PRESS RELEASE
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LUKOIL AND CONOCOPHILLIPS CREATE A JOINT VENTURE

LUKOIL and ConocoPhillips finalized on June 30, 2005, the creation of the OOO Naryanmarneftegaz joint venture to develop resources in the northwest Arctic Russia.ConocoPhillips has a 30 percent interest in the joint venture. The amount of the transaction involving acquisition of this interest is approximately US$500 million. The companies will govern the joint venture 50/50.

The Naryanmarneftegaz joint venture is expected to be producing and marketing approximately 200,000 barrels of oil equivalent per day (BOEPD) at peak. Production from the joint-venture fields is expected to be transported via pipeline to LUKOIL's existing terminal at Varandey Bay on the Barents Sea and then shipped via tanker to international markets. LUKOIL will expand the terminal capacity to 240,000 BOEPD in 2007, with ConocoPhillips participating in the design and financing of the terminal.

"This joint venture will provide ConocoPhillips with the benefits of involvement across the entire value chain in an area that holds several important development opportunities," said Bill Berry, executive vice president, Exploration and Production, for ConocoPhillips. "LUKOIL has a strong license position in the region and significant experience in developing oil and gas resources in a challenging, remote Arctic environment. We look forward to working as partners to open an important new energy-producing region in Russia."

"We welcome ConocoPhillips' participation in this joint venture and their assistance with advancing field development in the region, including first oil from the Yuzhno-Khylchuiskoye field in 2007," said Ravil Maganov, first vice president of LUKOIL. "We believe ConocoPhillips' own experience with operating in an Arctic environment will complement our own and help to ensure that this area is developed with superior technology and the utmost regard for the environment."

The Naryanmarneftegaz joint venture is part of a larger strategic alliance between ConocoPhillips and LUKOIL that was formed on Sept. 29. Through this alliance, ConocoPhillips acquired an over 11 percent ownership of LUKOIL's ordinary shares. In accordance with the shareholder agreement, ConocoPhillips may increase its total ownership stake in LUKOIL up to an aggregate ownership interest of 20 percent.

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Forward-looking statements.

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