

TALISMAN
ENERGY

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Talisman to Acquire Restructured Lundin Oil for US\$344
(C\$529 Million)

CALGARY, ALBERTA--

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Talisman to Acquire Restructured Lundin Oil
for US\$344 (C\$529 Million)
Adds North Sea and Malaysian Assets
New Lundin Company to Retain Sudan and Russian Assets
Third Party to Acquire Libyan Interests

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Talisman Energy Inc. announced today that a wholly-owned Swedish subsidiary will make an offer to acquire all the outstanding shares and warrants of Lundin Oil AB ("Lundin Oil").

Talisman is offering SEK 36.5 (approximately US\$3.43) for each Class A and Class B share of Lundin Oil. In addition, if the offer is successful, all of Lundin Oil's current interests in Sudan and Russia will be conveyed to a newly formed spin-off company ("Newco") and the shares of Newco distributed to holders of Lundin Oil shares on a one-for-one basis. Newco will be managed by the current Lundin Oil management team.

Talisman will retain Lundin's interests in the North Sea, Malaysia, Vietnam and Papua New Guinea at a cost of approximately US\$344 million (C\$529 million) including debt and working capital.

In a separate transaction, Lundin Oil's interests in Libya are to be sold to a third party for US\$75 million (also conditional upon the offer being successful).

"This transaction provides another long-term growth vehicle for Talisman shareholders in a new core area and also a desirable set of North Sea assets: 70% of Lundin's North Sea production is from assets where Talisman already has a significant interest," said Dr. Jim Buckee, President and Chief Executive Officer of Talisman.

"Our strategy is to seek opportunities that provide near term development and also to enter provinces well suited to our operating style and skills. Lundin's Malaysian position, much like Talisman's prior successful entries in the North Sea and Sudan, meets both objectives.

"Including future capital costs, the full cycle cost of this acquisition of about US\$3.47/boe (C\$5.34/boe) and onstream production cost of US\$11,050/boe/d (C\$17,000/boe/d) are both very attractive.

"The transaction has the support of the Lundin family and the Lundin Board. The cash offer price represents a premium of

approximately 52% over the price of Lundin shares on May 15, immediately prior to formal negotiations on Talisman's offer. Lundin shareholders will also receive shares in Newco, a company with many interesting assets."

Strategic Rationale

The acquisition has two main drivers. Lundin's interests in Malaysia have a high degree of technical certainty and good growth prospects. Talisman expects Malaysia will be a core area by 2004 with net production in excess of 50,000 boe/d.

In addition, there is room to expand from this base with known development opportunities. The oil industry has focussed on larger opportunities and there are numerous undeveloped fields in excess of 25 million barrels each. Malaysia has recognized the need to provide improved terms for small field development.

Lundin's North Sea assets have a 70% overlap with Talisman's assets in the Brae and Claymore areas.

In total, the transaction will add over 50 million boe of proved reserves and about 140 million boe of probable reserves. The acquisition cost is US\$6.00/boe (C\$9.23/boe) of proved reserves. Including an estimated US\$350 million (C\$538 million) of future capital costs, the full cycle acquisition cost of proved and probable reserves works out to approximately US\$3.47/boe (C\$5.34/boe). The onstream cost is expected to be US\$11,045/boe/d (C\$16,990/boe/d). For additional details please see Talisman's background paper.

Conditions of the Offer

The offer is conditional upon (i) valid acceptances being received in respect of at least 90% of the outstanding shares (on a fully-diluted basis), (ii) the reorganization to form Newco and the distribution of Newco shares having been completed, subject only to Talisman declaring the offer to be unconditional, (iii) Lundin Oil having completed the sale of its Libyan assets, and (iv) receipt of all necessary governmental and regulatory approvals, and (v) other customary conditions.

By virtue of the Swedish Companies Act, if, as a result of the Offer, Talisman holds more than 90 per cent of the then outstanding shares in Lundin Oil, representing more than 90 percent of the voting rights in Lundin Oil, then Talisman will be entitled to acquire any outstanding shares in Lundin Oil for cash.

Divestiture of Lundin Oil's Libyan assets

Under an agreement with an international oil company, Talisman has undertaken, subject to Talisman acquiring control of Lundin Oil and certain other conditions, to cause the sale to such company of all of the shares of International Petroleum Libya Limited and Lundin Investments Limited, two wholly-owned subsidiaries of Lundin Oil which hold Lundin Oil's interests in Libya.

Shareholder Agreement and Asset Option

Members of the Lundin family, who collectively own approximately

26.6% of the outstanding shares of Lundin Oil, have agreed to accept the offer. Amongst other things, their commitment to accept the offer is irrevocable in respect of shares constituting 10.1% of the outstanding shares. In addition, Lundin Oil has granted Talisman an irrevocable option to purchase all of Lundin Oil's U.K. assets for US\$100 million if any other party acquires a majority of the shares of Lundin Oil pursuant to a competing offer.

Timing

An offer document with more detailed information about the offer is expected to be published on or about July 20, 2001. Based on the expected date of publication of the offer document, the acceptance period is expected to run from July 23 through August 17, 2001. Subject to the satisfaction or waiver of all conditions to the offer, settlement is expected to begin on or about August 28, 2001.

Talisman Energy Inc. is the largest independent Canadian oil and gas producer with operations in Canada, the North Sea, Indonesia and Sudan. Talisman is also conducting exploration in the United States, Algeria, Trinidad and Colombia. Talisman has adopted the International Code of Ethics for Canadian Business and is committed to maintaining high standards of excellence in corporate citizenship and social responsibility wherever it does business. The Company'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.

This press release and related background paper contains "forward-looking statements" within the meaning of the US Private Securities Litigation Reform Act of 1995. Information concerning reserves may be deemed to be forward-looking statements as such estimates involve the implied assessment, based on certain estimates, that the resources described can be profitably produced in the future. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those, reflected in the statements. These risks include, but are not limited to: the risks of the oil and gas industry (for example, operational risks in exploring for, developing and producing crude oil and natural gas; risks and uncertainties involving geology of oil and gas deposits; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to future production, costs and expenses; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; and health, safety and environmental risks); uncertainties as to the availability and cost of financing; risks in conducting foreign operations (for example, political and fiscal instability or the possibility of civil unrest or military action in countries such as Indonesia, Sudan or Algeria); the effect of United States sanctions against Sudan; fluctuations in oil and gas prices and foreign currency exchange rates; and the possibility that government policies may change or governmental approvals may be delayed or withheld. Additional information on these and other factors which could affect the Company's operations or financial results are included in the Company's other reports on file with Canadian securities regulatory authorities and the United States Securities and Exchange Commission. Forward-looking statements are based on the estimates and opinions of the Company's management at the time the statements are made. The Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

The US Securities and Exchange Commission normally permits oil and

gas companies to disclose in their SEC filings only proved reserves that have been demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. Accordingly, the reserves (other than proved reserves) in this press release do not meet the SEC's standards for inclusion in documents filed with the SEC.

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Background Paper

Talisman's Proposed Acquisition of Lundin Oil - June 21, 2001

Description of Assets

UK North Sea

Lundin owns non-operated interests in several producing and discovered fields in the North Sea as follows:

- * Brae fields (net carried interests 1.5% - 1.6%) and Sedgwick (20%)
- * Claymore field (3.43%)
- * Nelson (1.31%)
- * Ninian (4.25%)
- * Acorn / Beechnut (8.78%)
- * Enoch / J Block (1.5%)

The exploration portfolio consists of 10 blocks with non-operated interests.

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This acquisition offers a rare opportunity in the current UK climate to obtain producing fields for cash. All are considered to be quality assets with considerable upside potential and little downside. The Brae (including Sedgwick) and Claymore interests in particular, which in 2000 contributed approximately two thirds of Lundin's North Sea production, would build on existing Talisman UK core holdings. In total, the assets will increase current production by approximately 7,800 boe/d and add circa 17 mmboe of proved plus probable reserves.

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Malaysia

Lundin holds interests in and is operator of two blocks in offshore Malaysia:

- * Producing block PM-3 (41.44% Lundin)
- * Exploration block PM-305 (60% Lundin)

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PM-3

The PM-3 Production Sharing Contract (PSC) was signed with the Malaysian government on 16 February 1989. The block was converted to a Commercial Arrangement Area (CAA) in June 1992. Lundin Oil AB currently holds a 41.44% interest and operates the CAA on behalf of its partners Petronas Carigali and Petro Vietnam E & P. Negotiations have recently resulted in the signing of a Gas Sales Agreement and a Unitization Agreement, which paves the way for full development of the hydrocarbon resources. The contract will

expire in 2017.

An early oil production system was installed in 1997 with first oil production commencing at over 14,000 barrels of oil per day in August 1997 from the Bunga Kekwa field. A minimum facilities tripod wellhead platform produces onto a leased floating production, storage and offtake (FPSO) tanker positioned approximately two kilometers from the platform. Current production is approximately 16,000 barrels of oil per day (gross).

The approved full field development plan is a phased development with initial focus on the liquids rich, lower CO2 gas Bunga Kekwa, Bung Raya, Bunga Seroja, NW Bunga Raya and the East Bunga Kekwa / Cai Noc fields. Full development is about to commence with the installation of four lightweight wellhead platforms connected by interfield pipelines to a large central processing platform (CPP) where the gas will be treated and compressed for export. The total phase two development cost is estimated at US\$ 520 million (gross).

The gas sales agreement provides for a primary term of 10 years commencing in 2003 with 250 million cubic feet of gas per day to be transported to peninsular Malaysia and possibly to the Mekong delta in Vietnam in gas pipelines to be constructed by the host governments. The gas price at the offshore platform is based on 46% of the equivalent heating value of medium fuel oil.

In April of 2001 appraisal well East Bunga Raya - 1 identified a significantly larger oil leg in the Bunga Raya field. Additional wells and some additional facilities will be required and, planned phase 2 peak oil production in 2004 is expected to reach 66,000 barrels of oil per day (gross) and peak gas rates 250 million cubic feet per day (gross). At a later stage development of the Orkid high CO2 gas region is contemplated.

Reserves in PM-3 are 178 million barrels prior to East Bunga Raya which adds some 40 million barrels net. Exploration potential in PM-3 consists of an undrilled inventory of 9 prospects and 8 leads, in addition to an existing developable discovery of some 25 mmboe.

PM-305

The production sharing agreement for Block PM-305 was signed on November 27th, 2000 by Lundin Oil AB subsidiary Lundin Malaysia Limited and Petronas Carigali. The Block is located in the South China Sea off the eastern coast of Peninsular Malaysia comprising an area of 2,200 sq. km. It contains one existing discovery known as Ophir and is in the heart of the producing area of the Malay Basin surrounded by some of the largest oil and gas fields in the region.

A 3 D seismic survey has been acquired this year to evaluate the Ophir discovery and a second survey will evaluate the NW Besar structural trend. There are a number of other structural and stratigraphic leads on the block.

Papua New Guinea ("PNG")

Lundin has a 48% operated interest in the 1.2 tcf Pandora field offshore PNG in 120m of water. This gas will be economic to develop once the gas markets in Queensland Australia have been confirmed. The timing of Pandora development is uncertain.

Estimated Mid-Year 2001 Reserves (Net)

Talisman estimates that the Lundin properties contain 51.5 mmboe

of proved and 138.2 mmboe of probable net reserves. The Malaysian probable reserves will be transferred to proved as the East Bunga Raya development progresses.

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	Total			UK			Malaysia		
	Oil	Gas	Boe	Oil	Gas	Boe	Oil	Gas	Boe
Proved	21.5	180.0	51.5	8.5	21.0	12.0	13.0	159.0	39.5
Probable	73.9	385.8	138.2	4.1	2.8	4.6	69.8	383.0	133.6
P & P	95.4	565.8	189.7	12.6	23.8	16.6	82.8	542.0	173.1

Capital Expenditures (US\$ million, Net)

Cumulative net capital expenditures from July 2001 through 2004 (including amounts to bring the Malaysian projects on stream) is approximately US\$350 million (C\$538 million), as follows:

US\$ Million	2001	2002	2003	2004
Malaysia	22	132	121	38
UK	5	21	10	1
Total	27	153	131	39

Production Forecast (Net)

Net Malaysian production is expected to increase to over 50,000 boe/d by 2004, with gas production of over 100 mmcf/d.

	2001*	2002	2003	2004
Malaysia				
Oil & Liquids (mb/d)	3.0	4.5	16.2	34.0
Gas (mmcf/d)	-	-	34.5	103.6
mboe/d	3.0	4.5	21.9	51.3
UK				
Oil & Liquids (mb/d)	3.2	5.4	7.2	6.9
Gas (mmcf/d)	3.9	7.0	8.5	9.1
mboe/d	3.9	6.6	8.6	8.4
Lundin Total mboe/d	6.9	11.1	30.5	59.7

*2001 represents half year

Acquisition Statistics

Total consideration for the transaction is approximately US\$365 million (C\$562 million) less surplus cash and working capital of US\$ 21 million (C\$33 million). The value paid for oil and gas reserves is determined by netting off the estimated value of land, seismic and other assets.

The future cost of bringing some of the probable reserves on stream is estimated to be US\$350 million (C\$538 million). Hence, the full cycle cost of acquiring these reserves is approximately US\$659

million (C\$1,014 million) or US\$3.47/boe (C\$5.34/boe).

	C\$ million	US\$ million	
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Paid for common shares	562.0	365.3	
Less: net cash & working capital	32.8	21.4	
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Net acquisition cost	529.2	343.9	
Less: value of land, seismic, other	53.8	35.0	
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Cost of reserves	475.4	308.9	
Reserves Cost		C\$/boe	US\$/boe
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Proved (51.5 mmboe)		\$9.23	\$6.00
Proved & Probable (189.7 mmboe)		\$2.51	\$1.63
Full cycle proved & probable (including future capital)		\$5.34	\$3.47

The full cycle costs include exploration costs, but do not include additional gas discoveries in Malaysia.

Production Cost	C\$/boe/d	US\$/boe/d
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2001	\$34,250	\$22,263
2002	\$42,680	\$27,742
2003	\$15,570	\$10,120
2004	\$7,970	\$5,180
Full cycle 2004 (including future capital)	\$16,990	\$11,045

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Malaysian Economic Terms

Block PM-3 CCA (Commercial Arrangement Area) is subject to the Malaysian post 1985 PSC terms. Under these terms 10% of the gross production is taken by the government as a royalty. Up to 50% of the gross oil and 60% of the gross gas production is available to the contractors for cost recovery. The remaining 40% of the oil and 30% of the gas, plus any excess oil or gas not needed for cost recovery, is profit production and is split between the contractors and Petronas (the Malaysian state oil company) on a sliding scale based on production rates. At low rates of production, 50% of the profit oil is taken by the contractor. This take decreases in increments as production increases to 30%. Contractor take of profit gas is 50%. For example, during full cost recovery and at 50,000 bbl/d production levels the contractor receives 64.4% of oil. This falls to 38.8% after full capital cost recovery. Contractors are also subject to a 38% income tax on net revenues after costs.

The Block PM-305 contract terms are a variation on the above, and are designed to encourage development of marginal fields and to reward cost effective investment. Under the contract terms the contractors share of production, net of 10% government royalty, is dependent not only on contractor costs and production levels but also the ratio of revenue to costs (the "R" factor). Up to 70% of the gross production is available for cost recovery and the contractor take of profit oil starts out at 80%. Both of these decline as the R factor increases. This type of contract allows for rapid payback to the contractor. The government income tax take, as for PM-3, is 38% of net contractor revenue after costs.

(Please review the Forward Looking Statements in the attached Press Release)

FOR FURTHER INFORMATION PLEASE CONTACT:

Talisman Energy Inc.

David Mann, Manager, Investor Relations & Corporate Communications
(403) 237-1196

E-mail: tlm@talisman-energy.com

Website: www.talisman-energy.com