

To provide the means for Petro-Canada to acquire a land position in Canada's frontier regions, the government proposed in a policy statement of May 1976 to accord the new state oil company with preferential rights. Under new Regulations arising from the *Petroleum and Natural Gas Act*, Petro-Canada could select up to 25% of any lands surrendered to the Crown. An additional preferential process, introduced in the National Energy Program (NEP) of 1980, conferred an option to acquire a 25% working interest on Crown lands:

...This interest will be exercised by Petro-Canada or some other designated Crown corporation, and will be in the form of a carried interest, convertible to a working interest at any time prior to the authorization of a production system for a particular field. It will be applicable to all existing interests, however acquired.

(Canada, EMR, 1980, p. 47)

This "back-in" could be exercised by Petro-Canada without any payback of previous exploratory expenditures. Petro-Canada would, however, pay all production costs associated with the 25% Crown share. Under pressure from the United States Government, which regarded this provision as a form of confiscation, the Canadian Government subsequently announced that it would make ex gratia payments to petroleum companies for certain past expenditures in the case of a Petro-Canada back-in, but only for oil or gas discoveries made prior to year-end 1982 and only for discovery wells initiated before year-end 1981.

Petro-Canada began a series of private-sector acquisitions that would culminate in its becoming one of the largest integrated oil companies operating in Canada. Effective 1 August 1976, the Company acquired 100% of the outstanding shares of Atlantic Richfield Canada Ltd. and these assets became a wholly-owned subsidiary, Petro-Canada Exploration Inc. The cost of this acquisition was \$342.44 million.

On 10 November 1978, Petro-Canada acquired control of Pacific Petroleum Ltd. through the acquisition of 52% of its shares from Phillips Petroleum Co. of Oklahoma. In early 1979, Petro-Canada extended its ownership to more than 90% and subsequently acquired all of the outstanding shares in Pacific Petroleum. Through this acquisition, Petro-Canada became a 32% shareholder in Westcoast Transmission Co. Ltd. which was a major partner with Alberta Gas Trunk Line Company (later NOVA) in several joint ventures.

During 1980, Petro-Canada began negotiating for the purchase of Petrofina Canada Inc. from Petrofina S.A. of Belgium. The federal government approved this proposed purchase, which would give Petro-Canada retail outlets across the country, and, in April 1981, announced that it would implement the Canadian Ownership Special Charge (COSC) on domestic sales of petroleum products and natural gas to cover 85% of the costs of the acquisition. The total cost of Petrofina Canada's outstanding shares on 2 May 1981 was \$1,460 million, and an additional \$350 million was set aside to cover financing costs, which would depend on the timing of share tendering during the 25-month acquisition period. The acquisition was completed in