PRESS RELEASE
MARCH 14, 2005

LUKOIL AND KAZMUNAIGAZ SET UP A JOINT VENTURE FOR THE KHVALYNSKOYE FIELD DEVELOPMENT

Vagit Alekperov, President of OAO LUKOIL, met today in Moscow with Timur Kulibayev, AO KazMunaiGaz National Company first vice-president, to sign the constituent documents of OOO Caspian Oil and Gas Company, a joint venture for development of the Khvalynskoye field (Caspian Sea) as well as transportation and sales of hydrocarbons and refinery products.

Vladimir Shkolnik, Minister of Energy and Mineral Resources of Kazakhstan, also participated in the signing ceremony.

The joint venture will be based on possession of equal rights in compliance with the Protocol dated May 13, 2002, signed by Russian Federation and Republic of Kazakhstan as part of the Agreement on delimitation of the Northern part of the Caspian Sea bed in order to ensure sovereign rights for subsurface management dated July 6, 1998. This document particularly provides for the Khvalynskoye field oil and gas resources development by a subsurface management entity that would be set up by authorized organizations of the both countries. LUKOIL was appointed as an authorized organization by the RF Government Decree # 1025-r dated July 25, 2002.

Apart from the above, the interstate Protocol dated May 13, 2002, provides for signing a PSA under the project. Based on this, LUKOIL and KazMunaiGaz specified PSA as a priority mode of subsurface management and taxation in the Agreement on principals of joint development of the Khvalynskoye field, signed on April 18, 2003.

The Khvalynskoye field was opened in 2002 and is located in the Northern part of the Caspian Sea 260 km away from Astrakhan. The sea depth at the location is 25-30 m. As a result of 3D seismic surveys and drilling of two prospecting wells, five deposits were identified: 4 gas condensate and 1 oil. The following gas condensate and oil resources were approved by the Russian Ministry of Natural Resources Central Committee (C1+C2):

- Natural gas – 322 bln m3;

- Condensate – 17 mln ton;

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- Oil – 36 mln ton.

“Based on the long-term cooperation with our Kazakhstan colleagues we can state that the joint development of the Khvalynskoye field will be also successful in the interests of our countries and companies”, LUKOIL President Vagit Alekperov said.