PetroChina (601857.SS) became the first Chinese state-owned company to wholly own a Canadian oil sands development after agreeing on Tuesday to buy out its partner's stake in a newly approved project for C$680 million ($674 million).

Calgary-based Athabasca Oil Sands Corp (ATH.TO) said it exercised an option to sell its 40 percent interest in the MacKay River project in northern Alberta to PetroChina so it could free up money to concentrate on some of its other oil sands and light crude projects.

After the project won regulatory approvals last week, the partners had 30 days to decide to exercise put and call options on Athabasca's stake. They have a similar arrangement with a larger, nearby project still awaiting a go-ahead from regulators.

Athabasca shares rose 26 Canadian cents, or 2 percent, to C$12.75 on the Toronto Stock Exchange.

"Now you can look forward with a bit more clarity on what they're going to be up to in the next couple of years as opposed to wondering whether or not they're staying in the joint venture," FirstEnergy Capital Corp analysts Michael Dunn said.

"Whenever you remove uncertainty, it's usually good for a stock."

The investment came as state-owned Sinopec (0386.HK) said it will spend $2.2 billion on stakes in U.S. shale properties owned by Devon Energy Corp (DVN.N), showing China's appetite for unconventional energy resources in North America is far from being satiated.

PetroChina is expected to start work this month at MacKay River, which is scheduled to begin producing 35,000 barrels a day by 2014, at a cost of around C$1.3 billion. Eventual output could hit 150,000 bpd.

It will employ steam-assisted gravity drainage, or SAGD, where steam is injected into the ground to loosen up the tar-like bitumen so it can be pumped to the surface in wells.

The initial phase is small in comparison to the major tar sands mining operations, such as those operated by Suncor Energy Inc (SU.TO) and Syncrude Canada Ltd, each of whose current output is 10 times more.

However, it is in line with single phases of numerous other SAGD projects run by such companies as Devon and Cenovus Energy Inc (CVE.TO).

ASIAN INVASION

It is not known if PetroChina will develop the project on its own or bring in another partner. In a spending rush in Western Canada over the past decade, Chinese and other Asian investors have maintained the practice of taking interests in projects while leaving operating tasks in the complex and pricey developments to domestic partners.

Growing environmental concerns in the United States, the main market for oil sands-derived crude, over the impact of the developments has prompted Canada's government and oil industry to seek closer ties with China and other Asian countries as a way to diversify markets and fetch higher prices.

Public hearings begin next week into Enbridge Inc's (ENB.TO) C$5.5 billion Northern Gateway pipeline, the first project designed to transport oil sands crude to the West Coast so it can be shipped to Asia. They are expected to be lengthy contentious amid opposition from native communities and environmental groups.

For its part, Athabasca said it still expects to produce 8,000-10,000 barrels of oil equivalent a day by the end of 2012, but it cut its capital spending budget by C$190 million as a result of the sale.

Among its other projects, the company aims to start production at its wholly owned Hangingstone oil sands development in 2014, with output eventually rising to 80,000 bpd, Chief Executive Sveinung Svarte said in a statement.

It has also amassed 1.7 million acres of light crude and liquids-rich gas properties and is shooting to have half its production from those.

Proceeds from the option exercise, less about C$468 million in loan repayments to PetroChina, are earmarked for working toward that, the company said.

Now, the focus turns to Athabasca's Dover oil sands project, in which it has a similar option arrangement with PetroChina. Either side can exercise the option to trade Athabasca's interest in Dover for C$1.32 billion, for one month after the project is approved. A regulatory decision is expected later this year.

"I can't see them staying in Dover now that they're out of MacKay," Dunn said. "Never say never, but the writing is pretty much on the wall."

Source :reuters.com