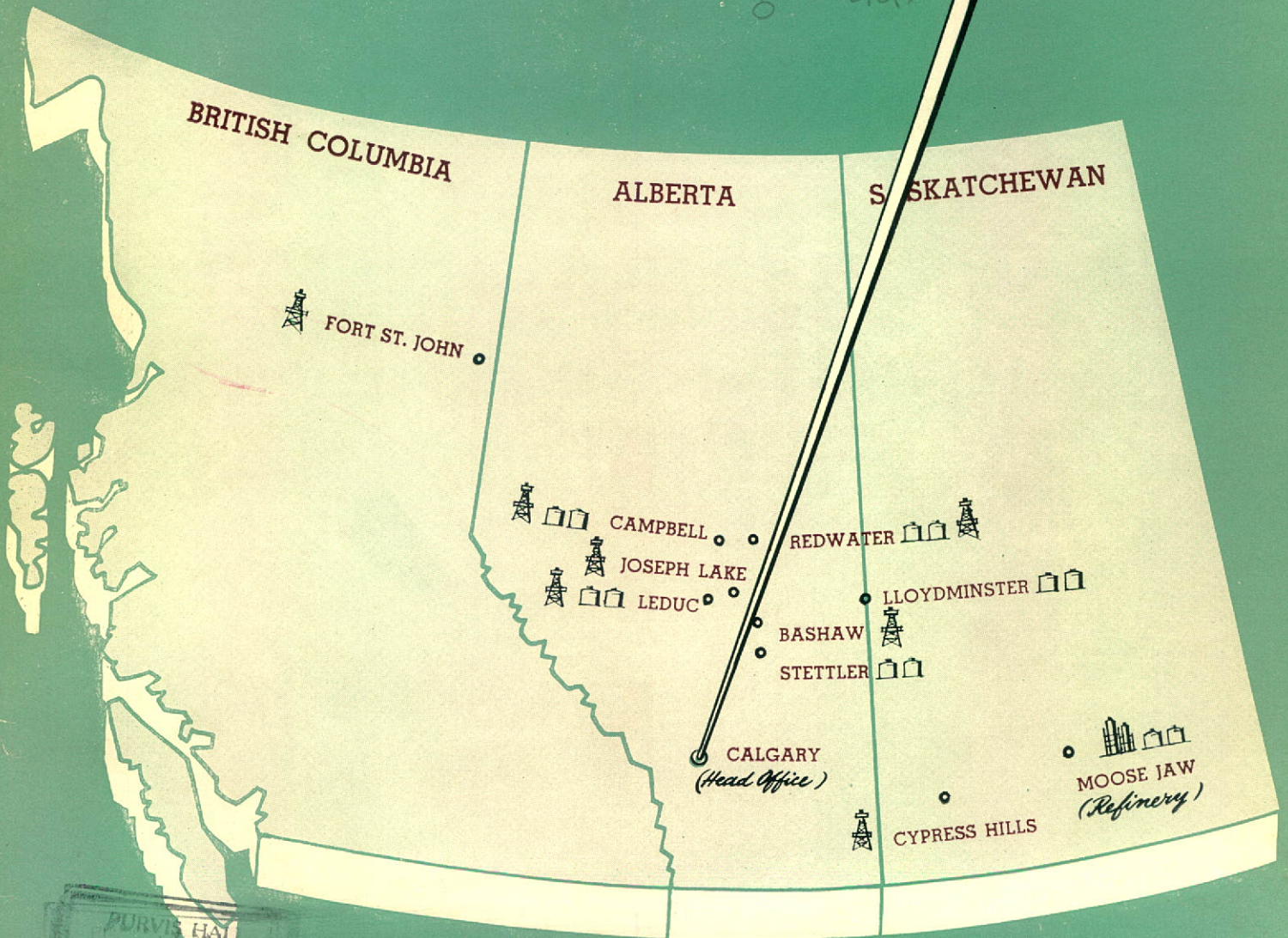


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1951

TRANS EMPIRE OILS LTD.

West Canadian oil & gas Ltd.



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First Annual Report





**TRANS EMPIRE OILS
LTD.**

**FIRST
ANNUAL
REPORT**

1951

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TRANS EMPIRE LEDUC No. 2

The Company

Trans Empire Oils Ltd., incorporated on October 30, 1950, by letters patent under Part 1 of the Companies Act, 1934, of Canada, acquired as and from December 30, 1950, the assets and business of Globe Oil Company Limited, British Empire Oil Developments Ltd., East-Leduc Oil Company Limited and Leduc-West Oil Company Limited in consideration of the assumption of all liabilities of the four companies and the issue of 1,920,002 fully paid and non-assessable common shares without nominal or par value. The consolidation of these four companies into one unit was effected to obtain further economy of operation and administration and by combining the assets and revenues of the four companies to provide for more effective participation in the extensive development of oil and gas resources being carried on in Western Canada. » »

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 - - - 1,920,469 Shares of No Par Value
Listed on Calgary, Vancouver, Toronto Stock Exchanges and Montreal Curb Exchange and New York Curb Exchange.

FUNDED DEBT

Authorized - - - \$5,000,000 Convertible Sinking Fund Secured Notes 5% Series "A"
Outstanding - - - \$1,479,000 Convertible Sinking Fund Secured Notes 5% Series "A"

OFFICERS

Clifton C. Cross - - President and General Manager
John D. Boyd - - Vice-President and Assistant 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
John M. Dillon, Jr. - - Calgary, Alberta
F. Lawson Glasgow - - Vancouver, British Columbia
Harold E. Holt - - Vancouver, British Columbia

REGISTRARS

Prudential Trust Company Limited - Calgary, Alberta
Registrar and Transfer Company - Jersey City, New Jersey

TRANSFER AGENTS

Prudential Trust Company Limited - Calgary, Alberta
Prudential Trust Company Limited - Vancouver, British Columbia
Prudential Trust Company Limited - Toronto, Ontario
Prudential Trust Company Limited - Montreal, Quebec
Registrar and Transfer Company - Jersey City, New Jersey

AUDITORS

Morton & Hills - - Calgary, Alberta

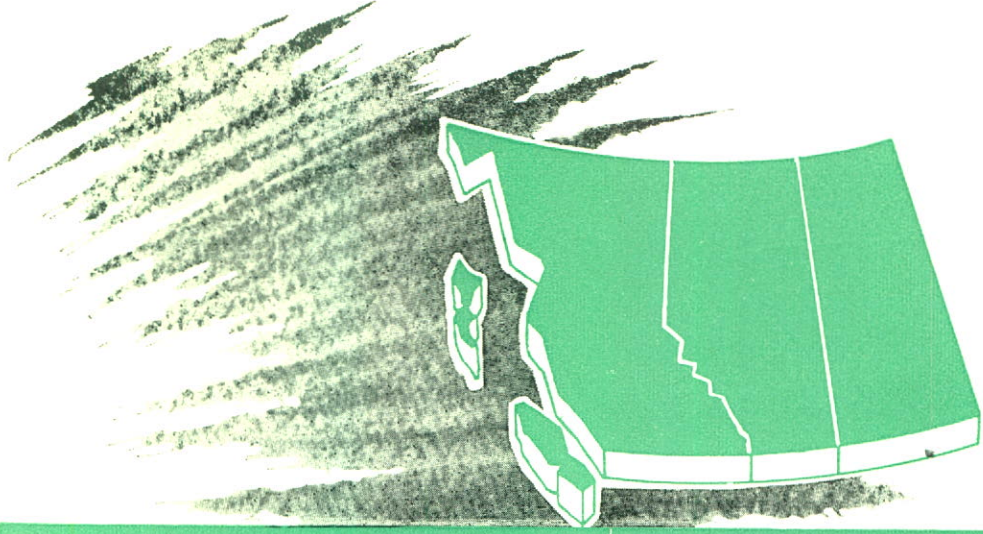
OFFICES

Registered Office - - 627—8th Avenue West, Calgary, Alberta
Executive Office - - 627—8th Avenue West, Calgary, Alberta

Summary of Significant Facts

Year Ended
December 31, 1951

Number of Crude Oil Wells Wholly Owned -	17
Number of Crude Oil Wells Partially Owned -	25
Number of Gas Wells Wholly Owned -	2
Barrels of Oil Produced During Year -	339,851
Value of Oil Produced -	\$693,196.36
Estimated Oil Reserves -	3,983,636 barrels
Net Profit Before Depreciation -	\$378,284.00
Earnings Per Share -	19.7c
Dividends Paid -	\$192,023.90
Dividends Per Share -	10c
Number of Employees (including subsidiaries) -	57
Number of Shareholders -	4,841
Gross Acreage Holdings -	695,069
Net Acreage Holdings -	122,431
Funds Invested in Acreage (cost) -	\$843,881.00
Funds Invested in Securities of Other Companies -	\$348,512.70



DIRECTOR'S REPORT TO THE SHAREHOLDERS

Your Directors submit the First Annual Report of your Company for the year ended December 31, 1951. Balance Sheet, Profit and Loss Account and Statistical Information covering all phases of the Company's operations, are included together with the Financial Statements of the Company's two wholly-owned subsidiaries, Taylor Petroleum Operators Ltd. and Moose Jaw Refineries Ltd.

As reflected in the accompanying audited statements the net revenue to the Company from all sources for the year 1951 amounted to \$565,356.31.*

General and administrative expenses, lease rentals and note interest amounted to \$193,966.94, leaving net earnings of \$378,284.00. This is equivalent to 19.7c per share of outstanding stock. In accordance with the principles of Canadian Tax accounting, maximum allowable depreciation was taken. After providing for dividends of \$192,023.90 a balance of \$73,683.02 was carried forward to the surplus account.

In preparing the Balance Sheet and operating statement contained in this report, our auditors have attempted to simplify the presentation of figures so that they might be more

easily interpreted by the shareholders. It should be borne in mind, however, that in the oil business, unlike other industries, the book values of the fixed assets seldom provide an indication of their actual worth. The reason for this is that exploration costs, development costs and lease costs form a substantial part of an oil company's fixed assets, but they do not necessarily reflect the value of oil in the ground or the increased values of acreage due to exploration and development either by the company itself or others. Consequently, a company with vast acreage holdings is not necessarily in a preferred position in spite of the fact that its fixed assets may be greatly augmented by lease costs and exploration costs.

The investor is well advised to calculate the intrinsic value of his shares in an oil company on a basis of earnings and estimated oil reserves.

* Figures as outlined above are exclusive of these shown in the statements of the two subsidiary companies.

The following is the distribution of the gross earnings arising from our various operations inclusive of our two subsidiaries and ignoring write-offs as referred to above.

We received for sales of 346,174 bbls. crude oil from all fields, sales of refined products, oil well servicing, operating and supervision, investment income, etc. \$1,881,125.04

Our costs other than wages were the purchase of crude oil, supplies and materials, not taken into capital account 1,191,294.01

Provision for depreciation, a source of funds for replacement of oil well fittings, tanks, refinery machinery, service rig, equipment and buildings 151,200.96

Dominion and Provincial Income Taxes, Provincial and Municipal Property Taxes, Municipal Business Taxes and Mineral Taxes ... 20,748.04

Total of disbursements \$1,363,243.01

There remained for employees and shareholders \$ 517,882.03

Of this employees received salaries, wages and bonuses, plus benefits, such as Workmen's Compensation, vacations with pay, pension contributions, accident and sickness insurance, group life insurance, etc. 251,816.28

Shareholders received dividends . 192,023.90

Balance retained in the business for working capital, plant expansion and further exploration, drilling development, and debt reduction, thus further strengthening the business 74,041.85

1951 PRODUCTION

AREA	Trans Empire's Share of Production (In Barrels)	Trans Empire's Share of Revenue
Leduc-Calmar	238,444	\$553,577.13
Stettler	86,691	125,007.02
Lloydminster	14,716	13,759.94
Other Fields	852.27
	339,851	\$693,196.36

SHAREHOLDERS

On December 31, 1951, there were 4,841 registered owners of shares representing all Provinces of Canada and the United States of America in accordance with the following table:

British Columbia	715
Alberta	1,420
Saskatchewan	249
Manitoba	309
Ontario	741
Quebec	458
New Brunswick	120
Nova Scotia	140
Prince Edward Island	42
Newfoundland	6
U.S.A.	632
Others	9
	4,841

FINANCIAL

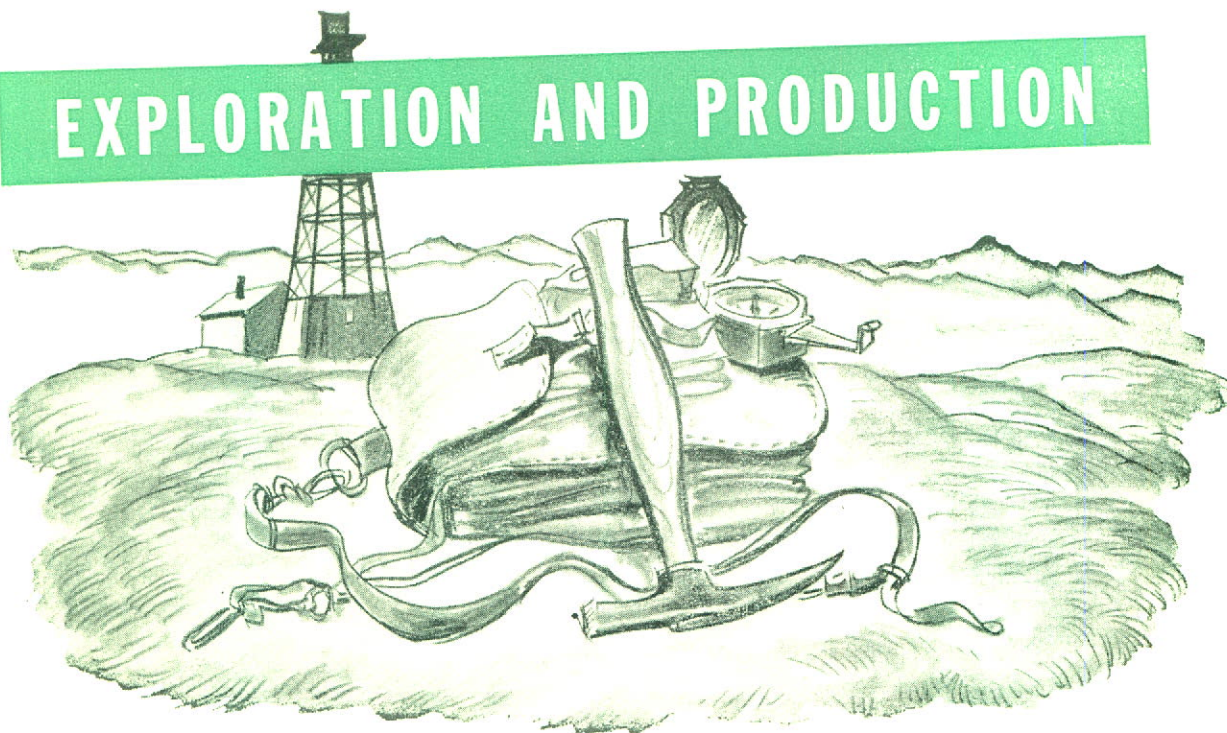
In February, 1951, the Company undertook financing by issuing \$1,500,000 Convertible Sinking Fund Secured Notes, 5% Series "A" due March 1, 1966. The entire issue was underwritten by Royal Securities Corporation Limited and distributed to Canadian investors. This issue, after providing for commissions, resulted in net proceeds for the company of \$1,425,000. Of this amount \$375,909.87 was used to retire outstanding bank loans.

In July, 1951, the Company, having registered its stock with the Securities and Exchange Commission, listed its shares for trading on the New York Curb Exchange.

No offering of treasury shares has been made by the Company since its incorporation. Provision has, of course, been made by the Company for the conversion of the 5% Secured Notes to common shares, at the option of the Note holders. This could involve a maximum of 345,000 shares.

In view of the extensive development programme planned for 1952, it is likely that additional financing will be advisable. Your Directors are giving this matter their attention. There are no options outstanding.

EXPLORATION AND PRODUCTION



During the year under review, the Company, through its engineering subsidiary, Taylor Petroleum Operators Limited, supervised and completed seventeen wells.

WELL NAME	Trans Empire's Interest
Trans Empire Phillips No. 1	50%
*Shawnee Petroleums Ltd. No. 1	15%
Warner Socony Stonelaw No. 1	Nil
Trans Empire Stettler No. 6	100%
*Barons Reality No. 1	Nil
Trans Empire Admiral Calmar No. 1	45%
*Barons Roxboro No. 1	Nil
*Trans Empire Phillips Marshall No. 1	50% plus costs
Trans Empire Phillips No. 2	50% plus costs
*Trans Empire Big Valley No. 1	50%

Trans Empire Fabyan No. 1	100%
Trans Empire Admiral Calmar No. 2	45% Plus costs
Trans Empire Admiral No. 5	45%
Roxboro Trans Empire Phillips No. 1	33-1/3% after costs
Trans Empire Admiral Calmar No. 3	45% plus costs
Trans Empire Campbell No. 1	100%
R.A.C.E. Redwater No. 1	17.85%

(*Failures)

Trans Empire had no interest in three of these wells (Warner Socony, Barons Reality and Barons Roxboro), but supplied engineering and technical service on a fee basis. Of the fourteen wells in which the Company had a participation, only three failed to yield either oil or gas.

Trans Empire's share of reserves of oil under the successful wells have been calculated by the Company's petroleum engineer to be 1,173,487 barrels.

The total reserves of natural gas under the two successful gas producers, Trans Empire Fabyan No. 1 and Trans Empire Phillips No. 2, are estimated at 4,095,000,000 cubic feet. This gas will be worth possibly \$250,000.00 when produced. Trans Empire's share could be worth \$160,000.00 or more, depending on well-head price of gas from time to time.

To uncover the above reserves of oil, worth at today's prices substantially over \$2.00 a barrel, drilling costs were as under: (including casing, tubing and control-head)

Trans Empire Phillips No. 1 and 2	\$152,000.00
Trans Empire Stettler No. 6	69,000.00
*Shawnee Petroleum's 15% interest	10,000.00
Trans Empire Admiral Calmar No. 1	76,000.00
Trans Empire Admiral Calmar No. 2	77,000.00
*Trans Empire Phillips Marshall No. 1	56,000.00
*Trans Empire Big Valley No. 1	78,000.00
Trans Empire Fabyan No. 1	46,000.00
Trans Empire Admiral Calmar No. 3	59,700.00
Trans Empire Admiral No. 5	89,700.00
Roxboro Trans Empire Phillips No. 1	Nil
Trans Empire Campbell No. 1	40,000.00
R.A.C.E. Redwater No. 1	9,000.00
(*Failures)	<u>\$762,400.00</u>

Tank Farms Nos. 4 and 5 situated on the Phillips-Admiral leases at Calmar include buildings, tanks, treaters and sundry production equipment valued at \$50,000.00 of which Trans Empire's share is \$45,000.00 making a total expenditure, therefore, of \$807,400.00 for the year.

In normal wells the cost of actual drilling and testing is about 2/3 of the total amount necessary to put them on production. There-

fore, the above figures can be recapitulated as follows:

Cost of finding oil \$508,300.00 (includes gas)
Cost of producing it	299,100.00
	<u>\$807,400.00</u>

REPAIRS AND MAINTENANCE

In the Leduc field proper, the Company owns 100% interest in eleven wells. After four years of operation, two of these wells required workover jobs in 1951, and \$12,000.00 was spent in this connection. Both wells are again in good condition, and are capable of producing in excess of the Leduc allowable.

Trans Empire South Brazeau No. 3, a D-2 joint venture in section 9 of 50-26-W4th, drilled in 1949, has never produced on a commercial basis. During 1951, \$8,400.00 was spent by Trans Empire and South Brazeau in an effort to flow or pump this well, but to no avail. Further efforts may be made in 1952.

Trans Empire Phillips No. 1 at Calmar has been a poor producer, on the order of 15-20 barrels daily. The Company's service rig worked on this well in December, with some success. It is now producing at the rate of 40 barrels daily.

A considerable sum of money was expended at Tank Farms 1 and 2 in remounting and otherwise reconditioning storage tanks. Further expenditures of \$6,400.00 were incurred in the replacement of flow lines at three wells, and the installation of electricity at Tank Farm No. 2.

STEEL

Greatest difficulty, outside of the actual finding of the oil, is the provision of steel casing and tubing. Although the Petroleum Division of the Defence Production Board is most helpful, pipe is sometimes not available at the moment it is needed, and drilling rigs are kept

idle at day rates as a result. English, German and Belgian pipe, which is reaching the area in small quantities, is quickly snapped up and little American casing is in evidence. Should a major strike be initiated in the U.S. steel industry in 1952, it is conceivable that much exploratory drilling will have to be deferred. This Company has no actual inventory of casing. However, there is in stock sufficient tubing to take care of five wells. On order from England are casing and tubing for four additional wells, but this steel may not be available until the middle of the year.

PROJECTS FOR 1952

Exploration in Alberta will continue at record levels, if steel remains available. Compared to 127 rigs a year ago, 183 were operating in the province at the year-end with not more than three or four at Redwater, which has now been practically drilled out. Trans Empire has tentatively scheduled the following ventures for the first half of 1952.

1. R.A.C.E. Redwater No. 2
in L.S.D. 13 of 9-56-21-W4th.
2. R.A.C.E. Calmar No. 1
in L.S.D. 4 of 18-49-26-W4th
3. Trans Empire Campbell No. 2
in 16-54-25-W4th
4. Trans Empire Campbell No. 3
in 16-54-25-W4th
5. Trans Empire Campbell No. 4
in 16-54-25-W4th
6. Trans Empire Sask. Co-op. No. 1
in L.S.D. 16 of 20-9-25-W3rd
7. Trans Empire Pacific Hy-Charger 1
in L.S.D. 11 of 20-42-22-W4th
8. Roxboro Trans Empire Phillips 2
in 31-54-25-W4th

Four of these wells are in the Campbell Lower Cretaceous pool, one is in proven Calmar territory, one at Redwater and one wildcat in Western Saskatchewan. No doubt as other companies uncover commercial produc-

tion adjacent to unproven acreage of ours, we might decide to modify our projected program. Gas will not be sought for exclusively, but any which we might find will be capped against the time when it may be needed.

GEOPHYSICAL EXPLORATION

The seismic method of geophysical surveying is by far the most important of all geophysical processes. The others are in the nature of reconnaissance work which paves the way for detailed information obtainable only, at present, through seismic methods.

Trans Empire in 1951, sponsored two seismic surveys, one at Lake Newell on a 22,000 acre reservation, and one at Big Valley which covered about six sections. As a result of the Big Valley survey, a well was drilled on what was thought to be the most likely portion of the acreage, but no oil was discovered.

SEMI-PROVEN OR INTERESTING ACREAGE

1. Bashaw :

With Pacific Petroleum Ltd. and Sharples Oil (Canada) Ltd., your Company owns about 4,000 acres of checker-boarded Government leases in Township 42, Ranges 21 and 22-W4th.

One well in 1950 established the presence of a D-3 reef (water bearing) at the extreme north-west edge of this block, and this reef appears to run due south to the producing wells in Township 41, Range 22, West of the 4th M. In December, 1951, Hy-Charger Oils Ltd. of Toronto arranged to provide funds for half the cost of a test well in Section 20-42-22-W4th, with Trans Empire and Sharples carrying the balance. Work is likely to commence in January, 1952. In this operation Pacific, not having provided cash, will receive a 25% carried interest after costs are recovered from production.

2. Leduc Woodbend :

In 1948 the East-Leduc Company drilled a well on NW $\frac{1}{4}$ of 25-50-27-W4th. Although oil was recovered on drill stem tests, it was not thought that a commercial well existed, and the hole was, in consequence, abandoned. Since that time, however, improvements in production and completion technique have shown that producers can be made out of pretty sorry prospects, and it was decided that another attempt should be made in 1952, to find oil on this land. Under a farmout arrangement a deal is now underway whereby Trans Empire will retain a 50% interest in any successful wells drilled on the quarter, after recovery of drilling costs by the company accepting the farmout.

3. Cessford :

Here, Canadian Delhi have discovered both oil and gas, and their wells surround on three sides of Trans Empire's holdings, which are three and one-half sections. This land will increase in value with each discovery in the vicinity. If gas export is authorized a great deal of additional activity is expected, and we may be asked to take part in a unitized operation. Meanwhile, no exploration is contemplated.

4. Fort Saskatchewan :

Two freehold leases containing some 500 acres are held by the Company in Township 55, Range 22, West of the 4th M. Gas discoveries near by, in the Viking Sand would appear to indicate that the Company's land would be productive of marketable dry gas at least. Whether there is also oil will have to be proven.

5. Drumheller :

North of the proven Drumheller pool, about three miles, the Company owns a freehold lease of 160 acres. Because most of the surrounding country is under lease to major companies it has not been thought wise to drill a test well. However, there are indications that

before too long several wells will be drilled close to our location. When this occurs, we will be able more fully to evaluate our acreage.

Not far from the present Drumheller field Trans Empire owns a very interesting block of 4,480 acres. This lease is eighteen miles south-east of production at Drumheller, and 20 miles west of the Cessford gas and oil field. Our technical experts feel that there is a very good chance of a discovery somewhere in this lease tract, and suggest that geophysical exploration would be warranted. Chances are, however, that the lease will be carried as it is for another year unless production by others in the immediate vicinity causes a change of plan.

6. Joseph Lake :

Acting on the advice of our Consulting Geologist, Dr. J. O. G. Sanderson, we purchased at a Crown sale in 1951, Section 31-50-21-W4th, one mile north-east of the borders of the prolific Joseph Lake Viking oil field. On several occasions subsequent to the purchase, we have been asked to farm out this section, but to date no satisfactory deal has been suggested. During 1952, we may decide to drill it with our own service rig.

7. Calmar :

At the last Crown sale in 1951 a syndicate composed of Admiral Oils Ltd., Renfrew Petroleum Ltd., Carleton Oils Ltd., and Trans Empire obtained for \$45,000.00 the S.W. $\frac{1}{4}$ of 18-49-26-W4th offsetting to the east, our Trans Empire Admiral No. 1 and Richfield No. 1. To the north this acreage offsets Mic-Mac Nos. 1 and 3. We consider, therefore, that it is good for at least two producers and will commence drilling on L.S.D. 4 before the end of January. Trans Empire's interest is 17.85%.

SERVICE EQUIPMENT

The Company's wholly-owned subsidiary, Taylor Petroleum Operators Limited, operates a

Cardwell service rig equipped to swab wells into completion, run surface casing and liners, pull casing and tubing, instal pumping equipment and drill out cement. Consideration is being given to the question of increasing the capacity of the rig by the purchase of a string of drill pipe and a taller derrick. The crew would then be able to drill holes to a depth of 3,500 - 4,000 feet. Ability to do this, in the present scarcity of drilling equipment, could save Trans Empire both time and money.

In the event that the present service rig is re-vamped into a drilling rig, Taylor Petroleum Operators would acquire another unit for ordinary service purposes.

REFINING OPERATIONS

In September, 1951, the Company purchased the entire outstanding shares of the Moose Jaw Refineries Ltd. at a cost of \$70,000.00 and since that time has operated the Refinery as a wholly-owned subsidiary.

During 1951, Moose Jaw Refineries Ltd., located in the City of Moose Jaw, Saskatchewan, processed approximately 1,200 barrels of crude daily. The principal basis of the operation was a high yield of bunker fuel, which was contracted to the National Light, Heat and Power Company at Moose Jaw. The Refinery was not equipped to process first grade gasolines and, therefore, marketed all raw gasoline through a major refiner.

Because of cramped quarters which restricted expansion of the operations of the Refinery, the Company purchased a 60-acre tract of land on the north-east limits of the City of Moose Jaw.

Reconstruction is now underway at the new site. Throughput capacity will be increased to at least 2,000 barrels daily. A desulphurization unit and leading plant are being installed so that readily marketable gasolines may be turned out. It is expected that the Refinery will be placed on stream on or about April 1, 1952.

ACREAGE ACQUISITIONS

Your Company has continued in general the policy followed by the four predecessor companies in the acquisition of acreage. This policy, which is to acquire acreage in well located, but diverse tracts in what is generally considered the oil area of Western Canada, does not include usually the acquisition of large blocks in any one locality. During the past year, however, and particularly towards its close, your Directors have modified this policy so as to acquire interests in large blocks in both Saskatchewan and British Columbia. At date of writing we are negotiating for a substantial interest in one and one-half million acres in the coastal province lastly referred to.

During the year your Company acquired varying interests in 636,351 acres at a cost to us of \$265,757.83. The acquisition of this acreage gave your Company total gross holdings of 695,069 acres and total net holdings of 122,431 acres. These lands are located in such diverse areas as the Lone Mountain area of British Columbia, the Cypress Hills area of Saskatchewan, and throughout the Province of Alberta so as to cover, to some degree, almost every potential area in the latter province.

RESERVES OF OIL IN THE GROUND

As at January 1, 1950, our engineers had calculated our reserves of oil under drilled wells at 3,150,000 barrels. During the year, as you will note by reference to the chart above, we have extracted from all wells 339,851 barrels. At the same time we have discovered, or proved up additional reserves of 1,173,487 barrels so that as of December 31, 1951, our net reserve position is 3,983,636 barrels of crude oil, or an increase for the year of 833,636 barrels.

In calculating reserves it has been this Company's policy to make such calculations on drilled wells only; no calculation, or allowance has been made for reserves under land considered proven, but undrilled. No calculations have, of course, been made on semi-proven

lands. In this connection we should state that, although reserves are frequently used as a basis for comparison between companies, they are not necessarily a fair basis for use. This is due to differences on the part of the individual geologists and petroleum engineers, in their judgment of the recovery factors involved, and the policy of the Company, or companies concerned in arriving at total reserve figures.

ORGANIZATION

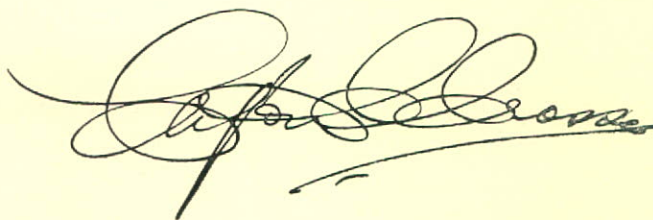
The year's work has demonstrated the need for some expansion of our organization, particularly as it effects the technical and field staffs. Every effort is being made to expand this section by the employment of one or two

additional engineers and the possible addition of a permanent geologist to the staff, this man to work with Dr. J. O. G. Sanderson, the Company's consulting geologist.

The above in no way reflects on the present technical organization to whom the Board would like to express their appreciation for the untiring effort and devotion to duty, which as mentioned previously, resulted in such a fine record of successful completions for wells drilled during the year.

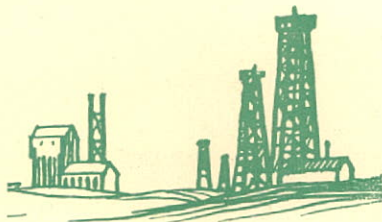
The Board would also, at this time, like to express their thanks for the effort put forward by those employed in the office, who, although under no such difficulties as the technical and field staffs, placed the Company's welfare at all times to the fore.

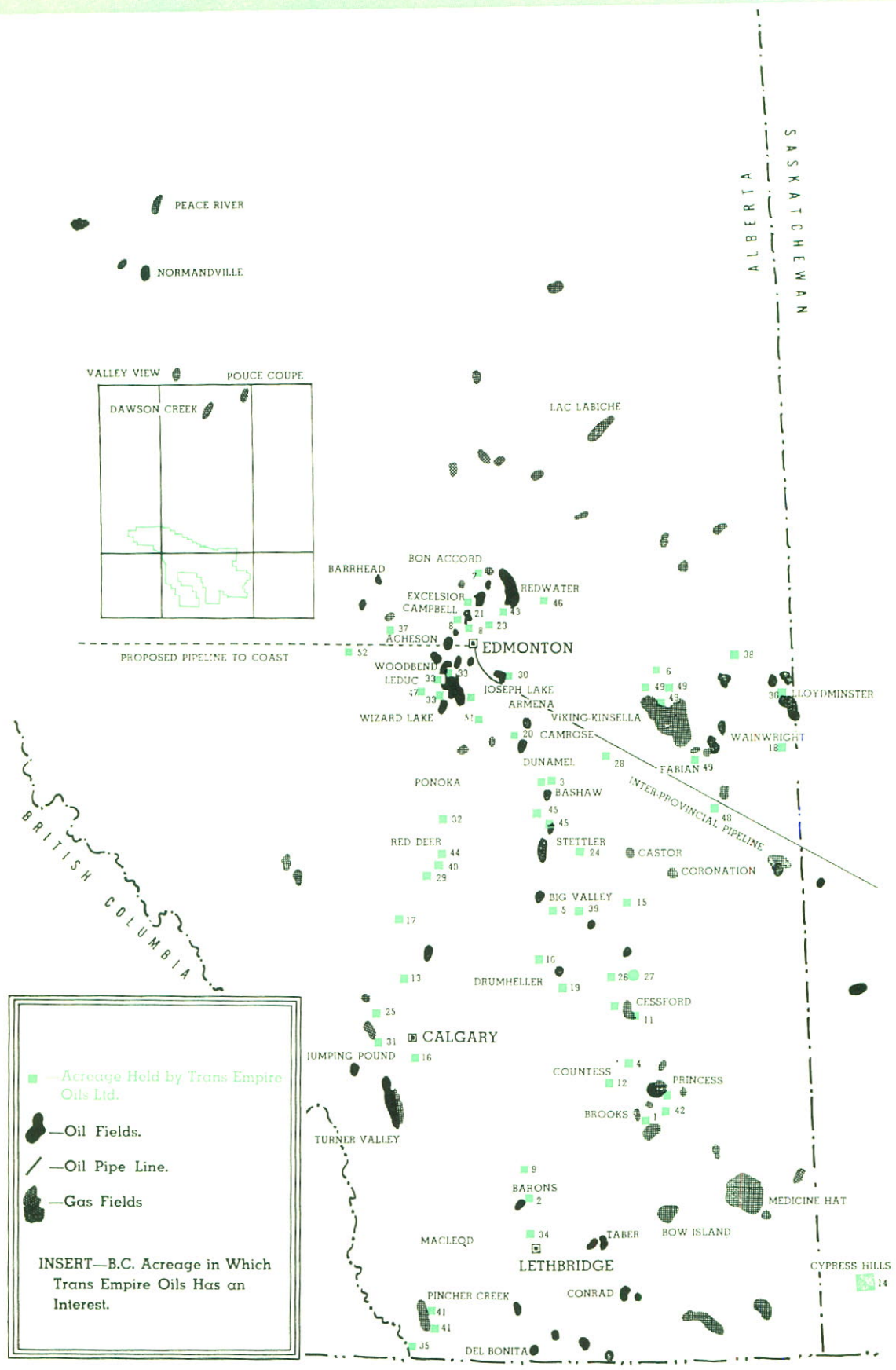
On Behalf of the Board,



President.

Calgary, Canada,
January 30, 1952.





■ — Acreage Held by Trans Empire Oils Ltd.
 — Oil Fields.
 — Oil Pipe Line.
 — Gas Fields

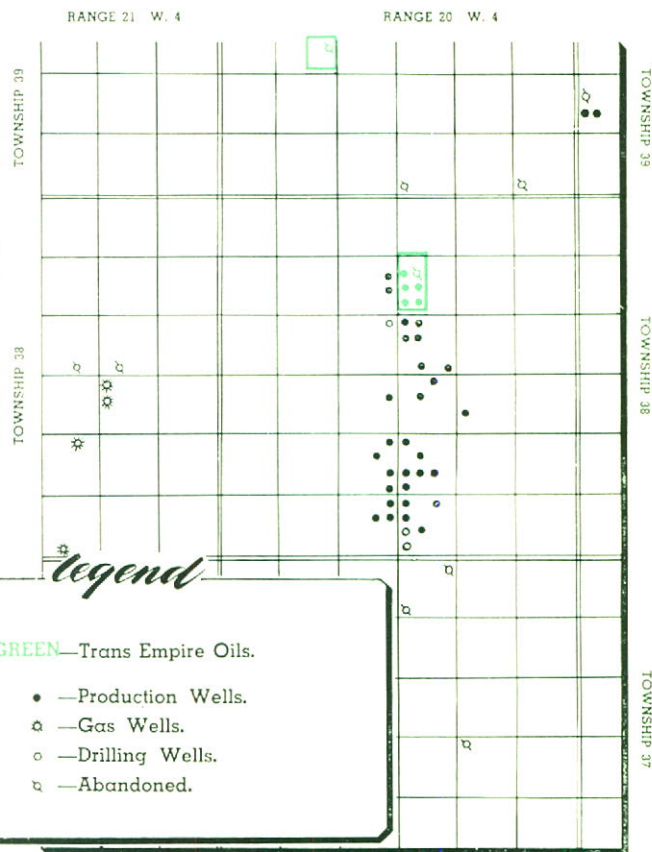
INSERT—B.C. Acreage in Which Trans Empire Oils Has an Interest.

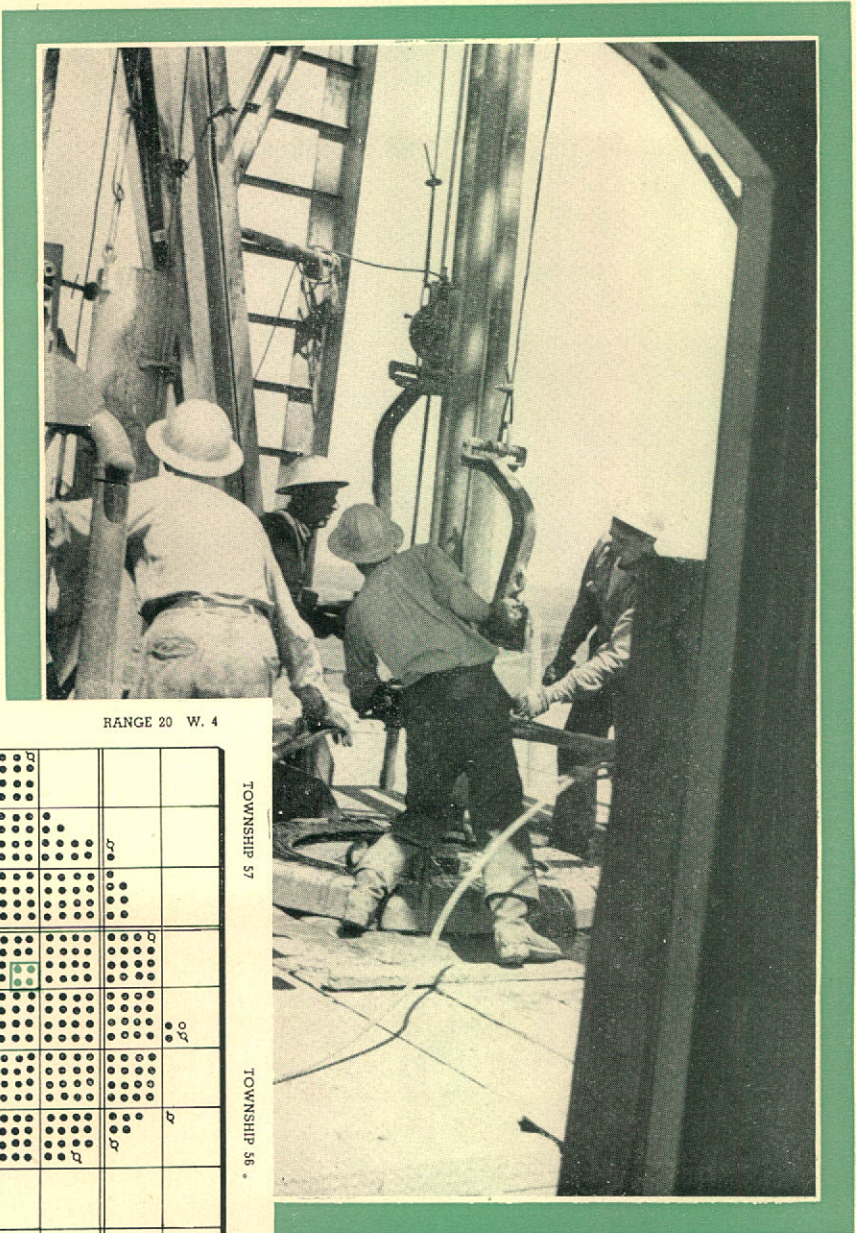
Gross and Net Acreage

	Gross Acreage	Net Acreage		Gross Acreage	Net Acreage
1 Bantry	23,280	23,280	27 Hanna	320	320
2 Barons	320	320	28 Heisler	4,804	672
3 Bashaw	5,118	1,936	29 Innisfail	480	480
4 Bassano	320	320	30 Joseph Lake	640	640
5 Big Valley	477	233	31 Jumping Pound	280	280
6 Birch Lake	320	320	32 Lacombe	405	405
7 Bon Accord	480	480	33 Leduc	1,440	880
8 Campbell	495	282	34 Lethbridge	161	161
9 Carmangay	2,568	2,568	35 Lundbreck	1,200	1,200
10 Castor	643	643	36 Lloydminster	800	800
11 Cessford	1,740	1,740	37 Majeau Lake	160	160
12 Countess	23,040	7,680	38 Minburn	320	320
13 Crossfield	636	636	39 Morrin	160	160
14 Cypress Hills, Sask ..	65,280	32,640	40 Penhold	160	160
15 Delia	480	480	41 Pincher Creek	800	80
16 Dewinton	160	160	42 Princess	1,561	1,561
17 Didsbury	160	160	43 Redwater	160	28
18 Dina	3,840	1,280	44 Red Deer	240	240
19 Drumheller	4,800	4,800	45 Stettler	1,280	1,280
20 Duhamel	111	111	46 St. Michael	509	509
21 Excelsior	160	160	47 Thorsby	6,080	1,680
22 Fort St. John, B.C. ...	500,000	23,585	48 Tit Hills	640	640
23 Fort Saskatchewan ..	510	510	49 Viking, Kinsella	640	640
24 Gadsby	318	318	50 Virden, Man.	320	320
25 Grease Creek	1,294	1,294	51 Wetaskiwin	640	640
26 Halloday	4,160	2,080	52 Whitecourt	159	159
TOTAL GROSS ACREAGE			665,069 Acres		
TOTAL NET ACREAGE			122,431 Acres		



STETTTLER AREA





RANGE 22 W. 4

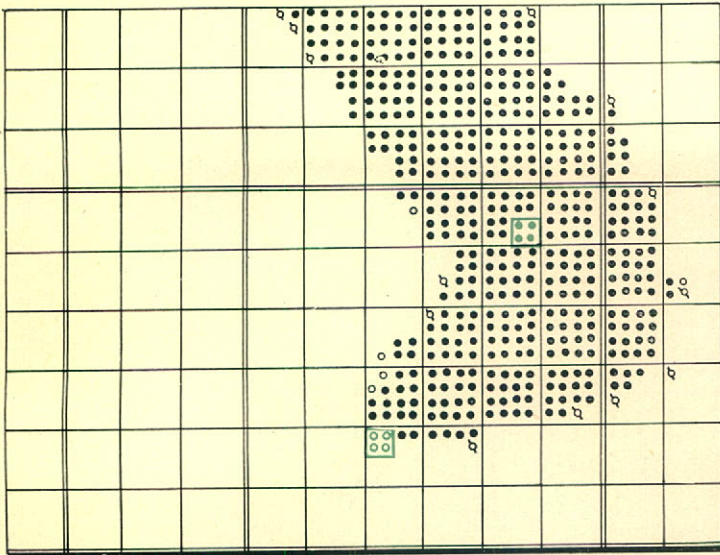
RANGE 21 W. 4

RANGE 20 W. 4

TOWNSHIP 57

TOWNSHIP 56

RANGE 20 W. 4



RANGE 22 W. 4

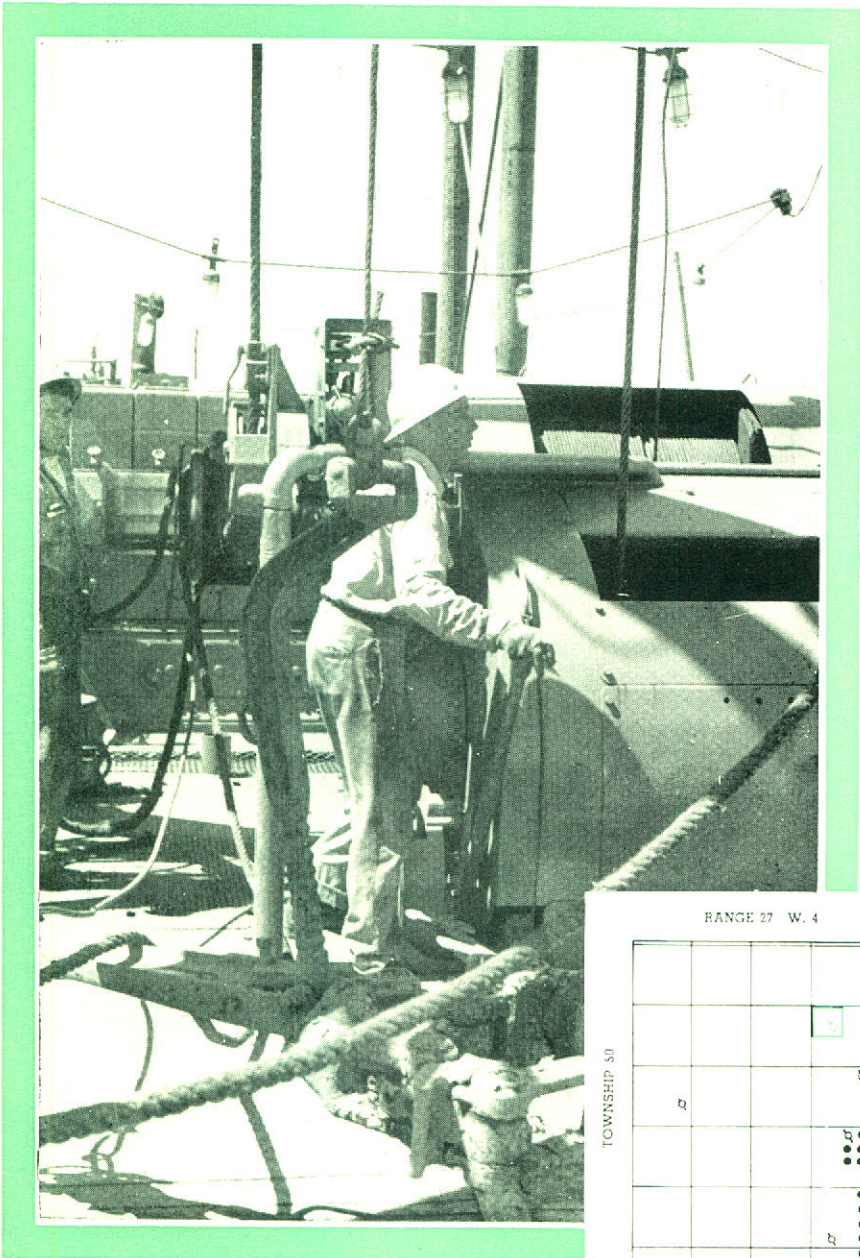
RANGE 21 W. 4

Legend

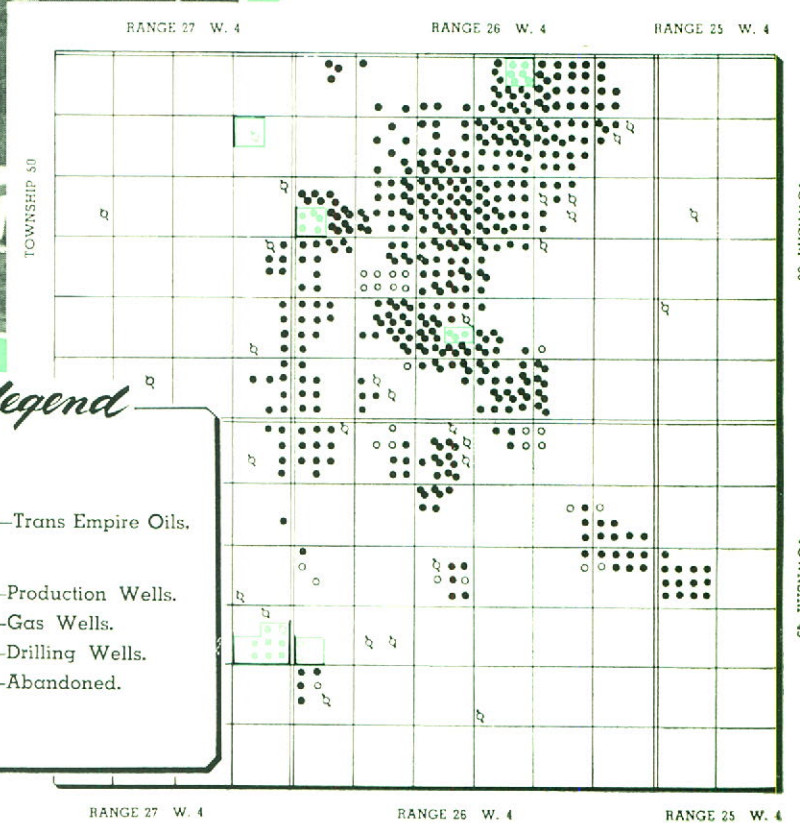
GREEN—Interest Held by Trans Empire Oils.

- —Production Wells.
- * —Gas Wells.
- —Drilling Wells.
- ⊠ —Abandoned.

SOUTH REDWATER AREA



LEDUC WOODBEND AREA

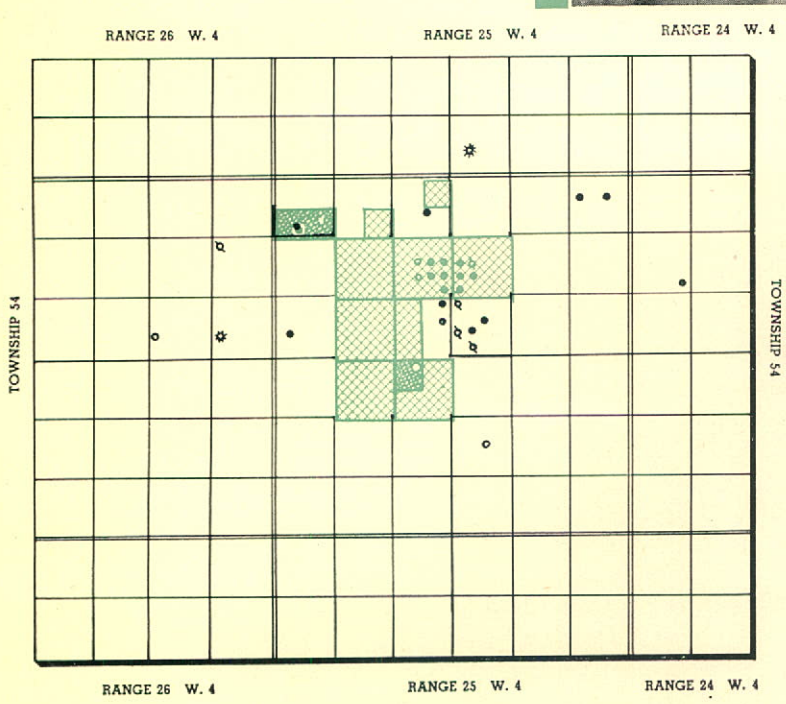
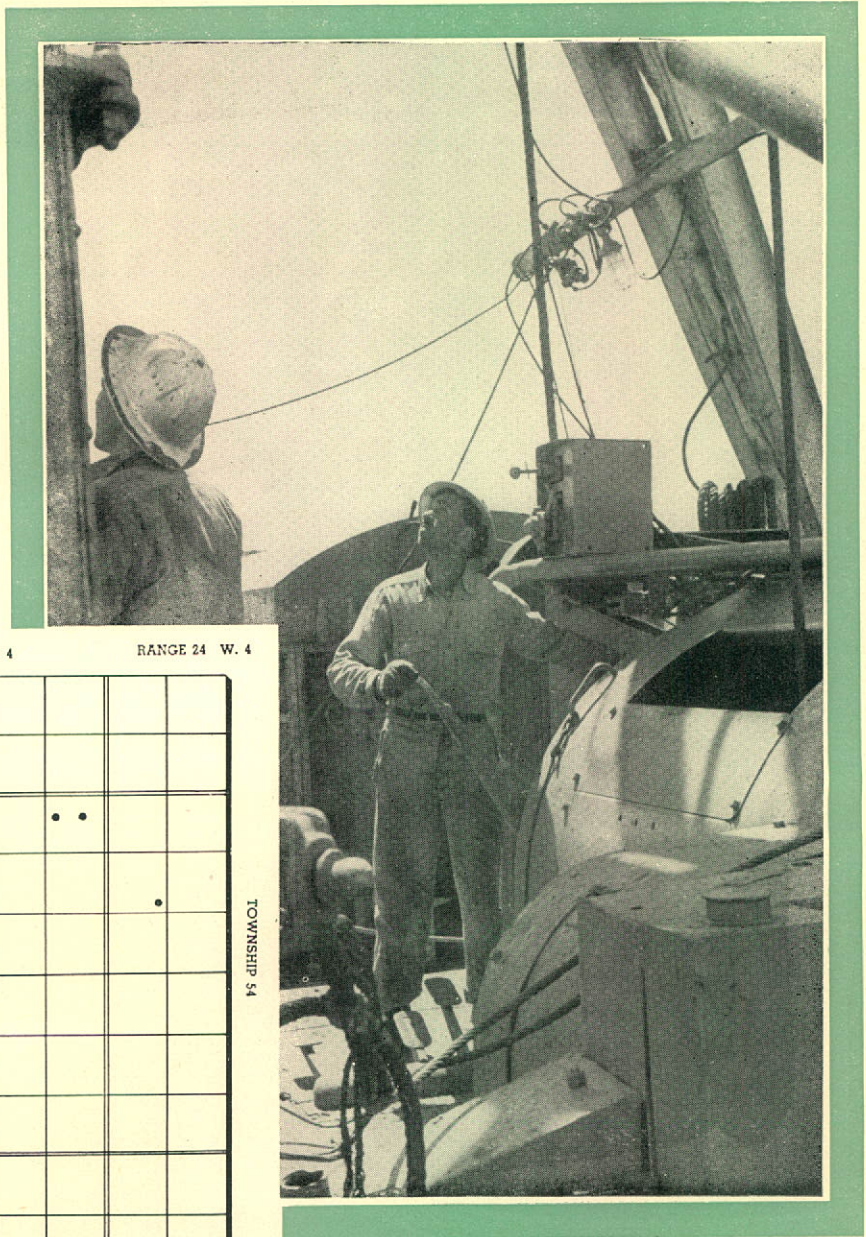


Legend

GREEN—Trans Empire Oils.



- —Production Wells.
- ⊗ —Gas Wells.
- —Drilling Wells.
- ⚡ —Abandoned.

RANGE 27 W. 4 RANGE 26 W. 4 RANGE 25 W. 4



CAMPBELL AREA

Legend

-  Trans Empire Oils.
-  Redwater Leaseholds.
- —Production Wells.
- * —Gas Wells.
- —Drilling Wells.
- ∩ —Abandoned.

TRANSEMPIRE OILS LTD.

Assets

CURRENT :

Cash on Hand and in Bank	\$ 105,020.06	
Accounts Receivable—		
Trade—for Sale of Oil	\$ 57,316.97	
Sundry	8,332.82	
Moose Jaw Refineries Ltd.	14,504.26	
		80,154.05
Dominion of Canada Bonds at Cost		198,400.00
		<u>\$ 383,574.11</u>

SINKING FUND :

Cash and Investments Held by Prudential Trust Company Limited under Terms of Trust Deed—		
Cash	\$ 5,600.13	
Dominion of Canada Bonds	42,992.30	
Other Investment as Specified in Trust Deed	111,153.16	
		<u>159,745.59</u>

INVESTMENTS :

Securities of Subsidiary Companies	\$ 109,995.20	
Share Investments at Cost, less amounts written off	219,421.80	
Bonds, Debentures, Royalty and Mortgages at Cost, less amounts written off	19,095.70	
		<u>348,512.70</u>

FIXED :

Production Equipment	\$ 575,331.85	
Cars	14,441.35	
Furniture and Fixtures	13,892.76	
		<u>\$ 603,665.96</u>
Less Reserve for Depreciation	336,354.97	
		<u>\$ 267,310.99</u>
Land	35,521.46	
		<u>302,832.45</u>

DEVELOPMENT :

Producing and Drilling Wells	\$2,581,923.76	
Abandoned Wells	295,342.44	
Interest in Exploratory Development	149,808.75	
		<u>\$3,027,074.95</u>
Less Reserve for Recovery of Development Costs	1,746,449.42	
		<u>1,280,625.53</u>

Interest in Petroleum and Natural Gas Rights, Leases, Permits and Reservations—at Cost		<u>843,881.00</u>
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OTHER ASSETS :

Security Deposits	\$ 5,010.00	
Funds held in trust by other company for well development	13,337.96	
Discount on Convertible Sinking Fund Secured—		
Notes	\$ 74,900.00	
Less Amortization	3,750.00	
		<u>71,150.00</u>
Organization Expense	40,833.40	
		<u>130,331.36</u>

\$3,449,502.74

BALANCE SHEET *as at December 31, 1951*

Liabilities

CURRENT :

Accounts Payable	\$ 161,000.00	
Dividend Payable January 2, 1952	96,023.45	
Accrued Liabilities—		
Canadian Federal and Provincial Income Taxes	12,435.06	
Accrued Interest on Secured Notes	24,548.09	
		\$ 294,006.60

FUNDED DEBT :

Convertible Sinking Fund Secured Notes 5% Interest, Principal Payable Yearly Commencing March 1, 1953. Final Payment March 1, 1966.		
(Authorized for Issue, \$1,500,000.00.		
Authorized for Subsequent Issue in Accordance with Terms of Trust Deed, \$3,500,000.00.)		
Secured by Deed of Trust and Mortgage Dated March 1, 1951. Covering proceeds of production, mineral rights, surface rights, etcetera, machinery plant and equipment, specified security investment		1,479,000.00
Convertible to capital stock as per terms of Trust Deed to		
December 31, 1952—23 shares for each \$100.00		
December 31, 1954—21 shares for each \$100.00		
December 31, 1956—19 shares for each \$100.00		
December 31, 1957—18 shares for each \$100.00		

CAPITAL AND SURPLUS :

Capital Stock—		
Authorized—5,000,000 Shares Without Nominal		
or Par Value.		
Issued— 1,920,469 Shares	\$1,602,813.12	
Surplus as per Statement Attached	73,683.02	
		1,676,496.14

CLIFTON C. CROSS, Director

JOHN D. BOYD, Director

\$3,449,502.74

TRANS EMPIRE OILS LTD.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1951

INCOME :

Proceeds from Production obtained from Wells less Royalties	\$693,196.36
Interest, dividends and other non-operating income	69,893.95
	<u>\$763,090.31</u>

DEDUCTIONS :

Production Cost —		
Operating Expense, Lease and Well Maintenance, Repairs and Renewals	\$115,241.23	
Taxes and Assessments (other than Income Tax)	16,362.84	
Executive Salaries Charged to Production	32,100.00	
Depreciation, Production Equipment	105,682.45	
	<u>269,386.52</u>	
General and Administrative Expenses less recoveries and charges to Production	\$ 76,589.98	
Counsel and Solicitors Fees and Salaries of Executive Officers including all salaried Directors, less charged to Production Costs	18,518.91	
Geological Expense	34,029.93	
Interest on Secured Notes and Bank Charges	62,683.36	
Lease Rentals	25,530.06	
Amortization of Discount on Notes	3,750.00	
Depreciation—Furniture, Fixtures and Cars	6,894.63	
	<u>227,996.87</u>	
		497,383.39
Net Profit Transferred to Surplus		<u>\$265,706.92</u>

NOTE: Reserve for Recovery of Development Costs has been provided in past years to the extent of \$1,746,449.42. The Company officials are of the opinion this amount is more than ample to cover depletion to date and a charge to operations has not been made for the year ended December 31, 1951.

SURPLUS ACCOUNT

DECEMBER 31, 1951

December 30, 1950, Balance	\$ NIL
December 31, 1951—Transferred from Operating Account for the year ended December 31, 1951	265,706.92
Deduct—Dividends Paid During Year	192,023.90
	<u>\$ 73,683.02</u>
Balance as per Balance Sheet	<u>\$ 73,683.02</u>

AUDITOR'S REPORT

TO THE SHAREHOLDERS,
Trans Empire Oils Ltd.,
Calgary, Alberta.

We have examined the books and accounts of Trans Empire Oils Ltd. for the year ended December 31, 1951, and have obtained all the information and explanations we have required.

Profits of subsidiary companies have not been taken into the company's accounts as at December 31, 1951.

We report that, in our opinion, the attached Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as at December 31, 1951, 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.

Calgary, Alberta,
January 29, 1952.

**TAYLOR PETROLEUM OPERATORS
LIMITED**

BALANCE SHEET

AS AT DECEMBER 31, 1951

ASSETS

CURRENT :

Accounts Receivable	\$ 1,813.02	
Due by Associated Company	158.85	
Sundry Receivable and Advances to Employees for Expenses	559.82	
Deposits	3,030.00	
Prepaid Income Tax	797.28	
Inventory of Casing, Tubing and Line Pipe—at Cost	34,200.37	
		<u>\$ 40,559.34</u>

OTHER ASSETS :

Investment at Nominal Value		1.00
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FIXED—AT COST :

Automobiles and Trucks	\$ 27,361.20	
Furniture and Fixtures	1,055.09	
Servicing and Field Equipment	51,512.37	
	<u>\$ 79,928.66</u>	
Less Reserve for Depreciation	31,078.11	
		<u>48,850.55</u>

\$ 89,410.89

LIABILITIES

CURRENT :

Bank Overdraft	\$ 17,208.71	
Bank Loans—Secured	11,000.00	
Accounts Payable	23,569.28	
Group Insurance	253.43	
		<u>\$ 52,031.42</u>

CAPITAL :

Authorized—		
50,000 Shares Without Nominal or Par Value.		
Issued—		
50,000 Shares for Cash Consideration	\$ 25,000.00	
Surplus as per Statement attached	12,379.47	
		<u>37,379.47</u>

Contingent Liabilities—None Reported.

CLIFTON C. CROSS, Director.
JOHN D. BOYD, Director.

\$ 89,410.89

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1951

INCOME :

Drilling and Operating Supervision	\$ 53,300.00	
Equipment Rentals	7,207.94	
Service Rig Operations—Net	17,229.80	
Discounts and Miscellaneous	2,512.08	
	<u> </u>	\$ 80,249.82

EXPENDITURES :

Operating—		
Field Expenses	\$ 1,356.85	
Geological	3,500.00	
Taxes and Licenses	669.84	
General and Administration	48,452.78	
Executives' Salary	8,200.00	
Administration—Trans Empire Oils Ltd.	4,000.00	
Loss on Sale of Automobiles	1,227.23	
Depreciation	20,841.68	
	<u> </u>	88,248.38

Net Loss for Period Transferred to Surplus Account

	<u> </u>	\$ 7,998.56
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SURPLUS ACCOUNT

DECEMBER 31, 1951

December 30, 1950—Balance	\$ 18,664.53
Add Refund Income Tax, 1948	1,713.50
	<u> </u>
	\$ 20,378.03
Deduct Loss for Year Ended December 31, 1951, Transferred from Statement of Operations	7,998.56
	<u> </u>
	\$ 12,379.47

AUDITORS' REPORT

TO THE SHAREHOLDERS,
Taylor Petroleum Operators Limited,
Calgary, Alberta.

We have examined the books and accounts of Taylor Petroleum Operators Limited for the year ended December 31, 1951, and have obtained all the information and explanations we have required.

We report that, in our opinion, the attached Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs at December 31, 1951, according to the best of our information and the explanations given to us and as shown by the books of the Company.

Calgary, Alberta,
February 5, 1952.

MORTON & HILLS,
Chartered Accountants.

MOOSE JAW REFINERIES LIMITED

Assets

CURRENT ASSETS :

Cash on hand and in bank		\$ 23,611.56
Accounts Receivable:		
Customer	\$ 61,368.07	
Miscellaneous	159.24	
		<u>61,527.31</u>
Inventories:		
Crude Oil	\$ 12,300.70	
Finished Products	18,162.56	
Unfinished Products	262.05	
		<u>30,725.31</u>
Prepaid Expenses:		
Insurance	\$ 1,306.71	
Tank Car Rental	267.97	
		<u>1,574.68</u>
		<u>\$117,438.86</u>

FIXED ASSETS:

Land	\$ 22,973.98	
Plant and Equipment	159,825.49	
		<u>\$182,799.47</u>
Less: Accumulated Depreciation	59,059.69	
		<u>123,739.78</u>
Organizational Expense		205.95

Approved on behalf of the Board,

H. E. HANSEN, Director.

JOHN W. LEHMAN, Director.

\$241,384.59

BALANCE SHEET as at December 31, 1951

Liabilities

CURRENT LIABILITIES:

Accounts payable:

General	\$ 49,831.66	
Clifton C. Cross—re Equipment	25,000.00	
Trans Empire Oils Ltd.	14,782.68	
Taylor Petroleum Operators	5,538.43	
Sales, Gasoline and Education Taxes	330.07	
	<u> </u>	\$ 95,482.84

Accrued Liabilities:

Wages	\$ 1,457.10	
Salary Tax and Compensation Insurance	406.02	
Interest on General Mortgage Bonds	360.00	
	<u> </u>	2,223.12
Dominion and Provincial Income Tax—estimated		2,366.07
		<u> </u>
		\$100,072.03

FUNDED DEBT:

6% General Mortgage Bonds—maturing December 1, 1952, to December 1, 1960, inclusive—		
Authorized Issue—\$100,000.00—Issued	\$ 82,000.00	
Redeemed	10,000.00	
(\$10,000.00 maturing December 1, 1952.)	<u> </u>	72,000.00

CAPITAL AND SURPLUS:

Capital Stock:

Authorized: 100,000 shares without nominal or par value, maximum \$1.00 per share.

Issued: 20,000 shares at \$1.00 per share

20,000.00

Surplus:

Balance—March 31, 1951	\$ 40,955.17	
Add: Net Profit for period ended December 31, 1951 ..	8,357.39	
	<u> </u>	49,312.56
		<u> </u>
		\$241,384.59

MOOSE JAW REFINERIES LIMITED

Statement of Manufacturing, Trading, Profit and Loss

FOR THE NINE MONTH PERIOD ENDED DECEMBER 31, 1951

SALES:			
Gasoline	\$	483,658.20	
Light Diesel and Furnace Fuel		198,590.27	
Heavy Diesel		27,737.38	
Bunker Fuel		326,415.76	
		\$1,036,401.61	
COST OF SALES:			
Inventory of Finished and Unfinished Products—			
March 31, 1951	\$	7,575.27	
Cost of Refined Products:			
Crude Oil Consumption	\$831,416.64		
Direct Wages		27,621.23	
Overhead Expenses (Sch. attached)		58,669.83	
		917,707.70	
Finished Products purchased from others		82,371.95	
		\$1,007,654.92	
Less: Inventory of Finished and Unfinished Products—			
December 31, 1951		18,424.61	
		989,230.31	
	Gross Profit		\$ 47,171.30
SELLING EXPENSES:			
Salaries and Wages	\$	3,770.00	
Travelling Expenses		3,811.46	
Compensation Insurance		45.00	
		7,626.46	
ADMINISTRATIVE EXPENSES:			\$ 39,544.84
Executive Salaries	\$	2,204.95	
Office Salaries		1,755.23	
Commissions		2,716.11	
Office Rent		450.00	
Printing, Postage and Stationery		246.46	
Telephone and Telegraph		1,530.56	
Legal and Audit		872.11	
Periodicals and Bulletins		110.00	
Travelling		329.01	
Fees and Licenses		211.00	
Donations		155.00	
Moving Expenses—J. Borus		483.33	
Damage Claims—C.P.R. Property		500.00	
Miscellaneous		218.24	
Interest on General Mortgage Bonds		3,640.00	
		15,422.00	
Add—Miscellaneous Earnings:			\$ 24,122.84
Commissions and Discounts	\$	170.30	
Adjustment re Demurrage		1,213.00	
		1,383.30	
			\$ 25,506.14
Deduct—Exploration and Drilling Costs			14,782.68
			\$ 10,723.46
Deduct—Provision for Dominion and Provincial Income Taxes			2,366.07
			\$ 8,357.39
			\$ 8,357.39

MOOSE JAW REFINERIES LIMITED

AUDITORS' REPORT

TO THE SHAREHOLDERS,
Moose Jaw Refineries Limited,
Moose Jaw, Saskatchewan.

We have examined the books and accounts of Moose Jaw Refineries Limited for the nine month period ended December 31, 1951. 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 period, but we did not examine the details of all transactions.

Cash on hand was verified by count and we have obtained confirmation from the Company's bankers as to the amount on deposit.

Accounts receivable are as shown by the records and have not been confirmed by direct communication with the recorded debtors.

Inventories were not taken by us or under our supervision but have been accepted as certified to us by your Manager. We have scrutinized the inventory computations which have been based as follows:

CRUDE OIL—Priced at average purchase cost for the month of December.

FINISHED PRODUCTS—Gasoline has been priced at realizable value as estimated by your Manager, which is less than production cost or current market value. Other products have been priced at average production cost, which is less than market value.

UNFINISHED PRODUCTS—Priced at cost.

We scrutinized the additions to land, plant and equipment amounting to \$59,294.75 for the period under review. Depreciation amounting to \$17,782.20 has been provided for the period on the basis of 20% of net depreciable assets at December 31, 1951.

Accounts payable are as shown by the records and have not been confirmed by direct communication with the recorded creditors.

Dominion and Provincial Income Taxes have been estimated at 20% on the first \$10,000.00 of taxable profits and 50.6% on the amount in excess thereof.

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 principles of accounting, a true and correct view of the financial position of the Company at December 31, 1951, and the results of its operations for period then ended, according to the best of our information and the explanations given to us and as shown by the books of the Company.

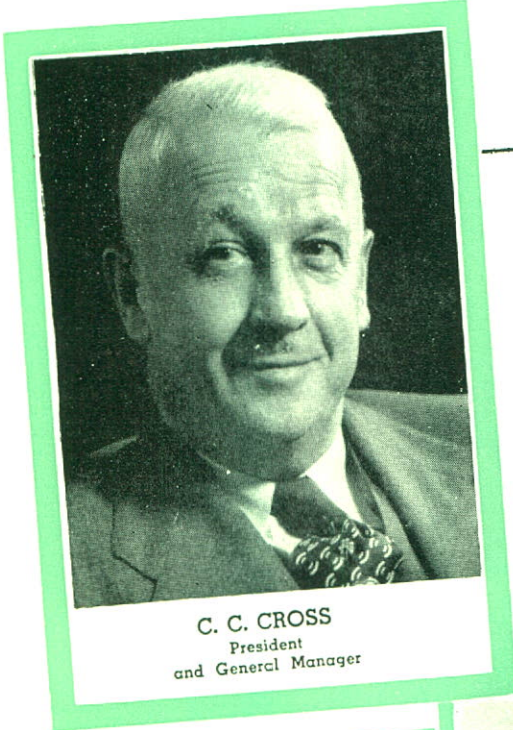
All the transactions of the Company which came to our notice during the course of our examination were, in our opinion, within the objects and powers of the Company.

Respectfully submitted,

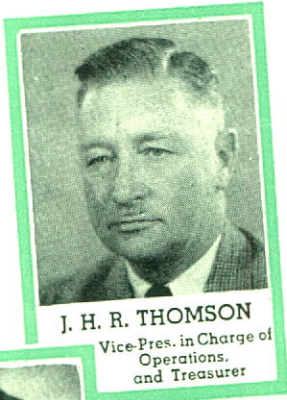
R. L. BAMFORD & CO.,
Chartered Accountants.

Moose Jaw, Saskatchewan,
February 4, 1952.

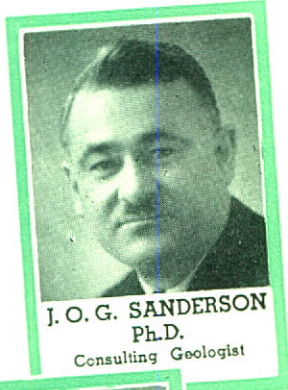
TRANS EMPIRE OILS LTD.



C. C. CROSS
President
and General Manager

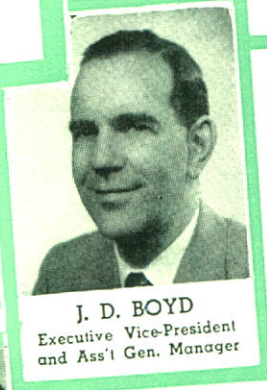


J. H. R. THOMSON
Vice-Pres. in Charge of
Operations,
and Treasurer

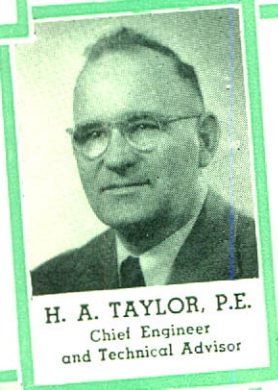


J. O. G. SANDERSON
Ph.D.
Consulting Geologist

POLICY PLANNING
PUBLIC RELATIONS
ANALYSIS

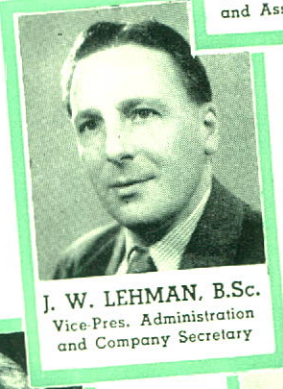


J. D. BOYD
Executive Vice-President
and Ass't Gen. Manager

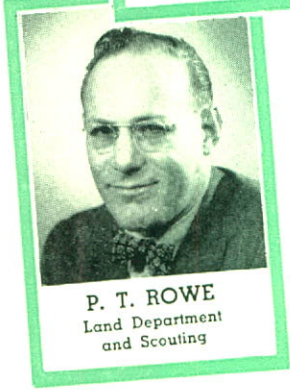


H. A. TAYLOR, P.E.
Chief Engineer
and Technical Advisor

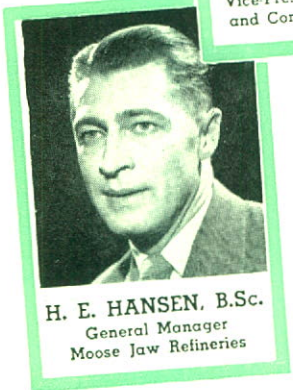
TAYLOR PETROLEUM
(SUBSIDIARY COMPANY)



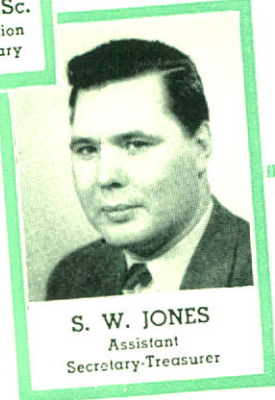
J. W. LEHMAN, B.Sc.
Vice-Pres. Administration
and Company Secretary



P. T. ROWE
Land Department
and Scouting

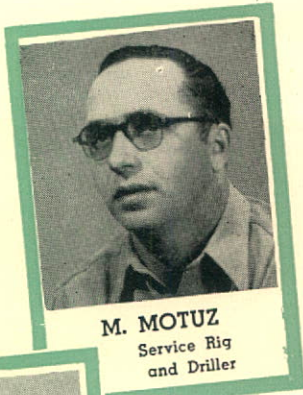


H. E. HANSEN, B.Sc.
General Manager
Moose Jaw Refineries

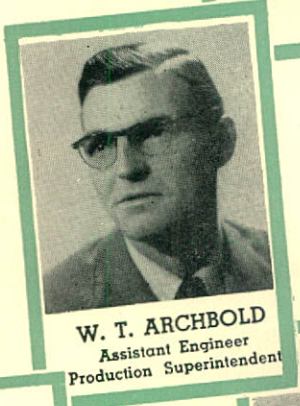


S. W. JONES
Assistant
Secretary-Treasurer

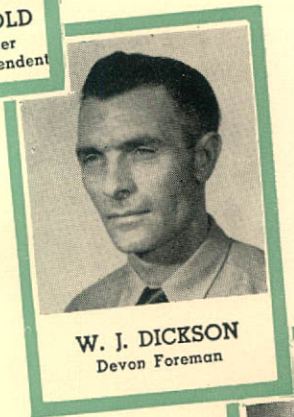
OFFICE PREMISES
REAL ESTATE
ACCOUNTING
STATISTICS AND RECORDS
INSURANCE AND PENSION PLANS
INVESTMENTS
OFFICE MANAGEMENT



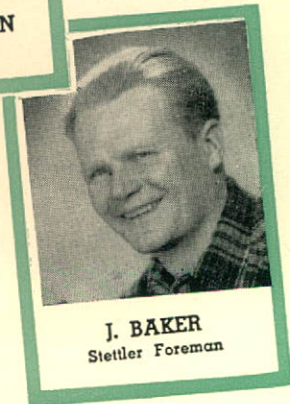
M. MOTUZ
Service Rig
and Driller



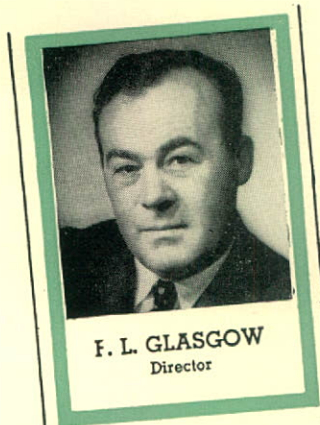
W. T. ARCHBOLD
Assistant Engineer
Production Superintendent



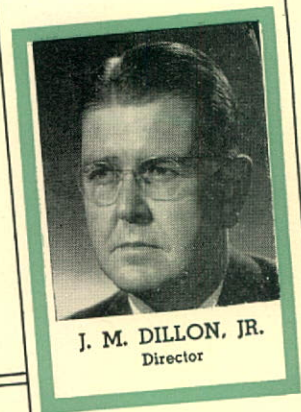
W. J. DICKSON
Devon Foreman



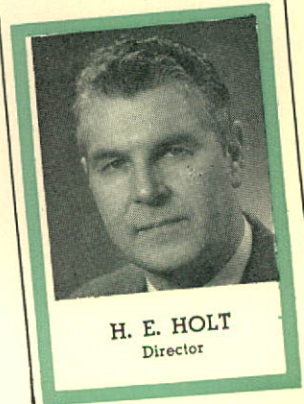
J. BAKER
Stettler Foreman



F. L. GLASGOW
Director



J. M. DILLON, JR.
Director



H. E. HOLT
Director

OPERATORS LTD.

CONSULTANTS
TANK FARMS
PIPE LINES

OPERATORS
MAINTENANCE
OIL SALES
DELIVERIES



TRANS EMPIRE OILS
LTD.