

PRESS RELEASE  
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INVESTORS DELIVER A TRANSPORTATION SYSTEM PROJECT FOR  
NORTHERN TERRITORIES DEPOSITS

Today in Naryan-Mar (Nenets Autonomous District) investors of the Northern Territories project, OAO LUKOIL, OAO Arkhangelskgeoldobycha and Conoco of US, have held a presentation of the Declaration of Intentions to Create Transportation System for the Northern Territories.

The proposed transportation system, based on economically reasonable and technically reliable concepts, should provide for efficient transportation of oil (up to 7.5 million tons p.a.) from the Northern Territories fields. The transportation system should also provide for a possibility of pumping additional volumes of crude oil extracted at other fields in Timan Pechora province. The oil companies considered 5 options of oil supplies, including those via Gorelka Cape, Pechora Bay, Varandei, Indiga and the Baltic Pipeline System. Based on economic evaluation two options were recommended for further consideration including those via Gorelka point and Varandei.

The transportation system project envisages construction of on-land and sea pipelines. The on-land insulated part of the pipeline will be constructed on plumb piles amounted on permafrost in winter, the sea part will be buried in the seabed and built in summer. Antirust coating and cathodic protection will be used as corrosion protection means. In addition to that, the project envisages construction of a stationary ice-resistant oil terminal. Oil will be shipped in ice-breaking tankers (deadweight from 20,000 to 120,000 tons) and possibly in double-action tankers.

The Declaration has been prepared in a strict conformity with the Russian Federation environmental legislation and has been approved by the Ministry for Natural Resources of the Russian Federation.

The document has been designed by the specialists of OAO PermNIPIneft and the Krylov Central Research Institute, OAO PechorNIPIneft, Nordeko, and US company Flour Daniel.

The Northern Territories project has been added to the list of projects developed under PSA terms in accordance with the Federal Law of the Russian Federation of November 20, 1999. The development site is located above the Polar Circle on the territory of Nenets Autonomous District. The estimated number of workplaces that

will be created while implementing this project will amount to 2,000.