PRESS RELEASE
APRIL 13, 2007

LUKOIL IMPLEMENTS ENERGY SAVING PROGRAM

Today in Moscow Ravil Maganov, First Executive Vice-President of OAO LUKOIL, spoke at the Russia-Germany Energy Forum.

The speech was focused on energy efficiency in the oil industry. It accounts for the need to maintain high production growth rates given scarce energy capacities and increased tariffs for electric power. The first step to reduce production energy intensity is to create an effective system of accounting and valuating energy resources consumption.

The energy saving program of the LUKOIL Group for 2006-2010 developed based on energy audit of producing subsidiaries envisages saving 1.6 bln kilowatt/hours of electric power (which corresponds to daily consumption in Germany, for instance). Estimates suggests that the economic results of Program implementation will amount to 1.7 bln RUR (65 mln USD).

Speaking of energy efficiency in the oil production industry, Ravil Maganov dwelled on the problem of associated gas utilization. A program on associated gas utilization for 2007-2016 is being developed in the LUKOIL Group. Under the Program, the level of associated gas utilization by the Company's enterprises will rise from 75% to 95% within 10 years. After implementation of new projects it will amount to 100%. Incremental ultimate gas recovery will amount to over 5.6 bln cubic meters per year.

Besides, the Company plans to launch construction of gas piston and gas turbine power plants with the total capacity of over 400 megawatt in remote and energy deficient regions. The largest projects will be implemented in Tevlinsko-Russinskoye and Vatieganskoye oil fields in Khanty-Mansi Autonomous District, as well as in Yuzhnoye Khylchuyu oil field in Nenets Autonomous District. The first gas turbine power plant with the capacity of 72 megawatt will be commissioned in December, 2007 in Vatieganskoye oil field. It will be the largest facility of its kind in Khanty-Mansi Autonomous District. Yearly, the power plant will consume 120 mln cubic meters of gas. It will help release the production capacities of the Lokosovsk plant for gas processing from newly developed oil fields. The plan is also to construct own generating objects with the capacity of up to 70 megawatt in OOO LUKOIL-Permnefteorgsintez.

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‘LUKOIL will also use the technology of gas-water impact on formation for production enhancement in the oil fields with difficult-to-recover reserves. Today pilot projects aimed at implementing this method are underway in Western Siberia. In the future, we intend to apply the technology in other regions of operation’, said Ravil Maganov, First Executive Vice-President of OAO LUKOIL, speaking at the Russia-Germany Energy Forum in Moscow.