

PRESS RELEASE
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LUKOIL REPORTS ON GEOLOGICAL EXPLORATION IN NORTHERN
CASPIAN

An official delegation from LUKOIL attended the 11th International Caspian Oil and Gas Exhibition and Conference in Baku scheduled for June 1-4, 2004. At the opening ceremony, President Ilkham Aliyev of Azerbaijan visited LUKOIL's exhibition booth.

Addressing the conference, Anatoly Novikov, the Company's vice-president in charge of geological exploration and field development, reported on the oil and gas content in the Northern Caspian. The Company obtained crucially new data on the geological structure of the North-Caspian shelf as a result of a fundamental geological and geophysical survey launched in 1995, Novikov said.

Ten structures and almost twenty relatively large non-anticline deposits are prepared for development in the region. The majority of the prospected sites are located at the sea-depth of up to 50 meters, though the largest of the structures, namely Central and Yalama-Samur, are 300-500 meters deep underwater.

Exploratory drilling has been performed at five structures: Khvalynskaya, '170-km', Shirot'naya, Sarmatskaya and Rakushechnaya. As of today, eight wells have been drilled and five large multilayer oil/gas, gas and gas condensate fields have been discovered.

A commercial flow of hydrocarbons has been reported at all of the fields. The largest gas yield (over one million cubic meters of gas daily) was obtained at Khvalynskoye and Sarmatskoye fields. The largest oil yield of 377 cubic meters daily came from the '170-km' field and the field named after Yu. Korchagin.

Central and Yalama-Samur structures are prepared for deep drilling. The drilling of the first well at Yalama-Samur structure within D-222 Block belonging to the Azerbaijani part of the shelf is planned for 2004.

According to the latest estimates, the aggregate recoverable hydrocarbon reserves at the "Northern" license block total 812 million tons of oil equivalent, including 100.3 million tons of oil, 677 billion cubic meters of gas and 34 million tons of condensate. Recoverable reserves at Central and Yalama-Samur fields are estimated at 1.1 billion tons of oil equivalent. According to the Company's estimates, the

overall recoverable reserves of the Russian sector of the Caspian amount to 4.5 billion tons of oil equivalent.

The obtained data is evidence that Northern Caspian may become an essential oil and gas production area in future. Hydrocarbon production in this region will commence in 2008 and in the course of the next 15-20 years will amount to approximately 10 billion cubic meters of gas and 4 million tons of oil annually. Further intensive geological prospecting will raise annual production of feedstock in the region up to 50 million tons of oil equivalent by 2016-2018.

Hence, the development of the Caspian fields will help Russia to make up for the production decline in the regions where it traditionally produces hydrocarbons, i.e. the Urals, the Volga region and Western Siberia.