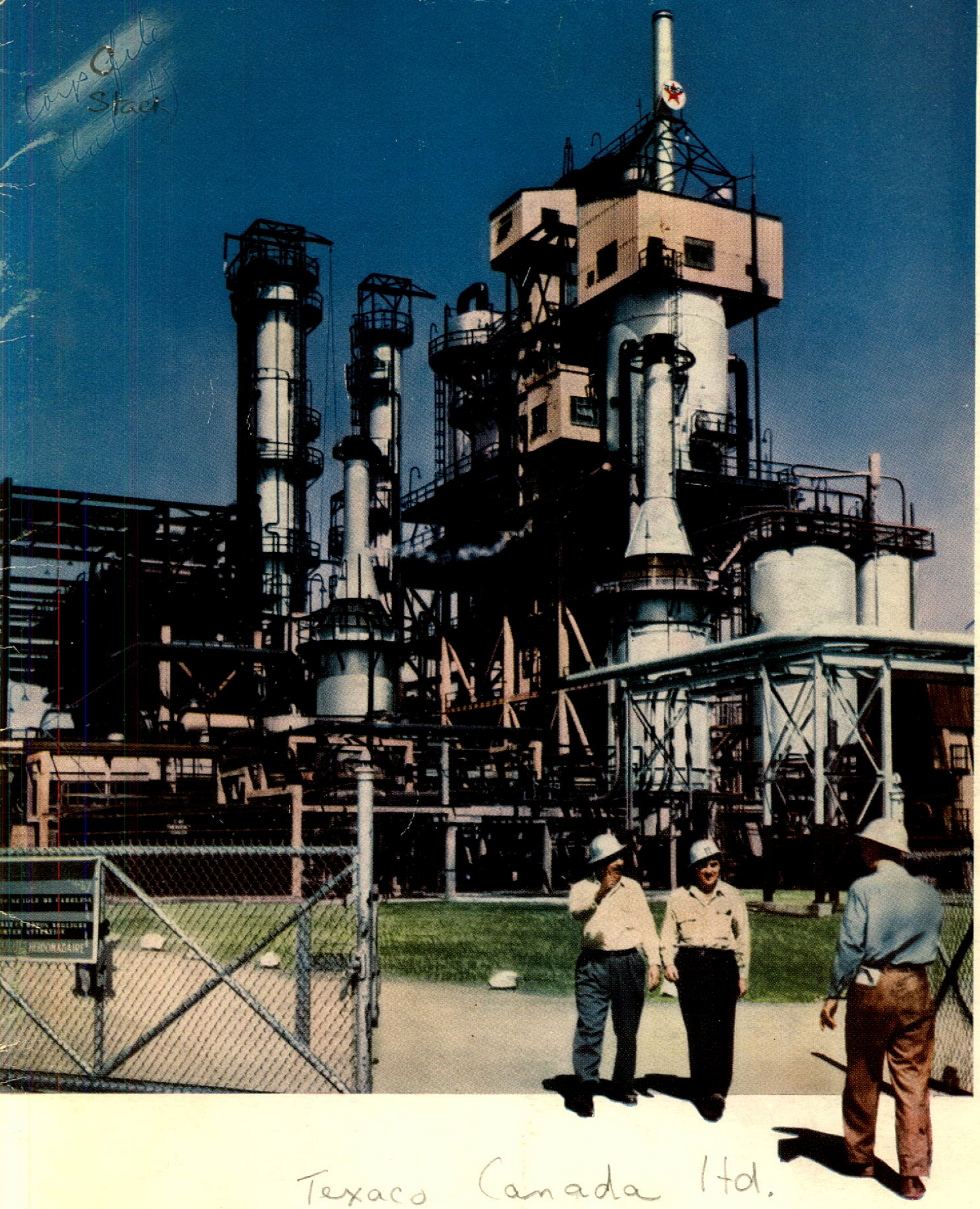


Texaco Canada Ltd.

McCOLL-FRONTENAC

Oil Company Limited and Subsidiary Companies

ANNUAL 1950 REPORT

Cover Illustration

Employees passing through the main gate of the Company's Montreal East refinery, with the fluid catalytic cracking unit in the background.

McColl-Frontenac

OIL COMPANY LIMITED AND SUBSIDIARIES

Manufacturers and Distributors in Canada of Texaco Petroleum Products

1950 ANNUAL REPORT

Board of Directors

A. A. MAGEE, C.B.E., K.C., *Chairman of the Board*

J. M. PRITCHARD, *President*

H. H. BRADBURN	R. L. SAUNDERS	H. W. THORP
J. H. GUNDY, C.B.E.	E. P. TAYLOR, C.M.G.	T. C. TWYMAN
H. T. KLEIN	G. R. TAYLOR	L. O. P. WALSH

W. ZIMMERMAN, K.C.   THE HON. E. L. PATENAUDE, P.C., K.C.

Executive Committee

J. M. PRITCHARD, *Chairman*

J. H. GUNDY, C.B.E.	R. L. SAUNDERS
A. A. MAGEE, C.B.E., K.C.	T. C. TWYMAN
G. R. TAYLOR	L. O. P. WALSH

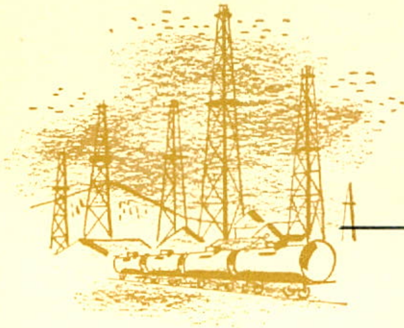
Principal Officers

J. M. PRITCHARD . . . . *President*
T. C. TWYMAN . . . . *Executive Vice-President*
G. R. TAYLOR . . . . *Vice-President*
T. V. ANDERSON . . . . *Treasurer and Comptroller*
FRED HUNT . . . . *Secretary*

Executive Offices:
360 St. James Street, West,
MONTREAL 1, QUEBEC

Transfer Agents:
MONTREAL TRUST COMPANY

Registrar:
ROYAL TRUST COMPANY



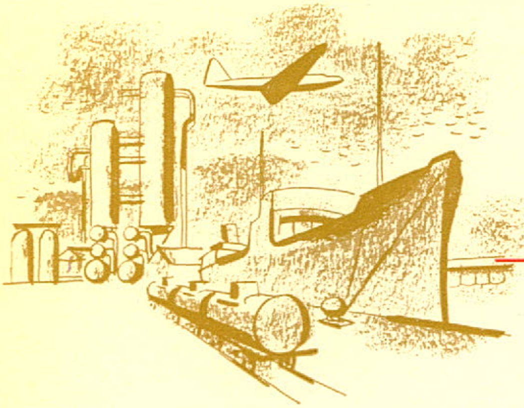
Highlights

FINANCIAL

	1950	1949
Net profit	$ 6,661,296	$ 4,249,229
Net profit per common share	$ 2.46	$ 1.54
Cash dividends declared during year:		
On 4% preferred shares	$ 240,000	$ 240,000
On common shares	$ 2,216,769	$ 1,303,982
Cash dividends per common share	$ 0.85	$ 0.50
Total assets (end of year)	$ 76,468,197	$ 63,432,371
Total current assets (end of year)	$ 39,934,293	$ 28,736,117
Total current liabilities (end of year)	$ 10,565,172	$ 10,233,873
Net working capital (end of year)	$ 29,369,121	$ 18,502,244
Additions (gross) to property, plant and equipment	$ 8,257,893	$ 4,375,088
Number of shareholders (end of year):		
Preferred shareholders	1,713	1,773
Common shareholders	6,819	6,685

OPERATING

Gross crude oil production (barrels):		
In Canada	283,463	57,639
In Trinidad	578,936	635,019
Net crude oil production (barrels):		
In Canada	248,742	50,435
In Trinidad	524,190	573,547
Crude oil purchased, less sales (barrels)	10,764,412	9,691,014
Refinery runs to stills (barrels) — for own account	11,152,853	10,759,346
— for others	238,728	1,997,727
Total payrolls	$ 5,576,321	$ 5,487,948
Number of employees (end of year)	2,001	2,050



To the Shareholders

The results of your Company's operations in 1950 were most satisfactory and the substantial improvements in its position during the year are reflected in the accompanying consolidated financial statements.

FINANCIAL

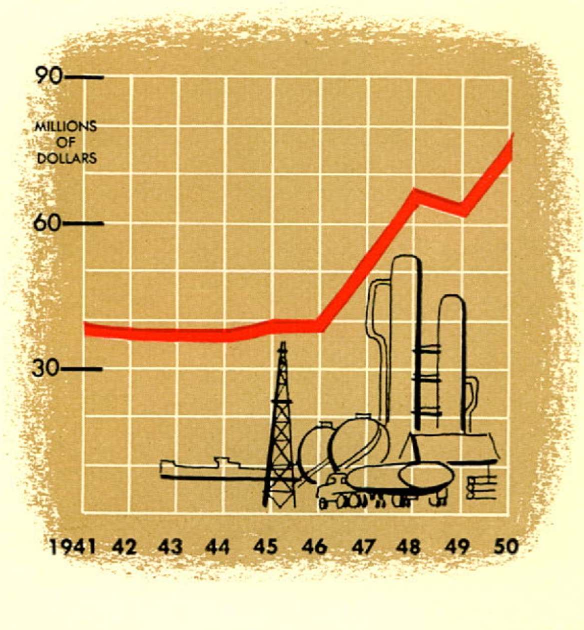
The consolidated net profit for 1950 amounted to $6,661,296 as compared with $4,249,229 the previous year. After providing for preferred dividends, earnings were $2.46 per common share as against $1.54 per share in 1949.

Dividends paid on common stock amounted to $0.85 per share including a special dividend of $0.35 per share, as compared with $0.50 per share in the previous year.

Net working capital at the end of 1950 was $29,369,121, an increase of $10,866,877 over last year. However, this increase includes approximately $7,000,000 earmarked for use in the construction of Edmonton refinery as mentioned hereunder.

To provide funds for a new refinery at Edmonton, Alberta, the Company in 1950 sold an issue of $10,000,000 3¼% debentures, due serially January 2, 1952 to 1966. The net proceeds of the issue were $9,945,000. The amount expended in 1950 on Edmonton refinery construction was approximately $2,950,000, leaving an unexpended balance of approximately $7,000,000 in cash at the year-end.

TOTAL ASSETS



The provision for depreciation of $4,325,452 includes an amount of $969,448 representing depreciation at accelerated rates on certain manufacturing units, as permitted by the Canadian Income Tax Act. Similar accelerated depreciation in 1949 was in the same amount.

In 1950 the intangible asset of premium paid on subsidiary companies' capital stock was further reduced by a write-off of $1,000,000 against earned surplus.

PRODUCING

The Company in 1950 participated with Texaco Exploration Company, a wholly-owned subsidiary of The Texas Company, in the purchase of crown leases on several parcels of land in the Redwater and Leduc oil fields in Alberta. At the end of the year the Company had a working interest in 1,756 acres in these fields, with 35 producing wells having been completed and 3 wells nearing completion at year-end. In addition, the Company has a 10% royalty interest in the net production of Texaco Exploration Company from 6 producing wells completed in the Calmar area. Your Company's gross production in Alberta amounted in 1950 to 283,463 barrels as against 57,639 barrels in 1949.

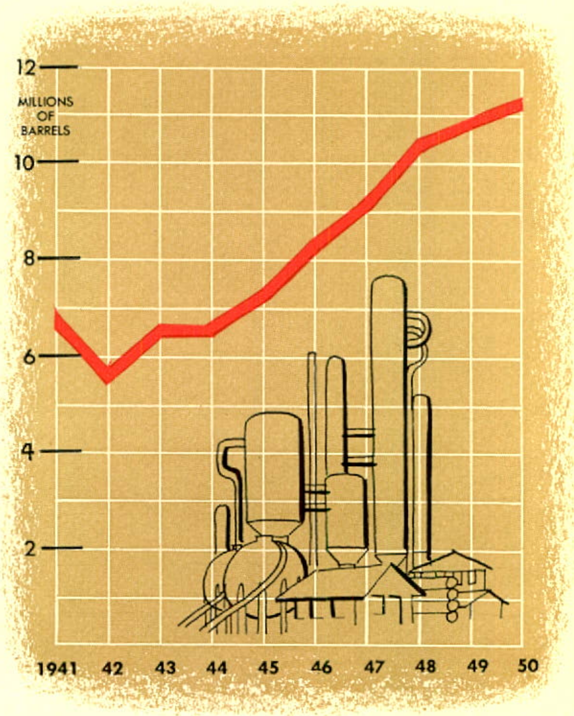
The subsidiary operating in Trinidad, B.W.I. in 1950 had gross production of 578,936 barrels as compared with 635,019 barrels last year. During the year 15 producing wells were completed.

An agreement has been negotiated and signed between your Company, Union Oil Company of California, and the Montana Power Company covering the sale of the gas field in the Pakowki Lake area in southern Alberta which is jointly owned by your Company and the Union Oil Company of California. Final consummation of this agreement is contingent upon the securing of a permit to export the gas from Alberta to the United States and at the time of the preparation of this report the permit had not been secured.

REFINING

Refinery runs to stills in 1950 totalled 11,391,581 barrels including 238,728 barrels

REFINERY CRUDE OIL RUNS TO STILLS
(exclusive of crude run for others)



run for the account of others. Last year runs to stills amounted to 12,757,073 barrels including 1,997,727 barrels run for others.

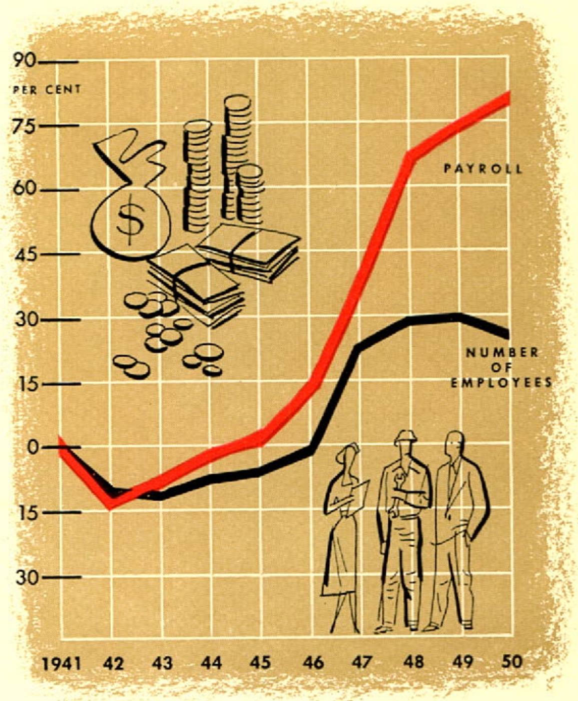
As previously mentioned in this report, a new refinery at Edmonton, Alberta, is now under construction and is expected to be in operation by the middle of 1951. Facilities will include modern refining equipment with a fluid catalytic cracking unit and delayed coking unit. This refinery will have a daily crude capacity of 5,500 barrels and will process both purchased crude oil as well as crude from the Company's own production in Alberta. With the completion of this refinery, your Company will be able to manufacture the refined products sold in the Prairie Provinces, which have heretofore been purchased.

In 1950 the Portland-Montreal Pipe Line Companies, in which your Company owns a 20% interest, completed and placed in operation a new 18″ crude pipe line paralleling the existing 12″ line. Through this added pipe line capacity, the daily throughput of crude oil from Portland, Maine, to the end of the line at Montreal East, Que., has been increased to 127,000 barrels per day, permitting a more balanced operation the year round of the Company's Montreal East refinery.

SALES

New records were again established in

PAYROLL AND NUMBER OF EMPLOYEES
Percentage increase since 1941



1950 by the volume of sales of the Company's products. For greater efficiency and economy in operations, a number of marine terminals and bulk stations were modernized and expanded and sales operations in the Montreal area were consolidated through the completion of new and modern sales facilities immediately adjacent to the refinery at Montreal East.

The products of your Company continue to be of the highest quality available and required research is being carried on to ensure not only this high quality in current products but also to make available such new products as are needed to keep pace with the ever-changing demands of the automotive and industrial markets.

INVESTMENT PER EMPLOYEE

as of December 31

	1941	1945	1950
NUMBER OF EMPLOYEES	1,582	1,497	2,001
ASSETS PER EMPLOYEE	$23,838	$25,819	$38,215

GENERAL

At the close of the year, the Company had a total of 1,713 preferred shareholders and 6,819 common shareholders. The number of employees of the Company and all of its subsidiaries was 2,001.

To the shareholders, the Directors wish to express their appreciation of their helpful suggestions and continued support, and to the officers and employees, their thanks for faithful and efficient service.

On behalf of the Board,

President.

Montreal, Quebec,
March 30, 1951.

Auditors' Report

To the Shareholders of

McColl-Frontenac Oil Company Limited:

We have examined the consolidated balance sheet as at December 31, 1950 of McColl-Frontenac Oil Company Limited and its subsidiary companies and the related consolidated statements of surplus and of income for the year ended on that date. Our examination, which was made in accordance with generally accepted auditing standards applicable in the circumstances, included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary, and we obtained all the information and explanations we required. The financial statements of the subsidiary company in Trinidad, B.W.I. have been examined by other chartered accountants and have been accepted by us for inclusion in the consolidated statements.

In our opinion, based upon such examination, the attached consolidated balance sheet of the Company and its subsidiaries and related consolidated statements of surplus and of income are properly drawn up so as to show a true and correct view of the state of the combined affairs of the companies at December 31, 1950 and the results of the combined operations for the year then ended according to the best of our information and the explanations given to us and as shown by the books of the companies.

P. S. Ross & Sons,
Price, Waterhouse & Co.,

Chartered Accountants.

Montreal, P.Q.
February 19, 1951.

McCOLL-FRONTENAC Oil Company Limited

CONSOLIDATED BALANCE

AND SUBSIDIARY COMPANIES

ASSETS

	1950	1949
Current Assets:		
Cash	$11,726,364	$ 2,248,541
Accounts receivable, less reserve of $200,000	7,436,037	7,145,926
Refundable excess profits tax	423,914	—
Inventories		
Crude and refined oil products and merchandise, valued on monthly average cost basis which in the aggregate was lower than market	18,507,275	17,350,272
Materials and supplies, at or below cost	1,840,703	1,991,378
Total current assets	$39,934,293	$28,736,117
Long-term Receivables and Other Investments:		
Long-term receivables, secured by mortgages, etc., less reserve of $100,000	$ 2,642,177	$ 2,601,705
Refundable excess profits tax	—	423,914
Miscellaneous investments	614,383	614,383
Total long-term receivables and other investments	$ 3,256,560	$ 3,640,002
Deferred Charges:		
Insurance, taxes and other prepaid expenses	$ 586,038	$ 341,189
Unamortized discount and expense on long-term debt	334,041	297,993
Drilling cost on incomplete wells	33,144	121,797
Total deferred charges	$ 953,223	$ 760,979
Property, Plant and Equipment, at cost:		
Leases, wells and equipment	$ 8,187,238	$ 6,576,971
Refineries and facilities	25,736,233	20,697,070
Lake tankers	1,020,625	1,006,885
Sales stations, facilities and equipment	20,021,677	19,293,489
Miscellaneous	146,646	139,416
	$55,112,419	$47,713,831
Less: Reserve for depreciation, depletion and amortization	26,747,064	22,377,324
Net property, plant and equipment	$28,365,355	$25,336,507
Intangible Assets:		
Premium paid on subsidiary companies' capital stock, less amounts written off	$ 3,958,766	$ 4,958,766
	$76,468,197	$63,432,371

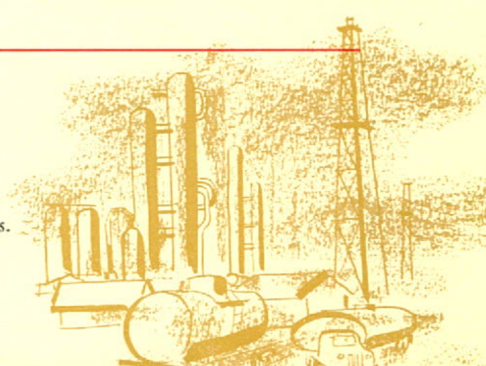
Approved on behalf of the Board,

A. A. MAGEE, *Director.*
J. M. PRITCHARD, *Director.*

LIABILITIES

	1950	1949
Current Liabilities:		
Accounts payable and accrued liabilities	$ 5,298,268	$ 6,775,945
Sales, motor fuel and sundry taxes	1,616,673	1,260,084
Provision for income taxes	2,760,011	1,494,406
Bond and debenture interest accrued	330,220	143,438
First mortgage serial bonds due within one year	500,000	500,000
Preferred dividend payable	60,000	60,000
Total current liabilities	$10,565,172	$10,233,873
Long-term Debt:		
First mortgage bonds *(Authorized and issued: $20,000,000)*		
3% Serial bonds, 1946 series, due October 1, 1952-1958	$ 3,500,000	$ 4,000,000
3% Sinking fund bonds, 1946 series, due October 1, 1971	6,500,000	6,500,000
3¼% Sinking fund bonds, 1947 series, due October 1, 1972	7,500,000	7,500,000
Debentures		
3¼% Debentures, series A, due January 2, 1952-1966	10,000,000	—
Total long-term debt	$27,500,000	$18,000,000
Preferred Stock:		
4% Cumulative redeemable preferred shares of $100 par value		
(Redeemable at $102.50 on thirty days' notice)		
Authorized 100,000 shares		
Issued 60,000 shares	$ 6,000,000	$ 6,000,000
Common Stock and Surplus:		
Common shares of no par value		
Authorized 4,975,526 shares		
Issued 2,607,963 shares	$19,133,534	$19,133,534
Earned surplus, per statement attached	13,269,491	10,064,964
Total common stock and surplus	$32,403,025	$29,198,498
	$76,468,197	$63,432,371

Note: Additional expenditure to complete construction of a new refinery at Edmonton, Alberta, is estimated at $7,000,000 of which $2,205,000 represents contract commitments.



Submitted with our Report to the Shareholders dated February 19, 1951.

P. S. ROSS & SONS,
PRICE, WATERHOUSE & CO.,
Chartered Accountants.

McCOLL - FRONTENAC Oil Company Limited

AND SUBSIDIARY COMPANIES

statement of consolidated income account

FOR THE YEARS ENDED DECEMBER 31, 1950 AND 1949

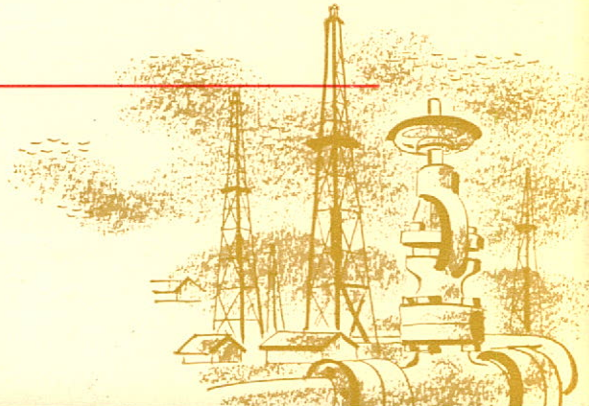
	1950	1949
Gross Income:		
Sales and services	$82,100,126	$75,756,718
Income from investments	151,941	101,323
Net profit on sale of Alberta lease interests and other capital assets	222,183	2,135,196
	$82,474,250	$77,993,237
Operating Charges:		
*Costs, operating, selling and general expenses	$62,724,235	$61,946,375
Taxes (other than taxes on income)	3,419,899	4,113,424
Intangible development costs (*amortization and dry hole expense*)	605,693	896,331
Depletion	63,150	12,286
Depreciation	4,325,452	4,616,516
	$71,138,429	$71,584,932
	$11,335,821	$ 6,408,305
Interest Charges:		
Bond and debenture interest	$ 634,625	$ 585,000
Other interest and amortization of discount and expense on long-term debt	18,900	59,076
	$ 653,525	$ 644,076
	$10,682,296	$ 5,764,229
Provision for Income Taxes	4,021,000	1,515,000
Net Profit carried to Earned Surplus Account	$ 6,661,296	$ 4,249,229

*Operating charges for 1950 include: counsel and solicitors' fees $56,434, directors' fees $16,775, and remuneration of executive officers $147,225.

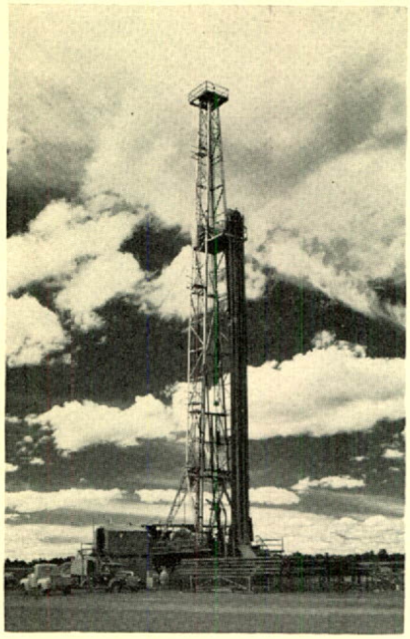
statement of consolidated earned surplus account

FOR THE YEARS ENDED DECEMBER 31, 1950 AND 1949

	1950	1949
Earned Surplus at Beginning of Year	$10,064,964	$ 7,779,841
Surplus Credits:		
Freight refund (less income tax thereon)	—	264,842
	$10,064,964	$ 8,044,683
Surplus Charges:		
Amount written off premium paid on subsidiary companies' capital stock	1,000,000	650,000
Adjustment on final determination of refundable excess profits tax	—	34,966
	$ 9,064,964	$ 7,359,717
Net Profit for the Year	6,661,296	4,249,229
	$15,726,260	$11,608,946
Deduct: Dividends — preferred stock	$ 240,000	$ 240,000
— common stock	2,216,769	1,303,982
	$ 2,456,769	$ 1,543,982
Earned Surplus at End of Year	$13,269,491	$10,064,964



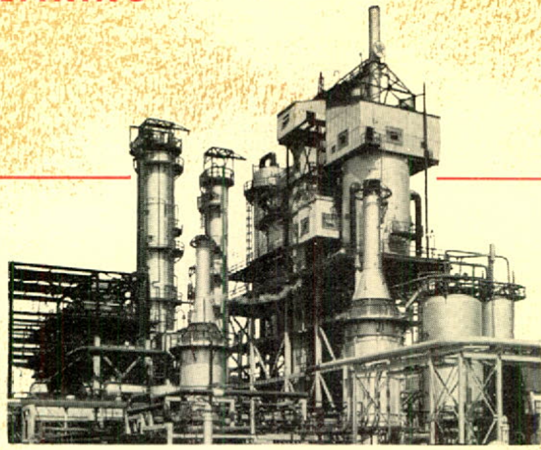
PRODUCING



This is a picture of the drilling of an oil well in Alberta where the Company in 1950 had a gross production of 283,463 barrels. In Trinidad, gross production for the year amounted to 578,936 barrels.

From oil fields crude oil is usually moved to refineries by pipeline and/or tanker.

REFINING

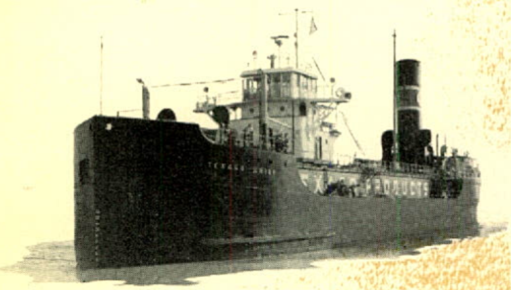


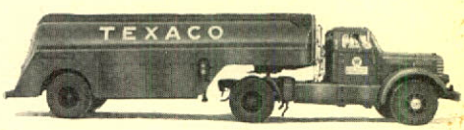
Above is shown the fluid catalytic cracking unit of the Company's Montreal East refinery. This refinery has a daily crude oil capacity of 40,000 barrels. The new refinery at Edmonton, Alberta, which is expected to be completed by the middle of 1951 will have a crude oil capacity of 5,500 barrels per day.

Most of the crude oil processed at the Montreal East refinery in 1950 came from Arabia and Venezuela by tanker to Portland, Maine and thence to Montreal East via Portland-Montreal Pipe Line System in which the Company owns a 20% interest.

Refined products are transported from Montreal East refinery to marine terminals by lake tanker, and some bulk stations are supplied direct by tank car.

TRANSPORTATION

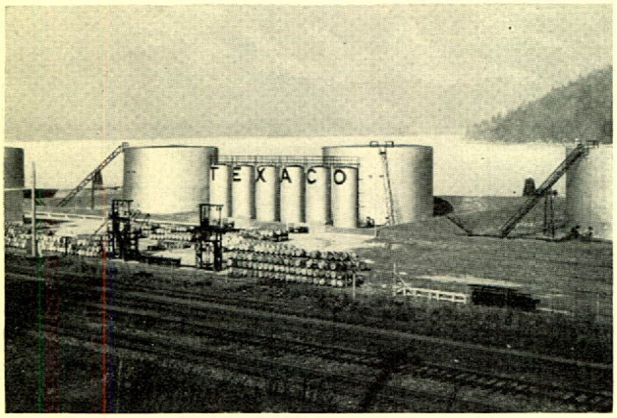


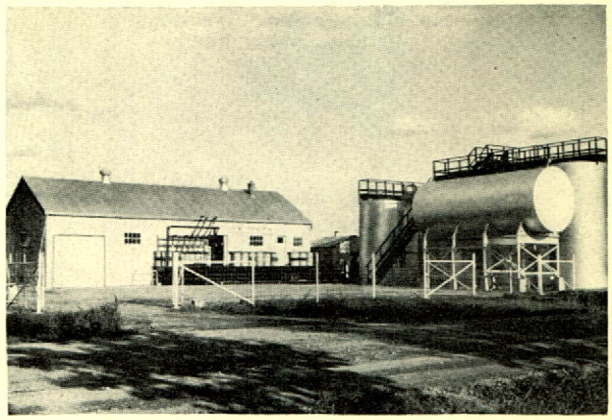


The S.S. *Texaco Chief,* shown above, at left, is one of three lake tankers owned by wholly-owned subsidiaries of the Company and having a combined deadweight tonnage of 6,708 tons. In addition, the Company charters several other lake tankers. These tankers transport refined products from the Company's Montreal East refinery to its marine terminals.

For railway transportation of its products, the Company operates 147 owned and some 500 leased tank cars; and shown above are tank cars loading at Montreal East refinery. A fleet of 118 modern trucks is owned and operated by the Company and many more are owned by independent consignees and distributors who operate a portion of the Company's bulk stations.

WHOLESALE DISTRIBUTION





To take advantage of economical water transportation, 17 marine terminals with large tankage are located at strategic distribution points along the Atlantic and Pacific Coasts, the St. Lawrence Waterways, and the Great Lakes. Above, at left, is shown the marine terminal located at Vancouver, B.C.

From marine terminals products are shipped by tank car to bulk stations and by tank car or truck direct to customers.

The Company owns 187 bulk stations and warehouses located in all Provinces of Canada (except Newfoundland) and products are shipped by truck to service stations and other customers. The picture at right shows the Company's bulk station at Claresholm, Alberta.

RETAIL DISTRIBUTION

Retail distribution of refined products is handled by 415 service stations owned by the Company and 172 service stations held under lease, in addition to approximately 4,750 independently owned retail and consumer outlets. The Company does not operate any of its owned or leased service stations. All of them are operated by independent dealers who lease the stations from the Company. Shown at left is one of the Company's service stations in Vancouver, B.C.

YOUR FRIENDLY McCOLL-FRONTENAC DEALER

"The best friend your car ever had"

PRINTED IN CANADA

TEXACO

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