PRESS RELEASE
AUGUST 21, 2000

FIRST TIMAN-PECHORA'S OIL COMES FROM VARANDEY TERMINAL

August 21, 2000. - LUKOIL's ice-breaking tanker has been loaded today at Varandey, a village situated on Pechora Sea shore line in Nenets Autonomous Okrug. The vessel carrying 10.000 tons of crude will for the first time follow the way, defined by the new marine transportation route for exports of crude from Timan-Pechora oil-and-gas - beating province.

The marine transportation system, created within a less than a year, includes on-shore tank farm, off-shore loading terminal with annual capacity of over 1 million tons (with phased transfer to greater depths), under-water pipeline, ice-going tankers, ice breakers, logistics vessels, oil spill gathering facilities. LUKOIL has already invested up to $300 bln in this transportation system.

Oil will be brought through surface pipeline from the province oilfield to the on-shore tank farm with further unloading through the united loading terminal and evacuated by Company's ice-going tankers fleet (8 tankers at present) to the Russian home market and to West European ports.

At the first stage with annual production capacity not exceeding 6 million tons the use of "Astrakhan" class ice-going tankers, build on the Admiralty shipyards in St. Petersburg, with deadweight of 20,000 is proposed. With further increase of production capacity the terminal will be transferred to greater depth, for bigger deadweight tankers service.

The system was constructed to the most strict environmental safety standards. The transportation complex has several security levels to prevent oil spills into the open sea, and got a positive reaction of State Ecology Committee of the Russian Federation.

"We are proud, that LUKOIL for the first time in the history of the world oil production started to resolve the problem of year-round export of crude oil from Timan-Pechora oilfields", - said Vagit Alekperov, President of LUKOIL. "The commissioning of the new system - sort of a key to the oil deposits of the region - will in prospect turn it into the biggest oil province in Russia".

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