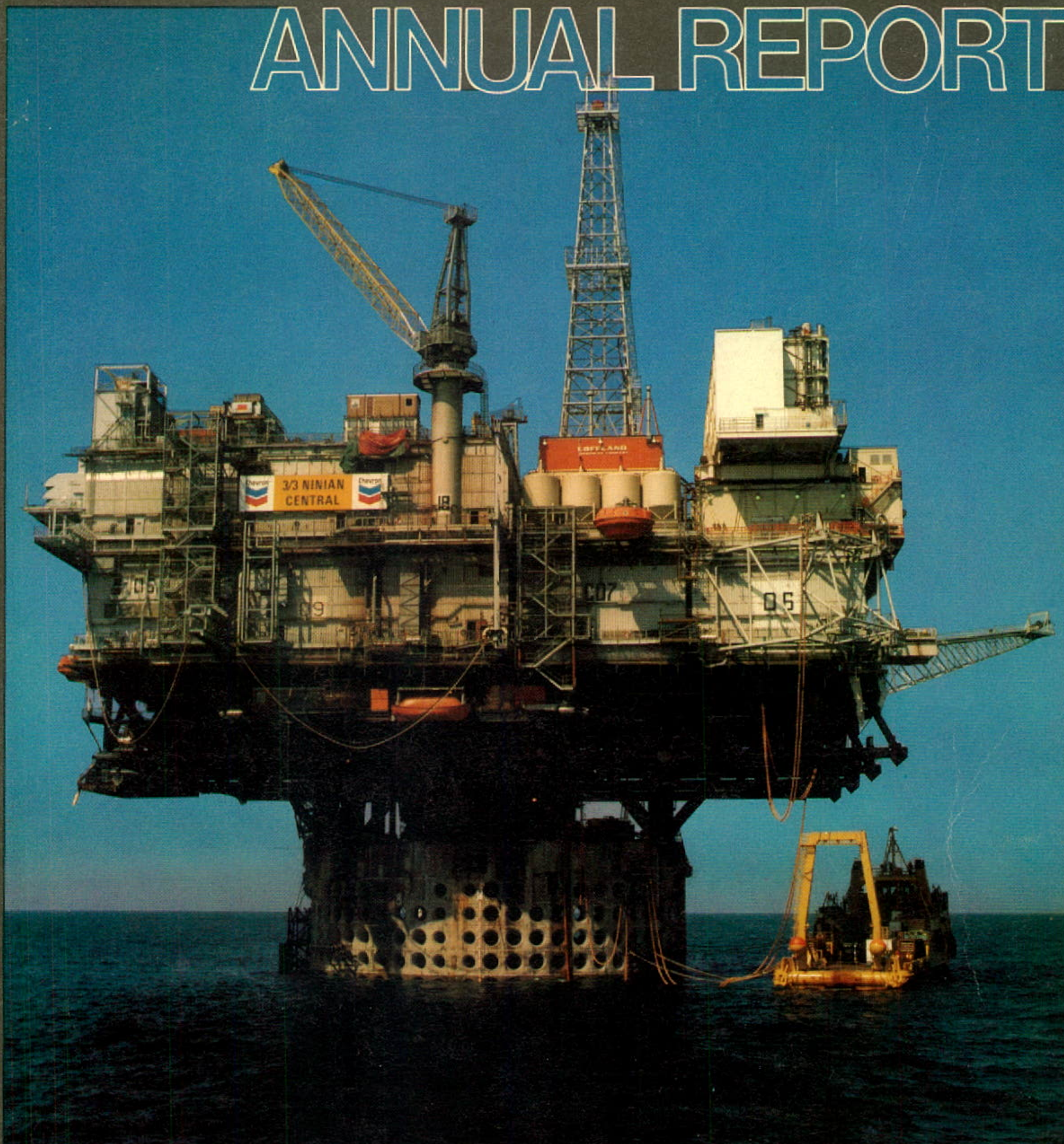
ANNUAL REPORT



Ranger OIL (CANADA) LIMITED

1978

OPERATIONAL HIGHLIGHTS

	1978	1977
Gross Daily Production		
Crude Oil and Natural Gas Liquids (bbls)		
Canada	**1,200**	1,250
United States	**107**	138
TOTAL	**1,307**	1,388
Natural Gas (mcf)		
Canada	**12,000**	12,655
United States	**3,243**	4,285
TOTAL	**15,243**	16,940
Gross Proven and Probable Reserves At December 31		
Crude Oil and Natural Gas Liquids (millions of bbls)		
North Sea	**60.8**	60.8
North America	**6.6**	7.9
Natural Gas (billions of cubic feet)		
North America	**111.0**	117.4

FINANCIAL HIGHLIGHTS

	1978	1977
Gross Revenue	**$ 10,377,000**	$ 9,542,000
Cash Flow	**$ 5,347,000**	$ 5,965,000
Net Earnings	**$ 2,302,000**	$ 3,424,000
Working Capital	**$ 2,420,000**	$ 3,450,000
Long Term Debt	**$193,540,000**	$108,241,000
Number of Common Shares Issued	**8,594,832**	8,543,632
Principal Markets Where Shares are Traded		
Toronto — High	**$19.88**	$15.63
— Low	**$12.88**	$ 9.00
American — High	**$17.25**	$15.00
— Low	**$10.88**	$ 8.88

CONTENTS

COVER: Ninian Central Platform.

CORPORATE PROFILE:
Ranger Oil (Canada) Limited was incorporated in the Province of Ontario, Canada on August 21, 1950 and adopted its present name on August 5, 1958. The Company and its subsidiaries are engaged in the exploration for and development and production of oil and natural gas on a world-wide basis.

Ranger OIL (CANADA) LIMITED

Sullom Voe power station area and jetties (courtesy of British Petroleum)

NINIAN OIL FIELD

The Company is now in a new era with the commencement of production from the Ninian Oil field in the United Kingdom sector of the North Sea on December 23, 1978. The Ninian field was discovered in January, 1974 by the BP/Ranger 3/8-1 well and has estimated recoverable crude oil and natural gas liquid reserves of approximately 1.2 billion barrels. The field's reserves are equal to approximately 25 percent of total Canadian conventional oil reserves. The development of the Ninian field has been a major undertaking requiring five years of effort by the eight participating companies and when completed will represent an investment of $3 billion (U.S.).

Production from the Southern Platform has increased since December as additional wells were placed on stream. Currently, four wells are producing at a combined daily rate of approximately 100,000 barrels. As additional wells are drilled and completed from the field platforms, daily production rates will continue to increase until peak production of at least 360,000 barrels per day is achieved. It is currently estimated that this peak production level should be reached in 1981.

Drilling activity from the Central Platform commenced in December and currently there are four wells awaiting completion and two wells drilling. Completion of the production equipment installation on the Central Platform is scheduled for May, 1979, and production from the initial wells drilled from this platform will commence shortly thereafter. Both the Southern and Central Platforms have provisions for 42 production or injection wells.

The smaller Northern Platform was put in place during the summer of 1978 and completion is scheduled for the summer of 1979 with first production expected in 1980.

The pipeline from the Ninian field to the Shetland Islands is currently handling crude oil from both the Ninian field and Union's Heather field and will also handle production from BP's Magnus field.

The initial stages of the terminal facilities at Sullom Voe on the Shetland Islands were completed in late 1978 and are currently receiving and shipping crude oil from both the Ninian and Brent pipeline systems. The terminal, when completed, will have a capacity of 1.4 million barrels of crude per day and will be one of the largest oil terminals in the world. In addition, the terminal can be expanded to service any potential new fields discovered in the East and West Shetland basins.

The first shipment of Ranger's share of Ninian crude oil was made on February 10, 1979 and as of March 31, 1979, total shipments amounted to 276,000 barrels. The Company's crude oil sales are made to Chevron Petroleum (U.K.) Limited under a long-term sales agreement at market prices prevailing in the North Sea. The initial shipments were sold at $15.30 (U.S.)/barrel and the Company is currently negotiating the crude price for shipments during the second quarter of 1979, which it expects to be over $18.00 (U.S.)/barrel.

A unitization agreement amongst the Ninian partners was concluded in 1978, with Ranger's initial interest in production and cost sharing, except for certain fixed platform costs, being set at 5.192%. The first redetermination of the Company's interest will occur in July, 1980 when the results of the additional development wells drilled to that date will be known and a more precise determination of interest can be made. The final determination of the Company's interest will occur in 1984 when the development drilling will have been substantially completed.

NORTH AMERICA

During 1978, the Company continued its active North American exploration and development program involving capital expenditures totalling $12.1 million. In Canada, the Company participated in the drilling of 23 wells, including 12 wells under the Rangeco program, of which 16 were successfully completed as oil or gas wells. In the United States during 1978, the Company drilled 12 wells of which three were successfully completed as oil or gas condensate wells.

The Company is continuing to actively pursue new prospects in North America and has a carried interest under the Rangeco program in two wells currently drilling in the West Pembina area of Alberta.

FINANCIAL

Consolidated net earnings for 1978 were $2,302,000 ($.27 per share) compared to $3,424,000 ($.40 per share) in 1977. Gross revenues during 1978 increased to $10,377,000 from $9,542,000 and cash flow from operations was $5,347,000 compared to $5,965,000 for the corresponding period. Interest on long-term debt charged to earnings in 1978 was $2,812,000 compared to $1,400,000 in 1977.

Oil and gas sales revenue increased by seven percent reflecting higher wellhead prices for oil and gas during 1978. Production volumes decreased due to restrictions placed on the Company's gas production by Canadian gas purchasers and lower United States production.

Under the terms of Canadian take or pay contracts, the Company received $456,000 in gas production prepayments, which are not included in net earnings.

On July 28, 1978 the Company received shareholder approval to split the Company's common shares on a two for one basis. The distribution of the additional share certificates was made in late August.

The Company's financial position was improved recently with the completion of a 1.3 million common share public issue. The net proceeds of $19.5 million were used to reduce bank indebtedness and to increase the Company's working capital.

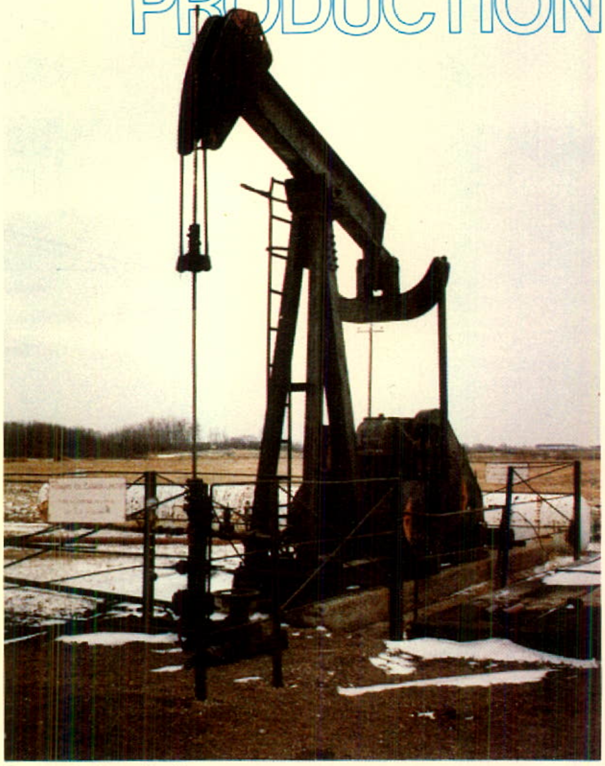
We wish to express our appreciation and confidence in the loyalty, dedication and resourcefulness of all employees. Their efforts will be a major factor in the Company's future success as we enter this new era.

On behalf of the Board,

Jack M. Pierce

J. M. Pierce
Chairman and President

PRODUCTION



Pump-jack at Erskine area

CANADA — CRUDE OIL

Average daily production before royalties of crude oil and condensate was 1,200 barrels during 1978, compared with 1,250 in 1977. Revenue from oil and condensate sales totalled $3.1 million, an increase of 15% over last year.

During 1978, the average wellhead price received by the Company for its crude oil production in Canada increased $1.92 per barrel. The average Alberta wellhead price for crude oil as of January 1, 1979 is approximately $12.75 per barrel, and an additional $1.00 per barrel increase is anticipated July 1, 1979.

CANADA — NATURAL GAS

Gas production before royalties averaged 12,000 mcf per day during 1978, a decrease of 5% from last year. Production volumes decreased due to restrictions placed on the Company's gas production by Canadian gas purchasers.

Revenue from natural gas sales totalled $4.6 million during 1978, an increase of 15% compared to 1977. Under the terms of Canadian take or pay contracts, the Company received $456,000 in gas production prepayments, which are not included in earnings.

The average wellhead price received by the Company for its natural gas production in Canada also increased during 1978. The current average wellhead price in Alberta is approximately $1.71 per mcf.

UNITED STATES — CRUDE OIL

Production of crude oil and condensate before royalties averaged 107 barrels per day during 1978, down 22% from last year. Revenue from crude oil and condensate sales totalled $328,000 in 1978.

The wellhead price received by the Company for its U.S. crude oil and condensate production varied between $5.29 per barrel and $12.86 per barrel during the year.

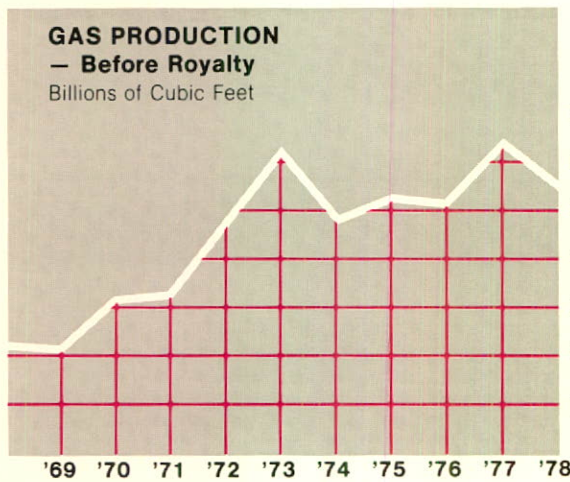
UNITED STATES — NATURAL GAS

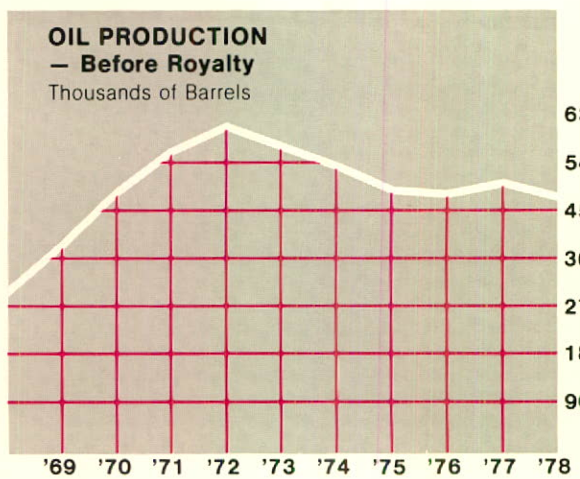
Production of natural gas before royalties averaged 3,243 mcf per day during 1978, down 24% from last year. Revenue from natural gas sales totalled $1.5 million during 1978, a decrease of 17% compared to 1977.

The average wellhead price for natural gas sales in the U.S. varied between $.79 per mcf for interstate sales to $2.10 per mcf for intrastate sales.

NORTH SEA — NINIAN

Oil production from the Ninian field commenced December 23, 1978 and accumulated production to April 20, 1979 was approximately 6.5 million barrels of which the Company's gross share was 338,000 barrels (311,000 barrels net).





Ninian Central Platform under tow to field location

NORTH SEA — NINIAN OIL FIELD

Based on the January, 1979 reserve study by DeGolyer and MacNaughton, independent Petroleum Consultants, estimated gross reserves of crude oil and natural gas liquids are as follows:

	Proven	Probable	Total
Crude Oil			
Total Oil in Place	2,605,721,000	411,803,000	3,017,524,000
Total Oil Recoverable	972,253,000	146,065,000	1,118,318,000
Ranger's 5.192% Interest (1)	50,479,000	7,584,000	58,063,000
Natural Gas Liquids			
NGL's Recoverable	52,500,000	—	52,500,000
Ranger's 5.192% Interest (1)	2,726,000	—	2,726,000
Total Oil & NGL's — Ranger's 5.192% Interest (1)	53,205,000	7,584,000	60,789,000

North Sea oil and gas reserves outside of the Ninian Oil Field are not included in the above figures. This applies specifically to the discoveries on blocks 3/8 and 23/27, and the block 48/18b gas discovery.

(1) Interim agreement percentage; first redetermination of interest will be July 1980.

NORTH AMERICA

Estimates of proven and probable reserves before royalty at the end of 1978 are as follows:

	Proven	Probable	Total
CANADA			
Crude oil and natural gas liquids (barrels)	5,350,000	890,000	6,240,000
Natural gas (millions of cubic feet)	88,370	5,790	94,160
UNITED STATES			
Crude oil and natural gas liquids (barrels)	299,000	33,000	332,000
Natural gas (millions of cubic feet)	12,680	4,199	16,879

The Canadian reserves are estimates of McDaniel Consultants (1965) Ltd. United States reserve estimates have been prepared by Company engineers.

CORPORATE TOTAL

	Proven	Probable	Total
Crude Oil and Natural Gas Liquids (barrels)	58,854,000	8,507,000	67,361,000
Natural gas (millions of cubic feet)	101,050	9,989	111,039

Base camp on Ranger's coal property near Chetwynd, British Columbia

Richard Stabbins and Malcolm Pattinson of Ranger Oil (U.K.) Limited

A. Oil & Natural Gas Exploration Acreage

Geographical Area	Nature of Interest	Gross Acres	Net Acres
Canada			
Alberta	Leases, Reservations, Licences	381,204	129,888
British Columbia	Leases	34,329	4,504
Saskatchewan	Leases	1,846	674
TOTAL CANADA		417,379	135,066
United States			
Colorado	Leases	7,273	1,448
Louisiana	Leases	6,970	2,796
Texas	Leases	17,910	9,402
Wyoming	Leases	5,942	550
Other States	Leases	22,529	1,256
TOTAL UNITED STATES		60,624	15,452

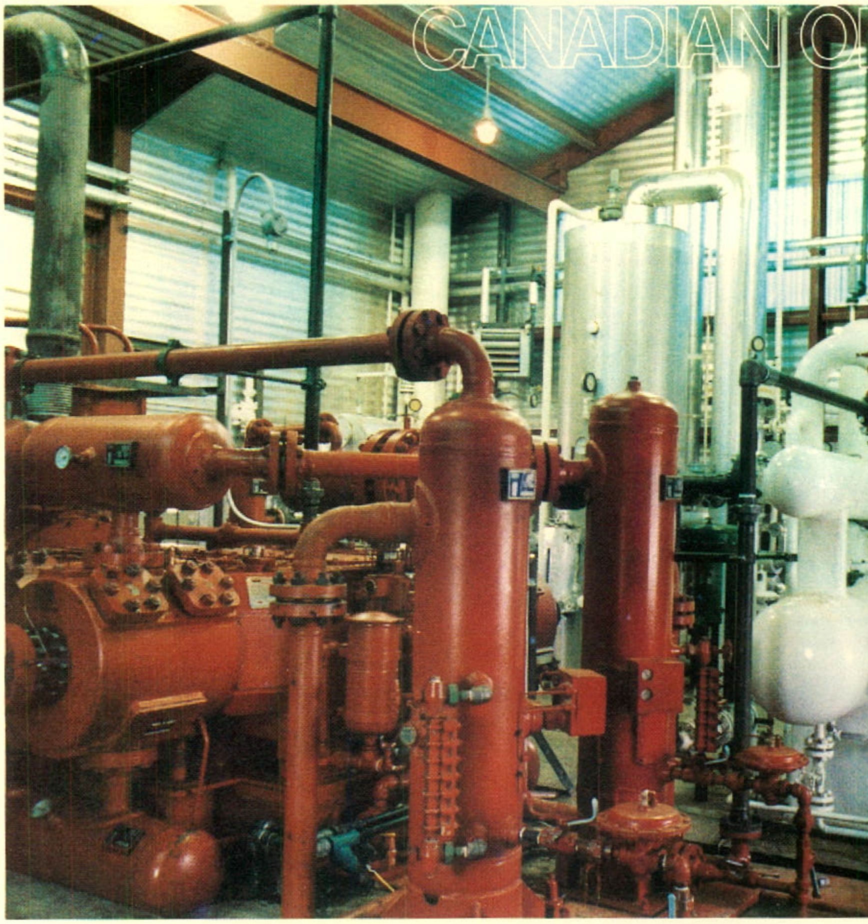
	Licence No.	Block Numbers	Gross Acres	Net Acres
United Kingdom — North Sea	P.114 (1)	22/27a	41,711	16,685
		23/27	49,273	19,709
	P.128 (1)	48/18b	16,754	3,854
		48/19b	19,818	4,558
	P.199 (1)	3/8a	25,032	5,006
	P.229 (1)	3/30a	38,302	7,660
		4/21	2,298	460
		4/26	10,329	2,066
TOTAL UNITED KINGDOM			203,517	59,998

B. Coal Exploration Acreage

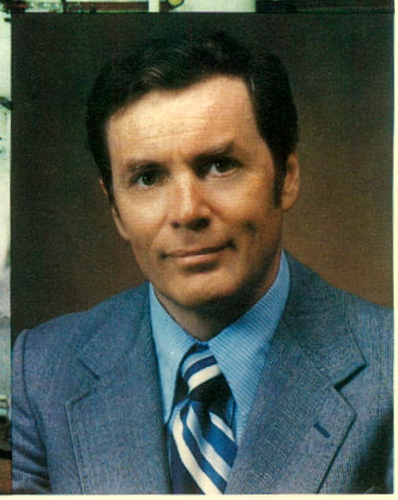
		Gross Acres	Net Acres
Canada			
British Columbia	Permits	19,745	13,821
GRAND TOTAL		701,265	224,337

(1) At the end of the initial six year term, 50% of the acreage reverts to the Crown. The above table reflects the required relinquishment.

CANADIAN OPERATIONS



Rich-area gas processing plant



John J. Newman — Vice President, Exploration and Production

OIL AND NATURAL GAS

The Company participated in the drilling of 23 wells during the year, including 12 wells drilled with Rangeco Oil & Gas Ltd. Of these wells, 20 were drilled in Alberta, and 3 in British Columbia. This drilling program resulted in 11 gas wells, 5 oil wells, and 7 wells which were dry and abandoned.

The Viking Kinsella-Auburndale area was the scene of continued successful drilling with the completion of 6 gas wells and 1 oil well. In the West Edson area, a gas discovery well was drilled in Section 22-53-20 W5M which is approximately 5½ miles west of the closest producing well in the Edson field. Further drilling will be conducted on this project in Section 11-53-20 W5 in 1979.

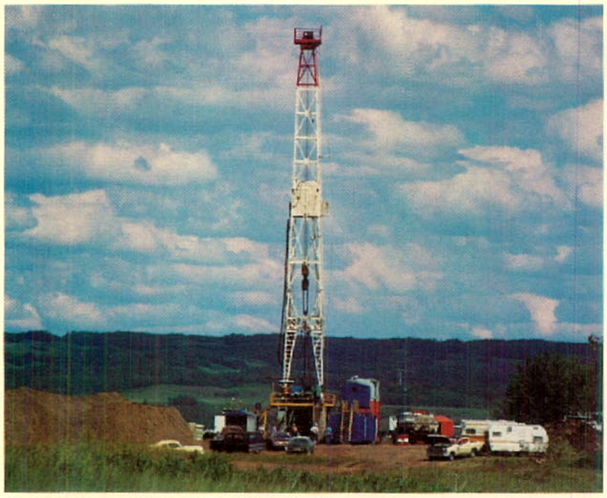
Construction of gas processing facilities at the Rich gas field was completed and production commenced in February 1979 at average rates of 2500 Mcfd and 30 barrels per day of natural gas liquids.

RANGECO OIL & GAS LTD.

Under the management agreement with Rangeco, Ranger will continue to supervise the exploration program of Rangeco in the provinces of Alberta and British Columbia until June 30, 1979. Ranger receives a management fee as well as retaining a 30% interest (15% in the case of proven properties) in the properties acquired under the program.

During 1978, 12 Rangeco wells were drilled resulting in 2 gas wells, 4 oil wells, and 6 wells which were dry and abandoned.

Ranger/Rangeco participated in the drilling of 3 additional Belly River oil wells in the Keystone area of Alberta during 1978 to bring the area total to four producing oil wells. The companies have earned a net 15% interest in 3,040 acres by drilling these wells. Drilling in early 1979 has resulted in an additional 3 oil wells in this rapidly expanding play. An additional well will be spudded shortly.



Drilling operation at the Rich field

Bob Russell, Gerry Russin and Doug Bassarab, Senior Geologists

Roughneck preparing for drill stem test

In the Gopher area of British Columbia, the gas discovery well in Section 25-85-16 W6M was placed on production in November 1978 at a rate of 2,000 Mcfd. Ranger/Rangeco hold a 50% working interest in this well. Two additional, non-commercial wells were drilled on this block during 1978.

Ranger/Rangeco acquired interests ranging from 10% to 50% in four blocks of land totalling 2,560 acres in the Pembina West area of Alberta. Two exploratory tests are presently being drilled on these lands, with further tests planned.

Ranger/Rangeco participated in the drilling of an oil well on the Siphon property just northwest of Gopher. A second well was non-commercial, but was completed as a salt water disposal well. The companies' interest is 50% in these wells.

A Gething zone gas discovery has recently been made in the Wolfe area of British Columbia. Ranger/Rangeco interest is 25% in this well and the associated 3,801 acres.

A Gething zone gas discovery was also made in the Osborn area of British Columbia with the drilling of a well at 6-34-88-15 W6M. Ranger/Rangeco hold a 25% working interest in the well and a total of 5,874 acres.

A potential Belly River gas well was drilled in the Rowley area of Alberta at 6-16-33-20 W4M. This well is currently being production tested. The companies own 100% of the well and 960 acres.

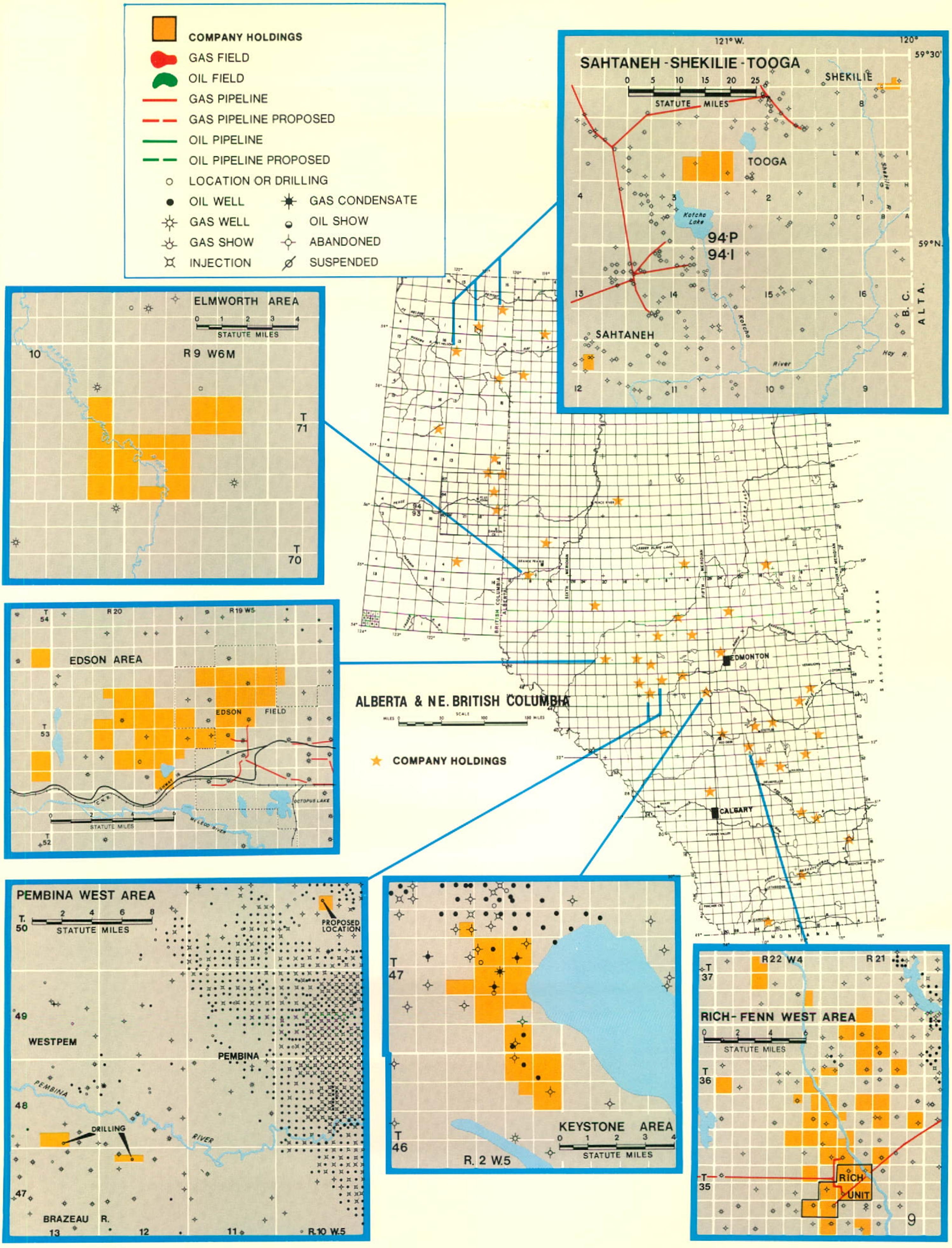
Dry holes were drilled in the Gold River, Rosevear, and Blueridge areas of Alberta.

Ranger/Rangeco have additional land holdings in the Peco, Two Rivers, Elmworth, and Waskahigan areas of Alberta and the Sahtaneh and Tooga areas of British Columbia.

COAL

During the summer of 1978 the Company continued its exploration program on 20,000 acres of coal licences in the Chetwynd area of Northeastern British Columbia. Eighteen exploratory holes were cored for a total of 13,000 feet. The results of the program proved the coal to be of good to excellent metallurgical quality.

The 1979 field program will follow up the results of the 1978 program.


COMPANY HOLDINGS
GAS FIELD
OIL FIELD
GAS PIPELINE
GAS PIPELINE PROPOSED
OIL PIPELINE
OIL PIPELINE PROPOSED
LOCATION OR DRILLING
OIL WELL
GAS WELL
GAS SHOW
INJECTION
GAS CONDENSATE
OIL SHOW
ABANDONED
SUSPENDED
SAHTANEH - SHEKILIE - TOOGA
121° W.
120°
59°30'
59°N.
STATUTE MILES
SHEKILIE
TOOGA
Kotcha Lake
94·P
94·I
SAHTANEH
Kotcha
Hay R.
River
B.C.
ALTA.
ELMWORTH AREA
STATUTE MILES
R 9 W6M
T 71
T 70
EDSON AREA
R 20
R 19 W5
T 54
T 53
T 52
EDSON FIELD
OCTOPUS LAKE
STATUTE MILES
ALBERTA & N.E. BRITISH COLUMBIA
EDMONTON
CALGARY
COMPANY HOLDINGS
PEMBINA WEST AREA
STATUTE MILES
PROPOSED LOCATION
WESTPEM
PEMBINA
PEMBINA RIVER
DRILLING
BRAZEAU R.
R.10 W.5
KEYSTONE AREA
STATUTE MILES
T 47
T 46
R. 2 W.5
RICH-FENN WEST AREA
R22 W4
R 21
STATUTE MILES
T 37
T 36
T 35
RICH UNIT

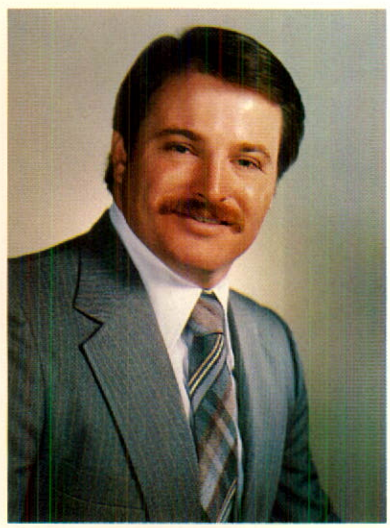
US OPERATIONS

Drilling operations on the Gulf Coast

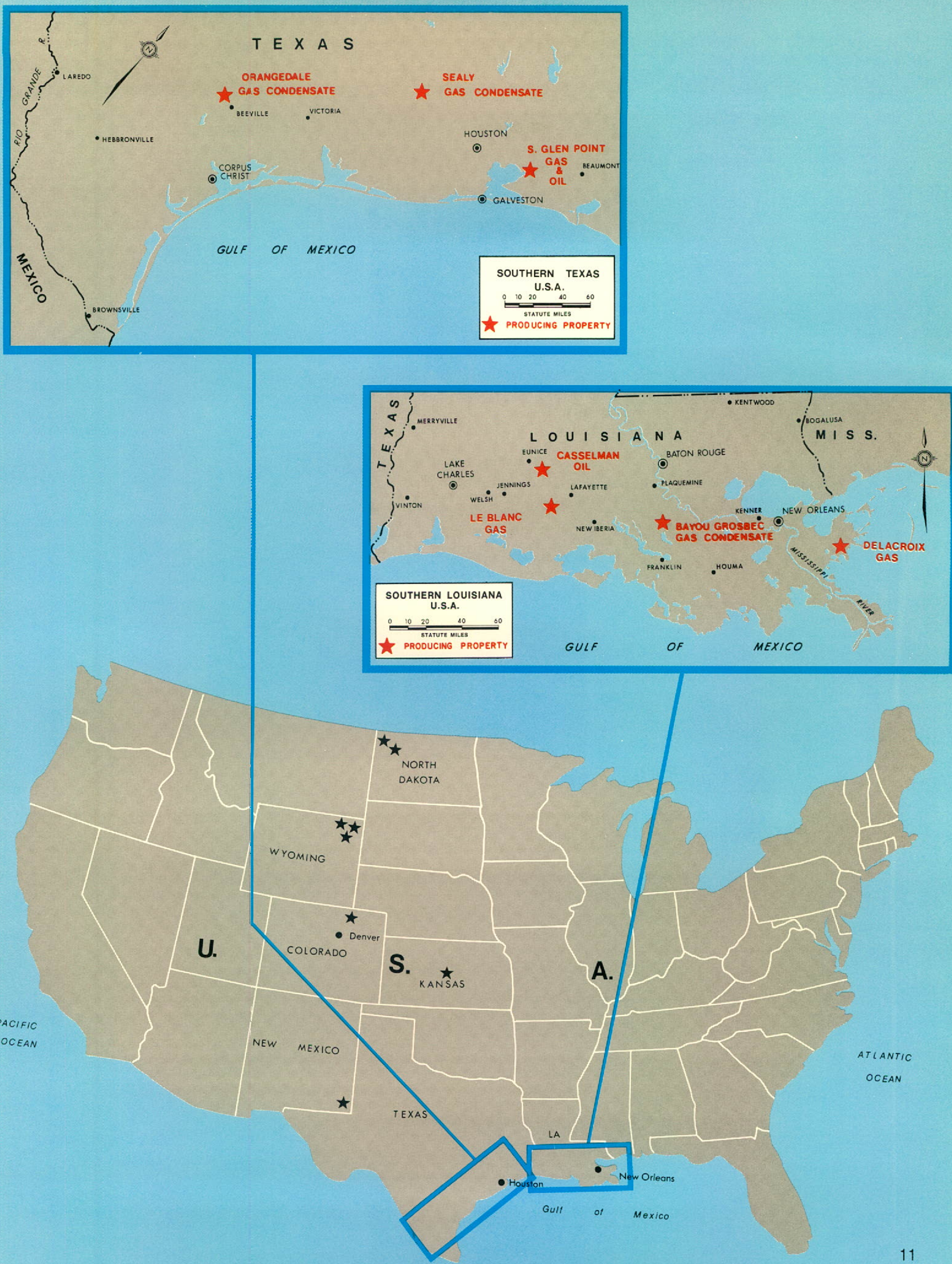
The Company drilled 12 wells in the Texas and Louisiana Gulf Coast area resulting in two gas/condensate wells, one oil well and nine dry holes. The Company drilled two additional wells in the Bayou Grosbec Field during 1978. The wells included one gas/condensate producer and one dry hole. One Bayou Grosbec well remains on production. In the Sealy field in Texas the Company completed one gas well during 1978 and the field now includes seven gas wells with additional drilling planned in 1979.

The Company drilled two 1978 wildcats in the vicinity of the Company's Glen Point Field in the Trinity Bay area near Galveston, Texas. Each of these wells tested separate fault blocks. One well was completed as an oil well and one was abandoned after testing failed to establish production at commercial rates. The oil discovery was successfully tested in two separate reservoirs with each reservoir producing at rates in excess of 300 barrels of oil per day. The Company has acquired additional acreage in the vicinity of the oil discovery and a test well will be drilled in mid-1979.

The Company plans to continue its Gulf Coast exploration efforts with a 12 to 16 well exploratory program in 1979. In addition, four or five development wells will be drilled in existing fields.



Jeffrey B. Robinson — Vice President, Operations and General Manager, Ranger Oil Company


TEXAS
RIO GRANDE R.
LAREDO
ORANGEDALE GAS CONDENSATE
SEALY GAS CONDENSATE
BEEVILLE
VICTORIA
HEBBRONVILLE
HOUSTON
S. GLEN POINT GAS & OIL
BEAUMONT
CORPUS CHRISTI
GALVESTON
GULF OF MEXICO
MEXICO
BROWNSVILLE
SOUTHERN TEXAS U.S.A.
0 10 20 40 60
STATUTE MILES
PRODUCING PROPERTY
TEXAS
MERRYVILLE
KENTWOOD
BOGALUSA
LOUISIANA
MISS.
EUNICE
CASSELMAN OIL
BATON ROUGE
LAKE CHARLES
JENNINGS
LAFAYETTE
PLAQUEMINE
VINTON
WELSH
LE BLANC GAS
NEW IBERIA
KENNER
NEW ORLEANS
BAYOU GROSBEC GAS CONDENSATE
DELACROIX GAS
MISSISSIPPI RIVER
FRANKLIN
HOUMA
SOUTHERN LOUISIANA U.S.A.
0 10 20 40 60
STATUTE MILES
PRODUCING PROPERTY
GULF OF MEXICO
NORTH DAKOTA
WYOMING
Denver
COLORADO
U. S. A.
KANSAS
PACIFIC OCEAN
NEW MEXICO
TEXAS
LA
Houston
New Orleans
Gulf of Mexico
ATLANTIC OCEAN

NINIAN OIL FIELD

W. W. (Chris) Greentree, Managing Director, Ranger Oil (U.K.) Limited

Ninian Southern Platform (photo courtesy Chevron Petroleum U.K. Ltd.)

The Ninian Field began producing oil on December 23, 1978 from the first two wells drilled from the Southern platform. The third well commenced production in February, 1979 and the fourth in April. The combined flow rate of the first four wells is approximately 100,000 barrels per day.

Oil production began five years from the date the discovery well, 3/8-1, drilled by the BP/Ranger Group penetrated the first of the productive horizons of a massive reservoir which was later named the Ninian Field. The start of production culminated the efforts of a project work force that at times exceeded 7,000 men and when completed will represent an investment of $3 billion (U.S.).

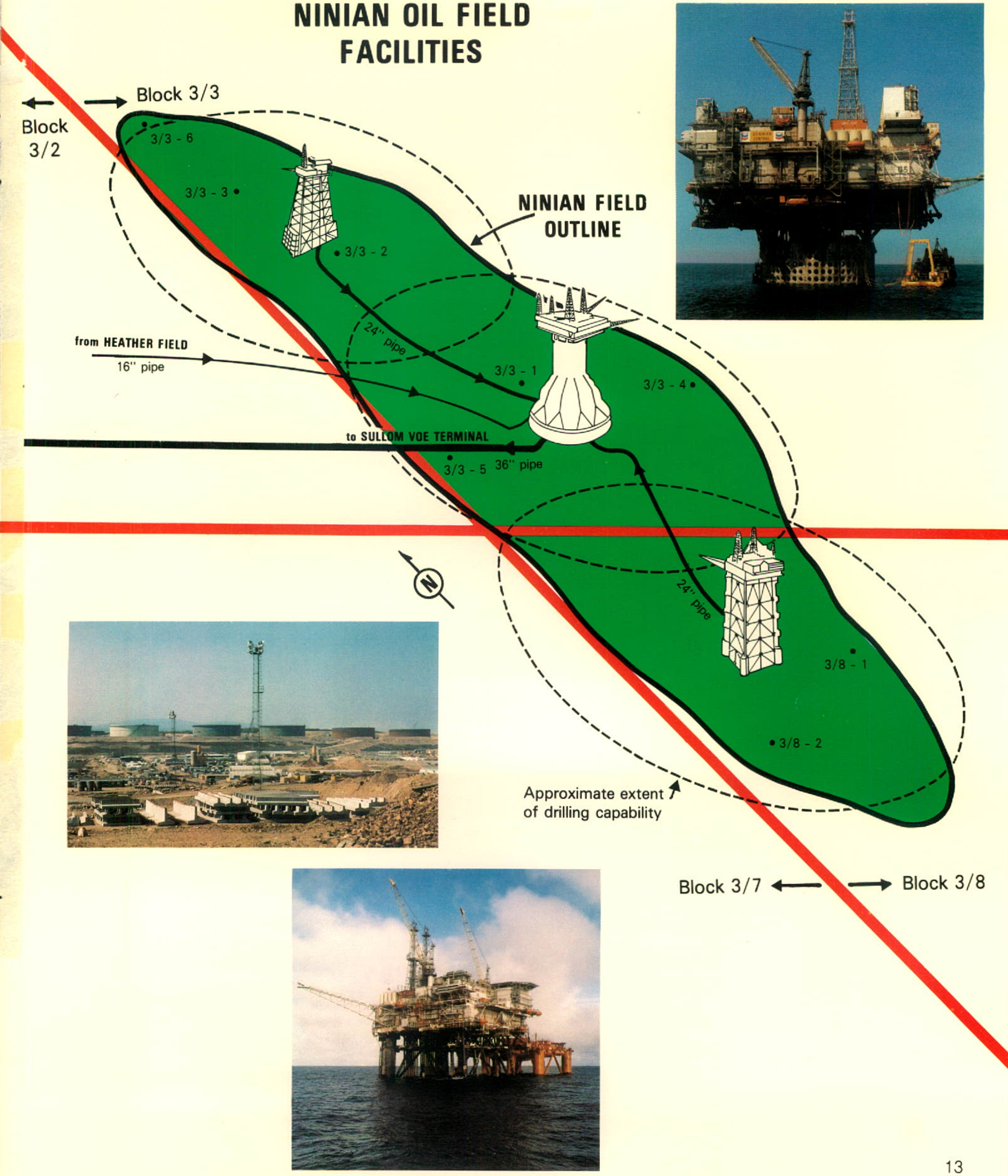
FIELD DEVELOPMENT

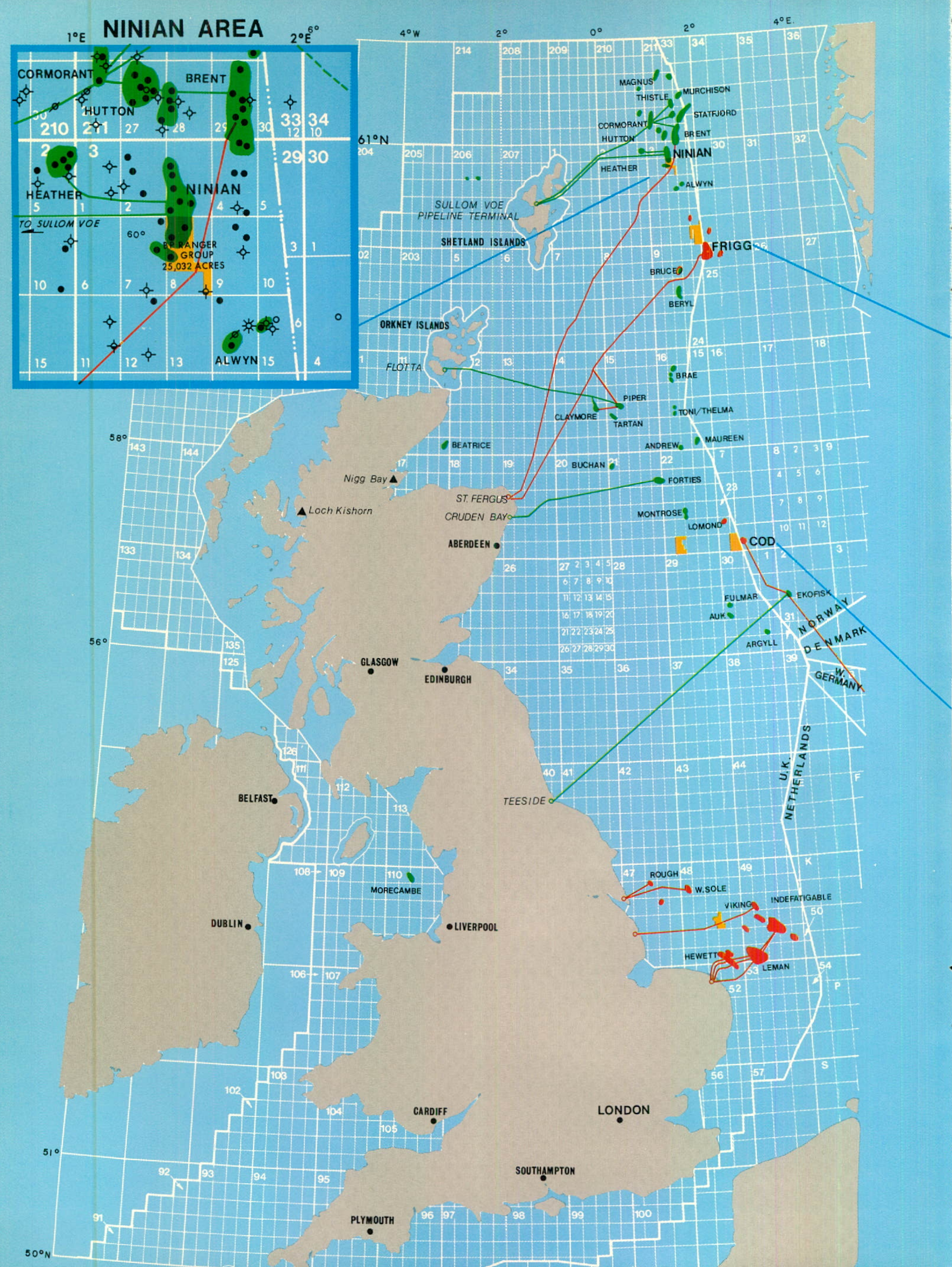
During 1978 on the Southern platform, the primary effort was devoted to the completion of the hook-up and testing of facilities prior to the commencement of production.

The Central platform was towed from its construction site at Loch Kishorn on the western coast of Scotland to the Ninian Field in May, 1978. This large concrete structure, weighing some 600,000 tonnes, was ballasted down and safely grouted in position only 10 meters from its planned location. The three remaining modules which had not been installed at Loch Kishorn were lifted into place and hook-up work commenced. Drilling of production wells from this platform began in December 1978. Production from the Central platform is scheduled to start in the second quarter of 1979 when sufficient facilities will be ready to handle the crude.

The Northern platform, a steel-piled structure designed for 25 wells, was towed from the Nigg Bay, Scotland fabrication yard to the Field and launched from its carrying barge in late June, 1978. The piling was driven to grade and grouted to secure the tower in place and work was suspended for the winter season. The deck truss together with the drilling and production modules are being completed in fabrication yards in the U.K. and Holland and will be installed in the summer of 1979. Production from this platform is scheduled to commence in mid 1980.

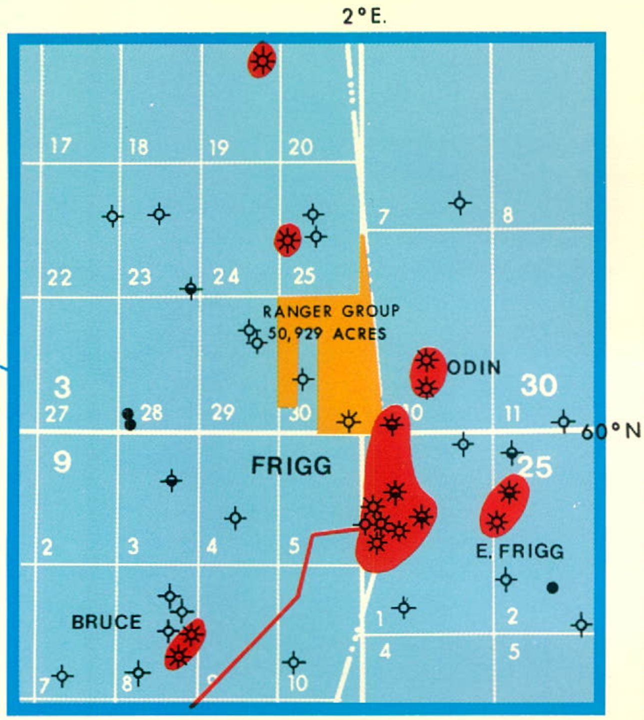
NINIAN OIL FIELD FACILITIES



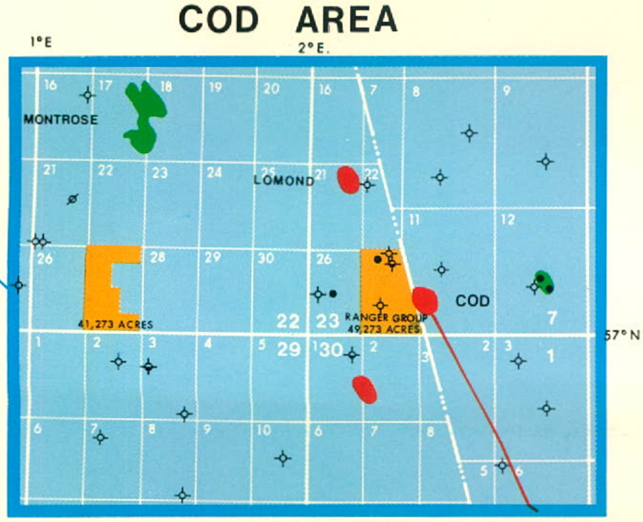


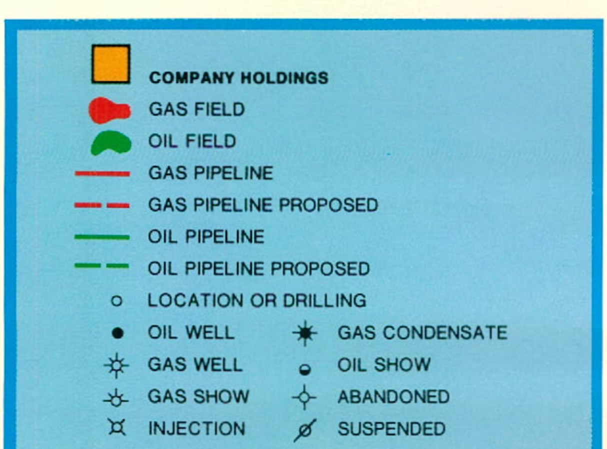
NINIAN AREA
1°E
2°E
CORMORANT
BRENT
HUTTON
HEATHER
NINIAN
TO SULLOM VOE
60°
BP RANGER GROUP 25,032 ACRES
ALWYN
MAGNUS
THISTLE
MURCHISON
STATFJORD
CORMORANT
HUTTON
BRENT
NINIAN
HEATHER
ALWYN
61°N
SULLOM VOE PIPELINE TERMINAL
SHETLAND ISLANDS
FRIGG
BRUCE
BERYL
ORKNEY ISLANDS
FLOTTA
BRAE
PIPER
CLAYMORE
TARTAN
TONI/THELMA
58°
BEATRICE
ANDREW
MAUREEN
BUCHAN
FORTIES
Nigg Bay
Loch Kishorn
ST. FERGUS
CRUDEN BAY
MONTROSE
LOMOND
ABERDEEN
COD
FULMAR
AUK
EKOFISK
NORWAY
DENMARK
ARGYLL
W. GERMANY
56°
GLASGOW
EDINBURGH
U.K.
NETHERLANDS
BELFAST
TEESIDE
ROUGH
W. SOLE
MORECAMBE
VIKING
INDEFATIGABLE
DUBLIN
LIVERPOOL
HEWETT
LEMAN
CARDIFF
LONDON
51°
SOUTHAMPTON
PLYMOUTH
50°N
4°W
2°
0°
2°
4°E.

FRIGG AREA



COD AREA





PIPELINE

The final connecting pieces for the 24″ feederline from the Southern platform to the Central platform were installed and tested in mid December. With the completion of this line, all pipeline work for the initial scope of the Ninian Pipeline system was completed. The 24″ feederline from the Northern platform is scheduled for installation during the summer of 1979.

An agreement was concluded in late December with British Petroleum to handle the crude from the Magnus Field through the Ninian Pipeline system. The addition of the Magnus crude combined with Ninian production and Union's Heather Field production will bring the pipeline up to 60 percent of its rated throughput capacity of 950,000 barrels per day.

TERMINAL FACILITIES

In December the Sullom Voe Terminal began handling crude from the Ninian and Brent Pipeline systems that had been degassed by facilities on the offshore platforms. Although only minimum facilities were available, the crude has been efficiently moved through the Terminal. Crude stabilization facilities are scheduled to be commissioned in mid 1979 and gas fractionation equipment should be ready by 1981. When completed to its currently authorized capacity the Terminal will have the ability to handle 1.4 million barrels of crude per day and will have scope for further expansion.

UNITIZATION

On January 25, 1979 the Company, together with the other Ninian Participants, signed a Unitization Agreement that defined the initial Field Interests of the Participants. As a result of the negotiations the Company will initially be entitled to 5.192 percent of the Ninian Field production. A further adjustment of Interest will be made in July, 1980 when the data from some 36 wells should be available to enable a more precise determination of Interests. Future redeterminations are planned for 1982 and finally in 1984. Capital costs, except for a proportion of fixed platform structure costs, will be shared on the basis of the initial oil equity. Upon future adjustments of Interest, production and expenditures to the date of adjustment will be retroactively adjusted (with interest) in accordance with the new equity share assigned.

UK OPERATIONS

Licence P.114; Blocks 22/27a and 23/27 (Ranger Interest 40%)

During 1978 the Company, as Operator, drilled an exploratory well, 23/27-4, which was located 3 km northeast of the 23/27-3 oil discovery. The well, drilled by the semi-submersible rig "Venture I", tested small amounts of oil and was abandoned at 12,199 feet. Late in the year a detailed 450 km seismic program was shot across the northern part of Block 23/27 to re-evaluate the potential of the 23/27-3 oil find.

Licence P.128; Blocks 48/18b and 48/19b (Ranger Interest 23%)

The Company, as Operator, drilled a gas discovery well on Block 48/18b in 1972. Until gas prices in the southern sector of the U.K. North Sea increase, the Company has no plans to undertake the further exploratory drilling which would be required to establish the commercial potential of the discovery.

Licence P.199; Block 3/8a (Ranger Interest 20%)

Seismic operations were conducted during the year over part of the area outside the limits of the Ninian Oil Field. This work is part of a re-evaluation of the 3/8-3 oil discovery made in 1975. Further drilling will be required to determine the commercial potential of this find.

Licence P.229; Blocks 3/30a, 4/21 and 4/26 (Ranger Interest 20%)

Early in 1978 a farmin agreement was reached with a group comprising British Petroleum (75%) and the British National Oil Corporation (25%) to drill a deep, exploratory well on Block 3/30. The agreement provided that BP and BNOC would earn a combined 50% interest in the Licence, thus reducing the Company's net interest from 40% to 20%, after which Ranger would re-assume Operatorship of the Licence. The interest earning well, designated 3/30-2A, was abandoned at 17,765 feet in the Jurassic, after encountering hydrocarbon indications. Mechanical difficulties prevented a full evaluation of the well.

OTHER AREAS

Ireland: Licence E 8/76; Blocks 13/2, 63/3 and 63/8 (Ranger Interest 28.33%)

In 1977 an unsuccessful exploratory well was drilled on Block 63/8, in the Fastnet Basin, offshore southwest Ireland. Following a re-evaluation of the licenced area it was decided to relinquish the licence in its entirety in 1979.

MANAGEMENT'S ANALYSIS OF FINANCIAL RESULTS

Upper picture: Jack M. Pierce, David G. Penner, John J. Newman

Lower picture: Geoffrey C. Chase, Ken Heer, Ray C. Huffman, John J. Newman and Ronald A. Briggeman discuss operations

Earnings:

Net earnings for 1978 were $2,302,000 compared to $3,424,000 in 1977. Net earnings per share amounted to .27 cents per share for 1978.

Revenues:

Oil and natural gas sales for the year totalled $9,461,000, an increase of 7%. The increase in production revenue reflects higher product prices. The following table reflects the impact of product price increases, changes in production volumes and royalty rates on 1978 revenues as compared to 1977:

	(thousands of dollars)
Increased oil prices	$ 914
Increased natural gas prices	1,284
Decreased oil production	(299)
Decreased natural gas production	(836)
Increase in oil and natural gas sales	1,063
Increase in royalty payments	423
Net increase in oil and natural gas revenue	$ 640

Investment and other revenue increased by $195,000 in 1978.

Expenses:

Expenses totalled $7,805,000 in 1978, an increase of 43%. Well operating expenses increased 19% to $1,507,000 due mainly to the impact of inflation. General and administrative expenses increased 25% to $1,275,000 also mainly due to inflation. During 1978 the Company's staff of managerial, technical and clerical personnel decreased to 94 employees from 97 in 1977.

The Company follows the accounting policy of deferring all interest and other financing charges of funds borrowed to finance the development of the Ninian oil field and accordingly $11,236,000 in 1978 and $4,364,000 in 1977 have been capitalized. Such costs will be amortized against future production revenues on the same basis as other Ninian development costs. Interest costs relating to long-term debt used in the Company's other operations have been charged to earnings and totalled $2,812,000 in 1978 compared to $1,400,000 in 1977.

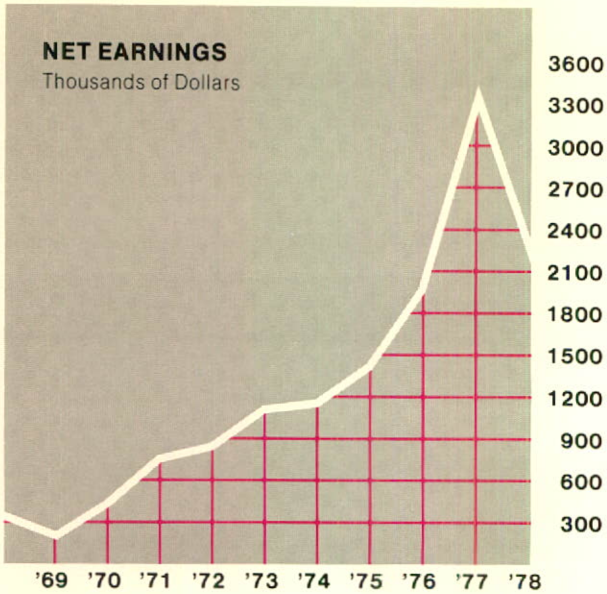
Charges for depreciation and depletion increased 24% to $2,211,000 during 1978. The increase in these charges reflects the increased cost of discovering and developing new oil and natural gas reserves.

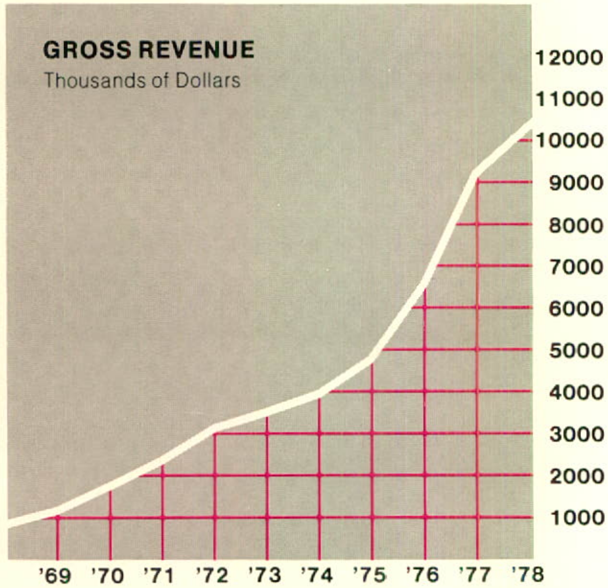
Income Taxes:

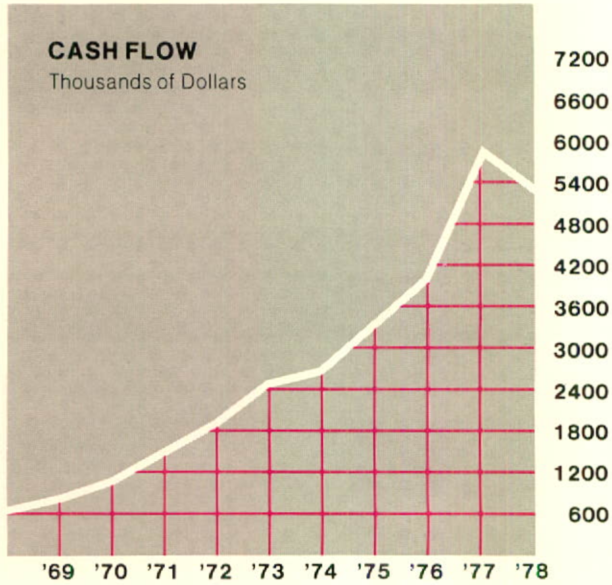
The 1978 provision for current and deferred income taxes totalled $270,000, a decrease of 59%. Additional details on the provision for income taxes are provided in Note 1 to the Consolidated Financial Statements.

Capital Expenditures:

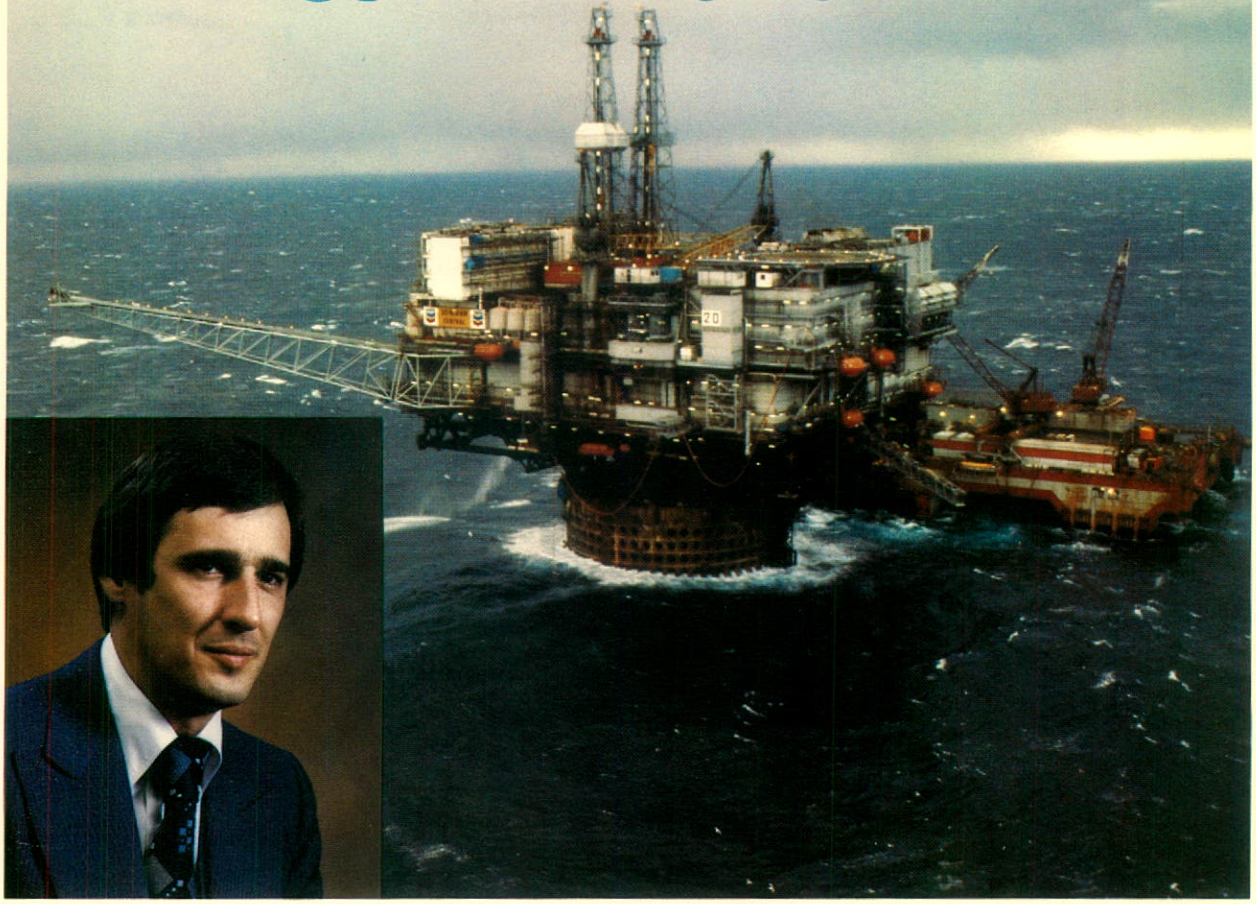
Total capital expenditures during 1978 totalled $92.1 million compared with $52.9 million in 1977, an increase of 74%. Capital expenditures on the Ninian oil field development project were $74.6 million during 1978. Expenditures on exploration and development programs in North America were $12.1 million and $3.4 million was expended on offshore exploration.







SUMMARY OF OPERATIONS



Allan K. Surridge — Vice President, Finance

Consolidated Statement of Earnings

	Year Ended December 31, (thousands of dollars)				
	1978	**1977**	**1976**	**1975**	**1974**
REVENUE					
Oil and gas sales	**$9,461**	$8,821	$6,197	$4,502	$3,091
Investment and other income	**916**	721	166	380	849
	10,377	9,542	6,363	4,882	3,940
EXPENSES					
Well operating	**1,507**	1,262	870	717	591
General and administrative	**1,275**	1,016	703	623	410
Interest	**2,812**	1,400	999	246	—
Depletion	**1,654**	1,275	996	787	757
Depreciation	**557**	512	403	348	303
	7,805	5,465	3,971	2,721	2,061
Earnings before income taxes	**2,572**	4,077	2,392	2,161	1,879
INCOME TAXES					
Current (Recovery)	**(564)**	(101)	(296)	306	386
Deferred	**834**	754	743	432	310
	270	653	447	738	696
NET EARNINGS	**$2,302**	$3,424	$1,945	$1,423	$1,183
PER SHARE					
Net earnings	**$ .27**	$ .40	$ .23	$ .17	$ .14

Consolidated Statement of Earnings and Retained Earnings

Years Ended December 31, 1978 and 1977

	1978 (thousands of dollars)	1977
REVENUE		
Oil and gas sales, net of royalties	**$ 9,461**	$ 8,821
Investment and other income	**916**	721
	10,377	9,542
EXPENSES		
Well operating	**1,507**	1,262
General and administrative	**1,275**	1,016
Interest (note 1)	**2,812**	1,400
Depletion	**1,654**	1,275
Depreciation	**557**	512
	7,805	5,465
EARNINGS BEFORE INCOME TAXES	**2,572**	4,077
INCOME TAXES (note 6)		
Current recovery	**(564)**	(101)
Deferred	**834**	754
	270	653
NET EARNINGS (note 2)	**2,302**	3,424
Retained earnings at beginning of year	**11,818**	8,394
RETAINED EARNINGS AT END OF YEAR	**$14,120**	$11,818
NET EARNINGS PER COMMON SHARE, based on weighted average number of common shares outstanding	**$.27**	$.40

Consolidated Balance Sheet

As at December 31, 1978 and 1977

ASSETS

	1978	1977
	(thousands of dollars)	
CURRENT ASSETS		
Cash, including short-term interest-bearing deposits	**$ 3,588**	$ 2,095
Accounts receivable	**8,848**	10,087
Income taxes recoverable	**1,367**	694
Inventory of supplies, at lower of cost and net realizable value	**731**	1,354
	14,534	14,230
PROPERTY, PLANT AND EQUIPMENT (note 3)	**231,405**	141,592
DEFERRED CHARGES	**507**	—
	$246,446	$155,822

LIABILITIES

	1978	1977
CURRENT LIABILITIES		
Accounts payable	**$ 9,114**	$ 7,780
Current maturities on bank loans	**3,000**	3,000
	12,114	10,780
BANK LOANS (note 4)	**193,540**	108,241
DEFERRED GAS REVENUE	**456**	—
DEFERRED INCOME TAXES	**5,686**	4,852

SHAREHOLDERS' EQUITY

	1978	1977
CAPITAL STOCK (note 5)		
Authorized		
70,000 preference shares at the par value of $50 each		
15,000,000 common shares of no par value		
Issued		
8,594,832 (1977 — 8,543,632) common shares	**20,530**	20,131
RETAINED EARNINGS (note 2)	**14,120**	11,818
	34,650	31,949
	$246,446	$155,822

Approved by the Board:

W. B. Dingle, Director

J. M. Pierce, Director

Consolidated Statement of Changes in Financial Position

Years Ended December 31, 1978 and 1977

	(thousands of dollars) 1978	1977
SOURCE OF FUNDS		
Net earnings	**$ 2,302**	$ 3,424
Charges not requiring funds		
Depletion	**1,654**	1,275
Depreciation	**557**	512
Deferred income taxes	**834**	754
Funds generated from operations	**5,347**	5,965
Bank loans	**88,299**	50,400
Deferred gas revenue	**456**	—
Sale of properties and equipment	**38**	150
Issue of common shares	**399**	47
	94,539	56,562
APPLICATION OF FUNDS		
Property, plant and equipment	**92,062**	52,906
Bank loans	**3,000**	3,000
Deferred charges	**507**	—
	95,569	55,906
INCREASE (DECREASE) IN WORKING CAPITAL	**(1,030)**	656
Working capital at beginning of year	**3,450**	2,794
WORKING CAPITAL AT END OF YEAR	**$ 2,420**	$ 3,450

Auditors' Report

To the Shareholders of
Ranger Oil (Canada) Limited

We have examined the consolidated balance sheet of Ranger Oil (Canada) Limited as at December 31, 1978 and 1977 and the consolidated statements of earnings and 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, 1978 and 1977 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, Canada
February 23, 1979
(March 27, 1979 as to note 9)

Thorne Riddell & Co.
Chartered Accountants

Notes to Consolidated Financial Statements

Years Ended December 31, 1978 and 1977

NOTE 1 ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Ranger Oil (Canada) Limited (the "Company") and all its subsidiaries. As at December 31, 1978 all subsidiaries were wholly-owned with the exception of Bralsaman Petroleums Limited in which the Company had a 98.8% interest.

The excess of the carrying value of the Company's investment in subsidiaries over the underlying net book value at dates of acquisition has been allocated to property, plant and equipment and is being systematically amortized on the same basis as the related assets.

Foreign Currency Translation

The accounts of foreign subsidiaries are translated to Canadian dollars on the following bases:

(a) Current assets and current liabilities, at the rate of exchange in effect as at the balance sheet date;

(b) Property, plant and equipment, at the rate of exchange in effect at the date on which the respective assets were acquired;

(c) Bank loans, at the rate of exchange in effect at the date on which the funds were borrowed;

(d) Revenue and expenses (excluding depreciation and depletion which are translated at the same rates as the related assets), at the average rate of exchange for the year.

Unrealized gains and losses arising on the translation of the accounts of Ranger Oil (U.K.) Limited ("Ranger U.K.") have been included in North Sea exploration and development costs. See note 2.

Unrealized gains and losses arising on the translation of the accounts of Ranger Oil Company, a U.S. subsidiary, have been included in earnings. In 1978 there was a gain of $172,000; prior to 1978 such amounts were not material.

Oil and Gas Operations

The Company follows the "full cost" method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas reserves are capitalized and charged to income as set out below:

(a) Costs associated with operations in North America are being depleted using the unit of production method based upon estimated recoverable North American reserves as determined by Company engineers;

(b) Costs incurred in the North Sea and adjoining offshore areas will be depleted starting with commencement of production using the unit of production method based upon estimated recoverable reserves in the area;

(c) The costs of exploration in other areas will be depleted based upon production from related reserves as and when discovered, or charged to income if exploration is determined to be unsuccessful.

Mineral Exploration

Costs relating to mineral exploration are capitalized, and will be depleted based upon production from related mineral reserves as and when discovered or charged to income if exploration is determined to be unsuccessful.

Capitalization of Interest Costs

As outlined above, the Company follows the "full cost" method of accounting whereby all costs of exploring for and developing oil and gas reserves are capitalized. Included in such costs are all interest and other financing charges (1978 — $11,236,000; 1977 — $4,364,000) on funds specifically borrowed to finance the development of an oil field, such as the Ninian field in the North Sea. Such costs will be amortized against future production revenues on the same basis as other development costs.

Depreciation

Depreciation of production and other equipment has been provided in the accounts of the Company at methods and per annum rates (ranging from 7% to 30%) which are estimated to amortize the cost of the assets less salvage value over their useful lives.

Income Taxes

The Company follows the tax allocation method of accounting for its Canadian operations under which the income tax provision is based on the earnings reported in its accounts. Under this method the Company provides for deferred income taxes to the extent that income taxes otherwise payable are eliminated by claiming exploration and development costs and capital cost allowances in excess of the related depletion and depreciation provisions reflected in its accounts.

Income taxes payable relating to U.S. operations have been substantially eliminated by deduction of intangible drilling and development costs. Ranger Oil Company, a U.S. subsidiary, does not provide for deferred income taxes on timing differences relating to intangible drilling and development costs which are capitalized for financial reporting purposes but deducted for income tax purposes so long as estimated future tax deductions (including statutory depletion) exceed these costs. See note 2(c).

NOTE 2 PENDING CHANGES IN ACCOUNTING POLICIES

(a) As described in notes 1 and 4, the U.S. dollar bank loans are carried in the financial statements in Canadian dollars based on the exchange rate in effect at the date the funds were borrowed and, accordingly, unrealized exchange losses relating thereto are not recognized in the accounts. Unrealized gains and losses arising on the translation of the current assets and liabilities of Ranger U.K. have been included in North Sea exploration and development costs.

In 1978, the Accounting Research Committee of the Canadian Institute of Chartered Accountants issued recommendations for accounting for foreign currency translation which were to have been applicable in Canada for fiscal periods commencing on or after December 1, 1978, and under which the U.S. dollar bank loans would have been translated into Canadian dollars at the exchange rate in effect at the current balance sheet date and unrealized exchange gains and losses arising on translation would have been amortized over the remaining terms of the loans. Unrealized gains and losses which arise in the current period, and which relate to the translation of the current assets and liabilities (other than the current portion of long-term loans) of Ranger U.K. would have been included in earnings for such current period. On February 23, 1979, the implementation of these principles was suspended pending further study of the matter. The Company is deferring implementation of the new rules pending the outcome of the study.

As of December 31, 1978 and 1977, the total unrealized loss relating to the translation of the U.S. dollar loans based on the exchange rates in effect at those dates amounted to $17,525,000 and $5,945,000, respectively.

(b) In August, 1978, the United States Securities and Exchange Commission (the "SEC") published rules, effective initially for full fiscal years ending after December 25, 1979, establishing financial accounting and reporting practices for oil and gas producing activities. The SEC's release, among other things, expresses the intention to seek development of "reserve recognition accounting", a method of accounting that provides for recognition in financial statements of proved oil and gas reserves as assets and changes in proved oil and gas reserves in earnings. During the period of developing this method, oil and gas companies may follow either the "successful efforts" method of accounting as defined by Statement of Financial Accounting Standards No. 19 published in December, 1977 by the

United States Financial Accounting Standards Board, or a prescribed form of the "full cost" method. In December, 1978 the SEC issued rules governing the application of the "full cost" method.

As described in note 1 above, the Company follows a form of "full cost" accounting whereby exploration and development costs are capitalized under two separate cost centers, North America and the North Sea and adjoining offshore areas, and are depleted using the unit of production method based upon estimated recoverable reserves in each cost center. This method of accounting differs from the "full cost" method prescribed by the SEC under which the Company would, among other things, be required to establish a separate cost center for each country in which it operates. While exact determinations have not been made, the Company estimates that if it were to adopt the "full cost" rules prescribed by the SEC and retroactively adjust its financial statements effective December 31, 1978, 1978 consolidated net earnings would decrease by $5,125,000 ($.60 per share). The effect on 1977 net earnings would not be material.

The cumulative amount by which retained earnings would decrease approximates $5,988,000 at December 31, 1978.

(c) The SEC's new rules also require the retroactive application of comprehensive interperiod income tax allocation by the deferred method for all oil and gas producing activities and do not allow companies to take into account, when providing for deferred income taxes relating to intangible drilling and development costs, the possibility that statutory depletion deductions in future periods will reduce or eliminate taxes otherwise payable.

The Company intends to adopt the new rules relating to deferred income taxes and retroactively adjust its financial statements in 1979. Had such adjustment been effective December 31, 1978, deferred income tax expenses would increase and consolidated net earnings would decrease by $409,000 ($.05 per share) and $765,000 ($.09 per share) for the years ended December 31, 1978 and 1977, respectively. The cumulative amount by which deferred income tax provisions would have increased and retained earnings would have decreased approximates $1.7 million at December 31, 1978.

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depletion and Depreciation	Net
		(thousands of dollars)	
December 31, 1978			
Oil and gas properties			
North America	$ 36,649	$ 8,432	$ 28,217
North Sea and adjoining offshore areas			
— Exploration	22,108	—	22,108
— Ninian development (see note 7)	169,118	—	169,118
Oil and gas production equipment	8,709	2,219	6,490
Mineral properties	2,659	—	2,659
Aircraft	1,153	586	567
Other equipment	773	405	368
Land and buildings	1,918	40	1,878
	$243,087	$11,682	$231,405
December 31, 1977			
Oil and gas properties			
North America	$ 29,102	$ 6,814	$ 22,288
North Sea and adjoining offshore areas			
— Exploration	18,608	—	18,608
— Ninian development (see note 7)	94,626	—	94,626
Oil and gas production equipment	5,644	1,933	3,711
Mineral properties	1,247	—	1,247
Aircraft	1,147	497	650
Other equipment	793	331	462
	$151,167	$ 9,575	$141,592

NOTE 4 BANK LOANS

	(thousands of dollars) 1978	1977
Ranger Oil (Canada) Limited (a)		
Canadian dollar loan, bearing interest at 1% above bank's prime lending rate	$ 5,000	$ 8,000
U.S. dollar loan (1978 — $38,000,000 U.S.; 1977 — $23,700,000 U.S.), bearing interest at 1% above bank's U.S. base lending rate	40,782	24,372
	45,782	32,372
Less current maturities included in current liabilities	3,000	3,000
	42,782	29,372
Ranger Oil (U.K.) Limited (b)		
U.S. dollar loan (1978 — $123,700,000 U.S.; 1977 — $69,400,000 U.S.)	133,468	71,591
Accrued Ninian development charges, to be paid from additional bank borrowings	17,290	7,278
	150,758	78,869
	$193,540	$108,241

(a) The loans of Ranger Canada are evidenced by a demand debenture and are secured by the Company's North American oil and gas properties together with a first floating charge over all other assets of Ranger Canada, subordinate to the charge on the shares of Ranger U.K. described in (b) below. Arrangements have been made for repayment of the loans during the five years subsequent to December 31, 1978 as follows:

	(thousands of dollars)
1979	$3,000
1980	3,073
1981	3,220
1982	28,976
1983	7,513

The unused portion of credit under these loan arrangements amounted to $2 million (U.S.) at December 31, 1978. There was no unused Canadian dollar portion of credit. Ranger Canada pays standby fees at a rate of ½% per annum on its unused lines of credit.

(b) This loan has been advanced under the terms of an original $120 million (U.S.) loan arrangement, subsequently increased to $160 million (U.S.) in July, 1978 and February, 1979, for the financing of Ranger U.K.'s share of the development costs of the Ninian field in the North Sea (see note 7). The loan is secured by the unconditional guarantee of Standard Oil Company of California and its wholly-owned subsidiary, Chevron Petroleum (U.K.) Limited, for which guarantee Ranger U.K. will pay a financing fee, payable in crude oil, equivalent to 8% of its share of Ninian crude oil production. The guarantee is secured by a first charge on the shares of Ranger U.K., a fixed charge on Ranger U.K.'s interest in the Ninian oil field and related facilities and a floating charge against all other assets of Ranger U.K.

The loan bears interest at the London Interbank Offered Rate ("LIBOR") plus 1-1/8% until June, 1980 and at LIBOR plus 1-1/4% thereafter. As of December 31, 1978, LIBOR ranged from 11-1/8% to 12-3/8%. Ranger U.K. also pays a commitment fee of 1/2% per annum on the difference between the principal amount of the loan outstanding and $160 million (U.S.).

The loan is repayable upon the commencement of production of crude oil from the Ninian field. The Company's share of net proceeds from Ninian production is first dedicated to repayment of the loans with provision that the Company must make minimum repayments commencing December 16, 1980 in semi-annual instalments of 10% of the loan balance outstanding on June 16, 1980, increasing to 20% on December 16, 1981. After making scheduled payments, the Company may retain the lesser of 10% of the annual loan payment or $2.5 million (U.S.) per year during the payout period.

(c) The U.S. dollar loans are carried in the financial statements in Canadian dollars based on the exchange rate in effect at the date the funds were borrowed. See note 2(a).

NOTE 5 CAPITAL STOCK

(a) Effective August 10, 1978, the Company's common shares, issued and un-issued, were split on a two-for-one basis and the authorized number of common shares was increased to 15,000,000. Retroactive effect of the stock split has been given in the accompanying financial statements by reflecting all share and per share data on the basis of the two-for-one split.

(b) Changes in outstanding common share capital during the two years ended December 31, 1978 were as follows:

	Number of Shares	Amount
Balance, December 31, 1976	8,537,632	$20,084,000
Shares issued for cash on exercise of stock option	6,000	47,000
Balance, December 31, 1977	8,543,632	20,131,000
Shares issued for cash on exercise of stock options	51,200	399,000
Balance, December 31, 1978	8,594,832	$20,530,000

(c) As at December 31, 1978, 310,400 common shares of the Company are reserved under an employees' stock option plan dated April 17, 1975, of which options to purchase 304,200 shares are outstanding at that date. These options are exercisable from time to time until December, 1984 at prices ranging from $7.50 to $18.50 per share.

Changes during 1978 and 1977 in the number of optioned shares were as follows:

	1978	1977
Outstanding at beginning of year	308,000	243,000
Options granted	99,000	81,000
Options exercised	(51,200)	(6,000)
Options cancelled	(51,600)	(10,000)
Outstanding at end of year	304,200	308,000

NOTE 6 INCOME TAXES

(a) Income tax expenses for the two years ended December 31, 1978 are less than the taxes which would result from applying the Canadian Federal tax rate to consolidated earnings before income taxes. The reasons for these differences are summarized as follows:

	% of Earnings Before Income Taxes	
	1978	1977
Computed "expected" tax expense	46.0%	46.0%
Provincial royalties on oil and gas production included in income for tax purposes, less provincial refunds	31.2	15.3
Provincial income taxes, net of Federal tax abatement in respect thereof	1.3	1.0
Deduction of depletion allowance on Canadian oil and gas income	(11.0)	(7.2)
Deduction of Federal resource allowance	(41.7)	(23.0)
Earnings of U.S. subsidiary not subject to Canadian income tax and eliminated for U.S. tax purposes, by the application of intangible drilling and development costs	(13.1)	(14.8)
Other items — net	(2.2)	(1.3)
Actual tax expense	10.5%	16.0%

(b) As of December 31, 1978, Ranger Oil Company had tax losses approximating $5.5 million available for deduction for U.S. income tax purposes in future years; these tax losses expire from time to time to 1985.

NOTE 7 COMMITMENTS

(a) The Company, through its wholly-owned subsidiary Ranger U.K., has an interest in the Ninian oil field in the U.K. sector of the North Sea. For the purpose of allocating the costs of developing the field, including the construction of platforms, a 36" marine pipeline to the Shetland Islands and terminal and processing facilities, for the period prior to commencement of production, the Company's interest was provisionally set at 6% under the terms of a cost sharing agreement. In January, 1979, the Ninian participants signed an agreement defining the principles of unitization. This agreement established the Company's interest in the field at 5.192% for purposes of sharing the oil and the capital and operating costs, with the exception that the Company would pay a proportionately higher share of certain expenditures incurred in connection with the production platforms. The net effect of the adjustment from 6% to 5.192% of the Company's share of development costs and its additional share of certain expenditures incurred in connection with the platform facilities was an additional capital payment of approximately $10.4 million made by the Company in January, 1979. Also, in January, 1979 the Company received $3.2 million representing its share of equalization payments received on the sale of an equity interest in the Ninian pipeline to participants in another North Sea oil field, which reduced the Company's interest in the pipeline to 3.96%.

The Company's interest in the Ninian field is based on the allocation of the original oil reserves in place and is subject to periodic adjustment as additional reservoir data from the field becomes available. Future adjustments of the relative interests of the participants will result in adjustments between participants so that their share of past and future production, development costs and operating expenses will always reflect their adjusted interest in the field; however, certain past expenditures incurred in connection with the platform facilities (see above) will remain fixed and will not be adjusted with future changes in field unit equity. The next redetermination of interests in the field will be effected as of July 1, 1980. It is expected that the Company's interest in the field will finally be determined not later than July 1, 1984.

The Company's share of the total costs of developing the field net of the pipeline cost recovery mentioned above and including related financing costs is presently estimated to be $274 million of which approximately $169 million has been incurred as at December 31, 1978. The remaining costs are to be financed from the balance of the Ninian loan facility (see note 4) and from any funds generated from production from the Ninian field prior to its ultimate completion.

(b) Under the terms of a management agreement, the Company administers the affairs and manages the exploration program of Rangeco Oil & Gas Ltd. ("Rangeco"), an oil and gas exploration company organized by the Company in 1976. Under the agreement, the Company, among other things, pays 100% of well-site equipment costs on Rangeco properties during Rangeco's initial exploration period which costs approximated $335,000 at December 31, 1978. If the Company's total expenditures for well-site equipment to June 30, 1980 are less than $1.3 million, the Company is to make a capital contribution to Rangeco equal to the amount of such deficiency.

(c) The Company has lease obligations relating to the rental of office and other building facilities. Lease rentals relating to administrative office facilities are charged to operations; rents paid for exploration offices are capitalized and charged to Property, Plant and Equipment. Lease rentals charged to operations during the two years ended December 31, 1978 and 1977 amounted to $111,000 and $72,000, respectively.

Minimum rental commitments under all leases (excluding leases relating to oil, gas and mineral rights) are as follows:

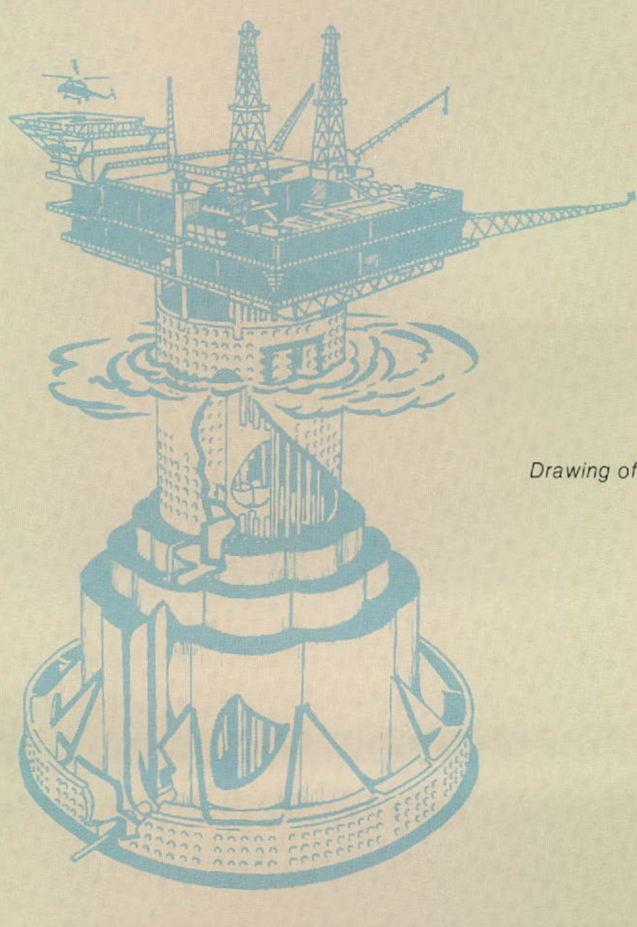
Year Ending December 31,	(thousands of dollars)
1979	$ 370
1980	348
1981	348
1982	348
1983	348
Thereafter	4,563
	$6,325

NOTE 8 REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration paid during 1978 by the Company to directors and senior officers (including the five highest paid employees) of the Company totalled $357,000.

NOTE 9 SUBSEQUENT EVENT — FINANCING

On March 27, 1979 the Company sold to underwriters 1,300,000 common shares of its capital stock for an aggregate of $6,308,000 Cdn. and $12,105,000 U.S., net of underwriting commissions.



Drawing of Ninian Central Platform.

TEN YEAR STATISTICAL REVIEW

(in thousands unless otherwise stated)

	1978	1977	1976
EARNINGS			
Gross Revenue	**$ 10,377**	9,542	6,363
Cash Flow	**$ 5,347**	5,965	4,087
Interest Expense	**$ 2,812**	1,400	999
Net Earnings	**$ 2,302**	3,424	1,945
Net Earnings per share	**$ .27**	.40	.23
BALANCE SHEET			
Working Capital	**$ 2,420**	3,450	2,794
Property, Plant & Equipment — net	**$231,405**	141,592	90,642
Long-term Debt	**$193,540**	108,241	60,841
Shareholders' Equity	**$ 34,650**	31,949	28,478
Number of Shares Outstanding — at Year End	**8,595**	8,544	8,538
Market Price for Shares			
Toronto — High	**$ 19.88**	15.63	9.63
— Low	**$ 12.88**	9.00	6.38
American — High	**$ 17.25**	15.00	9.82
— Low	**$ 10.88**	8.88	6.25
CAPITAL EXPENDITURES			
North America	**$ 14,070**	7,351	7,475
North Sea	**$ 77,992**	45,628	30,442
LAND HOLDINGS — ACRES			
North America — gross	**498**	1,088	1,751
— net	**164**	172	679
North Sea — gross	**204**	335	335
— net	**60**	111	111
Production — North America			
Crude Oil & Natural Gas Liquids — before royalty			
Annual (bbls)	**477,000**	507,000	489,000
Daily Average (bbls)	**1,307**	1,388	1,339
Natural Gas — before royalty			
Annual (bcf)	**5.6**	6.2	5.3
Daily Average (mcf)	**15,243**	16,940	14,425

Split of the Company's common shares in August 1978 on a two for one basis is reflected in share market prices and net earnings per share.

1975	1974	1973	1972	1971	1970	1969
4,882	3,940	3,455	3,026	2,365	1,779	1,179
2,990	2,553	2,550	2,058	1,598	1,050	786
246	Nil	Nil	62	148	197	59
1,423	1,183	1,094	812	761	431	182
.17	.14	.13	.10	.09	.06	.03
1,190	2,741	7,713	8,547	9,343	3,138	(24)
53,862	25,024	18,573	15,347	13,012	11,984	9,456
25,441	Nil	Nil	Nil	1,363	2,815	1,228
26,314	24,878	23,675	23,826	20,893	12,689	10,163
8,506	8,506	8,502	8,360	8,114	7,030	5,978
13.00	27.38	18.13	15.13	8.88	7.75	11.38
5.25	6.00	11.75	6.69	5.00	2.20	4.13
13.13	27.75	19.63	13.00	8.44	—	—
5.25	6.19	11.88	6.88	5.19	—	—
2,600	1,949	1,874	1,956	961	1,464	1,614
27,321	5,817	2,179	1,294	203	—	—
1,526	1,576	1,752	1,916	1,906	1,916	4,844
571	727	1,147	1,314	1,353	1,772	3,463
436	436	436	436	276	192	—
152	152	152	152	94	77	—
494,000	540,000	573,000	616,000	587,000	486,000	413,000
1,353	1,479	1,569	1,690	1,608	1,331	1,132
5.3	5.0	6.3	4.8	3.2	3.1	2.1
14,644	13,666	17,246	13,153	8,712	8,592	5,756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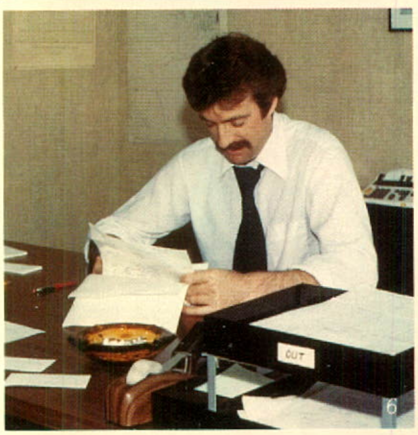
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BOARD OF DIRECTORS

J. M. Pierce (Calgary, Alberta)
Chairman & President of the Company

E. O. Parry (Calgary, Alberta)
President of Morrin Holdings Ltd., a family holding company

E. M. Bronfman (Toronto, Ontario)
Chairman of Edper Investments Ltd., a family investment and financial company

F. R. Matthews, Q.C. (Calgary, Alberta)
Partner, MacKimmie Matthews, Counsel for the Company

A. B. Henderson (London, England)
Director of Schlesinger Investment Management Services Limited

A. G. Hall (Calgary, Alberta)
Petroleum Consultant

W. B. Dingle (Calgary, Alberta)
Retired Oil Executive

OFFICERS & SENIOR PERSONNEL

J. M. Pierce — President
J. J. Newman — Vice President - Exploration and Production
A. K. Surridge — Vice President - Finance and Secretary-Treasurer
W. W. Greentree - Managing Director - Ranger Oil (U.K.) Limited
J. M. Nash — Vice President - Ranger Oil (International) Limited
J. B. Robinson — Vice President - Operations & General Manager - Ranger Oil Company

BANKERS

Bank of Montreal
Calgary, Alberta

First City National Bank of Houston
Houston, Texas

Canadian Imperial Bank of Commerce
London, England

AUDITORS

Thorne Riddell & Co.
Calgary, Alberta

SOLICITORS

MacKimmie Matthews
Calgary, Alberta

Norton, Rose, Botterell & Roche
London, England

CORPORATE REGISTRAR AND TRANSFER AGENTS

Guaranty Trust Company of Canada
Calgary, Montreal, Vancouver, Toronto

The Chase Manhattan Bank
New York

SHARES LISTED

Toronto, American and London Stock Exchanges

SUBSIDIARY COMPANIES

Ranger Oil Company
Ranger Oil (U.K.) Limited
Ranger Oil (International) Limited
Bralsaman Petroleums Limited

HEAD OFFICE

26th Floor, 330 Fifth Avenue S.W.
Calgary, Alberta
T2P 0L4

U.S. BUSINESS OFFICE

Ranger Oil Company
710 The Main Building
1212 Main Street
Houston, Texas 77002

U.K. BUSINESS OFFICE

Ranger Oil (U.K.) Limited
Ranger House
69/71 Great Peter Street
London SWIP 2BN, England

NOTE:
Copies of the Company's Form 10-K (without exhibits) as filed with the Securities and Exchange Commission are available upon written request free of charge to all shareholders of record and beneficial owners of shares. Exhibits to the Form 10-K will be supplied upon request for a fee which represents the Company's cost of reproduction and mailing.

Opposite Page

1. *Fletcher McClintock, Robert Hunt (Houston)*
2. *Fred Dyment (Calgary) and Robert Stockton (Houston)*
3. *Don Tyler (Calgary)*
4. *Carmen Hobson (Houston)*
5. *Malcolm Pattinson, Joan Doyle, John Lander (London)*
6. *Barry Long (Calgary)*
7. *Wendy White, Pat Grant, Martin Brady, Peter Wilson (London)*
8. *Bonnie Sabin, Suzanne Carron (Calgary)*
9. *Gordon Bowman (London)*
10. *Nita Ross (Calgary)*

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