

## PRESS RELEASE NOVEMBER 29, 2007

## LUKOIL COMMISSIONS KHAUZAK GAS FIELD IN UZBEKISTAN

Today Vagit Alekperov, President of OAO LUKOIL, Sergei Ivanov, First Deputy Chairman of the Russian Government, Rustam Azimov, First Deputy Prime Minister and Finance Minister of Uzbekistan, and Nurmukhammad Akhmedov, Chairman of Uzbekneftegaz Management Committee, participated in the official ceremony dedicated to commissioning Khauzak gas field located in Bukhara region, Uzbekistan.

Khauzak is part of Kandym-Khauzak-Shady-Kungrad mega gas project, which is being jointly implemented by LUKOIL (90% stake) and Uzbekneftegaz National Holding Company (10% stake). The relevant PSA was signed in June, 2004 during the visit of Vladimir Putin, President of the Russian Federation, to Uzbekistan and came into effect in November, 2004. The Agreement provides for natural gas exploration in Bukhara-Khiva region located in Southwest Uzbekistan (Kandym, Khauzak and Shady), as well as geologic exploration of the Kungrad block located in Ustyurtsk region (Karakalpakiya, North Uzbekistan). The PSA was signed for 35 years. The production sharing ratio is 50:50 at the first stage of the project. Maximum annual production rate for natural gas will amount to 11 bln cu m, with production peak expected in 2012-2013.

During three years the PSA has been in place, seismic surveys, production well drilling and production facilities construction have been carried out in Khauzak gas field. In particular, a drilling waste landfill, a preliminary gas processing facility, a well pad, a power center, engineering facilities, a shift camp, a telecommunications hub, power transmission lines, long-distance gas and condensate pipelines and a motorway have been constructed.

In general, activities aimed at drilling over 160 production wells and constructing over 1,500 km of pipelines, 40 km of railways and a gas processing plant with a capacity of over 8 bln cu m of gas per annum are to be implemented as part of Kandym-Khauzak-Shady-Kungrad project. To date over USD 350 mln (over USD 300 mln for Khausak gas field development) have been invested into Uzbekistan's economy within the framework of the project.

'I am convinced that we will successfully implement the project together with our Uzbek partners to the benefit of our friendly nations. Khauzak gas field is not only LUKOIL's first production site in Uzbekistan, but it is also the first foreign gas asset

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with the Company's majority stake. A modern gas production complex, which was constructed within a three-year period under complicated desert conditions, serves a spectacular example of LUKOIL's strategy implementation proving our commitment to fast and efficient development of our overseas upstream projects', Vagit Alekperov said.