

Press release

April 3, 2008

First quarter 2008 exploration and production update

Oil production reached a new company record of 3,161,174 barrels in the first quarter 2008. Production increased by 40% from 2,264,658 barrels in the first quarter 2007 and the average daily production for the quarter increased to 34,738 barrels per day (25,163) barrels per day.

In the first quarter, the 2008 drilling and development programme was initiated and intense field activities limited production growth in all regions.

Total 2008 oil production is expected to increase by 41 per cent to 15 million barrels, excluding the effects of the merger with Alliance Oil Company which will add additional production. In the first quarter 2008, Alliance Oil's crude oil production preliminarily amounted to approximately 9,900 barrels per day.

Average gross oil prices received in the first quarter 2008 increased to approximately USD 62 per barrel from USD 56 received in the fourth quarter 2007. The increase in gross prices were however offset by increased export duties, which resulted in a preliminary improvement of average first quarter netbacks to USD 39.53 per barrel, from USD 39.40 in the fourth quarter, after transportation costs.

Tomsk region

Total oil production in the Tomsk region for the first quarter 2008 was 1,047,305 barrels (707,285 barrels). A total of 25 wells in the region were subject to workover or repair activities in the quarter.

Development continued at the Khvoinoye field where a total of six wells have been drilled out of which 5 have been hydrofractured and put on production. Shipments of oil produced at the Khvoinoye field to the Transneft pipeline have commenced.

During the quarter, 4 wells in the Puglalymskoye field and 6 wells in the Kluchevskoye field were successfully hydrofractured which increased flow rates.

At the Kluchevskoye field, new drilling pads for this years' drilling programme were completed. An eight well drilling programme is scheduled to start in April. In order to accommodate further production increases a new pump station is being installed at the Middle Nyurola field.

Timano-Pechora region

Total Timano-Pechora region oil production for the first quarter 2008 increased to 1,175,213 barrels (641,257 barrels). A total of 19 wells in the region were subject to workover or repair activities in the quarter.

At the Kolvinskoye field, a winter road was constructed. A drilling rig has been mobilized to the field and is being prepared for drilling. Test production from one well is in progress.

Two wells were drilled and completed at the Lek-Kharyaga field. Preparations are being made for a five well drilling programme from a new drilling pad in the field.

At the North Kharyaga field, 2 new producing wells were drilled and 4 wells were hydrofractured. A three well drilling programme is planned for the field and preparations are under way.

Development of water injection systems have started in the North and Lek-Kharyaga fields in order to maintain formation pressure.

At the Middle Kharyaga field, drilling of one well is in progress.

Volga-Urals region

Total Volga-Urals oil production for the first quarter amounted to 938,657 barrels (916,116 barrels). 5 wells in the region were worked on during the quarter.

At the Kochevnskoye field, the sidetrack of well number 2 was completed and production from the well started. Sidetrack drilling of well number 21 has started. Production enhancement activities were carried out at three wells in the field with positive results. 2 more wells will be stimulated in April 2008.

At the Novo Kievskoye oil field, production well 821 was successfully drilled and completed.

Drilling of the first exploration well at the Ivanikhinskaya structure was completed. The well tested the Bashkirsky formation which turned out to be water saturated and non-productive.

Drilling preparations are being made at the Kovalevskoye and Solnechoye fields. New drilling equipment has been delivered and a drilling rig is being mobilized. The plan is to drill 3 exploratory and 2 development wells in 2008.

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