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Latest Headlines

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Talisman speeding up development of Montney shale gas alongside Sasol (Talisman)
THE CANADIAN PRESS

CALGARY _ Talisman Energy Inc. and its South African partner are speeding up their development in the Montney, a large shale natural gas play that stretches through parts of Alberta and British Columbia.

In December, Sasol agreed to pay \$1.05 billion for a half-stake in Talisman's Farrell Creek properties, which the Canadian company will continue to operate.

"We've collectively decided to increase and accelerate the pace of activity in our Farrell Creek area," said Paul Smith, the utive in charge of Talisman's North American operations.

The Calgary-based company had four rigs drilling in the region last year, and intends to double that number in 2011. Six rigs are already at work in the Montney, Smith said.

Talisman (TSX:TLM) isn't the only Canadian firm to enlist an international partner to help develop its land.

Encana Corp. (TSX:ECA) recently announced a \$5.4-billion deal with PetroChina, which would acquire half the Cutbank Ridge project in the Montney formation if the transaction gets the required approvals.

Smith said Talisman has taken measures to lessen the impact of higher costs that could potentially arise from increased drilling in the area.

"We've got ahead of the activity build-up. We've secured long-term contracts for rigs and stimulation services, which form the bulk of the capital expenditures as we look into this year and early next year," Smith said.

"And so we feel comfortable that we've locked in quality contractors at good prices in long-term contracts that provide a win for both parties."

Earlier Wednesday, Talisman reported lower-than-expected operating earnings during the fourth quarter.

Operating earnings, which strip out one-time items, were \$84 million, or eight cents per share, compared with \$68 million, or seven cents per share, during the last three months of 2009.

Analysts polled by Thomson Reuters had expected earnings from operations of 17 cents per share.

Calgary-based Talisman said its fourth-quarter net loss widened to \$304 million, or 30 cents per share, from \$111 million, or 11 cents per share in the year-earlier quarter.

Revenue increased to \$1.87 billion from \$1.72 billion as oil prices increased. That beat analyst estimates of \$1.83 billion.

Oil and gas production averaged 417,000 barrels of oil equivalent per day both during all of 2010 and the fourth quarter, marking a seven per cent increase from 2009 as a whole and a 10 per cent increase from the year-earlier quarter.

"Part of this was due to rapidly growing shale volumes and we also set new production records in Southeast Asia again in 2010, with ongoing optimization at Corridor in Indonesia and infill drilling offshore Malaysia/Vietnam," Talisman chief utive officer John Manzoni said in a statement.

"We expect the underlying growth we delivered from the second half to translate into sustainable absolute production growth of five to 10 per cent from 2011 into the medium term."

Potter called the better-than-expected fourth-quarter production "impressive."

"The major growth driver continued to be North America where year-over-year production increased 14 per cent, driven by big growth in the Marcellus and Farrell Creek (Montney) shale plays," he said.

"We expect this production growth momentum to continue into 2011 as the company continues to ramp up shale gas production."

Talisman said in January it would hold its 2011 capital spending steady at \$4-billion, but would still aim to increase production by as much as 10 per cent.

The company is spending 35 per cent less on dry natural gas, as those prices continue to be very low. Instead, Talisman is focusing on natural gas liquids-rich zones, like the Eagle Ford Shale, and on oil opportunities.

"We have a stable, oil leveraged production base from our North Sea assets and our conventional North American portfolio, and are not being held hostage by low North American natural gas prices," Manzoni said.



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Talisman Energy Inc. is an upstream oil and gas company, with its three main operating areas being North America, the North Sea and Southeast Asia. The company also has a portfolio of international exploration opportunities.

Talisman shares rose 29 cents to close at \$23.14 on the Toronto Stock Exchange..

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