



# Talisman Shale Gas Overview

for the

## Great Lakes and St. Lawrence Cities Initiative

*Hope Deveau-Henderson*

June 17, 2011

**TALISMAN**  
ENERGY

# Advisories



## **Forward-Looking Information**

This presentation contains information that constitutes “forward-looking information” or “forward-looking statements” (collectively “forward-looking information”) within the meaning of applicable securities legislation. This forward-looking information includes, among others, statements regarding: business strategy, priorities and plans; planned capital program; expected economic benefits, employment creation, value added and revenues to the government of Quebec connected with shale gas development in the province; and other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations or performance.

The forward-looking information included in this presentation is based on Talisman's 2011 capital program. Talisman has set its 2011 capital expenditure plans assuming: (1) Talisman's production in 2011 will be 5-10% greater than 2010, excluding the BP Colombia acquisition; (2) a WTI oil price US\$75/bbl; and (3) a NYMEX natural gas price of approximately US\$4/mmbtu. Talisman now believes that base production growth will be closer to 5% in 2011 excluding the BP Colombia acquisition. Information regarding business plans generally assumes that the extraction of crude oil, natural gas and natural gas liquids remains economic. Forward-looking information for periods past 2011 assumes escalating commodity prices.

Undue reliance should not be placed on forward-looking information. Forward-looking information is based on current expectations, estimates and projections that involve a number of risks which could cause actual results to vary and in some instances to differ materially from those anticipated by Talisman and described in the forward-looking information contained in this presentation. The material risk factors include, but are not limited to: the risks of the oil and gas industry, such as operational risks in exploring for, developing and producing crude oil and natural gas, market demand and unpredictable facilities outages; risks and uncertainties involving geology of oil and gas deposits; uncertainty related to securing sufficient egress and markets to meet shale gas production; the uncertainty of reserves and resources estimates, reserves life and underlying reservoir risk; the uncertainty of estimates and projections relating to production, costs and expenses; the impact of the economy on the ability of the counterparties to the Company's commodity price derivative contracts to meet their obligations under the contracts; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; fluctuations in oil and gas prices, foreign currency exchange rates and interest rates; the outcome and effects of any future acquisitions and dispositions; health, safety and environmental risks; uncertainties as to the availability and cost of financing and changes in capital markets; risks in conducting foreign operations (for example, political and fiscal instability or the possibility of civil unrest or military action); changes in general economic and business conditions; the possibility that government policies or laws may change or governmental approvals may be delayed or withheld, including with respect to shale gas drilling; and results of the Company's risk mitigation strategies, including insurance and any hedging activities.

The foregoing list of risk factors is not exhaustive. Additional information on these and other factors which could affect the Company's operations or financial results or strategy are included in Talisman's most recent Annual Information Form. In addition, information is available in the Company's other reports on file with Canadian securities regulatory authorities and the United States Securities and Exchange Commission. Forward-looking information is based on the estimates and opinions of the Company's management at the time the information is presented. The Company assumes no obligation to update forward-looking information should circumstances or management's estimates or opinions change, except as required by law.

## **Oil and Gas Information**

### **Reserves**

National Instrument 51-101 (“NI 51-101”) of the Canadian Securities Administrators imposes oil and gas disclosure standards for Canadian public companies engaged in oil and gas activities. Talisman has obtained an exemption from Canadian securities regulatory authorities to permit it to provide certain disclosures in accordance with the US disclosure standards, in addition to the disclosure mandated by NI 51-101, in order to provide for comparability of oil and gas disclosure with that provided by US and other international issuers. Accordingly, the reserves data and certain other oil and gas information included in this presentation are disclosed in accordance with US disclosure standards. Information on the differences between the US requirements and NI 51-101 requirements is set forth under the heading “Note Regarding Reserves Data and Other Oil and Gas Information” in Talisman's most recent Annual Information Form.

A separate exemption granted to Talisman also permits it to disclose internally evaluated reserves data. Any reserves and resources data contained in this presentation reflects Talisman's estimates of its reserves and resources. While Talisman annually obtains an independent audit of a portion of its proved and probable reserves, no independent qualified reserves evaluator or auditor was involved in the preparation of the reserves and resources data disclosed in this presentation.

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

### **Production and Reserves Volumes**

Unless otherwise stated, production volumes and reserves estimates are stated on a Company interest basis prior to the deduction of royalties and similar payments. In the US, net production volumes and reserve estimates are reported after the deduction of these amounts. US readers may refer to the table headed “Continuity of Net Proved Reserves” in Talisman's most recent Annual Information Form for a statement of Talisman's net production volumes and reserves. The use of the word “gross” in this presentation means a 100% interest prior to the deduction of royalties and similar payments.

### **BOE Conversion**

Throughout this presentation, barrels of oil equivalent (boe) are calculated at a conversion rate of six thousand cubic feet (mcf) of natural gas for one barrel of oil (bbl). This presentation also includes references to mcf equivalents (mcfes) which are calculated at a conversion rate of one barrel of oil to six thousand cubic feet of gas. Boes and Mcfes may be misleading, particularly if used in isolation. A boe conversion ratio of 6mcf:1bbl and an mcfe conversion ratio of 1bbl:6mcf are based on an energy equivalence conversion method primarily applicable at the burner tip and do not represent a value equivalency at the well head.

### **US Dollars and IFRS**

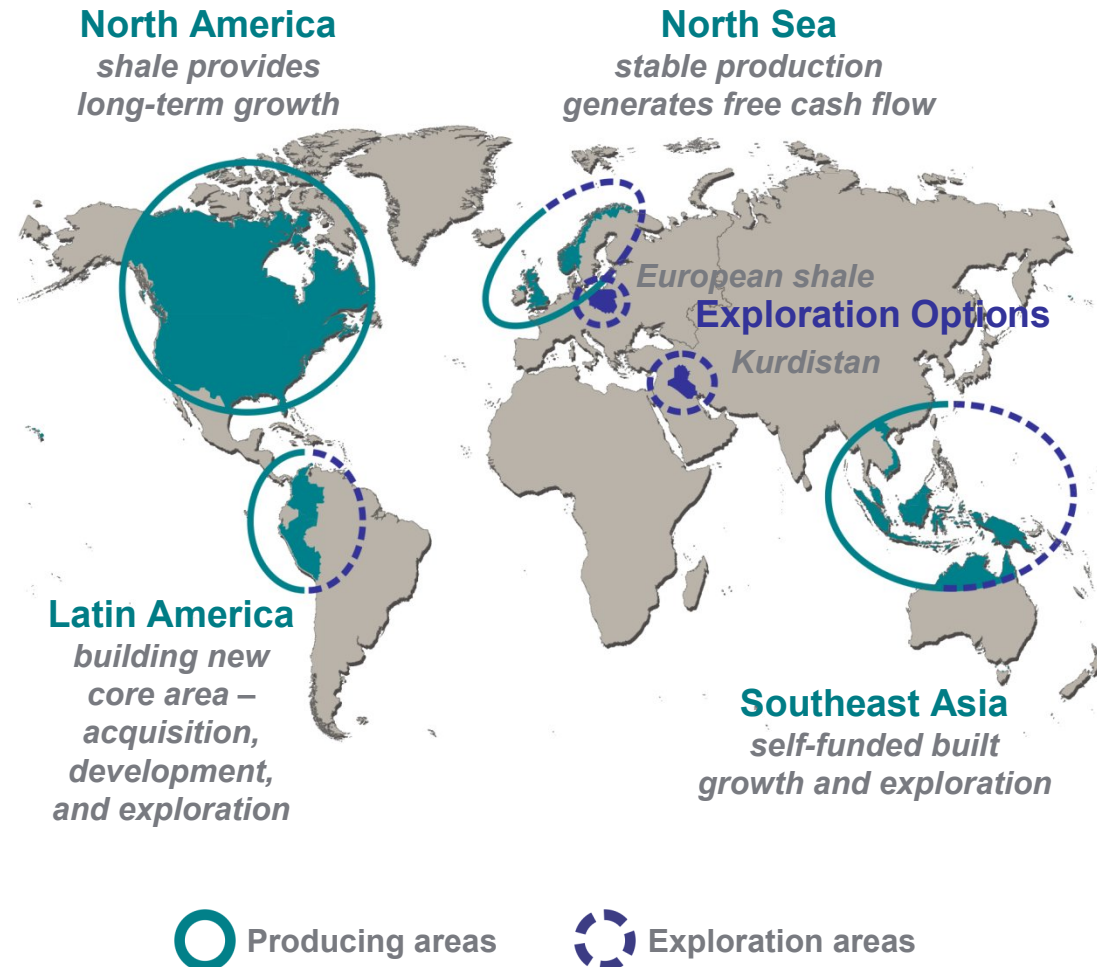
Dollar amounts are presented in US dollars, except where otherwise indicated. Financial information prior to January 1, 2011 was prepared in accordance with Canadian generally accepted accounting principles (CGAAP) then applicable to publically accountable enterprises. The financial information for 2011 is presented in accordance with International Financial Reporting Standards (IFRS). Both IFRS and CGAAP may differ from generally accepted accounting principles in the US. See the notes to Talisman's Annual Consolidated Financial Statements for the significant differences between CGAAP and U.S. generally accepted accounting principles.

### **Reserves and Resources Estimates**

#### Company:

2010: 1P 1.4 billion boe; 2P 2.1 billion boe

# Talisman overview

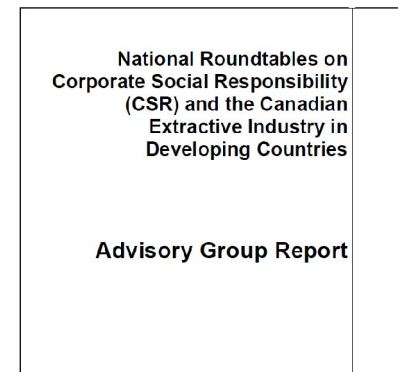
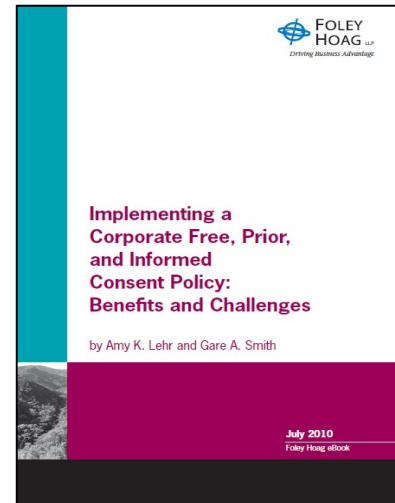
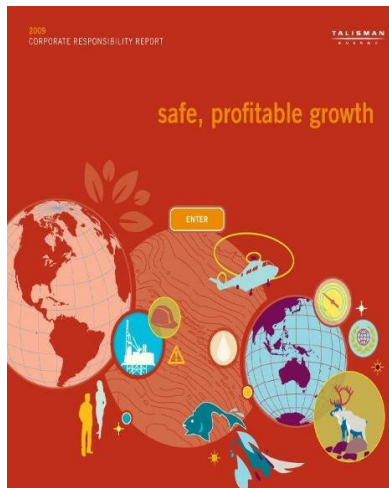


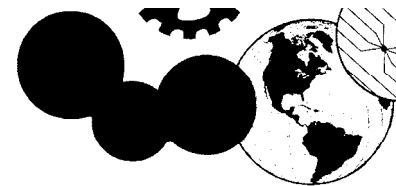
- 1Q 2011 production averaged 444 mboe/d
- 2011 capital program ~US\$4.0 billion
  - Shale: ~US\$1.3 billion
- Enterprise value ~C\$25.4 billion (May 13, 2011)
- 2.1 billion boe 2P reserves (2010)
- ~3,000 employees world wide

# Managing Stakeholder Expectations Through Alignment with International Best Practice



*“Talisman is committed to conducting its business safely, in an ethically, socially and environmentally responsible manner.”*





# Advantages of Shale Gas Development

## Economic

- Represents multi-billion dollars investment potential over life of the play
- Direct and indirect job creation
- Possibility for natural gas exports once domestic consumption is met (Quebec)
- Government revenues from royalties and taxes
- Investment in local communities from exploration and development

## Energy

- Potential for a world-class resource base
- Creation of a new industry, expertise and service sector
- Diversification of energy supply
- Part of the solution toward energy independence
- Reduces costs associated with import and transportation of western gas
- Opportunity to develop world-class regulatory

## Environment

- Natural gas is recognized as the cleanest burning fossil fuel
- The Kyoto Accord acknowledges natural gas as a means to reducing North American and global GHG's
- Natural gas can become an alternative to other energy sources (coal, oil)

## Economic Benefits \*



150 wells/year Scenario	2010-2015	2016-2025
Jobs/year (annual average)	2 184	5132
Value-added (annual average)	131.6 M\$	286.6 M\$
Quebec revenues (annual average)	38.8 M\$	130.2 M\$

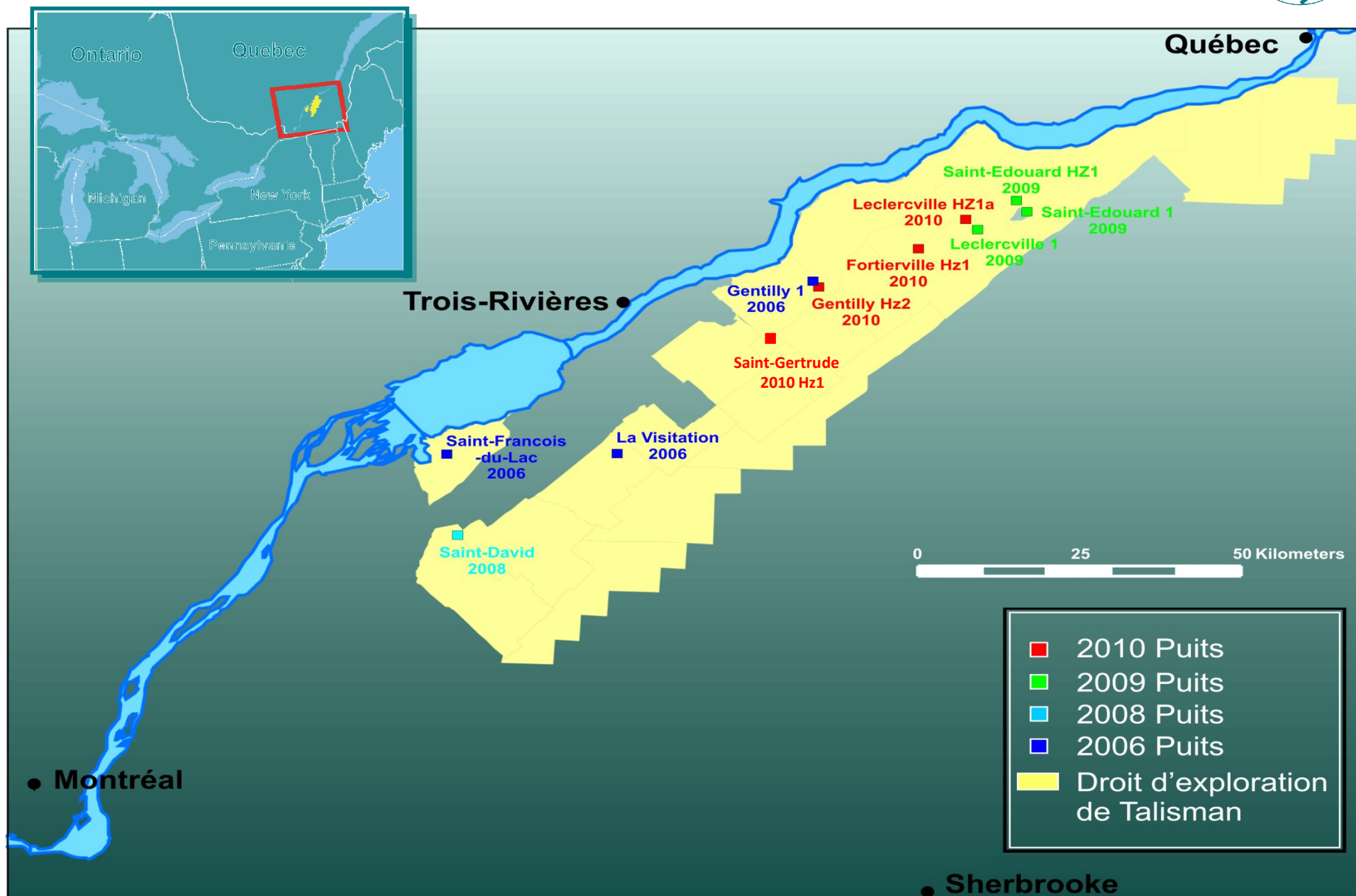
600 wells/year Scenario	2010-2015	2016-2025
Jobs/year (annual average)	4 948	19 271
Value-added (annual average)	297.9 M\$	1 151.7 M\$
Quebec revenues (annual average)	84.7 M\$	302.7 M\$

\*all figures are dependent on level of development and do not reflect the use of a multiplier effect in the calculations, which would render the figures significantly higher





# Talisman Activity in Québec



## Good Neighbor Program



g o o d n e i g h b o r



# Good Neighbor Program Commitments

## Good Neighbor Program





### good neighbor



## Talisman Energy USA

**We're committed to being a Good Neighbor!**

Talisman Energy USA and our contractors want to maintain the privilege of working in your community by managing the impact of our activities. Talisman's Good Neighbor Program (GNP) clearly identifies our commitments to reduce our impact on roads, dust levels, traffic, noise, environment and lease maintenance.

A Good Neighbor Hotline is available to help answer questions or concerns about our Good Neighbor Program commitments or our operations. Please call 607-562-4063 or toll free at 866-566-4747.

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### Our Good Neighbor Program Commitments:



#### Roads

- Lease roads are monitored and maintained.
- If operations cause road damage, repairs, such as adding gravel and/or grading the road, are completed with the necessary state or local approvals. Where practical, roads are improved before periods of heavy use.
- Vehicle license plates or company name are clearly visible at all times.
- Talisman Energy USA conducts Safety Stand Downs to review road safety with contractors.
- Flag people, or escort vehicles, are on site in areas of reduced visibility to manage traffic during rig moves.
- Road signage is in place prior to a rig and/or heavy equipment move.
- Talisman Energy USA works with communities to avoid large-scale activity on local roads during special community events and high traffic times.
- We reduce the impact of rig/heavy equipment moves on school bus travel, when possible.



#### Traffic

- All posted speed limits are followed; speed is reduced where driving conditions require.
- A Talisman Energy USA Roadway Security Officer spot monitors traffic in operating areas for compliance. Management review and action follow as necessary.
- Signs are posted to alert drivers to industrial traffic ahead.
- Talisman Energy USA coordinates one-way traffic on congested roads, where practical.
- We restrict truck traffic through school zones at the beginning and end of school day peak use periods.



#### Noise

- When safe, truck drivers limit the use of retarder/jake brakes within town limits or in close proximity to residences.
- Facility noise is mitigated through mufflers, low speed fans, noise attenuated coolers and buildings, and strategic placement of equipment.



#### Well Pad Maintenance

- Well pads and roads are regularly maintained and cleaned of litter throughout operations.
- Garbage is tied down and secured in trucks to help keep communities litter-free.
- Gated entrances are installed at facilities to protect landowner's property and ensure security of the facility.
- Weed control measures are undertaken regularly, with necessary permissions.
- Talisman Energy USA uses spill containment to protect the soil and ground water.



#### Dust

- Talisman Energy USA ensures appropriate dust control measures are taken where necessary; road safety and roads near residences are a priority.



#### Environment

- Talisman Energy USA uses ultra-lean burning compression engines, ensuring emissions are minimized - surpassing regulatory requirements.
- We minimize our footprint with the location of multiple wells and compressors on one pad and utilize single pipeline trenches for the locating of water and gas transport lines. Talisman uses existing disturbances to locate infrastructure when feasible.
- We use water pipelines, instead of trucks, whenever possible, to minimize truck traffic.
- Our comprehensive drinking water testing and monitoring program exceeds regulations.
- Talisman Energy USA's Water Management Plan ensures the sustainable use of water through monitoring and regulatory compliance. We reuse 100 percent of our flow-back water under normal operating conditions.

Talisman Energy USA Inc., is a registered U.S. corporation and an indirect, wholly owned subsidiary of Talisman Energy Inc. of Calgary, Alberta, Canada  
- one of North America's largest independent producers of natural gas.

# Talisman's Good Neighbor Program - GNP



- GNP outlines commitments that Talisman will make to manage impacts such as dust, traffic, speeding, litter etc.;
- Commitments drafted by internal leaders from Drilling / Completions / Construction / Operations / Seismic etc.
- The good neighbour program puts our commitments to the public in writing and **holds us accountable for our actions**; it assists us in maintaining our “Social License to Operate”
- Open, transparent and consistent communication with public authorities and citizens about the nature of projects and the status of their progress.
- Efficient, safe and meaningful practice of the principles of sustainable development.
- The GNP applies to contractors, as well as TLM employees and it is compulsory
- Good Neighbor Program Hotline:
  - All calls tracked through to resolution - 1-866-566-4747

# Talisman's Good Neighbor Program - GNP



## The GNP in practice

- Meeting with municipal authorities to present our shale gas projects;
- Public information meetings to present our shale projects to communities where we operate;
- Distribution of *Ressources*, Talisman's customized newspaper for Québec distributed to local stakeholders and residents of the communities where we operate providing information on the company, our spokespersons and our activities;
- Regional information sessions with stakeholders to evaluate support and follow-up on our actions;
- Participate to local festivals and community events;
- Support local initiatives through our Local Economic Engagement Strategy and our Good Neighbour Program.
- Initiation of synergy groups in Quebec to begin the dialogue



# Talisman's Good Neighbor Program - GNP



## The GNP in practice - Mitigation measures

- Identify the best routes to use with local authorities for road usage
- Conduct maintenance and dust suppression measures and repair if needed
- Ensure appropriate signage for direction and speeding limits as well as traffic management during community events and high traffic times.
- Noise level: Talisman works to mitigate facility noise for nearby residents by using noise attenuated equipment and strategic equipment placement at our locations.
- Lease maintenance: Talisman is committed to restoring the land to its pre-activity condition



## Challenges and Opportunities for the Utica Shale

- Challenges:
  - Misunderstanding of the science and our business
  - Confusion about the benefits that will result from shale gas development
  - Regulatory uncertainty and delay
  - Fiscal concerns – how to create confidence and stimulate investment
- Opportunities:
  - Increase public awareness and replace myth with fact
  - Create a stable, efficient, effective regulatory system
  - Patience in the debate will allow rhetoric to move from emotion to science
  - Demonstrate the value – job creation, new service sector (PA - >57,000 new jobs in 2009)
  - To not reinvent the wheel and create a world-class regulatory model
  - Create a long-term, viable economic environment (royalties, taxation, tenure conditions etc.)
- Next Steps for Talisman in Quebec:
  - Obtain all required permits to conduct completions and evaluations of last 2 wells
  - Continue growing and enhancing relationships in multiple constituencies
  - Play an active role in the SEA and share Talisman's expertise and experience in shale development and economic planning
  - Maintain our good working relationships with communities, landowners and continue to demonstrate leadership among our peers in Quebec and across North America

# Questions?

