PRESS RELEASE
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LUKOIL COMPLETES FIRST STAGE OF CONSTRUCTION OF FIXED OFFSHORE ICE-RESISTANT OFFLOADING TERMINAL FOR VARANDEY OIL EXPORT TERMINAL

Yesterday, OOO LUKOIL-Kaliningradmorneft steelworks, a fabrication facility for metal structures used in construction, started loading onto sea-going barges a fixed offshore ice-resistant off-loading terminal (FOIROT) meant for the Varandey Oil Export Terminal (VOET).

The FOIROT is an important element of the VOET, which is being constructed by LUKOIL on the Barents Sea coast in the Nenets Autonomous District.

The fabrication and assembly of the FOIROT at the facility is reported to have lasted for 15 months.

The FOIROT is a structure with a total weight of over 11 thousand tons which consists of a base leg with an accommodation module, a mooring cargo handling system (MCHS) with a jib, and a helicopter pad.

Two barges will be used to deliver the FOIROT to the site of installation. One of the barges has already got on board about 10 thousand tons total weight of the base leg and the accommodation module; the second one will receive the mooring and cargo handling system. 432 trailer axes are reported to have been used to load the base leg onto the barge, which set the world record for relevant operations.

In a few days, the barges will sail off for the Barents Sea. After they arrive at the installation site, the FOIROT base leg will be launched afloat and secured to the seabed by 24 piles at the depth of 17 meters, 22 km offshore. Then the MCHS will be mounted on the base leg and the FOIROT will be connected to two underwater pipelines, whereby the oil will be fed from onshore tanks.

The VOET is designed for sea export of oil produced by LUKOIL in the north of Nenets Autonomous District. Currently, the Company is increasing the terminal capacity up to 12 million tons of oil per year. It is expected that after capacity of the terminal has been increased, the oil will be exported via the shortest route, including to the North American market.

The upgraded VOET is to be commissioned in the fourth quarter of 2007.

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‘No doubt we have been witnessing a historical event,’ said Anatoly Barkov, Vice-President of OAO LUKOIL, who was watching closely as the FOIROT was being loaded on board the barge. ‘The unit itself is a unique engineering facility designed and assembled by Russian specialists. It is the first offshore ice-resistant oil terminal ever to be built in the world for year-round operation in a severe Arctic environment. The fact that the FOIROT construction has been completed at the Kaliningrad plant and loaded onto the barges signifies one of the milestones in the history of increasing capacity of the Varandey Oil Export Terminal. By implementing this project, LUKOIL has made yet another statement proving that Russian oil engineers apply cutting-edge technologies to rise to the toughest challenges in hydrocarbon reserves development’.