

TALISMAN
ENERGY

TALISMAN ENERGY INC.

SUITE 3400, 888 3RD STREET S.W.
CALGARY, ALBERTA, T2P 5C5
FAX (403) 237-1902
TEL. (403) 237-1234
www.talisman-energy.com

Good afternoon co-Chairman Samuels and Ramras, Committee Members. My name is Tim England. I am Senior Manager, Global New Ventures for Talisman Energy Inc., which is the group in Talisman that searches for exploration opportunities internationally. I led the entry into Alaska for Talisman in 2003. With me today are my colleagues Rod Wade, General Manager, International Operations, and Jon Handforth, International Operations Commercial Analyst.

This afternoon I would like to provide you with a brief description of Talisman Energy, our current activity in Alaska, through our FEX L.P subsidiary, and the potential impact of changing the Alaska fiscal regime on our future investments in Alaska

Talisman is a Canadian independent company with production and exploration activity around the world. We have an enterprise value of US \$23 billion, and have a capital investment program in the order of US \$3 to 4 billion per year. We currently produce and/or explore in North America, the North Sea (UK and Norway), Malaysia, Vietnam, Indonesia, Australia, Trinidad, Peru, Colombia, Qatar, Algeria, Tunisia, Gabon and Romania.

We are a new player in Alaska. We entered in 2003 and have since invested over US \$30 million in land and over US \$100 million in drilling and seismic acquisition. The wells we are drilling in Alaska have cost in the order of \$30 to 35 million each. Due to the remoteness of our exploration activity and other factors, a commercial discovery would take 5 to 10 years to put on production, that is, it would take a long time from initial investment to begin to recoup the investment. The front-end investment in exploration is risky and, of course, comes with no guarantees for returns.

Our decision to enter Alaska was based on the current fiscal regime continuing for the duration of our activity in Alaska. Talisman accepts the risks associated with commodity price volatility as well as the risks of rising and changing costs. But fiscal stability is important if we are to successfully manage these risks.

The proposed fiscal changes will have several predictable impacts from the perspective of explorers in Alaska such as Talisman: first, many exploration ventures which were economic under the previous fiscal regime will no longer meet our economic hurdles for investment (even after taking the proposed incentives into consideration); second, investment proposals for Alaska will not be able to compete as effectively with investment proposals in other countries and jurisdictions; and third, bonus bids paid for

land will be reduced. Increasing the tax/royalty take after initial investments have been made does not bode well to promoting a stable environment for future commitments.

In summary, Talisman is a global oil and gas producer who has made a significant exploration investment in the last three years and has plans to invest heavily in the near-term. Alaska is a high-risk, high-cost exploration area. If Alaska taxes and royalties are increased, potential resources that would have been economic to explore for under the existing fiscal regime would have to be larger to attract investment dollars. In the exploration business one thing is sure: the chance of finding larger potential resources is much less than smaller potential resources. If Alaska taxes and royalties are increased, attracting investment dollars to Alaska in competition with other jurisdictions will be, simply put, more difficult. If Alaska taxes and royalties are increased, more oil will be left in the ground.

If increasing exploration activity in order to add production for the future benefit of the Alaska people is an objective of the Alaskan government, Talisman submits that the proposed increases in the tax and royalty structure will not serve this objective well.

In closing, Talisman would like to express our appreciation for the opportunity to address the House Resources Committee this afternoon.