PRESS RELEASE
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# LUKOIL PLANS ACTIVITIES IN NORTH-WESTERN FEDERAL DISTRICT

LUKOIL's representatives took part in the "Prospects of Hydrocarbon Production in the North-West of Russia" meeting, organized by the Ministry of Natural Resources of the Russian Federation in Arkhangelsk today.

LUKOIL's subsidiaries and affiliates which operate in the North-Western Federal District have been prospecting and producing oil in the three constituents of the Russian Federation, namely Kaliningrad region (since 1994), Nenets Autonomous District (since 1998), the Komi Republic (since 1999).

Over the past three years, 14 new oilfields have come on stream, 127 thousand meters of exploration and 406 thousand of development drilling have been completed, 330 kilometers of pipeline constructed and almost 800 idle wells revamped and put in operation in the North-Western Federal District. Phase I of the Varandey terminal has been completed and put into operation. Annual investments in oilfield exploration and development has grown from 1.8 billion to 13.2 billion rubles.

LUKOIL's oil and gas producing subsidiaries operating in the North-Western Federal District, namely OOO Naryanmarneftegaz, OAO Arkhangelskgeoldobycha, OOO LUKOIL-Komi and OOO LUKOIL-Kaliningradmorneft currently hold 112 licenses for geological prospecting and oil production.

As of January 1, 2004, LUKOIL subsidiaries operating in the North-Western Federal District have 95 fields of which 46 are being developed, 14 are being prepared for exploitation and 35 are being explored. Most of the fields (82) are oil fields, 2 are oil and gas fields, 4 are gas and oil fields, 6 are oil and gas/condensate fields and 1 is a gas field.

According to the geological and economic evaluation conducted in compliance with the international standards by an independent company Miller & Lents, LUKOIL's proven oil reserves in the North-Western Federal District totaled 486.1 million tons as of January 1, 2003, of which 212.4 million tons are in the Komi Republic, 261.7 million tons are in Nenets Autonomous District and 12 million tons in Kaliningrad Region. Probable reserves were estimated at 230 million tons and possible at 189 million tons.

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Since the start of its operations in Timan-Pechora province in 1998, LUKOIL has commenced intensive exploration activities. Geological exploration costs went up from 85.9 million rubles in 1998 to 3.3 billion rubles in 2003. This resulted in the growth of oil reserves of industrial categories from 0.6 million tons in 1998 to 36.7 million tons in 2003, which stands for a more than threefold replacement of oil production in the District. The cost of oil reserves preparation was reduced to 2.9 USD per ton, which is the lowest figure among Russian oil companies.

In Nenets Autonomous District, the Company dramatically increased its investments in geological exploration from 0.07 billion rubles in 1998 to 2.5 billion rubles in 2003. The increment in C1 recoverable reserves amounted to 75 million tons.

LUKOIL-Komi has spent 2.2 billion rubles on geological exploration since the Company started its operations in the Komi Republic.

Since the start-up of the Company's activities in Kaliningrad Region, 13 oil fields have been discovered. Three discoveries were made in 2003 alone. In January 2004, a high-output oil field, named Yuzhno-Oktyabrskoye, was discovered. Boasting no large reserves, the newly discovered oil fields are immediately put into development and are considered highly profitable for the Company.

The Company is conducting seismic survey at Mezen syneclise.

The program of LUKOIL's activities in the North-Western Federal District till 2020 envisages the investment of 34.5 billion rubles in geological exploration.

The expansion of oil reserves is planned both through geological exploration and through bidding for the right to further explore and develop the discovered fields.