PRESS RELEASE
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OIL COMPANY LUKOIL CONSTRUCTED THE FIRST EXPLORATORY WELL IN THE NORTHERN CASPIAN

Oil company LUKOIL completed the drilling of the first well on Khvalynskoye field of the Severny license area in the Caspian sea.The construction was performed using Astra jack-up rig.

After drilling to the depth of 4.2 kilometers, there were discovered 7 oil and gas bearing reservoirs. This confirms conclusions about commercial reserves of hydrocarbons in place. At the moment the well is being tested, and after completion the volumes of discovered reserves can be determined more precisely.

On the 23rd of March, 2000 Victor Khristenko, Russian deputy prime-minister and Vagit Alekperov, president of LUKOIL visited the unit. "Now we are confident that there is oil in the Russian Caspian - said Vagit Alekperov. We must make every effort to produce it. However we did our best - Russia via LUKOIL became another energy power in the region and obtained substantial hydrocarbon reserves in the Caspian. I believe the discovery is of great importance to the country both economically and geopolitically".

Astra jack-up rig rests on 3 legs, each 67 meters long. It can be used for drilling in sea depths down to 45 meters and well depth down to 5,000 meters. Astra jack-up rig was upgraded at Krasnye Barrikady Astrakhan ship-building plant.

The Company plans to drill 8 more exploratory and 200 development wells in the Severny license area. LUKOIL acquired rights for exploration and development of the field in December 1997. The area of Severny amounts to 8,500 square meters. Recoverable reserves are estimated at about 300 million tons of hydrocarbons. Based on LUKOIL estimates, the government will receive $10 billion from the field development. Development drilling will commence on the 4th year of the project term, production - on the 5th year. Maximum annual output is expected to be 15 million tons on the 8th year of the project life-time.

Meanwhile, Shelf-7 jack-up rig is being constructed for LUKOIL at Astrakhan shipbuilding plant. The unit is able to operate at sea depth down to 800 meters and to drill wells 8,000 meters deep, maximum. The rig is the only of one its kind in the Caspian. LUKOIL plans to develop other oil and gas areas of the Caspian using this unit.

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