

Annual
Report

1955

Sinclair Oil Corporation

Notice to Stockholders:

The Management will request proxies for the Annual Meeting of Stockholders to be held on May 16, 1956. It is expected that a proxy statement and a form of proxy will be mailed to stockholders on or about April 9, 1956, together with notice of meeting and request for proxy.

Sinclair Oil Corporation through subsidiaries, engages in all major functions of the oil industry—production, transportation, refining and marketing. Principal operating subsidiary companies are listed below, together with their primary activities and the locations of their headquarters. Unless otherwise stated, all subsidiaries are wholly owned.

SINCLAIR OIL & GAS COMPANY, Tulsa, Oklahoma
crude oil exploration and production in the United States.
A subsidiary of this company, **Sinclair Canada Oil Company** conducts similar operations in the Dominion of Canada.

SINCLAIR CRUDE OIL COMPANY, Tulsa, Oklahoma
purchase and sale of crude oil.

SINCLAIR PIPE LINE COMPANY, Independence, Kansas
ownership and operation of crude oil and products pipe lines.

SINCLAIR REFINING COMPANY, New York
petroleum refining, product marketing and marine operations.
In marketing operations, two Sinclair subsidiaries distribute under their own names in individual areas:
Richfield Oil Corporation of New York, New York
New England and the eastern seaboard states
Hughes Oil Company, Chicago, Illinois
Chicago area

SINCLAIR RESEARCH LABORATORIES, INC., Harvey, Illinois and Tulsa, Oklahoma—research and development

SINCLAIR CHEMICALS, INC., New York
petrochemical development and marketing

SINCLAIR CUBA OIL COMPANY, S.A., Havana, Cuba
marketing—principally in Cuba

SINCLAIR PETROLEUM COMPANY, New York
exploration in Ethiopia

SINCLAIR SOMAL CORPORATION, New York
exploration in Italian Somaliland

VENEZUELAN PETROLEUM COMPANY, New York
(96.24% owned)—crude oil production and refining through a Venezuelan subsidiary,
Sinclair Oil & Refining Company, Caracas, Venezuela

NOTE: The term "Company" in this report is used interchangeably to describe Sinclair Oil Corporation or any of its subsidiaries, individually or collectively. Unless otherwise indicated, all Sinclair subsidiaries mentioned are wholly owned.

Sinclair Oil Corporation

and Subsidiaries

SYNOPSIS of Report and Table of CONTENTS

Year's Results in Brief	2	Marketing	11
The President's Message	3	Aggressive selling boosts sales total to record 162 million barrels . . . domestic sales up 8 per cent . . . efforts concentrated on most profitable markets . . . gasoline, heating oils focal points of sales effort . . . lube oil sales high . . . service station building, improvement emphasized . . . new dealer-aid programs available.	
Financial	5	Research	11
1955 net earnings \$80,709,954, up 8.1 per cent over 1954 net . . . 1955 net per share \$6.01 compared to \$6.05 in 1954 on annual average number of shares outstanding . . . long term debt down sharply . . . total of \$65 million in 3¼% debentures now converted . . . capital expenditures total \$165 million.		New catalysts developed to improve fuel oils, licensed for manufacture . . . lube oil additive process in commercial use . . . special lab planned to test nuclear radiation on processes and products . . . radioactive materials already in use . . . newly developed products introduced . . . commercial test of underground heatwave planned . . . improved exploration, production methods studied.	
Crude Oil Operations	6	Sinclair Map	12-13
Daily average net production, crude and natural gas liquids, 155,861 barrels . . . up 7.5 per cent over 1954 for new record high . . . 665 net wells drilled . . . Sinclair domestic crude production gain higher than industry-wide average . . . wildcat well activity increased . . . offshore, Canada operations stepped-up.		Petrochemicals	14
Pipe Lines	9	Sales volume increased, list of products lengthened . . . important new chemical unit in operation at Marcus Hook . . . ammonia plant under construction to service midwest farm markets . . . new lube additive plant due for Houston.	
Pipe line system's expense-to-revenue ratio best in history . . . record crude and products traffic handled . . . new large-diameter crude line planned in Texas . . . Arapahoe line capacity expanded . . . extension of "micro-wave" system planned . . . Badger products pipe line in operation.		Public Relations	15
Marine	9	Special National Parks advertising campaign completes first year . . . Sinclair efforts receive wide public and private recognition . . . sales stimulated.	
Long-haul movement emphasized . . . marine traffic increases 7 per cent . . . third supertanker enters service . . . pioneering combination oil-ore ship, largest in world, chartered.		Employee Relations	15
Refining	10	More than 95 per cent of eligible employees participate in Company's benefit programs . . . 1955 wage increase followed industry pattern . . . 125 labor agreements renegotiated in 1955.	
Record volume of crude processed as throughput averages 430,000 barrels daily . . . second catalytic reformer placed on stream, third near completion . . . two large distillation units under construction at Marcus Hook.		Accountants' Report	16
		Financial Statements	17-21
		Long Term Debt	20
		Properties, by Departments	21
		Ten-Year Statistical Summary	22-23
		Directors and Officers	24



The Year's Results in Brief and Comparisons

Financial	1955	1954
Gross Operating Income*	\$1,110,066,902	\$1,021,461,419
Net Income	80,709,954	74,623,256
Per Share†	6.01	6.05
Dividends	36,578,133	32,028,575
Per Share	2.70	2.60
Stockholders' Equity (at December 31)	829,049,263	703,795,884
Per Share	58.39	56.99
Capital Expenditures for Properties, Plant and Equipment	165,625,000	131,765,000
Total Assets	1,250,125,312	1,186,770,727
Operating	Barrels	
Net production of crude oil and natural gas liquids (United States, Canada and Venezuela)	56,889,572	52,883,705
Crude oil processed at refineries	157,173,601	151,000,929
Total sales of petroleum products	162,742,100	152,775,632

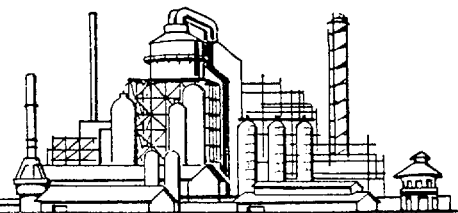
*Includes sales of purchased crude oil (see pages 22-23).

†Based on average number of shares outstanding during the respective periods.

The President's Message

to

Stockholders and Employees



Many of the Company's 107,000 busy stockholders will scan the "synopsis" which appears on the Contents page of this report. Many will glance at the "highlights" that appear on page 2. I am hopeful that a large number of those who have invested in Sinclair securities will take the comparatively short time necessary to read the entire report. To the extent practicable, it is presented in terminology that will be understandable to those whose way of life does not necessarily familiarize them with the techniques of an oil company's operations.

The year 1955 was a year of progress for the petroleum industry. For Sinclair, too, it was a year of good business. Readers of this report will observe that the Company made notable strides in the profitability of operations in spite of continuously rising costs. For the most part, these higher costs were not recovered through increased prices of refined products, particularly gasoline, the octane quality of which was progressively stepped up to meet market demand. High octanes are expensive to produce.

Strides were also made in the field of crude oil production, both present and prospective. Substantial debt reduction was effected, and the Company's equity capital base was materially broadened with the continuing heavy conversions of the 3¼% convertible debentures.

The age in which we live is without question the most dynamic and fast moving in mankind's history. This rapid progress applies with particular emphasis to the use of energy, of which petroleum is our country's major source, and to the amazing advances in chemical technology and its application.

The accelerated pace of industrial development, a trend which will inevitably continue, probably at an even greater rate, intensifies the problems of corporate management. In our organization we call three of the most important problems "plans, people and properties."

In the affairs of an integrated oil company one is dealing, in effect, with a number of diversified and dissimilar businesses. There is the finding and garnering of raw material, specialized land and ocean transportation, manufacturing, selling, and the ever-vital research effort. In bringing these threads together, we must plan, and plan carefully, for a well balanced operation. We need to probe the future as intelligently as we are able. We must establish a clearly defined goal and make a keen appraisal of the resources that it will take to do the job and of the avenues through which we may expect to derive those resources.

At the same time we must be ingenious and flexible enough to change course should unexpected circumstances arise. In our rapidly changing era, unexpected circumstances may well arise with disconcerting suddenness.

Plans for the future are sterile unless there are to be people available to effectuate those plans. This is a problem which your Company's management rates as of the highest importance. In order to continue successful operations, we must at all times have the benefit of the best talent available, and we must provide suitable incentives in order that such talent may be retained and fruitfully utilized.

As previously reported to stockholders, the average age of our principal operating executives has been materially reduced during the past few years by reason of retirements, promotions and realignments. Careful attention is being given to the training of younger executives, so that adequate replacements will always be readily available at the right time. A consistent policy of decentralization, placing appropriate authority as close as possible to the task to be performed, is proving an invaluable aid in the developing of our executive talent. The "Junior Board of Directors" also continues to be an effective arm of the Company's training program.

As to properties—competent observers estimate that capital expenditures in the petroleum industry in the next five years will exceed substantially those of the past five years. Sinclair's additions to physical properties in the years 1951-1955 came close to three quarters of a billion dollars. Our estimate of the future offers no prospect that such expenditures will be less over the next five years. They may well be substantially greater.

A substantial portion of new capital must inevitably be from funds internally generated, that is, from the plow-back of earnings, with due regard for providing an attractive rate of current cash return on the stockholder's investment. In order that internally generated funds be available in appropriate amount, it is surely imperative that the petroleum industry secure, through the medium of prices received for its products, just compensation for its increased costs. These increases in costs arise, in part, from larger expenditures incurred in the search for raw material, in part from increased labor costs, rising prices of goods and services required in the conduct of the business, and, quite importantly, from the providing of more costly products to meet today's market demand.

Reverting, in conclusion, to the subject of planning, it is my considered opinion that petroleum's destiny is one of substantial growth, as far into the future as one can attempt to explore. We have a growing population, a rapidly advancing technology, and a resultantly growing economy. Mankind has, and will continue to have, an increasing need of energy in all of its forms, both in this country and in other lands. So, in our planning we must be farsighted and bold, lest we lose the opportunity to participate in this certain growth. At the same time we must be prudent, recognizing that there may be intermediate dips in the over-all economy. Thus, while keeping our ship sound and strong, readied to ride out any storm that may arise, we press on, firmly convinced that the long-range future of our industry and of our Company spells continuing progress.


President

March 2, 1956.

* * * * *

For the loyal and efficient cooperation of Sinclair's many thousands of men and women, for the continued support of shareholders and for the patronage and confidence of customers, Sinclair's management takes this opportunity of expressing its sincere appreciation.

Record of the Year

New York, March 16, 1956

To The Stockholders, Sinclair Oil Corporation:

This report and the accompanying financial statements cover the operations of your Company and its Subsidiaries for the year 1955, and the financial position at December 31, 1955.

Financial

Earnings

Sinclair's consolidated net income for 1955 amounted to \$80,709,954, exceeding by \$6,086,698, or 8.1 per cent, the net earnings from regular operations of \$74,623,256 reported for 1954.

Per-share net income for 1955 was \$6.01, computed on an average of 13,428,739 shares outstanding during the year. This compares with a 1954 figure of \$6.05 per share on an average of 12,321,450 shares outstanding during that year.

Computed on the same basis, the per-share "cash" income (i.e. income before charges not requiring cash outlay—depreciation, depletion, etc.) amounted to \$13.31 in 1955 as compared with \$12.95 in 1954.

Dividends

Cash dividends paid in 1955 totaled \$36,578,133. For each of the first three quarters of the year a dividend of 65 cents per share was paid. In the last quarter the regular quarterly rate was increased to 75 cents per share, making a total for the year of \$2.70 per share.

Long-Term Debt

During the year long-term debt (excluding amounts recorded as cur-

rent liabilities) decreased by \$74.5 million, from \$323.2 million to \$248.7 million. Of this decrease \$54.2 million resulted from conversions by holders of the Company's 3¼% convertible debentures, and \$20.3 million from sinking fund and other cash retirements of debt.

In the first two months of 1956 additional conversions approximated \$10 million, reducing the outstanding amount of 3¼% debentures to \$36 million, as compared with the original issue in January 1953 of \$101 million. Since such issuance, the Company's ratio of long-term debt to total borrowed and invested capital has been reduced from 36 per cent to a present figure of 22 per cent.

Capital Expenditures

Expenditures for additions to physical properties amounted to \$165 million. This amount includes \$24 million required (over and above the production payment of \$75 million) to acquire the crude oil and gas producing properties, undeveloped acreage and other physical assets formerly owned by American Republics Corporation.

Of the 1955 total of \$165 million, \$93 million applies to expenditures on oil and gas production, \$11 million to transportation, \$39 million to man-

ufacturing, \$18 million to marketing, and \$4 million to other miscellaneous facilities.

Working Capital

Net working capital (current assets less current liabilities) decreased by \$12.7 million during the year, from \$244.4 million to \$231.7 million. The principal factors contributing to this result are briefly summarized below:

SOURCE OF FUNDS	Millions
Consolidated net income	\$ 80.7
Depreciation, depletion and other non-cash charges	98.1
Sale of properties (see "Pipe Lines" and "Marine")	24.9
Other miscellaneous items (net)	6.1
Decrease in working capital	12.7
	<u>\$222.5</u>
DISPOSITION OF FUNDS	
Capital expenditures	\$165.6
Dividends	36.6
Cash retirements of long-term debt	20.3
	<u>\$222.5</u>

Capital Stock

The total number of shares outstanding in the hands of the public increased during the year 1955 by 1,847,654. Such increase arose from the following transactions:

Conversion of 3¼% debentures	1,232,280 Shares
Issued in exchange for Venezuelan Petroleum Company shares (under offer previously reported to stockholders)	243,785 Shares
Exercise of options (under Company's Amended Stock Purchase and Option Plan)	349,600 Shares
Issued in connection with the acquisition of properties, etc.	21,989 Shares

Crude Oil Operations

Production

Total Production

In 1955, Sinclair stepped up its activities in all phases of its producing operations. The net result was an all-time high record in the average daily net production of crude oil and other liquid hydrocarbons—155,861 barrels daily against 144,887 barrels daily in 1954, a gain of 10,974 barrels, or 7.5 per cent.

United States and Canada

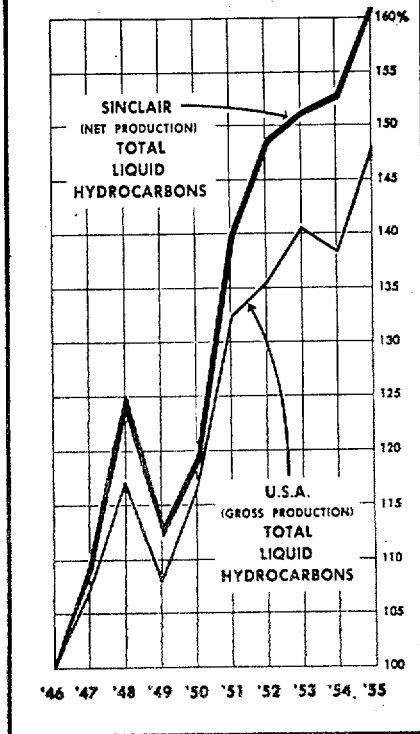
In the United States and Canada such production increased from a daily average of 128,516 to 135,821 barrels. Discoveries in Texas, New Mexico and Wyoming accounted for the most significant increases. Sec-



P. C. Spencer, in capacity as Chairman of the American Petroleum Institute's Board of Directors, was a member of the U. S. honor delegation to the International Petroleum Congress in Rome last year. With Mr. Spencer, right, is Frank Porter, API President.

Annual Increase in Production of Liquid Hydrocarbons

SINCLAIR 10-YEAR RECORD
COMPARED WITH
TOTAL U.S. RECORD



ondary recovery operations, both gas and water injection, again furnished more than 10 per cent of Sinclair's total net domestic crude oil production.

As shown by the chart above, Sinclair's rate of gain in domestic crude oil production over the ten-year period 1946-1955 has been higher than that of the industry. The improvement in the past four years has been particularly noteworthy.

Venezuela

Daily average net production of crude oil and other liquid hydrocarbons in Venezuela increased to 20,040 barrels in 1955 from 16,371 barrels in 1954, a gain of over 22 per cent. This increase was due principally to active development of the Santa Barbara field extension.

Drilling and Exploration

United States and Canada

Wells drilled for oil and gas during 1955 totaled 617 *net* (i.e. based on Company's percentage of ownership in all wells drilled in which it had an interest). Of this number, 449 were oil wells, 40 gas wells and 128 dry holes. This compares with a total of 527 wells in 1954, consisting of 420 oil wells, 24 gas wells and 83 dry holes.

Of the 617 *net* wells drilled in 1955, development wells (i.e. wells having to do with the development of already producing properties) totaled 527. The remaining 90 *net* wells were wildcats (i.e. exploratory tests of undeveloped properties). The 90 wildcat wells represented an increase of 41 per cent over the wildcat drilling undertaken in 1954, and resulted in 14 oil discoveries, 6½ gas discoveries and 69½ dry holes.

The drilling of these 90 wildcat wells, however, is by no means a complete measure of Sinclair's exploration activity, which reached an all-time high in 1955. The 90 *net* wells represented a direct participation in the drilling of 136 *gross* wildcat tests. Also, by agreeing to contribute nominal amounts of cash and/or acreage, Sinclair encouraged the drilling of an additional 425 wildcats by others. All were in areas where the Company had substantial amounts of acreage. Such drilling not only furnished desirable information for evaluating Sinclair leases, but in many instances discovered substantial new reserves. Sinclair's undeveloped acreage evaluation program in the United States, onshore and offshore, and in Canada, therefore benefited by the drilling of a total of 561 wildcats.

Apart from drilling, other phases of exploration, including an average of 20 seismograph crews, diligently combined to point the way to new prospects and revalue old ones. This program resulted in the relinquish-

ment of 2,300,000 undeveloped acres and, at the same time, 1,300,000 acres of new undeveloped lands were added. This net reduction of 1,000,000 acres was largely offset by acquisition of undeveloped acreage formerly owned by American Republics Corporation, consisting of 546,000 net acres of mineral fee lands and 280,000 net acres of commercial leases.

Some of the more important successful exploratory wells drilled onshore during the year were as follows:

- Fisher County, Tex.—(Sweetwater Canyon)
- Lea County, N. M.—(Dean Field)
- Irion County, Tex.—(Ketchum Mountain)
- Grand County, Utah—(San Arroyo)
- Marshall County, Okla.—(North Madill)
- Fremont County, Wyo.—(Crooks Gap—Nugget)
- Moffat County, Colo.—(Thornburg—Weber)

In offshore operations, Sinclair jointly with three other companies, increased its lease holdings to a total of over 37,000 acres in the submerged area of the Gulf of Mexico off the Louisiana coast and part of the Texas



Valuable Production was added to Sinclair properties by wells completed in the Emma Field, West Texas. Ten wells drilled last year gave Company 14 large producers in the field. Well above was being drilled at year's end on important tract purchased in December.

coast. Additional geophysical work was completed in 1955, and at the year's end a platform was being installed for a wildcat test in the Eugene Island area, 45 miles off the coast of Louisiana. Another platform was being constructed for a wildcat test in South Timbalier area, also in Louisiana and located 23 miles offshore. Both wildcats are on federal lands. During the year, 2 wells were completed on the Timbalier salt dome on a Louisiana State lease adjacent to shore line. One well was completed for a shut-in gas well and the other resulted in a dry hole. Drilling operations for a third well on this lease were begun.

In Canada, the Company's holdings of undeveloped leases, reservations and options total approximately 450,000 net acres, all of which are located in the Province of Alberta. This is an increase of 90,000 acres over the previous year.

In Canadian exploratory operations, one wildcat well, located 50 miles northwest of Sturgeon Lake Pool, was completed on a 99,000-acre reservation for an initial production of 70 barrels daily at a depth of 6100 feet. The Company owns a 35 per cent interest in this block. Additional exploration work is contemplated here for 1956. A second exploratory well is now being drilled on a 500,000-acre reservation, in which the Company owns a one-third interest.

At the Crown Sale held in January

1956, the Company acquired leases on five tracts totaling 1600 acres offsetting production in the Pembina field. A development program of approximately 25 wells is contemplated for 1956, most of which will be located in the Pembina field.

As to the year's development work, in the course of which, as previously stated, 527 net wells were drilled, these are some of the highlights:

Following the Company's discovery, late in 1954, of the prolific Madill field in Marshall County, Oklahoma, and an important extension to that field in 1955, a total of 13 part-interest and 7 full-interest wells were completed during the year. Madill is a multiple pay field and 8 of these wells were dually completed (i.e. completed for production from each of two zones at different depths). At the year's end, Sinclair was drilling 10 wells in this field.

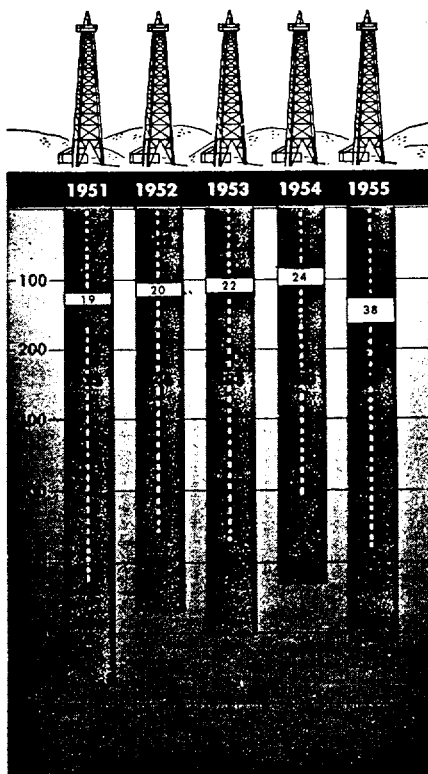
West Texas continued to furnish a large share of locations for important well completions. In the Emma field of Andrews County, 10 additional large wells were completed in the "Ellenberger" limestone, making a total of 14 such producers for the Company in this field. Also in West Texas additional profitable wells were completed on Sinclair's large holdings in the Pegasus and Sweetie Peck-Warsan fields of Midland County.

The Company's properties in Lea

Wells Completed

DOMESTIC

■ Dry Holes □ Gas Wells ■ Oil Wells



County, New Mexico furnished a number of additional large wells and development got under way in the Dean area of that state following the completion of the discovery well in which Sinclair had a 58 per cent interest. This was one of the most important oil discoveries made in New Mexico during 1955.

In Central Texas, the Company completed 18 additional wells following its discovery of the Sweetwater Canyon Pool, which is on a 10,000-acre fully owned block. Four additional wells were drilling here at the end of the year. The relatively shallow depth of the pay sand, which is 5300 feet, contributes to the attractiveness of this field.

In the acquisition of properties formerly owned by American Republics Corporation, Sinclair became the owner of substantial acreage holdings in the Tabasco field in Hidalgo County, Texas. A number of attractive oil and gas wells were completed in this field in 1955.

Such new pools as the No. 1 Government San Arroyo in Grand County, Utah, and the No. 11 Crooks Gap Unit in Fremont County, Wyoming, were discovered too late in the year for 1955 production to benefit from additional development.

Venezuela

During 1955 drillings totaled 48 wells, consisting of 38 productive wells and 10 dry holes. In the Santa Barbara extension 27 oil wells and 4 dry holes were completed. In the Guere field 4 productive wells and

one dry hole resulted. In Barinas, 5 wells were completed as oil wells and 2 as dry holes. As stepouts from this area (i.e. wells drilled a substantial distance from existing oil wells), 3 wells resulted in dry holes. In eastern Venezuela a discovery well was drilled in Aguasay, followed by a second producing well. These 2 wells, however, have shown a rapid decline in production.

At the year end, in the Barinas area, a total of 9 wells capable of production were shut-in, pending the availability of transportation facilities.

East Africa

In Ethiopia, a number of exploratory wells were drilled with a light mobile rotary rig. This program was carried on throughout the year and has yielded valuable geological information. No additional deep wells were drilled.

In Italian Somaliland, seismic and surface geological work was continued during the year and the results are now considered sufficiently encouraging to plan the drilling of a deep wildcat test during 1956. The Company owns a 50 per cent interest in this concession, which covers 59,000,000 acres.

Natural Gas and Gas Products

Sales of natural gas in the United States in 1955 totaled 101.2 billion cubic feet, which is an increase of 5.3 billion cubic feet over the total for 1954. Of the 1955 sales, 57.7 billion cubic feet were gas-well gas and 43.5 billion cubic feet were oil-well gas

(i.e. gas from wells productive of both crude oil and gas). The larger number of gas well completions during 1955 should lead to a higher volume of gas deliveries in 1956.

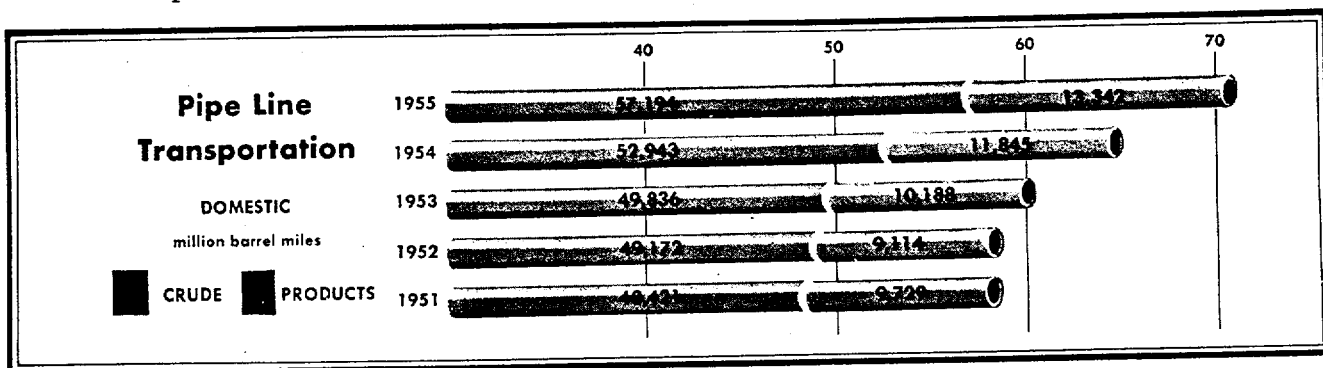
In domestic operations, Sinclair's total net production of liquid hydrocarbons in 1955 included natural gas liquids (natural gasoline, butane, isobutane, propane and ethane) amounting to 16,688 barrels daily, compared with an average of 14,850 in 1954. The Company now has an interest in 25 plants producing gas products. Thirteen of these plants are operated by Sinclair, and processed 50.1 billion cubic feet of oil-well gas, an increase of 2.0 billion cubic feet over 1954.

Reserves

United States and Canada

Throughout the year the Company continued its customary policy of reviewing and adjusting where necessary its estimates of net remaining recoverable reserves of crude oil, other liquid hydrocarbons and gas-well gas. Additions to reserves in 1955 by reason of new discoveries and the effect of revisions, plus or minus, more than offset the quantities withdrawn in producing operations.

Apart from such calculations made in the ordinary course of business, there were added to crude oil and gas reserves an estimated 34 million barrels and 178 billion cubic feet, respectively, by reason of the acquisition of the properties formerly owned by American Republics Corporation.



These are the estimated quantities which, under presently known conditions, accrue to Sinclair over and above amounts required to extinguish a production payment payable out of production from certain of the properties.

Venezuela

It is estimated that additions to net remaining recoverable reserves in areas other than Barinas kept pace with the year's production.

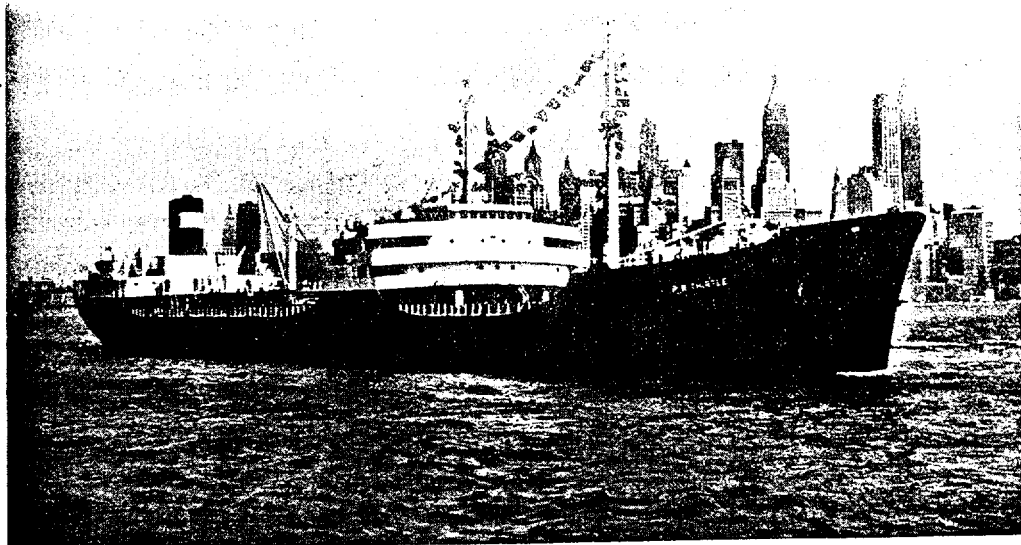
Reserves applicable to Barinas are still not possible of determination pending actual production experience, which cannot be gained until transportation facilities become available. However, development in the area tends to strengthen the basis of an earlier tentative estimate of potentially recoverable reserves in the amount of at least 66 million barrels. The figure may prove to be substantially higher if certain presently unknown factors eventuate favorably.

Pipe Lines

Like every other transportation agency, a pipeline system measures its efficiency by its ratio of expense to revenue. In 1955, Sinclair Pipe Line Company attained the best operating ratio in its history.

This favorable result was the climax of a long term, planned program of system modernization which included increases in line capacities, development of new crude lines into areas of increasing crude oil production, and location of new products lines the better to serve growing markets.

The year's record low in operating ratio resulted primarily from new high records in the volumes handled for both the Company's account and for other shippers. Crude line traffic amounted to 57,194 million barrel-miles, an increase of 8 per cent over the 1954 figure. Products line traffic was 13,342 million barrel-miles, an increase of 12 per cent over the 1954 figure.



New Supertanker, P. W. Thirtle, entered service last year. Addition of this large, fast vessel to the Sinclair fleet permitted the sale of two outmoded tankers. The Thirtle got a traditional New York Harbor welcome on maiden voyage to Company's large terminal there.

Expressed in other terms, Sinclair's crude oil lines delivered an average of 493,683 barrels daily; its products lines delivered an average of 148,393 barrels daily.

Crude Lines

To meet increased transportation demands plans were completed in 1955 for a large-diameter pipe line to connect North Texas and East Texas oil fields to the Gulf Coast. The new 300-mile line will replace parallel small-diameter lines now in use.

Late in 1955, the Company sold to another oil company a 12 per cent undivided interest in the "Big Inch" crude line which runs from Cushing, Oklahoma to Chicago. In proportionate share with the new part-owner, facilities of the system were improved during the year by the construction of a new pump station, conversion of 3 existing stations to remote control and the addition of new storage tanks at 4 stations. It is anticipated that, as a result of the transaction, Sinclair's transportation costs will be still further reduced.

The new large-diameter Arapahoe Pipe Line, in which Sinclair owns a 50 per cent stock interest, attained almost full capacity of its original facilities during its first year of operation. These facilities were expanded in 1955 with the building of a new auto-

matic pump station and additional tankage at 2 stations.

Steps were taken to improve the communication system that is vital to efficient pipeline operation. Sinclair completed plans to build, with another company, a microwave radio system which will eventually link pipeline headquarters in Independence, Kansas with all points south to Houston. The system will offer substantial operating economies over the present pole and wire line system.

Products Lines

During the year, the Badger Pipe Line Company, in which Sinclair holds a 34 per cent stock interest, opened its new line running from East Chicago, Indiana through the populous Chicago area to Rockford, Illinois and to Madison, Wisconsin. The carrier appreciably cuts the cost of delivering products to its territory's important markets.

In Texas, the capacity of the branch which connects the main line with the growing Fort Worth market was increased by the construction of a second line paralleling the existing line.

Marine

The Company's marine operations in 1955 continued, as in the previous year, to emphasize long-haul move-

ment of cargoes. Much former short-haul traffic is now handled advantageously by new units of the pipeline system.

Last year, Sinclair owned and chartered vessels operated a record of 169.5 billion barrel miles, an increase of approximately 7 per cent in work load over 1954. The fact that this record was set despite a slight decrease in the total number of barrels delivered illustrates the long haul factor in Company marine operations. Over the past 10 years, while the total number of barrels delivered has increased 87 per cent, the number of barrel-miles operated has gone up by 137 per cent.

The third of the Company's recently constructed supertankers, the SS P. W. Thirtle, was completed and went into service in 1955. The new vessel, like her sister ships, the SS P. C. Spencer and the SS M. L. Gosney, has a capacity of approximately 200,000 barrels. This great carrying ability, plus high speed, enable these ships to move oil at per-barrel costs substantially under those of older and smaller tankers.

During 1955, the 3 supertankers were sold by the Company and leased back from the vendee under long term charter covering the estimated remaining useful lives of the vessels.

By reason of the improved facilities afforded by the new ships, the Company was able to dispose of 2 obsolete units.

Looking toward even greater long-haul requirements in future years, the Company has entered into a long-term charter for a pioneering-type vessel, a combination oil and ore carrier which is the largest vessel of her kind afloat. Designed to avoid the part time empty trips characteristic of most bulk cargo carriers, the vessel, christened the SS Sinclair Petrolore, will carry oil for Sinclair most of the time and iron ore for other companies at other times to the extent practicable. It is likely to circle the globe in the process. This arrangement of cargoes, which reduces empty sailing time to a minimum, means substantial savings for the Company in oil movements. Early this year, the Petrolore completed its first voyage for Sinclair with the largest cargo of crude oil ever carried by ship, more than 386,000 barrels. This oil was unloaded at the Company's Marcus Hook, Pa. refinery.

Refining

Domestic

Sinclair in its 7 domestic refineries processed more crude oil in 1955 than ever before. It also made notable ad-

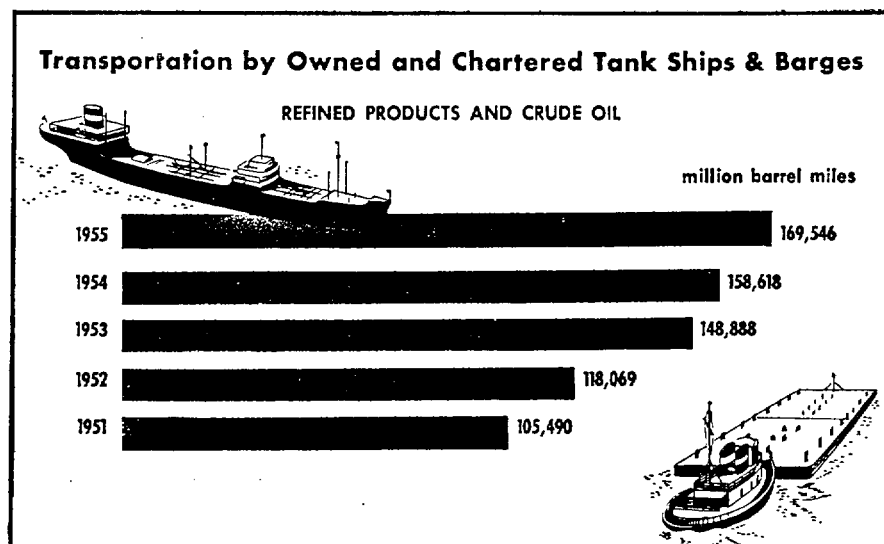
vances in its continuous program to improve product quality and to increase the yield of high-value products from each barrel processed.

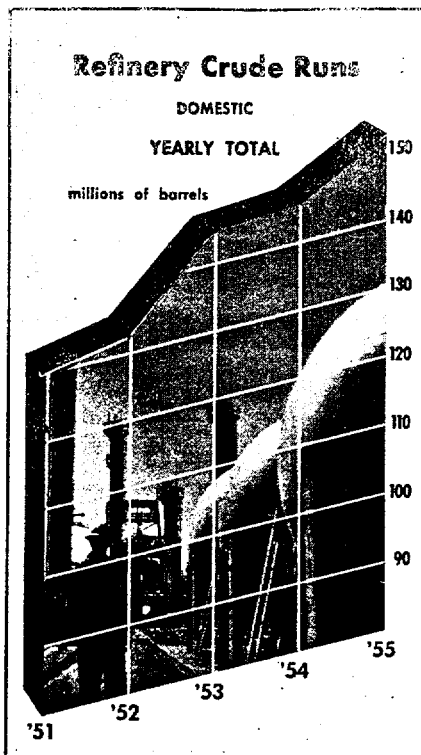
Daily throughput of crude oil averaged 417,000 barrels, and the total for the year was 152.2 million barrels. This was an increase of 4.6 per cent over 1954, when daily volume averaged 398,500 barrels.

The Company's capacity to produce top-quality motor fuels was increased during the year by the completion at the East Chicago, Indiana refinery of an 18,000 barrels-per-day catalytic reforming unit. This is the second Sinclair refinery to use the patented Sinclair-Baker platinum catalyst for reforming low-octane materials into high-octane fuels. The first unit of 16,000 barrels daily capacity went on stream at the Marcus Hook refinery in 1954. A third catalytic reformer, with a daily capacity of 24,000 barrels, is scheduled to go into operation at the Houston, Texas refinery early this year.

The processing efficiency of the Marcus Hook refinery will be increased by the completion this spring of 2 new crude distillation units. The new stills, each capable of handling 60,000 barrels of crude oil daily, will replace old, outmoded shell stills. Their modern design will enable them to extract more light oil products, such as gasolines and house heating oils, from each barrel of crude.

The unusual degree of flexibility characteristic of the Company's refinery operations was demonstrated twice during the year when the yields of gasoline and then kerosene and distillate fuel oil were increased above normal to anticipate seasonal peak demand periods. Refineries were able to increase gasoline output to about 50 per cent of each barrel of crude, and, prior to an expected cold period, kerosene and distillate fuel output was raised to nearly 36 per cent.





Venezuela

At the Puerto la Cruz refinery runs for the Company's own account averaged 13,566 barrels per day in 1955, as compared with 15,147 barrels daily in 1954. However, in 1955, substantial quantities of crude were processed for other companies, so that at the year end total daily runs were averaging 28,000 barrels daily.

Marketing

An aggressive selling program, together with a high level of general economic activity in the nation, boosted the total quantity of products sales to a record 162.7 million barrels.

Domestic sales quantities, which constitute the major portion of the Company's business, rose by 8 per cent.

Sales efforts were concentrated at market levels offering the Company the highest profit realization. These are markets in which the Company sells direct to retailers and consumers or to distributors reaching such customers with Sinclair branded merchandise.

A strong gasoline sales promotion and advertising campaign enabled Sinclair to continue to increase its share of the highly competitive gasoline market. The growing home heating oil market has been another focal point of concentrated sales activity, with the result that heating oil sales increased proportionately even more than those of gasoline.

A new multi-grade motor oil, Sinclair Extra Duty Triple-X, was introduced in the spring as the Company's premium brand and received an excellent public reception. Industrial lubricant sales made significant gains over the 1954 volume.

Shipments of aircraft oils to commercial airlines, a market in which Sinclair accounts for almost half of all business, showed the largest gain in recent years. Annual volume now exceeds 4.5 million gallons.

A program of new service station construction at carefully selected locations was continued, while the modernization of older service station facilities was accelerated.

Since even the most attractive station is a good sales outlet only when operated by a competent dealer, the Company again augmented programs for helping dealers operate in the most profitable manner. Sinclair be-

lieves that its products are best marketed through dealers who are independent businessmen, and it strives to give such merchants every opportunity to progress in relation to their effort and ability.

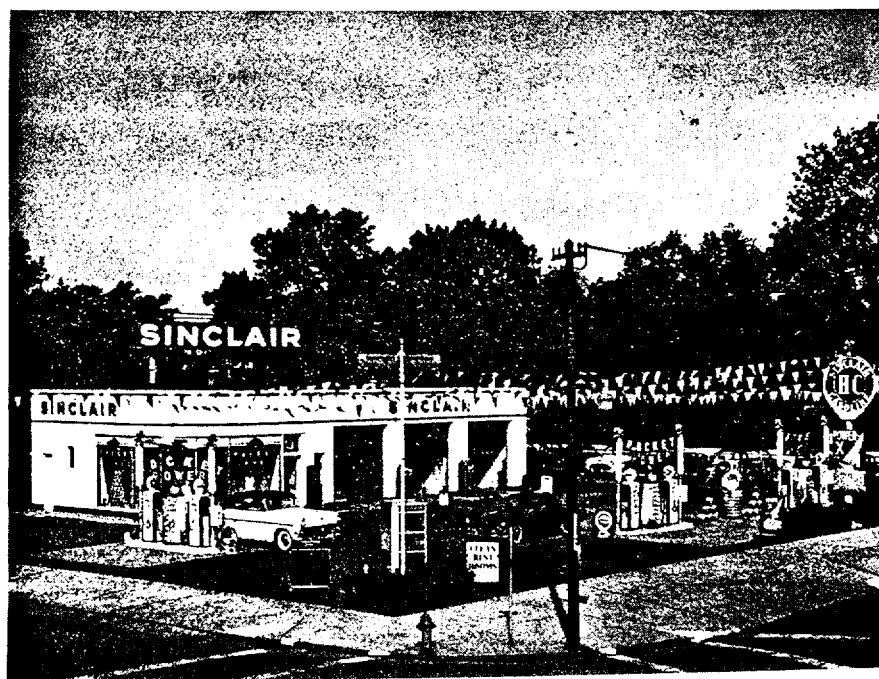
Sinclair dealers have always had the benefit of top quality products, effective advertising and a complete promotional program. In 1955, various proven dealer-aid programs and several new ones were formalized into the "Sinclair Five Star Dealer Aid Plan." The plan includes the help of highly trained specialists, Dealer Councils, dealer surveys, demonstration stations and local dealer conferences to talk over common problems. Thousands of Sinclair dealers have already attended such conferences.

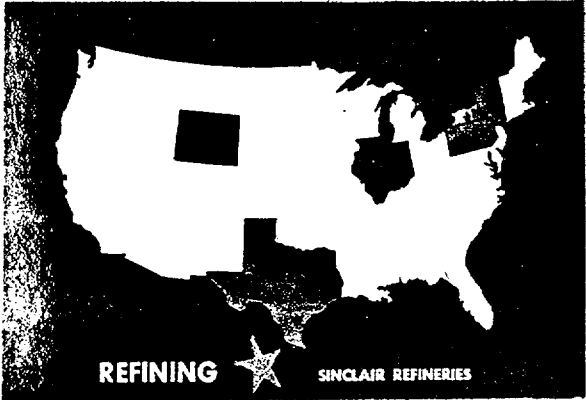
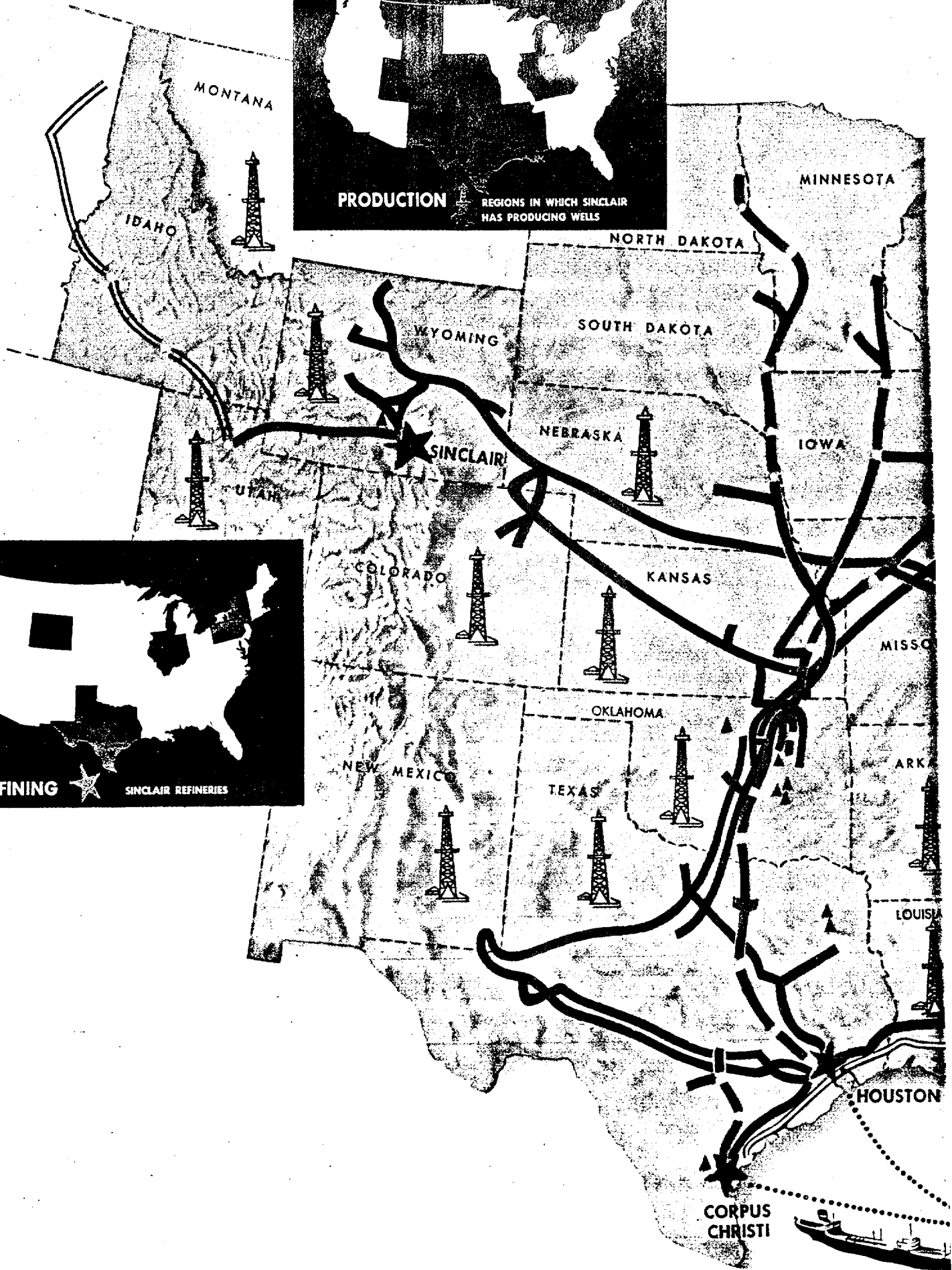
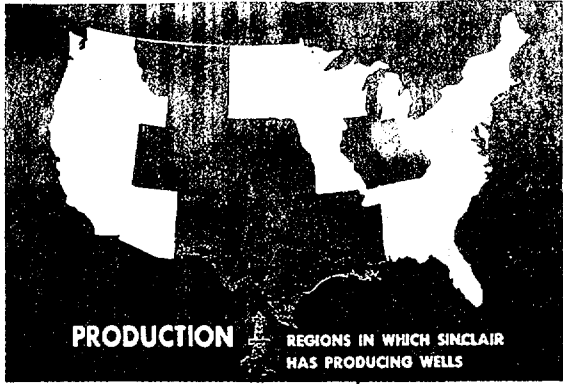
Research

New and improved processes and products developed by the Company's laboratories kept Sinclair's competitive position secure in 1955, while other research operations explored the requirements of the future.

One of the year's foremost accomplishments was the commercial development of a new catalyst used to

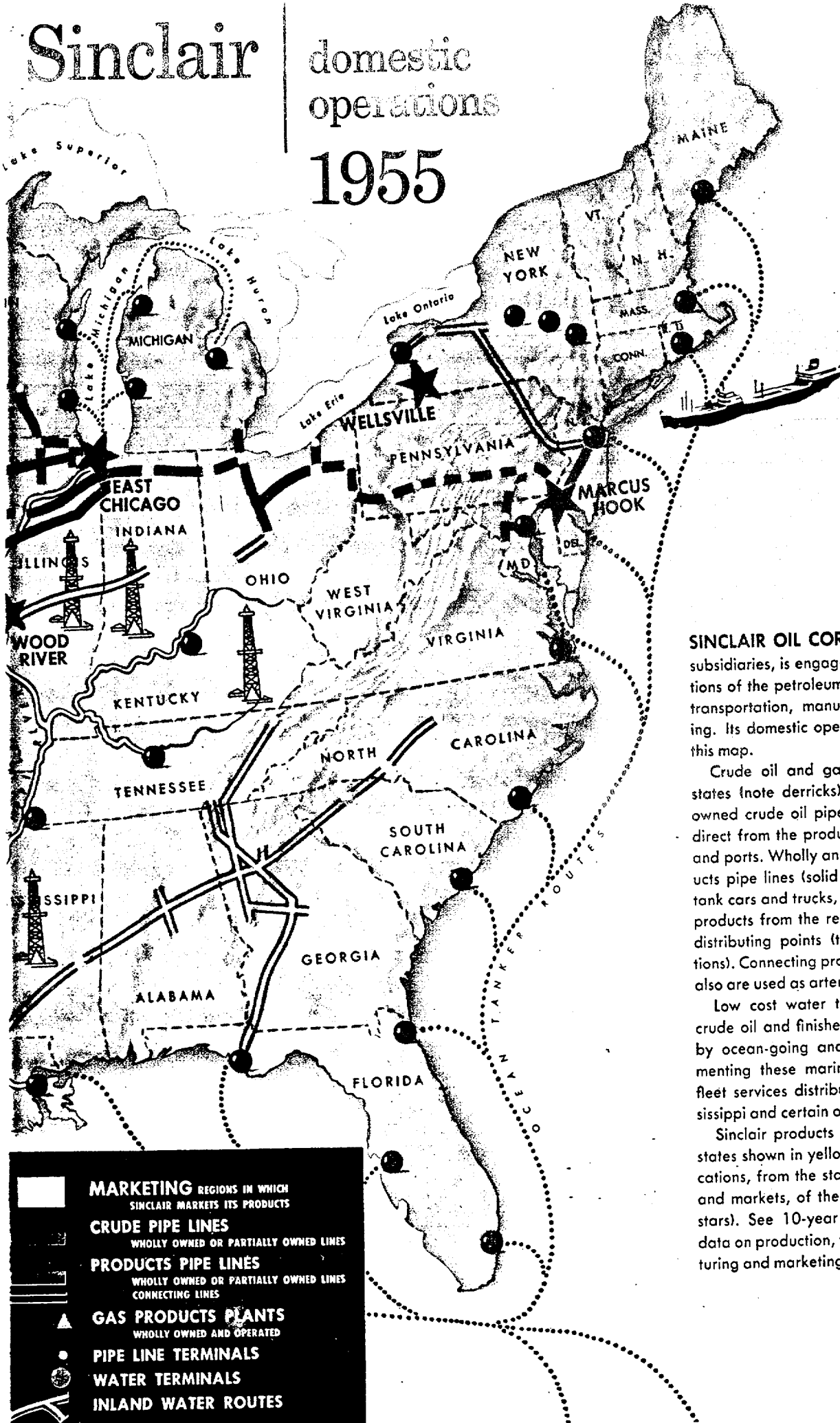
Good Looking Stations sell more products. Continuous program to improve appearance of stations selling Sinclair products is carried on by marketing department. Many new stations were built during 1955, and modernization program for older outlets was accelerated.





Sinclair

domestic
operations
1955



SINCLAIR OIL CORPORATION, through subsidiaries, is engaged in all principal functions of the petroleum industry—production, transportation, manufacturing and marketing. Its domestic operations are pictured on this map.

Crude oil and gas are produced in 15 states (note derricks). Wholly and partially owned crude oil pipe lines (green) carry oil direct from the producing fields to refineries and ports. Wholly and partially owned products pipe lines (solid red), supplemented by tank cars and trucks, carry the manufactured products from the refineries to thousands of distributing points (terminals and bulk stations). Connecting products lines (divided red) also are used as arteries of distribution.

Low cost water transportation, for both crude oil and finished products, is furnished by ocean-going and lake tankers. Supplementing these marine operations, a barge fleet services distributing points on the Mississippi and certain of its tributaries.

Sinclair products are marketed in the 42 states shown in yellow. Note the strategic locations, from the standpoint of raw material and markets, of the seven refineries (purple stars). See 10-year statistical summary for data on production, transportation, manufacturing and marketing.

MARKETING REGIONS IN WHICH SINCLAIR MARKETS ITS PRODUCTS

CRUDE PIPE LINES
WHOLLY OWNED OR PARTIALLY OWNED LINES

PRODUCTS PIPE LINES
WHOLLY OWNED OR PARTIALLY OWNED LINES
CONNECTING LINES

GAS PRODUCTS PLANTS
WHOLLY OWNED AND OPERATED

PIPE LINE TERMINALS

WATER TERMINALS

INLAND WATER ROUTES

treat distillate fuel oils with hydrogen to improve their stability and remove unwanted sulfur. A license for commercial manufacture of the catalyst has been issued by the Company.

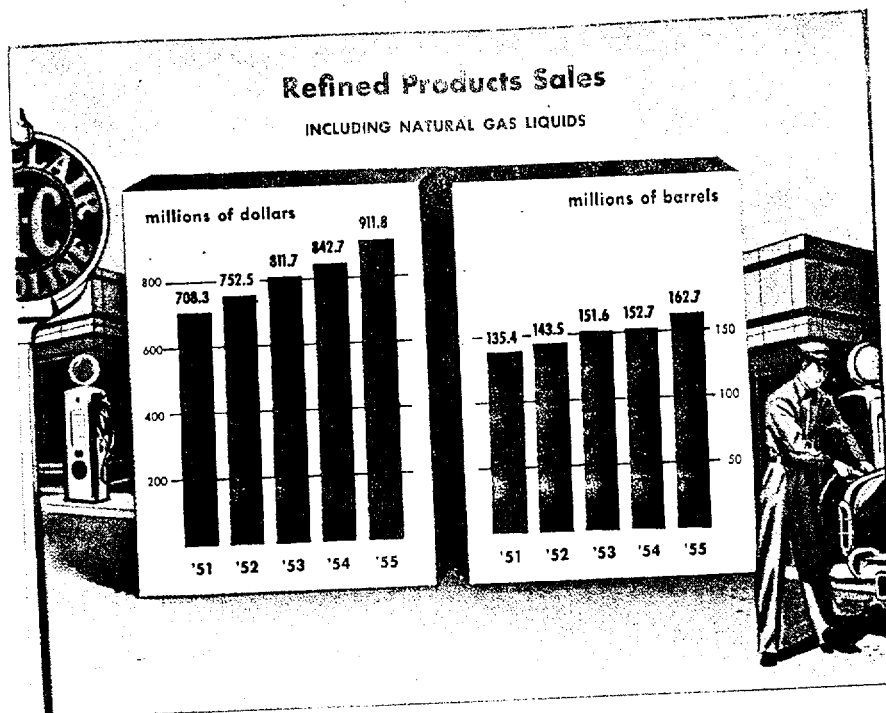
A process developed in the research laboratories for making improved lubricating oil additives will be put into commercial use this year at Houston. The process, which was the culmination of many years of laboratory work, insures Sinclair adequate supplies of premium motor oil detergents at markedly lowered costs.

As reported under "Refining", highly satisfactory results have been achieved from the research department's platinum catalyst for making high octane fuels. Two successful installations are in use with a third scheduled for completion this year. Other companies are purchasing the catalyst from Baker & Co., Inc., platinum specialists who participated in its development and are licensed to manufacture it.

Sinclair completed plans in 1955 for a significant step in the application of atomic energy to petroleum research. A Radiation and Tracer Laboratory is due for completion this year at the Harvey, Ill. research center to investigate the effects of high-level radiation on processing methods and finished products. The new laboratory will utilize the most powerful source of gamma ray radiation installed thus far in any private industrial laboratory.

Radioactive materials already are in use at the Harvey center, where new equipment was installed in 1955 to utilize radioactive tool bits to study the efficiency of cutting oils. Radioactive piston rings are similarly employed to measure the wear prevention properties of engine lubricating oils.

A number of newly developed products were introduced by the Company during the year. A new wax for milk cartons results in a much improved appearance of such contain-



ers. A rubber processing oil put on the market in 1955 is used by the rubber industry to extend the supply of synthetic rubber. Approval was secured for a new corrosion inhibitor developed for use in military aviation jet fuel, and the Company's position relative to the military market was further improved by Air Force approval of a new jet engine lubricant.

Encouraging field tests were made during 1955 of the Company's patented underground heat wave process for releasing crude oil not recoverable by conventional production methods. Testing on a commercial scale will start this year following necessary preparatory construction and development work.

Geophysical exploration equipment employing the latest electronic devices was perfected during the year. Seismic data can now be recorded in the field on magnetic tape and can be projected onto a television screen for study or fed into an electronic computer for mathematical evaluation.

Petrochemicals

The Company's activity in the petrochemical field experienced considerable expansion in 1955 as sales volume was increased and substantial additions were made to the list of products marketed. Sinclair's efforts in this field are directed primarily to the upgrading of low-value residual refinery products and by-products into more valuable petrochemicals and chemical raw materials.

An important addition to the petrochemical facilities was placed in operation at Marcus Hook, Pa., last May to produce what are called aromatic chemicals. These aromatics include: toluene, a raw material used in dye-stuffs, aviation gasoline, rubber-like plastic foams, and explosives; xylene, used in paints and lacquers; and paraxylene, a raw material used in the production of synthetic fibers.

At the year's end, construction was well along on a petrochemical plant being built at Hammond, Ind., to manufacture both ammonia and nitrogen solutions. The plant is being

built by Calumet Nitrogen Products Company (45 per cent owned) and will use, as Sinclair's share of the raw material, by-product hydrogen from the Company's East Chicago refinery. Sinclair's proportion of the plant's products will find their primary outlet in chemical fertilizers. These fertilizers, such as anhydrous ammonia, are widely used to relieve the increasing nitrogen deficiency of many mid-western farm soils. The plant is expected to be completed by fall of 1956.

Construction operations are also under way on a new lubricating oil additive plant at the Houston refinery. Due to go into operation this spring, the new facility will supplement an additive unit already in production at East Chicago, Ind.

Among other petrochemicals manufactured by Sinclair are: sulfur, which is recovered at Marcus Hook and Houston from gases formerly burned; raw materials for synthetic detergents; and a variety of hydrocarbon solvents, including odorless solvents.

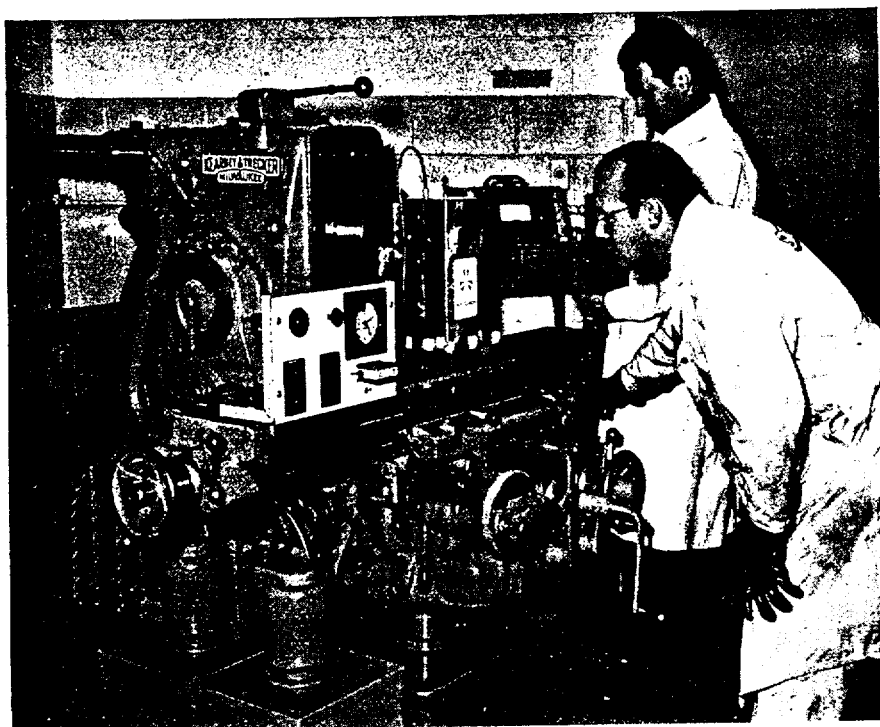
Public Relations

In 1955, Sinclair completed the first year of a special advertising campaign designed to encourage greater

public appreciation of our Country's natural resources in general and our National Parks in particular. Though modest in extent, the program has achieved national recognition for Sinclair. Commendations for this program, an advertising effort that also serves a public interest, have been received from state governors, United States senators and congressmen, members of state legislatures, outstanding educators, editors and business and civic leaders from all parts of the United States. Formal resolutions and other expressions of approval for Sinclair's support of conservation programs have been publicly pronounced by such widely known organizations as the National Parks Association, the National Audubon Society, The National Grange, Boy Scouts of America, American Civic & Planning Association, The Garden Club of America, the National Wildlife Federation and The Izaak Walton League of America.

From a sales standpoint, too, the campaign has been successful, increasing our Tour Bureaus' inquiries by 15 per cent, and bringing many letters from people saying they were "switching to Sinclair products." The campaign is being continued in 1956.

Radioactive Materials are research tools of increasing importance to Sinclair scientists. Equipment below employs radioactive tool bits to measure the effectiveness of cutting oils. New "hot lab" is planned to test nuclear materials on refinery processes.



Employee Relations

Sinclair's employees continued to derive substantial benefits from the various programs which the Company makes available. These include a Hospital and Surgical Plan, a Sickness and Accident Benefit Plan, a Retirement Plan, a Savings Plan and a Group Life Insurance Plan. Sustained employee acceptance of these security and benefit plans is evidenced by the high rate of enrollment, with more than 95 per cent of eligible employees participating.

During early 1955, principal petroleum companies granted a general wage increase of 10 cents per hour to their employees. Sinclair increased the salaries of employees not covered by collective bargaining agreements, and, in subsequent mid-year negotiations with unions, a 10-cent general increase was agreed to. Certain improvements in the Retirement Plan's future service and minimum annuities were also worked out, subject to the approval of the Company's stockholders.

Approximately 125 labor agreements between the Company and various AFL-CIO affiliates, as well as independent unions, were renegotiated during 1955. The Company's negotiators approached their bargaining tasks with conscious recognition of the need for achieving harmonious stability in labor relations, without impairment of the correlative best interests of stockholders, employees and the consuming public. Discussions with the various unions proceeded on a basis of realistic bargaining, and although there were, necessarily, many differences in viewpoint, these were resolved successfully, thus contributing to greater mutual understanding between the Company and the bargaining agents of many of its employees.

By Order of the Board of Directors

P. C. SPENCER,

President

Accountants' Report

NEW YORK
CHICAGO
ATLANTA
BOSTON
CLEVELAND
DALLAS
DENVER
DETROIT
HOUSTON
KANSAS CITY
LOS ANGELES
MILWAUKEE

ARTHUR YOUNG & COMPANY
ACCOUNTANTS AND AUDITORS
165 BROADWAY
NEW YORK 6

PHILADELPHIA
PITTSBURGH
SAN FRANCISCO
TOLEDO
TULSA
WASHINGTON
WICHITA
—
CANADA
ENGLAND
FRANCE
VENEZUELA

March 2, 1956

The Board of Directors and Stockholders
Sinclair Oil Corporation:

We have examined the consolidated balance sheet of Sinclair Oil Corporation and Subsidiaries at December 31, 1955 and the related statements of consolidated income, consolidated earnings retained in the business and other paid-in capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-described statements present fairly the financial position of Sinclair Oil Corporation and Subsidiaries at December 31, 1955 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Young & Company

SINCLAIR OIL CORPORATION AND SUBSIDIARIES

Statement of Consolidated Income

	Year 1955	Year 1954
Gross Operating Income (Note 1)	\$1,110,066,902	\$1,021,461,419
Costs and Expenses:		
Costs, operating and general expenses	\$895,579,948	\$829,358,318
Depreciation, depletion and amortization	67,703,046	60,777,375
Leases and concessions cancelled, dry holes and property retirements	30,413,978	24,226,866
	993,696,972	914,362,559
Operating Income	116,369,930	107,098,860
Other Income:		
Interest	1,010,756	796,747
Dividends	5,973,568	6,227,896
Miscellaneous—net	1,424,325	(70,818)
	8,408,649	6,953,825
Other Deductions:		
Interest	9,050,557	10,190,078
Net income applicable to minority interests in Venezuelan subsidiaries	293,068	489,351
	9,343,625	10,679,429
Income—Before U. S. Federal Taxes on Income	115,434,954	103,373,256
Provision for U. S. Federal Taxes on Income (Note 2)	34,725,000	28,750,000
Net Income	80,709,954	74,623,256
Net Income per Share (based on average number of shares outstanding during the respective years)	\$6.01	\$6.05
Special Credit:		
Profit on sale of stock of Pioneer Natural Gas Company (no provision required for U. S. Federal taxes on income)	—	16,957,089
Net Income and Special Credit	\$ 80,709,954	\$ 91,580,345

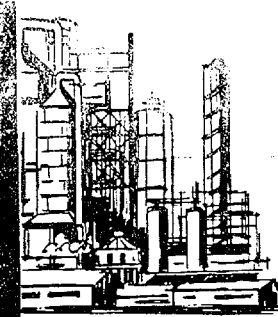
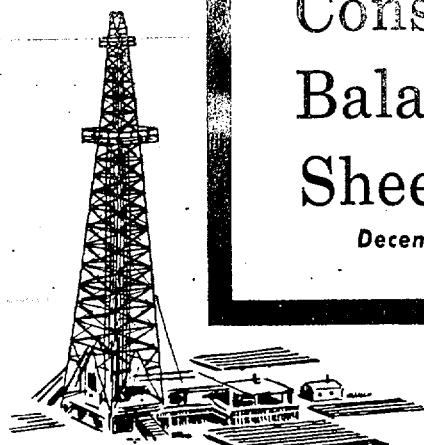
Statement of Consolidated Earnings Retained in the Business

	Year 1955	Year 1954
Balance at Beginning of Year	\$468,624,853	\$409,073,083
Net Income and (in 1954) Special Credit	80,709,954	91,580,345
	549,334,807	500,653,428
Dividends Paid on Common Stock—(1955—\$2.70; 1954—\$2.60)	36,578,133	32,028,575
Balance at Close of Year	\$512,756,674	\$468,624,853

Consolidated Balance Sheet

December 31, 1955 and 1954

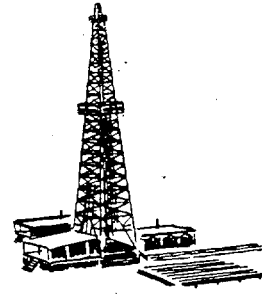
SINCLAIR



Assets

	1955	1954
Current Assets:		
Cash	\$ 124,887,100	\$ 125,285,261
U. S. Government and other short term securities, at cost which approximates market	25,490,589	42,592,320
Accounts and notes receivable, less allowance for doubtful accounts	109,324,671	89,494,571
Inventories:		
Crude and refined oils, at cost following the last-in first-out principle (lower than aggregate market)	102,389,232	102,160,691
Materials and supplies, at or below cost	23,838,953	23,431,733
Total Current Assets	385,930,545	382,964,576
Investments:		
Richfield Oil Corporation (1,223,581 shares), at cost	12,518,425	12,518,425
Other investments, at cost or less (Note 3)	10,768,516	9,147,298
	23,286,941	21,665,723
Properties, Plant and Equipment:		
At cost, less accumulated depreciation, depletion and amortization (page 21)	812,893,649	762,425,552
Other Assets and Deferred Charges:		
Notes and accounts receivable due after one year, less allowance for doubtful accounts	13,019,780	10,291,425
Due from officers and employees under Amended Stock Purchase and Option Plan (Note 4-c)	9,094,971	1,407,546
Prepaid expenses and other charges	5,899,426	8,015,905
	28,014,177	19,714,876
	\$1,250,125,312	\$1,186,770,727

IL CORPORATION AND SUBSIDIARIES



Liabilities

	1955	1954
Current Liabilities:		
Accounts payable	\$ 100,678,022	\$ 88,528,519
Long term debt due within one year (page 20)	8,764,449	7,646,654
Interest, taxes and miscellaneous accruals (including provision for U. S. Federal taxes on income)	44,774,004	42,369,476
Total Current Liabilities	<u>154,216,475</u>	<u>138,544,649</u>
Deferred Federal Taxes on Income (Note 2)	6,900,000	4,300,000
Long Term Debt Due After One Year (page 20 and Note 4-b)	248,676,951	323,186,174
Reserves—Insurance and Miscellaneous	9,207,454	8,968,123
Common Stock Subscriptions under Amended Stock Purchase and Option Plan	—	1,202,688
Total Liabilities and Reserves	<u>419,000,880</u>	<u>476,201,634</u>

Stockholders' Ownership

Minority Stockholders of Venezuelan Petroleum Company	2,075,169	6,773,209
Sinclair Oil Corporation Stockholders:		
Common stock: (Note 4)		
Authorized—20,000,000 shares—par value \$5 per share		
Issued—14,528,428 shares at December 31, 1955,		
13,042,038 shares at December 31, 1954	72,642,140	71,663,340
Other paid-in capital (page 20)	248,374,927	171,897,262
Earnings retained in the business (page 17)	512,756,674	468,624,853
	<u>833,773,741</u>	<u>712,185,455</u>
Less: Cost of common stock in treasury (330,439 shares at December 31, 1955)	4,724,478	8,389,571
Total (applicable to 14,197,989 shares outstanding at December 31, 1955)	<u>829,049,263</u>	<u>703,795,884</u>
	<u>\$1,250,125,312</u>	<u>\$1,186,770,727</u>

SINCLAIR OIL CORPORATION AND SUBSIDIARIES

Statement of Other Paid-In Capital

	Year 1955
BALANCE AT BEGINNING OF YEAR	\$171,897,262
ADDITIONS:	
Excess paid in over par value of shares issued upon conversion of \$54,283,200 principal amount of 3¼% Convertible Subordinated Debentures less net expense applicable thereto	47,422,564
Excess of sales prices over par value of shares issued or over cost of treasury stock delivered under amended stock purchase and option plan	9,492,680
Excess of market value over par value of shares issued to stockholders of Venezuelan Petroleum Company in exchange for shares of capital stock of Venezuelan Petroleum Company	12,209,675
Adjustment of common stock account (Note 4-a)	6,453,150
Excess of market value over cost of treasury stock delivered in connection with acquisition of properties	899,596
BALANCE AT CLOSE OF YEAR	\$248,374,927

Long Term Debt at December 31, 1955

	Payable in 1956	Payable in Later Years	TOTAL
20-Year 2¾% Sinking Fund Debentures, due August 1, 1965	\$2,500,000	\$ 4,500,000	\$ 7,000,000
25-Year 2¾% Sinking Fund Debentures, due December 1, 1972	2,600,000	39,150,000	41,750,000
25-Year 3% Sinking Fund Debentures, due November 1, 1974	—	50,000,000	50,000,000
25-Year 3¾% Sinking Fund Debentures, due August 1, 1976 (Sinclair Pipe Line Company)	3,400,000	64,700,000	68,100,000
¾% Convertible Subordinated Debentures, due January 15, 1983	—	46,865,400	46,865,400
¾% (maximum ¾%) Instalment Notes Payable to Banks, due April 1, 1957 to October 1, 1961	—	28,000,000	28,000,000
3% Instalment Notes Payable to Banks, due September 1, 1958 to September 1, 1962 (Venezuelan Petroleum Company)	—	15,000,000	15,000,000
Purchase Money and Other Obligations	264,449	461,551	726,000
Total	\$8,764,449	\$248,676,951	\$257,441,400

SINCLAIR OIL CORPORATION AND SUBSIDIARIES

Properties, Plant and Equipment

At December 31

	GROSS		NET (After accumulated depreciation, depletion and amortization)	
	1955	1954	1955	1954
Properties and equipment for oil and gas production	\$ 594,863,947	\$ 525,942,508	\$329,609,500	\$290,953,880
Natural gasoline plants and equipment	31,865,048	28,037,037	14,965,112	12,598,941
Crude oil and products pipeline facilities	170,245,388	173,248,130	116,987,428	124,120,895
Oil tankers and other marine equipment	24,415,495	43,058,724	10,266,505	25,901,942
Refineries	332,053,505	298,146,838	189,016,341	166,268,787
Terminals, bulk distributing stations, service stations, tank cars and other marketing facilities	225,085,977	209,776,912	140,762,553	133,902,576
Research laboratories and equipment	9,811,918	9,339,564	6,554,450	6,474,643
All other	9,573,696	6,504,050	4,731,760	2,203,888
Total	\$1,397,914,974	\$1,294,053,763	\$812,893,649	\$762,425,552

NOTES TO FINANCIAL STATEMENTS

NOTE 1—Gross Operating Income includes sales of purchased crude oil amounting to \$114,007,676 and \$165,260,467 in 1955 and 1954, respectively. The cost of such crude oil was purchased closely approximating its price.

NOTE 2—Under Certificate of Incorporation, portions of the cost of certain properties, plant and equipment are being amortized for Federal income tax purposes over a period of five years whereas in the financial statements depreciation on these facilities has been accrued at normal rates. In effect the resulting temporary tax deferral, the estimated savings for Federal taxes on income includes \$3,600,000 in 1955 and \$3,000,000 in 1954 (no portion of which is applicable to common carrier pipe lines) representing the consequent tax liability which will arise in later periods.

NOTE 3—Included in other investments are 334,860 shares of stock (52.8%) of Western Carbon Company carried at \$16,274. The Company dealt with the Securities and Exchange Commission to divest of this investment. Accordingly a contract of sale was entered under which the Company expects to realize approximately \$100,000 during the first half of 1956 for its interest in Western Carbon Company.

NOTE 4—
(a) In accordance with Article III of the Company's Certificate of Incorporation approved at the annual meeting of stockholders in May 1955 the Company's common stock was changed from shares without par value to shares of \$5 par value. The Company was also enabled to reissue 1,290,630 shares retired and cancelled prior to December 31, 1942. The Common Stock account was reduced by the appropriate amount of \$5 per

share, or \$6,453,150, and Other Paid-In Capital account was increased by a like amount.

(b) There were 1,065,123 shares of common stock reserved at December 31, 1955 for conversion (initial price, effective until January 15, 1958, \$44 per share) of the remaining 3¼% Convertible Subordinated Debentures. Conversions of the debentures during the first two months of 1956 amounted to \$10,205,700.

(c) At December 31, 1955, options were outstanding under the Company's Amended Stock Purchase and Option Plan for the purchase of 1,700 shares at \$39.50 per share, 26,335 shares at \$34 per share and 63,200 shares at \$41.25 per share, all presently exercisable. Such prices per share were not less than "closing market" on the day preceding the dates on which the options were granted. The options were granted on July 2, 1951, November 24, 1953 and April 14, 1954 respectively and expire five years from the dates of grant or prior thereto in certain contingencies. No further options can be granted pursuant to the Plan under which the authorization to grant options expired May 18, 1954. During 1955 options were exercised for the purchase of 3,300 shares at \$39.50 per share, 179,400 shares at \$34 per share and 136,400 shares at \$41.25 per share. The Company holds 250,600 shares as collateral security for amounts outstanding at December 31, 1955 under options exercised for the purchase of said shares.

NOTE 5—Under long term agreements with companies in which it has stock investments the Company might be required under certain conditions to provide them with additional funds through advances against future transportation charges. No loss is anticipated by reason of such agreements.

Financial Data

	1955	
FINANCIAL OPERATIONS	Gross Operating Income (excluding sales of purchased crude oil)	\$926,001,62
	*Sales of Purchased Crude Oil	184,065,27
	Net Income	80,709,95
	Per Share (based on average number of shares outstanding)	6.0
	Dividends Declared	36,578,13
	Per Share	2.7
<hr/>		
CAPITAL EXPENDITURES	Oil and Gas Production	\$ 93,088,00
	Natural Gasoline Plants	3,901,00
	Pipe Line Facilities	6,684,00
	Marine Equipment	4,687,00
	Refineries	35,313,00
	Marketing Facilities	18,198,00
	All Other	3,754,00
	Total	\$165,625,00
<hr/>		
FINANCIAL POSITION— DECEMBER 31	Total Assets	\$1,250,125,31
	Working Capital (Current Assets Less Current Liabilities)	231,714,07
	Properties, Plant and Equipment (After Accumulated Depreciation, Depletion and Amortization)	812,893,64
	Long Term Debt (Excluding Amounts Due Within One Year)	248,676,98
	Stockholders' Equity	829,049,26
	Stockholders' Equity (Book Value) Per Share	58.8
<hr/>		
GENERAL	‡Number of Stockholders	107,16
	‡Number of Employees	24,68
	Salaries, Wages and Employee Benefits	\$139,529,86
	‡Investment (Equity and Borrowed Capital) Per Employee	44,14
	Taxes Charged to Income	59,854,89
	Taxes Collected for Domestic Government Agencies (Not Included in Gross Operating Income) Approximately	184,000,00

Operating Data

EXPLORATION AND PRODUCTION	Net Production—barrels daily	119,16
	United States and Canada—Crude Oil	7,4
	Natural Gasoline	9,2
	Liquefied Petroleum Gas	135,8
	Venezuela —Crude Oil and Natural Gas Liquids	20,0
	Total	155,8
<hr/>		
TRANSPORTATION	Wells Completed (Company's Net Interest)	4
	United States and Canada—Oil	1
	Gas	1
	Dry	1
	Venezuela —Oil	1
	Dry	1
‡Acreage: United States and Canada—Producing Acreage (net)	497,0	
Undeveloped Acreage (net)	9,665,9	
<hr/>		
REFINING	Pipe Line Transportation—million barrel miles—Crude Oil	57,1
	—Refined Products	13,3
	Marine Transportation of Crude Oil and Refined Products—million barrel miles	169,5
<hr/>		
MARKETING	‡Crude Charging Capacity, barrels daily—U. S.	441,0
	Venezuela	35,0
	Crude Runs to Stills, barrels daily—U. S.	417,0
	Venezuela	13,5
<hr/>		
MARKETING	Sales of Refined Products and Natural Gas Liquids—Barrels	162,742,1
	‡Bulk Distributing Stations	1,6
	‡Service Stations Owned or Held Under Lease	12,7

*The cost at which such crude oil was purchased closely approximated the sales price.
‡At Year End.

1954	1953	1952	1951	1950	1949	1948	1947	1946
\$856,200,952	\$823,788,467	\$762,624,538	\$717,539,975	\$606,280,173	\$515,238,787	\$560,627,530	\$447,764,402	\$353,097,502
165,260,467	111,676,986	92,931,094	91,442,227	72,596,983	69,221,786	75,941,197	40,623,531	23,915,024
74,623,256	68,061,006	76,844,952†	81,898,490	70,193,146	54,073,338	81,048,602	52,432,125	30,801,211
6.05	5.55	6.30†	6.78	5.83	4.51	6.76	4.37	2.57
32,028,575	31,836,818	31,743,141	24,150,800	30,136,454	23,943,164	23,943,018	14,964,276	11,971,349
2.60	2.60	2.60	2.00	2.50	2.00	2.00	1.25	1.00
†Restated to exclude special credit of \$9,630,351 (79 cents per share)								

\$ 72,083,000	\$ 68,526,000	\$ 76,953,000	\$ 75,624,000	\$ 47,377,000	\$ 33,686,000	\$ 35,312,000	\$ 26,142,000	\$ 21,570,000
2,446,000	3,380,000	1,358,000	901,000	2,077,000	1,685,000	4,948,000	1,730,000	1,023,000
7,994,000	19,896,000	51,600,000	13,289,000	5,455,000	4,871,000	19,404,000	13,262,000	7,013,000
1,821,000	6,771,000	7,407,000	1,522,000	65,000	125,000	119,000	222,000	3,604,000
31,099,000	30,081,000	24,761,000	5,933,000	20,550,000	13,526,000	25,992,000	32,246,000	11,629,000
15,728,000	17,757,000	18,527,000	20,116,000	16,049,000	18,801,000	11,261,000	15,125,000	15,517,000
594,000	468,000	528,000	950,000	3,439,000	461,000	2,495,000	3,239,000	1,322,000
\$131,765,000	\$146,879,000	\$181,134,000	\$118,335,000	\$ 95,012,000	\$ 73,155,000	\$ 99,531,000	\$ 91,966,000	\$ 61,678,000
\$1,186,770,727	\$1,140,665,152	\$1,035,307,940	\$879,957,075	\$799,050,790	\$724,047,907	\$710,125,230	\$637,162,536	\$521,179,599
244,419,927	239,748,470	185,373,682	210,566,678	175,751,714	188,230,246	185,544,589	185,949,389	157,254,658
762,425,552	720,101,284	649,031,756	530,708,538	469,915,650	418,045,905	387,116,078	333,533,008	272,031,405
323,186,174	334,548,850	248,360,540	215,384,829	177,094,724	178,260,088	177,588,687	179,371,677	126,431,680
703,795,884	642,513,615	602,794,423	542,306,794	484,559,959	441,899,280	411,769,520	355,356,239	317,888,635
56.99	52.21	49.36	44.90	40.12	36.90	34.39	29.68	26.55
101,285	101,330	101,240	100,687	101,268	101,020	99,549	100,911	99,973
23,746	23,377	23,333	22,112	20,891	20,372	21,030	20,984	20,280
\$130,915,922	\$126,029,620	\$114,056,944	\$101,583,286	\$ 89,723,978	\$ 86,025,817	\$ 85,846,467	\$ 79,690,550	\$ 66,491,433
43,856	42,736	37,251	35,088	32,423	30,876	28,356	25,788	22,220
51,157,484	42,871,894	36,279,175	55,904,698	45,083,682	29,689,342	45,746,581	35,604,272	24,701,078
172,000,000	162,000,000	145,000,000	123,000,000	110,000,000	96,000,000	97,000,000	91,000,000	86,000,000

113,666	112,138	109,963	102,790	86,828	83,086	91,996	79,136	73,493
6,974	6,920	6,965	7,160	7,189	5,996	6,343	6,425	5,853
7,876	8,101	7,349	7,539	6,232	5,497	6,688	6,627	4,987
128,516	127,159	124,277	117,489	100,249	94,579	105,027	92,188	84,333
16,371	13,174	10,621	10,349	10,468	12,617	15,670	21,418	27,043
144,887	140,333	134,898	127,838	110,717	107,196	120,697	113,606	111,376
420	484	450	535	314	220	256	172	131
24	27	20	19	17	16	20	12	5
83	103	103	117	46	23	36	27	30
26	21	18	6	1	2	4	5	26
5	4	3	1	1	3	3	4	4
377,790	349,312	314,128	286,333	246,336	227,052	223,421	209,617	205,600
10,185,832	11,133,248	11,515,344	9,811,482	6,758,922	4,958,431	4,910,539	5,137,519	5,178,656
52,943	49,836	49,172	48,421	38,670	35,116	41,274	44,598	39,396
11,845	10,188	9,114	9,729	9,828	8,381	4,449	2,739	2,009
158,618	148,888	118,069	105,490	81,670	76,789	82,415	81,324	71,264
425,000	425,000	390,000	370,000	360,000	300,000	285,000	277,500	281,500
35,000	35,000	35,000	35,000	35,000	—	—	—	—
398,554	396,117	361,424	355,504	303,554	260,572	258,446	246,548	252,865
15,147	18,275	18,322	15,549	16,947	(Commenced Operations October 7, 1950)			
152,775,632	151,627,940	143,522,829	135,446,115	116,096,458	99,750,811	100,046,739	98,954,317	97,837,837
1,614	1,606	1,587	1,556	1,562	1,543	1,631	1,784	1,798
11,754	10,910	10,038	9,176	8,460	7,525	7,141	8,032	7,443

SINCLAIR OIL CORPORATION

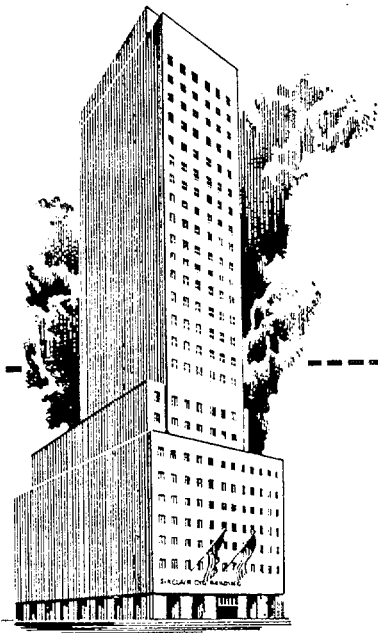
SINCLAIR OIL BUILDING

600 Fifth Avenue, New York 20, N. Y.

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JOSEPH P. WALSH	<i>General Counsel</i>

A Study of Sinclair Ownership

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SINCLAIR OIL CORPORATION

Number of Stockholders and Shares Held November 15, 1955

	Holders	Shares
Individuals — Men.....	40,374	4,287,562
Women.....	47,055	3,733,662
Joint Accounts.....	13,668	878,738
Total.....	101,097	8,899,962
Charitable and Educational		
Organizations.....	445	352,285
Insurance Companies.....	102	243,629
Trustees, guardians & Estates.....	3,074	489,623
Industrial and other companies.....	540	475,820
Nominees and brokers.....	977	3,719,883
	106,235	14,181,202

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In 1955, the number of registered stockholders of Sinclair Oil Corporation rose to an all-time high: 107,163. This total was almost 6,500 more than the number registered four years ago.

A special study of Sinclair stock ownership was made in the latter part of 1955 to ascertain the various types of shareholders in the Sinclair family. The study was made as of November 15, 1955, the last dividend record date in the year, and a detailed breakdown of the 106,235 stockholders registered on that date was secured.

Of total stockholders then registered, women—47,055—outnumbered the men—40,374. An additional 13,668 stockholders had their shares registered jointly.

But though there were fewer men than women among the owners of Sinclair, the men held more shares: 4,287,562 against 3,733,662.

Of Sinclair's registered stockholders, the overwhelming majority, 95 per cent, are individuals, and it is safe to assume that this large group is composed—as is true of stockholders generally in America—of housewives, farmers, skilled and unskilled workers, professional people and retired people, as well as administrators and executives.

The most striking trend in Sinclair stock ownership revealed by a comparison with

1951 registration is the growing ownership by "professional investors", the highly experienced managers of other people's money. The study showed that a total of 445 charitable and educational organizations, (colleges, foundations, charitable funds, hospitals, etc.) owned 352,285 shares, more than twice as many shares as were held by this type of investor four years ago. Trustees, guardians and estates had increased their holdings to 489,623 shares from 352,463, and their number on the Company's transfer books had risen from 1,942 to 3,074.

Most mutual funds, a popular form of investment trust, today are included on a company's records under the heading of "nominees", which includes other types of holders, as well. But such funds report their holdings quarterly, and from these records it is known that Sinclair common stock is one of the "favorite 50" of these investment vehicles. As of December 31, 1955, a record number of mutual funds—56—held a record number of Sinclair shares—829,800.

Thus, it can be seen that through financial institutions, trustees, insurance companies, etc., the number of people having beneficial interest in Sinclair common stock far exceeds even the large number directly registered as stockholders.

