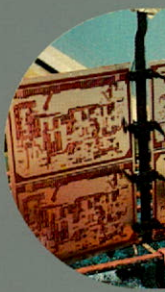
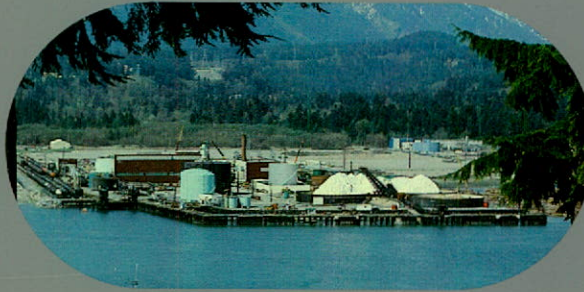


# Canadian Occidental Petroleum Ltd.

## 1982 Annual Report





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## Head Office

1600 McFarlane Tower,  
700 - 4th Avenue S.W.  
Calgary, Alberta  
T2P 3J5

## ANNUAL MEETING

The Annual General Meeting of the Shareholders will be held at the King Edward Hotel, Toronto, Ontario, Canada, on Thursday, May 26, 1983 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.

## ANNUAL REPORT AWARDS

CanadianOxy's 1981 Annual Report won first prize in the senior petroleum category of the Oilweek magazine awards program. The report also placed second and third, respectively, in similar categories in the Financial World and Financial Post awards programs.

## METRIC CONVERSION

Canada commenced the change-over to "metric" on January 1, 1979. This measurement system is known as the International System of Units or SI. In this annual report, most measurements are given in SI units. However, to provide for a familiarization period and for the convenience of our U.S. shareholders the measurements are also shown in equivalent Imperial Units.

Crude oil, condensate and liquefied petroleum gas volumes are reported in cubic metres (m<sup>3</sup>), natural gas volumes in thousands of cubic metres (10<sup>3</sup>m<sup>3</sup>), sulphur volumes in tonnes (t), distances in kilometres (km) and land holdings in hectares (ha).

Some of the more commonly used conversion factors are shown in the following table:

## SI CONVERSION TABLE

To convert from	to	Multiply by
cubic metres (m <sup>3</sup> )	barrels (bbl)	6.293
thousand cubic metres (10 <sup>3</sup> m <sup>3</sup> )	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



# CanadianOxy at a Glance



CanadianOxy is a diversified resource and chemicals company. In 1982, oil and gas operations contributed 60% and chemicals accounted for 40% of net sales.

The Company explores for and produces petroleum and natural gas in western Canada, the United States Gulf Coast and South America. It also produces and markets sulphur, explores for minerals and owns coal and shale oil properties in Canada.

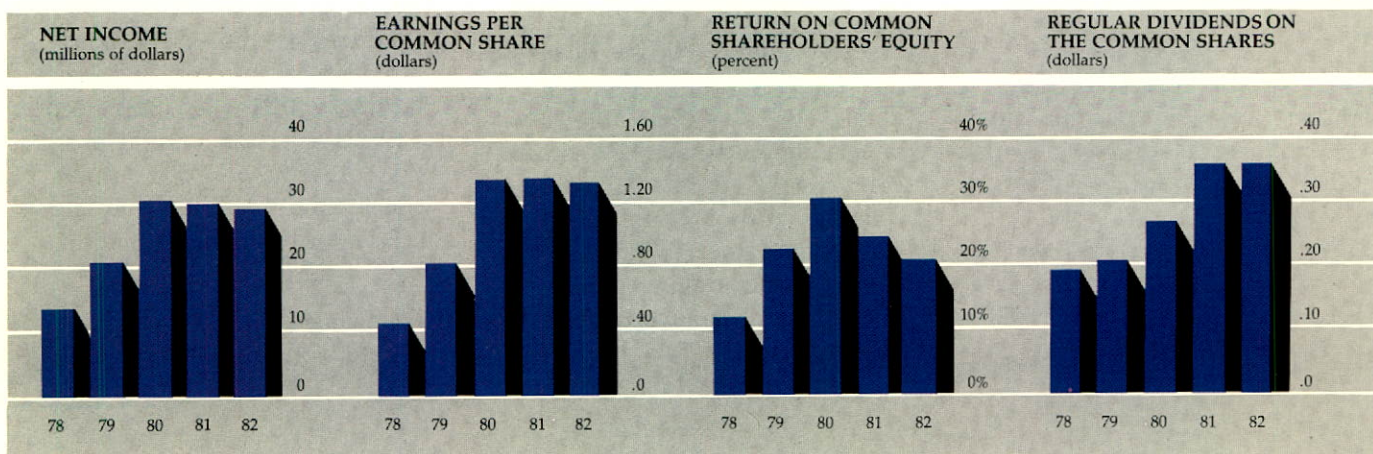
CanadianOxy has four industrial chemicals plants in western Canada and metals finishing, plastics and resins manufacturing facilities in eastern Canada.

Occidental Petroleum Corporation of Los Angeles, California, currently owns 80% of the common shares of CanadianOxy. Upon full conversion of the 10% Convertible Debentures into common shares, Occidental's voting interest would be reduced to approximately 65%.

## Financial Highlights

	1982	1981	Increase (Decrease)
Net Sales .....	\$211,468,000	\$198,378,000	7%
Net Income .....	\$ 29,352,000	\$ 30,039,000	(2%)
Per common share .....	\$ 1.32	\$ 1.35	(2%)
Per common share — fully diluted .....	\$ 1.21	\$ 1.24	(2%)
Working Capital Generated from Operations .....	\$ 70,583,000	\$ 72,213,000	(2%)
Per common share .....	\$ 3.31	\$ 3.40	(3%)
Per common share — fully diluted .....	\$ 2.79	\$ 2.86	(2%)
Capital and Exploration Expenditures .....	\$ 61,604,000	\$105,466,000	(42%)
Working Capital .....	\$ 21,724,000	\$ 33,523,000	(35%)
Total Assets .....	\$391,065,000	\$371,670,000	5%
Long-term Debt .....	\$ 93,170,000	\$131,551,000	(29%)
Redeemable Preferred Shares .....	\$ 19,062,000	\$ 20,315,000	(6%)
Common Shareholders' Equity .....	\$145,080,000	\$124,541,000	16%
Number of Common Shares Outstanding .....	20,766,946	20,718,116	—
Common Share Dividends Declared (per share) .....	\$ 0.36	\$ 0.36	—
Number of Common Shareholders .....	2,851	3,144	(9%)
Number of 10% Class A Preferred Shareholders .....	1,004	1,089	(8%)
Number of Employees .....	601	605	(1%)

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).





## Letter to the Shareholders



*Robert A. Teitsworth and John E. Brading*

Despite the general business recession that continued throughout 1982, we are pleased to report an 8% increase in total revenues to a new high of \$218 million. Net income of \$29.4 million declined only slightly from the near-record level of 1981.

A major contributor to the improvement in revenues was the commencement of oil and gas production from Blocks 78 and 563, offshore the United States Gulf Coast. CanadianOxy's interests in this area are now generating about 800 barrels per day of oil and condensate and 26 MMcf of gas. The Com-

pany also received the benefit of a full year of condensate production from Bolivia, which came on-stream in late 1981 and was producing 900 barrels per day net to the Company at year-end.

In late summer, the first phase of our exploration program in the Hudson Bay was completed ahead of schedule with over five thousand kilometres of seismic having been collected. Although the seismic is still being evaluated, initial indications are encouraging and a second seismic program is planned for this summer.

The 1982 uranium exploratory drilling in northern Saskatchewan identified a new mineralized zone, called the "JEB", about 10 kilometres north of our McClean uranium deposits discovered in 1979-1980. Studies conducted during the year have resulted in the selection of an underground method for mining the McClean uranium deposits and we plan to test the proposed mining method over a two-year pilot program, commencing in 1984.

Our 1982 coal exploratory drilling program identified coal zones in the Hargwen and Hargwen East areas of the Coalspur field, in northern Alberta. Although these discoveries are encouraging, further evaluation is required to determine their commercial value.

In October, the North Vancouver chlor-alkali plant celebrated its 25th year of operation. Of the original 92 employees at the plant, 24 are still with us. Over the twenty-five years, the plant's production capacity has been increased more than four-fold to meet growing demand by our customers. Currently, a \$12 million project to modernize the caustic manufacturing facilities is well underway and should be completed this summer.

Start-up operations went smoothly on the new sodium chlorate manufacturing facility, adjacent to the Company's chlor-alkali plant at Nanaimo, B.C. This \$6.7 million facility, which was completed on schedule, has an annual production capacity of 7 500 tonnes of chlorate and should generate annual sales approximating \$3 million.

Following completion of a gas supply study in July, the B.C. govern-



ment invited one consortium to file a formal application for a liquefied natural gas export project. However, none of the proposed petrochemical projects was selected to proceed. In view of the uncertain outlook for the project, and the economics related thereto, CanadianOxy and its partners in the B.C. Petrochemical Project allowed their interim agreement to expire at year-end.

As we start into 1983, we expect to be able to meet the challenges of the present economic climate with an even greater level of efficiency due to our modernization projects and on-going cost reduction programs. The Company is financially strong with its long-term debt reduced to \$93 million, of which \$73 million is in the form of 10% Convertible Debentures. The planned capital and exploration expenditures for 1983 are expected to be financed from internally-generated funds.

We feel that the current uncertainties with respect to government policy and petroleum pricing regimes are temporary and that it is still economic in the long-term to explore for oil and gas in Canada. We are planning to direct substantially all of our \$13 million exploration budget to finding "new" reserves in Alberta. Planned development expenditures of approximately \$19 million will be used for drilling in Canada and to complete projects in the United States Gulf Coast and the Talara area of Peru.

The Organization of Petroleum Exporting Countries ("OPEC") recently announced a 15% reduction in the posted price of crude oil to about \$29 (U.S.) per barrel. The Government of Canada has not published its intentions with respect

to several aspects of domestic price regulations, but has cancelled a \$4 per barrel price increase previously scheduled for July 1. The reduction in international oil prices will affect the service fee we receive for our share of oil production in Peru and the average price we receive for our oil production in the United States Gulf Coast. Our condensate production in Bolivia, which we have been lifting and selling on the open market during the first quarter, will fluctuate with spot market prices. At the time of writing, it is unknown whether the \$29 (U.S.) per barrel price will be sustained. Although the level of international oil prices will affect CanadianOxy's earnings in 1983, the impact will be somewhat mitigated by reduced taxes and by the Company's industry diversification.

We have filed an application with the Energy Resources Conservation Board (Alberta), on behalf of ourselves and nine partners, to construct a natural gas processing plant and gathering system in the South Okotoks/Mazzeppa area, southeast of Calgary. The proposed \$100 million plant would produce about 850 10<sup>3</sup>m<sup>3</sup> (30 MMcf) per day of sales gas, 60 m<sup>3</sup> (375 barrels) per day of condensate and 750 tonnes per day of sulphur. CanadianOxy would be operator and have about a 35% interest in the project. Subject to receiving regulatory approvals, construction would commence later this year with completion in late 1985.

In the Chemicals division, we are hopeful of a turnaround in the pulp and paper industry by mid-year which would result in improved demand for our bleaching

chemicals. There appears to be some improvement already in our eastern divisions, which manufacture metal finishing chemicals and plastics primarily for use in the electronics, automotive and appliance industries.

Over the years, CanadianOxy's geographic and industry diversification have been significant factors in stabilizing earnings amidst adverse market volatility, and today, more than ever, our broadly based investments are helping us to weather the economic storms. We are proud of our employees' performance in these challenging times, and look forward to the years ahead with confidence in our ability to prosper and grow.

Respectfully submitted,



Robert A. Teitsworth  
Chairman of the Board



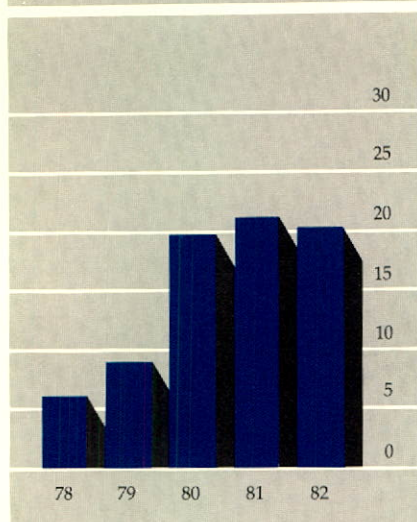
John E. Brading  
President

Calgary, Alberta  
March 31, 1983.



# Oil and Gas

**NET INCOME — Oil and Gas**  
(millions of dollars)



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

In 1982, net sales from oil and gas operations increased by 16% to \$126.5 million and net income of \$20.1 million was substantially unchanged from last year. The increased sales were primarily attributable to higher oil and gas production in the United States Gulf Coast and a full year of condensate production in Bolivia. Improved revenues were largely offset by higher Canadian federal petroleum and gas revenue taxes and increased operating costs, interest expense, depreciation and depletion and income taxes.

Exploration expenditures, including lease acquisition costs, were \$12.6 mil-

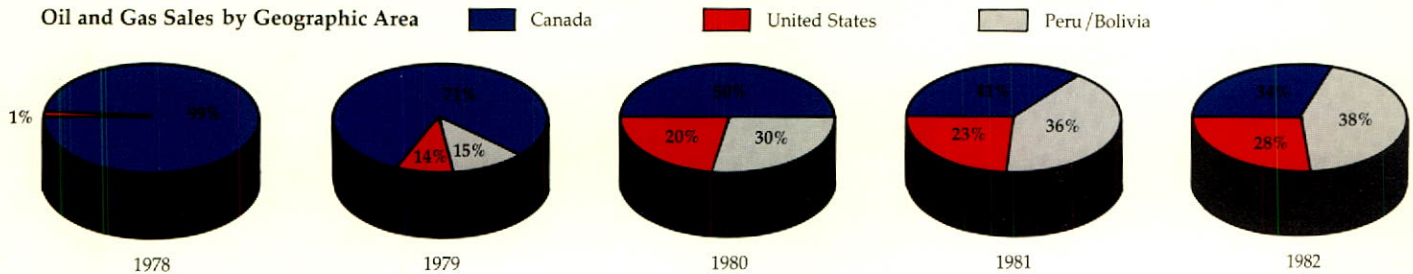
lion compared to \$21.1 million in 1981. Development expenditures were \$33.4 million compared to \$70.2 million in 1981. The reduction in capital spending was due to the substantial completion of major oil and gas development projects and a lower level of exploration in Canada. The allocation of these expenditures between Canada, the United States and South America during the past three years is shown in the table of Capital and Exploration Expenditures on page 23.

Refer to the Supplementary Financial Information commencing at page 38 for additional information pertaining to the Company's oil and gas producing activities.

OIL AND GAS OPERATIONS	1982	1981	1980	1979	1978
	(Amounts in Thousands)				
Net Sales:					
Natural Gas .....	\$ 55,107	\$ 48,219	\$ 47,467	\$ 29,227	\$18,859
Crude Oil and Condensate .....	59,576	47,099	32,728	10,101	3,230
Liquefied Petroleum Gas .....	1,810	2,082	2,354	1,580	1,369
Sulphur .....	10,000	11,767	11,611	4,526	2,482
	<u>\$126,493</u>	<u>\$109,167</u>	<u>\$ 94,160</u>	<u>\$ 45,434</u>	<u>\$25,940</u>
Net Income .....	<u>\$ 20,113</u>	<u>\$ 21,026</u>	<u>\$ 19,766</u>	<u>\$ 8,970</u>	<u>\$ 5,972</u>
Capital and Exploration Expenditures:					
Acquisition of Oil and Gas Rights .....	\$ 939	\$ 4,212	\$ 7,009	\$ 2,128	\$ 2,539
Exploration .....	11,626	16,948	17,611	9,425	15,501
Development .....	33,401	70,174	62,553	57,614	21,303
Total Capital and Exploration Expenditures .....	45,966	91,334	87,173	69,167	39,343
Less Current Year Expenditures Charged to Exploration Expenses .....	<u>10,528</u>	<u>13,410</u>	<u>9,231</u>	<u>6,564</u>	<u>11,126</u>
Additions to Property, Plant and Equipment .....	<u>\$ 35,438</u>	<u>\$ 77,924</u>	<u>\$ 77,942</u>	<u>\$ 62,603</u>	<u>\$28,217</u>
Net Property, Plant and Equipment:					
Canada .....	\$ 50,882	\$ 52,421	\$ 42,403	\$ 26,181	\$21,691
United States .....	61,015	64,443	63,796	61,213	50,695
Peru .....	116,723	107,991	78,896	45,261	6,652
Bolivia .....	22,753	22,988	8,873	2,575	1,840
Other International .....	414	—	—	—	1,303
	<u>\$251,787</u>	<u>\$247,843</u>	<u>\$193,968</u>	<u>\$135,230</u>	<u>\$82,181</u>



Oil and Gas Sales by Geographic Area



## CANADA

### LAND

During the year, CanadianOxy acquired six exploration licences in north-western Alberta comprising 8 982 gross and 4 952 net hectares (22,454 gross and 12,381 net acres) at a cost of approximately \$1 million.

Prior exploration work on the ten-year bituminous shale oil lease in New Brunswick outlined an area of approximately 405 hectares (1,000 acres) of shale deposit for possible future development. After further exploration and evaluation studies during the 1981-1982 work season, the 29 147-hectare leased area was reduced to 1 439 hectares (3,556 acres).

### EXPLORATION AND DEVELOPMENT

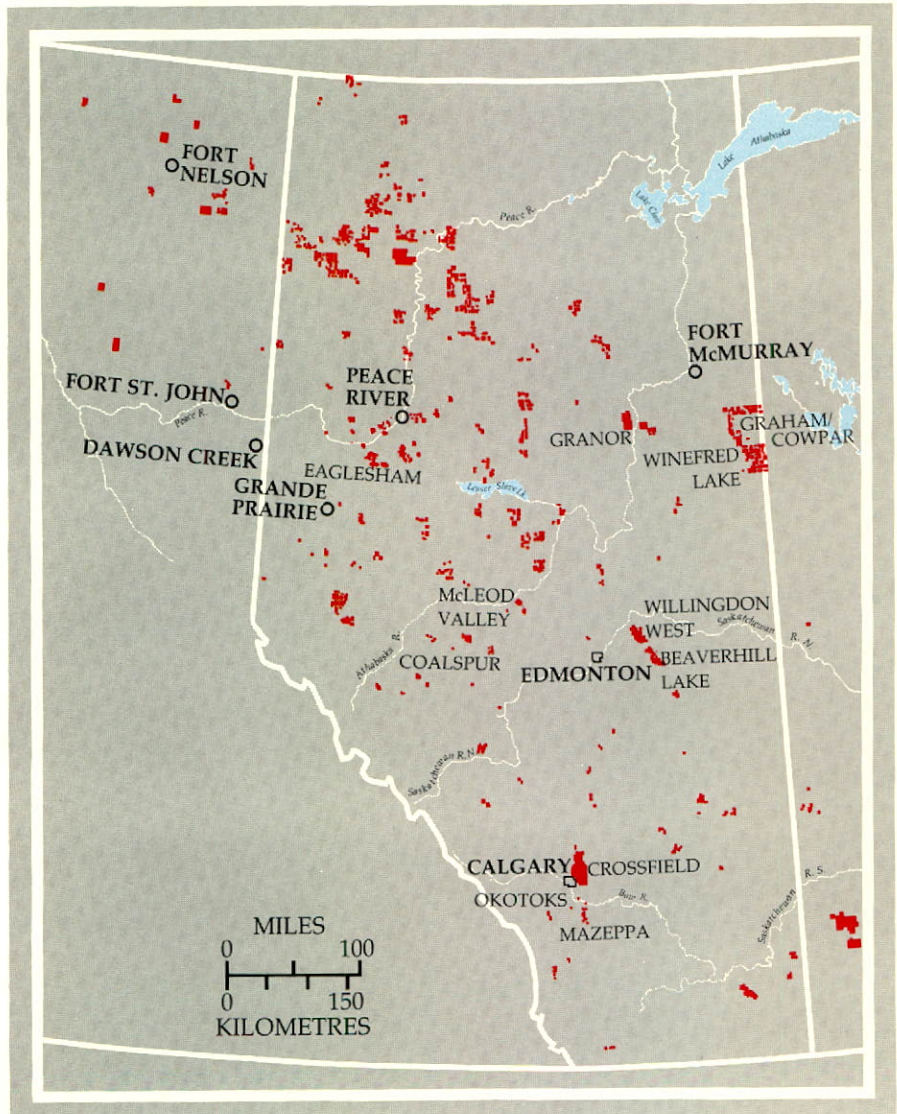
During 1982, 6 exploration and 16 development wells were drilled on CanadianOxy's lands in Canada, resulting in 14 gas wells and 8 dry holes. The Company participated directly in the drilling of 19 of these wells, while the remaining 3 were drilled by others under various farmout and option agreements at no cost to CanadianOxy.

Exploratory drilling resulted in two gas wells in the McLeod-Poison and Willingdon-West areas of central Alberta. The Company has varying interests in 6 464 hectares (16,160 acres) in the vicinity of the discoveries.

A dry hole was drilled on the Eaglesham prospect, approximately 0.6 kilometres southeast of the Company's two previous oil discoveries. Further delineation drilling to test the extent of the Wabamun oil pool is planned for 1983.

Leases covering 51 200 hectares (128,000 acres) in the Winefred area of eastern Alberta have been farmed out to another company which carried out seismic in 1982 and has committed to drill six exploration wells in 1983 and 1984.

LAND HOLDINGS — Oil and Gas



As of December 31, 1982, the Company's net proven and probable reserves in Canada were estimated to be 512 10<sup>3</sup>m<sup>3</sup> (3.2 million barrels) of crude oil and condensate, 7 498 10<sup>6</sup>m<sup>3</sup> (266 Bcf) of natural gas, 147 10<sup>3</sup>m<sup>3</sup> (925 thousand barrels) of liquefied petroleum gas and 1.7 million tonnes (1.7 million long tons) of sulphur. Net proven and probable reserves of crude oil and conden-

sate increased by 6 500 m<sup>3</sup> (41,000 barrels) over the prior year, primarily due to engineering adjustments. Pipeline gas reserves increased by 1 448 10<sup>6</sup>m<sup>3</sup> (51 Bcf) due to gas discoveries and extensions. Liquefied petroleum gas and sulphur reserves declined by the approximate amount of production during the year.



In October 1981, CanadianOxy, Ontario Energy Corporation and Sogepet Limited were granted oil and gas exploration rights by the Canadian Government covering 29 million hectares (72 million acres) in the Hudson Bay. The participants each have one-third participating interests in the project, with CanadianOxy acting as operator. The Exploration Agreement extends for five years commencing January, 1982, and has four separate work periods. The collection of 5 449 kilometres of seismic was completed in September, at a cost of \$5.7 million, which satisfied the requirements of the first 18-month phase of the program. Evaluation of the seismic has been encouraging and it is planned that the next 18-month phase will entail a second seismic program, commencing in the summer of 1983. During the fourth year of the program, drillsites would be selected and environmental studies carried out. In the fifth year, the participants will have the option to drill either one or two wells. Each well drilled will earn the participating group the right to negotiate a new agreement covering 7.25 million hectares.



Western Wind seismic vessel used in Hudson Bay.

#### DRILLING RECORD IN CANADA

	1982		1981		1980		1979		1978	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
<b>Exploratory Wells</b>										
Oil Wells .....	—	—	1	0.1	2	1.6	—	—	—	—
Gas Wells .....	2	0.7	12	2.0	20	3.5	5	1.5	25	8.0
Dry Holes .....	4	2.7	11	3.6	8	3.0	9	2.9	26	13.3
	<u>6</u>	<u>3.4</u>	<u>24</u>	<u>5.7</u>	<u>30</u>	<u>8.1</u>	<u>14</u>	<u>4.4</u>	<u>51</u>	<u>21.3</u>
<b>Development Wells</b>										
Oil Wells .....	—	—	4	1.1	2	0.8	2	0.6	1	—
Gas Wells .....	12	3.2	22	6.3	16	6.4	24	6.7	12	5.3
Dry Holes .....	4	2.2	5	1.5	10	2.4	11	2.4	2	0.1
	<u>16</u>	<u>5.4</u>	<u>31</u>	<u>8.9</u>	<u>28</u>	<u>9.6</u>	<u>37</u>	<u>9.7</u>	<u>15</u>	<u>5.4</u>
	<u>22</u>	<u>8.8</u>	<u>55</u>	<u>14.6</u>	<u>58</u>	<u>17.7</u>	<u>51</u>	<u>14.1</u>	<u>66</u>	<u>26.7</u>

**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 1978, 1979, 1980, 1981 and 1982, CanadianOxy earned gross overriding royalty interests in 10, 24, 24, 17 and 3 farmout wells, respectively (included in gross wells above), some of which are convertible to working interests at the Company's option on payout of certain well costs. Upon payout, the net well totals in the table will increase by 1.95 gas wells in 1978, 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 and 1.0 gas wells in 1982.



## PRODUCTION AND SALES

CanadianOxy's natural gas, condensate, liquefied petroleum gas and sulphur production is primarily in Alberta and most of its crude oil production is in Saskatchewan. During 1982, the Company's working interest share of Canadian production averaged  $928 \times 10^3 \text{m}^3$  (32.9 MMcf) per day of pipeline gas,  $223 \text{m}^3$  (1,406 barrels) per day of crude oil, condensate and liquefied petroleum gas and 258 tonnes (254 long tons) per day of sulphur.

Over 65% of production revenue comes from the Crossfield field, northeast of Calgary, where CanadianOxy operates over 60 gas wells for itself and others. All gas produced from this field is processed at a plant, owned by Petrogas Processing Ltd., located about five kilometres northeast of Calgary. CanadianOxy owns 30.9% of the shares of Petrogas and is the manager and operator of the plant. When operating at full production, the plant produces approximately  $3.2 \times 10^6 \text{m}^3$  (115 MMcf) per day of sales gas,  $550 \text{m}^3$  (3,461 barrels) per day of condensate and liquefied petroleum gas and 900 tonnes (886 long tons) per day of sulphur. Due to abnormally low summer nominations from the gas transmission companies, reflecting reduced demand by United States industrial customers, the plant operated at about one-third of production capability during the third quarter. Gas production returned to near normal levels during the fourth quarter of the year.

A \$5 million project to increase reservoir productivity from the Calgary field was substantially completed at the Petrogas plant. The project involved the installation of two electrically driven

sales gas compressors which will increase the total gas recovery by about  $500 \times 10^6 \text{m}^3$  (18 Bcf) over the life of the field. In late 1982, a development well was tied into the plant and is producing  $85 \times 10^3 \text{m}^3$  (3 MMcf) per day. Another development well was cased as a potential gas well and is scheduled for tie-in to the plant in 1983 upon receipt of regulatory approvals.

Construction of two small gas processing plants and gathering systems was completed in the Cowpar and Granor fields, in Alberta. The Cowpar plant has a production capacity of  $340 \times 10^3 \text{m}^3$  (12 MMcf) of gas per day, of which CanadianOxy's share is about 45%. The Granor plant has a production capacity of  $344 \times 10^3 \text{m}^3$  (12.2 MMcf) of gas per day, of which CanadianOxy's share is  $56 \times 10^3 \text{m}^3$  (2 MMcf) per day. Both of these plants started up at mid-year. However, due to reduced demand for gas, CanadianOxy's share of production from the two plants averaged only  $90 \times 10^3 \text{m}^3$  (3.2 MMcf) per day during the last half of 1982.

In December, CanadianOxy filed with the Energy Resources Conservation Board (Alberta) on behalf of itself and nine partners an application to construct a natural gas processing plant and gathering system in the South Okotoks/Mazeppa area, southeast of Calgary. The plant would process up to  $1\,700 \times 10^3 \text{m}^3$  (60 MMcf) per day of raw sour gas to produce approximately  $850 \times 10^3 \text{m}^3$  (30 MMcf) per day of sales gas,  $60 \text{m}^3$  (375 barrels) per day of condensate and 750 tonnes per day of sulphur. A public hearing of the application is scheduled for April, 1983. Subject to receiving regulatory ap-

provals, construction is planned to commence later this year with completion scheduled for late-1985 at a cost of about \$100 million. CanadianOxy would be operator and have an approximate 35% interest in the plant.

Sulphur marketing contributed 23% of CanadianOxy's net sales from Canadian oil and gas operations in 1982. CanadianOxy markets sulphur both for its own account and as agent for Petrogas and others. The sulphur is sold directly to a wide variety of consumers throughout Canada and in the United States and indirectly in overseas markets. The plant selling price averaged \$66.40 per tonne in the North American market and \$89.60 per tonne in the overseas markets. The Company's share of total sales (including its share of Petrogas sales) was 153 100 tonnes, which exceeded its production by 59 100 tonnes. Based on its market forecast, the sulphur inventory of 145 300 tonnes as at December 31, 1982 will be reduced to about 94 500 tonnes in 1983.

## COAL

CanadianOxy has carried on a limited coal exploration program in Alberta and British Columbia for several years. The Company holds several bituminous thermal coal properties, most of which are located in the Coalspur field, near Hinton, Alberta.

The Company's most prospective coal property is located in the Corral Creek area on the northern tip of the Coalspur field. Exploration and pre-feasibility studies conducted on this property during 1981 indicated mineable deposits of 673 million tonnes with potential additional reserves. A longwall type of underground mining would be the most viable extractive process. Further definitive exploration and feasibility studies must be conducted on the property in order to discern whether or not it is commercial.

In the Hargwen and Hargwen East areas of the Coalspur field, the Company carried out a preliminary drilling program of six exploratory core holes in 1982. Three coal zones were encountered at depths ranging from 305 to 457 metres. These properties are encouraging, but further evaluation is required to determine their commercial significance.



Sulphur stockpile at Petrogas plant, near Calgary.



## 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. The accompanying map illustrates the location of these lease blocks.

In the High Island area, offshore Texas, eleven drilling and production platforms have been installed and 141 successful development wells have been drilled to date. Drilling operations are substantially complete on ten of these platforms, which were all on production at the year-end. Development drilling is continuing on the remaining platform, which is scheduled to commence production by mid-1984.

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

During 1982, the Company participated in the drilling of 8 Gulf Coast wells, resulting in 3 gas wells, 3 oil wells and 2 gas/oil wells. By the year-end, a total of 140 wells were on production and another 13 wells were awaiting completion and pipeline tie-in.

At the year-end, the Company's share of production was approximately  $740 \times 10^3 \text{ m}^3$  (26 MMcf) of gas per day and  $168 \text{ m}^3$  (1,060 barrels) of oil and condensate per day. During 1982, the average wellhead price received for the gas production was \$116.72 per  $10^3 \text{ m}^3$  (\$3.29 per Mcf) and for the oil production was \$256.56 per  $\text{m}^3$  (\$40.77 per barrel). In October, CanadianOxy received \$20,789,000 under the terms of a minimum take-or-pay contract with a major gas purchaser in the U.S. Gulf Coast. The purchaser has the right to take delivery of the gas previously paid for over the next five years.

As of December 31, 1982, the Company's net proven and probable reserves for the United States Gulf Coast were  $217 \times 10^3 \text{ m}^3$  (1.36 million barrels) of crude oil and condensate and  $1\,170 \times 10^6 \text{ m}^3$  (41.3 Bcf) of pipeline gas. Reserves increased over the prior year due to extensions developed in Blocks 563 and 582.

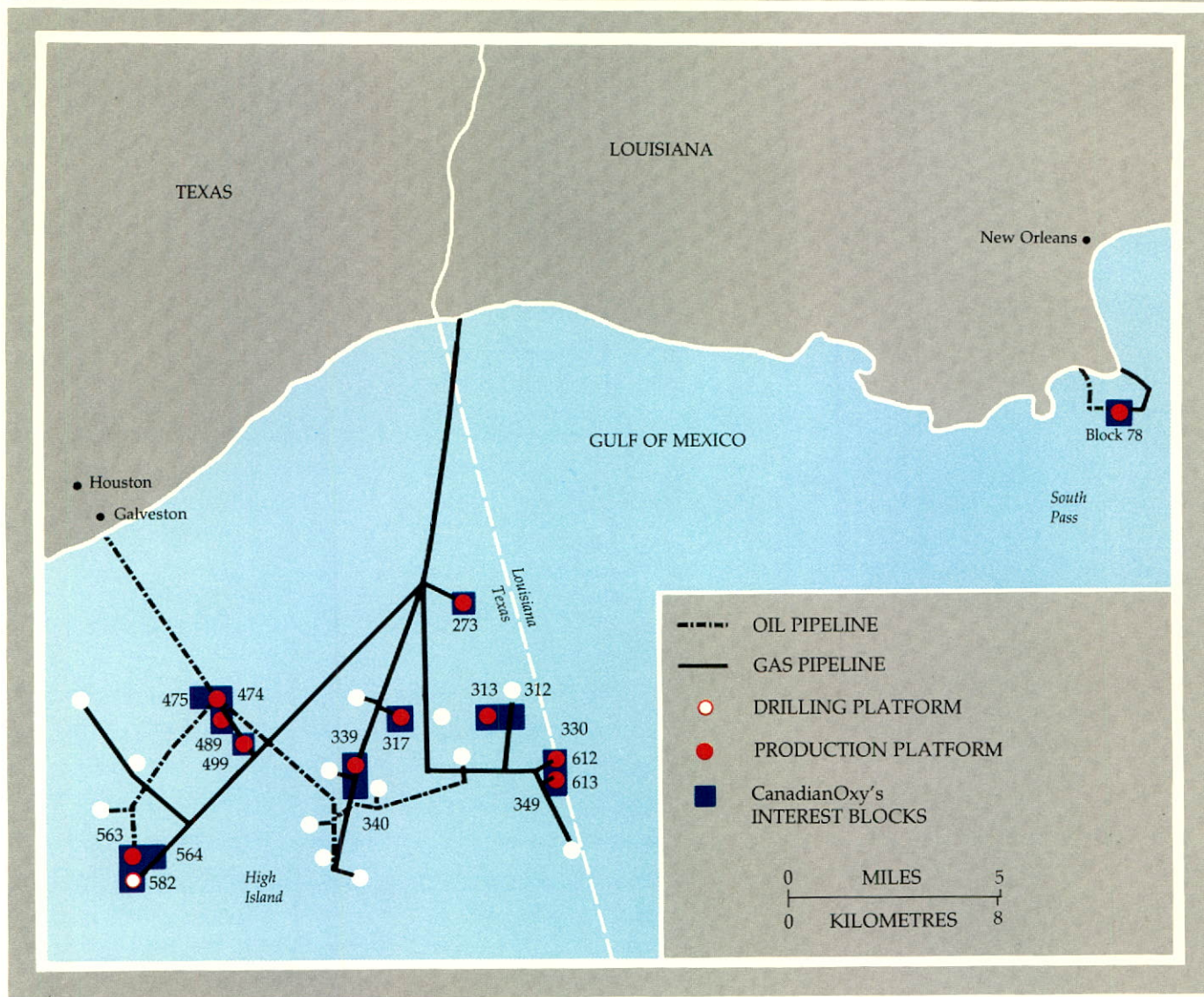
The Company's total capital expenditures in the Gulf Coast area have been approximately \$88 million (U.S.). The Company expects that its share of additional capital expenditures required to complete the development of these properties will be approximately \$4 million (U.S.).



*Drilling and production platform at South Pass Block 78 in the United States Gulf Coast.*



### UNITED STATES — Gulf Coast



### DRILLING RECORD IN THE UNITED STATES (GULF OF MEXICO)

	1982		1981		1980		1979		1978	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
<b>Exploratory Wells</b>										
Oil Wells .....	—	—	—	—	—	—	—	—	—	—
Gas Wells .....	—	—	—	—	—	—	1	.06	1	.05
Oil/Gas Wells .....	—	—	—	—	—	—	—	—	—	—
Dry Holes .....	—	—	4	.12	—	—	1	.06	—	—
	—	—	4	.12	—	—	2	.12	1	.05
<b>Development Wells</b>										
Oil Wells .....	3	.15	—	—	2	.11	—	—	8	.45
Gas Wells .....	3	.21	6	.32	11	.37	20	1.09	30	2.21
Oil/Gas Wells .....	2	.11	6	.60	2	.40	7	.63	5	.26
Dry Holes .....	—	—	2	.13	5	.23	8	.56	7	.44
	8	.47	14	1.05	20	1.11	35	2.28	50	3.36
	8	.47	18	1.17	20	1.11	37	2.40	51	3.41



## PERU

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

During 1982, the Oxy Group drilled 150 wells in the Talara area. As at year-end, a total of 1,013 new wells had been drilled and 627 wells had been re-worked or re-completed since inception of the project in August, 1978.

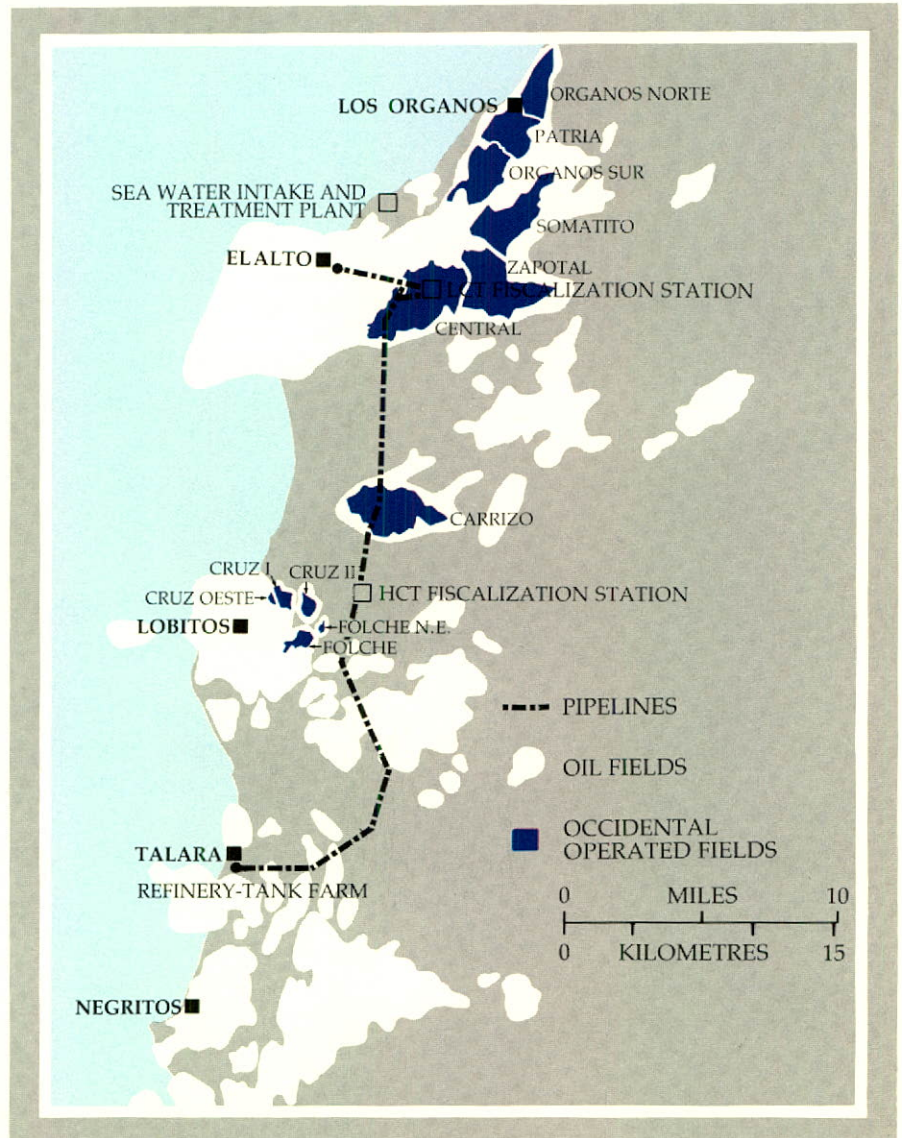
Oil production averaged 2 970 m<sup>3</sup> (18,700 barrels) per day during 1982. Under a service contract with the Peruvian government, CanadianOxy is paid a service fee on its 21% share of the oil production. The basic service fee, initially \$17.50 (U.S.) per barrel, is subject to adjustment for certain changes in crude oil prices, Peruvian income tax rates and production levels. As a result of changes in crude oil prices, the basic service fee was \$19.30 (U.S.) per barrel throughout 1982.

Waterflood operations, which commenced in August 1980, have been implemented in seven of the eleven fields. At year-end, water was being injected through 466 wells into the formations at the rate of 175,000 barrels per day. Although response to the waterflood is evident in some fields, it has not yet been effective in others. Occidental's engineers are currently evaluating the success of the waterflood operations to determine what corrective or supplemental measures should be taken to improve the overall response.



Seawater intake facilities at Talara, Peru.

### PERU — Talara Area





Occidental's independent consulting engineers DeGolyer and MacNaughton estimate as of December 31, 1982 a total of  $12.7 \times 10^6 \text{ m}^3$  (80 million barrels) of proven reserves of crude oil are recoverable from the Talara project. CanadianOxy's net share of the reserves is  $2.7 \times 10^6 \text{ m}^3$  (16.7 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, 1982 are 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 1983 is estimated to be approximately \$3 million (U.S.).

## BOLIVIA

Occidental and CanadianOxy hold a production-sharing contract with YPFB, the Bolivian national oil company, covering 301 875 hectares (745,933 acres) 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. The initial exploratory well drilled in 1978, Porvenir No. 1, resulted in a significant natural gas/condensate discovery. The discovery was confirmed by subsequent development drilling within the field.

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. During the year, two field wells were drilled and completed so that the plant is now serviced by ten wells, of which six are producing and four are used for gas re-injection. At year-end, the plant was producing at its capacity of  $1\ 144 \text{ m}^3$  (7,200 barrels) per day of condensate with about  $2\ 958 \times 10^3 \text{ m}^3$  (105 MMcf) of natural gas being re-injected into the reservoir. The gas will be produced and sold in later years when additional markets are developed. CanadianOxy's share of the production from the Porvenir field is 12.5%.

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. The 1982 domestic selling price, net of pipeline tariff, was \$28.90 (U.S.) per barrel. Due to the current excess of oil supply over domestic demand, Occidental and

CanadianOxy have been exporting their 50% share of production from Bolivia during the first quarter of 1983.

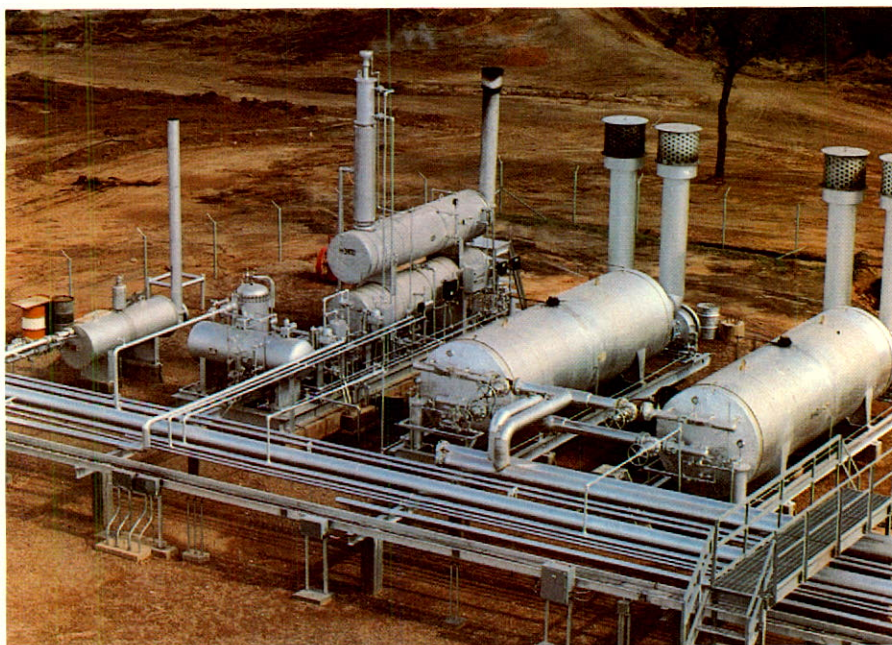
The Company's share of the total capital expenditures since commencement of the project is approximately \$21 million (U.S.).

CanadianOxy's net share of the proven reserves for the Porvenir field as at December 31, 1982 is estimated to be  $450 \times 10^6 \text{ m}^3$  (16 Bcf) of natural gas and  $262 \times 10^3 \text{ m}^3$  (1.6 million barrels) of condensate.

Exploration seismic of deeper prospects on the Chaco Block conducted during 1982 is currently being evaluated.

## BRAZIL

Early in 1982, CanadianOxy acquired a  $33\frac{1}{3}\%$  participating interest in lease block ACS-103 and a  $12\frac{1}{2}\%$  participating interest in lease block ACS-52, 30 miles offshore the State of Ceara, Brazil, and approximately 1,300 miles north of Rio de Janeiro. The first exploration well drilled on Block ACS-103 was dry and abandoned. The cost of this well, including geological and geophysical studies, amounted to \$4.1 million and was charged to earnings in 1982.



*Gas/condensate cycling facilities in the Porvenir field, Bolivia.*



## RESERVES

(as at December 31, 1982)

	Proven		Probable		Total Proven and Probable	
	Gross	Net	Gross	Net	Gross	Net
<b>Imperial Units</b>						
<b>Crude Oil and Condensate</b> (thousand barrels)						
Canada .....	4,330	3,054	242	166	4,572	3,220
U.S. Gulf Coast .....	1,384	1,153	250	208	1,634	1,361
Peru .....	16,698	16,698	6,174	6,174	22,872	22,872
Bolivia .....	1,649	1,649	—	—	1,649	1,649
	<u>24,061</u>	<u>22,554</u>	<u>6,666</u>	<u>6,548</u>	<u>30,727</u>	<u>29,102</u>
<b>Pipeline Gas</b> (billion cubic feet)						
Canada .....	236.1	194.3	82.3	71.8	318.4	266.1
U.S. Gulf Coast .....	46.6	38.9	2.8	2.4	49.4	41.3
Bolivia .....	15.9	15.9	—	—	15.9	15.9
	<u>298.6</u>	<u>249.1</u>	<u>85.1</u>	<u>74.2</u>	<u>383.7</u>	<u>323.3</u>
<b>Liquefied Petroleum Gas</b> (thousand barrels)						
Canada .....	1,097	925	—	—	1,097	925
Bolivia .....	—	—	497	497	497	497
	<u>1,097</u>	<u>925</u>	<u>497</u>	<u>497</u>	<u>1,594</u>	<u>1,422</u>
<b>Sulphur</b> (thousand long tons)						
Canada .....	1,913	1,675	2	1	1,915	1,676
<b>Metric Units</b>						
<b>Crude Oil and Condensate</b> (thousand cubic metres)						
Canada .....	689	486	38	26	727	512
U.S. Gulf Coast .....	220	184	40	33	260	217
Peru .....	2 653	2 653	982	982	3 635	3 635
Bolivia .....	262	262	—	—	262	262
	<u>3 824</u>	<u>3 585</u>	<u>1 060</u>	<u>1 041</u>	<u>4 884</u>	<u>4 626</u>
<b>Pipeline Gas</b> (million cubic metres)						
Canada .....	6 653	5 475	2 319	2 023	8 972	7 498
U.S. Gulf Coast .....	1 320	1 102	79	68	1 399	1 170
Bolivia .....	450	450	—	—	450	450
	<u>8 423</u>	<u>7 027</u>	<u>2 398</u>	<u>2 091</u>	<u>10 821</u>	<u>9 118</u>
<b>Liquefied Petroleum Gas</b> (thousand cubic metres)						
Canada .....	174	147	—	—	174	147
Bolivia .....	—	—	79	79	79	79
	<u>174</u>	<u>147</u>	<u>79</u>	<u>79</u>	<u>253</u>	<u>226</u>
<b>Sulphur</b> (thousand tonnes)						
Canada .....	1 944	1 702	2	1	1 946	1 703



PRODUCTION AND SALES	1982	1981	1980	1979	1978
<b>Production</b>					
(gross before royalties)					
<i>Imperial Units</i>					
Pipeline Gas (Bcf) .....	23.0	22.3	22.2	19.1	14.3
Crude Oil and Condensate (thousand barrels) .....	2,250.3	2,022.3	1,798.6	652.9	441.1
Liquefied Petroleum Gas (thousand barrels) .....	117.1	149.9	169.7	196.2	184.7
Sulphur (thousand long tons) .....	92.5	110.6	107.8	121.1	125.9
<i>Metric Units</i>					
Pipeline Gas (thousand cubic metres) .....	646 590	617 229	615 066	529 798	396 375
Crude Oil and Condensate (thousand cubic metres) .....	357.6	321.4	285.8	103.7	70.2
Liquefied Petroleum Gas (thousand cubic metres) .....	18.6	23.8	27.0	31.2	29.3
Sulphur (thousand tonnes) .....	94.0	112.4	109.5	123.0	127.9
<b>Sales</b>					
<b>Sulphur</b>					
<i>Imperial Units</i>					
(thousand long tons)					
North American .....	94.6	116.0	97.2	79.1	55.7
Overseas .....	56.1	76.7	137.2	107.1	95.4
	<u>150.7</u>	<u>192.7</u>	<u>234.4</u>	<u>186.2</u>	<u>151.1</u>
<i>Metric Units</i>					
(thousand tonnes)					
North American .....	96.2	117.9	98.7	80.4	56.6
Overseas .....	56.9	77.9	139.4	108.8	96.9
	<u>153.1</u>	<u>195.8</u>	<u>238.1</u>	<u>189.2</u>	<u>153.5</u>

Note: The above table includes crude oil production in Peru on which the Company has received a service fee since January 1, 1980.

LAND	1982		1981	
	Gross Acres	Net Acres	Gross Acres	Net Acres
<b>Petroleum and Natural Gas</b>				
Alberta .....	2,384,678	1,615,910	2,706,630	1,745,195
Saskatchewan .....	155,893	47,769	156,523	47,769
British Columbia .....	218,004	175,817	238,281	180,991
Hudson Bay .....	71,929,411	23,976,518	71,929,411	23,976,518
East Coast Offshore (a) .....	278,042	—	278,042	—
Louisiana Offshore .....	6,420	737	6,420	737
Texas Offshore .....	74,211	4,355	79,971	4,640
Bolivia .....	745,933	93,241	745,933	93,241
Brazil .....	1,519,664	348,256	—	—
Peru (b) .....	19,073	4,005	19,073	4,005
	<u>77,331,329</u>	<u>26,266,608</u>	<u>76,160,284</u>	<u>26,053,096</u>
<b>Bituminous Shale</b>				
New Brunswick .....	3,556	3,556	72,022	72,022
	<u>77,334,885</u>	<u>26,270,164</u>	<u>76,232,306</u>	<u>26,125,118</u>

(a) The Company's interest in the 278,042 acres in the East Coast is a 1.75 percent gross overriding royalty.

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



# Minerals Exploration



Drilling at McClean Lake, Saskatchewan.

The Minerals division, based in Toronto, explores for metallic mineral deposits across Canada. During 1982, about 70% of the division's exploration funds were spent on the search for precious metals, with the remainder used exploring for uranium and base metals. Field work was carried out on properties in the Yukon, British Columbia, Saskatchewan, Ontario, Quebec and New Brunswick.

The Company's most significant property, "Wolly", comprises about 25 900 hectares (64,000 acres) located on the eastern rim of the Athabasca basin in northern Saskatchewan. In April 1979, CanadianOxy and its equal partner, Inco Limited, announced a potentially significant uranium discovery, named the McClean deposits. During 1980, delineation drilling outlined geological reserves of about 353 800 tonnes (390,000 tons) of mineralized material averaging 1.8% uranium oxide ( $U_3O_8$ ) and containing approximately 6.4 million kilograms (14 million pounds) of  $U_3O_8$ .

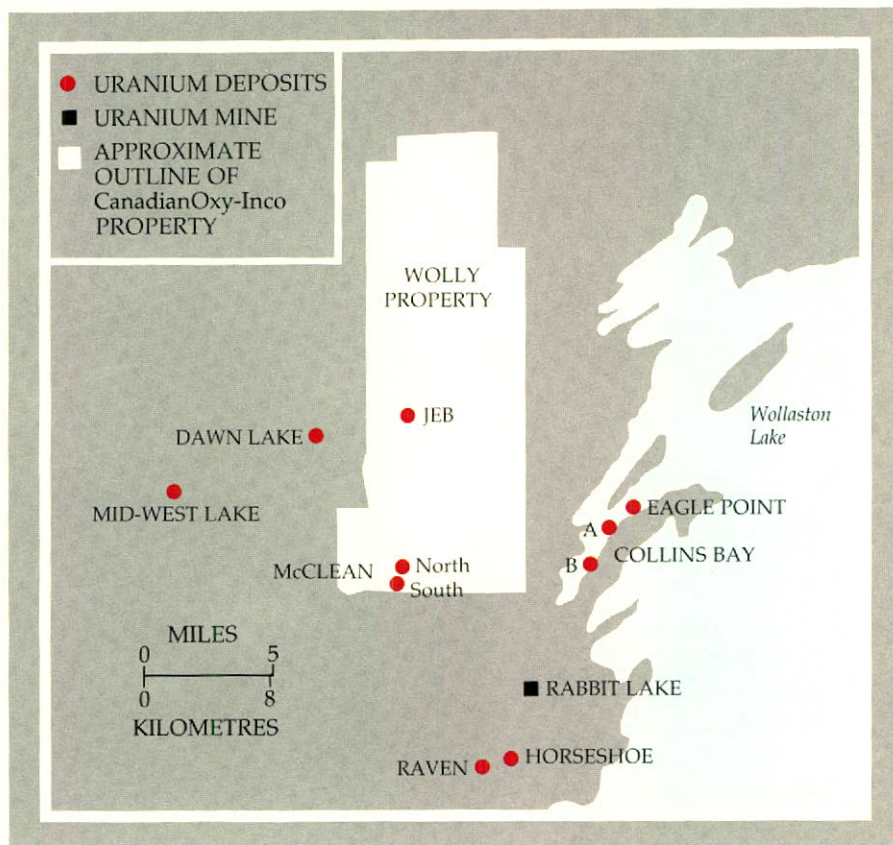
A conceptual study for underground mining the high grade deposits, which occur at depths varying from 152 to 175 metres, was completed by Inco in December 1982. The mining method selected is specifically designed to protect the workers' health and the environment. It is planned to test the proposed mining method over a two-year pilot program commencing in 1984. During this program, the proposed mining methods, ventilation, worker health protection plans and environmental control programs will be tested prior to the commencement of full scale production.

During the 1982 winter exploration program on the Wolly property, another significant high grade mineralized zone, named the "JEB", was discovered about 10 kilometres north of the McClean deposits. Five drill holes intersected mineralization at a vertical depth of about 92 metres ranging from a low of 0.27%  $U_3O_8$  over a 4.6 metre core length to a high of 9.27%  $U_3O_8$  over 7 metres. The mineralized strike length tested to date is about 122 metres. Delineation drilling, which has been deferred to 1984, is required to determine the size of this deposit before any conclusions can be drawn regarding its economic significance. The accompanying map shows the location of the McClean and JEB deposits.

The following table shows the acreages held by CanadianOxy at year-end:

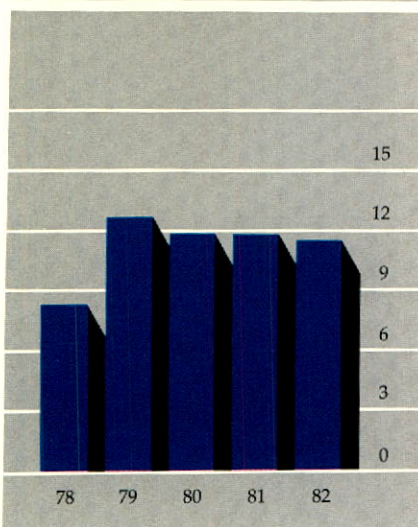
	Percentage Interest	Gross Acres
Yukon . . . . .	100%	20,956
	33%	19,448
	7%	7,514
British Columbia	100%	31,386
	33%	68,696
Saskatchewan . . .	50%	94,284
Ontario . . . . .	100%	19,280
	49%	3,000
Quebec . . . . .	100%	13,654
		<u>278,218</u>

## URANIUM DEPOSITS — Northeastern Saskatchewan





**NET INCOME — Chemicals**  
(millions of dollars)



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, in western Canada. This division manufactures chlorine, caustic soda, sodium chlorate and muriatic acid. Over 78% 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 the treating, cleaning and finishing of metals and plastics. Sel-Rex products supply 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 \$85 million in 1982 compared with \$89.2 million in 1981. Net income of \$11.4 million was slightly less than in the prior year.

During the year, a number of cost reduction programs were implemented in the Industrial Chemicals division, which allowed the chemical plants to retain their level of profitability. Sales revenues from industrial chemicals in 1982 improved marginally over 1981. Sales volumes in 1982 were adversely affected by the slowdown in the forest products industry and the resultant periodic shutdowns of several customer pulp mills. Volumes in the prior year were affected by a six-week strike in the pulp and paper industry.

Sales revenues in the Plastics and Metal Finishing divisions declined by 14% and 24%, respectively, due to continued depressed economic conditions in the automotive and construction industries and a decrease in the price of gold.

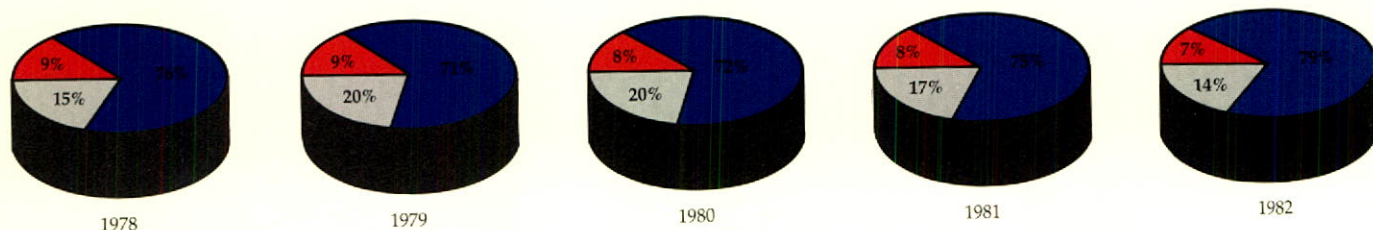
## CHEMICAL OPERATIONS

	<u>1982</u>	<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
	(Amounts in Thousands)				
Net Sales:					
Industrial Chemicals .....	\$67,408	\$67,065	\$67,596	\$56,024	\$45,935
Plastics and Resins .....	6,144	7,122	7,500	7,403	5,499
Metal Finishing .....	11,423	15,024	19,384	15,437	9,287
	<u>\$84,975</u>	<u>\$89,211</u>	<u>\$94,480</u>	<u>\$78,864</u>	<u>\$60,721</u>
Net Income Before Extraordinary Item .....	\$11,428	\$11,894	\$11,910	\$11,770	\$8,204
Extraordinary Item .....	—	—	—	893	—
Net Income .....	<u>\$11,428</u>	<u>\$11,894</u>	<u>\$11,910</u>	<u>\$12,663</u>	<u>\$ 8,204</u>
Capital Expenditures:					
Industrial Chemicals .....	\$12,732	\$ 8,526	\$ 4,133	\$ 1,951	\$ 2,185
Plastics and Resins .....	79	103	196	266	114
Metal Finishing .....	149	157	295	427	107
	<u>\$12,960</u>	<u>\$ 8,786</u>	<u>\$ 4,624</u>	<u>\$ 2,644</u>	<u>\$ 2,406</u>
Net Property, Plant and Equipment:					
Industrial Chemicals .....	\$33,040	\$23,543	\$17,946	\$16,862	\$17,823
Plastics and Resins .....	1,936	2,112	2,256	2,307	2,249
Metal Finishing .....	1,146	1,152	1,113	925	593
	<u>\$36,122</u>	<u>\$26,807</u>	<u>\$21,315</u>	<u>\$20,094</u>	<u>\$20,665</u>



Chemical Sales by Product Line

Industrial Chemicals      Plastics and Resins      Metal Finishing



CHEMICALS PRODUCTION

	1982	1981	1980	1979	1978
<b>Industrial Chemicals</b>					
<i>Imperial Units (thousands of tons)</i>					
Caustic Soda	159.9	171.7	201.4	191.8	198.0
Chlorine	142.1	150.6	177.3	169.2	174.5
Sodium Chlorate (Note 1)	22.2	23.5	23.6	23.0	15.0
Muriatic Acid	12.8	16.4	24.8	18.6	14.7
<i>Metric Units (thousands of tonnes)</i>					
Caustic Soda	145.1	155.7	182.7	174.0	179.7
Chlorine	128.9	136.6	160.8	153.5	158.3
Sodium Chlorate (Note 1)	20.2	21.3	21.4	20.9	13.6
Muriatic Acid	11.6	14.9	22.5	16.9	13.3
<b>Durez Plastics</b>					
<i>Imperial Units (thousands of pounds)</i>					
Moulding Materials	4,358	5,941	6,576	7,202	5,532
Industrial and Foundry Resins	4,477	5,686	5,273	5,896	5,959
<i>Metric Units (thousands of kilograms)</i>					
Moulding Materials	1,977	2,695	2,983	3,267	2,509
Industrial and Foundry Resins	2,031	2,579	2,392	2,674	2,703
<b>Metal Finishing</b>					
<i>Imperial Units (thousands of pounds)</i>					
Metal Finishing Chemicals	6,702	8,355	8,679	10,236	9,483
<i>Metric Units (thousands of kilograms)</i>					
Metal Finishing Chemicals	3,040	3,790	3,937	4,643	4,302
Precious Metal Salts (troy ounces)	11,314	14,472	17,331	22,963	17,555

Note 1: Includes production from the Brandon plant commencing July 1, 1978.



## INDUSTRIAL CHEMICALS

The industrial chemical operations comprise chlor-alkali plants at North Vancouver and Nanaimo, B.C. and sodium chlorate manufacturing facilities at Squamish and Nanaimo, B.C. and Brandon, Manitoba. Industrial chemical products — chlorine, caustic soda, sodium chlorate and muriatic acid — 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 summer of 1982, Canadian-Oxy commenced a project to modernize the caustic processing facilities at its North Vancouver chemical plant. The modifications are designed to replace obsolete equipment, reduce energy consumption, lessen maintenance costs, and improve working conditions. The project is scheduled for completion in mid-1983 at an estimated cost of \$12 million.

Construction was completed on the new \$6.7 million sodium chlorate manufacturing facility, adjacent to the Company's existing chlor-alkali plant at Nanaimo, British Columbia and start-up operations commenced in late July. The new facility has a designed capacity of 7 500 tonnes per year of solution sodium chlorate. The technology and design of the plant minimize the electrical energy consumed in the manufacturing process and eliminate contaminants in the effluent system by recycling all process water through a closed system. Substantially all of the production from this plant is sold to an adjacent pulp mill.

CanadianOxy is a major producer of muriatic acid in western Canada and 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.

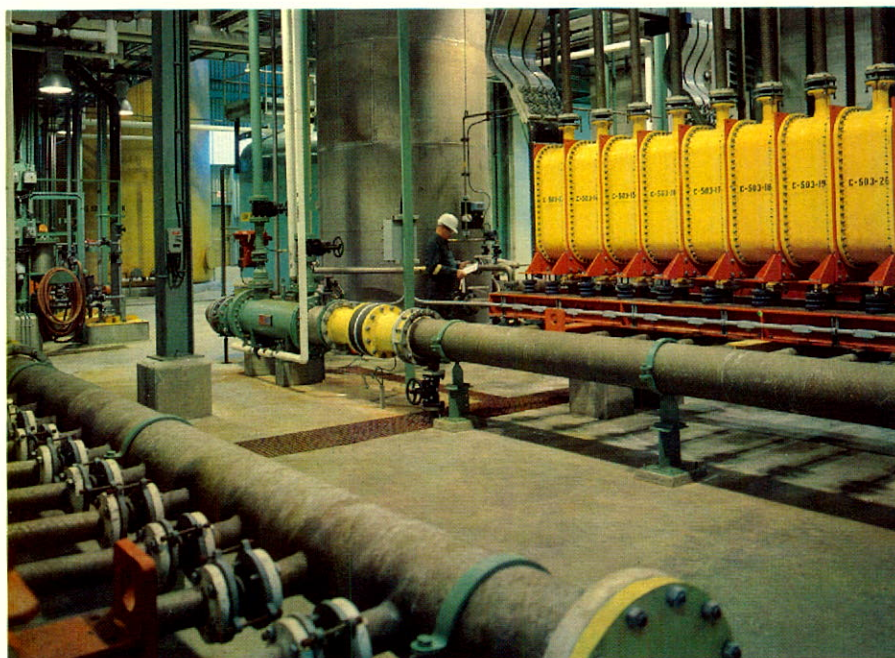
Total production capacities at the North Vancouver and Nanaimo plants for chlorine, caustic soda and muriatic acid are approximately 168 500, 187 000 and 22 700 tonnes per year, respectively. Sodium chlorate is produced at the Squamish, Nanaimo and Brandon plants where the combined annual capacity is 29 300 tonnes. During 1982, production of chlor-alkali and sodium chlorate was at about 77% and 75% capacity, respectively.

Labour contracts for the Nanaimo, North Vancouver, Squamish and Brandon plants extend to June 1983, November 1983, March 1984 and February 1985, respectively.

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 restrict future expansion or modification of existing chemicals manufacturing plants. The Company and another chemical manufacturer challenged the validity of the by-law and initiated court proceedings to quash it. To date no court decision has been rendered.

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 has allocated \$0.7 million in 1983 and \$0.9 million in 1984 towards the furtherance of its policy to meet or exceed all applicable safety and environmental standards at its chemical plants.

On October 9, 1982, the North Vancouver plant celebrated its twenty-fifth anniversary. In its twenty-five years of operation, the plant's production capacity has more than quadrupled and sales have increased 14 times. The Chemicals division started with 92 employees compared to the 262 it employs today, 24 of whom have been with the Company since the plant start-up. The event was commemorated with the planting of a blue spruce tree and the sealing of a time capsule on the plantsite to be opened in the year 2007.



*Electrolyzers at new sodium chlorate manufacturing facility at Nanaimo, B.C.*



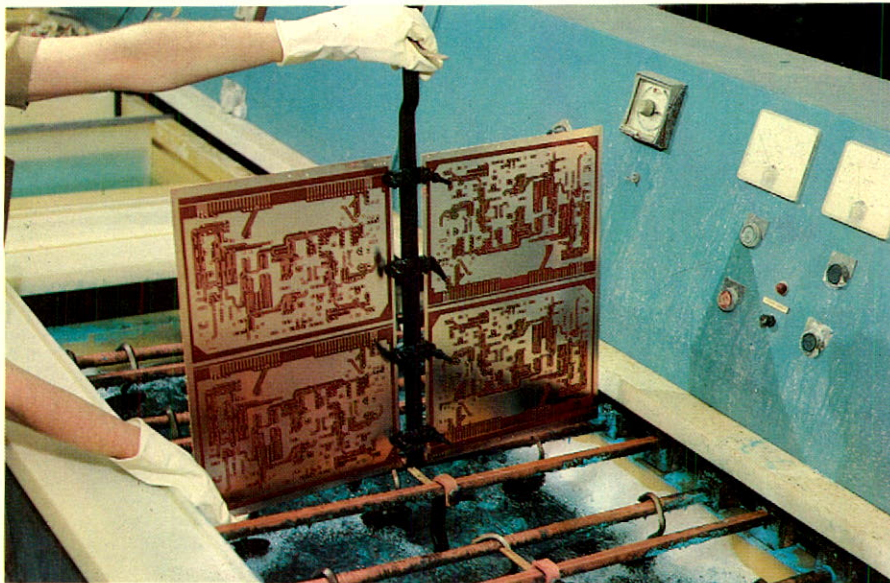
## METAL FINISHING

The Metal Finishing division manufactures and markets the Parker and Sel-Rex product lines from production and office facilities in Rexdale, Ontario.

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, metal siding, appliances, steel furniture, electrical parts, agricultural equipment, nuts and bolts and extruded aluminums. Parker production volumes declined by 20% in 1982 due to the continued

economic slowdown in the automotive and housing areas.

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. Precious metal electro-plating chemicals are used by the electronics industry to enhance the strength and reliability of printed circuit boards and connector devices. Decorative applications include jewellery, watches, flatware, hollow ware and souvenirs. Sel-Rex production volumes declined by 22% in 1982 as a result of lower consumer sales in the decorative industry and more restrictive use of gold in the electronics industry.



*Sel-Rex precious metal plating.*

## DUREZ PLASTICS

The Durez Plastics division, located at Fort Erie, Ontario, is a major Canadian manufacturer of phenol-formaldehyde industrial resins and moulding compounds. The Durez product line services the automotive, tire, communications, appliance and foundry industries. Production volumes in this division declined by 24%.

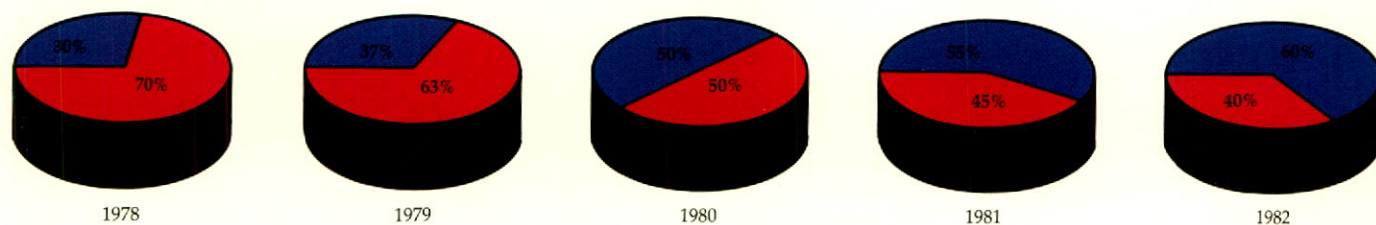
In October, 1982, CanadianOxy completed the purchase of certain additional technology pertaining to the manufacture of phenolic moulding compounds. This supplemented the Company's existing product lines of thermoset moulding compounds and resulted in increased sales during the fourth quarter of 1982.



*Automotive parts moulded from Durez moulding compounds.*



Sales by Division ■ Oil and Gas ■ Chemicals

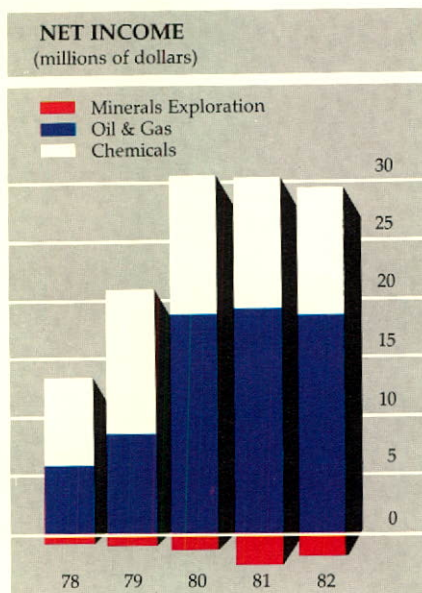


## SUMMARY OF SELECTED FINANCIAL DATA

	December 31,				
	1982	1981	1980	1979	1978
	(Amounts in thousands, except for per share data)				
<b>Results of Operations</b>					
Net sales .....	\$211,468	\$198,378	\$188,640	\$124,298	\$ 86,661
Interest and other .....	6,740	3,250	1,452	1,913	5,771
Total revenues .....	<u>218,208</u>	<u>201,628</u>	<u>190,092</u>	<u>126,211</u>	<u>92,432</u>
Income before extraordinary item .....	29,352	30,039	30,320	19,922	13,433
Per common share					
— primary .....	1.32	1.35	1.34	0.77	0.45
— fully diluted .....	1.21	1.24	1.30	0.77	0.45
Extraordinary item .....	—	—	—	893	—
Per common share					
— primary .....	—	—	—	0.04	—
Net income .....	29,352	30,039	30,320	20,815	13,433
Per common share					
— primary .....	1.32	1.35	1.34	0.81	0.45
— fully diluted .....	1.21	1.24	1.30	0.81	0.45
<b>Financial Position</b>					
Net working capital .....	21,724	33,523	24,840	13,448	21,594
Net property, plant and equipment .....	296,394	282,592	221,599	158,028	104,529
Total assets .....	391,065	371,670	302,919	218,710	173,133
Long-term debt .....	93,170	131,551	92,474	42,194	12,603
Redeemable preferred shares .....	19,062	20,315	21,873	42,919	42,919
Common shareholders' equity .....	145,080	124,541	101,853	80,714	68,050
<b>Changes in Financial Position</b>					
Funds from operations before exploration ..	81,111	85,623	86,739	42,925	30,674
Capital and exploration expenditures .....	61,604	105,466	97,508	74,110	42,642
Preferred and common dividends .....	9,430	9,540	8,252	8,481	21,351
Decrease (increase) in net long-term debt ..	38,381	(39,077)	(50,280)	(29,591)	8,588
<b>Cash dividends declared per common share</b>					
— regular .....	0.36	0.36	0.27	0.205	0.193
— special .....	—	—	—	—	0.643



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



### RESULTS OF OPERATIONS

Net income in 1982 decreased slightly to \$29.4 million from \$30.0 million in 1981 and the record of \$30.3 million in 1980. Although operating profit was higher in 1982, the small decline in earnings was due primarily to increased exploration expense, interest costs and a higher effective income tax rate. In 1981, operating profit was comparable to 1980 and the minute drop in earnings was also attributable to higher exploration expense and interest costs; however these were basically offset by a lower effective income tax rate. The effective income tax rate in any given year is influenced by the amount of investment tax credits available as a reduction of income taxes and also the earnings mix between provinces and countries where tax rates differ. In 1982, there was a reduction in the amount of investment tax credits available primarily due to reduced capital spending, together with a greater percentage of earnings from foreign oil and gas operations where the income tax rates are higher. In 1981 compared to 1980 the opposite occurred.

Sales reached a new record of \$211.5 million in 1982 versus previous records of \$198.4 million in 1981 and \$188.6 million in 1980. The increased sales in 1982 were principally due to both higher production of natural gas and crude oil in the U.S. Gulf Coast and condensate production in Bolivia. There were declines in similar production in other geographic areas and in other product segments within the Company, however, higher selling prices for the most part maintained these sales at the prior year level. These factors also contributed to the increased sales in 1981 over 1980 in addition to higher crude oil production in Peru.

Oil and Gas division earnings were \$20.1 million in 1982 compared to \$21.0 million in 1981 and \$19.8 million in 1980. Operating profit was higher in 1982 over 1981 and 1980 due to the increased production from the U.S. Gulf Coast and Bolivia; however because of the previously mentioned exploration expenses, interest costs and effective income tax rates, net income was adversely affected.

In the United States Gulf Coast, daily production in 1982 averaged 30.0 MMcf (23.6 MMcf in 1981 and 21.7 MMcf in 1980) of gas and 430 barrels (295 barrels in 1981 and 151 barrels in 1980) of oil, with the increase in natural gas due primarily to initial production from Blocks 563 and 499, offshore Texas and increased production from Block 78, offshore Louisiana. Gas prices, on average, were 12% and 19% higher than in 1981 and 1980, respectively. Crude oil prices, on the other hand, were 3% lower and 55% higher, respectively. During 1982 and 1981 investment tax credits utilized were comparable thereby reducing the effective income tax rate compared to 1980.

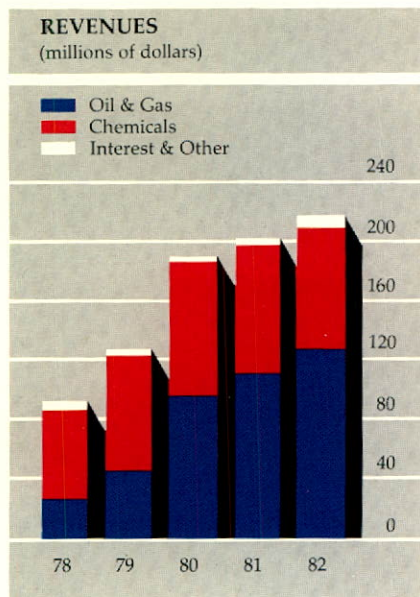
Oil production from Talara, Peru, for the account of CanadianOxy averaged 3,929 barrels (4,120 barrels in 1981 and 3,710 barrels in 1980) per day and the respective average service fee (per barrel) decreased by 3% from the aver-

age for 1981 which in turn was 18% higher than the average for 1980. The decline in production in 1982 was attributable to converting primary wells into water injection wells and a delayed response in incremental production from wells converted in previous years. The increase in 1981 over 1980 resulted from the drilling of additional primary wells. The production decline and lower service fee resulted in reduced earnings from 1981. Earnings were aided in 1982 and 1981 by the effect of investment tax credits; however the credit available in 1982 was lower due to reduced capital spending.

Condensate production from the Porvenir field in Bolivia for the account of CanadianOxy averaged 720 barrels per day compared to 187 barrels per day in 1981 when initial production commenced in October 1981. At year-end 1982, the gas cycling plant was operating at full capacity of 7,200 barrels per day. The average price received for condensate was \$39.51 per barrel in 1982 compared with \$33.59 in 1981.

Canadian gas production was lower in 1982 compared to both 1981 and 1980 whereas crude oil was slightly higher over 1981. Daily average production in 1982 was 32.9 MMcf (36.1 MMcf in 1981 and 38.5 MMcf in 1980) for pipeline gas and 1,406 barrels (1,378 barrels in 1981 and 1,580 barrels in 1980) of crude oil, condensate and liquefied petroleum gas. The decrease in production, even though production from new fields commenced in 1982, was due to lower demand by the gas purchasers and normal production decline in older fields. Crude oil production was higher in 1982 due to additional production from the Eaglesham area in Alberta and higher production in Saskatchewan. Average wellhead prices for pipeline gas, crude oil, condensate and liquefied petroleum gas were higher compared to 1981 and 1980; however, the earnings effect was more than offset by the petroleum and natural gas revenue tax which amounted to \$4,001,000 in 1982 and \$2,348,000 in 1981 and higher operating costs.

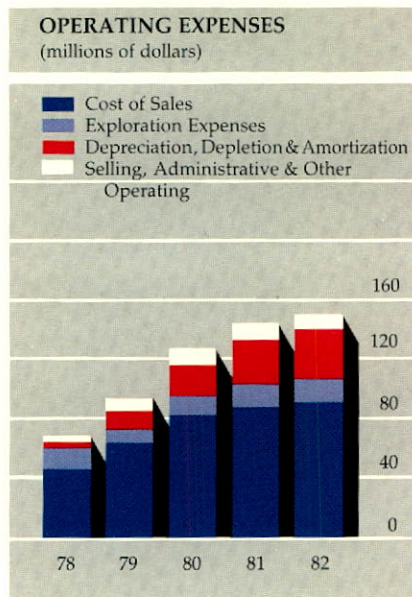




Sulphur sales revenues were lower in 1982 than in 1981 and 1980 because of lower volumes although the average price at the plant gate was higher.

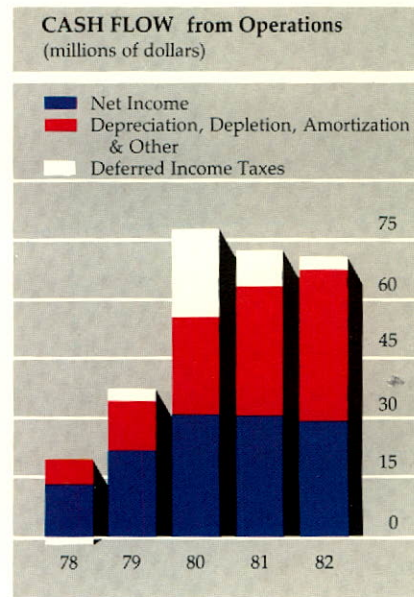
Within the Oil and Gas division, exploration write-offs were higher in 1982 as a result of the unsuccessful exploratory well in Brazil and wells in Canada which were drilling at the end of 1981 and were subsequently dry and abandoned. The increase in 1981 over 1980 was due to an increased level of seismic and drilling activity. Interest costs were higher in 1982 and 1981 because of an increase in the average debt outstanding and in the average interest rates. The Company realized additional foreign exchange gains in 1982 over 1981 compared to an exchange loss in 1980.

Chemical division earnings were \$11.4 million in 1982 compared to \$11.9 million in 1981 which was unchanged from 1980. In 1982, earnings were deterred by the economic conditions within the British Columbia pulp and paper industry which had an adverse impact on production levels of the Company's major electrochemical plants. Correspondingly in 1981, earnings were also impacted by a strike in the same industry which caused a two-month shutdown of the Company's plants.



In the Industrial Chemicals area, production of chlorine and caustic soda was 6% lower in 1982 than in 1981 which in turn was 15% less than in 1980 as a result of the aforementioned shutdown. Sodium chlorate production in 1982 was 5% lower than in 1981 and 1980. The production of muriatic acid was 22% below the 1981 level which was 34% lower than in 1980. The reduction in muriatic acid is a direct result of reduced drilling and workover activity, primarily in the petroleum industry in Alberta, where acid is used in the completion and stimulation of oil and gas wells. Partially offsetting these adverse market conditions were higher selling prices for all products.

Faced with weak market conditions and increased cost of raw materials, electricity and labour in 1982, the Company embarked on a program of cost reduction and cost avoidance which aided in maintaining previous earnings levels. In 1981, manufacturing costs showed a nominal increase because of the lower production levels coupled with improved production efficiency at the North Vancouver plant.

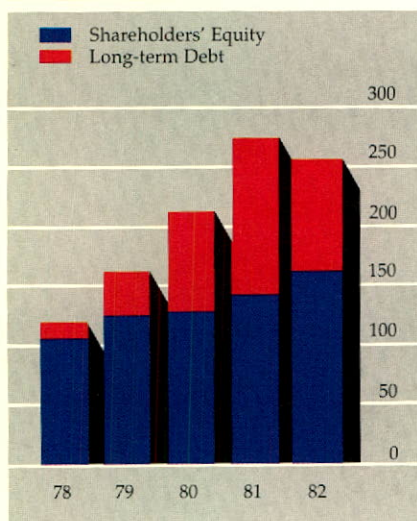


Metal finishing chemicals and plastics and resins were adversely affected in 1982 and 1981 due to the recessionary conditions existing in the automotive, construction and electro-plating industries. Sales volumes of treating chemicals and precious metals, after being lower by 5% and 16%, respectively, in 1981 compared to 1980, decreased by 19% and 22%, respectively, in 1982 from 1981. Conversely, higher average selling prices for treating chemicals of 12% and 15% in 1982 and 1981, respectively, partially offset the decline in volumes and the higher cost of labour, raw materials and overhead. In the precious metals area, the reduction in the average price of gold in 1982 and 1981 reduced sales as well as costs; however, unit margins were maintained on the lower volumes. Sales volumes for plastics and resins decreased by 15% in 1982, after declining 10% in 1981. Higher selling prices were not sufficient to offset the lower volumes and increased cost of raw materials, labour and overhead.

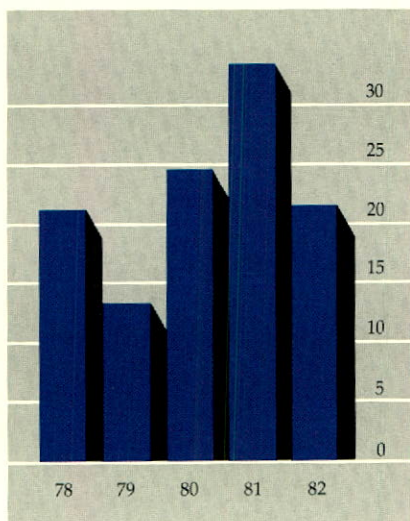
In the Minerals division, the net loss was \$2.2 million in 1982 compared to \$2.9 million in 1981 and \$1.4 million in 1980. The decrease in the loss over 1981 reflects the lower level of minerals exploration in 1982 whereas in 1981 the exploration level was higher than in 1980.



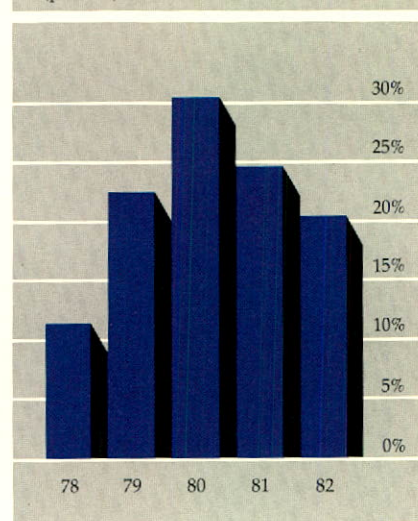
**CAPITAL EMPLOYED**  
(millions of dollars)



**WORKING CAPITAL**  
(millions of dollars)



**RETURN ON COMMON SHAREHOLDERS' EQUITY**  
(percent)



### LIQUIDITY AND CAPITAL RESOURCES

The high interest rates over the past two years combined with the downturn in the economy has placed a strain on the liquidity and capital resources available to business both in Canada and internationally. During this same period the Company climaxed a period of record capital spending principally on growth oriented projects primarily outside of Canada.

Prior to 1979 annual capital and exploration expenditures had not exceeded \$45 million, whereas in the subsequent years these expenditures amounted to \$74.1, \$97.5, \$105.5 and \$61.6 million for the years 1979 through 1982, respectively. With the accelerated capital spending program came an increase in funds from operations. Correspondingly, funds from operations (before exploration expenditures) have increased from the \$20 to \$30 million range prior to 1979, to \$42.9, \$86.7, \$85.6 and \$81.1 million in the years 1979 to 1982, respectively. Working capital at the end of 1982 was \$21.7 million compared to \$33.5 and \$24.8 million in 1981 and 1980, respectively.

During this period of growth, internally generated funds were not sufficient to meet the excess cash requirements. Consequently, the Company entered into an \$80 million revolving credit agreement in 1979-1980 which reverts to a reducing term loan in 1986-1987. In addition, in October, 1980, a public offering was completed of \$75

million in 10% Convertible Subordinated Debentures. Further, short term bank credit lines have been arranged for \$47 million. Also in late 1982, a \$15 million (U.S.) production credit agreement was completed with a consortium of international banks, secured by the Company's interests in Peru, against which \$2 million has been drawn down in 1982 with the intent to draw down the balance in 1983 and 1984. In 1982, the balance outstanding against the revolving credit was \$17 million, a reduction of \$35 million over 1981 and \$1 million was outstanding against the short term credit. The Company reduced its long-term debt in 1982 by \$41 million as a result of scheduled repayments and available cash because of reduced capital spending and the receipt of approximately \$24 million in take-or-pay payments.

In 1983, the Company anticipates funds from operations to be at least comparable and more than sufficient to meet its presently planned capital and exploration expenditures. The surplus funds generated would be used to further reduce the amount outstanding under the revolving credit, leaving the Company with adequate liquidity and resources and a long-term debt balance made up of predominately a convertible security.

The Company's capital and exploration budget for 1983 is approximately \$44 million, of this amount \$32 million is to be spent in oil and gas operations, \$11 million in chemical operations and \$1 million in minerals and coal exploration.

### IMPACT OF INFLATION

The increase in oil prices has had a favourable impact on domestic and foreign sales and on net income from foreign operations. However, international oil prices have levelled off or declined since 1981, with prices in Canada for old oil and natural gas still rising to match the prescribed level of international or world price. During this same period other inflationary factors have had an adverse effect.

The information appearing under the heading "Supplementary Information on the Effects of Changing Prices (Unaudited)" on Pages 42 and 43 reflects the impact of inflation. This data presents adjustments to reported earnings for the effects of general inflation and alternatively, changes in specific prices (current cost) related to fixed assets and inventories. The tables indicate that the Company's reported net income for the years 1982, 1981 and 1980 of \$29.4, \$30.0 and \$30.3 million would have been \$11.5, \$15.3 and \$22.4 million, respectively, in terms of 1982 dollars when adjusted for the impact of general inflation; or net income of \$6.8, \$5.5 and \$10.6 million, respectively, in terms of 1982 dollars when adjusted for changes in specific prices. On the other hand, the adjusted information shows that as of December 31, 1982, 1981 and 1980, the Company benefited from the effects of general inflation by \$14.6, \$17.2 and \$6.7 million, respectively, in terms of 1982 dollars related to its net cash liabilities which will be repayable in the future with equivalent dollars of diminished purchasing power.



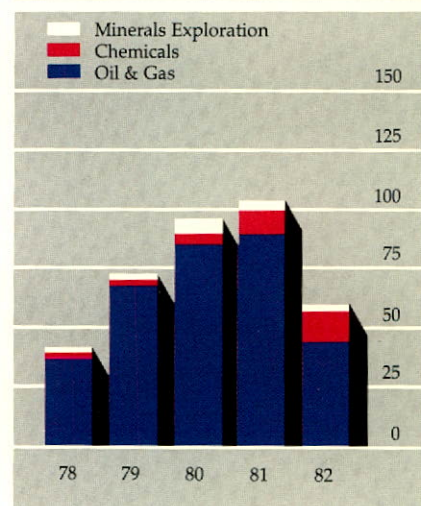
## CAPITAL AND EXPLORATION EXPENDITURES

The following table summarizes the capital expenditures by business segment:

	1982	1981	1980
	(Amounts in thousands)		
Oil and Gas			
Canada .....	\$13,016	\$27,565	\$28,069
United States .....	9,313	11,434	12,172
South America .....	23,637	52,335	46,932
	<u>45,966</u>	<u>91,334</u>	<u>87,173</u>
Minerals Exploration .....	2,678	5,346	5,711
Chemicals .....	<u>12,960</u>	<u>8,786</u>	<u>4,624</u>
Total Capital and			
Exploration Expenditures .....	61,604	105,466	97,508
Less Current Year Expenditures			
Charged to Exploration Expenses .....	<u>10,528</u>	<u>13,410</u>	<u>9,231</u>
Additions to Property, Plant			
and Equipment .....	<u>\$51,076</u>	<u>\$92,056</u>	<u>\$88,277</u>

## CAPITAL AND EXPLORATION EXPENDITURES

(millions of dollars)



## QUARTERLY FINANCIAL RESULTS (Unaudited)

Although CanadianOxy's earnings for the year 1982 were comparable with 1981, the comparative quarterly results varied between the two years. Sales and net income between the two years were affected by the timing differences in exploration write-offs; the economic conditions in the British Columbia pulp and paper industry; changes in oil and gas production levels; an increase in the petroleum and gas revenue tax rate in 1982; changing debt levels and interest rates; and the investment tax credits available and the tax rate differential on income mix.

### Quarter Ended

	March 31		June 30		September 30		December 31	
	1982	1981	1982	1981	1982	1981	1982	1981
Net sales .....	\$56,019	\$48,195	\$54,480	\$54,095	\$45,264	\$43,458	\$55,705	\$52,630
Gross profit .....	26,688	25,120	22,306	25,646	15,585	15,208	27,911	21,291
Net income .....	7,116	7,327	9,851	8,655	2,014	5,291	10,371	8,766
Per common share:								
Primary .....	<u>\$ 0.32</u>	<u>\$ 0.33</u>	<u>\$ 0.45</u>	<u>\$ 0.39</u>	<u>\$ 0.07</u>	<u>\$ 0.23</u>	<u>\$ 0.48</u>	<u>\$ 0.40</u>
Fully diluted .....	<u>\$ 0.30</u>	<u>\$ 0.30</u>	<u>\$ 0.40</u>	<u>\$ 0.35</u>	<u>N/A*</u>	<u>\$ 0.23</u>	<u>\$ 0.42</u>	<u>\$ 0.36</u>

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



## TRADING RANGE OF COMMON SHARES

The common shares are traded on the Toronto Stock Exchange and the American Stock Exchange. As of December 31, 1982 there were 2,851 registered holders of common shares and 20,766,946 shares outstanding. The following is the trading range, as reported by each of these exchanges, during the past two years.

		Toronto Stock Exchange		American Stock Exchange	
		(\$Cdn.)		(\$U.S.)	
		High	Low	High	Low
1981	First Quarter . . . . .	17.50	15.13	14.63	12.50
	Second Quarter . . . . .	18.88	15.88	16.13	12.50
	Third Quarter . . . . .	17.50	10.00	14.38	8.00
	Fourth Quarter . . . . .	13.63	10.50	11.00	9.00
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

## 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)	
1981	January 1 . . . . .	December 5, 1980	7.5¢
	April 1 . . . . .	March 4, 1981	9.0¢
	July 1 . . . . .	June 5, 1981	9.0¢
	October 1 . . . . .	September 4, 1981	9.0¢
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¢

In January, 1983, the Board of Directors declared the regular quarterly dividend on the common shares of 9 cents per share, payable April 1, 1983 to shareholders of record on March 4, 1983. 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.

## 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.

	1982	1981	1980
(Amounts in thousands)			
Current Income Taxes . . . . .	\$21,465	\$ 8,333	\$ 7,376
Royalties and Revenue Taxes . . . . .	17,420	12,400	8,887
Property, Mineral and Other Taxes . . . . .	6,909	5,119	3,350
Lease Rentals . . . . .	1,423	1,475	1,263
Payroll Taxes . . . . .	813	683	563
Total . . . . .	<u>\$48,030</u>	<u>\$28,010</u>	<u>\$21,439</u>



# Management's Responsibility for Financial Statements

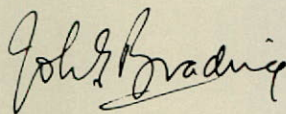
Management is responsible for the integrity of the financial data reported by the Company and its subsidiaries. Fulfilling this responsibility requires the preparation and presentation of financial statements and other data in accordance with generally accepted accounting principles in Canada which are consistently applied in all material respects. 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, 1982, and 1981, and the related consolidated statements of income, shareholders' equity, and changes in financial position for the years ended December 31, 1982, 1981, and 1980. 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.

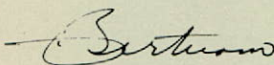
The Audit Committee of the Board of Directors is responsible for reviewing and monitoring the Company's financial reports and accounting practices to ascertain that they are within acceptable limits of sound practice in such matters. With the exception of Mr. John E. Brading, President, the membership of the committee consists of 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



John E. Brading  
President

February 22, 1983.



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

## 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, 1982 and 1981, and the related consolidated statements of income, shareholders' equity and changes in financial position for the three years ended December 31, 1982. 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, 1982 and 1981, and the results of their operations and the changes in their financial position for the three years ended December 31, 1982, in accordance with generally accepted accounting principles applied on a consistent basis.

Calgary, Alberta  
February 7, 1983.

**Arthur Andersen & Co.,  
Chartered Accountants**



CANADIAN OCCIDENTAL PETROLEUM LTD. AND SUBSIDIARY COMPANIES

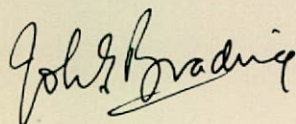
# Consolidated Balance Sheet

DECEMBER 31, 1982 and 1981

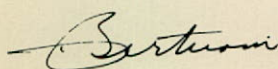
## Assets

	<u>1982</u>	<u>1981</u>
	(Amounts in thousands)	
<b>Current Assets</b>		
Cash and term deposits .....	\$ 2,873	\$ 4,204
Accounts receivable .....	38,978	42,701
Receivable from affiliates .....	3,611	612
Inventories and supplies (Note 2) .....	26,799	29,355
Prepaid expenses .....	<u>3,197</u>	<u>975</u>
Total current assets .....	<u>75,458</u>	<u>77,847</u>
<b>Investment and Non-Current Assets (Note 1)</b>		
Petrogas Processing Ltd. ....	6,620	7,938
Natural gas underlifts .....	<u>9,217</u>	<u>—</u>
	<u>15,837</u>	<u>7,938</u>
<b>Property, Plant and Equipment, (Notes 1 and 3)</b>		
at cost, .....	438,345	398,047
(Successful efforts method for oil and gas properties)		
Less accumulated depreciation, depletion and amortization .....	<u>141,951</u>	<u>115,455</u>
	<u>296,394</u>	<u>282,592</u>
<b>Other Assets</b>		
Deferred financing costs (Note 1) .....	2,158	2,281
Deferred foreign exchange costs .....	629	726
Other .....	<u>589</u>	<u>286</u>
	<u>3,376</u>	<u>3,293</u>
	 <u>\$391,065</u>	 <u>\$371,670</u>

APPROVED ON BEHALF OF THE BOARD:



, Director



, Director



## Liabilities and Shareholders' Equity

	<u>1982</u>	<u>1981</u>
	(Amounts in thousands)	
<b>Current Liabilities</b>		
Short-term loans (Note 8) .....	\$ 1,277	\$ 1,029
Accounts payable and accrued liabilities .....	34,602	34,244
Income taxes payable .....	8,798	106
Dividends payable .....	2,343	2,374
Current portion of long-term debt .....	<u>6,714</u>	<u>6,571</u>
Total current liabilities .....	<u>53,734</u>	<u>44,324</u>
<b>Long-term Debt</b> (Note 4) .....	<u>93,170</u>	<u>131,551</u>
<b>Deferred Liabilities</b> (Note 1)		
Deferred income taxes (Note 5) .....	49,579	46,797
Deferred revenue .....	24,422	925
Natural gas overlifts .....	1,748	—
Deferred dismantlement costs .....	<u>4,270</u>	<u>3,217</u>
	<u>80,019</u>	<u>50,939</u>
<b>Shareholders' Equity</b>		
Capital (Note 6)		
Class A preferred shares (unlimited, without par value)		
First series — issued and outstanding:		
762,500 shares in 1982 and 812,600 shares in 1981 .....	19,062	20,315
Common shares (unlimited, without par value)		
Issued and outstanding: 20,766,946 shares in 1982 and 20,718,116 shares in 1981 .....	9,291	8,938
Contributed surplus .....	21,005	20,741
Retained earnings .....	<u>114,784</u>	<u>94,862</u>
Total shareholders' equity .....	<u>164,142</u>	<u>144,856</u>
<b>Commitments and Contingent Liabilities</b> (Note 11)		
	<u>\$391,065</u>	<u>\$371,670</u>



CANADIAN OCCIDENTAL PETROLEUM LTD. AND SUBSIDIARY COMPANIES  
**Consolidated Statement of Income**

FOR THE THREE YEARS ENDED DECEMBER 31, 1982

	<u>1982</u>	<u>1981</u>	<u>1980</u>
	(Amounts in thousands)		
<b>Revenues</b> (Notes 1, 8 and 9)			
Net sales .....	\$211,468	\$198,378	\$188,640
Interest and other .....	<u>6,740</u>	<u>3,250</u>	<u>1,452</u>
	<u>218,208</u>	<u>201,628</u>	<u>190,092</u>
<b>Costs and Expenses</b> (Notes 8, 9, 10 and 11)			
Cost of sales .....	91,131	87,525	81,441
Selling, administrative and other operating .....	12,822	13,921	11,307
Exploration .....	15,708	14,071	11,683
Depreciation .....	5,780	4,302	3,997
Depletion and amortization .....	26,165	26,142	17,999
Interest (Note 4) .....	14,642	12,497	7,448
Less interest capitalized (Note 1) .....	<u>(1,639)</u>	<u>(3,740)</u>	<u>(3,717)</u>
	<u>164,609</u>	<u>154,718</u>	<u>130,158</u>
<b>Income Before Income Taxes</b> .....	<u>53,599</u>	<u>46,910</u>	<u>59,934</u>
<b>Income Taxes</b> (Notes 1 and 5)			
Current .....	21,465	8,333	7,376
Deferred .....	<u>2,782</u>	<u>8,538</u>	<u>22,238</u>
	<u>24,247</u>	<u>16,871</u>	<u>29,614</u>
<b>Net Income</b> .....	<u>\$ 29,352</u>	<u>\$ 30,039</u>	<u>\$ 30,320</u>
<b>Earnings Per Common Share</b> (Note 7) .....	<u>\$ 1.32</u>	<u>\$ 1.35</u>	<u>\$ 1.34</u>
<b>Fully Diluted Earnings Per Common Share</b> (Note 7) .....	<u>\$ 1.21</u>	<u>\$ 1.24</u>	<u>\$ 1.30</u>



CANADIAN OCCIDENTAL PETROLEUM LTD. AND SUBSIDIARY COMPANIES  
**Consolidated Statement of Changes in Financial Position**

FOR THE THREE YEARS ENDED DECEMBER 31, 1982

	1982	1981	1980
	(Amounts in thousands)		
<b>Working Capital was provided by:</b>			
Operations —			
Net Income .....	\$ 29,352	\$ 30,039	\$ 30,320
Add: Amounts not requiring an outlay of working capital —			
Depreciation, depletion and amortization .....	31,945	30,444	21,996
Deferred income taxes .....	2,782	8,538	22,238
Prior years' drilling expenditures written off in the current year .....	5,180	661	2,452
Other .....	1,324	2,531	502
From operations .....	70,583	72,213	77,508
Add exploration expenditures .....	10,528	13,410	9,231
From operations before exploration expenditures .....	81,111	85,623	86,739
Proceeds from —			
Long-term debt, net of financing costs .....	2,464	47,000	72,719
Sale of property, plant and equipment .....	242	275	532
Deferred revenue .....	23,497	236	3,159
Natural gas overlifts .....	1,748	—	—
Other .....	1,910	721	1,008
	110,972	133,855	164,157
<b>Working Capital was used for:</b>			
Capital and exploration expenditures .....	61,604	105,466	97,508
Reduction in long-term debt .....	41,227	6,268	24,720
Dividends declared .....	9,430	9,540	8,252
Redemption of preferred shares .....	989	1,376	22,258
Drawdown of deferred revenue .....	—	2,470	—
Natural gas underlifts .....	9,217	—	—
Other .....	304	52	27
	122,771	125,172	152,765
<b>Increase (Decrease) in Working Capital .....</b>	<b><u>\$ (11,799)</u></b>	<b><u>\$ 8,683</u></b>	<b><u>\$ 11,392</u></b>
<b>Increase (Decrease) in Current Assets</b>			
Cash and term deposits .....	\$ (1,331)	\$ 1,513	\$ 721
Accounts receivable .....	(3,723)	7,172	7,428
Income taxes refundable .....	—	(3,666)	3,666
Receivable from affiliates .....	2,999	612	—
Inventories and supplies .....	(2,556)	2,425	7,362
Prepaid expenses .....	2,222	360	(55)
	(2,389)	8,416	19,122
<b>Increase (Decrease) in Current Liabilities</b>			
Short-term loans .....	248	(2,718)	3,747
Accounts payable and accrued liabilities .....	358	70	15,286
Payable to affiliates .....	—	(1,093)	(9,935)
Income taxes payable .....	8,692	106	(2,217)
Dividends payable .....	(31)	289	(212)
Current portion of long-term debt .....	143	3,079	1,061
	9,410	(267)	7,730
<b>Increase (Decrease) in Working Capital .....</b>	<b>(11,799)</b>	<b>8,683</b>	<b>11,392</b>
<b>Working Capital — Beginning of year .....</b>	<b><u>33,523</u></b>	<b><u>24,840</u></b>	<b><u>13,448</u></b>
<b>Working Capital — End of year .....</b>	<b><u>\$ 21,724</u></b>	<b><u>\$ 33,523</u></b>	<b><u>\$ 24,840</u></b>



CANADIAN OCCIDENTAL PETROLEUM LTD. AND SUBSIDIARY COMPANIES  
**Consolidated Statement of Shareholders' Equity**

FOR THE THREE YEARS ENDED DECEMBER 31, 1982

	<u>Preferred Shares</u>	<u>Common Shares</u>	<u>Contributed Surplus</u>	<u>Retained Earnings</u>
	(Amounts in thousands)			
<b>Balances, December 31, 1979</b> .....	\$ 42,919	\$ 6,830	\$ 20,363	\$ 53,521
Common shares issued .....	—	101	182	—
Net income .....	—	—	—	30,320
Redemption of preferred shares				
(Note 6) .....	(21,046)	—	14	(1,226)
Common share dividends .....	—	—	—	(5,543)
Preferred share dividends .....	—	—	—	(2,709)
<b>Balances, December 31, 1980</b> .....	21,873	6,931	20,559	74,363
Common shares issued .....	—	312	—	—
Net income .....	—	—	—	30,039
Redemption of preferred shares				
(Note 6) .....	(1,558)	—	182	—
Conversion of subordinate debentures				
(Note 4) .....	—	1,695	—	—
Common share dividends .....	—	—	—	(7,441)
Preferred share dividends .....	—	—	—	(2,099)
<b>Balances, December 31, 1981</b> .....	20,315	8,938	20,741	94,862
Common shares issued .....	—	293	—	—
Net income .....	—	—	—	29,352
Redemption of preferred shares				
(Note 6) .....	(1,253)	—	264	—
Conversion of subordinate debentures				
(Note 4) .....	—	60	—	—
Common share dividends .....	—	—	—	(7,462)
Preferred share dividends .....	—	—	—	(1,968)
<b>Balances, December 31, 1982</b> .....	<u>\$ 19,062</u>	<u>\$ 9,291</u>	<u>\$ 21,005</u>	<u>\$114,784</u>



# CANADIAN OCCIDENTAL PETROLEUM LTD. AND SUBSIDIARY COMPANIES

## Notes to Consolidated Financial Statements

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

### 1. ACCOUNTING POLICIES

The significant accounting policies followed by the Company and its subsidiaries are presented as follows to assist in reviewing the financial statements. The accounting policies are based on generally accepted accounting principles in Canada and any material differences from 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 which are all wholly-owned. All intercompany accounts and transactions have been eliminated on consolidation.

The investment in Petrogas Processing Ltd. (30.9 percent) is accounted for on the equity basis. Petrogas Processing Ltd., operated by the Company, owns the plant and other facilities for the processing of gas from the Crossfield field in Alberta.

#### Joint Ventures

Substantially all exploration and production activities related to oil and gas are conducted jointly with others and accordingly, the accounts reflect only the Company'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 basis.

#### Property, Plant and Equipment

The successful efforts method of accounting for oil and gas exploration and development activities is used. 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 cost of exploratory dry holes are expensed at the time of abandonment.

Minerals exploration costs are capitalized and amortized over the period of exploration or until a commercial discovery is made. When a property comes into production, the costs will be depleted using the unit-of-production method.

Additions and major improvements to plant and equipment are capitalized. Maintenance and repairs are charged to expense as incurred. Upon the retirement of plant and equipment, the cost, net of salvage value or proceeds from sale, is charged or credited to the accumulated depreciation; except in the case of an entire property unit, where the gain or loss is included in earnings.

Depreciation of plant and equipment, excluding equipment related to oil and gas field facilities, is calculated using the straight-line method based on the estimated service life of the asset. Rates of 2 to 5 percent per annum are used to depreciate plant administration buildings and 5 to 6½ percent for other plant and equipment.

The costs of 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 costs of non producing acreage is amortized considering lease terms, exploration experience and other relevant factors which might impair the costs.

#### 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 Financing Costs

Deferred financing costs are amortized over the remaining repayment periods of the related financing.

#### Deferred Revenue

Payments received under natural gas "take or pay" contracts for gas not delivered are shown on the Consolidated Balance Sheet as 'Deferred Revenue'. 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 the Company's working interest share of natural gas produced and sold by other joint venture partners. Overlifts represent natural gas sold by the Company belonging to other joint venture partners. These amounts will be settled in future periods by receiving or making payment in cash or kind.

Revenue is recorded based on the Company's working interest share of natural gas produced. Resulting underlifts or overlifts are recorded in the Consolidated Balance Sheet as "Investment and Non-Current Assets" or "Deferred Liabilities", respectively.



### 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 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, 1982 undistributed earnings of these subsidiaries amounted to \$26,010,000.

### Foreign Currency Translation

Accounts denominated in foreign currency are translated as follows:

- (a) Current assets (except for inventory and prepaid expenses), current liabilities, long-term debt, deferred revenue and natural gas underlifts and overlifts at the year-end exchange rates.
- (b) Inventory, prepaid expenses, property, plant and equipment, other assets, deferred income taxes and deferred dismantlement costs at historical rates.
- (c) Revenue and expense items at the monthly average rate of exchange during the year except for depreciation, depletion and amortization which are at historical rates.

Unrealized gains or losses related to long-term debt are deferred and amortized over the life of the debt. All other gains or losses are included in income.

### 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:

- (1) In the Consolidated Financial Statements the gain or loss resulting from the conversion of foreign long-term debt into Canadian dollars has been amortized over the life of the debt. If the gains or losses had been calculated in accordance with United States generally accepted accounting principles (FASB #8), the gain or loss resulting from the foreign currency translation would have been recorded in the Consolidated Statement of Income and would have resulted in additional foreign exchange gains of \$97,000, \$121,000 and \$220,000 in 1982, 1981 and 1980, respectively.
- (2) In the Consolidated Balance Sheet, Redeemable Preferred Shares have been included as part of "Shareholders' Equity". Under the Securities and Exchange Commission's regulations in the United States, redeemable preferred shares in the amount of \$19,062,000 as at December 31, 1982 and \$20,315,000 as at December 31, 1981 would be disclosed as a separate item apart from Common Shareholders' Equity.

## 2. INVENTORIES AND SUPPLIES

	1982	1981
Inventories in Canada:		
Finished products .....	\$ 3,093	\$ 4,169
Raw materials .....	3,655	3,582
Work in process .....	1,016	1,072
	<u>7,764</u>	<u>8,823</u>
Finished products in Bolivia .....	2,210	—
	<u>9,974</u>	<u>8,823</u>
Supplies in:		
Canada .....	4,258	4,646
Peru .....	8,400	11,446
Bolivia .....	3,803	4,161
Other International .....	364	279
	<u>16,825</u>	<u>20,532</u>
	<u>\$26,799</u>	<u>\$29,355</u>



### 3. PROPERTY, PLANT AND EQUIPMENT

	1982		1981	
	Cost	Accumulated Depreciation, Depletion and Amortization	Cost	Accumulated Depreciation, Depletion and Amortization
Chemicals .....	\$ 76,715	\$ 40,593	\$ 64,252	\$ 37,445
Minerals exploration .....	13,761	5,276	15,560	7,618
Oil and gas:				
Canada .....	86,370	35,488	84,138	31,717
United States .....	99,645	38,630	90,509	26,066
Peru .....	136,980	20,257	120,351	12,360
Bolivia .....	24,460	1,707	23,237	249
Other International .....	414	—	—	—
	<u>347,869</u>	<u>96,082</u>	<u>318,235</u>	<u>70,392</u>
	<u>\$438,345</u>	<u>\$141,951</u>	<u>\$398,047</u>	<u>\$115,455</u>
Net book value .....	<u>\$296,394</u>		<u>\$282,592</u>	

### 4. LONG-TERM DEBT

	1982	1981
Revolving credit loans, unsecured (a) .....	\$ 17,000	\$ 52,000
Advance payments, interest free (b) —		
Offshore Louisiana (\$1,493,000 U.S. as of December 31, 1982 and \$2,520,000 U.S. as of December 31, 1981) .....	1,840	2,999
Offshore Texas (\$4,330,000 U.S. as of December 31, 1982 and \$8,251,000 U.S. as of December 31, 1981) .....	5,335	9,818
Petroleum production credit agreement (\$2,000,000 U.S.) (c) .....	2,464	—
Convertible subordinated debentures (d) .....	73,245	73,305
	<u>99,884</u>	<u>138,122</u>
Amount due within one year, included in current liabilities .....	6,714	6,571
	<u>\$ 93,170</u>	<u>\$131,551</u>

(a) By agreement dated November 30, 1979 and subsequent amendment dated March 10, 1980, the Company entered into a five year revolving credit agreement with a Canadian chartered bank under which the Company may borrow up to \$80 million Canadian or U.S., at floating interest rates which vary from time to time depending on the currency and nature of the loans. By further amendment dated November 30, 1982 the term of the loan was extended three years. The revolving credit amount reduces in four approximately equal semi-annual amounts commencing May, 1986. The amounts outstanding at December 31, 1982 and December 31, 1981 were in Canadian dollars at interest rates of 11.60% and 16.79% respectively.

(b) Two pipeline companies have advanced funds to cover exploration and development of the U.S. Gulf Coast offshore leases in return for the exclusive right to purchase the Company's share of natural gas production. The repayment of these advances has been guaranteed by Occidental Chemical Holding Corporation. The offshore Texas advance is repayable over a five year period from the date of first production which occurred in August 1978. Under the original terms of the offshore Louisiana advance the full amount of the advance became due and payable if production did not commence by April 1979. The unused portion of the offshore Louisiana advance in the amount of \$1,400,000 U.S. was repaid in April 1979. The balance was renegotiated at that time and is repayable over a five year period which commenced in May 1979.

(c) On September 1, 1982, the Company entered into a U.S. \$15 Million Production Credit Agreement with a consortium of international banks. The loan is secured by the investment in Peru. The initial drawdown of the loan was on November 18, 1982 and the loan will be fully utilized no later than August 31, 1984. The loan is repayable in ten equal consecutive semi-annual instalments commencing February 28, 1985 and ending on August 31, 1989. The interest rate at December 31, 1982 on the outstanding loan was 12.59%.

(d) On October 17, 1980 the Company issued \$75 million 10% Convertible Subordinated Debentures with a maturity date of September 30, 2000.

The debentures are convertible into common shares up to the close of business on September 30, 1990. The conversion price on or before September 30, 1985 is \$14.75 per share and thereafter, is \$16.75 per share. During 1982 \$60,000 of debentures were converted into 4,065 common shares at \$14.75 per share and in 1981, \$1,695,000 of debentures were converted into 114,893 common shares at \$14.75 per share.



The debentures are not redeemable before September 30, 1983. They are redeemable prior to September 30, 1985, only if certain specified conditions are met.

The debentures are subject to a mandatory 5% and an optional 2% sinking fund commencing September 30, 1991 on the amount outstanding at October 1, 1990. They contain restrictions against payment of dividends or other capital distributions, other than the existing preferred shares, which would reduce Consolidated Shareholders' Equity below \$85 million.

- (e) Minimum principal payments on the long-term debt for the five years after December 31, 1983 are \$461,000 in 1984, \$493,000 in 1985, \$493,000 in 1986, \$17,493,000 in 1987 and \$493,000 in 1988.
- (f) The Company as at December 31, 1982 and 1981 did not contravene any borrowing restrictions.
- (g) Interest expense on long-term debt amounted to \$13,734,000, \$10,278,000 and \$6,168,000 for 1982, 1981, and 1980 respectively.
- (h) In addition to the long-term debt described herein, the Company has available short-term lines of credit with other financial institutions in the amount of \$47 million Canadian, of which \$46 million is unused.

## 5. INCOME TAXES

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

	1982	1981	1980
Income before income taxes			
Canadian .....	\$15,257	\$18,939	\$37,869
Foreign .....	38,342	27,971	22,065
	<u>53,599</u>	<u>46,910</u>	<u>59,934</u>
Income Taxes			
Current			
Canadian .....	2,307	1,778	7,369
Foreign .....	19,158	6,555	7
	<u>21,465</u>	<u>8,333</u>	<u>7,376</u>
Deferred			
Canadian .....	3,400	6,052	4,918
Foreign .....	(618)	2,486	17,320
	<u>2,782</u>	<u>8,538</u>	<u>22,238</u>
Total			
Canadian .....	5,707	7,830	12,287
Foreign .....	18,540	9,041	17,327
	<u>24,247</u>	<u>16,871</u>	<u>29,614</u>
Net income .....	<u>\$29,352</u>	<u>\$30,039</u>	<u>\$30,320</u>

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.

	1982		1981		1980	
	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income
Expected tax expense .....	\$26,264	49.0	\$22,986	49.0	\$29,368	49.0
Effect on taxes from:						
Royalties, rentals and similar payments to provincial governments .....	5,039	9.4	4,244	9.0	4,208	7.0
Petroleum and gas revenue tax .....	1,899	3.5	1,152	2.5	—	—
Depletion allowance on oil and gas income .....	(394)	(0.7)	(91)	(0.2)	(1,083)	(1.8)
Resource allowance and provincial tax rebates .....	(7,127)	(13.3)	(4,964)	(10.6)	(4,714)	(7.9)
Corporate surtax .....	216	0.4	212	0.5	564	1.0
Higher tax rate on foreign operations .....	5,305	9.9	4,003	8.5	3,603	6.0
Investment tax credits .....	(6,590)	(12.3)	(9,750)	(20.8)	(204)	(0.3)
Reduced rate of tax on manufacturing and processing income .....	(493)	(0.9)	(532)	(1.1)	(1,156)	(1.9)
Other .....	128	0.2	(389)	(0.8)	(972)	(1.7)
Income tax expense recorded .....	<u>\$24,247</u>	<u>45.2</u>	<u>\$16,871</u>	<u>36.0</u>	<u>\$29,614</u>	<u>49.4</u>



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:

	1982	1981	1980
Exploration and development expenses .....	\$(3,262)	\$ 9,374	\$20,409
Depreciable fixed assets .....	1,960	1,481	(12)
Investment tax credits .....	966	(3,231)	—
Natural gas underlifts .....	2,263	1,977	—
Deferred dismantlement costs .....	(484)	(1,153)	—
Other .....	1,339	90	1,841
	<u>\$ 2,782</u>	<u>\$ 8,538</u>	<u>\$22,238</u>

As a result of current and prior years' exploration activities in Brazil, Bolivia, Colombia, Indonesia and the Philippines the Company and its subsidiaries have accumulated foreign exploration and development costs which are available to offset future foreign or Canadian source income. The Company and its subsidiaries have recorded deferred tax charges amounting to \$9,619,000 as a result of these expenditures. The foreign exploration and development costs will be utilized as a deduction from future taxable income.

## 6. CAPITAL

### (a) 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 the Company at prices which begin at \$26.25 per share plus all accrued and unpaid dividends and which decline annually until 1987, when the Class A Preferred Shares may be redeemed at \$25 per share. During each calendar quarter, the Company 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 the Company purchased 50,100 Class A Preferred Shares, First Series during 1982 and 62,300 shares in 1981 at a price not exceeding \$25 plus cost of purchase.

### (b) Convertible Debentures

The Company has reserved 4,965,787 common shares for issuance upon conversion of the 10% Convertible Subordinated Debentures.

### (c) Stock Options

Options to purchase common shares have been granted to certain officers and 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, 1982, 41,855 common shares were reserved for the granting of additional options and options for 190,840 shares were exercisable at prices from \$5.917 to \$17.125 per share.

The following summarizes the stock option transactions:

	1982	1981	1980
Options outstanding — beginning of year .....	333,110	298,690	304,129
Granted .....	77,850	93,700	66,000
Exercised .....	(47,315)	(52,890)	(64,959)
Cancelled .....	(5,940)	(6,390)	(6,480)
Options outstanding — end of year .....	<u>357,705</u>	<u>333,110</u>	<u>298,690</u>
Options outstanding price range per share			
Minimum .....	\$ 5.917	4.917	4.917
Maximum .....	\$ 17.125	17.125	14.625
Options exercised price range per share			
Minimum .....	\$ 4.917	5.000	3.293
Maximum .....	\$ 13.625	13.625	13.625

## 7. EARNINGS PER COMMON SHARE

Net income per common share is based on the weighted average number of shares outstanding of 20,733,733, 20,649,265 and 20,534,024 in 1982, 1981 and 1980, respectively, and after deducting dividends on the preferred shares which were \$1,968,000, \$2,099,000 and \$2,709,000 in 1982, 1981 and 1980, respectively.

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



## 8. RELATED PARTY TRANSACTIONS

Occidental Petroleum Corporation ("Occidental") and subsidiaries render technical, administrative and marketing services of a routine nature to the Company and its subsidiaries and receives royalties and licence fees on production processes. Engineering, technical and other specialized services are also rendered for new construction, modifications and process improvements. In addition, the Company purchases product and equipment from and sells product to Occidental. These purchases and sales are at competitive prices.

As operator of the foreign joint ventures in South America, Occidental incurs normal head office costs associated with managing the joint ventures. Based on the terms of the various joint venture agreements Occidental charges the projects with these indirect costs and the Company, as a participant in the joint ventures, absorbs a portion of these indirect costs.

At December 31, 1982 the Company had a short-term loan of \$500,000 from an Occidental subsidiary secured by a promissory note. The note bears interest at prime less 2½% and matures July 27, 1983.

The following table outlines the charges from (charges to) Occidental and subsidiaries.

	1982	1981	1980
Advisory and counselling services .....	\$ 765	\$ 1,146	\$ 761
Engineering, technical and specialized services .....	1,485	1,391	187
Purchases .....	3,241	5,985	6,422
Sales .....	(10,423)	(12,167)	(3,921)
Other .....	(125)	(157)	(179)
Operator's charges .....	5,447	5,403	1,970

## 9. FOREIGN EXCHANGE

For 1982 and 1981 foreign exchange gains amounted to \$3,820,000 and \$1,174,000 respectively and are included in "interest and other" in the Consolidated Statement of Income. Foreign exchange losses for 1980 amounted to \$139,000 and are included in "selling, administrative and other operating" in the Consolidated Statement of Income.

## 10. EMPLOYEE PENSION PLAN

The Company 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 \$1,605,000, \$1,929,000 and \$1,757,000 at December 31, 1982, 1981 and 1980, respectively. Pension costs included in the Consolidated Statement of Income were \$976,000, \$1,166,000 and \$1,096,000 in 1982, 1981 and 1980, respectively.

The actuarial present value of accumulated plan benefits and the net assets of the plan available for plan benefits as of June 30, 1982, 1981, and 1980 were as follows:

	1982	1981	1980
Actuarial value of accumulated plan benefits			
Vested .....	\$6,737	\$5,562	\$4,098
Non-vested .....	198	170	112
	<u>\$6,935</u>	<u>\$5,732</u>	<u>\$4,210</u>
Assumed rate of return used to calculate actuarial value of plan benefits .....	7.0%	7.0%	7.0%
Net assets available for plan benefits .....	<u>\$9,255</u>	<u>\$8,957</u>	<u>\$6,971</u>

## 11. 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 1980, 1981, 1982 and estimates for subsequent years are summarized below (excluding oil and gas and mineral leases).

	1980	1981	1982	1983	1984	1985	1986	1987	Remainder
Minimum Rental Payment	\$3,502	\$3,842	\$3,617	\$3,069	\$2,497	\$2,061	\$1,712	\$1,471	\$7,277

### (b) Other Contingencies and Commitments

At December 31, 1982, commitments made for major capital expenditures on the Peru development project and the Vancouver caustic modernization program totalled approximately \$6 million.

The Company and its affiliate Petrogas Processing Ltd. have a number of claims pending. In one instance the claim is against the Company. All other substantial claims are by the Company or Petrogas Processing Ltd. against third parties. Management is of the opinion that any liability which finally may be determined should not have a material adverse effect on the Company's consolidated financial position.



## 12. BUSINESS SEGMENT INFORMATION

### A. Information about Operations in Different Industries

	Total			Oil & Gas			Minerals Exploration			Chemicals		
	1982	1981	1980	1982	1981	1980	1982	1981	1980	1982	1981	1980
Net sales . . . . .	\$211,468	\$198,378	\$188,640	\$126,493	\$109,167	\$ 94,160	\$ —	\$ —	\$ —	\$84,975	\$89,211	\$94,480
Operating profit (loss) . . . . .	67,507	60,429	66,677	50,478	43,802	47,555	(3,194)	(4,312)	(2,293)	20,223	20,939	21,415
Identifiable assets .	385,988	364,751	300,727	317,046	304,111	251,196	8,550	8,220	6,840	60,392	52,420	42,691
Depreciation, depletion and amortization . . .	31,497	29,959	21,765	25,854	23,030	16,316	2,131	3,717	2,098	3,512	3,212	3,351
Additions to property, plant and equipment .	51,076	91,678	87,114	35,438	77,546	76,779	2,678	5,346	5,711	12,960	8,786	4,624

The Company's Oil and Gas operations include the exploration for and development and production of oil, natural gas and sulphur. The Minerals division is engaged in the exploration for and evaluation of metallic mineral deposits. The Chemical operations consists 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		
	1982	1981	1980	1982	1981	1980	1982	1981	1980	1982	1981	1980
Net sales . . . . .	\$211,468	\$198,378	\$188,640	\$127,668	\$133,727	\$141,503	\$35,213	\$25,252	\$18,798	\$ 48,587	\$ 39,399	\$ 28,339
Operating profit after income taxes . . . . .	36,850	37,341	34,823	17,915	18,471	27,262	9,364	6,317	4,182	9,571	12,553	3,379
Identifiable assets . . . . .	385,988	364,751	300,727	143,432	134,619	129,164	79,196	74,161	67,174	163,360	155,971	104,389

### C. Reconciliation to Consolidated Statement of Income and Balance Sheet

	1982	1981	1980
Net sales . . . . .	\$211,468	\$198,378	\$188,640
Interest and other income . . . . .	6,740	3,250	1,452
Total revenues . . . . .	\$218,208	\$201,628	\$190,092
Operating profit before income taxes . . . . .	\$ 67,507	\$ 60,429	\$ 66,677
Income taxes on segmented items . . . . .	(30,657)	(23,088)	(31,854)
Operating profit after income taxes . . . . .	36,850	37,341	34,823
Corporate expenses . . . . .	(2,561)	(5,439)	(3,613)
Interest expense (net of capitalized interest) . . . . .	(13,003)	(8,757)	(3,731)
Interest income . . . . .	1,656	677	601
Income tax on non-segmented items . . . . .	6,410	6,217	2,240
Net income . . . . .	\$ 29,352	\$ 30,039	\$ 30,320
Identifiable assets . . . . .	\$385,988	\$364,751	\$300,727
Corporate assets . . . . .	5,077	6,919	2,192
Total assets . . . . .	\$391,065	\$371,670	\$302,919



# Supplementary Financial Information

(Unaudited)

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

## OIL AND GAS PRODUCING ACTIVITIES

In 1979, the United States Securities and Exchange Commission acting in accordance with the Energy Policy and Conservation Act of 1975 issued proposed rules for the disclosure of financial information for oil and gas producers. In 1982 these rules were amended allowing compliance with the provisions of the United States Financial Accounting Standards Board issued Statement No. 69. This statement requires enterprises engaged in oil and gas producing activities to present the following supplementary information:

- a) Proved oil and gas reserves
- b) Capitalized costs relating to oil and gas producing activities
- c) Costs incurred in oil and gas property acquisition, exploration and development activities
- d) Results of operations for oil and gas producing activities
- e) A standardized measure of discounted future net cash flows relating to proved oil and gas reserves

For purposes of the following tables, estimates are made of quantities of proved reserves and the periods during which they are expected to be produced. Future cash inflows were computed by applying year-end prices to the Company's share of estimated annual future production from proved oil and gas reserves, net of royalties. Future development and production costs were computed by estimating the expenditures to be incurred by developing and producing the proved oil and gas reserves at the end of the year based on year-end costs. Future income tax expenses were computed by applying, generally, year-end statutory tax rates (adjusted for permanent differences, tax credits, allowances and tax bases of the properties carried forward) to the estimated net future pretax cash flows. The resulting cash flows are reduced by a ten percent discount factor.

The calculations assume the continuation of existing economic, operating and contractual conditions. However, this assumption has not proven to be the case in the past, as both revenues and expenditures have fluctuated widely.

The tables conform with the requirements of Statement No. 69. Other assumptions and conditions of equal validity could have been used and would give rise to substantially different results. Because the requirements incorporate assumptions without historical bases, creating questionable estimates, the Company recommends that reliance not be placed upon the estimates in making any judgment of the potential value of the Company's ability to recover the estimated reserves. Estimated future net cash flows are not equivalent to estimated future results of operations.

Due to differences in the definitions and categorization of costs in Financial Accounting Standards Board issued Statement No. 69 some of the following amounts may not agree with amounts under similar headings in the notes to the Consolidated Financial Statements.



## A. PROVED OIL AND GAS RESERVES

The following table sets forth the Company's net interests in proved developed and undeveloped reserves of crude oil, including condensate and liquefied petroleum gas, natural gas and sulphur.

	Total Worldwide			Canada			United States		South America <sup>1</sup>	
	Oil	Gas	Sulphur	Oil	Gas	Sulphur	Oil	Gas	Oil	Gas
Proved Developed and Undeveloped Reserves:										
Balance at January 1, 1980 .....	16.2	232	1,867	3.6	172	1,867	0.7	40	11.9	20
Revisions of previous estimates .....	6.4	6	86	0.2	6	86	—	—	6.2	—
Extensions and discoveries .....	0.6	19	—	0.4	14	—	0.2	5	—	—
Production .....	(1.8)	(18)	(95)	(0.4)	(12)	(95)	—	(6)	(1.4)	—
Balance at December 31, 1980 .....	21.4	239	1,858	3.8	180	1,858	0.9	39	16.7	20
Revisions of previous estimates .....	0.7	(1)	(50)	0.3	(2)	(50)	0.2	7	0.2	(6)
Extensions and discoveries .....	0.3	16	87	0.3	16	87	—	—	—	—
Production .....	(2.0)	(17)	(98)	(0.3)	(10)	(98)	(0.1)	(7)	(1.6)	—
<b>Balance at December 31, 1981 .....</b>	<b>20.4</b>	<b>237</b>	<b>1,797</b>	<b>4.1</b>	<b>184</b>	<b>1,797</b>	<b>1.0</b>	<b>39</b>	<b>15.3</b>	<b>14</b>
Revisions of previous estimates .....	(0.9)	20	(40)	0.3	9	(40)	0.3	9	(1.5)	2
Waterflood .....	6.2	—	—	—	—	—	—	—	6.2	—
Extensions and discoveries .....	—	11	—	—	11	—	—	—	—	—
Production .....	(2.2)	(19)	(82)	(0.4)	(10)	(82)	(0.1)	(9)	(1.7)	—
<b>Balance at December 31, 1982<sup>2</sup> .....</b>	<b>23.5</b>	<b>249</b>	<b>1,675</b>	<b>4.0</b>	<b>194</b>	<b>1,675</b>	<b>1.2</b>	<b>39</b>	<b>18.3</b>	<b>16</b>
Proved Developed Reserves:										
December 31, 1980 .....	14.9	202	1,858	3.8	166	1,858	0.9	36	10.2	—
December 31, 1981 .....	17.9	220	1,797	4.0	168	1,797	0.9	38	13.0	14
December 31, 1982 .....	23.4	228	1,675	4.0	173	1,675	1.2	39	18.2	16

Crude oil, including condensate and liquefied petroleum gas in millions of barrels

Natural gas in billions of cubic feet

Sulphur in thousands of long tons

### Notes:

1. Includes reserves in Peru for which the Company is compensated pursuant to the service contract described on page 10.
2. The reserves set forth are based on estimates prepared by D & S Consultants (1974) Ltd. in the case of Canada (other than estimates of reserves in the Crossfield field which were prepared by McDaniel and Associates Consultants Ltd.), Ryder Scott Company Petroleum Engineers in the case of the United States, and DeGolyer and MacNaughton in the case of South America.



**B. CAPITALIZED COSTS RELATING TO OIL AND GAS PRODUCING ACTIVITIES FOR THE THREE YEARS ENDED DECEMBER 31, 1982.**

	Total			Canada			United States			South America		
	1982	1981	1980	1982	1981	1980	1982	1981	1980	1982	1981	1980
Proved oil and gas properties . . . . .	\$330,923	293,238	216,138	69,772	61,457	45,684	99,645	88,193	76,758	161,506	143,588	93,696
Unproved oil and gas properties . . . . .	16,946	24,997	24,958	16,598	22,681	22,642	—	2,316	2,316	348	—	—
	<u>347,869</u>	<u>318,235</u>	<u>241,096</u>	<u>86,370</u>	<u>84,138</u>	<u>68,326</u>	<u>99,645</u>	<u>90,509</u>	<u>79,074</u>	<u>161,854</u>	<u>143,588</u>	<u>93,696</u>
Accumulated depreciation, depletion and amortization . . .	96,082	70,392	47,128	35,488	31,717	25,923	38,630	26,066	15,278	21,964	12,609	5,927
Net properties . . .	<u>\$251,787</u>	<u>247,843</u>	<u>193,968</u>	<u>50,882</u>	<u>52,421</u>	<u>42,403</u>	<u>61,015</u>	<u>64,443</u>	<u>63,796</u>	<u>139,890</u>	<u>130,979</u>	<u>87,769</u>

**C. COSTS INCURRED IN OIL AND GAS PROPERTY ACQUISITION, EXPLORATION, AND DEVELOPMENT ACTIVITIES FOR THE THREE YEARS ENDED DECEMBER 31, 1982.**

	Total Worldwide	Canada	United States	South America
Year ended December 31, 1980:				
Property acquisition costs —				
Unproved properties . . . . .	\$ 7,009	7,009	—	—
Exploration costs . . . . .	17,611	15,949	282	1,380
Development costs . . . . .	61,390	3,948	11,890	45,552
	<u>\$86,010</u>	<u>26,906</u>	<u>12,172</u>	<u>46,932</u>
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
	<u>\$90,899</u>	<u>27,130</u>	<u>11,434</u>	<u>52,335</u>
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
	<u>\$45,628</u>	<u>12,678</u>	<u>9,313</u>	<u>23,637</u>

**D. RESULTS OF OPERATIONS FOR PRODUCING ACTIVITIES FOR THE THREE YEARS ENDED DECEMBER 31, 1982.**

	Total			Canada			United States			South America		
	1982	1981	1980	1982	1981	1980	1982	1981	1980	1982	1981	1980
Revenues												
Net Sales . . . . .	\$121,133	105,234	93,792	42,693	44,516	47,023	29,853	21,319	18,430	48,587	39,399	28,339
Sales to Affiliates . . . . .	5,360	3,933	368	—	—	—	5,360	3,933	368	—	—	—
Total Net Sales	<u>126,493</u>	<u>109,167</u>	<u>94,160</u>	<u>42,693</u>	<u>44,516</u>	<u>47,023</u>	<u>35,213</u>	<u>25,252</u>	<u>18,798</u>	<u>48,587</u>	<u>39,399</u>	<u>28,339</u>
Production Costs	33,999	27,115	15,713	10,961	8,818	6,994	5,623	6,006	1,562	17,415	12,291	7,157
Exploration Expenses . . . . .	15,708	14,071	11,683	10,548	11,628	9,244	—	—	9	5,160	2,443	2,430
Depreciation, Depletion and Amortization . . . . .	25,854	23,030	16,316	3,658	5,560	2,390	12,741	10,788	9,356	9,455	6,682	4,570
	<u>50,932</u>	<u>44,951</u>	<u>50,448</u>	<u>17,526</u>	<u>18,510</u>	<u>28,395</u>	<u>16,849</u>	<u>8,458</u>	<u>7,871</u>	<u>16,557</u>	<u>17,983</u>	<u>14,182</u>
Income Tax Expense . . . . .	24,456	16,187	24,327	6,432	6,201	9,967	6,740	3,358	3,558	11,284	6,628	10,802
Results of Operations . . . . .	<u>\$ 26,476</u>	<u>28,764</u>	<u>26,121</u>	<u>11,094</u>	<u>12,309</u>	<u>18,428</u>	<u>10,109</u>	<u>5,100</u>	<u>4,313</u>	<u>5,273</u>	<u>11,355</u>	<u>3,380</u>



**E. STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS AND CHANGES THEREIN RELATING TO PROVED OIL AND GAS RESERVES FOR THE THREE YEARS ENDED DECEMBER 31, 1982.**

	Total			Canada			United States			South America		
	1982	1981	1980	1982	1981	1980	1982	1981	1980	1982	1981	1980
Future cash inflows <sup>1</sup> .....	\$1,531,819	1,357,583	1,307,005	715,072	633,342	572,789	189,538	184,779	160,692	627,209	539,462	573,524
Future production and development costs <sup>1</sup> .....	(437,602)	(345,625)	(337,827)	(194,559)	(154,759)	(120,475)	(34,788)	(40,721)	(39,873)	(208,255)	(150,145) <sup>4</sup>	(177,479) <sup>4</sup>
Future income tax .....	(486,852)	(464,034)	(458,902)	(218,133)	(200,297)	(188,019)	(54,149)	(52,630)	(46,517)	(214,570)	(211,107)	(224,366)
Future net cash flows .....	607,365	547,924	510,276	302,380	278,286	264,295	100,601	91,428	74,302	204,384	178,210	171,679
10% annual discount for estimated timing of cash flows .....	258,686	235,693	239,389	164,651	147,607	146,375	20,831	22,525	17,332	73,204	65,561	75,682
Standardized measure of discounted future net cash flows .....	\$348,679	312,231	270,887	137,729	130,679	117,920	79,770	68,903	56,970	131,180	112,649	95,997

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

Beginning of year .....	\$312,231	270,887	144,364	130,679	117,920	101,041	68,903	56,970	43,323	112,649	95,997	—
Sales and transfers of oil and gas produced, net of production costs .....	(92,495)	(82,052)	(78,447)	(31,733)	(35,698)	(40,029)	(29,590)	(19,246)	(17,236)	(31,172)	(27,108)	(21,182)
Changes in estimated future development costs .....	(67,930)	(18,596)	(19,323)	(5,227)	(7,171)	(8,869)	(6,741)	(9,139)	(10,454)	(55,962) <sup>2</sup>	(2,286)	—
Net changes in prices and production costs .....	(27,523)	19,326	60,534	6,521	14,042	47,905	(6,902)	(884)	12,629	(27,142)	6,168	—
Extensions, discoveries, and and improved recovery, less related costs .....	86,476	16,557	190,505	7,845	16,557	12,738	—	—	8,348	78,631	—	169,419
Development costs incurred during the period which reduced future development .....	79,526	43,024	88,318	5,024	8,416	3,948	9,313	11,434	11,890	65,189 <sup>2</sup>	23,174	72,480 <sup>3</sup>
Revisions of previous quantity estimates .....	30,217	12,999	19,314	12,862	(1,246)	10,364	35,862	28,988	8,950	(18,507)	(14,743)	—
Accretion of discount .....	31,223	27,089	14,436	13,068	11,792	10,104	6,890	5,697	4,332	11,265	9,600	—
Net change in income taxes .....	(11,429)	(22,995)	(143,553)	(5,310)	(10,169)	(12,003)	(3,271)	(4,027)	(6,830)	(2,848)	(8,799)	(124,720)
Other .....	8,383	45,992	(5,261)	4,000	16,236	(7,279)	5,306	(890)	2,018	(923)	30,646	—
End 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

- 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.
- 2) Includes prior costs of \$46,462M (1981 of \$26,772M; 1980 of \$7,669M; 1979 of \$12,021M) relating to the waterflood facilities in Peru — included in 1982 consistent with recognition of reserve volumes.
- 3) Includes pre 1980 (non-waterflood) costs in Peru of \$34,597M consistent with initial recognition of reserves.
- 4) Includes future costs associated with waterflood facilities for which no reserves were recognized until 1982.



## EFFECTS OF CHANGING PRICES

In September 1979, the Financial Accounting Standards Board in the United States issued Statement No. 33, "Financial Reporting and Changing Prices" which requires certain large publicly held companies to present supplementary information concerning the effects of changing prices on their financial statements.

The statement requires that certain financial information reported in the primary financial statements be adjusted for the effects of changes in the purchasing power of the dollar (general inflation) and changes in specific prices of goods and services (current cost).

The user should be cautioned, however that this supplementary data is being presented on an experimental basis and is not intended as a precise measure of the effects of inflation on CanadianOxy.

The notes following the supplementary financial data are necessary for a clear understanding and assessment of the financial information presented.

### CONSOLIDATED STATEMENT OF OPERATIONS ADJUSTED FOR CHANGING PRICES

For the Year Ended December 31, 1982

(In thousands of average 1982 dollars)

	As Reported in the Primary Financial Statements	As Adjusted for General Inflation	As Adjusted for Changes in Specific Prices
Net sales and other revenues .....	\$218,208	\$218,208	\$218,208
Cost of sales (Note a) .....	91,131	92,410	91,763
Selling, administrative, other operating and exploration .....	28,530	28,530	28,530
Depreciation, depletion and amortization (Note a) .....	31,945	48,506	53,907
Interest .....	13,003	13,003	13,003
Provision for income taxes (Note c) .....	24,247	24,247	24,247
Net income .....	<u>\$ 29,352</u>	<u>\$ 11,512</u>	<u>\$ 6,758</u>
Effective tax rate .....	<u>45.2%</u>	<u>67.8%</u>	<u>78.2%</u>
Purchasing power gain from holding net monetary items (Note b) .....		<u>\$ 14,581</u>	<u>\$ 14,581</u>
Increase in specific prices of inventory, plant and equipment .....			\$ 19,182
Less effect of increase in general inflation .....			<u>47,012</u>
Decrease in specific prices over increase in general inflation .....			<u>\$ (27,830)</u>



## FIVE-YEAR COMPARISON OF SELECTED FINANCIAL DATA

### Adjusted for Effects of Changing Prices

(in average annual dollars)

	Year ended December 31,				
	1982	1981	1980	1979	1978
	(in thousands, except per share and consumer price index data)				
Net sales and other revenue .....	\$218,208	\$201,628	\$190,092	\$126,211	\$92,432
Historical cost information adjusted for general inflation:					
Net income .....	11,512	15,294	22,432	13,325	—
Earnings per common share (2) .....	0.46	0.64	0.96	0.44	—
Net assets at year-end (Note d) .....	323,538	264,301	208,531	178,371	—
Historical cost information adjusted for current costs:					
Net income .....	6,758	5,485	10,595	12,958	—
Earnings per common share (2) .....	0.23	0.16	0.38	0.42	—
Net assets at year-end .....	373,984	345,872	319,232	259,046	—
Increases or (decreases) in the current cost amounts of inventory and property, plant and equipment, net of inflation .....	(27,830)	32,096	47,792	34,138	—
Other information:					
Purchasing power gain from holding net monetary liabilities (Note b) .....	14,581	17,168	6,736	2,505	—
Cash dividends per common share .....	0.360	0.360	0.270	0.205	0.836(1)
Market price per common share at year-end .....	\$ 16.000	\$ 11.000	\$ 15.375	\$ 13.875	\$ 6.333
Average consumer price index .....	262.5	236.9	210.6	191.2	175.2

The accompanying notes are an integral part of this comparison.

(1) Includes special tax deferred dividends of \$0.643 per common share.

(2) Earnings per common share are after deducting dividends on the preferred shares which were \$1,968,000 in 1982, \$2,099,000 in 1981, \$2,709,000 in 1980 and \$4,286,000 in 1979.

### Notes to Supplementary Information on the Effects of Changing Prices

#### (a) Basis of Preparation

The Statement requires restatement of certain financial information which is most affected by changing prices, such as the effect of general inflation and specific current prices on inventories, property, plant and equipment, cost of sales, depreciation, depletion and amortization expense and monetary assets and liabilities.

Revenues and expenses as adjusted for general inflation were determined by adjusting the historical amounts reported in the primary financial statements to dollars of the same purchasing power by the application of the change in the Consumer Price Index as provided by Statistics Canada. Revenues and expenses as adjusted for current costs were determined by adjusting the historical amounts reported in the primary financial statements to current cost dollars by the application of specific indices. Namely, United States Bureau of Labor Statistics — Oil Field Machinery and Tools and Statistics Canada — Manufacturers of Industrial Chemicals (Inorganic).

The historical amount of cost of sales related to inventories, which was determined substantially under the FIFO method, was adjusted for general inflation and current costs using the Consumer price index and specific indices referred to above. The remaining historical amounts of revenues and expenses did not require restatement. The method used in calculating constant and current cost depreciation remained unchanged from that used in the primary financial statements.

#### (b) Purchasing Power Gain from Holding Net Monetary Liabilities During the Year

Inflation affects monetary assets, such as cash and receivables, which lose purchasing power during inflationary periods since these assets will purchase fewer goods and services over time. However, holders of monetary liabilities benefit during such periods because the amount of money required to settle the obligations represents dollars of diminished purchasing power.

#### (c) Provision for Domestic and Foreign Income Taxes

The Statement requires that the provision for income taxes not be adjusted for the effects of general inflation. However, the effective tax rate of 45.2 per cent on net income reported in the primary financial statements becomes an effective tax rate of 67.8 per cent on net income adjusted for the effects of general inflation. This indicates a 50.0 per cent overpayment of income taxes when the effects of general inflation are considered.

#### (d) Five-Year Comparison of Selected Financial Data

As described in Note (a), the determination of net assets represents a partial restatement of financial information for the effects of general inflation. Other assets and liabilities totaling approximately \$20,500,000 have not been adjusted for general inflation.



# Ten Year Financial Review

(Amounts in thousands except per share data)

	1982	1981	1980
Net sales:			
Oil and gas .....	\$ 126,493	109,167	94,160
Industrial chemicals .....	67,408	67,065	67,596
Plastics and resins .....	6,144	7,122	7,500
Metal finishing .....	11,423	15,024	19,384
	<u>\$ 211,468</u>	<u>198,378</u>	<u>188,640</u>
Income (loss) before extraordinary item .....	\$ 29,352	30,039	30,320
Extraordinary item .....	—	—	—
Net income (loss) .....	<u>\$ 29,352</u>	<u>30,039</u>	<u>30,320</u>
Earnings per common share: (1)			
Income before extraordinary item .....	\$ 1.32	1.35	1.34
Extraordinary item .....	—	—	—
Net income .....	<u>\$ 1.32</u>	<u>1.35</u>	<u>1.34</u>
Working capital generated from operations .....	\$ 70,583	72,213	77,508
Per common share (1) .....	\$ 3.31	3.40	3.64
Number of common shares used for per share calculations (1) .....	20,733,733	20,649,265	20,534,024
Common share dividends declared (per share) (1)			
Regular .....	\$ 0.36	0.36	0.27
Special .....	\$ —	—	—
Preferred share dividends .....	\$ 1,968	2,099	2,709
Capital and exploration expenditures:			
Oil and gas .....	\$ 45,966	91,334	87,173
Minerals exploration .....	2,678	5,346	5,711
Chemicals .....	12,960	8,786	4,624
Total .....	61,604	105,466	97,508
Less current year expenditures charged to exploration expenses .....	10,528	13,410	9,231
Additions to property, plant and equipment .....	<u>\$ 51,076</u>	<u>92,056</u>	<u>88,277</u>
Working capital .....	\$ 21,724	33,523	24,840
Net property, plant and equipment .....	\$ 296,394	282,592	221,599
Total assets .....	\$ 391,065	371,670	302,919
Long-term debt .....	\$ 93,170	131,551	92,474
Redeemable preferred shares .....	\$ 19,062	20,315	21,873
Common shareholders' equity .....	\$ 145,080	124,541	101,853
Return on investment: (2)			
Total assets .....	% 7.5	8.7	11.6
Total capital .....	% 13.3	14.8	17.5
Common shareholders' equity .....	% 20.4	24.8	30.3

\* Net income and certain other captions reflect retroactive restatements for accounting changes for adoption of successful efforts accounting for oil and gas operations (1977-1973) and provision for deferred income taxes (1973).

(1) Per common share amounts and number of shares for the years 1973 to 1978 reflect 3:1 share split in 1979.

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



1979	1978	1977*	1976*	1975*	1974*	1973*
45,434	25,940	24,135	19,593	19,011	10,682	6,946
56,024	45,935	32,836	36,565	22,922	22,397	19,295
7,403	5,499	4,153	5,059	4,329	5,724	3,611
15,437	9,287	7,196	5,577	5,395	5,459	3,851
<u>124,298</u>	<u>86,661</u>	<u>68,320</u>	<u>66,794</u>	<u>51,657</u>	<u>44,262</u>	<u>33,703</u>
19,922	13,433	15,154	15,251	10,811	(574)	584
893	—	—	641	—	—	—
<u>20,815</u>	<u>13,433</u>	<u>15,154</u>	<u>15,892</u>	<u>10,811</u>	<u>(574)</u>	<u>584</u>
0.77	0.45	0.54	0.66	0.45	(0.03)	0.03
0.04	—	—	0.03	—	—	—
<u>0.81</u>	<u>0.45</u>	<u>0.54</u>	<u>0.69</u>	<u>0.45</u>	<u>(0.03)</u>	<u>0.03</u>
36,361	19,548	22,141	22,554	17,940	9,704	8,470
1.57	0.75	0.88	1.01	0.80	0.48	0.42
20,455,124	20,371,734	20,325,462	20,264,472	20,257,539	20,256,723	20,256,723
0.205	0.193	0.18	0.167	0.125	—	—
—	0.643	—	—	—	—	—
4,286	4,275	4,217	2,008	1,677	53	—
69,167	39,343	16,433	11,126	5,944	10,769	29,093
2,299	893	1,002	849	597	547	586
2,644	2,406	2,298	564	2,683	7,765	650
<u>74,110</u>	<u>42,642</u>	<u>19,733</u>	<u>12,539</u>	<u>9,224</u>	<u>19,081</u>	<u>30,329</u>
6,564	11,126	3,964	3,470	1,990	4,808	1,809
<u>67,546</u>	<u>31,516</u>	<u>15,769</u>	<u>9,069</u>	<u>7,234</u>	<u>14,273</u>	<u>28,520</u>
13,448	21,594	63,052	64,546	28,268	22,806	11,987
158,028	104,529	80,879	71,831	68,646	67,265	65,927
218,710	173,133	166,131	159,358	116,182	104,849	87,920
42,194	12,603	21,191	21,842	18,174	18,846	21,559
42,919	42,919	42,919	42,919	17,919	17,919	—
80,714	68,050	75,714	68,210	58,680	52,074	52,955
11.2	7.8	9.6	11.5	9.8	(0.6)	0.8
15.6	9.9	11.3	14.1	12.0	1.3	1.5
22.7	11.8	15.5	21.9	16.5	(1.2)	1.1



# Ten Year Operating Review

	1982	1981	1980
<b>PRODUCTION (gross before royalties)</b>			
<i>Imperial Units</i>			
Pipeline gas .....	22,950	22,288	22,210
Crude oil, condensate and liquefied petroleum gas .....	2,367.4	2,172.2	1,968.3
Sulphur .....	92.5	110.6	107.8
Caustic soda .....	159.9	171.7	201.4
Chlorine .....	142.1	150.6	177.3
Sodium chlorate .....	22.2	23.5	23.6
Muriatic acid .....	12.8	16.4	24.8
Moulding materials .....	4,358	5,941	6,576
Industrial and foundry resins .....	4,477	5,686	5,273
Metal finishing chemicals .....	6,702	8,355	8,679
<i>Metric Units</i>			
Pipeline gas .....	646 590	617 229	615 066
Crude oil, condensate and liquefied petroleum gas .....	376.2	345.2	312.8
Sulphur .....	94.0	112.4	109.5
Caustic soda .....	145.1	155.7	182.7
Chlorine .....	128.9	136.6	160.8
Sodium chlorate .....	20.2	21.3	21.4
Muriatic acid .....	11.6	14.9	22.5
Moulding materials .....	1 977	2 695	2 983
Industrial and foundry resins .....	2 031	2 579	2 392
Metal finishing chemicals .....	3 040	3 790	3 937
<b>PROVEN RESERVES (gross before royalties)</b>			
<i>Imperial Units</i>			
Pipeline gas .....	298,600	291,300	296,000
Crude oil, condensate and liquefied petroleum gas .....	25,158	22,146	23,724
Sulphur .....	1,913	2,081	2,148
<i>Metric Units</i>			
Pipeline gas .....	8 423 000	8 208 200	8 335 000
Crude oil, condensate and liquefied petroleum gas .....	3 998	3 521	3 770
Sulphur .....	1 944	2 114	2 182
<b>WELL DATA</b>			
Net Wells — gas .....	99.3	94.0	84.1
Net Wells — oil .....	321.2	272.2	330.7
<b>LAND HOLDINGS (thousand acres)</b>			
Gross Acres .....	77,334.9	76,232.3	5,835.5
Net Acres .....	26,270.2	26,125.1	2,548.8
<b>EMPLOYEES</b> .....	601	605	592



1979	1978	1977	1976	1975	1974	1973
19,131	14,288	16,410	16,422	18,031	18,099	19,043
849.1	625.8	711.8	767.5	842.5	789.7	831.7
121.1	125.9	134.2	167.2	202.8	219.1	241.1
191.8	198.0	177.3	207.4	147.2	195.1	188.7
169.2	174.5	154.7	181.1	126.9	171.2	166.1
23.0	15.0	9.1	7.1	—	—	—
18.6	14.7	8.7	4.2	2.4	6.1	6.0
7,202	5,532	3,018	3,521	2,824	5,640	7,342
5,896	5,959	5,273	6,019	4,077	5,124	5,862
10,236	9,483	9,132	8,258	6,860	7,917	7,791
529 798	396 375	455 368	455 720	500 368	501 219	527 362
134.9	99.5	113.1	122.0	133.8	125.5	132.2
123.0	127.9	136.4	169.9	206.1	222.7	245.0
174.0	179.7	160.8	188.2	133.5	177.0	171.2
153.5	158.3	140.3	164.3	115.1	155.3	150.7
20.9	13.6	8.3	6.4	—	—	—
16.9	13.3	7.9	3.8	2.2	5.5	5.4
3 267	2 509	1 369	1 597	1 281	2 558	3 330
2 674	2 703	2 392	2 730	1 849	2 324	2 659
4 643	4 302	4 142	3 746	3 112	3 591	3 534
295,000	314,000	296,000	295,000	327,000	335,000	291,000
17,816	5,376	6,152	7,215	7,698	7,360	7,255
2,125	2,272	2,396	2,721	2,851	2,999	3,153
8 322 000	8 847 000	8 340 000	8 311 000	9 213 000	9 277 000	8 059 000
2 833	855	978	1 147	1 224	1 170	1 153
2 160	2 308	2 434	2 765	2 897	3 048	3 204
67.8	62.9	52.1	52.4	34.1	33.5	28.5
156.2	24.2	21.8	22.7	23.2	22.9	22.8
5,870.4	6,204.2	4,903.3	6,650.7	6,901.8	7,462.0	6,444.6
2,527.0	2,788.2	3,421.4	4,862.9	5,185.1	5,556.3	4,583.6
559	534	481	467	467	439	418



## Directors

### **A. Robert Abboud**

President, Chief Operating Officer and a director of Occidental Petroleum Corporation, Los Angeles, California  
*Director of Inland Steel Co. and Hart, Schaffner and Marx*

### **David Bertram**

Senior Vice President, Finance and Administration, Canadian Occidental Petroleum Ltd., Calgary, Alberta

### **John E. Brading**

President, Canadian Occidental Petroleum Ltd., Calgary, Alberta

### **John J. Dorgan**

Executive Vice President, Finance, Occidental Petroleum Corporation, Los Angeles, California

### **Dr. Armand Hammer**

Chairman of the Board and Chief Executive Officer, Occidental Petroleum Corporation, Los Angeles, California  
*Director of Financial General Bankshares, Inc.*

### **J. Howard Hawke**

Chairman of the Board, Bache Securities Inc., stockbrokers, Toronto, Ontario  
*Director of Jannock Limited, Fletcher Leisure Group Inc. and The Carswell Company Limited.*

### **Thomas D. Jenkins**

Executive Vice President, Occidental Petroleum Corporation; President and Chief Operating Officer, Occidental Oil and Gas Corporation and The Permian Corporation, subsidiaries of Occidental Petroleum Corporation, Houston, Texas

### **Leo L. LeClerc**

President, Leo L. LeClerc & Associates Ltd., business consultants, Edmonton, Alberta

### **J. Angus McKee**

President, J. Angus McKee & Associates Limited, a financial, management and advisory services company, Toronto, Ontario  
*Director of Taro Industries Ltd.*

### **Zoltan Merszei**

Vice Chairman of the Board and a director of Occidental Petroleum Corporation; Chairman of the Board and Chief Executive Officer, Occidental Chemical Corporation, Houston, Texas

### **William G. O'Rourke**

Vice President, Counsel and Secretary, Canadian Occidental Petroleum Ltd., Calgary, Alberta

### **John M. Robertson, Q.C.**

Barrister and Solicitor, Fenerty, Robertson, Fraser & Hatch, Calgary, Alberta

### **The Honourable Maurice Sauve, P.C.**

Corporation director, Montreal, Quebec  
*Director of Andrés Wines Ltd., Automobiles Renault Canada Ltée, Barclays Bank of Canada, Benson & Hedges (Canada) Ltd., BP Canada Inc., The Commercial Life Assurance Co. of Canada, The Halifax Insurance Co. and The Real Property Trust.*

### **Robert A. Teitsworth**

Executive Vice President and a director, Occidental Petroleum Corporation; Chairman of the Board and Chief Executive Officer, Occidental Oil and Gas Corporation, Bakersfield, California  
*Director of Varco International Inc.*

### **Charles J. Waidelich**

Vice Chairman and a director of Occidental Petroleum Corporation; Chairman of the Board and Chief Executive Officer of Cities Service Company, Tulsa, Oklahoma

### **Executive Committee**

Dr. Armand Hammer — Chairman  
A. Robert Abboud  
David Bertram  
John E. Brading  
J. Howard Hawke  
J. Angus McKee  
Robert A. Teitsworth

### **Finance Committee**

John J. Dorgan — Chairman  
David Bertram  
J. Howard Hawke  
J. Angus McKee  
Robert A. Teitsworth

## Officers

### **Robert A. Teitsworth**

Chairman of the Board

### **John E. Brading**

President

### **David Bertram**

Senior Vice President, Finance and Administration

### **Charles R. Mikkelsen**

Senior Vice President, Oil and Gas

### **George S. Horne**

Vice President of Foreign Operations — Oil and Gas Division

### **Robert H. Orthlieb**

Vice President of Canadian Operations — Oil and Gas Division

### **William G. O'Rourke**

Vice President, Counsel and Secretary

### **Norman R. Richards**

Treasurer

### **J. A. (Nick) Nicholson**

Controller

### **Paul C. Hebner**

Assistant Secretary

### **Richard L. Reeson**

Assistant Secretary

### **Audit Committee**

J. Howard Hawke — Chairman  
John E. Brading  
Leo L. LeClerc  
John M. Robertson, Q.C.

### **Compensation Committee**

Robert A. Teitsworth — Chairman  
John E. Brading  
J. Howard Hawke  
J. Angus McKee  
Zoltan Merszei  
John M. Robertson, Q.C.



# Corporate Information

## Canadian Occidental Petroleum Ltd. (a Canadian corporation)

### Head Office

1600, 700 Fourth Avenue Southwest  
Calgary, Alberta, Canada T2P 3J5

### Key Personnel

W. W. Chalmers, Director of Sulphur Marketing  
I. D. Cumming, Mgr. Employee Relations  
H. Geerlof, Chief Geophysicist  
J. J. Hofbauer, Mgr. Environment & Safety  
E. J. Lambert, Investor Relations Co-ordinator  
J. Meronek, Mgr. Purchasing & Office Services  
R. T. Peirce, General Mgr. Exploration  
P. G. Sawchuk, Mgr. Management Information Systems  
G. D. Simpson, Mgr. Petroleum Engineering  
R. A. Swaren, Mgr. Coal Exploration  
R. R. Williams, Mgr. Engineering — Chemicals  
J. D. Wilson, Mgr. Land

### Industrial Chemicals Division

100 Amherst Avenue  
North Vancouver, British Columbia

B. D. Thorpe, General Manager  
I. P. Frederiksen, Traffic & Distribution Manager  
J. R. Gregory, Technical Manager  
C. N. Hopkins, Operations Services Manager  
L. R. Kozoris, Employee Relations Manager  
W. G. Maunder, Marketing Manager  
T. B. Peterson, Manager of Administration

North Vancouver Plant,  
T. Osadchuk, Works Manager

Brandon Plant  
Brandon, Manitoba  
O. A. Sackney, Plant Superintendent

### Minerals Division

180 Attwell Drive, 4th Floor  
Rexdale, Ontario  
Dr. J. J. Brummer, Manager

### Subsidiary Companies

CanadianOxy Metal Finishing Ltd.  
(a Canadian corporation)

Plant and Head Office  
165 Rexdale Boulevard,  
Rexdale, Ontario  
G. E. Putnam, General Mgr.  
D. L. Gardiner, Plant Mgr.  
D. Dickson, Accounting Mgr.  
G. E. Doeler, Marketing Mgr. — Sel-Rex

CanadianOxy Chemicals Ltd.  
(a British Columbia corporation)

Durez Plastics Division  
Dunlop Street, Fort Erie, Ontario  
G. E. Putnam, General Mgr.  
J. C. Walton, Plant Mgr.  
J. J. Hood, Product Mgr.  
R. S. Clendening, Accounting Mgr.

Chlor-alkali plant  
Nanaimo, British Columbia  
B. W. Thornton, Works Mgr.

Sodium chlorate plant  
Squamish, British Columbia  
P. Groenveld, Plant Superintendent

Canadian Occidental of California, Inc.  
(a California 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)

### Affiliated Company

Petrogas Processing Ltd.  
Balzac, Alberta  
W. J. van der Linden, Plant Manager

### Trademarks

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

### Common Shares

#### Transfer Agents

National Trust Company, Limited  
Calgary, Toronto, Montreal,  
Winnipeg and Vancouver

Citibank, N.A.  
New York, N.Y.

#### Registrars

National Trust Company, Limited  
Calgary, Alberta

The Chase Manhattan Bank  
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"

#### 10% Convertible Subordinated Debentures

#### Trustee

National Trust Company, Limited  
Calgary, Alberta

#### Auditors

Arthur Andersen & Co.  
Calgary, Alberta, Canada





Canadian Occidental Petroleum Ltd.  
1982 Annual Report