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Ms. Rae McQuade, Executive Director
Gas Industry Standards Board
1100 Louisiana, Suite 3625
Houston, Texas 77002

January 3, 2002

RE: PanCanadian Energy Services Inc.'s comments on the Proposed revisions to the GISB's Base Contract for Sale and Purchase of Natural Gas

PanCanadian Energy Services Inc. (PCES) has reviewed GISB's proposed revisions to the GISB standard Base Contract for Sale and Purchase of Natural Gas and offers the following comments:

1. First and most important of all comments, PCES believes that the Executive Committee should vote and approve the Contracts Committee's recommendation at its EC meeting in February 2002. This version of the GISB Sales and Purchase of Natural Gas is substantially superior to the earlier GISB contract. The sooner the EC approves and GISB members ratify the recommended version the sooner the market place will be able to expedite transactions and implement the many benefits of the revised GISB contract.
2. Since GISB will convert itself to the wholesale gas quadrant of the North American Energy Standards Board in January 2002, PCES suggests that the GISB Contract be renamed and restated as the "NAESB Contract" with corresponding changes made to the form and standard numbering system. The standard numbering system should reflect the fact that the NAESB Contract will be approved and ratified only by the wholesale gas quadrant of NAESB. Further, by referring to the revised contract as the "NAESB Contract" the market will be able to distinguish this revised contract from the previous "GISB Contract" and not have to refer to the revised contract as the "GISB 2 Contract" or some other short form name.
3. **Section 14.5: Choice of Law.**
It has been suggested that the Choice of Law section be revised from Texas law to either New York law or to leave it blank for parties to negotiate. First since the GISB contract is for the physical sale and purchase of natural gas, PCES believes that Texas is the most appropriate state for the law to apply to physical sale and purchase of natural gas. There is significant case law and many courts in the state of Texas experienced to resolve issues regarding the physical sale and purchase of natural gas under the GISB contract. PCES believes that the suggestion for New York law to apply because of consistency with power and financial markets and commercially reasonableness is greatly misplaced. The GISB contract is physical sales of natural gas not a derivative or financial transaction. Further Texas law provides any aggrieved party the ability to select the venue for filing of a complaint or claim in the state of Texas. PCES cannot support the selection of New York for Choice of Law. PCES can support Texas for Choice of Law as recommended by the contracts subcommittee or leaving the state blank as an alternative.

4. Rewrite the noted Frequently Ask Question (FAQ) per the redlined text below:

Can I modify the contract?

Any modification to the contract General Terms and Conditions terms, whether electronically or to the paper form should be clearly reflected to the party you are contracting with. ~~When~~If you modify the contract General Terms and Conditions electronically, you should delete the GISB watermark from the document so that the recipient knows that it the contract is not the standard GISB contract. You should also delete the GISB watermark in electronic versions of the General Terms and Conditions.

PCES believes this FAQ rewrite makes it clear that if there are any modifications to the GISB standard General Terms and Conditions, the related contract shall no longer be considered between the counter parties as a "GISB" contract. PCES has experienced several instances where counter parties have modified the GISB contract General Terms and Conditions, but did not remove the GISB watermark and they believed the contract was a "GISB" contract. It is suggested that for future versions of the GISB contract that only *.pdf electronic and paper versions are furnished by GISB upon any party's request. This should minimize the above problem from occurring.

Sincerely,

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