By PAUL VIEIRA

OTTAWA—The Canadian government late Friday approved more than $20 billion in investments by foreign, government-controlled companies in its energy patch, but it slammed the door on most other prospective deals in Canada's oil-sands developments by state-owned enterprises.

Canada approved Cnooc Ltd.'s 0883.HK +1.08% $15.1 billion takeover bid for oil-sands operator Nexen Inc., NXY.T +14.13% clearing a major hurdle for the Beijing-based energy giant in completing what would be China Inc.'s biggest foreign acquisition. It is also the most ambitious bid by a foreign government-owned entity so far to enter North America's booming energy industry.

Canada approved Cnooc's takeover bid for Nexen. Pictured, a woman walks into the Nexen building in downtown Calgary, Alberta, in July.

The deal, which has already won shareholder approval, still needs U.S. and British government sign-offs, since Nexen has significant assets in those two jurisdictions. But Friday's decision was Cnooc's biggest—and most closely watched—obstacle.

Canada has long welcomed foreign investment to help it develop its energy and mining resources, but the Cnooc deal triggered a much broader government review because of its size and Cnooc's status as a state-owned enterprise.

Canada also said Friday it approved the roughly $5.2 billion acquisition of Progress Energy Resources Corp. proposed by Malaysia's Petroliam Nasional Bhd. That deal was initially rejected in October, but the government at the time said it would keep the door open to a revised offer from Petronas.

"We are very pleased to have received Industry Canada's approval, which recognizes the long term economic benefits for Calgary, for Alberta, and for Canada in our proposed acquisition of Nexen Inc." Cnooc Chairman Wang Yilin said in a statement.

Mr. Barry Jackson, Chair of the Board of Nexen, said, "We are pleased that the Government of Canada has recognized the opportunities for Nexen's employees, stakeholders, communities and projects that the proposed transaction with Cnooc will present."

Representatives at the other two companies involved weren't immediately available to comment.

Despite greenlighting the two deals, the government also sent a clear warning signal to other state-owned enterprises, saying any further deals for Canadian oil-sands assets would be approved only under "exceptional" circumstances, as the government now sees further foreign-government involvement in that sector as no longer of "net benefit" to Canada's economy, its longtime litmus test to approval for foreign deals.

"The government of Canada has determined that foreign-state control of oil sands development has reached the point at which further such [deals] would not be of net benefit to Canada," Prime Minister Stephen Harper said in a statement.

Mr. Harper said the deal approvals shouldn't be seen as the "beginning" of a trend, but the "end of a trend."

That might damp enthusiasm by state-owned giants, including other Chinese firms, that have expressed interest in investing in Canada's oil sands. While Nexen, which is listed in both Canada and New York, saw its share price rise sharply in after-hours markets after the announcement, other oil-sands players may see their stock come under pressure Monday.

With small capital markets of its own, Canada has long relied on foreign investment to help it develop its mineral and oil reserves. The government says it needs some 650 billion Canadian dollars ($657.5 billion) over a 10-year period to develop its energy resources.

Given that dependence, the decision to effectively block new foreign-government investment in the oil-sand sector raised alarm among some investors.

"As a country we simply cannot fund the vast resources that Canada has," said Eric Nuttall, a fund manager at Toronto-based Sprott Asset Management LP. "The involvement of state-owned enterprises is essential."

The deal approvals come as Canada moves to open up new markets for its quickly growing crude production. Almost all of Canada's crude exports currently travel south to the U.S. But that market is now looking much more tenuous. Pipeline bottlenecks and growing American oil output has sent Canadian crude prices plummeting.

The approvals also end months of debate among Canadian politicians over what role state-owned enterprises, particularly from China, should play in Canada's economy. While Canada has allowed significant investment by state-run firms, Cnooc's bid was by far the largest.

Chinese officials had said Beijing was closely watching how the Canadian government would treat Cnooc's bid for Nexen, a Calgary, Alberta-based company with oil and natural-gas assets in western Canada, western Africa, the U.S. Gulf of Mexico and the U.K territory in the North Sea.

The Committee on Foreign Investment in the U.S., an interagency body that weighs big foreign takeovers, is still reviewing the Cnooc deal because Nexen owns significant acreage in the U.S. Gulf. British authorities must also sign offon the deal because of Nexen's interest in the Buzzard oil field in the North Sea.

Cnooc and Nexen were already partners in Canada's oil sands. The Chinese company acquired Nexen's bankrupt partner, OPTI Canada Inc., a partner in the Long Lake oil sands project, in 2011. Cnooc launched its all-cash bid for Nexen July 23, offering $27.50 a share, or a premium of over 60% versus the share price on the last trading day before the two companies announced their proposed transaction.

For Cnooc, the Nexen deal comes seven years after the Chinese company's 2005 failure to acquire Unocal Corp. for $18.5 billion. That bid quieted Chinese deal making in the U.S. for years.

Petronas, meanwhile, now obtains control over Progress Energy's 1.9 trillion cubic feet of proved and probable gas reserves in the Montney shale-gas basin in northeastern British Columbia, believed to be one of the richest in North America. As part of the proposed deal, the two companies said they would jointly develop a liquefied natural-gas terminal off Canada's Pacific Coast, aimed at exporting natural gas to Asian markets.

The government also released new general guidelines for foreign investment. Mr. Harper said they are an attempt to provide clarity but also set conditions on investments by state-owned enterprises, or SOEs. Under the revisions, SOEs will be expected to adhere to Canadian standards of corporate governance—from commitments to transparency to the appointment of independent board of directors.

"When we say that Canada is open for business, we do not mean that Canada is for sale to foreign governments," Mr. Harper said.

According to the Canadian government, Cnooc and Petronas agreed to "significant" commitments on corporate governance, and employment and investment pledges "which demonstrate a long-term commitment" to the Canadian economy. No further details were available.

—Alistair MacDonald contributed to this article.

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