Canadian Occidental Petroleum Ltd.

1983 Annual Report

Corporate Profile

CanadianOxy is a diversified resource and chemicals company. Its operations are organized in three business segments: Oil and Gas, Alternate Fuels and Chemicals. Oil and gas operations include the exploration for and production and development of conventional oil, gas and sulphur in Canada, the United States Gulf Coast and South America. Alternate Fuels operations include a 13.23% interest in the Syncrude Project and oil sands, minerals and coal exploration in Canada. Chemicals operations include four industrial chemicals plants in western Canada and metals finishing, plastics and resins manufacturing facilities in eastern Canada. In 1983, oil and gas operations contributed 49%, alternate fuels 23% and chemicals 28% of net sales. As a result of acquisitions in 1983 and early 1984, the Company anticipates that in 1984 oil and gas operations will contribute approximately 55%, alternate fuels 28% and chemicals 17% of total net sales.

Occidental Petroleum Corporation of Los Angeles, California, currently owns 48% of the common shares of CanadianOxy.

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METRIC CONVERSION TABLE

To convert from	to	Multiply by
cubic metres (m^3)	barrels (bbl)	6.293
thousand cubic metres (10^3m^3)	thousand cubic feet (Mcf)	35.494
tonnes (t)	long tons (lt)	0.984
metres (m)	feet (ft)	3.281
kilometres (km)	miles (mi)	0.621
hectares (ha)	acres (ac)	2.471
kilograms (kg)	pounds (lb)	2.205

Cover photo by Ron A. Kelly

Highlights of 1983

CORPORATE

- On August 1 CanadianOxy acquired Canada-Cities Service, Ltd. for an adjusted acquisition price of $353.9 million. Financing was provided by a $400 million Revolving Term Loan from a consortium of Canadian banks. This acquisition virtually doubled the size of the Company. The personnel and operations of Canada-Cities and CanadianOxy were amalgamated effective January 1, 1984.
- On August 22 CanadianOxy completed an offering of 7.5 million common shares to the Canadian public at $26 per share to raise $195 million in gross proceeds. The proceeds of the share issue were used to reduce bank debt.
- CanadianOxy called for redemption on October 19 all of its 10% Convertible Debentures, of which approximately $65 million were then outstanding. When the Notice of Redemption was issued, the common shares were trading at a 95% premium over the conversion price of the debentures and substantially all of the debentures were converted into common shares.
- As a result of the foregoing, the number of CanadianOxy common shares available to the public increased from about 4 million to 17 million, with Occidental's ownership being reduced from about 80% to 48%.
- On December 21 CanadianOxy completed the purchase of 30% of the shares of Cities Offshore Production Co. ("COPCO") for $35.8 million (U.S.). The remaining 70% of the shares were purchased for $96.7 million (U.S.) in early 1984, increasing CanadianOxy's asset value over the $1 billion milestone.

FINANCIAL

	1983[1]	1982	Increase (Decrease)
Net Sales	**$323,512,000**	$211,468,000	53%
Net Income	**$ 54,521,000**	$ 29,352,000	86%
Per common share — actual outstanding[2]	**$ 1.58**	$ 1.32	20%
Per common share — basic[2]	**$ 2.08**	$ 1.32	58%
Per common share — fully diluted[2]	**$ 1.90**	$ 1.21	57%
Working Capital Generated from Operations	**$130,476,000**	$ 70,583,000	85%
Working Capital Generated from Operations Before Exploration Expenditures	**$137,779,000**	$ 81,111,000	70%
Capital and Exploration Expenditures	**$ 44,434,000**	$ 61,604,000	(28%)
Working Capital	**$ 51,868,000**	$ 21,724,000	139%
Total Assets	**$921,789,000**	$391,065,000	136%
Long-term Debt	**$166,434,000**	$ 93,170,000	79%
Redeemable Preferred Shares	**$ 18,260,000**	$ 19,062,000	(4%)
Common Shareholders' Equity	**$460,731,000**	$145,080,000	218%
Number of Common Shares Outstanding	**33,346,489**	20,766,946	61%
Common Share Dividends Declared (per share)	**$ 0.36**	$ 0.36	—
Number of Common Shareholders	**3,508**	2,851	23%
Number of 10% Class A Preferred Shareholders	**879**	1,004	(12%)
Number of Employees	**830**	601	38%

[1] *Includes the results of operations of Canada-Cities Service, Ltd. since its acquisition on August 1, 1983.*

For Canadian capital gains tax purposes, the Department of National Revenue has published a December 22, 1971 Valuation Day price of $3.04 for the common shares of the Company (after giving effect to the 3-for-1 stock split in 1979).

[2] *Per common share amounts are after deducting preferred share dividends. The actual outstanding calculations are based on the 33,346,489 common shares outstanding on December 31, 1983 and 20,766,946 common shares outstanding on December 31, 1982. Basic earnings per common share are based on the weighted average number of common shares outstanding of 25,358,889 shares in 1983 and 20,733,733 shares in 1982. Fully diluted earnings per share were determined on the assumption that all outstanding convertible debentures and stock options had been converted or exercised at the beginning of the year.*

Letter to the Shareholders:

J. Angus McKee and Thomas D. Jenkins.

As you can see from our Corporate Highlights, 1983 was certainly an eventful year! Our acquisition of Canada-Cities Service, Ltd. in August virtually doubled the size of the Company and substantially improved our reserves and revenues from crude oil. Shortly after the acquisition, we completed an offering of 7.5 million common shares to the Canadian public. The common share issue, combined with the full conversion into common shares of our outstanding debentures, increased our float from about 4 million to 17 million common shares and resulted in the reduction in Occidental's ownership from 80% to below 50%. The reduction in Occidental's ownership satisfied in less than three months the commitment to the Canadian Foreign Investment Review Agency to reduce Occidental's ownership of Canada-Cities Service to less than 50% within five years. In December, CanadianOxy acquired 30% of the shares of Cities Offshore Production Co. and the remaining 70% in February 1984 for a total purchase price of $132.5 million (U.S.). COPCO holds interests in producing oil and gas fields offshore Louisiana, in the Gulf of Mexico.

For CanadianOxy, 1983 has been a year of transition. Not only has the entire complexion of the Company changed, but we have integrated the employees of Canada-Cities and CanadianOxy and moved to a new office building shown on the cover of our Annual Report. The unique aspect of the amalgamation is the high degree of compatibility between the two operations. Where Canada-Cities' oil and gas operations were diversified with respect to its conventional and enhanced oil recovery projects and its 13.23% interest in the Syncrude plant, CanadianOxy's operations were diversified with respect to industry and geographical location. This operational compatibility has enabled the combined Company to achieve greater operating efficiencies as well as retain substantially all employees from both companies.

Financially, CanadianOxy had a record year. Total revenues increased 51% to $328.5 million and net income increased 85% to $54.5 million. Based on the 33,346,489 shares outstanding, after the issuance of 7.5 million common shares in August and the conversion of the debentures in October, earnings per common share were $1.58 compared to $1.32 based on the 20,766,946 shares outstanding at the 1982 year-end. While the improvement in revenues and earnings was primarily attributable to the inclusion of five months' financial results for Canada-Cities, 1983 was a very successful year from an operational viewpoint. The Syncrude plant produced a record 40.8 million barrels of oil in 1983, an increase of 26% over the prior year. Our conventional oil and gas sales improved in 1983 due to higher production volumes and prices for natural gas in the United States and higher production volumes of crude oil in the United States. Chemical operations benefited from an apparent strengthening of the pulp and paper industry in British Columbia and the implementation of cost reduction programs.

In November, CanadianOxy received approval from the Alberta Energy Resources Conservation Board and the Ministry of Environment to construct its proposed sour gas processing plant at Mazeppa, southeast of Calgary. Subject to receiving satisfactory local planning approvals and the negotiation of plant participation and gas sales contracts, construction could commence this year with completion anticipated in 1986.

In October, several officials from the Government of Saskatchewan presided over the opening of CanadianOxy's first natural gas facility in Saskatchewan. The plant, located at Fort Pitt, has a production capacity of 7 million cubic feet per day of gas and has been operating at capacity since it opened.

CanadianOxy and its partners, Ontario Energy Corporation and SOQUIP, completed the second phase of their seismic program in Hudson Bay. Approximately 6,900 miles of seismic has been acquired to date and is currently being evaluated.

The completion of our acquisition of COPCO in February 1984 will substantially enhance our Gulf Coast oil and gas production. During 1983, COPCO production before royalties averaged 6,780 barrels per day of oil and liquids and 60 million cubic feet per day of natural gas.

Early in 1984, CanadianOxy commenced a restructuring of its debt positions. We completed in February an offering in the United Kingdom and Europe of $60 million Retractable Debentures due 1999. In March, we entered into a new loan agreement with a consortium of Canadian chartered banks providing for a $200 million unsecured, revolving term facility and a loan agreement with one of such banks providing for a $50 million operating line of credit. Concurrent with the execution of the unsecured loan agreements our $400 million secured revolving term loan and $50 million operating line of credit, arranged at the time of the Canada-Cities acquisition, were discharged and terminated. The interim financing for the acquisition of COPCO was repayed from an unsecured $150 million (U.S.) revolving term loan arranged with two banks in early March.

Despite the recent growth in the size of the Company, CanadianOxy has maintained a strong balance sheet. Shareholders' equity has increased from $164 million to $480 million with long term debt at year-end of $166 million. Planned 1984 capital and exploration expenditures of over $100 million are expected to be financed from internally-generated funds.

Looking ahead to 1984, we plan to substantially increase our Canadian exploration and development budgets, with our target plays being primarily in western Canada. We have an impressive land position with approximately 2.6 million net acres of undeveloped land in western Canada. Of this, approximately 90,000 net acres is in the heavy oil region in western Saskatchewan and eastern Alberta where we currently operate a 100%-owned steam thermal pilot project and participate in two fireflood thermal projects. About 6% of our Canadian oil production is heavy crude derived from primary production where there is potential for improved recovery from the implementation of enhanced recovery techniques. At the Syncrude plant, preliminary work has commenced on the proposed 5-year $1.2 billion expansion program which is designed to increase the production capacity of the plant by 20,000 barrels per day to 129,000 barrels per day.

The past several years have seen the worst economic recession in many decades. CanadianOxy's broadly based investments have been significant factors in stabilizing earnings through these times. While it would appear that the economy is finally showing signs of recovery, it is unlikely that the oil and gas industry will again see the buoyant climate which culminated in the late 1970's. Instead we will more likely be faced with reasonably stable oil prices throughout the 1980's and declining potential for geological successes with respect to conventional resources. To show a rising profit stream in the years ahead will entail a greater level of efficiency and innovation.

The past year has been a challenging one and our employees have worked hard to make it a successful one. We would like to take this opportunity to express our sincere appreciation to our employees for the many long hours they have contributed over the past year and to welcome our new shareholders. This coming year too will have its challenges as we work towards making CanadianOxy a stronger, more efficient and more innovative entity.

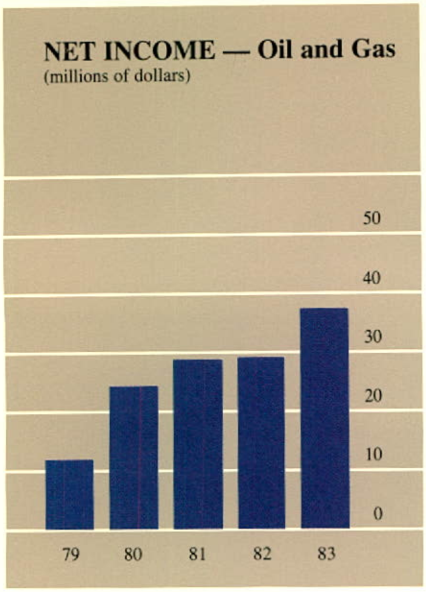
Respectfully submitted,

Thomas D. Jenkins
Chairman of the Board

J. Angus McKee
President and
Chief Executive Officer

Calgary, Alberta
March 28, 1984

Oil and Gas



CanadianOxy is engaged in oil and gas exploration and production in Canada, the United States Gulf Coast and South America.

In 1983, net sales from oil and gas operations increased by 25% to $158.3 million and net income increased by 30% to $37.0 million. The improvement in net sales and net income is primarily attributable to the inclusion of Canada-Cities' operations from August 1, 1983.

Exploration expenditures, including lease acquisition costs, were $12.7 million, which is substantially unchanged from the prior year. Development expenditures were $9.8 million compared to $33.4 million in 1982. The reduction in development expenditures was due to the substantial completion of major oil and gas development projects, primarily in the United States Gulf Coast and South America. The allocation of these expenditures between Canada, the United States and South America during the past three years is shown in the table below. The Company anticipates that it will more than double its exploration and development expenditures in 1984.

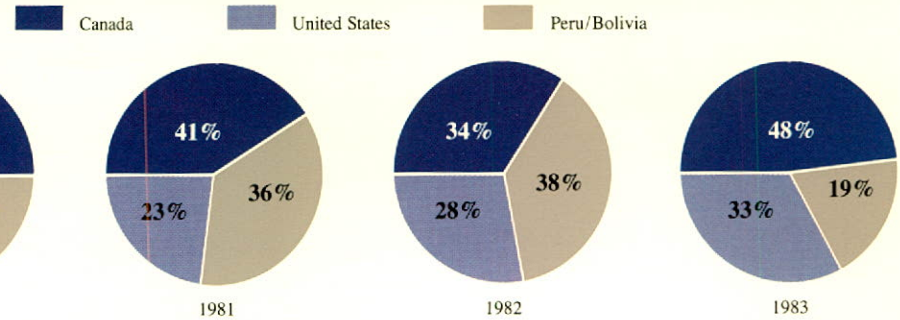
Refer to the Supplementary Financial Information commencing on page 36 for additional information pertaining to the Company's oil and gas producing activities.

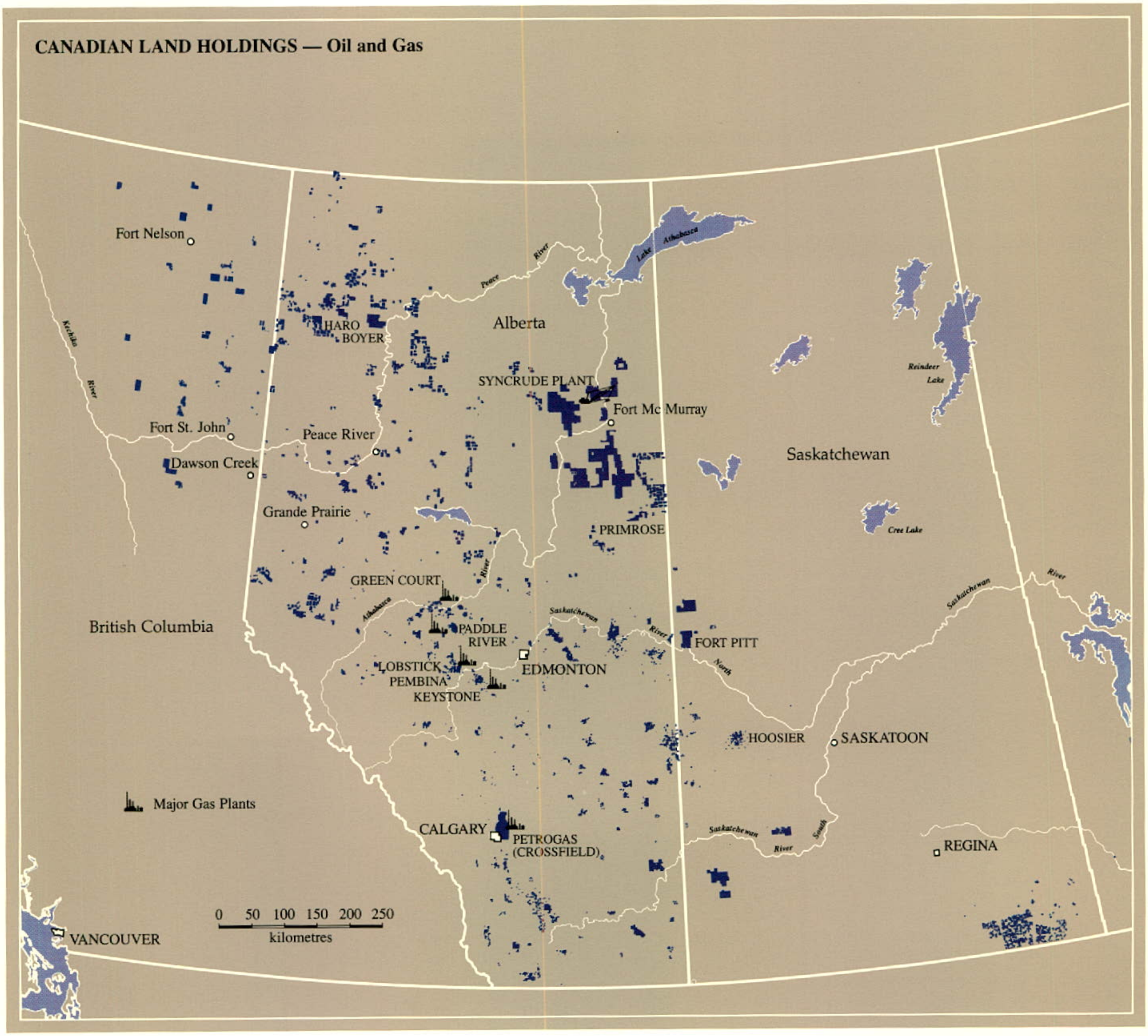
OIL AND GAS OPERATIONS

	1983[1]	1982	1981	1980	1979
		(Amounts in Thousands)			
Net Sales:					
Natural Gas	**$ 73,905**	$ 55,107	$ 48,219	$ 47,467	$ 29,227
Crude Oil and Condensate	**74,119**	59,576	47,099	32,728	10,101
Liquefied Petroleum Gas	**3,429**	1,810	2,082	2,354	1,580
Sulphur	**6,818**	10,000	11,767	11,611	4,526
	$158,271	$126,493	$109,167	$ 94,160	$ 45,434
Net Income:					
Canada	**$ 14,776**	$ 8,726	$ 10,887	$ 16,833	$ 13,612
United States	**21,113**	10,038	5,121	4,207	(722)
South America	**1,101**	9,764	12,503	3,439	(1,317)
	$ 36,990	$ 28,528	$ 28,511	$ 24,479	$ 11,573
Capital and Exploration Expenditures[2]:					
Acquisition of Oil and Gas Rights	**$ 2,984**	$ 939	$ 4,212	$ 7,009	$ 2,128
Exploration	**9,724**	11,626	16,948	17,611	9,425
Development	**9,750**	33,401	69,796	61,390	57,491
	$ 22,458	$ 45,966	$ 90,956	$ 86,010	$ 69,044
By geographic area:					
Canada	**$ 17,887**	$ 13,016	$ 27,187	$ 26,906	$ 11,983
United States	**3,123**	9,313	11,434	12,172	14,073
South America	**1,448**	23,637	52,335	46,932	42,988
Total Capital and Exploration Expenditures	**$ 22,458**	$ 45,966	$ 90,956	$ 86,010	$ 69,044
Less Current Year Expenditures Charged to Exploration Expenses	**7,303**	10,528	13,410	9,231	6,564
Additions to Property, Plant and Equipment	**$ 15,155**	$ 35,438	$ 77,546	$ 76,779	$ 62,480
Net Property, Plant and Equipment:					
Canada	**$209,368**	$ 49,815	$ 51,028	$ 41,076	$ 25,801
United States	**53,918**	61,015	64,443	63,796	61,213
Peru	**114,360**	116,723	107,991	78,896	45,261
Bolivia	**22,306**	22,753	22,988	8,873	2,575
Other International	**31**	414	—	—	—
	$399,983	$250,720	$246,450	$192,641	$134,850

(1) *Includes the results of operations of Canada-Cities Service, Ltd. since its acquisition on August 1, 1983.*
(2) *Excludes business acquisitions.*

Oil and Gas Sales by Geographic Area





CANADA

LAND

After the acquisition of Canada-Cities, CanadianOxy's land holdings in western Canada increased significantly to 2.3 million gross hectares (5.7 million gross acres) and 1.2 million net hectares (2.9 million net acres).

During 1983, CanadianOxy acquired 11 exploration licences in northern Alberta comprising 12 288 gross and 7 469 net hectares at a cost of approximately $2 million. The majority of these licences are in the Meander Basin and Peace River Arch areas of Alberta.

In August, CanadianOxy and its two joint venture partners reduced their acreage in Hudson Bay to 56 million acres from the original 72 million acres granted by the Federal Government in October 1981. The acreage reduction was carried out following the evaluation of the 1982 seismic program when these lands were found to be non-prospective.

EXPLORATION AND DEVELOPMENT

CanadianOxy participated in the drilling of 20 exploration and 59 development wells during 1983, resulting in 38 oil wells, 22 gas wells, and 19 dry holes. Of these, 9 exploratory and 10 development wells were drilled by others under various farmout and option agreements at no cost to CanadianOxy.

Exploratory drilling resulted in two oil discoveries in the Rainbow Basin in the Keg River area of northwestern Alberta where the Company holds varying interests in 160,000 acres. One of these wells encountered 31 metres (102 feet) of Keg River oil pay with an initial production rate of about 64 m^3 (400 barrels) per day. CanadianOxy retains a 25% working interest in this well. The Company plans to do further exploratory work in the Keg River Basin areas in 1984.

The Company also had two oil discoveries in southeastern Saskatchewan, where it has a 25% working interest in 257,000 acres. Further exploratory and development work is planned for this area in 1984.

Seismic programs were carried out in the Meander and Peace River Arch areas of northern Alberta where the Company holds varying interests in approximately 193,000 hectares (483,000 acres) of land. CanadianOxy plans to follow up these seismic programs with exploratory drilling in 1984.

In October 1981, CanadianOxy and two joint venture participants were granted oil and gas exploration rights by the Federal Government which currently cover 56 million acres in the Hudson Bay. The participants each have a one-third participating interest in the project, with CanadianOxy acting as operator. The exploration agreement extends for five years commencing January 1982. During 1982 and 1983, approximately 11 000 kilometres of seismic was shot at a cost of $10.2 million. The seismic data is currently being evaluated.

Development drilling resulted in oil production from the Carrot Creek, Lloydminster, Redwater, and Saddle Hills areas of Alberta and the Bienfait area of Saskatchewan. Gas production was established in the Crossfield, Beaverhill Lake, Boyer, Granor and Ferrier fields of Alberta.

The Company has also participated with several other companies in the negotiation of an exploration agreement on 281,101 acres of Canada Lands on the edge of the Nova Scotia Continental Shelf and Slope. Concurrently, the rights were farmed out to Petro-Canada Exploration, Inc. which plans to commence drilling a 13,450 foot well in April 1984, at a cost of approximately $57 million. CanadianOxy will hold a 2.1% working interest in the lands following the drilling of the commitment well.

Net proven and probable reserves in Canada at year-end were estimated to be 4 418 10^3m^3 (27.8 million barrels) of crude oil and condensate, 14 086 10^6m^3 (500 Bcf) of natural gas, 601 10^3m^3 (3.8 million barrels) of liquefied petroleum gas and 1.7 million tonnes (1.6 million long tons) of sulphur. The significant increase over the prior year in reserves of crude oil and condensate, natural gas and liquefied petroleum gas is primarily attributable to the inclusion of reserves from Canada-Cities.

DRILLING RECORD IN CANADA

	1983		1982		1981		1980		1979	
	Gross	**Net**	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploratory Wells										
Oil Wells	**7**	**1.6**	—	—	1	0.1	2	1.6	—	—
Gas Wells	**5**	**.5**	2	0.7	12	2.0	20	3.5	5	1.5
Dry Holes	**8**	**2.0**	4	2.7	11	3.6	8	3.0	9	2.9
	20	**4.1**	6	3.4	24	5.7	30	8.1	14	4.4
Development Wells										
Oil Wells	**31**	**7.3**	—	—	4	1.1	2	0.8	2	0.6
Gas Wells	**17**	**6.6**	12	3.2	22	6.3	16	6.4	24	6.7
Dry Holes	**11**	**2.6**	4	2.2	5	1.5	10	2.4	11	2.4
	59	**16.5**	16	5.4	31	8.9	28	9.6	37	9.7
	79	**20.6**	22	8.8	55	14.6	58	17.7	51	14.1

Notes:

(1) In general, an exploratory well is a well drilled either in search of a new and as yet undiscovered pool of oil or natural gas, or with the intent of greatly extending a pool already partly developed. All other wells are development wells.

(2) Gross wells means the total number of wells drilled in which CanadianOxy has an interest. Net wells represents the aggregate participating interests of the Company (other than royalty interests) in the gross wells.

(3) In 1979, 1980, 1981, 1982 and 1983, CanadianOxy earned gross overriding royalty interests in 24, 24, 17, 3 and 18 farmout wells respectively (included in gross wells above), some of which are convertible to working interests at the company's option on the payout of certain well costs. Upon payout, the net well totals in the table will increase by 1.25 gas wells in 1979, by 4.50 gas wells in 1980, by 2.79 gas wells and 0.2 oil wells in 1981, by 1 gas well in 1982, and by 1.51 gas wells and 1 oil well in 1983.

PRODUCTION AND SALES

Crude oil and condensate accounted for approximately 46% of CanadianOxy's net sales from Canadian oil and gas operations in 1983. During the first seven months, CanadianOxy's share of oil and condensate production before royalties averaged 155 m^3 (975 barrels) per day. Following the acquisition of Canada-Cities on August 1, production for the last five months averaged 1 440 m^3 (9,061 barrels) per day. About 46% of the conventional oil production is from the Pembina area, in Alberta, where the Company holds interests in 970 wells. Approximately 27% of the oil production is in Saskatchewan, where the Company has interests in 580 wells. The remaining production is derived from 931 wells located in Alberta and Ontario, and condensate recovered from the Company's interest in 28 natural gas processing plants.

Primary heavy crude oil production from the Lloydminster area of eastern Alberta and western Saskatchewan accounts for about 6% or 80 m^3 (500 barrels) per day of total oil production. Another 3% or 50 m^3 (316 barrels) per day is heavy oil recovered from enhanced oil recovery projects. CanadianOxy currently operates one 100%-owned steam thermal pilot project in the Cold Lake area of Alberta and participates in two fireflood thermal projects operated by others in eastern Alberta and western Saskatchewan.

Natural gas and liquefied petroleum gas accounted for approximately 45% of CanadianOxy's net sales from Canadian oil and gas operations in 1983. During the first seven months of 1983, CanadianOxy's average natural gas, liquefied petroleum gas and sulphur production before royalties averaged 904 10^3m^3 (32 MMcf) per day, 47 m^3 (296 barrels) per day and 285 tonnes per day, respectively. Production for the last five months, following the acquisition of Canada-Cities, averaged 2 013 10^3m^3 (71 MMcf) per day, 154 m^3 (968 barrels) per day and 311 tonnes per day, respectively. CanadianOxy derives 94% of its natural gas production from Alberta, where it holds interests in 782 gas wells. The remaining production is from 5 wholly-owned gas wells in Saskatchewan and one partially-owned well in British Columbia. The most important gas producing areas are the Crossfield field, the Paddle River field and the Primrose Kirby field. These three fields are located in Alberta and together account for 58% of the Company's natural gas production in Canada.

Gas produced from the Crossfield field is processed at a plant owned by Petrogas Processing Ltd., located about three miles northeast of Calgary. The Company owns 33.1% of the shares of Petrogas and is the manager and operator of the plant and the related field production facilities. Westcoast is the major purchaser of the pipeline gas production. The current Westcoast contract provides for delivery of 91 MMcf per day from the Crossfield field and expires on the earlier of December 31, 1987 or when Westcoast has taken delivery of 1 Tcf of gas. At current load factors, CanadianOxy expects the contract to expire during 1986. TransCanada PipeLines Limited has recently agreed to purchase additional quantities of gas following the termination of the Westcoast contract. CanadianOxy is actively investigating additional gas marketing possibilities in Alberta, eastern Canada and the United States.

Westcoast has not taken the full annual contract obligation since 1978, having taken on average only 85% of the contracted quantity during this period. To date, no take or pay payments have been made by Westcoast. Petrogas has initiated legal proceedings against Westcoast with respect to the outstanding take or pay payments.

Pipeline gas sales in western Canada during 1983 were affected by abnormally low nominations from the gas transmission companies, reflecting reduced demand by United States industrial customers. This resulted in most of the Company's contracted reserves of gas being shut-in or production being reduced during the summer of 1983. Production returned to near normal levels with the commencement of the winter heating season.

CanadianOxy has been granted a permit by the Alberta Energy Resources Conservation Board ("ERCB") to construct a natural gas processing plant and gathering system in the South Okotoks/Mazeppa area, southeast of Calgary. The proposed $100 million plant and facilities would produce about 830 10^3m^3 (30 MMcf) per day of pipeline gas, 70 m^3 (440 barrels) per day of condensate and 820 tonnes per day of sulphur. CanadianOxy will be operator and have about a 35% interest in the project. Subject to receiving a satisfactory development permit from the local authorities and the negotiation of plant participation and gas sales contracts, construction could commence during 1984 with completion anticipated in 1986.

Construction of a gas compression station was completed at Fort Pitt, Saskatchewan in October. This wholly-owned facility has a production capacity of 200 10^3m^3 (7 MMcf) per day of natural gas and represents the first sale of natural gas in the Province of Saskatchewan by CanadianOxy.

Sulphur marketing activities during 1983 contributed approximately 9% of CanadianOxy's net sales from Canadian oil and gas operations. CanadianOxy markets sulphur both for its own account and as agent for Petrogas and others. In 1983, CanadianOxy's share of sales was 61 096 tonnes in the North American market at an average price of $69.30 per tonne and 53 461 tonnes in the overseas markets at an average price of $67.92 per tonne, F.O.B. plant.

Thomas Shoyama, member of the Royal Commission on the Economic Union and Development Prospects for Canada, studying control panel at Petrogas plant during a plant tour in November.

UNITED STATES

CanadianOxy holds leasehold interests ranging from 3.7% to 20% in 18 offshore lease blocks in the High Island and South Pass areas of the U.S. Gulf Coast.

In the High Island area, offshore Texas, 11 drilling and production platforms have been installed and 142 successful development wells have been drilled to date. Drilling operations are substantially complete on 10 of these platforms, which were all on production at the commencement of 1983. Well completions are in progress at the platform serving Block 582, which is scheduled to commence production by late 1984.

At South Pass Block 78, offshore Louisiana, 12 oil and gas wells have been drilled to date. Natural gas production commenced through permanent facilities in February, 1982 and oil production commenced in September, 1982.

During 1983, the Company participated in the drilling of one gas well in the Gulf Coast. By the year-end, a total of 140 wells were on production and another 14 wells were awaiting completion and pipeline tie-in.

CanadianOxy's share of production from the Gulf Coast during 1983 averaged 961 10^3m^3 (34 MMcf) of gas per day and 186 m^3 (1,170 barrels) of oil and condensate per day, before royalties. The prices received for the two categories of pipeline gas production are currently \$85.19 (U.S.) per 10^3m^3 (\$2.40 (U.S.) per Mcf) and \$129.20 (U.S.) per 10^3m^3 (\$3.64 (U.S.) per Mcf) and for the oil production is \$192.88 (U.S.) per m^3 (\$30.65 (U.S.) per barrel).

The Company's total capital expenditures in the Gulf Coast area have been approximately \$93 million (U.S.). The Company expects that its share of additional capital expenditures required to complete the development of these properties will be approximately \$4 million (U.S.).

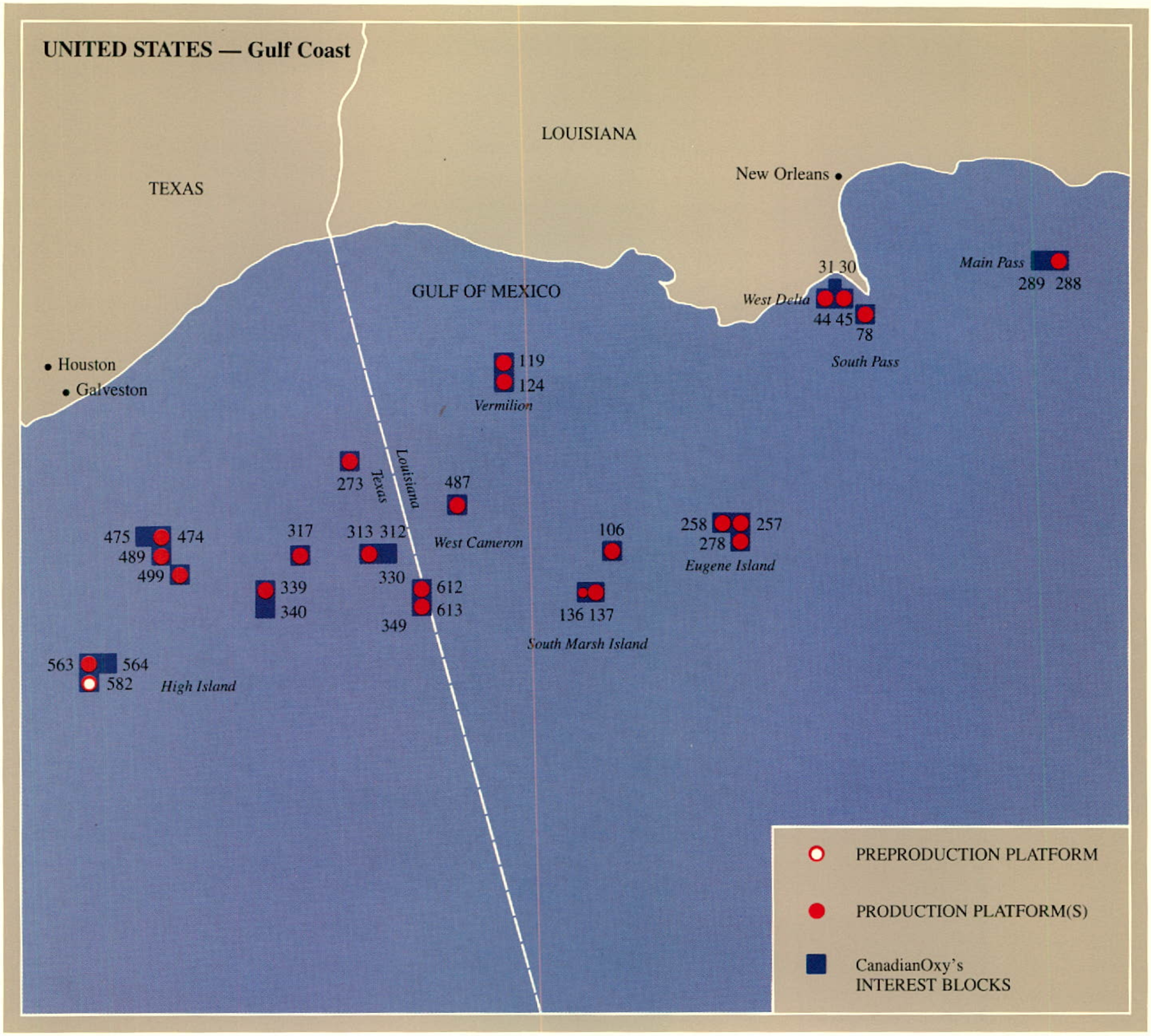
CanadianOxy's share of net proven and probable reserves for the United States Gulf Coast as of December 31, 1983 was 172 10^3m^3 (1.1 million barrels) of crude oil and condensate and 1 082 10^6m^3 (38.4 Bcf) of pipeline gas.

On December 21, 1983, CanadianOxy completed the purchase from a subsidiary of Occidental of 30% of the capital stock of Cities Offshore Production Co. ("COPCO") for a purchase price of \$35,750,000 (U.S.). On February 24, 1984, CanadianOxy completed the purchase of the remaining 70% of the capital stock for a purchase price of \$96,750,000 (U.S.). COPCO holds interests ranging from 25% to 100% in 15 federal leases, comprising approximately 55,000 acres, located in seven oil and gas fields offshore Louisiana, in the Gulf of Mexico, together with similar interests in the platforms, sub-surface equipment and other facilities used to explore for, develop and produce the oil and gas reserves. As at June 30, 1983, COPCO's share of net proven, probable and possible reserves was estimated by independent petroleum engineers to be approximately 3 268 10^6m^3 (116 Bcf) of natural gas and 906 10^3m^3 (5.7 million barrels) of oil and liquids. These reserves are not reflected in the Reserves Table on page 12. During 1983, COPCO's daily production before royalties averaged approximately 1 076 m^3 (6,773 barrels) of oil and condensate and 1 679 10^3m^3 (59.6 MMcf) of natural gas per day.

The accompanying map illustrates the location of the Company's High Island and South Pass lease blocks, along with the recently acquired COPCO lease blocks.

In March 1984, the name of Cities Offshore Production Co. was changed to CanadianOxy Offshore Production Co.

Platform at Eugene Island in the Gulf of Mexico.



DRILLING RECORD IN THE UNITED STATES (GULF OF MEXICO)

	1983		1982		1981		1980		1979	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploratory Wells										
Oil Wells	—	—	—	—	—	—	—	—	—	—
Gas Wells	—	—	—	—	—	—	—	—	1	.06
Oil/Gas Wells	—	—	—	—	—	—	—	—	—	—
Dry Holes	—	—	—	—	4	.12	—	—	1	.06
	—	—	—	—	4	.12	—	—	2	.12
Development Wells										
Oil Wells	—	—	3	.15	—	—	2	.11	—	—
Gas Wells	1	.05	3	.21	6	.32	11	.37	20	1.09
Oil/Gas Wells	—	—	2	.11	6	.60	2	.40	7	.63
Dry Holes	—	—	—	—	2	.13	5	.23	8	.56
	1	.05	8	.47	14	1.05	20	1.11	35	2.28
	1	.05	8	.47	18	1.17	20	1.11	37	2.40

PERU

CanadianOxy (21%), Occidental (63%) and Bridas Exploraciones y Produccion (16%), S.A., an Argentinian private oil company, are participants in an oil field redevelopment and secondary recovery project in nine established producing oil fields near Talara, approximately 600 miles northwest of Lima, on the coast of Peru. Occidental is the operator of the project.

From the inception of the project in August 1978, the Oxy Group has drilled a total of 1,005 new wells. At year-end, there were 1,461 productive wells (both producing and capable of production) and 404 injection wells.

CanadianOxy's share of oil production from the Talara area averaged 620 m^3 (3,900 barrels) per day during 1982 but was severely curtailed during the first half of 1983 due to severe weather conditions which persisted from January to June. Nearly 150 inches of rainfall occurred compared to the normal precipitation level of less than one inch per annum. Water injection, which was suspended in late January, resumed in mid-September. As a result of the severe operating disruptions, CanadianOxy's share of oil production for 1983 averaged 441 m^3 (2,777 barrels) per day. A damage and business interruption insurance claim was filed by Occidental in December 1983.

Under a service contract with the Peruvian government, CanadianOxy is paid a service fee on its 21% share of the oil production. The basic service fee is subject to adjustment for certain changes in crude oil prices, Peruvian income tax rates and production levels. The basic service fee averaged $16.87 (U.S.) per barrel during 1983. As a result of a change in Peruvian income taxes, the service fee was reduced to $15.80 (U.S.) per barrel effective January 1, 1984.

Waterflood operations, which commenced in August 1980, have been implemented in all nine fields. At year-end 1983, water was being injected into the formations through 404 wells at the rate of 20 976 m^3 (132,000 barrels) per day. Response to the waterflood is evident in some fields, although it has not been effective in others. Engineering evaluations are currently underway to assess the success of the waterflood operations and to determine supplemental measures that can be taken to improve the overall response.

Occidental's independent consulting engineers estimated as of December 31, 1983 a total of 11.6 10^6m^3 (72.8 million barrels) of proven reserves of crude oil are recoverable from the Talara project. CanadianOxy's net share of the reserves was 2.4 10^6m^3 (15.3 million barrels) of crude oil. Occidental currently estimates that probable additional reserves will result from the waterflood project. The estimate of probable additional reserves is subject to various factors almost all of which are theoretical and uncertain until actual response to water injection in each field is evaluated.

Total capital expenditures for the project to December 31, 1983 were approximately $548 million (U.S.) of which CanadianOxy's 21% share is approximately $115 million (U.S.). CanadianOxy's share of the planned capital expenditures in 1984 is estimated to be approximately $1.5 million (U.S.).

BOLIVIA

Occidental (75%) and CanadianOxy (25%) hold a production-sharing contract with YPFB, the Bolivian national oil company, covering 745,933 acres at the Porvenir field in the Chaco Basin of eastern Bolivia. Under this agreement, the Contractors are entitled to approximately 50% of all production, net of taxes and royalties, from the contract area.

Gas cycling and liquids extraction facilities were completed in October, 1981, whereby condensate is produced and sold while conserving most of the natural gas by re-injection into the reservoir. The plant is now serviced by ten wells, of which six are producing and four are used for gas re-injection. During 1983, CanadianOxy's share of the plant condensate production averaged 110 m^3 (692 barrels) per day with about 3 100 10^3m^3d (110 MMcfd) of natural gas being re-injected into the reservoir. The gas will be produced and sold in later years when additional markets are developed.

Until mid-1982 the condensate was sold to YPFB for domestic consumption at a price related to the official sales price for Arabian Light crude oil. Pursuant to a Supreme Decree, YPFB was authorized to make payment for the 1982 production by instalments extending to October, 1984. CanadianOxy's share of these payments totalled approximately $2.2 million (U.S.), of which it has received $598,000 (U.S.) to date. Due to the current excess of oil supply over domestic demand, Occidental and CanadianOxy were authorized to export their 50% share of production from Bolivia during the first five months of 1983. Early in 1984, Occidental and CanadianOxy were authorized to export part of the production for the last seven months of 1983. YPFB was invoiced for the remainder of the 1983 production. The Company's share of the total capital expenditures since commencement of the project is approximately $21 million (U.S.).

The Company's net share of the proven reserves for the Porvenir field as at December 31 is estimated to be 448 10^6m^3 (15.9 Bcf) of natural gas and 177 10^3m^3 (1.1 million barrels) of condensate.

OIL AND GAS PRODUCTION AND SALES

	1983	1982	1981	1980	1979
Production					
(gross before royalties)					
Imperial Units					
Pipeline Gas (Bcf)	**30.2**	23.0	22.3	22.2	19.1
Crude Oil and Condensate (thousand barrels)	**3,286.7**	2,250.3	2,022.3	1,798.6	652.9
Liquefied Petroleum Gas (thousand barrels)	**211.7**	117.1	149.9	169.7	196.2
Sulphur (thousand long tons)	**106.2**	92.5	110.6	107.8	121.1
Metric Units					
Pipeline Gas (thousand cubic metres)	**850 552**	646 590	617 229	615 066	529 798
Crude Oil and Condensate (thousand cubic metres)	**522.3**	357.6	321.4	285.8	103.7
Liquefied Petroleum Gas (thousand cubic metres)	**33.6**	18.6	23.8	27.0	31.2
Sulphur (thousand tonnes)	**107.9**	94.0	112.4	109.5	123.0
Sales					
Sulphur					
Imperial Units					
(thousand long tons)					
North American	**60.1**	94.6	116.0	97.2	79.1
Overseas	**52.6**	56.1	76.7	137.2	107.1
	112.7	150.7	192.7	234.4	186.2
Metric Units					
(thousand tonnes)					
North American	**61.1**	96.2	117.9	98.7	80.4
Overseas	**53.5**	56.9	77.9	139.4	108.8
	114.6	153.1	195.8	238.1	189.2

Note:
The above table includes Canada-Cities Service, Ltd. production from August 1, 1983 and crude oil production in Peru on which the Company has received a service fee since January 1, 1980.

OIL AND GAS LAND HOLDINGS

	1983		1982	
	Gross Acres	Net Acres	Gross Acres	Net Acres
Petroleum and Natural Gas				
Alberta	**4,479,128**	**2,457,970**	2,384,678	1,615,910
Saskatchewan	**771,068**	**219,685**	155,893	47,769
British Columbia	**473,009**	**260,935**	218,004	175,817
Ontario	**165,254**	**40,962**	—	—
Hudson Bay	**56,422,643**	**18,807,585**	71,929,411	23,976,518
N.W.T.	**536,332**	**323,594**	—	—
Yukon	**4,320**	**1,495**	—	—
East Coast Offshore	**281,101**	**14,757**	278,042	—
Louisiana Offshore	**6,420**	**737**	6,420	737
Texas Offshore	**74,211**	**4,355**	74,211	4,355
Bolivia	**745,933**	**93,241**	745,933	93,241
Brazil	**1,519,664**	**348,256**	1,519,664	348,256
Peru [(1)]	**19,073**	**4,005**	19,073	4,005
	65,498,156	**22,577,577**	77,331,329	26,266,608
Bituminous Shale				
New Brunswick	**3,556**	**3,556**	3,556	3,556
	65,501,712	**22,581,133**	77,334,885	26,270,164

[(1)] *The Company's interest reflects a 21% share of the petroleum service contract for Talara.*

OIL AND GAS RESERVES
(as at December 31, 1983)

	Proven		Probable		Total Proven and Probable	
	Gross	Net	Gross	Net	Gross	Net
Imperial Units						
Crude Oil and Condensate						
(thousand barrels)						
Canada	24,185	18,700	11,215	9,089	35,400	27,789
U.S. Gulf Coast	1,250	1,005	90	73	1,340	1,078
Peru	15,279	15,279	6,172	6,172	21,451	21,451
Bolivia	1,115	1,115	—	—	1,115	1,115
	41,829	36,099	17,477	15,334	59,306	51,433
Pipeline Gas						
(billion cubic feet)						
Canada	505.0	392.0	131.2	108.0	636.2	500.0
U.S. Gulf Coast	45.4	36.3	2.7	2.1	48.1	38.4
Bolivia	15.9	15.9	—	—	15.9	15.9
	566.3	444.2	133.9	110.1	700.2	554.3
Liquefied Petroleum Gas						
(thousand barrels)						
Canada	4,787	3,554	321	226	5,108	3,780
Sulphur						
(thousand long tons)						
Canada	1,876	1,642	2	2	1,878	1,644

	Proven		Probable		Total Proven and Probable	
	Gross	Net	Gross	Net	Gross	Net
Metric Units						
Crude Oil and Condensate						
(thousand cubic metres)						
Canada	3 845	2 973	1 783	1 445	5 628	4 418
U.S. Gulf Coast	198	160	15	12	213	172
Peru	2 429	2 429	981	981	3 410	3 410
Bolivia	177	177	—	—	177	177
	6 649	5 739	2 779	2 438	9 428	8 177
Pipeline Gas						
(million cubic metres)						
Canada	14 226	11 045	3 695	3 041	17 921	14 086
U.S. Gulf Coast	1 279	1 022	75	60	1 354	1 082
Bolivia	448	448	—	—	448	448
	15 953	12 515	3 770	3 101	19 723	15 616
Liquefied Petroleum Gas						
(thousand cubic metres)						
Canada	761	565	51	36	812	601
Sulphur						
(thousand tonnes)						
Canada	1 906	1 668	2	2	1 908	1 670

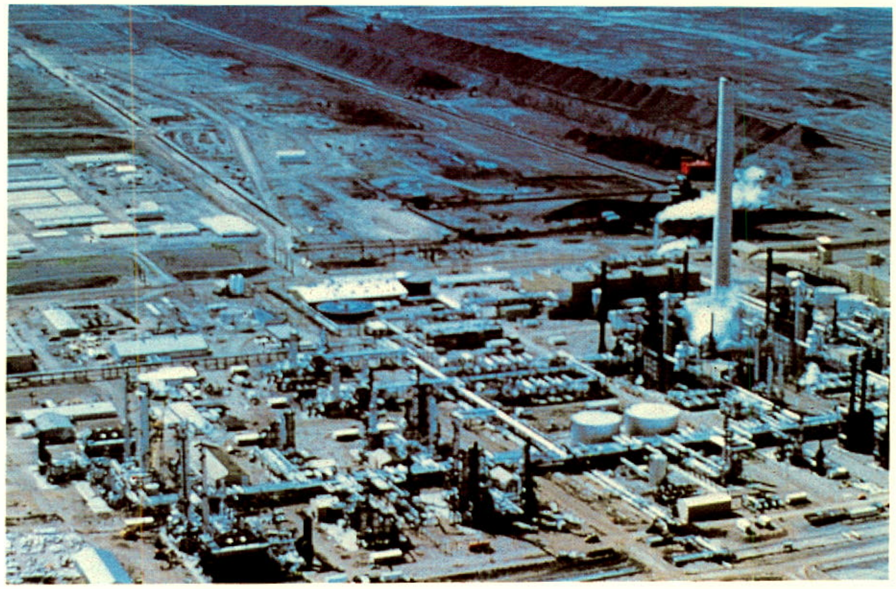
Note:
The above table excludes the 30% equity interest in Cities Offshore Production Co. acquired December 21, 1983 and the inventory of 136,538 long tons (138 729 tonnes) of sulphur held at year-end. The Company receives a service fee per barrel for reserves produced in Peru.

Alternate Fuels

CanadianOxy holds a 13.23% interest in the Syncrude Project as well as varying interests in undeveloped oil sands leases. It also holds mining claims and leases, including an undeveloped uranium property and coal properties.

After the acquisition of Canada-Cities, the former minerals and coal exploration activities of CanadianOxy were merged into the Alternate Fuels division.

Net sales from alternate fuels operations in 1983 were $73.2 million and net income was $16.5 million, reflecting revenues from the Syncrude plant from August 1, 1983 and after deducting $1.5 million for minerals, coal and other oil sands exploration activities.



Syncrude Plant, near Fort McMurray, Alberta.

ALTERNATE FUELS OPERATIONS

	1983[1]	1982	1981	1980	1979
		(Amounts in Thousands)			
Net Sales:					
Synthetic Crude Oil	**$ 72,792**	$ —	$ —	$ —	$ —
Sulphur	**442**	—	—	—	—
	$ 73,234	$ —	$ —	$ —	$ —
Net Income (Loss):					
Oil Sands	**$ 17,977**	$ —	$ —	$ —	$ —
Minerals and Coal	**(1,516)**	(2,189)	(2,881)	(1,356)	(818)
	$ 16,461	$ (2,189)	$ (2,881)	$ (1,356)	$ (818)
Capital Expenditures[2]:					
Oil Sands	**$ 14,082**	$ —	$ —	$ —	$ —
Minerals and Coal	**710**	2,678	5,346	5,711	2,299
	$ 14,792	$ 2,678	$ 5,346	$ 5,711	$ 2,299
Net Property, Plant and Equipment:					
Oil Sands	**$256,082**	$ —	$ —	$ —	$ —
Minerals and Coal	**7,523**	8,485	7,942	6,316	2,704
	$263,605	$ 8,485	$ 7,942	$ 6,316	$ 2,704

[1] *Includes the results of operations of Canada-Cities Service, Ltd. since its acquisition on August 1, 1983.*
[2] *Excludes business acquisitions.*

SYNCRUDE

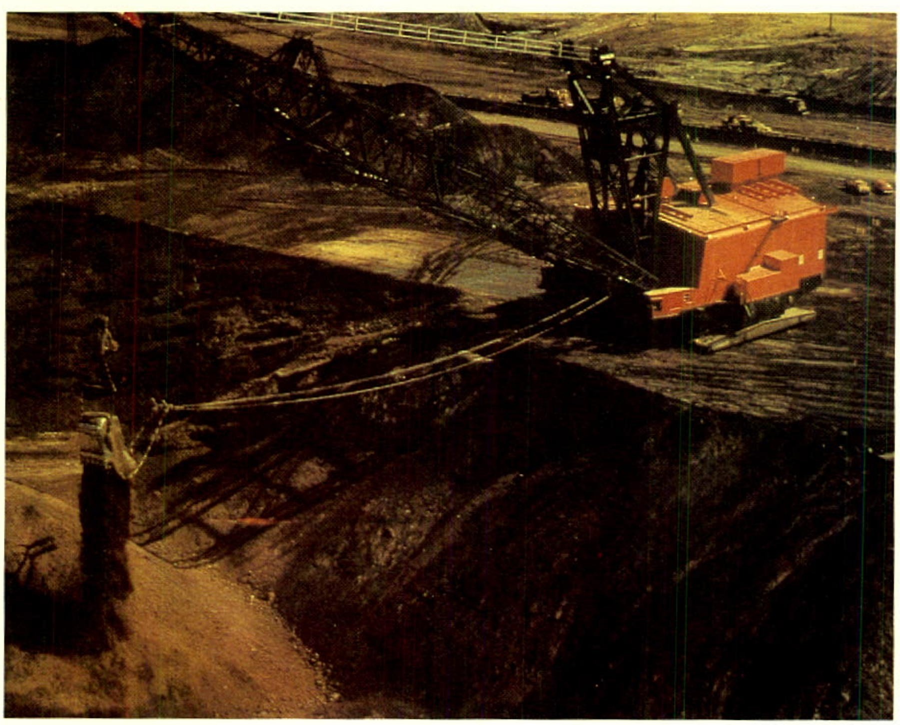
The Syncrude Project, a joint venture created for the purpose of mining shallow deposits of oil sands and extracting and upgrading crude bitumen into a synthetic crude oil, is located on 97,765 acres leased from the Province of Alberta in the Athabasca oil sands area near Fort McMurray, Alberta.

During 1983, the Syncrude Project recorded average daily production of 17 761 m^3 (111,770 barrels) per day compared to 13 982 m^3 (87,991 barrels) per day in the prior year. The 27% increase in production in 1983 resulted from more favourable operating conditions in 1983 and a curtailment in production in 1982 due to a coker shutdown caused by an equipment failure in the utility plant. During the last five months of 1983, the Company's share of production before royalties averaged 2 343 m^3 (14,746 barrels) per day.

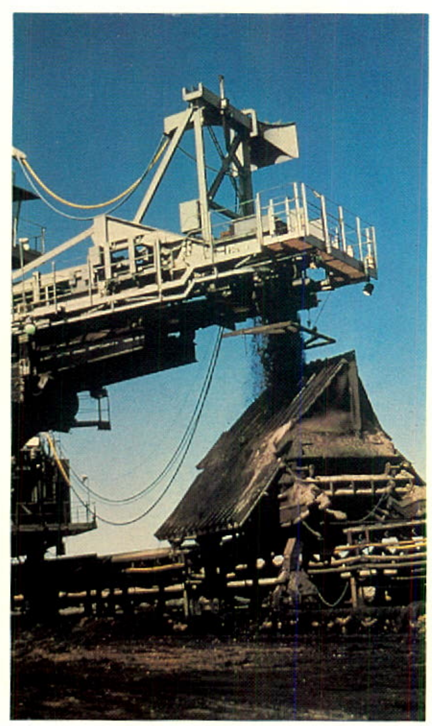
Under an agreement dated February 4, 1975, the Province of Alberta as lessor of the oil sands leases waived its right to royalties or other payment in lieu of royalties, and entered into a joint venture with the participants, under which the Alberta Crown receives 50% of the deemed net profits of the Syncrude Project, which at the Province's option may be converted to a 7.5% gross production royalty at any one time after March 1, 1984. Both the 50% of deemed net profits and the 7.5% gross production royalty are subject to change at the option of the Province of Alberta after March 1, 1989. They are also subject to change if substantial changes in circumstances occur which were not reasonably within the contemplation of the parties to the original agreement which was effective in 1975.

During 1983 the Syncrude participants negotiated an amendment to the original royalty agreement with the Government of Alberta. The amended agreement provides for an accelerated write-off of all qualifying capital expenditures in the calculation of the deemed net profits of the Syncrude Project for a five-year period commencing January 1, 1983. Preliminary work has commenced on a proposed $1.2 billion plant expansion project which is estimated to result in an increase in plant production of approximately 20,000 barrels of oil per day by the end of the five-year program. The amount and timing of the proposed capital expenditures are at the discretion of the Syncrude participants.

The Company's share of net synthetic crude oil reserves associated with the Syncrude Project, calculated by independent consultants to be produced over the remaining 20-year term of the initial 25-year mining plan, is estimated to be approximately 100 million barrels as at December 31, 1983. Since the royalty payable to the Province of Alberta is based on "deemed net profits", any estimate of net reserves entails making various assumptions as to future crude oil prices and future plant operating costs. Independent consultants have indicated that the reserves contained in the Syncrude operating leases are such that the processing activity could be continued for some years beyond the 25-year life utilized for the purposes of the evaluation and those additional reserves are not included in the above figures.



Dragline at Syncrude plant.



Unloading bitumen onto conveyor belt.

ALTERNATE FUELS PRODUCTION
(Gross Before Royalties)

	1983[1]
Imperial Units	
Synthetic Crude Oil (Thousand Barrels)	2,255.5
Sulphur (Thousand Long Tons)	13.1
Metric Units	
Synthetic Crude Oil (Thousand Cubic Metres)	358.4
Sulphur (Thousand Tonnes)	13.4

(1) Represents production from Canada-Cities Service, Ltd. properties acquired on August 1, 1983. Prior to this date, there was no production for the Alternate Fuels Division.

OTHER OIL SANDS LEASES

CanadianOxy has a 25% interest in six oil sands leases containing 188,000 acres in the vicinity of the current Syncrude operations. The Company and five other participants are exploring and evaluating these leases for commercial quantities of oil sands. Based on drilling programs conducted in the early 1970's, the Company estimates that these six leases hold 4.3 10^6m^3 (26.8 billion barrels) of bitumen in place. Since 1981, the participants have been conducting an ongoing drilling program to further delineate the deposits on certain of the leases. This program is expected to continue until 1986.

IN-SITU OIL SANDS

CanadianOxy has a 31.6% interest in 34 deep oil sands leases in the Athabasca deposit of northern Alberta. These leases cover 1,236,233 acres and the Company estimates that they contain approximately 122 billion barrels of bitumen in place. CanadianOxy's share, assuming the exercise of all farmout options, is estimated to be 4.8 10^6m^3 (30 billion barrels).

Initial exploration of these deep oil sands holdings commenced in 1956. Since that time the participants have pursued active research on various recovery processes including steam injection and electrical pre-heating stimulation.

Beginning in 1978, operations on the deep oil sands leases were conducted through a joint venture among Canada-Cities, Esso Resources Canada Limited and Petro-Canada Exploration, Inc. subject to a farmout agreement with Japan Canada Oil Sands Ltd. ("Jacos"). The farmout agreement gives Jacos a three phase option to earn a 25% interest in the deep oil sands over a period of approximately 15 years. Phase I has been completed and Jacos has earned a 25% interest in approximately one-third of the deep oil sands leases. Late in 1983, Jacos exercised its option to participate in Phase II of the farmout upon completion of which it will have earned a 25% interest in a further one-third of the deep oil sands leases.

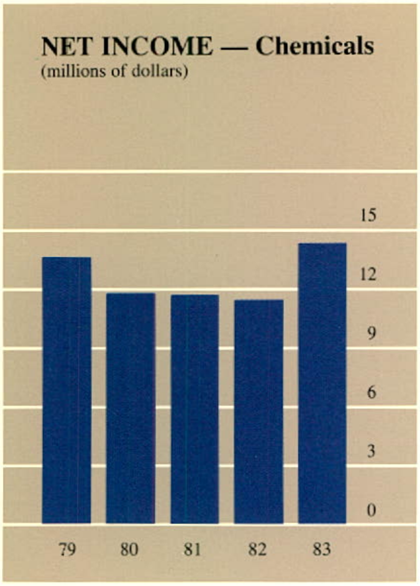
MINERALS AND COAL

The Company's most significant minerals property includes two high grade uranium deposits located on the eastern rim of the Athabasca basin in northern Saskatchewan. CanadianOxy and Inco Limited are equal partners in the property. Delineation drilling during 1980 on the first deposit, named the "McClean," outlined geological reserves of about 390,000 tons of mineralized material averaging 1.8% uranium oxide (U_3O_8) and containing approximately 14 million pounds of U_3O_8. A conceptual study for underground mining the high grade deposits, which occur at depths varying from 152 to 175 metres, was completed in 1982 and a mining method selected. The Atomic Energy Control Board has issued an Underground Exploration Permit for a three-year period, from January 1, 1984, to allow testing of the underground mining method.

The second deposit, named the "JEB", was discovered in 1982 when five drill holes intersected high grade mineralization about 10 kilometres north of the McClean deposit. Delineation drilling is required to determine the size of this deposit.

In addition, the Company holds several bituminous thermal coal properties, most of which are located in the Coalspur field, near Hinton, Alberta. Further evaluation of these properties is required to determine their commercial potential.

Chemicals



The Company's chemical operations include the Industrial Chemicals division, the Metal Finishing division and the Durez Plastics division.

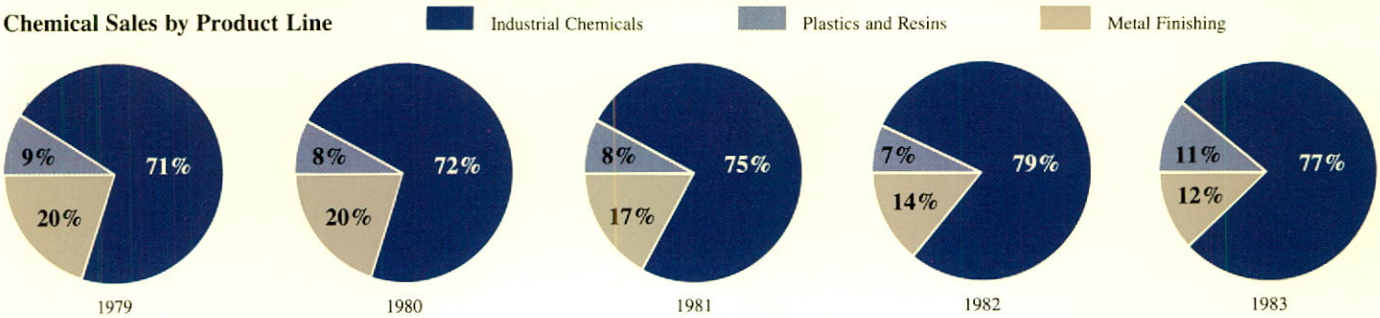
The Industrial Chemicals division consists of four electro-chemical plants; three in British Columbia and one at Brandon, Manitoba. This division manufactures chlorine, caustic soda, sodium chlorate and muriatic acid. Over 76% of net sales from the chemical operations are generated by this division. The Metal Finishing division manufactures and markets the Parker and Sel-Rex product lines in Canada. Parker products are used by industry in treating, cleaning and finishing metals and plastics. The Sel-Rex group supplies precious metal electro-plating chemicals and process technology, primarily to the electronics and decorative jewellery industries. The Durez Plastics division is a manufacturer and marketer of phenolic moulding compounds and industrial and foundry resins.

Sales from chemical operations were \$92 million in 1983 compared with \$85 million in 1982 and net income increased to \$14.3 million from \$11.4 million in the prior year. The improvement in revenues and net income is due to slightly improved demand and the implementation of cost reduction programs. Sales revenues in the Plastics division increased by 63% due to a business recovery in the automotive and construction industries and the acquisition in October 1982 of additional technology pertaining to the manufacture of phenolic moulding compounds. Sales revenues in the Metal Finishing division were substantially unchanged from the prior year.

CHEMICAL OPERATIONS

	1983	1982	1981	1980	1979
			(Amounts in Thousands)		
Net Sales:					
Industrial Chemicals	**$70,465**	$67,408	$67,065	$67,596	$56,024
Plastics and Resins	**10,045**	6,144	7,122	7,500	7,403
Metal Finishing	**11,497**	11,423	15,024	19,384	15,437
	$92,007	$84,975	$89,211	$94,480	$78,864
Net Income Before Extraordinary Item	**$14,295**	$11,428	$11,894	$11,910	$11,770
Extraordinary Item	—	—	—	—	893
Net Income	**$14,295**	$11,428	$11,894	$11,910	$12,663
Capital Expenditures:					
Industrial Chemicals	**$ 6,511**	$12,732	$ 8,526	$ 4,133	$ 1,951
Plastics and Resins	**83**	79	103	196	266
Metal Finishing	**39**	149	157	295	427
	$ 6,633	$12,960	$ 8,786	$ 4,624	$ 2,644
Net Property, Plant and Equipment:					
Industrial Chemicals	**$37,039**	$33,040	$23,543	$17,946	$16,862
Plastics and Resins	**1,779**	1,936	2,112	2,256	2,307
Metal Finishing	**1,046**	1,146	1,152	1,113	925
	$39,864	$36,122	$26,807	$21,315	$20,094

Chemical Sales by Product Line



CHEMICALS PRODUCTION

	1983	1982	1981	1980	1979
Industrial Chemicals					
Imperial Units (thousands of tons)					
Caustic Soda	**165.0**	159.9	171.7	201.4	191.8
Chlorine	**146.1**	142.1	150.6	177.3	169.2
Sodium Chlorate	**26.6**	22.2	23.5	23.6	23.0
Muriatic Acid	**12.4**	12.8	16.4	24.8	18.6
Metric Units (thousands of tonnes)					
Caustic Soda	**149.6**	145.1	155.7	182.7	174.0
Chlorine	**132.5**	128.9	136.6	160.8	153.5
Sodium Chlorate	**24.2**	20.2	21.3	21.4	20.9
Muriatic Acid	**11.3**	11.6	14.9	22.5	16.9
Durez Plastics					
Imperial Units (thousands of pounds)					
Moulding Materials	**10,533**	4,358	5,941	6,576	7,202
Industrial and Foundry Resins	**3,490**	4,477	5,686	5,273	5,896
Metric Units (thousands of kilograms)					
Moulding Materials	**4 778**	1 977	2 695	2 983	3 267
Industrial and Foundry Resins	**1 583**	2 031	2 579	2 392	2 674
Metal Finishing					
Imperial Units (thousands of pounds)					
Metal Finishing Chemicals	**8,909**	6,702	8,355	8,679	10,236
Metric Units (thousands of kilograms)					
Metal Finishing Chemicals	**4 041**	3 040	3 790	3 937	4 643
Precious Metal Salts (*troy ounces*)	**6,974**	11,314	14,472	17,331	22,963

INDUSTRIAL CHEMICALS

The industrial chemical operations comprise two chlor-alkali plants at North Vancouver and Nanaimo, B.C. and three sodium chlorate manufacturing plants at Squamish and Nanaimo, B.C. and Brandon, Manitoba. Industrial chemical products — chlorine, caustic soda, sodium chlorate — are manufactured by an electro-chemical process using salt and electricity. The products are used primarily as bleaching chemicals by the pulp and paper industry in western Canada. The Company supplies more than 50% of the chlorine and caustic soda sold in British Columbia.

During the fall of 1983, CanadianOxy completed a project to modernize the caustic processing facilities at its North Vancouver chemical plant. The modifications were designed to replace obsolete equipment, reduce energy consumption, lessen maintenance costs, and improve working conditions. The project was completed on schedule and under budget at $11 million.

CanadianOxy is also a major producer of muriatic acid in western Canada. The Company presently supplies more than 40% of the muriatic acid used in Alberta and British Columbia. A principal use of muriatic acid (also known as hydrochloric acid) is in the completion and stimulation of both new and existing oil and gas wells.

Total production capacities at the North Vancouver and Nanaimo plants for chlorine, caustic soda and muriatic acid are approximately 168 500, 187 000 and 22 700 tonnes per year, respectively. Sodium chlorate is produced at the Squamish, Nanaimo and Brandon plants where the combined annual capacity is 29 300 tonnes. During 1983, production of chlor-alkali and sodium chlorate was at about 77% capacity.

Labour union contracts in the pulp and paper industry in British Columbia expired in 1983 and are presently under renegotiation. In February, 1984 all of the West Coast pulp mills shut down and locked out their employees. This caused a shutdown of the Company's two major chlor-alkali plants in British Columbia.

In June 1982, the District Council of North Vancouver adopted several by-laws regulating the manufacture, transportation, storage and handling of dangerous goods. One of these by-laws could have restricted any future expansion or modification of existing chemicals manufacturing plants. Consequently, the Company and another chemical manufacturer challenged the validity of the by-law and initiated court proceedings to quash it. Early in 1983, the Court issued an order quashing the by-law. In February 1984, the District Council adopted a similar by-law to the one that was declared invalid by the Court. On March 12, 1984, CanadianOxy initiated Court proceedings to challenge the validity of the new by-law.

Since 1972, the North Vancouver plant has been the regional control centre for the North America-wide Chlorine Emergency Plan (CHLOREP). Through this plan, the Company participates with other chlorine producers to provide professional and responsive action in the event of a chlor-alkali related emergency anywhere in the area. In addition, the Company estimates that it will spend $1.9 million in 1984 and $1.1 million in 1985 towards the furtherance of its policy to meet or exceed all applicable safety and environmental standards at its chemical plants.

METAL FINISHING

This division manufactures and markets two main product lines, Parker and Sel-Rex.

The Parker group has operated in Canada for 35 years and remains the leading supplier of conversion coatings, cleaners and metal drawing lubricants. It manufactures over 190 products in Canada for the treating, cleaning, coating and finishing of steel, aluminum and other metals and plastics used in many industrial products, including automotive bodies and parts, agricultural equipment, nuts and bolts and extruded aluminum.

The Sel-Rex group is a major Canadian supplier of gold salts and other precious metal electro-plating chemicals and process technology to the electronics, telecommunications and decorative jewellery industries.

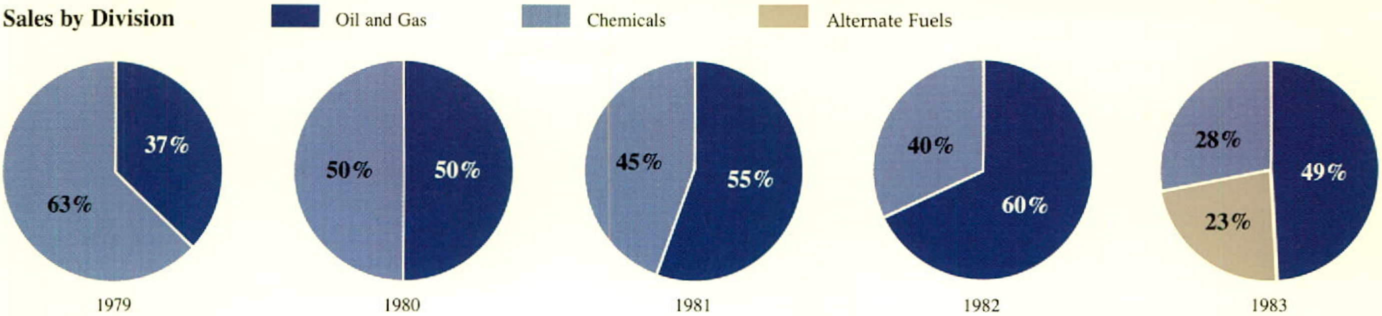
DUREZ PLASTICS

The Durez Plastics division, located at Fort Erie, Ontario, is a major Canadian manufacturer of phenol-formaldehyde industrial resins and moulding compounds. Durez products are used by the automotive, tire, communications, appliance and foundry industries.

New caustic processing facilities at the North Vancouver chlor-alkali plant.

Financial Review

Sales by Division



SUMMARY OF SELECTED FINANCIAL DATA

	December 31,				
	1983[1,2]	1982	1981	1980	1979[4]
	(amounts in thousands, except per share data)				
Results of Operations					
Net sales:					
Oil and gas	**$158,271**	$126,493	$109,167	$ 94,160	$ 45,434
Alternate fuels	**73,234**	—	—	—	—
Chemicals	**92,007**	84,975	89,211	94,480	78,864
	323,512	211,468	198,378	188,640	124,298
Interest and other	**5,020**	6,740	3,250	1,452	1,913
Total revenues	**$328,532**	218,208	201,628	190,092	126,211
Net income:					
Oil and gas	**$ 36,990**	28,528	28,511	24,479	11,573
Alternate fuels	**16,461**	(2,189)	(2,881)	(1,356)	(818)
Chemicals	**14,295**	11,428	11,894	11,910	12,663
Corporate	**(13,225)**	(8,415)	(7,485)	(4,713)	(2,603)
	$ 54,521	29,352	30,039	30,320	20,815
Per Common Share					
— actual outstanding	**1.58**	1.32	1.35	1.34	0.81
— basic	**2.08**	1.32	1.35	1.34	0.81
— fully diluted	**1.90**	1.21	1.24	1.30	0.81
Financial Position					
Working capital	**51,868**	21,724	33,523	24,840	13,448
Net property, plant and equipment	**705,073**	296,394	282,592	221,599	158,028
Total assets	**921,789**	391,065	371,670	302,919	218,710
Long-term debt	**166,434**	93,170	131,551	92,474	42,194
Redeemable preferred shares	**18,260**	19,062	20,315	21,873	42,919
Common shareholders' equity	**460,731**	145,080	124,541	101,853	80,714
Changes in Financial Position					
Funds from operations	**130,476**	70,583	72,213	77,508	36,361
Funds from operations before exploration expenditures	**137,779**	81,111	85,623	86,739	42,925
Common share issue, net of costs	**189,143**	—	—	—	—
Capital and exploration expenditures	**44,434**	61,604	105,466	97,508	74,110
Corporate acquisitions[3]	**390,111**	—	—	—	—
Preferred and common dividends	**11,228**	9,430	9,540	8,252	8,481
Decrease (increase) in net long-term debt	**(73,264)**	38,381	(39,077)	(50,280)	(29,591)

(1) *Includes the results of operations of Canada-Cities Service, Ltd. since its acquisition on August 1, 1983.*
(2) *Reflects current rate method of translation for foreign investments adopted prospectively in the fourth quarter of 1983.*
(3) *Includes the cost of the acquisition of 100% of Canada-Cities Service, Ltd. and 30% of COPCO.*
(4) *Earnings per share in 1979 are after an extraordinary item of 4 cents per share.*

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Consolidated Sales and Net Income

The Company's results for 1983 reflect the acquisition of Canada-Cities Service, Ltd., effective August 1, 1983. The inclusion of Canada-Cities' operations for five months resulted in record levels being achieved in sales revenues, net income and cash flow.

Net income for the year was $54.5 million, up $25.1 million or approximately 85% over 1982 and 1981. Total revenues were $328.5 million which represents increases of 51% and 63% over 1982 and 1981, respectively. In addition to the Canada-Cities acquisition, other factors which favourably affected income were increases in natural gas volumes and prices in the United States, increases in crude oil volumes in the United States and improved profits from industrial chemical operations. These were offset to some degree by decreases in natural gas volumes in Canada, decreases in United States crude oil prices, and lower volumes and prices for Bolivian condensate, Peruvian crude oil and sulphur. These factors are discussed more fully in the following segment analysis.

Oil and Gas

Net income from this segment was $37.0 million, an increase of $8.5 million over 1982. Sales revenues rose by $31.8 million or 25% to $158.3 million.

Revenues from natural gas sales in Canada and the United States were higher by $19.4 million. Increased sales volumes accounted for 78% or $15.2 million, and higher selling prices 22% or $4.2 million of the increase. Due to increased Petroleum and Gas Revenue Tax and cost of service the net selling price in Canada declined slightly but this was more than offset by the higher prices received on the United States volumes. Revenues from crude oil sales (including condensate and liquefied petroleum gas) in Canada and the United States increased by $34.0 million to $47.3 million. This is attributable to higher sales volumes of $28.7 million or 84% and higher selling prices of $5.3 million or 16% of the total increase. Crude oil prices in the U.S. declined marginally in 1983 compared to 1982.

These increases were partially offset by lower selling prices and volumes for sulphur totalling $3.2 million, the impact of reduced production and service fees earned in Peru of $10.0 million and $3.1 million, respectively, and reduced sales volumes and prices in Bolivia of $2.7 million and $2.6 million respectively.

Cost of sales and divisional expenses (excluding income tax) increased by $18.5 million or 24% as a result of higher revenues resulting from the acquisition of Canada-Cities.

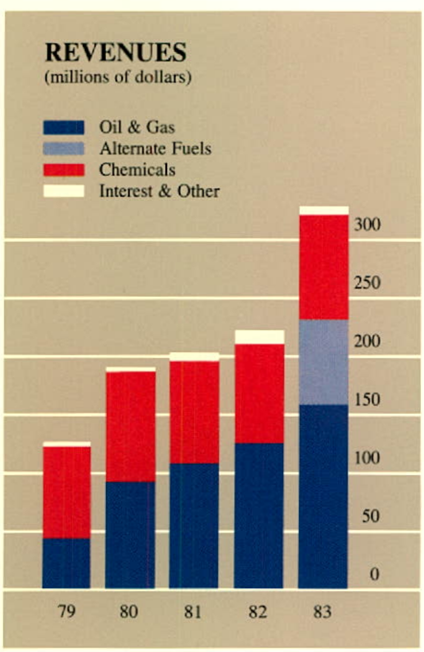
Alternate Fuels

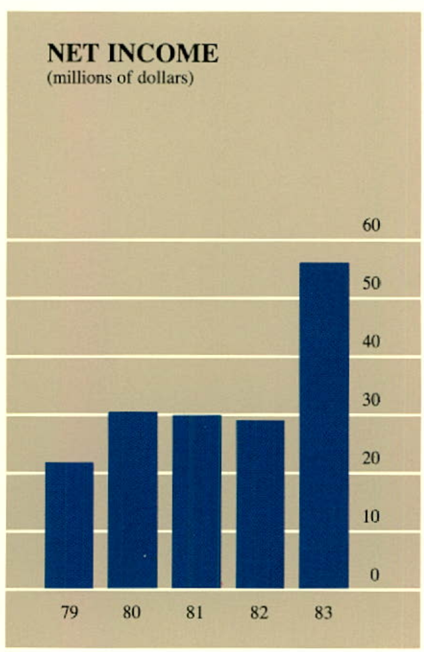
This is a new division of CanadianOxy. It was created by combining the coal and minerals departments with the Alternate Fuels division (including Syncrude) of Canada-Cities. The Syncrude project operated at record levels and contributed sales revenues of $73.2 million (from August 1, 1983), and net income of $16.5 million after deducting $1.5 million for coal, minerals and other oil sands exploration activities.

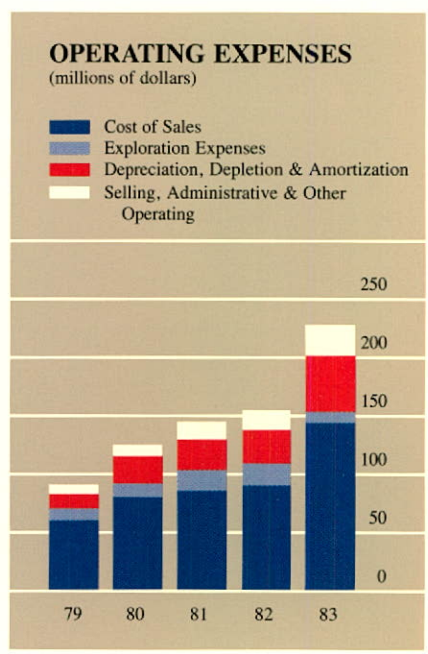
Chemicals

Sales revenues increased by $7.0 million or 8% to $92.0 million, compared to $85.0 million in 1982 and $89.2 million in 1981.

Manufacturing costs and operating expenses also increased by $3.8 million or 6% to $68.5 million from $64.7 million in 1982. Net income increased by $2.9 million or 25% to $14.3 million compared to $11.4 million in 1982. All products of the chemicals division (caustic soda, chlorine, sodium chlorate, muriatic acid, metal finishing compounds, and plastics and resins) continue to be adversely affected by the prolonged recession in the pulp and paper, automotive and appliance industries, although improvement in automotive and appliance industries







occurred in 1983. Competitive conditions are such that increases in manufacturing costs cannot be recovered by adjusting selling prices. Profit margins have been maintained by continued application of the cost reduction and avoidance program initiated in 1982.

Corporate Costs

Interest and finance charges have remained relatively unchanged at $13.7 million, $14.6 million and $12.5 million for 1983, 1982 and 1981, respectively. Although significant debt was incurred to finance the Canada-Cities acquisition, a significant portion of that debt was outstanding for only a short period of time. Also, the conversion of $73.2 million in debentures partially offsets the increased interest expense associated with the additional borrowings.

Corporate expenses include, in addition to interest income and expense related to corporate finance, general and administrative expense associated with corporate functions and expenses related to acquisitions. Corporate and general and administrative costs increased by 17% in 1983 over 1982 and did not increase in 1982 compared to 1981. A portion of these expenses, approximately 73% in 1983, is allocated to operating divisions.

Income Taxes

The 1983 consolidated income tax provisions increased by 40% to $33.9 million over the 1982 provision of $24.2 million. The effective income tax rate is influenced by the earnings mix between countries and provinces where different tax rates prevail and also by the amount of investment tax credits available to reduce the tax provision.

LIQUIDITY AND CAPITAL RESOURCES

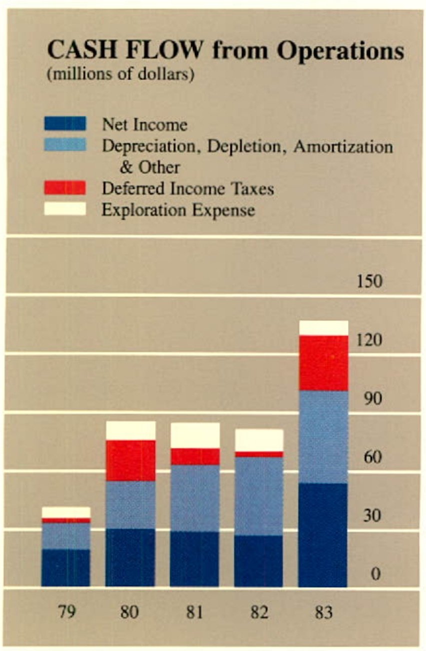
Funds from operations before exploration expenditures increased 70% to $137.8 million from $81.1 million in 1982. The comparable figure in 1981 was $85.6 million. During 1983 alternate sources of funds were secured to finance the acquisition of Canada-Cities and the 30% equity interest in Cities Offshore Production Co. (COPCO). Initially the Canada-Cities and COPCO acquisitions were financed by draw downs of $340 million and $45 million, respectively of the revolving term loan. Shortly after the Canada-Cities acquisition the Company issued 7.5 million common shares. The net proceeds of the issue were $189.1 million. During 1983 the Company also received $14.1 million as deferred revenue from natural gas overlifts and from other miscellaneous sources. The comparable amounts for 1982 and 1981 were $27.4 million and $1.2 million, respectively.

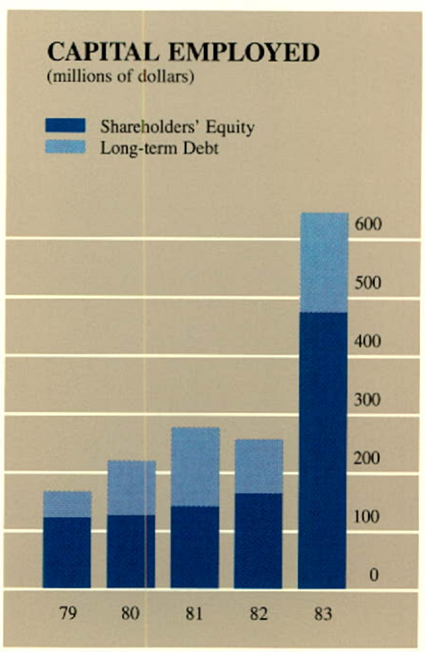
Long-term debt was used to finance the acquisitions in 1983 but was reduced significantly by year-end. The proceeds of the common share issue were used exclusively to reduce long-term debt. Capital and exploration expenditures were $44.4 million, a decrease of 28% and 58%, respectively, from 1982 and 1981. Other uses, dividends paid and natural gas underlifts required cash outlays of $22.7 million in 1983 whereas these outlays totalled $19.9 million in 1982 and $13.4 million in 1981.

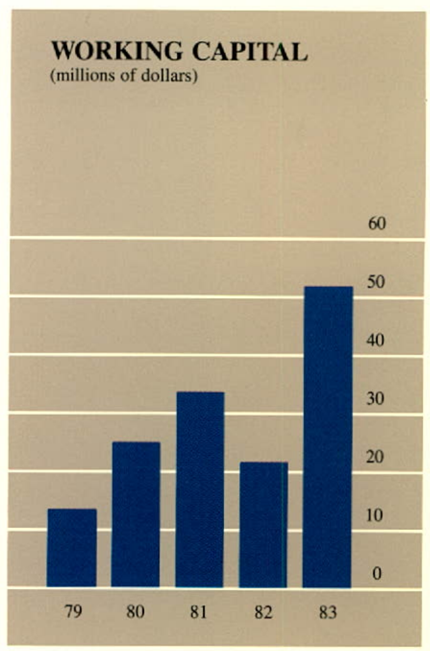
Non-cash working capital increased by $24.1 million mainly due to increases in accounts receivable and inventories. At year end the Company had cash and short-term investments, less short-term loans, totalling $17.8 million. This compared to $1.6 million in 1982 and $3.2 million in 1981. At year-end the short-term credit facility of $50.0 million was substantially unused and the long-term debt outstanding was $166.4 million. Unused long-term lines of credit of $202.2 million were also available at year-end. Working capital increased $30.1 million to $51.9 million in 1983.

During the year the 10% Convertible Subordinated Debentures of $73.2 million were converted into common shares, thus reducing long term debt by a similar amount. This conversion, together with the common share issue, increased the capital component of shareholders' equity tenfold from $28.4 million in 1982 to $290.0 million in 1983.

The Company's financial strength at year-end caused the Canadian bond rating agencies to substantially increase the Company's bond rating to "AA".







This will favourably affect the Company's ability to raise debt in the public financial markets. CanadianOxy has the financial resources from its internal cash flows and the cash available at the end of 1983, to fund its planned 1984 capital and exploration expenditures and meet its debt obligations.

INFLATION

The impact of inflation and changing prices on CanadianOxy's operations over the past three years has been influenced by other factors such as the changing fortunes of the world economy, fluctuations in oil and gas prices and changes in interest rates. In 1982 and 1983 the recession deepened, interest rates declined and inflation declined.

Oil and gas prices declined in 1983, affecting some of CanadianOxy's operations, while government-controlled oil prices in Canada were not fully impacted by the decline. Synthetic oil produced by Syncrude is sold at the "world" price, however, there have been no significant changes in those prices since CanadianOxy acquired the Syncrude project. Chemical division prices are subject to competitive and market conditions which in latter years have been influenced by the recession.

Costs of products and services purchased by CanadianOxy are also affected by competitive conditions influenced by the recessionary economy, in that general inflation has subdued to some degree and in certain cases services can be acquired at lesser cost. Inflationary cost increases are offset to some degree by cost reduction programs in chemical and administrative segments of CanadianOxy operations, while the oil and gas segment of operations can occasionally effect cost savings, compared to previous years, through effective purchasing procedures in recessionary times.

The Company reports the Effects of Changing Prices (Unaudited) in the Supplementary Financial Information on Page 36 to 41.

PAYMENTS TO GOVERNMENTS

The following table highlights payments made to federal, provincial and municipal governments and charged against income. The table excludes deferred income taxes, land bonuses and sales and excise taxes on materials purchased by the Company.

	1983	1982	1981
	(Amounts in thousands)		
Current Income Taxes	**$ 9,207**	$21,465	$ 8,333
Royalties and Revenue Taxes	**44,053**	17,420	12,400
Property, Mineral and Other Taxes	**9,771**	6,909	5,119
Lease Rentals	**2,150**	1,423	1,475
Payroll Taxes	**1,067**	813	683
Total	**$66,248**	$48,030	$28,010

Management's Responsibility for Financial Statements

Management is responsible for the integrity of the financial data reported by the Company and its subsidiaries. Fulfilling this responsibility requires the preparation and presentation of financial statements and other data in accordance with generally accepted accounting principles in Canada which are consistently applied, with any exceptions specifically described in the notes to the consolidated financial statements. Management uses internal accounting controls, offers guidance through corporate-wide policies and procedures and exercises its best judgment in order that such statements reflect fairly the consolidated financial position, results of operations and changes in financial position of the Company.

In order to gather and control financial data, the Company has established accounting and reporting systems supported by internal controls and an internal audit program. In establishing systems of internal control, management weighs the cost of such systems against the benefits that it believes can be derived. Management believes that the existing internal controls provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that the financial records are reliable for preparing financial statements and other data, and maintaining accountability for assets.

Arthur Andersen & Co., Chartered Accountants, have been engaged to examine the Company's consolidated balance sheet as of December 31, 1983, and 1982, and the related consolidated statements of income and retained earnings, and changes in financial position for the years ended December 31, 1983, 1982, and 1981. Their report, which is included herein, is based on procedures considered by them to be sufficient to provide reasonable assurance that the consolidated financial statements are not materially misleading and do not contain material errors.

The Audit Committee of the Board of Directors is responsible for reviewing and monitoring the Company's financial reports and accounting practices to ascertain that they are within acceptable limits of sound practice in such matters. The majority of the members of the committee are outside directors. At regular meetings, the Audit Committee discusses audit and financial reporting matters with representatives of financial management, the internal auditors and Arthur Andersen & Co.

On behalf of Management

J. Angus McKee
President and Chief
Executive Officer

David Bertram
Senior Vice President
Finance and Administration
and Chief Financial Officer

February 24, 1984

Auditors' Report

To the Shareholders of Canadian Occidental Petroleum Ltd.:

We have examined the consolidated balance sheet of Canadian Occidental Petroleum Ltd. (a Canada corporation) and Subsidiary Companies as of December 31, 1983 and 1982, and the related consolidated statements of income and retained earnings and changes in financial position for the three years ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Canadian Occidental Petroleum Ltd. and Subsidiary Companies as of December 31, 1983 and 1982, and the results of their operations and the changes in their financial position for the three years ended December 31, 1983, in accordance with generally accepted accounting principles, which, except for the change (with which we concur) in the method of accounting for foreign currency translation as explained in Note 2 to the consolidated financial statements, have been applied on a consistent basis.

Calgary, Alberta
February 24, 1984.

Arthur Andersen & Co.,
Chartered Accountants

CANADIAN OCCIDENTAL PETROLEUM LTD. AND SUBSIDIARY COMPANIES

Consolidated Statement of Income and Retained Earnings

FOR THE THREE YEARS ENDED DECEMBER 31, 1983

	1983	1982	1981
		(Amounts in thousands)	
Revenues (Notes 13, 14 and 16)			
Net sales	**$323,512**	211,468	198,378
Interest and other	**5,020**	6,740	3,250
	328,532	218,208	201,628
Costs and Expenses (Notes 13, 15 and 16)			
Cost of sales	**144,677**	91,131	87,525
Selling, administrative and other operating	**26,553**	12,822	13,921
Depreciation	**9,923**	5,780	4,302
Depletion and amortization	**38,897**	26,165	26,142
Exploration	**7,314**	15,708	14,071
Interest (Note 8)	**13,717**	14,642	12,497
Less interest capitalized	**(999)**	(1,639)	(3,740)
	240,082	164,609	154,718
Income Before Income Taxes	**88,450**	53,599	46,910
Income Taxes (Note 17)			
Current	**9,207**	21,465	8,333
Deferred	**24,722**	2,782	8,538
	33,929	24,247	16,871
Net Income	**54,521**	29,352	30,039
Retained Earnings — Beginning of year	**114,784**	94,862	74,363
	169,305	124,214	104,402
Dividends — preferred	**(1,856)**	(1,968)	(2,099)
— common	**(9,372)**	(7,462)	(7,441)
Retained Earnings — End of year	**$158,077**	114,784	94,862
Basic Earnings Per Common Share (Note 18)	**$ 2.08**	1.32	1.35
Adjusted Basic Earnings Per Share (Note 18)	**$ 1.92**		
Fully Diluted Earnings Per Share (Note 18)	**$ 1.90**	1.21	1.24

The accompanying Notes are an integral part of this Statement.

CANADIAN OCCIDENTAL PETROLEUM LTD. AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet

DECEMBER 31, 1983 and 1982

Assets

	1983	1982
	(Amounts in thousands)	
Current Assets		
Cash	$ 18,972	2,873
Accounts receivable (Note 4)	87,239	42,589
Inventories and supplies (Note 5)	39,061	26,799
Prepaid expenes	1,331	3,197
Total current assets	146,603	75,458
Investments (Note 6)	51,674	6,620
Natural Gas Underlifts	17,440	9,217
Property, Plant and Equipment (Notes 7 and 8)	705,073	296,394
Other Assets	999	3,376
	$921,789	391,065

Liabilities and Shareholders' Equity

	1983	1982
Current Liabilities		
Short-term loans	$ 1,150	1,277
Accounts payable and accrued liabilities	89,202	34,602
Income taxes payable	—	8,798
Dividends payable	3,454	2,343
Current portion of long-term debt (Note 8)	929	6,714
Total current liabilities	94,735	53,734
Long-term Debt (Notes 8 and 19)	166,434	93,170
Deferred Income Taxes	131,439	49,579
Other Deferred Credits (Note 9)	44,496	28,692
Natural Gas Overlifts	5,694	1,748
	442,798	226,923
Shareholders' Equity		
Capital (Note 10)	290,043	28,353
Contributed surplus (Note 11)	21,018	21,005
Retained earnings	158,077	114,784
Cumulative translation adjustment (Note 2)	9,853	—
Total shareholders' equity	478,991	164,142
Commitments and Contingent Liabilities (Note 12)		
	$921,789	391,065

APPROVED ON BEHALF OF THE BOARD:

, Director   , Director

The accompanying Notes are an integral part of this Balance Sheet.

CANADIAN OCCIDENTAL PETROLEUM LTD. AND SUBSIDIARY COMPANIES

Consolidated Statement of Changes in Financial Position

FOR THE THREE YEARS ENDED DECEMBER 31, 1983

	1983	1982	1981
		(Amounts in thousands)	
Source of Funds:			
Net Income	$ 54,521	29,352	30,039
Amounts not requiring an outlay of working capital —			
Depreciation, depletion and amortization	48,820	31,945	30,444
Deferred income taxes	24,722	2,782	8,538
Other	2,413	6,504	3,192
From operations	130,476	70,583	72,213
Add current year exploration expenditures	7,303	10,528	13,410
From operations before exploration expenditures	137,779	81,111	85,623
Proceeds from —			
Long-term debt, net of financing costs	366,048	2,464	47,000
Common share issue, net of costs	189,143	—	—
Deferred revenue	6,738	23,497	236
Natural gas overlifts	3,946	1,748	—
Sale of property, plant and equipment	455	242	275
Other	3,004	1,910	721
	707,113	110,972	133,855
Use of Funds:			
Acquisition of Canada-Cities Service, Ltd., net of working capital (Note 3)	345,424	—	—
Investment in Cities Offshore Production Co. (Note 3)	44,687	—	—
Reduction in long-term debt	219,683	41,227	6,268
Capital and exploration expenditures	44,434	61,604	105,466
Dividends	11,228	9,430	9,540
Natural gas underlifts	8,223	9,217	—
Purchase of preferred shares	789	989	1,376
Other	2,501	304	2,522
	676,969	122,771	125,172
Increase (Decrease) in Working Capital	30,144	(11,799)	8,683
Less Changes in Non-Cash Working Capital			
Accounts receivable	44,650	(724)	4,118
Inventories and supplies	12,262	(2,556)	2,425
Prepaid expenses	(1,866)	2,222	360
Accounts payable and accrued liabilities	(54,600)	(358)	1,023
Income tax payable	8,798	(8,692)	(106)
Dividends payable	(1,111)	31	(289)
Current portion of long-term debt	5,785	(143)	(3,079)
	13,918	(10,220)	4,452
Increase (Decrease) in Cash Less Short-Term Loans	16,226	(1,579)	4,231
Cash Less Short-Term Loans — Beginning of year	1,596	3,175	(1,056)
Cash Less Short-Term Loans — End of year	$ 17,822	1,596	3,175
Working Capital — End of year	$ 51,868	21,724	33,523

The accompanying Notes are an integral part of this Statement.

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars, except for share and per share amounts)

1. ACCOUNTING POLICIES

The significant accounting policies are presented as follows to assist in reviewing the consolidated financial statements. The accounting policies are based on generally accepted accounting principles in Canada and any material differences with generally accepted accounting principles in the United States are disclosed.

Principles of Consolidation

The consolidated financial statements include the accounts of Canadian Occidental Petroleum Ltd. and its subsidiary companies, (CanadianOxy), which are all wholly-owned. Investments in companies owned less than 50% in which CanadianOxy has significant influence are accounted for using the equity method. All intercompany accounts and transactions have been eliminated on consolidation.

Joint Ventures

Substantially all exploration and production activities related to oil and gas are conducted jointly with others and accordingly, the accounts reflect only CanadianOxy's proportionate interest in such activities.

Inventories and Supplies

Inventories and supplies are stated at the lower of cost or market. Cost is determined on a FIFO (first-in, first-out) or average cost basis.

Investments

Investments in Cities Offshore Production Co. (30%) and Petrogas Processing Ltd. (33.1%) are accounted for by the equity method, whereby the investments are carried at cost plus the related equity in undistributed earnings.

Property, Plant and Equipment

The successful efforts method of accounting for oil and gas exploration and development activities is followed. Lease acquisition costs and the costs of drilling and equipping development wells and successful exploratory wells are capitalized. Geological, geophysical and lease carrying costs are expensed as incurred. The costs of exploratory dry holes are expensed at the time of abandonment.

Maintenance and repairs are charged to expense as the costs are incurred. Renewals and betterments which extend the economic useful life of the assets are capitalized.

The costs of the Syncrude project, producing acreage, successful exploratory wells and all development wells together with related equipment are depleted and depreciated on the unit-of-production method using proved developed reserves. The cost of non-producing acreage is amortized considering past experience and other relevant factors which might impair the cost. Other property, plant and equipment is depreciated on a straight-line basis over its estimated useful life.

Capitalized Interest

Interest is capitalized on all qualifying assets until put into service using either the interest rate on borrowings specifically associated with the asset or, if no such specific borrowings exist, the weighted average interest rate on all borrowings.

Deferred Revenue

Payments received under natural gas "take or pay" contracts are deferred. The amounts will be recorded in earnings when the gas is delivered.

Natural Gas Underlifts and Overlifts

Natural gas underlifts and overlifts relate to the U.S. Gulf Coast properties. Underlifts represent CanadianOxy's working interest share of natural gas produced and sold by other joint venture partners. Overlifts represent natural gas sold by CanadianOxy belonging to other joint venture partners. These amounts will be settled in future periods by receiving or making payment in cash or in kind. Revenue is recorded based on CanadianOxy's working interest share of natural gas produced.

Deferred Dismantlement Costs

These costs represent expected future costs of dismantling production platforms in the U.S. Gulf Coast. The costs are based on engineering estimates and provision is made on the unit-of-production basis.

Income Taxes

The tax allocation basis of accounting is used with respect to all differences between the time when costs and revenues are recognized for tax purposes and when they are recorded in the Consolidated Statement of Income. Investment tax credits are applied as a reduction of income tax expense in the period in which it is determined that the amounts will be realized.

No income tax provision is made in the accounts for the undistributed earnings of foreign incorporated subsidiaries as such investments are expected to continue and there is no present intention to repatriate the earnings. At December 31, 1983 undistributed earnings of these subsidiaries amounted to $31,323,000.

Foreign Currency Translation

Foreign operations have the United States dollar as their primary currency. Assets and liabilities are translated into Canadian dollars using exchange rates at the balance sheet dates. Revenue and expense items are translated using the average rates of exchange throughout the year. Gains and losses resulting from the translation process are shown as a separate component of shareholders' equity.

Transactions in a currency other than the primary currency are translated into the primary currency by the temporal method. Using this method each asset, liability, revenue or expense is translated into the primary currency by applying exchange rates in effect at the transaction date. At each balance sheet date the recorded amounts of monetary assets and liabilities are adjusted using the exchange rate at that date. Any resulting exchange gains and losses are included in earnings in the current period except for unrealized exchange gains and losses on long-term monetary items which are deferred and amortized over the remaining life of the asset or liability.

Reconciliation with United States Generally Accepted Accounting Principles

The Consolidated Financial Statements have been prepared in conformity with generally accepted accounting principles in Canada. The only material differences between the accounting principles used and United States generally accepted accounting principles are as follows:

(a) In the translation of transactions and account balances denominated in non-primary currency, deferred income taxes are considered to be non-monetary and are translated at historical rates. Using United States generally accepted accounting principles deferred income taxes are considered monetary in nature and are translated at current rates with the gain or loss on translation being included in earnings. If the deferred income taxes related to South American operations had been considered a monetary item, foreign exchange gains of $2,759,000, and $4,147,000 would have been credited to income in 1983 and 1982 respectively, and the estimated deferred income taxes at December 31, 1983 would be reduced from $131,439,000 to $124,533,000.

(b) In the Consolidated Balance Sheet, Redeemable Preferred Shares have been included as part of "Shareholders' Equity". Securities and Exchange Commission regulations in the United States require that redeemable preferred shares in the amount of $18,260,000 as at December 31, 1983 and $19,062,000 as at December 31, 1982, be disclosed as a separate item apart from Common Shareholders' Equity.

(c) In accounting for the acquisition of Canada-Cities Service, Ltd. (Canada-Cities), the amount, recorded for property, plant and equipment has not been reduced by deferred income taxes provided for on Canada-Cities' books at the acquisition date. Using United States generally accepted accounting principles, property, plant and equipment and deferred income taxes would be reduced by $56,905,000.

2. CHANGE IN ACCOUNTING POLICY

In the fourth quarter of 1983 CanadianOxy adopted the method of foreign currency translation described in Note 1 effective January 1, 1983. This change is in response to a recommendation of the Canadian Institute of Chartered Accountants. The effect of the change in the method of translation has resulted in a decrease in earnings in 1983 of $650,000.

An analysis of the Cumulative Translation Adjustment included in shareholders' equity is as follows:

Balance — January 1, 1983	$ 8,444
Translation adjustment for the year	1,409
Balance — December 31, 1983	$ 9,853

3. ACQUISITIONS

a) Canada-Cities Service, Ltd. (Canada-Cities)

Effective August 1, 1983 CanadianOxy acquired all of the outstanding shares of Canada-Cities from Occidental Petroleum Corporation, (which at August 1 and December 31 owned approximately 80% and 48% respectively of the outstanding shares of CanadianOxy), for a cash price of $353,871,000. Canada-Cities is primarily engaged in the exploration, development, and production of conventional crude oil, natural gas and synthetic crude oil. Operations are conducted primarily in Alberta, Canada. Canada-Cities' principal assets are its conventional oil and gas properties and its investment in the Syncrude project.

The investment in Canada-Cities is accounted for using the purchase method of accounting and Canada-Cities results of operations have been included in these consolidated financial statements since August 1, 1983.

Details of the acquisition are as follows:

Non-current assets acquired	$410,238
Non-current liabilities assumed	64,814
	345,424
Working capital acquired	8,447
Cost of acquisition	$353,871

The following table presents selected financial information for CanadianOxy and Canada-Cities on a pro forma basis assuming the two companies had been combined for each of the years ended December 31, 1983 and 1982. It should be noted, however, that such pro forma selected financial information does not purport to represent the results which actually would have been obtained had the acquisition occurred at the beginning of the years presented or which may be obtained in the future.

	Pro Forma (Unaudited) 1983	1982
Revenues	$509,591	474,147
Net Income	$ 77,531	51,469
Earnings per share		
Basic	$ 2.55	1.75
Fully diluted	$ 2.34	1.60

b) Cities Offshore Production Co. (COPCO)

On December 21, 1983 CanadianOxy acquired 30% of the shares of COPCO from Occidental Petroleum Corporation for a net cash consideration of U.S. $35,750,000 (Cdn. $44,687,000). Subsequent to year-end, CanadianOxy acquired the remaining 70% of COPCO for a cash consideration of U.S. $96,750,000. COPCO has interests in fifteen leases in seven producing oil and gas fields in the U.S. Gulf Coast.

The acquisition of the 30% interest is accounted for using the equity method.

4. ACCOUNTS RECEIVABLE

	1983	1982
Trade	$ 69,661	36,863
Non-trade	11,407	2,115
Income taxes refundable	4,422	—
Receivable from affiliates	1,749	3,611
	$ 87,239	42,589

5. INVENTORIES AND SUPPLIES

	1983	1982
Inventories in Canada:		
Finished products	$ 3,397	3,093
Raw materials	3,734	3,655
Work in process	8,656	1,016
	15,787	7,764
Finished products in Bolivia	687	2,210
Supplies in:		
Canada	13,193	4,258
Peru	5,740	8,400
Bolivia	3,654	3,803
Other international	—	364
	22,587	16,825
	$ 39,061	26,799

6. INVESTMENTS

	1983	1982
Petrogas Processing Ltd.	$ 6,987	6,620
Cities Offshore Production Co.	44,687	—
	$ 51,674	6,620

7. PROPERTY, PLANT AND EQUIPMENT

	1983		1982	
	Cost	Accumulated Depreciation, Depletion and Amortization	Cost	Accumulated Depreciation, Depletion and Amortization
Oil and gas: (Successful efforts method)				
Canada	$255,280	45,912	84,200	34,385
United States	114,544	60,626	99,645	38,630
Peru	143,568	29,208	136,980	20,257
Bolivia	25,519	3,213	24,460	1,707
Other international	405	374	414	—
	539,316	139,333	345,699	94,979
Alternate fuels	274,718	11,113	13,761	5,276
Chemicals	80,998	41,134	76,715	40,593
Corporate	2,444	823	2,170	1,103
	$897,476	192,403	438,345	141,951
Net book value	$705,073		296,394	

Alternate fuels includes CanadianOxy's investment in oil sands assets and mineral and coal exploration projects.

8. LONG-TERM DEBT

	1983	1982
Revolving term loan, secured (a)	$147,777	—
Revolving credit loan, unsecured (a)	—	17,000
Petroleum production credit agreement (b) (U.S. $15,000,000 at December 31, 1983 and U.S. $2,000,000 at December 31, 1982)	18,657	2,464
Advance payments, interest free (U.S. $747,000 at December 31, 1983 and U.S. $5,823,000 at December 31, 1982)	929	7,175
Convertible subordinated debentures (c)	—	73,245
	167,363	99,884
Principal amount due within one year, included in current liabilities	929	6,714
	$166,434	93,170

a) **Revolving term loan**

During 1983 CanadianOxy entered into a loan agreement with a consortium of Canadian chartered banks providing for a $400 million revolving credit facility which can be drawn in Canadian, U.S. or Euro-dollar funds. The loan limit was reduced by $50 million as a result of the common share issue and commencing March 31, 1985 will be reduced by equal consecutive quarterly reductions of $12.5 million over the next seven years. Interest rates on this facility are dependent on the currency in which the funds are borrowed. Funds borrowed in U.S. or Canadian dollars bear interest at their respective bank prime to December 31, 1984, prime plus ¼% for the next three years and then prime plus ½% to December 31, 1991. Any Euro-dollar funds bear interest at ½% above the Libor rate applicable to such borrowings up to December 31, 1984, Libor rate plus ¾% for the next three years and Libor rate plus 1% to December 31, 1991. At December 31, 1983 the average interest rate for the revolving term loan was approximately 11.2%.

Security given to the banks under this agreement include a first floating charge covering all of the assets of CanadianOxy and its subsidiaries, including Canada-Cities, together with a specific fixed charge on all significant assets of such companies. In addition, the loan agreement contains restrictive covenants on the type of transactions CanadianOxy can enter into without prior consent.

Pursuant to the revolving term loan agreement CanadianOxy was required to repay and cancel, with the exception of the petroleum production credit agreement, all other lines of credit. To replace prior short-term lines of credit, one of the banks made available to CanadianOxy a $50 million operating credit facility in either U.S. or Canadian dollars, on a demand basis, with interest at bank prime.

As at December 31, 1983 amounts drawn under this agreement consisted of:

Revolving credit facility	
— Canadian funds	$103,000
— U.S. funds (U.S. $36,000,000)	44,777
	$147,777

CanadianOxy had substantially all of the operating credit facility and $202,223,000 of the revolving term loan available to it as unused lines of credit at December 31, 1983.

The consortium of chartered banks have agreed to replace this revolving credit facility with a $200 million unsecured facility subject to proper documentation.

b) **Petroleum production credit agreement**

This loan was drawn in equal parts from U.S. and Euro-dollar sources, is repayable in U.S. funds, and is secured by CanadianOxy's investment in Peru. The loan is repayable in ten equal semi-annual installments commencing February 28, 1985, and ending on August 31, 1989. Interest rates under this agreement vary depending on the currency and year in which the funds are outstanding and approximates U.S. bank prime plus 1½%. At December 31, 1983 the average interest rate under this credit agreement was 12.4%.

c) **Convertible subordinated debentures**

The convertible subordinated debentures were converted into common shares in 1983, except for an amount of $128,000 in respect of which a deposit was placed with the trustee for redemption purposes. The unamortized portion of the deferred financing costs relating to the original issue of the debentures was charged to common stock, as a share issue cost, on the conversion of the debentures.

Long-term debt repayments are as follows:

1984	$ 929
1985	3,731
1986	3,731
1987	3,731
1988	3,732
1989 and thereafter	151,509
	$167,363

Interest expense on long-term debt amounted to $12,455,000, $13,734,000 and $10,278,000 for 1983, 1982, and 1981 respectively.

9. OTHER DEFERRED CREDITS

	1983	1982
Deferred revenue	**$ 38,417**	24,422
Deferred dismantlement costs	**5,105**	4,270
Other deferred credits	**974**	—
	$ 44,496	28,692

10. CAPITAL

a) Authorized capital

Authorized share capital consists of an unlimited number of Class A preferred shares of no par value issuable in series and an unlimited number of common shares of no par value.

b) Issued capital

	Preferred		Common	
	Number of Shares	Amount	Number of Shares	Amount
December 31, 1980	874,900	$21,873	20,553,513	$ 6,931
Exercise of stock options for cash	—	—	49,710	312
Conversion of subordinated debentures	—	—	114,893	1,695
Purchased for cash	(62,300)	(1,558)	—	—
December 31, 1981	812,600	20,315	20,718,116	8,938
Exercise of stock options for cash	—	—	44,765	293
Conversion of subordinated debentures	—	—	4,065	60
Purchased for cash	(50,100)	(1,253)	—	—
December 31, 1982	**762,500**	**19,062**	**20,766,946**	**9,291**
Common share issue, net of costs of $5,857,000	**—**	**—**	**7,500,000**	**189,143**
Exercise of stock options for cash	**—**	**—**	**123,079**	**1,380**
Conversion of subordinated debentures	**—**	**—**	**4,956,464**	**73,100**
Unamortized deferred financing costs, net of income taxes	**—**	**—**	**—**	**(1,131)**
Purchased for cash	**(32,100)**	**(802)**	**—**	**—**
December 31, 1983	**730,400**	**$18,260**	**33,346,489**	**$271,783**

c) Class A Preferred Shares

The 10% Cumulative Redeemable Class A Preferred Shares, First Series, with annual dividends of $2.50 per share payable quarterly, are redeemable at the option of CanadianOxy during 1984 at a price of $25.75 per share plus all accrued and unpaid dividends. The redemption price declines annually by $0.25 per share until 1987, at which time the shares may be redeemed at par. During each calendar quarter, CanadianOxy is obligated to purchase for cancellation in the open market, if available, 12,500 Class A Preferred Shares at a price not exceeding $25 plus cost of purchase. Should this obligation not be satisfied in any calendar quarter it will continue through the next seven calendar quarters but not thereafter. In satisfaction of this obligation CanadianOxy purchased 32,100 shares during 1983 and 50,100 shares in 1982.

d) Stock Options

Options to purchase common shares have been granted to certain officers and key employees. Under the stock option plan, options granted are contingent upon continued employment and are exercisable on a cumulative basis over a period of five or ten years from the date of the grant. At December 31, 1983, 24,325 common shares were reserved for the granting of additional options and options for 144,896 shares were exercisable at prices from $5.917 to $17.125 per share.

The following summarizes the stock option transactions:

	1983	1982	1981
Options outstanding — Beginning of year	**365,655**	338,510	300,910
Granted	**125,230**	77,850	93,700
Exercised and issued	**(123,079)**	(44,765)	(49,710)
Cancelled	**(7,720)**	(5,940)	(6,390)
Options outstanding — End of year	**360,086**	365,655	338,510
Options outstanding — Price range per share			
Minimum	**$ 5.917**	5.917	4.917
Maximum	**$ 27.750**	17.125	17.125
Options exercised — Price range per share			
Minimum	**$ 5.917**	4.917	5.000
Maximum	**$ 17.125**	13.625	13.625

11. CONTRIBUTED SURPLUS

	1983	1982	1981
Balance — Beginning of year	**$ 21,005**	20,741	20,559
Gains on redemption of Class A Preferred Shares, First Series	**13**	264	182
Balance — End of year	**$ 21,018**	21,005	20,741

12. COMMITMENTS AND CONTINGENT LIABILITIES

a) Lease Commitments

Various operating, transportation and office facilities are leased under contracts, none of which are capital leases. A portion of the minimum annual rental payments is recovered by charges to or credits from third parties and is treated as a reduction of the lease expense. The actual rental payments for 1981, 1982, and 1983 and estimates for subsequent years are summarized below (excluding oil and gas and mineral leases):

	1981	1982	1983	1984	1985	1986	1987	1988	Remainder
Minimum Rental Payment	$3,842	3,617	4,284	7,020	7,343	5,692	5,030	5,040	21,655

b) Expenditure Commitment Resulting from the Acquisition of Canada-Cities

Under the terms of the purchase agreement of Canada-Cities, CanadianOxy has agreed to assume certain undertakings made to the Government of Canada by Occidental Petroleum Corporation pertaining to the future operation of the business and assets of Canada-Cities, including an undertaking that during the period January 1, 1984 to December 31, 1988 CanadianOxy will make total expenditures of $300,000,000 on or for oil and gas exploration and development in Canada.

c) Other Contingencies and Commitments

CanadianOxy and its affiliate Petrogas Processing Ltd., have a number of lawsuits and claims pending by and against third parties. While the ultimate result of such lawsuits and claims cannot be ascertained at this time, the management of CanadianOxy is of the opinion that the adverse determination of any of these lawsuits or claims would not have a materially adverse affect upon the financial position of CanadianOxy or the results of its operations.

CanadianOxy and other Syncrude participants have entered into long-term purchase agreements to secure pipeline capacity and electrical power. Management believes the probability of CanadianOxy being required to make payments under the above agreements without receiving commensurate benefits is remote.

13. RELATED PARTY TRANSACTIONS

In addition to the acquisition of Canada-Cities and COPCO as outlined in Note 3 which were at fair market value, CanadianOxy receives engineering, technical, administrative and marketing services of a routine nature, pays royalties and licence fees on production processes and is charged for its share of overhead and other costs associated with South American joint ventures by Occidental Petroleum Corporation (Occidental) and its affiliates. In addition, CanadianOxy purchases product and equipment from and sells product to Occidental. These transactions are at competitive prices.

The following table outlines charges (to) from Occidental and its affiliates.

	1983	1982	1981
Sales	$ (27,398)	(10,423)	(12,167)
Purchases of product and equipment	8,615	3,241	5,985
Engineering, technical, administrative and marketing services	925	1,938	2,221
Royalties and licence fees	374	312	316
Other	374	(125)	(157)

14. FOREIGN EXCHANGE

For 1983, 1982 and 1981 foreign exchange gains amounted to $1,447,000, $3,820,000 and $1,174,000 respectively and are included in "Interest and other" in the Consolidated Statement of Income.

15. EMPLOYEE PENSION PLAN

CanadianOxy has a non-contributory pension plan which covers all employees. Past service costs are being funded over a fifteen year period. The unfunded amount was estimated to be $2,001,000, $1,605,000 and $1,929,000 at December 31, 1983, 1982 and 1981, respectively. Pension costs included in the Consolidated Statement of Income were $868,000, $976,000 and $1,166,000 in 1983, 1982 and 1981, respectively.

The actuarial present value of accumulated plan benefits and the net assets of the plan available for plan benefits as at August 1, 1983 and June 30, 1982 and 1981 were as follows:

	1983	1982	1981
Actuarial value of accumulated plan benefits			
Vested	$ 9,484	6,737	5,562
Non-vested	270	198	170
	$ 9,754	6,935	5,732
Assumed rate of return used to calculate actuarial value of plan benefits	7.0%	7.0%	7.0%
Net assets available for plan benefits	$ 16,772	9,255	8,957

16. BUSINESS SEGMENT INFORMATION

A. Information about Operations in Different Industries

	Total			Oil and Gas			Alternate Fuels			Chemicals		
	1983	1982	1981	**1983**	1982	1981	**1983**	1982	1981	**1983**	1982	1981
Net sales	**$323,512**	211,468	198,378	**158,271**	126,493	109,167	**73,234**	—	—	**92,007**	84,975	89,211
Operating profit (loss) before income taxes	**$105,865**	67,507	60,429	**59,860**	50,478	43,802	**22,464**	(3,194)	(4,312)	**23,541**	20,223	20,939
Identifiable assets	**$886,647**	385,988	364,751	**524,799**	317,046	304,111	**297,809**	8,550	8,220	**64,039**	60,392	52,420
Depreciation, depletion and amortization	**$ 48,408**	31,497	29,959	**38,790**	25,854	23,030	**6,970**	2,131	3,717	**2,648**	3,512	3,212
Additions to property, plant and equipment	**$ 36,580**	51,076	91,678	**15,155**	35,438	77,546	**14,792**	2,678	5,346	**6,633**	12,960	8,786

CanadianOxy's Oil and Gas operations include the exploration for and development and production of oil, natural gas and sulphur. The Alternate Fuels division is engaged in the production of synthetic crude oil and the exploration for and evaluation of mineral and coal deposits. The Chemical operations consist of the manufacture and marketing of industrial chemicals (principally chlorine, caustic soda, sodium chlorate and muriatic acid), metal finishing chemicals, plastic resins and moulding materials. There are no significant sales between segments.

B. Information about Operations in Different Geographic Areas

	Total			Canada			United States			South America		
	1983	1982	1981	**1983**	1982	1981	**1983**	1982	1981	**1983**	1982	1981
Net sales	**$323,512**	211,468	198,378	**241,758**	127,668	133,727	**51,570**	35,213	25,252	**30,184**	48,587	39,399
Operating profit after income taxes	**$ 66,924**	36,850	37,341	**45,513**	17,915	18,471	**19,747**	9,364	6,317	**1,664**	9,571	12,553
Identifiable assets	**$886,647**	385,988	364,751	**602,862**	143,432	134,619	**127,347**	79,196	74,161	**156,438**	163,360	155,971

C. Reconciliation to Consolidated Statement of Income and Balance Sheet

	1983	1982	1981
Net sales	**$323,512**	211,468	198,378
Interest and other	**5,020**	6,740	3,250
Total revenues	**$328,532**	218,208	201,628
Operating profit before income taxes	**$105,865**	67,507	60,429
Income taxes on segmented items	**(38,941)**	(30,657)	(23,088)
Operating profit after income taxes	**66,924**	36,850	37,341
Corporate expenses	**(5,472)**	(2,561)	(5,439)
Interest expense (net of capitalized interest)	**(12,718)**	(13,003)	(8,757)
Interest income	**775**	1,656	677
Income tax on non-segmented items	**5,012**	6,410	6,217
Net income	**$54,521**	29,352	30,039
Identifiable assets	**$886,647**	385,988	364,751
Corporate assets	**35,142**	5,077	6,919
Total assets	**$921,789**	391,065	371,670

17. INCOME TAXES

The Canadian and foreign components of income and taxes thereon are as follows:

	1983	1982	1981
Income before income taxes			
Canadian	$ 54,434	15,257	18,939
Foreign	34,016	38,342	27,971
	88,450	53,599	46,910
Income Taxes			
Current			
Canadian	377	2,307	1,778
Foreign	8,830	19,158	6,555
	9,207	21,465	8,333
Deferred			
Canadian	21,750	3,400	6,052
Foreign	2,972	(618)	2,486
	24,722	2,782	8,538
Total			
Canadian	22,127	5,707	7,830
Foreign	11,802	18,540	9,041
	33,929	24,247	16,871
Net Income	$ 54,521	29,352	30,039

The following table reconciles the difference between the income tax expense recorded and the expected tax expense obtained by applying the expected tax rate to income before income taxes.

	1983		1982		1981	
	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income
Expected tax expense	$ 43,341	49.0	26,264	49.0	22,986	49.0
Effect on taxes from:						
Royalties, rentals and similar payments to provincial governments	12,164	13.8	5,039	9.4	4,244	9.0
Petroleum and gas revenue tax	6,442	7.3	1,899	3.5	1,152	2.5
Depletion allowance on oil and gas income	(6,697)	(7.6)	(394)	(0.7)	(91)	(0.2)
Resource allowance and provincial tax rebates	(16,869)	(19.1)	(7,127)	(13.3)	(4,964)	(10.6)
Corporate surtax	405	0.5	216	0.4	212	0.5
Higher (lower) tax rate on foreign operations	(1,818)	(2.0)	5,305	9.9	4,003	8.5
Investment tax credits	(1,144)	(1.3)	(6,590)	(12.3)	(9,750)	(20.8)
Reduced rate of tax on manufacturing and processing income	(324)	(0.4)	(493)	(0.9)	(532)	(1.1)
Other	(1,571)	(1.8)	128	0.2	(389)	(0.8)
Income tax expense recorded	$ 33,929	38.4	24,247	45.2	16,871	36.0

Income tax expense is computed on the basis of revenues and expenses recorded in the Consolidated Statement of Income. Deferred income tax balances arise primarily from differences in the treatment for financial statement purposes compared to statutory treatment for tax purposes. The amount of deferred income tax expense related to these various timing differences is as follows:

	1983	1982	1981
Exploration and development expenses	$ 354	(3,262)	9,374
Depreciable property, plant and equipment	18,780	1,960	1,481
Investment tax credits	1,023	966	(3,231)
Natural gas underlifts	1,760	2,263	1,977
Deferred dismantlement costs	(245)	(484)	(1,153)
Other	3,050	1,339	90
	$24,722	2,782	8,538

18. EARNINGS PER COMMON SHARE

Basic earnings per common share are based on the weighted average number of shares outstanding of 25,358,889, 20,733,733 and 20,649,265 in 1983, 1982 and 1981, respectively, and after deducting dividends on the preferred shares which were $1,856,000, $1,968,000 and $2,099,000 in 1983, 1982 and 1981, respectively.

Adjusted basic earnings per share are calculated as an indication of the effect on future years earnings of the issue of common shares on the conversion of the subordinated debentures. Earnings per share are adjusted on the assumption that the subordinated debentures were converted at the beginning of the year.

Fully diluted earnings per share were determined on the assumption that all outstanding convertible debentures and stock options had been converted or exercised at the beginning of the year.

19. SUBSEQUENT EVENTS

a) Subsequent to year-end CanadianOxy issued $60 million 12⅜% retractable debentures in the Euro-dollar market with a maturity date of March 1, 1999. The proceeds of this issue were used to reduce the revolving term loan.

Under the terms of the debentures, CanadianOxy will have the right to set a new rate of interest for each of the five year periods commencing on March 1, 1989 and 1994. The Debentures may be redeemed in whole or in part at the option of CanadianOxy or the debenture holder on March 1, 1989 and 1994, at 100% of the principal amount.

b) As referred to in Note 3.b, CanadianOxy acquired the remaining 70% of COPCO for a cash price of U.S. $96,750,000.

c) Canada-Cities, which was acquired effective August 1, 1983, was amalgamated with CanadianOxy effective January 1, 1984.

20. COMPARATIVE FIGURES

Certain amounts for prior years on the Consolidated Balance Sheet, Consolidated Statement of Changes in Financial Position and certain of the Notes to the Consolidated Financial Statements have been reclassified to conform with the current year's presentation.

QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for 1983 and 1982 is as follows:

	QUARTER ENDED							
	March 31		June 30		September 30		December 31	
	1983	1982	**1983**	1982	**1983(1)**	1982	**1983 (1 & 3)**	1982
Net sales	**$49,468**	56,019	**49,646**	54,480	**98,218**	45,264	**126,180**	55,705
Gross profit	**$23,161**	26,688	**20,025**	22,306	**42,005**	15,585	**51,683**	27,911
Net income by division (4):								
Oil and gas	**$ 8,910**	5,617	**7,737**	9,383	**8,450**	3,279	**11,893**	10,249
Alternate fuels	**(509)**	(561)	**(269)**	(455)	**8,942**	(342)	**8,297**	(831)
Chemicals	**3,153**	4,203	**3,412**	3,098	**3,576**	1,370	**4,154**	2,757
Corporate	**(1,754)**	(2,143)	**(1,519)**	(2,175)	**(4,665)**	(2,293)	**(5,287)**	(1,804)
	$ 9,800	7,116	**9,361**	9,851	**16,303**	2,014	**19,057**	10,371
Earnings Per Common Share:								
Basic	**$ 0.45**	0.32	**0.42**	0.45	**0.63**	0.07	**0.58**	0.48
Fully Diluted	**$ 0.40**	0.30	**0.37**	0.40	**0.56**	N/A(2)	**0.57**	0.42

(1) Results for the Quarters Ended September 30, 1983 and December 31, 1983 include Canada-Cities Service, Ltd. which was acquired on August 1, 1983.

(2) For the Quarter Ended September 30, 1982, dilution is not applicable to the earnings per common share as the result would be anti-dilutive.

(3) In the fourth quarter of 1983 CanadianOxy adopted prospectively the current rate method of translation for its foreign investments in response to a recommendation of the Canadian Institute of Chartered Accountants. The cumulative effect of the change in method of translation on earnings is $650,000. Due to the immaterial impact of the change, the amounts previously reported in prior quarters have not been restated and the full impact of the change has been reflected in the fourth quarter results.

(4) Amounts shown above as net income by division, as compared to published quarterly results, separate corporate expenses from oil and gas.

C. COSTS INCURRED IN OIL AND GAS PROPERTY ACQUISITION, EXPLORATION, AND DEVELOPMENT ACTIVITIES

	Total Worldwide	Canada	United States	South America
Year ended December 31, 1981:				
Property acquisition costs				
Unproved properties	$ 4,155	4,155		
Exploration costs	16,948	14,559		2,389
Development costs	69,796	8,416	11,434	49,946
	$ 90,899	27,130	11,434	52,335
Year ended December 31, 1982:				
Property acquisition costs				
Unproved properties	$ 939	939		
Exploration costs	11,626	6,715		4,911
Development costs	33,063	5,024	9,313	18,726
	$ 45,628	12,678	9,313	23,637
Year ended December 31, 1983:				
Property acquisition costs				
Unproved properties	**$ 2,984**	**2,984**		
Exploration costs	**9,724**	**9,089**		**635**
Development costs	**9,750**	**5,814**	**3,123**	**813**
Acquisition of Canada-Cities' conventional properties	**161,980**	**161,980**		
	184,438	**179,867**	**3,123**	**1,448**
CanadianOxy's share of COPCO's net capitalized costs	**38,041**		**38,041**	
	$222,479	**179,867**	**41,164**	**1,448**

D. RESULTS OF OPERATIONS FOR PRODUCING ACTIVITIES

	Total			Canada			United States			South America		
	1983	1982	1981	**1983**	1982	1981	**1983**	1982	1981	**1983**	1982	1981
Revenues:												
Net sales	**$142,356**	121,133	105,234	**76,517**	42,693	44,516	**35,655**	29,853	21,319	**30,184**	48,587	39,399
Sales to affiliates	**15,915**	5,360	3,933				**15,915**	5,360	3,933			
Total net sales	**158,271**	126,493	109,167	**76,517**	42,693	44,516	**51,570**	35,213	25,252	**30,184**	48,587	39,399
Production costs	**41,079**	33,999	27,115	**18,823**	10,961	8,818	**7,638**	5,623	6,006	**14,618**	17,415	12,291
Other operating expenses	**6,759**			**6,251**			**491**			**17**		
Exploration expenses	**7,314**	15,708	14,071	**6,717**	10,548	11,628	**11**			**586**	5,160	2,443
Depeciation, depletion and amortization	**38,790**	25,854	23,030	**12,939**	3,658	5,560	**16,161**	12,741	10,788	**9,690**	9,455	6,682
	64,329	50,932	44,951	**31,787**	17,526	18,510	**27,269**	16,849	8,458	**5,273**	16,557	17,983
Income tax expense	**25,757**	24,456	16,187	**14,502**	6,432	6,201	**8,063**	6,740	3,358	**3,192**	11,284	6,628
Results of operations	**$ 38,572**	26,476	28,764	**17,285**	11,094	12,309	**19,206**	10,109	5,100	**2,081**	5,273	11,355

E. STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS AND CHANGES THEREIN RELATING TO PROVED OIL AND GAS RESERVES

	Total			Canada			United States			South America		
	1983	1982	1981	**1983**	1982	1981	**1983**	1982	1981	**1983**	1982	1981
Future cash inflows	**$2,307,709**	1,531,819	1,357,583	**1,625,774**	715,072	633,342	**191,270**	189,538	184,779	**490,665**	627,209	539,462
Future production and development costs	**(894,814)**	(437,602)	(345,625)	**(648,682)**	(194,559)	(154,759)	**(34,249)**	(34,788)	(40,721)	**(211,883)**	(208,255)	(150,145)
Future income tax	**(744,925)**	(486,852)	(464,034)	**(523,532)**	(218,133)	(200,297)	**(72,458)**	(54,149)	(52,630)	**(148,935)**	(214,570)	(211,107)
Future net cash flows[1]	**667,970**	607,365	547,924	**453,560**	302,380	278,286	**84,563**	100,601	91,428	**129,847**	204,384	178,210
10% annual discount for estimated timing of cash flows	**(272,213)**	(258,686)	(235,693)	**(217,014)**	(164,651)	(147,607)	**(15,820)**	(20,831)	(22,525)	**(39,379)**	(73,204)	(65,561)
Standardized measure of discounted future net cash flows	**395,757**	348,679	312,231	**236,546**	137,729	130,679	**68,743**	79,770	68,903	**90,468**	131,180	112,649
CanadianOxy's share of COPCO's standardized measure of discounted future net cash flows	**56,213**						**56,213**					
	$ 451,970	348,679	312,231	**236,546**	137,729	130,679	**124,956**	79,770	68,903	**90,468**	131,180	112,649

The following are the principal sources of change in the standardized measure of discounted future net cash flows:

Beginning of year	**$ 348,679**	312,231	270,887	**137,729**	130,679	117,920	**79,770**	68,903	56,970	**131,180**	112,649	95,997
Sales and transfers of oil and gas produced, net of production costs	**(110,437)**	(92,495)	(82,052)	**(51,443)**	(31,733)	(35,698)	**(43,441)**	(29,590)	(19,246)	**(15,553)**	(31,172)	(27,108)
Changes in estimated future development costs	**(3,785)**	(67,930)	(18,596)	**2,476**	(5,227)	(7,171)	**(5,627)**	(6,741)	(9,139)	**(634)**	(55,962)	(2,286)
Net changes in prices and production costs	**(165,435)**	(27,523)	19,326	**(74,142)**	6,521	14,042	**(709)**	(6,902)	(884)	**(90,584)**	(27,142)	6,168
Extensions, discoveries, and improved recovery, less related costs	**5,078**	86,476	16,557	**1,491**	7,845	16,557	**3,587**				78,631	
Development costs incurred during the period which reduced future development	**7,104**	79,526	43,024	**3,084**	5,024	8,416	**3,123**	9,313	11,434	**897**	65,189	23,174
Revisions of previous quantity estimates	**23,568**	30,217	12,999	**6,284**	12,862	(1,246)	**32,292**	35,862	28,988	**(15,008)**	(18,507)	(14,743)
Accretion of discount	**34,868**	31,223	27,089	**13,773**	13,068	11,792	**7,977**	6,890	5,697	**13,118**	11,265	9,600
Purchase of minerals in place	**414,776**			**346,887**			**67,889**					
Net change in income taxes	**(180,123)**	(11,429)	(22,995)	**(187,720)**	(5,310)	(10,169)	**(27,243)**	(3,271)	(4,027)	**34,840**	(2,848)	(8,799)
Other	**77,677**	8,383	45,992	**38,127**	4,000	16,236	**7,338**	5,306	(890)	**32,212**	(923)	30,646
End of year	**$ 451,970**	348,679	312,231	**236,546**	137,729	130,679	**124,956**	79,770	68,903	**90,468**	131,180	112,649

(1) Future net cash flows were computed using year-end prices and costs, and generally year-end statutory tax rates (adjusted for permanent differences and the tax basis of the properties carried forward) that relate to existing proved oil and gas reserves in which the enterprise has mineral interests, including those mineral interests related to long-term supply agreements with governments for which the enterprise serves as the producer of the reserves.

Effects of Changing Prices

(Unaudited)

The following tables illustrate the impact of adjusting historical cost property, plant and equipment, inventories and related costs for general inflation and for changes in specific prices.

The adjustment for general inflation is calculated by restating the historical cost financial information into dollars of the same general purchasing power by applying the appropriate consumer price index (Note 1) to derive average for the year dollars.

The adjustment for changes in specific prices was calculated by restating historical costs with appropriate indices (Note 2) in respect to inventories and property, plant and equipment except land. Land was restated to estimated current market value as determined by independent appraisal. Adjusted cost of sales based on the FIFO method was determined by converting opening and closing inventories to year-end prices and assuming that actual production costs incurred during the year were representative of average prices for the year. The method used in calculating adjusted depreciation, depletion and amortization remains unchanged from that used in the primary financial statements.

Interpretation of Information Presented

a) Net Income

Net incomes adjusted for general inflation and for changes in specific prices are 63% and 55% respectively of the net income reported in the primary financial statements, a significant increase over the prior year comparatives of 39% and 23%. This improvement is largely the result of the acquisition of Canada-Cities which doubled the fixed asset base of CanadianOxy and for which adjustment for specific prices was based on the purchase price of Canada-Cities, not the replacement cost of its assets.

b) Increase/Decrease in the Specific Prices of Inventories and Property, Plant and Equipment

The increase of $45,242,000 is the cost to CanadianOxy of maintaining its existing level of operations as a result of inflation and increases in the specific prices of the assets during the year. General inflation is estimated to account for $35,763,000 in average for the year dollars. The difference of $9,479,000 represents an increase in the specific price of assets over the rise in general inflation.

c) Financing Adjustment

The use of debt to finance assets reduces the amount of the increase in specific prices that must be charged against earnings in estimating adjusted earnings attributable to common shareholders. The financing adjustment represents the amount of specific price increases which have been financed by debt based upon the corporation's debt to equity ratio and can be calculated based upon two methods:

Method (1) $9,516,000, is determined by applying the ratio of the average net monetary liabilities to the aggregate of net monetary liabilities plus shareholders' equity adjusted for changes in specific prices to the increase in specific prices of inventories and property, plant and equipment for the year.

Method (2) $5,116,000, is calculated by applying the same ratio as above to the differences between historical cost of sales and depreciation and cost of sales and depreciation adjusted for changes in specific prices.

d) General Purchasing Power Gain or Loss

The purchasing power gain of $6,981,000, represents the benefit to the company of being in a net monetary liability position during a period of inflation. The gain is calculated using the Consumer Price Index applied against the opening and closing net monetary liabilities expressed in average for the year constant dollars.

e) Income Taxes

No adjustment is made to the income tax expense reported in the historical financial statements even though current cost earnings for 1983 before income taxes is much lower than the historical amount reported. Consequently, CanadianOxy has an effective tax rate of 49.5% on income adjusted for general inflation and 52.9% on income adjusted for changes in specific prices.

Five-Year Comparison of Selected Financial Data
Adjusted for Effects of Changing Prices
(In thousands of average 1983 dollars except per share and consumer price index data)

	1983	1982	1981	1980	1979
Net sales and other revenue	**$328,532**	231,009	236,510	250,819	183,452
Historical cost information adjusted for general inflation:					
Net income	**$ 34,550**	12,187	17,940	29,598	19,368
Basic earnings per common share	**$ 1.29**	0.49	0.75	1.27	0.64
Shareholders' equity, less preferred shares (Note 4)	**$627,716**	319,647	279,873	240,017	193,664
Historical cost information adjusted for changes in specific prices:					
Net income	**$ 30,197**	7,155	6,434	13,980	18,835
Basic earnings per common share	**$ 1.12**	0.24	0.19	0.50	0.61
Shareholders' equity, less preferred shares (Note 4)	**$671,044**	372,606	373,442	382,364	309,010
Increases or (decreases) in the specific prices of inventory and property, plant and equipment	**$ 9,479**	(28,536)	35,959	60,021	47,671
Other Information:					
Purchasing power gain from holding net monetary liabilities (Notes 4 and 5)	**$ 6,981**	12,608	16,646	13,729	8,643
Cash dividends per common share	**$ 0.36**	0.38	0.42	0.36	0.30
Market price per common share at year-end	**$ 29.00**	16.80	12.62	19.77	19.84
Average consumer price index — Canadian (Note 4)	**117.3**	110.8	100.0	88.9	80.7
— United States	**298.6**	289.1	272.4	246.8	217.4

Consolidated Statement of Assets and Operations Adjusted for Changing Prices
For the Years Ended December 31, 1983 and 1982
(In thousands of dollars)

	1983			1982 (Note 3)		
	As Reported in the Primary Financial Statements	**As Adjusted for General Inflation**	**As Adjusted for Changes in Specific Prices**	As Reported in the Primary Financial Statements	As Adjusted for General Inflation	As Adjusted for Changes in Specific Prices
Assets						
Inventory	$ 39,061	41,220	40,595	26,799	31,249	31,015
Property, plant and equipment (net)	$705,073	869,899	913,852	296,394	451,340	502,020
Operations						
Net sales and other revenues	$328,532	328,532	328,532	218,208	218,208	218,208
Cost of sales	144,677	147,436	147,357	91,131	92,410	91,763
Selling, administration, other operating and exploration	33,867	33,867	33,867	28,530	28,530	28,530
Depreciation, depletion and amortization	48,820	66,032	70,464	31,945	48,506	53,907
Interest	12,718	12,718	12,718	13,003	13,003	13,003
	240,082	260,053	264,406	164,609	182,449	187,203
Income before income taxes	88,450	68,479	64,126	53,599	35,759	31,005
Provision for income taxes	33,929	33,929	33,929	24,247	24,247	24,247
Net income	$ 54,521	34,550	30,197	29,352	11,512	6,758
Effective tax rate	38.4%	49.5%	52.9%	45.2%	67.8%	78.2%
Increase in specific prices of property, plant and equipment and inventories			$ 45,242			19,182
Less effect of increase in general inflation			35,763			47,012
Increase (decrease) in specific prices over increase in general inflation			$ 9,479			(27,830)
Financing adjustment based on the amount of changes during the reporting period in the specific prices of inventory and property, plant and equipment			$ 9,516			5,376
Financing adjustment based on the specific price adjustments made to income during the reporting period			$ 5,116			6,333

NOTES TO SUPPLEMENTARY INFORMATION ON THE EFFECTS OF CHANGING PRICES

1. The restate-translate method has been prospectively adopted in determining the adjustment for general inflation. Accordingly, inventories, property, plant and equipment, cost of sales and depreciation, depletion and amortization are first restated to dollars of equivalent purchasing power of the primary currency. These adjusted amounts are then translated into Canadian dollars at the year-end exchange rate.
2. a) The restate-translate method has been prospectively adopted, whereby assets are restated using indices appropriate for the primary currency of the asset with these resulting estimates being translated into Canadian dollars at the year-end exchange rate.

   b) Several new indices have been used in 1983, however, for comparative purposes differences are not significant and have not been restated.
3. The 1982 comparative figures in the Consolidated Statement of Assets and Operations Adjusted for Changing Prices are stated in average 1982 dollars and should be adjusted to average 1983 dollars if a direct comparison is desired.
4. The following restatements have been made to amounts reported in prior years:

   a) Shareholders' equity less preferred shares was previously reported as net assets which included preferred stock.

   b) In calculating net monetary liabilities natural gas overlifts and underlifts and deferred revenue are now considered to be non-monetary, preferred stock is now considered to be monetary.

   c) The average consumer price index previously reported was the Canadian consumer price index with a base year of 1971.
5. Under United States generally accepted accounting principles deferred taxes would be considered a monetary liability. If deferred taxes were treated as a monetary liability the purchasing power gain from holding net monetary liabilities stated in average 1983 dollars for the years 1983, 1982, 1981, 1980 and 1979 would be $11,303,000, $17,004,000, $22,028,000, $17,218,000 and $10,605,000 respectively.

Five Year Financial Review

(Amounts in thousands except share and per share data)

	1983[1]	1982	1981	1980	1979[3]
Earnings and Working Capital from Operations					
Net sales	$323,512	211,468	198,378	188,640	124,298
Net income	$ 54,521	29,352	30,039	30,320	20,815
Earnings per common share:					
Actual outstanding	$ 1.58	1.32	1.35	1.34	0.81
Basic	$ 2.08	1.32	1.35	1.34	0.81
Fully diluted	$ 1.90	1.21	1.24	1.30	0.81
Working capital generated from operations	$130,476	70,583	72,213	77,508	36,361
Working capital generated from operations before exploration expenditures	$137,779	81,111	85,623	86,739	42,925
Financial Position					
Working capital	$ 51,868	21,724	33,523	24,840	13,448
Net property, plant and equipment	$705,073	296,394	282,592	221,599	158,028
Total assets	$921,789	391,065	371,670	302,919	218,710
Long-term debt	$166,434	93,170	131,551	92,474	42,194
Redeemable preferred shares	$ 18,260	19,062	20,315	21,873	42,919
Common shareholders' equity	$460,731	145,080	124,541	101,853	80,714
Return on investment:[2]					
Total assets	% 9.4	7.5	8.7	11.6	11.2
Total capital	% 16.0	13.3	14.8	17.5	15.6
Common shareholders' equity	% 20.6	20.4	24.8	30.3	22.7
Capital and Exploration Expenditures					
Oil and gas	$ 22,458	45,966	90,956	86,010	69,044
Alternate fuels	14,792	2,678	5,346	5,711	2,299
Chemicals	6,633	12,960	8,786	4,624	2,644
Corporate	551	—	378	1,163	123
Total	44,434	61,604	105,466	97,508	74,110
Less current year expenditures charged to exploration expenses	7,303	10,528	13,410	9,231	6,564
Additions to property, plant and equipment	$ 37,131	51,076	92,056	88,277	67,546
Shares and Dividends					
Number of common shares outstanding	33,346,489	20,766,946	20,718,116	20,553,513	20,490,774
Number of common shareholders	3,508	2,851	3,114	3,000	2,663
Dividends per share:					
Common	$ 0.36	0.36	0.36	0.27	0.205
Preferred	$ 1,856	1,968	2,099	2,709	4,286

(1) In the fourth quarter of 1983, CanadianOxy adopted prospectively the current rate method of translation for its foreign investments. The cumulative effect of the change in method of translation of $650,000 has been reflected in 1983 results. (See Note 2 to the Consolidated Financial Statements on page 28.)

(2) Return on investment is calculated on the applicable average monthly investment. The calculation of return on total capital excludes interest expense.

(3) Earnings per share in 1979 are after an extraordinary item of 4 cents per share.

Five Year Operating Review

		1983	1982	1981	1980	1979
Oil and Gas						
Production (gross before royalties)						
Imperial units						
Pipeline gas	MMcf	**30,189**	22,950	22,288	22,210	19,131
Crude oil, condensate and liquefied petroleum gas	M/Bbls.	**3,498.4**	2,367.4	2,172.2	1,968.3	849.1
Sulphur	M/L.T.	**106.2**	92.5	110.6	107.8	121.1
Metric units						
Pipeline gas	10^3m^3	**850 552**	646 590	617 229	615 066	529 798
Crude oil, condensate and liquefied petroleum gas	10^3m^3	**555.9**	376.2	345.2	312.8	134.9
Sulphur	$10^3/t$	**107.9**	94.0	112.4	109.5	123.0
Proven reserves (gross before royalties)						
Imperial units						
Pipeline gas	MMcf	**566,300**	298,600	291,300	296,000	295,000
Crude oil, condensate and liquefied petroleum gas	M/Bbls.	**46,616**	25,158	22,146	23,724	17,816
Sulphur	M/L.T.	**1,876**	1,913	2,081	2,148	2,125
Metric units						
Pipeline gas	10^3m^3	**15 953 000**	8 423 000	8 208 200	8 335 000	8 322 000
Crude oil, condensate and liquefied petroleum gas	10^3m^3	**7 410**	3 998	3 521	3 770	2 833
Sulphur	$10^3/t$	**1 906**	1 944	2 114	2 182	2 160
Well data						
Net wells — Gas		**195.4**	99.3	94.0	84.1	67.8
Net wells — Oil		**738.5**	321.2	272.2	330.7	156.2
Land holdings (thousand acres)						
Gross acres		**65,501.7**	77,334.9	76,232.3	5,835.5	5,870.4
Net acres		**22,581.1**	26,270.2	26,125.1	2,548.8	2,527.0
Alternate Fuels						
Production (gross before royalties)(1)						
Imperial units						
Synthetic crude oil	M/Bbls.	**2,255.5**	—	—	—	—
Sulphur	M/L.T.	**13.1**	—	—	—	—
Metric units						
Synthetic crude oil	10^3m^3	**358.4**	—	—	—	—
Sulphur	$10^3/t$	**13.4**	—	—	—	—
Proven reserves (gross before royalties)(1)						
Imperial units						
Syncrude — synthetic crude oil	M/Bbls.	**126,624**	—	—	—	—
Metric units						
Syncrude — synthetic crude oil	10^3m^3	**20 121.8**	—	—	—	—
Land holdings (thousand gross acres)						
— Syncrude		**97.8**	—	—	—	—
— Other oil sands		**1,424.2**				
Chemicals						
Production						
Imperial units						
Caustic soda	M/Tons	**165.0**	159.9	171.7	201.4	191.8
Chlorine	M/Tons	**146.1**	142.1	150.6	177.3	169.2
Sodium chlorate	M/Tons	**26.6**	22.2	23.5	23.6	23.0
Muriatic acid	M/Tons	**12.4**	12.8	16.4	24.8	18.6
Moulding materials	M/Lbs.	**10,533**	4,358	5,941	6,576	7,202
Industrial and foundry resins	M/Lbs.	**3,490**	4,477	5,686	5,273	5,896
Metal finishing chemicals	M/Lbs.	**8,909**	6,702	8,355	8,679	10,236
Metric units						
Caustic soda	$10^3/t$	**149.6**	145.1	155.7	182.7	174.0
Chlorine	$10^3/t$	**132.5**	128.9	136.6	160.8	153.5
Sodium chlorate	$10^3/t$	**24.2**	20.2	21.3	21.4	20.9
Muriatic acid	$10^3/t$	**11.3**	11.6	14.9	22.5	16.9
Moulding materials	$10^3/kg$	**4 778**	1 977	2 695	2 983	3 267
Industrial and foundry resins	$10^3/kg$	**1 583**	2 031	2 579	2 392	2 674
Metal finishing chemicals	$10^3/kg$	**4 041**	3 040	3 790	3 937	4 643

(1) These amounts pertain entirely to the Company's interest in the Syncrude Project. The reserve amounts are based upon the original 25-year mining plan.

Shareholders' Information

TRADING RANGE OF COMMON SHARES

The common shares are traded on the Toronto Stock Exchange and the American Stock Exchange. As of December 31, 1983 there were 3,508 registered holders of common shares and 33,346,489 shares outstanding. The following is the trading range, as reported by each of these exchanges, during the past two years.

		Toronto Stock Exchange ($Cdn.)		American Stock Exchange ($U.S.)	
		High	Low	High	Low
1982	First Quarter	11.50	9.50	9.50	8.00
	Second Quarter	11.88	9.88	9.75	7.88
	Third Quarter	16.50	10.50	13.25	8.13
	Fourth Quarter	17.25	14.63	14.13	11.88
1983	**First Quarter**	**16.63**	**12.88**	**13.50**	**10.38**
	Second Quarter	**24.50**	**13.25**	**19.88**	**10.88**
	Third Quarter	**29.75**	**23.88**	**24.13**	**19.50**
	Fourth Quarter	**29.00**	**24.50**	**23.00**	**20.38**

DIVIDENDS

The Company has paid the following quarterly dividends on its common shares during the past two years:

Payment Date		Record Date	Amount (Cdn. funds)
1982	January 1	December 4, 1981	9.0¢
	April 1	March 12, 1982	9.0¢
	July 1	June 4, 1982	9.0¢
	October 1	September 3, 1982	9.0¢
1983	**January 1**	**December 3, 1982**	**9.0¢**
	April 1	**March 4, 1983**	**9.0¢**
	July 1	**June 3, 1983**	**9.0¢**
	October 1	**September 2, 1983**	**9.0¢**
1984	January 1	December 2, 1983	9.0¢

In February, 1984, the Board of Directors declared the regular quarterly dividend on the common shares of 9 cents per share, payable April 1, 1984 to shareholders of record on March 9, 1984. The Company expects to continue the payment of regular quarterly dividends on its common shares.

The Income Tax Act of Canada requires that the Company deduct a withholding tax from all dividends remitted to non-residents. In accordance with the Canada-United States Tax Treaty, the withholding tax is 15% on dividends remitted by the Company to residents of the United States.

COMMON SHARES

Transfer Agents and Registrars
National Trust Company, Limited
Calgary, Toronto, Montreal,
Winnipeg and Vancouver

Manufacturers Hanover
Trust Company
New York, N.Y.

Listed
American Stock Exchange
Toronto Stock Exchange
Symbol "CXY"

10% CLASS A PREFERRED SHARES

Transfer Agent and Registrar
Canada Permanent Trust Company
Calgary, Toronto, Montreal,
Halifax, Winnipeg and Vancouver

Listed
Toronto Stock Exchange
Montreal Stock Exchange
Symbol "CXY PRA"

$60 MILLION RETRACTABLE DEBENTURES DUE 1999 (Eurodollar Offering)

Trustee
Canada Permanent Trust Company,
Calgary, Alberta, Canada

Listed
London Stock Exchange

AUDITORS

Arthur Andersen & Co.
Calgary, Alberta, Canada

INVESTOR RELATIONS

E. J. Lambert
Canadian Occidental Petroleum Ltd.
1500, 635 - 8th Avenue Southwest
Calgary, Alberta, Canada
T2P 3Z1
(403) 234-6700

ANNUAL MEETING

The Annual General Meeting of the Shareholders will be held at the King Edward Hotel, Toronto, Ontario, Canada, on Tuesday, May 8, 1984 at 11:00 a.m.

FORM 10-K

The Company files an annual report on Form 10-K with the Securities and Exchange Commission of the United States. A copy of the report will be sent without charge to any shareholder upon request. Such requests should be in writing addressed to the Secretary.

Corporate Information

Canadian Occidental Petroleum Ltd.
(a Canadian corporation)

DIRECTORS

A. Robert Abboud [1]
President, Chief Operating Officer
and a director of
Occidental Petroleum Corporation,
Los Angeles, California

David Bertram [1, 2]
Senior Vice President, Finance and
Administration,
Canadian Occidental Petroleum Ltd.,
Calgary, Alberta

John J. Dorgan [2]
Executive Vice President, Finance,
Occidental Petroleum Corporation,
Los Angeles, California

Dr. Armand Hammer [1]
Chairman of the Board
and Chief Executive Officer and a director
of Occidental Petroleum Corporation,
Los Angeles, California

J. Howard Hawke [1, 2, 3, 4]
Chairman of the Board,
Bache Securities Inc., stockbrokers,
Toronto, Ontario

Thomas D. Jenkins [1, 2, 3, 4]
Executive Vice President,
Occidental Petroleum Corporation;
Chairman of the Board and Chief
Executive Officer,
Occidental Oil and Gas Corporation
Houston, Texas

Leo L. LeClerc [1, 3]
President,
Leo L. LeClerc & Associates Ltd.,
business consultants,
Edmonton, Alberta

David R. Martin
Executive Vice President,
Occidental Petroleum Corporation;
President and Chief Operating Officer,
Occidental Oil and Gas Corporation
Bakersfield, California

J. Angus McKee [1, 2, 4]
President and Chief Executive Officer,
Canadian Occidental Petroleum Ltd.
Calgary, Alberta

Zoltan Merszei [4]
Vice Chairman of the Board and a director
of Occidental Petroleum Corporation
Los Angeles, California

William G. O'Rourke
Vice President, Counsel and Secretary,
Canadian Occidental Petroleum Ltd.,
Calgary, Alberta

John M. Robertson, Q.C. [3]
Barrister and Solicitor
Fenerty, Robertson, Fraser & Hatch,
Calgary, Alberta

The Honourable Maurice Sauve, P.C. [3, 4]
Corporation director,
Montreal, Quebec

[1] Member of the Executive Committee
[2] Member of the Finance Committee
[3] Member of the Audit Committee
[4] Member of the Compensation Committee

OFFICERS

Thomas D. Jenkins
Chairman of the Board

J. Angus McKee
President and Chief
Executive Officer

Terrence H. Allen
Senior Vice President,
Alternate Fuels

David Bertram
Senior Vice President, Finance
and Administration

Charles R. Mikkelborg
Senior Vice President,
Oil and Gas

Thomas R. Fountain
Vice President — Engineering
— Oil and Gas Division

H. Thomas Irwin
Vice President
— Oil Sands

J. A. (Nick) Nicholson
Vice President and Controller

William G. O'Rourke
Vice President, Counsel and Secretary

Robert H. Orthlieb
Vice President — Production
— Oil and Gas Division

George E. Putnam
Vice President — Marketing
and Business Analysis
— Oil and Gas Division

Douglas E. Shier
Vice President — Exploration
— Oil and Gas Division

Brian D. Thorpe
Vice President — Chemicals

Norman R. Richards
Treasurer

Paul C. Hebner
Assistant Secretary

Richard L. Reeson
Assistant Secretary

COMPANY PLANTS/OFFICES

Head Office
1500, 635 - 8th Avenue Southwest
Calgary, Alberta, Canada T2P 3Z1

Oil and Gas
Alsike, Alberta
Balzac, Alberta
Drayton Valley, Alberta
Lloydminster, Alberta
Rodney, Ontario
St. Paul, Alberta

Minerals
Rexdale, Ontario

Chemicals
Brandon, Manitoba
Fort Erie, Ontario
Nanaimo, British Columbia
North Vancouver, British Columbia
Rexdale, Ontario
Squamish, British Columbia

SUBSIDIARY COMPANIES

CanadianOxy Chemicals Ltd.
(a British Columbia corporation)

CanadianOxy Metal Finishing Ltd.
(a Canadian corporation)

CanadianOxy Offshore Holdings Co.
(a Delaware corporation)

CanadianOxy Offshore Production Co.
(a Delaware corporation)

Canadian Occidental (Bolivia) Ltd.
(an Alberta corporation)

Canadian Occidental of California, Inc.
(a Delaware corporation)

Canadian Occidental (Louisiana) Ltd.
(an Alberta corporation)

Canadian Occidental (Peruana) Ltd.
(an Alberta corporation)

Canadian Occidental International Ltd.
(an Alberta corporation)

Canadian Occidental Services Ltd.
(an Alberta corporation)

Jefferson Minerals Corporation
(a Delaware corporation)

CanadianOxy Holdings B.V.
(a Netherlands corporation)

AFFILIATED COMPANY
Petrogas Processing Ltd.

TRADEMARKS

Occidental Petroleum Corporation or its subsidiaries hold the OXY, PARKER, SEL-REX and DUREZ trademarks.

Canadian Occidental Petroleum Ltd.

1983 Annual Report

CANADIAN OXY

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