

PRESS RELEASE
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LUKOIL PROMOTES EXTENSIVE USE OF ENHANCED OIL RECOVERY
METHODS

LUKOIL continues to increase the number of enhanced oil recovery (EOR) techniques.

For instance, 5,376 EOR operations were carried out in 2008, which is almost 100 more than in 2007.

Due to application of these techniques, oil production in 2008 came to 23 million tons of 95.2 million tons worth of total production, which complies with the strategy aimed at ensuring at least 20% of the total production rate due to EOR approved by LUKOIL.

LUKOIL applies physical, chemical, hydrodynamic and thermal impact methods for productive formations.

The bulk of the incremental ultimate recovery (14.1 million tons, or 61.3%) is obtained due to application of physical methods, primarily hydrofracturing. The Company carried out 771 hydrofracturing operations at the Company's fields in 2008, achieving average growth in flow rate of 9.4 tons/day.

2008 witnessed an increase in the number of applied chemical EOR methods from 1,004 in 2007 to 1,324. Additional production thanks to application of these methods rose to 1.6 million tons (an increase of more than 20%).

Drilling of sidetracks at existing wells has also proved a highly-efficient form of EOR. 260 wells of such type were drilled in 2008 (188 wells in 2007) with the average oil flow rate increment of 18.1 tons/day.

Within the reporting period, test-production work using radial drilling continued. Drilling of radial channels at existing wells is a relatively inexpensive way of increasing production and bringing hard-to-recover reserves into development. 91 operations of this type were carried out in 2008, giving average daily growth of oil flow by 6 tons.

To enhance oil production efficiency, LUKOIL also applies methods of horizontal drilling, which offer well productivity growth of 1.5 times. A total of 112 new

horizontal wells were commissioned in 2008 with average daily flow rate of 58.4 tons/day.

LUKOIL also actively promotes a field development monitoring system which involves application of geological and hydrodynamic models. Modeling allows to increase oil recovery factor and reduce field development costs. The Company is using geological and hydrodynamic models for drilling accompanied by application of oil recovery enhancement methods. The number of geological and hydrodynamic models of the Group's fields is expected to be increased to more than 300 by 2010, raising coverage of the Group's fields by geological and hydrodynamic modeling to 85%.