PRESS RELEASE
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VAGIT ALEKPEROV DISCUSSES WEST QURNAH PROJECT WITH ABDEL AZIZ AL-HAKIM

LUKOIL President Vagit Alekperov met today in Moscow with the Chairman of the Temporary Governing Council of Iraq, Abdel-Aziz al-Hakim.

The two sides discussed questions concerning participation by the Company in development of the West Qurnah-2 oilfield in Iraq.

“As far as I know, this contract was broken off by the regime of Saddam Hussein, and its revival requires negotiations and discussions. Iraq does not have a negative attitude towards participation by LUKOIL in development of West Qurnah-2,” Abdel-Aziz al-Hakim said.

He also mentioned that he discussed the future of this contract with the LUKOIL President. “A meeting will be arranged with the Iraqi Energy Minister for discussion of this question, as requested by Vagit Alekperov,” Abdel-Aziz al-Hakim said.

“We view this meeting as the beginning of realization of our contract in Iraq,” Vagit Alekperov said. “It is highly significant that the leader of Iraq visited Russia and discussed development prospects for relations between our countries with President Vladimir Putin. This gives our company confidence that negotiations with the Iraqi Oil Ministry will begin soon and will be successful,” Vagit Alekperov said.

Vagit Alekperov also notify that a delegation of LUKOIL representatives led by the President of LUKOIL-Overseas, Andrei Kuzyaev, will visit Iraq on 29 December for negotiations with the Iraqi Oil Ministry concerning realization of an oil field development contract in the framework of the West Qurnah-2 project.

An agreement on development of the West Qurnah-2 oil field on PSA terms was signed in March 1997 between the Iraqi Oil and Gas Ministry (25%), LUKOIL (68.5%), the Russian foreign-economic association Zarubezhneft (3.25%) and the state enterprise, Mashinoimport Foreign-economic Association (3.25%). The PSA contract has a lifetime of 23 years and can be extended for 5 years.

The field has proven reserves of 6 bln bbl. Cumulative production during the lifetime of the project could be 4.8 bln bbl and 56.4 bcm of assosiated gas. Planned capital expenditures in field development are about $4 bln. The regime of sanctions

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with respect to Iraq after the Gulf War did not allow Russian companies to realize oil projects in Iraq.