

PRESS RELEASE  
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OA O LUKOIL BOARD OF DIRECTORS DISCUSSES RESERVES  
REPLENISHMENT MEASURES AND INDUSTRIAL SAFETY

A meeting to discuss liquid hydrocarbon reserves replenishment measures and industrial safety was held by OAO LUKOIL Board of Directors in Moscow today.

In his speech at the meeting, Ravil Maganov, First Executive Vice President of OAO LUKOIL, stated that full compensation of liquid hydrocarbon extraction by reserves increment is one of the most important strategic objectives of the Company. It can be achieved by implementation of the current RF projects on the sites with C2 category reserves and on promising sites with C3 category resources; implementation of new projects in the Russian Federation and abroad.

In general, the Company's raw material base has a favorable structure of hydrocarbon reserves. The prevailing share of liquid hydrocarbons in the total proved reserves, i.e., over 66%, comparatively low production of initial recoverable reserves, rather high proved reserves to hydrocarbon production ratio are its main features. Meanwhile, over the recent years Russian major oil companies were facing a downward tendency in the share of liquid hydrocarbon reserves resulting from both a high exploration maturity of traditional production regions and legislative restrictions for the admission to green fields.

Gross increment of industrial reserves due to exploration has come to 1,435 million tons of reference fuel since 1995. 130 hydrocarbon fields have been discovered since then. The average cost of reserves increment is one of the lowest figures across the industry and came to about USD 2.8 per one ton of reference fuel for the period from 2001 to 2007, while the average efficiency of exploratory drilling within the period came to 1,200 tons of reference fuel per meter of drilling, which by far exceeds the average across the industry. In addition to that, over the recent years the efficiency of exploratory drilling came to 75-80%, while the average efficiency from 1995 to 2007 came to 64%, which considerably exceeds the industry average.

At present, LUKOIL is engaged in hydrocarbon discovery, exploration and production in 13 constituent entities of the Russian Federation, in the Caspian Sea and abroad. In Russia the Company has subsoil use rights to 413 license areas; over 25 projects aimed at hydrocarbon discovery, exploration and production are being implemented in the CIS countries and abroad.

In his speech at the Board of Directors, Dzhevan Cheloyants, Vice President of OAO LUKOIL, stated that at the present moment the Company was a leader of the Russian oil and gas industry in terms of ensuring industrial and labor safety. The importance of human wellbeing, safe working conditions and environmental protection over economic results are LUKOIL's overriding operating principles. This principle is anchored down in OAO LUKOIL HSE Policy for the 21st Century. According to this Policy the Company's strategic goal is to ensure industrial and labor safety level compliant with that of the leading oil and gas majors. Establishment of the industrial and labor safety management system in 1999 was the first step in this direction. This work was awarded with the RF Government Prize in 2000. The management system was introduced across all LUKOIL Group companies and certified by Bureau Veritas, the International Certifying Agency, in terms of its compliance with the international standards ISO 14001, OHSAS 18001.

Meanwhile, according to the international best practice, exercising control over compliance with the industrial and labor safety requirements envisages independence of control from industrial activities. In this respect, the available industrial and labor safety management system is expected to have been certified in terms of its compliance with the requirements of the international standard ISO 17020 by 2011.

The Company has introduced the first stage of the information management system "RISK PB". Its maintenance ensures continuous control over compliance with the instructions of the regulatory authorities, measures based on emergency and accident investigation results as well as inspections on the part of the subsidiaries. Ensuring remote control over thorough preparation and execution of high risk operations is to become the next step.

Integrated updating of the existing system will be implemented by introducing cutting-edge information technologies and organizing remote monitoring of industrial and labor safety state across LUKOIL Group companies.