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TALISMAN ENERGY

DELIVERED VIA E-MAIL

March 30, 2007

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Authorité des marchés financiers
Nova Scotia Securities Commission
New Brunswick Securities Commission

Patricia Leeson, Co-Chair of the CSA's Prospectus Systems Committee
Alberta Securities Commission
4th Floor, 300- 5th Ave S.W.
Calgary, Alberta T2P 3C4

Re: Notice and Request for Comment dated December 21, 2006 (the "Notice") on Proposed National Instrument 41-101 General Prospectus Requirements and Companion Policy 41-101 CP General Prospectus Requirement

This is Talisman Energy Inc.'s ("**Talisman Energy**") response to the CSA request for comment dated December 21, 2006 relating to Proposed National Instrument 41-101 (the "**Proposed Rule**") and Companion Policy 41-101 CP (the "**Proposed Companion Policy**") and amendments to related instruments referred to in the Notice.

Talisman Energy Inc. is an independent upstream oil and gas company headquartered in Calgary, Alberta, Canada. Talisman has operations in Canada and its subsidiaries operate in the North Sea, Southeast Asia, Australia, North Africa, the United States and Trinidad and Tobago. Talisman's subsidiaries are also active in a number of other international areas. Talisman's shares are listed on the Toronto Stock Exchange in Canada and the New York Stock Exchange in the United States under the symbol TLM.

Talisman Energy is active in the Canadian oil and gas acquisition and divestiture market. In 2006 we disposed of a number of low working interest properties in arms length transactions. We have announced plans to sell additional non-core Canadian assets with 2006 year-end production of approximately 16,000 boe/d.

In general we support the purposes of the Proposed Rule and the underlying principles of harmonizing and consolidating prospectus requirements across Canada, harmonizing the general prospectus requirements with the continuous disclosure and short form prospectus regimes and having the Proposed Rule reflect current policy. However, we have serious concerns with those aspects of the Proposed Rule that would require prospectus certificates from "substantial beneficiaries". These concerns are outlined below.

Insufficient Policy Basis for the Certificate Requirements

We believe that the proposals for certificates to be signed by substantial beneficiaries of the offering are seriously misguided and would have significantly detrimental effects on offerings generally, the sales of "significant businesses" as defined in the Proposed Rule and the competitiveness generally of Canadian issuers, and in particular Canadian oil and gas issuers.

We disagree with the statements made by the CSA in the Notice as justification for the proposed substantial beneficiary certificate requirement. In particular, we take issue with the following statements:

(a) **CSA Statement: "We believe a person or company that controls the issuer or a significant business has the best information about the issuer or significant business".** This is not always the case, and is often not the case in the context of sales of oil and gas properties by large capitalization issuers such as Talisman Energy to small or micro cap purchasers. Standards of materiality for Talisman Energy are vastly different from the standards of materiality for a micro capitalization company. For example, Talisman Energy might sell 100 boe/d of producing assets to a start-up public oil and gas company. This amount of production amounts to 0.02% of Talisman Energy's daily production, so is not material to Talisman Energy by any standard. For the purchaser, however, the purchased assets would be highly material, perhaps its only substantial assets. Accordingly, the systems of internal controls and procedures for these same assets and the knowledge of Talisman Energy's executive officers and directors of these assets, would be significantly less detailed than the systems of internal controls and procedures and knowledge of the purchaser's executive officers and directors.

Talisman Energy does not report independently evaluated or audited oil and gas reserves, as it evaluates its reserves internally and is exempt from the independent evaluation or audit requirement of NI 51-101. A small oil and gas purchaser, however, would need to have the purchased reserves independently evaluated or audited before including them in a prospectus. The reserves estimate which the purchaser would include in its prospectus will be the estimate it arrives at with its independent reserves evaluator or auditor, and it may or may not be the same as Talisman Energy's estimate. Also, given that production often declines at rapid rates, production and reserves on day 1 can be vastly different than on day 365, which makes the proposed one year look-back even more problematic.

The very same asset, for example a license, could legitimately be viewed differently by different petroleum engineers. The purchaser might legitimately have a different view on

probable reserves that it could be right or wrong on. We the vendor may never have thought of the purchaser's interpretation.

In a typical sale of oil and gas properties, the vendor's books and records relating to the sold properties are transferred to the purchaser. Accordingly, if the purchaser files a prospectus after closing of the property sale, the vendor will have no books and records relating to the sale. In some cases, the vendor's employees who are most knowledgeable about the sold properties may also become employees of the purchaser after closing, thereby leaving the vendor with no officers or employees with detailed knowledge of the sold properties.

(b) **CSA Statement: "Such a person or company who also receives proceeds from the distribution should be liable for any misrepresentations in the prospectus about the issuer or a significant business".** We strongly disagree with this value statement. In an arms-length negotiated transaction in the oil and gas business, the vendor's reasonable expectation is that its liability will be determined by the purchase and sale agreement it negotiates with the purchaser.

Under the CSA's proposals, the limitations on the vendor's liability contained in the purchase and sale agreement, including representations and warranties qualified by "knowledge", floors and caps on indemnities, strict time limitations for claims, etc., would be essentially worthless.

In the oil and gas business, a small issuer who purchases properties from a large issuer such as Talisman Energy may also raise financing to further appraise or develop those properties. Why should the vendor be liable for funds raised by the purchaser to fund expenditures that are part of the purchaser's business plan, not the vendor's business plan?

The vendor neither decides nor typically influences how the purchaser will finance the purchase and sale transaction. Why should the purchaser's method of financing affect the vendor's liability? The CSA has failed to provide convincing reasons for its sweeping value statement that the vendor "should be liable".

(c) **CSA Statement: "Specifically, we believe these new provisions will create appropriate incentives for the person or company with the best information about the issuer or a significant business to ensure the prospectus contains full, true and plain disclosure of all material facts relating to the securities being distributed".** We believe the proposed substantial beneficiaries provisions will in fact provide disincentives to oil and gas issuers such as Talisman Energy from entering into transactions with issuers or potential issuers who would trigger substantial beneficiary liability for the vendor. Potential liability comes with potential risk and costs associated with mitigation of the risk. The riskier the transaction is for the vendor, the higher the price it will require from the purchaser. As a result, it is likely that the proposed provisions will provide incentives for vendors of oil and gas properties to conclude transactions with

purchasers who can finance the transactions with private capital, as those purchasers will be more attractive on a risk-adjusted basis than issuers who require public financing.

If the Proposed Rule had been in place during 2006, many of the sales which Talisman concluded in 2006 would have resulted in Talisman being a "substantial beneficiary" as a result of public financings by the purchasers. It is highly unlikely that Talisman would have sold properties to those purchasers if the Proposed Rule would have been in place.

The disincentive is even higher for a vendor to sell assets which would constitute a significant business to a larger issuer, because the vendor would take on prospectus liability for disclosure relating to the purchaser's pre-existing business and assets.

(d) **CSA Statement: "Better disclosure will directly benefit investors and prospective investors and, by raising confidence in our disclosure regime, indirectly benefit the capital markets as a whole".** As we commented above regarding the CSA's "knowledge" assertion, we disagree that imposing liability on the vendor will necessarily result in better disclosure by the purchaser. We also believe that capital markets would be harmed, not benefited, by the proposed provisions, because they will result in a significant reduction in public offerings by junior oil and gas issuers and deprive those issuers of an important source of capital. This reduction in access to public financing could stifle the creation and growth of such issuers. With a smaller pool of potential purchasers, it is possible that Canadian oil and gas asset values will decline, to the detriment of existing holders of securities of Canadian oil and gas producers.

Inappropriate Transitional Provisions

It is not clear whether the provisions will only apply to transactions that are completed after the effective date of the Proposed Rules or if they could apply to transactions completed prior to the effective date. In this respect, it is our view that the provisions, if implemented, should only apply to transactions that are completed after the effective date, as the parties to transactions completed prior to that date will not have negotiated the transactions with these provisions in mind.

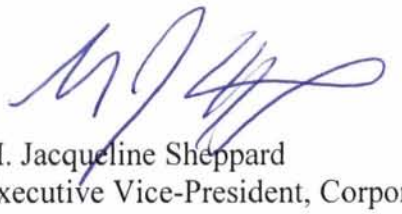
Concluding Comments

While our comments above have been provided in the framework of your proposal, we believe it is appropriate to make some broader comments on this initiative. We believe the proposal undermines basic principles of the capital market system including independence, limited liability of single entities and accountability by corporations, their boards and managements, for their own actions. In today's regulatory environment, we do not see managements or boards being prepared to accept liabilities for prospectus disclosure of any other "independent" entity, nor do we see how auditors of public entities or insurers of the vendor can manage this without large costs to an already very burdened sector. We shudder to imagine situations where public capital is raised following several asset purchases, each of which requires the vendor's substantial beneficiary certificate. We then end up taking on exposure for assets sold by all

vendors. Also, and perhaps most importantly, the far reaching and detrimental erosion of the very pillars of our capital market system is in our opinion beyond the mandate of the securities commissions.

In summary, it is our view that to proceed with this proposal in any way, shape or form is misguided and should be abandoned. It is our view that the proper approach is to leave the responsibility for disclosure on issuers and their directors, officers and underwriters and to ensure (as the Proposed Rule does) that there is disclosure in the prospectus of the acquired business, who it was acquired from, the terms of the acquisition, the use of the proceeds and who may in effect be direct or indirect beneficiaries of the offering. Armed with such information, the purchaser of the securities is able to determine if they are comfortable with investing in these circumstances.

Yours truly,



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