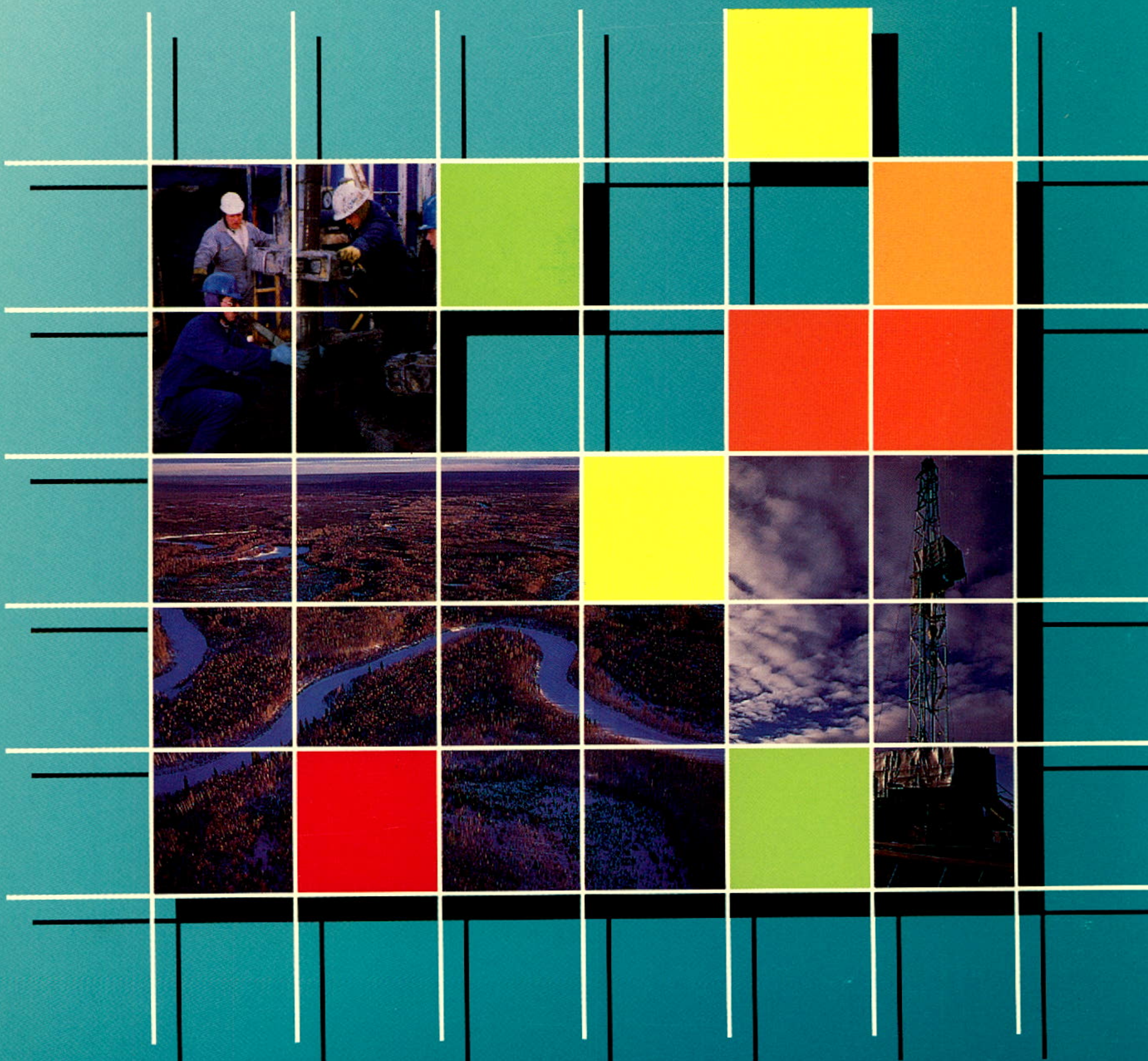
SCURRY-RAINBOW OIL LIMITED



1990 ANNUAL REPORT

Corporate Profile

Scurry-Rainbow Oil Limited has been engaged in the exploration for, and development of crude oil, natural gas liquids and natural gas in Canada for over 35 years. These activities are conducted primarily in western Canada.

The Company is one of the largest producers of crude oil in British Columbia, where it operates the West Eagle and East Eagle Units and the West Stoddart field, all located near Fort St. John. Significant volumes of oil and gas are also produced in Alberta, Saskatchewan and Manitoba. Scurry-Rainbow holds oil and gas exploration interests in the western provinces and the Beaufort Sea, as well as undeveloped coal reserves in southern Alberta and British Columbia.

Scurry-Rainbow is 88.1% owned by Home Oil Company Limited, a wholly owned subsidiary of Interhome Energy Inc.

Contents

C

SCURRY-RAINBOW OIL LIMITED

1600 HOME OIL TOWER, 324 EIGHTH AVENUE S.W.
CALGARY, ALBERTA, CANADA T2P 2Z5

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting (the "Meeting") of the Shareholders of Scurry-Rainbow Oil Limited, (the "Company") will be held at the Head Office of the Company, 29th Floor, Home Oil Tower, 324 Eighth Avenue S.W., Calgary, Alberta, Canada on Friday, May 3, 1991 at 2:30 p.m. Calgary time for the following purposes:

1. To receive and consider the Report of Directors, the Consolidated Financial Statements of the Company for the year ended December 31, 1990 and the Auditors' Report thereon;

2. To elect Directors for the ensuing year or until their successors have been elected or appointed;

3. To appoint Auditors for the ensuing year and to authorize the Directors to fix their remuneration; and

4. To transact such other business as may properly come before the Meeting.

The Board of Directors has fixed the close of business on March 22, 1991 as the record date for the determination of Shareholders entitled to Notice of the Meeting. Only Shareholders of record at the close of business on March 22, 1991 will be entitled to vote at the Meeting except to the extent that a holder has transferred any shares after the record date and the new holder of such shares establishes proper ownership and requests, not later than April 26, 1991, that his or her name be included on the list before the Meeting.

Shareholders who do not expect to attend the meeting in person are requested to fill in, sign, date and return the enclosed proxy in the enclosed envelope. **The proxy must be deposited with the Corporate Secretary of the Company, c/o Central Guaranty Trust Company, Corporate Trust Department, Suite 200, 104 Fourth Avenue S.E., Calgary, Alberta, Canada T2G 0C4, before the time for holding the Meeting.**

By Order of the Board

Robert M. Perrin
Corporate Secretary

DATED March 8, 1991
Calgary, Alberta, Canada

SCURRY-RAINBOW OIL LIMITED

MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT

TABLE OF CONTENTS

MATTERS OF PARTICULAR INTEREST TO UNITED STATES SHAREHOLDERS

This Management Information Circular and Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors and Management of Scurry-Rainbow Oil Limited.

All dollar amounts in this document are expressed in Canadian dollars, unless otherwise stated. The exchange rate between the Canadian dollar and the U.S. dollar is not fixed. During fiscal 1990, the high and low noon buying rates for the Canadian dollar as reported by the Federal Reserve Bank of New York were $0.8837 U.S. and $0.8286 U.S. ($1 U.S. equals $1.1316 Cdn. and $1 U.S. equals $1.2068 Cdn., respectively). On March 1, 1991 the exchange rate was $0.8672 U.S. equals $1 Cdn. ($1 U.S. equals $1.1531 Cdn.).

SCURRY-RAINBOW OIL LIMITED

1600 HOME OIL TOWER, 324 EIGHTH AVENUE S.W.
CALGARY, ALBERTA, CANADA T2P 2Z5

MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT

GENERAL INFORMATION

This Management Information Circular and Proxy Statement (this "Circular") is furnished in connection with the solicitation of proxies by and on behalf of the Board of Directors and the Management of Scurry-Rainbow Oil Limited (the "Company") for use at the Annual Meeting of Shareholders (the "Meeting") of the Company to be held on Friday, May 3, 1991 for the purposes set out in the accompanying Notice of Meeting. It is anticipated that copies of this Circular will be distributed to shareholders of the Company ("Shareholders") on or about March 28, 1991.

The solicitation will be primarily by mail but proxies may also be solicited personally or by telephone by Officers of the Company. The cost of solicitation will borne by the Company.

To be effective, proxies must be received by Central Guaranty Trust Company on or before the close of business on the day preceding the date of the Meeting or deposited with the Chairman of the Meeting on or before the commencement of the Meeting.

APPOINTMENT OF PROXY AND DISCRETIONARY AUTHORITY

A Shareholder has the right to appoint a person (who need not be a Shareholder of the Company) other than persons designated in the form of proxy accompanying this Circular as nominee to attend and act for and on behalf of such Shareholder at the Meeting and may exercise such right by inserting the name of such person in the blank space provided in the form of proxy. If a Shareholder appoints a person designated in the form of proxy as nominee and does not direct the said nominee to vote either in favour of, against, or to abstain on, any matter or matters with respect to which an opportunity to specify how the shares registered in the name of such Shareholder shall be voted, the proxy shall be voted in favour of such matter or matters. The enclosed form of proxy confers discretionary authority upon the proxy nominees with respect to amendments or variations to the matters identified in the Notice of Meeting and other matters which may properly come before the Meeting.

The shares represented by proxy at the Meeting will be voted subject to the provisions of Subsection 146(3) of the *Business Corporations Act, Alberta* and, if a choice is specified in the form of proxy with respect to any matter identified therein, the shares represented by such proxy will be voted in accordance with the specifications so made.

The Board of Directors and the Management of the Company ("Management") know of no matters to come before the Meeting other than the matters referred to in the accompanying Notice of Meeting. However, if any other matters should properly come before the Meeting, the shares represented by proxies in favour of Management nominees will be voted on such matters in accordance with the best judgment of the proxy nominee.

REVOCABILITY OF PROXY

A Proxy given by a Shareholder may be revoked at any time prior to its use by an instrument in writing executed by the Shareholder or by his or her attorney duly authorized in writing, and deposited either at the Head Office of the Company at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As at March 1, 1991, the Company had issued and outstanding 13,462,129 common shares without nominal or par value. The Board of Directors (the "Board") has fixed March 22, 1991 as the record date for determining Shareholders entitled to notice of the Meeting. The persons entitled to vote at the Meeting are all Shareholders of record at the close of business on March 22, 1991 (except for any Shareholder selling his or her shares after that date whose transferee makes a request to the Corporate Secretary of the Company by the close of business on April 26, 1991 to be included on the list of Shareholders entitled to vote at the Meeting). On each matter to come before the Meeting, each Shareholder is entitled to one vote for each common share standing in his or her name on the securities register of the Company.

To the knowledge of management, Home Oil Company Limited ("Home Oil"), 1600 Home Oil Tower, 324 Eighth Avenue S.W., Calgary, Alberta, Canada T2P 2Z5, a Canadian corporation engaged in oil and gas exploration and production, owns beneficially 11,856,406 shares, representing approximately 88.1% of the shares outstanding, and is the only company or person beneficially owning, directly or indirectly, more than 5% of the outstanding common stock of the Company. Home Oil is a wholly owned subsidiary of Interhome Energy Inc. ("Interhome") at the date of this Circular.

ELECTION OF DIRECTORS

Action is to be taken at the Meeting with respect to the election of eight Directors to serve until the close of the next Annual Meeting of Shareholders or until their respective successors have been elected or appointed. **Unless otherwise specified in a proxy that shares represented by the proxy shall be withheld from voting for the election of one or more Directors, it is the intention of the persons designated in the enclosed form of proxy to vote for the election of the proposed nominees listed below, all of whom other than Mr. F. Callaway are now Directors of the Company. In the event any proposed nominee named below should be unable or unwilling to serve as a Director, the persons designated in the accompanying form of proxy will exercise their discretionary authority to vote for a substitute nominee or nominees in accordance with their best judgement.**

All of the proposed nominees other than Mr. Callaway are presently Directors of the Company, were elected at the last preceding annual meeting of security holders of the Company and have served continuously as Directors of the Company since the date they first became Directors as set forth below. Mr. Callaway is a proposed nominee as a Director of the Company for the first time. All nominees named below have consented to serve as Directors if elected. None of the Officers or proposed Directors beneficially own any shares of the Company or its subsidiaries except as indicated on the following table.

The following are the names of the persons proposed to be nominated for election as Directors, their ages, municipality of residence, other positions and offices with the Company presently held by them, their present principal occupation and their principal occupations during the five preceding years, the year in which each was first elected a Director and the approximate number of common shares of the Company, beneficially owned, or over which control or direction is exercised, by each of them, as of March 1, 1991.

Note 2 to the following table indicates the equity securities in Interhome beneficially owned by each nominee as at March 1, 1991. Interhome owns all of the issued and outstanding common shares of Home Oil and, as such, indirectly controls voting shares aggregating 88.1% of the issued and outstanding shares of the Company. None of such security holdings represent in excess of 1% of the outstanding voting securities of Interhome.

Name, Age, Municipality of Residence, Principal Occupation and Business Experience	Year First Became a Director	Securities of Scurry-Rainbow Oil Limited (1) Common Shares
Robert G. Black, Q.C., 68 Calgary, Alberta Barrister and Solicitor, Counsel to the law firm of McCarthy Tétrault since February, 1991, (3).	1976	—
Fred Callaway, 51 Calgary, Alberta Vice President Corporate of Home Oil since May, 1990; prior thereto Vice President International Operations of Home Oil since December, 1987; prior thereto Vice President Corporate Affairs of Home Oil since 1982, (4).	—	—

Name, Age, Municipality of Residence, Principal Occupation and Business Experience	Year First Became a Director	Securities of Scurry-Rainbow Oil Limited (1) Common Shares
Richard F. Haskayne, F.C.A., 56 Calgary, Alberta Chairman, President and Chief Executive Officer of Interhome since 1989; President and Chief Executive Officer of Interhome since 1987; prior thereto President and Chief Executive Officer of Home Oil; President and Chief Executive Officer of the Company since 1982, (2) (4).	1982	1,000
J. Gordon Hutchison, F.C.A., 81 Calgary, Alberta Independent financial consultant.	1974	—
Brian F. MacNeill, 51 Edmonton, Alberta Executive Vice President of Interhome and Chief Operating Officer of Interprovincial Pipe Line Company, a division of Interhome since 1990; Vice President Finance and Chief Financial Officer of Interhome since 1989, prior thereto Vice President Finance of Home Oil, (2).	1982	—
Stanley G. Olson, 72 Spokane, Washington Corporate Director.	1982	—
David E. Powell, 57 Calgary, Alberta Executive Vice President of Interhome and Executive Vice President and Chief Operating Officer of Home Oil since 1987; prior thereto Senior Vice President Exploration of Home Oil; Executive Vice President and Chief Operating Officer of the Company, (2) (4).	1983	1,000
E. Gordon Sheasby, 65 Calgary, Alberta Corporate Director; Vice President Law of Interhome 1987-1990; prior thereto Vice President and General Counsel of Interprovincial Pipe Line Limited, (2).	1989	500
All Directors and Officers as a group (of which there are 14)		2,500

(1) Information indicates the number of shares of the Company for which the nominee exercises, as at March 1, 1991, sole or shared voting or dispositive power either directly or through companies or foundations of which they are directors or officers, as reported to the Company by each nominee.

(2) Interhome, of which R. F. Haskayne is Chairman, President and Chief Executive Officer, B. F. MacNeill is Executive Vice President, and D. E. Powell is Executive Vice President, owns directly or indirectly all of the outstanding shares of Home Oil which owns 88.1% of the issued and outstanding shares of the Company.

The following sets forth the number of shares of Interhome for which each nominee exercises, as at March 1, 1991, sole or shared voting or dispositive power, either directly or indirectly or through companies or foundations for which they are directors or officers, including options to purchase shares exercisable on, or within sixty days following, such date as reported to the Company: R. F. Haskayne 24,711 common shares; B. F. MacNeill 4,796 common shares; D. E. Powell 5,950 common shares; and E. G. Sheasby 12,020 common shares.

There is no family relationship between any of the Officers or nominee Directors of the Company.

(3) Prior thereto, Partner in the law firm which has become McCarthy Tétrault.

(4) Also a director of Home Oil as at the date of this Circular.

(5) The sole common shareholder of Home Oil is Interhome. On December 11, 1990, the Board of Directors of Interhome approved, in principle, for submission to its shareholders and the court for their approvals, a plan of arrangement (the "Arrangement"). If all required approvals to the Arrangement are received, including receipt of certain tax rulings, Interhome's interest in Home Oil will be distributed to Interhome's shareholders and Home will become a publicly traded company. R. F. Haskayne has advised that, on the effective date for implementation of the Arrangement, he will resign as a director and officer of Interhome, Home Oil and the Company. The Board of Directors of the Company will thereafter, as provided in the *Business Corporations Act, Alberta* which governs the Company, have the ability to fill the vacancy so resulting.

None of the nominees listed above hold Directorships in any company with a class of securities registered pursuant to Section 12 of the United States Securities Exchange Act of 1934 or which is subject to the requirements of Section 15(d) of such Act or which is registered as an investment company under the United States Investment Company Act of 1940, except as follows:

Name of Nominee	Name of Companies in which such Directorship is Held
R. F. Haskayne	Interhome Energy Inc.

BOARD OF DIRECTORS AND COMMITTEES

The Company has an Audit Committee. It does not have a Nominating Committee, an Executive Committee or a Compensation Committee.

The Audit Committee, which comprises Messrs. J. G. Hutchison, Chairman, R. G. Black, J. F. Langston (who resigned as a Director on February 11, 1991), S. G. Olson, and E. G. Sheasby held four meetings during the year ended December 31, 1990. The functions of the Audit Committee are to recommend the firm of public accountants to be proposed for election as auditors by the Shareholders, to review the scope of the work to be done by both the external and internal auditors and the results thereof and to make recommendations to the Board as to actions required with respect to items arising out of such audits as are deemed appropriate, to review the annual financial statements and audit report before these are submitted to the Board for approval, and to review the adequacy of financial controls and the observance of the Company's policies and procedures concerning payments of an unusual nature, relations with agents, representatives and consultants and expenses of such Officers as the Committee deems appropriate and to report on such reviews to the Board.

There were eight meetings of the Board of Directors held during the year ended December 31, 1990. All members of the Board attended at least 75 percent of the total of all meetings of the Board and all committees of which they were members during the year.

REMUNERATION OF DIRECTORS AND OFFICERS

There are eight senior or executive Officers of the Company to whom no cash or non-cash compensation was paid by the Company for the 1990 calendar year.

The Company pays Director's fees in the amount of $6,000 annual retainer, and an additional $1,500 per annum to the Chairman of the Audit Committee. Directors are also paid a meeting fee of $500 for each meeting of the Board or a committee thereof attended by them. Director's fees are not paid to Directors who are Officers or employees of the Company or any of its affiliates. Travelling and living expenses incurred by Directors while attending Board or committee meetings are reimbursed by the Company.

Fees paid to all Directors in respect of the year ended December 31, 1990 amounted to $48,500.

TRANSACTIONS WITH DIRECTORS, OFFICERS AND ASSOCIATES

The management functions of the Company are performed by its Directors and Officers. All of the Officers of the Company are also Officers of Home Oil. Under an agreement, terminable by either party, Home Oil has furnished certain management, accounting, administrative, technical and other services to the Company at cost. Payments made by the Company to Home Oil for such services for the year ended December 31, 1990 aggregated $16,414,000. The Company has been indebted to Home Oil in respect of such services, from time to time since December 31, 1986, the largest total of such indebtedness being $1,601,000 on December 31, 1990. The Company has entered into agreements with Home Oil whereby Home Oil markets the Company's sulphur, ethane, propane, and butane produced from certain gas plant facilities in the provinces of Alberta and British Columbia. No interest has been charged or paid in respect of any indebtedness under the above agreements as accounts are settled on a current basis.

Effective March 10, 1983, the Company began advancing funds, which are surplus to its requirements, to Home Oil or its affiliated companies on a short term basis. Advances to Home Oil bear interest at 0.0625 (one sixteenth of one) percent above the cost of funds in the commercial paper market and are repayable on demand. The largest total of such advances during fiscal 1990 was $12,150,000 which was outstanding on March 29, 1990 and, on March 1, 1991, there were no outstanding advances. A former subsidiary of the Company, Westcoast Oil & Gas Corp., has also advanced funds to an affiliate of Home Oil to and including May 28, 1990. The largest total of these advances during 1990 was $5,295,000 (or $4,483,000 U.S.) on May 28, 1990. Interest was payable on these advances at the monthly published short term applicable federal rate of the United States and were repayable upon demand. The Company sold all of its interest in Westcoast Oil & Gas Corp. to Home Oil on May 28, 1990.

During fiscal 1990 the Company borrowed various amounts from Interhome at an interest rate of 0.0625 (one sixteenth of one) percent above the cost of funds to Interhome in the commercial paper market which amounts were repayable on demand. The largest total of such advances during fiscal 1990 was $20,000,000 on August 9 to August 16, 1990. On December 31, 1990 outstanding advances from Interhome totalled $3,300,000, and on March 1, 1991, these advances were $7,600,000.

The Company and Home Oil are active in the business of exploring for and producing crude oil, natural gas and natural gas liquids and sulphur. In the course of such business the Company and Home Oil may, from time to time, enter into joint venture agreements, the terms of which are similar to other agreements within the industry, to conduct such activities. Home Oil was indebted to the Company in respect of such activities in the amount of $1,686,000 on December 31, 1990.

APPOINTMENT OF AUDITORS

Price Waterhouse, Chartered Accountants, of Calgary, Alberta, the auditors of the Company since February 2, 1982, did not perform any nonaudit services for the Company during the year ended December 31, 1990 other than to review the Company's calculation of the fair market value of the shares of Westcoast Oil & Gas Corp. The Audit Committee of the Board of Directors approved all of the services provided by Price Waterhouse for the 1990 fiscal period.

Unless otherwise specified in a proxy that the common shares represented by the proxy shall be withheld from voting for, or against, the appointment of Auditors, the persons designated in the enclosed form of proxy intend to vote the proxy for the re-appointment of Price Waterhouse as Auditors of the Company to hold office until the close of the next Annual Meeting of Shareholders and to authorize Directors to fix their remuneration.

Representatives of Price Waterhouse will be present at the Annual Meeting, will have the opportunity to make a statement if they so desire and will answer any appropriate questions of Shareholders relative to accounting matters.

SHAREHOLDER PROPOSALS

Shareholder proposals must be received by February 6, 1992, to be considered for inclusion in the Management Information Circular and Proxy Statement and form of proxy for the 1992 Annual Meeting of Shareholders, which is expected to be held on or about May 1, 1992.

EFFECTIVE DATE

Unless otherwise specifically provided herein, the information contained in this Circular is effective as of March 1, 1991.

DIRECTORS' APPROVAL

The contents of this Circular and the sending thereof to Shareholders of the Company have been approved by the Board of Directors of the Company.

DATED at the City of Calgary in the Province of Alberta this 8th day of March, 1991.

BY ORDER OF THE BOARD OF DIRECTORS

Robert M. Perrin
Corporate Secretary

Printed in Canada

Highlights

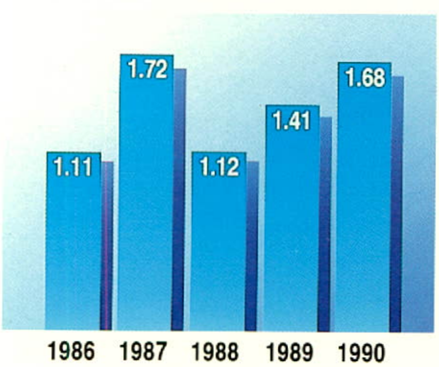
- Earnings up 19% from last year.
- Conventional oil discovered in Saskatchewan.
- Additions to proved reserves more than offset the year's production.
- Proved gas reserves increased 20%.
- Additions costs reduced to lowest level in recent history.

	Year ended December 31,		
	1990	1989	1988
Financial *(thousands of dollars)*			
Revenue	**$ 86,454**	$72,817	$70,277
Earnings	**$ 22,632**	$18,979	$15,112
Capital expenditures	**$ 69,825**	$52,979	$73,963
Cash from operations	**$ 57,424**	$50,117	$48,122
Working capital	**$(10,051)**	$ 4,167	$12,142
Per Common Share *(dollars)*			
Earnings	**$ 1.68**	$ 1.41	$ 1.12
Cash from operations	**$ 4.27**	$ 3.72	$ 3.57
Dividends*	**$ 0.50**	$ 0.50	$ 1.00
Operating**			
Average Daily Production/Sales			
Crude oil *(barrels)*	**7,679**	8,021	8,469
Natural gas liquids *(barrels)*	**1,085**	1,277	1,277
Natural gas *(thousands of cubic feet)*	**42,222**	37,706	37,067
Percentage Replacement of Annual Production			
Crude oil and natural gas liquids	**75**	122	98
Natural gas	**434**	196	443
Barrels of oil equivalent	**235**	152	232
Undeveloped Oil & Gas Landholdings			
Gross *(thousands of acres)*	**7,267**	6,868	6,779
Net *(thousands of acres)*	**2,701**	2,535	2,474

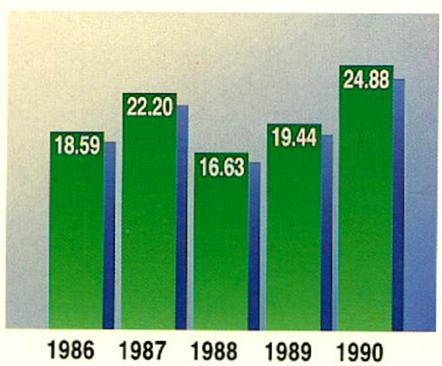
* In addition to Scurry-Rainbow's regular semiannual dividend of $0.25 per common share, a onetime special dividend of $0.50 per common share was declared payable on July 1, 1988.

** In this report, production, sales and proved reserves of oil, natural gas liquids and gas are before the deduction of royalties, unless otherwise indicated.

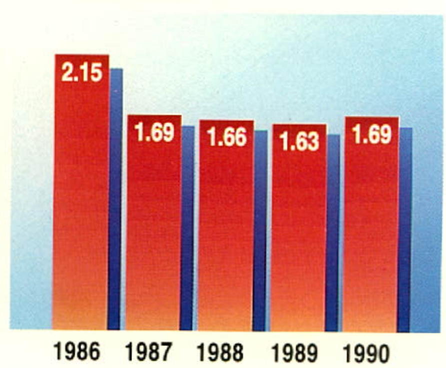
Earnings per Share
(dollars)



Company Average Crude Oil Price
(dollars per barrel)



Company Average Natural Gas Price
(dollars per thousand cubic feet)



Report to Shareholders

(left to right)
R. F. Haskayne and
D. E. Powell.

During 1990, Scurry-Rainbow met its primary objective of enhancing shareholder value by substantially improving its overall financial and operating performance.

Earnings were up 19% from last year largely due to higher crude oil prices which accompanied the unrest in the Middle East. The Company also more than replaced its production through additions to proved reserves, for the sixth successive year. Natural gas reserves were increased to a record high and an active oil exploration program led to substantial conventional oil discoveries in Saskatchewan. Of particular significance, Scurry-Rainbow's costs of adding reserves were reduced to the lowest level experienced in recent history.

1990 Results

Earnings for 1990 were $22.6 million, or $1.68 per share, compared with $19.0 million or $1.41 per share in 1989. Cash from operations totalled $57.4 million, 15% higher than last year's level of $50.1 million. Scurry-Rainbow's rate of return on average shareholders' equity rose to 10.0% compared with 9.0% last year, reflecting the impact of higher crude oil prices and gas sales.

During 1990, the Company focused on exploration with more emphasis placed on achieving higher working interests in prospects offering significant reserves potential.

In development programs, production from existing properties was optimized through infill drilling, well recompletions and equipment upgrades. Concurrently, property holdings were rationalized by acquiring interests in areas where the Company has a significant interest, and by disposing of marginal non-strategic holdings.

Natural gas sales from Scurry-Rainbow's growing high quality proved gas reserves were increased to a historic high as new marketing opportunities were developed.

The Company's proved oil reserves were essentially maintained intact through successful exploration and development programs in Saskatchewan and Manitoba and improved performance of a number of fields.

Oil and Gas Prices

World oil prices were generally weak during the first half of 1990 but strengthened in July when production quotas set by the Organization of Petroleum Exporting Countries were more closely met by its members. The invasion of Kuwait by Iraq in August sparked further price increases and world oil prices remained highly volatile to the end of the year. The Company's average price received for crude oil in 1990 was $24.88 per barrel compared with $19.44 last year. Scurry-Rainbow expects continued volatility in world oil prices and markets during the months ahead.

In 1990, the Company received an average price of $1.69 per thousand cubic feet for its natural gas compared with $1.63 received in 1989. Scurry-Rainbow was able to counter the trend of declining gas prices caused by excess supplies in western Canada, by developing new gas marketing opportunities.

The Company expects natural gas to gain favour during the 1990s as the fuel of choice in North America because of its abundant supply. Improved access to U.S. markets will be provided for Canadian supplies in the early 1990s by additions to pipeline capacity serving the large export markets in the northeastern United States and California. Heightened environmental concerns should also spur demand for cleaner burning natural gas and thus offer new market opportunities both in Canada and the United States. Prices however, are not expected to strengthen in 1991 owing to a continuing surplus in North American supplies.

Government Policies

Late in 1990, the National Energy Board issued a decision allowing Trans-Canada PipeLines Limited to proceed with a major expansion serving the Iroquois pipeline system in the northeastern United States. The decision ensures improved access to the largest U.S. market for Canadian natural gas, at prices competitive with U.S. suppliers. As a result, excess Canadian deliverability should be reduced in the near term, encouraging the industry to find and develop new sources of supply.

Several initiatives taken by provincial governments should also help stimulate oil and gas exploration and development activities and are favourable to Scurry-Rainbow. Notably, the Government of British Columbia deferred a planned increase in oil royalties as a result of strong opposition by the industry. British Columbia also facilitated greater natural gas exports to the United States by streamlining its export permit procedures.

The Saskatchewan government, however, enacted legislation which sharply reduced compensation payments to Scurry-Rainbow for mineral rights expropriated by the government in 1974. The original compensation consisted of a royalty calculated on the wellhead price prevailing at the time of expropriation, and on continuing production levels from the expropriated properties. The new Saskatchewan legislation does not change the form of compensation but limits the amount paid annually to the Company to $50,000 maximum. Scurry-Rainbow had been receiving about $650,000 per year in compensation payments prior to this change. The Company made several strong representations to the government opposing the new legislation before it was passed, because it abrogated long standing commitments and had a significant adverse impact.

In recent years, environmental issues have emerged as key considerations in energy policy making. During 1990, the federal government released its Green Plan which details Canada's long term approach to environmental protection and sustainable development. Complementing the thrust of the Green Plan, the government also introduced the Canadian Environmental Assessment Act which is presently undergoing Committee review and is likely to be enacted during 1992.

The legislation proposes a comprehensive nationwide environmental review process which would heighten the potential for federal/provincial jurisdictional conflicts as new stronger environmental legislation is also enacted by the provinces. Extraordinary federal/provincial cooperation will be needed to avoid a costly, confusing duplication of regulatory powers and to achieve the desired balance of economic growth and environmental protection.

Outlook

Looking ahead, Scurry-Rainbow plans to continue strengthening its competitive position in western Canada by focusing on higher interest oil and gas exploration plays, with the emphasis on gas maintained. The Company's 1990 purchases of undeveloped landholdings in western Canada, combined with its prior land inventory, has ensured excellent ongoing exploration and development opportunities.

Follow-up drilling is planned for the Hamburg and Pembina areas of Alberta, and in southeastern Saskatchewan to delineate new discoveries and to accelerate their full development. Infill drilling and further refinement of existing waterflood projects will be pursued to optimize production from the Company's major fields in northeastern British Columbia.

Earnings and cash from operations in 1991 will remain highly sensitive to oil and gas prices. A capital spending program of $50 million is planned with $30 million allocated to exploration and $20 million to development. The Company enters 1991 in a strong financial position, well equipped to adjust to the full range of price and market volatility expected during the year.

Proposed Corporate Changes, Interhome Energy Inc.

In June 1990, Olympia & York Developments Limited, the parent of Gulf Canada Resources Limited a major shareholder of Interhome Energy Inc., presented a proposal for a restructuring of these two companies to their respective Boards of Directors. Interhome Energy owns Home Oil Company Limited which in turn holds 88.1% of Scurry-Rainbow.

The proposal called for Home Oil to be separated from Interhome Energy and immediately combined with Gulf Canada. By November, the Boards of Interhome Energy and Gulf Canada were unable to develop mutually acceptable terms under which the combination could occur.

Late in November, Olympia & York presented a new proposal to the Interhome Energy Board which called for the distribution to shareholders of Interhome Energy's interest in Home Oil by way of a court approved plan of arrangement. If implemented, the proposal would result in two stand-alone, public companies - Home Oil Company Limited, conducting oil and gas activities and "Interprovincial Pipe Line Inc." (as Interhome Energy would be renamed), conducting pipeline operations.

At a meeting in December, the Interhome Energy Board approved, in principle, the new proposal subject to receipt of final Board, shareholder, court and regulatory approvals and favourable advance tax rulings. A Special Meeting of Interhome Energy Shareholders will be held during the second quarter of 1991, at which they will be asked to vote on the proposal. Scurry-Rainbow shareholders will be kept informed of the progress of this restructuring.

General

Mr. John F. ("Spi") Langston has advised that he will not be standing for re-election as a Director at the upcoming Annual Meeting of Shareholders. The Company wishes to express its sincere gratitude to Mr. Langston, a Director of the Company since 1954, for his valued contribution over the years.

Dividends

During 1990, Scurry-Rainbow paid semi-annual dividends of $0.25 per common share on January 1, 1990 and July 1, 1990.

Submitted on behalf of
the Board of Directors

R. F. Haskayne

R. F. Haskayne
President and
Chief Executive Officer

D. E. Powell

D. E. Powell
Executive Vice President
and Chief Operating Officer

Calgary, Alberta, Canada
March 8, 1991

Review of Operations

Scurry-Rainbow concentrated on exploration during 1990, with greater emphasis placed on achieving higher average working interests in projects having significant reserve potential. Natural gas prospects received more attention, but a selective crude oil exploration program was maintained resulting in conventional oil discoveries in Saskatchewan.

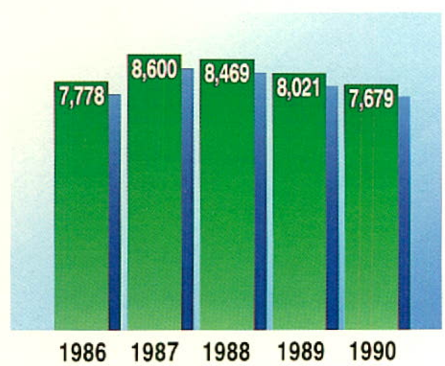
Infill drilling, well recompletions, and equipment upgrades were undertaken to optimize existing producing properties. Property rationalization continued through efforts to acquire high quality reserves and production in areas where the Company is already represented, and to dispose of marginal or small interest properties of little strategic value.

Battery site in the South Pierson field, Manitoba.

Production/Sales

Crude oil production averaged 7,679 barrels per day in 1990, a 4% decrease from last year. A major factor in the decline in recorded production is the adverse impact of new Saskatchewan legislation. New production from the Hitchcock area of Saskatchewan was sufficient to offset the natural decline of the Company's mature fields.

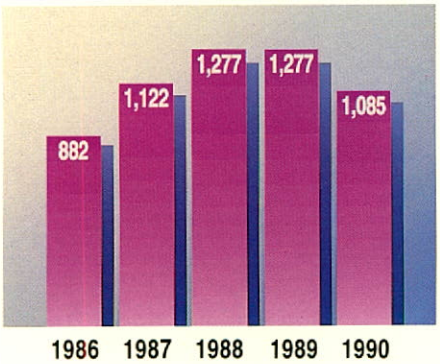
Crude Oil Production
(barrels per day)



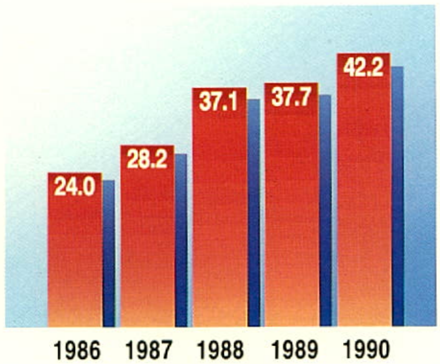
Production of natural gas liquids declined in 1990 to 1,085 barrels per day, from 1,277 barrels per day last year. The 1989 production included natural gas liquids recovered from natural gas, the sale of which was deferred until the first quarter of 1990.

Scurry-Rainbow's natural gas sales were 42.2 million cubic feet per day, up from 37.7 million cubic feet per day recorded in 1989. Higher deliveries under two major sales contracts accounted for the increase.

Natural Gas Liquids Production
(barrels per day)



Natural Gas Sales
(millions of cubic feet per day)



Natural gas sales from Scurry-Rainbow's growing high quality proved gas reserves were increased to a historic high as new marketing opportunities were developed.

Average Daily Production by Province

	1990	1989
Crude Oil *(barrels)*		
British Columbia	3,740	4,215
Alberta	1,555	1,634
Saskatchewan	2,072	1,916
Manitoba	312	256
Total	7,679	8,021
Natural Gas Liquids *(barrels)*		
British Columbia	100	75
Alberta	985	1,202
Total	1,085	1,277
Natural Gas *(millions of cubic feet)*		
British Columbia	11.1	8.7
Alberta	30.9	28.7
Saskatchewan	0.2	0.3
Total	42.2	37.7

Land Activities

In 1990, Scurry-Rainbow spent $5.3 million on the acquisition of Crown and freehold rights, virtually unchanged from last year. Net acreage purchased in 1990 was up 88% from 1989 due to the Company's success at assembling low cost acreage in project development areas.

Net acreage purchased in 1990 was up 88% from 1989 due to the Company's success at assembling low cost acreage in project development areas.

Land Additions

	1990		1989	
	Gross Acres	**Net Acres**	**Gross Acres**	**Net Acres**
Crown and Freehold				
British Columbia	**32,105**	**13,825**	59,788	26,690
Alberta	**111,763**	**34,172**	191,667	61,060
Saskatchewan	**521,303**	**170,583**	71,540	24,098
Manitoba	**2,292**	**778**	8,865	4,690
Total	**667,463**	**219,358**	331,860	116,538

Scurry-Rainbow's average cost of lands acquired at Crown sales declined by 41% to $30.06 per acre. In Saskatchewan, the Company's average cost dropped from $31.66 per acre to $7.73 in 1990 due to its strategy of acquiring prospective lands in areas of little present industry activity. In Alberta, most of Scurry-Rainbow's purchases were located in relatively expensive, industry-active areas, resulting in the increase in average cost to $116.96 per acre compared with last year's cost of $52.36.

. . . land position provides a strong base for exploration and development.

Purchases of exploratory acreage during 1990 exceeded the amount of expiring acreage and resulted in year end gross and net undeveloped landholdings of 7.3 and 2.7 million acres, respectively. With a 52% average working interest in undeveloped western Canada lands, this land position provides a strong base for exploration and development.

Aerial view of the Ring/Border area, northeastern British Columbia.

Oil and Gas Landholdings

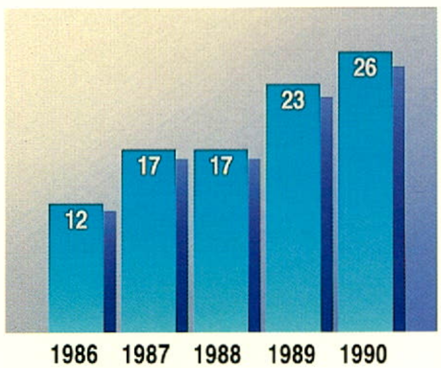
	Undeveloped Acreage			
	December 31, 1990		December 31, 1989	
	Gross	Net	Gross	Net
British Columbia	1,750,706	1,368,651	1,707,944	1,353,101
Alberta	1,851,966	349,485	2,006,597	346,926
Saskatchewan	1,307,126	808,695	837,442	659,116
Manitoba	59,992	36,645	62,832	37,556
Northern Canada	2,297,589	137,280	2,253,229	137,826
Total	7,267,379	2,700,756	6,868,044	2,534,525

In addition, the Company held 776,674 gross (114,752 net) acres of developed lands in Canada in 1990 and 787,627 gross (108,713 net) acres in 1989.

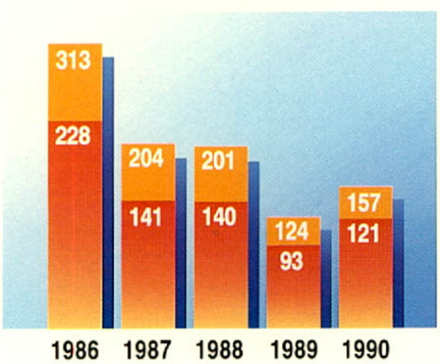
Drilling Results

Scurry-Rainbow's drilling activity was up from last year and involved participation in 65 exploratory wells and 92 development wells. Nine oil and 26 gas discoveries were made through exploratory drilling while 59 oil and 27 gas producers resulted from development drilling. The average net working interest held by the Company in total wells drilled increased to 26.3% from 22.5% in 1989.

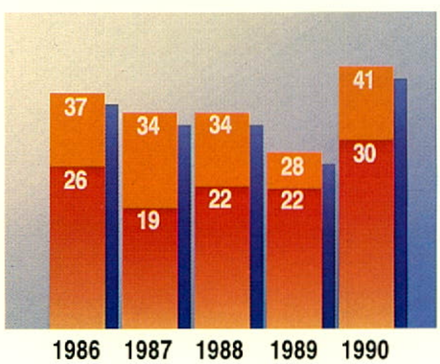
Average Net Working Interest
(percent)



Gross Wells
successful total



Net Wells
successful total



Natural gas reserves were increased to a record high and an active oil exploration program led to substantial conventional oil discoveries in Saskatchewan.

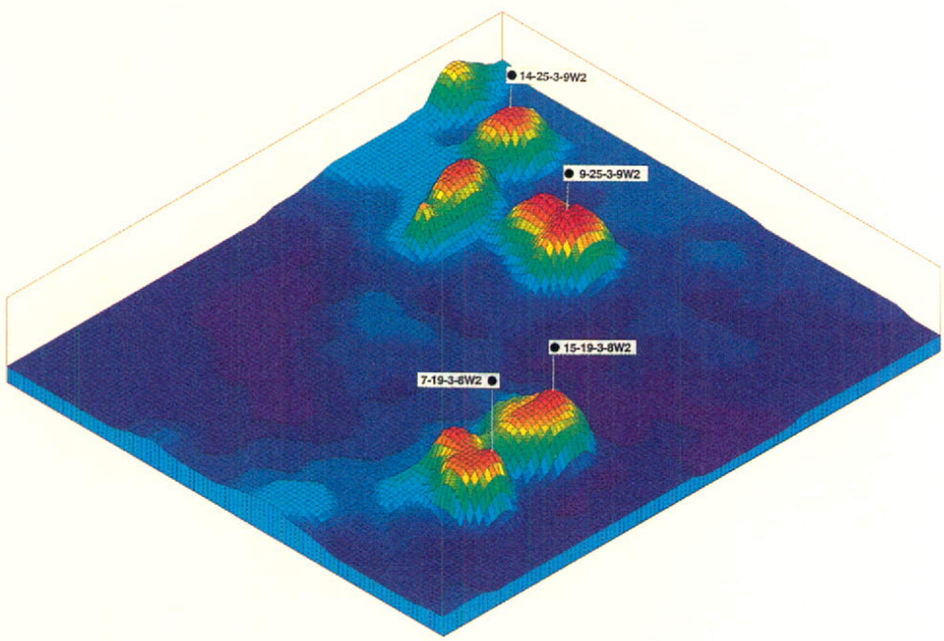
Proved Reserves

Proved reserves of crude oil were 22.6 million barrels at December 31, 1990, virtually unchanged from year end 1989. Reserve additions and revisions nearly offset production. Major additions of 1.3 million barrels resulted primarily from exploratory drilling at Hitchcock and Macoun in Saskatchewan, and development drilling at South Pierson in Manitoba. Upward revisions of 1.5 million barrels were made reflecting improved performance in a number of fields.

Proved natural gas liquids reserves decreased 6% during the year to 7.0 million barrels at year end. Additions of 1.1 million barrels were attributable to successful drilling programs primarily in northwestern Alberta. These were offset by downward revisions reflecting a reassessment of liquids reserves principally in the Karr and South Wapiti areas of Alberta.

Natural gas reserves increased 20% over the prior year to 354.8 billion cubic feet, largely as a result of drilling successes in the Hamburg and Mistahae areas of Alberta and the Ring/Border area of northeastern British Columbia. Additions and acquisitions totalled 66.9 billion cubic feet compared with sales of 15.4 billion cubic feet, for a percentage replacement of production of 434%.

At year end, the Company's current proved reserve life indices for crude oil and natural gas were 8.1 and 23.0 years, respectively.



Winnipegosis reef mounds surrounded by a blue "sea" as represented by three-dimensional seismic data — Hitchcock area, southern Saskatchewan.

Proved Reserves

	Crude Oil	Natural Gas Liquids	Natural Gas	Sulphur
	(thousands of barrels)	(thousands of barrels)	(billions of cubic feet)	(thousands of long tons)
January 1, 1990	22,801	7,462	296.8	1,041
Additions	1,262	1,062	64.3	131
Revisions	1,495	(1,130)	8.0	(36)
Acquisitions	81	—	2.6	—
Dispositions	(269)	(4)	(1.5)	—
Production/Sales	(2,803)	(396)	(15.4)	(44)
December 31, 1990	22,567	6,994	354.8	1,092

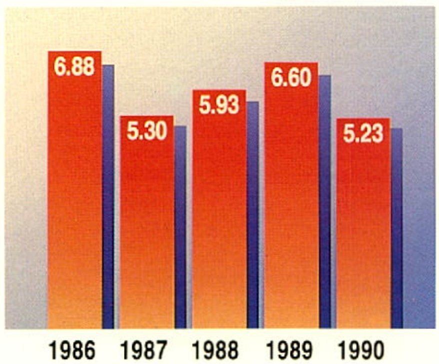
Scurry-Rainbow added proved reserves in western Canada at a cost of $5.23 per barrel of oil equivalent, a substantial drop from last year's $6.60.

Additions Cost

In 1990, Scurry-Rainbow added proved reserves in western Canada at a cost of $5.23 per barrel of oil equivalent, a substantial drop from last year's $6.60. Over the past five years, Scurry-Rainbow's additions cost averaged $5.84 per barrel of oil equivalent.

Additions Cost

(dollars per barrel of oil equivalent)



Exploration and Development

The Company's exploration and development activities in 1990 strengthened its reserves position in several highly prospective areas of the western provinces. Emphasis was placed on natural gas prospects, but an active oil drilling program was maintained, resulting in several conventional oil discoveries.

Rig crew connects drill pipe at Ring/Border, northeastern British Columbia.

In the Ring/Border area of northeastern British Columbia . . . thirty-four billion cubic feet of net proved gas reserves were added . . . construction of an 84 million cubic feet per day gas processing plant is underway to serve this area.

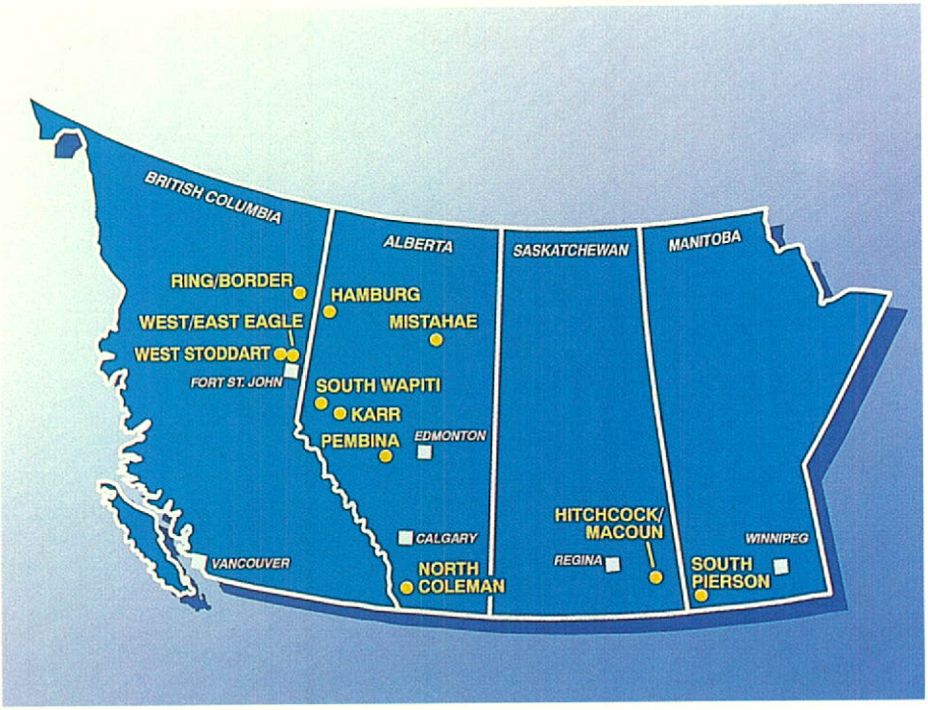
Northeastern British Columbia

Scurry-Rainbow has drilled 33 wells since its drilling program in the Ring/Border area of northeastern British Columbia commenced early in 1989. Eighteen of the wells were drilled to delineate the Ring/Border field discovery. Thirty-four billion cubic feet of net proved gas reserves were added as a result of this program. Construction of an 84 million cubic feet per day gas processing plant is underway to serve this area. Scurry-Rainbow's share of the costs for the plant, gathering system and related equipment is estimated to be $4.9 million. Completion is targeted for November, 1991.

The remaining 15 wells were exploration wells, drilled to evaluate lands northwest of the Ring/Border field. These wells discovered another gas pool, but subsequent drilling has indicated that it may not be large enough to be commercial.

Alberta

The Company participated in two significant gas wells in the Hamburg area of northwestern Alberta during 1990. The first well proved an extension of an existing gas pool, while the second discovered a new liquids-rich gas pool north of the present pool. A follow-up drilling program is planned in 1991 to delineate the discovery. Proved net gas reserves were increased 8.3 billion cubic feet by the two wells.



In the Pembina area of central Alberta, Scurry-Rainbow holds a 25% interest in an oil discovery which flowed at rates up to 290 barrels per day. Additional drilling is scheduled early in 1991 to determine the size of the new pool.

Saskatchewan

During 1990, the Company conducted a very successful exploratory drilling program in the Hitchcock and Macoun areas of southeastern Saskatchewan. A total of nine successful wells have been drilled since the program's inception in 1989, adding 1.6 million barrels to proved oil reserves and 800 barrels per day to production, both net to Scurry-Rainbow.

Manitoba

In the South Pierson area, 21 development wells were drilled in 1990 at a 33% working interest. As a result of the program, 400 thousand barrels of oil were added to the Company's proved reserves. At year end, Scurry-Rainbow's share of production from the area reached more than 300 barrels per day.

The Company conducted a very successful exploratory drilling program in the Hitchcock and Macoun areas of southeastern Saskatchewan.

In the South Pierson area . . . 400 thousand barrels of oil were added to the Company's proved reserves.

Digging ditch for pipeline in South Pierson field, Manitoba.

Management's Discussion and Analysis

Earnings were up 19% from last year.

Scurry-Rainbow's earnings for 1990 were $22.6 million or $1.68 per share compared with $19.0 million or $1.41 per share in 1989, and $15.1 million or $1.12 per share in 1988. Higher earnings resulted from a substantial increase in crude oil prices partially offset by increased taxes.

Cash from operations totalled $57.4 million, 15% higher than last year's level of $50.1 million, and 19% higher than the $48.1 million attained in 1988.

The rate of return on average shareholder's equity in the current year was 10.0% compared with 9.0% in 1989 and 7.4% in 1988.

Revenue

Revenues of $86.5 million were up from $72.8 million in 1989 and $70.3 million in 1988. Higher oil prices coupled with increased natural gas sales volumes were marginally offset by lower crude oil volumes.

Crude Oil

	1990	1989	1988
Revenue after royalties *(thousands of dollars)*	**$56,956**	$45,464	$42,451
Volume *(barrels per day)*	**7,679**	8,021	8,469
Price *(per barrel)*	**$ 24.88**	$ 19.44	$ 16.63

Scurry-Rainbow's rate of return on average shareholders' equity rose to 10.0%.

The events in the Persian Gulf have had a significant impact on world crude oil prices and on the Company's oil revenue. Scurry-Rainbow's crude oil price averaged $24.88 per barrel, up $5.44 from 1989 and $8.25 from 1988.

Crude oil production volumes declined from both 1989 and 1988. The decrease in recorded production in 1990 reflects the adverse impact of new legislation enacted by the Government of Saskatchewan early in the year. Apart from this impact, infill drilling in the West Stoddart area of British Columbia and discoveries in the Hitchcock area of Saskatchewan more than offset production declines from the Company's older oil fields.

The new Saskatchewan legislation sharply reduces compensation payments to Scurry-Rainbow for mineral rights expropriated by the government in 1974. The compensation payments consist of a royalty calculated on the 1974 wellhead price of $3.80 per barrel. The government has reduced this compensation by limiting it to a maximum of $50,000 annually. This measure decreased the Company's 1990 recorded crude oil production by 336 barrels per day and reduced the annual value of this compensation by approximately $600,000.

Natural Gas

	1990	1989	1988
Revenue after royalties *(thousands of dollars)*	**$20,898**	$18,153	$18,040
Volume *(thousands of cubic feet per day)*	**42,222**	37,706	37,067
Price *(per thousand cubic feet)*	**$ 1.69**	$ 1.63	$ 1.66

Natural gas sales volumes achieved record levels in 1990, posting substantial increases from both 1989 and 1988. The Company's ability to take advantage of marketing opportunities early in 1990 gave rise to additional sales from the South Wapiti field of northern Alberta under a short term gas peaking contract. Production from new fields in northeastern British Columbia also contributed to higher natural gas sales.

The Company's natural gas price averaged $1.69 per thousand cubic feet during 1990. This is the first price increase since natural gas prices began falling from a high of $2.84 per thousand cubic feet in 1984. The 1990 price, however, continued to reflect an oversupply of natural gas in North American markets.

Price and Volume Sensitivities

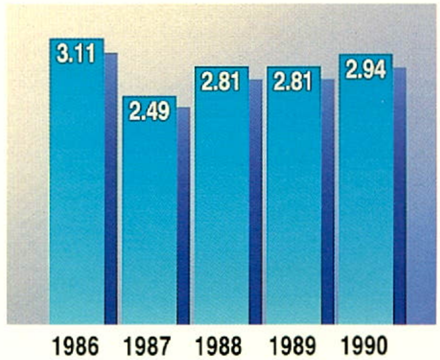
If all other factors remain the same, a U.S. $1 per barrel change in the price of benchmark West Texas Intermediate crude oil affects Scurry-Rainbow's annual earnings by slightly less than $2 million. Similarly, a ten cent per thousand cubic feet change in the price of natural gas influences Scurry-Rainbow's annual earnings by approximately $1 million. A volume fluctuation of 500 barrels of oil per day will also impact annual earnings by about $2 million and a change of 10 million cubic feet per day of gas will alter annual earnings by somewhat less than $2 million.

Expenses

Operating expenses of $17.1 million, or $2.94 per barrel of oil equivalent, increased slightly from the $16.1 million and $16.5 million recorded in 1989 and 1988, respectively.

Operating Expenses

(dollars per barrel of oil equivalent)



The Company's average depletion and depreciation rate continued to show a modest decline during 1990, reflecting low cost reserve additions. The rate was $4.39 per barrel of oil equivalent compared with $4.40 in 1989 and $4.43 in 1988.

Depletion and Depreciation Rate

(dollars per barrel of oil equivalent)

Taxes of $15.0 million were significantly higher than the $7.7 million and $7.0 million levied in 1989 and 1988, respectively. Higher revenues and lower Alberta Royalty Tax Credits accounted for the increase. The Company's income tax rate was 40.5%, compared with 39.1% in 1989 and 45.3% in 1988. The reduction from 1988 is due to a decline in the federal income tax rate. Legislative changes to the Royalty Tax Credit program introduced by the Alberta government reduced 1990 income by $2.1 million. The federal

Scurry-Rainbow was able to counter the trend of declining gas prices caused by excess supplies in western Canada, by developing new gas marketing strategies.

An aggressive exploration and development program during 1990 resulted in capital expenditures totalling $69.8 million.

government's introduction of the Large Corporations Tax effective July 1, 1989 has also reduced net income by $598,000 in 1990 and $265,000 in 1989.

Capital Expenditures

An aggressive exploration and development program during 1990 resulted in capital expenditures totalling $69.8 million, up from $53.0 million in 1989 and down slightly from $74.0 million in 1988. The 1988 spending included $28.5 million for the acquisition of an additional interest in the North Coleman gas field of Alberta and properties in northeastern British Columbia.

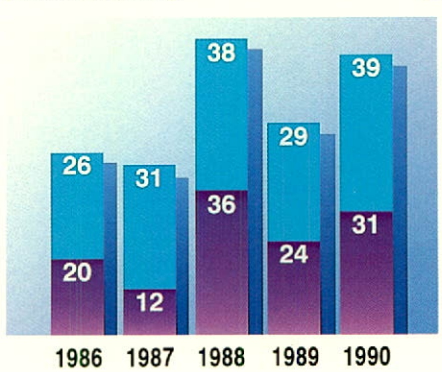
Exploration expenditures for 1990 reached $38.9 million, 32% higher than last year. Drilling programs in the Ring/Border area of northeastern British Columbia and the Hitchcock and Macoun fields of southeastern Saskatchewan accounted for a significant portion of the expenditures.

Development programs accounted for $30.6 million of the 1990 capital expenditures and involved the installation of production facilities in the Mistahae area of Alberta and development drilling in various areas throughout western Canada.

Scurry-Rainbow's 1991 capital program will continue to direct approximately 60% of total expenditures on exploration activities with the remaining 40% allocated to development. A capital budget of $50 million is planned, with expenditures primarily allocated to higher working interest exploration projects and optimization of existing reserves. Exploration expenditures are expected to total approximately $30 million with 75% of drilling costs allocated to natural gas prospects. Development spending in 1991 will include the construction of gas facilities in the Ring/Border area.

Capital Expenditures
(millions of dollars)

exploration
development

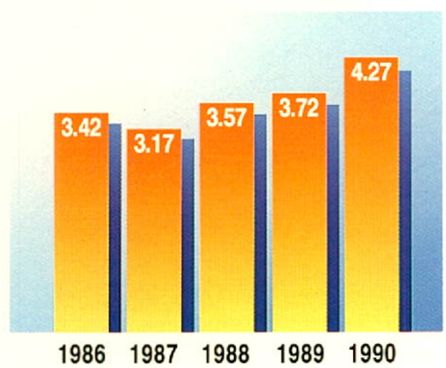


The Company continues to be in a strong financial position.

Cash From Operations

Cash generated from operating activities during 1990 totalled $57.4 million compared with $50.1 million in 1989 and $48.1 million in 1988. Higher revenues partially offset by increased current taxes contributed to the overall increase from 1989 and 1988.

Cash from Operations
(dollars per share)



Dividends

Scurry-Rainbow declared regular dividends of $0.50 per share for each of the years 1990, 1989 and 1988. During 1988, a onetime special dividend of $0.50 per share was declared.

Corporate Liquidity

The Company continues to be in a strong financial position with no long term debt and an unused line of credit of $15.0 million with a major commercial bank.

Management's Report

To the Shareholders of Scurry-Rainbow Oil Limited

Management is responsible for the accompanying consolidated financial statements and all other information in this Annual Report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that reflect management's judgement and best estimates. Financial information contained throughout this Annual Report is consistent with the financial statements.

Management has established systems of internal control that provide reasonable assurance that assets are safeguarded from loss or unauthorized use and produce reliable accounting records for the preparation of financial information. The internal control system is augmented by an internal audit function and an established code of business conduct.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee of the Board, composed of directors who are not officers or employees of the Company, has a specific responsibility in this area. The Committee meets with management, internal auditors and independent auditors to review the internal controls, financial statements and auditors' reports. The Audit Committee reports its findings to the Board for its consideration in approving the financial statements for issuance to the shareholders.

Price Waterhouse, appointed by the shareholders as the Company's independent auditors, conduct an examination of the financial statements in accordance with Canadian generally accepted auditing standards. Their examination includes a review of the Company's systems of internal control, and such tests and procedures as they consider necessary in order to express an opinion on the financial statements.

R. F. Haskayne
President and Chief
Executive Officer

E. Jorgensen
Vice President and
Controller

Consolidated Statement of Financial Position

(thousands of dollars)

	December 31, 1990	December 31, 1989
ASSETS		
Current Assets		
Advances to parent and affiliated companies *(Note 8)*	$ —	$ 12,805
Accounts receivable	15,310	11,239
Inventories	428	443
	15,738	24,487
Investments and Other Assets	1,212	2,924
Property, Plant and Equipment *(Note 3)*		
Petroleum and natural gas *(full cost)*	360,844	319,847
Other	2,139	2,186
	362,983	322,033
	$379,933	$349,444
LIABILITIES		
Current Liabilities		
Bank indebtedness	$ —	$ 556
Advances from parent company *(Note 8)*	3,235	—
Accounts payable	13,986	15,105
Taxes payable	4,368	597
Dividends payable	3,702	3,659
Current portion of deferred production revenue	498	403
	25,789	20,320
Deferred Production Revenue *(Note 5)*	1,496	2,642
Site Restoration Accrual	3,065	2,735
Deferred Income Taxes	115,888	105,953
	146,238	131,650
SHAREHOLDERS' EQUITY		
Capital Stock *(Note 6)*		
Common shares issued 13,462,129	10,922	10,922
Contributed Surplus	23,334	23,334
Retained Earnings	199,439	183,538
	233,695	217,794
	$379,933	$349,444

Approved by the Board

, Director

, Director

Consolidated Statement of Earnings and Retained Earnings

(thousands of dollars, except per share amounts)

	Year ended December 31,		
	1990	1989	1988
Revenue			
Operating	$ 84,588	$ 70,211	$ 67,081
Other	1,866	2,606	3,196
	86,454	72,817	70,277
Expenses			
Operating	17,119	16,107	16,546
General and administrative	4,804	4,002	4,084
Depletion and depreciation *(Note 3)*	25,804	25,546	26,927
Interest *(Notes 4 and 8)*	1,141	480	596
	48,868	46,135	48,153
Earnings Before Taxes	37,586	26,682	22,124
Taxes *(Note 7)*	14,954	7,703	7,012
Earnings	22,632	18,979	15,112
Retained Earnings at Beginning of Year	183,538	171,290	169,640
	206,170	190,269	184,752
Dividends	6,731	6,731	13,462
Retained Earnings at End of Year	$199,439	$183,538	$171,290
Earnings Per Share	$ 1.68	$ 1.41	$ 1.12
Dividends Per Share	$ 0.50	$ 0.50	$ 1.00

Consolidated Statement of Changes in Financial Position

(thousands of dollars)

	Year ended December 31,		
	1990	1989	1988
Operating Activities			
Cash from operations			
Earnings	**$ 22,632**	$ 18,979	$ 15,112
Charges (credits) not affecting cash			
Depletion and depreciation	**25,804**	25,546	26,927
Deferred income taxes	**9,935**	5,683	5,972
Other	**(947)**	(91)	111
	57,424	50,117	48,122
Deferred production revenue	**(1,051)**	(721)	321
Decrease (increase) in noncash working capital	**1,318**	16,385	(4,519)
	57,691	65,781	43,924
Investing Activities			
Additions to property, plant and equipment	**(69,825)**	(52,979)	(73,963)
Proceeds on disposition of property, plant and equipment	**3,444**	1,595	730
Proceeds on sale of Westcoast Oil & Gas Corp., net	**2,542**	—	—
Other	**74**	568	314
	(63,765)	(50,816)	(72,919)
Dividends			
Regular	**(6,731)**	(6,731)	(6,731)
Special	**—**	—	(6,731)
	(6,731)	(6,731)	(13,462)
Net Cash Before Financing Activities	**(12,805)**	8,234	(42,457)
Financing Activities			
Long term debt retirement	**—**	—	(3,990)
Increase (Decrease) in Cash	**(12,805)**	8,234	(46,447)
Cash at Beginning of Year	**12,805**	4,571	51,018
Cash at End of Year	**$ —**	$ 12,805	$ 4,571

Consolidated Statement of Changes in Noncash Working Capital

(thousands of dollars)

	Year ended December 31,		
	1990	**1989**	**1988**
Changes in Noncash Working Capital			
Short term investments	**$ —**	$ 5,340	$ 8,252
Accounts receivable	**(4,071)**	2,556	2,384
Taxes recoverable	**—**	897	(897)
Inventories	**15**	65	120
Bank indebtedness	**(556)**	325	231
Advances from parent company	**3,235**	—	—
Accounts payable	**(1,119)**	6,582	(1,315)
Taxes payable	**3,771**	597	(13,428)
Dividends payable	**43**	23	134
Decrease (Increase) in Noncash Working Capital	**$ 1,318**	$16,385	$ (4,519)

For the purposes of this statement, noncash working capital excludes the current portion of deferred production revenue.

Auditors' Report

To the Shareholders of Scurry-Rainbow Oil Limited

We have audited the consolidated statement of financial position of Scurry-Rainbow Oil Limited as at December 31, 1990 and 1989 and the consolidated statements of earnings and retained earnings, changes in financial position and changes in noncash working capital for each of the years in the three year period ended December 31, 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1990 and 1989 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1990 in accordance with Canadian generally accepted accounting principles.

Price Waterhouse

Calgary, Alberta, Canada
February 12, 1991

Chartered Accountants

Notes to the 1990 Consolidated Financial Statements

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

1. Summary of Significant Accounting Policies

The consolidated financial statements of Scurry-Rainbow Oil Limited are prepared in accordance with Canadian generally accepted accounting principles and conform in all material respects with the historical cost accounting standards of the International Accounting Standards Committee.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company. Prior to 1990, the consolidated financial statements also included the accounts of Westcoast Oil & Gas Corp. ("Westcoast"), a wholly owned subsidiary of the Company. Effective May 28, 1990, the Company sold Westcoast to Home Oil Company Limited (Note 8).

The Company follows the equity method of accounting for its investment in a 50% owned company. Under this method, the Company's investment is carried at cost plus its share of undistributed earnings since the date of acquisition.

Substantially all of the Company's exploration and production activities are conducted jointly with the parent company and others. These financial statements reflect the Company's proportionate interest in such activities.

Cash

Cash, for the purposes of the Statement of Changes in Financial Position, is defined as advances to parent company and advances to affiliated company.

Inventories

Inventories are stated at the lower of cost and net realizable value.

Oil and Gas Operations

The full cost method of accounting is followed for oil and gas operations, whereby all exploration and development costs are capitalized in separate cost centres for each country. Capitalized costs include land acquisition costs, geological and geophysical costs, lease rentals and related charges applicable to nonproducing properties, costs of drilling both productive and nonproductive wells, and overhead charges related to exploration and development activities. The net book value of such costs, net of related deferred income taxes, is limited by a "ceiling test" amount. This estimated amount is the sum of future net revenues from proved reserves at current prices and costs, plus the lower of cost and estimated fair market value of unproved properties, less future financing, administrative and income tax expenses.

Oil and gas costs are depleted using the unit of production method based upon estimated proved reserves, before royalties, as determined by Company engineers. Natural gas reserves and sales are converted to equivalent units of crude oil based on six thousand cubic feet of natural gas to one barrel of crude oil. Costs of acquiring and evaluating significant unproved properties and costs of major development projects are excluded from the computation of depletion until such time as additional reserves are proved, the project is completed, or an impairment in value has occurred. Estimated future liabilities for site restoration costs, including dismantling and abandoning properties, are accrued using the unit of production method. The annual provision is expensed as depletion.

Depreciation of buildings, plant and equipment, other than oil and gas production equipment, is provided on the straight line basis over the estimated service life of each asset. Oil and gas production equipment is depreciated using the unit of production method.

When property, plant and equipment are retired or otherwise disposed of, the net proceeds are credited to the carrying value except for unusual disposals for which the gain or loss is included in earnings.

Mining Costs

Mining costs are charged to depletion in the year incurred until such time as the presence of economically recoverable reserves is established. Proceeds on partial disposition of properties are generally deducted from the related costs without recognition of gain or loss.

Deferred Income Taxes

Income taxes are accounted for using the tax allocation basis of accounting. Under this method, deferred income taxes are recorded with respect to differences between depletion, depreciation and other items recorded in the accounts and those claimed for income tax purposes.

Comparative Amounts

Certain comparative amounts have been reclassified to conform with the current year's financial statement presentation.

2. Segmented Information

The Company has only one significant business segment being its oil and gas operations which are conducted in Canada.

3. Property, Plant and Equipment

	December 31, 1990		
	Cost	**Accumulated depletion and depreciation**	**Net**
Petroleum and natural gas properties and equipment	$589,082	$228,238	$360,844
Undeveloped mining properties	2,556	774	1,782
Other	1,118	761	357
	$592,756	$229,773	$362,983

	December 31, 1989		
	Cost	**Accumulated depletion and depreciation**	**Net**
Petroleum and natural gas properties and equipment	$524,011	$204,164	$319,847
Mining properties			
Developed	4,603	4,603	—
Undeveloped	2,520	738	1,782
Other	1,060	656	404
	$532,194	$210,161	$322,033

The oil and gas depletion and depreciation expense per equivalent unit of production for the year ended December 31, 1990 amounted to $4.39 per barrel (1989 — $4.40; 1988 — $4.43).

4. Long Term Debt

At December 31, 1990, the Company had unutilized bank lines of credit of $15.0 million. Upon drawdown, the loans bear interest at prevailing market rates and are unsecured.

During 1988 the Company retired its long term debt. Interest on long term debt for the year ended December 31, 1988 amounted to $99,000.

5. Deferred Production Revenue

	December 31,	
	1990	**1989**
Deferred production revenue	$1,994	$3,045
Current portion of deferred production revenue	(498)	(403)
	$1,496	$2,642

Amounts paid to the Company by purchasers for gas volumes not yet taken under take or pay contracts are recorded as deferred production revenue. These amounts will be recorded as revenue when the gas to which the payments relate is delivered to the purchaser. Deliveries or repayments are being made over a period ending in 1994.

6. Capital Stock

The authorized capital stock of the Company consists of 200 million common shares and 100 million preferred shares, all of no par value. As at December 31, 1990 and 1989, the Company had 13,462,129 common shares issued and outstanding.

7. Taxes

Taxes are comprised of the following:

	Year ended December 31,		
	1990	**1989**	**1988**
Income taxes			
Current	$ 5,279	$ 4,755	$ 4,040
Deferred	9,935	5,683	5,972
	15,214	10,438	10,012
Large Corporations Tax	598	265	—
Alberta Royalty Tax Credits	(858)	(3,000)	(3,000)
Total taxes	$14,954	$ 7,703	$ 7,012

The income tax provision differs from the amounts computed by applying the combined Canadian federal and provincial income tax rates to pretax earnings. The differences result from the items shown in the following table:

	Year ended December 31,		
	1990	**1989**	**1988**
Pretax earnings	**$37,586**	$26,682	$22,124
Canadian statutory income tax rate	**43.6%**	43.6%	47.4%
Income taxes at statutory rate	**$16,387**	$11,633	$10,487
Increase (decrease) resulting from:			
Nondeductible crown royalties	**6,898**	5,763	6,162
Federal resource allowance	**(7,345)**	(5,758)	(5,730)
Other	**(726)**	(1,200)	(907)
Income taxes	**$15,214**	$10,438	$10,012
Effective income tax rate	**40.5%**	39.1%	45.3%

8. Related Party Transactions

Home Oil Company Limited ("Home") owns approximately 88.1% of the issued and outstanding shares of the Company. During the year ended December 31, 1990, Home provided certain management, technical and administrative services to the Company at cost which amounted to $16,414,000 (1989 — $13,524,000; 1988 — $12,409,000). Of this amount, $11,651,000 has been capitalized and allocated to property, plant and equipment (1989 — $9,522,000; 1988 — $8,524,000).

During the year ended December 31, 1990, the Company borrowed various amounts from Home's parent company, Interhome Energy Inc. ("Interhome"). Amounts borrowed carry interest at 1/16% above Interhome's cost of funds from commercial paper and bankers' acceptances and are repayable on demand. Interest of $1,100,000 (1989 — $376,000; 1988 — $60,000) was charged on these short term loans.

The Company also advances various amounts to its parent company, Home. These advances carry interest at 1/16% above Interhome's cost of funds from commercial paper and bankers' acceptances and are repayable on demand. Interest income for the year ended December 31, 1990 amounted to $725,000 (1989 — $139,000; 1988 — $1,563,000).

The Company advanced various amounts to an affiliated company, Lakehead Pipe Line Company, Inc. Advances were due on demand with interest at the monthly published short term applicable federal rate of the United States. In 1989, interest income amounted to $357,000 (1988 — $157,000).

Effective May 28, 1990, the Company sold its wholly owned subsidiary to Home for net proceeds of $2,542,000.

9. United States Accounting Principles

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). These principles conform in all material respects to those in the United States ("U.S. GAAP") except for the following:

(a) The Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standard ("SFAS") 95 — "Statement of Cash Flows" requires that the change in noncash working capital, where appropriate, be allocated among operating, investing and financing activities. Under this requirement, for the year ended December 31, 1990 cash flow relating to operating activities would decrease by $676,000 (December 31, 1989 — $13,772,000; December 31, 1988 — $8,009,000), investing activities would decrease by $2,592,000 (1989 increase — $13,588,000; 1988 increase — $7,962,000) and financing activities would increase by $3,257,000 (1989 — $184,000; 1988 — $47,000).

In addition, interest and income taxes paid of $1,203,000 and $1,251,000 (1989 — $418,000 and $521,000), respectively would be disclosed separately.

(b) In December 1987, the FASB issued a revised statement on "Accounting for Income Taxes", SFAS 96, which will require companies to recognize current changes in tax rates in recording their deferred income tax liabilities. The effective implementation date has been deferred to fiscal years beginning after December 15, 1992. The FASB is reconsidering certain aspects of this statement. Due to the possible changes which may arise from this review, the effect of applying this statement has not been determined at this time.

Supplementary Information (Unaudited)

Oil and Gas Information (Unaudited)

The following unaudited supplementary oil and gas information is provided in accordance with the Statement of Financial Accounting Standards No. 69, "Disclosures about Oil and Gas Producing Activities" as required in the United States. All numbers are in thousands of dollars, except for reserve quantities.

The Company's oil and gas exploration and production activities are carried out in Canada.

Capitalized Costs

	December 31,		
	1990	**1989**	**1988**
Proved oil and gas properties	$ 542,099	$ 479,408	$ 429,879
Unproved oil and gas properties	46,983	44,603	49,000
	589,082	524,011	478,879
Accumulated depletion and depreciation	(228,238)	(204,164)	(187,805)
Net capitalized costs	$ 360,844	$ 319,847	$ 291,074

Costs Incurred

	Year ended December 31,		
	1990	**1989**	**1988**
Acquisition of properties			
Proved	$ 1,394	$ 4,992	$ 18,870
Unproved	5,254	5,412	11,821
Exploration costs	33,648	24,009	25,789
Development costs	29,218	18,378	16,860
Total costs incurred	$ 69,514	$ 52,791	$ 73,340

Results of Operations

	Year ended December 31,		
	1990	**1989**	**1988**
Operating revenue, net of royalties	$ 84,588	$ 70,211	$ 67,081
Production costs	(17,119)	(16,107)	(16,546)
Depletion and depreciation	(25,518)	(25,248)	(26,051)
Income from oil and gas operations	41,951	28,856	24,484
Income taxes (net of Alberta Royalty Tax Credits)	(17,344)	(9,774)	(8,438)
Results of oil and gas operations	$ 24,607	$ 19,082	$ 16,046

Net Proved Oil and Gas Reserve Quantities

Net proved oil and gas reserves are the estimated quantities of crude oil (including natural gas liquids) and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. The Company's proved reserves are located in Canada and are based on estimates made by Company engineers.

The calculation of net proved reserves is based on the Company's share of proved reserves after the deduction of royalties. Royalties are calculated on the basis of royalty regulations in effect on the dates the estimates are made. Royalty rates vary depending on price, production volume, the timing of initial production and the location of the producing wells.

Net Proved Reserves

	1990	**1989**	**1988**
Crude oil *(thousands of barrels)*			
Beginning of year	25,200	23,576	20,395
Revisions of previous estimates and improved recovery	314	1,078	3,273
Extensions and discoveries	1,948	3,367	2,945
Purchase of reserves in place	67	125	—
Sale of reserves in place	(227)	(92)	(42)
Production	(2,629)	(2,854)	(2,995)
End of year	24,673	25,200	23,576
Natural gas *(billions of cubic feet)*			
Beginning of year	243	207	166
Revisions of previous estimates and improved recovery	5	26	5
Extensions and discoveries	52	15	20
Purchase of reserves in place	2	7	28
Sale of reserves in place	(1)	(1)	(1)
Production	(13)	(11)	(11)
End of year	288	243	207

Net proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Net Proved Developed Reserves

	December 31,		
	1990	1989	1988
Crude oil *(thousands of barrels)*	20,925	24,128	22,616
Natural gas *(billions of cubic feet)*	177	183	173

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein

The standardized measure of future cash flows is computed by applying year end prices to year end quantities of proved oil and gas reserves, and deducting future development costs, production costs and income taxes (net of Alberta Royalty Tax Credits).

Future development and production costs are based on year end costs and assume continuation of existing economic and operating conditions. Future income taxes are computed by applying the appropriate year end statutory rates to the future pretax net cash flows, after making provisions for the tax basis of the oil and gas properties. Future net cash flows are discounted at a rate of 10% per annum to arrive at discounted future net cash flows.

Under United States accounting principles, discounted future net cash flows must exceed the net book value of proved petroleum and natural gas properties, net of related deferred income taxes. A writedown of proved properties would be required if the conditions of this "ceiling test" were not met.

The Company cautions that the discounted future net cash flows from proved oil and gas reserves is neither an indication of the fair market value of the Company's oil and gas properties, nor of the future net cash flows expected to be generated from such properties. The discounted future net cash flows do not include the fair market value of exploratory properties and probable or possible oil and gas reserves, nor is consideration given to the effect of anticipated future changes in crude oil and natural gas prices, development and production costs, and possible changes to tax and royalty regulations. The prescribed discount rate of 10% may not appropriately reflect future interest rates.

Standardized Measure of Discounted Future Net Cash Flows

	December 31,		
	1990	1989	1988
Future cash inflows	$1,177,052	$ 976,897	$ 785,953
Future costs			
Production	(246,488)	(206,020)	(179,523)
Development	(66,446)	(33,870)	(22,456)
Future pretax cash flows	864,118	737,007	583,974
Future income taxes	(311,016)	(266,678)	(139,634)
Future net cash flows	553,102	470,329	444,340
10% annual discount for timing of future cash flows	(249,548)	(215,479)	(206,842)
Discounted future net cash flows	$ 303,554	$ 254,850	$ 237,498

Changes in Standardized Measure of Discounted Future Net Cash Flows

	Year ended December 31,		
	1990	1989	1988
Revisions to reserves proved in prior years			
Revisions of previous quantity and timing estimates	$ 17,916	$ 29,244	$ (15,093)
Net changes in prices and royalties, net of production costs	61,629	45,642	(41,018)
Net changes in future development costs	(16,402)	(6,260)	(5,120)
Other	(15,979)	(8,003)	(3,682)
Accretion of discount	37,361	29,316	31,774
	84,525	89,939	(33,139)
Changes during the year			
Extensions, discoveries and improved recovery, net of related costs	48,049	36,338	31,233
Previously estimated development costs incurred during the year	7,055	4,700	4,742
Sales of oil and gas produced, net of production costs	(67,243)	(53,916)	(50,535)
Purchase of reserves in place	1,905	4,832	23,985
Sale of reserves in place	(3,489)	(1,433)	(868)
	(13,723)	(9,479)	8,557
Total revisions and changes before income taxes	70,802	80,460	(24,582)
Net changes in income taxes	(22,098)	(63,108)	39,143
Total revisions and changes	48,704	17,352	14,561
Discounted future net cash flows, at beginning of year	254,850	237,498	222,937
Discounted future net cash flows, at end of year	$303,554	$254,850	$237,498

Selected Quarterly Financial Data (Unaudited)

(thousands of dollars, except per share amounts)

	1990 Quarters				
	First	Second	Third	Fourth	Total
Revenue	$23,824	$16,309	$20,334	$25,987	$86,454
Gross margin (1)	$18,978	$10,449	$14,590	$20,514	$64,531
Earnings	$ 6,465	$ 3,013	$ 5,278	$ 7,876	$22,632
Cash from operations	$19,168	$ 9,741	$13,197	$15,318	$57,424
Earnings per share	$ 0.48	$ 0.22	$ 0.39	$ 0.59	$ 1.68
Dividends per share	—	$ 0.25	—	$ 0.25	$ 0.50

	1989 Quarters				
	First	Second	Third	Fourth	Total
Revenue	$ 16,689	$ 18,853	$ 18,452	$ 18,823	$ 72,817
Gross margin (1)	$ 11,624	$ 13,881	$ 13,391	$ 13,812	$ 52,708
Earnings	$ 3,868	$ 5,175	$ 4,664	$ 5,272	$ 18,979
Cash from operations	$ 12,242	$ 13,321	$ 11,710	$ 12,844	$ 50,117
Earnings per share	$ 0.29	$ 0.38	$ 0.35	$ 0.39	$ 1.41
Dividends per share	—	$ 0.25	—	$ 0.25	$ 0.50

(1) Gross margin is defined as revenue less operating and general and administrative expenses.

Ten Year Review

Financial Information

(thousands of dollars, except per share amounts)

	Year ended December 31, 1990	1989	1988	1987
Statement of Earnings				
Revenue				
Crude oil	$ 56,956	$ 45,464	$ 42,451	$ 57,193
Natural gas	20,898	18,153	18,040	14,204
Natural gas liquids	4,873	4,260	3,980	4,561
Sulphur	1,861	2,334	2,610	1,902
Mining	—	—	—	—
Investment income	1,866	2,606	3,196	3,338
	86,454	72,817	70,277	81,198
Expenses				
Operating and general	21,923	20,109	20,630	16,875
Depletion and depreciation	25,804	25,546	26,927	24,064
Other	1,141	480	596	326
	48,868	46,135	48,153	41,265
Earnings before taxes	37,586	26,682	22,124	39,933
Taxes	14,954	7,703	7,012	16,798
Earnings	$ 22,632	$ 18,979	$ 15,112	$ 23,135
Earnings per share	$ 1.68	$ 1.41	$ 1.12	$ 1.72
Statement of Changes in Financial Position				
Cash from operations	$ 57,424	$ 50,117	$ 48,122	$ 42,620
Deferred production revenue	(1,051)	(721)	321	(497)
Change in noncash working capital	1,318	16,385	(4,519)	29,512
Investing activities	(63,765)	(50,816)	(72,919)	(40,514)
Dividends	(6,731)	(6,731)	(13,462)	(6,731)
Financing activities	—	—	(3,990)	(134)
Increase (decrease) in cash	$ (12,805)	$ 8,234	$ (46,447)	$ 24,256
Cash from operations per share	$ 4.27	$ 3.72	$ 3.57	$ 3.17
Net Capital Expenditures				
Oil and gas				
Land acquisition	$ 5,254	$ 5,412	$ 11,821	$ 7,574
Exploration	33,648	24,009	25,789	23,344
Development	30,612	23,370	35,730	11,399
	69,514	52,791	73,340	42,317
Other	311	188	623	381
	$ 69,825	$ 52,979	$ 73,963	$ 42,698
Working capital	$ (10,051)	$ 4,167	$ 12,142	$ 50,420
Total assets	$ 379,933	$ 349,444	$ 324,121	$ 334,314
Long term debt	$ —	$ —	$ —	$ 3,990
Shareholders' equity	$ 233,695	$ 217,794	$ 205,546	$ 203,896
Shares outstanding at end of year	13,462,129	13,462,129	13,462,129	13,462,129
Dividends per share	$ 0.50	$ 0.50	$ 1.00	$ 0.50
Return on average shareholders' equity	10.0%	9.0%	7.4%	11.8%

Three months ended December 31, 1986	Year ended September 30, 1986	1985	1984	1983	1982	1981
$ 10,807	$ 49,496	$ 68,137	$ 67,356	$ 57,056	$ 40,727	$ 30,106
2,937	17,213	20,461	18,722	17,943	12,503	10,449
632	4,612	3,038	3,036	2,599	1,406	1,202
747	2,443	2,931	1,317	1,381	1,149	2,258
—	—	—	—	—	310	7,731
937	5,888	8,315	5,077	3,367	832	1,099
16,060	79,652	102,882	95,508	82,346	56,927	52,845
4,027	17,066	17,300	15,750	14,437	14,144	22,179
5,110	20,166	16,942	15,715	15,029	9,713	9,111
196	669	792	965	1,040	2,452	3,621
9,333	37,901	35,034	32,430	30,506	26,309	34,911
6,727	41,751	67,848	63,078	51,840	30,618	17,934
2,519	23,997	37,716	38,180	29,377	16,294	9,352
$ 4,208	$ 17,754	$ 30,132	$ 24,898	$ 22,463	$ 14,324	$ 8,582
$ 0.31	$ 1.32	$ 2.25	$ 1.86	$ 1.68	$ 1.07	$ 0.64
$ 12,489	$ 45,978	$ 62,213	$ 61,831	$ 52,704	$ 29,709	$ 21,552
(23)	(121)	(409)	1,635	941	287	521
2,821	(8,957)	14,173	(27,365)	(14,069)	(969)	3,032
(8,221)	(43,720)	(51,183)	(44,402)	(15,513)	(20,188)	(21,311)
(3,366)	(6,731)	—	—	—	—	—
(10)	(52)	(992)	(730)	(1,487)	(6,147)	(9,104)
$ 3,690	$ (13,603)	$ 23,802	$ (9,031)	$ 22,576	$ 2,692	$ (5,310)
$ 0.93	$ 3.42	$ 4.64	$ 4.62	$ 3.94	$ 2.22	$ 1.61
$ 753	$ 3,427	$ 5,203	$ 4,421	$ 773	$ —	$ 1,407
5,009	22,969	24,994	23,194	9,760	3,594	2,476
2,576	19,250	15,741	17,438	9,355	15,325	13,771
8,338	45,646	45,938	45,053	19,888	18,919	17,654
57	139	298	139	315	1,798	4,013
$ 8,395	$ 45,785	$ 46,236	$ 45,192	$ 20,203	$ 20,717	$ 21,667
$ 59,517	$ 58,777	$ 63,427	$ 53,877	$ 35,688	$ (957)	$ (4,618)
$ 314,114	$ 311,053	$ 309,709	$ 255,153	$ 210,630	$ 175,704	$ 152,029
$ 4,124	$ 4,134	$ 4,189	$ 6,897	$ 7,720	$ 9,417	$ 15,908
$ 187,492	$ 186,650	$ 175,627	$ 143,947	$ 119,049	$ 96,586	$ 82,262
13,462,129	13,462,129	13,462,129	13,391,780	13,391,780	13,391,780	13,391,780
$ 0.25	$ 0.50	$ —	$ —	$ —	$ —	$ —
8.9%	9.8%	18.9%	18.9%	20.8%	16.0%	11.0%

	Year ended December 31,			
	1990	**1989**	**1988**	**1987**
Production/Sales Data				
Crude oil				
Barrels per day	**7,679**	8,021	8,469	8,600
Average price per barrel	**$ 24.88**	$ 19.44	$ 16.63	$ 22.20
Average royalty rate	**18.3%**	18.2%	17.6%	17.9%
Natural gas liquids				
Barrels per day	**1,085**	1,277	1,277	1,122
Average price per barrel	**$ 14.37**	$ 10.41	$ 9.63	$ 12.58
Average royalty rate	**14.4%**	12.2%	11.6%	11.5%
Natural gas				
Thousands of cubic feet per day	**42,222**	37,706	37,067	28,196
Average price per thousand cubic feet	**$ 1.69**	$ 1.63	$ 1.66	$ 1.69
Average royalty rate	**19.8%**	19.0%	19.9%	18.2%
Sulphur				
Long tons per day	**120**	126	126	76
Average price per long ton	**$ 52.47**	$ 63.09	$ 67.11	$ 81.51
Average royalty rate	**19.1%**	19.4%	15.5%	16.1%
Drilling Activity *(working interest wells)*				
Gross exploratory				
Oil	**9**	5	27	45
Gas	**26**	21	17	8
Dry	**30**	26	43	50
Gross development				
Oil	**59**	59	86	82
Gas	**27**	8	10	6
Dry	**6**	5	18	13
Total	**157**	124	201	204
Net exploratory				
Oil	**2.74**	2.28	5.33	8.15
Gas	**8.80**	8.23	1.86	2.09
Dry	**10.45**	4.64	6.78	10.03
Net development				
Oil	**10.41**	10.07	13.54	7.43
Gas	**7.71**	1.58	1.70	1.37
Dry	**1.15**	1.10	4.85	5.01
Total	**41.26**	27.90	34.06	34.08
Proved Reserves *(before royalties)*				
Crude oil *(thousands of barrels)*	**22,567**	22,801	23,173	19,963
Natural gas liquids *(thousands of barrels)*	**6,994**	7,462	4,801	4,087
Natural gas *(billions of cubic feet)*	**354.8**	296.8	258.6	206.1
Sulphur *(thousands of long tons)*	**1,092.0**	1,041.0	725.0	308.0
Oil and Gas Landholdings *(thousands of acres)*				
Gross undeveloped	**7,267**	6,868	6,779	4,802
Net undeveloped	**2,701**	2,535	2,474	1,155
Gross developed	**777**	788	778	737
Net developed	**115**	109	109	102

Three months ended December 31, 1986	Year ended September 30, 1986	1985	1984	1983	1982	1981
8,001	7,543	7,101	7,304	7,227	6,460	7,070
$ 17.78	$ 22.77	$ 34.26	$ 33.42	$ 29.16	$ 23.19	$ 16.18
17.4%	21.1%	23.3%	24.6%	26.1%	25.6%	29.4%
821	849	369	405	371	264	253
$ 9.71	$ 17.76	$ 28.37	$ 26.92	$ 24.82	$ 18.67	$ 16.29
13.8%	16.2%	20.6%	23.8%	22.2%	21.8%	20.0%
23,557	24,845	24,391	21,711	20,622	16,824	16,593
$ 1.71	$ 2.37	$ 2.73	$ 2.84	$ 2.80	$ 2.46	$ 2.34
20.9%	19.7%	16.0%	16.9%	14.9%	17.4%	26.3%
81	58	104	67	62	53	90
$116.45	$134.00	$ 90.23	$ 63.74	$ 67.10	$ 72.70	$ 75.34
14.4%	14.6%	14.4%	15.3%	9.6%	19.3%	9.0%
18	46	65	31	4	2	2
6	30	51	23	1	1	3
10	66	94	59	4	4	2
29	156	129	102	28	15	22
3	13	27	22	7	12	14
5	28	47	35	9	8	4
71	339	413	272	53	42	47
3.64	4.56	6.68	5.07	1.20	0.28	0.76
0.68	1.30	2.69	2.23	0.08	0.67	1.43
1.65	6.34	5.25	4.99	1.49	0.49	0.03
2.56	17.67	9.40	15.81	6.87	6.49	5.09
0.19	0.80	0.74	0.61	0.42	1.67	2.17
1.11	4.73	4.24	2.45	1.87	5.47	1.31
9.83	35.40	29.00	31.16	11.93	15.07	10.79
21,680	22,064	19,675	17,203	15,945	17,259	21,847
2,160	2,214	2,183	1,975	1,610	1,686	2,937
206.6	207.2	201.5	192.8	178.9	169.0	183.1
300.4	304.6	324.0	340.7	366.9	366.0	581.5
5,345	5,943	4,424	3,388	3,561	4,054	4,369
1,154	1,217	1,143	1,072	1,350	1,395	1,550
646	623	639	776	730	739	683
94	96	97	131	124	126	131

Corporate Information

Board of Directors

+ **Robert G. Black, Q.C.,**
Calgary, Alberta
Barrister and Solicitor

Richard F. Haskayne, F.C.A.,
Calgary, Alberta
Chairman, President and Chief Executive Officer of Interhome Energy Inc., and President and Chief Executive Officer of the Company

+ **J. Gordon Hutchison, F.C.A.,**
Calgary, Alberta
Financial Consultant

+ **John F. Langston,**
Calgary, Alberta
Petroleum Engineer

Brian F. MacNeill,
Edmonton, Alberta
Executive Vice President and Chief Operating Officer of Interprovincial Pipe Line Company

+ **Stanley G. Olson,**
Spokane, Washington
Corporate Director

David E. Powell,
Calgary, Alberta
Executive Vice President and Chief Operating Officer of Home Oil Company Limited and of the Company

+ **E. Gordon Sheasby,**
Calgary, Alberta
Company Director

+ *Member of Audit Committee*

Senior Officers

Richard F. Haskayne
President and
Chief Executive Officer

David E. Powell
Executive Vice President and
Chief Operating Officer

Humberto Alfaro
Vice President Production

Fred Callaway
Vice President Corporate

Andrew P. Holder
Vice President Exploration

Edgar Jorgensen
Vice President and Controller

Allen R. Hagerman
Treasurer

Robert M. Perrin
Corporate Secretary

Corporate Office/ Investor Relations

Scurry-Rainbow Oil Limited
1600 Home Oil Tower
324 Eighth Avenue S.W.
Calgary, Alberta
T2P 2Z5
Telephone: (403) 232-7101
Fax: (403) 232-7678

Auditors

Price Waterhouse
Calgary, Alberta.

Stock Transfer Agent and Registrar

Central Guaranty Trust Company, Calgary, Toronto, Montreal & Vancouver.

The Canadian Imperial Bank of Commerce (New York), New York City, New York.

Form 10-K

The Company files annually with the Securities and Exchange Commission of the United States a report known as the Annual Report on Form 10-K. Copies of the Form 10-K are available to shareholders, free of charge, upon written request to
Mr. R. M. Perrin,
Corporate Secretary,
Scurry-Rainbow Oil Limited,
1600 Home Oil Tower,
324 Eighth Avenue S.W.,
Calgary, Alberta, Canada,
T2P 2Z5.

Annual General Meeting

The Annual General Meeting of Shareholders will be held at 2:30 p.m. on Friday, May 3, 1991 in the Company's head office, 29th floor Auditorium, Home Oil Tower, 324 Eighth Avenue S.W., Calgary, Alberta, Canada. This Annual Report is being mailed with the Notice of Meeting, Management Proxy Circular and Form of Proxy to all shareholders of record March 22, 1991.

Share Information

	Prices			
	Toronto Stock Exchange (Cdn. dollars)		American Stock Exchange (U.S. dollars)	
	High	Low	High	Low
Year Ended December 31, 1990				
1st quarter	**27¾**	**24**	**23⅜**	**20½**
2nd quarter	**31**	**25½**	**26¾**	**21⅝**
3rd quarter	**29**	**25½**	**25¼**	**22**
4th quarter	**28¼**	**24⅛**	**24⅛**	**21**
Year Ended December 31, 1989				
1st quarter	19¼	17¾	16¼	14⅞
2nd quarter	18⅞	18	15⅞	14¾
3rd quarter	22	19	18½	15⅞
4th quarter	25¼	21	21¾	18¼

At December 31, 1990, the Company had 13,462,129 common shares issued and outstanding, held by 3,080 shareholders.

Stock Exchange Listings	Symbols
Toronto Stock Exchange	SCR
American Stock Exchange	SRB

Glossary of Terms

Additions Cost: Total western Canadian exploration and development expenditures including capitalized overhead costs, divided by the proved reserves additions resulting from these activities, expressed in dollars per barrel of oil equivalent.

Barrel of Oil Equivalent: The equivalent energy unit which equates one (1) barrel of crude oil or natural gas liquids to six thousand (6,000) cubic feet of natural gas (methane) so that oil and gas volumes can be expressed in one common unit known as a barrel of oil equivalent or BOE.

Completion: The work necessary to prepare an oil or gas well for production.

Development Well: A well drilled inside the boundary of an established oil or gas field.

Exploratory Well: A well drilled outside the boundary of an established oil or gas field.

Gross: Includes the interests of others.

Natural Gas Liquids: Hydrocarbons liquefied and removed from natural gas during processing.

Net: Excludes the interests of others.

Operator: The company which is responsible for the actual operation of a program or facility.

Percentage Replacement of Production: The portion of annual production replaced by reserves additions, including acquisitions and injected miscible fluids, expressed as a percentage.

Proved Reserves: The estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing operating and economic conditions.

Royalty: The share of oil and gas which belongs to the owner of the resource.

Waterflood: A method of secondary recovery in which water is injected into a reservoir to displace additional oil from the reservoir rock.

Working Interest: The operating interest under an oil and gas lease. A company holding a working interest is responsible for its share of the costs.

Metric Conversion Factors

1 kilometre	= 0.62 miles
1 metre	= 3.28 feet
1 hectare	= 2.47 acres
1 cubic metre	= 6.2898 barrels (petroleum liquids)
1 cubic metre	= 35.49373 cubic feet (natural gas)
1 tonne	= 0.984 long tons (sulphur)

SCURRY-RAINBOW OIL LIMITED

1600 Home Oil Tower
324 Eighth Avenue S.W.
Calgary, Alberta, Canada
T2P 2Z5
Telephone: (403) 232-7101

Printed in Canada