PRESS RELEASE
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LUKOIL COMPLETES CONSTRUCTION OF THE SECOND STAGE OF THE YUZHNO KHYLCHUYU FIELD

OOO Naryanmarneftegaz, a LUKOIL and ConocoPhillips Joint Venture (70% and 30%, respectively) completed construction of the second stage of the Yuzhno Khylchuyu (YK) field.

In process of construction of the second stage the capacity of the oil treatment unit was increased by 3.8 million tons a year, a high-pressure compressor station and sulfur disposal and storage facilities were built.

Construction of the first stage was completed in June 2008. The first stage comprised 32 development wells, an oil treatment unit with the annual capacity of 3.8 million tons a year, an oil desulfurization unit, a tank farm with the total volume of 40,000 m3, an export line pump house, a 27.8 km long Yareyu – Yuzhno Khylchuyu high-pressure gas pipeline (273 mm in diameter), a gas treatment station with the annual capacity of 370 million m3, a power supply complex with the rated capacity of 125 MW, and 287 km of high-voltage transmission lines rated at 220 kV.

The design oil production level in the field is expected to reach 7.5 million tons a year (over 150,000 bbl/d) in 2009.

Oil produced at the field is transported by a 158 km long oil pipeline (530 mm in diameter) to the Varandey Oil Export Terminal located on the Barents Sea coast, from where it is delivered, also through a floating storage facility in Kola Bay, by 70,000 ton deadweight tankers, for eventual sale to European and North American markets.

The field was discovered in 1981. Proved oil reserves in the field exceed 500 million bbl. Oil quality there surpasses the Russian Urals export blend quality: its density is 35.5 API (Urals, 32.0 API), and sulfur content is 0.71% (Urals, 1.3%).

“Completion of the second stage of the Yuzhno Khylchuyu field in full accordance with the plan confirms that despite uneasy economic conditions LUKOIL, together with its strategic partner ConocoPhillips, is determined to implement joint projects,” President of OAO LUKOIL Vagit Alekperov said.

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