



FOR IMMEDIATE RELEASE – JANUARY 6, 2010

MERRILL LYNCH EXTENDS OPTION TO SECURE EXCESS FIRM PIPELINE CAPACITY ON PNG'S WESTERN B.C. SYSTEM

VANCOUVER, BRITISH COLUMBIA – Pacific Northern Gas Ltd. (“PNG”) announced today that Merrill Lynch Commodities, Inc. (“MLCI”) has extended to June 30, 2010 its option to contract for 75 MMcf per day of firm gas transportation service using existing capacity on PNG’s Western B.C. pipeline system.

A \$1.0 million non-refundable option extension fee has been paid by MLCI to PNG to extend to June 30, 2010 an exclusive option granted by PNG to MLCI in March 2009 to contract for firm gas transportation capacity for a 2 to 5 year primary term, with a right to renew for an additional 2 to 5 year term. MLCI may extend the option period by up to three further six month periods, with payment of \$1 million for each extension. If MLCI exercises its option, the PNG pipeline system would be at close to full capacity utilization, generating almost \$15 million per year of incremental revenue for the benefit of PNG and its customers. If the option is exercised, the commencement date for the transportation service is expected to be between January 1, 2012 and January 1, 2013. PNG can provide no assurances that MLCI will exercise their option or further extend the option period.

Headquartered in Vancouver, British Columbia, Pacific Northern Gas Ltd. (TSX: PNG/PNG.PR.A) owns and operates natural gas transmission and distribution systems. The Company’s western transmission line extends from the Spectra Energy (formerly Duke Energy) gas transmission system north of Prince George to tidewater at Kitimat and Prince Rupert, and provides service to 12 communities and a number of industrial facilities. In the northeast, Pacific Northern’s subsidiary Pacific Northern Gas (N.E.) Ltd. provides gas distribution service in the Dawson Creek, Fort St. John and Tumbler Ridge areas. Further information is available on the Company’s website at: www.png.ca.

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