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## LUKOIL LAUNCHES A JACK-UP RIG

A ceremony of setting afloat the upgraded Astra (formerly Marava) jack-up rig took place today in Astrakhan.

The Astra jack-up rig is designated for developing the Northern Caspian offshore area. The rig rests on three legs 66m high. It can be used for drilling in sea depths up to 45m and well depth up to 5,000m.

This rig was acquired by LUKOIL-Reserve-Invest in accordance with the terms of the investment tender held in June 1997 to sell 5% of LUKOIL shares pledged as collateral.

After being upgraded at the Krasnye Barrikady plant in Astrakhan, the Astra rig will start drilling the first exploratory well at the Khvalynskoye field which is part of the Severny license area. In December 1997, LUKOIL won a tender and acquired the right to develop the subsoil of an 8,000 km2 area with estimated reserves of 300ml tons of hydrocarbons. According to LUKOIL estimates, the total return from the development of the field for Russia will amount to \$25 bln.

LUKOIL conducted a large-scale geological and environmental survey at the Severny license area and spent \$70ml. The Company signed contracts worth \$120ml with subcontractors who will participate in the project.

4 prospecting holes are expected to be drilled at the Severny block. Development wells will be drilled during the 4th year of the project implementation, production will be started during the 5th year. It is expected that the maximum level of the annual production of 15ml tons will be achieved during the 8th year of the project. 200 development wells are planned to be drilled at the license area.

While developing the Severny block, ice-resistant stationary platforms will be used. Oil transportation even at early stages of the project will be possible by LUKOIL own fleet, including the river-sea class tankers. At later stages, transportation of oil can be implemented via the Caspian Pipeline system.

Given the fact that this area of the Caspian sea is considered a unique environmental habitat, LUKOIL is especially sensitive to environmental protection issues. State-of-the-art reliable techniques with the so-called zero disposal and

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special water-crafts for operating in shallow waters will be used. Oil gathering equipment was installed for emergency situations. The Company committed to finance expenditures for commercial species breeding. LUKOIL is one of the founders of the Regional Caspian Environmental Center, the task of which is to preserve the ecological balance in the region.

The Astra rig is insured by LUKOIL Insurance Co. for \$200ml. In addition to that, the insurance is backed up by international financial and insurance institutions.

Speaking at the Astra rig setting-afloat ceremony, LUKOIL President Vagit Alekperov said that this event will mark Russia's first serious step towards developing significant reserves in the Northern Caspian. «This is an important project not only from the economic perspective, this project fully meets Russia's geopolitical interests,» underscored Alekperov.