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NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

OF

CONSOLIDATED OIL & GAS, INC.

DENVER, COLORADO

Case 2504

March 1962

January 19, 1962

To the Stockholders:

A special meeting of the stockholders of Consolidated Oil & Gas, Inc., will be held on the Twelfth Floor of the Petroleum Club, 110 Sixteenth Street, Denver, Colorado, at 2:00 o'clock p.m., Mountain Standard Time, on February 14, 1962, for the following purposes:

1. To consider and vote upon the adoption and approval of a merger agreement dated as of December 15, 1961, between Consolidated Oil & Gas, Inc. (Consolidated), and Tekoil Corporation (Tekoil), a Delaware corporation, providing for the merger of Tekoil into Consolidated, a copy of which merger agreement is annexed as Exhibit B to the Proxy Statement attached to this notice, and to authorize the officers of the Company to take such further action as may be necessary or advisable to effect the merger.

2. To transact such other business as may properly come before the meeting or any adjournment thereof, although the management of Consolidated does not know of or contemplate the transaction of any other business at such meeting.

Under authority vested in them by the By-Laws of the Company, the directors have fixed January 2, 1962, as the record date for determination of stockholders entitled to notice of and to vote at such meeting. The transfer books will not be closed.

THE AFFIRMATIVE VOTE OF THE HOLDERS OF AT LEAST TWO-THIRDS OF THE OUTSTANDING SHARES IS REQUIRED TO APPROVE THE MERGER. IT IS THEREFORE IMPERATIVE THAT YOUR SHARES BE REPRESENTED AND VOTED AT THE MEETING. PLEASE SIGN, DATE AND RETURN YOUR PROXY IMMEDIATELY.

BY ORDER OF THE BOARD OF DIRECTORS

HARRY A. TRUEBLOOD, JR.
President

C. J. COOPER, JR.
Secretary

Proxy Statement

The accompanying Proxy is solicited on behalf of management of Consolidated Oil & Gas, Inc., a Colorado corporation (hereinafter sometimes referred to as "Consolidated" or the "Surviving Corporation"), for use at a special meeting of stockholders to be held on February 14, 1962, and any adjournment thereof.

The purpose of the special meeting is to consider and vote upon the adoption and approval of a Merger Agreement between Consolidated and Tekoil Corporation, a Delaware corporation (hereinafter sometimes referred to as "Tekoil"), wherein Tekoil will merge into Consolidated in accordance with the laws of the State of Colorado.

The shares covered by proxies executed and returned will be voted at the meeting and at any adjournment thereof, and will be voted as directed therein with respect to the merger, except that any proxy in which no direction is given will be voted in favor of the merger. Each proxy granted is revocable and at any time before it is voted may be revoked by the stockholder granting it.

The only outstanding voting securities of Consolidated are its Common Stock, each share of which entitles the holder thereof to one vote. As of December 15, 1961, there were outstanding and entitled to vote 1,840,536 shares of Common Stock. Only stockholders of record at the close of business on January 2, 1962, are entitled to vote at the meeting or any adjournment thereof.

MERGER AGREEMENT BETWEEN CONSOLIDATED OIL & GAS, INC. AND TEKOIL CORPORATION

Approval of Directors

The directors of Consolidated and Tekoil have duly approved an Agreement of Merger between Consolidated and Tekoil, a copy of which is annexed hereto as Exhibit "B," and the Board of Directors of each corporation has declared the Merger to be advisable and in the best interests of the corporation and its stockholders.

Reasons for Merger

In the opinion of the management of Consolidated, the principal reasons for the merger are as follows:

(a) There should be a substantial reduction of expenses below the total amount presently paid by both companies.

(b) Although Tekoil has sufficient oil and gas reserves to retire its present indebtedness if its creditors permit it to operate its properties or if its indebtedness can be refinanced, a combination of the companies, with Consolidated as the Surviving Corporation, will permit refinancing on a basis not available to either company individually.

(c) The cash flow generated by the combined companies should be sufficient to meet the terms of the refinanced debt of the Surviving Corporation and to permit the development of the proven undeveloped properties in an orderly fashion.

Effect of Merger

Upon the effective date of the Merger, the separate existence of Tekoil will cease and it will be merged with and into Consolidated, which will be the Surviving Corporation. All rights, privileges, powers and franchises and all property, real, personal and mixed, of Consolidated and of Tekoil, and all debts due to said corporations will automatically vest in the Surviving Corporation.

Principal Provisions of Merger Agreement

A summary of the principal provisions of the Merger Agreement is as follows:

(a) The provisions of the Certificate of Incorporation and By-Laws of the Surviving Corporation will be identical with those contained in the present Certificate of Incorporation and By-Laws of Consolidated.

(b) Generally, the Merger will not otherwise affect the rights of existing stockholders of Consolidated, except that additional shares of stock will be issued as a result thereof. Although the rights of existing stockholders will not be affected, the interests of such stockholders will be affected, as evidenced by the COMPARATIVE DATA set forth on page 7. Each share of the common stock ($0.20 par value) of Consolidated; each restricted stock option for the purchase of shares of common stock issued and outstanding at the effective date of the Merger and each common stock purchase warrant for the purchase of shares of such common stock issued and outstanding at the effective date of the merger will not be affected by the Merger.

Each 2½ shares of the common stock ($1.00 par value) of Tekoil, issued and outstanding at the effective date of the Merger, will be converted into one (1) share of common stock of the par value of $0.20 of Consolidated, and each holder of such common stock of Tekoil, upon presentation and surrender of his certificate or certificates therefor to Consolidated or its designated agent, will be entitled to one or more certificates representing shares of stock of Consolidated at the rate of one (1) share of such common stock of Consolidated for each 2½ shares of common stock of Tekoil represented by the certificate or certificates so surrendered. However, neither certificates for fractional shares of the common stock of Consolidated nor scrip certificates will be issued to the holders of Tekoil stock, and in lieu thereof arrangements will be made with an exchange agent so that for 120 days after the effective date of the Merger, each holder of a fractional interest shall have the election exercisable through the exchange agent at the time of surrender of his certificate or certificates of Tekoil common stock for exchange, to either buy sufficient additional fractional interests required to make up a full share, or may sell the fractional interest to which he is entitled. For the purpose of purchasing or selling fractional interests the Consolidated common stock is valued at $5.00 per share. The failure to elect to buy or sell a fractional interest shall be deemed to be an election to sell.

After the expiration of 120 days, the exchange agent will sell (for the account of the holders of such fractional share interests) shares of common stock of Consolidated equivalent to such fractional share interests as indicated by the then outstanding Tekoil stock certificates. The exchange agent will thereafter and until six years after the effective date of the Merger pay to such holders upon exchange of their stock certificates their pro rata share of the proceeds of such sale. Any balance of such proceeds remaining after such six-year period will be returned to the Surviving Corporation.

On and after the effective date of the Merger, holders of options to buy common stock of Tekoil, outstanding as of the effective date of the Merger, shall exchange such options for options to purchase one (1) share of common stock of Consolidated for each 2½ shares of Tekoil covered by the option at a price per share which is 2½ times the price set under the options to buy Tekoil stock.

(c) As of November 30, 1961, the aggregate indebtedness of Tekoil which is in default was $4,217,991.80. The Merger is conditioned upon the obtaining of favorable bank financing to refinance certain of the loans to Tekoil which are presently in default. See caption REFINANCING OF TEKOIL INDEBTEDNESS.

(d) In the event the Merger is consummated, if all the Tekoil shares are exchanged, 484,905 shares of common stock of Consolidated will be issued therefor. These shares will represent approximately 20.85 percent of the total number of shares of common stock of Consolidated to be outstanding after the merger is consummated.

(e) On the effective date of the Merger there shall be reserved from and among the authorized but unissued shares of the common stock ($0.20 par value) of Consolidated (i) 404,157 shares for issuance upon conversion of outstanding common stock purchase warrants issued by Consolidated, (ii) 75,000 shares for issuance under the Restricted Stock Option Plan of Consolidated which shall continue as the plan of the Surviving Corporation (being 66,500 shares covered by outstanding options and 8,500 shares reserved for the granting of future options), (iii) such number of shares as may be required for issuance under an option to purchase 30,000 shares of common stock of Tekoil granted by Tekoil to Jonnell Gas Co., a corporation. The option is exercisable at various dates beginning in March, 1963, and ending in March, 1966, at prices ranging from $6.00 to $6.50 per share of Tekoil common stock.

CAPITALIZATION

The following tabulation sets forth on a pro forma basis as of November 30, 1961, the debt and capitalization of the Surviving Corporation.

	Amount Outstanding on November 30, 1961
CONSOLIDATED OIL & GAS, INC.	
First mortgage notes(a)	$ 490,824.55
Sundry Indebtedness(b)	15,605.79
Unsecured notes(c)	289,739.02
Preferred stock, $10.00 par value, authorized, 100,000 shares	None
Convertible preferred stock, $10.00 par value, authorized 10,000 shares	None
Common stock, $0.20 par value, authorized, 5,000,000 shares(d)	1,840,503 shares
Common stock options, authorized 75,000 shares	66,500 shares
Common stock purchase warrants(e)	404,190 shares
TEKOIL CORPORATION AND SUBSIDIARY COMPANY	
First mortgage notes(f)	$4,327,448.24
Sundry indebtedness(g)	182,246.76
Common stock, $1.00 par value, authorized 2,000,000 shares	1,210,927 shares
Common stock to be issued to The Saint Anne's Oil Production Company pursuant to the terms of an agreement under which the companies were merged effective March 15, 1956	1,336 shares
Common stock options	30,000 shares
CAPITAL STOCK—PRO FORMA	
Common stock, $0.20 par value, authorized 5,000,000(h)	2,325,408 shares
Common stock options	78,500 shares
Common stock purchase warrants(e)	404,190 shares

(a) Note dated 5-31-61, maturity 1-31-64, with monthly installments of $11,500.00, payable to Central Bank and Trust Company, Denver, Colorado, in amount of $380,000.00 reduced to $287,327.88 at 11-30-61, 6¼% interest, secured by substantially all Post (Glorietta), Texas, Denver-Julesberg and substantially all of the producing properties acquired from the Midland Oil Company.

Note dated 2-28-61, payable to Mid-Continent Supply Co. in 25 monthly installments of $3,000.00 in amount of $75,000.00, reduced to $51,000.00 at 11-30-61, 7% interest, secured by all of Falls City, Nebraska, properties.

Note dated 9-30-61, payable to Mid-Continent Supply Co. in 30 monthly installments of $2,000.00 in amount of $60,000.00, reduced to $56,000.00 at 11-30-61, 6½% interest, secured by a production payment receivable with a growth factor of 7% which had a principal amount of $70,837.87 at 9-30-61.

Note dated 3-1-58, in principal amount of $14,266.76, payable to Mountain States Investment Co., payable over 30 years in monthly installments, reduced to $13,147.07 at 11-30-61, 5¼% interest, secured by residential property located at Farmington, New Mexico.

Note dated 5-25-60, maturity 6-1-64, payable to California Bank, Los Angeles, California, in principal amount of $100,000.00, reduced to $54,497.34 at 11-30-61, payable in monthly installments with 6.5% interest, secured by substantially all the Post (Glorietta), Texas, and Denver-Julesberg properties which are not pledged to the Central Bank and Trust Company, Denver, Colorado, referred to in the first paragraph of this note.

Note dated 10-10-58, maturity date 5-1-62, payable to the First National Bank, Farmington, New Mexico, in monthly installments, 6% interest, in principal amount of $5,700.00, reduced to $1,352.36 at 11-30-61, secured by real property, Farmington, New Mexico.

Note dated 7-3-61, payable to Western Pipe and Tube Co., Inc., maturity date 6-1-64, 6% interest, principal amount $30,000.00, reduced to $27,499.90 at 11-30-61, secured by a production payment receivable with a growth factor of 7% from certain producing gas properties in the San Juan Basin, New Mexico.

(b) Secured by officers' life insurance policies, no definite due date.

(c) Represents unsecured notes bearing interest at 6%, all but $20,000.00 due within one year.

(d) Does not include shares underlying the common stock options.

(e) The common stock purchase warrants entitle the holder thereof to purchase one share of common stock at the price of $3.875 per share on or before June 30, 1963, and thereafter at $4.875 per share until termination. The termination date for the warrants is June 30, 1967.

(f) Mortgage note dated 7-14-59, maturity 7-1-64, payable to The Mercantile National Bank, Dallas, Texas, in principal amount of $4,500,000.00, reduced to $3,592,991.80 at 11-30-61, 5½% interest, present monthly installments are $99,214.00, mortgage payments at 11-30-61 are $467,903.79 in arrears. Secured by a mortgage, deed of trust and assignment of production on substantially all oil and gas properties owned at July 14, 1959 and assignment of interest in Jonnell Gas Company.

Mortgage notes dated 3-31-60 for principal amount of $225,000.00, 12-8-60 for principal amount of $100,000.00, 3-31-60 for principal amount of $300.000.00 payable to The Mercantile National Bank, Dallas, Texas, 6½% interest. The total of $625,000.00 has been reduced to $624,290.27 at 11-30-61. All three notes were due 12-9-61. Such notes are secured by the same production mentioned in the above paragraph.

Note dated 3-1-61, payable to the First National Bank of Dallas, Dallas, Texas, interest at 6%, principal amount $75,000.00, reduced to $62,049.89 at 11-30-61, secured by the account receivable of D. W. Varel which account was $58,721.68 at 11-30-61.

Note dated 10-16-58 payable to the First National Bank of Dallas, Dallas, Texas, interest 5%, principal amount $36,000.00, reduced to $18,540.36 at 11-30-61, secured by oil and gas properties in Creek County, Oklahoma, payable out of the oil and gas sales from the pledged properties.

Note dated 4-21-61, payable to the First National Bank of Dallas, Dallas, Texas, interest 6%, principal amount $33,000.00, reduced to $29.575.92 at 11-30-61, paid out of and secured by certain oil and gas properties located in Kay and Osage Counties, Oklahoma.

(g) Represents notes and lease-purchase option agreements bearing interest rate varying from 6% to 7%, issued for the purchase of automotive, oil field and laboratory equipment, secured by such equipment.

(h) The 1,210,927 shares of stock outstanding and the 1,336 shares of stock to be issued have been adjusted by the exchange rate of 2.5 shares of the Tekoil Corporation for one share of Consolidated Oil & Gas, Inc., the Surviving Corporation.

CONSOLIDATED OIL & GAS, INC.—SUMMARY OF OPERATIONS

(Combined with Operations of Colorado Western Exploration, Inc., for Years Prior to Merger, May 1, 1958)

The following summary of operations of Consolidated Oil & Gas, Inc., for the six years ended November 30, 1961, has been examined by W. L. Clasquin, Independent Public Accountant, for the five years ended November 30, 1961, as set out elsewhere in this proxy statement. Data pertaining to the period of six fiscal years ended November 30, 1961, should be read in conjunction with the financial statements and notes thereto, which appear elsewhere in this proxy statement.

	Years Ended November 30,					
	1961— Notes B & C	*1960*	*1959*	*1958*	*1957*	*Not Audited 1956*
Income:						
Oil and gas sales	$ 534,138.17	342,843.20	271,097.74	179,782.51	93,978.22	27,452.91
Drilling arrangements and operations reimbursements	1,475,978.33	1,026,582.89	437,833.02	411,979.35	455,126.44	207,749.63
Miscellaneous	96,924.20	122,353.06	120,422.15	60,788.73	66,037.12	67,937.87
	2,107,040.70	1,491,779.15	829,352.91	652,550.59	615,141.78	303,140.41
Costs and expenses:						
Direct costs:						
Production costs	205,061.54	126,109.04	134,572.53	110,388.40	87,686.14	35,216.09
Direct production payment expense	67,658.05	31,591.90	13,193.70	1,069.90	—	—
Drilling arrangements and operations reimbursements costs	1,118,987.69	812,720.33	427,349.67	315,669.76	352,291.95	143,704.73
Dry hole costs	—	82,056.21	95,424.16	37,725.18	10,786.73	9,566.20
Abandonment and surrender of leases	16,219.71	43,908.85	8,466.35	23,817.46	70,089.29	21,840.98
Lease rentals—nonproducing properties	22,260.63	15,334.13	15,132.52	7,343.47	8,185.78	4,919.25
General and administrative	179,395.85	145,547.14	168,447.39	160,979.15	157,589.01	124,221.60
Depreciation, depletion and amortization	181,648.77	129,400.62	116,510.59	93,904.93	70,638.32	37,567.49
	1,791,232.24	1,386,668.22	979,096.91	750,898.25	757,267.22	377,036.34
Operating income or (loss)	315,808.46	105,110.93	(149,744.00)	(98,347.66)	(142,125.44)	(73,895.93)
Other income (expense):						
Gain or (loss) on sale of capital assets	1,542.69	(61,745.51)	(403.08)	1,387.25	27,562.88	11,085.83
Interest expense	(58,206.65)	(52,284.28)	(27,021.86)	(20,754.98)	(10,551.35)	(19,243.51)
	(56,663.96)	(114,029.79)	(27,424.94)	(19,367.73)	17,011.53	(8,157.68)
Income or (loss) before provisions for Federal and state income taxes	259,144.50	(8,918.86)	(177,168.94)	(117,715.39)	(125,113.91)	(82,053.61)
Provision for Federal and state income taxes	—	—	—	—	—	—
Net income or (loss)	$ 259,144.50	(8,918.86)	(177,168.94)	(117,715.39)	(125,113.91)	(82,053.61)
Per share of common stock outstanding—Note A:						
Number of shares outstanding at end of period	1,840,503	1,548,466	1,402,482	1,178,811	890,989	630,186
Net income (loss)	.14	(.006)	(.13)	(.10)	(.17)	(.15)
Gain or (loss) on sale of properties	.0008	(.04)	(.0003)	.001	.03	.02
Dividends declared	None	None	3% Stock	None	None	None

Note A—In order to make the figures properly comparable as to earnings or losses per share of common stock outstanding at the end of each fiscal year, the common stock outstanding has been adjusted to reflect retroactively the stock outstanding as it is equivalent to the stock outstanding at 1961, 1960, 1959 and 1958 year ends.

Note B—The year ended November 30, 1961, includes the operations of the assets acquired from the Midland Oil Company from February 16, 1961, date of acquisition.

Note C—The Company showed a profit during the fiscal year ended November 30, 1961, because no dry holes were drilled and no substantial capital assets acquired from predecessor corporations became submarginal and had to be abandoned, sold or surrendered. Net operating revenues from oil and gas, as well as drilling arrangements and operations reimbursements, were up over prior years thereby generating a greater amount of gross profit.

TEKOIL CORPORATION AND SUBSIDIARY COMPANY

Summary of Consolidated Losses (Note 1)

The following summary of consolidated losses, in so far as it relates to the four fiscal years ended March 31, 1961, and the eight months ended November 30, 1961, has been examined by Main and Company, independent certified public accountants, as set forth in their report included elsewhere in this proxy statement. The summary should be read in conjunction with the financial statements and related notes which are also included elsewhere in this proxy statement. With respect to that portion of the summary related to the unaudited eight months' period ended November 30, 1960, the management of Tekoil believes that all adjustments (consisting solely of normal recurring accruals) necessary to a fair statement of the operating results for such periods has been included.

	Eight Months Ended		*Year Ended March 31,*				
	November 30, 1961	*November 30, 1960 Not Audited**	*1961*	*1960*	*1959*	*1958*	*1957 Not Audited*
Revenues:							
Oil and gas, net of production taxes	$ 1,297,035	1,531,608	2,297,401	2,541,499	2,215,969	1,738,922	1,024,298
Laboratory, logging, service and engineering fees	66,374	158,366	237,548	131,783	104,774	27,918	4,800
	1,363,409	1,689,974	2,534,949	2,673,282	2,320,743	1,766,840	1,029,098
Costs and expenses:							
Lease, laboratory and other operating expenses	552,331	692,990	1,039,480	931,160	955,260	608,979	361,190
General and administrative expenses	209,671	348,332	522,496	525,130	527,560	509,314	322,251
Depreciation, depletion and amortization (Note 3)	808,861	810,358	1,215,531	1,284,790	976,401	742,758	487,408
Amortization of amount assigned undeveloped secondary oil reserves (Note 3)	124,991	126,408	189,611	272,438	319,152	240,070	—
Dry hole costs, abandoned leases and delay rentals (Note 7)	151,960	126,502	189,752	130,769	124,762	115,387	33,022
Share of net loss of Jonnell Gas Company, a limited partnership (Note 2)	65,398	15,342	29,381	—	—	—	—
Share of other partnership net loss	—	12,736	12,736	11,140	2,857	—	—
	1,913,212	2,132,668	3,198,987	3,155,427	2,905,992	2,216,508	1,203,871
Income (loss) from operations	(549,803)	(442,694)	(664,038)	(482,145)	(585,249)	(449,668)	(174,773)
Other income and expense:							
Interest expense	243,029	264,914	397,369	376,490	282,154	175,174	107,100
Other expense—net	40,350	12,099	18,149	(19,829)	(30,232)	(307)	3,959
	283,379	277,013	415,518	356,661	251,922	174,867	111,059
Net income (loss) before special charge	(833,182)	(719,707)	(1,079,556)	(838,806)	(837,171)	(624,535)	(285,832)
Special charge for writedown of assets of Petroleum Technologists, Inc. (Note 1)	180,586	—	—	—	—	—	—
Net income (loss)	$(1,013,768)	(719,707)	(1,079,556)	(838,806)	(837,171)	(624,535)	(285,832)
Per share of common stock outstanding:							
Number of shares outstanding at end of period	1,210,927	1,210,807	1,210,807	1,172,807	1,172,263	1,172,263	741,538
Net income (loss) per share	$(.84)	(.59)	(.89)	(.72)	(.71)	(.53)	(.39)
Dividends per share	None	None	None	None	None	None	None

Notes 1, 2, 3 and 7 in the summary above refer to notes to financial statements appearing elsewhere in this proxy statement.

*Represents 8/12's of amounts for the year ended March 31, 1961.

Tekoil's losses are largely a result of substantially all of its oil and gas revenues having been offset by lease operating expense and provision for depreciation, depletion and amortization, leaving an amount insufficient to cover administrative, interest and other expenses. Further contributing to such losses were increased limitations on production during recent months as a result of proration orders. Additionally, Tekoil's subsidiary, Petroleum Technologists, sustained losses aggregating $757,481 during the period from May 12, 1958, date of its inception, to November 30, 1961.

THE SURVIVING CORPORATION

Pro Forma Summary of Combined Operations
(Not Audited)

The following summary presents pro forma combined results of the two companies for their most recent fiscal years, Consolidated Oil & Gas, Inc.'s, years ended November 30, and Tekoil Corporation's years ended March 31. The Tekoil Corporation and Subsidiary Company statements of operations were annualized and combined with Consolidated Oil & Gas, Inc.'s, fiscal years ending November 30. In the opinion of management the statement includes all adjustments necessary to a fair statement of the results for the periods. None of the adjustments made were significant in relation to the combined figures.

	Years Ended November 30,					
	1961	1960	1959	1958	1957	1956
Income:						
Oil and gas sales	$ 2,596,965.85	2,721,609.38	2,704,087.83	2,236,737.43	1,594,663.87	803,538.74
Drilling arrangements and operations reimbursements	1,475,978.33	1,026,582.89	437,833.02	411,979.35	455,126.44	207,749.63
Other	242,480.07	324,646.42	243,202.24	139,944.32	86,249.05	84,205.72
	4,315,424.25	4,072,838.69	3,385,123.09	2,788,661.10	2,136,039.36	1,095,494.09
Costs and expenses:						
Direct costs:						
Production costs	1,103,882.41	1,129,482.73	1,073,765.79	950,222.55	614,058.80	312,546.47
Direct production payment expense	67,658.05	31,591.90	13,193.70	1,069.90	—	—
Drilling arrangements and operations reimbursements costs	1,118,987.69	812,720.33	427,349.67	315,669.76	352,291.95	143,704.73
Dry hole costs, abandoned leases and delay rentals	253,690.37	311,390.39	247,789.72	190,523.14	176,993.08	145,522.48
General and administrative expense	563,230.44	668,921.13	694,387.38	682,457.22	604,539.63	409,729.27
Depreciation, depletion and amortization	1,583,876.75	1,585,237.45	1,586,514.47	1,285,217.29	888,313.36	444,308.05
	4,691,325.71	4,539,343.93	4,043,000.73	3,425,159.86	2,636,196.82	1,455,811.00
Operating income or (loss)	(375,901.46)	(466,505.24)	(657,877.64)	(636,498.76)	(500,157.46)	(360,316.91)
Other (income) expense:						
Interest	433,690.65	442,693.69	372,066.84	267,249.34	163,031.03	98,323.65
Other expense—net—Note B	304,879.78	99,026.74	(14,514.62)	(19,739.57)	(26,448.03)	(10,979.11)
	738,570.43	541,720.43	357,552.22	247,509.77	136,583.00	87,344.54
Net income (loss)	$(1,114,471.89)	(1,008,225.67)	(1,015,429.86)	(884,008.53)	(636,740.46)	(447,661.45)
Shares outstanding at end of period—Note A	2,324,826	2,017,589	1,871,387	1,647,716	1,083,122	927,573
Net income (loss) per share of common stock	$ (.48)	(.50)	(.54)	(.54)	(.59)	(.48)

Note A: The shares outstanding at the end of each period have been adjusted to give retroactive effect to the proposed merger of Tekoil Corporation into Consolidated Oil & Gas, Inc.

Note B: Includes $180,586.00 special charge for writedown of assets of Petroleum Technologist, Inc., wholly owned subsidiary of Tekoil Corporation, during the year ended November 30, 1961.

COMPARATIVE DATA

Set forth below are various financial data relating to Consolidated Oil & Gas, Inc., and Tekoil Corporation, and to the combined companies giving effect to the proposed merger transaction.

EARNINGS PER SHARE:

Consolidated Oil & Gas, Inc.	
Fiscal year ended 11-30-61	$ .14
Fiscal year ended 11-30-60	(.006)
Fiscal year ended 11-30-59	(.13)
Fiscal year ended 11-30-58	(.10)
Fiscal year ended 11-30-57	(.17)
Tekoil Corporation	
Eight months ended 11-30-61	$ (.84)
Fiscal year ended 3-31-61	(.89)
Fiscal year ended 3-31-60	(.72)
Fiscal year ended 3-31-59	(.71)
Fiscal year ended 3-31-58	(.53)
Fiscal year ended 3-31-57	(.39)
Consolidated Oil & Gas, Inc., Pro Forma	
Fiscal year ended 11-30-61	$ (.48)
Fiscal year ended 11-30-60	(.50)
Fiscal year ended 11-30-59	(.54)
Fiscal year ended 11-30-58	(.54)
Fiscal year ended 11-30-57	(.59)

	Consolidated Oil & Gas, Inc.	*Tekoil Corporation*	*Consolidated Oil & Gas, Inc. Pro Forma*
Book value per share November 30, 1961	$1.21	$2.34	$2.18

Market Price Ranges

For the two-year period ended September 30, 1961, for Consolidated and December 31, 1961, for Tekoil, the high and low range of the bid and asked prices for each quarterly period therein of the common stock of Consolidated and the common stock of Tekoil were as follows:

	Consolidated Common Stock				*Tekoil Common Stock*			
	Bid		*Asked*		*Bid*		*Asked*	
	High	*Low*	*High*	*Low*	*High*	*Low*	*High*	*Low*
1961: 4th Quarter					2.125	1.625	2.375	1.75
3rd Quarter	$3.875	3.375	4.125	3.625	3.00	1.875	3.25	2.00
2nd Quarter	5.00	2.875	5.25	3.00	4.625	2.75	4.875	3.00
1st Quarter	3.375	2.25	3.50	2.375	4.625	2.125	4.625	2.25
1960: 4th Quarter	2.50	2.375	2.75	2.50	2.8125	2.125	3.00	2.25
3rd Quarter	2.75	1.75	2.875	2.00	3.375	2.8125	3.50	3.00
2nd Quarter	2.875	1.875	3.00	2.125	3.50	2.875	3.625	2.875
1st Quarter	4.25	1.875	5.00	2.125	4.125	3.375	4.25	3.50
1959: 4th Quarter	5.00	3.50	5.50	4.25	4.875	4.125	5.00	4.25

Consolidated stock has been traded on the American Stock Exchange since October, 1961. The stock of Consolidated had High and Low closing prices of $6.375 and $3.50 respectively since the beginning of trading on that Exchange. The High and Low sales prices of Consolidated's common stock on January 16, 1962, were as follows:

High	*Low*
$5.375	$5.250

The common stock of Tekoil has been traded on the over the counter market. The range of the bid and asked price for Tekoil shares on January 15, 1962, was as follows:

	Bid	*Asked*
High	$1.625	$2.00
Low	$1.625	$1.875

BUSINESS AND PROPERTIES OF CONSOLIDATED OIL & GAS, INC.

Consolidated Oil & Gas, Inc., was organized as Rimrock Drilling Company, Inc., under the laws of the State of Colorado, on December 12, 1952. During various periods of its corporate life, the Company's corporate name has been successively Rimrock Drilling Company, Inc., Rimrock Petroleum Corporation, Consolidated Rimrock Oil Corporation and Consolidated Oil & Gas, Inc. The Company has absorbed Guardian Oil Co., Inc., a Delaware corporation; Western Central Petroleums, Inc., a Delaware corporation; Colorado Western Exploration, Inc., a Colorado corporation; and Midland Oil Company, a Wyoming corporation, by merger. The Company's principal office is at Suite 2112 Tower Building, Denver-U. S. National Center, Denver, Colorado. The Company's business consists of the acquisition of leaseholds and other interests in oil and gas properties including in some instances producing properties, exploration and development thereof, and production and sale of crude oil, condensate and natural gas. As of November 30, 1961, the Company had an interest in 235 producing oil and gas wells (76.4 wells net to the Company's interest) located in New Mexico, Colorado, Nebraska, Texas and Wyoming. As of November 30, 1961, the Company also owned 58,772 net leasehold acres out of 62,342 gross leasehold acres in undeveloped leases. The Company also owns 3,050 net overriding royalty acres under 20,700 gross acres in undeveloped leases. (A royalty acre being defined as an interest equivalent to one-eighth of the production from that lease.) Most of the Company's undeveloped acreage in New Mexico and Colorado, about 15% of the total, is considered to be proven for gas production.

In fiscal 1961, Consolidated participated in the drilling of 20 gas wells in the San Juan Basin, New Mexico. All 20 wells were completed as producers.

The Company's past development pattern and projected plan for future operations is based upon the policy of acquisition by purchase of most of its oil reserves while pursuing the acquisition of gas reserves through exploration and development drilling. All drilling and completion rigs are supplied by outside contractors under routine industry contractual terms. The Company directly operates about half of the wells in which it owns interests. Sunset International Petroleum Corporation operates on behalf of the Company in the Fulcher Kutz gas field. Producing Properties, Inc., operates one well in Texas in the Vealmoor field. MKM Oil Company and Trigood Oil Company operate in the East Teapot field in Wyoming. Brinkerhoff Drilling Company operates the North Sage Spring Creek wells.

Production and Reserves

Consolidated's net oil and gas production by months and in total for fiscal 1961 as well as in total for fiscal years 1960 and 1959 is shown in the following table:

CONSOLIDATED OIL & GAS, INC.
Summary of Production

Fiscal 1961		*Before Production Payments*	*Applied to Production Payments*	*After Production Payments*
December	Bbls.	8,202	1,437	6,765
	*MMCF	191	114	77
January	Bbls.	6,891	779	6,112
	MMCF	115	59	56
February	Bbls.	9,607	706	8,901
	MMCF	93	54	39
March	Bbls.	13,048	1,113	11,935
	MMCF	154	79	75
April	Bbls.	11,797	635	11,162
	MMCF	87	48	39
May	Bbls.	11,436	505	10,931
	MMCF	65	39	26
June	Bbls.	11,722	974	10,748
	MMCF	113	74	39
July	Bbls.	13,058	1,234	11,824
	MMCF	157	91	66
August	Bbls.	11,294	549	10,745
	MMCF	85	49	36
September	Bbls.	10,067	353	9,714
	MMCF	98	55	43

*Million cubic feet.

Fiscal 1961		*Before Production Payments*	*Applied to Production Payments*	*After Production Payments*
October	Bbls.	13,054	1,054	12,000
	MMCF	192	103	89
November	Bbls.	12,598	760	11,838
(Est.)	MMCF	140	95	45
Total	Bbls.	132,774	10,099	122,675
	MMCF	1,490	860	630
Fiscal 1960	Bbls.	89,909	8,890	81,019
	MMCF	1,091	495	596
Fiscal 1959	Bbls.	73,036	6,793	66,243
	MMCF	756	411	345

*Million cubic feet.

On September 15, 1961, E. A. Polumbus, Jr. & Associates, Inc., consulting petroleum engineers in Denver, released a report of their comprehensive analyses of Consolidated's proven reserves as they existed on July 1, 1961. The following quotation is extracted from the summary section of this report dealing with reserves:

"A major portion of the value represented in this report is directly attributable to the corporation's interests in gas reserves in the San Juan Basin area of Colorado and New Mexico. Development growth has placed the Basin in national prominence as one of the largest single gas producing areas.

"The Consolidated Oil & Gas, Inc., operations in the San Juan Basin are considered highly efficient as a result of the close integration of active management and competent field personnel. A field inspection by this firm of the Consolidated properties in the San Juan Basin area revealed surface installations to be above average and designed to obtain a high degree of functional efficiency at minimum costs to the operator. The corporation has also made significant progress and improvement in drilling and completion techniques which they have acquired through experience and dedication to the problems involved.

"A development map of the San Juan Basin area showing the areas of operation of Consolidated Oil & Gas, Inc., is presented on page ii." (Note: Map not reproduced for Proxy Statement.)

"A tabulation of gross and net reserves by areas for proved-developed, proved-nondeveloped and total reserves is presented. Pertinent information from this table is summarized as follows:

	**Proved-developed*	*Proved-nondeveloped*	*Total*
Net Bbls. oil	589,252	—	589,252
Net Mcf gas	61,481,048	74,664,834	136,145,882
Net Bbls. Condensate	683,075	483,060	1,166,135

*After 6,500,000 MCF gas, 20,000 Bbls. oil and 100,000 Bbls. condensate estimated to be required to service production payments outstanding at July 1, 1961. Since July 1, 1961, an additional payment has been sold which will require an additional estimated 5,700,000 MCF gas and 70,000 Bbls. condensate for servicing. Consolidated's engineers estimate that reserves added since July 1, 1961, exceed those required for retiring the new payment.

"Future oil reserves were determined primarily by the extrapolation of existing production trends. The stage of depletion of the oil properties permitted a relatively high degree of reliability in the estimation of future reserves.

"With the exception of the corporation's Oceanic Field production (interests in two wells) in the Howard and Borden Counties, Texas, oil producing rates for the remaining properties qualify for certain exemptions that forego any production curtailment. The Oceanic properties are currently limited to the Texas allowable days schedule at a determined allowable rate.

"The oil reserves and income accrual estimates contained in this report are based on anticipated primary recovery only. However, it is recognized that in several areas in which the subject properties are located, secondary recovery operations have been proved successful, and many of the subject properties are considered to have excellent secondary potential.

"Engineering studies of the corporation's East Teapot, Wyoming, properties indicate that the producing horizons should be highly amenable to waterflooding. Operators in the areas are planning instigation of a pilot waterflood early in 1962."

(*Special Note:* The estimated ultimate recovery by *primary* methods to Consolidated's net interests from the East Teapot and North Sage Spring Creek Fields, respectively, is 620,000 and 610,000 barrels of oil. There have been engineering studies made which indicate these properties should be subject to successful *secondary* recovery operations. While no reliable estimates of reserves can be made at this time, it is not unusual for the secondary recovery to approach the primary recovery.)

"Future gas reserves are based largely upon volumetric calculations with certain adjustments incorporated to make future reserves reasonably commensurate with life expectancies. It is recognized that such an adjustment somewhat penalizes the recoverable reserves because the necessity for the adjustment is created by a multitude of factors, the two most apparent being a currently static marketing situation and an active development program underway in the areas involved. The increasing reserves from the new development coupled with the static market causes a decline in the per well gas allocations. . . . An abnormally long producing life is necessary to effect recovery of the recoverable reserves." (Present worth of future income is materially reduced by this long producing life.)

"A feeling of area optimism prevails among the operators and marketers in the San Juan Basin area of Colorado and New Mexico in anticipation of improved marketing and price schedules." (There is no assurance that conditions will improve.)

"While it is believed that certain area improvements are manifest, a report of this type must be based upon existing facts and trends in order to minimize the amplification of certain inherent conjectural aspects.

"Nondeveloped gas reserves were estimated commensurate with their proximity to producing wells and indicated porosity trends. All nondeveloped acreage considered in this report is in areas of active development and has been classified as proved."

Of Consolidated's total proven gas reserves, about 80% are situated in the San Juan Basin of New Mexico and are associated with the Mesaverde and Dakota formations, both of which are subject to proration based upon pipeline companies' monthly nominations. About 15% of these New Mexico reserves are producible from the Mesaverde reservoir. During 1961 each well was granted an allowable equal to approximately 40% of its actual productive capability. The following tabulation illustrates this for Mesaverde wells:

1961	*Gross No. of Wells Connected to Pipeline*	*Avg. Per Well Daily Capability MCFD*	*Avg. Per Well Daily Allowable MCFD*
January	12	355	275
February	13	391	181
March	13	391	158
April	13	391	90
May	13	391	113
June	13	391	165
July	13	391	125
August	13	391	120
September	13	391	122
October	16	391	167
November	16	391	181
December	16	391	165
1962			
January	16	391	186

About 85% of Consolidated's prorated New Mexico gas reserves are contained in the Dakota formation. Production from this formation has been prorated since February, 1961, in the same manner as the Mesaverde. The allowable from the Dakota reservoir on a per well basis has been equal to 35% to 40% of each well's ability to deliver gas into the line as indicated by the following tabulation for Dakota wells:

1961	Gross No. of Wells Connected to Pipeline	Avg. Per Well Daily Capability MCFD	Avg. Per Well Daily Allowable MCFD
February	29	1,260	688
March	29	1,260	663
April	35	1,485	224
May	35	1,485	294
June	36	1,465	352
July	37	1,445	258
August	37	1,445	290
September	40	1,365	177
October	40	1,365	200
November	41	1,340	324
December	44	1,340	334
1962			
January	47	1,280	490

Consolidated's total net monthly allowable from its interests in Mesaverde and Dakota wells reviewed above was:

1961	Mesaverde MCF	Dakota MCF
January	49,850	—
February	26,053	156,862
March	23,062	164,652
April	13,124	54,060
May	16,094	77,329
June	23,277	93,620
July	17,914	71,033
August	17,391	82,929
September	21,446	48,298
October	29,240	55,488
November	32,581	91,634
December	31,308	97,639
1962		
January	35,028	143,876

Of the company's proven developed gas reserves, 12 billion cubic feet are attributable to its interests in the 16 Mesaverde wells and 49.5 billion cubic feet are assigned to its interests in the 44 Dakota producers connected to the pipeline in December, 1961. Assuming that these wells continued to produce at a rate providing Consolidated with a monthly allowable equal to that assigned its interests for December, 1961, as shown above, it would take 32 years to deplete the Mesaverde reserves and 42 years to deplete the remaining Dakota reserves. Assuming that these wells produced at a rate equalling the January 1962 allowable, it would take about 30 years to deplete the reserve of each formation.

As the year ended, Consolidated owned interests in five single zone Dakota completions and four dual zone Dakota-Mesaverde completions which had not yet been connected to the buyers' lines. By existing contractual terms these wells will all be connected so that gas sales will commence in all cases prior to March 1, 1962.

Government Regulation

The production of oil and natural gas is subject to regulation by the appropriate state regulatory agency in the States of Colorado, Nebraska, Texas, New Mexico and Wyoming, being the states in which the Company owns producing oil or gas properties. In general, these regulatory authorities are empowered to make and enforce regulations to prevent waste of oil and gas and to protect correlative rights and opportunities to produce oil and gas as between owners of a common reservoir. Under such authority, each of such agencies has authority to fix the allowable production of oil and gas within the limits of maximum efficient rates of production and in the States of Texas and New Mexico with respect to the reasonable market demand for oil and gas. The effect of oil proration is negligible in Consolidated's operations, but that of gas production is significant in that all of the gas wells are subject to either pipeline- or state-imposed market restrictions.

As a result of the production of natural gas by the Company, the Company is classified as an "independent producer", as defined in the Federal Natural Gas Act of 1939, and is subject to the jurisdiction of the Federal Power Commission with respect to sale of gas in interstate commerce and requires the issuance of a certificate of convenience and necessity by the Federal Power Commission prior to the sale of gas to an interstate pipeline. The Company, in compliance with the appropriate regulations of the Federal Power Commission has, to the extent necessary, obtained appropriate certificates of convenience and necessity in connection with the sale of natural gas to interstate pipeline companies. A substantial portion of the gas being produced by the Company, or in which production the Company has an interest, is being sold to an intrastate carrier and is not subject to regulation by the Federal Power Commission.

Competition

The oil and gas industry is highly competitive. Both oil and gas compete with other types of fuel and oil is subject to competition from foreign sources of oil. There is also intense competition for the acquisition of oil and gas leases considered favorable for the accumulation of oil and gas in commercial quantities.

Business and Properties of Tekoil Corporation

Tekoil Corporation was incorporated under the laws of the State of Delaware on March 28, 1955, and is presently engaged in the business of operating oil and gas properties, including the production and marketing of petroleum products therefrom and in acquiring and developing interests in oil and gas properties primarily for secondary recovery, or waterflood operations. The executive offices of Tekoil, as well as its operations and engineering offices, are located in Oklahoma City, Oklahoma. Tekoil presently owns interests in proved oil and gas leases covering approximately 134,188 acres situated primarily in the States of Illinois, Nebraska, Oklahoma and Texas and also in Colorado, Indiana, Kansas and New Mexico; upon which there are presently situated 2,126 producing oil wells and 150 producing gas wells in which the interest therein net to Tekoil amounts to 316 net oil wells and 10 net gas wells. Tekoil also owns an interest in 485 water and gas injection wells used in its waterflood operations in which the interest therein net to Tekoil amounts to 113.4 net injection wells.

Tekoil's operations were based on the policy of acquisition of oil and gas properties either for cash or by the issuance of its shares of common stock and the development of the properties so acquired for the production of oil and gas primarily by the institution of waterflood operations in which Tekoil has always tended to specialize.

In 1956 St. Anne's Oil Production Company was merged into Tekoil, at which time Tekoil acquired producing oil and gas leases in Texas and New Mexico, upon which there were situated 82 producing wells. In 1957 Tekoil acquired the oil and gas properties of E. L. Oliver located in the State of Oklahoma and consisting primarily of leases in the Sunflower Field upon which there were then situated 33 producing wells.

In that same year Tekoil acquired the oil and gas properties of Texolina Oil Company and its President, Kenneth A. Ellison, of Oklahoma, which consisted of oil and gas leases upon which there were situated 55 producing oil wells and 16 gas wells along with certain undeveloped oil and gas leases and royalties. The properties were located in the States of Alabama, Arkansas, Colorado, Mississippi, Kansas and Florida, as well as in Oklahoma and Texas.

Also in 1957 Tekoil acquired substantially all of the producing properties of Mountain Valley Oil Corporation of Denver, Colorado, which consisted of oil and gas leases located in the States of Colorado, Nebraska and Wyoming and upon which there were situated 46 producing wells.

In October of 1957 Tekoil consummated the purchase of the oil and gas properties of C. L. Carlock, Trigg Drilling Co., Inc. and Gerald L. Schlessman. These properties consisted of oil and gas leases situated primarily in the State of Oklahoma and to a minor extent in Kansas upon which there were situated 71 producing oil wells and certain undeveloped leases located in various Southwestern states.

The last major property acquisition of Tekoil occurred in 1960 when it acquired a 12.5% interest in the Jonnell Gas Co. Limited Partnership by the issuance of 35,000 shares of its common stock and the payment of $231,250 in cash and the issuance to Jonnell Gas Co. of options to acquire an additional 30,000 shares of its common stock at prices ranging from $6.00 per share to $6.50 per share and expiring on March 15, 1966. At that time Jonnell Gas Co. owned approximately 55,000 acres of oil and gas leases in Starr and Zapata Counties, Texas, upon which there were situated 12 producing gas wells. Since the date of this acquisition, Jonnell Gas Co. Limited Partnership has been incorporated and Tekoil now holds approximately 10% of the outstanding capital stock of that company.

In fiscal 1958, Tekoil acquired all of the stock of Petroleum Technologists, Inc., a wholly owned subsidiary dealing in oil and gas well core analysis work. The company had laboratories in California, Argentina, Colombia and Texas. It has not made a profit, and all of the laboratories except the one situate in Texas have been disposed of. The Texas laboratory is situate in a leased building and uses leased equipment. Tekoil is in the process of disposing of the Texas laboratory.

Tekoil also owns a 50% net profits interest in whatever concessions W. H. Davison, its former president and a former director, is able to acquire in Argentina from the Argentine government. Over the past several years Tekoil has spent approximately $95,000 in preliminary engineering work and in the maintenance of an office in Buenos Aires, Argentina, in connection with properties in that country upon which it was believed that waterflood operations would be successful. The Company has been attempting to get certain concessions from the Argentine Government including rights to petroleum products produced through secondary recovery operations on certain lands therein. In the spring of 1961, Tekoil became delinquent in its mortgage note payments and the banks, pursuant to the terms of the mortgage, would not permit Tekoil to expend any further sums on the Argentine project. In view of the fact that Tekoil was in danger of losing its investment in Argentina, W. H. Davison, its President and a director, resigned on September 1, 1961, in order to devote his full time and attention to the Argentine project in an attempt to obtain the desired concessions and institute development operations on any oil and gas rights thus acquired in Argentina. Thereafter Tekoil assigned to W. H. Davison all of its rights in the Argentine project and entered into an agreement under the terms of which all further costs and expenses of the Argentine project are to be borne by W. H. Davison personally and Tekoil is to receive a 50% net profits interest in whatever interest W. H. Davison is able to acquire in Argentina. Under the terms of Tekoil's net profits interest, it will not be required to expend any monies or bear any of the costs of operation in the Argentine venture. There is no assurance that concessions will be granted by the Argentine Government or that the Company will recover its investment.

Production and Reserves

Tekoil's net oil and gas sales by months and in total for the twelve-month period ending November 1961, as well as in total for the two previous twelve-month periods is shown in the following table.

TEKOIL CORPORATION
Summary of Sales

**Fiscal 1961		Before Production Payments	Applied to Production Payments	After Production Payments
December	Bbls.	59,466	9,450	50,016
	*MMCF	182	—	182
January	Bbls.	64,480	9,100	55,380
	MMCF	135	—	135
February	Bbls.	60,787	9,300	51,487
	MMCF	132	—	132
March	Bbls.	66,423	10,300	56,123
	MMCF	132	—	132
April	Bbls.	59,404	9,420	49,984
	MMCF	119	—	119
May	Bbls.	19,389	—	19,389
	MMCF	79	—	79
June	Bbls.	79,767	12,380	67,387
	MMCF	153	—	153
July	Bbls.	63,386	11,420	51,966
	MMCF	129	—	129
August	Bbls.	58,379	9,050	49,329
	MMCF	100	—	100
September	Bbls.	50,988	7,900	43,088
	MMCF	114	—	114
October	Bbls.	51,995	8,370	43,625
	MMCF	128	—	128
November	Bbls.	48,371	7,772	40,599
1961—Est.	MMCF	105	—	105
Total	Bbls.	682,835	104,462	578,373
	MMCF			1,508
**Fiscal 1960	Bbls.	786,259	142,539	643,720
	MMCF			1,909
**Fiscal 1959	Bbls.	827,410	59,135	768,275
	MMCF			2,246

*Million cubic feet.

**For this tabulation the fiscal period was assumed to be the same as Consolidated's.

SPECIAL NOTE: The sales for May, June, July and August were not related closely to actual production because banks suspended routine release of funds for Tekoil's operations.

Early in 1961, outside consulting petroleum engineers estimated Tekoil's proven-developed reserves as of April 1, 1961, to be approximately 4,300,000 barrels of crude oil and 27 billion cubic feet of gas after an estimated 700,000 barrels of reserves were dedicated to servicing of existing production payments. They estimated that on the same date proven-undeveloped secondary crude oil reserves approximated 800,000 barrels.

Because of Tekoil's inability to gain the financing necessary for adequate maintenance of their existing operations and further development of properties now under only partial waterflood, which the consultants assumed would be done, revised reserve estimates have been adopted. Assuming that Tekoil's properties would continue to be operated without the benefit of desirable additional expenditures for maintenance and various plant expansions, it is now estimated that their proven-developed reserves on July 1, 1961, were 3,350,000 barrels after oil payment servicing and 26.5 billion cubic feet. Similarly, proven-undeveloped reserves have been reduced to 500,000 barrels.

The proven-undeveloped reserves are associated entirely with waterflood projects requiring additional development in West Texas and Illinois. If the merger is consummated Consolidated will budget $205,000 for early expenditure on the particular properties involved in these areas. In addition, Consolidated plans to quickly spend an additional $75,000 on the various other Tekoil properties where it is felt current production rates and ultimate primary and secondary reserves might be significantly improved.

Government Regulation

The production of oil and natural gas by Tekoil is subject to regulation by the appropriate state regulatory agencies in the states in which it owns producing oil and gas properties. Of their current daily production about 15% of their oil and 30% of their gas is subject to state-imposed proration.

Competition

The oil and gas industry is highly competitive. Both oil and gas compete with other types of fuel and oil is subject to competition from foreign sources of oil. There is also intense competition for the acquisition of oil and gas leases considered favorable for the accumulation of oil and gas in commercial quantities.

REFINANCING OF TEKOIL INDEBTEDNESS

As a condition to the Merger Agreement, it was necessary to obtain refinancing commitments from certain of the banks which presently hold mortgages on most of Tekoil's properties, which mortgages are presently in default.

As of November 30, 1961, the aggregate indebtedness of Tekoil, secured by such mortgages, which is in default, was $4,217,282.07.

The banks involved have orally agreed, subject to completion of the Merger, to exchange three (3) notes having a present aggregate balance of approximately $4,150,000.00, secured by certain oil and gas properties owned by Tekoil, for a new note in the approximate principal amount of $4,150,000.00. The new note will be secured by renewal mortgages of the Tekoil properties plus a Mortgage, Deed of Trust and Assignment of Production (subject to an existing oil and gas payment which, as of November 1, 1961, was in the amount of $1,450,000.00) on certain properties owned by Consolidated located in San Juan and Rio Arriba Counties, New Mexico, and Weld County, Colorado. The note will be retired by the payment of sixty (60%) percent of the proceeds from the oil runs from the Tekoil properties with a minimum principal payment each month of $50,000.00 plus interest at the rate of six (6%) percent per annum. The whole note will become due four (4) years after the effective date of the Note Exchange Agreement (which is the effective date of the Merger). Since it is not contemplated that the principal payment will be amortized within four (4) years, the unpaid balance will then become due in the form of a balloon payment if it has not been previously retired. The management of Consolidated believes that the loan could be refinanced at the end of four (4) years if necessary. There is no assurance that the loan will be retired or that refinancing can be obtained at the end of four (4) years.

The banks have further required as a condition to exchanging the old notes for a new note, that Consolidated shall spend a minimum of $250,000.00 on the Tekoil properties which will serve as security for the loan. The required $250,000.00 will be made available through a bank loan obtained by Consolidated through the resetting of an existing loan on its oil properties. A commitment has been received from a bank for this loan.

A Pro Forma balance sheet giving effect to the proposed Merger and to the refinancing arrangements set forth herein is attached to this Proxy Statement. (See page 48.)

INFORMATION WITH RESPECT TO DIRECTORS AND MANAGEMENT OF SURVIVING CORPORATION

Of the nine (9) directors named in the Merger Agreement, eight (8) are now directors of Consolidated and one (1) is the appointee of Tekoil. None of the present or proposed directors of Consolidated has been a director of Tekoil. Upon the merger becoming effective, said directors will hold office until the next annual meeting of stockholders and until their successors are elected and qualified.

The officers of Consolidated will be officers of the Surviving Corporation in the positions they presently occupy. Doyle K. Dressback, President and Treasurer of Tekoil, will be a Vice President of the Surviving Corporation. It is not now contemplated that any other present officer or director of Tekoil will be employed by Consolidated.

Under the By-Laws of Consolidated, which will be the By-Laws of the Surviving Corporation, the next annual meeting of the stockholders for the election of directors will be held on August 16, 1962.

OCCUPATIONS AND STOCK OWNERSHIP OF DIRECTORS NAMED IN THE PLAN AND THE MERGER AGREEMENT

Name and Principal Occupation for Last Five (5) Years	*Year First Elected Director Consolidated*	*Shares of Common Stock of Consolidated owned beneficially, directly or indirectly as of 12-15-61*	*Shares of Common Stock of Tekoil owned beneficially, directly or indirectly as of 12-15-61*
Harry A. Trueblood, Jr. President, Consolidated	1955	179,962(8)	None
Theodor F. Rittenberg(1) Treasurer, Assistant Secretary, Consolidated	1956	56,680(8)	None
Daniel T. O'Shea(2) Attorney at Law New York City, N. Y.	1959	6,350(8)	None
Carl J. Odegard(3) Retired	1958	8,500	None
John E. Price(4) Retired	1954	11,886(8)	None
Henry A. Wilmerding Personal Investments	1958	50,754(8)	None
James D. Landauer(5) James D. Landauer & Associates, Inc. Real Estate Consultants New York City, N. Y.	1958	24,058(8)	None
Lee J. Spiegelberg Partner in Katzenberg, Sour & Co. Members of New York Stock Exchange New York City, N. Y.	1961	10,900	None
Lee A. Freeman(6) Attorney at Law Chicago, Illinois	1961	27,558(8)	None
J. M. McCleskey, Jr. (7) Treasurer, El Paso Natural Gas Products Co. El Paso, Texas	—	None	None

(1) Mr. Rittenberg is mainly engaged in business as a private investor.

(2) Mr. O'Shea is also a director of RKO Color Radio Pictures, Inc.; Pacific Airlines, Inc., and a member of the Board of Regents of Loyola University of Los Angeles.

(3) Mr. Odegard is a retired banker and has resigned from the Board, effective on the effective date of the merger to create a vacancy to be filled by Mr. McCleskey, the nominee of Tekoil to the Board of the Surviving Corporation.

(4) Mr. Price formerly was a general contractor engaged in road building and various types of building. He owns extensive ranch, mining and oil interests.

(5) Mr. Landauer is also Vice President of the American Society of Real Estate Counselors and a governor of the Real Estate Board of New York. He is a director of the International Real Estate Federation and Chairman of the Consultants Committee of the Real Estate Board of New York and Trustee of the East River Savings Bank.

(6) Mr. Freeman is a director of Continental Air Transport Co., Inc. and Storkline Corporation, and is general counsel for several corporations.

(7) Mr. McCleskey is the nominee of Tekoil at the request of El Paso Natural Gas Products Co., which owns 250,000 shares of Tekoil stock. He has been Treasurer of El Paso Natural Gas Products Co. since June, 1961, and Assistant Secretary and Manager of Budget and Finance of the same company for the balance of the last five (5) years.

(8) Includes shares owned by associates of said Parties.

STOCK OWNERSHIP OF OFFICERS, DIRECTORS AND ASSOCIATES OF CONSTITUENT CORPORATIONS

The officers, directors and associates of Consolidated own, in the aggregate, 703,916 shares of common stock of Consolidated. To the knowledge of the management of Consolidated no officer, director or associate of Tekoil owns any common stock of Consolidated.

The officers, directors and associates of Tekoil own, in the aggregate, 329,975 shares of common stock of Tekoil. To the knowledge of the management of Consolidated no officer, director or associate of Consolidated owns any common stock of Tekoil.

The officers, directors and associates of both companies who own stock in either company have indicated that they will vote their shares in favor of the Merger.

REMUNERATION TO AND TRANSACTIONS WITH CERTAIN INDIVIDUALS

Consolidated Oil & Gas, Inc.

No officer or director of Consolidated received remuneration directly or indirectly, exceeding $30,000 per annum during the past fiscal year. It is not contemplated that any officer or director will be paid remuneration, directly or indirectly, in the forthcoming fiscal year exceeding $30,000. The direct remuneration of officers and directors during the past fiscal year as a group was in the amount of $67,824.01. No change is expected in the remuneration to be paid officers and directors during the fiscal year.

Keyman Insurance

Consolidated presently owns keyman insurance in the amount of $50,000 on the life of J. B. Ladd, and in the amount of $300,000 on the life of Harry A. Trueblood, Jr. The Company has entered into an agreement with Harry A. Trueblood, Jr., and contemplates entering into an agreement with J. B. Ladd, both agreements conforming to Section 303 of the Internal Revenue Code pursuant to which the Company will be obligated to redeem at the market value at the time of death from their respective estates stock owned by their estates sufficient to provide for the payment of all death taxes, funeral and administrative expenses, but not to exceed $150,000 in the case of Trueblood, and $25,000 in the case of Ladd. The agreement with Harry A. Trueblood, Jr., also provides that in the event the death taxes, funeral and administrative expenses are, in the aggregate, less than $150,000, the Company shall pay to Lucile B. Trueblood, his wife, if living, or to Mr. Trueblood's estate if she is deceased, the difference between such lesser amount and $150,000 in sixty (60) equal monthly installments. If the difference is less than $30,000, such sum will be paid at the rate of $500.00 per month. The agreement with Mr. Trueblood is terminable upon dissolution of or cessation of business by the Company or upon termination of Mr. Trueblood's employment by the Company. The Company also provides for death benefits of $5,000 to the designated beneficiaries of the principal executive officers.

The Company has adopted a Restricted Stock Option Plan which gives the Executive Committee of the Board of Directors of the Company the power to grant options to buy in the aggregate 75,000 shares of common stock of the Company. The options may be granted to such full time officers, including those who may be directors, and key employees of the Company who have been employed for a minimum of one year prior to the date the options are granted. The purpose of the Stock Option Plan is to retain qualified and efficient personnel in the Company's employ and to provide both incentive and a proprietary interest.

To date the Company, through the Executive Committee, has granted to the following named officers, directors and employees of the Company restricted stock options to purchase, in the aggregate, 66,500 shares of common stock of the Company at the following prices per share:

	Number of Shares Under Option	*Price Per Share*
Harry A. Trueblood, Jr., President and Director	15,000	$2.78(1)
J. B. Ladd, Executive Vice President	15,000	2.15(2)
T. F. Rittenberg, Treasurer, Ass't Sec., Director	5,000	2.15(2)
C. J. Cooper, Jr., Secretary	7,500	2.33(2)
Robert B. Tenison, Vice President	7,500	2.15(2)
	5,000	3.03(3)
George E, Farmar, Chief Engineer	7,500	2.15(2)
Leo Case, Employee	2,000	2.15(2)
Clarence Haws, Employee	2,000	3.02(2)

(1) 110% of the approximate price of the Company's shares on January 17, 1961. On said date the average bid was $2.35 and the average ask was $2.70.

(2) 85% of the approximate price of the Company's shares on January 17, 1961. (See Note (1) for the bid and ask prices.) Except Cooper's shares figured at price on March 1, 1961, and Haws' shares figured at price on November 6, 1961.

(3) 85% of the approximate price of the Company's shares on August 17, 1961.

The options are exercisable by each named person at the above prices after January 17, 1961, as follows: After the first full year they may be exercised as to not more than 20% of the total amount granted. After the second full year they may be exercised as to not more than 40% of the total amount granted. After the third full year they may be exercised as to not more than 60% of the total amount granted. After the fourth full year they may be exercised as to not more than 80% of the total amount granted, and after the fifth full year and thereafter until January 17, 1971, they may be exercised at any time, except that the options granted to Mr. Trueblood expire January 17, 1966.

Such options are restricted in conformity with Section 421 of the Internal Revenue Code so that they are exercisable only while in the employ or within three months after leaving the employ of the Company, or in the event of death, within one year of the date of death of such officer, director, or employee. The options are not assignable except in the event of death, in which event they pass by descent or testacy, as the case may be.

Miscellaneous

The Company provides hospitalization insurance for all of its employees, including principal executive officers. The Company presently has no pension or profit-sharing plan established but contemplates establishing a pension and/or profit-sharing plan some time in the future to the extent such plan appears to be justified by the operations of the Company and to the extent it appears necessary in order to attract and/or retain key personnel. In the event such plan or plans are established, some of the present officers may be beneficiaries thereunder. The Company presently has no definite plans of providing for increased salaries to officers and directors or the granting to them of options, bonuses and other incentive plans except as expressly noted.

The Company has not agreed by its Articles, By-Laws or otherwise to indemnify any officer or director against liabilities growing out of their performance of duties as officers and directors.

OTHER TRANSACTIONS WITH DIRECTORS, NOMINEES, OFFICERS AND OTHERS

Consolidated Oil & Gas, Inc.

The Company has anticipated income by the sale of production payments to Production Payment Purchasers, Inc. (hereinafter "PPPI"). Three directors of the Company, Messrs. O'Shea, Wilmerding and Price, presently collectively own 4 of the 15 outstanding shares (26.7%) of PPPI. During the fiscal year 1958, the Company sold a $440,000.00 oil and gas payment to PPPI for $340,000.00, to be repaid out of varying (from 10% to 30%) percentages of the gross proceeds of production from certain oil and gas properties. At the time of sale, the Company's management estimated that it would take approximately 7 years to recover the $440,000.00. The difference between the $440,000.00 oil and gas payment and the $340,000.00 purchase price was in lieu of a fixed percentage growth factor. 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, 1960, there was a deferred income balance on this gas payment of $252,-812.77, and at November 30, 1961, the balance was $226,850.00.

During the fiscal year ended November 30, 1959, the Company sold an oil and gas payment to PPPI for $220,000.00 plus an amount equal to 6½% per annum on the unpaid balance to be paid out of varying (4.817 to 50%) percentages of the gross proceeds from the sale of gas production from certain oil and gas leases in the San Juan Basin, New Mexico. On 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 to PPPI to increase the oil and gas payment to $1,450,000.00 on that date. The Company's management estimates that it will take approximately 7 years to recover the $1,450,000.00 plus an amount equal to 6½% per annum on the unpaid balance. The consideration of $1,450,000.00 was received in the form of $1,160,000.00 cash and a secured note in the amount of $290,000.00 due December 31, 1965. As of November 30, 1960, there was a deferred income balance on the $800,000.00 oil and gas payment of $796,724.92 and at November 30,1961, there was a deferred income balance on the $1,450,000.00 of $1,449,660.00. The above notes are secured only by the income from the oil and gas payment that was sold.

The Company from time to time has partially financed the drilling of wells by the sale of fractional undivided leasehold interests. Generally, such financing has involved all or a part of a small group of individuals most of whom have participated with the Company in more than one drilling venture. Harry A. Trueblood, Jr., President of the Company, and directors James D. Landauer, Daniel T. O'Shea, John Price, Lee Spiegelberg and Lee A. Freeman have participated in such drilling ventures with the Company on the same terms and conditions as other participants. Messrs. Landauer, O'Shea and Price each participated with the Company prior to his election as a director.

REMUNERATION TO AND TRANSACTIONS WITH CERTAIN INDIVIDUALS

Tekoil Corporation

The following total shows information about remuneration to directors and officers of Tekoil.

Name of Individual or Identity of Group	*Capacities in which Remuneration was Received*	*Aggregate Remuneration During Fiscal Year Ending 3/31/61*
W. H. Davison (resigned effective 9-1-61)	President	$32,791.72
All Other Directors and Officers as a Group	Directors and Officers	$77,149.72

The Company presently has no definite plans of granting officers and directors options, bonuses and other incentive plans.

OTHER TRANSACTIONS WITH DIRECTORS, NOMINEES, OFFICERS AND OTHERS

Tekoil Corporation

The Company has entered into an agreement with W. H. Davison, its former President and former Director, whereby Tekoil assigned to W. H. Davison all of its rights in an engineering project with the country of Argentina. All costs and expenses of the Argentine project incurred after the date of the agreement, are to be borne by W. H. Davison personally and Tekoil is to receive a 50% net profits interest in whatever interest W. H. Davison is able to acquire in Argentina. See Caption "BUSINESS AND PROPERTIES OF TEKOIL CORPORATION" for further information regarding this transaction.

OTHER INFORMATION—TAX EFFECTS OF MERGER AND CONSOLIDATION

Consolidated

In the opinion of Messrs. Calkins, Rodden & Kramer, Denver, Colorado, counsel for Consolidated, under existing federal tax laws the merger will not result in the realization of gain or loss by Consolidated or its stockholders.

Tekoil

In the opinion of Messrs. Turner, White, Atwood, Meer and Francis, 1900 Mercantile Dallas Building, Dallas, Texas, counsel for Tekoil, under existing federal tax laws, the merger will not result in the realization of gain or loss by Tekoil or by its stockholders, except that the gain or loss, if any, realized by the holders of Tekoil shares who sell their fractional share interests in the common stock of the Surviving Corporation will be capital gain or loss as the case may be, and subject as such to the applicable provisions of the Revenue Act of 1954 and amendments thereof.

Voting at Meetings

For the adoption of the merger agreement, the favorable vote of ⅔ of all outstanding shares of common stock of Consolidated and ⅔ of all outstanding shares of common stock of Tekoil is required. In the case of each corporation, each of its outstanding shares is entitled to one vote.

Right to Terminate

The Merger Agreement may be terminated and abandoned by a vote of the Board of Directors of either of the corporations at any time prior to the effective date of the merger if:

(a) A material breach shall exist with respect to any of the written representations, warranties and covenants made by the other Constituent Corporation in connection with the merger, including, but not limited to, those set forth in that certain letter agreement between the Constituent Corporations dated December 4, 1961.

(b) The other Constituent Corporation, without prior written consent of such Constituent Corporation, should take any action prohibited by the Merger Agreement, or

(c) The other Constituent Corporation shall not have furnished such certificates, audited financial statements as of November 30, 1961, or later, and legal opinions in connection with the merger and matters incidental thereto as it shall have agreed to furnish, or

(d) If in the opinion of the Board of Directors of such Constituent Corporation the merger is impracticable or undesirable by reason of the number of objections or demands for payment for stock filed by the shareholders of either Consolidated or Tekoil in accordance with the laws of their respective states of incorporation.

(e) The Merger Agreement and the merger therein provided for shall not have become effective on or before March 31, 1962.

(f) If satisfactory bank refinancing of Tekoil's outstanding notes cannot be negotiated. (In this regard a firm commitment has been received to refinance the notes.)

Expenses of Merger

The Surviving Corporation will pay the expenses of the merger upon the consummation thereof. If the merger is not approved or if otherwise not completed, all costs and expenses of each corporation shall be paid by the corporation incurring the expense.

Rights of Dissenting Stockholders

Consolidated

Under Colorado law, any objecting stockholder of Consolidated will have rights as set forth in Chapter 31, Article 33, Section 8 of the Colorado Revised Statutes of 1953, as amended. Such stockholder must file a written objection to the merger prior to or at the meeting at which the plan of merger is submitted to a vote, and cannot vote in favor of the plan of merger. He must further make a demand for payment of the fair value of his shares within ten days after the date on which the vote was taken. The demand shall state the number and class of shares owned by him. The fair value of the shares is determined as of the day prior to the date on which the vote was taken. Within ten days after the merger is effected, the Surviving Corporation shall give notice of the merger to each such dissenting shareholder who has made demand. If the dissenting shareholder and the Surviving Corporation cannot agree on the value of the dissenting shareholder's shares within thirty days after the date on which the merger was effected, the dissenting shareholder may file suit within sixty days after the expiration of the thirty day period in the appropriate State Court which will resolve the issue.

Tekoil

Under the general corporation laws of the State of Delaware, any objecting stockholder of Tekoil will have rights as set forth in Section 262 of the General Corporation Law of the State of Delaware. Such shareholder must file written objections with the Corporation before the taking of the vote on the plan of merger, and the shareholder's shares must not be voted in favor of the merger. The Corporation must give notice within ten days after the date on which the agreement of merger has been filed and recorded, to such objecting stockholder that the agreement was filed and recorded. Within twenty days after the date of mailing of the said notice, the objecting stockholder shall demand in writing from the surviving corporation payment for his stock. The surviving corporation shall then pay to the objecting stockholder within thirty days after the expiration of the twenty day period the value of his stock on the date of the recording of the agreement of merger exclusive of any element of value arising from the expectation or accomplishment of such merger. If the Surviving Corporation and objecting stockholder cannot agree on the value of such stock during such thirty day period, either the stockholder or the Surviving Corporation may file a Petition in the Court of Chancery of the State of Delaware, which Court will resolve the issue. The Petition must be filed with the Court within four months after the expiration of the thirty day period.

Financial Statements

Financial statements of Consolidated and Tekoil and subsidiary, together with notes and opinions of independent public accountants with respect thereto, are annexed as Exhibit A.

Miscellaneous

The management of Consolidated does not know of any business other than the proposed merger to be brought before the meeting. If other business is properly presented for consideration at the meeting, it is intended that the proxies will be voted by the persons named therein in accordance with their judgment on such matters.

The cost of preparing and mailing the enclosed material will be borne by Consolidated. In addition to the solicitation of proxies by mail, it is expected that some of the officers, directors and regular employees of Consolidated who will receive no compensation therefor in addition to their regular compensation will solicit proxies on behalf of the management by telephone, telegraph and personal interview, the cost of any such solicitation to be borne by Consolidated.

Tekoil has called a meeting of its stockholders which also will be held on February 14, 1962, to vote on the plan and agreement of merger.

YOUR COOPERATION IN GIVING THIS MATTER YOUR IMMEDIATE ATTENTION AND IN RETURNING YOUR PROXIES PROMPTLY WILL BE APPRECIATED.

BY ORDER OF THE BOARD OF DIRECTORS

C. J. Cooper, Jr.,
Secretary

Suite 2112 Tower Building
1700 Broadway
Denver 2, Colorado

Exhibit A

ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders of

CONSOLIDATED OIL & GAS, INC.
Denver, Colorado

We have examined the balance sheet of Consolidated Oil & Gas, Inc.,as of November 30, 1961, and the related statements of income and expense and earned surplus (deficit) and capital surplus for the four years then ended, and the summary of operations for the five year period ended November 30, 1961, including the two years operations of Colorado Western Exploration, Inc., ended prior to date of merger at May 1, 1958. 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 statements of income and expense and earned surplus (deficit) and capital surplus present fairly the financial position of Consolidated Oil & Gas, Inc., and the results of operations for the four years then ended, and such summary of operations presents fairly the results of operations for five years ended November 30, 1961, all in conformity with generally accepted accounting principles applied on a consistent basis.

W. L. CLASQUIN

Denver, Colorado
January 16, 1962

CONSOLIDATED OIL & GAS, INC.

Balance Sheet

November 30, 1961

ASSETS

Current assets:				
Cash				$ 360,328.25
Notes receivable—unsecured				11,334.39
Accounts receivable—unassigned—Note 6:				
Oil and gas purchases			$ 49,918.53	
Interest holders in jointly owned properties			306,779.03	
Other			18,116.98	374,814.54
Work in progress at cost				4,706.72
Inventory of oilfield equipment				46,976.49
Interest receivable				10,382.58
Prepaid expenses				2,314.59
Total current assets				810,857.56
Investments in affiliated companies, not consolidated, at cost—Note 3				9,850.00
Other investments at cost—Note 3				17,204.00
Other assets:				
Long-term notes receivable—secured—Note 1			344,000.00	
Sundry			4,471.82	348,471.82
Property and equipment at cost—Notes 2, 4, 5 and 15:				
	Cost	*Depreciation or Depletion*	*Book Value*	
Producing oil and gas properties:				
Leasehold cost	$1,826,037.01	206,357.85	1,619,679.16	
Development cost	1,243,372.56	58,055.89	1,185,316.67	
Equipment cost	1,048,761.36	174,302.97	874,458.39	
Producing overriding royalty	120,454.10	23,926.06	96,528.04	
Overriding royalties on undeveloped oil and gas leases	5,725.21	983.72	4,741.49	
Undeveloped oil and gas leases	151,075.37	—	151,075.37	
Automotive equipment	46,638.99	19,309.60	27,329.39	
Furniture, fixtures and equipment	27,543.48	7,434.16	20,109.32	
Leasehold improvements—office	5,174.58	2,243.31	2,931.27	
District field house and yard	27,908.40	1,788.64	26,119.76	
	$4,502,691.06	494,402.20	4,008,288.86	4,008,288.86
Deferred charges				42,523.83
				$5,237,196.07

The accompanying notes are an integral part of this statement.

CONSOLIDATED OIL & GAS, INC.

Balance Sheet

November 30, 1961

LIABILITIES

Current liabilities:		
Notes payable—portion due within one year—Note 9:		
Banks—secured		$ 163,352.36
Trade—secured		70,000.00
Others—secured		347.66
Trade—unsecured		269,739.02
		503,439.04
Accounts payable—trade		341,060.78
Interest holders in jointly owned properties		14,818.43
Accrued payrolls		7,249.27
Accrued taxes—other than income		10,765.14
Accrued interest		11,380.25
Advances on drilling arrangements—Note 12		150,487.50
Other current liabilities:		
Unclaimed dividends	$ 767.45	
Reserve for Federal and state income taxes—Note 10	—	767.45
Total current liabilities		1,039,967.86
Long-term debt:		
Notes payable—less portion due within one year—Note 9:		
Banks—secured	179,825.22	
Others—secured	28,405.20	
Trade—secured	64,499.90	
Others—unsecured	20,000.00	292,730.32
Commitments and contingent liabilities—Note 11		—
Deferred income—Note 1		1,677,773.09
Capital and surplus:		
Preferred stock—authorized 100,000 shares of $10.00 par value—none issued		
Preferred stock convertible—authorized 10,000 shares of $10.00 par value—none issued		
Common stock—authorized 5,000,000 shares of $.20 par value, issued and outstanding 1,840,503 shares—notes 7 and 14	368,100.60	
Capital surplus	2,012,636.19	
Earned surplus (deficit) from December 1, 1956	(154,011.99)	2,226,724.80
		$5,237,196.07

The accompanying notes are an integral part of this statement.

CONSOLIDATED OIL & GAS, INC.

(Combined with Operations of Colorado Western Exploration, Inc., for years prior to Merger, May 1, 1958)

Statement of Capital Surplus
Four Years Ended November 30, 1961

	1961	1960	1959	1958
Balance at beginning of period	$1,410,038.70	1,076,229.24	502,517.27	111,591.00
Add:				
Excess value assigned to producing oil and gas properties over par value of common stock issued—Notes 2 and 5	8,580.00	33,050.00	171,600.00	1,229.45
Excess of value assigned to producing oil and gas properties over the cost of treasury stock exchanged therefor—Note 5	—	—	134,728.28	87,797.48
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 in fiscal 1961, $4,376.36 principal amount for 1,946 shares of stock in fiscal 1959, $12,955.93 principal amount for 47,228 shares of stock (7,266 shares at today's equivalent) in fiscal 1958	59,550.00	—	3,987.16	3,510.33
Excess of face amount of liabilities retired over cost of treasury stock exchanged therefor; $3,118.81 principal amount for 1,200 shares of treasury stock in fiscal 1960, $1,579.43 principal amount for 823 shares of treasury stock in fiscal 1959, $16,029.47 principal amount for 6,550 shares of treasury stock in fiscal 1958	—	3,113.04	1,575.47	15,377.85
Consideration received over par value of 25,000 shares of common stock sold	—	—	76,250.00	—
Consideration received over cost of 65,538 shares of treasury stock sold	—	—	194,179.95	—
Credit resulting from exchange of stock upon merger of Consolidated Rimrock Oil Corporation, and Colorado Western Exploration, Inc., at May 1, 1958—Note 17	—	—	—	332,325.81
Excess paid for convertible debentures having a face value of $12,500.00	—	—	—	12,500.00
Excess of face amount of $99,200.00 of Colorado Western Exploration, Inc., convertible debentures which were converted into 220,460 shares of Colorado Western Exploration, Inc., stock (216,381 shares of Consolidated Oil & Gas, Inc., equivalent) that had a par value of $11,023.00	—	—	—	88,177.00

Excess of consideration received over par value of 134,784 shares of common stock sold pursuant to common stock offering completed September 6, 1960, to stockholders of record July 8, 1960—Note 7	—	377,395.20	—	—
Excess of consideration received over par value of 270,855 shares of common stock issued, for the property acquired from Midland Oil Company, to certain of the Midland Oil Company stockholders—Note 15	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—Note 7	595.36	—	—	—
Other	149.97	—	—	—
	2,101,880.53	1,489,787.48	1,084,838.13	652,508.02
Deduct:				
Write off of organization expense by resolution of the Board of Directors and with the approval of the stockholders as of May 1, 1958—Note 13	—	—	—	(148,991.64)
Stock dividends paid out of treasury stock	—	—	(8,608.89)	—
Deferred financing costs which represent the direct costs that were incurred by the Company in connection with the stock registration program completed during fiscal year 1960—Note 8	—	(73,192.30)	—	—
Writeoff of direct merger expense by resolution of the Board of Directors and with approval of the stockholders as of November 30, 1960—Note 13	—	(6,113.78)	—	—
Direct costs of stock offering	—	(442.70)	—	—
Excess of cost of 10,902 shares of the Company's stock held as treasury stock retired by resolution of the Board of Directors—Note 16	(88,995.83)	—	—	—
Consideration paid in excess of par value for fractional shares of Company stock purchased from former Midland Oil Company stockholders	(248.51)	—	—	—
	$2,012,636.19	1,410,038.70	1,076,229.24	502,517.27

The accompanying notes are an integral part of this statement.

CONSOLIDATED OIL & GAS, INC.

(Combined with Operations of Colorado Western Exploration, Inc., for Years Prior to Merger, May 1, 1958)

Statement of Income and Expense and Earned Surplus (Deficit) Four Years Ended November 30, 1961

	Years Ended November 30,			
	1961	*1960*	*1959*	*1958*
Income:				
Oil and gas sales—Note 1 and 2	$ 534,138.17	342,843.20	271,097.74	179,782.51
Drilling arrangements and operations reimbursements	1,475,978.33	1,026,582.89	437,833.02	411,979.35
Miscellaneous	96,924.20	122,353.06	120,422.15	60,788.73
	2,107,040.70	1,491,779.15	829,352.91	652,550.59
Costs and expenses:				
Direct costs:				
Production costs—Note 2	205,061.54	126,109.04	134,572.53	110,388.40
Direct production payment expense—Note 1	67,658.05	31,591.90	13,193.70	1,069.90
Drilling arrangements and operations reimbursements costs	1,118,987.69	812,720.33	427,349.67	315,669.76
Dry hole costs	—	82,056.21	95,424.16	37,725.18
Abandonment and surrender of lease	16,219.71	43,908.85	8,466.35	23,817.46
Lease rentals—nonproducing properties	22,260.63	15,334.13	15,132.52	7,343.47
General and administrative	179,395.85	145,547.14	168,447.39	160,979.15
Depreciation, depletion and amortization—Note 1 and 2	181,648.77	129,400.62	116,510.59	93,904.93
	1,791,232.24	1,386,668.22	979,096.91	750,898.25
Operating income or (loss)	315,808.46	105,110.93	(149,744.00)	(98,347.66)
Other income (expense):				
Gain or (loss) on sale of capital assets	1,542.69	(61,745.51)	(403.08)	1,387.25
Interest expense	(58,206.65)	(52,284.28)	(27,021.86)	(20,754.98)
	(56,663.96)	(114,029.79)	(27,424.94)	(19,367.73)
Income or (loss) before provision for Federal and state income taxes	259,144.50	(8,918.86)	(177,168.94)	(117,715.39)
Provision for Federal and state income taxes—Note 10	—	—	—	—
Net income or (loss)	259,144.50	(8,918.86)	(177,168.94)	(117,715.39)
Earned surplus (deficit) at beginning of period	(413,156.49)	(404,237.63)	(227,068.69)	(109,353.30)
Earned surplus (deficit) at end of period	$ (154,011.99)	(413,156.49)	(404,237.63)	(227,068.69)

The accompanying notes are an integral part of this statement.

CONSOLIDATED OIL & GAS, INC.

Notes to Financial Statements

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 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, 1960, there was a deferred income balance on this gas payment of $252,812.77 and at November 30, 1961, the balance was $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. On 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 to increase the 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 consideration of $1,450,000.00 was received in the form of $1,160,000.00 cash and two secured notes in the amount of $290,000.00 that will come due December 31, 1965. As of November 30, 1960, there was a deferred income balance on $800,000.00 oil and gas payment sale of $796,724.92 and at November 30, 1961, there was a deferred income balance on the $1,450,000.00 oil and gas payment sale of $1,450,000.00. The above notes are secured only by the income from the oil and gas payment that was sold.

Note 2:

During the fiscal year 1959, the Company acquired a ⅛ carried working interest in certain producing oil and gas leases, undeveloped leases and non-producing royalties. On July 1, 1960, the Company acquired an additional 1/24 carried working interest in the property. The value assigned to the property by the Company management was at its present value, based upon petroleum engineering data. The value assigned to the July 1, 1960, acquisition were as follows:

Producing leasehold cost	$84,055.42
Undeveloped leases	4,694,58
Nonproducing royalties	2,500.00
	$91,250.00

The consideration paid for the July 1, 1960 acquisition was as follows:

Cash	$15,000.00
Notes payable	58,750.00
Company common stock issued, 5,000 shares at $.20 per share par value	1,000.00
Capital surplus created by the excess of the value of the properties received over the par value of the stock issued	16,500.00
	$91,250.00

The total remaining amount to be recovered by the carrying Company at the time of the 1960 acquisition was $23,892.97, which is payable only from 100% of the proceeds to the carried interest of future oil and gas, if, when, and as produced. The $23,892.97 is included as part of the acquisition cost of the property and recorded as a deferred income on the Company's books. On the balance sheet, however, the unpaid balance was deducted from the producing oil and gas properties—leasehold cost. The total amount of such unpaid balance at November 30, 1960, was $77,105.38 and at November 30, 1961, was $94,531.67.

During the fiscal year ended November 30, 1960, the Company recorded the following income and expenses, which were earned or incurred on the carried working interest; $44,095.18 of income, which is reflected in the Oil and Gas Sales Account. The production costs were $3,194.83, which are included in the Production Cost Account. Cost depletion applicable to the income amounted to $29,896.60, which is reflected in the Depreciation, Depletion and Amortization Account.

During the fiscal year ended November 30, 1961, $39,502.95 of the income was earned by the carried interest, which is reflected in the Oil and Gas Sales Account. The production costs for the period were $2,375.53 which are included in the Production Cost Account. Cost depletion applicable to the income amounted to $15,686.35 which is reflected in the Depreciation, Depletion and Amortization Account. The increase in unpaid balance is due to additional development on these carried properties.

Note 3:

	Common Stock Owned			
Company	*Percentage*	*Cost*	*Market Quotation*	*Receivable November 30, 1960*
Sandrock Oil Co., Inc.	48.75%	$9,550.00	None Available	$3,038.08
Ethridge Fishing Tool, Inc.	50 %	100.00	None Available	350.00
		$9,650.00		$3,388.08

Other investments at cost are $12.50 in 12,500 shares of common stock of Hercules Plastics for which no market quotation is available and $9,875.50 in cash surrender value of life insurance policies as determined from policy cash surrender value tables as of November 30, 1960. At November 30, 1961, the cash surrender value of the life insurance policies was $17,191.50. During the fiscal year ended November 30, 1961, the Company acquired 20 additional shares of Sandrock Oil Co., Inc., for $200.00, giving the Company a 49.75% ownership.

Note 4:

The Company policy with respect to accounting for expenditures for oil and gas properties is to capitalize lease acquisitions, intangible development and equipment costs on a lease basis and to charge delay lease rentals to operations as expended. First year rentals on Government oil and gas leases are capitalized. Costs incident to the drilling of oil and gas wells are initially capitalized, but are charged to expense when the hole is determined dry.

Provision for depletion of acquisition and development costs of developed oil and gas properties are made through charges per unit of production based on recoverable oil reserves as estimated periodically by E. A. Polumbus, Jr. and Associates, Inc., independent petroleum engineers.

Intangible drilling and development costs capitalized in the accounts, but expensed for income tax purposes for fiscal year ended November 30, 1960, were $552,948.61, and estimated at $419,188.02 for the fiscal year ended November 30, 1961.

Depreciation is provided on either the unit-of-production or straight-line basis at rates, which are believed to be sufficient to provide for the book value, less estimated salvage, of the depreciable assets over their estimated useful lives.

Rates in effect are as follows:

	Rate
Producing oil and gas lease equipment	Unit of Production
Automotive equipment	33⅓% to 40 %
Furniture, fixtures and equipment	10 % to 33⅓%
Leasehold improvements—office	12.5 % to 33⅓%
District field house and yard	3⅓% to 5 %

Gain or loss is recognized in the accounts upon the retirement or disposal of assets, except where provisions for depreciation are computed on a composite basis. Betterments and renewals are capitalized. Maintenance and repairs are charged to operating expenses.

On May 1, 1958, when Colorado Western Exploration, Inc., was merged with Consolidated Rimrock Oil Corporation to form Consolidated Oil & Gas, Inc., all of the assets of the transferor Company were brought forward at prior book values. No assets of predecessor Companies, acquired by way of merger, were restated or revalued.

Note 5:

The Company has acquired interests in producing oil and gas properties by exchanging common stock therefor as reflected in the following table:

	Value Assigned to Property	Par Value of Common Stock Issued	Capital Surplus
Fiscal year 1958	$ 25,429.45	24,200.00	1,229.45
Fiscal year 1959	182,000.00	10,400.00	171,600.00
Fiscal year 1960	35,050.00	2,000.00	33,050.00
Fiscal year 1961	9,100.00	520.00	8,580.00

The value assigned to the property acquired in fiscal year 1958 was comparable to the costs of similar property interests already owned by the Company except for one acquisition for which common stock having a par value of $24,000.00 was issued. The properties acquired in fiscal 1961, 1960 and 1959 and the one property acquired in fiscal 1958 were valued by management at its present value at acquisition date based upon petroleum engineering data.

The Company has also acquired interests in producing oil and gas properties by exchanging its treasury stock therefor as reflected in the following table:

	Value Assigned to Property	Cost of Treasury Stock Issued	Capital Surplus
Fiscal year 1958	$ 88,487.10	689.62	87,797.48
Fiscal year 1959	134,925.00	196.72	134,728.28

The values assigned to the properties were comparable to the costs of similar property interests already owned by the Company. If the Company had no prior interests in the property, the property was valued by the management at its present value at acquisition date based upon petroleum engineering data.

Note 6:

All of the notes and accounts receivable are considered current and collectible by the management. The Company uses the direct writeoff method with regard to accounts that become uncollectible. The amount due from affiliated persons represents less than $10,000.00 at November 30, 1960, and less than $27,000.00 at November 30, 1961.

Note 7:

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, which are outstanding at November 30, 1960. 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. During the fiscal year ended November 30, 1961, 162 common stock purchase warrants were exercised.

The common stock purchase warrants are exercisable anytime after December 31, 1960, until termination on June 30, 1967. The warrants contain "anti-dilution" provisions. Warrant holders do not possess any rights as stockholders of the Company.

At November 30, 1960, there were six stock options outstanding giving the holders the right to purchase 6,000 shares of the Company's common stock (par value $.20) at $3.25 per share exercisable for the period January 1, 1959, to June 30, 1961. The options were granted to certain people who loaned money to the Corporation during June, 1958. For each $3,250.00 loaned to the Company the lender was granted an option to acquire 1,000 shares of common stock. The underlying shares were quoted at approximately $3.50 bid-$4.00 ask per share on June 24, 1958, the issuance date, and $3.375 bid and $4.00 ask on June 15, 1961. The options were all exercised for a consideration of $19,500.00 resulting in 6,000 additional shares of stock outstanding with a par value of $1,200.00 and creating $18,300.00 of Capital Surplus.

During 1961, the Company granted to four officers and three key employees restricted stock options to purchase, in the aggregate, 66,500 shares of common stock of the Company.

The following table sets out certain information concerning the options that have been granted:

Number of Shares Under Option	*Option Price Per Share*	*Total Option Price*	*Fair Value at Date of Issue*	*Total Fair Value at Date of Issue*	*Date Granted*
15,000	$2.78	$41,700.00	$2.53	$37,950.00	January 17, 1961
37,000	$2.15	79,550.00	$2.53	93,610.00	January 17, 1961
2,000	$3.02	6,040.00	$3.55	7,100.00	November 6, 1961
7,500	$2.33	17,475.00	$2.75	20,625.00	March 1, 1961
5,000	$3.03	15,150.00	$3.56	17,800.00	August 17, 1961

Commencing one year after the date thereof, the options are exercisable at the rate of 20% per year until the expiration of the fifth year, after which and until the tenth anniversary date they may be exercised as to the total amount at any time, except that the options granted Mr. Trueblood expire January 17, 1966. Such options are restricted in conformity with Section 421 of the Internal Revenue Code so that they are exercisable only while optionee is in the employ or within three months after leaving the employ of the Company, or in the event of death, within one year of the date of death of optionee. The options are not assignable except in the event of death, in which event they pass by descent or testory, as the case may be.

Note 8:

Costs incurred by the Company in connection with its successful stock registration program during the fiscal years 1959 and 1960, were capitalized as incurred and written off against capital surplus upon completion of the registration. The direct financing costs, which were mainly of the general and administrative type, were charged to Deferred Financing Costs rather than to the General and Administrative Account. $63,367.30 of the total cost was incurred during the fiscal year ended November 30, 1960.

Note 9:

The notes payable at November 30, 1960, were as follows:

Type	*Interest Rate*	*Due Within Twelve Months*	*Due From Twelve to Twenty-four Months*	*Due From Twenty-four to Thirty-six Months*	*Due From Thirty-six to Forty-eight Months*
Bank—secured by automotive equipment	6 to 8%	$ 10,036.62	5,547.08	—	—
Bank—secured by certain oil and gas production and property	6 to 6½%	119,296.56	97,288.18	45,231.81	7,306.91
Bank—secured by real estate	6%	3,000.00	1,175.65	—	—
Others—secured by certain producing oil and gas properties, real estate, office equipment and insurance policies	5¼ to 6¼%	44,339.43	330.60	330.60	21,686.50*
Trade—unsecured	6 to 7%	219,125.55	25,500.00	—	—
Other:					
Unsecured	5½ to 7%	36,885.00	15,510.00	—	—
Unsecured—One note for $43,750.00 is convertible to common stock at option of holder up to date of maturity at $3.50 per share	4 to 6¼%	58,750.00	—	—	—
		$491,433.16	145,351.51	45,562.41	28,993.41*

*(1) Note in the amount of $9,201.31 is secured by officers' life insurance policies and has no specific due date.

(2) Balance of $12,485.19 due on a 25 year note, secured by real estate, at December 1, 1964.

Notes to Financial Statements—(Continued)

Note 9—(Continued):

The notes payable at November 30, 1961, were as follows:

Type	*Interest Rate*	*Due Within Twelve Months*	*Due From Twelve to Twenty-four Months*	*Due From Twenty-four to Thirty-six Months*	*Due From Thirty-six to Forty-eight Months*
Bank—secured by certain oil and gas production and property	6¼ to 6½%	$162,000.00	162,000.00	17,825.22	—
Bank—secured by real estate	6%	1,352.36	—	—	—
Trade—secured by certain producing oil and gas properties	6 to 7%	70,000.00	49,000.00	15,499.90	—
Others—secured by real estate and insurance policies	5½ to 5¼%	347.66	366.36	386.07	27,652.77*
Trade—unsecured	6%	269,739.02	—	—	—
Other—unsecured	6%	20,000.00	—	—	—
		$523,439.04	211,366.36	33,711.19	27,652.77

*(1) Note in the amount of $15,605.79 is secured by officers' life insurance policies and has no definite due date.

(2) Balance of $12,046.98 due on a 25 year note, secured by real estate, at December 1, 1965.

Note 10:

The Company did not have to pay any Federal and state corporate income taxes for the fiscal year ended November 30, 1960, and will not have to pay any income taxes for the year ended November 30, 1961, due to the election to deduct intangible drilling and development costs on the Company's income tax returns and percentage depletion. The drilling and development costs for the fiscal year ended November 30, 1960, were $552,948.61 and are estimated at $419,183.02 for the fiscal year ended November 30, 1961.

For Federal and state corporate income tax purposes the Company has treated the sale of the oil and gas payments as income in the year of sale; however, due to the election to writeoff drilling and development costs and operating loss carryovers the Company has not been in a taxable position.

Note 11:

The Company occupies its general office space under leases which expire in March and May of 1967; however, the leases may be terminated by the Company at the expiration of the fifth year, which will be in 1962, provided the Company gives at least six months prior written notice and pays $1,500.00 for the cancellation privilege. The total annual rentals are approximately $12,500.00.

Note 12:

The advances on drilling arrangements result from advance billings to interest holders in jointly owned oil and gas properties for wells in process and to be drilled in the near future.

Note 13:

The direct merger costs of $6,113.78 were the result of direct costs incurred when Colorado Western Exploration, Inc., was merged with Consolidated Rimrock Oil Corporation, on May 1, 1958, at which time the Corporation name was changed to Consolidated Oil & Gas, Inc. Of the $149,991.65 charged to capital surplus during fiscal 1958, $130,000.00 represents the par value of 650,000 shares of Company common stock that was issued to Colorado Western Exploration, Inc., in July, 1955 for management assistance in reorganization of the Company.

Note 14:

The Company has entered into an agreement conforming to the provisions of Section 303 of the Internal Revenue Code of 1954 with Harry A. Trueblood, Jr., by which the Company will be obligated to redeem at a then agreed upon market price at the time of death from his estate stock owned by his estate sufficient to provide for the payment of all death taxes, funeral and administrative expenses, but not to exceed $150,000.00. The Company is working on a similar agreement with J. B. Ladd.

The Company presently owns keyman insurance in the amount of $300,000.00 on the life of Harry A. Trueblood, Jr., and $50,000.00 on the life of J. B. Ladd.

Note 15:

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

CONSOLIDATED OIL & GAS, INC.
Notes to Financial Statements—(Continued)

Note 15—(Continued):

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 16:

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 17:

The effect on the common stock outstanding and the capital surplus that was created on May 1, 1958, when Colorado Western Exploration, Inc., was merged with Consolidated Rimrock Corporation to form Consolidated Oil & Gas, Inc., was as follows:

	Rate of Conversion	*Shares Outstanding Before Merger*	*Shares Outstanding After Merger*	*Capital Surplus Created*
Consolidated Rimrock Oil Corporation	6.5	2,765,879	425,520	$468,071.81
Colorado Western Exploration, Inc.	1.01885	927,860	910,695	(135,746.00)
				$332,325.81

The common stock of Colorado Western Exploration, Inc., had a par value of $.05 before merger while the common stock of Consolidated Rimrock Oil Corporation had a par value of $.20.

Note 18:

The combination of Colorado Western Exploration, Inc., Western Central Petroleums, Inc., and Guardian Oil Co., Inc., with the Company have been treated as a "pooling of interests" for accounting purposes in the financial statements and in the Summary of Operations.

Note 19:

Supplementary Profit and Loss Information

Item	*Production Costs*	*General and Administrative*	*Total*
Year ended November 30, 1958:			
Maintenance and repairs	$41,061.92		41,061.92
Taxes other than income taxes:			
Property and production taxes	6,690.41		6,690.41
Payroll taxes		2,489.60	2,489.60
Licenses, annual reports and miscellaneous		927.12	927.12
Rents		9,260.09	9,260.09
	$47,752.33	12,676.81	60,429.14
Year ended November 30, 1959:			
Maintenance and repairs	$54,139.36		54,139.36
Taxes other than income taxes:			
Property and production taxes	7,696.62		7,696.62
Payroll taxes		2,442.85	2,442.85
Licenses, annual reports and miscellaneous		1,988.38	1,988.38
Rents		14,851.45	14,851.45
	$61,835.98	19,282.68	81,118.66
Year ended November 30, 1960:			
Maintenance and repairs	$31,318.24	483.67	31,801.91
Taxes other than income taxes:			
Property and production taxes	6,384.42	1,016.25	7,400.67
Payroll taxes		1,154.34	1,154.34
Licenses, annual reports and miscellaneous		902.49	902.49
Rents		17,451.77	17,451.77
	$37,702.66	21,008.52	58,711.18
Year ended November 30, 1961:			
Maintenance and repairs	$55,509.83	440.50	55,950.33
Taxes other than income taxes:			
Property and production taxes	18,817.66	559.56	19,377.22
Payroll taxes		1,430.93	1,430.93
Licenses, annual reports and miscellaneous		2,625.23	2,625.23
Rents		17,395.18	17,395.18
	$74,327.49	22,451.40	96,778.89

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
TEKOIL CORPORATION:

We have examined the consolidated balance sheet of Tekoil Corporation and subsidiary company as of November 30, 1961, and the related statement of operations and deficit and statement of capital surplus for the three years ended March 31, 1961, and the eight months ended November 30, 1961. We have also examined the summary of consolidated losses, insofar as it relates to the four years ended March 31, 1961, and the eight months ended November 30, 1961, appearing under "Tekoil Corporation and Subsidiary Company, Summary of Consolidated Losses" in this proxy statement. 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 statements and summary of consolidated losses referred to above present fairly the financial position of Tekoil Corporation and subsidiary company at November 30, 1961, and the results of their operations for the periods set forth above, in conformity wtih generally accepted accounting principles applied on a consistent basis.

MAIN AND COMPANY

El Paso, Texas
December 29, 1961

TEKOIL CORPORATION AND SUBSIDIARY COMPANY

Consolidated Balance Sheet November 30, 1961

ASSETS

Current assets:		
Cash:		
General and operating funds	$ 8,825	
Special restricted bank deposits (Note 4)	124,190	
Accounts receivable:		
Oil and gas sales	145,518	
Other, less allowance for doubtful accounts of $10,000 ($51,730 pledged as security for note payable to bank)	82,252	
Materials and supplies, principally at cost	195,333	
Prepayments and other current assets	30,932	
Total current assets		587,050
Investments:		
Jonnell Gas, Incorporated, at cost, less $94,779 share of net loss of predecessor partnership (pledged as security for notes payable to banks) (Notes 2 and 4)	264,976	
Inactive subsidiary company, at nominal value (Note 1)	2	
		264,978
Property and equipment, substantially at cost, most of which is pledged to secure mortgage notes payable (Notes 3 and 4):		
Oil and gas properties:		
Nonproducing leases and royalties	255,669	
Amount assigned undeveloped secondary oil reserves	1,874,862	
Producing leases and royalties	5,105,774	
Intangible drilling costs	2,228,846	
Lease and well equipment	4,542,012	
Work in progress	14,747	
Office building, automotive and well logging equipment and other	134,286	
	14,156,196	
Deduct: Accumulated depreciation, depletion and amortization	6,130,778	
		8,025,418
Deferred charges and other assets:		
Preliminary costs of a foreign project	88,975	
Other	23,886	
		112,861
		$8,990,307

The accompanying notes to financial statements should be read in conjunction with this balance sheet.

TEKOIL CORPORATION AND SUBSIDIARY COMPANY

Consolidated Balance Sheet November 30, 1961

LIABILITIES

Current liabilities:		
Accounts payable	$ 183,322	
6½% mortgage notes payable to bank (Note 4)	624,290	
Note payable to bank, secured by pledged account receivable of $51,730	62,050	
Other notes payable	19,709	
Equipment obligations payable (Note 4)	149,537	
Minimum current portion of long-term debt	1,684,872	
Accrued liabilities	24,361	
Total current liabilities		2,748,141
Long-term debt, less minimum current portion (Note 4)		1,969,237
Deferred income from sale of production payment (Note 5)		1,434,861
Stockholders' equity:		
Capital stock, par value $1 per share (Note 6)		
Authorized, 2,000,000 shares		
Issued and outstanding, 1,210,927 shares	1,210,927	
To be issued, 1,336 shares	1,336	
Capital surplus	6,572,767	
Earned surplus (deficit) from operations	(4,946,962)	
		2,838,068
Commitments and contingent liabilities (Note 9)		
		$8,990,307

The accompanying notes to financial statements should be read in conjunction with this balance sheet.

TEKOIL CORPORATION AND SUBSIDIARY COMPANY

Consolidated Statement of Capital Surplus
Three Years and Eight Months Ended November 30, 1961

	Eight Months Ended November 30, 1961	*Year Ended March 31,*		
		1961	*1960*	*1959*
Balance at beginning of period	$6,572,767	6,490,892	6,488,315	6,485,915*
Add:				
Cancellation of indebtedness by creditor	—	—	—	2,400
Excess of proceeds over par value of capital stock sold under the terms of the employees' stock option plan	—	—	2,500	—
Excess of market value over par value of capital stock issued pursuant to purchase of 12½% interest in Jonnell Gas Company, a limited partnership	—	74,375	—	—
Excess of market value over par value of capital stock issued pursuant to purchase of assets of Western Well Logging Company	—	7,500	—	—
Other	—	—	77	—
Balance at end of period	$6,572,767	6,572,767	6,490,892	6,488,315

*Balance at April 1, 1958 consists of the following:

Excess of cash proceeds over par value of capital stock sold	$2,357,342
Excess of amounts assigned to capital stock issued, or to be issued, for properties over par value of such stock	4,095,573
Other	33,000
	$6,485,915

The accompanying notes to financial statements should be read in conjunction with statement of capital surplus.

TEKOIL CORPORATION AND SUBSIDIARY COMPANY

Consolidated Statement of Operations and Deficit
Three Years and Eight Months Ended November 30, 1961

	Eight Months Ended November 30, 1961	*Year Ended March 31, 1961*	*1960*	*1959*
Revenues:				
Oil and gas, net of production taxes	$ 1,297,035	2,297,401	2,541,499	2,215,969
Laboratory, logging and engineering fees	66,374	237,548	131,783	104,774
	1,363,409	2,534,949	2,673,282	2,320,743
Costs and expenses:				
Lease, laboratory and other operating expenses	552,331	1,039,480	931,160	955,260
General and administrative expenses	209,671	522,496	525,130	527,560
Depreciation, depletion and amortization (Note 3)	808,861	1,215,531	1,284,790	976,401
Amortization of amount assigned undeveloped secondary oil reserves (Note 3)	124,991	189,611	272,438	319,152
Dry hole costs, abandoned leases and delay rentals (Note 7)	151,960	189,752	130,769	124,762
Share of net loss of Jonnell Gas Company, a limited partnership (Note 2)	65,398	29,381	—	—
Share of other partnership net loss	—	12,736	11,140	2,857
	1,913,212	3,198,987	3,155,427	2,905,992
Income (loss) from operations	(549,803)	(664,038)	(482,145)	(585,249)
Other income and expense:				
Interest expense	243,029	397,369	376,490	282,154
Other expense—net	40,350	18,149	(19,829)	(30,232)
	283,379	415,518	356,661	251,922
Net income (loss) before special charge	(833,182)	(1,079,556)	(838,806)	(837,171)
Special charge for writedown of assets of Petroleum Technologists, Inc. (Note 1)	180,586	—	—	—
Net income (loss)	(1,013,768)	(1,079,556)	(838,806)	(837,171)
Earned surplus (deficit) at beginning of period	(3,933,194)	(2,853,638)	(2,014,832)	(1,177,661)
Earned surplus (deficit) at end of period	$(4,946,962)	(3,933,194)	(2,853,638)	(2,014,832)

The accompanying notes to financial statements should be read in conjunction with statement of operations and deficit.

TEKOIL CORPORATION AND SUBSIDIARY COMPANY

Notes to Financial Statements

NOTE 1: PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Petroleum Technologists, Inc., a wholly-owned subsidiary, organized May 12, 1958, and exclude the accounts of an inactive, wholly-owned subsidiary. Tekoil's equity in the net assets of Petroleum Technologists was less than the investment therein at November 30, 1961, as a result of net losses incurred by Petroleum Technologists as follows:

Eight months ended November 30, 1961	$290,338
Year ended March 31,	
1961	169,208
1960	152,509
1959	145,426
	$757,481

Such difference of $757,481 has been shown in the consolidated balance sheet as an addition to deficit from operations.

Operations of Petroleum Technologists have been curtailed pending possible disposition of its laboratory or approval of Tekoil's merger with Consolidated Oil & Gas, Inc. Accordingly, Petroleum Technologists has written off its investment in that portion of its equipment which is subject to sale and lease-back agreements and has written down its other assets by a special charge to income of $180,586.

All significant intercompany items have been eliminated.

NOTE 2: JONNELL GAS, INCORPORATED

Pror to November 1, 1961, Tekoil was a limited partner in Jonnell Gas Company with a 12.5% interest in profits and losses. Tekoil's share of the partnership's accumulated net loss to October 31, 1961, was $94,779. Effective November 1, 1961, Jonnell Gas Company was incorporated and Tekoil received approximately 10% of the capital stock of the new corporation in exchange for its interest in the partnership.

NOTE 3: PROPERTY AND EQUIPMENT

Substantially all of Tekoil's producing properties are pledged to secure payment of mortgage notes payable, the details of which are shown in Note 4.

Certain properties of Tekoil were acquired subject to production payments out of various percentages of the oil and gas sales from such properties. Payments so made during the three years and eight months ended November 30, 1961, totaled approximately $23,370, $37,900, $23,512 and $11,994, respectively. The proceeds from sales of oil and gas applied in liquidation of these obligations and the related taxes thereon are excluded from the respective income accounts.

Tekoil has followed the practice of acquiring various producing properties to be ultimately operated under secondary recovery methods. During the fiscal year ended March 31, 1958, Tekoil assigned $3,371,214, representing a portion of the consideration given for such properties, as the cost of undeveloped secondary reserves. Upon development of any secondary reserves, a portion of this amount has been transferred to producing properties. Provision for amortization of the amount remaining after such transfers has been made by charges to income at a rate of 10% per annum. Amounts of such charges to income and transfers to producing properties are as follows:

	Eight Months Ended November 30, 1961	*Fiscal Year Ended March 31,*			
		1961	*1960*	*1959*	*1958*
Charged to income as amortization	$124,991	$189,611	272,438	319,152	240,070
Transferred to producing properties	$ 21,250	$828,268	467,142	179,692	—

In addition to the provision for amortization of secondary reserves referred to above, a write off will be made of the secondary reserve amount proportionate to any part of the reserves for which development proves uneconomical.

Tekoil provides for depletion and depreciation of producing oil and gas properties by applying to the units produced an amount per unit determined by dividing the cost attributed to the respective properties (plus amounts ranging from $370,000 as of April 1, 1958, to $230,000 as of November 30, 1961, estimated as cost to develop certain properties) by the units of estimated proved reserves (developed and certain undeveloped), such estimates being based on appraisals made by independent or company engineers.

Other properties and equipment are depreciated on the straight line method over their estimated useful lives, as follows:

Automotive	Principally 20%, 25% and 33⅓%
Buildings	Principally 3%
Furniture and fixtures	10% and 20%
Logging equipment	10% and 20%
Laboratory equipment	10%-16⅔%

NOTE 3: PROPERTY AND EQUIPMENT—(Continued):

It is the practice of Tekoil and its wholly-owned subsidiary to charge maintenance and repairs to expense. Renewals and betterments of property are added to the property accounts at cost. Upon the retirement of a unit of property, its cost is removed from the asset account, the accumulated depreciation is removed from the reserve account and the gain or loss is recorded as income or expense.

NOTE 4: DEBT DELINQUENCIES

At November 30, 1961, Tekoil was delinquent in payment of $467,904 of installments of principal due on the 5½% long-term mortgage note payable to a bank, referred to below. Also, Tekoil is presently delinquent in payment of the 6½% short-term notes payable to such bank in the remaining principal amount of $624,290 which became due subsequent to November 30, 1961. Such short-term notes are secured by the mortgage, assignment of production and assignment of interest in Jonnell Gas, Incorporated which secure the 5½% long-term note. Interest on both the long-term and short-term indebtedness has been paid to November 30, 1961. Proceeds from substantially all production of Tekoil are being paid directly to the bank. A portion of such proceeds is applied periodically to interest and delinquent principal payments and a portion (approximately 35%), subject to the bank's approval, may be withdrawn by Tekoil for payment of its operating expenses and development costs. At November 30, 1961, $124,190 of such proceeds was being held by the bank in special restricted accounts.

Long-term debt outstanding at November 30, 1961, is summarized below:

	Remaining Principal Balance	*Minimum Current Portion*
TEKOIL CORPORATION		
Mortgage notes payable		
Banks		
5½%, secured by a mortgage, deed of trust and assignment of production on substantially all oil and gas properties owned at July 14, 1959 and assignment of interest in Jonnell Gas, Incorporated; payable in minimum monthly installments of $99,214 through June 1, 1964, with a final payment on July 1, 1964, of the balance remaining at that date	$3,592,992	1,658,472
5%, secured by a mortgage on certain oil and gas properties in Creek County, Oklahoma; payable out of oil and gas sales from the pledged properties	18,540	6,000
6%, secured by assignment of production from certain oil properties	29,576	8,400
Noninterest-bearing lease purchase obligation; payable in monthly installments totaling $1,000	13,001	12,000
	$3,654,109	1,684,872

The aggregate minimum annual installments on long-term debt maturities for the years following November 30, 1961, are 1962, $1,684,872; 1963, $1,205,969; 1964, $758,352; 1965, $4,716.

Included as current liabilities in the accompanying balance sheet at November 30, 1961, are equipment obligations payable of $149,537, of which $118,303, representing the sum of the remaining rental payments due under laboratory and other equipment lease-purchase option agreements, is delinquent. The balance of $31,234 represents the amount due in the event the purchase options are exercised.

NOTE 5: DEFERRED INCOME FROM SALE OF PRODUCTION PAYMENT

Deferred income from sale of production payment represents the unliquidated balance of a sale during July, 1959, of a $2,000,000 payment out of production from certain of Tekoil's properties and is to be credited to income over the period of production. Oil and gas revenues attributable to such production payment and interest thereon were $163,734 for the eight months ended November 30, 1961, $341,617 for the year ended March 31, 1961, and $294,817 for the year ended March 31, 1960.

NOTE 6: CAPITAL STOCK

At November 30, 1961, 30,000 shares of capital stock of Tekoil were reserved for issuance under an option granted to Jonnell Gas Company (predecessor to Jonnell Gas, Incorporated) in connection with Tekoil's acquisition of an interest in such company. The option is exercisable as follows:

10,000 shares at $6.00 per share on or before March 15, 1963;
10,000 shares at $6.25 per share on or before March 15, 1965;
10,000 shares at $6.50 per share on or before March 15, 1966.

During June, 1959, 500 shares of capital stock of Tekoil were issued, at $6 per share, to an officer under terms of a stock purchase plan for officers and employees; market (bid) price of Tekoil capital stock at such date was $7.25 per share. Options for the remaining 49,500 shares granted under such plan were forfeited or were released by Novem-

Notes to Financial Statements—(Continued)

NOTE 6: CAPITAL STOCK—(Continued)

ber 30, 1961. Also, an option for 14,667 additional shares expired during 1960. Option prices and market prices at the grant and exercisable dates were as follows:

	Per Share	Total
Granted to officers and employees November 19, 1956 under stock option plan—50,000 shares		
Option price	$ 6.00	$300,000
Market (bid) price		
Date of Grant	$ 5.63	$281,500
Exercisable date (July 1, 1957)	$12.13	$606,500
Granted to officer February 18, 1957—14,667 shares		
Option price	$ 5.75	$ 84,335
Market (bid) price		
Date of grant	$ 8.50	$124,670
Exercisable date (February 18, 1957)	$ 8.50	$124,670

Capital stock to be issued represents 1,336 shares remaining to be issued to The Saint Anne's Oil Production Company pursuant to the terms of an agreement under which the companies were merged effective March 15, 1956.

Dividends of Tekoil's capital stock may not be paid so long as the 5½% bank loan referred to in Note 4 remains outstanding, except with the written consent of the bank.

NOTE 7: DELAY RENTALS

Effective April 1, 1960, Tekoil began capitalizing, rather than charging to expense as in the past, the cost of delay rentals paid on undeveloped leases. Expense for the fiscal year ended March 31, 1961, is $8,300 less as a result of this change in accounting method.

NOTE 8: SUPPLEMENTARY PROFIT AND LOSS INFORMATION

The following items are included under the captions indicated in the statement of operations for the three years and eight months ended November 30, 1961:

	Eight Months Ended November 30, 1961	Year Ended March 31, 1961	1960	1959
Charged directly to operations				
Maintenance and repairs	$172,437	300,681	313,278	309,772
Depreciation, depletion and amortization	$933,852	1,405,142	1,557,228	1,295,553
Rents	$ 17,685	53,458	70,267	167,636
Payroll taxes	$ 5,102	15,664	13,968	9,510
Property taxes	$ 13,446	29,657	28,617	23,834
Charged against oil sales				
Production taxes	$ 56,327	91,771	93,746	87,369

Oil and gas royalties accruing to landowners and others are excluded from income. Neither Tekoil nor its subsidiaries had charges for management or service contract fees during the three years and eight months ended November 30, 1961.

NOTE 9: CONTINGENCIES

Tekoil is involved in litigation arising from operations in the ordinary course of business. However, in the opinion of management, losses, if any, from such litigation will not be material in amount.

On December 15, 1961, the Board of Directors of Tekoil approved a plan to merge Tekoil into Consolidated Oil & Gas, Inc. Such plan is expected to be submitted for consideration of the stockholders of the respective companies during February, 1962.

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THE SURVIVING CORPORATION

Pro Forma Combined Balance Sheet at November 30, 1961

Not Audited

(Giving effect to the proposed merger and capital structure upon completion of the merger, and based upon balance sheets of Consolidated Oil & Gas, Inc., and Tekoil Corporation at November 30, 1961)

ASSETS

Current assets:		
Cash		$ 369,153.25
Special restricted bank deposits		124,190.00
Notes receivable—unsecured		11,334.39
Accounts receivable:		
Oil and gas purchases	$ 195,436.53	
Interest holders in jointly owned properties	306,779.03	
Other—net	100,368.98	602,584.54
Work in progress at cost		4,706.72
Inventory of oilfield equipment and supplies		242,309.49
Interest receivable		10,382.58
Prepaid expenses		33,246.59
Total current assets		1,397,907.56
Investments:		
Affiliated companies	274,828.00	
Other	17,204.00	292,032.00
Other assets:		
Long-term notes receivable—secured	344,000.00	
Sundry	4,471.82	348,471.82
Property and equipment, substantially at cost, most of which is pledged:		
Producing oil and gas properties:		
Leasehold cost	8,927,127.11	
Development cost	3,486,965.56	
Equipment cost	5,590,773.36	
Undeveloped oil and gas leases	412,469.58	
Land, buildings and equipment	241,551.45	
	18,658,887.06	
Less accumulated depreciation, depletion and amortization	6,625,180.20	12,033,706.86
Deferred charges and other assets		155,384.83
		$14,227,503.07

See accompanying notes to pro forma balance sheet.

THE SURVIVING CORPORATION

Pro Forma Combined Balance Sheet at November 30, 1961

Not Audited

(Giving effect to the proposed merger and capital structure upon completion of the merger, and based upon balance sheets of Consolidated Oil & Gas, Inc., and Tekoil Corporation at November 30, 1961)

LIABILITIES

Current liabilities:		
Notes and mortgages payable—portion due within one year:		
Secured		$ 2,774,158.02
Unsecured		269,739.02
		3,043,897.04
Accounts payable—trade		524,382.78
Other accrued liabilities		69,341.54
Advances on drilling arrangements		150,487.50
Total current liabilities		3,788,108.86
Notes and mortgages payable—portion due after one year:		
Secured	$ 2,241,967.32	
Unsecured	20,000.00	2,261,967.32
Deferred income from sale of production payment		3,112,634.09
Capital and surplus:		
Preferred stock—authorized 100,000 shares of $10.00 par value—none issued		
Preferred stock convertible—authorized 10,000 shares of $10.00 par value—none issued		
Common stock—authorized 5,000,000 shares of $.20 par value, issued and outstanding 2,325,408 shares	465,081.60	
Capital surplus	9,700,685.19	
Earned surplus (deficit)	(5,100,973.99)	5,064,792.80
		$14,227,503.07

See accompanying notes to pro forma balance sheet.

THE SURVIVING CORPORATION

Notes to Pro Forma Combined Balance Sheet at November 30, 1961

Note 1:

The pro forma combined balance sheet of the surviving corporation gives effect to the proposed merger of Consolidated Oil & Gas, Inc., and Tekoil Corporation as provided in the Merger Agreement dated December 15, 1961 (see caption "PRINCIPAL PROVISIONS OF MERGER AGREEMENT" elsewhere herein).

The pro forma balance sheet combines the assets and liabilities of Consolidated Oil & Gas, Inc., and Tekoil Corporation in accordance with the concept of a pooling of interests and gives effect to the following:

> The exchange of 1,212,263 outstanding shares and shares to be issued pursuant to a certain merger agreement, (par value $1.00) of Tekoil for 484,905 shares of the surviving corporation (resulting in a reduction of $1,115,282.00 in Tekoil common stock, and an increase of $96,981.00 in the survivor's common stock and an increase of $1,115,282.00 in Tekoil capital in excess of par value).

It is assumed for this purpose that shareholders of neither merging Company will have effectively dissented from the proposed merger and that no other changes in capital stock of either Company will have taken place other than possible exercise of stock options and common stock purchase warrants. Expense of merger will be charged against capital surplus.

Reference is made to the financial statements of Consolidated Oil & Gas, Inc., and Tekoil Corporation and Subsidiary Company contained herein.

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THE SURVIVING CORPORATION

Pro Forma Combined Balance Sheet at November 30, 1961
Not Audited

(Giving effect to the proposed merger and capital structure upon completion of the merger, and also giving effect to the refinancing arrangements, based upon balance sheets of Consolidated Oil & Gas, Inc. and Tekoil Corporation at November 30, 1961)

ASSETS

Current assets:		
Cash, Note 1		$ 619,153.25
Special restricted bank deposits		124,190.00
Notes receivable—unsecured		11,334.39
Accounts receivable:		
Oil and gas purchases	$ 195,436.53	
Interest holders in jointly owned properties	306,779.03	
Other—net, partially pledged	100,368.98	602,584.54
Work in progress at cost		4,706.72
Inventory of oilfield equipment and supplies		242,309.49
Interest receivable		10,382.58
Prepaid expenses		33,246.59
Total current assets		1,647,907.56
Investments:		
Affiliated companies	274,828.00	
Other	17,204.00	292,032.00
Other assets:		
Long-term notes receivable—secured	344,000.00	
Sundry	4,471.82	348,471.82
Property and equipment, substantially at cost, most of which is pledged:		
Producing oil and gas properties:		
Leasehold cost	8,927,127.11	
Development cost	3,486,965.56	
Equipment cost	5,590,773.36	
Undeveloped oil and gas leases	412,469.58	
Land, buildings and equipment	241,551.45	
	18,658,887.06	
Less accumulated depreciation, depletion and amortization	6,625,180.20	12,033,706.86
Deferred charges and other assets		155,384.83
		$14,477,503.07

See accompanying notes to pro forma balance sheet.

THE SURVIVING CORPORATION

Pro Forma Combined Balance Sheet at November 30, 1961
Not Audited

(Giving effect to the proposed merger and capital structure upon completion of the merger, and also giving effect to the refinancing arrangements, based upon balance sheets of Consolidated Oil & Gas, Inc. and Tekoil Corporation at November 30, 1961)

LIABILITIES

Current liabilities:		
Notes and mortgages payable—portion due within one year, Note 2:		
Secured		$ 1,073,396.02
Unsecured		269,739.02
		1,343,135.04
Accounts payable—trade		524,382.78
Other accrued liabilities		69,341.54
Advances on drilling arrangements		150,487.50
Total current liabilities		2,087,346.86
Notes and mortgages payable—portion due after one year:		
Secured, Note 1 and 2	$ 4,192,729.32	
Unsecured	20,000.00	4,212,729.32
Deferred income from sale of production payment		3,112,634.09
Capital and surplus:		
Preferred stock—authorized 100,000 shares of $10.00 par value—none issued		
Preferred stock convertible—authorized 10,000 shares of $10.00 par value—none issued		
Common stock—authorized 5,000,000 shares of $.20 par value, issued and outstanding 2,325,408 shares	465,081.60	
Capital surplus	9,700,685.19	
Earned surplus (deficit)	(5,100,973.99)	5,064,792.80
		$14,477,503.07

See accompanying notes to pro forma balance sheet.

THE SURVIVING CORPORATION

Notes to Pro Forma Combined Balance Sheet
(which gives effect to the refinancing arrangements)

November 30, 1961

Note 1:

Upon consummation of the merger, the Central Bank & Trust Company of Denver, Colorado, has agreed to loan the Company an additional $250,000.00 to be used as working capital and to be secured by certain oil and gas properties which already are pledged to the above Bank to secure a $380,000.00 loan that management estimates will be paid down to $250,000.00 at the date of merger. This loan is to have minimum monthly payments due of $10,000.00. The $380,000.00 note now in effect has minimum monthly payments due of $11,500.00. On the Pro Forma Balance Sheet, the $250,000.00 has been added to the cash account and also added to the notes and mortgages payable—portion due after one year—secured. Eighteen Thousand Dollars ($18,000.00) has also been reclassified from notes and mortgages payable—portion due within one year—secured, because of the $1,500.00 reduction in the monthly minimum payments and added to the notes and mortgages payable—portion due after one year—secured.

Note 2:

The Company has reached preliminary agreement whereby the $4,217,282.07 as of November 30, 1961, of notes and mortgage notes of the Tekoil Corporation will be combined under one note at 6% interest with a new payment schedule. Of the above amount, $2,282,762.06 was previously reflected as a current liability which after the refinancing will be reduced to $600,000.00.

Management believes that this new note will be reduced to $4,150,000.00 by the time the merger is completed. The new note will have a minimum monthly principal payment schedule of $50,000.00 or 60% of the oil runs applicable to the present Tekoil Corporation oil properties after application of accrued interest due, whichever is the greater. On the Pro Forma Balance Sheet, $1,682,762.06 has accordingly been reclassified from notes and mortgages payable—portion due in one year—secured and added to the notes and mortgages payable—portion due after one year—secured.

Reference is made to the financial statements of Consolidated Oil & Gas, Inc. and Tekoil Corporation and subsidiary company contained herein.

See caption "Refinancing of Tekoil Indebtedness" for additional information.

Exhibit B

MERGER AGREEMENT
BETWEEN
CONSOLIDATED OIL & GAS, INC. AND TEKOIL CORPORATION

THIS AGREEMENT OF MERGER, made this fifteenth day of December, 1961, between CONSOLIDATED OIL & GAS, INC., (herein called "Consolidated"), a Colorado corporation, and TEKOIL CORPORATION, (herein called "Tekoil"), a Delaware corporation.

WITNESSETH:

States of Incorporation

WHEREAS, Consolidated is a corporation organized, existing and in good standing under the laws of the State of Colorado, and Tekoil is a corporation organized, existing and in good standing under the laws of the State of Delaware, and

Capitalization of Consolidated

WHEREAS, the total authorized capitalization of Consolidated is $2,100,000, consisting of:

1. 5,000,000 shares of common stock of the par value of $0.20 per share, of which 1,840,536 shares are issued and outstanding as of the date of this Agreement.

2. 100,000 shares of preferred stock of the par value of $10.00 per share, of which no shares are issued and outstanding as of the date of this Agreement.

3. 10,000 shares of convertible stock of the par value of $10.00 per share, of which no shares are issued and outstanding as of the date of this Agreement.

In addition, Consolidated has outstanding as of the date of this Agreement:

1. 404,157 common stock purchase warrants entitling the holders thereof to purchase one share per warrant of the $0.20 par value common stock of Consolidated at the price of $3.875 per share prior to June 30, 1963, and thereafter until expiration on June 30, 1967, at $4.875 per share.

2. Restricted stock options granted by Consolidated to certain of its management personnel pursuant to the terms of its Restricted Stock Option Plan, dated January 17, 1961, entitling the holders thereof to purchase a total of 66,500 shares of the $0.20 par value common stock of Consolidated, and

Capitalization of Tekoil

WHEREAS, the total authorized capitalization of Tekoil is $2,000,000, consisting of 2,000,000 shares of common stock of the par value of $1.00 per share, of which 1,210,807 shares are issued and outstanding as of the date of this Agreement, and 1,456 shares remain to be issued to The Saint Anne's Oil Production Company pursuant to the terms of an agreement under which the companies were merged effective March 15, 1956. In addition, Tekoil has outstanding as of the date of this Agreement a stock option granted to Jonnell Gas Company entitling the holder thereof to purchase a total of 30,000 shares of the $1.00 par value common stock of Tekoil on the terms and conditions therein contained.

Purpose of Merger

WHEREAS, Consolidated and Tekoil have similar general and express powers, objects and purposes, and are in the same cause of endeavor, and the Boards of Directors of both corporations have determined that through a combination and integration of their respective properties and facilities a reduction in costs of operations and an increase in efficiency thereof will be effected. Accordingly, the Boards of Directors of Consolidated and Tekoil, respectively, do deem it desirable and in the best interest of both corporations and their respective shareholders, that Tekoil be merged into Consolidated under and pursuant to the laws of the States of Colorado and Delaware.

Now, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein set forth, and for the purpose of prescribing the terms and conditions of such merger, Consolidated and Tekoil agree as follows:

Declaration of Merger

1. Tekoil shall be, and it is hereby, merged with and into Consolidated as a single Surviving Corporation as of the effective date of the merger. Consolidated shall continue its corporate existence and shall remain a Colorado corporation governed by the laws of that State. Upon the effective date of the merger, Tekoil will cease to exist. The single corporation which shall so survive the merger is hereinafter sometimes called the "Surviving Corporation"; Consolidated and Tekoil are hereinafter sometimes called the "Constituent Corporations"; and the date and time when the Constituent Corporations shall merge and become the Surviving Corporation are hereinafter referred to as "the effective date of the merger."

Certificate of Incorporation of the Surviving Corporation

2. On the effective date of the merger, the Certificate of Incorporation of Consolidated, as amended to date, shall be the Certificate of Incorporation of the Surviving Corporation until further amended as provided under the laws of the State of Colorado. The Surviving Corporation shall continue to be known as "Consolidated Oil & Gas, Inc."

By-Laws of Surviving Corporation

3. On the effective date of the merger, the By-Laws of Consolidated, as theretofore amended, shall be the By-Laws of the Surviving Corporation until the same shall be altered, amended or repealed, or until new By-Laws shall be adopted in accordance with the provisions thereof.

Directors and Officers of Surviving Corporation

4. The Board of Directors of the Surviving Corporation shall initially consist of nine Directors, each of whom shall hold office until the next Annual Meeting of the Shareholders of the Surviving Corporation to be held in 1962, and until his successor shall have been duly elected and shall be qualified, or until his earlier death, resignation or removal. The respective names and addresses of such Directors are as follows:

Name	*Address*
John E. Price	P. O. Box 946 Fort Myers, Florida
Harry A. Trueblood, Jr.	3000 Cherryridge Road Englewood, Colorado
James D. Landauer	666 Fifth Avenue New York, New York
Theodor F. Rittenberg	31 Cherry Lane Drive Englewood, Colorado
Daniel T. O'Shea	630 Fifth Avenue New York, New York
Lee A. Freeman	105 South La Salle Street Chicago 3, Illinois
Henry A. Wilmerding	Hitchcock Lane Westbury, Long Island New York
Lee J. Spiegelberg	1070 Park Avenue New York, New York
J. M. McCleskey	P. O. Box 1161 El Paso, Texas

The principal officers of the Surviving Corporation, each of whom shall hold office until his successor shall have been duly elected or appointed and shall be qualified, or until his earlier death, resignation or removal, and their respective offices and names are as follows:

Office	Name
President	Harry A. Trueblood, Jr.
Exec. Vice President	J. B. Ladd
Vice President	Robert B. Tenison
Vice President	Doyle K. Dressback
Secretary	C. J. Cooper, Jr.
Treasurer and Assistant Secretary	Theodor F. Rittenberg
Assistant Secretary and Assistant Treasurer	H. C. Gutjahr

The Surviving Corporation may have such other officers as shall be provided for in its By-Laws.

If on the effective date of the merger a vacancy shall exist on the Board of Directors of the Surviving Corporation, or in any of the above specified offices, by reason of the inability or failure of any of the above persons to accept a directorship in the Surviving Corporation or the office to which he is designated, as the case may be, such vacancy may thereafter be filled in the manner provided for in the By-Laws of the Surviving Corporation.

Shareholder Vote on Merger

5. The Boards of Directors of Consolidated and Tekoil shall cause special meetings of their respective shareholders to be called and held within 90 days from the date hereof to consider and vote upon the merger of Tekoil into Consolidated according to the terms and conditions set forth in this Agreement. This Agreement of Merger shall become effective upon the approval, adoption and ratification thereof by the affirmative vote of the shareholders of each of the Constituent Corporations owning at least two-thirds of the outstanding stock entitled to vote at such special shareholders meetings held in conformity with By-Law and Statutory requirements. Such facts shall be certified hereon by the Secretaries of each corporation and this Agreement of Merger, if so adopted, shall be signed, acknowledged, filed and recorded in accordance with the laws of the States of Colorado and Delaware, and thereupon the merger of Tekoil with and into Consolidated shall be deemed effective.

Conversion of Securities on Merger

6. The manner of converting issued and outstanding shares, purchase warrants and options of the Constituent Corporations into shares, purchase warrants and options of the Surviving Corporation shall be as follows:

(a) All shares of the common stock, purchase warrants and restricted stock options of Consolidated issued and outstanding on the effective date of the merger shall continue to be issued and outstanding and the rights, privileges, terms and conditions thereof shall remain unchanged.

(b) The holders of common stock of Tekoil issued and outstanding on the effective date of the merger shall be entitled to receive one share of the common stock of the Surviving Corporation for each 2.5 shares of the common stock of Tekoil owned and surrendered for exchange as hereinafter provided. In accordance with and subject to the terms of any options, outstanding as of the effective date of the merger, providing for the purchase of common stock of Tekoil, each such option shall be converted into an option to purchase a number of shares of common stock of the Surviving Corporation determined by dividing the number of shares of common stock of Tekoil which may be purchased under such option by 2.5 (eliminating any resulting fraction of a share), at a price per share determined by multiplying the price per share at which shares of common stock of Tekoil may be purchased pursuant to such option by 2.5.

Exchange of Certificates

7. At any time and from time to time after the effective date of the merger, the holders of the common stock of Tekoil shall be entitled, upon surrender of the certificates therefor, properly endorsed if requested, to the Surviving Corporation or an agent appointed by it, to receive in exchange therefor a certificate or certificates representing the number of full shares of common stock of Consolidated into which the shares of Tekoil represented by the certificate or certificates so surrendered shall have been converted pursuant to the provisions hereof. No certificates representing fractional interests in the shares of Consolidated will be issued to holders of Tekoil stock, but in lieu thereof, each holder of a fractional interest shall have the election, exercisable at the time of the surrender of said certificate or certificates for exchange, to either buy sufficient additional fractional interests to entitle him to a full share of Consolidated stock, based on a valuation of $5.00 per share for one full share of Consolidated stock, or to sell his fractional interest and to receive the proceeds of such sale based on the same valuation of $5.00 per share. The failure to make an election as provided for herein shall be deemed to be an election to sell the fractional interest at the rate set forth above.

Listing of Shares

8. Consolidated will forthwith make application to the American Stock Exchange for the listing thereon of the shares of its common stock issuable hereunder and will endeavor, in good faith, to have such application granted. In connection with such listing, Consolidated will also take such other action as may be required pursuant to the applicable provisions of the Securities Act of 1933 and 1934, together with any other state or federal law or regulation pertaining thereto.

Effect of Merger

9. Upon the effective date of the merger, all of the rights, privileges, powers and franchises and all properties and assets of every kind and description of Tekoil shall be vested in and held and enjoyed by the Surviving Corporation, without further act or deed; and all the assets and interests of every kind of the Constituent Corporations, including all debts due to either of them on whatever account, shall be as effectively the property of the Surviving Corporation as they were of the respective Constituent Corporations; and the title to any real estate vested by deed or otherwise in either of the Constituent Corporations shall not revert or be in any way impaired by reason of this merger, and all rights of creditors and all liens upon any property of either of the Constituent Corporations shall be preserved unimpaired, and all debts, liabilities and duties of the respective Constituent Corporations shall thenceforth attach to the Surviving Corporation and may be enforced against it to the same extent as if such debts, liabilities and duties had been heard or contracted by it.

Representations and Warranties of Tekoil

10. Tekoil represents and warrants to Consolidated, as of the effective date of the merger, that

(a) All financial statements furnished by Tekoil to Consolidated, including audited financial statements as of November 30, 1961, or later, which shall substantially conform to earlier unaudited statements, fairly represent, in accordance with sound and generally accepted accounting principles, the financial condition and results of the operations of Tekoil as of the dates and for the periods indicated.

(b) Tekoil has good record title, as determined in the opinion of counsel selected by Consolidated, to all of its properties and assets as reflected in its books and records; there are no mortgages, liens, charges or encumbrances of any nature whatsoever on any of its properties or assets other than those set forth in its financial statements furnished to Consolidated and as shown in the lease records of Tekoil, except the liens of property taxes and assessments not yet subject to penalties for nonpayment and except minor encumbrances, restrictions or defects which are immaterial in their effect upon the use of such properties for the purposes now used.

(c) Tekoil is not a party or threatened by any litigation, proceeding or controversy before any court or administrative agency which might result in any change in the business or properties of Tekoil, which change would be substantially adverse, taking into account the entire business and properties of Tekoil; and Tekoil is not in default with respect to any judgment, order, writ, injunction, decree, rule or regulation of any court or administrative agency.

Representations and Warranties of Consolidated

11. Consolidated represents and warrants to Tekoil, as of the effective date of the merger, that:

(a) All financial statements furnished by Consolidated to Tekoil, including audited financial statements as of November 30, 1961, or later, which shall substantially conform to earlier unaudited statements, fairly represent, in accordance with sound and generally accepted accounting principles, the financial condition and results of the operations of Tekoil as of the dates and for the periods indicated.

(b) Consolidated is not a party to or threatened by any litigation, proceeding or controversy before any court or administrative agency which might result in any change in the business or properties of Consolidated, which change would be substantially adverse, taking into account the entire business and properties of Consolidated.

Further Instruments

12. From time to time, as and when requested by the Surviving Corporation, or by its successors or assigns, Tekoil shall execute and deliver, or cause to be executed and delivered, all such deeds and other instruments; and will take, or cause to be taken, such further or other action as the Surviving Corporation may deem necessary or desirable in order to vest in and confirm to the Surviving Corporation title to and possession of any property of Tekoil acquired or to be acquired by reason of, or as a result of the merger herein provided for, and otherwise to carry out the intent and purposes hereof; and the proper officers and Directors of Tekoil and the proper officers and Directors of the Surviving Corporation are fully authorized in the name of Tekoil, or otherwise, to take any and all such action.

Prohibitive Acts

13. Between the date hereof and the effective date of the merger, neither Consolidated nor Tekoil will, except with the prior written consent of the other:

(a) Issue or sell any stock, bonds, or other corporate securities except that Consolidated may issue and sell such common stock as may be required pursuant to certain common stock purchase warrants heretofore issued, and as may be required to be issued pursuant to the terms of the restricted stock options heretofore issued.

(b) Incur any obligation or liability, absolute or contingent, except current liabilities incurred and obligations under contracts entered into in the ordinary course of business.

(c) Discharge or satisfy any lien or encumbrance or pay any obligation or liability, absolute or contingent, other than current liabilities incurred in the ordinary course of business.

(d) Make any dividend or other payment or distribution to its stockholders or purchase or redeem any shares of its capital stock.

(e) Mortgage, pledge or subject to lien or other encumbrance any of its assets, tangible or intangible.

(f) Sell or transfer any of its tangible or intangible assets or cancel or waive any debts, claims or other rights except in each case in the ordinary course of business.

(g) Enter into any transaction other than in the ordinary course of business.

Expense of Merger

14. If this Agreement of Merger is approved by the shareholders of both of the Constituent Corporations, all costs and expenses pertaining to this merger shall be paid and borne by Consolidated. If the merger is not approved, or is otherwise not completed, all costs and expenses of each Constituent Corporation shall be paid by the Corporation incurring the expense.

Abandonment of Merger

15. This Agreement may be terminated and the merger provided for hereby abandoned by vote of the Board of Directors of either of the Constituent Corporations at any time prior to the effective date of the merger, if:

(a) A material breach shall exist with respect to any of the written representations, warranties and covenants made by the other Constituent Corporation in connection with the merger, including, but not limited to, those set forth in that certain letter agreement between the Constituent Corporations dated December 4, 1961.

(b) The other Constituent Corporation, without prior written consent of such Constituent Corporation, should take any action prohibited by this Agreement, or

(c) The other Constituent Corporation shall not have furnished such certificates, audited financial statements as of November 30, 1961, or later, and legal opinions in connection with the merger and matters incidental thereto as it shall have agreed to furnish, or

(d) If in the opinion of the Board of Directors of such Constituent Corporation the merger is impracticable or undesirable by reason of the number of objections or demands for payment for stock filed by the shareholders of either Consolidated or Tekoil in accordance with the laws of their respective states of incorporation.

(e) This Agreement and the merger herein provided for shall not have become effective on or before March 31, 1962.

In the event of such termination and abandonment, this Agreement shall be void and have no effect and there shall be no liability on the part of either of the Constituent Corporations or any Director or officer or shareholder of either of such Constituent Corporations in respect thereof.

Service of Process

16. In the event the merger shall become effective, the Surviving Corporation agrees that it may be served with process in the State of Delaware in any proceeding for enforcement of any obligation of Tekoil, as well as for the enforcement of any obligation of the Surviving Corporation arising from the merger, and does irrevocably appoint the Secretary of State of the State of Delaware as its agent to accept service of process in any action for the enforcement or payment of any such obligation. The address to which a copy of such process shall be mailed is:

Consolidated Oil & Gas, Inc.
Suite 2112 Tower Building
1700 Broadway
Denver 2, Colorado

Execution in Counterparts

17. For the convenience of the parties hereto, and to facilitate the filing and recording of this Agreement of Merger, any number of counterparts thereof may be executed and each such executed

copy of this Agreement of Merger shall be determined to be an original instrument, and all together shall constitute one agreement. This Agreement of Merger shall be determined to be and shall be construed as a Colorado contract.

In Witness Whereof, Consolidated Oil & Gas, Inc., and Tekoil Corporation, pursuant to authority duly given by their respective Boards of Directors, have caused this Agreement of Merger to be executed by a majority of their respective Directors and their corporate seals to be hereunto affixed, and attested by their respective Secretaries, as of the day and year first hereinabove written.

Consolidated Oil & Gas, Inc.
Board of Directors

Attest:

Secretary

Harry A. Trueblood, Jr.

James D. Landauer

Carl J. Odegard

Daniel T. O'Shea

John E. Price

Theodor F. Rittenberg

Henry A. Wilmerding

Lee J. Spiegelberg

Lee A. Freeman

Tekoil Corporation
Board of Directors

Attest:

Secretary

D. K. Dressback

Dean P. Guerin

C. L. Perkins

Frank K. Rader

Fred W. Fairman

J. E. Trigg

CONSOLIDATED OIL & GAS, INC.

2112 TOWER BUILDING
1700 BROADWAY
DENVER, COLORADO

December 4, 1961

Tekoil Corporation
7101 Carpenter Freeway
Dallas 35, Texas

Gentlemen:

This letter will constitute an offer by Consolidated Oil & Gas, Inc., of Denver, Colorado, a corporation organized and existing under the laws of the State of Colorado, to effect a merger with Tekoil Corporation, of Oklahoma City, a corporation organized and existing under the laws of the State of Delaware, pursuant to the laws of the respective states of incorporation of the two companies, whereby Tekoil will be merged into Consolidated which will be the surviving corporation.

As of the effective date of the merger each stockholder of Tekoil will be entitled to receive one share of the $0.20 par value common stock of Consolidated for each 2.5 shares of the $1 par value common stock of Tekoil delivered to the surviving corporation for exchange. This offer is made in reliance upon the accuracy of the information previously furnished by Tekoil to Consolidated as to the financial condition of Tekoil as shown by a pro forma financial statement dated as of November 30, 1961 and unaudited financial statements taken from its books and records as of October 31, 1961 and the engineering valuations prepared by Norman Clark as of July 1, 1961. Your acceptance of this offer will be in reliance upon the accuracy of information as to the financial condition of Consolidated and engineering evaluations of its properties previously furnished to you.

If accepted, this agreement will be subject to the following conditions:

1. Within thirty days following the date of acceptance of this offer, Consolidated will use its best efforts to obtain refinancing commitments of Tekoil's mortgaged indebtedness at banking institutions of its own choosing on terms that are mutually acceptable to both parties.

2. Each party will have the right to inspect the books and records of the other and to make a physical inspection of the other party's properties at all reasonable times.

3. Each party agrees to proceed with the preparation of audited financial statements as of November 30, 1961.

4. Each party shall receive an opinion of its counsel to the effect that the proposed merger will be tax free to the respective corporations and their stockholders pursuant to the Revenue Act of 1954 and the regulations promulgated thereunder and that the tax loss carry forward of Tekoil may be utilized by the surviving corporation without reduction as a result of the merger.

5. Tekoil agrees to cause its auditors to make certain adjustments in its balance sheet, as recommenced by Consolidated, affecting its investment in Petroleum Technologists, Inc., effective November 30, 1961.

6. Tekoil will use its best efforts to obtain a release of presently outstanding options for the purchase of shares of its common stock.

Upon the compliance of the above conditions to the mutual satisfaction of both parties, the parties will enter into a written merger agreement to be approved by its respective Boards of Directors and which will contain among other matters the following terms and conditions:

1. Each party will agree to call a special meeting of its stockholders to vote upon the merger.

2. Upon approval of the agreement of merger by the respective Boards of Directors, neither corporation shall issue any additional shares of stock nor enter into any agreement nor incur any

indebtedness other than in the ordinary course of trade or business, except, however, Consolidated may issue such shares as are required pursuant to the terms of certain common stock purchase warrants and respective stock options now outstanding.

3. One person selected by the Board of Directors of Tekoil shall become a member of the Board of Directors of the surviving corporation.

4. As of the effective date of the merger, all of the assets and properties of Tekoil shall vest in and become the assets and properties of the surviving corporation subject to all of the debts, liens and encumbrances and liabilities of Tekoil which shall be assumed by the surviving corporation as set forth in the audited financial statements of Tekoil as of November 30, 1961, except for any changes therein incurred in the ordinary course of business.

5. On the effective date of the merger each holder of common stock of Tekoil, upon presentation and surrender of his certificates therefor to the surviving corporation, shall be entitled to one or more certificates representing shares of the common stock of the surviving corporation at the rate of one share of the common stock of the surviving corporation for each 2.5 shares of the common stock of Tekoil. The holders of any fractional interest in the shares of common stock of the surviving corporation will be entitled to receive payment in cash at the price of $5 for one full share of Consolidated for such fractional interest or to purchase an additional fractional interest so as to make one full share on the same basis.

6. Consolidated will prepare and file the necessary application for listing of the additional shares of its common stock on the American Stock Exchange, to be issued to the stockholders of Tekoil pursuant to the terms of the merger.

7. The holders of any outstanding options previously issued by Tekoil for the purchase of shares of Tekoil common stock and not theretofore released will be entitled, upon the exercising of such options, to purchase such number of shares of the surviving corporation as they would have been entitled to receive as a result of the merger had they previously exercised said options prior to the merger.

8. Each party will represent and warrant as of the effective date of the merger that it has no litigation, controversy or dispute pending or threatened against it not otherwise disclosed in said agreement of merger.

9. Tekoil will warrant that it has merchantable title as to all of its properties, both real and personal, as reflected on its books and records, and that the same have no encumbrances other than as set forth in its financial statements to be furnished by Tekoil pursuant hereto.

10. It is understood and agreed that the exchange contemplated by this merger will be in conformity with all state and federal laws and regulations including compliance with the applicable provisions of the Securities Act of 1933.

If this offer is acceptable to you, please indicate your acceptance and approval thereof in the space provided below.

Yours very truly,

CONSOLIDATED OIL & GAS, INC.

By HARRY A. TRUEBLOOD

Harry A. Trueblood, Jr.
President

ACCEPTED AND APPROVED by
TEKOIL CORPORATION this 5th
day of December, 1961.

By D. K. DRESSBACK

D. K. Dressback
President