

Talisman to grow in high-return shale plays

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HOUSTON, Jan. 12 -- Talisman Energy Inc. plans to hike production and reserves in the Montney, Marcellus, and Eagle Ford shale plays in North America and will explore for shale gas in northern Poland in 2011.

Rob Broen, president of the US shale business unit based in Pittsburgh, said, "We have enough lands and resource to support production growth to 1 bcf/d for the company in each one of these plays."

At 760,000 net acres the company also has the largest contiguous land position in a shale play initially targeting Ordovician Utica shale in Quebec's St. Lawrence Lowlands, where it is working with government and industry to establish a regulatory system, service sector, and infrastructure.

Talisman's overall 2010 production of 415,000 b/d of oil equivalent is balanced in liquids and gas, and 50% of projected 2011 growth volumes are liquids, said Broen.

Of (US) \$4 billion in 2011 worldwide capital spending, Talisman will invest \$1.7 billion in North America, \$1.3 billion of it on shale properties. In the three main plays Talisman's portfolio allows it to control the development pace, so it is not chasing land and isn't required to spend to hold land, Broen said.

In the Marcellus shale in Pennsylvania, Talisman has an \$800 million in 2011 capital program. It will run as many as nine rigs, compared with 12 at present and six at the start of 2010.

Production is centered on 218,000 net acres in Tioga, Bradford, and Susquehanna counties in northeastern Pennsylvania, where Talisman has identified more than 2,000 drilling locations and a 6 tcf contingent resource. The company also cites a 5 tcf Marcellus on lands it holds in New York.

Talisman expects to average 350-400 MMcfd of production in 2011 compared with 181 MMcfd in 2010. It ended 2010 at 315 MMcfd.

It has secured up to 600 MMcfd of pipeline capacity for Marcellus gas. The company had no Marcellus activity in 2008, when it was a Trenton-Black River explorer in the Appalachian basin, Broen noted. Drilling and completion costs have fallen 70% to \$400,000/well or a full-cycle breakeven cost of \$3.50/Mcf.

Wells are generally on line within 3-4 days of completion. Talisman drills 5,700-ft laterals and applies 16-18 frac stages to generate 30-day average initial production of 4-5 MMcfd and estimated ultimate recovery of more than 5 bcf/well.

In the Montney shale in Northeast British Columbia, Talisman operates the Greater Cypress and Farrell Creek areas west of Fort St. John and participates in the Shell-operated Greater Groundbirch area south of the city.

The company has 44 tcf of contingent resource in 271,000 net acres in the Montney, which is as thick as 1,400 ft spread over three horizons. Talisman estimates full-cycle break-even cost below \$4/Mcf.

Talisman is moving from four rigs to eight in 2011, when it expects to average 50-60 MMcfd net production. It is expanding the Farrell Creek processing plant to 180 MMcfd from 120 MMcfd and has secured 500 MMcfd of pipeline sales capacity. Well metrics are 5 MMcfd initial rates and 7 bcf EURs, Broen said.

Talisman sold 50% of 52,000 net acres at Farrell Creek to South Africa's Sasol in late 2010 for \$1 billion. The 50-50 properties have an estimated 9.6 tcf contingent resource. The companies will drill 35 wells net to Talisman in 2011, and Talisman is examining alternate marketing options including Sasol's gas-to-liquids technology.

Talisman has a \$300 million capital program in the Eagle Ford shale and will grow from four rigs to eight in 2011, spending a net \$300 million, Broen said.

Talisman, operator in 50-50 partnership with Statoil, sees 1,500 locations on 135,000 net acres and a 1.1 billion boe contingent resource in the liquid-rich part of the play. Well results are 1,200 boe/d initial rates and 660,000 boe projected EURs.

The company will drill three vertical wells in Poland's Baltic basin in 2011 seeking gas in shales with favorable estimated technical parameters: 220-1,550 bcf/sq mile gas in place, 600-2,300 ft thickness, 8,000-14,000 ft depth, and 0.9-9% total organic carbon. Talisman holds the Gdansk West, Braniewo, and Szczawno blocks.

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