PRESS RELEASE
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# LUKOIL ENTERS KAZAKHSTAN OFFSHORE PROJECTS

Today in Astana (the capital of the Republic of Kazakhstan) Vagit Alekperov, President of OAO LUKOIL, Uzakbai Karabalin, President of National Oil & Gas Company KazMunaiGaz, and Bakhytzhan Khasanov, General Director of KazMunaiTeniz have signed an agreement under which LUKOIL acquires a 50% share in the PSA for the Tyub-Karagan offshore. Also, the agreement to conduct a geological survey on the Atashsky sector on parity basis has been signed.

Both agreements were signed as part of President Putin's state visit to Kazakhstan.

The projects will be implemented by OAO LUKOIL and KazMunaiGaz subsidiaries, namely – LUKOIL Overseas and KazMunaiTeniz.

According to preliminary estimates, the Tyub-Karagan recoverable resources amount to more than 100 million tons of oil equivalent. The probability of hydrocarbon discovery at this contract area is estimated as high by the participants.

Both areas are located in the central part of the Kazakhstan sector of the Caspian Sea. The Tyub-Karagan area covers 1168 km2 and it is situated 40 km to the northwest from the port of Bautino. The Atashsky area covers about 8400 km2. The Mesozoic structures, namely Atashskaya, Kazakhstan and Maral, have been delineated within the area. The Atashskaya structure is situated 80-85 km from the port of Bautino, and the Maral structure is 35 km from the city of Fort-Shevchenko. Once additional exploration is performed, it is possible to detect other prospects in the eastern part of the Atashsky area.

The work on these projects will start in 2004. Implementation of the projects consists of two stages. The first stage includes seismic survey and drilling of exploration wells. The second stage calls for construction and development of the fields.

In case of commercial hydrocarbon discovery expenses related to the project implementation may exceed US$3 billion.

The PSA agreement for the Tyub-Karagan project is valid for 40 years.

In accordance with the documents signed, during the procurement of materials,

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commodities and services and engagement of personnel for the project implementation, priority will be given to Kazakhstan and Russian suppliers and contractors. The parties have also committed to comply with the stringent international HSE standards. The contractors plan to spend US$340,000 annually for the professional training of Kazakhstan workforce within the first 4 years and $500,000-540,000 annually starting from the fifth year of the projects implementation.

Commenting on the documents signed, Vagit Alekperov, President of OAO LUKOIL, stated: “Implementation of these projects is the next vital phase for LUKOIL work strategy in Kazakhstan which is a priority region of the Company’s international activity”. In this connection, Uzakbai Karabalin, President of KazMunaiGaz, noted that LUKOIL is a reliable and long-term partner for oil and gas projects in the Republic of Kazakhstan”.