PRESS RELEASE
OCTOBER 25, 2005

LUKOIL IS READY TO MAKE AN OFFER TO SETTLE THE DISPUTE ITS PREEMPTION RIGHT TO ACQIRE A SHARE IN TURGAI PETROLEUM

October 18, 2005 the Alberta Province Court (Canada) postponed a transaction approval of PetroKazakhstan (PKZ) assets acquisition by CNPC until October 26, 2005 in accordance with LUKOIL claim concerning its preemption right recognition to purchase a share in Turgai Petroleum – a joint venture of LUKOIL and PKZ. The parties were supposed to negotiate on this matter.

From that moment, LUKOIL has made a few attempts to conduct negotiations with CNPC in order to settle down the issue. Particularly, during the negotiating process LUKOIL made an offer to CNPC to acquire 50% of Turgai Petroleum at a fair value that corresponds to CNPC estimation of PKZ. Until the present moment, these negotiations turned out to be unsuccessful.

According to this LUKOIL advised PKZ that if on 25 October 2005 the court of Alberta will come to a decision not to approve the transaction between CNPC and PKZ, then LUKOIL is ready to make an offer to buy 100% of PKZ at the same price and on the same conditions as were in the offer made by CNPC.

LUKOIL assumes that its offer would have come up with the interests of PKZ shareholders as it provides the transaction with the equivalent price and with shorter terms and more certainty than the one of CNPC did. Furthermore, it would have protected the PKZ shareholders from the damage caused by the acquisition deadlines delay.

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