**Strategy**

- Creating potential for long-term Company growth through reserve replacement in traditional production regions and accelerated development of new production regions in Russia and abroad
- Improving efficiency of geological exploration by careful selection of projects and use of the latest technologies
- Steady increase of hydrocarbon production in the medium term
- Improvement of production indicators and efficient control over lifting costs through application of the latest technologies, and through optimization of the well stock and field development systems
- Application of financial criteria to assess projects and business results, and to optimize the asset portfolios

**MAIN INDICATORS FOR 2009:**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil reserves, mln barrels</td>
<td>13,696</td>
</tr>
<tr>
<td>Gas reserves, bcf</td>
<td>22,850</td>
</tr>
<tr>
<td>Hydrocarbon reserves, mln boe</td>
<td>17,504</td>
</tr>
<tr>
<td>Oil production, mln barrels</td>
<td>720</td>
</tr>
<tr>
<td>Marketable gas production, mcm</td>
<td>14,898</td>
</tr>
<tr>
<td>Marketable hydrocarbon production, th. boe per day</td>
<td>2,212</td>
</tr>
<tr>
<td>Reserve replacement ratio*, %</td>
<td>–</td>
</tr>
<tr>
<td>E&amp;P net profit, $ mln</td>
<td>5,456</td>
</tr>
<tr>
<td>E&amp;P capex, $ mln</td>
<td>4,687</td>
</tr>
<tr>
<td>Employees in the segment, th. people</td>
<td>41.3</td>
</tr>
</tbody>
</table>

*Not available because of the adoption of SEC standards for measurement of reserves in 2009. The ratio will be available in Fact Book 2011.

Exploration and production of oil & gas is LUKOIL’s main business and delivers the largest share of Company value (about 78% of consolidated net profit of LUKOIL Group). LUKOIL has a high-quality E&P asset portfolio, which is highly diversified in terms of geography, reserve type, and levels of depletion.

**Geography**

LUKOIL is implementing oil & gas exploration and production projects in 11 countries. Most activity is concentrated in four federal districts of the Russian Federation: the North-West (Nenets Autonomous District, Komi Republic and Kaliningrad Region), the Volga (Perm Region and the Republic of Tatarstan), the Urals (Yamal-Nenets and Khanty-Mansiysk Autonomous Districts) and the South (Volgograd and Astrakhan Regions, and the Republic of Kalmykia). 89.9% of Company’s proved reserves and 91.4% of marketable hydrocarbon production are in Russia.

The Company is also taking part in 25 projects in 10 countries outside Russia. These include geological exploration projects in Kazakhstan, Uzbekistan, Azerbaijan, Ghana, Colombia, Venezuela, Saudi Arabia, Cote d’Ivoire; production of oil & gas in Kazakhstan, Egypt, Uzbekistan and Azerbaijan and preparations for production launch in Iraq. International projects account for 10.1% of Company’s proved reserves and 8.6% of marketable hydrocarbon production.
Description of the resource base

Over 50% of the Company’s proved reserves are located in traditional hydrocarbon production regions (Western Siberia, Urals, Volga) with well-developed infrastructure. Most reserves in these regions are already being developed and presence of established infrastructure means that remaining reserves can be put into production without high levels of capex. 58% of Company’s proved reserves are in development (64% of oil reserves and 34% of gas reserves). This reserve structure reflects large potential of the Company to increase production in the medium term, particularly production of gas.

A significant part of the Company’s proved reserves is located in new regions (Timan-Pechora, Northern Caspian, Bolshekhetskaya Depression, and international projects), which require large investments. Most reserves in the new regions are probable and possible, offering potential for growth of proved reserves in the process of further exploration and development of these fields. The probability of further major discoveries in these regions is high.

Company reserves consist mainly of oil (about 78% of proved reserves). The share of gas reserves decreased in 2009 due to reclassification of part of reserves in Caspian projects as lower-category reserves reflecting changes to launch schedules. The Company believes that these volumes may be transferred back to the proved reserve category as development launch times approach.

Most of company reserves are conventional, but LUKOIL also has high-viscosity and bituminous oil as well as hydrocarbons with high sulfur content. The Company is successfully developing these reserves using the latest technologies. For example, steam injection wells are used for extraction of high-viscosity oil at the Usinskoye field in the Komi Republic and a special processing complex has been built at the Karachaganak field to enable production of high-sulfur gas and condensate.

Geological exploration

The main strategic task for the Company is to increase its growth potential by quantitative and qualitative improvement of its resource base. Geological exploration is one of the main instruments for achieving this. LUKOIL has consistently increased volumes of geological exploration work in recent periods and is constantly working to improve efficiency of this work. The Company has spent $2.5 bln on geological exploration in the last five years, and growth of proved reserves due to exploration and development has been 3,170 mln boe.

The Company has focused its geological exploration work in the Timan-Pechora oil & gas province, Western Siberia and the offshore Caspian. In the Republic of Tatarstan the Timerovskoye field (C1 oil reserves are 2.992 mln tons) was discovered in Tatarstan as well as 17 new deposits at previously discovered fields. LUKOIL is also rapidly developing its international exploration work.

The Company is increasing efficiency of geological exploration and ensuring rapid growth of reserves by use of the latest geophysical methods and adherence to the best international operating standards at all stages of work. This approach makes it possible to obtain additional information about the structure and specific features of potential oil-bearing formations, to reduce risk in search and exploration drilling, and to reduce the number of dry wells and wells with low production rates.

The Company is consistently increasing volumes of 2D and 3D seismic work in order to reveal and detail structures and to prepare for drilling of search and exploration wells at promising sites. The Company carried out 2,446 km of 2D seismic and 4,538 km² of 3D seismic in 2009. The quality of seismic exploration and the speed of data processing and interpretation have increased in recent years thanks mainly to application of new IT solutions.

New acquisitions and optimization of the asset portfolio

The Company is also expanding its reserves through acquisition and consolidation of assets, and has spent $5.6 bln on new E&P acquisitions in the last five years. Consolidation of main assets is nearly complete and a number of large new companies have been acquired in Russia and abroad. The biggest acquisition by the Group in 2009 was of a 46% stake in the joint venture LUKARCO B.V. from a subsidiary of BP. As a result, LUKOIL now owns 100% of LUKARCO B.V. Apart from that, a consortium between LUKOIL and Norwegian Statoil won a tender for development rights for the huge West Qurna-2 field in Iraq.

Pursuing optimization of its corporate structure LUKOIL also consolidated 100% of its subsidiary, QJSC RITEK. RITEK specializes in oil production in the European part of Russia and in Western Siberia and also has major R&D activities.

Acquisition of new assets is not merely a way of increasing oil & gas reserves and production, but also a way of strengthening competitive positions in key regions and obtaining significant synergy effects.

LUKOIL places much emphasis on quality of its assets. The Group restructuring program was launched in 2002 in order to increase efficiency in all business segments. As part of the strategy for withdrawal of non-core assets the Group disposed of 10 service companies in 2009, which enabled to make cost savings and reduce the headcount.

Oil & gas production

High rates of hydrocarbon production growth are a strategic goal for LUKOIL Group, achievement of which will raise shareholder value of the Company and secure competitive advantages that increase income to shareholders. Marketable hydrocarbon production has grown on average by about 4.0% in the last five years. LUKOIL strives to maximize efficiency and profitability of its operations in the oil & gas production segment by improvement of production indicators, careful choice of new projects and scrupulous control of production costs.

LUKOIL makes extensive use of the latest technologies in order to increase efficiency. The Company is setting up a multi-level system for monitoring of field development using high-tech geological models. In 2003 LUKOIL created a completely new and fully up-to-date Center for Geological and Hydrodynamic Modelling. The Center creates models using spatial visualization,
which provides detailed data on structure of Company fields, making it easier to choose the best geological and technical approaches for their development and to maximize development efficiency. LUKOIL Overseas Holding, operator of the Company’s foreign projects, has a similar center. LUKOIL is currently setting up modelling centers at its subsidiaries in Russia (primarily in Western Siberia) and abroad.

High-quality techniques for boring of productive formations, original approaches to study of drill logs, and application of technologies to increase flow rates ensure high oil & gas production levels from reservoirs with complex collector features. The Company uses a variety of enhanced oil recovery methods (EOR), increasing recoverable reserves and production, and allowing commercial production of high-viscosity oil, development of reserves in collectors with low permeability, and extraction of reserves at late stages of field development. Each year the Company carries out more than 5,000 EOR operations on producing formations, using physical, chemical, hydrodynamic and heat techniques to increase extraction rates. Additional oil production thanks to these operations in 2005–2009 was 116 mln tons.

LUKOIL also uses other technologies to increase efficiency: systems for maintaining reservoir pressure, systems for use of associated petroleum gas, systems for oil collection, preparation and transportation, energy- and resource-saving technologies and IT solutions.

LUKOIL is placing special emphasis on development of its gas business. The Company is rapidly increasing output of natural gas, transforming itself from an oil company into an oil & gas company. In 2001 LUKOIL acquired the company Yamalneftegazdobycha, which owns licenses for development of gas fields in the Bolshekhetskaya Depression (currently the main area for expansion of LUKOIL gas production). LUKOIL also takes part in Kandym – Khauzak – Shady project in Uzbekistan and the Shakh Deniz project in Azerbaijan. Development of fields in the Northern Caspian will also significantly increase gas production. LUKOIL plans to increase the share of gas in overall hydrocarbon production to 33% in the medium term. The main objective of this strategy is to raise Company value by commercialization of gas reserves and to reduce the Company’s dependence on the highly volatile crude oil market.

Greater utilization of associated petroleum gas is an important part of the Company’s gas business strategy. This will reduce levels of gas flaring and thus reduce negative environmental impacts. More associated petroleum gas can be used for generation of electricity to power oil production operations, offering cost savings. The Company is implementing a program, approved in 2009 for the years of 2009-2011, which aims to increase the rate of associated petroleum gas utilization by organizations in the Group. The program target is to raise the utilization rate to 95% by 2012.

Main operating regions and largest fields

Western Siberia

The first oil field in Western Siberia was discovered in 1960 and industrial production of oil began there in 1964. Western Siberia is now the main oil production region in Russia. Most fields in the region are super-large and located adjacent to one another. These features, and presence of established transport infrastructure, significantly reduce development costs.

LUKOIL has been active in Western Siberia since the Company’s foundation in 1991 when three production companies in Western Siberia were united in the state oil company LangepasUrayKogalymneft. Western Siberia is the Company’s main oil production region (54.3% of LUKOIL Group production) and its main reserve base (53.3% of LUKOIL proved oil reserves).

LUKOIL carries out 36% of its exploration drilling in Western Siberia. Large volumes of geological exploration work in the region are intended to replace reserves in development. Although a large amount of exploration has already been carried out in Western Siberia, current geological exploration in the region is marked by high efficiency and good results. The Company’s proved reserves of oil in Western Siberia decreased by 14.4% since 2004 mainly due to the adoption of new standards for measurement of reserves in accordance with SEC.

Fields in Western Siberia have been in production for a long time and are therefore characterized by high levels of exhaustion. Thus EOR methods are widely used in the region: hydrofracturing, drilling of sidetracks and horizontal wells, etc. Multilevel systems for field development monitoring with use of high-tech geological models enable LUKOIL to ensure constant optimization of field development.

11 out of 18 Company’s biggest oil fields (with annual production of 1 mln tons and more) are located in Western Siberia. The largest of them is Vat-Yeganskoye field with more than 1 bln barrels of proved oil reserves.

**Tevlinsko-Russkinskoye Field**

<table>
<thead>
<tr>
<th>Density, API</th>
<th>Sulfur content, %</th>
<th>Barrels per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>34.8</td>
<td>1.04</td>
<td>7.39</td>
</tr>
</tbody>
</table>

The Tevlinsko-Russkinskoye field is located in Surgut Area, Khanty-Mansiysk Autonomous District (part of Tyumen Region), 88 km north of the city of Surgut in Western Siberia.

The field was discovered in 1971. Field development began in 1986. LUKOIL’s license to develop the field runs until 2013.

Proved reserves at the end of 2009 were 727 mln barrels of oil. Tevlinsko-Russkinskoye is LUKOIL’s largest field in Russia by production levels. In 2009 the field produced 8.306 mln tons of oil and cumulative production reached 151 mln tons.

**Vat-Yeganskoye Field**

<table>
<thead>
<tr>
<th>Density, API</th>
<th>Sulfur content %</th>
<th>Barrels per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>33.8</td>
<td>0.83</td>
<td>7.35</td>
</tr>
</tbody>
</table>

The Vat-Yeganskoye field is located in Surgut Area, Khanty-Mansiysk Autonomous District (part of Tyumen Region), 30 km from the town of Kogalym and 140 km north-east of the city of Surgut in Western Siberia.

The field was discovered in 1971. Development began in 1983. LUKOIL’s license for development of the field runs until 2050. Vat-Yeganskoye is LUKOIL’s biggest field in Russia by proved...
reserves, which totalled 1,229 mln barrels of oil at the end of 2009. Production at Vat-Yeganskoye in 2009 was 7.069 mln tons of oil and cumulative production exceeded 175 mln tons.

### Povkhovskoye Field

<table>
<thead>
<tr>
<th>Density, API</th>
<th>Sulfur content, %</th>
<th>Barrels per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>35.8</td>
<td>0.60</td>
<td>7.43</td>
</tr>
</tbody>
</table>

The Povkhovskoye field is located in Surgut Area, Khanty-Mansiysk Autonomous District (part of Tyumen Region), 170 km north-east of the city of Surgut in Western Siberia. The field was discovered in 1972 and development began in 1978. LUKOIL’s license for development of Povkhovskoye runs until 2013.

Proved reserves at the end of 2009 were 776 mln barrels of oil. Production in 2009 was 5.761 mln tons of oil, and cumulative production totalled 189.7 mln tons.

### South-Yagunskoye Field

<table>
<thead>
<tr>
<th>Density, API</th>
<th>Sulfur content, %</th>
<th>Barrels per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>36.0</td>
<td>0.78</td>
<td>7.44</td>
</tr>
</tbody>
</table>

The South-Yagunskoye field is located in the north-eastern part of Surgut Area, Khanty-Mansiysk Autonomous District (part of Tyumen Region), 165 km north-east of the city of Surgut in Western Siberia. The field was discovered in 1978. Development began in 1982. LUKOIL’s license for development of the field runs until 2038.

Proved oil reserves at the end of 2009 were 580 mln barrels. Production in 2009 was 2.674 mln tons of oil and cumulative production amounted to 129.9 mln tons.

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**Largest fields of LUKOIL Group in Western Siberia**

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### Pokachevskoye Field

<table>
<thead>
<tr>
<th>Density, API</th>
<th>Sulfur content, %</th>
<th>Barrels per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>34.6</td>
<td>0.72</td>
<td>7.38</td>
</tr>
</tbody>
</table>

The Pokachevskoye field is located in the western part of Nizhnevartovsk Area, Khanty-Mansiysk Autonomous District (part of Tyumen Region), 100 km north-east of the city of Surgut in Western Siberia. The field was discovered in 1970 and its development began in 1977. LUKOIL’s license to develop the field runs until 2040.

Proved reserves at the end of 2009 were 339 mln barrels of oil. Production in 2009 totalled 2.571 mln tons of oil, and cumulative production reached 149.0 mln tons.

### Kogalymskoye Field

<table>
<thead>
<tr>
<th>Density, API</th>
<th>Sulfur content, %</th>
<th>Barrels per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>37.4</td>
<td>0.64</td>
<td>7.51</td>
</tr>
</tbody>
</table>

The Kogalymskoye field is located in Surgut Area, Khanty-Mansiysk Autonomous District (part of Tyumen Region) in Western Siberia. The field was discovered in 1972 and development began in 1985. LUKOIL’s license to develop the field runs until 2013.

Proved reserves at the end of 2009 were 278 mln barrels of oil. The field produced 2.776 mln tons of oil in 2009 and cumulative production was 34.4 mln tons.

### Uryevskoye Field

<table>
<thead>
<tr>
<th>Density, API</th>
<th>Sulfur content, %</th>
<th>Barrels per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>35.0</td>
<td>0.86</td>
<td>7.40</td>
</tr>
</tbody>
</table>
The Uryevskoye field is located in Nizhnevartovsk Area, Khanty-Mansiysk Autonomous District (part of Tyumen Region), 75 km north-west of the city of Surgut in Western Siberia. The field was discovered in 1971 and development began in 1978. LUKOIL’s license to develop the field runs until 2013. Proved reserves at the end of 2009 were 303 mln barrels of oil. Production in 2009 was 2.618 mln tons of oil and cumulative production was 85.8 mln tons.

**Nong-Yeganskoye Field**

<table>
<thead>
<tr>
<th>Density, API</th>
<th>Sulfur content, %</th>
<th>Barrels per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>35.2</td>
<td>0.72</td>
<td>7.41</td>
</tr>
</tbody>
</table>

The Nong-Yeganskoye field is located in the western part of Nizhnevartovsk Area, Khanty-Mansiysk Autonomous District (part of Tyumen Region), 100 km north-east of Surgut in Western Siberia. The field was discovered in 1974 and development began in 1978. LUKOIL’s license to develop the field runs until 2013. Proved reserves at the end of 2009 were 159 mln barrels of oil. Production in 2009 was 906,000 tons of oil and cumulative production was 33.5 mln tons.

**Druzhnoye Field**

<table>
<thead>
<tr>
<th>Density, API</th>
<th>Sulfur content, %</th>
<th>Barrels per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>33.2</td>
<td>0.89</td>
<td>7.32</td>
</tr>
</tbody>
</table>

The Druzhnoye field is located in Surgut Area, Khanty-Mansiysk Autonomous District (part of Tyumen Region), 127 km north-east of the city of Surgut in Western Siberia. The field was discovered in 1981 and development began in 1985. LUKOIL’s license to develop the field runs until 2038. Proved reserves at the end of 2009 were 156 mln barrels of oil. Production in 2009 was 1.306 mln tons of oil and cumulative production reached 48.9 mln tons.

**Nivagalskoye Field**

<table>
<thead>
<tr>
<th>Density, API</th>
<th>Sulfur content, %</th>
<th>Barrels per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>34.4</td>
<td>0.92</td>
<td>7.37</td>
</tr>
</tbody>
</table>

The Nivagalskoye field is located in Nizhnevartovsk Area, Khanty-Mansiysk Autonomous District (part of Tyumen Region), 114 km north-west of the city of Nizhnevartovsk in Western Siberia. The field was discovered in 1981 and development began in 1985. LUKOIL’s license to develop the field runs until 2013. Proved reserves at the end of 2009 were 156 mln barrels of oil. Production in 2009 was 1.306 mln tons of oil and cumulative production was 21.9 mln tons.

**Middle-Khulymskoye Field**

<table>
<thead>
<tr>
<th>Density, API</th>
<th>Sulfur content, %</th>
<th>Barrels per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>42.8</td>
<td>0.17</td>
<td>7.74</td>
</tr>
</tbody>
</table>

The Middle-Khulymskoye field is located in Nadym Area, Yamal-Nenets Autonomous District (part of Tyumen Region) in Western Siberia. The field was discovered in 1989 and development began in 1995. LUKOIL’s license to develop the field runs until 2023. Proved reserves at the end of 2009 were 203 mln barrels of oil. Production in 2009 was 1.586 mln tons of oil and cumulative production amounted to 7.2 mln tons.

**North-Pokachevskoye Field**

<table>
<thead>
<tr>
<th>Density, API</th>
<th>Sulfur content, %</th>
<th>Barrels per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>37.8</td>
<td>0.78</td>
<td>7.52</td>
</tr>
</tbody>
</table>

The North-Pokachevskoye field is located in Nizhnevartovsk Area, Khanty-Mansiysk Autonomous District (part of Tyumen Region), 110 km north-west of the city of Nizhnevartovsk in Western Siberia. Geologically the field consists of two parts – North-Pokachevsky and Yukkunsky license areas. The North-Pokachevsky license area was discovered in 1980 and the development began in 1995. LUKOIL’s license to develop the area runs until 2013. The Yukkunsky license area was discovered in 2001 and the development began in 2004. LUKOIL’s license to develop the area runs until 2023. Proved reserves at the end of 2009 were 76 mln barrels of oil. Production in 2009 was 898,000 tons of oil and cumulative production was 5.5 mln tons.

**Kamenny license area** (eastern part of the Kamennaya area of the Krasnoleninskoye field)

<table>
<thead>
<tr>
<th>Density, API</th>
<th>Sulfur content, %</th>
<th>Barrels per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>41.1</td>
<td>0.33</td>
<td>7.67</td>
</tr>
</tbody>
</table>

The Kamenny license area (eastern part of the Kamennaya area of the Krasnoleninskoye field) is located in Octyabrsk Area of Khanty-Mansiysk Autonomous District (part of Tyumen Region). The field was discovered in 1962 and development began in 1981. LUKOIL’s license to develop the field runs until 2013. Proved reserves at the end of 2009 were 211 mln barrels of oil. Production in 2009 was 1.225 mln tons of oil and cumulative production was 6.2 mln tons.

**Kechimovskoye field**

<table>
<thead>
<tr>
<th>Density, API</th>
<th>Sulfur content, %</th>
<th>Barrels per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>34.6</td>
<td>0.72</td>
<td>7.38</td>
</tr>
</tbody>
</table>

The Kechimovskoye field is located in Surgut Area of Khanty-Mansiysk Autonomous District (part of Tyumen Region) in Western Siberia. The field was discovered in 1985 and development began in 1995. LUKOIL’s license to develop the field runs until 2013. Proved reserves at the end of 2009 were 203 mln barrels of oil. Production in 2009 was 1.586 mln tons of oil and cumulative production amounted to 7.2 mln tons.

**Timan-Pechora**

The Timan-Pechora oil & gas province is one of the most promising oil production regions both for the Company and for Russia as a whole. LUKOIL became active in the region in 1999 with the acquisition of a controlling stake in KomiTEK. In 2001 LUKOIL bought controlling stakes in Arkhangelskgeoldobycha,
Kharyaganeft, Bitran, Baitek-Silur, and AmKomi. Timan-Pechora now represents 19.3% of Group oil reserves and 22.2% of oil production. Oil production by LUKOIL Group in the region has increased by 73.6% to 21.7 mln tons in 2008, thanks to acquisition of new assets as well as organic growth.

The southern part of Timan-Pechora (the Komi Republic) has developed infrastructure and well-explored reserves, most of which are already in production. By contrast, the northern part (Nenets Autonomous District) has high reserve potential, but needs major exploration and development investments due to its under-developed infrastructure.

In order to speed up development of reserves in Timan-Pechora, a joint venture, limited liability company Naryanmarneftegaz, was set up in the region by LUKOIL and the US company ConocoPhillips as part of the strategic partnership between the two companies. The joint venture controls 9 fields with proved, probable and possible reserves totalling 0.7 bln barrels at the end of 2009. In the middle of 2008 the Yuzhnaya Khylchuya field was commissioned. Oil production at the field in 2009 increased by 3.5 times compared to 2008 and totalled about 7 mln tons.

A new oil terminal was built near the village of Varandey on the Barents Sea in 2000 in order to address the growth of production and lack of developed infrastructure in the region. The terminal can handle oil from Timan-Pechora all the year round and supply it to export markets, notably the US market. The annual capacity of the terminal was increased to 12 mln tons of oil and it was put into operation in the middle of 2008. The terminal will export oil including that produced by Naryanmarneftegaz. Enlargement of the terminal was carried out jointly with ConocoPhillips.

Yuzhnaya Khylchuya field

\[
\begin{array}{ccc}
\text{Density, API} & \text{Sulfur content, %} & \text{Barrels per ton} \\
35.5 & 0.71 & 7.43 \\
\end{array}
\]

The Yuzhnaya Khylchuya field is located in the northern part of Nenets Autonomous District (Timan-Pechora).

The field was discovered in 1981 and development began in 2008. LUKOIL’s license to develop the field runs until 2042. Proved reserves at the end of 2009 were 364 mln barrels of oil. Production in 2009 was 6.962 mln tons of oil and cumulative production amounted to 8.5 mln tons.

Usinskoye Field

\[
\begin{array}{ccc}
\text{Density, API} & \text{Sulfur content, %} & \text{Barrels per ton} \\
20.7 & 1.09 & 6.76 \\
\end{array}
\]

The Usinskoye field is located in Usinsk Area, part of the Komi Republic. The field was discovered in 1963 and development began in 1973. LUKOIL’s license to develop the field runs until 2062. The field’s permocarbon deposit is characterized by abnormally high-viscosity oil, which requires heat treatment for extraction. Proved reserves at the end of 2009 were 530 mln barrels of oil. Production in 2009 was 2.107 mln tons of oil and cumulative production amounted to 159.2 mln tons.

Vozeiskoye Field

\[
\begin{array}{ccc}
\text{Density, API} & \text{Sulfur content, %} & \text{Barrels per ton} \\
37.8 & 0.66 & 7.53 \\
\end{array}
\]

The Vozeiskoye field is located in Usinsk Area, part of the Komi Republic. The field was discovered in 1975 and development began in the same year. LUKOIL’s license to develop the field runs until 2042. Proved reserves at the end of 2009 were 153 mln barrels of oil. Production in 2009 was 1.289 mln tons and cumulative production was 101.6 mln tons.

Kharyaginskoye Field

\[
\begin{array}{ccc}
\text{Density, API} & \text{Sulfur content, %} & \text{Barrels per ton} \\
38.0 & 0.32 & 7.54 \\
\end{array}
\]

The Kharyaginskoye field is located in the Nenets Autonomous District, part of Arkhangelsk Region. The field was discovered in 1970 and development began in 1987. LUKOIL’s license to develop the field runs until 2014. Proved reserves at the end of 2009 were 287 mln barrels of oil. Production in 2009 was 2.788 mln tons of oil and cumulative production totalled 41.9 mln tons.
The South-Shapkinskoye field is located in the Nenets Autonomous District, part of Arkhangelsk Region, 75 km south-east of the town of Naryan-Mar.

The field was discovered in 1970 and development began in 2002. LUKOIL’s license to develop the field runs until 2016.

Proved reserves at the end of 2009 were 66 mln barrels of oil. Production in 2009 was 759,000 tons of oil and cumulative production amounted to 7.7 mln tons.

The Tedinskoye field is located in the central part of the Bolshezemelskaya Tundra in Nenets Autonomous District (Timan-Pechora).

The field was discovered in 1989 and development began in 2001. LUKOIL’s license to develop the field runs until 2061.

Proved reserves at the end of 2009 were 70 mln barrels of oil. Production in 2009 was 835,000 tons of oil and cumulative production amounted to 6.0 mln tons.

The Pashshorskoye field is located in the Nenets Autonomous District on the border with the Komi Republic.

The field was discovered in 1975 and development began in 2004. LUKOIL’s license to develop the field runs until 2013.

Proved reserves at the end of 2009 were 27 mln barrels of oil. Production in 2009 was 877,000 tons of oil and cumulative production amounted to 2.6 mln tons.

The Volga region accounts for 1.4% of Company proved hydrocarbon reserves, 3.1% of its oil production and 3.2% of gas production. High levels of reserve exhaustion require extensive use of EOR technologies to improve recovery rates.

In 2005 LUKOIL acquired Primorieneftegaz, the owner of licenses for geological study of the Poiromny territory, located between the Volga and Akhtuba rivers. A major gas condensate field, the Tsentralno-Astrakhanskoye field, was discovered on this territory in 2004, with estimated probable and possible reserves of 10.2 tcf of gas and 1.2 bln barrels of condensate as of the start of 2010. This acquisition significantly increased the Company’s reserve base in the region and raised potential for production growth.

The Pamyatno-Sasovskoye field is located in Zhirnovsky Area of Volgograd Region, 130 km to the north of the city of Volgograd.

The field was discovered in 1990 and development began in the same year. LUKOIL’s license for development of the field runs until 2061.

The Pamyatno-Sasovskoye field is an exception, producing very high-quality oil.

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The field was discovered in 1990 and development began in the same year. LUKOIL’s license for development of the field runs until 2061.
Pamyatno-Sasovskoye is the biggest oil field in Volgograd Region, and it has unique and favourable geophysical characteristics. Proved reserves at the end of 2009 were 129 mln barrels of oil. More than 90% of production is free flowing. Oil production in 2009 was 2.404 mln tons (the Group’s share – 2.210 mln tons) and cumulative production was 37.4 mln tons.

Urals

The Urals region, like the Volga, is an established oil & gas production area for the Company. LUKOIL began production in the Urals when a number of upstream companies in the region were transferred to the Company by Russian government decree in 1995.

Urals fields have relatively small reserves and are located at considerable distances from one another. However, presence of well-established transport infrastructure and refineries in the region greatly increases production efficiency. Use of EOR helps to increase recovery rates and production volumes.

The Urals region accounts for 14.9% of Company proved oil reserves, 12.3% of oil production and 6.1% of gas production.

In 2009 the Company started production at a new group of fields in Perm territory attached to the unique Verkhnekamskoye potash-magnesium salt field. The license ares has several specific features: hydrocarbon fields are located underneath potash-magnesium salt deposits, which are already in the process of industrial development, and hence there are various environmental constraints. Oil field development will therefore use a multi-column well-construction technique in order to address all of these industrial and environmental safety issues: displacement from vertical will be up to 2 km, salt formations will be separated off using magnesium-phosphate tamping material with an expansion cement bond, and a system for constant monitoring of surface deformation. Forecast annual output of oil at the fields is 1.3 million tons.

Unvinskoye Field

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<tr>
<th>Density, API</th>
<th>Sulfur content, %</th>
<th>Barrels per ton</th>
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<tbody>
<tr>
<td>40.0</td>
<td>0.50</td>
<td>7.62</td>
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The Unvinskoye field is located in Usolsky Area of Perm Region, 125 km north of the city of Perm. The field was discovered in 1980, and development began in 1981. LUKOIL’s license for development of the field runs until 2028. Proved reserves at the end of 2009 were 163 mln barrels of oil. Production in 2009 was 1,421 mln tons and cumulative production amounted to 28.1 mln tons.

Kaliningrad region

Kravtsovskoye Field

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<th>Density, API</th>
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<tr>
<td>40.0</td>
<td>0.19</td>
<td>7.62</td>
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The Kravtsovskoye field, discovered in 1983, is located on the Russian shelf of the Baltic Sea, 23 km offshore, at a depth of 25–35 meters. Industrial development of the field began in 2004. This is the first offshore field developed independently by a Russian oil company. LUKOIL’s license to develop the field runs until 2039. Proved reserves at the end of 2009 were 32 mln barrels of oil. Production at the field in 2009 was 748,000 tons of oil and cumulative production was 4.0 mln tons.

The Baltic Sea has a highly sensitive ecology. LUKOIL therefore carries out drilling and production of oil at the Kravtsovskoye field from an ice-resistant stationary platform, using a zero-discharge principle. The Company also maintains constant satellite monitoring of the Baltic Sea. These unprecedented ecological security measures completely exclude any possible negative environmental impact. Oil from the field is brought ashore via an underwater pipeline and exported from a terminal at the port of Svetly.

Nakhodkinskoye Field and other fields of the Bolshekshetskaya Depression

LUKOIL is developing fields in the Bolshekshetskaya Depression (Yamal-Nenets Autonomous District) as part of its gas program. The region’s fields will be the basis for growth of gas production in coming years. The Company has been active in the region since its acquisition in 2001 of Yamalneftegazdobycha. As of December 31, 2009, proved reserves of gas at the Company’s fields in the Bolshekshetskaya Depression totalled 11.7 tcf, or 51.0% of LUKOIL’s total proved gas reserves.

In April 2005 the Nakhodkinskoye field (proved gas reserves of
3.4 tcf at the end of 2009) was brought into production. Gas production at the field in 2009 totalled 6.0 bcm. Gas from the field is delivered along a 117-km pipeline to the Yamburgskaya gas compression station, where it is fed into the Gazprom transport system. Under an agreement between LUKOIL and Gazprom, all of the gas produced at Nakhodkinskoye was initially sold to Gazprom. Gas has also been sold to other customers from May 2006 at higher prices.

Work continued in 2009 to prepare for development of other fields in the Bolshekhetskaya Depression. As prescribed by the investment program, construction of facilities began in 2009 at the Pyakyakhinskoye field, one well was brought into production, and natural gas output was used for the Company’s own needs. Work was carried out on construction of roads, well pads and industrial installations, as well as production drilling to gas condensate accumulations, and the field should come on stream in 2013. Marketable gas will be transported along an inter-field pipeline to a gas compressor station near the Nakhodkinskoye field and from there along the existing trunk gas pipeline to Yamburg Gas Compression Stations-1 and -2. Gas production at the Yuzhno-Messoyakhskoye gas condensate field is due to start in 2019, and the Khalmerpayutinskoye gas condensate field should be launched in 2020. Achievement of target production levels at all fields in the Bolshekhetskaya Depression will bring overall production of natural gas by the Company in the region to 20 bcm.

**Northern Caspian**

LUKOIL came to the Northern Caspian in 1995 when companies with exploration licenses in the region were transferred to LUKOIL ownership. At that time the offshore Caspian was little explored, but probability of significant reserve finds was viewed as high.

The Caspian Sea is highly ecologically sensitive. LUKOIL therefore carried out all necessary ecological studies before starting work there, and took care to install all necessary environmental protection measures, including compensatory and socio-ecological aspects. The Company also designed technology and technical solutions to ensure that geological exploration and drilling could be carried out on a zero-discharge basis.

Geological exploration work carried out by LUKOIL from 1995 to 2007 led to discovery of 6 large fields: Yu. Korchagin (discovered in 2000); Khvalynskoye (2000); 170th kilometer (2001); Rakushechnoye (2001); Sarmatskoye (2002); and V. Filanovsky (2005).

The Caspian Oil Company, in which LUKOIL owns 49.89% (another 49.89% is owned by Rosneft and remaining shares...

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**Unvinskoye field in the Urals region**

**Kravtsovskoye field in the Baltic Sea**
belong to Gazprom), discovered Zapadno-Rakushechoe field in 2008. Also in 2008 Tsentrcaspenftegaz, in which LUKOIL owns a 50% stake (50% is owned by Gazprom), discovered the Tsentralnoye field. Development of these fields will be the main factor in oil production growth by the Company in the mid-term. The Yu. Korchagin and V. Filanovsky fields will be the first to be commissioned and will be the main sources of increase in oil output. The V. Filanovsky field is the largest field in the region and, unlike earlier discoveries, it is predominantly an oil field. Preliminary calculations suggest that maximum annual output from the field will amount to 210,000 barrels per day, enabling LUKOIL to significantly increase profitability of its high-cost operations in the Caspian Sea. Following preparatory work in 2009, first oil was obtained in the second quarter of 2010 at the Yu. Korchagin field. Peak annual output at the field will be 2.5 mln tons of oil and 1 bcm of gas. The Company began operations at sea for construction of the Yu. Korchagin field in April 2009, when the main block of a fixed ice-resistant offshore platform was towed to the site from the port of Astrakhan. Living quarters were built onto the block in May. In August work was completed on a jetty for loading of oil from an underwater pipeline into a floating reservoir and onto shuttle tankers. In September a floating reservoir was installed at the field for loading of shuttle tankers and transportation of oil produced at the field. A fixed ice-resistant offshore platform with drilling unit has thus been installed for drilling of wells with maximum borehole length of 7,400 meters. A total of 33 production wells are to be drilled at the field as well as three water injection wells and one gas injection well. The field will be developed using exceptionally long horizontal wells (in excess of 5 km), which is a unique approach in Russia. The Yu.Korchagin field is the first of a whole group of fields in Russian territorial waters of the Caspian Sea to be brought into production by the Company.

**Fields in the Bolshekhetskaya Depression**

**Fields in the Northern Caspian**
INTERNATIONAL PROJECTS

Acquisition of, or entry to international E&P projects

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<td>Kumkol (Kazakhstan)</td>
<td>Matliha (Egypt)</td>
<td>K australia (Kazakhstan)</td>
<td>Maraz (Azerbaijan)</td>
<td>Azeri-Shirah - Guneshli (Azerbaijan)</td>
<td>WEEM (Egypt)</td>
<td>Calimera (Italy)</td>
<td>North-East Goolum (Egypt)</td>
<td>Arman (Kazakhstan)</td>
<td>Turkmenistan</td>
<td>South Zhambyl (Kazakhstan)</td>
<td>Cape Three Points (Ghana)</td>
<td>D-222 (Yalama) (Azerbaijan)</td>
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Sale of, or withdrawal from international E&P projects

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<td>Cape Three Points (Ghana)</td>
<td>D-222 (Yalama) (Azerbaijan)</td>
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International projects of LUKOIL Group

* Mothballed in 2002.
** Mothballed in 2010.
KAZAKHSTAN

Karachaganak
- Acquisition of project stake: November 1998
- Agreement type: PSA; production (oil, gas)
- Duration of agreement: 40 years (to 2038)
- LUKOIL share in PSA: 15%
- Current share of LUKOIL Group in production: 15%
- Other project participants: BG Group (32.5%, operator); ENI Group (32.5%, operator); Chevron (20%)

Density, API Sulfur content, % Barrels per ton
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<th>Density, API</th>
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<td>45.4</td>
<td>0.89</td>
<td>7.86</td>
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Karachaganak, one of the largest oil and gas condensate fields in the world, is located in western Kazakhstan and was discovered in 1979. The field occupies 280 km². As of December 31, 2009 the Consortium’s share in field proved reserves was 1,113 mln barrels of oil and 8,881 bcf of gas. Field development entered an intensive phase in 1995 thanks to signing of a PSA and creation of a joint operating consortium, the Karachaganak Petroleum Operating. Final version of the PSA was signed in November 1997.

Exports from Karachaganak via the CPC (Caspian Pipeline Consortium) system began in 2004. In 2006 a new efficient oil export route was developed, carrying oil from Karachaganak to Samara, from where it is delivered via the Transneft pipeline system. Work was carried out in 2007 for the third stage of the project, which involved substantial capacity increases. There were 4 multi-bore wells commissioned, and drilling of another 3 such wells was completed in 2008. 10 production wells, including 8 wells with horizontal end sections, were drilled and connected to the main collector system in 2009.

The share of LUKOIL Group in field reserves as of December 31, 2009, is 167 mln barrels of oil and gas condensate and 1.332 tcf of gas. There were 45 operating oil wells and 59 operating gas wells at Karachaganak as of December 31, 2009.

Field production in 2009 reached 11.9 mln tons of oil (LUKOIL Group share was 1.6 mln tons) and 15.6 bcm of marketable gas (LUKOIL Group share was 1.1 bcm).

Kumkol
- Acquisition of project stake: 1995
- Signing of shareholder agreement: 1999
- Agreement type: contract; exploration & production (oil, gas)
- Duration of agreement: 25 years (to 2021)
- LUKOIL stake (also share in production): 50%
- Other project participants: CNPC (50%)

Density, API Sulfur content, % Barrels per ton
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<td>39.4</td>
<td>0.02</td>
<td>7.60</td>
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The Kumkol field is located in the southern part of the Turgai Depression (southern Kazakhstan). The field was discovered in 1984 and intensive development began in 1996. LUKOIL Group and CNPC are jointly developing the northern part of the field (the license area covers almost 160 km²), while the southern part is being developed by CNPC alone. Proved reserves in the license area, as of December 31, 2009, were 138.6 mln barrels of oil.

A scheme for utilization of associated gas was selected and agreed with the supervisory authorities in Kazakhstan in 2007. In 2008 its implementation was continued, and elaboration of a more detailed development plan was begun. 66 wells were drilled in 2009 with penetration of the productive horizon using polymer agents with overlapping of the production liner pipe.

The share of LUKOIL Group in proved field reserves is 69 mln barrels of oil as of December 31, 2009.

There were 362 oil production wells at the field as of December 31, 2009.

Total production at the field in 2009 was 3.2 mln tons of oil (LUKOIL’s share was 1.6 mln tons) and 87 mcm of marketable gas (LUKOIL’s share was 42 mcm).

Oil is delivered to export via the CPC and is also supplied to the Shymkent refinery for subsequent sale of petroleum products in Kazakhstan and other CIS countries. Associated petroleum gas is used for energy generating.

Tengiz
- Acquisition of project stake: 1997
- Duration of agreement: to 2032
- Agreement type: contract; production (oil, gas)
- LUKOIL stake (also share in production): 5%
- Other project participants: Chevron (50%), ExxonMobil (25%), KazMunaiGaz (20%)

Density, API Sulfur content, % Barrels per ton
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<th>Density, API</th>
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<tr>
<td>48.1</td>
<td>0.95</td>
<td>7.98</td>
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The Tengiz field is located in Atyrau Region in the Republic of Kazakhstan, 150 km from the city of Atyrau. The field was discovered in 1979 and occupies an area of 600 km². The contract area also includes the Korolevskoye field and a number of other smaller fields. Field development was started in 1991. Proved reserves (as of December 31, 2009) were 4,344 mln barrels of oil and 5,332 bcf of gas.
LUKOIL’s share in proved reserves at the field (as of December 31, 2009) was 217 mln barrels of oil and gas condensate and 267 bcf of gas.

There were 98 oil production wells at the field at the end of December 2009.

Production at the field in 2009 was 22.5 mln tons of oil (of which the LUKOIL share was 642,000 tons) and 9.1 bcm of marketable gas (of which the LUKOIL share was 269 mcm).

Oil from Tengiz is supplied to export via the CPC. Gas is used to produce sulfur and is also exported by pipeline.

Karakuduk

- Duration of agreement: 30 years (to 2025)
- Type of agreement: contract; exploration & production (oil, gas)
- LUKOIL stake: 50%
- Other project participants: Caspian Investment Resources (100%)*

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<th>Density, API</th>
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<tr>
<td>40.6</td>
<td>0.03</td>
<td>7.65</td>
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The Karakuduk field is located in the coastal zone of the Caspian Sea, on the north-eastern part of the Buzachi peninsula. Proved reserves as of December 31, 2009 were 59.4 mln barrels of oil.

The Company’s share in proved reserves at the field as of December 31, 2009 was 30 mln barrels of oil. Production in 2009 was 1.42 mln tons of oil, of which LUKOIL share was 714,000 tons.

There were 155 oil production wells at the end of December 2009.

Work was begun on design and construction of a complex gas processing unit as part of the project for utilization of associated gas in 2007. A railway loading rack and terminal were commissioned, which will enable transportation of oil produced in the project to the port of Aktau without detriment to its quality.

A gas utilization program was implemented and a gas treatment unit was commissioned during 2008, work continued to drill over and develop the field.

A central oil preparation unit with 1.8 mln tons annual capacity was brought into operation during 2009, as well as 33 new production wells with average daily flow rates of 20.8 tons.

North Buzachi

- Signing of agreement: October 2005
- Duration of agreement: 25 years (to 2021)
- Type of agreement: contract; production (oil)
- LUKOIL stake (also share in production): 25%
- Other project participants: CNPC (50%), Caspian Investment Resources (100%)*

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<thead>
<tr>
<th>Density, API</th>
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<tr>
<td>22.3</td>
<td>2.00</td>
<td>6.84</td>
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The field is located in the coastal zone of the Caspian Sea, on the northern part of the Buzachi peninsula. Proved reserves as of December 31, 2009 were 154 mln barrels of oil.

The Company’s share in proved reserves at North Buzachi, as of December 31, 2009, was 39 mln barrels of oil.

There were 544 oil production wells at the end of December 2009. A total of 130 new wells were commissioned in 2009 with daily average flow rate of 10.6 tons. Work began on drilling of horizontal wells, technological scheme for gas utilization was designed and approved, and gas utilization program was implemented.

Production at the field in 2009 was 1.97 mln tons of oil, of which the LUKOIL stake was 479,000 tons.

Arman

- Signing of agreement: October 2005
- Duration of agreement: 30 years (to 2024)
- Type of agreement: JV; exploration and production (oil)
- LUKOIL stake (also share in production): 25%
- Other project participants: Shell (50%), Caspian Investment Resources (50%)*

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<th>Density, API</th>
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<th>Barrels per ton</th>
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<tr>
<td>33.0</td>
<td>0.53–2.40</td>
<td>7.31</td>
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</table>

The Arman field is located in the north-western part of the Buzachi peninsula, on the Caspian Sea coast, to the west of the Kalamkas oil and gas field. Proved reserves at Arman as of December 31, 2009 were 3.2 mln barrels of oil.

The share of the Company in proved reserves as of December 31, 2009, was 0.8 mln barrels of oil.

There were 16 oil production wells at the field as of December 31, 2009.

Production at the field in 2009 was 98,000 tons of oil and the share of LUKOIL Group was 24,500 tons.

Kazakhoil-Aktobe

- Signing of agreement: October 2005
- Duration of agreement: 25 years (to 2023)
- Type of agreement: PSA; production (oil)
- LUKOIL stake (also share in production): 25%
- Other project participants: KazMunaiGaz (50%), Caspian Investment Resources (50%)*

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<thead>
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<tr>
<td>37.7</td>
<td>0.55–1.90</td>
<td>7.52</td>
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Two fields, Alibekmola and Kozhasai, are being developed in this project. The Alibekmola field is located in the western part of Kazakhstan, 250–270 km south of the city of Aktobe. The Kozhasai field is located 80 km south-west of the Alibekmola field. The Consortium’s share in field proved reserves as of December 31, 2009 was 123.3 mln barrels of oil.

There were 79 oil production wells at the field as of December 31, 2009. A total of 8 new production wells were brought into operation in 2009. A geological and hydrodynamic models of the
Alibekmola field were created during 2009, and recommendations were prepared for further development of the field. A contractor was chosen for construction of gas utilization facilities as part of the program for gas utilization. The project is in the planning stage now and is to be completed by June 1, 2011.

Production at the fields in 2009 was 936,000 tons of oil, of which the LUKOIL Group share was 234,000 tons, which is 23.2% more than in 2008.

**Tyub-Karagan**
- Signing of agreement: January 2004
- Duration of the agreement: 40 years (to 2044)
- Type of agreement: PSA; exploration & production (oil, gas)
- Stake of LUKOIL Group: 50%
- Other project participants: KazMunaiGaz (50%)

The Tyub-Karagan territory covers 1,350 km² in Kazakhstan’s sector of the Caspian Shelf, located 40 km north-west of Bautino seaport. Depth of the sea at Tyub-Karagan is 5–15 meters. The agreement provides for a 5-year exploration period with the right to extend the period on 2 occasions by 2 years.

Seismic exploration and interpretation of data were completed in 2004. The first exploration well was drilled to a depth of 2,500 meters in 2005. The well log did not indicate oil-containing collectors. However, detailed data on geological structure of the territory were obtained. Electrical exploration was carried out and analysis of data obtained from a prospecting well was continued in 2006. Preparations began for drilling of a second exploration well. In 2007 geoelectric work and specification of parameters of promising structures were carried out. In 2008 a supplement to the PSA was signed for exploration work in 2009–2010. In 2009 2D seismic data were reprocessed and reinterpreted. As a result geological structure and structural-tectonic model of the territory were detailed, isochron map was built, a certificate for the South Tyub-Karagan structure was prepared and approved by the Company. Geological resources of the structure were 317.6 mln tons of reference fuel.

**Atashsky**
- Signing of agreement: January 2004
- Duration of the agreement: 3 years (to 2007), in 2006 was extended till the end of 2008
- Type of agreement: contract; exploration (oil)
- Stake of LUKOIL Group: 50%
- Other project participants: KazMunaiGaz (50%)

The Atashsky territory occupies 9,700 km² in Kazakhstan’s sector of the Caspian Sea Shelf. Atashsky is located 80–85 km from the port of Bautino at depth of 1–40 meters. Other promising structures may be discovered in the eastern part of the territory after further exploration work.

Seismic exploration at the field was completed in 2004. The data were processed and interpreted in 2005, and the Atash structure was prepared for drilling. Seismic work was continued and data were processed in 2006. Parameters of the Atash structure were specified and a decision on location of the first exploration well was taken in 2007, and preparations were begun for drilling of the well. The well which was drilled in 2008 failed to find commercial hydrocarbon reserves. In 2009 agreed seismic geoelectric models of territories under study were built. In vicinity of Atash and Tyub-Karagan license areas promising objects in Jurassic and Lower Cretaceous sediments were discovered.

**South Zhambai and South Zaburunye**
- Project entry: April 2007
- Duration of agreement: to 2011
- Type of agreement: PSA, exploration (oil)
- Stake of LUKOIL Group: 12.5%
- Other project participants: KazMunaiGaz (50%), Repsol (25%), and Mittal Investments (12.5%)

The blocks are located in the Kazakh sector of the Caspian Sea and occupy 2,090 km². The depth of the sea is 0–3 meters. Detailed 2D seismic work was carried out and 3 promising structures (Edil, Kosarna and Karabulak) were determined before LUKOIL entered the project. In 2007 processing and reinterpretation of geological and geophysical data were carried out in preparation for exploration drilling. In 2008 the North Edil structure was identified as the prime target for deep drilling and location of the first exploration well with planned depth of 1,850 meters was approved. In 2009 design work was carried out for construction of a first exploration well with planned depth of 1,850 meters. Positive conclusions were obtained from all necessary supervisory bodies.

**EGYPT**

**WEEM (West Esh El Mallaha)**
- Acquisition of stake in project: September 2001
- Duration of agreement: 25 years (to 2017)
- Type of agreement: concession; production (oil)
- Stake of LUKOIL Group: 100%
- Share of LUKOIL Group in production: varies depending on expenditure and oil prices
- Other project participants: EGPC

<table>
<thead>
<tr>
<th>Density, API</th>
<th>Sulfur content, %</th>
<th>Barrels per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>26.4</td>
<td>2.10</td>
<td>7.02</td>
</tr>
</tbody>
</table>
The WEEM block is located in the eastern part of the Eastern Desert, 8 km west of the city of Hurghada. The block covers 55 km² and includes 4 fields (Rabeh, Rabeh East, Tanan, and Tawoos).

Total proved reserves as of December 31, 2009 were 4.92 mln barrels of oil. The first field at the WEEM block was discovered in 1997, and production began in 1998. Study of the geological structures of the block is still continuing. The field agreement allows extension of the development period for 5 years, up to 2023.

Production in 2009 was 496,600 tons of oil, and the share of LUKOIL Group was 168,000 tons.

There were 32 oil production wells at the WEEM block as of December 31, 2009.

A 100-km export pipeline to the Ras el-Bikhar and Gebel Az-Zeit coastal terminals was completed in 2004. A system of reservoir pressure maintenance was made ready for launch in 2007. In 2008 2 appraisal wells were drilled. Both wells drilled into formations containing oil, increasing project reserves. Two more wells are to be drilled as part of the first phase of exploration work by 2011.

Meleiha

- Acquisition of stake in project: 1995
- Duration of agreement: to 2024
- Type of agreement: concession; production (oil)
- Stake of LUKOIL Group: 24%
- Share of LUKOIL Group in production: varies depending on expenditure and oil prices
- Other project participants: IEOC (56%), MITSUI (20%)

<table>
<thead>
<tr>
<th>Density, API</th>
<th>Sulfur content, %</th>
<th>Barrels per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>39.6</td>
<td>n/a</td>
<td>7.61</td>
</tr>
</tbody>
</table>

The Meleiha block is located in the Northern Province of Egypt’s Western Desert, and consists of four main fields (Aman, North-East Meleiha, West Meleiha, and South-East Meleiha). The fields were discovered in the 1970s and development began in 1978. The block covers an area of 700 km². Proved reserves as of December 31, 2009 were 20.7 mln barrels of oil.

The Company’s share in proved reserves at Meleiha was 5 mln barrels of oil as of December 31, 2009.

There were 151 oil production wells at the field at the end of December 2009. 18 new production wells were put into operation in 2009.

Production in 2009 was 919,000 tons, and the share of LUKOIL Group was 79,000 tons.

Oil is delivered to export via a 167-km pipeline to the Al-Khamra oil terminal.

AZERBAIJAN

Shakh-Deniz

- Acquisition of stake in project: 1996
- Duration of the agreement: 40 years (to 2036)

- Type of agreement: PSA; exploration & production (gas, gas condensate)
- Stake of LUKOIL Group: 10%
- Other project participants: Statoil (25.5%, operator); BP (25.5%, operator); Total (10%); NICO (10%); Azerbaijan State Oil Company (10%); TRAO (9%)

The Shakh Deniz gas condensate field is located 100 km south of the city of Baku on the Caspian Sea Shelf at depths up to 700 meters. The contract territory covers 860 km². Commercial reserves were discovered in March 2001. Commercial production was begun at the end of 2006. Consortium share in proved reserves as of December 31, 2009 was 157 mln barrels of gas condensate and 5,228 bcf of gas.

The Company’s share in proved reserves at the end of December 2009 was 15.7 mln barrels of gas condensate and 523 bcf of gas.

There were 4 gas production wells at the field at the end of December 2009.

Production in 2009 was 1.654 mln tons of gas condensate (share of the Group – 139,000 tons) and 6.1 bcm of marketable gas (the share of LUKOIL Group was 518 mcm).

UZBEKISTAN

Kandym – Khauzak – Shady and Kungrad

- Signing of the agreement: 2004
- Duration of the agreement: 35 years (to 2040)
EXPLORATION AND PRODUCTION

Type of agreement: PSA; exploration & production (gas)

Share of LUKOIL Group in profit: 90% (operator)

Other project participants: Uzbekneftegaz (10%)

The agreement is for development of the Khauzak and Shady sections of the Dengizkul'skoye field and the Kandym group of fields (Kandym, Kuvachi-Alat, Akkum, Parsankul, Khodzhi, and West Khodzhi), as well as exploration work at the Kungrad block. The contract territory at Khauzak, Shady and Kandym group is 431 km² and the contract territory of the Kungrad block is 3,700 km². Share of the Consortium in proved reserves as of December 31, 2009 was 6.4 mln barrels of gas condensate and 3,169 bcf of gas.

The Company’s share in proved reserves at the end of December 2009 was 6.3 mln barrels of gas condensate and 3,119 bcf of gas.

LUKOIL began seismic exploration at the territories and completed an ecological audit in 2005. At the Kungrad block two wells (Shege-1 and Shege-2) were acquired, demothballed, and tested. Shege-1 was found to be productive: it gave commercial flows of gas at a daily rate of 12.3 mcf.

Production drilling and construction of an initial gas treatment facility advanced rapidly at the Khauzak area, and there was also rapid progress with construction of gas collection points, etc. in 2006.

Production of gas and condensate began in 2007 at the Khauzak area. 10 slant wells were put into operation during the year, a gas treatment unit was commissioned, gas processing capacities at the Mubarek Gas-processing Plant were prepared for use and measures were taken to enable transportation of the gas through the Central Asia – Center trunk pipeline network. In 2009 production drilling totalled 19,000 meters, 5 new wells were commissioned.

There were 27 gas production wells at the field at the end of December 2009.

Group share in production in 2009 was 12,000 tons of gas condensate and 2,227 bcm of marketable gas.

Peak annual gas production under the project is expected to be about 11 bcm. The Kandym group development project includes construction of a gas chemical complex with annual capacity of 8 bcm (the first part of the complex should be commissioned in 2010).

South-West Gissar/Central Ustyurt region

- Signing of agreement: January 2007
- Acquisition of stake in project: 2008
- Duration of agreement: 36 years
- Type of agreement: PSA, exploration & production (oil and gas)
- Stake of LUKOIL Group: 100%
- Other project participants: Uzbekneftegaz

The PSA provides for geological exploration and development of hydrocarbon fields in the Uzbek sector of the Aral Sea.

Studies of the contract territory have been limited to date and the outlook for new discoveries is good. The three-year geological exploration program includes 2D seismic work (2,300 km) and drilling of two exploration wells.

An environmental audit at the contract territory was completed in 2007 and 329 km of 2D seismic exploration work was carried out. In 2009 2D seismic work was completed and amounted to 2,941 km since 2007 (seismic work in 2009 was 606 km). Four structures were prepared for drilling: the Western Aral, Umid, Ak-Tepe (Northern Umid) and Shagala. The most promising are structures are the Western Aral and Shagala. In the eastern part of the territory 5 promising structural objects were determined at the Tsentralno-Aralsky and Kenderlinsky inclines.

SAUDI ARABIA

Block A

- Signing of agreement: March 2004
- Duration of agreement: 40 years
- **Type of agreement**: agreement, exploration & production (gas and condensate)
- **Stake of LUKOIL Group**: 80% (operator)
- **Other project participants**: Saudi Aramco (20%)

**Block A** is located in the northern part of the Rub Al-Khali Desert, alongside the Ghawar field, which is the largest in the world. The block covers 30,000 km², and the geological exploration period is 5 years. 2D and 3D seismic surveys will be carried out during the period, and at least 9 exploratory wells will be drilled.

In 2004 a tender for seismic exploration work was carried out, work began on interpretation of available geological and geophysical data and new 2D and 3D seismic studies were commenced. Interpretation of data from 2D and 3D-Sparse studies began in 2005. Drilling of the first exploration well at the Tukhman structure with depth of 4,800 meters was successfully completed in 2006 and a hydrocarbon accumulation was discovered. Well testing was carried out at the Muleiha structure and drilling of wells began at the Mushaib, Kharif and Fadil structures in 2007. Two prospecting wells were drilled in the project in 2009, Abu-Nasr-1 and Faidakh-2, and drilling of an appraisal well, Tukhman-4, was begun. Open-hole testing of Faidakh-2 gave a steady flow of gas. Geological exploration work in 2009 at the Mushaib field gave an increase of oil reserves by 10.3 mln tons of reference fuel (this project is not included in reserve appraisal to SEC standards).

**IRAQ**

West Qurnah-2
- **Signing of agreement**: 2010
- **Duration of agreement**: 20 years
- **Type of agreement**: PSA, production (oil and gas)
- **Stake of LUKOIL Group**: 56.25%
- **Other project participants**: South Oil Company (25%), Statoil (18.75%)

The West Qurnah field is one of the largest in the world, which are not currently being developed, and is located in southern Iraq, north-west of the city of Basra. Recoverable reserves at the field are estimated at 13 bln barrels. More than 90% of reserves are concentrated in Michrif and Yamamah reservoirs.

The Company initially obtained a 68.5% share in the project through a production sharing agreement, which was signed in 1997. However, commercial development of the field was not possible at that time due to sanctions, which the UN had imposed on Iraq. In 2009 LUKOIL and Statoil presented the best tender offerings and won field development rights at West Qurna-2. The agreement calls for drilling to begin at the field in 2011. Within three years from the date of approval of the Initial Development Plan the Consortium will carry out a specified minimum geological exploration program, consisting of 450 km² of 3D seismic, and drilling of 2 appraisal wells to the Najmah formation and of one exploration well to the Khuff formation.

Production is to begin at the end of 2012 at a minimum daily rate of 120,000 barrels. Target production level of 1.8 million barrels per day is to be achieved in 2017. The field is to be developed using over 500 wells, of which 120 will be injection wells.

**COLOMBIA**

**Condor**
- **Signing of agreement**: June 2002
- **Duration of agreement**: 28 years (to 2030)
- **Type of agreement**: association; exploration & production (oil and gas)
- **Stake of LUKOIL Group**: 70%
- **Other project participants**: Ecopetrol (30%)

The Condor block is located in the Llanos oil & gas basin and covers an area of more than 3,000 km². Conditions of the agreement give a maximum 6 years for exploration and 22 years for development (30 years for gas sectors).

Drilling of an appraisal well was completed in 2006, which resulted in the discovery of Medina field of high-quality oil. Test operations were carried out at the field and 1,400 tons of oil were produced in 2007. Preparations were made for commercial production at the field. Location of well at the Lengupa structure was decided and preparatory work was carried out for construction of the well. Results of seismic exploration at the Las Palomas and Faraiones structures were reinterpreted and reprocessed. The first stage of preparatory work for drilling of the Amarilo-1 well began at the end of 2009, as well as work on an environmental impact assessment and application for an environmental license.
VENEZUELA

Junin-3

- Signing of agreement: October 2005
- Duration of agreement: 5 years (to 2010)
- Type of agreement: reserve assessment agreement, analysis of possible business approaches for development
- Stake of LUKOIL Group: each party bears its own costs
- Other project participants: PDVSA

The Junin-3 block is located in Anzoategui state (the Orinoco oil basin) and covers an area of 640 km². 7 stratigraphic wells were drilled in 2007 as part of the second stage of appraisal of high-viscosity oil reserves and 2D seismic work was carried out. A total of 10 stratigraphic wells will be drilled at the block. This should enable specification of the geological model of Junin-3, based on new seismic and drilling data, and will allow comparison of these data with those obtained at neighbouring blocks. A two-year agreement was signed in 2008 for joint study and analysis of possible business approaches for development of the license block.

COTE D’IVOIRE AND GHANA

CI-205

- Signing of agreement: July 2001
- Acquisition of a stake: July 2006
- Duration of agreement: 35 years (to 2036)

CI-101, CI-401 and Cape Three Points Deep Water

- Signing of agreement: September 2005 (blocks CI-101 and CI-401); August 2002 (block Cape Three Points Deep Water)
- Acquisition of stake in project: April 2007
- Duration of agreement: 5.5 years (blocks CI-101 and CI-401); 7 years (block Cape Three Points Deep Water)
- Type of agreement: PSA, exploration (oil)
- Stake of LUKOIL Group: 56.66%
- Other project participants: Vanco Energy (28.34%), PETROCI Holding (blocks CI-101 and CI-401; 15%), Ghana National Petroleum Company (block Cape Three Points Deep Water; 15%)

Blocks CI-101 and CI-401 are located on the continental shelf of the Republic of Cote d’Ivoire, and the Cape Three Points Deep Water block is located on the continental shelf of the Republic of Ghana. All three blocks are in the deep-water zone of the Gulf of Guinea, 50–100 km from the coast, and are geologically part of the Tano Basin. They occupy about 15,000 km² and depth of the sea is 200–3,000 meters. A total of 1,100 km² of 3D seismic work was carried out at blocks CI-101 and CI-401 in 2007. The collected seismic data were processed in 2008. Extension of the Cape Three Points Deep Water project exploration period was obtained in 2008 up to 2012 with possibility of 2 further extensions of 1 year each. In 2009 an inversion was carried out on the Basam structure.
REFINING (INCLUDING PETROCHEMICALS) AND MARKETING

Main R&M regions of LUKOIL Group

Strategy
- Maximizing refinery throughputs
- Production of high-quality, environmentally friendly petroleum products with high value added
- Use of the latest technologies
- Control over production costs
- Optimizing logistics: reduction of transportation expenses
- Increasing efficiency of trading operations
- Increase of retail sales of petroleum products and of related goods and services

MAIN INDICATORS FOR 2009:

<table>
<thead>
<tr>
<th>Refineries</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refinery throughputs, mln tons</td>
<td>62.70*</td>
</tr>
<tr>
<td>Capacity utilization, %</td>
<td>93.7</td>
</tr>
<tr>
<td>Gas-processing plants</td>
<td>4</td>
</tr>
<tr>
<td>Gas processing, mcm</td>
<td>2,962</td>
</tr>
<tr>
<td>Petrochemical plants</td>
<td>4**</td>
</tr>
<tr>
<td>Petrochemical production, mln tons</td>
<td>0.90</td>
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<tr>
<td>Filling stations</td>
<td>6,620</td>
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<tr>
<td>Oil exports, mln tons</td>
<td>42.0</td>
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<tr>
<td>Petroleum product exports, mln tons</td>
<td>27.8</td>
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<tr>
<td>Oil sales, mln tons</td>
<td>49.97</td>
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<tr>
<td>Wholesale petroleum product sales, mln tons</td>
<td>86.88</td>
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<tr>
<td>Retail petroleum product sales, mln tons</td>
<td>14.08</td>
</tr>
<tr>
<td>R&amp;M net profit, $ mln</td>
<td>2,194</td>
</tr>
<tr>
<td>R&amp;M capex, $ mln</td>
<td>1,504</td>
</tr>
<tr>
<td>Employees in the segment, people</td>
<td>82,700</td>
</tr>
</tbody>
</table>

* Including ISAB Complex and TRN Refinery.
** Including Burgas Refinery.

Refining & marketing is LUKOIL’s second major business segment. By developing this segment the Company lowers its exposure to high price volatility on the crude oil market and enhances its competitive position in main business regions by production and sale of high-quality petroleum products with high value-added. Thus by developing its refining and marketing business LUKOIL supports multi-billion dollar investment in field exploration and development, helping to guarantee steady growth of income to shareholders. Development of refining & marketing is an integral part of the Company’s strategy for a long-term balance between the exploration & production and refining & marketing segments. (At present LUKOIL refineries can process about 70% of the Company’s crude production). LUKOIL currently produces a wide range of high-quality petroleum and gas products and petrochemicals, selling them via wholesale and retail in over 30 countries.