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## Strictly Business: Talisman finds success in Pa. Marcellus Shale play

Canadian firm still has an office in Big Flats, but Northern Tier is heart of the operation

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With the debate over the use of hydraulic fracturing raging like a California wildfire, this might not be the best time to talk about the status of Talisman Energy USA's Marcellus Shale drilling program.

But as Adm. David Farragut once said, "Damn the torpedoes, full speed ahead."

Flashback to late 2008. Remember when Fortuna Energy, as the Calgary-based company used to be called, announced the start of its Marcellus Shale drilling program in Pennsylvania's Northern Tier?

In the time that's passed since then, the rock formation found about 5,500 feet underground is living up to its billing.

Talisman has about 275,000 acres under lease in Bradford, Tioga and Susquehanna counties. One billion dollars has been committed by the company to the Marcellus drilling program and the production goal is 300 million cubic feet per day by the end of the year.

Currently, the well-head price for natural gas is around \$3.80 per 1,000 cubic feet, down from last year's going rate of \$5 to \$6. In late 2008, when Talisman launched its Marcellus program, the going rate was about \$11 per 1,000 cubic feet.

As it now stands, Talisman has 70 Marcellus wells that are producing about 190 million cubic feet of natural gas a day. The figure, says Mark Scheuerman, the company's government and media relations director, is about twice the amount of gas produced by the company's Trenton-Black River drilling program in New York.

Included in that Marcellus production number are the wells that Talisman has drilled in a 5,700-acre tract located in the Tioga State Forest. Pennsylvania leased the parcel to Talisman about 18 months ago and the company has drilled about 15 wells there.

The production figures from those wells runs between 50-60 million cubic feet per day and Scheuerman says the figure is expected to double by the end of the year. Pennsylvania's lease with the company calls for a 15 percent royalty on the gas produced by those wells, which comes out to about \$12 million a year, or a net daily payment to the state of about \$35,000 to \$38,000.

When Talisman was working its Trenton-Black River program in New York, the annual costs for drilling between 12 to 15 wells a year, plus the gathering systems of compressor stations and transmission lines, would be about \$150-\$200 million, or about 5-8 percent of the company's total expenses.

With the Marcellus program, that amount has dramatically increased to about a third of Talisman's worldwide expenses -- which means it is now competing against the company's North Sea and Southeast Asia drilling programs for funding.

Meanwhile, Talisman has eliminated its leasing budget for New York. At its peak, the company had about 600,000 acres in the Southern Tier under lease, but that number has been dwindling as Talisman has shifted its resources south of the border.

That new \$4.5 million building in Big Flats, originally intended as the company's North American headquarters? It's been reduced to an operational center that serves the Trenton-Black River wells in New York and the Marcellus wells in Pennsylvania. There used to be more than 80 people working there. Now, there are about 60.



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The newly constructed headquarters building in the Pittsburgh suburb of Warrendale now handles the business services and technical aspects of Talisman's shale drilling operations. Those operations include its recently acquired positions in Texas Eagle Ford Shale and any other shale formations in the United States the company may get involved with.

If fracking is ever allowed to be used in combination with horizontal drilling in New York, those activities will be handled in Warrendale, as well -- which brings us around to where New York is in the fracking issue.

When one hears about the hefty revenue stream Marcellus Shale is creating in Pennsylvania, it's natural to play the "what if" game and envision what the impact here in New York would be. And to be sure, it's likely the same thing was in the back of Scheuerman's mind when he briefed me on his company's progress.

But most of the publicity Marcellus Shale drilling is getting is environmental. And by not mentioning those issues today, I'm not trying to downplay their importance. I just thought you readers would like to know how a new industry, that cut its teeth here in the Southern Tier, is evolving into the **cash** cow everyone thought it would.

Environmental issues aside, it's a pity the cow is getting fat in someone else's pasture.

**G. Jeffrey Aaron is the business writer for the Star-Gazette. His column about business happenings and issues appears weekly on the Sunday business page. To suggest a column topic or story idea, call him at (607) 271-8288 or e-mail him at [jgaaron@gannett.com](mailto:jgaaron@gannett.com).**



Gas drilling by Cabot Oil & Gas in Dimock, Pa., Thursday, November 5, 2008. Kenneth Komoroski walks by a drilling rig. (File photo)

**Mom Dilemma #36:**  
Your daughter insists on wearing her princess costume to the grocery store. Allow it or not?

**YES, at least she's dressed!**

**NO, I have some rules!**

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A close-up photograph of a young girl with blonde hair, wearing a white princess tiara and a white dress. She is looking directly at the camera with a slight smile.

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