



*Pipelines move crude oil efficiently from the field to the refinery.*

carbons from the oil sands and heavy oil deposits.

“(7) Participation in the Empress Plant which extracts natural gas liquids from the natural gas being carried out of Alberta by TransCanada PipeLines Ltd.

“(8) Participation in 17 hard rock mining projects comprising primarily uranium and coal prospects.

“(9) Ownership of minority share positions in various pipeline companies including Westcoast Transmission and Cochin Pipeline.

“(10) Ownership of a small refinery at Taylor in northeastern British Columbia.

“(11) Marketing refined products through 375 retail gasoline outlets and 55 bulk plants catering to all classes of trade.

“(12) Participating in the Arctic Pilot Project – with respect to the transportation of liquefied natural gas from the High Arctic.”

#### *Assets:*

“(1) Petro-Canada, in Western Canada, has proven gas reserves before royalty of 4.2 trillion cubic feet and crude oil reserves before royalty of 330 million barrels.

“(2) Petro-Canada has approximately 18.2 million net acres of land and can earn a further 12.9 million acres by meeting certain work commitments.

“(3) The net loss of Petro-Canada for the six months ended June 30, 1979 was \$7.6 million. It is estimated that there will be net earnings for the full year of \$3 million and the funds provided from operations will be \$253 million.”

Petro-Canada (as it now exists), explains the report, represents a \$1-billion investment and a \$1.5-billion debt guarantee by Canadians through their Government. It is wholly Canadian-owned and controlled. In its present capacity, it is a holding company, its main subsidiary being Petro-Canada Exploration Inc., which holds the assets acquired in the takeovers of Atlantic Richfield Canada Ltd., and Pacific Petroleum Ltd., or otherwise acquired or developed.

#### **The Government agency**

The task force recommends that the Government agency would be responsible for the assets and activities specifically assigned to it, including:

- some equity and role in Panarctic Oils Limited;
- some involvement and role in the Polar Gas Project;



*Petroleum in mist form is distilled in a “fractionating tower”.*

- participation in the Arctic Pilot Project;
- responsibility for the Lancaster Sound-Bylot Basin Project;
- activities definitively of a government nature including involvement in state-to-state negotiations, promotion of research and development and frontier activity.

#### **Financial structure**

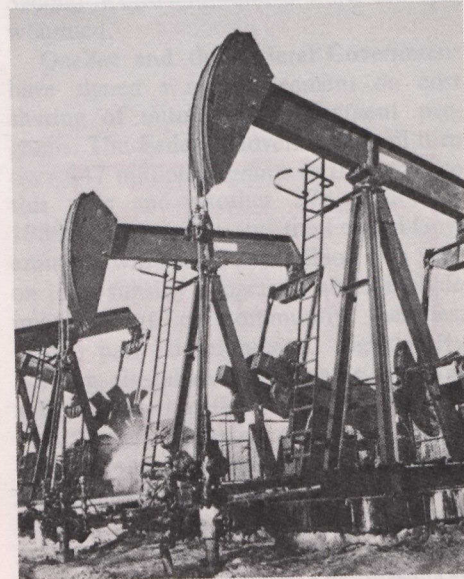
The 1978 Annual Report of Petro-Canada indicates that debt, including the term preferred shares of Petro-Canada Exploration Inc., exceeds 250 per cent of equity, states the task force report. This contrasts sharply with petroleum industry averages where, historically, debt for integrated companies has been approximately 25 per cent of equity and where debt for senior

producers has been approximately 40 per cent of equity.

In the judgment of the task force, restructuring the combined debt of Petro-Canada should be achieved by:

- Purchase of the term preferred shares of Petro-Canada Exploration Inc. by the Government of Canada.
- Conversion of the term preferred shares of Petro-Canada Exploration Inc. to fully paid common shares of Petro-Canada Exploration.
- Repayment of the \$210 million income debentures of Petro-Canada by the transfer of cash from Petro-Canada Exploration Inc., from existing resources or appropriate financing.
- Issue of fully paid treasury common shares in settlement of the net balance of advances payable by Petro-Canada Exploration Inc. to Petro-Canada after effecting the division of assets and income debenture repayment recommended by the Task Force.

The “privatized” Petro-Canada Exploration would retain 100 per cent of the assets gained in the takeover of Atlantic Richfield Canada Limited and Pacific Petroleum Limited, (which included the involvement in the proposed Alsands Project), the Syncrude investment, and any activity or investment not specifically reserved for the Government Agency, states the report. Further, Petro-Canada Exploration should retain 10 per cent of the interest in the Arctic Pilot Project and the task force recommends that Petro-Canada Exploration retain 15 per cent of Panarctic Oils Limited.



*Production of heavy oil requires expensive lifting techniques.*