, of 2,642,300 barrels so that as of December 31, 1952, our net reserve position is 6,023,753 barrels of crude oil or an increase for the year of 2,340,347 barrels.

## ORGANIZATION

In the year under review, Mr. J. M. Dillon, Jr., a member of the Company's Board since incorporation and a director previously of two

of the predecessor companies, found it necessary to resign due to the pressure of other interests. The Board was most regretful at the loss of Mr. Dillon but was fortunate in being able to persuade Brigadier H. E. Wright, E.D., a prominent Toronto business executive, to fill the vacancy thus created.

Mr. Clifton C. Cross, who wished, due to personal reasons, to take a somewhat less active part in the direction of the Company's affairs, resigned as President and General Manager and was elected Chairman of the Board of Directors where the benefit of his advice and years of experience will be available to the Company at all times.

Mr. J. D. Boyd, the former Executive Vice-President, was named President and General Manager replacing Mr. Cross.

The employment of a permanent geologist at Calgary and the addition of a junior engineer to our engineering staff should greatly alleviate the burden which had previously been borne by our technical and field staffs. Reference to this was made in the First Annual Report. It is the Board's intention to carefully scrutinize the activities of these two most vital departments and should further additions be necessary every effort will be made to employ other fully qualified personnel.

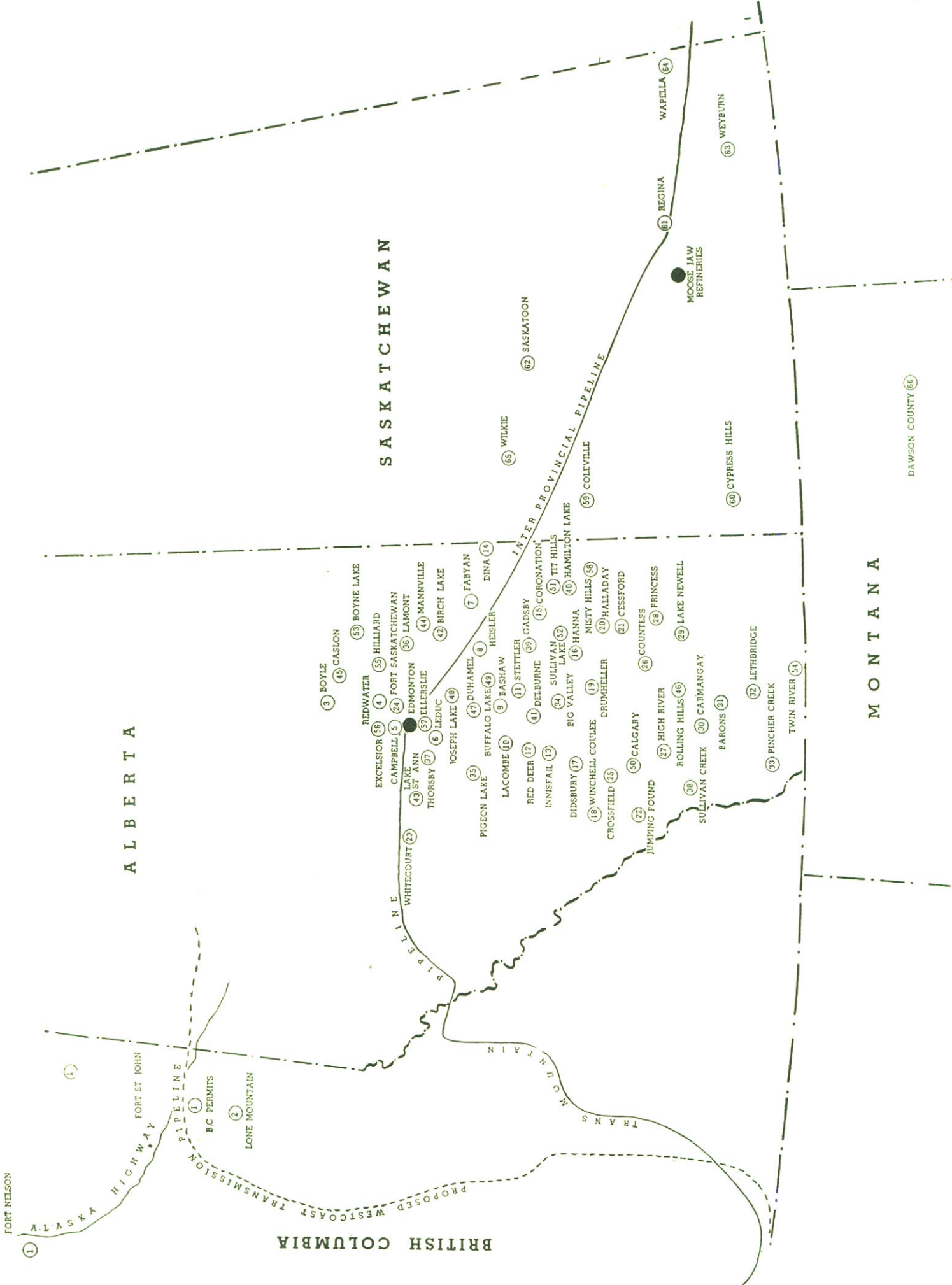
## CONCLUSION

It is just two years since the Company commenced operations as Trans Empire Oils Ltd. In the opinion of the Board, progress during that time has been excellent. If not spectacular it has been steady and compares favorably with progress in the industry as a whole. The confidence of the shareholders and the loyalty and efficiency of the employees were indispensable for the success obtained and are gratefully acknowledged.

Many difficulties have been encountered, many more will undoubtedly face the Company as it continues to expand, but the Board is satisfied that, with the continued support of the shareholders and the devotion to the Company on the part of all employees, so evident in the past, these will be overcome, with the result that Trans Empire Oils Ltd. will maintain and improve its position in the oil industry.

On behalf of the Board,

J. D. BOYD,  
President.



# Gross and Net Acreage as at December 31, 1952

	Gross		Net		Gross		Net	
1 B.C. Permits	1,500,000	375,000	23 Whitecourt	159	45 Caslon	640	640	
2 Lone Mountain	500,000	23,585	24 Ft. Saskatchewan	738	46 Rolling Hills	151	151	
3 Boyle	59,520	23,808	25 Crossfield	636	47 Duhamel	111	111	
4 Redwater	160	28	26 Countess	7,680	48 Joseph Lake	632	316	
5 Campbell	4,700	3,342	27 High River	1,440	49 Buffalo Lake	318	318	
6 Leduc	1,840	1,269	28 Princess	1,561	50 Calgary	316	316	
7 Fabyan	640	640	29 Lake Newell	23,440	51 Tit Hills	640	640	
8 Heisler	4,480	1,792	30 Carmangay	2,568	52 Sullivan Lake	643	643	
9 Bashaw	4,580	1,266	31 Barons	320	53 Boyne Lake	641	641	
10 Lacombe	565	565	32 Lethbridge	161	54 Twin River	160	160	
11 Stettler	1,280	1,280	33 Pincher Creek	2,509	55 Hilliard	640	640	
12 Red Deer	400	400	34 Big Valley	477	56 Excelsior	640	480	
13 Innisfail	480	480	35 Pigeon Lake	160	57 Ellerslie	1,600	200	
14 Dina	3,840	1,280	36 Lamont	509	58 Misty Hills	319	319	
15 Coronation	641	641	37 Thorsby	6,080	59 Coleville	640	320	
16 Hanna	1,120	1,120	38 Sullivan Creek	480	60 Cypress Hills	65,280	32,640	
17 Didsbury	160	160	39 Gadsby	318	61 Regina	160	160	
18 Winchell Coulee	960	960	40 Hamilton Lake	640	62 Saskatoon	285	285	
19 Drumheller	4,800	4,800	41 Delburne	320	63 Weyburn	1,370	1,370	
20 Halladay	4,960	4,960	42 Birch Lake	646	64 Wapella	640	640	
21 Cessford	4,300	2,470	43 Lake St. Ann	155	65 Wilkie	160	160	
22 Jumping Pound	280	280	44 Mannville	320	66 Montana	640	640	

TOTAL GROSS ACREAGE ..... 2,243,187 Acres

TOTAL NET ACREAGE ..... 537,614 Acres

# Trans Empire Oils Ltd. — Comparative Balance Sheet as at

ASSETS	1952	1951
<b>CURRENT:</b>		
Cash on Hand and in Bank .....	\$ 301,904.72	\$ 105,020.06
Accounts Receivable—Trade for Sale of Oil .....	58,260.55	57,316.97
Sundry .....	16,314.25	8,332.82
Moose Jaw Refineries Ltd.—Subsidiary Company (Note 1) .....	73,277.57	14,504.25
Taylor Petroleum Operators Limited—Subsidiary Company .....	11,121.72	
Dominion of Canada Bonds—at Cost .....		198,400.00
Inventory of Tubular Goods and Well Equipment at Cost as Certified by the Management .....	74,621.40	
	\$ 535,500.21	\$ 383,574.11
<b>SINKING FUND:</b>		
Cash and Investments held by Prudential Trust Company Limited under Terms of Trust Deed—		
Cash .....	\$ 60,186.61	\$ 5,600.13
Dominion of Canada Bonds—at Cost .....	72,275.06	42,992.30
Other Investments as Specified in Trust Deed—at Cost .....	116,903.16	111,153.16
	\$ 249,364.83	\$ 159,745.59
<b>INVESTMENTS:</b>		
Securities of Subsidiary Companies—at Cost (Note 2) .....	\$ 181,995.20	\$ 109,995.20
Share Investments—at Cost—Less Amounts Written Off (Market Value 1952 \$20,500.00) .....	6,500.00	219,421.80
Bonds, Debentures, Royalties and Mortgages—at Cost—Less Amounts Written Off .....	16,112.26	19,095.70
	\$ 204,607.46	\$ 348,512.70
<b>FIXED:</b>		
Production Equipment .....	\$ 887,759.43	\$ 575,331.85
Cars .....	16,920.21	14,441.35
Furniture and Fixtures .....	16,878.30	13,892.76
	\$ 921,557.94	\$ 603,665.96
Less Reserve for Depreciation (Note 3) .....	546,263.02	336,354.97
	\$ 375,294.92	\$ 267,310.99
Land .....	35,521.46	35,521.46
	\$ 410,816.38	\$ 302,832.45
<b>DEVELOPMENT:</b>		
Producing, Drilling Wells and Development .....	\$ 2,863,772.66	\$ 2,581,923.76
Abandoned Wells (Note 4) .....	1,429,478.24	295,342.44
Interest in Exploratory Development .....	130,524.08	149,808.75
	\$ 4,423,774.98	\$ 3,027,074.95
Less Reserve for Recovery of Development Costs (Note 4) .....	2,338,575.44	1,746,449.42
	\$ 2,085,199.54	\$ 1,280,625.53
Interest in Petroleum and Natural Gas Rights, Leases, Permits and Reservations .....	\$ 1,404,374.31	\$ 843,881.00
Add Revaluation re Acquisition Redwater Leaseholds Ltd. and Roxboro Oils Limited (Note 5) .....	1,090,372.75	
	\$ 2,494,747.06	\$ 843,881.00
<b>OTHER ASSETS:</b>		
Security Deposits .....	\$ 15,010.00	\$ 5,010.00
Funds Held in Trust by Other Company for Well Development .....		13,337.96
Discount on Convertible Sinking Fund Secured Notes .....	93,732.14	71,150.00
Organization Expense .....	60,760.87	40,833.40
Deposit with Trustee re Exchange of Shares .....	4,500.00	
Prepaid Costs re Drill Sites .....	2,629.00	
	\$ 176,632.01	\$ 130,331.36
	\$ 6,156,867.49	\$ 3,449,502.74

The Notes Appended Hereto Form an Integral Part of This Balance Sheet.



December 31, 1952

LIABILITIES

	1952	1951
<b>CURRENT:</b>		
Accounts Payable .....	\$ 10,209.00	\$ 161,000.00
Dividend Payable January 2, 1952 .....		96,023.45
Accrued Liabilities—		
Canadian Federal and Provincial Income Taxes .....	4,506.25	12,435.06
Accrued Interest on Secured Notes .....	20,739.96	24,548.09
	<u>\$ 35,455.21</u>	<u>\$ 294,006.60</u>
<b>FUNDED DEBT—(Note 6):</b>		
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 .....	504,000.00	21,000.00
	<u>\$ 996,000.00</u>	<u>\$ 1,479,000.00</u>
Issued—\$1,000,000.00—5½%—Series "B", Maturing December 1, 1967 .....	1,000,000.00	
	<u>\$ 1,996,000.00</u>	<u>\$ 1,479,000.00</u>
<b>CAPITAL AND SURPLUS—(Note 7)</b>		
Authorized—5,000,000 Shares Without Nominal or Par Value		
Issued—1,920,469—1951 .....	\$	\$ 1,602,813.12
2,417,750—1952 .....	3,114,650.42	
Surplus—Earned as per Statement attached .....	226,720.36	73,683.02
Surplus—Arising from Revaluation of Assets (Note 5) .....	784,041.50	
	<u>\$ 4,125,412.28</u>	<u>\$ 1,676,496.14</u>
<b>CONTINGENT LIABILITIES:</b>		
Guarantee of Bank Loans re Subsidiary Company, Moose Jaw Refineries Ltd—\$200,000.00 (See Notes 1 and 2).		

APPROVED ON BEHALF OF THE BOARD:

JOHN D. BOYD, Director.

JOHN W. LEHMAN, Director.

Submitted with our Report Dated February 19, 1953,

MORTON & HILLS, Chartered Accountants.

\$ 6,156,867.49

\$ 3,449,502.74

# Trans Empire Oils Ltd. — Notes to Balance Sheet, Decem

1. 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 \$73,277.57 until such time as Moose Jaw Refineries Ltd. repays a bank loan of \$275,000.00.
2. Trans Empire Oils Ltd. has agreed to forego payment of Moose Jaw Refineries Ltd. bonds in the amount of \$72,000.00 until such time as Moose Jaw Refineries Ltd. repays the bank loan of \$275,000.00 mentioned in Note 1.
3. Depreciation on fixed assets has been provided at the maximum rates allowed by the Dominion Income Tax Department. 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 leaseholds and development costs predicated largely upon Canadian Income Tax practice. 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, 1952, and also the amount shown as "Abandoned Wells". Their opinion is based on engineering estimates of recoverable oil.
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 at \$5.55 .....	\$ 1,347,856.35
Assets at Book Value Redwater Leaseholds Ltd. ....	452,904.24
	_____
Increase added to interest in Petroleum and Natural Gas Rights .....	\$ 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 at \$5.55 .....	\$ 795,503.70
Assets at Book Value Roxboro Oils Limited .....	600,083.06
	_____
Increase added to interest in Petroleum and Natural Gas Rights .....	195,420.64

\$ 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. 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.  
Converted to Shares as per Terms of Trust Deed ..... \$ 485,000.00  
Purchased for Cancellation ..... \$ 19,000.00

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.

Secured by Deed of Trust and Mortgage dated March 1, 1951, and Deeds supplemental thereto;  
Covering proceeds of production, mineral rights, surface rights, etcetera, machinery, plant and equipment, specified security investment.

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.

7. 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, East Leduc 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>

8. The Company maintains a contributory pension plan for all officers and employees who have completed one year of service (plan amended in 1952 to read two years' service) with the Company. Individuals contribute six per cent of their salaries and the Company a like amount. The estimated annual cost to the Company is \$5,500.00.

9. The Treasurer and Secretary of the Company have an employment agreement to December 31, 1956.

10. Profit or losses of subsidiary companies are not taken into account in the statement of Trans Empire Oils Ltd. as at December 31, 1952.

11. Inventory of oil in tanks at well heads, having an estimated net value of \$15,312.32 has not been reflected.

# Trans Empire Oils Ltd. — Statement of Operations —

## COMPARATIVE STATEMENT OF OPERATIONS

For the Years Ended December 31, 1951, and December 31, 1952

	1952	1951
<b>INCOME:</b>		
Proceeds from Production obtained from Wells—Less Royalties	\$ 689,323.50	\$ 693,196.36
Interest, Dividends, Royalties and Non-Operating Income .....	371,409.01	69,893.95
	\$ 1,060,732.51	\$ 763,090.31
<b>DEDUCTIONS:</b>		
Production Costs—		
Operating Expense, Lease and Well Maintenance, Repairs and Renewals .....	\$ 184,062.96	\$ 115,241.23
Taxes and Assessments (Other Than Income Taxes) .....	18,610.00	16,362.84
Executive Salaries charged to Production .....	38,700.00	32,100.00
Depreciation of Production Equipment .....	152,054.06	105,682.45
	\$ 393,427.02	\$ 269,386.52
General and Administration Expense less Recoveries and Charges to Production .....	\$ 91,872.93	\$ 76,589.98
Counsel and Solicitors' Fees and Salaries of Executive Officers including all Salaried Directors, including Directors' Fees of \$1,500.00 less charged to Production Costs .....	23,569.21	18,518.91
Geological Expense .....	15,732.78	34,029.93
Interest on Secured Notes and Bank Charges .....	60,014.50	62,683.36
Lease Rentals .....	41,128.89	25,530.06
Amortization of Discount on Notes .....	3,267.86	3,750.00
Depreciation of Furniture and Fixtures and Cars .....	7,095.34	6,894.63
	\$ 242,681.51	\$ 227,996.87
Provision for Depletion .....	\$ 271,586.64	
Dividends at 10 cents per Share .....		\$ 192,023.90
Net Profit transferred to Earned Surplus .....	\$ 153,037.34	\$ 73,683.02

## STATEMENT OF EARNED SURPLUS

December 31, 1952

December 31, 1951—Balance .....	\$ 73,683.02
December 31, 1952—Transferred from Operating Account for the Year Ended December 31, 1952 .....	153,037.34
	<u>\$ 226,720.36</u>

## AUDITOR'S REPORT

February 19, 1953.

To The Shareholders,  
Trans Empire Oils Ltd.

We have examined the balance sheet of Trans Empire Oils Ltd. as at December 31, 1952, 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 the 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, 1952, 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

# Taylor Petroleum Operators Limited — Balance Sheet — St

## COMPARATIVE BALANCE SHEET

As at December 31, 1951, and December 31, 1952

### ASSETS

	1952	1951
<b>CURRENT:</b>		
Accounts Receivable—General .....	\$ 22,521.29	\$ 1,813.02
Due from Associated Company .....	330.16	158.85
Sundry Advances to Employees for Expenses .....	357.18	559.82
Deposits .....	3,030.00	3,030.00
Prepaid Income Tax .....	797.28	797.28
Inventory of Casing, Tubing, Line Pipe and Well Supplies—at Cost .....	9,944.00	34,200.37
	\$ 36,182.63	\$ 40,559.34
<b>FIXED—AT COST:</b>		
Automobiles and Trucks .....	\$ 39,428.98	\$ 27,361.20
Furniture and Fixtures .....	2,270.09	1,055.09
Servicing and Field Equipment .....	59,393.49	51,512.37
	\$ 101,092.56	\$ 79,928.66
Less Reserve for Depreciation .....	49,110.23	31,078.11
	\$ 51,982.33	\$ 48,850.55
<b>OTHER ASSETS:</b>		
Investments at Nominal Value .....	\$ 1.00	\$ 1.00
	\$ 88,165.96	\$ 89,410.89

### LIABILITIES

	1952	1951
<b>CURRENT:</b>		
Bank Overdraft .....	\$ 26,588.93	\$ 17,208.71
Bank Loans—Secured .....	11,000.00	11,000.00
Accounts Payable—Trade .....	10,844.20	23,569.28
Accounts Payable—Sundry .....	2,404.55	253.43
Advances from Parent Company .....	11,121.72	—
	\$ 50,959.40	\$ 52,031.42
<b>CAPITAL:</b>		
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 .....	12,206.56	12,379.47
	\$ 37,206.56	\$ 37,379.47
Contingent Liabilities—None Reported.		
	\$ 88,165.96	\$ 89,410.89

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

Submitted With Our Report Dated February 16, 1953.  
MORTON & HILLS, Chartered Accountants.

## NOTES TO FINANCIAL STATEMENT

December 31, 1952

- Note 1—Depreciation on Fixed Assets has been provided at 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.  
Servicing and Field Equipment—Thirty per cent on reducing balance.
- Note 2—The Company maintains a contributory pension plan for all officers and employees who have completed one year 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 fifteen hundred dollars.  
\* (Plan amended in 1952 to read two years' service.)

# Statement of Operations — Surplus Account — Auditor's Report

## COMPARATIVE STATEMENT OF OPERATIONS

For the Years Ended December 31, 1951, and December 31, 1952

INCOME:	1952	1951
Drilling and Operating Supervision .....	\$ 66,016.67	\$ 53,300.00
Equipment Rentals .....	20,947.58	7,207.94
Service Rig Operations—Net .....	3,372.50	17,229.80
Discounts and Miscellaneous .....	4,681.78	2,512.08
Non-Operating Income .....	11,496.90	1,713.50
	<u>\$ 106,515.43</u>	<u>\$ 81,963.32</u>
<b>EXPENDITURES:</b>		
Operating—		
Field Expenses .....	\$ 5,603.95	\$ 1,356.85
Geological .....	3,280.28	3,500.00
Taxes and Licenses .....	1,361.12	669.84
General and Administrative .....	64,834.41	48,452.78
Executive Salary .....	9,400.00	8,200.00
Administration—Trans Empire Oils Ltd. ....		4,000.00
Loss on Sale of Automobiles .....	352.26	1,227.23
Depreciation .....	21,856.32	20,841.68
Provision for Income Taxes .....		
	<u>\$ 106,688.34</u>	<u>\$ 88,248.38</u>
Net Loss for Period transferred to Surplus Account .....	<u>\$ 172.91</u>	<u>\$ 6,285.06</u>

## SURPLUS ACCOUNT

December 31, 1952

December 31, 1951—Balance .....	\$ 12,379.47
Deduct—	
Loss for Year Ended December 31, 1952, transferred from Statement of Operations .....	172.91
	<u>\$ 12,206.56</u>

## AUDITOR'S REPORT

To The Shareholders,  
Taylor Petroleum Operators Limited

February 16, 1953.

We have examined the balance sheet of Taylor Petroleum Operators Limited as at December 31, 1952, and the statements 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 affairs of the Company as at December 31, 1952, 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

## A S S E T S

### CURRENT ASSETS:

Cash on hand and in bank .....		\$ 22,410.59
Accounts Receivable:		
Customers .....	\$ 30,028.60	
Miscellaneous .....	2,701.62	
		32,730.22
Inventories (valued at the lower of cost or market):		
Crude Oil .....	\$ 16,488.25	
Finished Products .....	51,973.05	
Unfinished Products .....	5.91	
Treating Supplies .....	12,149.91	
Miscellaneous .....	1,962.05	
		82,579.17
Total Current Assets .....		\$137,719.98

### PREPAID EXPENSES:

Insurance .....	\$ 3,227.81	
Spur Track Rental .....	85.44	
		3,313.25

### PROPERTY AND EQUIPMENT:

Land .....	\$ 22,973.98	
Refinery Plant and Equipment .....	\$434,275.84	
Less: Accumulated Depreciation .....	77,989.09	
		356,286.75
Organization Expense .....		379,260.73
		205.95

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.

NOTE "B"—There are construction contracts in progress at December 31, 1952, estimated to cost \$10,000.00 to complete for which no provision has been made on the above balance sheet.

Approved on behalf of the Board,  
H. E. HANSEN, Director.  
J. W. LEHMAN, Director.

\$520,499.91



LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Bank Loans—Secured (Note "A"):

Operating .....	\$ 75,000.00	
Capital—portion due within one year .....	50,000.00	
		<u>\$125,000.00</u>

Accounts Payable:

Trade and General—(Note "B"): .....	\$ 91,573.52	
Sales and Education Taxes .....	2,329.89	
		<u>93,903.41</u>

Accrued Liabilities:

Wages .....	\$ 1,689.57	
Salary Tax .....	899.25	
Interest on General Mortgage Bonds .....	360.00	
Workmen's Compensation Insurance .....	740.18	
		<u>3,689.00</u>

Total Current Liabilities ..... \$222,592.41

BANK LOANS—Secured (Note "A"):

Capital—due 1954 to 1956 .....		150,000.00
--------------------------------	--	------------

DUE TO TRANS EMPIRE OILS LTD:

Equipment Purchases .....	\$ 15,000.00	
Other Advances .....	58,277.57	
		<u>73,277.57</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 .....		<u>17,370.07</u>

This is the Balance Sheet referred to in our report to the Shareholders dated February 23, 1953.

R. L. BAMFORD & CO.,  
Chartered Accountants

\$520,499.91

# Moose Jaw Refineries Limited — Statement of Manufacturing

## STATEMENT OF MANUFACTURING, TRADING, PROFIT AND LOSS

For the Year Ended December 31, 1952

### SALES:

Gasoline .....	\$ 59,578.71	
Distillate .....	1,971.23	
Light Diesel .....	52,884.89	
Heavy Diesel .....	48,398.14	
Bunker Fuel .....	119,002.05	
Anti-Freeze .....	134.00	
		\$281,969.02

### COST OF SALES:

Inventory of Finished and Unfinished Products—December 31, 1951 .....	\$ 18,424.61	
Cost of Refined Products:		
Crude Oil Consumption .....	\$240,414.74	
Direct Wages .....	28,899.50	
Overhead Expenses (Schedule attached) .....	48,207.32	
	317,521.56	
Finished Products Purchased from Others .....	35,138.82	
	\$371,084.99	
Less: Inventory of Finished and Unfinished Products—December 31, 1952 .....	51,978.96	
		319,106.03
		<u>\$ 37,137.01</u>

### SELLING EXPENSES:

Salaries and Wages .....	\$ 6,000.00	
Travelling Expenses .....	3,530.90	
Tank Car Rentals and Switching Charges .....	790.16	
Compensation Insurance .....	60.00	
Cash Discounts .....	285.47	
Sundry Promotional .....	136.42	
Miscellaneous .....	665.43	
		11,468.38
		<u>\$ 48,605.39</u>

### ADMINISTRATIVE EXPENSES:

Executive Salaries .....	\$ 500.00	
Office Salaries .....	5,793.34	
Office Rent .....	281.67	
Printing, Postage and Stationery .....	883.85	
Telephone and Telegraph .....	2,404.82	
Legal and Audit .....	1,522.25	
Periodicals and Bulletins .....	181.73	
Fees and Licenses .....	515.71	
Interest and Exchange—Bank .....	6,843.25	
Interest on General Mortgage Bonds .....	4,320.00	
Donations .....	205.00	
Miscellaneous .....	470.10	
		23,921.72
		<u>\$ 72,527.11</u>

### ADD:

Cost of Moving Plant to New Site .....	\$ 14,422.92	
Plant Appraisal .....	1,328.45	
		15,751.37
		<u>\$ 88,278.48</u>

### DEDUCT:

Miscellaneous Earnings .....	\$ 373.75	
Adjustment re 1951 Tank Car Mileage Credits .....	235.48	
Net Revenue from Admiral No. 3 Oil Well .....	1,722.43	
Gain on Sale of Fixed Assets .....	76.29	
Overpaid Income Taxes—March 31, 1951 .....	39.15	
		2,447.10
		<u>\$ 85,831.38</u>

Net Loss for the year .....

# Statement of Deficit — Auditor's Report

## STATEMENT OF DEFICIT For the Year Ended December 31, 1952

SURPLUS—		
Balance January 1, 1952 .....		\$ 49,312.56
ADD:		
Recovery of Oil Well Development Costs—Written off in 1951 .....	\$ 14,782.68	
Income Tax for period ended December 31, 1951— Recoverable .....	2,366.07	
Adjustment re Depreciation on Equipment Purchased from C. C. Cross .....	2,000.00	
		<u>19,148.75</u>
		\$ 68,461.31
DEDUCT:		
Loss for the year ended December 31, 1952 .....		85,831.38
		<u>\$ 17,370.07</u>

## AUDITOR'S REPORT

To The Shareholders,  
Moose Jaw Refineries Limited, Moose Jaw, Saskatchewan.

February 23, 1953.

We have examined the books and accounts of Moose Jaw Refineries Limited for the year ended December 31, 1952. 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 attach hereto Balance Sheet as at December 31, 1952, together with Statements of Deficit and Manufacturing, Trading and Profit and Loss for the period 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 accounts receivable by mailing the Company's statements to all trade debtors at December 31, 1952, requesting that 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 reserve for doubtful accounts is required.

Included in the Miscellaneous Accounts Receivable is the amount of \$2,366.07, Corporation Income Tax paid for 1951, now recoverable by application of the current year's loss in accordance with the Income Tax Act.

#### Inventories

We attended at the time of inventory taking and the verified physical quantities on hand at December 31, 1952. We also scrutinized inventory computations which have been based as follows:

CRUDE OIL and UNFINISHED PRODUCTS—Priced at the average cost of crude used in the refining process during the month of December, 1952.

#### FINISHED PRODUCTS—

Gasoline—Priced at the last established selling price for grade 3 gasoline which is below cost and is estimated by your manager to permit the marketing of this product at a profit after allowing for costs of conversion to grade 2 gasoline.

Other—Priced at the average selling price for the month of December which is below cost.

TREATING SUPPLIES AND MISCELLANEOUS—Priced at purchase cost.

### Property and Equipment

Additions to plant and equipment for the period amounting to \$274,450.35 were examined in detail. In this connection the cost of dismantling and moving the plant to the new location during the year, amounting to \$14,422.92, has been charged to Profit and Loss. Depreciation on plant and equipment has been provided for the year in the amount of \$20,929.40 based upon plant valuation at December 31, 1952, excluding those assets that were on hand at this date but had not been used in production during 1952. The maximum depreciation rates allowed under the Income Tax Act have been applied, with depreciation being taken for five months during which the plant was in operation in 1952.

### Accounts Payable

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

We also checked the calculations of sales and education taxes and sundry accrued accounts as at December 31, 1952.

### Due to Trans Empire Oils Ltd.

These balances have been confirmed by statements from Trans Empire Oils Ltd., as at December 31, 1952.

## OPERATIONS

Operations of the Company for the year ended December 31, 1952, resulted in a net loss of \$85,831.38, after writing off the cost of dismantling and removing the former plant to the present location, amounting to \$14,422.92, and making provision for depreciation for the year in the amount of \$20,929.40.

The operating loss for the year ended December 31, 1952, amounting to \$72,527.11, is, we believe, mainly attributable to the following:

1. During the year the Company moved its plant to a new location and undertook a fairly extensive expansion program in order to increase and diversify its production. As a result refining operations were only carried on during approximately five months of the year, although overhead, administrative and selling expenses applied, to a large extent, throughout the year.
2. Due to a temporary shortage of crude cars, production, during the time the plant was in operation, was restricted to less than 50% capacity, and was only undertaken to meet fixed sales commitments. These commitments also necessitated the purchase of a considerable volume of products from other companies and the subsequent resale of these products at cost.

The Company now appears to be assured of adequate crude supplies.

The gross loss of \$37,137.01 is also, we believe, due to the above factors since the fixed overhead had still to be met and direct wages were abnormally high in relation to production because of the need for maintaining a compliment of skilled labor. Also, due to the nature of the refining process, direct wages include an element of fixed cost since the same basic labor force is required to operate the plant whether running at partial or full capacity.

## 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 Statements of Operations are properly drawn up so as to exhibit, in accordance with accepted principles of accounting, a true and correct view of the financial position of the Company at December 31, 1952, and the results of its 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 Company.

Respectfully submitted,  
L. R. BAMFORD & CO.

# The People Who Run Your Company

## CHAIRMAN OF THE BOARD

Clifton C. Cross

## THE PRESIDENT AND GENERAL MANAGER

John D. Boyd

## THE VICE-PRESIDENTS

Operations - - - - - J. H. R. Thomson, M.B.E.  
Administration - - - - - J. W. Lehman, B.Sc., F.C.I.S

Mr. Lehman is also Secretary of the Company and  
Mr. Thomson is Treasurer.

## DEPARTMENT HEADS

### Drilling and Production:

Chief Engineer - - - - - H. A. Taylor, P.E.  
Assistant Engineer - - - - - Henry Brusset, B.Sc., (P.Eng.)  
Field Superintendent - - - - - W. T. Archibold  
Assistant Superintendent - - - - - J. C. Baker

### Geological and Land:

Consultant - - - - - J. O. G. Sanderson, Ph.D.  
Geologist - - - - - John Schumacher, Ph.D.  
Land Manager - - - - - Paul T. Rowe

### Refining—(Moose Jaw Refineries Ltd.):

General Manager - - - - - Harold Hansen, B.Sc., P.E.  
Sales Manager - - - - - John Kalmacoff  
Refinery Manager - - - - - Stanley J. Willcock  
Accountant - - - - - John Borus

### Head Office—Administration:

Assistant Secretary-Treasurer  
and Office Manager - - - - - Stanley W. Jones  
Accountant - - - - - John Munson, B.Sc. (Comm.)  
Statistician - - - - - Michael Brady, B.Sc. (Econ.)





