PRESS RELEASE
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LUKOIL STARTS DEVELOPMENT DRILLING AT KRAVTSOVSKOYE (D-6) FIELD IN THE BALTIC SEA

LUKOIL started development drilling at the Kravtsovskoye (D-6) field located in the Baltic offshore today. The inauguration ceremony was attended by Iliya Klebanov, RF President's official representative in the North-Western District, Vladimir Egorov, Governor of Kaliningrad region, and Vagit Alekperov, President of LUKOIL.

The drilling is performed from an offshore ice-resistant stationary platform manufactured at OOO Kaliningradmorneft steelworks. This is the first production platform in the Russian offshore which was designed and manufactured domestically.

The crane-barge "Stanislav Yudin" was employed to install the jacket and assemble the modules of the platform topside.

The platform construction is part of the Federal development program of Kaliningrad region up to 2010, approved by the RF Government resolution of December 7, 2001. Total investments in the field development will amount to 7.7 billion rubles.

The Kravtsovskoye oil field was discovered in 1983 at a distance of 22.5 kilometers from the coast of Kaliningrad region. The depth of the sea is 25-35 meters.

OOO LUKOIL-Kaliningradmorneft conducted a geological survey which confirmed that oil reserves of the C1+C2 categories at the Kravtsovskoye field amounts to 21.5 million tons whereas recoverable reserves reach 9.1 million tons.

All industrial and regular wastes from the platform will be transported to the shore for further utilization (zero discharge principle). Environmental costs amounted to 174.3 million rubles.

Twenty seven wells are planned to be drilled at the field. The average depth of production wells will be 2,160 meters.

Early oil is expected in the summer of 2004 and 70,000 tons of crude are planned to be produced before the end of the year. By 2007 crude production will reach

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600,000 tons and remain flat for 7 years. The field life is expected to last 30 -35 years.

A 47-kilometer long underwater pipeline will connect the field to the Romanovo oil-gathering unit on the mainland to convey mixture of oil and associated gas from the reservoir.

Crude from the field will be exported via the Izhevsky oil terminal. The terminal's tank storage facility will have an aggregate capacity of 120,000 cubic meters. The volume of transshipped crude in 2003 reached 3.3 million tons. After the Kravtsovskoye field is operational it is planned to increase the terminal's capacity up to 4 million tons. In future the terminal may boost its annual capacity up to 6 million tons.

"We are proud of the company's achievement and we believe the success of this project will strengthen Russia's position in the Baltic region. LUKOIL has demonstrated yet again that state-of-the-art technologies enable Russian oilmen to achieve impressive results. The launch of production at the Kravtsovskoye field will nearly double the output of crude in Kaliningrad region, enhance its oil exports and improve its foreign trade balance", Vagit Alekperov, President of OAO LUKOIL, commented.