

PRESS RELEASE
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LUKOIL STARTS ACTIVE DEVELOPMENT AT THE WEST QURNA-2 FIELD IN IRAQ

LUKOIL started production drilling and construction of a key production facility, namely a Central Processing Facility, at the West Qurna-2 field in Iraq today.

Abdel Karim al-Luaibi, the Iraqi Oil Minister, and also the heads of the Basra province, Iraq's South Oil Company, LUKOIL Overseas and of the major contractor companies Baker Hughes and Samsung Engineering all participated in the festive ceremony dedicated to the occasion.

As part of this drilling project, 23 directional wells will be constructed. Drilling operations will occur simultaneously at 5 well pads by means of state-of-the-art diesel electric units with a bearing capacity of 450 tons, which allows workers to drill wells as deep as 5,000 meters without equipment remounting. The units are specially modified to be promptly relocated within the well pads under the cluster slider rig scheme. Later the drilling operations will be conducted at the other 4 well pads with similar units.

The Central Processing Facility will be constructed along with the facilities for well pads infrastructure development and oil gathering lines, as well as the water and power supply systems, shift camp and a number of other infrastructure and support facilities.

'We have opened the active field development stage today. Upon reaching the production volume of 150,000 barrels per day LUKOIL will receive the right to reimburse expenses and receive remuneration. After the initial expenses are reimbursed, the project will turn into a self-financing entity. The total investments in the full-scale project implementation will come to around USD 25 billion', Vagit Alekperov, OAO LUKOIL President, said.

The West Qurna-2 field, discovered in 1973 with the help of Soviet geologists, is the world's second largest undeveloped field with recoverable oil reserves of around 14 billion barrels. The field, covering an area of 340 square kilometers, is located in the southern part of Iraq, 65 kilometers to the north-west of Basra, a major seaport. The Development and Production Agreement for the West Qurna-2 field was signed on January 31, 2010 for a 20-year period with the possibility of 5-year extension. The project parties have the following shares: LUKOIL, 56.25%,

Iraq's state-owned North Oil Company, 25%, and Statoil ASA, 18.75%.