



# Talisman Energy

## Company Profile

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## COMPANY OVERVIEW

Talisman Energy (Talisman) is an independent international upstream oil and gas company undertaking exploration, development, production, transportation, and marketing of crude oil, natural gas, and natural gas liquids (NGLs). The company primarily operates in North America, the North Sea, and Southeast Asia. It is headquartered in Alberta, Canada and employs over 2,600 people.

The company recorded revenues of CAD7,919 million (approximately \$7,409.4 million) during the financial year ended December 2007 (FY2007), an increase of 3.6% over the financial year ended December 2006 (FY2006). The operating profit of the company was C\$2,273 million (approximately \$2,126.7 million) during fiscal year 2007, a decrease of 27.1% over 2006. The net profit was CAD2,078 million (approximately \$1,944.3 million) in FY2007, an increase of 3.6% over FY2006.

## KEY FACTS

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<b>Web Address</b>	<a href="http://www.talisman-energy.com">http://www.talisman-energy.com</a>
<b>Revenue / turnover (CAD Mn)</b>	7,919.0
<b>Financial Year End</b>	December
<b>Employees</b>	2,639
<b>Toronto Ticker</b>	TLM
<b>New York Ticker</b>	TLM

## **BUSINESS DESCRIPTION**

Talisman Energy (Talisman) is one of the largest independent oil and gas producers in Canada. Its main business activities include exploration, development, production, transportation, and marketing of crude oil, natural gas, and natural gas liquids (NGLs). It has about seven operating subsidiaries. Talisman has ongoing production, development, and exploration operations in North America, the North Sea, Southeast Asia and Australia, North Africa, and Trinidad and Tobago.

Talisman's operations are conducted principally in five geographic segments: North America, UK, Scandinavia, Southeast Asia, and other.

Talisman's aggregate production for the FY2007 was approximately 452,000 barrels of oil equivalent per day (boe/d), comprising approximately 189,000 boe/d from North America, 117,000 boe/d from the UK segment, 33,000 boe/d from the Scandinavia segment, 92,000 boe/d from Southeast Asia, and 21,000 boe/d from the rest of the world.

The North America segment includes operations in Canada and the US. The UK segment includes operations in the UK and the Netherlands. The Scandinavia segment includes operations in Norway and Denmark. The Southeast Asia segment includes operations in Indonesia, Malaysia, Vietnam, Australia, and Papua New Guinea. The other segment includes operations in North Africa, Trinidad and Tobago, Colombia, Peru, and Qatar as well as other international exploration areas.

Talisman's North American exploration and development operations are organized into two main business divisions, the Northern District and Southern District. The Northern District encompasses properties in Canada, whereas the Southern District encompasses properties in both Canada and the US.

The Northern District encompasses four core producing areas: Edson area (comprising Bigstone, Wild River, Edson, and West Whitecourt), Greater Arch, Deep Basin, and Lac La Biche, with minor amounts of joint venture properties. While the majority of these producing areas are located in Alberta, various portions of the Greater Arch and Deep Basin areas are located in British Columbia. The Canadian portion of the Southern District is comprised of eight core producing areas: Alberta Foothills, Monkman/BC Foothills, Chauvin, Carlyle, Shaunavon, Warburg, Southern Alberta Foothills, and Ontario. These properties are located in British Columbia, Alberta, Saskatchewan, Ontario, and Quebec. The US portion of Southern District comprises two core areas: Appalachia and the western US. These properties are located in New York, Pennsylvania, Utah, and Wyoming.

In FY2007, natural gas production in the Northern District averaged 448.2 million cubic feet per day (mmcf/d) and liquids production averaged 14,038 barrels per day (bbls/d). In FY2007, natural gas production in the Canadian portion of the Southern District averaged 342 mmcf/d and liquids production averaged 29,261 bbls/d. During the same period, natural gas production in the US portion of the Southern District averaged 85.4 mmcf/d.

The company's UK assets are principally held by Talisman Energy (UK) and Talisman North Sea, include producing fields and exploration acreage in the UK and the Netherlands sectors of the North Sea. The company has three core UK operating areas: the Mid North Sea area, the Flotta Catchment area, and the Greater Fulmar area. Talisman holds non-operated producing interests in four fields in the Netherlands sector of the North Sea ranging from 2% to 20%. Production in FY2007 in the Netherlands averaged 3,762 boe/d. During the same period, production in the UK segment averaged 116,647 boe/d, (including 15,044 boe/d from the Brae assets).

Talisman's Scandinavian assets are held by Talisman Energy Norge and Talisman Oil Denmark, including producing fields and exploration acreage in the Norwegian and Danish sectors of the North Sea. In FY2007, Scandinavian production averaged 32,936 boe/d.

Talisman's subsidiaries hold interests ranging from 1% to 70% in these fields as well as in a number of production facilities and pipelines in Norway. Talisman's principal operating areas in Norway are the Gyda Area, Varg Area, and other Norway properties. The company has 61% operated interests in the Gyda and 18% operated interests Norwegian portion of the Blane fields; 65% and 70% operated interests in the Varg and Rev fields, respectively; holds a 70% operated interest in the Yme field. In the Danish sector of the North Sea, the company has a 30% non-operated interest in the Siri field.

Talisman's interests in Southeast Asia include operations and exploration acreage in Indonesia, Malaysia, Vietnam, Papua New Guinea, and Australia. In FY2007, Southeast Asia production averaged 92,057 boe/d.

Talisman's Indonesian assets at Corridor and the Ogan Komering production sharing contract (PSC) are located onshore the Island of Sumatra. The remainder of Talisman's Indonesian assets is located offshore. In FY2007, production in Indonesia averaged 49,276 boe/d. Talisman's subsidiary has a 36% non-operated interest in the Corridor PSC and field production facilities. In FY2007, production from Corridor averaged 39,037 boe/d. Talisman's principal assets in Indonesia also includes the Corridor Technical Assistance Contract (TAC), the Ogan Komering, Southeast Sumatra, Offshore North West Java, Pasangkayu, and Sageri PSC, and the Tangguh LNG project.

Talisman's subsidiaries hold operated interests ranging from 33% to 60% in three blocks in Malaysia; PM-3 CAA/46-Cai Nuoc, PM-305 and PM-314. In FY2007, Malaysia production averaged 37,540 boe/d. In Vietnam, a Talisman subsidiary holds a 30% interest in a joint operating company, which operates Block 46/02 adjacent to PM-3 CAA on the border with Malaysia. Talisman holds non-operated interests ranging from 25% to 40% in the Laminaria and Corallina fields and the Joint Petroleum Development Area (JPDA) 06-105 in Australia. Talisman's subsidiary holds a 48% operated interest in a natural gas discovery and a 35% interest in exploration acreage, both offshore Papua New Guinea.

Talisman's other interests include operations in Algeria, Tunisia, and Trinidad and Tobago, and exploration acreage in Tunisia, Trinidad and Tobago, Peru, Colombia, and Qatar. In FY2007, production from these properties averaged 20,736 boe/d.

Talisman's interests in North Africa include operations in Algeria and Tunisia. In FY2007, North Africa production averaged 14,297 boe/d. In Algeria, Talisman's subsidiary holds a 35% non-operated interest in Block 405a under a PSC of Algeria's national oil company, Sonatrach. In Tunisia, Talisman's subsidiary holds a 10% non-operated interest in the Borj El Khadra permit, a 5% non-operated interest in the Adam concession portion of the permit (which contains the Adam, Dalia, Hawa, Janet, and Nour fields), and a 10% interest in the remainder of the permit. The company's subsidiary, Talisman (Trinidad Block 3a), holds a 26% interest in the PSC on Block 3(a), beside the east of Block 2(c). The company holds a 25% non-operated interest in the Angostura development area and a 36% interest in the Block 2(c) Howler assessment area located to the south. The total oil and liquids production from this area in FY2007 was 6,439 bbls/day.

In Colombia, a subsidiary of Talisman has an active exploration program in the Greater Llanos region, one of Colombia's proven hydrocarbon basins. Talisman's subsidiary holds a 100% interest in an exploration and production sharing agreement for offshore Block 10 in Qatar. In Peru, a Talisman subsidiary holds a 50% and 40% interests in Block 64 and Block 103. A subsidiary also holds a 70% operated interest in the adjacent Block 101 and a 55% operated interest in Block 134, which was awarded in the FY2007 Peru Bid Round.

## HISTORY

The history of Talisman Energy (Talisman) dates back to 1953, when the company was established as BP Canada. It later became an independent company, in 1992. In the same year, Talisman Energy discontinued its mining operations in order to focus on its core areas.

In 2002, Talisman added exploration acreage in the Canadian Foothills, North Eastern US, offshore Nova Scotia, the North Sea, Trinidad, Colombia, Vietnam, and Qatar.

In 2003, the company sold its 25% interest in Sudan. Talisman Energy (Qatar), a wholly-owned subsidiary of Talisman, signed an exploration and production sharing agreement for an offshore block in Qatar. In the same year, Talisman's indirect wholly-owned subsidiary, Fortuna Exploration, entered into an agreement with Total E&P USA; and one of Talisman's indirect wholly-owned subsidiaries acquired the operated interests and associated assets of BP Norge in the Gyda field of the Norwegian North Sea. Further in 2003, a Talisman subsidiary was awarded four new exploration blocks in the UK North Sea.

Subsequently in 2003, Talisman (Corridor), a wholly-owned subsidiary of Talisman, commenced gas sales from the Corridor Block production sharing contract in South Sumatra to supply gas in Singapore. This marked the first sale of gas from the Corridor Block to markets outside Indonesia.

Talisman Energy Norge was awarded two new exploration licenses in the Norwegian North Sea, in 2004. In addition, Talisman acquired ConocoPhillips Scandinavia's 35% interest in two licenses in Block 1/2 on the Norwegian Continental Shelf, including the Blane discovery. In the same year, Talisman Malaysia, a wholly-owned subsidiary of Talisman, signed a production sharing contract for Block PM-314 offshore Malaysia. Subsequently, the company acquired core interests in the North Sea from Intrepid.

Further in 2004, Fortuna Energy, a wholly-owned subsidiary of Talisman, acquired all of Belden & Blake's Trenton/Black River assets in the Appalachia region. In the same year, Talisman started construction of a 10 megawatt co-generation power plant at its Edson natural gas processing facility. In addition, the company undertook development of the Tweedsmuir and Tweedsmuir South oilfields.

Further in 2004, Talisman Energy (UK), a wholly-owned subsidiary of Talisman, decided to construct a deepwater wind farm demonstrator project adjacent to the Talisman operated Beatrice Field, 25 kilometers off the east coast of Scotland. Subsequently, the company commenced production at the North Tartan field.

Talisman acquired all of the outstanding shares of Pertra, a wholly-owned subsidiary of Petroleum Geo-Services of Norway, in 2005. In the same year, a wholly-owned subsidiary of Talisman and PetroVietnam Exploration and Production, a subsidiary of Vietnam Oil and Gas, the national oil company of Vietnam, signed a contract for Block 15-2/01 offshore Vietnam. Moreover, Talisman entered into an agreement to acquire Paladin Resources (Paladin). Paladin, headquartered in

London, the UK, was involved in the exploration and production of gas and oil. Further in 2005, Talisman discovered new oil reserves in Inner Moray Firth of block 13/23b, the UK, adjacent to the fields in Ross and Blake. The company held 100% equity for this block.

In 2006, the company discovered oil reserves in the North Sea and Peru. In the same year, the company announced the discovery of gas wells in North America. Moreover, Talisman subsidiaries acquired the Auk field and an additional 87% interest in the Fulmar field in the Central North Sea, which resulted in 100% ownership of both of these fields. Further in 2006, through the sale of its wholly-owned subsidiary, Talisman Expro, the company disposed of certain UK holdings which were producing approximately 9,200 boe/d at the time of the sale.

Talisman's UK subsidiaries Talisman Energy (UK) and Talisman LNS sold Talisman's entire non-operated interests in the Brae assets in the UK North Sea to TAQA Bratani, a wholly-owned subsidiary of the Abu Dhabi National Energy Company, in January 2007.

In February 2007, Fortuna Energy, a wholly-owned subsidiary of Talisman, started production from a prolific gas well and was tested high rates from a second well in the Appalachian Basin of New York State. Initial production from the two wells combined was expected to be approximately 30 mmcf/d.

Talisman's wholly-owned subsidiary Talisman Energy Norge started production from two prolific oil wells in the Gyda and Brage fields in the Norwegian sector of the North Sea, in May 2007. In the same month, Talisman Energy (UK) commenced production from its Tweedsmuir development. The Tweedsmuir and Tweedsmuir South oilfields were located 100 miles northeast of Aberdeen in UKCS Block 21/1aN. Further in May 2007, Talisman Energy produced first power from the Beatrice Wind Farm Demonstrator Project.

Talisman North Sea commenced production from the Enoch field, in June 2007. The Enoch field was located 160 miles northeast of Aberdeen and straddled the UK and Norwegian sectors in UKCS Block 16/13a and NCS Block 15/5.

In August 2007, the company entered into an agreement to sell approximately 16,000 barrels of oil equivalent per day (boe/d) of non-core North American assets. These were predominantly low working interest, non-operated assets which included over 2,000 wellbores.

Talisman North Sea commenced production from the Wood Field, in December 2007. The field was expected to produce at a peak rate of 6,000 bbls/d of oil and 16 mmcf/d of natural gas.

In January 2008, one of Talisman's subsidiaries acquired all the shares of CNOOC Wiriagar Overseas (Wiriagar) from a subsidiary of CNOOC, for a consideration of \$212.5 million. CNOOC Wiriagar held a 3.06% interest in the Tangguh LNG Project.

Talisman acquired RSX Energy, in March 2008. RSX was an oil and gas company based in Calgary, Alberta which was focused on exploration and development in Western Canada.

In May 2008, Ivanhoe Energy signed a preliminary agreement with Talisman Energy Canada to acquire all of Talisman Energy Canada's interests in three leases located in the Athabasca oil sands region in the Province of Alberta, Canada.

In June 2008, two wholly-owned subsidiaries of Talisman entered into agreements with the Kurdistan Regional Government (KRG) within Iraq for interests in Blocks K44 and K39 respectively.

In the same month, Talisman's wholly owned limited partnership FEI Shale (Fortuna) reached agreement to earn up to a one-third working interest in US properties owned by Hallwood Energy (Hallwood). Upon completion of the capital program, Fortuna will have earned a one-third interest in substantially all of Hallwood's assets, including properties in Texas, Arkansas, and Louisiana, for a total of 108,000 acres (net to Fortuna).

In December 2008, Talisman (Vietnam 46/02), a wholly-owned subsidiary of Talisman, announced first oil production from the Song Doc field in Block 46/02 offshore Vietnam.

Talisman announced first gas production from the Rev Field in Norway, in January 2009. The field was expected to produce at a plateau rate of 100 mmcf/d of gas and 6,000 bbls/d of condensate and natural gas liquids from two subsea wells.

## KEY EMPLOYEES

<b>Name</b>	<b>Job Title</b>	<b>Board</b>
John A Manzoni	President, Chief Executive Officer, and Director	Executive Board
Douglas D Baldwin	Chairman of the Board of Directors	Non Executive Board
William R P Dalton	Director	Non Executive Board
Philip J Dingle	Director	Non Executive Board
Kevin S Dunne	Director	Non Executive Board
Lawrence G Tapp	Director	Non Executive Board
Stella M Thompson	Director	Non Executive Board
John D Watson	Director	Non Executive Board
Robert G Welty	Director	Non Executive Board
Charles R Williamson	Director	Non Executive Board
Charles W Wilson	Director	Non Executive Board
Scott Thomson	Executive Vice President, Finance and Chief Financial Officer	Senior Management
A Paul Blakeley	Executive Vice President, International Operations (East)	Senior Management
Ronald J Eckhardt	Executive Vice President, North American Operations	Senior Management
T Nigel D Hares	Executive Vice President, International Operations (West)	Senior Management
Robert M Redgate	Executive Vice President, Corporate Services	Senior Management
Robert Rooney	Executive Vice President, Legal and General Counsel	Senior Management
John 't Hart	Executive Vice President, Exploration	Senior Management

## KEY EMPLOYEE BIOGRAPHIES

### **John A Manzoni**

Board: Executive Board  
Job Title: President, Chief Executive Officer, and Director  
Since: 2007  
Age: 47

Mr. Manzoni has been the President, Chief Executive Officer, and a Director of Talisman Energy since 2007. He is responsible for leading the development and execution of the company's long-term strategy with a view to creating shareholder value.

### **Douglas D Baldwin**

Board: Non Executive Board  
Job Title: Chairman of the Board of Directors  
Age: 71

Mr. Baldwin is currently the Non Executive Chairman of the Board of Directors of Talisman Energy. He was the President and Chief Executive Officer of TransCanada PipeLines, a pipeline and power company, from 1999 to 2001; Senior Vice President and a Director of Imperial Oil, a natural resource company, from 1992 to 1998; and President and Chief Executive Officer of Esso Resources Canada, a natural resource company, from 1988 to 1992. He holds a Bachelor of Science degree in Chemical Engineering and was awarded an Honorary Doctor of Laws degree from the University of Calgary in 1999 and an Honorary Doctor of Laws Degree from the University of Saskatchewan in 2003. He is currently a Director of UTS Energy Corporation and Citadel Group of Funds.

### **William R P Dalton**

Board: Non Executive Board  
Job Title: Director  
Since: 2005  
Age: 64

Mr. Dalton has been a Non Executive Director of Talisman Energy since 2005. He was Chief Executive of HSBC Bank, from 1998 to 2004; Executive Director of HSBC Holdings, from 1998 to 2004; Global Head of Personal Financial Services for HSBC Group, from 2002 to 2004; and held various positions in the Canadian operations of HSBC prior to 1998. He holds a Bachelor of Commerce degree (Honors) and was awarded an Honorary Doctorate (Honorary Doctor of the University) by the University of Central England in Birmingham in 2001. He is a Fellow of the Chartered Institute of Bankers of the UK and the Institute of Canadian Bankers. He is currently a Director of First Choice

Holidays, HSBC Finance, Associated Electric and Gas Insurance Services (AEGIS), AEGIS Managing Agency for Lloyds of London Syndicate 1225, and Swiss RE GB.

## **Philip J Dingle**

Board: Non Executive Board  
Job Title: Director

Mr. Dingle is a Non Executive Director of Talisman Energy. He has over 35 years experience in the oil and gas industry with substantial experience leading international operations. He served as the Vice President of Exxon Mobil Corporation and the President of ExxonMobil Gas and Power Marketing Company from 2003 until his retirement in 2006. He has also served as President of ExxonMobil Saudi Arabia (Southern Ghawar); Chairman and Chief Executive Officer of the ExxonMobil Companies in Malaysia, and Managing Director of Esso Exploration and Production UK.

## **Kevin S Dunne**

Board: Non Executive Board  
Job Title: Director  
Since: 2003  
Age: 59

Mr. Dunne has been a Non Executive Director of Talisman Energy since 2003. He held various international senior and executive management positions with BP, an international integrated oil and gas company; including General Manager of Abu Dhabi Company for Onshore Oil Operations (ADCO), a BP joint venture, from 1994 to 2001; Corporate Associate President of BP Indonesia from 1991 to 1994; and Corporate Head of Strategy for the BP Group based in London from 1990 to 1991. He holds a Bachelor's degree in Chemical Engineering and a Master's degree in Management Science. He is a Fellow of the Institution of Chemical Engineers and a Chartered Engineer.

## **Lawrence G Tapp**

Board: Non Executive Board  
Job Title: Director  
Since: 2001  
Age: 70

Mr. Tapp has been a Non Executive Director of Talisman Energy since 2001. He is the Chairman of ATS Automation Tooling Systems, Softchoice Corporation, Comcare Health Services, and Mainstreet Equity Corporation. He was the Dean of the Richard Ivey School of Business of the University of Western Ontario from 1995 to 2003; Executive in Residence of the Faculty of Management and Adjunct Professor of the University of Toronto from 1992 to 1995; and Vice Chairman, President, and Chief Executive Officer of Lawson Mardon Group, a packaging conglomerate, from 1985 to 1992. He holds a Bachelor of Arts degree and an Executive Master of

Business Administration degree. He is currently a Director of ATS Automation Tooling Systems, Softchoice Corporation, CCL Industries, Mainstreet Equity Corporation, Nature Conservancy of Canada, and Comcare Health Services.

### **Stella M Thompson**

Board: Non Executive Board  
Job Title: Director  
Since: 1995  
Age: 63

Ms. Thompson has been a Non Executive Director of Talisman Energy since 1995. She is a Principal of Governance West, a corporate governance consulting company; and President of Stellar Energy, an energy and management consulting company. She was Vice President of Planning, Business Information, and Systems for PetroCanada Products, a petroleum refining and marketing company, prior to 1991. She holds a Bachelor of Arts degree in Economics and a Master of Arts degree in Economics and has been awarded the ICD.D designation by the Institute of Corporate Directors. She is currently a Director of Atomic Energy of Canada, Alberta's Electricity Balancing Pool, and Calgary Airport Authority. She is also Vice Chairman of Genome Alberta.

### **John D Watson**

Board: Non Executive Board  
Job Title: Director  
Since: 2007  
Age: 62

Mr. Watson has been a Non Executive Director of Talisman Energy since 2007. He has been a Director of various corporations since 2006. In early 2006, he retired as Executive Vice President and Chief Financial Officer of EnCana Corporation, after a career which spanned some 30 continuous years with Encana and its predecessor, Alberta Energy Company.

### **Robert G Welty**

Board: Non Executive Board  
Job Title: Director  
Since: 2003  
Age: 68

Mr. Welty has been a Non Executive Director of Talisman Energy since 2003. He is the Chairman and a Director of Sterling Resources, and oil and gas exploration and development company. He was the Chief Executive Officer of Sterling Resources from 1998 to 2005; President of Escondido Resources (International), an oil and gas exploration company, from 1996 to 1997; President and Chief Executive Officer of Canadian Fracmaster, an oil field service company, from 1994 to 1995;

President and Chief Executive Officer of Bow Valley Energy, oil and gas exploration and development company, from 1992 to 1994; and President and Chief Executive Officer of Asamera, an oil and gas exploration and development company, from 1976 to 1988. He holds a Bachelor of Arts degree (Honors) in Economics and is a Chartered Accountant. He is also a Director of Sterling Resources.

### **Charles R Williamson**

Board: Non Executive Board  
Job Title: Director  
Since: 2006  
Age: 59

Dr. Williamson has been a Non Executive Director of Talisman Energy since 2006. He was the Executive Vice President of Chevron Corporation, an integrated oil and gas company, in 2005; Chairman and Chief Executive Officer of Unocal Corporation, an oil and gas exploration and development company, from 2001 to 2005; and prior to 2001, he held various executive positions within Unocal, including Executive Vice President, International Energy Operations and Group Vice President, Asia operations. He holds a Bachelor of Science degree in Geology, a Master of Science Degree in Geology, and a Doctorate in Geology. He is also a Director of Weyerhaeuser and PACCAR.

### **Charles W Wilson**

Board: Non Executive Board  
Job Title: Director  
Since: 2002  
Age: 68

Mr. Wilson has been a Non Executive Director of Talisman Energy since 2002. He was the President and Chief Executive Officer of Shell Canada, an integrated oil and gas company, from 1993 to 1999; Executive Vice President, US Downstream Oil and Chemical of Shell Oil Company, an integrated oil and gas company, from 1988 to 1993; Vice President of US Refining and Marketing of Shell Oil Company; and held various positions in the domestic and international natural resource operations of Shell, prior to 1988. He holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Engineering. He is also a Director of ATCO, Akita Drilling, Big Rock Brewery Income Trust, and Canadian Utilities.

### **Scott Thomson**

Board: Senior Management  
Job Title: Executive Vice President, Finance and Chief Financial Officer  
Since: 2008

Mr. Thomson has been the Executive Vice President of Finance and Chief Financial Officer of Talisman Energy since 2008. He is responsible for global finance and tax functions along with investor relations, marketing, and the transactional element of Talisman's mergers and acquisitions business.

### **A Paul Blakeley**

Board: Senior Management  
Job Title: Executive Vice President, International Operations (East)  
Since: 2006

Mr. Blakeley has been the Executive Vice President of International Operations (East) of Talisman Energy since 2006. Over the past 12 years he held various senior roles including Vice President, South East Asia and Vice President, North Sea.

### **Ronald J Eckhardt**

Board: Senior Management  
Job Title: Executive Vice President, North American Operations  
Since: 2003

Mr. Eckhardt has been the Executive Vice President of the North American Operations of Talisman Energy since 2003. He has 20 years experience with the company and is responsible for all of Talisman's development and production operations in North America.

### **T Nigel D Hares**

Board: Senior Management  
Job Title: Executive Vice President, International Operations (West)

Mr. Hares is currently the Executive Vice President of International Operations (West) of Talisman Energy. Over the past 11 years, he has led Talisman's international operations.

### **Robert M Redgate**

Board: Senior Management  
Job Title: Executive Vice President, Corporate Services

Mr. Redgate is currently the Executive Vice President of Corporate Services of Talisman Energy. He has been with the company for 28 years. He has responsibility for Talisman's global information systems, materials and contracts, health, safety, and environment, security, facilities administration, and human resources functions.

### **Robert Rooney**

Board: Senior Management  
Job Title: Executive Vice President, Legal and General Counsel

Mr. Rooney is currently the Executive Vice President of Legal and General Counsel of Talisman Energy. He has nearly 25 years of experience in oil and gas law. He is responsible for legal and corporate responsibility and government affairs.

### **John 't Hart**

Board: Senior Management  
Job Title: Executive Vice President, Exploration  
Since: 2003

Mr. Hart has been the Executive Vice President of Exploration of Talisman Energy since 2003. He has been with the company for 28 years. He is responsible for Talisman's global exploration program.

## **MAJOR PRODUCTS AND SERVICES**

Talisman Energy is an independent international upstream oil and gas company. The company's products and services include:

**Products:**

- Crude oil
- Natural gas
- Natural gas liquids
- Synthetic oil
- Sulphur

**Services:**

- Exploration
- Development
- Production
- Transportation
- Marketing

## REVENUE ANALYSIS

### Overview

Talisman Energy (Talisman) recorded revenues of CAD7,919 million (approximately \$7,409.4 million) during the financial year ended December 2007 (FY2007), an increase of 3.6% over the financial year ended December 2006 (FY2006).

Talisman generates revenue from five geographical segments: the UK (33.9% of total revenues during FY2007), North America (33.4%), Southeast Asia (15.8%), Scandinavia (11.6%), and other locations (5.3%).

### Revenue by geographical segment

During the FY2007, the UK segment recorded revenues of CAD2,685 million (approximately \$2,512.2 million), an increase of 11.2% over FY2006.

The North America segment recorded revenues of CAD2,646 million (approximately \$2,475.7 million) in FY2007, an increase of 0.6% over FY2006.

The Southeast Asia segment recorded revenues of CAD1,255 million (approximately \$1,174.2 million) in FY2007, a decrease of 5.6% compared with FY2006.

The Scandinavia segment recorded revenues of CAD922 million (approximately \$862.7 million) in FY2007, an increase of 2.8% over FY2006.

Other locations recorded revenues of CAD411 million (approximately \$384.6 million) in FY2007, an increase of 9.9% over FY2006.

## SWOT ANALYSIS

Talisman Energy (Talisman) is an independent international upstream oil and gas company undertaking exploration, development, production, transportation, and marketing of crude oil, natural gas, and natural gas liquids (NGLs). The company has expanded its international production capacity that has provided it with a diversified global presence. However, economic slowdown in the US and Eurozone could impact industrial development, which could adversely affect demand for Talisman's products.

<b>Strengths</b>	<b>Weaknesses</b>
Strong market position Diversified geographical presence	Lack of scale High debt
<b>Opportunities</b>	<b>Threats</b>
Acquisitions and agreements New oil and gas production	Economic slowdown in the US and Eurozone Environmental regulations Saturation of resources

### Strengths

#### Strong market position

Talisman Energy is an independent, international upstream oil and gas company whose main business activities include exploration, development, production, transportation, and marketing of crude oil, natural gas and natural gas liquids (NGLs). The company's three core areas are North America, the North Sea, and Southeast Asia. In North America, Talisman is a leading deep gas explorer and has significant unconventional natural gas potential. In the North Sea, the company operates more than 40 oilfields and has extensive exploration acreage in Norway. In Southeast Asia, Talisman has substantial long-life natural gas reserves and highly prospective exploration acreage. A strong market position helps the company to leverage its market share.

#### Diversified geographical presence

Talisman Energy has ongoing production, development, and exploration operations in North America, the North Sea, Southeast Asia and Australia, North Africa, and Trinidad and Tobago. The company's operations are conducted principally in five geographic segments: North America, UK, Scandinavia, Southeast Asia, and others (comprising North Africa, Trinidad and Tobago, Colombia, Peru, and Qatar).

Talisman's aggregate production for the year ended December 31, 2007 was approximately 452,000 barrels of oil equivalent per day (boe/d), consisting of approximately 189,000 boe/d from North America, 117,000 boe/d from the UK segment, 33,000 boe/d from the Scandinavia segment, 92,000 boe/d from Southeast Asia, and 21,000 boe/d from the rest of the world. A diversified geographical presence enables the company to reduce business risks arising in a particular geography.

## **Weaknesses**

### Lack of scale

The company lacks the desired scale to compete with large players in the industry. Many of the company's competitors are much larger in size in terms of revenue generated, number of employees, and their presence in Europe and other developing market. One of its key competitors, British Petroleum (BP), generated revenues of about \$288,951 million and employed about 97,600 people worldwide for the financial year ended December 2007 (FY2007). Another key competitor of the company Exxon Mobil Corporation (Exxon Mobil) generated revenues of about \$390,328 million and employed 81,000 people as on FY2007. However, Talisman generated revenues of about CAD7,919 million (approximately \$7,409.4 million) during the FY2007, and employed about 2,550 people worldwide as of FY2007. Owing to its relatively small scale of operations, the company could find it difficult to face competition.

### High debt

The company has a significant amount of debt. For the FY2007, the company has an outstanding debt of CAD4,862 million (approximately \$4,549.1 million), an increase of 6.6% from FY2006 which stood at CAD4,560 million (approximately \$4,266.6 million). The company's substantial debt could limit its ability to obtain additional financing to operate its business. Further, it would make it difficult for the company to satisfy its obligations including making interest payments on debt obligations.

## **Opportunities**

### Acquisitions and agreements

The company has been expanding its geographic reach through acquisitions and agreements. In January 2008, Talisman announced that one of its subsidiaries have acquired all the shares of CNOOC Wiriagar Overseas from a subsidiary of CNOOC for a consideration of \$212.5 million. CNOOC Wiriagar Overseas holds a 3.06% interest in the Tangguh LNG Project. The Tangguh LNG Project, located in West Papua, Indonesia, consists of a number of offshore gas wells, production facilities, pipelines, and LNG plant facilities with a nameplate capacity of 7.6 million tons per year. Furthermore, in March 2008, Talisman Energy acquired RSX Energy. RSX Energy is an oil and gas company based in Calgary, Alberta which is focused on exploration and development in Western Canada. In June 2008, two wholly-owned subsidiaries of Talisman Energy entered into agreements

with the Kurdistan Regional Government (KRG) within Iraq for interests in Blocks K44 and K39 respectively. In the same month, Talisman Energy announced that its wholly-owned limited partnership FEI Shale (Fortuna) reached agreement to earn up to a one-third working interest in US properties owned by Hallwood Energy (Hallwood). Upon completion of the capital program, Fortuna will have earned a one-third interest in substantially all of Hallwood's assets, including properties in Texas, Arkansas, and Louisiana, for a total of 108,000 acres (net to Fortuna).

These agreements and acquisitions would provide Talisman with growth opportunities and drive its revenue growth.

New oil and gas production Talisman Energy has considerably increased its oil and gas production in recent times. In December 2008, Talisman (Vietnam 46/02), a wholly-owned subsidiary of Talisman, announced first oil production from the Song Doc field in Block 46/02 offshore Vietnam. Gross production from five pre-drilled wells is expected to reach approximately 25,000 bbls/d by early 2009. An additional three development wells are currently being drilled. Talisman's share of proved and probable reserves in the Song Doc field is estimated at six million barrels (mmbbls), with proved reserves of three mmbbls.

Talisman Energy announced first gas production from the Rev Field in Norway, in January 2009. The field is expected to produce at a plateau rate of 100 mmcf/d of gas and 6,000 bbls/d of condensate and natural gas liquids from two subsea wells. A third producer, the Rev East well, is expected to be brought on-stream later in 2009. Talisman's share of proved and probable reserves in the Rev Field at year end 2007 is estimated at 26 million boe, with proved reserves of 16 million boe. Talisman Energy Norge, a wholly-owned subsidiary of Talisman, has a 70% interest in the Field, with Petoro holding the remaining 30%. Production is transported via a nine kilometer pipeline to the Armada platform in the UK, operated by BG International (CNS), for processing and final export to the UK.

The new oil and gas production would increase the company's output which in turn increases its revenues.

## **Threats**

Economic slowdown in the US and Eurozone

The US and European Union are the two key markets for Talisman. According to International Monetary Fund's (IMF) World Economic Outlook, January 2009, the US and Eurozone economies could face slowdown in 2009. The GDP growth rate in the US has decreased from 2% in 2007 to 1.1% in 2008 and is projected to record a negative growth of 1.6% in 2009. The GDP growth rate in the Eurozone has declined from 2.6% in 2007 to 1% in 2008 and is projected to record a negative growth of 2% in 2009.

A weak economic outlook for Eurozone and the US would put pressure on the revenues of the company. Economic slow down in the US and Eurozone could impact industrial development, which could adversely affect demand for Talisman's products.

#### Environmental regulations

As a result of the Oil Pollution Act of 1990 and the worldwide Port State Control initiative, stringent new regulations have been enacted. These regulations pose the possibility of unlimited financial liability for pollution damages. Companies operating in the oil and gas industry are subject to strict environmental regulations. Distribution and storage houses need to strictly comply with environmental regulations which keep changing frequently. Compliance with these regulations forces distributors, such as Talisman, to incur high costs. These factors can have a potential negative impact on the company's margins.

#### Saturation of resources

The maturity of the North America basin reserve continues to give rise to increases in both replacement costs and operating costs. Larger companies are finding it increasingly difficult to increase their North American production as conventional production is declining in these more mature basins. Furthermore, output from proven natural gas reserves in Canada has been declining significantly. Although the development of Mackenzie Valley reserves would boost gas reserves to some extent, decreasing output is a long-term threat for Canadian oil and gas companies such as Talisman. In addition, offshore exploration space and the existing reserves are maturing and are slowly being saturated. There has been a succession of dry holes being drilled in the region in the last two years. The saturation of reserves in North America would severely impact the company's operations.

## **TOP COMPETITORS**

The following companies are the major competitors of Talisman Energy

BP Plc  
ExxonMobil Corporation  
Petro-Canada  
Cairn Energy plc  
Dana Petroleum Plc  
EnCana Corporation  
Chevron Corporation

## COMPANY VIEW

A statement by John A. Manzoni, President, Chief Executive Officer, and Director of Talisman Energy, is given below. The statement has been taken from the company's annual report for FY2007:

It is a pleasure to be writing my first letter to shareholders as President and Chief Executive Officer of Talisman. I will start by echoing Doug Baldwin's comments in thanking Jim Buckee. It was Jim's vision that transformed Talisman into a global independent E&P company, with a talented and enthusiastic workforce and a portfolio of high quality assets. I have spent time in my first six months visiting our operating areas around the world and it is the quality of our employees in all these locations and the assets assembled under his leadership, which gives me confidence for the future of your Company.

2007 was a very active year, with capital spending of \$4.4 billion, almost equalling the record set a year earlier. In the UK North Sea, we completed and brought onstream the Tweedsmuir Phase 1, Enoch, Blane, Duart and Wood projects. Over the year-end and into early 2008, we have been commissioning Tweedsmuir Phase 2 in the North Sea. In North America, we drilled several very successful wells in both the Inner and Outer Foothills, confirming our optimism for these areas. In Southeast Asia, we completed a major natural gas plant expansion in Indonesia and began flowing gas down the newly commissioned pipeline to West Java. We expect these volumes to grow into the future. The Company completed the sale of an additional 28,000 boe/d of non-core assets during the year. We also made very exciting exploration discoveries at Cayley in the UK and at Hai Su Den, offshore Vietnam. You will hear more about both these discoveries in the future.

In many respects, 2007 was a year of contrasts. Falling North American natural gas prices, the strong Canadian dollar and some project delays to some extent offset the benefits of record high oil prices. In Alberta, the government has proposed royalty changes, which negatively impacted our plans to drill higher risk, deep, expensive Foothills gas wells. It was also a year of transition to a new CEO, which brings change for our employees.

Net income was a record \$2.1 billion, reflecting the gains on asset sales, although net income from continuing operations (which excludes assets sold through the year) was down, reflecting increased depreciation, depletion and amortization (DD&A) and dry hole costs. Cash flow from our continuing operations was unchanged from 2006, at \$4.2 billion. Our production in 2007 was 452,000 boe/d, 7% below 2006, reflecting our asset disposition program, and was lower than our expectations at the start of the year. The shortfall was due to reductions in North American capital spending during the year and project delays in the UK North Sea, including Tweedsmuir, which we expected would be flowing at full capacity before year-end. We have taken a number of steps to underpin our future expectations, including strengthening our project processes in light of a difficult external market.

Again in 2007, we replaced more than 100% of our production with proved reserves, maintaining our long track record. Our new discoveries in Vietnam and the North Sea give us confidence that we can continue this track record into the future.

Looking ahead, I have established three priorities for our focus during the current year.

Safety and operations are my first priority. Talisman has a good safety record and safety processes, as I've seen first hand in my visits to our operations. But there are risks involved in oil and gas operations and we strive to continuously reduce these risks and improve the safety of our operations. During 2008, we will improve and standardize our safety and environmental reporting and have initiated a global review of our process safety systems. Once the review is complete, we will establish a program to fill any gaps we find.

My second priority relates to improving our delivery processes to meet our short-term targets. We have a large project load across our business, especially in our North Sea operations. While we have brought many projects onstream during 2007, we continue to rely on new project development as we build the business and we have a number of active projects, which will be completed over the next few years. We have taken steps to build up our internal engineering capability and I am confident that we will underpin and improve our track record of delivery into the future.

Third, we have initiated a strategic review to define the longer term growth potential for Talisman. Our existing skill base and our diverse, global portfolio offer exciting potential for the future. We are already identifying opportunities for investment in the longer term, which will allow us to build on our growth projections beyond 2011. This review involves all of our teams around the world and represents an important priority for the first half of 2008.

We are projecting continued production growth in 2008 from the comparable 2007 number, with an overall investment level around \$4.4 billion. We are increasing investment by around one-third in each of Southeast Asia and Norway. These expenditures reflect new development projects in Malaysia, Vietnam and Norway, as well as exploration drilling in Norway and Vietnam and appraisal activity around our recent basement discovery in Vietnam. In the UK, expenditures will decrease slightly this year, having completed a number of projects in 2007. Our activity levels in the North Sea remain high as we appraise our Cayley discovery, bring on the Rev and Yme fields and continue engineering on several more projects for completion over the next few years. In North America, we have slowed our rate of spending as we watch the direction of natural gas prices during the year and redirect capital as a result of royalty changes in Alberta. We are drilling some very important wells during 2008 to determine how best to develop our unconventional resource plays, including the Bakken and Montney areas. We are also building on our 2007 success in the Outer Foothills area to establish a long-term program of development.

Our employees have, as always, given their best to the Company throughout the year. I am very grateful to them for their dedication and hard work, in particular during a year of transition.

There is a great deal to look forward to in 2008 as we appraise our recent exploration discoveries and bring on a suite of new projects. We will also complete our work to clarify the longer term investment opportunities for the Company and set in place actions to deliver them. I am excited about the outcome of this work and am looking forward to working with the management team to help deliver the next phase of growth for Talisman.

## LOCATIONS AND SUBSIDIARIES

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