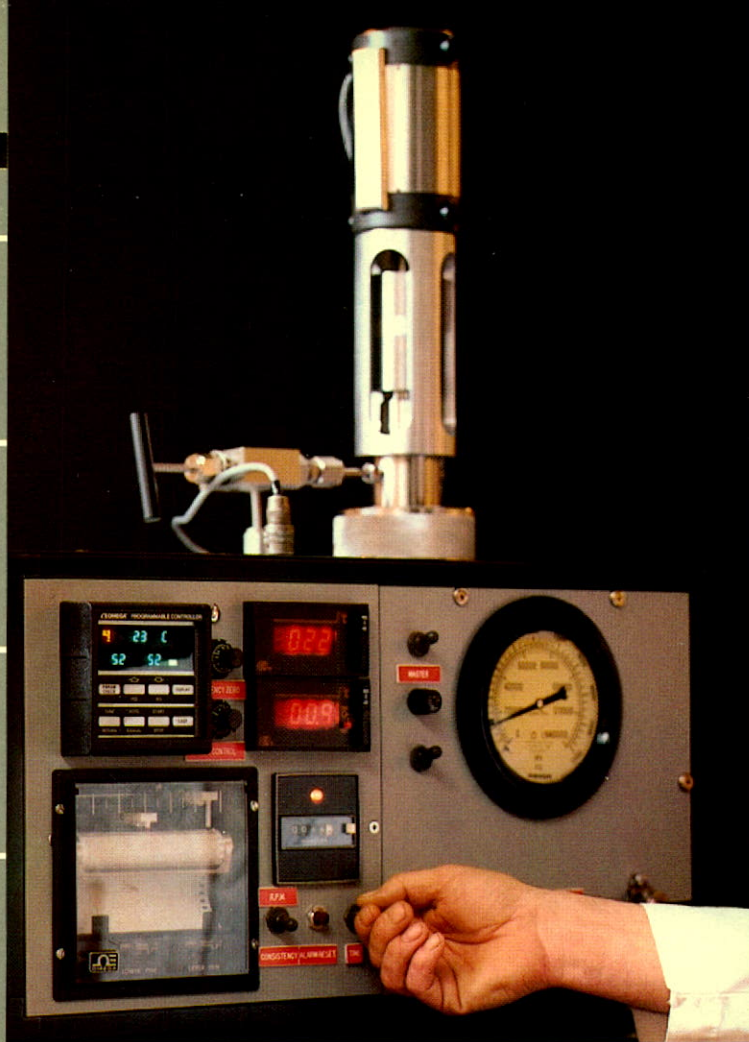
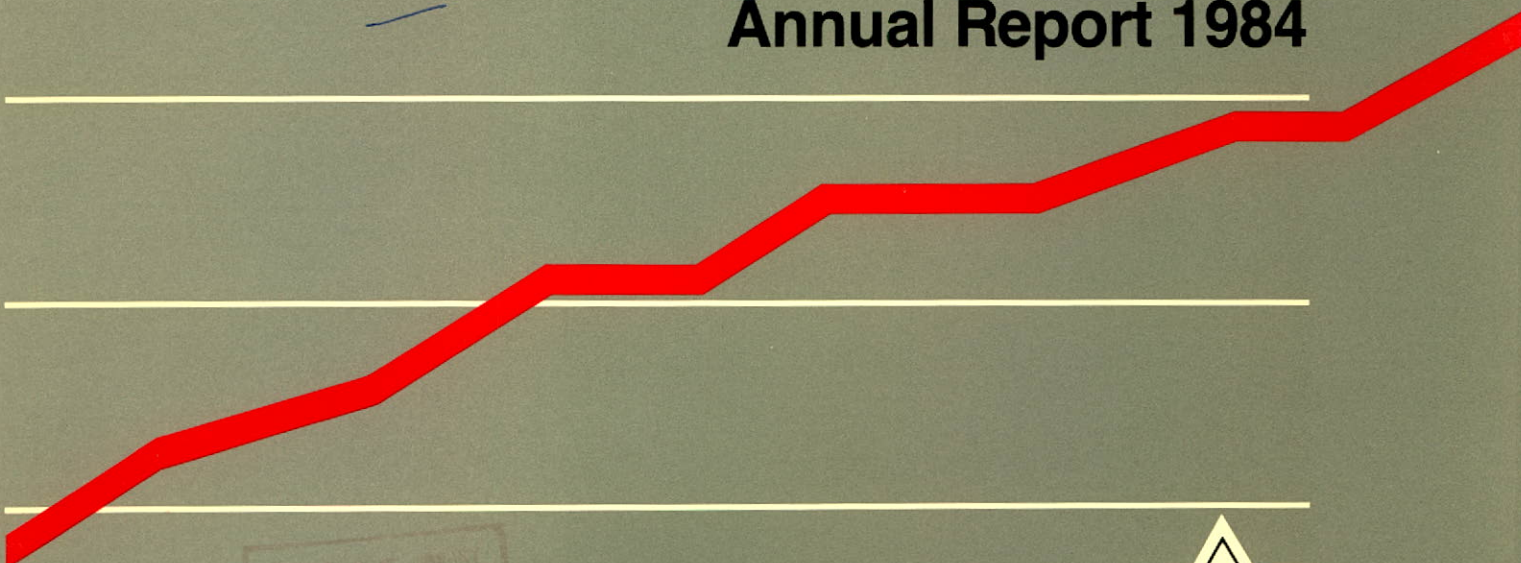


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# NOWSCO WELL SERVICE LTD. Annual Report 1984



HOW SCOPE OF WORK  
OF MANAGEMENT  
MAR 18 1985  
UNIVERSITY





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The Annual General Meeting of the Shareholders of Nowasco Well Service Ltd. will be held in the 12th floor offices of the Company, 801 - 6th Avenue SW, on Thursday, April 18, 1985 at 11:00 o'clock in the forenoon (local time).

*Cover: Nowasco manufactured  
Model PC10 compact  
Consistometer/rheometer*



## The Year at a Glance

	1984	1983	% Change
Revenue .....	<b>\$196,792,000</b>	\$161,087,000	+22
Net income before minority interest .....	<b>\$ 25,225,000</b>	\$ 19,524,000	+29
Percent of revenue before minority interest .....	<b>12.8%</b>	12.1%	
Net income .....	<b>\$ 21,176,000</b>	\$ 16,063,000	+32
Percent of revenue .....	<b>10.8%</b>	10.0%	
Net income per share .....	<b>\$1.56</b>	\$1.19	+31
Proceeds from issue of share capital .....	<b>\$ 46,000</b>	\$ 27,000	+70
Cash flow from operations .....	<b>\$ 41,868,000</b>	\$ 32,061,000	+31
Capital expenditures — net .....	<b>\$ 23,370,000</b>	\$ 15,056,000	+55
Dividends paid .....	<b>\$ 4,060,000</b>	\$ 3,787,000	+7
Depreciation and amortization .....	<b>\$ 14,885,000</b>	\$ 11,177,000	+33
Number of shares issued and outstanding at year end .....	<b>13,533,245</b>	13,526,345	
Shareholders .....	<b>1,158</b>	1,348	
Employees at year end .....	<b>1,352</b>	1,208	

### 4th Quarter

	1984	1983	% Change
Revenue .....	<b>\$ 53,014,000</b>	\$ 44,945,000	+18
Net income before minority interest .....	<b>\$ 7,758,000</b>	\$ 5,819,000	+33
Net income .....	<b>\$ 7,380,000</b>	\$ 4,776,000	+55
Net income per share .....	<b>\$.54</b>	\$.36	+50
Cash flow from operations .....	<b>\$ 12,918,000</b>	\$ 8,421,000	+53
Capital expenditures — net .....	<b>\$ 5,388,000</b>	\$ 5,213,000	+3



## To the Shareholders

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On behalf of the Board of Directors of your Company, we are pleased to report significant gains in sales and net earnings for 1984. Revenue of \$196,792,000 show an increase of 22.2% over 1983 revenue of \$161,087,000. Our net earnings were \$21,176,000 compared to \$16,063,000 in 1983, an increase of 31.8%. Sales and net income for 1984 both represent all-time highs for your Company which has now completed its 22nd year of operation. Net earnings per share for the year were \$1.56 compared to \$1.19 per share a year ago.

During the past 12 months your Company has continued its efforts to become more efficient, maintaining highly competent staff, providing quality service and state-of-the-art technology to our clients. Throughout 1984 competition within our business sector continued to be very aggressive in all areas of the world. Our sales and engineering staff have been compelled to become more responsive and innovative and, as a result, our management and operating staff have become more efficient and cost conscious. Despite the never-ending pressures on our profitability we must strive to maintain our corporate goals of quality service and technical competence while at the same time remaining very competitive in our pricing. These are the challenges of many oilfield businesses today as the current conditions favour the buyer. We must continue to strive for customer understanding that quality service and technology is worthy of a "fair profit".

Activity levels in Canada have shown encouraging and sustained growth during the past six months with drilling activity expected to



*Equipment fabrication  
— Calgary, Alberta*



peak at about 400 rigs this winter. Renewed investor confidence became most evident following the Canadian Federal Election in September with the new Conservative Government commitment to modify the National Energy Policy (NEP) of 1980. Market oriented domestic crude prices, tax relief and increased gas exports have served to rejuvenate industry activity in Western Canada. Seismic activity and land prices further support the observation that Canada's oil and gas industry is getting back to work following the damaging impact of the NEP. There is also some evidence that activity in the gas-prone areas of Western Canada is being restored as some companies now look at "post gas surplus" requirements.

In the U.S.A. we have recently expanded our Appalachian operation to include the Williston Basin of North Dakota. Drilling activity in the U.S. areas where we now operate has remained at levels comparable to 1983. We realized increased sales during 1984 in these highly competitive and low profit margin market areas. Our market penetration has been most satisfactory since commencing operations in the U.S., and after three years of operating experience in this area we now look for improved profit levels as we become more established and knowledgeable of the local operating and business conditions. Our technical sales efforts have become well accepted in Appalachia in the past 12 months.

Internationally, 1984 was a strong year for Nowsco with all areas — Europe, S.E. Asia and the Middle East, showing significant improvements in profitability as a result of good sales growth,



*D. A. Richardson, Senior Vice President and Chief Operating Officer.*

*S. P. Shouldice, President and Chief Executive Officer.*

improved operating efficiencies and better equipment utilization. Despite constant concerns of reduced crude prices, we experienced good demand for our services in these areas. Additional equipment was put into service, including on-shore cementing equipment in the U.K.

In September, we purchased The British Oxygen Corporation (BOC) 49% minority interest in our international operations. We would like to express our gratitude to BOC for their valued contribution as a "partner" over the last ten years. This \$32,500,000 purchase, which now gives the Company 100% ownership of our activities internationally, has not resulted in any dilution of shareholders' earnings.

The contract for our stimulation vessel, the SSII, was terminated in December, 1984, after almost five years of operation in the South China Seas off the coast of Borneo. We intend to dispose of this vessel early in 1985 after the oilfield equipment mounted on it has been removed for utilization elsewhere in our S.E. Asia operations. We continue to operate in Indonesia and Thailand and now off-shore China where we have completed our first job. Staff

levels in S.E. Asia are being reduced as a result of the pending disposal of the SSII.

We would like to welcome Mr. Roy J. Dunlop to our Board of Directors. A long-time employee of the Company, he is presently Operations Manager of our U.S. Division. Mr. Dunlop replaces Mr. R. A. Plummer who recently resigned from our Board of Directors. We thank Mr. Plummer for his past efforts and contribution to the success of Nowsco.

Nowsco commences 1985 with a very stable staff of qualified and dedicated employees committed to maintaining our growth record of the past 22 years. Their efforts during 1984 were most commendable and to each and every one of them we say "thanks". Our ongoing goal of providing quality service and advanced technology will continue to serve us well.

*S. P. Shouldice*  
S. P. Shouldice

*D. A. Richardson*  
D. A. Richardson



# Operations Review

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## General

The industry we serve showed some signs of recovery during 1984 following the previous two years of significant downturn. We, at Nowsco, experienced good sales growth in all our geographic operating areas during the past 12 months.

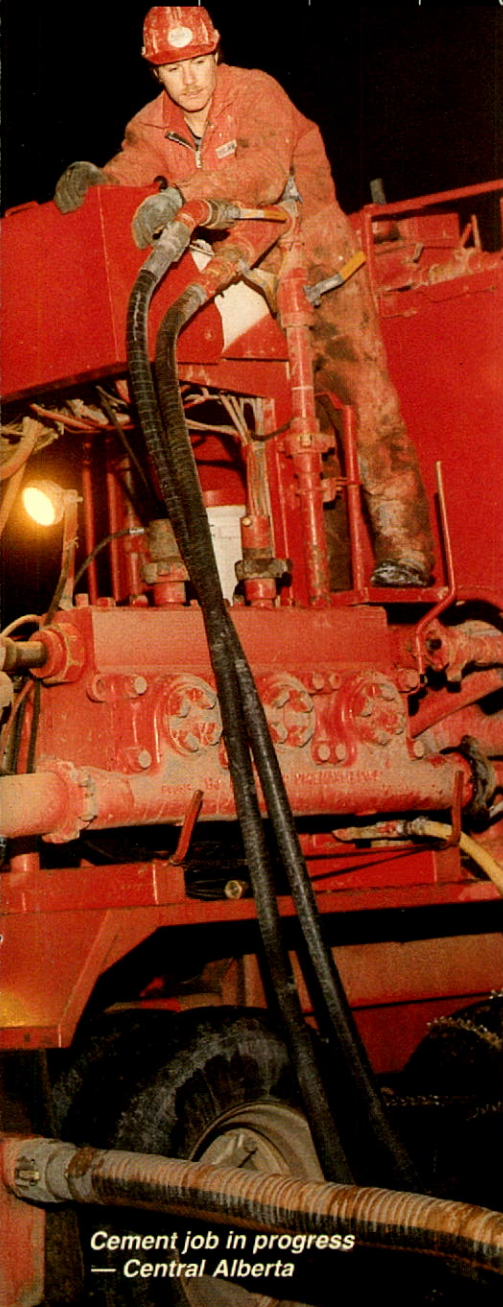
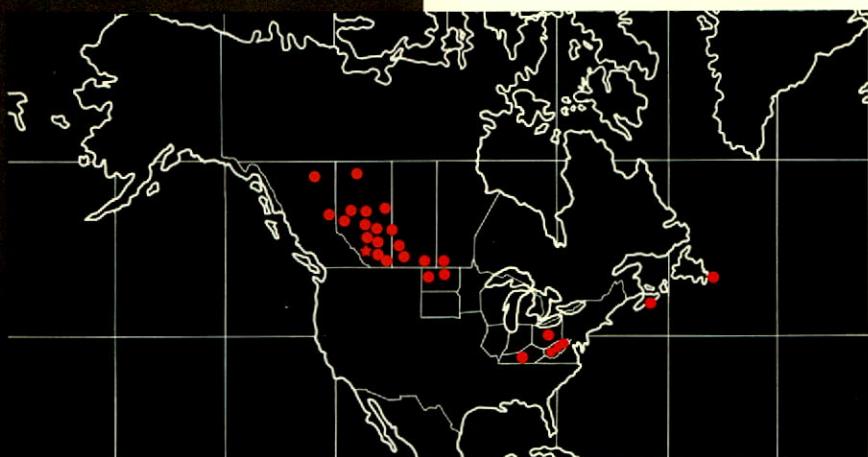
Improved operating efficiencies and equipment utilization during 1984 yielded increased profitability in our international operations, particularly in U.K./Europe. This development was in spite of the fact that most major European currencies, and in particular the British pound, weakened significantly against the Canadian dollar during 1984.

The slight industry recovery experienced during the past year failed to approach the activity levels of 1980-81. There continues to be an oversupply of drilling and servicing equipment in most areas of the world and prices for such services continue to be depressed and subject to heavy discounting. In Canada, where drilling activity showed good improvement during the second half of 1984, well drilling and servicing work continues to be very competitive as supply continues to exceed demand. Some of our competitors continue to discount their prices heavily as they struggle to maintain market share. Many well-owners are realizing substantially reduced drilling and operating costs in comparison to the boom years of 1980 and 1981, as they benefit from the oversupply of drilling and servicing equipment.

During 1984 we continued our efforts to improve operating efficiencies and broaden our income base geographically. We







Cement job in progress  
— Central Alberta

continued also to strive for superior, technically competent service capabilities through ongoing training of our staff and equipment improvements. Over the past year, we generated income in more than 25 different countries around the world and we hope to see this number expand further in 1985. Capital expenditures during 1984 of \$23 million are indicative of our commitment to on-going growth and expansion of Nowsco's world-wide operations. With a total staff of 1,352, we continue to actively pursue other areas of operating potential and increased efforts are being made to market our custom-designed equipment, particularly in those countries where foreign controlled companies are not encouraged or permitted. There is a growing demand in many third-world countries to develop their own operating expertise and independence; in many cases there are opportunities for Nowsco to co-operate in such endeavours through equipment sales, technology transfer and training.

#### Canada

Oilfield activity in Canada showed steady improvement during 1984 with drilling rig activity

#### Canada

##### Alberta

Brooks  
Calgary  
Drayton Valley  
Edmonton  
Grande Prairie  
High Level  
Lac La Biche  
Lloydminster  
Medicine Hat  
Peace River  
Red Deer  
Slave Lake  
Whitecourt

##### Saskatchewan

Estevan  
Kindersley  
Swift Current

##### Manitoba

Waskada

##### Newfoundland

St. John's

##### Nova Scotia

Dartmouth

#### British Columbia

Fort St. John  
Ft. Nelson

#### United States

##### Ohio

Wooster

##### Kentucky

Columbia

##### West Virginia

Clarksburg  
Parkersburg  
Ona

##### North Dakota

Westhope  
Williston

approaching 400 at year end. Total wells drilled in Canada during 1984 was up 30% to over 9,000 wells, compared to just over 7,000 wells in 1983. The biggest gain was recorded in the province of Saskatchewan where the one year production royalty holiday attracted many investors over the past 18 months. Over 80% of Canada's drilling activity during 1984 was aimed at oil reserves as lack of gas markets continued to depress activity in gas-prone areas. Investor confidence in Canada has definitely improved since mid-year, following the Canadian Federal Election which saw a new Conservative Government take office. The new



Government is anticipated to correct some of the mistakes in Canada's National Energy Policy (NEP) of 1980 as introduced by the former Liberal Government. In broad terms, items such as foreign investment, gas exports, crude prices and tax burdens must be moderated to reverse the industry recession that resulted following implementation of the NEP.

The increased industry activity that developed during the second half of 1984 is still significantly below the pre-NEP levels of 1980. Canada's drilling rig utilization during 1984 was about 50% with some 200 rigs still not working — particularly the bigger rigs used for deep gas drilling. This type of oversupply continues to depress prices for most equipment related services.

Nowasco's Canadian sales grew by some 19% during 1984, however, severe industry-wide price cutting yielded pre-tax profit gains of only 11%. These depressed profit margins will continue as many competitors strive to maintain market share by selling cheap; likewise, certain clients are now buying on "price alone" with little regard for quality or technology. Nowasco's traditional goals of providing quality service and technological expertise will be maintained despite these attitudes. It has served us well in the past, is still recognized by many clients and will serve us well in the future.

During 1984 we invested \$9.4 million in Canada, essentially in equipment, for both on and off-shore operations. This represents a significant increase over 1982 and 1983 capital expenditures when equipment utilization would not support such an investment.







*Endless tubing job in progress  
— Ohio, U.S.A.*

Newsco has now established a viable presence on Canada's East Coast and in the High Arctic. Expanded laboratory facilities have been established in Dartmouth, Nova Scotia, to better service our off-shore operations. During the year we were successful in controlling one of Nova Scotia's worst coal mine fires using nitrogen technology that had previously been developed by our U.K. operations. In Western Canada, our FRAC SURE technology continued to gain acceptance by our clients. This computer science application to well-fracturing has yielded impressive results and our team of engineers continue to refine and improve its application with expanded in-house facilities. During the year Newsco also continued its development of FOAMED CEMENT data as this new technique gained acceptance by the industry. Equipment design improvements to complement both FRAC SURE and FOAMED CEMENT applications were ongoing during 1984 to better serve our customers.

String Leak Testing (SLT) was introduced into Canada during 1984 after five years of development by our U.K. engineering staff. This Newsco development has become well established in Europe and we look for growing acceptance of this new technology in Canada.

Activity in Saskatchewan, Manitoba, North Central Alberta and North Eastern British Columbia improved during the year as the search for oil reserves was renewed. Heavy oil and enhanced recovery projects gained in strength during the year, particularly in Alberta, where Government royalty incentives



attracted considerable interest and more such projects are anticipated.

The many lower quality oil reservoirs of Western Canada's "light" oil industry continue to support considerable drilling and stimulation activity. Although highly competitive, this represents a significantly renewed market for Nowsco's equipment and technology. We must be very competitive in these areas as prices are sensitive.

Operating efficiencies continued to require much of Management's attention during 1984 and although staff increases have been required in some areas, they are closely monitored. Nowsco's commitment to ongoing training of existing staff at all levels has produced many efficiencies and cost controls. Further improvements remain a continuing challenge.

The current renewed momentum of our Canadian Oil and Gas Industry should continue into 1985 and could be instrumental in the country's economic recovery. Canada has great geological potential to develop significant additional oil and gas reserves and the industry has the expertise and technology to develop these reserves. If our various levels of government maintain initiatives to attract investors, and there are no unexpected international developments, this momentum should continue to support Nowsco's sustained growth in Canada.

#### **United States**

Since our initial move into the U.S. market in mid-1981 we have realized very respectable sales growth despite industry activity in







### U.K./Europe

Aberdeen, U.K.  
Great Yarmouth, U.K.  
Leeds, U.K.  
Long Parish, U.K.  
Vechta, West Germany  
Strasbourg, France  
Ravenna, Italy  
Stavanger, Norway  
Den Helder, Netherlands

been most beneficial in establishing customer confidence. Much of our previously developed technology has also gained acceptance in Appalachia. Technology designed for regional conditions is now in place and training of new local staff has progressed rapidly.

Improving operating efficiencies, a maturing staff and growing customer acceptance should yield increased sales and improved profit in 1985. Revenue growth from our recently expanded presence in North Dakota should also enhance our future U.S. operations.

### International — U.K./Europe and S.E. Asia

Nowsco first ventured into the international market in 1974 with the establishment of a small presence in Great Yarmouth, England, to service the North Sea market. In 1977 a similar move was made into Singapore to service S.E. Asia. Today, after 10 years of international operations, we have a staff of 365 qualified and dedicated employees working in over 20 different countries. During 1984 international sales were in excess of \$57 million, an increase of 20% over 1983. Greatly improved operating efficiencies and equipment utilization yielded a 34% pre tax profit improvement over 1983.

Appalachia remaining relatively static. During 1984 sales of \$38 million were achieved; an increase of 34% over 1983.

Our original operating area of Appalachia (Ohio, West Virginia and Kentucky) continues to be our main base of operations. There is a good demand here for Nowsco's traditional services of cementing and stimulation, however, it is a very competitive market requiring strong operating efficiencies. There are a minimum of major operating companies with most clients being small independent producers. Job frequency is high but revenue per job is low with a predominance of shallow, low quality reservoirs as compared to other areas in the U.S.

We now have some 250 employees operating from five bases in Appalachia and also from our recently established bases in the Williston Basin, with equipment now stationed in Westhope and Williston, North Dakota. Market penetration has been achieved by providing good service and technology with a core-staff of qualified and dedicated employees. Equipment design adapted to local conditions has

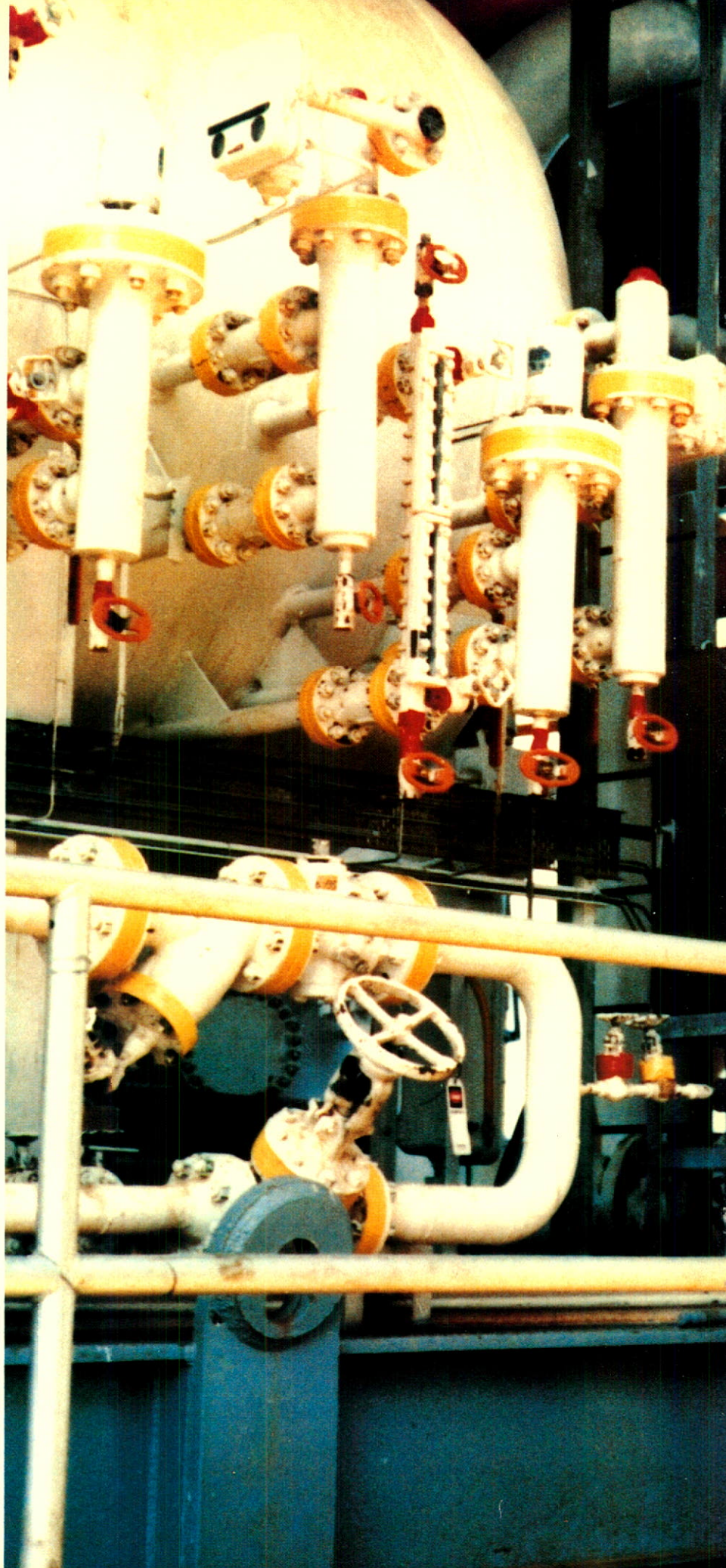
Preparing N<sub>2</sub> unit for acid stimulation job  
— Portsmouth, England.



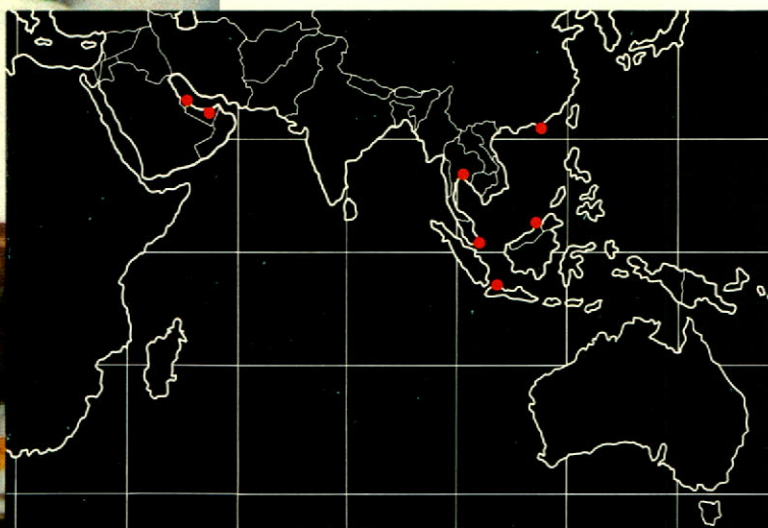
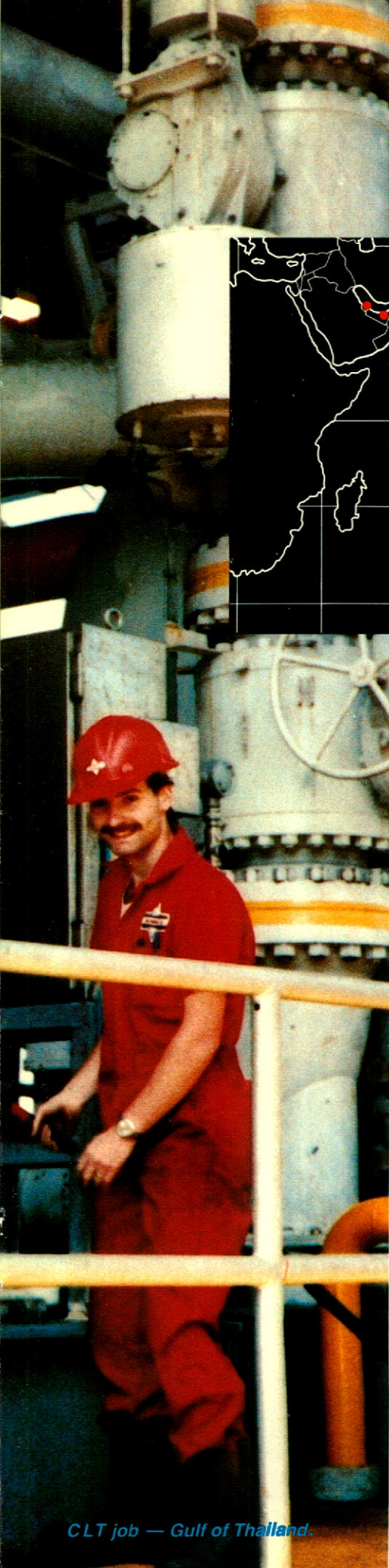
During the past 12 months Nowsco maintained its sales growth in all international operations from the North Sea to the South China Seas. Internationally, both on and off-shore, our technical competence continued to gain customer confidence. Despite a relatively static market place and concerns over international crude prices, we were able to achieve record sales and net income. Better equipment utilization and developing technology served us well internationally in 1984. On-land cementing services were introduced in the U.K. and have gained customer acceptance. Sales throughout Europe in 1984 were aided by the addition of further fluid pumping equipment. Our String Leak Testing (SLT) and Commissioning Leak Testing (CLT) equipment and staff were also active throughout the year in both Europe and S.E. Asia.

In S.E. Asia our long-term contract involving the use of our stimulation vessel, the SSII, came to an end in December 1984. In anticipation of this, we developed stronger markets for our services in Indonesia and Thailand. Activity in the offshore waters of the Peoples Republic of China has created new markets for our industry. To pursue this Nowsco has established a new base of operations in Hong Kong, has successfully obtained contracts to operate in this area, and in late 1984, completed its first job off-shore mainland China.

China, like most countries today, is actively developing its energy potentials to enhance foreign







#### **Middle East**

Doha, Qatar  
Dubai, U.A.E.

#### **S.E. Asia**

Singapore  
Kuala Belait, Brunei  
Jakarta, Indonesia  
Bangkok, Thailand  
Hong Kong

exchange and reduce dependence on Middle East suppliers. This phenomenon is prevalent in many other areas of the world today and further demonstrates the potential for our type of business internationally.

Significant capital expenditures are planned for 1985 to continue the development of our international operations. This investment is required to both develop Nowsco's existing markets and to expand into new areas. As our international staff matures, we gain confidence to further develop our operations internationally; however, we will continue to exercise fiscal and political caution where appropriate.

#### **Training, Research and Fabrication**

The training of staff and development of contemporary technology continues to be a prime aim of Nowsco. Our research and development staff play an increasing role in the development of the Company.

Constant upgrading of equipment and its design are an ongoing challenge. We now have over 100 people dedicated to these goals at Nowsco. Each year we develop a broader base of knowledge as our world-wide staff grows, matures and gains in experience.

Laboratory and Research facilities will be expanded in Calgary, Canada during 1985 to support the efforts of our other satellite facilities world-wide. Constant efforts to improve the effectiveness of our chemicals utilized in cementing, acidizing and fracturing will enhance our service to and confidence with our customers. Equipment improvements and training of staff are ongoing and constant priorities at Nowsco and efforts to this end will ensure the future growth to which we are all dedicated.



## Financial Review

The increased activity level in Canada, coupled with market penetration both in the U.S. and in Newsco's international operations, has had a very positive impact upon the year's results. Revenue has shown a 22.2% increase despite intense competition within the industry. The tight control and monitoring of all cost areas have maintained the Company's profitability as shown by the 22.1% increase in net income before taxes and minority interest.

The financial highlight of the year came in September, 1984, when Newsco finalized the acquisition of The British Oxygen Corporation (BOC) 49% minority interest in our international operations. Since Newsco's initial expansion into these areas 10 years ago, BOC had retained a 49% minority interest share of all international earnings.

The \$32.5m acquisition was financed by existing cash and long-term bank financing and therefore did not dilute existing shareholders' equity in the Company.

The 1984 fourth quarter is the first quarter where Newsco retained 100% of earnings from international operations.

The 22.2% consolidated revenue increase from \$161,087,000 to \$196,792,000 was a result of increases in all areas of operations and is an encouraging indicator for further geographic expansion. Non-Canadian operations in 1984 represented 48.4% of total consolidated revenues and reflects the Company's ongoing expansion and diversification outside of Canada.

dec magtape  
DIGITAL EQUIPMENT CORPORATION







International operations (U.K./ Europe, S.E. Asia) showed continued good growth with revenue of \$57,297,000, a 20.1% increase over 1983 despite the impact of weakened European currencies.

Material and operating expenses of \$125,705,000 increased by 23.6% compared to 1983 which is in line with the sales increase. Careful review and control of all operating costs has produced many efficiencies, however the impact of heavy discounting within the industry has had an adverse effect on profit margins.

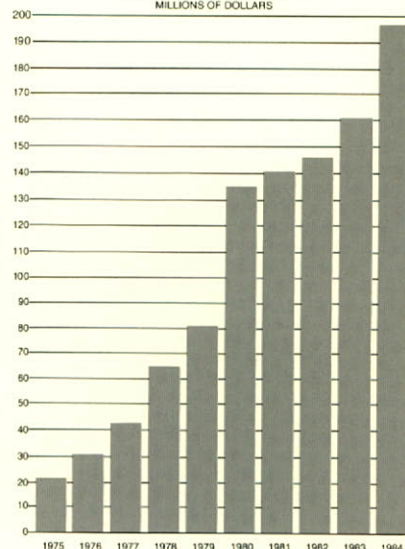
General and administrative expense of \$15,708,000 is 5.9% higher than last year reflecting the ongoing geographic expansion of the Company.

Interest expense showed a 14.2% increase to \$3,892,000, as a result of increased borrowings used to finance capital expenditures and acquire the BOC minority interest.

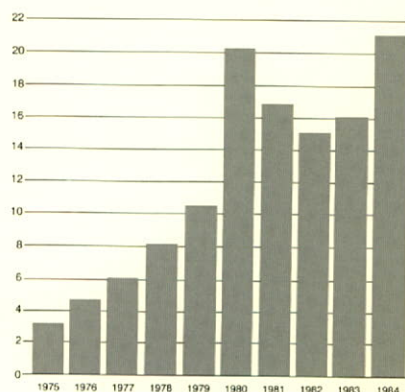
Depreciation and amortization expense increased as a result of 1983 and the current year's capital expenditures and the write-down of the SSII in S.E. Asia, as a result of the termination of the five year contract.

Total taxes for the year of \$11,377,000 reflected an effective tax rate of 31.1%, a significant rate decrease compared to 34.9% last year. This decrease is due largely to increased earnings from foreign jurisdictions with lower tax rates.

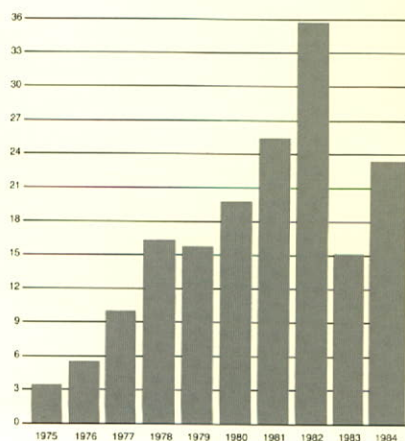
**CONSOLIDATED SALES**  
MILLIONS OF DOLLARS



**CONSOLIDATED NET INCOME**  
MILLIONS OF DOLLARS



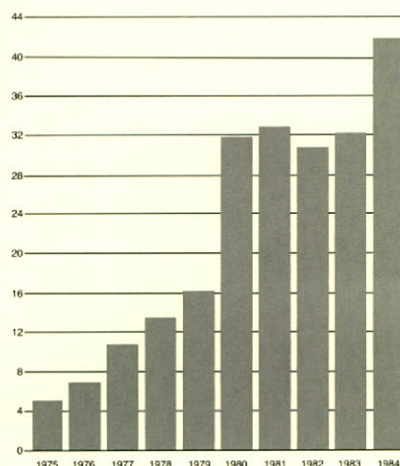
**NET CAPITAL EXPENDITURES**  
MILLIONS OF DOLLARS



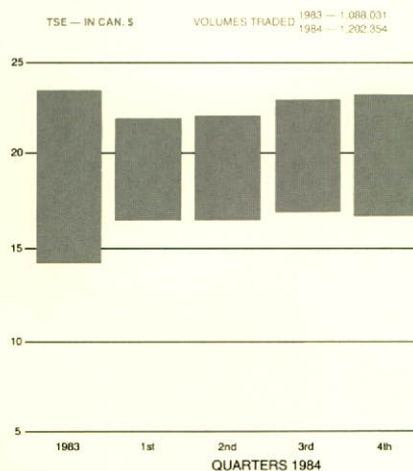


### CASH FLOW FROM OPERATIONS

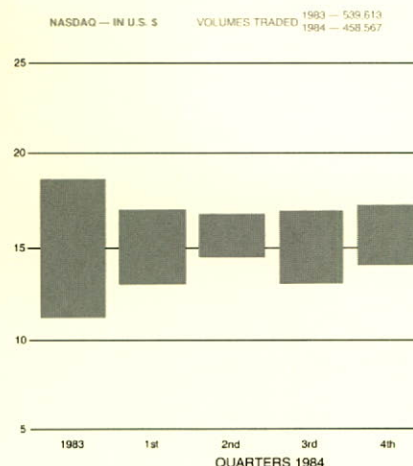
MILLIONS OF DOLLARS



### SHARE PRICES — 1984, 1983



### SHARE PRICES — 1984, 1983



## Quarterly Financial Results

	March 31
<b>1984</b>	
<b>Revenue</b> .....	\$51,123,000
Costs and expenses of operations .....	36,466,000
Interest .....	771,000
Depreciation and amortization .....	3,027,000
	<u>40,264,000</u>
<b>Net income before income taxes and minority interest</b> .....	10,859,000
Income taxes .....	3,969,000
Net income before minority interest .....	6,890,000
Minority interest in net income of consolidated subsidiaries .....	1,113,000
<b>Net income</b> .....	<u>\$ 5,777,000</u>
Net income per share .....	<u>\$ .43</u>
<b>1983</b>	
<b>Revenue</b> .....	\$40,773,000
Costs and expenses of operations .....	27,593,000
Interest .....	915,000
Depreciation and amortization .....	2,861,000
	<u>31,369,000</u>
<b>Net income before income taxes and minority interest</b> .....	9,404,000
Income taxes .....	3,516,000
Net income before minority interest .....	5,888,000
Minority interest in net income of consolidated subsidiaries .....	506,000
<b>Net income</b> .....	<u>\$ 5,382,000</u>
Net income per share .....	<u>\$ .40</u>

\* Prior-quarters' adjustments.

The Company maintains listings of its stock on The Toronto Stock Exchange and the O.T.C. market of the NASDAQ system in the U.S. (Symbol NWEI)



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For The Three Months Ended			
June 30	Sept 30	Dec 31	Total
<u>\$40,236,000</u>	<u>\$52,419,000</u>	<u>\$53,014,000</u>	<u>\$196,792,000</u>
31,777,000	37,010,000	36,160,000	141,413,000
918,000	913,000	1,290,000	3,892,000
<u>2,959,000</u>	<u>3,937,000</u>	<u>4,962,000</u>	<u>14,885,000</u>
<u>35,654,000</u>	<u>41,860,000</u>	<u>42,412,000</u>	<u>160,190,000</u>
4,582,000	10,559,000	10,602,000	36,602,000
<u>798,000</u>	<u>3,766,000</u>	<u>2,844,000</u>	<u>11,377,000</u>
3,784,000	6,793,000	7,758,000	25,225,000
<u>1,517,000</u>	<u>1,041,000</u>	<u>378,000*</u>	<u>4,049,000</u>
<u>\$ 2,267,000</u>	<u>\$ 5,752,000</u>	<u>\$ 7,380,000</u>	<u>\$ 21,176,000</u>
<u>\$ .16</u>	<u>\$ .43</u>	<u>\$ .54</u>	<u>\$1.56</u>

<u>\$30,433,000</u>	<u>\$44,936,000</u>	<u>\$44,945,000</u>	<u>\$161,087,000</u>
25,050,000	30,695,000	33,180,000	116,518,000
809,000	862,000	822,000	3,408,000
<u>2,793,000</u>	<u>2,951,000</u>	<u>2,572,000</u>	<u>11,177,000</u>
<u>28,652,000</u>	<u>34,508,000</u>	<u>36,574,000</u>	<u>131,103,000</u>
1,781,000	10,428,000	8,371,000	29,984,000
<u>453,000</u>	<u>3,939,000</u>	<u>2,552,000</u>	<u>10,460,000</u>
1,328,000	6,489,000	5,819,000	19,524,000
<u>921,000</u>	<u>991,000</u>	<u>1,043,000</u>	<u>3,461,000</u>
<u>\$ 407,000</u>	<u>\$ 5,498,000</u>	<u>\$ 4,776,000</u>	<u>\$ 16,063,000</u>
<u>\$ .03</u>	<u>\$ .40</u>	<u>\$ .36</u>	<u>\$1.19</u>



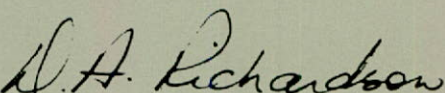
# Consolidated Balance Sheets

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	December 31	
	1984	1983
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and short-term deposits .....	\$ 4,073,000	\$ 14,721,000
Accounts receivable .....	41,496,000	36,430,000
Inventories .....	20,340,000	20,649,000
Prepaid expenses .....	1,565,000	1,695,000
	<u>67,474,000</u>	<u>73,495,000</u>
<b>Property, plant and equipment</b>		
Buildings .....	18,034,000	18,023,000
Equipment .....	142,769,000	121,293,000
	<u>160,803,000</u>	<u>139,316,000</u>
Less accumulated depreciation and amortization .....	48,441,000	35,421,000
	<u>112,362,000</u>	<u>103,895,000</u>
Land .....	3,469,000	3,433,000
	<u>115,831,000</u>	<u>107,328,000</u>
<b>Goodwill</b> (less accumulated amortization of \$153,000) .....	20,068,000	—

Approved by the Board

Director 

Director 

\$203,373,000

\$180,823,000



	December 31	
	1984	1983
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank indebtedness .....	\$ 5,750,000	\$ 22,371,000
Accounts payable and accrued liabilities .....	21,201,000	18,883,000
Due to affiliates .....	250,000	6,000
Income taxes payable .....	2,634,000	2,991,000
Current maturities of long-term debt .....	1,709,000	823,000
	<u>31,544,000</u>	<u>45,074,000</u>
<b>Long-term debt</b> .....	42,813,000	16,149,000
<b>Deferred income taxes</b> .....	22,417,000	21,595,000
<b>Minority interest in consolidated subsidiaries</b> .....	—	8,494,000
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b> .....	2,981,000	2,935,000
<b>Retained earnings</b> .....	105,138,000	88,022,000
<b>Equity translation adjustment</b> .....	(1,520,000)	(1,446,000)
	<u>106,599,000</u>	<u>89,511,000</u>
	<u><u>\$203,373,000</u></u>	<u><u>\$180,823,000</u></u>



# Consolidated Statements of Income

	Year Ended December 31	
	1984	1983
<b>Revenue</b>		
Operations .....	\$194,732,000	\$160,003,000
Interest and other income .....	2,060,000	1,084,000
	<u>196,792,000</u>	<u>161,087,000</u>
<b>Costs and expenses</b>		
Material and operating .....	125,705,000	101,683,000
General and administrative .....	15,708,000	14,835,000
Interest .....	3,892,000	3,408,000
Depreciation and amortization .....	14,885,000	11,177,000
	<u>160,190,000</u>	<u>131,103,000</u>
<b>Net income before income taxes and minority interest</b> .....	<u>36,602,000</u>	<u>29,984,000</u>
<b>Income taxes</b>		
Current .....	9,619,000	9,100,000
Deferred .....	1,758,000	1,360,000
	<u>11,377,000</u>	<u>10,460,000</u>
<b>Net income before minority interest</b> .....	<u>25,225,000</u>	<u>19,524,000</u>
Minority interest in net income of consolidated subsidiaries .....	<u>4,049,000</u>	<u>3,461,000</u>
<b>Net income for the year</b> .....	<u>\$ 21,176,000</u>	<u>\$ 16,063,000</u>
Net income per common share .....	<u>\$1.56</u>	<u>\$1.19</u>

## Consolidated Statements of Retained Earnings

	Year Ended December 31	
	1984	1983
<b>Retained earnings at beginning of year</b> .....	\$ 88,022,000	\$ 75,746,000
Net income for the year .....	21,176,000	16,063,000
	<u>109,198,000</u>	<u>91,809,000</u>
Dividends paid .....	4,060,000	3,787,000
<b>Retained earnings at end of year</b> .....	<u>\$105,138,000</u>	<u>\$ 88,022,000</u>



# Consolidated Statements of Changes in Financial Position

	Year Ended December 31	
	1984	1983
<b>Source of working capital</b>		
Net income for the year .....	\$ 21,176,000	\$ 16,063,000
Add charges not requiring current outlay of working capital:		
Depreciation and amortization .....	14,885,000	11,177,000
Deferred income taxes .....	1,758,000	1,360,000
Minority interest in net income of consolidated subsidiaries .....	4,049,000	3,461,000
<b>Total from operations</b> .....	<b>41,868,000</b>	<b>32,061,000</b>
Long-term debt .....	26,563,000	4,151,000
Proceeds from issue of share capital .....	46,000	27,000
Proceeds from issue of minority shares of subsidiaries .....	—	45,000
<b>Total provided</b> .....	<b>68,477,000</b>	<b>36,284,000</b>
<b>Use of working capital</b>		
Purchase of property, plant and equipment — net .....	23,370,000	15,056,000
Dividends paid .....	4,060,000	3,787,000
Repayment and change in current maturities of long-term debt .....	1,038,000	1,092,000
Acquisition of minority interest in consolidated subsidiaries .....	32,500,000	—
Minority dividends .....	—	2,035,000
<b>Total used</b> .....	<b>60,968,000</b>	<b>21,970,000</b>
<b>Increase in working capital</b> .....	<b>7,509,000</b>	<b>14,314,000</b>
<b>Working capital at beginning of year</b> .....	<b>28,421,000</b>	<b>14,107,000</b>
<b>Working capital at end of year</b> .....	<b>\$ 35,930,000</b>	<b>\$ 28,421,000</b>
<b>Represented by</b>		
Current assets .....	67,474,000	73,495,000
Less current liabilities .....	31,544,000	45,074,000
	<b>\$ 35,930,000</b>	<b>\$ 28,421,000</b>



# Notes to Consolidated Financial Statements

December 31, 1984 and December 31, 1983

## NOTE A — SIGNIFICANT ACCOUNTING POLICIES

**Basis of consolidation:** The consolidated financial statements include the accounts of Newsco Well Service Ltd. and its subsidiaries (hereinafter referred to as the "Company").

**Translation of foreign currency financial statements:** Effective, January 1, 1984, the Company changed, on a prospective basis, its method of translating foreign currency financial statements to adopt the following policy — Foreign subsidiaries' financial statements are translated from the foreign entity currency to Canadian dollars at the following rates: assets and liabilities at the rates prevailing at balance sheet date and revenues and expenses at the weighted average rates throughout the period. Adjustments arising from the translation are accumulated as a separate component of shareholders' equity. An appropriate proportion of exchange gains and losses resulting from the translation of foreign currency monetary items and reductions in the Company's net investment in subsidiaries is included in income. Previously such gains and losses were included in shareholders' equity. The effect of this change of accounting policy on 1984 net income is not material.

**Inventories:** Inventories are carried at cost determined under the first-in, first-out or average cost method. The aggregate of such inventories is not in excess of net realizable value.

**Goodwill:** Goodwill resulting from the acquisition of shares of subsidiaries is amortized on a straight-line basis over 40 years.

**Property, plant and equipment:** Property, plant and equipment are stated at cost, normal repairs and maintenance costs are charged to income as incurred. Betterments and major renewals are capitalized. The cost of assets retired or otherwise disposed of and the related allowances for depreciation are eliminated from the accounts in the year of disposal and the resulting gain or loss is included in income at that time.

The provision for depreciation is computed principally using the straightline method over the estimated useful lives of the assets (buildings and improvements — 5 to 40 years; equipment — 3 to 20 years).

**Leases:** Leases which transfer substantially all of the benefits and risks incident to ownership of property are recorded as the acquisition of an asset and the incurrence of an obligation. The asset is amortized on a straight line basis over the term of the lease.

**Capitalization of interest:** Interest is capitalized on all costs incurred in construction of equipment and buildings.

**Income taxes:** The Company follows the tax allocation method of accounting under which the income tax provision is based on reported net income. Full provision is made for income taxes deferred to future years as a result of claiming allowances for income tax purposes in excess of related depreciation and amortization provisions recorded in the accounts.

Investment tax credits are accounted for as a reduction in income tax expense in the year realized.

**Net income per common share:** Net income per common share is based on the average number of shares outstanding during the year. Fully diluted earnings per share are not presented because the dilutive effect of common shares under option, if such options were exercised, would not be material.



**NOTE B — ACQUISITION OF MINORITY INTEREST**

On September 12, 1984, the Company acquired 49% of the issued shares of the BOC-NOWSCO group of subsidiaries raising the Company's ownership to 100%. Details of the acquisition, which has been accounted for by the purchase method, are as follows:

Cash consideration .....	<b>\$32,500,000</b>
Book value of minority interest as at September 12, 1984 .....	<b>12,279,000</b>
Goodwill resulting from acquisition .....	<b><u>\$20,221,000</u></b>

**NOTE C — EQUIPMENT UNDER CAPITAL LEASES**

Property, plant and equipment includes the following equipment under capital leases:

	<b>1984</b>	<b>1983</b>
Equipment .....	<b>\$10,773,000</b>	\$ 4,204,000
Less: Accumulated amortization .....	<b>977,000</b>	308,000
	<b><u>\$ 9,796,000</u></b>	<b><u>\$ 3,896,000</u></b>

**NOTE D — SHARE CAPITAL**

**Authorized** — 48,000,000 Common Shares without nominal or par value.

**Issued and outstanding** — **13,533,245** Shares (1983 — 13,526,345)

Details of changes in issued share capital, for the two years ended December 31, 1984 are:

	<b>Number of Shares</b>	<b>Amount</b>
Balance January 1, 1983 .....	13,522,045	\$ 2,908,000
Issued upon exercise of employee stock options .....	4,300	27,000
Balance December 31, 1983 .....	13,526,345	2,935,000
Issued upon exercise of employee stock options .....	6,900	46,000
Balance December 31, 1984 .....	<b><u>13,533,245</u></b>	<b><u>\$ 2,981,000</u></b>

Under the terms of the Incentive Stock Option Plan, options may be granted at the discretion of the Board of Directors to full-time officers, employees and directors of the Company at an option price equal to the market price of the Company's shares on the date of grant. The options are not assignable, are earned as to 20% of the total shares covered thereby for each full year of employment over a five year period commencing on the first anniversary of the date of grant and are exercisable over a ten year period.

The purchase price of Common Shares of the Company under options granted to certain directors, officers and key employees and outstanding as at December 31, 1984 ranged from \$2.375 to \$22.00. The Company has reserved **24,300** shares (1983 — 26,800) for possible future allocations.

Changes in the number of common shares under option during the two years ended December 31, 1984 are summarized as follows:

	<b>1984</b>	<b>1983</b>
Outstanding, beginning of year .....	<b>133,455</b>	120,255
Granted .....	<b>26,000</b>	18,500
Cancelled .....	<b>(23,500)</b>	(1,000)
Exercised .....	<b>(6,900)</b>	(4,300)
Outstanding, end of year .....	<b><u>129,055</u></b>	<b><u>133,455</u></b>



**NOTE E — LONG-TERM DEBT**

	<b>Maturity</b>	<b>1984</b>	<b>1983</b>
Term bank loan <sup>(1)</sup> .....	1987-1991	<b>\$11,562,000</b>	\$10,884,000
Revolving term bank loan <sup>(2)</sup> .....	1991	<b>11,708,000</b>	—
Revolving term bank loan <sup>(3)</sup> .....	1991	<b>7,886,000</b>	—
Industrial Revenue Bond <sup>(4)</sup> .....	1992	<b>1,058,000</b>	1,121,000
Capital lease obligations <sup>(5)</sup> .....	1987-1994	<b>12,308,000</b>	4,967,000
		<b>44,522,000</b>	16,972,000
Less current maturities .....		<b>1,709,000</b>	823,000
		<b><u>\$42,813,000</u></b>	<b><u>\$16,149,000</u></b>

The aggregate principal repayments required in each of the four years after 1985 are as follows: 1986 — \$1,774,000; 1987 — \$4,139,000; 1988 — \$3,897,000; and 1989 — \$3,687,000. In addition, the Company is entitled to make prepayments of any portion of the term bank loans. Interest on long-term debt was **\$2,208,000** in 1984 (1983 — \$1,411,000).

- <sup>(1)</sup> Secured by certain buildings and equipment and repayable in U.S. dollars. Interest rate at ½% over the lending bank's U.S. prime rate.
- <sup>(2)</sup> Secured by a joint demand debenture and a joint general assignment of accounts receivable. A portion of this loan is repayable in U.S. dollars. The rates of interest under this facility are variable based on LIBOR and/or minimum bank lending rates prevailing in Canada.
- <sup>(3)</sup> Secured by a joint demand debenture and a joint general assignment of accounts receivable. This loan is repayable in pounds sterling, deutschmarks, and U.S. dollars. The rates of interest under this facility are variable based on LIBOR and/or minimum bank rates prevailing in Canada.
- <sup>(4)</sup> Secured by certain land and buildings and repayable in U.S. dollars. The rate of interest is 75% of the U.S. banks' prime rate.
- <sup>(5)</sup> Payable in U.S. dollars with fixed interest rates ranging from 2.5% to 9.5%.

**NOTE F — CONTINGENCIES AND COMMITMENTS**

The Income Tax Act provides tax incentives to Canadian corporations carrying on manufacturing and processing activities in the form of accelerated capital cost allowance and a reduced rate of income tax (introduced into the Act in 1972) and investment tax credits (introduced into the Act in 1975). The Company has claimed these tax incentives since they were introduced into the Act.

Taxation authorities have carried out a review of the Company's business activities to determine whether, in their opinion, they qualify as manufacturing and processing activities. As a result of the review, the taxation authorities have concluded that the Company's business activities do not so qualify but have indicated that they will continue to treat them as such up to March 23, 1977.

In 1981, taxation authorities issued Notices of Reassessment in respect of the Company's 1977, 1978 and 1979 taxation years disallowing accelerated capital cost allowances and investment tax credits claimed by the Company on a substantial portion of its machinery and equipment on the basis that they do not constitute



manufacturing and processing assets and disallowing the reduced rate of tax on income earned by the Company subsequent to March 23, 1977 on the basis that the Company's activities do not constitute manufacturing and processing activities.

The Company filed Notices of Objection in respect of the Notices of Reassessment claiming continued entitlement to utilize the income tax incentives available to corporations carrying on manufacturing and processing activities. In 1984, the taxation authorities confirmed the reassessments for 1977, 1978 and 1979 and the Company has appealed therefrom in the Federal Court of Canada.

The Notices of Reassessment claim additional income taxes and interest of approximately \$6,100,000 for the years reassessed. If the Company had computed its income tax provisions for the years subsequent to 1976 on the basis of the Notices of Reassessment, retained earnings at December 31, 1984 would be reduced by \$19,300,000.

The Company has received an opinion from special legal counsel that the Company's business activities constitute manufacturing and processing activities and that the Company's machinery and equipment constitute manufacturing and processing machinery and equipment. Management of the Company is of the firm opinion that the Company's tax returns, as filed, are substantially correct. Accordingly, no provision has been made in the Company's accounts to reflect any position other than the Company's continued entitlement to claim the tax incentives available to Canadian corporations carrying on manufacturing and processing activities.

The Company has been named as defendant in various legal actions arising in the normal course of business with claims totalling approximately \$6,200,000. Although it is too early in the proceedings for legal counsel to give an opinion with respect to the merits of these actions, management of the Company believes these claims are without merit and as such, no provision has been made in the consolidated financial statements.

The Company has letters of credit outstanding totalling \$2,427,000 for performance under contracts.

#### **NOTE G — RETIREMENT PLANS**

The Company has retirement plans which cover substantially all employees. The contributions by employees, together with those made by the Company, are deposited with trustees according to the terms of the plans. Pensions at retirement are related to remuneration and years of service.

Company annual contributions, based on rates determined by independent actuaries, are recorded as pension expense and charged against income. Actuarial valuations are required to be performed annually in the United States and every three years elsewhere.

Company current service pension contributions charged against income during 1984 were **\$1,355,000** (1983 — \$848,000).

#### **NOTE H — RELATED PARTY TRANSACTIONS**

During 1984 purchases of inventory totalling **\$498,000** (1983 — \$1,205,000) and equipment of **\$379,000** (1983 — \$91,000) were made from affiliated companies. The amount owing on these transactions as at December 31, 1984 was **\$250,000** (1983 — \$6,000). All of these transactions arose in the normal course of operations.

#### **NOTE I — REMUNERATION OF SENIOR OFFICERS AND DIRECTORS**

During 1984 aggregate direct remuneration of senior officers and directors amounted to **\$1,080,000** (1983 — \$968,000).



**NOTE J — SEGMENTED INFORMATION**

The Company provides specialized products and equipment to the oil and gas industry for use during the drilling, completion and production stages of oil and gas wells.

The Company has identified four geographic segments; Canada, U.K./Europe, S.E. Asia and the United States.

The following information relates to these geographic segments:

	1984	1983
<b>Revenue:</b>		
Canada .....	<b>\$101,452,000</b>	\$ 84,951,000
United States .....	<b>38,043,000</b>	28,458,000
U.K./Europe .....	<b>34,812,000</b>	29,729,000
S.E. Asia .....	<b>22,485,000</b>	17,949,000
	<b><u>\$196,792,000</u></b>	<u>\$161,087,000</u>
<b>Income before income taxes and minority interest:</b>		
Canada .....	<b>\$ 18,196,000</b>	\$ 16,380,000
United States .....	<b>2,343,000</b>	3,058,000
U.K./Europe .....	<b>10,219,000</b>	6,513,000
S.E. Asia .....	<b>5,844,000</b>	4,033,000
	<b><u>\$ 36,602,000</u></b>	<u>\$ 29,984,000</u>
<b>Identifiable assets:</b>		
Canada .....	<b>\$ 86,200,000</b>	\$ 93,641,000
United States .....	<b>34,215,000</b>	29,172,000
U.K./Europe .....	<b>41,846,000</b>	38,241,000
S.E. Asia .....	<b>21,044,000</b>	19,769,000
Corporate .....	<b>20,068,000</b>	—
	<b><u>\$203,373,000</u></b>	<u>\$180,823,000</u>

**NOTE K — INCOME TAXES**

The Company's consolidated provision for income taxes is based upon tax rates and allowances applicable to the earnings of each of the companies in their respective jurisdictions.

As a result, the consolidated provision for income taxes of **\$11,377,000** (1983 — \$10,460,000) differs from the amount which would have been obtained by applying the combined Canadian federal and provincial income tax rates to the consolidated income before income taxes of **\$36,602,000** (1983 — \$29,984,000) as follows:

	1984	1983
Combined federal and provincial tax rate .....	<b>47.3%</b>	47.3%
Less:		
Manufacturing and processing rate reduction .....	<b>(3.1%)</b>	(3.7%)
Government assistance in the form of tax credits .....	<b>(3.2%)</b>	(3.4%)
Differences in foreign tax rates .....	<b>(9.9%)</b>	(5.3%)
Effective consolidated tax rate .....	<b><u>31.1%</u></b>	<u>34.9%</u>



# Auditors' Report

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To the Shareholders  
Nowco Well Service Ltd.

We have examined the consolidated balance sheets of Nowco Well Service Ltd. as at December 31, 1984 and December 31, 1983 and the consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1984 and December 31, 1983 and the results of its operations and the changes in its financial position for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Calgary, Alberta  
February 8, 1985

*Ernst & Whinney*

Chartered Accountants



# Ten Year Review

	1984	1983	1982	1981
<b>INCOME</b>				
Revenue .....	<b>\$196,792,000</b>	\$161,087,000	\$146,217,000	\$140,850,000
<b>COSTS AND EXPENSES</b>				
Material and operating .....	<b>125,705,000</b>	101,683,000	90,501,000	90,189,000
General and administrative .....	<b>15,708,000</b>	14,835,000	12,284,000	10,429,000
Interest .....	<b>3,892,000</b>	3,408,000	3,899,000	1,604,000
Depreciation and amortization ....	<b>14,885,000</b>	11,177,000	10,100,000	7,825,000
	<b>160,190,000</b>	131,103,000	116,784,000	110,047,000
Net income before income taxes and minority interest .....	<b>36,602,000</b>	29,984,000	29,433,000	30,803,000
Income taxes .....	<b>11,377,000</b>	10,460,000	11,025,000	11,059,000
Minority interest .....	<b>4,049,000</b>	3,461,000	3,329,000	2,908,000
<b>NET INCOME</b> .....	<b>\$ 21,176,000</b>	\$ 16,063,000	\$ 15,079,000	\$ 16,836,000
Net income per share .....	<b>\$1.56</b>	\$1.19	\$1.12	\$1.25
Cash flow from operations .....	<b>\$ 41,868,000</b>	\$ 32,061,000	\$ 30,692,000	\$ 32,740,000
Working capital .....	<b>\$ 35,930,000</b>	\$ 28,421,000	\$ 14,518,000	\$ 16,480,000
Capital expenditures — net .....	<b>\$ 23,370,000</b>	\$ 15,056,000	\$ 35,770,000	\$ 25,397,000
Dividends .....	<b>\$ 4,060,000</b>	\$ 3,787,000	\$ 3,649,000	\$ 4,848,000
Shares outstanding .....	<b>13,533,000</b>	13,526,000	13,522,000	13,478,000
Number of employees .....	<b>1,352</b>	1,208	1,048	1,020



1980	1979	1978	1977	1976	1975
<u>\$135,544,000</u>	<u>\$81,144,000</u>	<u>\$65,184,000</u>	<u>\$42,237,000</u>	<u>\$30,310,000</u>	<u>\$21,066,000</u>
84,733,000	52,608,000	42,457,000	26,226,000	18,351,000	12,615,000
7,169,000	5,339,000	4,873,000	3,047,000	2,590,000	1,429,000
1,338,000	1,228,000	712,000	211,000	8,000	117,000
<u>5,270,000</u>	<u>3,812,000</u>	<u>3,094,000</u>	<u>1,844,000</u>	<u>1,176,000</u>	<u>986,000</u>
<u>98,510,000</u>	<u>62,987,000</u>	<u>51,136,000</u>	<u>31,328,000</u>	<u>22,125,000</u>	<u>15,147,000</u>
37,034,000	18,157,000	14,048,000	10,909,000	8,185,000	5,919,000
14,270,000	7,538,000	5,455,000	4,416,000	3,323,000	2,546,000
<u>2,423,000</u>	<u>33,000</u>	<u>407,000</u>	<u>364,000</u>	<u>49,000</u>	<u>64,000</u>
<u>\$ 20,341,000</u>	<u>\$10,586,000</u>	<u>\$ 8,186,000</u>	<u>\$ 6,129,000</u>	<u>\$ 4,813,000</u>	<u>\$ 3,309,000</u>
\$1.51	\$ .79	\$ .62	\$ .47	\$ .37	\$ .26
\$ 31,941,000	\$16,107,000	\$13,483,000	\$10,669,000	\$ 6,896,000	\$ 5,178,000
\$ 13,709,000	\$ 5,094,000	\$ 5,349,000	\$ 4,201,000	\$ 4,142,000	\$ 3,247,000
\$ 19,823,000	\$15,654,000	\$16,220,000	\$ 9,917,000	\$ 5,590,000	\$ 3,374,000
\$ 2,683,000	\$ 1,596,000	\$ 1,215,000	\$ 769,000	\$ 437,000	\$ 433,000
13,429,000	13,329,000	13,284,000	13,218,000	13,104,000	13,068,000
983	783	638	470	312	259



# Corporate Information

## Board of Directors

ALAN J. DAY Calgary, Alberta	Vice President of Finance of the Company
CLIFFORD F. DOW Wooster, Ohio	Vice President and General Manager of the U.S. Operation of the Company
ROY J. DUNLOP Wooster, Ohio	Operations Manager of the U.S. Operation of the Company
WILLIAM A. ELSER Calgary, Alberta	President and Chief Executive Officer, ATCOR Resources Limited
MACLEAN E. JONES Calgary, Alberta	Senior Partner, Bennett Jones, Barristers and Solicitors
DOUGLAS A. RICHARDSON London, England	Senior Vice President and Chief Operating Officer of the Company
THOMAS E. SANDS Houston, Texas	Financial Vice President and Treasurer, Big Three Industries, Inc.
S. PATRICK SHOULDICE Calgary, Alberta	President and Chief Executive Officer of the Company
HARRY K. SMITH Houston, Texas	Chairman of the Board, Big Three Industries, Inc.
ROBERT G. WELLS Calgary, Alberta	Vice President and Manager of Canadian Operations of the Company

## Officers

HARRY K. SMITH	Chairman of the Board
S. PATRICK SHOULDICE	President and Chief Executive Officer
DOUGLAS A. RICHARDSON	Senior Vice President
ALAN J. DAY	Vice President
CLIFFORD F. DOW	Vice President
ROBERT G. WELLS	Vice President
GRANT TREVATHAN	Assistant Secretary





**NowSCO Well  
Service Ltd.**



**INFORMATION FOR  
THE ANALYST - 1984**



# History of The Company

Nowasco Well Service Ltd. commenced operations in 1962 under the name Nowasco of Canada Ltd. The Company was formed by Big Three Industries, Inc. of Houston, Texas, and a group of Canadian residents to introduce liquid nitrogen oilfield techniques to the Canadian Oil and Gas Industry. The Company commenced with one nitrogen unit and did its first job on October 17, 1962. The original two employees of the Company, S. P. Shouldice and J. H. Bristow are still employed by the Company as President and Senior Sales Representative, respectively.

In 1963, three additional nitrogen units were added to the fleet and S. P. Shouldice was appointed President of the Company.

In 1965, the currently named operating company was incorporated to expand into the acidizing market and subsequently in 1966 into cementing operations.

In 1967 sales revenue exceeded \$1.0 Million and in 1968 NOWSCO performed its first work outside of Canada. This was a series of nitrogen work performed off-shore Alaska.

A reorganization of the operating companies took place in 1970 to continue as Nowasco Well Service Ltd. 1970 also saw NOWSCO introduce Endless Tubing Units to the Canadian Oil and Gas Industry and enter into the Fracturing Stimulation market. T. E. Sands, Financial Vice President of Big Three Industries, Inc. was appointed a director of the Company.

In 1971, sales revenue increased by 70% to \$3.3 Million and D. A. Richardson was appointed a director of the Company.

In 1972 NOWSCO made its first offering of shares to the public, all in Canada, raising \$1,585,000 on an issue of 250,000 shares. Big Three Industries, Inc. retained 64%. H. K. Smith and M. E. Jones were appointed directors. D. A. Richardson was appointed Vice President and A. J. Day was appointed Secretary-Treasurer of the Company.

NOWSCO entered the foreign market in 1973 with the formation of BOC-NOWSCO Limited in the U.K. The Company retained a 51% interest in this operation with The British Oxygen Company Limited representing the remaining 49%. Consolidated sales revenue exceeded \$10 Million and net income reached \$1.6 Million. Capital expenditures exceeded \$3 Million.

In 1974 the first off-shore operation in the North Sea was performed.

In 1975 the Company's foreign operations were expanded into Europe with the formation of BOC-NOWSCO Oilfield Services GmbH based in Vechta, West Germany. 1975 also saw the Company declare its first dividend — a modest 10 cents per share — and complete a 2-for-1 stock split. Significant research and development resulted in the introduction of Foam Fracturing to the Canadian market as well as the development of the Tree Saver to allow high-pressure by-pass of the wellhead. Nowasco also completed its first sale of equipment with the delivery of four pumping units to the Government of India.

In 1976 the Company refined foam fracturing applications and developed foamed acid treatments as well as completing a substantial expansion of lab facilities and equipment due to extensive exploratory drilling in the deep foothills areas. C. F. Dow was appointed a director and Vice-President of the Company.

1977 saw the commencement of operations in S.E. Asia with the formation of BOC-NOWSCO (S.E. Asia) Pte. Ltd., based in Singapore. An extraordinary dividend of five cents per share was declared and the Company's shares commenced trading on the O.T.C. market of the NASDAQ system.

The year 1978 was a financially significant year. Record capital expenditures, in excess of \$16 Million, were made and for the first time the Company used a portion of its available long-term debt. During the third quarter of this year the Company completed a 2-for-1 stock split. 1978 also saw the start of construction of a second stimulation barge unit for S.E. Asia and the development of both the Sand Intensifier, which has substantially enhanced present fracturing techniques, and the first Hydrocarbon Foam Frac Fluid.

1979 was another year of record sales of \$81.1 Million and net earnings of \$10.6 Million. There was good sales growth both domestically and foreign for all services offered. To meet the challenge of the growth pattern a \$4 Million investment was made in a new Fabrication, Research and Training Centre in Calgary. The Board of Directors was expanded with the appointment of W. M. Boren, A. J. Day and D. J. Magus.

1980 was highlighted by record growth. Sales totalled \$135.5 Million and net earnings \$20.3 Million. Earnings per share for this reporting period were \$1.51 compared to \$0.79 a year ago. Earnings per share reflect the 3-for-1 stock split completed by the Company during the second quarter. The fabrication facility produced equipment for sale to several foreign countries as well as producing \$7.5 Million worth of equipment for the Company's own use. 1980 also saw capital expenditures reach nearly \$20 Million, the development of the Helium Leak Detection System, a geographical expansion to the East Coast of Canada, and establishment of a base in Italy.



1981 saw sales of \$140.8 Million and net earnings of \$16.8 Million. Equipment and technology sales of over \$10 Million were made to the Governments of India and Pakistan, and a new long-term contract was negotiated for our S.E. Asia operation. Capital expenditures exceeded \$25 Million and a new subsidiary, BOC-NOWSCO S.r.l., was formed in Italy. 1981 also saw the Company's first expansion into the United States with the establishment of operating bases in Ohio and West Virginia. There was also increased investment on the East Coast of Canada to meet the off-shore demands of the industry.

1982 marked the twentieth anniversary of NowSCO and despite the economic slow-down of our industry in Canada and the general world-wide depressed economies, the Company again reached record sales with a total of \$146.2 Million. Net earnings decreased however, by 10% to \$15.1 Million. The foreign subsidiaries showed good growth and the U.S. operation was further expanded with operations in Kentucky and Tennessee as well as Ohio and West Virginia. In Calgary, a Chemical Blending Plant was opened and on the Canadian East Coast operational bases to serve the off-shore oil and gas industry from both St. John's, Newfoundland and Dartmouth, Nova Scotia were opened.

1983 again produced record sales levels with an increase of 10.2% to \$161.1 Million and an increase in net income of 6.5% to \$16.1 Million. Foreign sales showed an encouraging increase as a result of further geographic expansion and market penetration and now represent 47.3% of consolidated revenues. W. M. Boren and D. J. Magus both resigned their positions on the Board and were replaced by W. A. Elser and R. G. Wells.

## Corporate Information

One of our greatest assets is the strength and experience of Management. Average age is 44 and average service is 12 years. Together, the Management group represents in excess of 250 years of experience in the oil and gas industry.

### Directors, Officers and Management

<b>A. J. Day</b> Calgary, Alberta	Vice President of Finance of the Company
<b>C. F. Dow</b> Wooster, Ohio	Vice President and General Manager of the U.S. Operations of the Company
<b>D. A. Richardson</b> London, England	Senior Vice President and Chief Operating Officer of the Company
<b>S. P. Shouldice</b> Calgary, Alberta	President and Chief Executive Officer of the Company
<b>R. G. Wells</b> Calgary, Alberta	Vice President and Manager of Canadian Operations of the Company
<b>W. A. Elser</b> Calgary, Alberta	Executive Vice President of ATCOR Resources Limited
<b>M. E. Jones</b> Calgary, Alberta	Senior Partner, Bennett Jones, Barristers and Solicitors
<b>R. A. Plummer</b> Houston, Texas	President, NowSCO Services, Inc., Subsidiary of Big Three Industries, Inc.
<b>T. E. Sands</b> Houston, Texas	Financial Vice President and Treasurer, Big Three Industries, Inc.
<b>H. K. Smith</b> Houston, Texas	Chairman of the Board, Big Three Industries, Inc.
<b>G. Trevathan</b> Calgary, Alberta	Assistant Secretary and Controller of the Company
<b>H. A. Anderson</b>	Manager of Engineering
<b>K. M. Bagan</b>	Manager of Training
<b>J. R. Delorey</b>	Manager of Research and Development
<b>F. P. Hagan</b>	Manager of Sales
<b>R. J. Harrington</b>	Manager of Safety
<b>J. I. Helmer</b>	Manager of Fabrication and Special Projects
<b>G. S. Wand</b>	General Manager of S.E. Asia Operations
<b>R. O. Younge</b>	General Manager of UK/Europe Operations



# Operating Locations

## Canada

### Alberta

Red Deer  
Edmonton  
Calgary  
Medicine Hat  
Brooks  
Whitecourt  
Peace River  
High Level  
Drayton Valley  
Lloydminster  
Lac La Biche  
Grande Prairie  
Slave Lake

### British Columbia

Fort St. John  
Ft. Nelson

### Saskatchewan

Kindersley  
Estevan  
Swift Current

### Manitoba

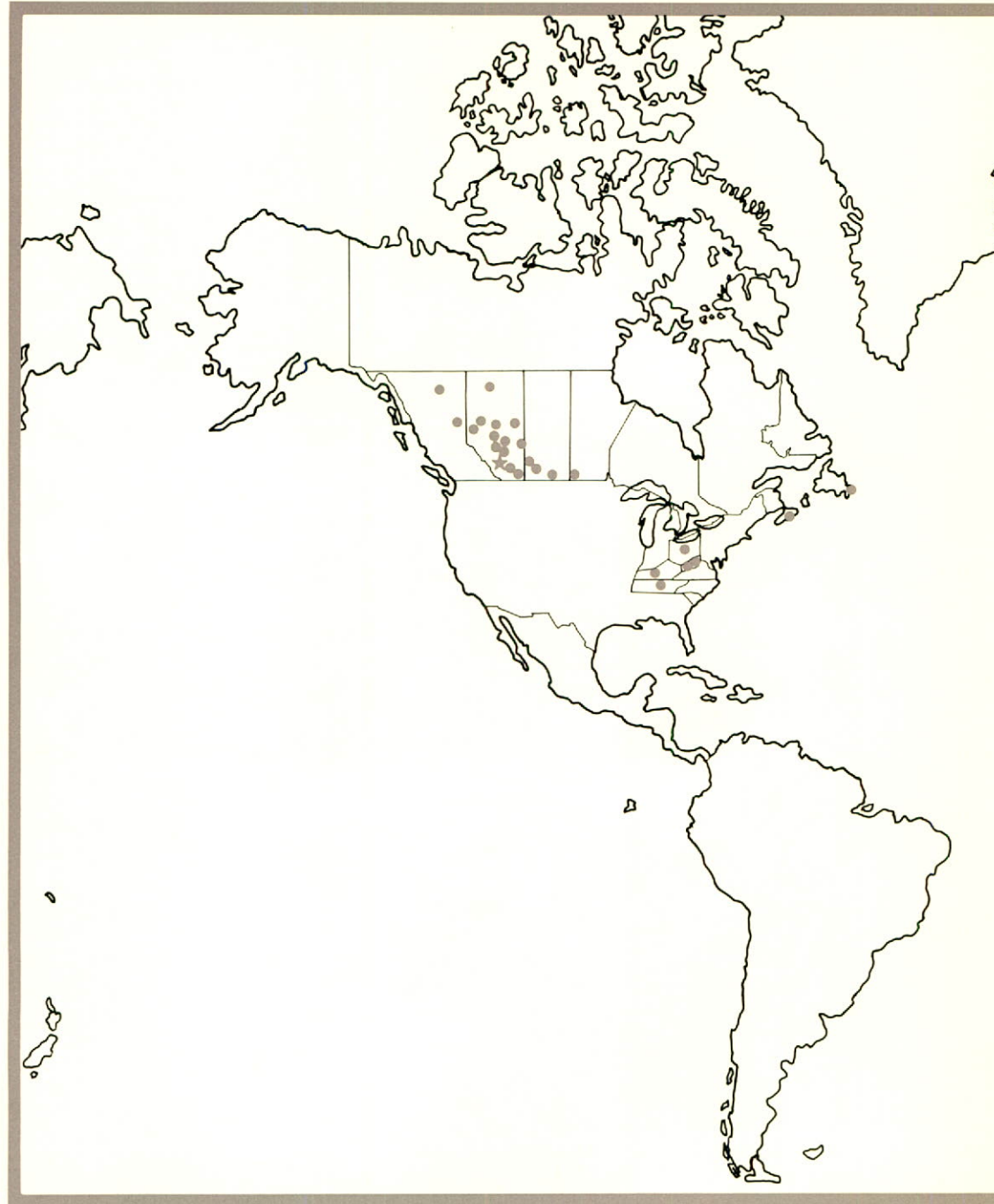
Waskada

### Newfoundland

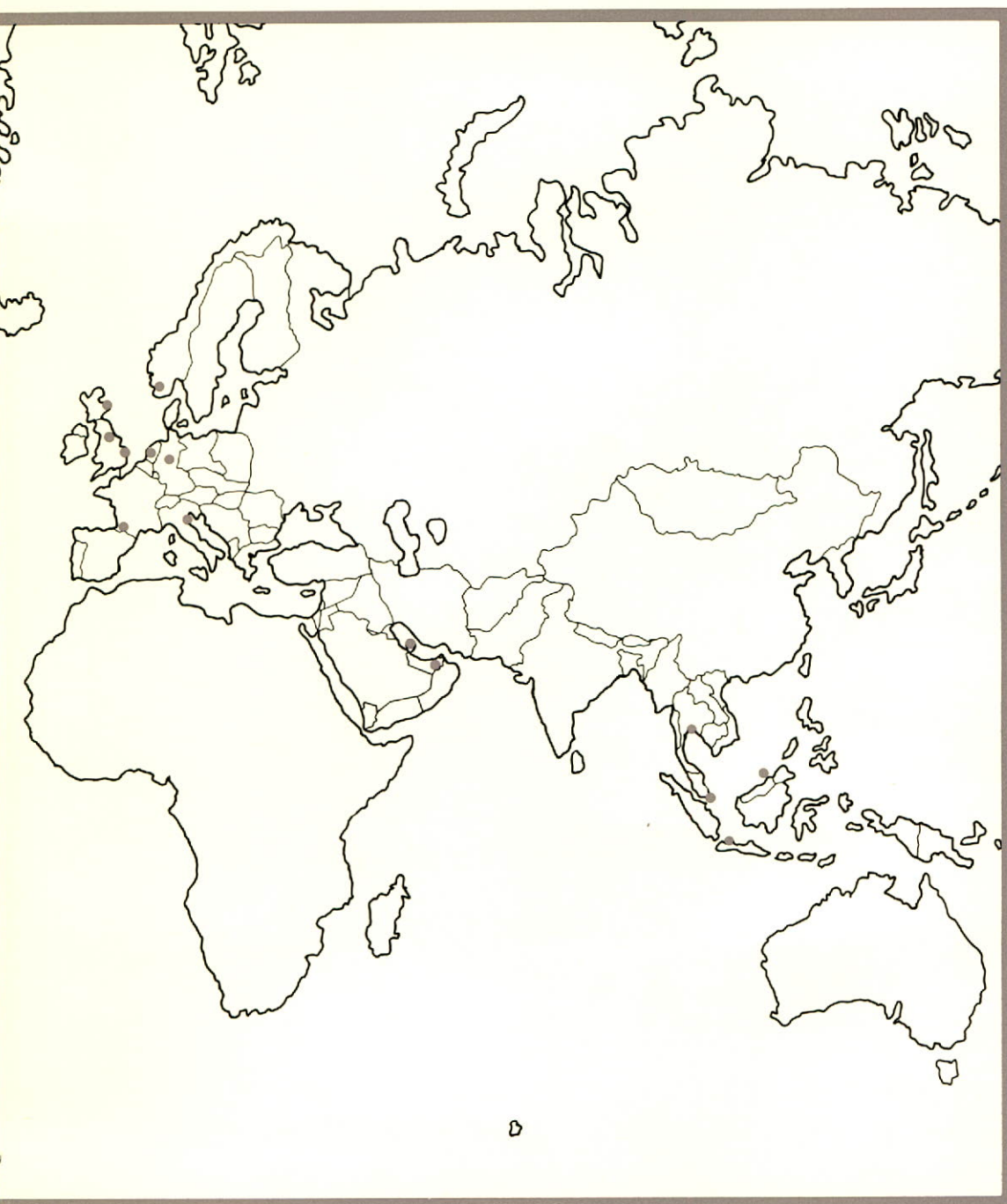
St. John's

### Nova Scotia

Dartmouth







## **United States**

### **Ohio**

Wooster

### **West Virginia**

Clarksburg

Parkersburg

### **Kentucky**

Columbia

### **Tennessee**

Crossville

## **U.K. and Europe**

Great Yarmouth, U.K.

Aberdeen, U.K.

Leeds, U.K.

Vechta, West Germany

Pau, France

Ravenna, Italy

Stavanger, Norway

Den Helder, Netherlands

## **S.E. Asia**

Singapore

Kuala Belait, Brunei

Jakarta, Indonesia

Bangkok, Thailand

## **Middle East**

Doha, Qatar

Dubai, U.A.E.



# Financial Information

## Condensed Comparative Balance Sheets

(Thousands of dollars)

ASSETS	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
<b>Current</b>										
Cash .....	\$ 14,721	\$ 5,709	\$ 6,216	\$ 1,682	\$ 136	\$ 55	\$ 645	\$ 2,103	\$ 46	\$ 15
Receivables .....	36,430	29,343	25,780	29,889	20,619	18,600	10,764	6,903	6,566	4,925
Inventories .....	20,649	18,541	21,433	13,336	7,629	5,160	3,367	1,982	1,558	646
Prepays .....	1,695	1,329	1,994	801	301	535	452	77	97	29
	<u>\$ 73,495</u>	<u>\$ 54,922</u>	<u>\$ 55,423</u>	<u>\$ 45,708</u>	<u>\$28,685</u>	<u>\$24,350</u>	<u>\$15,228</u>	<u>\$11,065</u>	<u>\$ 8,267</u>	<u>\$ 5,615</u>
<b>Property, Plant and Equipment</b>										
Equipment .....	121,293	110,971	83,439	63,128	48,834	37,643	25,375	16,494	11,781	9,263
Buildings and Land .....	21,456	19,685	14,690	12,333	9,162	5,933	2,881	2,277	1,701	1,177
Accumulated Depreciation .....	(35,421)	(25,714)	(17,119)	(12,023)	(9,112)	(6,534)	(4,340)	(2,906)	(2,077)	(1,411)
	<u>107,328</u>	<u>104,942</u>	<u>81,010</u>	<u>63,438</u>	<u>48,884</u>	<u>37,042</u>	<u>23,916</u>	<u>15,865</u>	<u>11,405</u>	<u>9,029</u>
	<u>\$180,823</u>	<u>\$159,864</u>	<u>\$136,433</u>	<u>\$109,146</u>	<u>\$77,569</u>	<u>\$61,392</u>	<u>\$39,144</u>	<u>\$26,930</u>	<u>\$19,672</u>	<u>\$14,644</u>
<b>LIABILITIES</b>										
<b>Current</b>										
Bank Debt .....	\$ 23,194	\$ 20,026	\$ 20,562	\$ 8,796	\$10,009	\$ 8,987	\$ 3,078	\$ 2,387	\$ 1,505	\$ 1,528
Payables .....	18,889	15,597	16,427	16,069	11,239	9,336	7,506	3,833	2,495	2,196
Income Taxes .....	2,991	5,192	1,954	7,134	2,343	678	443	702	1,020	129
	<u>\$ 45,074</u>	<u>\$ 40,815</u>	<u>\$ 38,943</u>	<u>\$ 31,999</u>	<u>\$23,591</u>	<u>\$19,001</u>	<u>\$11,027</u>	<u>\$ 6,922</u>	<u>\$ 5,020</u>	<u>\$ 3,853</u>
<b>Long-Term Debt</b> .....	16,149	12,951	6,044	5,498	6,368	5,269	—	—	—	—
<b>Deferred Taxes</b> .....	21,595	20,889	19,014	13,844	9,936	8,260	6,464	4,132	3,242	2,424
<b>Minority Interest</b> .....	8,494	7,522	5,300	2,813	590	860	725	411	342	258
<b>SHAREHOLDERS' EQUITY</b>										
Share Capital .....	\$ 2,935	\$ 2,908	\$ 2,816	\$ 2,664	\$ 2,414	\$ 2,322	\$ 2,219	\$ 2,116	\$ 2,095	\$ 2,012
Retained Earnings .....	88,022	75,746	64,316	52,328	34,670	25,680	18,709	13,349	8,973	6,097
Equity Translation Adjustment .....	(1,446)	(967)	—	—	—	—	—	—	—	—
	<u>89,511</u>	<u>77,687</u>	<u>67,132</u>	<u>54,992</u>	<u>37,084</u>	<u>28,002</u>	<u>20,928</u>	<u>15,465</u>	<u>11,068</u>	<u>8,109</u>
	<u>\$180,823</u>	<u>\$159,864</u>	<u>\$136,433</u>	<u>\$109,146</u>	<u>\$77,569</u>	<u>\$61,392</u>	<u>\$39,144</u>	<u>\$26,930</u>	<u>\$19,672</u>	<u>\$14,644</u>



# Comparative Income Statements

(Thousands of dollars)

	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
<b>INCOME</b>										
Sales .....	<u>\$161,087</u>	<u>\$146,217</u>	<u>\$140,850</u>	<u>\$135,544</u>	<u>\$81,144</u>	<u>\$65,184</u>	<u>\$42,237</u>	<u>\$30,310</u>	<u>\$21,066</u>	<u>\$13,881</u>
<b>COSTS AND EXPENSES</b>										
Material and operating .....	<u>101,683</u>	<u>90,501</u>	<u>90,189</u>	<u>84,733</u>	<u>52,608</u>	<u>42,457</u>	<u>26,226</u>	<u>18,351</u>	<u>12,615</u>	<u>8,274</u>
General and administrative .....	<u>14,835</u>	<u>12,284</u>	<u>10,429</u>	<u>7,169</u>	<u>5,339</u>	<u>4,873</u>	<u>3,047</u>	<u>2,590</u>	<u>1,429</u>	<u>988</u>
Interest .....	<u>3,408</u>	<u>3,899</u>	<u>1,604</u>	<u>1,338</u>	<u>1,228</u>	<u>712</u>	<u>211</u>	<u>8</u>	<u>117</u>	<u>87</u>
Depreciation .....	<u>11,177</u>	<u>10,100</u>	<u>7,825</u>	<u>5,270</u>	<u>3,812</u>	<u>3,094</u>	<u>1,844</u>	<u>1,176</u>	<u>986</u>	<u>711</u>
	<u>131,103</u>	<u>116,784</u>	<u>110,047</u>	<u>98,510</u>	<u>62,987</u>	<u>51,136</u>	<u>31,328</u>	<u>22,125</u>	<u>15,147</u>	<u>10,060</u>
Net income before income tax and minority interest .....	<u>29,984</u>	<u>29,433</u>	<u>30,803</u>	<u>37,034</u>	<u>18,157</u>	<u>14,048</u>	<u>10,909</u>	<u>8,185</u>	<u>5,919</u>	<u>3,821</u>
Income taxes .....	<u>10,460</u>	<u>11,025</u>	<u>11,059</u>	<u>14,270</u>	<u>7,538</u>	<u>5,455</u>	<u>4,416</u>	<u>3,323</u>	<u>2,546</u>	<u>1,573</u>
Minority interest .....	<u>3,461</u>	<u>3,329</u>	<u>2,908</u>	<u>2,423</u>	<u>33</u>	<u>407</u>	<u>364</u>	<u>49</u>	<u>64</u>	<u>37</u>
<b>NET INCOME</b> .....	<u>\$ 16,063</u>	<u>\$ 15,079</u>	<u>\$ 16,836</u>	<u>\$ 20,341</u>	<u>\$10,586</u>	<u>\$ 8,186</u>	<u>\$ 6,129</u>	<u>\$ 4,813</u>	<u>\$ 3,309</u>	<u>\$ 2,211</u>

# Changes in Financial Position

(Thousands of dollars)

	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
<b>FUNDS PROVIDED</b>										
Net income .....	<u>\$16,063</u>	<u>\$15,079</u>	<u>\$16,836</u>	<u>\$20,341</u>	<u>\$10,586</u>	<u>\$ 8,186</u>	<u>\$ 6,129</u>	<u>\$ 4,813</u>	<u>\$3,309</u>	<u>\$2,211</u>
Depreciation .....	<u>11,177</u>	<u>10,100</u>	<u>7,825</u>	<u>5,270</u>	<u>3,812</u>	<u>3,094</u>	<u>1,844</u>	<u>1,176</u>	<u>986</u>	<u>711</u>
Deferred taxes .....	<u>1,360</u>	<u>2,184</u>	<u>5,170</u>	<u>3,907</u>	<u>1,675</u>	<u>1,796</u>	<u>2,332</u>	<u>890</u>	<u>817</u>	<u>887</u>
Minority interest .....	<u>3,461</u>	<u>3,329</u>	<u>2,908</u>	<u>2,423</u>	<u>33</u>	<u>407</u>	<u>364</u>	<u>49</u>	<u>64</u>	<u>38</u>
Other .....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(32)</u>	<u>2</u>	<u>—</u>
<b>Total from Operations</b> .....	<u>32,061</u>	<u>30,692</u>	<u>32,739</u>	<u>31,941</u>	<u>16,106</u>	<u>13,483</u>	<u>10,669</u>	<u>6,896</u>	<u>5,178</u>	<u>3,847</u>
Long-term debt .....	<u>4,151</u>	<u>7,382</u>	<u>5,212</u>	<u>1,000</u>	<u>1,099</u>	<u>5,269</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other .....	<u>72</u>	<u>92</u>	<u>164</u>	<u>250</u>	<u>93</u>	<u>103</u>	<u>136</u>	<u>40</u>	<u>114</u>	<u>9</u>
<b>Total provided</b> .....	<u>36,284</u>	<u>38,166</u>	<u>38,115</u>	<u>33,191</u>	<u>17,298</u>	<u>18,855</u>	<u>10,805</u>	<u>6,936</u>	<u>5,292</u>	<u>3,856</u>
<b>FUNDS USED</b>										
Purchase of equipment and property — net .....	<u>15,056</u>	<u>35,770</u>	<u>25,397</u>	<u>19,823</u>	<u>15,654</u>	<u>16,220</u>	<u>9,917</u>	<u>5,590</u>	<u>3,374</u>	<u>3,541</u>
Dividends paid .....	<u>3,787</u>	<u>3,649</u>	<u>4,848</u>	<u>2,683</u>	<u>1,596</u>	<u>1,215</u>	<u>769</u>	<u>437</u>	<u>433</u>	<u>—</u>
Other .....	<u>3,127</u>	<u>1,120</u>	<u>5,099</u>	<u>2,070</u>	<u>303</u>	<u>272</u>	<u>61</u>	<u>13</u>	<u>—</u>	<u>—</u>
<b>Total used</b> .....	<u>21,970</u>	<u>40,539</u>	<u>35,344</u>	<u>24,576</u>	<u>17,553</u>	<u>17,707</u>	<u>10,747</u>	<u>6,040</u>	<u>3,807</u>	<u>3,541</u>
<b>Change in working capital</b> .....	<u>14,314</u>	<u>(2,373)</u>	<u>2,771</u>	<u>8,615</u>	<u>(255)</u>	<u>1,148</u>	<u>58</u>	<u>896</u>	<u>1,485</u>	<u>315</u>
<b>Working capital, Jan. 1</b> .....	<u>14,107</u>	<u>16,480</u>	<u>13,709</u>	<u>5,094</u>	<u>5,349</u>	<u>4,201</u>	<u>4,143</u>	<u>3,247</u>	<u>1,762</u>	<u>1,447</u>
<b>Working capital, Dec. 31</b> .....	<u>\$28,421</u>	<u>\$14,107</u>	<u>\$16,480</u>	<u>\$13,709</u>	<u>\$ 5,094</u>	<u>\$ 5,349</u>	<u>\$ 4,201</u>	<u>\$ 4,143</u>	<u>\$3,247</u>	<u>\$1,762</u>
<b>Represented by</b>										
Current Assets .....	<u>\$73,495</u>	<u>\$54,922</u>	<u>\$55,423</u>	<u>\$45,708</u>	<u>\$28,685</u>	<u>\$24,350</u>	<u>\$15,228</u>	<u>\$11,065</u>	<u>\$8,267</u>	<u>\$5,615</u>
Less Current Liabilities .....	<u>45,074</u>	<u>40,815</u>	<u>38,943</u>	<u>31,999</u>	<u>23,591</u>	<u>19,001</u>	<u>11,027</u>	<u>6,922</u>	<u>5,020</u>	<u>3,853</u>
	<u>\$28,421</u>	<u>\$14,107</u>	<u>\$16,480</u>	<u>\$13,709</u>	<u>\$ 5,094</u>	<u>\$ 5,349</u>	<u>\$ 4,201</u>	<u>\$ 4,143</u>	<u>\$3,247</u>	<u>\$1,762</u>



## Employee Productivity

	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
Sales .....	<b>\$133,350</b>	\$139,520	\$138,088	\$137,888	\$114,207	\$117,660	\$108,023	\$106,350	\$ 93,626	\$ 78,869
Net income before Minority Interest ...	<b>\$ 16,162</b>	\$ 17,565	\$ 19,357	\$ 23,158	\$ 13,562	\$ 13,469	\$ 13,815	\$ 15,583	\$ 13,023	\$ 11,708
Number of employees at end of year .....	<b>1,208</b>	1,048	1,020	983	783	638	470	312	259	192

## Selected Analyses and Ratios

	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
*Earnings per Share .....	<b>\$ 1.19</b>	\$ 1.12	\$ 1.25	\$ 1.51	\$ 0.79	\$ 0.62	\$ 0.47	\$ 0.37	\$ 0.26	\$ 0.17
*Cash Flow from Operations per Share .....	<b>\$ 2.37</b>	\$ 2.27	\$ 2.43	\$ 2.38	\$ 1.21	\$ 1.01	\$ 0.81	\$ 0.53	\$ 0.40	\$ 0.30
*Dividends per Share .....	<b>\$ 0.28</b>	\$ 0.27	\$ 0.36	\$ 0.20	\$ 0.12	\$ 0.09	\$ 0.06	\$ 0.03	\$ 0.03	—
Pre-tax Margins (%) .....	<b>18.6</b>	20.1	21.9	27.3	22.4	21.6	25.8	27.0	28.1	27.5
Net Income Margins (%) .....	<b>10.0</b>	10.3	12.0	15.0	13.1	12.6	14.5	15.9	15.7	15.9
Effective Tax Rates (%) .....	<b>34.9</b>	37.5	35.9	38.5	41.5	38.8	40.5	40.6	43.0	41.2
Return on Average Equity (%) .....	<b>19.2</b>	20.8	27.6	44.1	32.5	33.5	33.7	36.2	34.5	31.6
Return on Average Capital Employed (%) .....	<b>11.8</b>	13.2	19.4	30.5	20.8	22.8	26.1	29.9	27.7	25.3
*Stock Range (T.S.E.)										
(High) .....	<b>\$ 23½</b>	\$ 18¼	\$ 29	\$ 34¾	\$ 15½	\$ 9¾	\$ 6⅞	\$ 3¼	\$ 2¼	\$ 1
(Low) .....	<b>\$ 14¼</b>	\$ 9¼	\$ 13¼	\$ 14¾	\$ 6¾	\$ 4¾	\$ 2¾	\$ 1½	\$ ½	\$ ¾
P/E Ratio .....	<b>14.7</b>	16.3	12.6	17.5	19.4	11.2	12.6	8.4	5.8	2.9
*Number of Shares Outstanding at Year End .....	<b>13,526,345</b>	13,522,045	13,478,045	13,428,945	13,328,250	13,284,300	13,217,700	13,106,400	13,070,400	12,924,000
Year to Year Increases (%):										
Sales .....	<b>10.2</b>	3.8	3.9	67.0	24.5	54.3	39.3	43.9	51.8	37.6
Pre-tax Income .....	<b>1.9</b>	(4.4)	(16.8)	104.0	29.3	28.8	33.2	38.3	54.9	35.7
Net Income .....	<b>6.5</b>	(10.4)	(17.2)	92.2	29.3	33.6	27.3	45.4	49.7	33.9

\*Adjusted for stock splits in April 1975, September 1978 and April 1980.

## Foreign Operations

(Thousands of dollars)

	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
Sales .....	<b>\$76,136</b>	\$57,172	\$35,890	\$24,535	\$11,121	\$11,223	\$5,353	\$2,352	\$1,233	\$555
Net Operating Income .....	<b>\$ 7,063</b>	\$ 6,794	\$ 5,694	\$ 4,367	\$ 68	\$ 831	\$ 743	\$ 101	\$ 130	\$ 77
% of Sales .....	<b>9.3%</b>	11.9%	15.9%	17.8%	0.1%	7.4%	13.9%	4.3%	10.5%	13.9%
Minority interest share of net operating income .....	<b>\$ 3,461</b>	\$ 3,329	\$ 2,908	\$ 2,423	\$ 33	\$ 407	\$ 364	\$ 49	\$ 64	\$ 37



# Quarterly Analysis

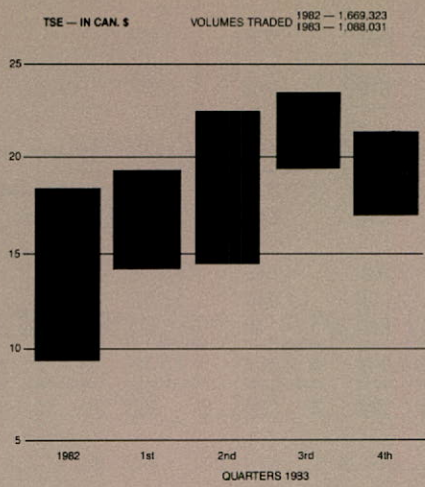
(Thousands of dollars)

	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
<b>1st Quarter</b>										
<b>Sales</b> .....	<b>\$40,773</b>	<b>\$41,331</b>	<b>\$45,686</b>	<b>\$35,489</b>	<b>\$20,035</b>	<b>\$15,974</b>	<b>\$11,406</b>	<b>\$7,620</b>	<b>\$4,514</b>	<b>\$2,940</b>
Cost of sales/operating .....	<b>28,508</b>	29,677	30,320	22,269	13,776	10,821	7,233	4,975	2,848	1,954
Depreciation .....	<b>2,861</b>	2,189	1,526	1,390	919	670	385	309	199	139
<b>Net income before</b>										
<b>Tax and Minority Interest</b> ..	<b>9,404</b>	9,465	13,840	11,830	5,340	4,483	3,788	2,336	1,467	847
Income Taxes .....	<b>3,516</b>	4,113	5,532	4,777	2,136	1,840	1,580	956	613	351
Minority Interest .....	<b>506</b>	546	702	318	208	19	99	(37)	29	(4)
<b>Net Income</b> .....	<b>\$ 5,382</b>	<b>\$ 4,806</b>	<b>\$ 7,606</b>	<b>\$ 6,735</b>	<b>\$ 2,996</b>	<b>\$ 2,624</b>	<b>\$ 2,109</b>	<b>\$1,417</b>	<b>\$ 825</b>	<b>\$ 500</b>
* Earnings per share .....	<b>\$ .40</b>	<b>\$ .36</b>	<b>\$ .57</b>	<b>\$ .51</b>	<b>\$ .20</b>	<b>\$ .20</b>	<b>\$ .16</b>	<b>\$ .11</b>	<b>\$ .06</b>	<b>\$ .04</b>
<b>2nd Quarter</b>										
<b>Sales</b> .....	<b>\$30,433</b>	<b>\$27,272</b>	<b>\$27,290</b>	<b>\$26,063</b>	<b>\$13,142</b>	<b>\$11,234</b>	<b>\$ 6,822</b>	<b>\$5,250</b>	<b>\$3,363</b>	<b>\$2,015</b>
Cost of sales/operating .....	<b>25,859</b>	22,226	21,717	20,189	11,448	9,602	5,714	4,128	2,805	1,636
Depreciation .....	<b>2,793</b>	2,442	1,816	1,179	932	687	424	238	232	151
<b>Net income before</b>										
<b>Tax and Minority Interest</b> ..	<b>1,781</b>	2,604	3,757	4,695	762	945	684	884	326	228
Income Taxes .....	<b>453</b>	619	1,233	1,730	74	390	305	382	138	88
Minority Interest .....	<b>921</b>	869	931	764	221	206	75	69	15	10
<b>Net Income</b> .....	<b>\$ 407</b>	<b>\$ 1,116</b>	<b>\$ 1,593</b>	<b>\$ 2,201</b>	<b>\$ 467</b>	<b>\$ 349</b>	<b>\$ 304</b>	<b>\$ 433</b>	<b>\$ 173</b>	<b>\$ 130</b>
* Earnings per share .....	<b>\$ .03</b>	<b>\$ .08</b>	<b>\$ .11</b>	<b>\$ .16</b>	<b>\$ .04</b>	<b>\$ .03</b>	<b>\$ .03</b>	<b>\$ .03</b>	<b>\$ .02</b>	<b>\$ .01</b>
<b>3rd Quarter</b>										
<b>Sales</b> .....	<b>\$44,936</b>	<b>\$33,586</b>	<b>\$33,135</b>	<b>\$35,404</b>	<b>\$23,149</b>	<b>\$17,552</b>	<b>\$11,031</b>	<b>\$8,458</b>	<b>\$6,182</b>	<b>\$4,519</b>
Cost of sales/operating .....	<b>31,557</b>	24,608	24,308	24,227	16,887	12,731	6,755	5,583	3,910	2,638
Depreciation .....	<b>2,951</b>	2,518	2,160	1,270	1,025	897	446	341	281	181
<b>Net income before</b>										
<b>Tax and Minority Interest</b> ..	<b>10,428</b>	6,460	6,667	9,907	5,237	3,924	3,830	2,534	1,991	1,700
Income Taxes .....	<b>3,939</b>	2,350	2,793	3,672	2,413	1,708	1,730	1,085	832	698
Minority Interest .....	<b>991</b>	990	638	533	(225)	136	176	8	20	5
<b>Net Income</b> .....	<b>\$ 5,498</b>	<b>\$ 3,120</b>	<b>\$ 3,236</b>	<b>\$ 5,702</b>	<b>\$ 3,049</b>	<b>\$ 2,080</b>	<b>\$ 1,924</b>	<b>\$1,441</b>	<b>\$1,139</b>	<b>\$ 997</b>
* Earnings per share .....	<b>\$ .40</b>	<b>\$ .23</b>	<b>\$ .24</b>	<b>\$ .42</b>	<b>\$ .24</b>	<b>\$ .15</b>	<b>\$ .15</b>	<b>\$ .11</b>	<b>\$ .09</b>	<b>\$ .08</b>
<b>4th Quarter</b>										
<b>Sales</b> .....	<b>\$44,945</b>	<b>\$ 44,028</b>	<b>\$34,739</b>	<b>\$38,588</b>	<b>\$24,818</b>	<b>\$20,424</b>	<b>\$12,978</b>	<b>\$8,981</b>	<b>\$7,007</b>	<b>\$4,407</b>
Cost of sales/operating .....	<b>34,002</b>	30,173	25,877	26,555	17,064	14,888	9,782	6,263	4,599	3,121
Depreciation .....	<b>2,572</b>	2,951	2,323	1,431	936	840	589	287	274	240
<b>Net income before</b>										
<b>Tax and Minority Interest</b> ..	<b>8,371</b>	10,904	6,539	10,602	6,818	4,696	2,607	2,431	2,134	1,046
Income Taxes .....	<b>2,552</b>	3,943	1,501	4,091	2,915	1,517	801	900	962	435
Minority Interest .....	<b>1,043</b>	924	637	808	(171)	46	14	8	(1)	27
<b>Net Income</b> .....	<b>\$ 4,776</b>	<b>\$ 6,037</b>	<b>\$ 4,401</b>	<b>\$ 5,703</b>	<b>\$ 4,074</b>	<b>\$ 3,133</b>	<b>\$ 1,792</b>	<b>\$1,523</b>	<b>\$1,173</b>	<b>\$ 584</b>
* Earnings per share .....	<b>\$ .36</b>	<b>\$ .45</b>	<b>\$ .33</b>	<b>\$ .42</b>	<b>\$ .31</b>	<b>\$ .24</b>	<b>\$ .13</b>	<b>\$ .12</b>	<b>\$ .09</b>	<b>\$ .04</b>

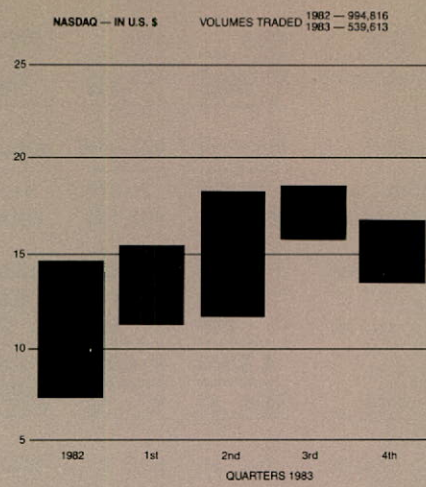
\* Adjusted for stock splits in April 1975, September 1978 and April 1980.



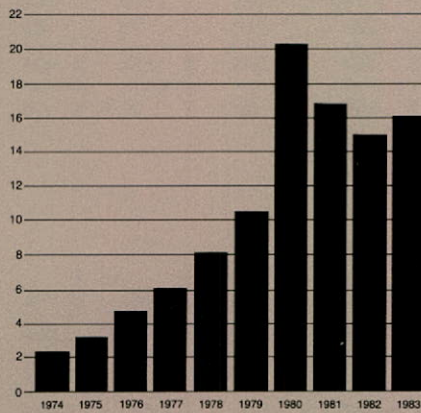
### SHARE PRICES — 1983, 1982



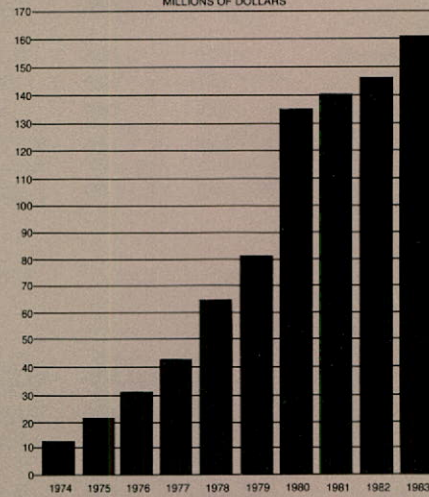
### SHARE PRICES — 1983, 1982



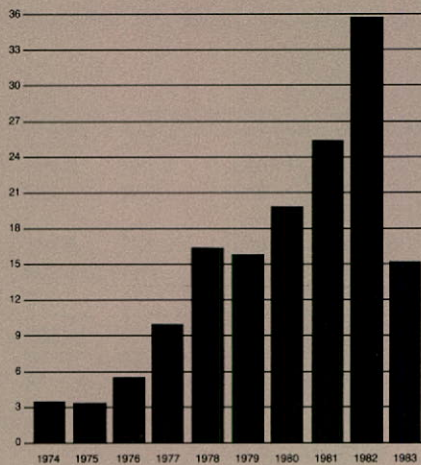
### CONSOLIDATED NET INCOME MILLIONS OF DOLLARS



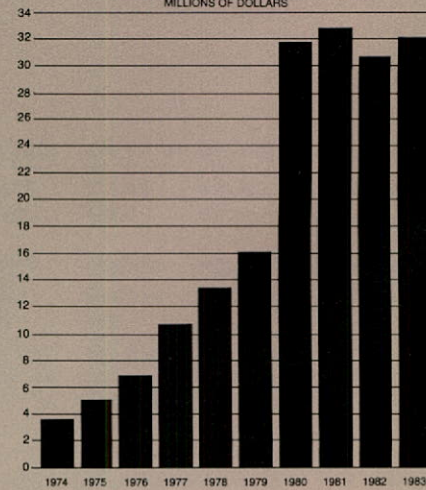
### CONSOLIDATED SALES MILLIONS OF DOLLARS



### NET CAPITAL EXPENDITURES MILLIONS OF DOLLARS



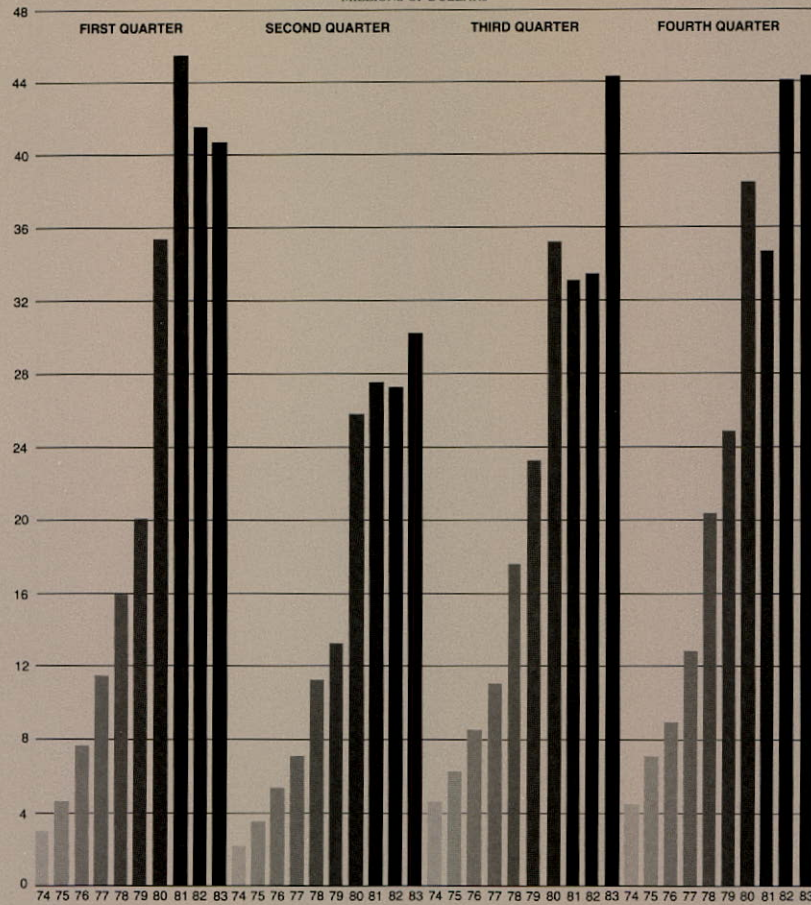
### CASH FLOW FROM OPERATIONS MILLIONS OF DOLLARS





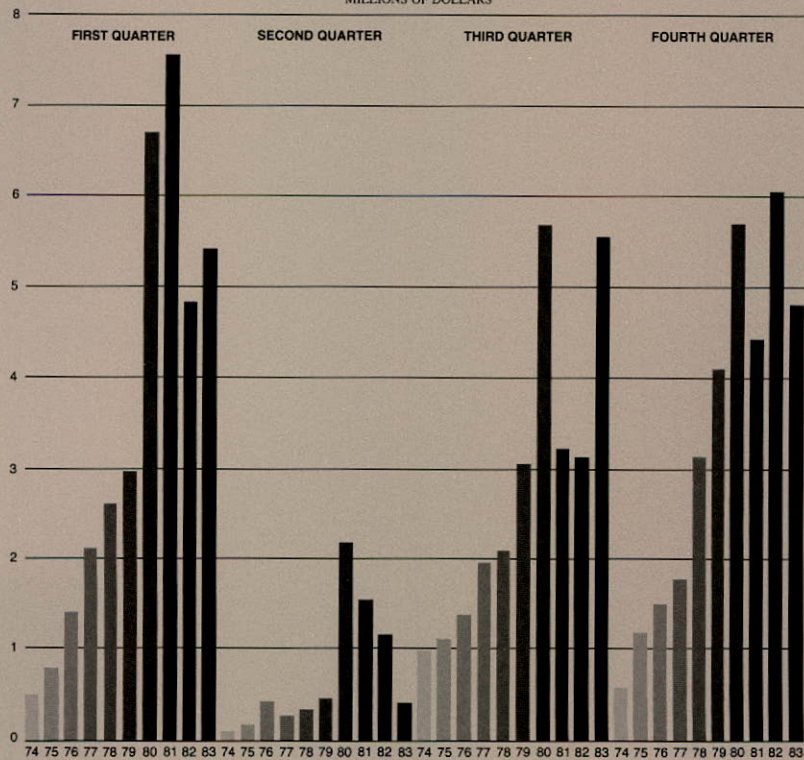
# SALES

MILLIONS OF DOLLARS

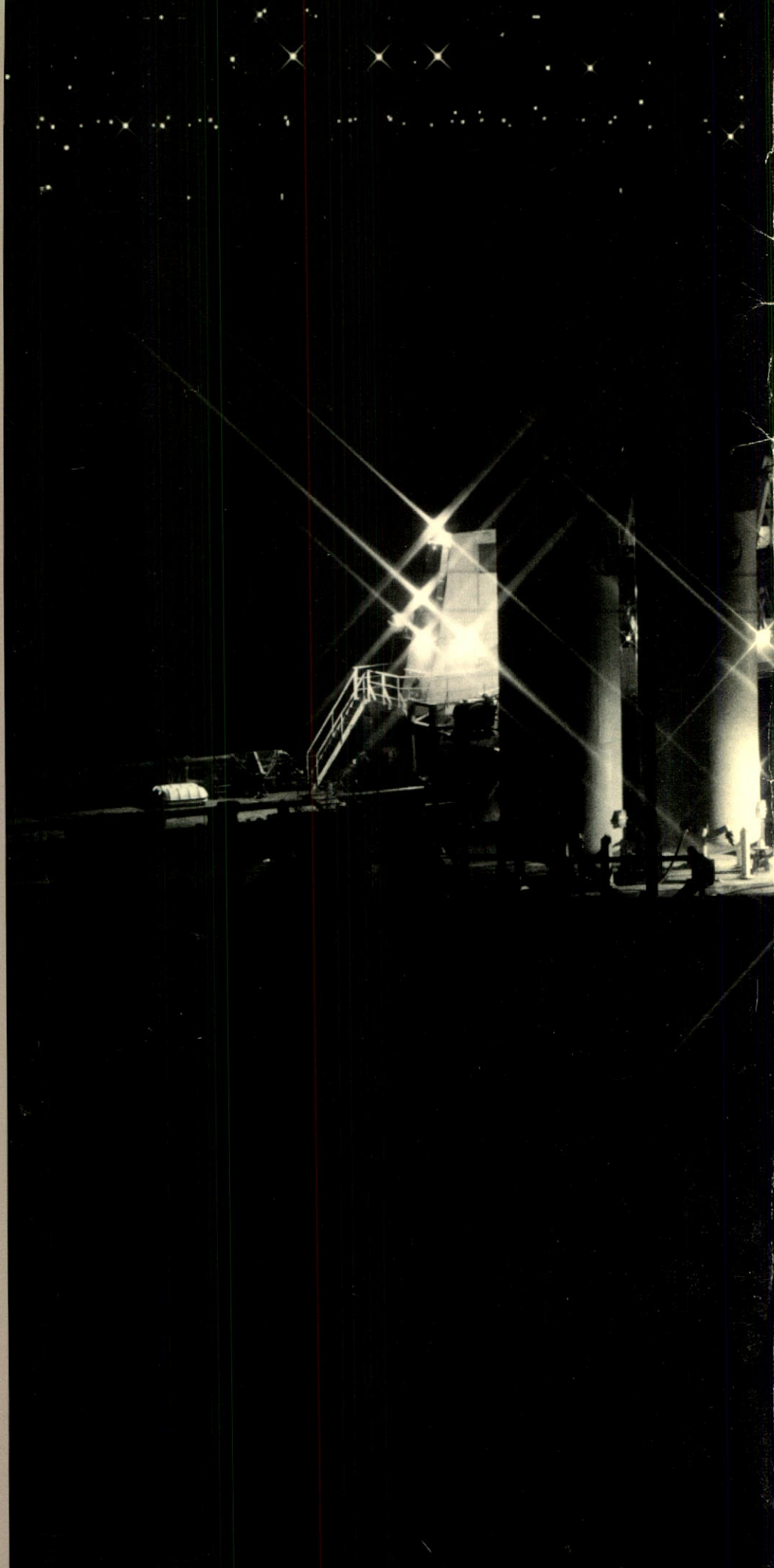


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