PRESS RELEASE
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LUKOIL STARTS MODERNIZATION OF BASIC SEMI-SUBMERSIBLE JACKET

Vagit Alekperov, President of OAO LUKOIL, took part in the ceremony that launched the revamp of a basic semi-submersible jacket (BSSJ) in Astrakhan today. LUKOIL plans to invest over $100 million in the project and complete it in two years.

OAO Astrakhanskyi Korabel and Astrakhan-based affiliate of a Finnish Company named RR-offshore are the sub-contractors under this project.

Construction of the BSSJ started in 1988 and was put on hold in 1991. LUKOIL-initiated inspection of the BSSJ's underwater part proved its good condition. According to the inspection results the hull will safely operate for another 30 years.

BSSJ will be used as an ice-resistant stationary platform operating at the North-Caspian offshore field named after Yuri Korchagin on the basis of a "zero discharge" principle. Twenty nine wells including twenty six development wells will be drilled from the platform.

Capital investments in the field construction works will exceed $500 million. LUKOIL plans to start commercial production at the field in 2008 with an annual gas output amounting to 1.1 billion cubic meters and annual oil output amounting to 2.2 million tons in the next 15-20 years. The Company is currently busy doing construction design of a field located at a distance of 180 kilometers from Astrakhan and 240 kilometers offshore from port Makhachkala. The sea depth at the site is about 11-13 meters.

A large-scale geological and geophysical research conducted since 1995 helped LUKOIL to obtain new data regarding geological structure of North-Caspian shelf. Ten petroliferous structures have been prepared in this region. Exploratory drilling has been completed at five structures: Khvalynskaya, 170-km, Shirotnaya, Sarmatskaya and Rakushechnaya. As of October 01, 2004 eight wells were drilled, five large oil and gas, gas and gas condensate fields were discovered.

According to the Company's experts, the aggregate recoverable hydrocarbon reserves of the "Severniy" license block total around 766.1 million tons of oil equivalent, including 78.2 million tons of oil, 655 billion cubic meters of gas and

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32.9 million tons of condensate. Resources of the Tsentralnyi and Yalama-Samurskyi blocks are estimated at 1.2 billion tons of oil equivalent.

According to the Company estimates, the aggregate recoverable reserves of Russia's sector of the Caspian sea total 4.5 billion tons of oil equivalent. In the future Northern Caspian may become a region of paramount importance in the Russian Federation in terms of oil and gas production. Continued geological exploration will allow Russian companies to raise annual production volumes in this region up to 50 million tons of oil equivalent. Accordingly, Russia will be able to compensate the oil production decline recorded in the Urals and Volga region, Russia's traditional oil production region, by increased production at the Caspian fields.

Forward-looking statements

Forward-looking statements may contain projections or other statements about future development prospects or future economic performance of OAO LUKOIL. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecast in such forward-looking statements.

The Company is under no obligation to update or alter any forward-looking statements to bring them to conformity with actual outcomes.