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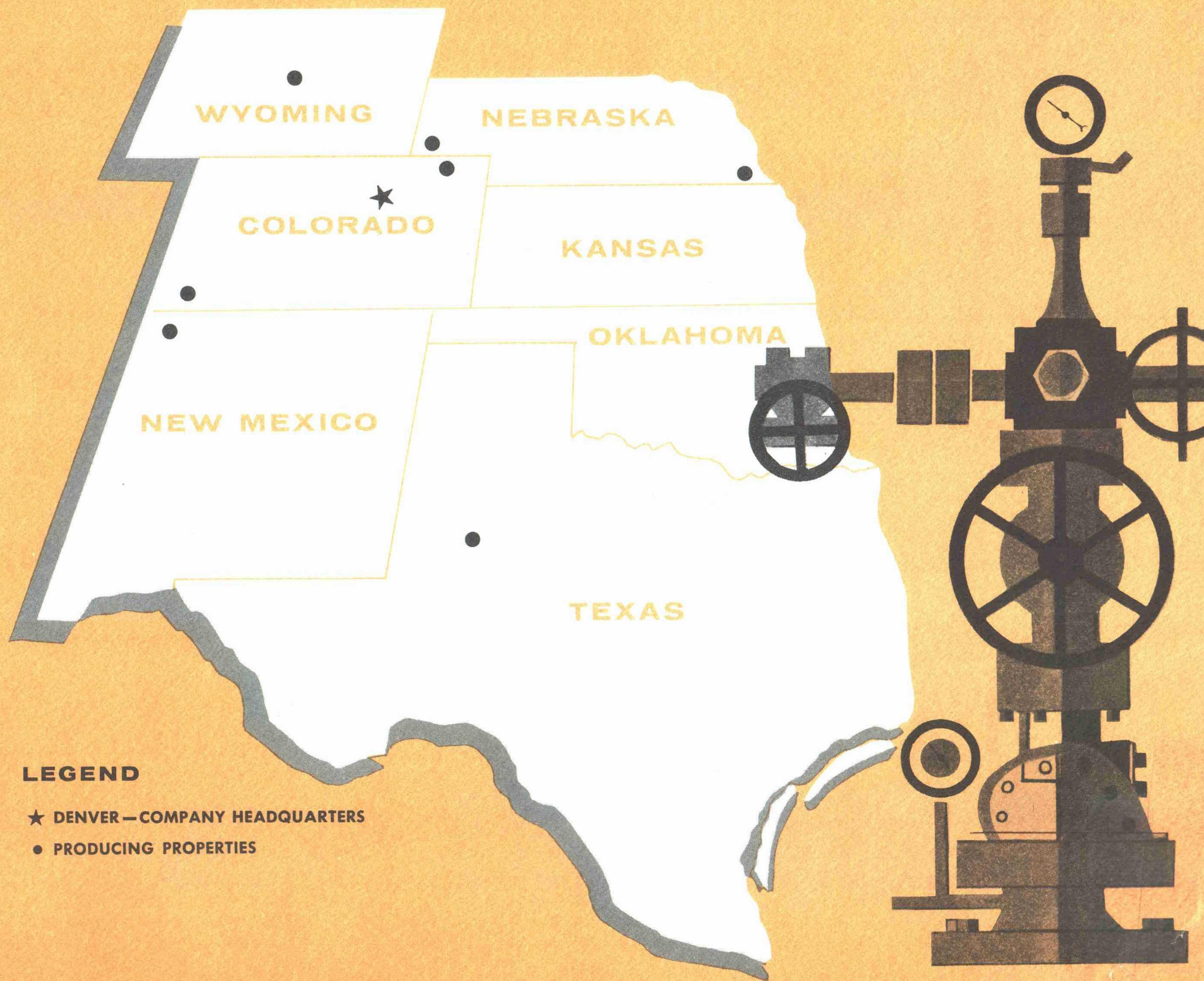
1961

ANNUAL REPORT

CONSOLIDATED INC OIL & GAS


WYOMING
NEBRASKA
COLORADO
KANSAS
OKLAHOMA
NEW MEXICO
TEXAS
LEGEND
★ DENVER—COMPANY HEADQUARTERS
• PRODUCING PROPERTIES

Annual Report FOR FISCAL YEAR ENDING NOV. 30, *1961*

CONSOLIDATED OIL & GAS, INC.

HIGHLIGHTS

PRODUCTION: Natural gas production rose 39% over 1960 with total sales of 1.492 billion cubic feet. Oil and condensate for the year rose to 133,000 barrels, an increase of 51% over the previous year.

RESERVES: Natural gas reserves rose 26%, giving the company net proven reserves of 152 billion cubic feet at year's end. Crude oil and condensate reserves at the same time were 2.413 million barrels — an increase of 24 percent.

PRODUCING WELL INTERESTS: Consolidated participated in the drilling of 20 wells during fiscal 1961, for a success ratio of 100%! At year's end the company had interests in 235 producing oil and gas wells.

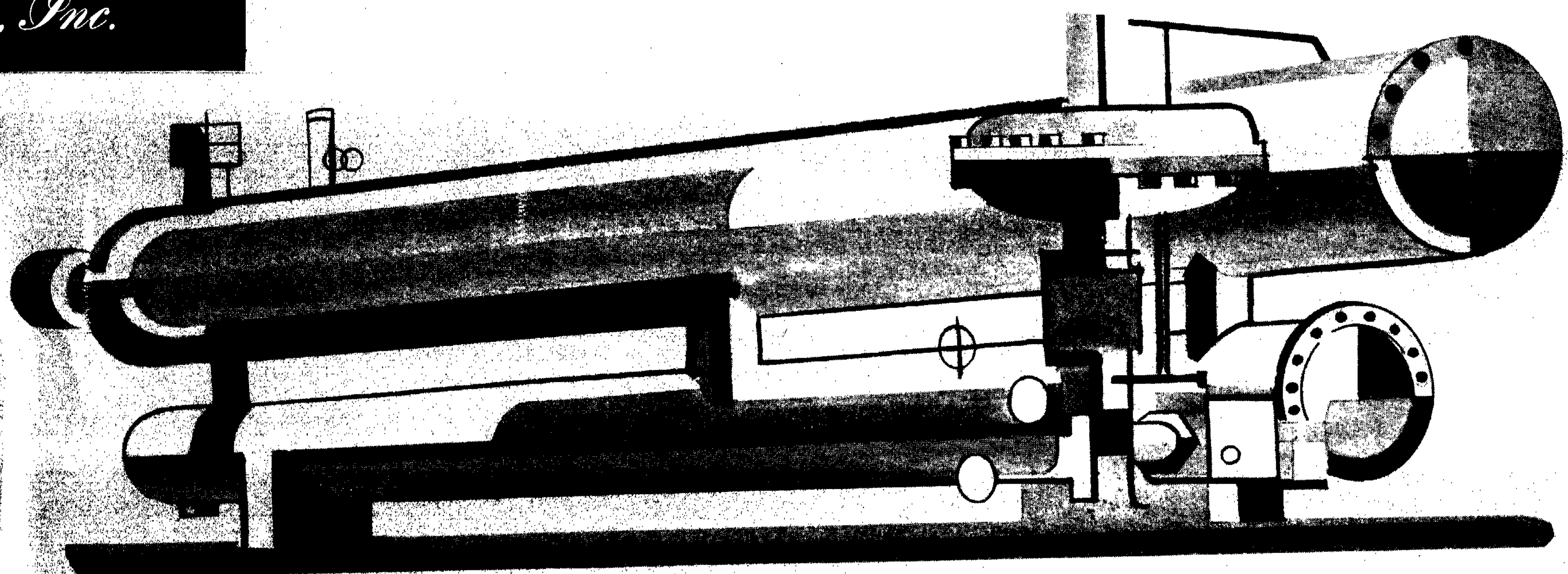
CASH FLOW: From fourteen cents a share in 1960, cash flow increased to 27 cents per share in 1961.

THE PRESIDENT'S LETTER

Consolidated Oil & Gas, Inc.

To the Shareholders:

Fiscal year 1961 proved to be the most successful year in the history of Consolidated Oil & Gas, Inc. Management considers the most important accomplishment during the year from the shareholders' viewpoint to be the listing of common shares of Consolidated on the American Stock Exchange on October 17, 1961, using the symbol "CGS." This listing clearly demonstrated that the financial community had finally accepted Consolidated as more than just another wild speculation in the over-the-counter market. At the same time, the American Exchange furnishes shareholders with a ready marketplace for purchase and sales of the Company's securities without the necessity of the so-called "sponsorship" of investment bankers which seems to be a requirement of the over-the-counter market. The importance of the listing to Consolidated's shareholders has been further underscored through its use as the theme for this Annual Report for 1961. Numerous other accomplishments which directly affect the Company, and thus indirectly the shareholders, should be recognized, however, as vitally important achievements during 1961.



During the twelve months ending November 30, total sales from all sources were up 41% over 1960 while the dollar income from oil and gas sales rose 56%. For the first time in our history there was net income, and it amounted to 14¢ per share with 6¢ occurring in the fourth quarter. There was a cash flow of 27¢ per share for 1961 as opposed to 14¢ per share in 1960. Drilling activities were limited to development of the Company's proved gas reserves which resulted in a 100% success ratio of twenty gas wells completed out of twenty wells drilled, inclusive of ten dual zone gas producers. An unexpected discovery of a new producing zone occurred in one of the dual wells. Though activities were confined to development drilling, total proven gas reserves grew 26% and remain only 47% developed at this time. Total proven oil and condensate reserves rose 24% but are still only 57% developed. The significance of these increases may be understood when one notes that at the end of 1960 there remained twenty-five proven undrilled gas units, but even after twenty successful development wells during 1961, there are still twenty-eight proven undeveloped gas drilling units available for development during fiscal 1962. Finally, the dollar cost of assets of Consolidated rose 56% during 1961, but when considered in the light of the value of new reserves added, the assets again almost doubled for the fourth consecutive year.

Although Management considers the foregoing worthy of recognition, they are particularly pleasing when one considers the adverse conditions under which this progress was accomplished. For example, the first quarter of the fiscal year had practically no development drilling due to the Midland Oil Company merger which required the attention of all available personnel. This lack of development necessarily delayed new well hookups, and gas sales were reduced accordingly during the year. Another adverse factor which tended to reduce the percentage increase in sales was the instigation of Dakota gas proration in the San Juan Basin on February 1, 1961. This proration reduced gas sales to approximately two-thirds of that previously forecast for 1961. A factor in reducing oil sales was the failure to unitize the East Teapot Field properties for the purpose of waterflooding. This has delayed, for almost a year, the expected increase in oil revenues from this source. Several smaller factors also tended to reduce oil and gas sales — such as delay in hookups of new gas wells, delays in governmental regulatory actions on requests for authorities, etc., but most of these have been resolved at this time.

Confidence of banking institutions was again demonstrated when Management succeeded in the sale of a long-term nonrecourse production payment (which appears in the balance sheet in the form of deferred income). This new payment sale preserved certain loss carryovers from predecessor corporations and strengthened the overall working capital position of the Company. In reading the balance sheet, shareholders must realize that all secured production loans are being orderly retired by income from properties, and thus may be subtracted from the current liabilities when determining a true working capital position. Using this approach, Consolidated has a positive rather than a negative working capital position which one sees at first glance.

Certain necessary changes in operations supervision were made in order to allow Management to conduct a more active search for new acquisitions by purchase or merger. J. B. Ladd was promoted to Executive Vice President and Robert B. Tenison was moved from direct supervision of the San Juan Basin operations into Denver as Operations Vice President. Harold C. Gutjahr, a graduate accountant and CPA, was employed as Assistant Treasurer and Controller of the Company. As a result of these changes, your Board of Directors has further strengthened the operating team of Consolidated both for present and future operations.

Consolidated is once again involved in merger negotiations at the close of its fiscal year. Agreements are being finalized with Tekoil Corporation of Oklahoma City (OTC) which has very sizeable oil reserves. These oil properties should prove to be extremely compatible with Consolidated's long-term, well-financed gas reserves. Under terms of the Merger Agreement, satisfactory refinancing of the Tekoil debt must be accomplished before completion of the merger. As of this date, satisfactory bank commitments have been received. By the time shareholders receive this Annual Report, a Proxy Statement will have been sent each of you which will give in more intimate detail both the problems and the advantages of a merger of Tekoil into Consolidated. Benefits and projected growth patterns as a result of this merger are also included in the section called "Forecast for 1962" found on page 13. Upon the assumption that satisfactory completion of the merger will be accomplished, it would be well to welcome the more than 4,000 shareholders of Tekoil as new shareholders of Consolidated.

In closing, it must be stated as it has in the past that the achievements of this Company are entirely dependent upon a maximum effort on the part of all personnel from field level operations to top management. Consolidated is very fortunate in having capable people who believe that the Company can be built into a large independent oil and gas company through careful planning in its operations and proper financing as it progresses.

Respectfully submitted,

Harry A. Trueblood, Jr., *President*

PRODUCTION AND MARKETING

Consolidated's concentrated program of developing proven gas reserves, reworking existing oil wells, and acquiring additional oil reserves by purchase produced the following results in fiscal 1961:

The company produced 133,000 barrels of crude oil and natural gas liquids for an increase of 51% over fiscal 1960, and 1.5 billion cubic feet of natural gas which is an increase of 39% over the previous year.

At year end, Consolidated owned 27 net gas wells under a gross total of 65, and 50 net oil wells out of a gross total of 170.

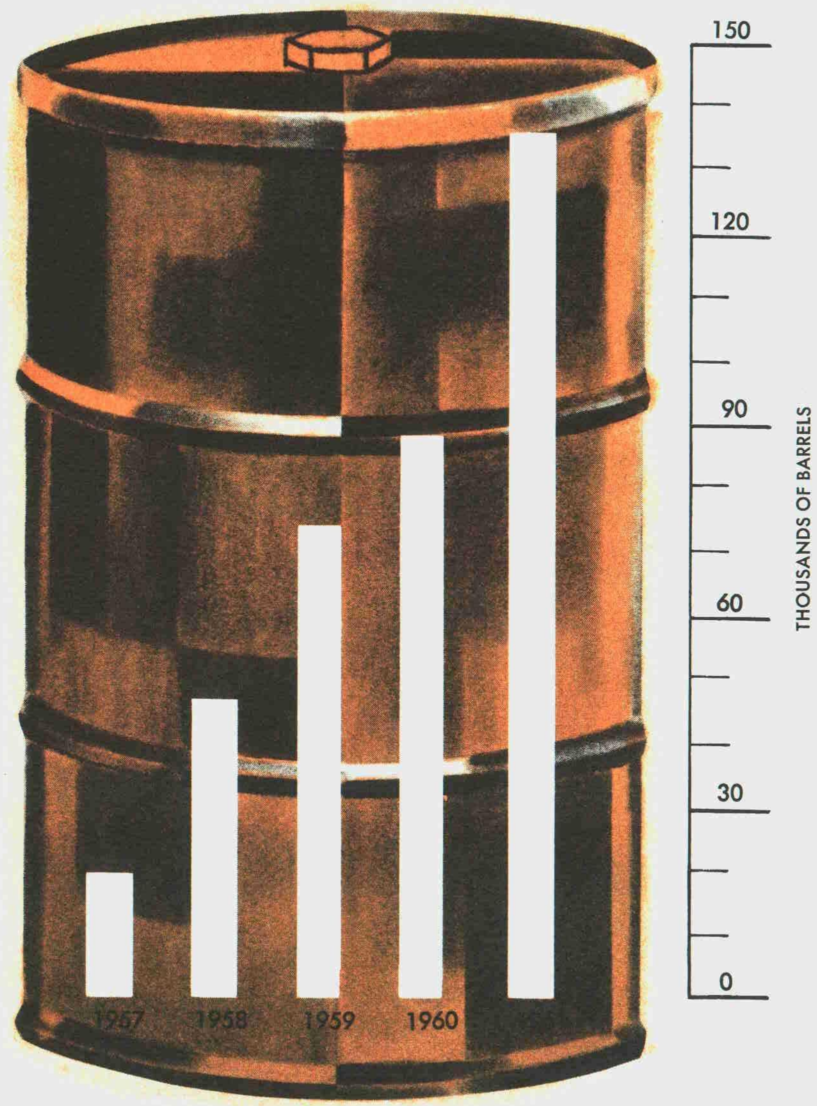
The over-all domestic crude oil market has continued to be plagued by imports and other over-supply problems, resulting in severe proration in certain areas. However, no significant penalty has been experienced in Consolidated's crude oil marketing situation since almost all properties qualify for certain exemptions that forego any production restrictions.

Over 90% of Consolidated's developed and producing gas reserves are located in the San Juan Basin of New Mexico where severe marketing restrictions are imposed. These reserves are dedicated to El Paso Natural Gas Co. and Southern Union Gas Co. under long term contracts, which provide the following features: (1) Purchasers must take, or pay for, a specified minimum amount of gas each year from each specific group of wells. (2) Purchasers must grant price escalations each five years, one of which became effective two years ago after being readily approved by the Federal Power Commission. (3) Purchasers must recognize a "favored nations" proviso which assures an automatic increase in sales price commensurate with better prices which any buyer might have approved for the purchase of gas from other operators in the San Juan Basin.

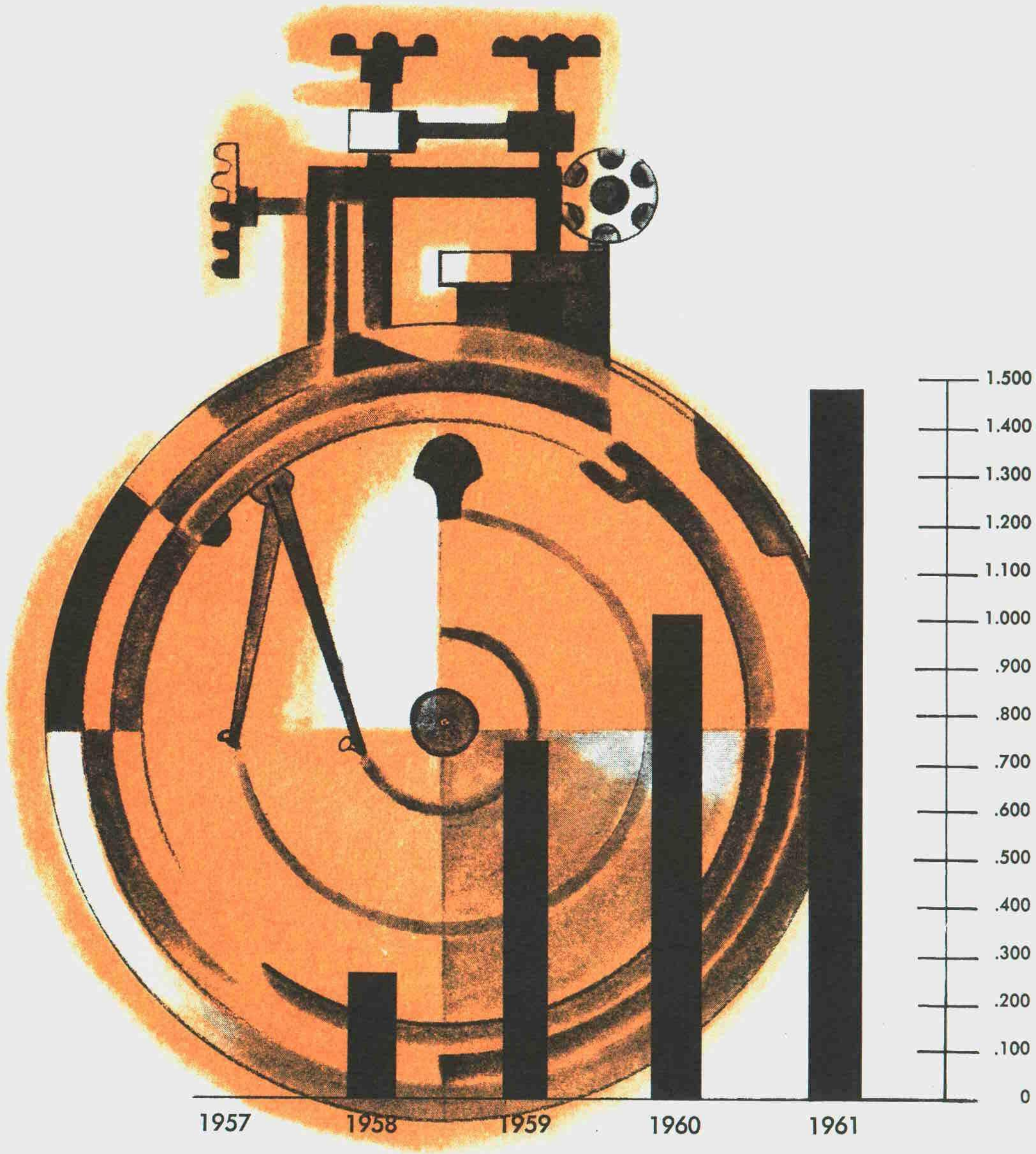
Because of currently limited marketing outlets, Consolidated sold only about 40% of its pipeline-connected productive capacity during the year. Further restrictions were imposed because of the time lag necessitated in the physical drilling and completion of the wells and subsequent pipeline hookup following the necessary approvals from state and federal agencies for selling the gas. As a result, sales during fiscal 1961 were only equivalent to a daily average of 25% of year-end productive capacity. Consolidated's year-end sales capability was 65% above that existing at the end of fiscal 1960.

Management is convinced that the long range gas marketing picture is excellent; it is only necessary to weather the current period of restriction. Recent published statistics show that during 1950 the United States consumed about seven trillion cubic feet of gas as compared to about 13 trillion cubic feet for 1960. It is estimated that domestic consumption of natural gas will continue to increase at a rate approximating 5½% annually until it reaches 18 trillion cubic feet by 1970.

The gross reserves added annually by industry have been steadily declining from 25 trillion cubic feet during 1956 to only 14 trillion cubic feet or barely offsetting the rate of withdrawal during 1960. Accordingly, it is believed that the demand for established gas reserves and productivity can only increase from the nationally prominent San Juan Basin. As the market develops and additional pipeline outlets inevitably become available, Consolidated will be ready!



NET LIQUIDS PRODUCED



NET GAS PRODUCED

DRILLING

During fiscal 1961, the company participated in the drilling of twenty gas wells ranging in depth from 6200′ to 7400′ at a cost of approximately $100,000 each. Consolidated was operator of seventeen wells and was a participant with Southern Union Gas Company, Adobe Oil Company and Sunset International Petroleum Corporation in the remaining three wells. All wells drilled were classed as development wells. One hundred percent success in the year's program was particularly gratifying in view of the over-all industry's 1960 average on development wells of 73%: similarly the Rocky Mountain area success ratio was 73%.

All 20 wells drilled were in the San Juan Basin — sixteen of them in our Northwest Blanco Area, two in the company's new Huerfano Area (discovered in 1960), and one in the prolific Kutz Canyon Area under the "carried-interest" arrangement with Sunset International Petroleum Corp. One other well drilled a few miles southeast of the Northwest Blanco Area was not only completed as a Dakota development well, but also resulted in the discovery of a new Gallup formation gas pool.

The development of new reserves and capacity from these new wells was enhanced by the fact that ten wells were dual-zone completions. These dual-zone wells develop essentially twice the capacity and reserves with only about 10% additional expenditure for any one well.

As a result of this intensified development of proven gas reserves during 1961, the company's capacity for daily net gas production was increased approximately 65%.

The accompanying table reviews Consolidated's unusually successful drilling program for the past four years. In this period, your company participated in seventy gross wells and was successful in sixty-three for an average of 90%, including exploratory ventures. The exploratory program alone enjoyed a 58% success ratio versus the long-established industry average of 11%. Only two of fifty-eight development wells were failures.

DRILLING SUMMARY

Fiscal Period		Exploratory Wells Prod.	Exploratory Wells Dry	Development Wells Prod.	Development Wells Dry	Total Wells
1961	Gross	0	0	20.	0	20.
	COG Net	0	0	5.428	0	5.428
1960	Gross	2.	1.	21.	0	24.
	COG Net	1.105	0.594	9.566	0	11.265
1959	Gross	3.	2.	14.	1.	20.
	COG Net	0.736	1.025	3.288	0.312	5.361
1958	Gross	2.	2.	1.	1.	6.
	COG Net	0.563	0.504	0.390	0.273	1.730

FINANCIAL SUMMARY SECTION

This was the day the symbol "CGS" "CGS" "CGS" moved for the first time over the ticker of the American Stock Exchange. Shown on the floor of the Exchange in New York are, left to right, Theodor F. Rittenberg and Lee J. Speigelberg, Company directors; Sterling Nordhouse, an American Stock Exchange specialist in Consolidated's stock; President Harry A. Trueblood, Jr., and Daniel T. O'Shea, director.

OCTOBER 17, 1961

BALANCE SHEET

Consolidated

ASSETS

November 30, 1961, 1960, 1959

	1961	1960	1959
Current assets:			
Cash	**$ 360,328.25**	133,780.77	181,234.30
Notes receivable — secured	**—**	160,000.00	100,000.00
Notes receivable — unsecured	**11,334.39**	4,300.00	21,918.80
	11,334.39	164,300.00	121,918.80
Accounts receivable:			
Oil and gas purchasers	**49,918.53**	25,849.15	25,632.81
Interest holders in jointly owned properties	**306,779.03**	222,008.95	116,494.65
Other	**28,499.56**	11,446.16	22,004.94
	385,197.12	259,304.26	164,132.40
Work in progress at cost	**4,706.72**	1,471.70	28,172.71
Inventory of equipment	**46,976.49**	51,093.26	51,545.00
Prepaid expenses	**2,314.59**	5,481.49	7,252.08
	810,857.56	615,431.48	554,255.29
Noncurrent assets — notes receivable — secured — Note 1	**344,000.00**	129,000.00	99,000.00
Investments	**27,054.00**	19,538.00	8,962.50
Property and equipment at cost — Note 5:			
Producing oil and gas properties — partially pledged	**4,238,625.03**	2,652,097.56	1,887,919.41
Undeveloped oil and gas properties	**156,800.58**	179,382.70	210,093.95
Land, buildings and equipment — partially pledged	**107,265.45**	86,180.56	73,526.87
	4,502,691.06	2,917,660.82	2,171,540.23
Less accumulated depreciation and depletion	**494,402.20**	330,752.85	340,412.57
	4,008,288.86	2,586,907.97	1,831,127.66
Other assets:			
Deferred financing costs	**31,826.29**	2,740.54	9,825.00
Deposits and deferred charges	**15,169.36**	3,185.15	7,359.97
Organization expense	**—**	—	6,113.78
	46,995.65	5,925.69	23,298.75
	$5,237,196.07	3,356,803.14	2,516,644.20

The accompanying "Notes to Financial Statements" is an integral part of this statement.

LIABILITIES AND ST

Current liabilities:

Notes payable — portion due within one year:

Unsecured ....

Secured ....

Accounts payable ....

Interest holders in jointly owned properties........

Other accrued liabilities ....

Advances on drilling arrangements........

Long term purchase obligation........

Notes payable — portion due after one year:

Unsecured ....

Secured ....

Deferred income — Note 1 ....

Stockholders' equity:

Common stock — authorized 5,000,000 shares at $.20 par value; November 30, 1961 — issued and outstanding 1,840,503 shares — Notes 2, 3, 5 and 7........

Capital surplus — Notes 5 and 7........

Retained earnings (deficit) from December 1, 1956 ....

Less treasury stock at cost — Note 6........

Oil & Gas, Inc.

CKHOLDERS' EQUITY

1961	1960	1959
$ 269,739.02	314,760.55	165,350.53
233,700.02	176,672.61	207,460.86
503,439.04	491,433.16	372,811.39
341,060.78	254,755.93	340,971.06
14,818.43	60,959.55	19,248.42
30,162.11	23,217.18	24,835.05
150,487.50	39,412.92	58,208.74
1,039,967.86	869,778.74	816,074.66
—	—	61,300.00
20,000.00	41,010.00	78,395.00
272,730.32	178,897.33	186,668.65
292,730.32	219,907.33	265,063.65
1,677,773.09	1,049,537.49	510,479.48
368,100.60	311,873.60	282,916.80
2,012,636.19	1,410,038.70	1,076,229.24
2,380,736.79	1,721,912.30	1,359,146.04
(154,011.99)	(413,156.49)	(404,237.63)
2,226,724.80	1,308,755.81	954,908.41
—	91,176.23	91,182.00
2,226,724.80	1,217,579.58	863,726.41
$5,237,196.07	3,356,803.14	2,516,644.20

STATEMENT OF INCOME AND EXPENSE AND RETAINED EARNINGS (Deficit)

Three Years Ended November 30, 1961

	1961	1960	1959
Income:			
Oil and gas sales — Note 1	$ 534,138.17	342,843.20	271,097.74
Drilling arrangements and operations reimbursements	1,475,978.33	1,026,582.89	437,833.02
Miscellaneous	96,924.20	122,353.06	120,422.15
	2,107,040.70	1,491,779.15	829,352.91
Costs and expenses:			
Direct costs:			
Production costs	205,061.54	126,109.04	134,572.53
Direct production payment expense — Note 1	67,658.05	31,591.90	13,193.70
Drilling arrangements and operations reimbursements costs	1,118,987.69	812,720.33	427,349.67
Dry hole costs	—	82,056.21	95,424.16
Abandonment and surrender of leases	16,219.71	43,908.85	8,466.35
Lease rentals — nonproducing properties	22,260.63	15,334.13	15,132.52
General and administrative	179,395.85	145,547.14	168,447.39
	1,609,583.47	1,257,267.60	862,586.32
Operating income (loss) before depreciation, depletion and amortization	497,457.23	234,511.55	(33,233.41)
Depreciation, depletion and amortization	181,648.77	129,400.62	116,510.59
Operating income (loss)	315,808.46	105,110.93	(149,744.00)
Other income (expense):			
Gain (loss) on sale of capital assets	1,542.69	(61,745.51)	(403.08)
Interest expense	(58,206.65)	(52,284.28)	(27,021.86)
	(56,663.96)	(114,029.79)	(27,424.94)
Net income (loss)	259,144.50	(8,918.86)	(177,168.94)
Retained earnings (deficit) beginning of period	(413,156.49)	(404,237.63)	(227,068.69)
Retained earnings (deficit) at end of period	$ (154,011.99)	(413,156.49)	(404,237.63)

The accompanying "Notes to Financial Statements" is an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS · · · NOV. 30, 1961

November 30, 1961

NOTE 1:

During the fiscal year 1958, the Company sold a $440,000.00 oil and gas payment for $340,000.00 to be repaid out of the proceeds of production from certain oil and gas properties. At the time of the sale, the Company's management estimated that it would take approximately seven years to recover the $440,000.00. The $340,000.00 has been considered deferred income and as the gas is actually produced that amount will be taken into earned income. As of November 30, 1961, there was a deferred income balance on this oil and gas payment of $227,773.09.

During the fiscal year ended November 30, 1959, the Company sold an oil and gas payment for $220,000.00 plus an amount equal to 6½% per annum on the unpaid balance to be paid out of production from certain oil and gas properties. October 1, 1960, the Company made an additional sale of $580,000.00 to increase this oil and gas payment to $800,000.00 and on November 1, 1961, the Company made an additional sale of $694,103.53 to increase this oil and gas payment to $1,450,000.00 on that date. The Company management estimates that it will take approximately seven years to recover the $1,450,000.00 plus an amount equal to 6½% per annum on the unpaid balance. The total consideration of $1,494,103.53 was received in the form of $1,204,103.53 cash and two secured notes in the amount of $290,000.00 that will come due December 31, 1965. As of November 30, 1961, there was a deferred income balance on this oil and gas payment of $1,450,000.00.

NOTE 2:

On July 27, 1960, the Company registered with the Securities and Exchange Commission 140,748 units with each unit consisting of one share of common stock and three transferable common stock purchase warrants. The units were offered to the holders of its common stock who were of record, at the close of business on July 8, 1960, at the ratio of one unit for each ten shares. The Company sold 134,784 units, thereby creating 404,352 common stock purchase warrants, of which 404,190 remain outstanding at November 30, 1961. Each common stock purchase warrant is exercisable for one share of common stock of the Company at $3.875 per share on or before June 30, 1963, or at $4.875 per share on or before June 30, 1967. The common stock purchase warrants terminate on June 30, 1967. Warrant holders do not possess any rights as stockholders of the Company. The warrants contain "anti-dilution" provisions.

NOTE 3:

During 1961, the Company granted to four officers and three key employees of the Company restricted stock options to purchase, in the aggregate, 66,500 shares of common stock of the Company. The options are exercisable at the rate of 20% per year of the total amount granted commencing after the first year. The options were granted in the following amounts and prices: 37,000 shares at $2.15, 5,000 shares at $3.03, 2,000 shares at $3.02, 7,500 shares at $2.33 and 15,000 shares at $2.78. The option price is equal to 85% of the fair market value on the date each option was granted except Mr. Trueblood's option price was 110% of the fair market value. During the fifth year and thereafter until January 17, 1971, they may be exercised at any time, except that the options granted Mr. Trueblood expire January 17, 1966.

NOTE 4:

The Company will not have any Federal or State income tax liability for the current fiscal year ended November 30, 1961, due to unused tax loss carryover available and the election to charge-off intangible drilling and development cost in the year of incurrence.

NOTE 5:

On February 16, 1961, the Company acquired the assets of the Midland Oil Company, a Wyoming Corporation. The assets acquired from the Midland Oil Company were as follows:

Current assets	$ 502,255.83
Less current liabilities	25,414.48
	476,841.35
Producing oil and gas properties	683,150.40
Nonproducing oil and gas properties	10,090.30
Building and office	2,055.45
	$1,172,137.50

The consideration was as follows:

Cash	$ 495,000.00
Common stock of the Company — 270,855 shares at $.20 per share par value	54,171.00
Capital surplus created by the excess of the value of the properties acquired over the par value of the stock issued	622,966.50
	$1,172,137.50

Producing oil and gas properties acquired from the Midland Oil Company having an adjusted book basis of $258,256.24 were assigned a value of $683,150.40 by the Company management according to their present value at acquisition date based upon recent petroleum engineering data. Other assets having an adjusted basis of $134,919.25 were assigned a value of $12,145.75 based on fair market value. The current assets and liabilities from the Midland Oil Company were not materially changed.

NOTE 6:

On January 17, 1961, the board of directors voted to retire the 10,902 shares of the Company's stock held as treasury stock. The cost of the stock to the Company was $91,176.23 and the total stated par value of the stock was $2,180.40 and thus resulting in a charge to Capital Surplus of $88,995.83.

NOTE 7:

Capital surplus changes during the year were as follows:

Balance at December 1, 1960		$1,410,038.70
Add:		
Excess valued assigned to oil and gas properties acquired over par value of stock issued	$ 8,580.00	
Excess of face amount of liabilities retired over par value of common stock exchanged therefor; $63,250.00 principal amount for 18,500 shares of stock	59,550.00	
Excess of consideration received over par value of 270,855 shares of common stock issued, for the property acquired from the Midland Oil Company, to certain of the Midland Oil Company stockholders	622,966.50	
Excess consideration received over par value of 162 shares of common stock issued due to the exercise of 162 common stock purchase warrants	595.36	
Other	149.97	691,841.83
		2,101,880.53
Less:		
Excess of cost of 10,902 shares of the Company's stock held as treasury stock retired by resolution of the Board of Directors	88,995.83	
Consideration paid in excess of par value for fractional shares of Company stock purchased from former Midland Oil Co. stockholders	248.51	89,244.34
Balance at November 30, 1961		$2,012,636.19

To the Board of Directors and Stockholders
Consolidated Oil & Gas, Inc.
Denver, Colorado

Gentlemen:

We have examined the balance sheet of Consolidated Oil & Gas., Inc., as of November 30, 1961, and the related statement of income and expense and retained earnings (deficit) for the year then ended.

Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

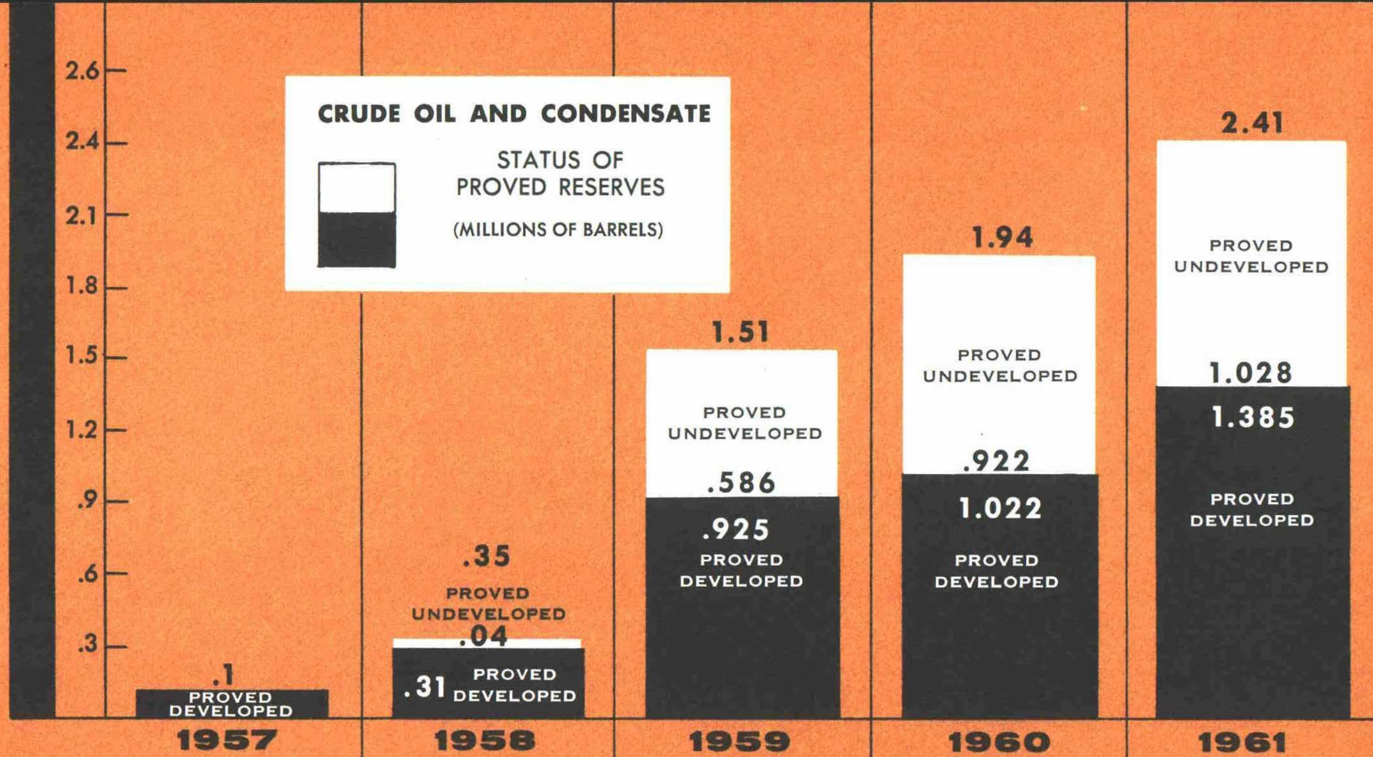
In our opinion, the accompanying balance sheet and statement of income and expense and retained earnings (deficit) present fairly the financial position of Consolidated Oil & Gas, Inc., at November 30, 1961, and the results of its operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

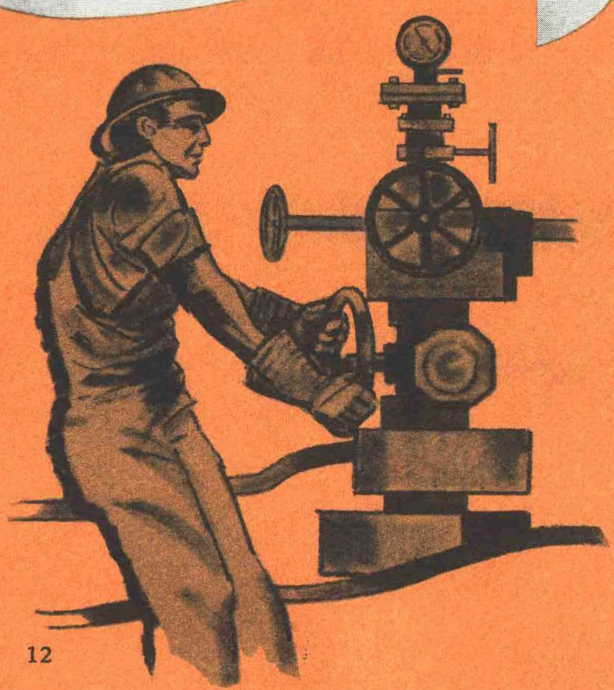
Denver, Colorado
January 17, 1962

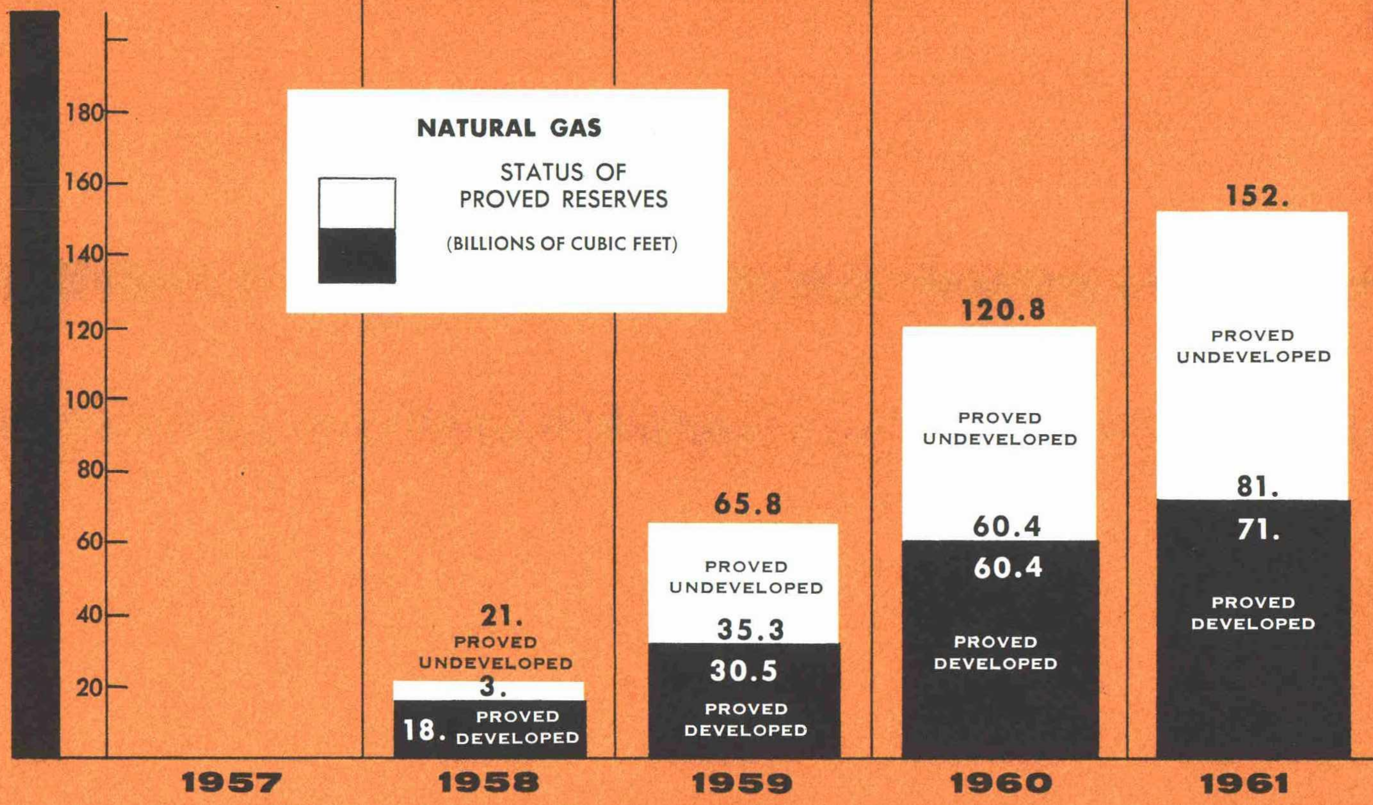
W. L. CLASQUIN

W. L. Clasquin

STATUS OF RESERVES





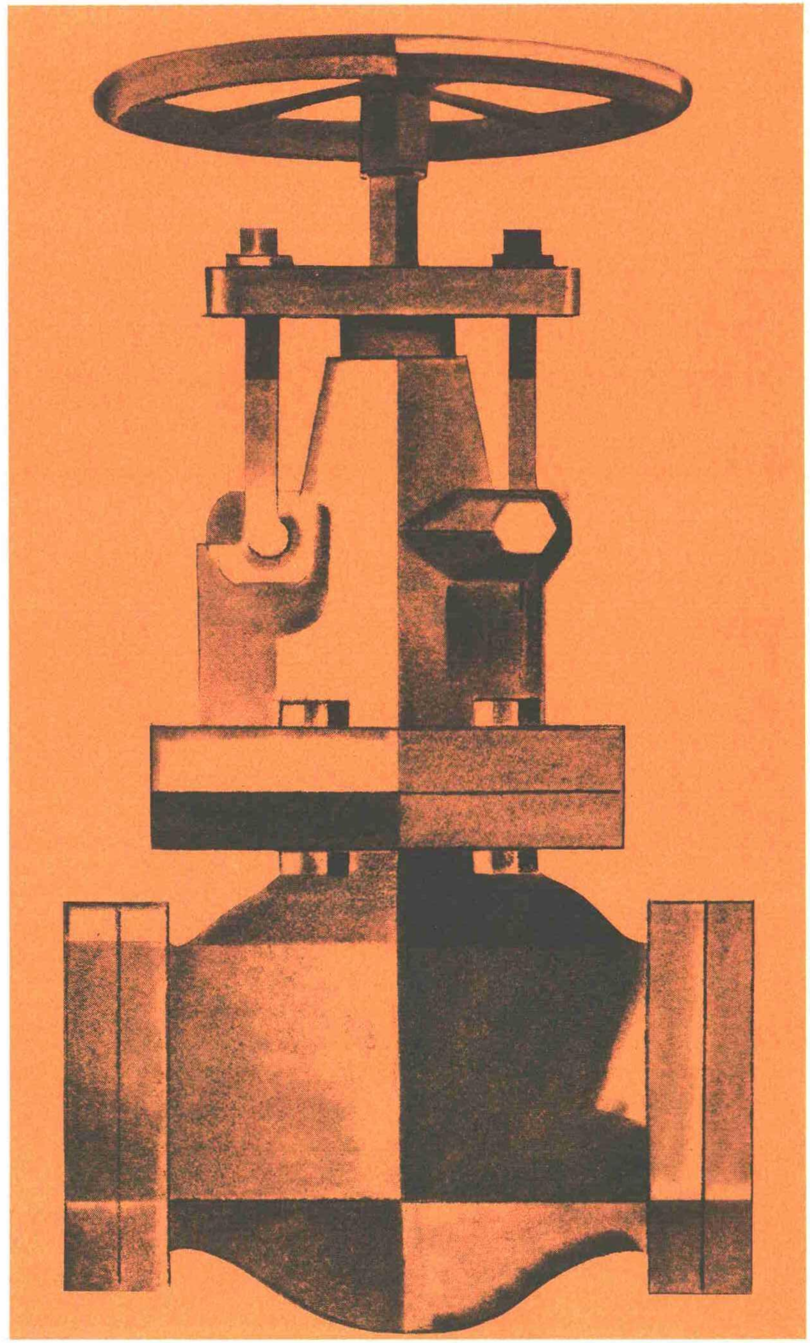


FORECAST 1962

Numerous proven gas locations are available for development on Consolidated's properties in the San Juan Basin . . . at least twenty-eight proven gas locations exclusive of the proven but shut-in Spring Creek acreage are available for drilling during the fiscal year . . . some twenty development wells inclusive of several dual zone and a few triple zone gas wells are planned for the coming year . . . several water injection wells will have to be drilled on two pilot waterfloods to be instigated in 1962 . . . East Teapot Dome field pilot waterflood should begin in early spring . . . pilot waterflood operation of the Glorieta formation in West Texas should begin in mid-summer . . . several exploratory ventures will probably be drilled in 1962 . . .

Exclusive of Tekoil merger mentioned elsewhere in this report, sales of oil and gas for coming year should approximate from $800,000 to $1,000,000 . . . an increase of 75% or more . . . demand for gas in San Juan Basin should stay approximately the same during the coming year with improvements forecast for 1963 . . . cash flow should approximate 40¢ to 50¢ per share as opposed to 27¢ for 1961 . . . total sales should increase at least 25% . . . net income should increase by 75% . . .

Inclusive of Tekoil Corporation for 1962, at least six additional development oil wells are available . . . new waterflood operations may be instigated . . . new equipment for old waterflood projects should substantially increase production . . . new gas well development on Jonnell Gas Company properties should substantially increase developed gas reserves . . . debt will be orderly retired by production from properties . . . probable secondary reserves should be changed into proven as a result of new development activities . . . gross sales should exceed $4,000,000 . . . cash flow should increase to 80¢ or 90¢ per share . . . net income will disappear as a result of Tekoil's very high depreciation and depletion rate.

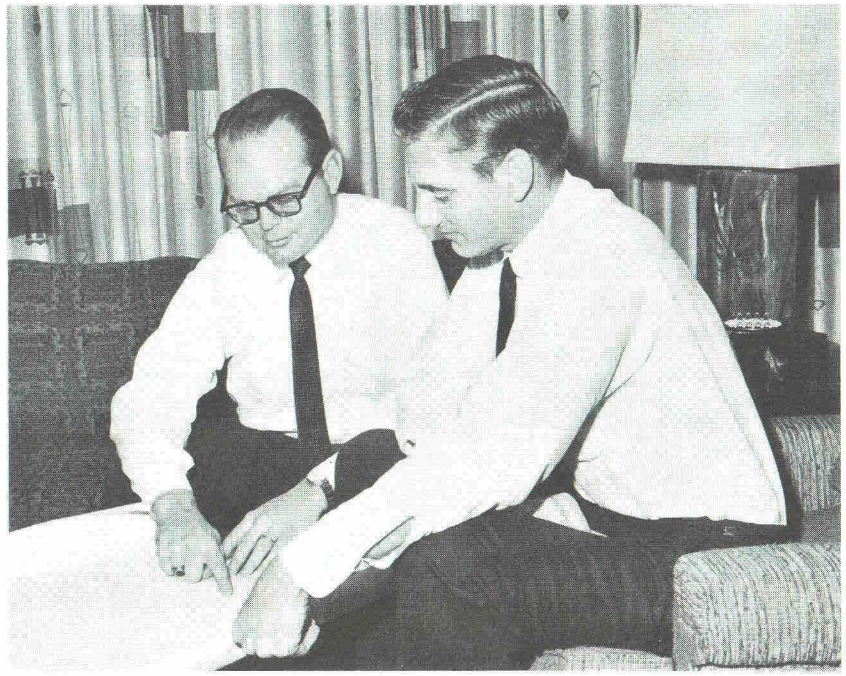


. . . MANAGEMENT . . .

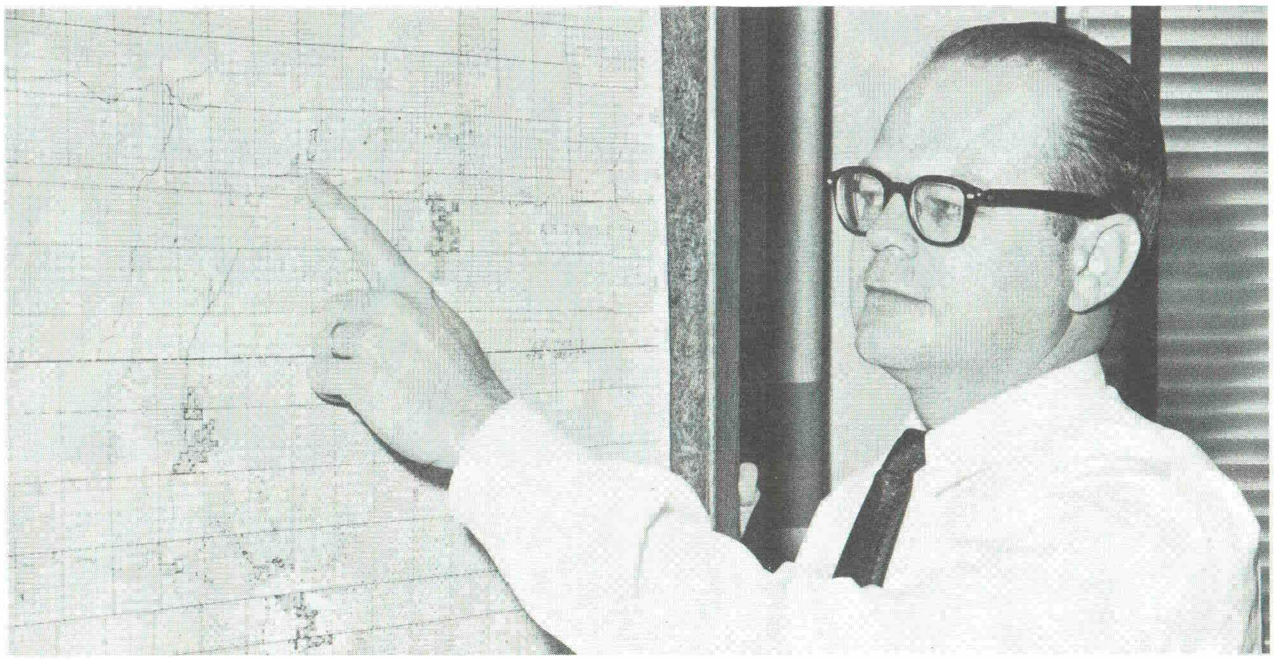
"Management — the judicious use of means to accomplish an end."

— Webster

While it is true that stockholders formulate policy — and in a very real sense "run" a company — the day to day decisions must be made by the officers. The close-knit officers of Consolidated work informally as a team so that each contributes his best efforts as a part of the whole.



The president and the executive vice president.

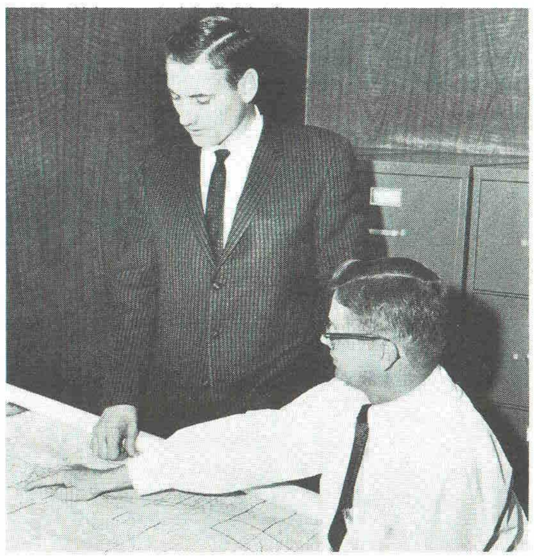


President Harry A. Trueblood, Jr., at the map case in his office.

Robert B. Tenison, vice president.

Mrs. Lynn Manley, secretary to the Company's executive officers.

C. J. Cooper, Jr. (seated), the company's secretary and attorney, confers with H. C. Gutjahr, assistant secretary-treasurer and controller.



J. B. Ladd, executive vice president (standing), and G. E. Farmar, the chief engineer.

CONSOLIDATED OIL & GAS INC

OFFICERS

Harry A. Trueblood, Jr.
President

J. B. Ladd
Executive Vice President

Robert B. Tenison
Vice President

Theodor F. Rittenberg
Treasurer-Assistant Secretary

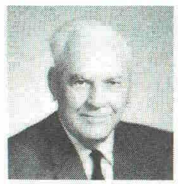
C. J. Cooper, Jr.
Secretary

H. C. Gutjahr
Assistant Secretary and
Assistant Treasurer

DIRECTORS

John E. Price
A resident of Ft. Myers, Fla., Mr. Price is Consolidated's senior Board member in length of service, having joined the Board in 1954. Formerly a general contractor in various types of road and building construction, he has extensive holdings in ranching, mining and oil.

Daniel T. O'Shea
A practicing attorney in both New York and California, he has been a director of Consolidated since 1959. Formerly President of Selznick Studios, a vice president of the Columbia Broadcasting System and President of RKO Radio Pictures, he is now a director of RKO Radio Color Pictures, Inc., Pacific Airlines, and a member of the Board of Regents of Loyola University of Los Angeles. He is a member of Consolidated's executive committee.

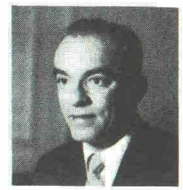


Carl J. Odegard
A resident of Huron, So. Dak., and Vice Chairman of the South Dakota Industrial and Development Commission, Mr. Odegard was associated for 40 years with the Northwest Security National Bank of Sioux Falls. He retired from the bank in 1959 and has been a director of Consolidated since 1958.

James D. Landauer
President and Director of James D. Landauer Associates, Inc., New York City real estate consultants. He is also a governor of the Real Estate Board of New York, a director of the International Real Estate Federation, and a trustee of the East River Savings Bank. He has served as a director of Consolidated since 1958.

Theodor F. Rittenberg
Treasurer, assistant secretary and a member of the executive committee of Consolidated, he has been a director of Consolidated since 1955. A Denver resident, Mr. Rittenberg is in the business of making personal investments.

Lee A. Freeman
of Chicago, became a Director of Consolidated at the time of the merger with Midland Oil Company of which he was a director. A director of Continental Air Transport Co., and of the Storkline Corporation, he is general counsel for several large midwestern corporations.



Lee J. Speigelberg
A partner in the stock brokerage firm of Katzenberg, Sour & Co., members of the New York Stock Exchange. He has been with that company for the past six years and has been a Consolidated director since 1961.

Henry A. Wilmerding
A graduate of Yale University and a retired captain in the United States Naval Reserve, Mr. Wilmerding is a resident of Westbury, N. Y. A director of Consolidated since 1958, he is active in the financial world.

Harry A. Trueblood, Jr.
President of the company and a member of the Executive Committee. A petroleum engineer by profession, Mr. Trueblood was an independent operator and consultant in the Denver Basin before becoming President of Colorado Western Exploration. He has been a director since 1955.

Consolidated Oil & Gas, Inc.

EXECUTIVE OFFICES: 2112 Tower Building, Denver U. S. National Bank Center, Denver 2, Colorado
TRANSFER AGENT: Central Bank & Trust Company, P.O. Box 5548, Terminal Annex, Denver 17, Colorado
REGISTRAR: U. S. Stock Transfer Company, 814 Boston Building, 828 17th Street, Denver 2, Colorado
COUNSEL: Calkins, Rodden & Kramer, First National Bank Building, Denver 2, Colorado
AUDITOR: W. L. Clasquin, Certified Public Accountant, 1030 Petroleum Club Building, Denver 2, Colorado

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