

# Greater value

for you, our



share-

owners. That describes

Ranchmen's successful

acquisition of Excel,

our oil



discovery at

Sturgeon Lake and our

dedication to finding

alternatives to Crestor's

takeover offer.







**In response to Crestar Energy Inc.'s announcement of its intent to make a share purchase offer directly to our shareholders, Ranchmen's has galvanized an action plan to maximize value for our shareholders.**

#### **CRESTAR TAKEOVER BID**

On July 26, 1995, Crestar Energy Inc. announced its intention to acquire all of the outstanding shares of Ranchmen's for \$5.80 cash, or at the shareholder's election, 0.43 Crestar common shares for each Ranchmen's share. A maximum of four million Crestar shares will be available under the share election offer – but only to Ranchmen's shareholders who reside in Canada. Ranchmen's did not solicit this offer.

Ranchmen's responded quickly to this unsolicited bid by forming a special committee of the Board, retaining ScotiaMcLeod Inc. as financial advisor and establishing a data room. We, in conjunction with ScotiaMcLeod, are evaluating and exploring alternative proposals that would provide greater value to you as a shareholder.

Management has never been more confident in the Company's ability as a full-cycle explorer. Through the first half of this year, we have made material discoveries, the most significant at Sturgeon Lake. Some of our recent exploration success is outlined in this expanded interim report. In our data room, non-public details about these discoveries are available on a restricted basis to ensure third parties interested in making alternative proposals are aware of the going-concern value of Ranchmen's.

#### **SIGNIFICANT OIL DISCOVERY AT STURGEON LAKE**

Ranchmen's has a 50 per cent working interest in more than 21,000 acres of land in the Sturgeon Lake area in

northwestern Alberta, where three wells, operated by our partner, Ocelot Energy Inc., have been cased in the Montney formation. To date, only one well has been completed – it averaged 360 barrels per day of 38° API light crude during an eight-day test. Drilling of a fourth well began in early August, under a participation arrangement covering an additional 15,360 acres. We believe the Sturgeon Lake play has significant development potential which will be quantified by ongoing delineation drilling and testing.

#### **RAINBOW – FOUR WELLS IN 1995**

Ranchmen's has working interests ranging from 28 per cent to 50 per cent in 18,880 acres of land in the Rainbow area in northern Alberta. During the first half of 1995, we drilled an oil well and identified 12 new drilling locations on our 50 per cent working interest lands, three that we plan to drill this year. In this new area, our share of current production is 260 barrels of oil per day.

#### **NEW PRODUCTION FROM LONG COULEE**

Ranchmen's has a 100 per cent working interest in two exploratory wells at Long Coulee that went on production in the second quarter. The 8-20 oil well is producing 150 barrels of oil per day, but will be allowable restricted to 50 barrels per day in September. The 8-17 gas well is producing 2.1 million cubic feet of natural gas and 45 barrels of oil per day from two zones. We will begin a three-well development drilling program at Long Coulee in mid-August.

#### **SYLVAN LAKE – SYNERGY WITH EXCEL**

Using 3-D seismic, we've identified seven drilling locations on Ranchmen's and former Excel lands at Sylvan Lake East in central Alberta. Current production is 130 barrels of oil per day, with under-utilized production facilities. We will drill at least two 100 per cent working interest wells this year, targeting Pekisko oil.

#### **NATURAL GAS AT LAPRISE EAST**

The extension well that we drilled into the Baldonnel pool during the first quarter of 1995 came on production in June at 3.2 million cubic feet of natural gas per day, net to Ranchmen's 80 per cent working interest. We plan to drill another well at Laprise this winter when terrain conditions permit.

#### **AMISK – MORE THAN A CASH COW**

At Amisk, in east-central Alberta, we are constructing a natural gas plant scheduled for completion in September 1995. We anticipate our daily share of gas recovery from this new facility, which has been designed to improve gas conservation, will be approximately 0.6 million cubic feet of natural gas and 85 barrels of natural gas liquids. In 1995, we plan to drill up to 13 wells on a new feature we've identified immediately west of our producing Amisk property. This is in addition to other new exploration opportunities in the Amisk area that we've scheduled for drilling later this year.



**LOW-RISK INFILL WELLS****AT HAYTER AND TABER**

Ranchmen's has an average 20 per cent working interest in an oil field operated by Renaissance in the Hayter area of east-central Alberta. Of the six wells drilled in 1995, five are producing an average of 80 barrels of oil each per day. Plans are underway to drill up to 12 additional wells before year end.

In the Taber Q Pool, also operated by Renaissance, two oil wells were drilled in the first half of 1995. Three oil wells were drilled in July and additional drilling is planned for the third quarter. Productivity per well averages 60 barrels of oil per day.

In the Taber North area, our average working interest is 25 per cent. Five wells have been approved, to infill a Glauconite channel play. The average initial production from offsetting wells exceeds 400 barrels of oil per day per well.

**ACQUISITION OF EXCEL**

Effective July 25, 1995, Ranchmen's completed its plan of arrangement and amalgamated with Excel Energy Inc. ("Excel"). Excel shareholders exchanged their Excel shares for Ranchmen's shares on the basis of one Excel share for 0.3 Ranchmen's shares.

On July 27, 1995, Ranchmen's mailed a transmittal form with instructions to the holders of Excel certificates for exchanging their certificates for Ranchmen's shares. We welcome these new Ranchmen's shareholders, particularly Mr. John J. Fleming, former Chairman of the Board of Excel Energy Inc., who was appointed to Ranchmen's Board on July 28, 1995.

The large producing properties of natural gas that we acquired with the

Excel transaction met our objective to balance our production between oil and natural gas. Our top three natural gas properties are now Sutton, Lapp and Larne – areas acquired from Excel that collectively are producing 20 million cubic feet of natural gas per day, net to Ranchmen's.

The Excel acquisition gave us valuable land, seismic data and infrastructure in northern Alberta and northeastern British Columbia, two areas where Ranchmen's is exploring. These valuable resources, together with 30,000 kilometres of aeromagnetic survey we gathered in this area during 1994, will accelerate our exploration momentum.

**CAPITAL BUDGET INCREASED**

Following completion of our amalgamation with Excel, Ranchmen's Board of Directors approved a \$5 million increase in our 1995 capital budget to \$40 million. About half this amount was spent at June 30, 1995: \$15.9 million on exploration and development activities; \$3.2 million on production facilities and pipelines; and \$1.3 million on property acquisitions, net of dispositions.

**PRIVATE PLACEMENT COMPLETED**

During July, Ranchmen's issued 392,437 flow-through shares to the MRF 1995 Limited Partnership from treasury at \$5.606 per share. Proceeds from the private placement were used to finance Ranchmen's ongoing exploration and development activities.

**PRODUCTION GROWTH**

During the first half of 1995, oil and liquids production increased 10 per cent, while natural gas production increased

two per cent compared with the first six months of 1994. Drilling activity slowed during the second quarter as rig moves were restricted by road bans during spring break-up. Ranchmen's participated in drilling six wells, resulting in four oil wells and two dry holes.

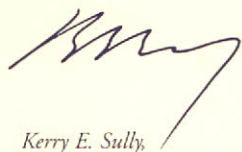
**INCREASED REVENUE AND CASH FLOW**

Our revenue for the first six months of 1995 was 11 per cent more than in the same period last year, as increased production and higher oil prices more than offset a 34 per cent drop in gas prices from the first six months of last year. Ranchmen's increased its cash flow to \$15.1 million (\$0.72 per share) from \$14.5 million (\$0.70 per share) in the first half of last year. Earnings for the first half of 1995 were \$4.2 million compared with \$4.3 million for the corresponding period in 1994. Earnings per share were unchanged at \$0.20.

**GOING FORWARD**

Within the next week, Ranchmen's directors will issue a circular responding to Crestar's offer.

With the Excel acquisition, Sturgeon discovery and exploration and development momentum, you can be assured we will continue to do our utmost to ensure you receive maximum value for your investment.



Kerry E. Sully,

President and Chief Executive Officer

August 11, 1995



**Ranchmen's has a  
50 per cent interest  
in an exciting light  
oil discovery at  
Sturgeon Lake in  
northwestern Alberta.  
We believe this  
play has significant  
potential.**

Howard Ross Library  
SEP 5 1995

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Annual  
McGILL UNIVERSITY



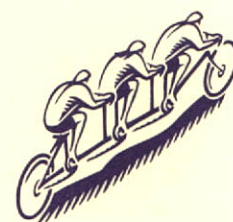
On July 24, 1995,  
the shareholders of  
Excel Energy Inc.  
voted 99.7 percent  
in favour of a plan  
of arrangement to  
exchange each  
Excel share for 0.3  
Ranchmen's shares.

<b>Balance Sheet</b>	<b>June 30, 1995</b>	<b>December 31, 1994</b>
(\$ millions)	unaudited	
<b>Assets</b>		
Current assets		
Cash	\$ 0	\$ 0.3
Accounts receivable	8.7	9.5
	<b>8.7</b>	<b>9.8</b>
Capital assets	<b>144.5</b>	<b>134.7</b>
Other assets	0.9	1.5
	<b>\$ 154.1</b>	<b>\$ 146.0</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 9.7	\$ 19.8
Current portion of retirement provision	0.1	0.1
	<b>9.8</b>	<b>19.9</b>
Long-term debt	<b>57.0</b>	<b>43.4</b>
Future abandonment, removal and site restoration costs	<b>5.8</b>	<b>5.6</b>
<b>Shareholders' Equity</b>		
Share capital	<b>75.8</b>	<b>75.6</b>
Retained earnings	5.7	1.5
	<b>81.5</b>	<b>77.1</b>
	<b>\$ 154.1</b>	<b>\$ 146.0</b>

<b>Wells Drilled</b>	Exploratory		Development		Total	
(Six months ended June 30, 1995)	Gross	Net	Gross	Net	Gross	Net
Oil	4	2.4	11	3.4	15	5.8
Gas	1	1.0	2	1.8	3	2.8
Dry	5	5.0	6	2.7	11	7.7
Other	0	0	1	0.5	1	0.5
<b>Six months ended June 30, 1995</b>	<b>10</b>	<b>8.4</b>	<b>20</b>	<b>8.4</b>	<b>30</b>	<b>16.8</b>
Six months ended June 30, 1994	4	3.1	28	15.8	32	18.9
Year ended December 31, 1994	22	11.0	141	41.7	163	52.7



Statement of Earnings	unaudited	Q3	Q4	Q1	Q2	Q2	Six Months Ended	
		1994	1994	1995	1995	1994	1995	June 30
(\$ millions, except per share information)		1994	1994	1995	1995	1994	1995	1994
Revenue								
Gross production revenue	\$	17.0	\$ 17.3	\$ 16.2	\$ 16.5	\$ 15.4	\$ 32.7	\$ 29.5
Crown, freehold and overriding royalties		2.6	2.8	2.5	2.3	2.2	4.8	4.0
Net production revenue		14.4	14.5	13.7	14.2	13.2	27.9	25.5
Other		0.8	0.3	0.1	0.2	(0.1)	0.3	(0.1)
		15.2	14.8	13.8	14.4	13.1	28.2	25.4
Expenses								
Production		4.7	6.2	4.3	4.5	4.1	8.8	8.0
General and administrative		1.4	0.2	1.1	1.1	0.9	2.2	1.7
Depletion and depreciation		5.7	5.8	5.5	5.2	5.0	10.7	10.2
Interest		0.7	0.7	1.0	1.2	0.6	2.2	1.1
		12.5	12.9	11.9	12.0	10.6	23.9	21.0
Earnings before income taxes		2.7	1.9	1.9	2.4	2.5	4.3	4.4
Income taxes		0.1	0.1	0.1	0	0	0.1	0.1
Net earnings attributable to common shares	\$	2.6	\$ 1.8	\$ 1.8	\$ 2.4	\$ 2.5	\$ 4.2	\$ 4.3
Earnings per common share	\$	0.13	\$ 0.09	\$ 0.08	\$ 0.12	\$ 0.12	\$ 0.20	\$ 0.20
Cash flow per common share	\$	0.41	\$ 0.36	\$ 0.35	\$ 0.37	\$ 0.36	\$ 0.72	\$ 0.70
Common shares outstanding (weighted average, in millions)		21.0	21.0	21.1	21.1	20.7	21.1	20.6



Thanks to our dedicated staff whose ongoing efforts have resulted in increases in production, revenue and cash flow, and whose hard work enabled us to open a high-quality data room in record time.

**Statement of Changes****in Cash Position** unaudited

(\$ millions, except per share information)

**Cash Provided By (Used for)****Operating Activities**

	Q3	Q4	Q1	Q2	Q2	Six Months Ended	
	1994	1994	1995	1995	1994	1995	June 30
Net earnings	\$ 2.6	\$ 1.8	\$ 1.8	\$ 2.4	\$ 2.5	\$ 4.2	\$ 4.3
Add items not involving cash							
Depletion and depreciation	5.7	5.8	5.5	5.2	5.0	10.7	10.2
Other	0.2	0.1	0.1	0.1	0	0.2	0

**Funds generated from**

<b>operations</b>	8.5	7.7	7.4	7.7	7.5	15.1	14.5
Changes in non-cash working capital balances relating to operations	(0.9)	8.5	0.2	(9.5)	2.3	(9.3)	(4.9)
	7.6	16.2	7.6	(1.8)	9.8	5.8	9.6

**Financing Activities**

Issue of common shares	0.2	0	0.1	0.1	2.5	0.2	2.6
Increase (decrease) in long-term debt	3.9	5.0	7.0	7.0	(4.8)	14.0	0.9
Other	(0.1)	(0.4)	0	0	(0.2)	0	(0.1)
	4.0	4.6	7.1	7.1	(2.5)	14.2	3.4

**Investing Activities**

Capital assets	(13.4)	(20.5)	(15.4)	(5.7)	(7.4)	(21.1)	(13.2)
Proceeds from sale of capital assets	1.8	0	0.4	0.4	0.1	0.8	0.1
	(11.6)	(20.5)	(15.0)	(5.3)	(7.3)	(20.3)	(13.1)
Increase (decrease) in cash	0	0.3	(0.3)	0	0	(0.3)	(0.1)
Cash, beginning of period	0	0	0.3	0	0	0.3	0.1
Cash, end of period	\$ 0	\$ 0.3	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0



**We have hedged  
5,000 barrels per day  
of our oil production  
from June 1 to  
December 31, 1995,  
at C\$26.05 per barrel.**

**Full Cost Compared to  
Successful Efforts Accounting\***

	Six Months Ended June 30		Year Ended December 31				
(\$ thousands, except per share information)	1995	1994	1994	1993	1992	1991	1990
<b>Net earnings (loss)</b>							
Full Cost	\$ 4,255	\$ 4,275	\$ 8,723	\$ 8,681	\$ 6,557	\$(55,049)	\$ 7,798
– per share	0.20	0.20	0.42	0.38	0.29	(3.61)	0.38
Successful Efforts	(2,594)	3,392	1,918	3,355	265	(13,228)	2,773
– per share	(0.12)	0.16	0.09	0.12	(0.07)	(0.95)	0.05
<b>Retained earnings (deficit)</b>							
Full Cost	5,729	(2,976)	1,472	(7,251)	(14,984)	(20,074)	(2,987)
Successful Efforts	529	4,597	3,123	1,205	(1,202)	0	(24,735)

\* Effective January 1, 1995, Ranchmen's adopted the full cost method of accounting, which is used by almost all of our industry peers. The change was made to enable our earnings to be more easily compared with those of our peer group. The table above reflects current and prior-period earnings on a full cost and on a successful efforts basis, on which we previously reported.

**Selected Pro Forma Information\***

	Six Months Ended June 30, 1995		
	Ranchmen's	Excel	Pro Forma
<b>Production</b>			
Oil and NGL (bbls/d)	6,195	845	7,040
Natural gas (mmcf/d)	36.6	22.3	58.9
<b>Pricing</b>			
Crude oil (\$/bbl)	\$ 21.41	\$ 21.08	\$ 21.37
Natural gas (\$/mcf)	\$ 1.39	\$ 1.40	\$ 1.39
<b>Cash flow</b> (\$ millions)			
Per share (\$/share)	\$ 0.72	\$ 0.17	\$ 0.68
<b>Earnings</b> (\$ millions)			
Per share (\$/share)	\$ 0.20	\$ (0.02)	\$ 0.14

\* The above pro forma information is provided to assist investors in their analysis of the combination of Ranchmen's and Excel Energy Inc., which was completed on July 25, 1995. This pro forma information is not necessarily indicative of results of operations that would have occurred in the first half of 1995 had the combination taken place on January 1, 1995, nor of the results of operations expected in 1995 and future years. The pro forma information reflects an elimination of Excel's ARTC received (\$0.5 million), and general administrative expenses incurred (\$0.8 million) during the first six months of 1995.



**The Excel acquisition  
gave us valuable  
land, seismic data  
and infrastructure  
in northern Alberta  
and northeastern B.C.,  
two areas Ranchmen's  
is exploring.**



## CORPORATE INFORMATION

### Head Office

Ranchmen's Resources Ltd.  
1000, 333 Eleventh Avenue S.W.  
Calgary, Alberta, Canada T2R 1L9  
Telephone: (403) 267-9400  
Facsimile: (403) 267-9455

### Transfer Agent & Registrar

Montreal Trust  
Suite 600  
580 Eighth Avenue S.W.  
Calgary, Alberta, Canada T2P 3S8

Transfer locations in Vancouver,  
Calgary, Toronto and Montreal

### Common Share Information

Ranchmen's common shares are listed on the Toronto and Alberta Stock Exchanges and trade under the symbol **RRL**.

Ranchmen's is included in the oil and gas producers sub-index of the TSE 300 Composite Index.

52-week high: \$8.00  
52-week low: \$4.50

### June 30, 1995

Closing Price: \$4.50  
Shares outstanding: 21,086,800

### Investor Relations

Mrs. Tracy M. Lutz  
Assistant Corporate Secretary and  
Manager, Corporate Communications  
Toll free: 1-800-661-6742



### CASH FLOW

(\$ millions)

Cash flow increased relative to the first quarter, as production from new wells was brought on-stream late in the second quarter.



### CRUDE OIL AND NGL

PRODUCTION (bbls/d)

Oil and liquids volumes remained relatively flat, as increases from new wells were partially offset by natural production declines and wet weather this spring.



### CRUDE OIL AVERAGE

WELLHEAD PRICE\* (\$/bbl)

We have added \$0.20 per barrel to the oil price we reported for the second quarter through hedging 5,000 barrels per day of our oil production from June 1 to December 31, 1995, at Cdn. \$26.05 per barrel.

\* before hedge



### EARNINGS

(\$ millions)

Under the full-cost method of accounting, earnings increased as a result of higher revenue and a reduced depletion and depreciation charge in the second quarter.



### NATURAL GAS

PRODUCTION (mmcf/d)

New wells at Long Coulee in southern Alberta and at Laprise East in northeastern British Columbia came on production in June, adding 4.8 million cubic feet of natural gas per day and 195 barrels of liquids per day, net to Ranchmen's.



### NATURAL GAS AVERAGE

WELLHEAD PRICE (\$/mcf)

Ranchmen's average gas price fell 17 per cent from what we received in the first quarter of 1995, the result of further softening in North American gas prices.