

PRESS RELEASE OCTOBER 31, 2016

LUKOIL STARTS COMMERCIAL PRODUCTION AT VLADIMIR FILANOVSKY FIELD

Commercial production at the Vladimir Filanovsky field in the Caspian Sea was launched today by the President of the Russian Federation Vladimir Putin.

The V. Filanovsky field, discovered by LUKOIL in 2005, is Russia's largest oil discovery for the past twenty-five years and the second field commissioned by the Company in the Russian offshore sector of the Caspian Sea. The field's C1+C2 recoverable reserves under the Russian classification are estimated at 129 million tonnes of crude oil and 30 billion cubic meters of gas. The annual oil production at the plateau is estimated at 6 million tonnes.

Two (2) horizontal production wells have been drilled to date, yielding a total daily flow rate of over 6 thousand tonnes (45 thousand barrels) of oil. Construction of a third well is underway. The sweet light crude oil lifted from the wells is transported via a subsea pipeline to the onshore storage facilities and subsequently fed into the Caspian Pipeline Consortium system for further exports. The high quality of crude oil ensures a price premium to the Urals blend. The associated petroleum gas is transported to the gas processing unit at our Stavrolen plant for further conversion into petrochemical products and supply to our power generating capacities, as well as Gazprom's Unified Gas Supply System.

The following facilities have been built within the first stage of the field development: the ISP-1 (ice-resistant stationary platform-1), the LQP-1 (living quarters platform-1), the CTP (central treatment platform), the Riser Unit, the onshore storages, and the subsea and onshore oil and gas pipeline system with a total length of over 650 km. Domestic shipyards of the Astrakhan Region have been involved in the construction of the facilities. LUKOIL has invested approximately 150 billion rubles to date into the construction of the facilities, the development of the field, the transportation infrastructure, the processing of gas, petrochemicals and power generation.

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In order to fully involve field's reserves into production and achieve maximum duration of the plateau, the second stage of the field development is underway including construction of the ISP-2 (Ice-Resistant Stationary Platform-2) and the LQP-2 (Living Quarters Platform-2).

The V. Filanovsky field infrastructure is the core element of the Caspian Sea hydrocarbon resource development, enabling substantial synergies for our new and already producing fields. This infrastructure is already used for transportation of hydrocarbons produced at the Yuri Korchagin field, commissioned in 2010, which results in lower transportation costs and extra margin from gas sales and supply to our power generating facilities and our petrochemical plant.

During the execution of our Caspian projects, we have established an advanced HSE complex which priority is to protect the aquatic bio-resources and the unique Caspian ecosystem in general.

Справка:

The Vladimir Filanovsky field is located in the northern Caspian Sea, 220 km away from the city of Astrakhan. Water depth in the field's area ranges from 7 to 11 meters.

In its offshore operations, LUKOIL relies on high-tech equipment, ensuring a high level of process safety and environmental protection. In particular, the Company adheres to the "zero discharge" principle, and performs regular environmental monitoring including satellite monitoring of water, subsoil monitoring, pollution monitoring of the environment and wildlife resources.