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

OOO LUKOIL-Kaliningradmorneft, a 100% subsidiary of OAO LUKOIL, started commercial production at Kravtsovskoye (D-6) field in the Baltic offshore today.

Kravtsovskoye oilfield was discovered in 1983. It is located in the Baltic Sea waters, 22.5 kilometers from the coastline of Kaliningrad region. The sea depth at the oilfield averages 25-35 meters.

OOO LUKOIL-Kaliningradmorneft conducted a geological survey which confirmed that oil reserves of the C1+C2 categories at Kravtsovskoye field amounts to 21.5 million tons whereas recoverable reserves reach 9.1 million tons. Investments in the field construction totaled 7.7 billion rubles.

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 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.

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.

As of today, one producing well has been drilled. Drilling works are under way at the second well. Twenty seven wells are planned to be drilled at the field. The average depth of production wells will be 2,160 meters.

It is expected that 70,000 tons of crude will be produced before the end of the year. By 2007 crude production will reach 600,000 tons.

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

The pipeline has two types of protection – active (it is protected by anodes

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provided by Norwegian “JOTUN”) and passive (a three-layer outer coating). Part of the pipeline lies in an underwater trench and is protected from waves by special constructions. The safety of the pipeline’s “technological chain” is ensured by a reliable control system. The junction of the offshore and onshore parts of the pipeline is equipped with a stop-valve gate for immediate pipeline blocking.

The Romanovo oil-gathering point consists of 21 technological reservoirs. It is designed to prepare commercial oil from the well output. At Romanovo, oil undergoes separation, dehydration and desaltation. Treated gas is utilized by the oil-gathering point while strata water is taken to a purification unit and then pumped into two absorbing wells. Treated oil is pumped to the Izhevsky oil terminal via an underground pipeline.

The coastal underground pipeline consists of two parts. The first part (6.15 kilometers long) is an oil pipeline from the stop-valve gate to the oil-gathering unit at Romanovo. The second part (31.6 kilometers long) connects the underground pipeline from the oil-gathering unit and the Izhevsky oil terminal. The underground pipeline is equipped with an electrochemical corrosion protection system.

Crude from the field will be exported via Izhevsky oil terminal. The terminal’s tank storage facility will have an aggregate capacity of 120,000 cubic meters. The depth of the terminal’s aquatorium allows to receive tankers with a deadweight of up to 20,000 tons.

The volume of transshipped crude in 2003 reached 3.3 million tons. After Kravtsovskoye field becomes 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 of oil and oil products.

“’First oil’ extracted today from the Baltic Sea depths is a result of a magnificent work of Russian oilmen and opens new horizons for Kaliningrad region. Development of Kravtsovskoye field will enable to practically double oil production in the region short-term and will significantly strengthen Russia’s position in the Baltic region. State-of-the-art and environment-friendly technologies used for the project implementation prove competitive edge of our company,” said Vagit Alekperov, President of OAO LUKOIL.