Tristone Capital Inc.
Suite 2020, 335–8th Avenue SW
Calgary, Alberta, Canada T2P 1C9

Tel. 403 294 9541
Fax 403 294 9543
www.tristonecapital.com

TRISTONE CAPITAL

March 27, 2007

To: British Columbia Securities Commission, Alberta Securities Commission, Saskatchewan Financial Services Commission, Manitoba Securities Commission, Ontario Securities Commission, Autorité des marchés financiers, Nova Scotia Securities Commission, New Brunswick Securities Commission

Re: Proposed NI 41-101 ("Proposed Rule") request for comments

To whom it may concern,

Tristone Capital is a global, energy advisory firm that provides comprehensive Investment Banking, Acquisitions & Divestitures and Global Equity Capital Markets services to oil & gas companies. Since being founded in 2001, Tristone has executed over 500 transactions including equity financings, asset divestitures and mergers & acquisitions for total value of over $38 billion.

Tristone believes that aspects of the Proposed Rule will adversely impact the oil & gas asset transaction market, lead to reduced investment in Canadian oil and gas assets and an increased reliance on private placement exemptions by Canadian issuers. Specifically, we are concerned with the requirement that a certificate of any "substantial beneficiary" of an offering be included in the prospectus if the issuer is proposing to acquire a "significant business" or has done so in the preceding year.

The oil and gas industry has comparatively high levels of asset rationalization which serves to foster investment in under-exploited assets by getting those assets into the hands of companies which will prioritize them in their capital budgets. In 2006, there were over $11.4 billion of acquisitions by Canadian junior, intermediate and royalty trust oil & gas companies in 54 transactions, representing 60% of all transaction activity in the sector. Of the acquiring companies, 70% also completed an equity financing in the 2006 calendar year, which is indicative of the high capital intensity of the oil & gas industry.

We believe that disposers of assets will not provide a certificate for an acquirer to include in a prospectus financing and would choose to accept a materially lower transaction price in order to avoid providing such a certificate. The Proposed Rule would require the seller to complete an unreasonable level of due diligence of the entire business of the acquirer even if the assets being sold only represent a fraction of disposer's business; in many cases, less than 5%. This will reduce the competitiveness of the transaction market, the ability of many junior producers to participate in the transaction market, the consideration received by sellers as well as the probability of successfully completing transactions.

Given the requirement that independent reserve engineers and independent auditors review the appropriate sections of an issuer's prospectus in cases where a material acquisition has occurred, and that management of the issuer is always required to certify that the information in the prospectus represents full, true and plain disclosure, we feel investors are already appropriately protected and implementation of the Proposed Rule as it stands will certainly have a material adverse affect on the acquisition and divestiture market as well as the Canadian equity capital markets.

Sincerely,

David M. Vetters
Managing Director, Investment Banking