



Why You Should Invest in Talisman Energy Inc.

Description

An international upstream oil and gas company, **Talisman Energy Inc.** (TSX: TLM)(NYSE: TLM) engages in the exploration and production of crude oil, natural gas, and natural gas liquids for midstream and downstream operations.

Here's the upside to investing in this company and why it can be a good addition to your stable of income-producing stocks.

Quality capital program and operational optimization

Talisman is focused on the best opportunities within its Asia-Pacific and Americas core regions and 70% of its capital is targeted to these regions. Concerning operating costs, the company is considering what to do in the coming years with its North Sea assets. It is working to reconfigure its overall asset portfolio for greater returns.

High-cost operations that will not contribute significantly to its bottom line may be sold. In the U.K., Talisman's current emphasis is on improving the dependability and stability of its operations and keeping costs in line.

Asia-Pacific operations

Talisman believes there is major exploration and development potential in Asia Pacific. It also sees this region as having the potential for sustainable free cash flow. The company has interests in Indonesia, Malaysia, Vietnam, Australia/Timor Leste, and Papua New Guinea.

Production in Southeast Asia averaged 130 mboe/d in 2013. This represented roughly 35% of its production globally. The Asia-Pacific region has long-life assets.

Americas operations

Talisman is focused on long-term natural gas and liquids growth in the Americas. It sees substantial upside in Colombia and exploration and development is taking place in this country. There is significant

oil in place at its Block 6 operation in Colombia.

Growth in Colombia has the potential to come from a major discovery at the Akacias field (the Block CP0-9 license) with 2.5 billion barrels of original oil in place (gross). Talisman said it is encouraged with the development of CP0-9 and that long-term tests are proceeding well.

Growth in high-margin liquids production

Talisman is concentrating on high-margin operations for increased profits. In Q2 2014, its liquids volumes were 145,000 barrels per day. This represents an increase of 15% year-over-year and is up 2% from Q1 2014.

Talisman is experiencing liquids production growth from its Americas and Asia-Pacific regions. The liquids volumes from its two core regions correspond to approximately 80% of its total liquids production.

Divestiture of non-core assets

The company is streamlining its portfolio. In Q1 2014, Talisman completed \$1.5 billion in divestitures (close to 75% of its Montney position). It also made smaller asset disposals in Q2, including its Monkman and OJ dry gas assets in the Alberta foothills as well as some assets in Southeast Sumatra.

The company is looking to sell or reduce its exposure to long-dated and capital-intensive assets.

Healthy cash flow

Talisman's cash flow for Q2 was \$567 million, which represents an 8% increase year-over-year. Its cash flow was down from Q1, but this was due to its Montney and Monkman dispositions. Important from an investment standpoint is that Talisman has a good position of liquidity. Its cash and cash equivalents were \$450 million for Q2.

With a solid Q2 in the books, Talisman Energy is gearing up for future profits due to focused operations in core regions, quality capital expenditures, and commitment to cost controls. Research the company and the potential of its two core operating areas as you make your investment decision.

CATEGORY

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