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PSA FOR THE KANDYM-KHAUZAK-SHADY GAS PROJECT ENTERS INTO FORCE

Uzbekistan President Islam Karimov met with LUKOIL President Vagit Alekperov today in Tashkent, the capital of Uzbekistan.

LUKOIL President's current visit was dedicated to entering into force of the Production Sharing Agreement (PSA) for the Kandym group of fields, Khauzak, Shady and Kungradskiy license areas

On the same day Rustam Azimov, Minister for Economic Affairs of the Republic of Uzbekistan and Abdusalom Azizov, President of the National Holding Company Uzbekneftegaz and Vagit Alekperov, President of OAO LUKOIL signed a protocol on the PSA entering into force.

The PSA was signed on June 16, 2004 in Tashkent. The project will be implemented by the investment consortium, which includes LUKOIL Overseas, LUKOIL's operator of international upstream projects (90%) and Uzbekneftegaz (10%). The consortium share in the production sharing is 50%. The PSA provides for an opportunity to increase the share of the Republic of Uzbekistan up to 80% subject to an increase of the project profitability for LUKOIL Overseas.

The PSA is signed for 35 years. Recoverable reserves of natural gas in the contract territory total 283 billion cubic meters. The estimated capital expenditure for the project is about USD 1 billion. The start of commercial production is planned for 2007. Annual gas production is expected to peak at approximately 9 billion cubic meters, while cumulative production under the project may reach 207 billion cubic meters.

LUKOIL Uzbekistan Operating Ltd. has been established by LUKOIL Overseas to ensure the project management.

In the future LUKOIL will also create a marketing company for joint distribution of the products (including the share of the Uzbekistan party).

The second meeting of the Project Steering Committee was also held today, where a number of documents were approved, including the terms of reference for drafting the reservoir management plan for the Khauzak and Shady areas, work program

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and budget for 2005 and some other documents.

Besides, Vagit Alekperov donated a set of high-technology medical equipment to the hospital of the city of Gazli, the center of oil and gas province.