PRESS RELEASE
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BASHNEFT-POLUS BEGINS OIL PRODUCTION AS PART OF DEVELOPMENT AT TREBS AND TITOV FIELDS

Bashneft-Polus, a joint venture of OAO LUKOIL and OAO ANK Bashneft, began oil production as part of the development of R.Trebs and A.Titov fields in Nenets Autonomous District. Test production is underway and is expected to reach about 300,000 tons of oil by the end of 2013.

“The Trebs and Titov development project fits well into the company’s strategic plans to build up production of hydrocarbons in Timan-Pechora oil-and-gas province and increase its exports through the Varandey Terminal. The field’s first oil proved that the ongoing cooperation in the form of Bashneft-Polus is highly efficient,” LUKOIL President Vagit Alekperov said.

“Acting in full accordance with the previously announced schedules and within the timelines that are unprecedented for projects of such a scale, we managed to create the required infrastructure and started oil production in the Nenets Autonomous Okrug,” Bashneft’s President Alexander Korsik commented. “It is yet more proof of how highly qualified our team is, of its vast experience in the implementation of large-scale projects outside of the conventional regions of Bashneft’s operations and also of the high level of interaction with our partner, LUKOIL.”

“We are happy to state that Bashneft-Polus has become a major new investor and taxpayer operating in Nenets Autonomous Okrug,” Igor Fedorov, Governor of Nenets Autonomous District, empahsized. “Large-scale efforts to develop the fields demonstrate that the license-holder is more than a responsible producer. Bashneft-Polus is also an active side in the social and economic partnership. The development of the two fields is a significant driver for the development of the District’s economic potential”.

In preparation for pilot production in 2011-2013, Bashneft-Polus, being the operator under the Trebs and Titov development project, constructed field facilities and connected 12 exploratory wells at the R. Trebs field to the utility network. It has constructed more than 40 kilometers of gathering lines, approximately 80 kilometers of power transmission lines, completed the first stage of a central gathering plant (CGP) with a capacity of 1.5 million tons per year, an oil delivery and acceptance station (ODAS) with an oil metering station, a more than 31-kilometer-long pressure oil pipeline from the Trebs CGP to the Varandey ODAS

Press Centre PJSC "LUKOIL"
Phone:
E-mail: media@lukoil.com

and also numerous auxiliary facilities.

The oil produced at the R.Trebs field is supplied via a pipeline to the Varandey ODAS and further on to the Varandey Oil Export Terminal. As required by the license agreement, a volume of oil equivalent to 42% of the crude produced will be supplied to Bashneft's refineries in Ufa for refining.

Bashneft-Polus, being the project operator, is currently continuing with its exploration program to revise the geology and the hydrocarbon reserves of the Trebs and Titov fields. Specifically, within the license block in 2011-2013, it re-activated 12, drilled and tested another 3 exploratory wells, is currently drilling 2 more exploratory wells, and has completed 1,350 square kilometers of 3D seismic surveys.

Bashneft-Polus is also preparing for commercial operation of the Trebs and Titov fields. In May of 2013, it commenced development drilling on three well pads at the Trebs and two well pads at the Titov, where a total of 16 producers are expected to be drilled.

The first commercial production at the Trebs and Titov fields is scheduled for 2016. By 2020, the annual oil production under the project is expected to reach a sustainable 4.8 million tons.

As of June 30, 2013, the overall investment in the Trebs and Titov development project totaled RUB 20.4 billion (net of the one-off license payment of RUB 18.5 billion). The total project cost is estimated at RUB 180 billion.