PRESS RELEASE
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LUKOIL AND SOCAR SIGNED AN AGREEMENT ON THE ZYKH-GOVSANY PROJECT

Today in Baku (Azerbaijan) President of LUKOIL Vagit Alekperov and President of the State Oil Company of the Azerbaijani Republic Natik Aliyev signed an agreement on rehabilitation, prospecting and production sharing (50%-50%) of the oil block including the Zykh and Govsany fields.

The agreement was signed in attendance of President of the Russian Federation Vladimir Putin who was in Baku on an official visit and President of Azerbaijani Republic Gyeidar Aliyev.

The Zykh oil field was discovered in 1935 and was brought to operation in 1936. The depth of the pays varies in the range of 1,700-2,700 meters. The Govsany oil field was discovered and brought to operation in 1948. The pays lay at the depth of 3,700-4,300 meters. At present there are 15 operating oil wells at the fields which produce some 250 tons of oil per day. Residual recoverable reserves exceed 25 million tons of oil and they can be significantly enlarged due to application of modern techniques.

At the initial stage of the project it is planned to rehabilitate the existing well stock, upgrade oil field infrastructure, implement a complex of measures aimed at environmental safety improvement. After two appraisal wells are drilled, a program for rehabilitation and further development of the fields will be elaborated. The estimated total investment at the rehabilitation area will amount to over USD200m at the initial stage of the project. The exploration area investment level will be adjusted after the minimum exploration is done. A possibility of increasing recoverable reserves and oil production is attributable to rehabilitation of formerly idle wells, including those on the Govsany offshore.

LUKOIL President Vagit Alekperov said that this agreement proves that the Company attaches high importance to participation in Azerbaijani projects. "We hope that implementation of a new project will contribute to further development of economic links between Russia and Azerbaijan," he said.

SOCAR President Natik Aliyev expressed his satisfaction with the way how cooperation of SOCAR with the largest Russian oil company unfolds and stressed that the joint implementation of the Zykh-Govsany project will be an impetus for

development of good neighborhood between Baku and Moscow.