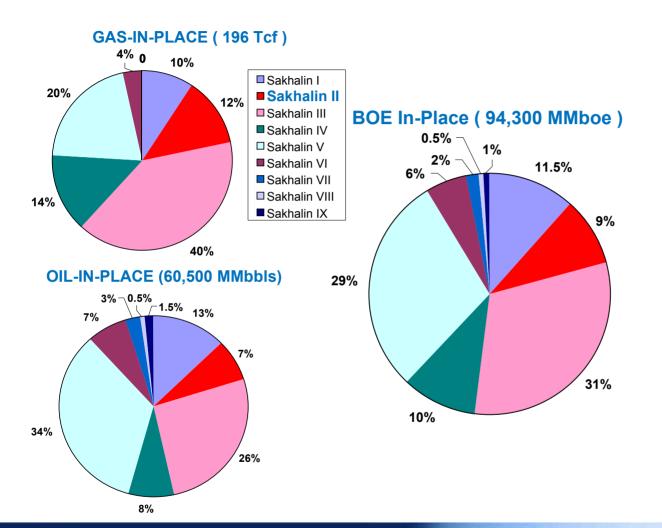


Sakhalin II Project Update

Presentation at the seminar "Tasks and Strategies for Energy Cooperation between Russia and Korea after the Summit Talk in September".

Viktor Snegir
Deputy General Manager Commercial
Sakhalin Energy Investment Company Ltd.
17th December 2004

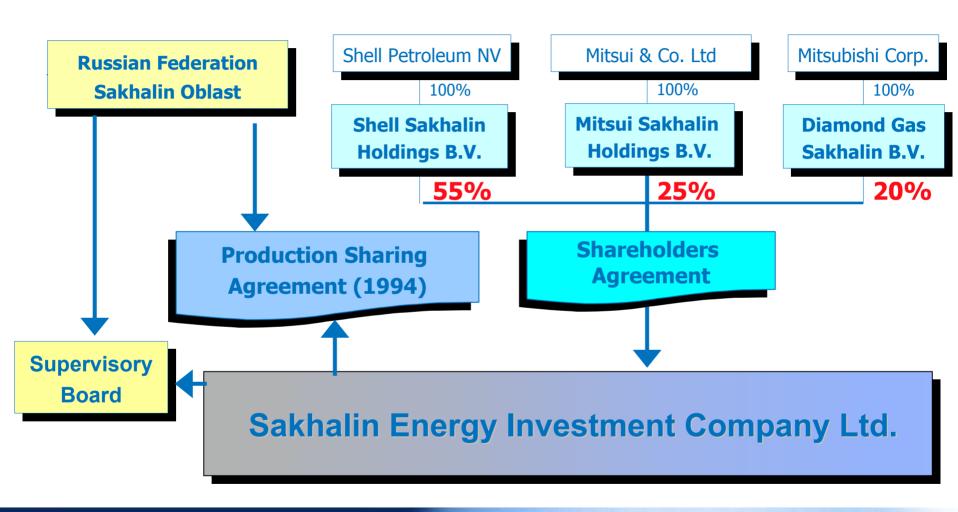
Sakhalin Shelf: Hydrocarbons in Place





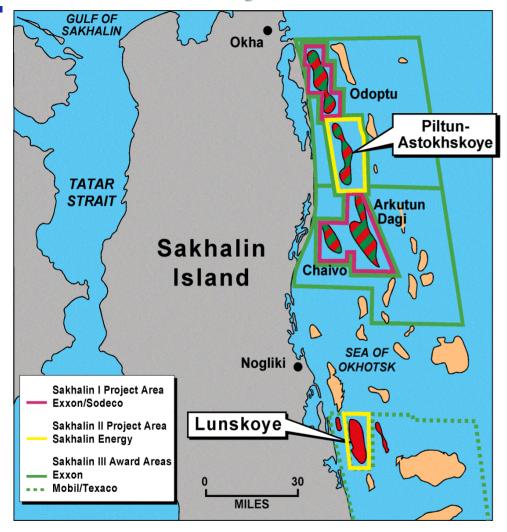
Sakhalin Energy (SEIC) - PSA Structure





Sakhalin II Hydrocarbon Resources





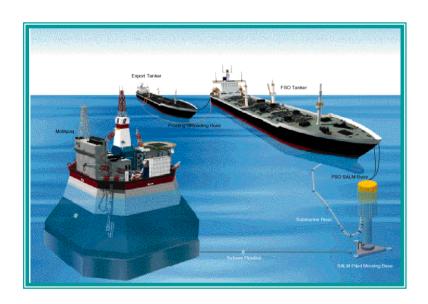
- ➤ 2 Large Fields located off shore North East Sakhalin
- ▶ PA is an oil field with associated gas. Lunskoye is a gas field with condensate
- ➤ Total in place volume is 4.2 billion barrels of oil and 24 TCF of gas
- Recoverable reserves are 1 billion barrels of oil and 18 TCF of gas.
 This is enough to supply 10 MTPA of LNG for 25 years

Sakhalin II Project - Phase 1



Vityaz Complex:

60-70,000b/d oil production for a six month summer season from the Astokh feature, utilizing Molikpaq and FSO.







Supplying crude oil to customers since 1999





Phase 2 of the Project: A Four Year Challenge











- ➤ Piltun -B platform
- ➤ Astokh year round production
- Lunskoye-A platform
- ➤ Onshore processing facility
- > Oil and gas pipelines
- LNG plant and export terminal



A Globally Integrated Team

Aker Kvaerner (Norway)
CGBS design

Starstroi (Russia)
Onshore Pipeline Design

CTSD (Japan) LNG design

AMEC (ÚK) Topsides Design

Parsons (UK)
OPF Design

NSC (Holland) TLU design SHI (South Korea)
Topsides Construction

Saipem (Italy)
Offshore Pipeline Design

ABB(Holland)
MTI Design

AKQuattrogemini (Russia)

CGBS Construction



Offshore platforms

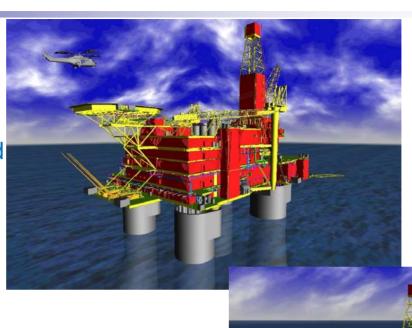


Lunskoye

4 leg concrete gravity base.
Topsides 22,000 tonnes.
Gas production 1800 mmscf/d
30 well slots.
Possible oil rim production.

Piltun

4 leg concrete gravity base. Topsides 28,000 tonnes. Oil production 70,000 b/d. Gas production 92 mmscf/d. 45 well slots.





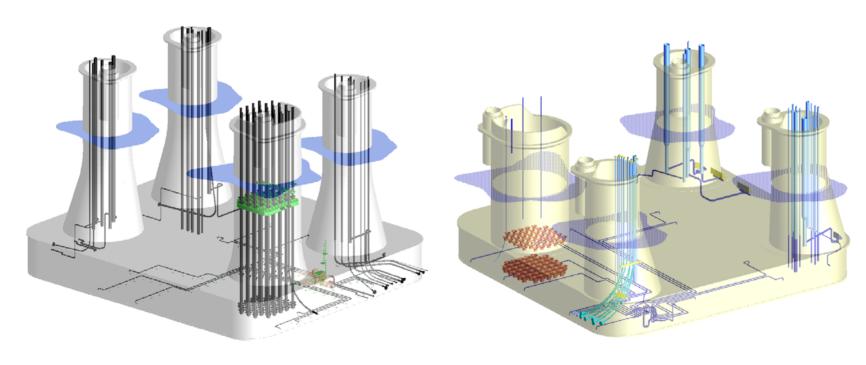
Vostochny Port – CGBS Site





CGBS – Concrete Gravity Base Structure





Ready for tow out:

CGBS LUN-A

1st June 2005

CGBS PA-B

1st July 2005

Lunskoye GBS – First Leg Completed – October 22nd

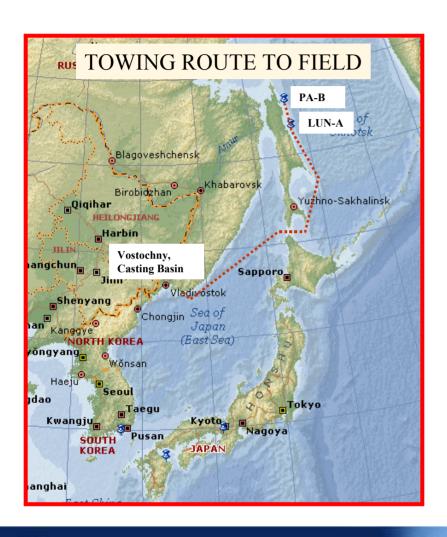






Tow to Offshore Location





LUN-A

- Towing distance ≈ 960 nm.
- Duration of tow ≈ 16 days.
- 3 Tugs, each of 150 Tonnes.
- 1 Tug to assist during tow.

PA-B

- Towing distance ≈ 1020 nm.
- Duration of tow ≈ 17 days.
- 3 Tugs, each of 150 Tonnes.
- 1 Tug to assist during tow.

Milestone 5 LUN-A, install 15th July 2005. Milestone 6 PA-B, install 15th September 2005.

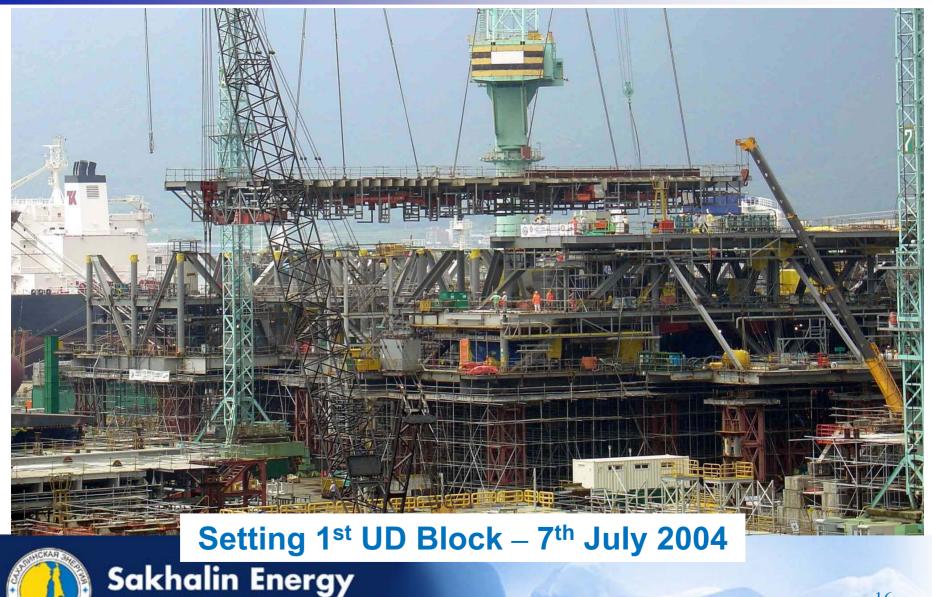
Concrete Gravity Structure Tow & Installation Process





Lunskoye Topsides Status





Piltun-B - Status





PAB Lower Deck Block LD 21 - Turn Over

Piltun-B - Status







Molikpaq Platform (Piltun-A)







OPF – View Looking North





OPF - Status



Piperack Erection







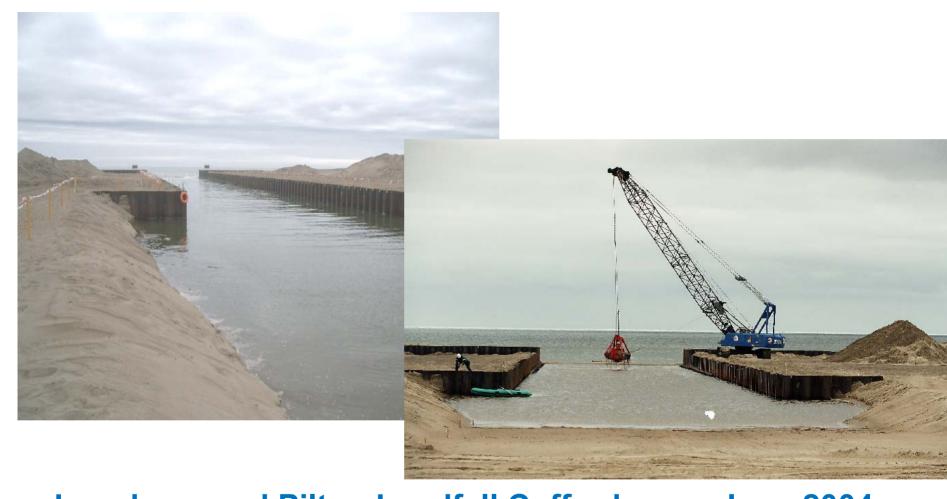
Gas/Liquid Exchanger onto Foundations

Condensate Tank



Offshore Pipelines – Status





Lunskoye and Piltun Landfall Cofferdams – June 2004

Offshore Pipelines – Status





Onshore Pipelines – Status





Plant Site Overview







Overall Phase 2 Status



- Phase II Construction is currently 50% complete
 - > Both oil & gas pipelines under construction
 - ➢ Finished construction facilities and foundation work at the OPF and work has started on import of equipment and construction of main OPF facilities
 - > Construction of main LNG Plant components is underway
 - Main steel structures of platforms under construction
 - > GBS platforms on schedule for tow-out in summer 2005
- Monthly spend is in the order of \$250 million
- Approximately 13,000 contractors (expat, local and Russians from the mainland) are now working on the Island
- > 1st LNG Delivery Date remains 1 November 2007

First four Japanese Customers





Kyushu Electric SPA Signed; additional volume





Tokyo Electric SPA Signed; additional volume





Sakhalin SPA with Shell Eastern Trading Signed

(14 October 2004)

To Supply America

STRUCTURE SETURISHED

A Royal Dutch/Shell-led group by the world's largest liquefied narplant on Sakhalin Island his cline first some supply deal in North Art the group said Thursday.

Sakhnin Energy, which is Japanese trading beases Mitted at tradishi, said it would supply a nonmillion tons of supercooled gas o years to Mexico and California United States.

Sokhalin Energy, which opens Sekhalin-2 project, seed the deal is at frast 56 billion.

LNG will be purchased by Sh Wheel Continue Thought or

OIL & GAS

Shell first to supply Russian gas to US

By James Boxell In London

Royal Dutch/Shell has slimed a deal to supply 37m tonnes of liquefied natural gas to Mexico and the US west coast, in what it chims will be the first export of Bussian axs to north Amer-

reserves in the Rockies. The Mexican LNG plant in Bala California is being built by Sempra, the US spergy truding group.

Shell, which owns to per cent of Sakhalin 2 slongside two Japanese partners, is essentially selling the gas on to Itself, under the suspices





"Сахалин-2" прорвался в Америку

Роцион Ленинский Александо Тутуциани

Rosmanna Sakhalin Energy. оператор примеровае о прогита "Сахалин-2", завелючила c opposit to "never," Shell morтрант на поставку 1.6 жи у в год сжиженного природного газа (СПГ) на западное побережье Мексики и и США. Это первый контрыкт на поставку российского газа S STOT PETROE.

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Thermore, 15 carrière 2004 63

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Сообщвем подробности

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Sakhalin Energy

Republic of Korea

- On 20th August 2004 Sakhalin Energy was invited by KOGAS (Korean Gas Corporation) to participate in the tender for long term LNG supply to Korea.
- Sakhalin Energy has been shortlisted as Negotiation Invitee
- Currently negotiating with Kogas



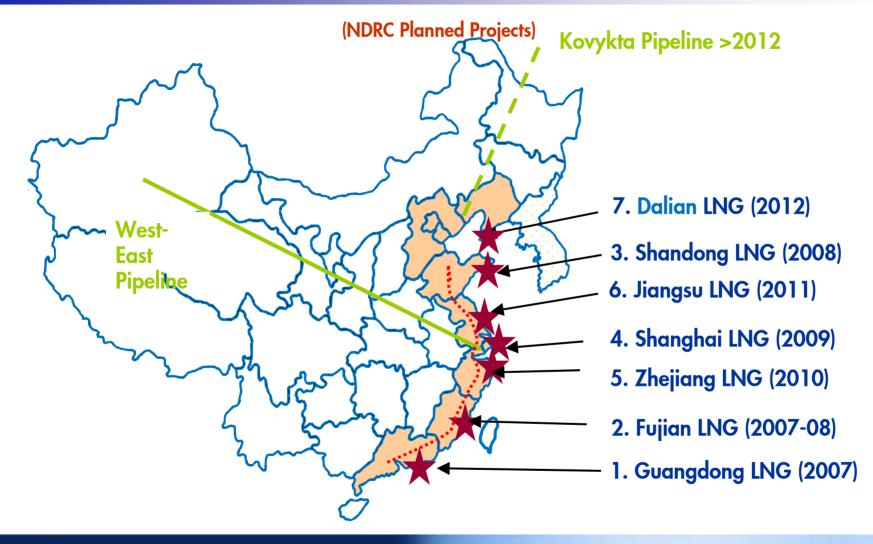






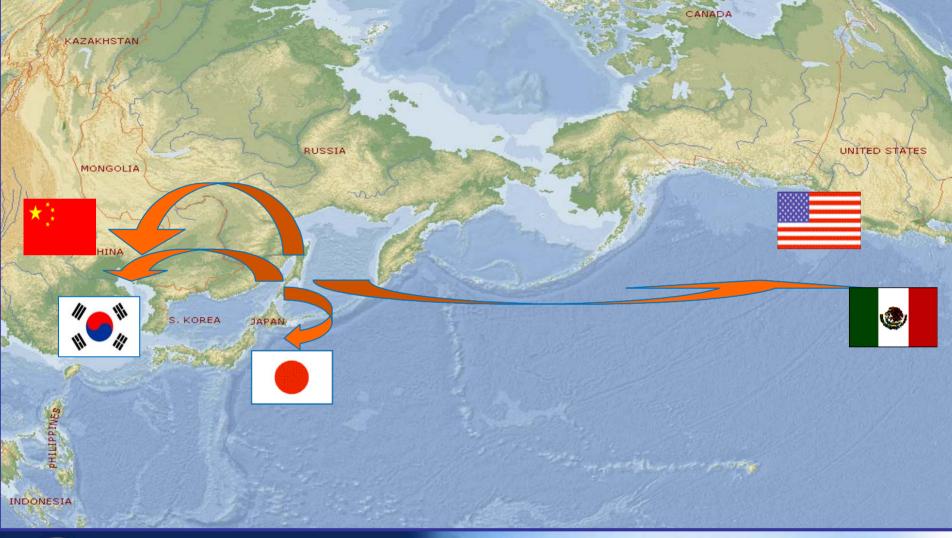
New LNG Terminals in China





Main markets for Sakhalin LNG - Japan, USWC/Mexico, Korea and China







APEC, Bangkok, October 2003





"Russia is also prepared to make its contribution to creating a new energy configuration in the Asian and Pacific Region. For example, in 2007 it is planned to open a factory for liquifying natural gas on Sakhalin - one of the largest (LNG) factories in the world."

President Vladimir Putin

LNG shipping route to South Korea





- ➤ With the development of the Sakhalin projects, Russia is now establishing itself as a reliable supplier of oil and gas in the Asia-Pacific.
- Diversification of Supply enhances Energy Security for Korea.
- Kogas will be the single biggest buyer of the Russian LNG once a deal is achieved.
- LNG from Sakhalin will also enhance Korean/Russian bilateral energy relationship for the future projects.



