1981 Annual Report

Lochiel Exploration Ltd.

Lochiel Exploration Ltd.

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CORPORATE PROFILE

Lochiel Exploration Ltd. is an independent Canadian-owned oil and gas company engaged in exploration and production in western Canada, Ontario, the United States and the United Kingdom, and has broad exploration interests in the Beaufort Sea, Canadian East Coast, Arctic Islands and the Middle East.

At January 31, 1982, the Company had 7,577,280 Class A non-voting common shares, 7,461,254 Class B voting common shares and 47,731 9% convertible preferred shares outstanding. Approximately 96 percent of the voting Class B common shares are owned by Canadians.

The Company's shares are listed on the Toronto and Alberta Stock Exchanges.

ANNUAL MEETING

Shareholders are cordially invited to attend the annual meeting to be held at the Westin Hotel (formerly Calgary Inn), Calgary on June 24, 1982 at 10:00 a.m.

Comparative Highlights

YEARS ENDED JANUARY 31, 1982 AND 1981

	1982	1981	Increase (Decrease) Percent
FINANCIAL			
Total revenue	$ 6,547,000	$ 2,514,000	160
Funds generated from operations	1,614,000	277,000	483
per Class A common share	14.7¢	2.6¢	
per Class B common share	12.5¢	2.2¢	
Net income (Loss)	(630,000)	(496,000)	(27)
per Class A common share	(10.7¢)	(8.3¢)	
per Class B common share	(8.9¢)	(6.9¢)	
Capital expenditures and exploration expenses	6,121,000	5,867,000	4
Working capital	(395,000)	769,000	(151)
Long-term debt	14,238,000	10,092,000	41
Shareholders' equity	10,081,000	11,188,000	(10)
Total assets	28,853,000	24,055,000	20
Common shares outstanding			
Class A	7,577,280	5,899,573	
Class B	7,461,254	5,784,095	
OPERATIONS			
PRODUCTION — gross before royalties			
Crude oil and natural gas liquids — cubic metres	5,700	4,531	26
Natural gas — cubic metres x 10^3	15,800	22,229	(29)
LAND			
Working interest — gross hectares	1,755,907	1,586,905	11
Working interest — net hectares	499,926	465,339	7
Gross royalty hectares	985,974	985,489	—
DRILLING ACTIVITIES			
Gross wells drilled	77	63	22
Net wells drilled	14.6	10.7	36
Net wells productive	13.1	7.9	66
Net wells dry	1.5	2.8	(46)
RESERVES — gross proven and probable			
Crude oil and natural gas liquids — thousands of cubic metres	299	203	47
Natural gas — thousands of cubic metres	879,766	792,848	11

MARKET VALUE ON COMMON SHARES

Calendar Year	1st Quarter High	1st Quarter Low	2nd Quarter High	2nd Quarter Low	3rd Quarter High	3rd Quarter Low	4th Quarter High	4th Quarter Low	Share Volume
	$	$	$	$	$	$	$	$	
1977	1.75	1.38	1.68	1.23	2.47	1.42	3.25	2.06	2,562,394
1978	2.38	1.95	3.85	2.19	4.30	2.60	3.50	2.45	4,140,700
1979	4.15	2.90	5.70	3.70	5.50	4.15	7.40	3.50	4,513,248
1980	8.50	4.30	8.25	6.50	9.37	6.62	7.87	6.00	3,306,776
1981 Class A	4.25	2.95	4.10	2.95	3.55	1.10	2.00	1.00	1,464,354
Class B	4.10	2.70	3.90	2.76	3.35	.90	1.74	.90	1,189,652

Report to the Shareholders

The past year was one of substantial growth and development for your Company as evidenced by record financial results. Revenues were 260 percent of last year's at $6,547,000 and the cash flow from operations rose to $1,614,000, 583 percent of the previous year's. These results plus continued progress during 1982 and beyond will provide a strong foundation for further expansion of the Company's asset base.

During the year, foreign programs started some years ago began to improve our revenues. In May of last year, development of the Buchan Field in the United Kingdom was completed and by year-end, production net to Lochiel totalled 71,250 barrels of oil. In the United States, revenues were 400 percent of the previous year, with the major contribution coming from oil production in Routt County, Colorado. Revenues generated during 1981 by activities outside of Canada represented 75 percent of the total for the Company compared to only 20 percent the previous year.

However, the attention of management during 1982 is to concentrate on improving the level of revenues and cash flow from operations within Canada. Due to its high Canadian content, Lochiel is well positioned to take advantage of the positive aspects of the National Energy Program and whatever further incentives may be given by either federal or provincial governments. Of the five wells drilled by the Company in Western Canada subsequent to our fiscal year-end of January 31, 1982, four were successful with three oil wells and one gas well under contract. External engineering reports on these discoveries project undiscounted cumulative cash flow in excess of $4,000,000 over the next five years. Further development wells are planned for each of these prospects.

A positive sign for oil explorers worldwide, is the fact that the OPEC countries appear to have the ability to police their members and hold production down. If this trend can continue for another six months to a year, the members will have disciplined themselves to allow energy prices to steadily increase year by year, probably equivalent to levels of inflation. Undoubtedly the OPEC nations have learned a valuable lesson concerning escalating prices too fast, thereby attracting alternative energy forms to the market and encouraging conservation of energy supplies. It is likely that OPEC will orchestrate a move not only among its own members but among all worldwide producers to establish a pro-rationing system so that all countries wishing to export will be able to obtain a share of the market.

In spite of many negative forecasts, we feel that a company such as Lochiel that is exploring abroad, as well as at home, should be able to rely on both pro-rationing of foreign markets and Canada's thirst to become self-sufficient at home, as the basis to continue its future growth. Lochiel is very well represented in the Canadian frontiers and in a number of foreign geologically favourable areas, and has the able staff and financing to best exploit its opportunities.

Submitted on behalf
of the Board of Directors

N. W. Taylor
President

May 20, 1982
Calgary, Alberta


NORTHWEST TERRITORIES
ALBERTA
BRITISH COLUMBIA
SASKATCHEWAN
UNITED STATES
Sixth Meridian
Fifth Meridian
Fourth Meridian
ATHABASCA OIL SANDS
AITKEN CREEK
BUICK CREEK
RED CREEK
Dawson Creek
LEGEND LAKE
MINK LAKE
LUBICON LAKE
UTIKUMA
BOHN LAKE
HOUSE MTN.
WHITECOURT
MARLBORO
GLENEVIS
SKARO
WHITFORD LAKE
Edmonton
PEMBINA (KEYSTONE)
BRETON
PIGEON LAKE
BAXTER LAKE
WAINWRIGHT
SOUTH ALIX
KESSLER
GARRINGTON
PROVOST
DRUMHELLER
SUNNYNOOK
Calgary
CESSFORD
QUIRK CREEK
SHOULDICE
ATLEE–BUFFALO
CLARESHOLM
TABER
Lochiel Interests
64 Miles 0 64 Miles

Exploration and Development

During the year ending January 31, 1982, Lochiel Exploration Ltd. participated in the drilling of 77 wells, a record for the Company and 22 percent higher than the previous record year. This activity resulted in 66 gas wells, five oil wells and six dry holes for a success ratio of 92 percent.

1981 DRILLING RESULTS

Total Wells: (Direct and Indirect Participation)

	Working Interest 1981	Working Interest 1980	Royalty Interest 1981
EXPLORATORY			
Oil	4	7	1
Gas	8	10	3
Dry	6	7	0
DEVELOPMENT			
Oil	0	2	—
Gas	1	2	54
Dry	0	1	—
TOTAL	19	29	58

Geographical Distribution of Drilling

	Oil	Gas	Dry	Total
Alberta	3	6	1	10
Ontario	0	1	0	1
United States	2	59	5	66
United Kingdom	0	0	0	0
TOTAL	5	66	6	77

WESTERN CANADA

The Company participated in the drilling of 10 wells in western Canada including three wells as a result of the Lochiel 78 Energy Program. Two wells were dual zone gas and oil wells, six were gas wells, one a shut-in oil well due to a high gas-oil ratio and one was abandoned.

• Atlee-Buffalo, Alberta

At Atlee-Buffalo, Alberta, the Company holds a 50 percent interest in 12,188 hectares (30,720 acres). These lands are covered by various gas contracts and during the last year the Company has studied a number of ways to increase sales.

Shooting and processing of 53 km (33 miles) of seismic have aided in an evaluation of deeper horizons which are due to expire in January, 1983. The drilling of three deeper tests in which Lochiel elected not to participate were unsuccessful. Notwithstanding this, the Company feels the area has some potential in the deeper horizons but believes the level of risk is unacceptable. An attempt will be made to have other companies drill the prospects to earn a portion of Lochiel's interest.

However, the Company has initiated infill drilling of the shallower Medicine Hat zone formation to increase production through existing gas contracts.

• Glenevis, Alberta

At Glenevis, Alberta, the Company participated in 22 km (14 miles) of seismic to further evaluate a Mississippian oil play and acquired a further 129 hectares (320 acres). The original well continues to produce at rates up to 16 cubic metres (100 barrels) of oil per day, and a follow-up well appears to be successful. A third development well is contemplated for later this year. Lochiel's interest in this prospect is 12.5 percent.

• Whitecourt, Alberta

At Whitecourt, Alberta, Lochiel participated in the drilling of five exploratory wells resulting in two dual zone oil/gas wells, one oil well, one gas well with potential for oil, and one abandonment. Following the drilling phase, 256 hectares (640 acres) were purchased by the partners, bringing gross land holdings to 4,856 hectares (12,000 acres). Prior to year end, the oil well was suspended due to a high gas/oil ratio and one of the dual zone oil/gas wells began producing large amounts of water. The operator, Hudson's Bay Oil & Gas, has initiated a review to determine if the problem is mechanical.

Further development drilling is expected in 1982. Lochiel's interest in this area is 12.5 percent after recovery of initial well costs.

• Drumheller, Alberta

Lochiel participated in the drilling of Pex et al Drumheller 6-25-29-19W4. The well was completed as a Glauconitic gas well which flowed gas at a rate of 246 cubic metres x 10^3 (8.7 mmcf) per day on drill-stem test. It is anticipated production will commence in the last quarter of this year. Lochiel paid 17.39 percent of the well costs to obtain a 17.39 percent interest before payout and 14.95 percent interest after payout in the well.

• Pembina (Keystone), Alberta

Two wells were drilled on a farmin of the Company's lands during 1981 at no cost to Lochiel. Both have been cased as gas wells and each has two possible producing zones. As no contract is available, these wells remain shut in, but will continue to keep Company-held leases from expiring. Lochiel's remaining interest in this 2,240 hectares (5,600 acre) prospect area ranges from 25 to 50 percent.

- **Whitford Lake, Alberta**

  There were two wells drilled in 1981 at Whitford Lake, Alberta under the Lochiel 78 Energy Program. Both resulted in gas wells. To date, 14 wells have been drilled in this area resulting in 9 gas wells and one oil well. Currently, four gas wells in which Lochiel has interests varying from 9 percent to 18.6 percent are on production in the Whitford Lake prospect.

ONTARIO

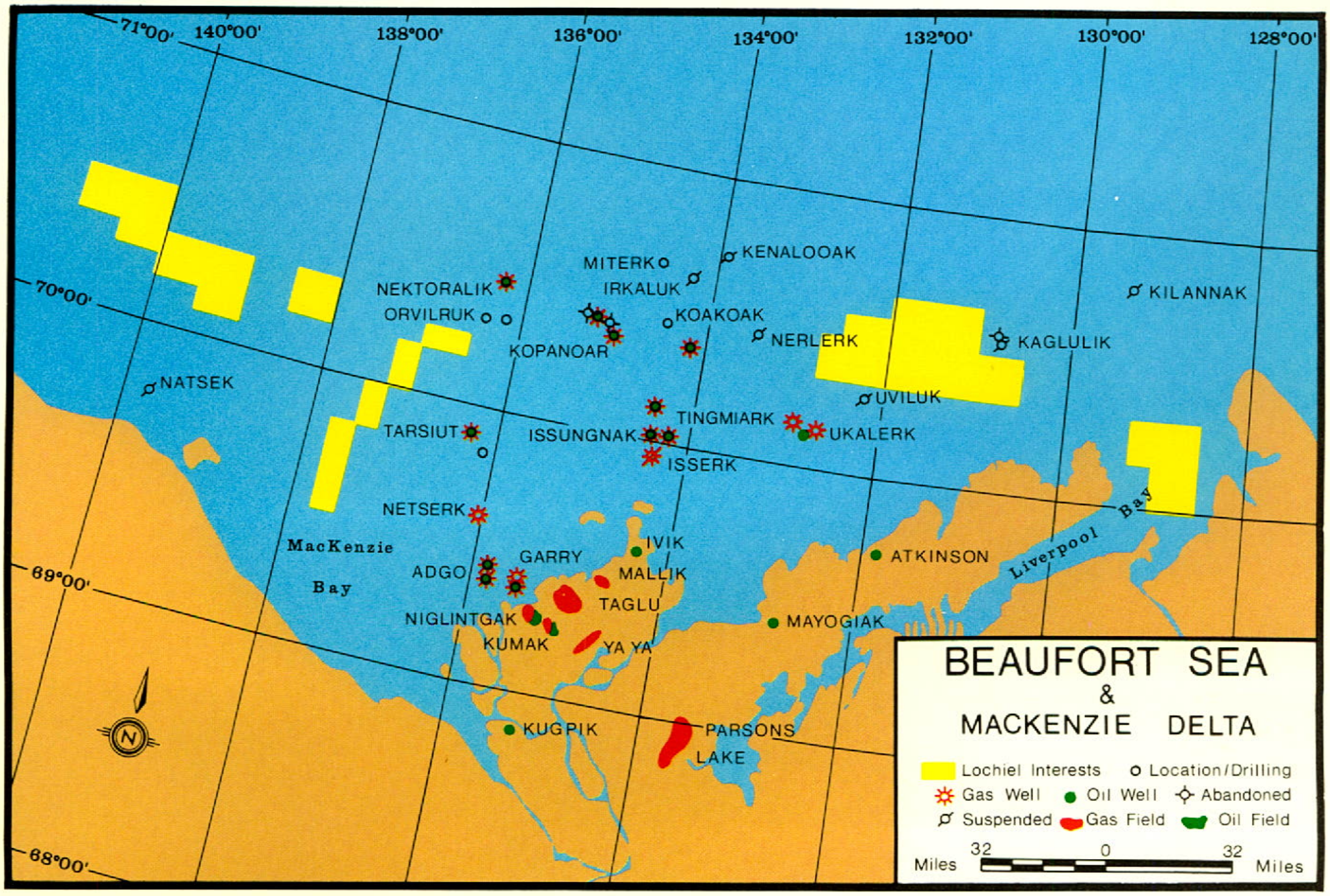
To date, the Company has acquired a total of 5,261 hectares (13,000 acres) of leases in Oxford County, Ontario. An arrangement with Universal Gas was completed whereby 15,385 hectares (38,000 acres) were pooled on a 50-50 basis. This brings the Company's total leases in Ontario to 12,950 net hectares (38,000 net acres). One development well was drilled in the Taylor-Dover gas field subsequent to year end and it is anticipated one or two wildcat wells will be drilled this summer.

BEAUFORT SEA

The end of 1981 saw further confirmation of the significant hydrocarbon potential of the Canadian Beaufort Sea Region, though the summer drilling season was considerably shorter than previous years due to severe sea ice conditions.

The previously suspended Kopanoar 2-I-44 step-out well and Koakoak 0-22 wildcat 50 km northeast and 50 km west of Lochiel interests were both re-entered and partially tested. Kopanoar reached 4,009 metres with drill-stem test results and engineering calculations indicating a flow capacity of between 800 and 1,600 cubic metres of oil per day. Koakoak penetrated several thick hydrocarbon-bearing sections with a calculated flow capacity estimated at a minimum of 800 cubic metres of oil per day. Dome plans to complete drilling and testing of this well in 1982.

Independent consulting calculations have estimated that the potential oil in place for the Kopanoar and



Koakaok structures could run between 288 to 720 million cubic metres and 320 to 800 million cubic metres respectively. It is estimated that a threshold of 64 million cubic metres of recoverable reserves would be required for commercial production in the water depths encountered in this area of the Beaufort Sea.

The Dome Kenalooak 2-J-94 well, 52 km northwest of Lochiel interests was also re-entered at a previously suspended depth of 3,413 metres but only drilled to 3,481 metres before operations were terminated in September. Irkaluk B-35, 19 km north of Koakoak reached 2,211 metres before being suspended in early October, 1982. Plans call for the completion of these two wells plus the Orvilruk 0-33 well which is only 15 km north of Company interests.

The Esso Issungnak 2-0-61 delineation well which is 72 km southeast of Lochiel interests confirmed the presence of hydrocarbons first encountered by the previous year's 0-61 discovery well. Gas and oil was recovered from 13 individual sands on 18 drill-stem tests, the most significant being 535 cubic metres of oil per day from an interval between 3,397 and 3,403 metres. Gulf however met with less success in its North Issungnak L-86 well. Although some apparently non-commercial zones were penetrated near the bottom of the hole, mechanical problems prevented testing of these horizons. The well was subsequently plugged and suspended in early October at 4,771 metres.

Drilling commenced just prior to the end of 1981 on the Gulf East Tarsiut N-44 well and by April 27, 1982 was drilling at 4,531 metres. This projected 5,000 metre delineation well is located 5.6 km east-southeast of the Tarsiut A-25 1979 oil discovery which flowed 127 cubic metres per day. If successful, Gulf indicated it may drill at least two more wells to test the large underlying structure.

Lochiel Exploration Ltd. has gross overriding royalty and net carried interests in 697,703 hectares (1,724,060 acres) within the Beaufort Sea petroleum province.

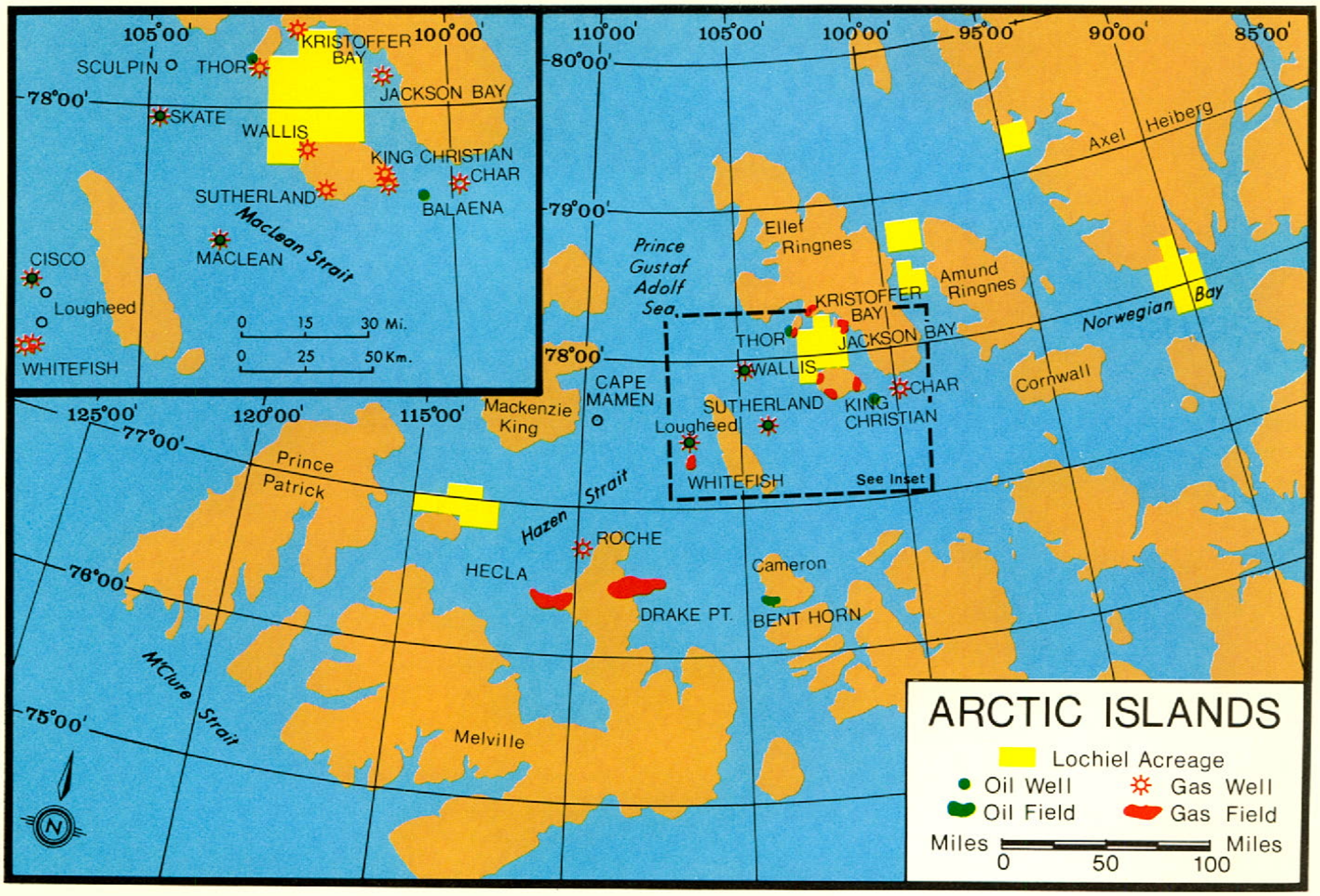
Acreage Held	Interest
278,000 hectares	3.000% gross overriding royalty
334,000 hectares	1.400% net carried interest 0.567% gross overriding royalty
86,000 hectares	0.300% gross overriding royalty

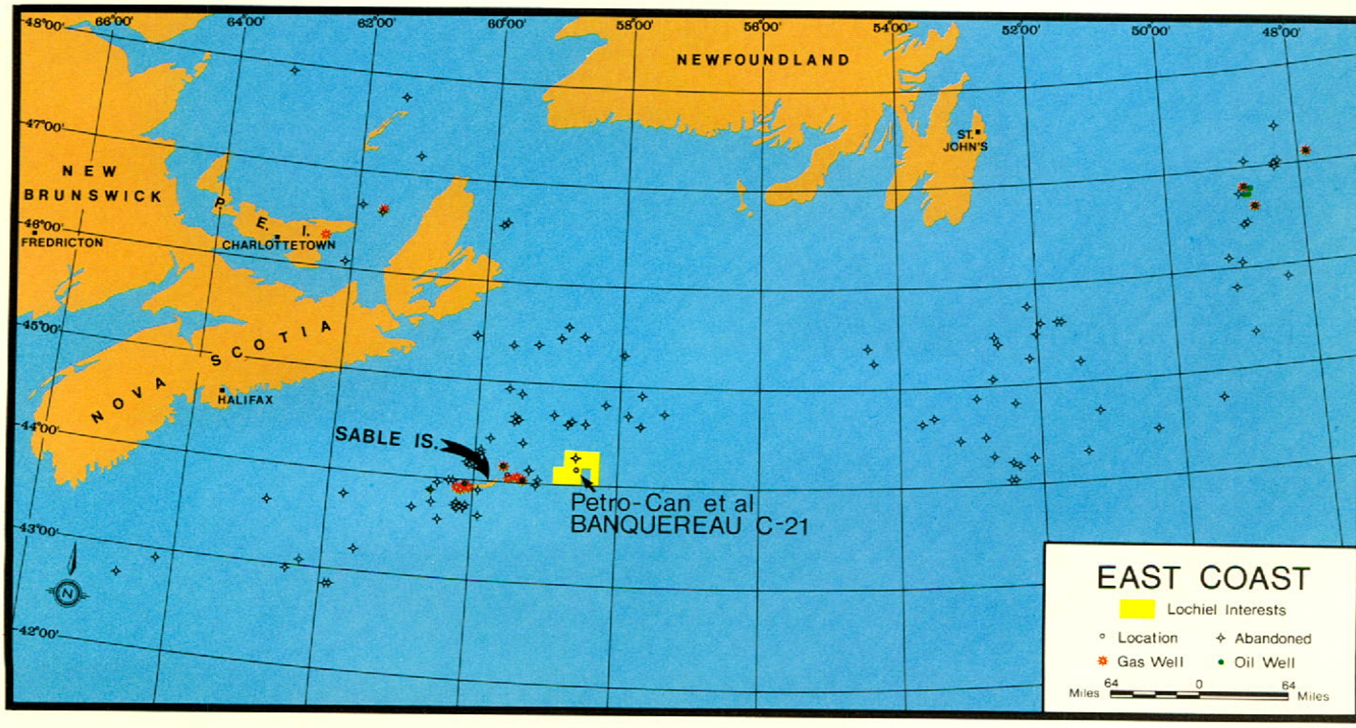
ARCTIC ISLANDS

The Panarctic 1980-81 winter drilling season led to the discovery of the first potentially commercial oil reserves in the Canadian Arctic Islands. Significant amounts of both oil and gas were tested at Skate A-80, MacLean I-72 and Cisco B-66 in the offshore area of northern Lougheed Island. According to Panarctic, the Cisco structure which is located 90 km southwest of Lochiel interests may contain 160 million or more cubic metres of oil in-place.

Panarctic announced plans to drill at least four wells from ice platforms during the winter of 1981-82. Two step-out wells, Whitefish P-25, 110 km southwest of Lochiel's offshore King Christian Island interest is currently drilling at 2,817 metres while Cisco C-42, 14 km northeast of Whitefish successfully flowed 293 cubic metres of oil per day with gas on two tests. One wildcat well, Panarctic Sculpin E-08, 35 km due west of our King Christian acreage, is drilling at 1,676 metres. The Cape Mamen F-25 wildcat, 100 km northeast of Lochiel's offshore Emerald Island block, has drilled 2,925 metres of its projected total depth of 3,100 metres. It is expected the average cost per well will run between $8 million and $11 million.

To date, exploration drilling has proven up approximately 2.08 trillion cubic metres of gas plus a significant amount of oil. Various plans have been put forward recently for the transportation of gas and oil from the Arctic Islands to eastern Canadian markets via ice-breaker LNG and oil tankers. Commencement of shipments could begin as early as 1987. The King Christian area where Lochiel has three percent override, convertible to a 12 percent working interest in 96,967 hectares (239,610 acres), has become interesting in that Petro-Canada and TransCanada PipeLines have announced a project to export liquefied gas to Europe from the area by 1988. Suncor has tentatively proposed a well location on the Lochiel interests situated on the offshore extension of the northern Kristoffer Bay structure which tested gas in the B-06 well drilling in 1972. No firm spud date has been announced.


ARCTIC ISLANDS
Lochiel Acreage
Oil Well
Gas Well
Oil Field
Gas Field
Miles 0 50 100 Miles
Axel Heiberg
Ellef Ringnes
Amund Ringnes
Prince Gustaf Adolf Sea
KRISTOFFER BAY
JACKSON BAY
THOR
WALLIS
CHAR
SUTHERLAND
KING CHRISTIAN
Lougheed
WHITEFISH
See Inset
Norwegian Bay
Cornwall
CAPE MAMEN
Mackenzie King
Prince Patrick
Hazen Strait
ROCHE
HECLA
DRAKE PT.
Cameron
BENT HORN
M'Clure Strait
Melville
SCULPIN
SKATE
BALAENA
MACLEAN
Maclean Strait
CISCO
0 15 30 Mi.
0 25 50 Km.


EAST COAST
Lochiel Interests
Location
Abandoned
Gas Well
Oil Well
Miles 64 0 64 Miles
NEWFOUNDLAND
ST. JOHN'S
NEW BRUNSWICK
FREDRICTON
P. E. I.
CHARLOTTETOWN
NOVA SCOTIA
HALIFAX
SABLE IS.
Petro-Can et al BANQUEREAU C-21

EAST COAST — OFFSHORE

On April 20, 1981, the Department of Energy, Mines and Resources issued an exploration agreement for a 138,891 hectare (343,207 acre) block on the offshore Banquereau Bank to a Petro-Canada led, eight-company consortium in which Lochiel has a four percent interest.

The agreement area is strategically located 59 kilometres east of the gas and oil filled Venture structure and 22 kilometres from the Primrose N-50 discovery. An exploratory well, Sauk A-57, was drilled by Shell in 1974 in the northern part of the block. Although the well was not tested due to mechanical problems, recent log analysis has indicated a number of significant gas an possible oil zones in the lower section of the hole.

The original exploration agreement called for seismic shooting and predrilling studies to be followed by an exploratory well in the latter part of 1984. By November, 1981, after approximately 1,600 kilometres of seismic data had been acquired and four structural leads mapped, Petro-Canada as operator advanced the drilling date to December 1981. The Banquereau C-21 well should reach total depth of 5,700 metres around July, 1982. Because of the advanced drilling date and the subsequent increased expenditures, Lochiel substantially reduced its costs by farming out one-half of its interest to Canterra Energy Ltd.

Lochiel is also a small interest holder in a group of companies bidding for two Exploration-Agreement areas on the southeastern Grand Banks of Newfoundland. The initial November 10, 1981 closing date for submission of proposals by industry was postponed until the spring of 1982 due to the ongoing federal-provincial negotiation on ownership of offshore mineral rights.

WESTERN UNITED STATES

In 1981 Lochiel became operator and drilled the last four wells of an eight well joint project in western Kansas. Three oil wells are currently on production from this program and further offsets are planned.

In another program in south-central Kansas, Lochiel as operator has acquired approximately 11,736 hectares (29,000 acres) of leases on selected prospects in Kingman, Harper, Reno and Sedgewick Counties. To date (April 1982), four wells of a nine well exploratory program have been completed, resulting in one oil and gas multi-zone discovery and one gas well. The cash flow from these two discoveries will exceed $400,000 U.S. over the next five years. Fifteen or more wells are expected to be drilled during the coming year.

In Routt County, Colorado, our net production income is averaging $356,000 U.S. per year. We have interests in 4,047 gross hectares (10,000 gross acres) of undeveloped leases in the area and expect to participate in further deep tests.

EASTERN UNITED STATES

During 1981 and early 1982 Seis-Ex drilled three wells in partnership with Dome Petroleum and Page Petroleum, resulting in two gas discoveries and a dry hole. The gas discoveries, drilled in Chautauqua County, proved up an area in which at least seven more wells are planned to tie into local markets.

Elsewhere in Chautauqua County, 58 wells were farmed out, resulting in one oil well and 57 gas wells. Due to delays in pipeline construction, only the oil well and ten gas wells are on production. In the Sugar Grove area of Warren County, Pennsylvania, all 14 of the wells previously drilled through farm-outs were placed on production during the year. Under currently existing farmouts it is expected that at least eight more wells will be drilled. All told, Lochiel has interests in 46,134 gross hectares (114,000 gross acres) in this area and although gas is presently in surplus supply, we expect markets will open up within two years.

UNITED KINGDOM

On May 21, 1981 the Buchan Field, in which Lochiel has a 0.95 percent working interest, commenced production of crude oil. The field, located on Block 21/1, lies in 111 metres of water depth, approximately 160 kilometres northeast of Aberdeen in the U.K. sector of the North Sea. Production to January 31, 1982 was 1,192,400 cubic metres (7,500,000 barrels) of oil from seven producing wells. An eighth well, drilled by Texaco on the adjoining Block 20/5A under the terms of the Buchan Unit Agreement, will be tied in on production during late summer 1982. The floating production platform has proved capable of 12,083 cubic metres (76,000 barrels) of oil per day but bad weather in winter often shuts it down.

Outside the Buchan area another prospect is under consideration on Block 21/1 and a well is planned for the summer of 1983 in which the Company will participate. The drilling costs of this well will serve to shelter the initial heavy tax liabilities on Buchan production. Lochiel is actively seeking to join an Eighth Round U.K. Licencing Group and an announcement of acceptance of applications is likely during the latter part of 1982.

Also in the U.K., the Company's 65 percent owned subsidiary Halyard Offshore has consulted in the North Sea in connection with single point moorings for the Danish Consortium on the Gorm Field, B.P. on the Buchan Field, and is currently working for Zadco, offshore Abu Dhabi. Halyard also contracted an additional marine consultant in November 1981 and has entered into a trial joint venture arrangement with the international consulting engineers W. S. Atkins and Partners whose facilities will increase the scope of work which it can undertake. In addition to single point mooring work, Halyard has undertaken tanker surveys and other tanker related marine work in several countries of the world.

EGYPT

On December 28, 1981 the Company, as operator of a group consisting of Lochiel Exploration Ltd., Page Petroleum Ltd. and Polar Bear International Ltd., signed final agreement for two concessions with the Petroleum Minister of the Arab Republic of Egypt.

The Sheiba concession covers an area of 5 200 square kilometres and is located in the Western Desert between the El Alamein oil field to the north and the Abu Gharadig oil field in the south. The exploration agreement calls for $17 million U.S. of exploration work to be undertaken over a 5.5 year period. Plans for the intial first 2.5 year period would include detail seismic work and the drilling of an exploratory well with newly brought in partners, St. Joe Minerals and Hadson Petroleums, paying 80 percent of the costs.

The offshore Ras El Hekma concession covering 3,200 square kilometres is located west of Alexandria in water depths ranging up to 500 metres. Initial seismic studies have been completed and new shooting is being planned for the summer of 1982.

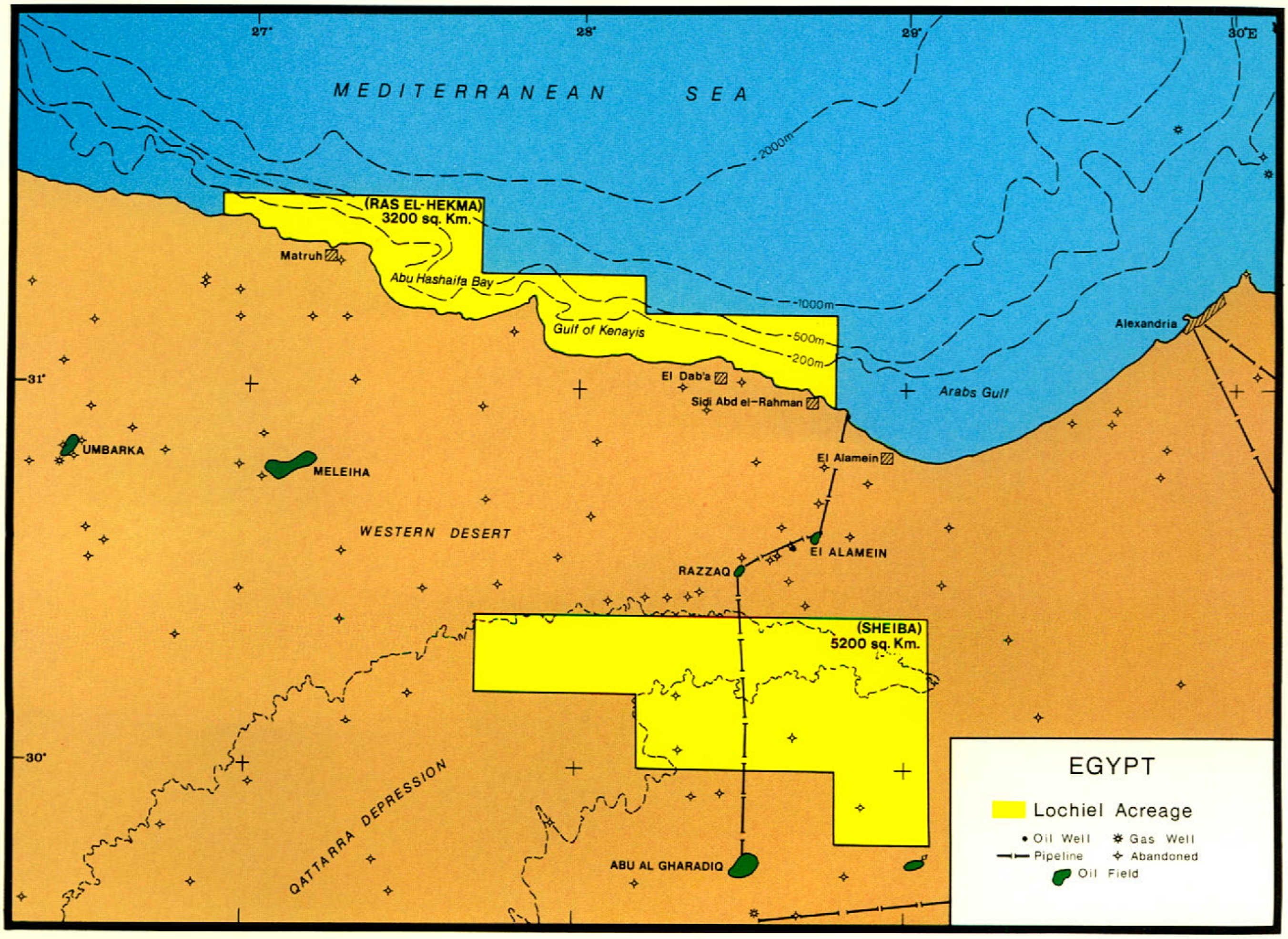
A third concession in the Western Desert, adjoining the Sheiba concession, is presently awaiting parliamentary ratification by the Egyptian government. The concession, known as Shushan, covers an area of 5,000 square kilometres and could require $21 million U.S. in exploration work over a 6 year period.

ISRAEL

Lochiel has been granted a contract to manage a new public company, North American Israeli Oils, which will explore for oil and gas in Israel and North America. Lochiel's profit would come from an override of 10 percent on new production established. NAIO will be participating in at least four Israel oil and gas prospects this year.

MINING — BAKER LAKE, NORTHWEST TERRITORIES

During the summer of 1981 a nine-man crew conducted detailed surface geological studies on selected areas. Detailed geophysical surveys were also performed and geochemical samples of lake bottom sediments taken. The purpose of the $860,000 program was to delineate drilling targets for the 1982 program. However, because of the outlook on uranium prices and the economy in general, the program, which will cost about $1,300,000 Cdn., has been postponed for another year. Lochiel has an 8.6 percent interest in 171,962 hectares (424,914 acres) in the area.



Land Holdings

The Company's acreage picture, as of January 31, 1982, shows a total of 1,755,907 gross hectares (499,926 net hectares) of working interest properties. These figures represent an increase of 168,986 gross hectares (34,587 net hectares) when compared to those reported one year ago. This increase reflects Lochiel's participation in the Whitecourt area of Alberta, the Banquereau Block — Eastcoast Offshore, and the Joint Venture Project in Kansas.

Lochiel's position with respect to royalty interest properties remained relatively constant. A slight increase of 486 gross royalty hectares was registered in the United States total.

PETROLEUM AND NATURAL GAS RIGHTS

as of January 31, 1982

Working Interest Properties

Geographic Area	Gross Hectares	Gross Acres	Net Hectares	Net Acres
Alberta	71,806	177,440	22,706	56,108
British Columbia	5,298	13,092	646	1,596
Saskatchewan	6,048	14,946	5,572	13,770
Ontario	40,771	100,750	13,350	32,988
Arctic Islands	376,051	929,260	217,991	538,677
Baker Lake, N.W.T. (Mining Claims)	116,547	288,000	10,023	24,768
Eastcoast Offshore	135,981	336,021	2,962	7,320
TOTAL CANADA	752,502	1,859,509	273,250	675,227
United States	65,744	162,460	30,261	74,777
Italy	37,495	92,655	1,500	3,706
U.K. (North Sea)	43,867	108,400	427	1,057
Egypt	856,299	2,116,000	194,488	480,600
TOTAL FOREIGN	1,003,405	2,479,515	226,676	560,140
TOTAL	1,755,907	4,339,024	499,926	1,235,367

Royalty Interest Properties

Geographic Area	Gross Royalty Hectares	Gross Royalty Acres
Alberta	19,101	47,200
Arctic Islands	118,419	292,625
Beaufort Sea-MacKenzie Delta	697,616	1,723,880
Eastcoast Offshore	49,715	122,851
Pacific Offshore	98,493	243,386
TOTAL CANADA	983,344	2,429,942
United States	2,630	6,500
TOTAL FOREIGN	2,630	6,500
TOTAL	985,974	2,436,442

Reserves

The Company's gross recoverable reserves as presented in the table below are calculated, before deducting Crown and freehold royalties, by McDaniel Consultants (1965) Ltd., Martin Petroleum Consulting Ltd. and M & D Petroleum Consultants Ltd.

Lochiel's proven recoverable oil and gas reserves were increased by 44 percent and seven percent, respectively. A substantial portion of the increase in oil reserves was due to proving up the Buchan Field.

	Proven				Probable			
	Natural Gas		Crude Oil		Natural Gas		Crude Oil	
	$m^3 \times 10^3$	MMSCF	m^3	Barrels	$m^3 \times 10^3$	MMSCF	m^3	Barrels
Canadian	432,736	15,282	63,080	397,000	279,200	9,860	40,360	254,000
United States	111,200	3,927	77,860	490,000	56,630	2,000	28,600	180,000
United Kingdom	—	—	77,060	485,000	—	—	12,080	76,000
TOTAL	543,936	19,209	218,000	1,372,000	335,830	11,860	81,040	510,000

Production

Crude Oil

In the past fiscal year, Lochiel's worldwide oil production was 20,500 cubic metres (129,300 barrels), a more than four-fold increase from the previous year. This increase is mainly due to Lochiel's production from the Buchan Field in the U.K. and newly developed oil production in the U.S.

Domestic oil production was increased by 26 percent to 5,700 cubic metres (36,100 barrels).

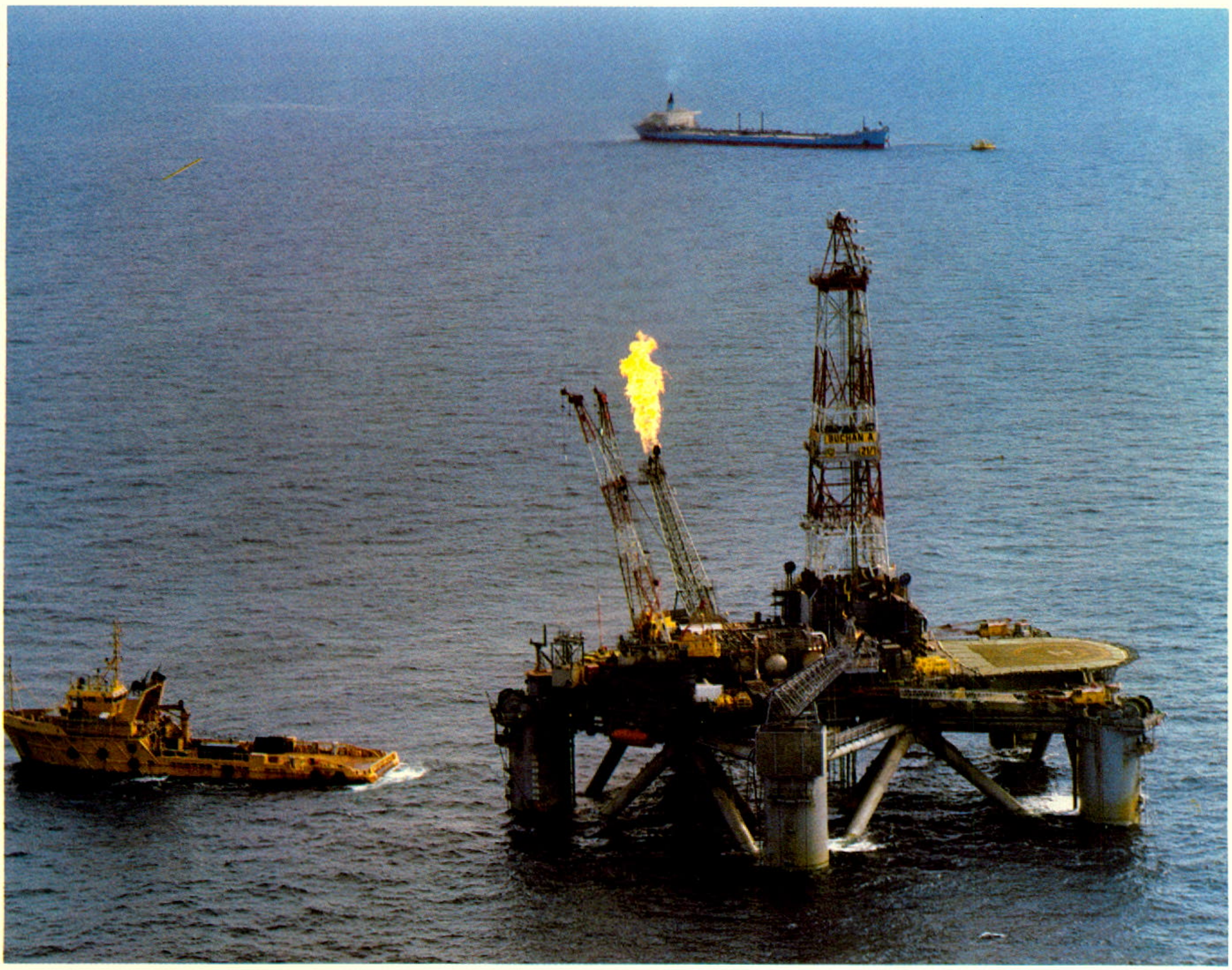
Lochiel's share of production from the Buchan Field off the east coast of Aberdeen, Scotland was 11,300 cubic metres (71,000 barrels). This production is expected to increase substantially in 1982 with the start-up problems associated with the production facilities now being resolved.

The newly acquired and developed production in the U.S. was 3,500 cubic metres (21,900 barrels).

Natural Gas

During the past fiscal year the Company's sale of natural gas, before royalties, was 15,800 thousands of cubic metres (558 mmscf), a decrease of 29 percent from the previous year. This production decrease was primarily due to nil gas request for a period of six months and low nomination for the remainder of the year at Atlee Buffalo Sandstone Unit #1. The Company is planning to drill 39 infill wells in this unit to double the pool deliverability.

Production platform Buchan Alpha in Buchan oilfield, with CALM loading buoy in background.



Financial Review

OPERATING REVIEW

Total revenue for 1981 increased by 160 percent to $6,547,000 from $2,514,000 the previous year. The major contributor to increased revenues was the Buchan Field in the U.K. which commenced production in May, 1981. In Canada, revenues declined marginally as the major producing property of the Company, the Atlee-Buffalo gas field in southeastern Alberta, was shut-in for six months.

A net loss of $630,000 was incurred which is marginally higher than the loss of $496,000 in 1980. This is due primarily to the large depletion allowances taken by the Company which are non-cash expenses. The cash flow from operations in 1981 was $1,614,000, 483 percent higher than that of the previous year and a record for the Company.

Total expenses rose to $6,063,000 from $2,406,000 the previous year. The increase in interest expense to $1,839,000 from $571,000 reflects a higher level of debt and continued high interest rates. The debt was incurred to finance an aggressive exploration and development program in Canada, the United States and United Kingdom.

The start-up of production of the Buchan Field in the United Kingdom and production for the full year at Routt County, Colorado resulted in sharply higher levels of depletion and depreciation.

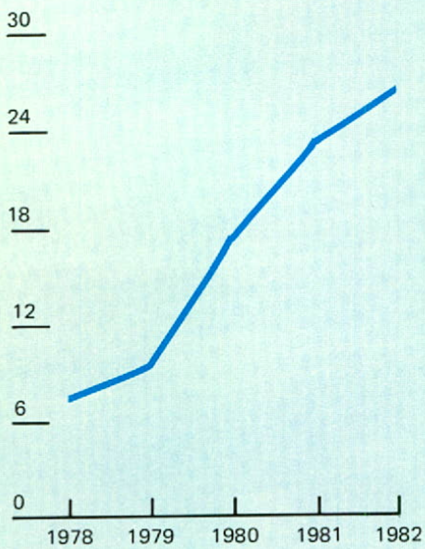
FINANCIAL POSITION

Capital expenditures on oil and gas properties increased to $6,106,000 in 1981 from $5,806,000 a year earlier. Thirty-eight percent of the expenditures were incurred in Canada, 25 percent in the United States and 37 percent outside North America.

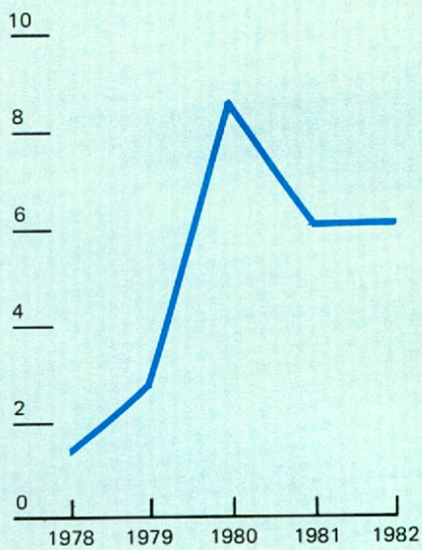
Pursuant to an offer approved by shareholders of Lochiel on December 11, 1981, 91.6 percent of the outstanding 9 percent Convertible Preferred Shares were converted to Class A and Class B common shares as the result of the special conversion privilege which expired on January 22, 1982. The success of this offer will result in an increase in cash flow available to common shareholders of approximately $475,000 per annum. During 1982 the Company plans to use these funds to develop follow-ups to oil discoveries in Alberta and the United States which Lochiel participated in over the past year.

During November 1981, Lochiel completed a $6.0 million participating loan with Mutual Life Assurance Company of Canada. These funds are to be used to assist in financing the Company's exploration activities in Canada and the United States. This 10-year loan has a 7½ percent rate of interest and gives the lender a net profits position in programs financed by these funds.

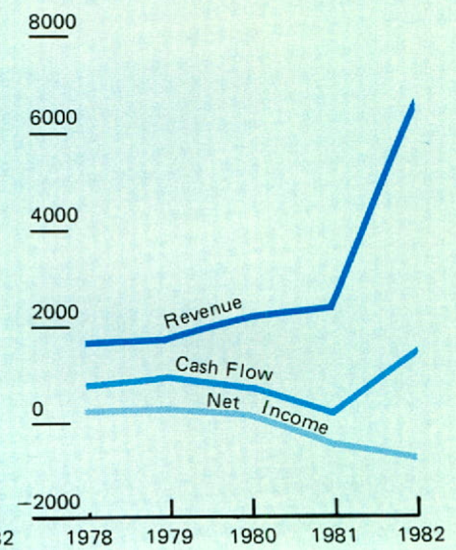
Capital Employed
(millions of dollars)
as at January 31



Capital Expenditures
(millions of dollars)
as at January 31



Revenue, Cash Flow, Net Income
(thousands of dollars)
as at January 31



Lochiel Exploration Ltd.
and Subsidiary Companies

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JANUARY 31, 1982

	1982	1981
REVENUE		
Oil and gas sales	$6,414,271	$2,452,501
Less royalties and revenue taxes	1,332,941	656,877
Net sales	5,081,330	1,795,624
Other income	132,353	61,140
	5,213,683	1,856,764
EXPENSES		
Operating	1,043,107	672,992
Interest on long-term debt (Note 5)	1,838,524	571,114
General and administrative (Note 5)	929,028	438,055
Amortization	45,336	29,452
Depletion and depreciation	2,206,816	694,627
	6,062,811	2,406,240
Loss before income taxes	849,128	549,476
PROVISION (RECOVERY) OF INCOME TAXES		
Current — Provincial royalty tax credit	(211,237)	(102,299)
Deferred	(7,594)	48,362
	(218,831)	(53,937)
Net loss for the year	$ 630,297	$ 495,539
Net loss per share (Note 11)		
Class "A" common shares	10.7¢	8.3¢
Class "B" common shares	8.9¢	6.9¢

CONSOLIDATED STATEMENT OF DEFICIT

FOR THE YEAR ENDED JANUARY 31, 1982

	1982	1981
(RETAINED EARNINGS) DEFICIT AT BEGINNING OF YEAR	$ 298,341	$ (412,310)
Net loss for the year	630,297	495,539
Dividends paid on preferred shares	512,495	215,112
DEFICIT AT END OF YEAR	$1,441,133	$ 298,341

CONSOLIDATED BALANCE SHEET

AS AT JANUARY 31, 1982

	1982	1981
ASSETS		
CURRENT ASSETS		
Cash	$ 207,838	$ 307,123
Accounts receivable (Note 2)	1,601,546	973,934
Provincial royalty tax credit	212,615	348,835
Prepaid expenses	11,144	10,288
	2,033,143	1,640,180
INVESTMENTS AND LONG-TERM RECEIVABLES (Note 3)	2,057,529	1,628,807
PROPERTY, PLANT AND EQUIPMENT, AT COST		
Oil and gas properties	27,300,842	21,633,802
Production equipment	1,882,802	1,498,340
Other	158,986	109,069
	29,342,630	23,241,211
Less accumulated depletion and depreciation	4,901,741	2,699,526
	24,440,889	20,541,685
OTHER ASSETS		
Financing costs, net of amortization	281,680	208,427
Excess of purchase cost of subsidiary over net assets acquired	39,570	35,640
	321,250	244,067
	$28,852,811	$24,054,739

Signed on behalf of the Board

W. Taylor, Director

W J Major, Director

	1982	1981
LIABILITIES		
CURRENT LIABILITIES		
Bank loan, secured	$ 1,175,000	$ —
Accounts payable and accrued liabilities	1,252,784	909,167
	2,427,784	909,167
DEFERRED REVENUE		
Deferred gas contract (Note 6)	617,847	489,357
Deferred royalty	200,000	200,000
	817,847	689,357
LONG-TERM DEBT (Note 7)	14,237,997	10,091,610
DEFERRED INCOME TAXES	1,206,656	1,214,250
UNREALIZED FOREIGN CURRENCY TRANSLATION GAIN (LOSS)	81,220	(37,744)
TOTAL LIABILITIES	18,771,504	12,866,640
SHAREHOLDERS' EQUITY		
Share capital (Notes 8 and 9)		
Authorized		
1,000,000 preferred shares with a par value of $10 each, issuable in series		
10,000,000 class "A" common non-voting shares without par value		
10,000,000 class "B" common voting shares without par value		
Issued		
47,731 series "A" preferred shares	477,310	5,694,500
7,577,280 class "A" common shares	5,522,565	2,895,970
7,461,254 class "B" common shares	5,522,565	2,895,970
	11,522,440	11,486,440
Deficit	(1,441,133)	(298,341)
	10,081,307	11,188,099
	$28,852,811	$24,054,739

Lochiel Exploration Ltd.
and Subsidiary Companies

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED JANUARY 31, 1982

	1982	1981
SOURCE OF FUNDS		
From operations		
Net loss for the year	$ (630,297)	$ (495,539)
Add (deduct) items not requiring current outlay of funds		
Depletion and depreciation	2,206,816	694,627
Amortization	45,336	29,452
Deferred income taxes	(7,594)	48,362
Funds from operations	1,614,261	276,902
Increase in long-term debt, net	4,146,387	370,805
Increase in deferred revenue	128,490	442,457
Unrealized foreign currency translation gain (loss)	118,964	(37,744)
Proceeds from sale of oil and gas interests	—	1,093,281
Issue of shares (Notes 8 and 9)		
Series "A" preferred shares	—	5,694,500
Common shares	36,000	277,780
	6,044,102	8,117,981
USE OF FUNDS		
Property, plant and equipment	6,106,020	5,806,320
Dividends paid on preferred shares	512,495	215,112
Increase in investments and long-term receivables	428,722	419,417
Financing costs	107,124	231,589
Purchase of subsidiary	15,395	60,965
	7,169,756	6,733,403
INCREASE (DECREASE) IN WORKING CAPITAL	(1,125,654)	1,384,578
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR	731,013	(653,565)
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	$ (394,641)	$ 731,013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 1982

1. Summary of Significant Accounting Policies

(a) Principles of consolidation
The consolidated financial statements include the accounts of the Company and all its subsidiaries and its proportionate share of a drilling fund, collectively termed "the Company".

(b) Translation of foreign currencies
Balances stated in other currencies have been translated into Canadian funds on the following basis:

(i) current assets and liabilities at year-end exchange rate;

(ii) non-current assets and liabilities at the rate of exchange prevailing at date of transaction;

(iii) revenue and expense at average rate of exchange during the year, except for depreciation and depletion which are on the same basis as the related asset.

Unrealized exchange gains or losses are deferred. The unrealized exchange loss included as part of accounts payable in 1981 has been reclassified to conform to the presentation adopted for the current year.

(c) Joint ventures
The Company conducts substantially all of its oil and gas exploration and production activities on a joint venture basis and the accounts reflect only the Company's proportionate interest in such activities.

(d) Exploration and development costs
The Company follows the full cost method of accounting. Under this concept, all costs relating to the exploration for and the development of oil and gas reserves, including related overhead costs, are capitalized. In addition, interest costs of financing major projects are also capitalized prior to commencement of operations. Proceeds from disposal of properties are normally deducted from costs without recognition of gain or loss.

Grants received under the Petroleum Incentives Program are accrued in the accounts at the time qualifying expenditures are made and the full cost pool reduced by the amount of the grants.

Separate cost centres have been established for Canada, Frontier Canada, United States, and United Kingdom and other foreign areas.

(e) Depletion and depreciation
Depletion of exploration and development costs and depreciation of production equipment is computed by cost centre using the unit of production method based on the estimated proven oil and gas reserves in each cost centre. Costs related to the Canadian frontier area are carried in a separate cost centre and amortization is deferred pending the outcome of exploration in these areas.

(f) Amortization
Financing costs incurred in connection with the preferred share issue and conversion into common shares are being amortized over a period of ten years. The excess of purchase cost of subsidiary over net assets acquired is being amortized over a period of five years.

(g) Deferred income taxes
The Company follows the tax allocation method of accounting under which the income tax provision is based on the income reported in the accounts. Under this method, the Company provides for deferred income taxes to the extent that income taxes otherwise payable are eliminated by claiming capital cost allowances and exploration and development costs in excess of the depreciation and depletion provisions recorded in the accounts.

2. **Petroleum Incentives Program**

Under pending Government Legislation in Canada, the Company will be eligible to apply for grants based on qualifying oil and gas expenditures. Included in accounts receivable at January 31, 1982 are $470,061 of such grants accrued for the current year.

3. **Investments and Long-Term Receivables**

	1982	1981
Advances to Lochiel 78 Energy Program — interest at bank prime rate plus 1%	$1,481,332	$1,097,756
Investment and advances — Petromines Limited	475,112	425,071
Notes receivable from employees, at cost	56,583	60,274
Refundable deposits, at cost	25,650	25,650
Investment in shares of other companies	18,852	20,056
	$2,057,529	$1,628,807

The Company holds 942,281 shares (approximately 26%) of the issued capital of Petromines Limited, of which 413,281 shares are subject to an escrow agreement. These shares have been recorded at cost less a valuation allowance of $182,027.

4. **Segmented Information**

The Company operates principally in four geographic locations, the identifiable segment assets and exploration and development expenditures of which are as set out below:

	1982		1981	
	Assets	Exploration and Development Expenditures	Assets	Exploration and Development Expenditures
Canada	$12,890,638	$2,243,001	$11,150,426	$1,928,327
Frontier Canada	897,925	87,749	810,176	—
United States	5,676,606	1,514,546	4,323,853	1,557,669
United Kingdom and Other Foreign	9,387,642	2,260,724	7,770,284	2,320,324
Totals	$28,852,811	$6,106,020	$24,054,739	$5,806,320

The Company derives all its revenue from oil and gas production and related activities, the amounts of which are earned in the following geographic locations:

	1982		1981	
	Revenue	Profit (loss)	Revenue	Profit (loss)
Canada	$1,330,536	$(530,957)	$1,478,300	$ 8,883
Frontier Canada	—	—	—	—
United States	1,328,337	64,656	330,302	(470,516)
United Kingdom and Other Foreign	2,554,810	(163,996)	48,162	(33,906)
Totals	$5,213,683	$(630,297)	$1,856,764	$(495,539)

5. Capitalized Interest and Administrative Expense

In accordance with the Company's full cost policy, interest in the amount of $367,925 (1981 — $805,863) has been capitalized as part of the development costs of the Company's Buchan Field (located in U.K. sector of the North Sea). This project commenced operations in May, 1981.

In addition, the Company has capitalized $1,091,462 (1981 — $1,005,095) of general and administrative expenses related to exploration and development activities which are being amortized as part of the Company's full cost pools.

6. Deferred Gas Contract Revenue

The Company has a "take or pay" gas purchase contract with TransCanada PipeLines Limited under which TransCanada is obligated to take a determined minimum quantity of gas during a contract year. Failing to take the minimum quantity requires TransCanada to pay the Company at current prices for gas not taken with the right to take delivery of such gas paid for, but not taken, any time within the next ten years. Such gas can only be taken in quantities which exceed the minimum contract quantities of any contract year. The value of the gas not taken at January 31, 1982 amounted to $617,847 and it is anticipated that TransCanada will not take delivery of such gas in 1982.

7. Long-Term Debt

	1982	1981
Production loans, interest payable at Cdn. prime rate plus 1.25% per annum	$ 8,000,000	$ 4,542,000
Production loan, interest payable at London, England deposit market rate plus 2% per annum (U.S. $2,114,827)	2,899,352	3,460,450
Production loan, interest payable at U.S. prime rate plus 1¾% per annum (U.S. $1,065,000)	1,274,485	—
7% Unsecured Convertible Debentures due July 31, 1989 with interest payable semi-annually (U.S. $1,600,000)	1,864,160	1,864,160
7% Subordinated Redeemable Convertible Debentures due August 1, 1989 with interest payable quarterly	200,000	225,000
	$14,237,997	$10,091,610

(a) No portion of the bank production loans has been classified as being payable within one year as these loans are repayable out of future production proceeds and accordingly are not expected to require the use of existing working capital.

(b) The long-term debt is secured as follows:

(i) Production loan (Cdn. prime plus 1.25%) — promissory notes and assignment of book debts and by certain oil and gas properties.

(ii) Production loan (LIBOR rate plus 2%) — mortgage over the Company's interest in the Buchan Field in the North Sea and a charge on the shares of a subsidiary company.

(iii) Production loan (U.S. prime plus 1¾%) — promissory note and assignment of certain oil and gas properties and the production therefrom.

(iv) 7% Subordinated Redeemable Convertible Debentures — floating charge on the assets of the Company.

(c) The 7% Unsecured Convertible Debentures are redeemable at $400,000 per year commencing no later than July 31, 1986 or at the Company's option in whole at any time after July 31, 1984. The debenture holders have the option of converting the principal amount outstanding into common shares at any time prior to July 31, 1984 on the basis of 1.02 class "A" and 1 class "B" common shares for every U.S. $5.50 of principal amount outstanding.

(d) The 7% Subordinated Redeemable Convertible Debentures are redeemable at $90,000 per year commencing August 1, 1985 or at the Company's option in whole or in part at any time after August 1, 1981. The debenture holders have the option of converting the principal amount outstanding into common shares at any time prior to July 31, 1985 on the basis of 155 class "A" and 155 class "B" common shares for every $1,000 of principal amount outstanding.

(e) If long-term debt payable in United States funds were translated at the exchange rate in effect at the end of the year, long-term debt would not have changed significantly.

(f) In November, 1981 Lochiel negotiated a $6 million participating loan with Mutual Life Assurance Company of Canada. These funds are to be used to assist in financing the Company's exploration activities in Canada and the United States. This loan has a ten year term with interest at 7½% per annum and gives the lender a net profits position in programs financed under the loan. At January 31, 1982 no funds had been advanced under the loan agreement.

8. Preferred Shares

The changes in the issued shares during the year are as follows:

	Number of shares	Amount
Balance — January 31, 1981	569,450	$ 5,694,500
Converted to common shares	(521,719)	(5,217,190)
Balance — January 31, 1982	47,731	$ 477,310

By Special Shareholders' Resolution dated December 11, 1981 the conversion feature of the 9% first preferred shares was altered whereby each issued preferred share was convertible by the holder into 3.20 class "A" and 3.20 class "B" common shares up to January 22, 1982. A total of 521,607 shares were converted into common shares under this basis.

The remaining issued shares are convertible by the holder into 1.54 class "A" and 1.54 class "B" common shares up to April 1, 1985 and into 1.18 class "A" and 1.18 class "B" common shares thereafter up to April 1, 1990.

During the year dividends in the amount of $512,495 were declared and paid.

9. Common Shares

(a) Issued shares

	Number of shares	Price per share	Amount
Class "A" common shares			
Balance — January 31, 1981	5,899,963	—	$2,895,970
Share options exercised	4,080	1.35	5,500
9% preferred shares converted	1,669,284	1.56	2,608,595
7% debentures converted	3,953	3.16	12,500
Balance — January 31, 1982	7,577,280		$5,522,565
Class "B" common shares			
Balance — January 31, 1981	5,784,095	—	$2,895,970
Share options exercised	4,000	1.37	5,500
9% preferred shares converted	1,669,284	1.56	2,608,595
7% debentures converted	3,875	3.23	12,500
Balance — January 31, 1982	7,461,254		$5,522,565

The class "A" common shares are entitled to receive dividends in amounts at least exceeding 20% of the value of dividends paid on the class "B" common shares.

(b) Shares reserved
Under share option and debenture agreements the Company has reserved for issuance a total of 585,452 class "A" common and 575,414 class "B" common shares.

Officers and employees hold options to purchase a total of 183,600 class "A" and 180,000 class "B" common shares of the Company for prices ranging from $1.08 to $1.88 per share which are exercisable from time to time over a four year period ending in 1984.

10. Remuneration of Officers and Directors

The aggregate direct remuneration paid to directors and senior officers (including the five highest paid employees) of the Company was $284,030 for the year. The Company had six directors during the year and three officers, one of whom was also a director.

11. Net Loss Per Share

(a) Basic net loss per share
Net loss per share has been calculated using the weighted average number of shares outstanding during the year for each of the class "A" and class "B" common shares and taking into account the minimum dividend priorities attached to each class of shares, irrespective of the extent to which dividends may actually have been declared. Class "A" common shareholders are entitled to receive at least 1.2 times the amount of dividends paid to class "B" common shareholders.

(b) Adjusted net loss per share
If it were assumed that the common shares that were issued during the year on conversion of the 9% preferred shares had been converted at February 1, 1981, net loss per share for 1982 would have been as follows:

Class "A" common 5.0¢ per share
Class "B" common 4.1¢ per share

12. Commitments

The Company has various guarantees and commitments relating to joint venture agreements which are in the ordinary course of business.

AUDITORS' REPORT

The Shareholders
Lochiel Exploration Ltd.

We have examined the consolidated balance sheet of Lochiel Exploration Ltd. as at January 31, 1982 and the consolidated statements of operations, deficit and changes in financial position for the year then ended. Our examination was 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, these consolidated financial statements present fairly the financial position of the Company as at January 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
April 30, 1982

Touche Ross & Co.
Chartered Accountants

Lochiel Exploration Ltd.
and Subsidiary Companies

FIVE YEAR STATISTICAL REVIEW

AT JANUARY 31
(thousands of dollars, except per share amounts)

	1982	1981	1980	1979	1978
FINANCIAL					
Income Statement					
Oil and gas sales	$ 6,414	$ 2,453	$ 2,254	$1,835	$1,796
Royalties paid	1,333	657	605	527	590
Net sales	5,081	1,796	1,649	1,308	1,206
Interest and other income	132	61	40	175	6
	5,214	1,857	1,689	1,483	1,212
Production expenses	1,043	673	348	411	260
General and administrative	929	438	274	156	183
Interest expense	1,839	571	445	118	89
Provincial royalty tax credit	(211)	(102)	(124)	(123)	(133)
	3,600	1,580	943	562	399
FUNDS GENERATED from operations	1,614	277	746	921	812
Per common share			13.0¢	16.0¢	14.2¢
Per Class A common share	14.7¢	2.6¢			
Per Class B common share	12.5¢	2.2¢			
Depreciation and depletion	2,207	695	355	212	247
Deferred income taxes	(8)	48	140	242	218
Other non-cash items	45	29	—	—	—
		772	495	454	465
NET INCOME (loss)	$ (630)	$ (496)	$ 251	$ 467	$ 347
Per common share			4.4¢	8.1¢	6.1¢
Per Class A common share	(10.7¢)	(8.3¢)			
Per Class B common share	(8.9¢)	(6.9¢)			
Balance Sheet					
Working capital	(395)	$ 769	$ (654)	$ 269	$ 434
Property and equipment (net)	24,441	20,542	16,500	8,517	6,405
Investment and long-term receivables	2,058	1,629	1,209	616	540
Other assets	321	244	—	—	—
Capital employed	26,425	22,940	17,055	9,402	7,379
Long-term debt	14,238	10,092	9,721	2,571	1,413
Deferred income taxes	1,207	1,214	1,162	999	757
Deferred revenue	818	689	247	156	—
Other liabilities	81	—	—	—	—
Long-term liabilities	16,344	11,995	11,130	3,726	2,170
Share capital	11,522	11,486	5,514	5,514	5,514
Retained earnings	(1,441)	(298)	412	162	(305)
Shareholders' equity	$10,081	$11,188	$ 5,926	$5,676	$5,209
COMMON SHARES OUTSTANDING					
Common shares	—	—	5,739,326	5,739,326	5,739,326
Class A	7,577,280	5,899,573	—	—	—
Class B	7,461,254	5,784,095	—	—	—

	1982	1981	1980	1979	1978
CHANGES IN FINANCIAL POSITION					
SOURCE OF FUNDS					
Funds generated for operations	$ 1,614	$ 277	$ 746	$ 921	$ 812
Increase in production loans	4,146	371	7,150	1,658	909
Decrease in investments and long-term receivables	—	—	175	51	4
Deferred revenue	128	442	91	156	—
Issue of shares	36	5,972	—	—	107
Sale of properties	—	1,093	—	—	—
Foreign exchange gain	119				
	$ 6,044	$8,156	$8,162	$2,786	$1,832
USE OF FUNDS					
Property, plant and equipment	6,121	5,867	8,331	2,324	1,286
Repayment of production loans		—	—	500	394
Increase in investments and long-term receivables	429	419	753	127	21
Reduction of prepaid production revenue	—	—	—	—	126
Cancellation of shares	—	—	—	—	—
Dividends	513	215	—	—	—
Financing costs	107	232	—	—	—
	$ 7,170	$6,733	$9,084	$2,951	$1,827
WORKING CAPITAL increase (decrease)	$(1,126)	$1,422	$ (922)	$ (165)	$ 5
OPERATIONS					
Production (gross before royalties)					
Crude oil and natural gas liquids — cubic metres	5,700	4,530	5,400	4,130	4,450
Natural gas — cubic metres x 10^3	15,800	22,200	28,900	25,200	32,600
Land					
Working interest — gross hectares	1,755,907	1,586,905	646,837	744,163	784,995
Working interest — net hectares	499,926	469,339	313,990	468,213	496,176
Royalty — gross hectares	985,974	985,489	1,098,984	1,420,501	1,420,501
Drilling Activity					
Gross wells drilled	77	63	47	32	18
Net wells drilled	14.6	10.7	12.5	8	4
Net well's productive	13.1	7.9	11.0	6	2
Net wells dry	1.5	2.8	1.5	2	2
Reserves					
Crude oil and natural gas liquids — cubic metres x 10^3	299	203	138	208	208
Natural gas — cubic metres x 10^6	880	793	793	680	623

BOARD OF DIRECTORS

J. Christopher Barron
President, Cassels, Blaikie & Co. Limited,
Toronto, Ontario

William J. Major, Q.C.
Partner, Major Caron & Company,
Barristers & Solicitors, Calgary, Alberta

Timothy C. Melton
President, Melcor Developments Ltd.,
Edmonton, Alberta

Stanley S. G. Pearson
Retired Businessman,
Cremona, Alberta

Nicholas W. Taylor
President of the Company,
Calgary, Alberta

Patrice L. Taylor
Chapman Finlay MacPherson & Gawne,
Barristers & Solicitors
Edmonton, Alberta

OFFICERS

Nicholas W. Taylor
President

J. Sheldon Crewson,
Vice-President — Exploration

Peter L. Kneeland,
Treasurer & Corporate Secretary

SENIOR PERSONNEL

Kam A. Fard,
Manager — Production

Raymond K. Y. Chow
Controller

Frederick J. Smith
Manager — Land

Grant Auchincloss,
General Manager Seis-Ex Geophysical Ltd.

Brian Hall,
General Manager Lochiel Exploration (U.K.) Limited

Harold W. Price
General Manager Lochiel Exploration Inc.

CORPORATE

HEAD OFFICE
1106 B.P. House, 333 - 5th Avenue S.W.
Calgary, Alberta T2P 3B6

SUBSIDIARIES AND AFFILIATES

Lochiel Exploration (U.K.) Limited	— 100%
Lochiel Exploration Inc.	— 100%
Lochiel Oil & Gas Limited	— 100%
Seis-Ex Geophysical Ltd.	— 100%
Halyard Offshore Limited	— 51%
Petromines Limited	— 26%

REGISTRARS AND TRANSFER AGENTS
Guaranty Trust Company of Canada
Calgary, Alberta and Toronto, Ontario

BANKING
The Toronto-Dominion Bank
Calgary, Alberta

Morgan Grenfell and Co. Limited
London, England

Canadian Commercial Bank
Calgary, Alberta

First National Bank of Denver
Denver, Colorado

AUDITORS
Touche Ross & Co.
Calgary, Alberta

SOLICITORS
Major Caron & Company
Calgary, Alberta

Crane & Hawkins
London, England

Crowley Haugley Hansen Toole & Dietrich
Billings, Montana

SHARES LISTED (Symbol LHX)
Toronto Stock Exchange
Alberta Stock Exchange

Lochiel Exploration Ltd.

1981 Annual Report

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