PRESS RELEASE
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LUKOIL AND BASHNEFT ESTABLISH JOINT VENTURE TO DEVELOP R.TREBS AND A.TITOV FIELDS

OAO LUKOIL President Vagit Alekperov and OAO ANK Bashneft President Alexander Korsik signed agreements in LUKOIL's Central Offices in Moscow today. Under one of the agreements, LUKOIL acquires a 25.1% share in OOO Bashneft-Polus who holds the license for Roman Trebs and Anatoly Titov oil fields. The other document signed is a joint venture partner agreement.

The amount of the transaction is 4.768 billion rubles.

At the same time, Bashneft-Polus signed an agreement to purchase 29 exploration wells at the aforesaid fields from OOO LUKOIL-Komi for USD 60 million.

Bashneft and LUKOIL, having completed the establishment of the joint venture to develop R. Trebs and A. Titov oil fields, proceed to active deployment of the project.

The OOO Bashneft-Polus partner agreement concluded under the Russian law establishes, without limitation, the managerial rights of the parties, their liabilities as regards the financing of the JV proportional to their stakes and also the JV planning and operation procedures, including the use of the parties' technologies, infrastructure facilities and product-sale policies in compliance with the license.

The partner agreement regulates transportation under market conditions: oil from R. Trebs and A. Titov fields will be transferred to oil tankers at LUKOIL's Varandey loading terminal in the Barents Sea. The agreement also provides for potential delivery of associated petroleum gas to the energy centre of the Yuzhnoye Khylchuyu field, developed by OOO Naryanmarneftegaz (a joint venture of OAO LUKOIL and ConocoPhillips), to generate power for production processes at R. Trebs and A. Titov fields.

The Board of Directors of the joint venture consists of 8 members, 6 of whom shall be nominated by Bashneft, 2 by LUKOIL. According to the partner agreement, while OAO ANK Bashneft shall hold the exclusive right to nominate general director of the joint venture for the approval by Bashneft-Polus Board of Directors, OAO LUKOIL shall, also exclusively, nominate deputy financial and economy general director, subject to approval by the venture's Board of Directors.

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“Joint efforts of the oilmen of the two companies will undoubtedly result in successful development of the Trebs and Titov fields, ensuring ramp-up of hydrocarbons production in Russia’s strategic region of Timan-Pechora. We are pleased to see that the infrastructure LUKOIL has built in the adverse terrains will redound to the advantage of the partners”, Vagit Alekperov commented.

“We are pleased to express content with the constructive cooperation with LUKOIL on the development of Trebs and Titov fields, which will serve as a foothold for the company’s growth in the midterm. I am sure that the expertise of our teams, innovations and mutual understanding between the parties will be a guarantee of the project’s success”, Alexander Korsik added.

In February of 2011, OAO ANK Bashneft obtained a license for a federal-level site of subsurface resources, including R.Trebs and A.Titov oil fields, for a term of 25 years.

April 15, 2011, Bashneft and LUKOIL signed an agreement to establish a joint venture to develop the fields. December 14, 2011, the license was reissued to OOO Bashneft-Polus.

The 2,151-square-kilometer license area is located in the Nenets Autonomous District. The total recoverable oil reserves of commercial categories (C1+C2) located within the license areas of R.Trebs and A.Titov fields, as booked in the state balance sheet, reach 140.1 million tons.