PRESS RELEASE
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AGREEMENT ON THE CASPIAN OFFSHORE PROSPECTSIN THE KAZAKH SECTOR HAS BEEN SIGNED

"Agreement on Principles of Cooperation for Oil and Gas Exploration and Production in the Kazakh Sector of the Caspian Sea" (the "Agreement") has been signed today in Astana – Kazakhstan's capital - between "National Company "KazMunaiGaz" (KazMunaiGaz), represented by the First vice-president Timur Kulibayev, and OAO "LUKOIL" ("LUKOIL"), represented by Andrey Kuzyaev, the President of "LUKOIL Overseas Holding Ltd." ("LUKOIL Overseas") on behalf of LUKOIL.

The Agreement has been drafted on the basis of the "Memorandum of understanding on the cooperation for hydrocarbons exploration and production in Kazakh and Russian sectors of Caspian Sea", signed by KazMunaiGaz and LUKOIL in Almaty on February 10, 2003.

Prospective sectors of territorial shelf of both countries became the basis for cooperation between the parties. KazMunaiGaz and LUKOIL exchanged available geological data and performed their own preliminary assessment of the prospects.

After the signing of today's Agreement, parties will conduct a feasibility study of "Tyub-Karagan" and "Kazakhstan" sectors, primarily in terms of joint geological and technical assessment of data available up to date, as well as assessment of the man-caused impact upon the environment and feasibility study of the projects. Based on the results of the work conducted, and in accordance with the legislation of the Republic of Kazakhstan, a Joint Venture with the status of a national exploration and operation project will be set up.

After that a work program will be developed to provide for 2D seismic survey covering the contract territory of the prospect sectors and drilling of two exploration wells. The estimated total costs of the exploration period will amount to around USD 90 million. The parties have agreed that the exploration stage of works will be financed by LUKOIL Overseas.

In addition, LUKOIL will provide relevant technologies and know-how, including commercial licenses pertaining to geological workstations, modeling packages, economic assessment, etc.

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