



Investor Open House, May 2010

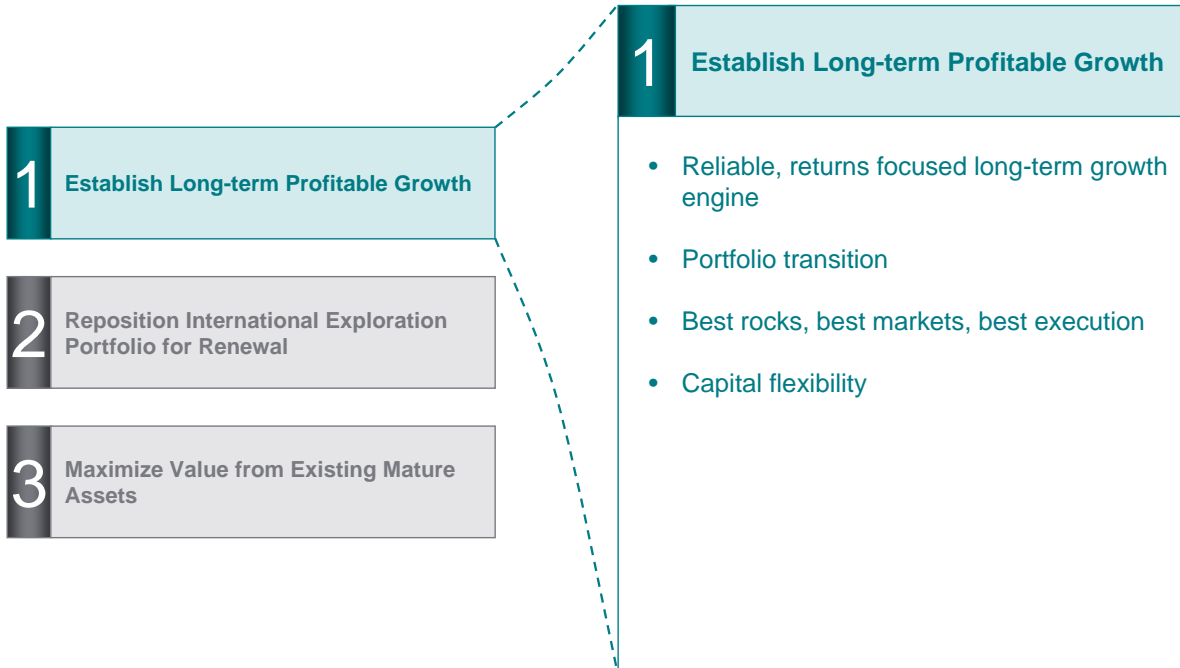
North American Operations

TALISMAN

E N E R G Y

Please see advisories provided with this presentation

North America – leading, returns-focused, shale resource business

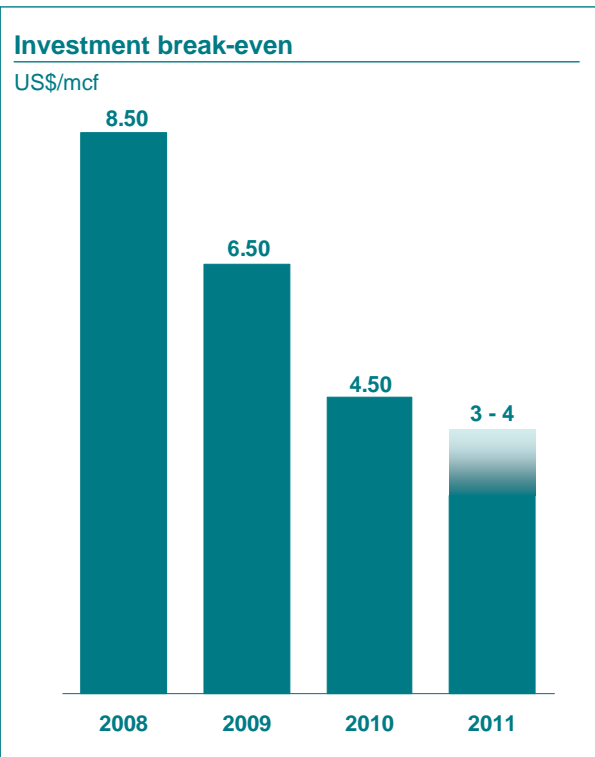
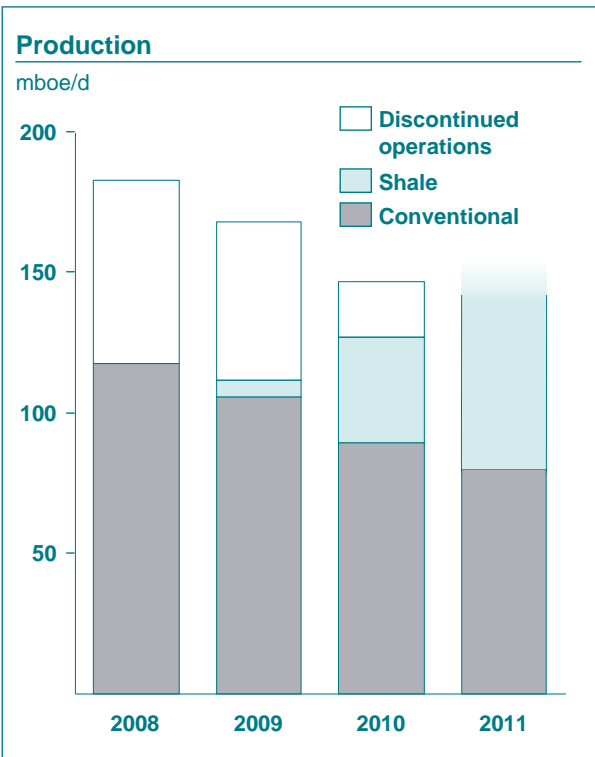


North America – delivery scorecard and activity

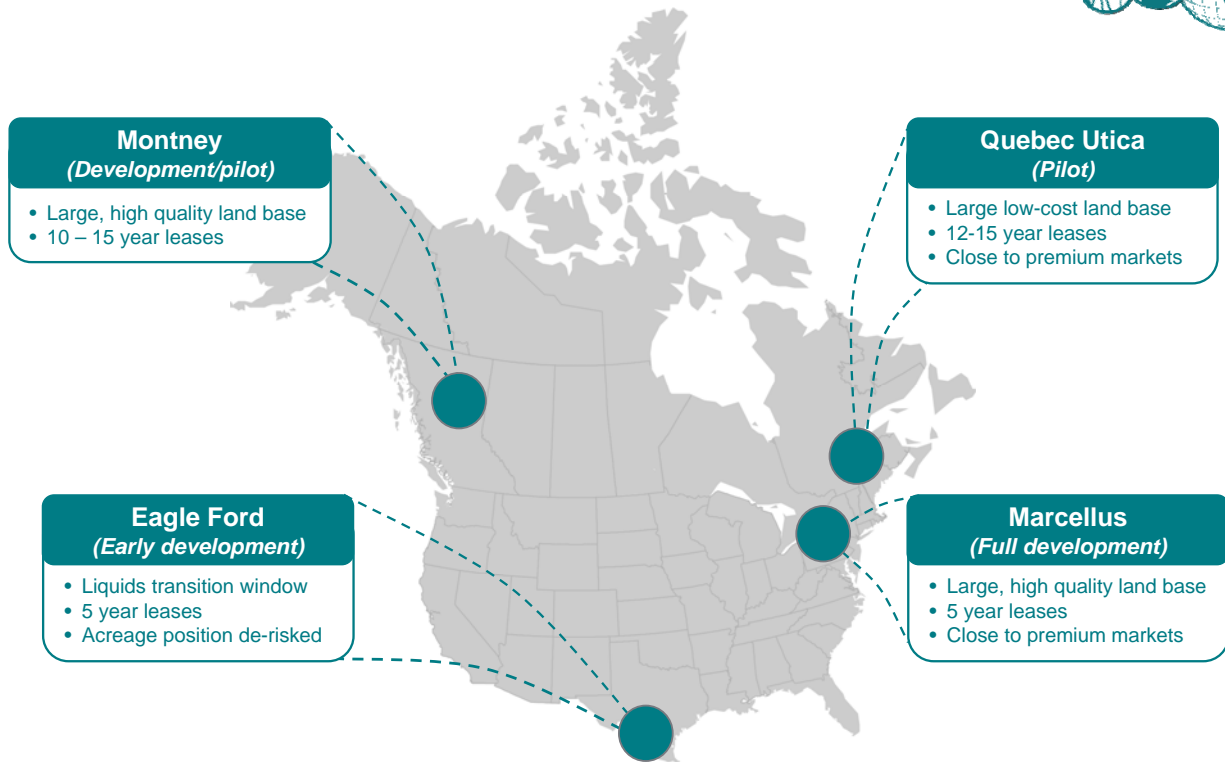


...delivered	2010	... activity ...	2011
<p>Project Delivery</p> <p>Marcellus - PA</p> <ul style="list-style-type: none"> • 218,000 tier-1 acres • 2,000+ well locations • Drilled 46 net wells in 2009 <p>Montney Shale</p> <ul style="list-style-type: none"> • 170,000 tier-1 acres • Farrell in development, Greater Cypress/Groundbirch piloting • ~3,000 well locations <p>Eagle Ford</p> <ul style="list-style-type: none"> • 37,000 tier-1 acres • ~400 well locations <p>Quebec Utica</p> <ul style="list-style-type: none"> • 759,000 acres • First successful horizontal well 	<ul style="list-style-type: none"> • Exit at 250 – 300 mmcf/d • Exit at 40 – 60 mmcf/d • 1 rig development program in 2010 • Test 5 horizontal pilot wells 		<ul style="list-style-type: none"> • Capital flexibility • Pace of development depends on macro environment
<p>Portfolio</p> <ul style="list-style-type: none"> • \$4 billion conventional dispositions ('08 -'10) • Entered Eagle Ford Shale play • Restructured into Conventional and Shale • Established US headquarter in Pittsburgh 			

Portfolio transition

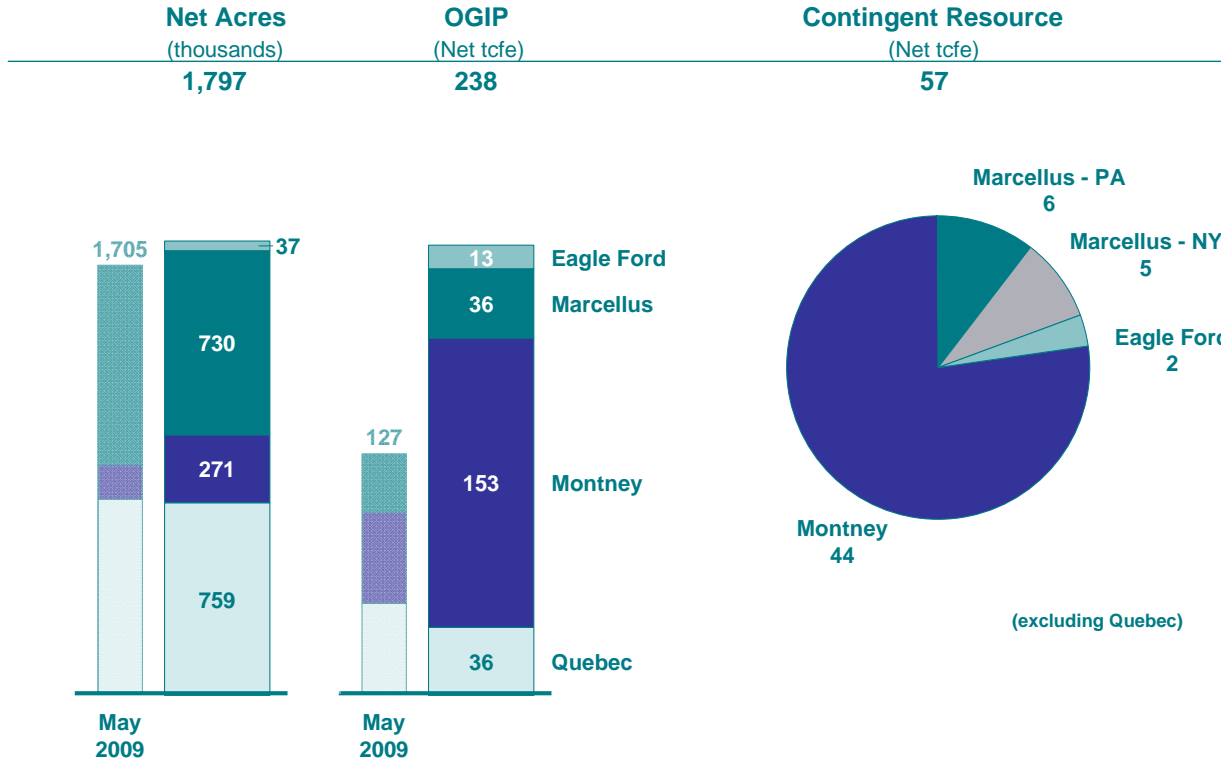


Strong, diversified shale portfolio



Talisman focus on plays with potential <\$4 full cycle break-even costs

Growing material position in the best rocks

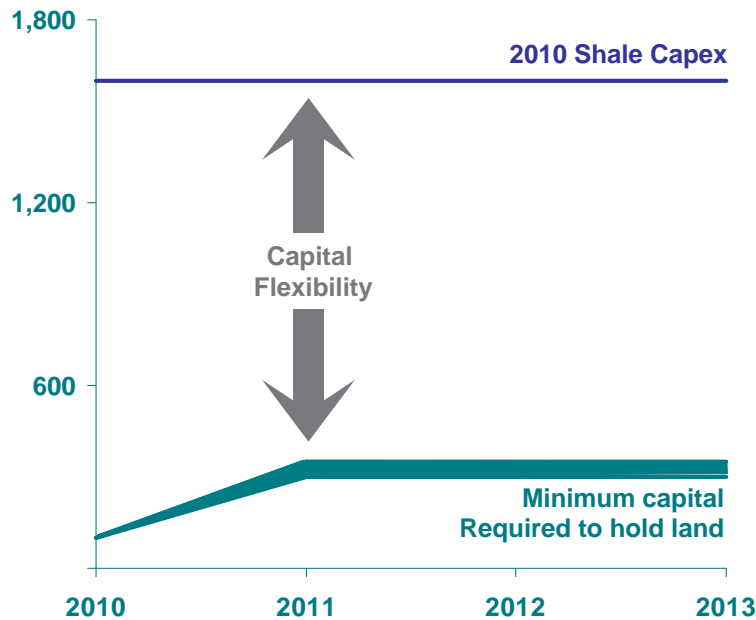


Low capital requirements to hold land



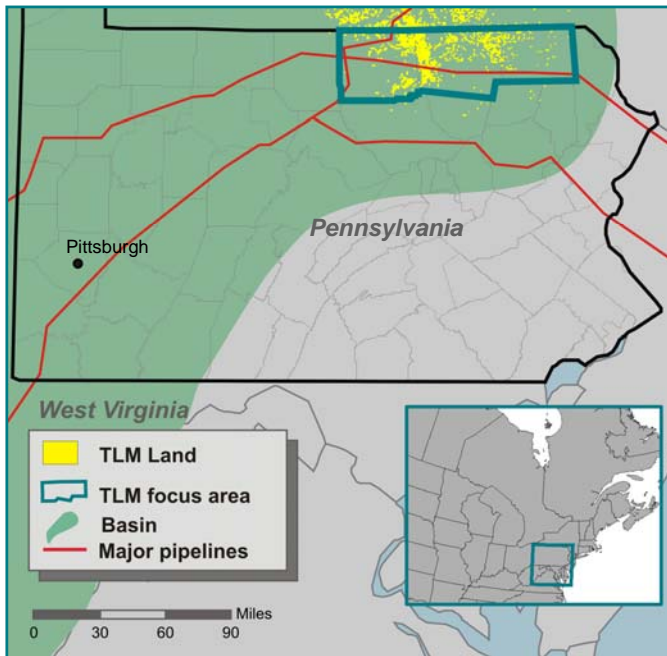
Capital expenditure

\$ million



- ca. \$350 million per year holds leases for next 3 years
- Favourable lease expiry tenure
 - **Marcellus/Eagle Ford:** 5 year leases
 - **Quebec:** 12-15 year leases
 - **Montney Shale:** 10-15 year leases

Marcellus Shale – Pennsylvania

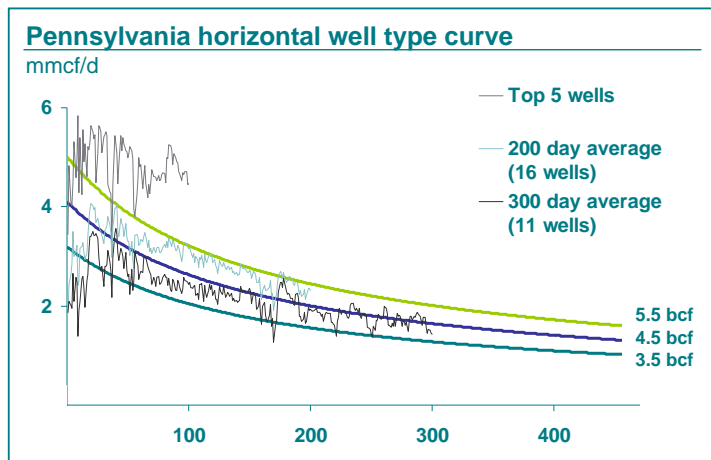


Key metrics

Net acres	218,000
Tier 1 well locations	2,000+
OGIP / section (bcf)	40 - 130
Contingent resources (tcf)	6

- \$1 billion capital program – 2010
- Entered 2010 at 65 mmcf/d
- Production end April: 150 mmcf/d
- Secured 600 mmcf/d egress
- Full cycle break-even US\$3.5 – US\$4/mcf

Marcellus Shale - demonstrating ability to execute



- Continuing strong well performance

To date

- Average IP 4 mmcf/d
- Average EUR 5 bcf

1Q 2010

- Average IP 5 mmcf/d
- Average EUR 6 bcf

- Bias drilling longer wells

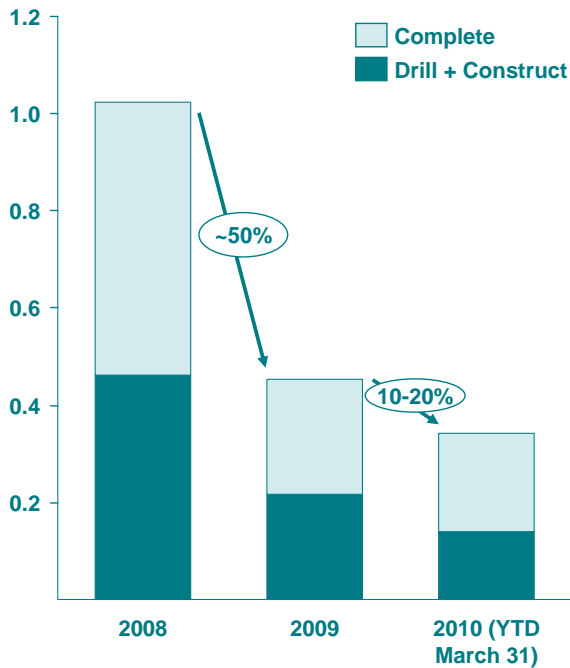
Key metrics	2008	2009	2010 Assumptions
# wells on stream (net)	3	22	145
Exit production rate (mmcf/d)	5	65	250 - 300
Horizontal well metrics (TLM operated)			
EUR per well (bcf)	3.3	3.0 – 7.5	3.5
30 day IP per well (mmcf/d)	2.5	2.1 – 5.5	3.0

Marcellus – driving to top tier execution



Total D&C capex per frac stage

US\$ million / 350 feet lateral



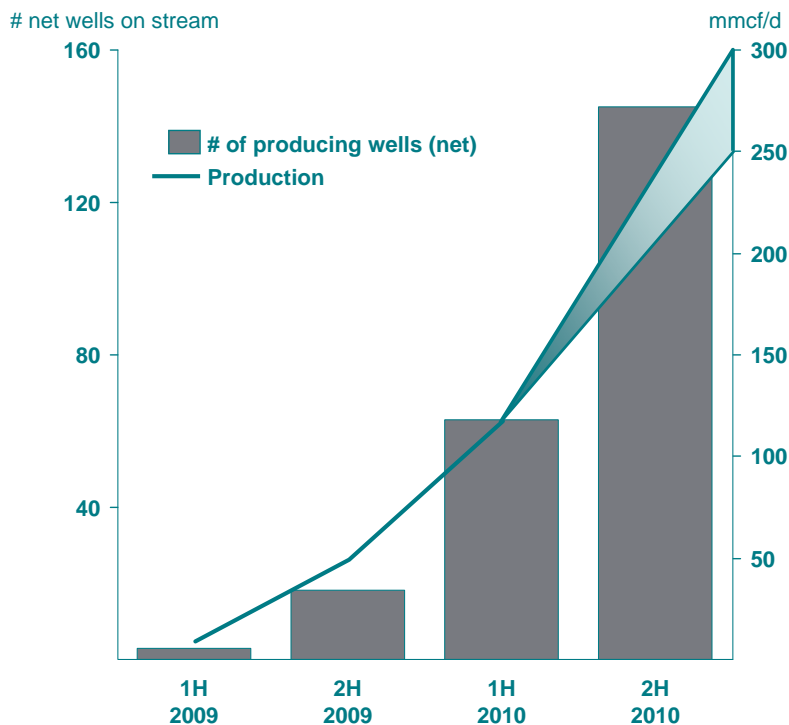
Cost reduction levers

- 'Lean' well delivery
- Pre-set rigs and 'Zipper' fracs
- Supply chain optimization

Marcellus Shale - on track to meet 2010 targets

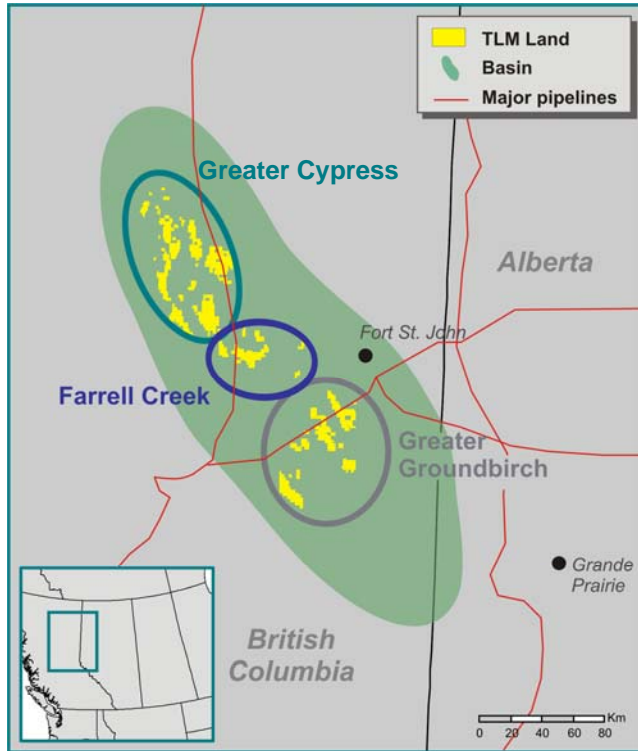


Production growth targets



- At the end of April. . .
 - Production 150 mmcf/d
 - Brought 28.5 wells (net) on stream YTD
 - 41 gross (34 net) wells in inventory awaiting completion
- Commenced 2010 with six rigs, currently nine rigs
- On track to exit 2010 at 250 – 300 mmcf/d

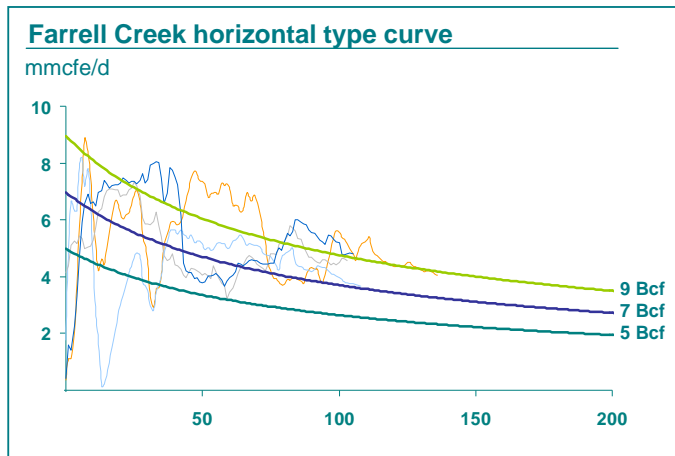
Montney Shale - proven and expanding play



Key metrics	
Net acres	271,000
Tier 1 well locations	~ 3,000
OGIP / section (bcfe)	up to 450
Contingent resources (tcfe)	44

- 2010 capital program \$450 million
 - Farrell development
 - Greater Cypress pilots
- On track to exit 2010 at 40 – 60 mmcf/d
- > 200 mmcf/d egress capacity secured
- Expected full cycle break-even at end 2010: ~ US\$4/mcf

Montney Shale – Farrell Creek development

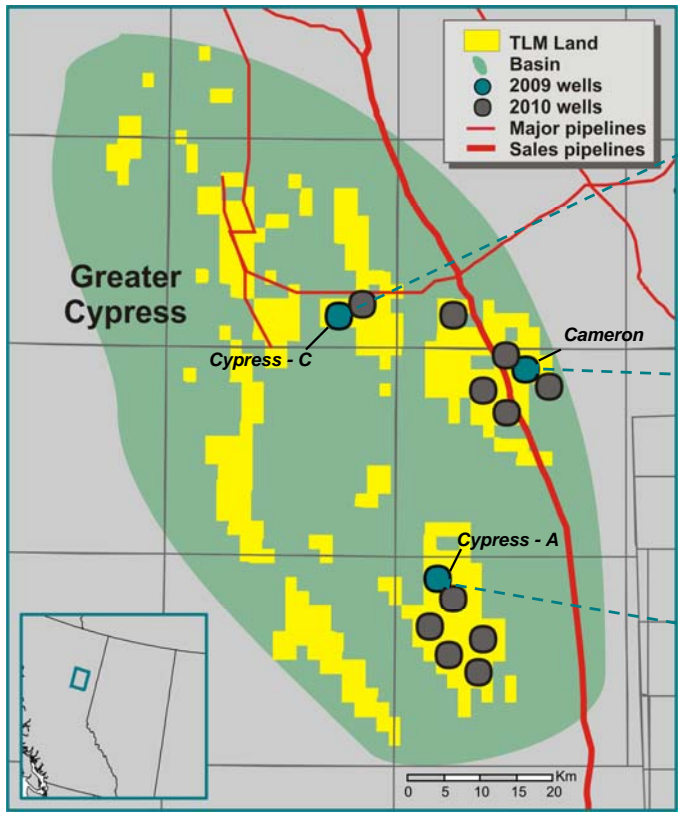


Key metrics		
Net acres	57,000	
Tier 1 well locations	~ 900	
Contingent resources (tcfe)	9	
Horizontal well metrics	2009	2010 Assumptions
EUR per well (bcfe)	8	5
30 day IP per well (mmcf/d)	5.1	4.5

Operational Highlights

- 12-18 months behind Marcellus
- Encouraging results from 2009 pilot wells
- 4 rigs in 2010, exiting at 40-60 mmcf/d
- Expanding Farrell processing plant to 120 mmcf/d by 3Q'10

Greater Cypress pilots

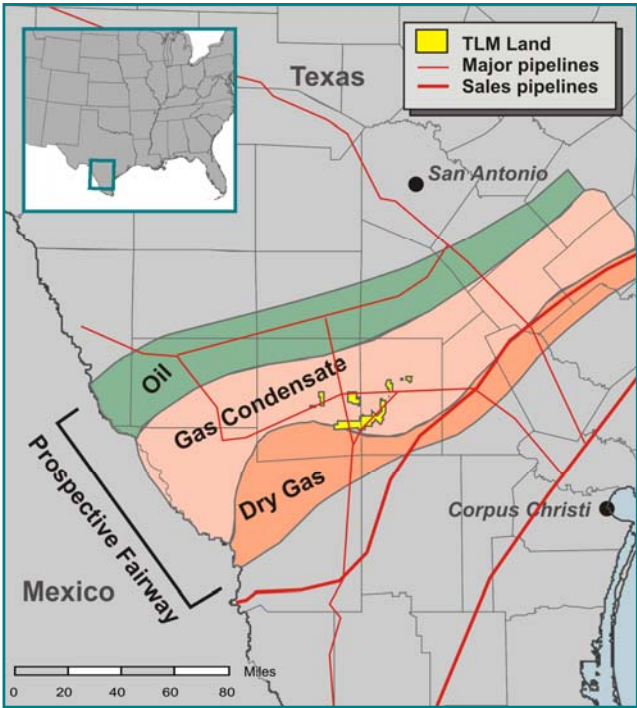


Cypress - C	
Well type:	vertical
Initial rate:	8 mmcf/d

Cameron	
Well type:	vertical
Initial rate:	5 mmcf/d

Cypress - A	
Well type:	vertical
Initial rate:	10 mmcf/d

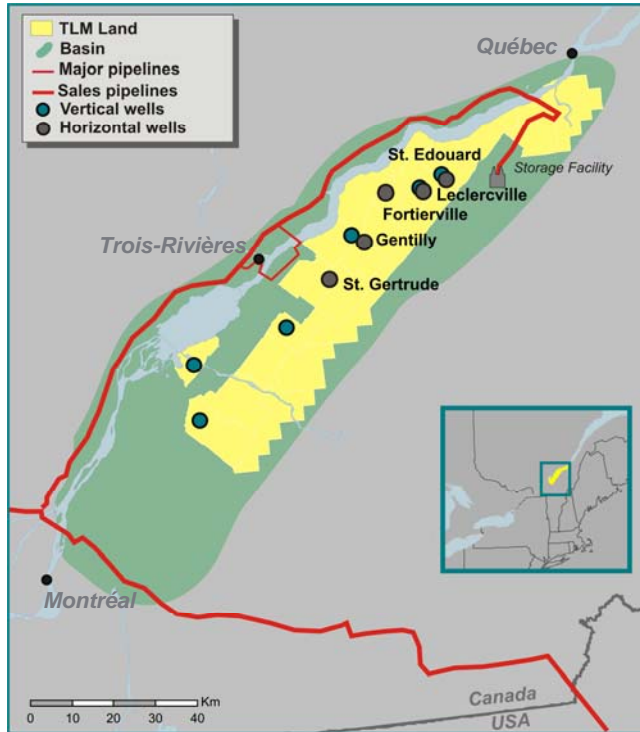
Eagle Ford



Key Metrics	
Net acres	37,000
# well locations	~ 400
Contingent resources	2 tcf (including 40 mmbbl liquids)
Liquids	up to 200 bbls/mmcft
2010 Capex	\$50 million
Pilot results	
IP (mmcf/d)	> 7
EUR (bcfe)	> 4

- Liquids transition window
- Acreage largely de-risked
- Manageable land expiry commitments
- 1 rig 2010, exit 2 – 3 rigs
- Break-even < US\$4/mcf

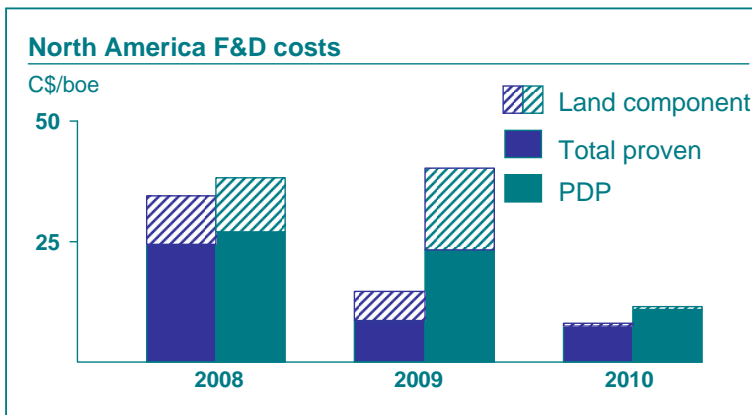
Québec, Utica Shale – de-risking extensive land position



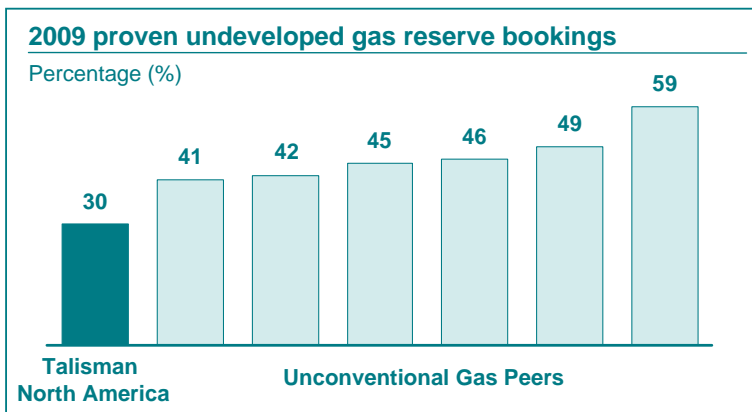
Key metrics	
Net acres	759,000
Vertical Wells	Test Rate (mmcf/d)
Average of Vertical Wells	> 0.6
Horizontal Wells	30 Day IP (mmcf/d)
St. Edouard	5.3
Wells 2-5	(tested) 2H'10

- Largest contiguous land position in shale fairway
- Initially targeting Utica
- First horizontal well completed, next four in 2H 2010

Driving lower F&D



- Development of PUD's reduces 2010 PDP F&D
- Proven undeveloped bookings at low end of peers

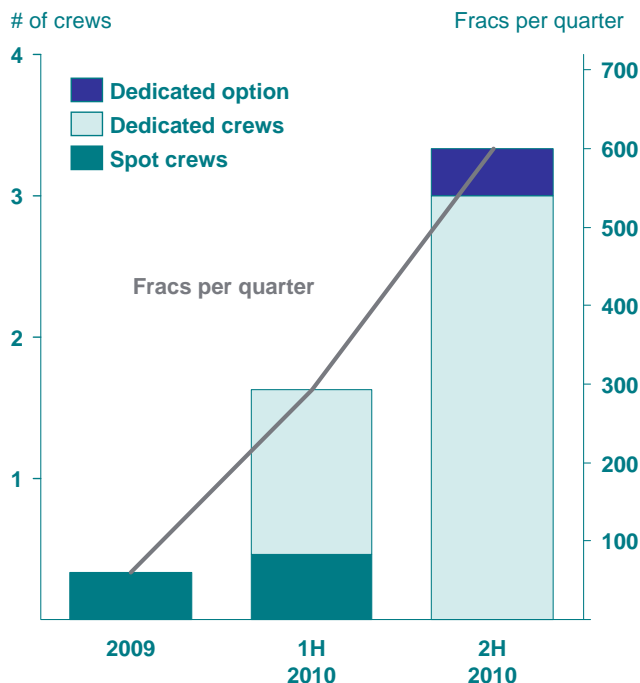


- High capital efficiency
- Maintain low end PUD ratios going forward

Leveraging the supply chain

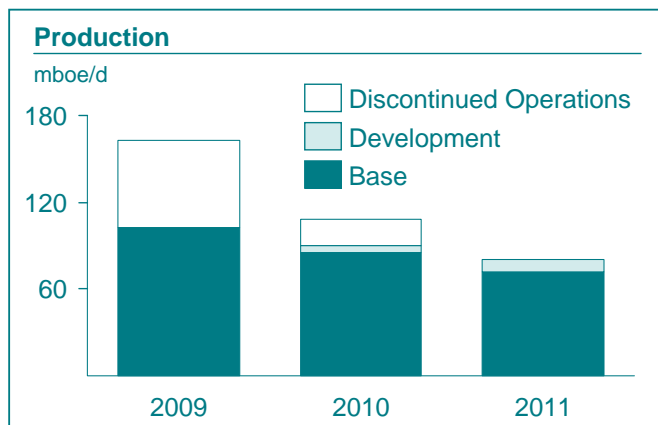


Security of completion services



- New model, approach and resources
- Focus on developing core, strategic supplier relationships
- ~ 30% cost savings through long-term contracts

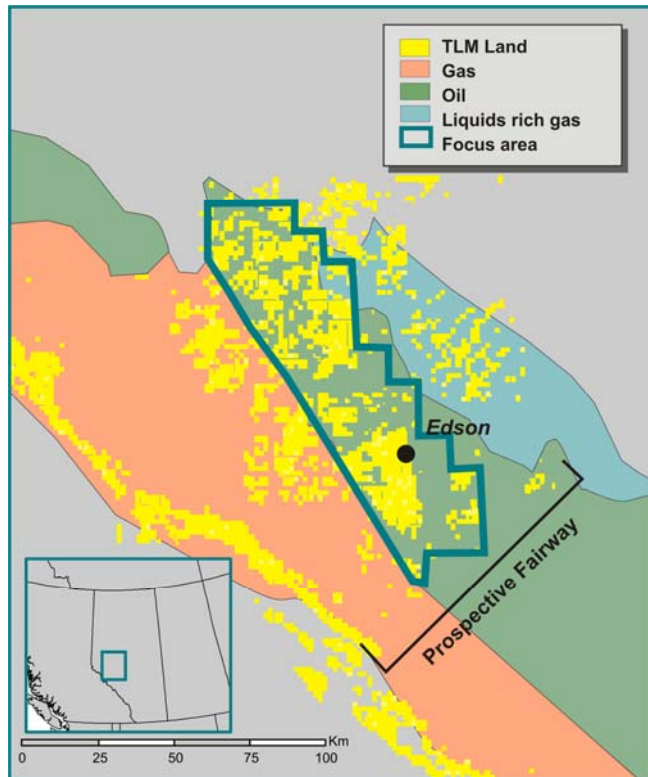
Improving returns in conventional portfolio



- Highgraded portfolio
 - 68 mboe/d production disposed for ~\$4 billion
- Focused investment in assets with low break-even costs
- Driving improved returns in high quality oil and tight gas portfolio
- 19% liquids weighted today, growing to > 40% by 2015

Returns on investment assets	
Area	Break-even (US\$)
Chauvin/Shanavon (oil)	< 25/bbl
Wild River (tight gas)	~ 4/mcf
Ojay (tight gas)	< 4/mcf

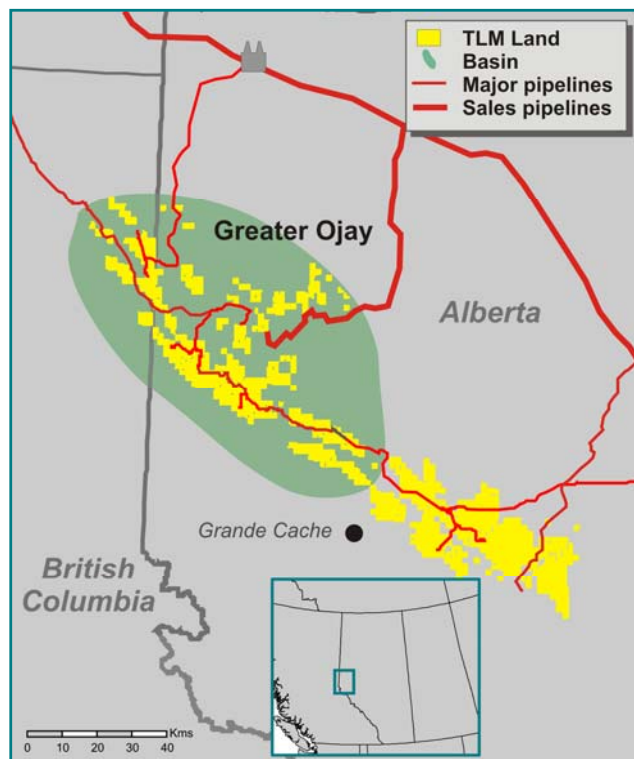
Cardium oil overview



Key Metrics	
Net acres	> 200,000 (> 100,000 in oil window)
Net well locations	> 500

- Commercial pilots 2H 2010
- Opportunity to leverage shale expertise

Nikanassin gas overview



Key Metrics	
Net acres	~ 100,000
Well locations	200 – 400
WI original gas in place (tcf)	3
Average rate (wells to date) (mmcf/d)	14 (range 6 – 36)
Breakeven price (US\$/mcf)	< 4

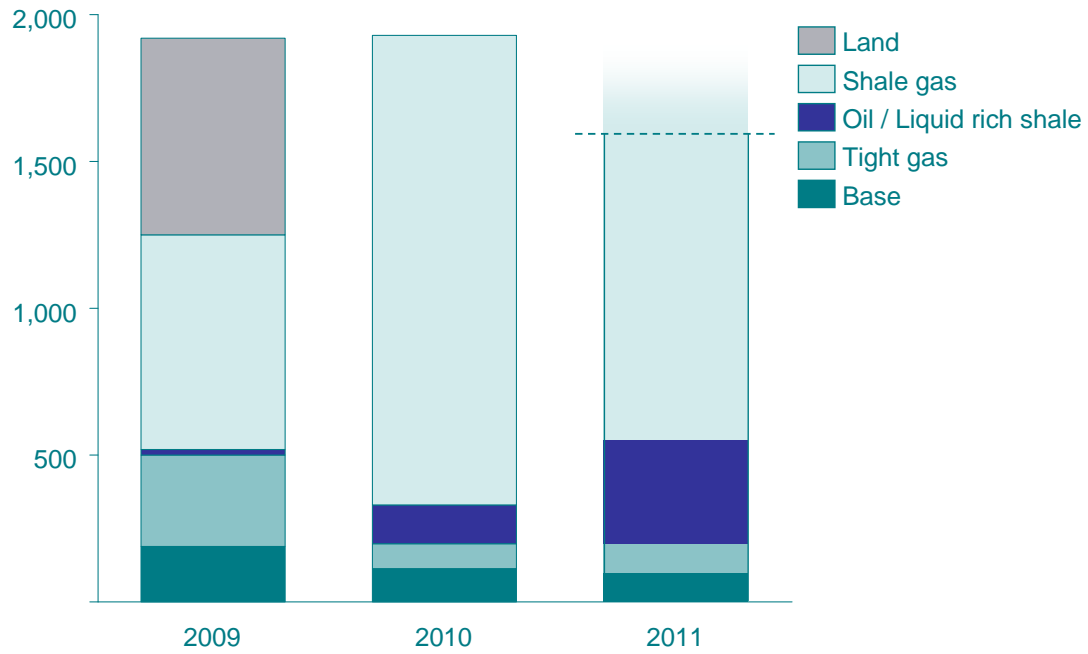
- Structured, multi-zone naturally fractured play
- De-risking resource potential
- Strong Talisman infrastructure position

Capital flexibility



Capital spending

\$ million

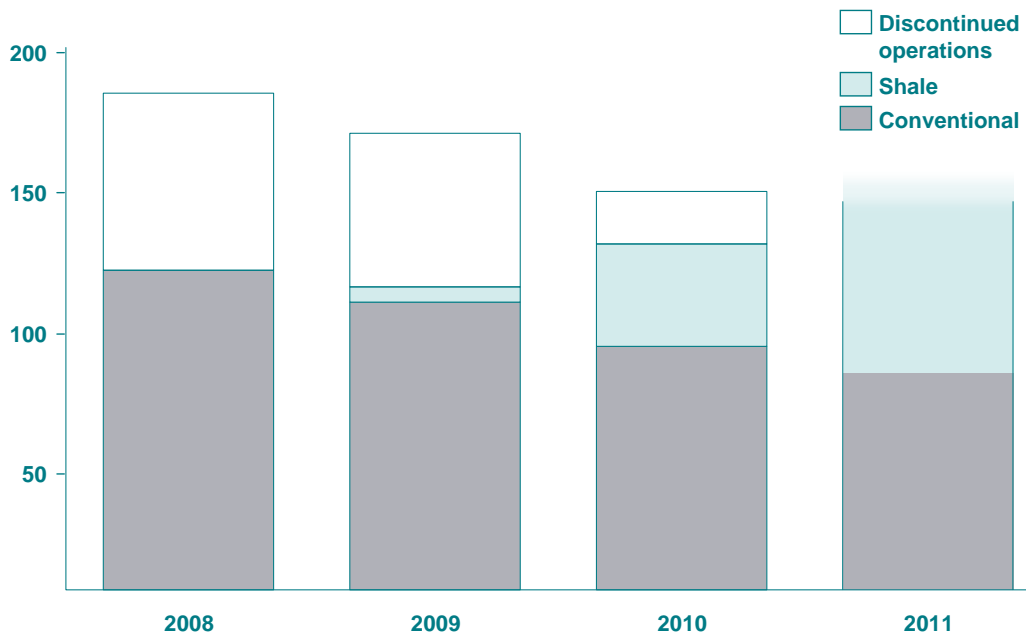


Portfolio transition



Total production

mboe/d



North America summary



- Top tier, diversified Shale portfolio
- High-graded conventional portfolio
- Capital programs flexible, minimal lease-driven spend
- Sustainable, profitable, long term growth

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