

Talisman's latest sale of non-core assets to reap \$1.9B, support shale gas plan

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CALGARY - Talisman Energy Inc. will sell a number of properties in Canada through five separate deals worth a total of \$1.9 billion, supporting its continuing drive to acquire promising shale gas holdings, the company said Wednesday.



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John Manzonei, president and CEO of Talisman Energy, speaks to the media following the company's annual meeting in Calgary, Wednesday, April 29, 2009.

The oil and gas producer, which announced in January that it would be selling non-core assets as it shifts its North American focus toward shale gas, said it has buyers for the properties in Ontario and Western Canada.

The deals include just over 400,000 hectares in the Peace River Arch area near the northern borders of Alberta and British Columbia. Talisman is also selling properties in the central Alberta Foothills region and near Hinton, Alta.

Talisman president and chief executive John Manzonei said the sales will help the company focus on building its North American shale gas business.

"Although these are excellent assets with a great future, they can't effectively compete for capital within our emerging strategic asset mix," Manzonei said in a

statement.

John Stephenson, a portfolio manager with First Asset Investment Management in Toronto, said Talisman is moving in the right direction, but it's going to take until at least the end of the year for the new strategy to start driving a change in stock prices.

"It's going to be a while for this company to start proving that they've reoriented themselves from a strategy that was very broad in terms of geographic coverage to one that is a little more narrow in terms of areas it was going and play types that it was going to look at," he said.

One buyer of the Talisman assets was confirmed as Eurogas Corp. (TSXV:EUG), which announced an agreement to buy oil and natural gas assets in Ontario for \$131 million.

Eurogas chief operating officer Bruce Sherley said the assets complement the ownership the company has in an underground gas storage project that's being built in offshore Spain.

"This has some gas storage potential, as well as the oil and gas production that come from the assets here."

The total assets being sold by Talisman produce the equivalent of 42,500 barrels of oil per day, although about 90 per cent of it is comprised of natural gas, and net proven reserves of equivalent to 120 million barrels.

According to UBS Securities analyst Matt Donohue, the price obtained was slightly below expectations set by other companies that have recently sold similar properties at a slight premium.

However, he said "the combination of moderating conventional declines (off a smaller production base) plus rapidly growing unconventional volumes means by post 2010, (Talisman) will be poised for very strong gas production growth."

Talisman spokeswoman Phoebe Buckland said the sales were part of a restructuring begun by Manzonei when he took the company's helm in May 2008.

The company has since sold off \$5 billion in assets, including Wednesday's announcement, she said.

Talisman has been one of Canada's biggest players in shale gas, a resource that was too difficult and costly to develop until the advent of technologies like horizontal drilling and multi-stage rock fracturing.

"We're positioning Talisman to be a leading returns-focused shale gas producer," said Buckland.

Talisman's main shale gas holdings are in northeastern B.C. and in the Marcellus formation, which stretches over parts of New York, Pennsylvania, Ohio and West Virginia. The company also has holdings in Quebec.

The company has said it will use money from asset sales to fund its \$5 billion capital program for 2010, which includes \$1 billion towards the Marcellus shale play, said Buckland.

Other key areas for Talisman are southeastern Asia and its offshore wells in the North Sea between the United Kingdom and continental Europe.

Buckland said the company will continue to evaluate its assets and more sales could still come.

"We will continue the process of high-grading the portfolio and evaluating assets as we move forward."

Talisman (TSX:TLM) stock closed down 43 cents at \$17.40 on the Toronto Stock Exchange on Wednesday with nearly 4.2 million shares traded.

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