PRESS RELEASE
MARCH 07, 2004

LUKOIL SIGNS UPSTREAM AGREEMENT FOR EXPLORATION, DEVELOPMENT AND PRODUCTION OF NON-ASSOCIATED GAS AND CONDENSATE WITH THE GOVERNMENT OF SAUDI ARABIA

Today in Riyadh, the capital of the Kingdom of Saudi Arabia, Vagit Alekperov, President of OAO LUKOIL, and Ali I. Al-Naimi, Minister of Petroleum and Mineral Resources of the Kingdom of Saudi Arabia, acting on behalf of the Government of Saudi Arabia, signed an upstream agreement for exploration, development and production of non-associated gas and condensate in Contract Area A for 40 years.

Contract Area A is located in the middle of the country near Ghawar, the world's largest oil field. It is planned that LUKOIL will drill at least nine exploration wells and its 2D seismic works will cover 8,750 linear kilometers in the course of a five-year period of geological activities. LUKOIL plans to spend US$215 million on the exploration program.

A joint venture with Saudi Aramco, the Saudi Arabian state oil company, was established to implement the project, with LUKOIL holding an 80 percent interest in the venture. The joint venture was named LUKOIL Saudi Arabia Energy Ltd. (LUKSAR). Should commercial non-associated gas be discovered, the produced gas will be supplied to the Saudi Arabia's domestic market. The contract also envisages an option of gas condensate and NGL export.

As soon as the targeted output is reached, Saudi Aramco will finance the construction of a pipeline from the field to the nearest terminal of the Saudi Arabia's pipeline system.

On behalf of LUKOIL, the project will be implemented by LUKOIL Overseas, LUKOIL's subsidiary responsible for international upstream operations. Recently, a large group of experts from LUKOIL Overseas visited Saudi Aramco's facilities to learn more about the Company's activities and its operating, technical, financial, economic and administrative standards and procedures.

Signing of the upstream agreement became possible after LUKOIL won a tender for Contract Area A held by the Government of Saudi Arabia on January 26, 2004.

"LUKOIL views the Middle East as a region of high priority. The Saudi project perfectly fits in the Company's development strategy and matches all economic and

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competitive criteria applied by LUKOIL to projects like that. Moreover, this project is yet another example of LUKOIL's transition from an oil company to oil and gas company." Mr. Alekperov, President of LUKOIL, said