The accompanying report and financial statements are respectfully submitted for the general information of the stockholders of Tide Water Associated Oil Company, and are not intended for use in connection with any sale or purchase of, or offer or solicitation of offers to buy or sell, any securities.
New York, April 10, 1936.

To the Stockholders of
Tide Water Associated Oil Company:

The Directors of your Company submit with this tenth annual report the Company’s Consolidated Balance Sheet as at December 31, 1935, and the related Income Statement showing the result of operations for the past year.

These financial statements include the assets and liabilities and operating results of Tide Water Oil Company and Associated Oil Company and their wholly owned subsidiaries. On December 31, 1935, your Company owned 99.07% of the common capital stock of the former, and 98.06% of the capital stock of the latter company. The accounts of your Company and its subsidiaries and their proprietary subsidiaries have been examined by Price, Waterhouse & Co., and their certificate of audit is a part of this report.

Earnings:

The consolidated net income of your Company and its operating subsidiaries for the year 1935, after provision for Federal income tax, amounted to $7,865,701, the largest earnings reported by this Company since the year 1930. Net income for the year 1935 applicable to the preferred and common stock interests compared with the results for the year 1934 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>1935</th>
<th>1934</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income from Operations</td>
<td>$7,865,701</td>
<td>$5,810,657</td>
</tr>
<tr>
<td>Preferred Stock Dividend Requirements</td>
<td>3,757,326</td>
<td>3,817,326</td>
</tr>
<tr>
<td>Net Income Applicable to Common Stock</td>
<td>$4,108,375</td>
<td>$1,993,331</td>
</tr>
<tr>
<td>Per Share</td>
<td>$.73</td>
<td>$.35</td>
</tr>
</tbody>
</table>

The main factors contributing to the improved earnings are, an increase in net production of crude oil; an increase in sales of products; liquidation of inventories carried on the books at costs lower than current replacement costs; and higher average gross realizations on sales volume of fuel oil and gas oil.

Gross volume of business of the year 1935 amounted to $107,950,085, as compared with $96,745,828 reported for the year 1934, an increase of $11,204,257 or 11.6%. Operating costs aggregated $84,734,496, reflecting an increase of $8,566,787 or 11% over the corresponding total for the year 1934. The gross profit on sales amounted to approximately 21% in each of the two years.

Your operating subsidiaries do not consolidate the assets, liabilities, and operating results of their partly owned affiliated companies with their own and those of their wholly owned subsidiaries. During the year 1935, your subsidiary companies’ share of the net income of their affiliated companies, based on percentage of stock ownership, amounted to $433,708, and your subsidiaries received dividends from such partly owned companies in the aggregate sum of $737,769. The enclosed consolidated income account includes $618,033 of that amount and the balance has been credited to stock investment accounts.

Federal, State, and County taxes paid by your Company and charged to operations during the year 1935 aggregated $3,122,672, exclusive of Federal income taxes estimated at $680,000. In addition to such taxes paid directly out of gross income, your Company’s subsidiaries collected from consumers and paid to Federal and State governments a total of
$24,278,324 representing taxes on sales of gasoline, lubricating oils, and other products, or approximately 37% of the amount realized by your Company's subsidiaries from sales of products subject to these taxes. Gasoline taxes alone amounted to $22,870,418, or 45% of the gross revenue from sales of the motor fuel subject to such taxes.

During the year 1935, the subsidiary companies also paid to the United States Government $248,328 representing payment on account of income taxes for the years 1923 and 1924, and interest. This payment was charged to the reserve created in prior years to provide for Federal taxes in process of adjustment.

Provisions for depreciation, depletion, obsolescence, and amortization of properties and equipment are computed on basis of rates established for the purpose of writing off the investments during the serviceable and productive life of the properties and equipment. Provisions for these charges during the year 1935 amounted to $14,074,503 compared with $13,139,083 charged to operations during the year 1934. The increase is due to additional production of crude oil, investments employed therein being depreciated in amounts determined by a "per barrel" unit rate assessed on volume of oil actually produced during the year. With minor exceptions, the individual rates used in determining the annual depreciation and depletion charges were comparable in both years.

Production of Crude Oil:

During the year 1935, the total net crude oil production of your Company's operating subsidiaries, after deducting royalties and working interests due lessors and others, amounted to 18,386,745 barrels, an increase of 2,193,378 barrels, or 13.6%, over the net production during the year 1934. This increase in production of crude oil contributed materially to the improvement in earnings reported for the year. Moreover, the potential production of your Company's subsidiaries is greatly in excess of present actual production which is being confined to limits established by State control and voluntary proration programs designed to balance National supply with the demand for crude oil and its products.

Intangible Drilling Costs:

Investors frequently compare statistical and financial reports of petroleum companies. In appraising the net income reported for the year, it is important to know the policy of the reporting company regarding accounting for intangible drilling costs for the year under review as well as its policy prior thereto. Prior to the year 1931, a great majority of petroleum producing companies, Associated Oil Company and Tide Water Oil Company included, charged intangible drilling costs to expense. This method of accounting was adopted by the industry generally, inasmuch as current operations benefited materially from the initial large production secured from many of the new wells. However, curtailment of production of crude oil through proration programs and unit plats of operation, adopted about that time by various units of the petroleum industry, limited the current production of crude oil and deferred the normal recovery of oil reserves over a longer period of time. In these circumstances, charging intangible drilling costs to expense so unduly burdened current operations that a true picture was not presented to the stockholders. Your subsidiaries, accordingly, changed their policy of accounting for intangible drilling costs in the year 1931, as explained in the annual reports for that year, and since January 1, 1931, the entire cost of developing oil producing properties has been capitalized subject to an amortization charge on current production of oil through unit depreciation rates determined for individual properties by dividing the total computed economic oil reserves into total development costs. The immediate decrease in operating charges resulting from adoption of this policy is partly offset by additional depreciation charges.

No adjustment has been made on your Companies' books for intangible drilling costs charged to expense prior to January 1, 1931.
Balance Sheet Comments:

Current assets amounted to $49,957,378 as at December 31, 1935, and current liabilities aggregated $16,274,877, a ratio of 3.07 to 1. The difference between these two amounts represents the net working capital of $33,682,501. On December 31, 1934, the net working capital amounted to $41,220,500, and the ratio of current assets to current liabilities was 5.26 to 1. The decrease in net working capital and current ratio is accounted for largely by a liability of $2,349,917 for preferred and common stock dividends declared in December 1935 and payable in January 1936; an increase of $2,496,386 in bank loans and purchase money obligations due within one year from date of balance sheet; and increases in liabilities for purchases of crude oil, materials, taxes, and sundry other items of expense.

Cash in banks and on hand totaled $10,709,246 on December 31, 1935, and United States Government and other marketable securities, valued at market, amounted to $2,786,259, an aggregate total of $13,495,505. Accounts and notes receivable, less reserve for doubtful accounts, amounted to $9,759,519. Inventories of crude oil and products, valued at costs, were carried at $23,518,199, although the market or net realization value of these inventories, after allowing for distributing expenses, is estimated at $26,866,307, being $3,348,108 or 14.2% in excess of their book value. Materials and supplies carried in stores for construction and operating purposes are included at $3,177,287, the unit values for new and used material representing cost or appraised value, respectively.

Contingent Liabilities:

The Balance Sheet item "Cash Deposited in Escrow against judgments on appeal for which no liability is included herein" represents amounts deposited in lieu of bonds on appeal from three judgments rendered against Associated Oil Company in the Superior Courts of the State of California, two of which were referred to in the annual report for the year 1934. In lieu of filing bonds on appeal, supported by collateral security required by bonding companies, at an annual premium cost to the Company of approximately $15,000, Associated Oil Company, by agreement of the parties, deposited $750,000 in banks at Los Angeles, and such deposit earns interest for the Company at current rates for time deposits, resulting in a net annual saving exceeding $15,000.

Included in the three judgments is one rendered in the Superior Court of California in and for the County of Ventura, in an action entitled "Hartman Ranch Company vs. Associated Oil Company" in the amount of $593,700 with interest at 7% per annum, from January 20, 1934. The plaintiff claimed that the operations of Associated Oil Company on an adjoining lease drained oil from the Hartman Ranch Company's property, also operated by Associated Oil Company. On March 28, 1936, by unanimous opinion of the District Court of Appeals, this judgment was reversed. The plaintiff may petition for a rehearing of the case, but unless such rehearing is granted, $600,000 of the total of $750,000 deposited will be released from escrow and repaid to your Company.

The other two judgments are based on claims for alleged under-estimation of royalty payments to certain lessors in the Huntington Beach Field, California, made between the years 1929 and 1933. Plaintiffs insisted that although Associated Oil Company had determined the quantity and gravity of royalty oil by a standard method of sampling and testing commonly followed in California and elsewhere for over twenty years, their royalty interests would have yielded greater returns to them if Associated Oil Company had employed allegedly more exact methods. Judgment against another oil company on similar claims was reversed by the Supreme Court of the State of California, and, in the opinion of your Company's counsel, the two judgments against Associated Oil Company will be reversed and the cash deposited in lieu of the appeal bond returned to your Company. However, if these judgments should be affirmed by the Supreme Court of the State of California, they will be satisfied out of the funds deposited in escrow, and a corresponding charge will then be made against earned surplus.
Investments and Advances:

The principal changes in this group of investments consist of (a) the purchase by Tide Water Oil Company of 101,969 shares of the capital stock of Mission Corporation at a total cost of $1,116,518, an average of about $10.95 per share (on March 31, 1936, the price offered for this stock on the New York Stock Exchange was $23.25 per share), as explained at the last annual stockholders' meeting; and (b) the exchange of 158,306 shares of the capital stock of Darby Petroleum Corporation, owned by Tide Water Oil Company and heretofore included in this group of investments at the net value of $1,250,000, for producing properties and prospective oil leases valued at the same amount at the time of exchange and now included in operating properties and equipment accounts.

Properties and Equipment:

The net book value of all properties and equipment amounted to $117,806,258 as at December 31, 1935, compared with $113,226,095 reported as at December 31, 1934. The increase of $4,580,163 represents the difference between gross additions during the year and credits for sales, retirements, abandonments, depreciation, depletion, and amortization during the year. On December 31, 1935, the total reserves for depreciation, depletion and amortization amounted to $153,403,137, or 56.6% of the gross book value of total properties and equipment, and 61% of the gross book value of assets subject to depreciation and depletion.

Gross expenditures for additions and improvements to properties and equipment during the year 1935 totaled $19,442,098, expended by the principal divisions of the Company in the following amounts and proportions:

<table>
<thead>
<tr>
<th>Division</th>
<th>Amount</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producing Division</td>
<td>$14,814,703</td>
<td>76.2</td>
</tr>
<tr>
<td>Transportation Division</td>
<td>935,311</td>
<td>4.8</td>
</tr>
<tr>
<td>Refining Division</td>
<td>1,494,524</td>
<td>7.7</td>
</tr>
<tr>
<td>Marketing Division</td>
<td>2,181,373</td>
<td>11.2</td>
</tr>
<tr>
<td>Miscellaneous Items</td>
<td>16,187</td>
<td>.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$19,442,098</td>
<td>100.0</td>
</tr>
</tbody>
</table>

It is your Company’s constant aim to acquire prospective and proven oil lands and to develop its oil properties so that its earnings may be enhanced through increased production of crude oil at costs substantially lower than the cost of purchased crude oil, and its crude oil reserves for future refinery requirements increased. The acquisition and development of oil lands have been the principal objectives of your Company. During the year 1935, the producing divisions of your Company's operating subsidiaries expended the sum of $14,814,703, principally as follows:

(a) Purchase of the capital stock of Simms Oil Company. Its properties included 450 oil wells, 16 gas wells, and approximately 100,000 acres of undeveloped prospective oil leases. Their present net production of crude oil is about 6,500 barrels per day. In addition to $4,155,000 payable out of oil, if, as, and when produced, the purchase price in cash and notes amounted to $4,620,000.

(b) Acquisition of 210 acres of producing leases in East Texas and 1,280 acres of prospective oil leases in Texas and New Mexico, in exchange for 158,306 shares of the capital stock of Darby Petroleum Corporation, valued at $1,250,000.

(c) For drilling and equipping wells on proven and prospective oil lands and leases, and for acquisition of royalty interests and prospective oil lands and leases in a number of oil producing states $8,944,703.
A total of 214 oil wells and 4 gas wells were completed and placed on production during the year 1935, and drilling operations in progress at the end of the year included 26 locations on proven or prospective acreage. Of special interest is the discovery by Tide Water Oil Company of new production at St. Martinsville, Louisiana, and the development of additional reserves in the Cayuga and Long Lake fields, Texas. Modern geophysical exploration methods have been of great assistance in the selection or rejection of acreage believed to possess oil-producing possibilities.

The transportation divisions expended the sum of $935,311, principally for the purchase of automotive equipment, for rehabilitating and modernizing present existing facilities and worn out equipment, and for handling increased fuel oil business.

Expenditures by the refining divisions, aggregating $1,494,524, were confined to improvements and additions to existing equipment, for the purpose of increasing yields and improving the quality of the products, and to the construction of improvements designed to reduce unit operating costs.

The major portion of the expenditures by the marketing divisions, totaling $2,181,373, represented the cost of improvements to existing bulk plants, completion of water terminal facilities at Revere, Massachusetts, and at Syracuse, New York, and the cost of constructing tankage at Manila, Philippine Islands, to permit handling gasoline and kerosene transported in cargo lots instead of by the expensive method of shipping these products in steel drums as heretofore. Expenditures for service stations were confined to the most desirable outlets at points where it was deemed necessary to maintain continuity of service, and where satisfactory sales volumes and realizations and low operating costs might be expected.

The total sum of $19,442,098 added to properties and equipment accounts during the year 1935 is the aggregate of the following cash expenditures and other items:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash expenditures provided out of gross income</td>
<td>$16,558,098</td>
</tr>
<tr>
<td>Deferred payment due in June 1936 on purchase of capital stock of Simms Oil Company</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Value of properties received from Darby Petroleum Corporation in exchange for 158,306 shares of its capital stock, the cost of which was previously included in &quot;Investments and Advances&quot;</td>
<td>1,250,000</td>
</tr>
<tr>
<td>Deferred payments on purchase price of royalty interests and other assets</td>
<td>634,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$19,442,098</strong></td>
</tr>
</tbody>
</table>

For the past several years your Company has made substantial progress in integrating its operations through the acquisition of producing properties, in this manner improving the ratio of current production of crude oil to its refinery demands at costs materially lower than prevailing posted prices for purchased crude oil, and increasing its crude reserves for future requirements. This policy is receiving the constant attention of the management, and, as heretofore mentioned, the largest part of the annual capital appropriations is allotted for these purposes. The results of this policy during the past three years are reflected in the following comparison of net book value of properties and equipment employed in the four principal activities of the Company:

<table>
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<tr>
<th>Activity</th>
<th>December 31, 1935</th>
<th>December 31, 1932</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Producing</strong></td>
<td>$61,353,134</td>
<td>$51,167,640</td>
</tr>
<tr>
<td><strong>Transportation</strong></td>
<td>20,400,399</td>
<td>25,288,171</td>
</tr>
<tr>
<td><strong>Refining</strong></td>
<td>18,220,382</td>
<td>24,378,367</td>
</tr>
<tr>
<td><strong>Marketing</strong></td>
<td>17,086,576</td>
<td>18,191,350</td>
</tr>
<tr>
<td><strong>Miscellaneous</strong></td>
<td>745,767</td>
<td>956,836</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$117,806,258</td>
<td>$119,982,364</td>
</tr>
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<td><strong>Total</strong></td>
<td>$117,806,258</td>
<td>$119,982,364</td>
</tr>
</tbody>
</table>
The additions to properties and equipment of the producing divisions during the past three years exceed the credits for depreciation, depletion, and amortization by $10,185,494, but in all other divisions of the business the credits for depreciation exceed expenditures for new facilities by $12,361,600. The columns in the above comparison very clearly and pointedly emphasize this condition.

**Liabilities:**

The liability side of the balance sheet reflects a change of major importance compared with the balance sheet included in the annual report for the year 1934. The 5% cumulative convertible preferred stock of Tide Water Oil Company, outstanding on December 31, 1934, in the amount of $19,624,600, was retired on August 15, 1935. Holders of 1,180 shares of that preferred stock converted their holdings into 2,950 shares of Tide Water Oil Company’s common stock. Holders of 195,066 shares of the preferred stock, on August 15, 1935, presented such shares for redemption at $105 per share. Of the $20,491,626 required for the retirement of the preferred stock, $19,000,000 was borrowed by Tide Water Oil Company from banks at interest rates averaging 3.23% per annum for the five year term of the loan, and the balance of $1,491,626 was provided out of that Company’s available cash. As a result of this refunding operation, the net income available for common stock dividend of Tide Water Oil Company will increase annually approximately $496,000 for the duration of the loan, the difference, principally, between the dividend requirements of the preferred stock at the rate of 5% annually and the annual average interest charge of 3.23% on the bank loan. This saving, of course, will also be reflected in the consolidated income report of your Company.

The bank loan of $19,000,000 is to be retired in annual instalments, and the sum of $2,000,000 thereof to be paid in August 1936 is included among the current liabilities. This circumstance, as hereinbefore stated, partly accounts for the large increase in current liabilities reported as at December 31, 1935, over the current liabilities as at December 31, 1934.

**Capital Stock:**

During the year 1935, your Company’s operating subsidiary, Associated Oil Company, acquired through purchase 10,000 shares of your Company’s outstanding 6% preferred stock at a cost of $89.75 per share, a total of $897,500. These shares have been reported as treasury shares, thereby reducing the number of shares of preferred stock outstanding in the hands of the public to a total of 626,221 shares. As result of this purchase, the preferred stock dividend requirements on a consolidated basis have been decreased to the extent of $60,000 per year.

The number of shares of common stock outstanding in the hands of the public, exclusive of 356,588 shares held in the treasuries of your Company and its subsidiaries, was increased from 5,631,341 shares as at December 31, 1934, to 5,642,342 shares as at December 31, 1935. The increase in number of outstanding shares amounts to 11,001 shares which were sold to operating officials of your subsidiaries during the year 1935, in accordance with the terms of the Company’s stock plan approved by the stockholders.

At December 31, 1935, the 626,221 shares of your Company’s 6% cumulative convertible preferred stock were owned by 13,026 stockholders, and the 5,642,342 shares of its no par value common stock were owned by 18,718 stockholders. Many stockholders own shares of both the preferred and common stock.

**Consolidated Surplus:**

As at December 31, 1934, the consolidated surplus amounted to $20,620,669, subject, however, to the liability represented by the arrearage of $1,272,442 in preferred stock dividends, which was paid during the year 1935. As at December 31, 1935, the surplus amounted
to $21,336,760, indicating an increase of $716,091. This increase represents the difference between additions and deductions shown hereunder:

**Consolidated Surplus, December 31, 1934** .................................................. $20,620,669

**Additions:**
- Consolidated Net Income of the year 1935 ..................................................... 7,865,701
- Sundry Adjustments (Net) ................................................................................. 134,459

**Deductions:**
- Dividends paid and declared:
  - Preferred
    - Arrearage at December 31, 1934 ................................................................. $1,272,442
    - Accrued during 1935 ................................................................................... 3,757,326
  - Common ........................................................................................................ 1,410,586
  - Total Dividends ............................................................................................. $6,440,354
- Your Company's proportion (based on stock ownership) of the 5% premium paid by Tide Water Oil Company on retirement of its 5% preferred capital stock ................................................................. 843,715

**Consolidated Surplus, December 31, 1935** .................................................. $21,336,769

**General:**

**Investments in Subsidiaries:**

During the year 1935, your Company acquired through purchase 1,832 shares of the capital stock of Associated Oil Company and 2,172 shares of the common stock of Tide Water Oil Company. As at December 31, 1935, your Company’s interest in these subsidiaries consisted of:

- 2,245,985 shares, or 98.06%, of total outstanding shares of Associated Oil Company, and
- 2,174,297 shares, or 99.07%, of total outstanding shares of Tide Water Oil Company.

**Source and Disposition of Funds:**

It may be of interest to review the source of the year’s cash receipts and the disposition thereof, as reflected in the following summary of principal items:

**Source of Cash Receipts:**
- Profit of the year 1935 before deduction for depreciation, depletion, and amortization of properties (i.e., other than cash items) ................................................................. $22,923,932
- Bank loans ...................................................................................................... 19,000,000
- Through liquidation of portion of inventories and net changes in various asset and liability accounts ................................................................. 2,492,941

**Total to account for** .................................................................................... $44,416,873

**Disposition of Receipts:**
- Redemption of 195,066 shares of Tide Water Oil Company's preferred stock ................................................................................................................. $20,491,626
- Reduction in purchase money obligations outstanding on December 31, 1934 ........................................................................................................ 868,071
- Expenditures for properties and equipment .................................................. 16,558,098
- Purchase of 101,969 shares of Mission Corporation stock .......................... 1,116,018
- Purchase of 10,000 shares of your Company's own preferred capital stock ................................................................. 897,700
- Purchase of shares of your subsidiaries' common capital stock ................. 146,296
- Payment of prior years' Federal income taxes .............................................. 248,328
- Dividends paid in cash (exclusive of those declared in December 1935 and paid in January 1936) ................................................................. 4,090,436

**Total accounted for** .................................................................................... $44,416,873
Officers and Employees:

There are no loans to any officer of your Company or of its subsidiaries. The total of $6,868 shown in the enclosed balance sheet as "Due from employees" represents small individual loans to employees other than officers, which are being liquidated through regular periodical payments. Such loans are granted in emergencies only. As at December 31, 1934, these outstanding loans amounted to $10,422.

In the year 1927, your Company instituted a stock purchase plan for operating officials of Tide Water Oil Company and Associated Oil Company. Pursuant to the terms of the plan, which was approved and ratified by the stockholders, participants were entitled to purchase a limited number of shares of your Company's common stock at a price fixed annually by the Directors but never less than $10 per share, the minimum price permitted by the plan. The Trustee has the privilege of buying such shares in the open market if available at a price lower than the minimum price fixed by the plan and applying such purchases against current subscriptions. According to the terms of the plan, no subscriptions for shares may be entered by any participant after December 31, 1936, and while the terms of the plan are reasonable with regard to the amount of current monthly minimum payments, full payment for all subscribed shares must be completed by December 31, 1941.

In accordance with plans in effect for many years, insurance is provided on the lives of operating officials and employees of your Company's subsidiaries, and the premium on such insurance to the extent not paid by the employees is charged to and paid by the subsidiary employing the insured.

At December 31, 1935, there were 10,593 employees in the service of your Company's operating subsidiaries.

Continued publicity is being given to salaries received by officers of many industrial, railroad, and utility companies. While such information with respect to your Company will no doubt be published in due course, your Directors believe that you should receive authoritative information from your Company.

The President of your Company is also the President of Associated Oil Company and Chairman of the Board of Directors of Tide Water Oil Company. The salary received by him during the year 1935 for all services rendered these companies amounted to $60,000, of which $7,500 was paid by your Company and the balance by its operating subsidiaries. In addition thereto, your President received fees for attendance at Directors' Meetings, and the benefit of a premium on life insurance paid pursuant to the Company's insurance plan. These two items, classed as compensation, aggregated $3,065. All other officers of your Company are primarily officers of Tide Water Oil Company and receive their entire salary from that Company.

During recent years there has been a substantial reduction in the number of officers and employees receiving individually $10,000 or more annually. During the year 1928, there were 47 in this group of officers and employees, while during the year 1935 only 28 officers and employees of your Company's operating subsidiaries received annual salaries of $10,000 or more, and the total salaries paid to them aggregated $384,801, or forty-five hundredths of one percent. of the total operating costs for that year.
Dividends:

Recent inquiries concerning dividend prospects invite a review of the payments made during the two years ended December 31, 1935, in liquidation of accumulated unpaid preferred dividends, currently accruing preferred dividends, and the declaration on December 20, 1935, of the common stock dividend of $1,410,586.

On December 31, 1933, the accrued and unpaid dividends on this Company's six percent. preferred stock amounted to $2,893,604, or $4.50 per share. This sum was paid during the year 1934, and the Company in addition also paid part of the dividends accruing on the preferred stock during that year. The total of such payments equalled $5,407,879, or $8.50 per share, while the net income reported for the same period was $5,810,657. Dividends on preferred stock in arrears on December 31, 1934, amounted to $1,272,442, or $2.00 per share.

During the year 1935 your Company paid the sum of $1,272,442, in liquidation of the accrued and unpaid preferred dividends in arrears on December 31, 1934, and the additional amount of $3,757,326, or $6.00 per share in satisfaction of the preferred dividends accruing during the year 1935.

In liquidating the preferred dividends in arrears on December 31, 1933, and paying the preferred dividends accruing during the years 1934 and 1935, your Company paid the total sum of $10,437,647, and thus placed the preferred stock on a current dividend basis.

The provisions of the Company's charter authorizing the issue of the preferred stock absolutely prohibits the payment of dividends on shares of its common stock while any portion of dividends on its preferred stock is in arrears. As soon as the preferred stock was placed on a current dividend basis in the year 1935, a dividend of $1,410,586, or twenty-five ($25) cents per share, warranted by the Company's earnings, was declared on the shares of its common stock.

The total of all dividends paid or declared during the two years ended December 31, 1935, therefore, amounted to the sum of $11,848,233, while the net income of the same period totaled $13,676,358.

It is the desire of the Directors of your Company to pay dividends on the Company's common capital stock whenever the Company's earnings and conditions in the petroleum industry justify such payments.

Your Directors, in conclusion, express their appreciation to the Company's employees whose loyal services and constant efforts have contributed materially to the results accomplished during the period under review, and to the stockholders of this Company for their unfailing support and cooperation.

Respectfully submitted,

BOARD OF DIRECTORS,

By WILLIAM F. HUMPHREY,
President.
TIDE WATER ASSOC
AND SUBSIDI
Consolidate
DECEMB

ASSETS

CURRENT AND WORKING ASSETS:—

Cash in banks and on hand ........................................ $ 10,709,246.14
United States Government and other marketable securities, at cost .......... $ 3,001,201.68
Less—Reserve for reduction to market quotations ........................ 214,942.93 $ 2,786,258.75
Accounts receivable (less reserve $456,075.21) .................. 9,097,966.63
Notes and trade acceptances receivable ................................ 661,552.62
Due from employees ................................................. 6,867.70

Inventories, certified by responsible officials as to quantities and condition:
Crude and fuel oil (at cost, lower than market) .................. $ 11,644,669.59
Refined oil products, finished and in process (at cost, lower than market) 11,873,529.80

Materials and supplies (at book values based on cost) .............. 3,177,286.90 $ 26,695,486.29 $ 49,957,378.13

CASH DEPOSITED IN ESCROW, against judgments on appeal for which no liability is included herein .................................... 750,000.00

INVESTMENTS AND ADVANCES:—
Capital stocks of affiliated companies (at cost or below):
More than 50% owned:
Foreign ................................................................. $ 386,462.15
Domestic ............................................................. 3,220,488.79
Not more than 50% owned:
Foreign ................................................................. 1,512,656.60
Domestic ............................................................. 1,269,141.77 $ 6,388,749.31

Due from affiliated companies ........................................ 1,193,676.92
Mission Corporation—101,969 shares of capital stock (at cost) ........ 1,116,517.52
Other investments and receivables (at cost or below) .................. 3,570,652.75 12,269,596.50

PROPERTIES AND EQUIPMENT

<table>
<thead>
<tr>
<th>Gross Book Figures*</th>
<th>Depreciation, Depletion and Amortisation Reserves</th>
<th>Net Book Figures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil Producing</td>
<td>$126,137,943.59</td>
<td>$61,353,133.98</td>
</tr>
<tr>
<td>Transportation</td>
<td>56,974,858.62</td>
<td>20,400,399.12</td>
</tr>
<tr>
<td>Refining</td>
<td>51,197,549.14</td>
<td>18,220,382.27</td>
</tr>
<tr>
<td>Marketing</td>
<td>33,699,252.88</td>
<td>17,086,575.67</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>3,219,790.71</td>
<td>741,766.89</td>
</tr>
<tr>
<td><strong>$271,209,394.94</strong></td>
<td><strong>$153,403,137.01</strong></td>
<td><strong>$117,806,257.93</strong></td>
</tr>
</tbody>
</table>

*Gross book figures of individual properties or units of equipment represent actual cost to the subsidiary companies, or appraised figures approved by the Boards of Directors of the appropriate companies as of January 1, 1932, the aggregate gross book figures of all properties and equipment being less than aggregate actual cost.

DEFERRED CHARGES:

Prepaid taxes, insurance and rents ................................ $ 1,543,286.70
Other deferred expenses ............................................. 2,047,503.73

**$182,830,736.29**
### Liabilities

**Current Liabilities:**
- Notes payable to banks, due within one year: $2,000,000.00
- Purchase money obligations, due within one year: $1,324,302.50
- Accounts payable, trade: $4,980,912.87
- Wages and miscellaneous accounts payable: $1,479,114.38
- Accrued interest: $207,258.49
- Accrued taxes—property, oil, excise, etc: $3,253,717.00
- Preferred stock dividend, payable January 2, 1936: $939,331.50
- Common stock dividend, payable January 15, 1936: $1,410,585.50
- Provision for estimated Federal tax on 1935 income: $680,000.00

**Due to Affiliated Companies:** $1,879,042.25

**Deferred Liabilities:**
- Notes payable to banks, due serially to 1940: $17,000,000.00
- Purchase money obligations: $2,774,435.00

**Deferred Credits:**
- Discount on preferred and common stocks in treasury: $522,670.58
- Other items: $151,140.06

**Reserves for repairs on marine equipment, Federal taxes in process of adjustment, etc.:** $1,658,197.35

**Capital Stocks of Subsidiary Companies in Hands of Public:**

**Tide Water Oil Company:**
- Common stock—20,476 shares of no par value: $511,900.00
- Surplus applicable thereto: $70,738.94

**Associated Oil Company:**
- Capital stock—44,427 shares of $25 par value: $1,110,675.00
- Surplus applicable thereto: $494,779.70

**Capital Stock and Surplus:**
- Preferred stock 6% cumulative convertible $100 par value:
  - Authorized: 1,500,000 shares
  - Issued: 636,221 shares
  - Outstanding: 626,221 shares
  - Less—Held in treasury: 10,000 shares

- Common stock of no par value, stated at $10 per share:
  - Authorized: 10,000,000 shares
  - Issued: 5,998,930 shares
  - Outstanding: 5,642,342 shares
  - Less—Held in treasury: 356,588 shares

Surplus, per attached statement: $21,336,760.47

**Note:** Contingent liabilities—see President's letter.

**Total Liabilities:** $182,830,736.29
TIDE WATER ASSOCIATED OIL COMPANY
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF INCOME AND SURPLUS
FOR THE YEAR ENDING DECEMBER 31, 1935

Sales of petroleum products, together with revenue from other operations (exclusive of intercompany transactions) ................................................................. $107,950,085.36
Cost of products sold, including selling expenses ................................................................. 78,010,087.64

Other income:
Interest ................................................................................................................................. $420,911.22
Dividends received from affiliated companies (see foot-note) .................................................. 618,032.70
Miscellaneous income ........................................................................................................... 343,694.50

Other expenses:
General and administrative expenses .................................................................................. $2,618,098.60
Taxes, other than income taxes .......................................................................................... 3,122,671.97
Insurance .......................................................................................................................... 983,637.99
Interest .................................................................................................................................. 506,954.73
Rentals of undeveloped leases ............................................................................................. 287,164.48

Net income before depreciation, depletion, amortization, etc. ........................................... $23,804,108.37

Deduct:
Provision for depreciation and depletion ........................................................................... $13,268,805.53
Amortization ......................................................................................................................... 805,697.94
Property retirements (net) ................................................................................................. 14,428,454.31

Net income from operations for the year ........................................................................... $7,865,701.27

Equities of preferred and common stockholders, other than Tide Water Associated Oil Company, in net income of subsidiary companies ........................................ 829,952.79
Net income from operations for the year applicable to interest of Tide Water Associated Oil Company ............................................................... 7,635,748.48

Add:
Profit on sale of marketable securities and restoration of reserve no longer required ........ $166,656.88
Profit on sale of “other investments” .................................................................................. 39,816.72
Reserve for repairs on field equipment provided in prior years now found to be unnecessary ................................................................. 125,000.00

Less:
Cost of settlement of litigation ......................................................................................... $165,000.00
Adjustments for acquisition of common stock and for conversion of preferred stock of subsidiary companies ................................................................. 32,014.79 197,014.79 134,458.81
Balance added to surplus ................................................................................................. $8,000,160.08
Surplus at January 1, 1935 .............................................................................................. 28,620,829.47

Less:
Dividends:
Preferred Stock:
Paid in cash ..................................................................................................................... $4,090,436.50
Declared—payable January 2, 1936 .......................... 939,331.50 $ 5,029,768.00
Common Stock payable January 15, 1936 ................................................................. 1,410,585.50

Premium on preferred stock of subsidiary company redeemed (net) ................................ $6,440,353.50
Surplus at December 31, 1935, per balance sheet .............................................................. $21,336,760.47

Note: The dividends received from domestic affiliated companies and credited to income in 1935 exceeded the proportionate share of their net earnings by an amount of approximately $295,000. Undistributed net profits of foreign affiliated companies for the year 1935 amounted to approximately $108,000, part of which is subject to exchange restrictions.

Above statement does not include the amount of $24,278,324 collected for the Federal government and State governments in the form of taxes on gasoline, lubricating oils, and other products.
To the Board of Directors of
Tide Water Associated Oil Company

We have made an examination of the consolidated balance sheet of Tide Water Associated Oil Company and subsidiary companies as at December 31, 1935 and of the consolidated statement of income and surplus for the year 1935. In connection therewith, we examined or tested accounting records of the companies consolidated and other supporting evidence, and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions. We also made similar examinations of the accounting records of certain of the affiliated companies not consolidated, and accounts prepared by the companies were produced to us for the remainder.

In our opinion, based upon such examination and subject to the sufficiency of the reserve for Federal taxes in process of adjustment, the accompanying balance sheet and related statement of income and surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year under review, their combined position at December 31, 1935 and the results of operations for the year.

Price, Waterhouse & Co.
Tide Water Associated Oil Company

Board of Directors

Alden Anderson         William F. Humphrey
George N. Armsby       Robert McKelvy
Adolphe Boissevain     Edward H. Salrin
Henry W. de Forest     Edward L. Shea
J. Paul Getty          Paul Shoup
H. Paul Grimm          Elisha Walker

Executive Officers

William F. Humphrey .............. President
Robert McKelvy ................. Vice-President
Edward L. Shea ................. Vice-President
K. R. Hankinson .............. Treasurer
William J. Burker .......... Secretary

Transfer Agents

Tide Water Associated Oil Company, New York, N. Y.
The Anglo California National Bank of San Francisco,
San Francisco, Calif.

Registrars

The Chase National Bank of the City of New York,
New York, N. Y.

Bank of America National Trust and Savings Association,
San Francisco, Calif.
TIDE WATER ASSOCIATED PRODUCTS

The branded products of this company are:

TYDOL GASOLINE
Available in the Eastern States and Mid-Continent

VEEDOL MOTOR OILS—GREASES
100% PENNSYLVANIA
SOLD NATIONALLY

TYCOL INDUSTRIAL LUBRICANTS
Available in the Eastern States and Mid-Continent

ASSOCIATED GASOLINE
CYCOL MOTOR OILS
AVON INDUSTRIAL LUBRICANTS
Available in the Pacific Coast and Rocky Mountain States

It is hoped that stockholders of the Company will use such of the products of Tide Water Associated companies as are available to them, and that they will interest their acquaintances and friends to do likewise. The best of materials and technical skill and a long established reputation for quality underlie these products.