PRESS RELEASE
JANUARY 14, 2010

LUKOIL DEVELOPS RESEARCH AND ENGINEERING COMPLEX

LUKOIL has established a new research center which is named OOO LUKOIL-Engineering. This center's goal will be to arrange a uniform management procedure for the research and engineering complex of the Exploration and Production Business Segment.

Nikolay Karnaukhov, the former president of Tyumen State Oil and Gas University, has been appointed General Director of OOO LUKOIL-Engineering.

Reorganization of the research and engineering complex will take place gradually in stages. During the first stage, the analytical functions of the OAO LUKOIL Main Division of Geology and Development will be transferred over to OOO LUKOIL-Engineering. During the subsequent stages, a company's uniform research and engineering institution will be established as part of OOO LUKOIL-Engineering by linking together the following regional institutions: OOO KogalymNIPIneft, OOO PermNIPIneft, OOO LUKOIL-VolgogradNIPImorneft and OOO PechorNIPIneft.

Areas of responsibility and control will be redistributed within OOO LUKOIL-Engineering, while new subdivisions will be established focusing on the following major business lines:

- development of offshore fields;

- hydrogen sulfide utilization;

- development of heavy oil production techniques;

- development of techniques associated with alternative energy sources;

- ensuring environmental and industrial safety;

- energy saving;

- ongoing personnel training (establishment of a corporate training center).

Thus, upon final reorganization of the research and engineering complex of the Exploration and Production Business Segment, the research and engineering institution will perform the following major functions:

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- implementation of research and technology programs regarding geology, development, and production related to all LUKOIL Group facilities;

- feasibility studies related to the acquisition of new strategically important subsoil plots;

- development of new techniques and improvement of the current ones in the sphere of geological exploration, development, and oil recovery enhancement;

- field supervision of the implementation of geological exploration and pilot programs, design and engineering solutions for the fields under development, drilling, and production and oil recovery enhancement techniques for all of the Company's fields;

- development of new techniques and improvement of the current ones in the sphere of well construction, including procedures for lab tests in the area of drilling fluids and drilling techniques, and well drilling design;

- solving the issues related to the development and exploitation of offshore fields;

- solving the hydrogen sulfide utilization related issues;

- development and preparation of proposals and projects aimed at the development of alternative energy sources and innovative techniques;

- preparation of proposals aimed at energy efficiency production enhancement, introduction of energy-saving techniques and methods to enhance operation efficiency of the power equipment and their monitoring;

- preparation of proposals aimed at ensuring environmental and industrial safety;

- establishment of a corporate knowledge base related to geological exploration and oil and gas production;

- establishment of an ongoing personnel training system.

As a result of the reorganization of the research and engineering complex of the Exploration and Production Business Segment, giving OOO LUKOIL-Engineering the status of the uniform Corporate Research and Engineering Institution, it will be possible to:

- establish a uniform engineering center;

- create a real mechanism for employing progressive innovations in the Exploration

and Production Business Segment;

- optimize the cumulative talents of the research and engineering complex personnel;

- improve the quality of research and engineering;

- cut financial expenses for research and engineering and minimize fiscal risks due to a uniform tariff-related policy;

- establish a uniform corporate knowledge base related to geological exploration and oil and gas production.

“Reorganization of the Company’s research and engineering complex is aimed at enhancing efficiency and profitability of its activities,” Vagit Alekperov, OAO LUKOIL President, said.