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Letterhead: TEXAS-CANADIAN OIL CORPORATION LIMITED.

Head Office
610 Metropolitan Building,
Toronto, Canada.

9th February, 1935.

To the Board of Directors of
TEXAS-CANADIAN OIL CORPORATION, LIMITED

Fellow Directors:-

I believe that the figures in the oil run statements which are presented herewith, together with the forecast for the month of February, will give you a better progress report than any I could relate, so that I shall make this report brief.

Since the first of May, 1934, the beginning of our fiscal year, we have purchased three completed wells and have drilled sixteen wells, one of which was subsequently sold at a profit, and the interest in the Valentine-Hilburn well substituted. So that we now have 24 producing wells, all of which are in good condition. The average drilling cost of these wells was approximately $9,800. each, including the standardization of three of them, and as I understand that the average cost of drilling done by the Major Companies runs about $11,000.00 I have no hesitation in saying that I believe our costs have been kept down to a minimum, especially when we consider that we have not used anything but new material and equipment, which has been practically all purchased from the Continental Supply Co.

As you will note in the forecast of oil deliveries for the month of February, the potential per hour from these 24 wells is 16,445 barrels, of which we are only allowed to produce 3.6% or 600 barrels per day. In other words, it just takes two minutes per day to produce what we are allowed to sell from each well. The price is still $1.00 per barrel, but I am informed on good authority, that a definite advance movement will probably take place about the first of April. All records show that storage oil is being reduced from week to week in large quantities, and with the orderly allowable in production as at present, this storage oil will necessarily be further decreased.

We have had to spend considerable money on re-conditioning the Martin well No. 1 as it was found that it had been drilled too deep in the first place, and it was necessary to plug it back and make a complete salt water shut off. This work cost approximately, including labor