PRESS RELEASE
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LUKOIL SIGNS A GENERAL COOPERATION AGREEMENT WITH THE REPUBLIC OF BASHKORTOSTAN

President of LUKOIL Vagit Alekperov and President of the Republic of Bashkortostan Murtaza Rakhimov have signed a general agreement on the main principles of cooperation between the Company and the Republic.

This agreement is another step on the way of expansion of LUKOIL's activities in Bashkortostan. In June 1996, a cooperation agreement with the Government of Bashkortostan was signed.

The new agreement stipulates a program for interaction in the area of production, refining, transportation and marketing of oil and petroleum products and petrochemicals, manufacturing of oil field, petrochemical and engineering equipment. The parties have agreed to coordinate their efforts in implementing investment and financial projects, including those with foreign capital participation, as well as in establishing joint ventures to develop oil, gas and gas condensate fields within the territory of the Republic and other regions of the Russian Federation, near and far abroad.

In conformity with the agreement the Governement of the Republic of Bashkortostan will provide its assistance to LUKOIL in allotment of acreage for construction of oil farms, gas filling stations and petroleum products distribution facilities. In 1999, the Company plans to participate in the construction of a product pipeline arm that links Perm and Almetyevsk and runs through the territory of Bashkortostan. The Company also plans to build about 30 gas filling stations between 1999 and 2001. 14 gas filling stations are to be built this year.

Presently LUKOIL is represented in Bashkortostan by several affiliated companies, including OZONIG-LUKOIL plant located in the town of Oktyabrsky that manufactures oil and gas equipment. Today the Company operates 7 gas filling stations in the Republic. During 1997, 1998 LUKOIL supplied 1,658,400 and 3,997,500 tons of crude respectively to the oil refineries of the Republic. After competing an upgrade in March 1999, an oil farm with storage capacity up to 2,000 tons will be brought into operation. Besides, it is planned to supply up to 150,000 tons of gas condensate a month from the Karachaganak gas condensate field in Kazakhstan to the Ufa refinery.

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We are confident that the general agreement we have signed today will give an additional impetus for the Company's more dynamic activity in the Republic of Kashkortostan and will contribute to the development of mutually beneficial cooperation between Russian and Bashkirian companies, said LUKOIL President Alekperov.