



# PERMOBLNEFT

Development strategy potential...





PERMOBLNEFT



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### 1. MESSAGE OF DIRECTOR GENERAL

In process of developing long term financial forecasts unit recently the majority of oil specialists have been proceeding from the assumption that in future in the long run oil process would drop down to their historical average values. Nevertheless the current situation at the international oil markets is greatly varying from the assumption above mentioned. So in July 2007 oil prices closely approached the record level of August 2006 and amounted to around USD 78 per barrel.

World oil reserves are diminished by 6 percent per annum whereas the relevant demand annually adds 2 percent; as expected the total oil demand would triple within the next 20 year period.

According to analysts' assessment, during the period 2008 to 2009 oil price may exceed USD 150 per barrel. Making any exact prognosis in this respect seems difficult task; meanwhile it is evident that the times of cheap oil are over. Under such conditions the international investment attractiveness of oil producing industry remains high as before.

OAO «Permoblneft» is the senior oil company exercising its activity in field of developing oil-fields in Perm region.

It should be noted that the average annual pace of growth of oil production in Permsky Krai within the period 2000 to 2006 amounted to 2.6 percent, and this ratio remains very stable. The summary regional oil production in 2006 has reached 11 mln tons. Total oil reserves explored in Permsky Krai are sufficient for maintaining the current production level within the period 45 to 50 years.

I am positive that owing to the advantageous macroeconomic factors and high oil prices second echelon oil companies operating in our region are well in a position to provide for their stable operation generating significant proceeds both in result of export product supplies and when shipping oil to domestic consumers.

Quality of Perm oil that is referred to category «better than average» as well as the adequately developed infrastructure provide Permsky Krai the incontestable competitive advantages and high potential of growing investments for the further development of our oil industry.

Within the frameworks of strategic development of our company top managers are enthusiastic to cope many global challenges related to intensification of business development to attain maximum high financial and production performance ratios.

I believe that information you find in this document would be useful for you and become the starting point for taking decision regarding cooperation with our company.

Faithfully yours,  
Alexey Chervonnykh,  
Director General of OAO «Permoblneft»



## 2. GENERAL SITUATION AT OIL AND OIL PROCESSING MARKET

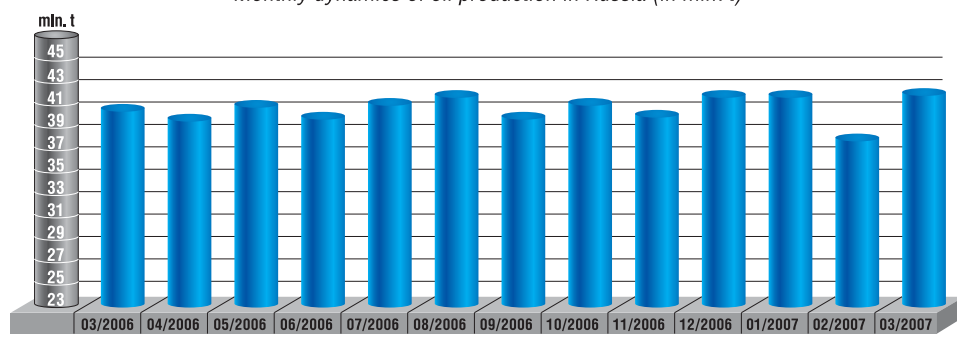
### 2.1. Russia as a whole

In comparison with situation existent in industry during the last two years, in 1st quarter of 2007 has been recorded the growing pace of oil production in Russia.

According to results of 2006, in comparison with 2005 the national oil production has grown up only by 2.1 percent, whereas in comparison with similar period of the year preceding in January-March 2007 oil production has demonstrated 4.2 percent growth and reached 121 mln t.

As compared with last year, this ratio has doubled; moreover in March the historical alltime high monthly production was recorded – 41.8 mln.t.

*Monthly dynamics of oil production in Russia (in mln. t)*



One of the main reasons of the accelerated growth pace recorded in the industry was a low base factor. Due to the abnormal frost in last year several oil companies were forced to stop production at some wells.

Meanwhile in the current year weather conditions were favorable in terms of the oil production growth. Besides among the other ones it seems reasonable to mention such reason as application of the oil recovery methods that accordingly raised oil recovery factor. Besides since the year beginning the tax on natural resources production was lowered thus allowing several companies to use free funds obtained in result thereof for the prolongation of period of the profitable oilfields operation.

In 2007 the investment dynamics in the industry has been growing; first of all this event was reflected in the growing extent of drilling operations. According to data provided by Dispatcher's Supervisory Control Office (TsDU TEK) in comparison with the similar period of the year preceding in January-March 2007 the scope of exploitation drilling operations has grown up by 29.7%, whereas the scope of exploratory drilling operation has demonstrated 44.4% growth.

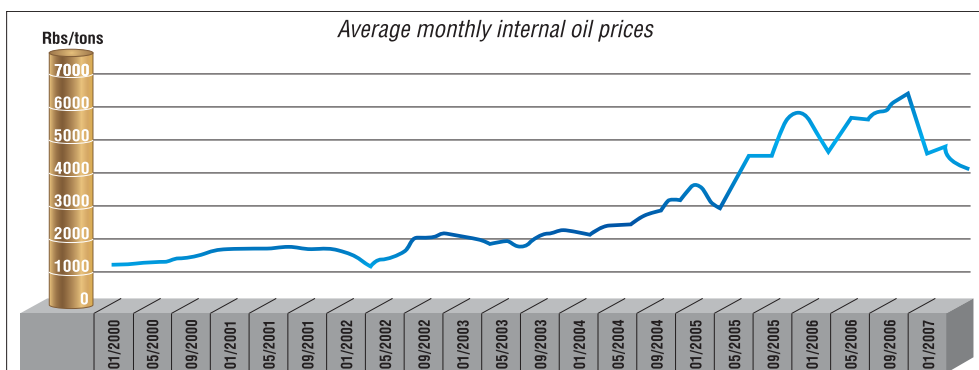
Meanwhile the capital placements in oil production in Russia has grown up in current prices by 48.4%. According to Rosstat data, in 1st quarter of 2007 investments in fixed-capital assets involved in the production of fuel and energy-related minerals has grown up in comparison with similar period of the year preceding by around 30% (last year investment growth pace was two times lesser).

According to forecasts developed by Ministry of Economical Development and Trade, in the current year oil production in Russia would be increased as compared with level of 2006 by 2.08%. In the beginning of 2007 the internal oil prices dynamics was negative. In many aspects that was connected with the respective international tendencies. In January 2007 international market has demonstrated the sufficient drop of crude oil prices thus impacting the internal Russian market that has also responded by the negative price movement dynamics.

At the same time as distinguished from the international price tendencies, the decline of oil prices at domestic market has continued in February and March. This event was connected with warm weather and the resulted decline in demand for energy carriers. Besides in the last year

## GENERAL SITUATION AT OIL AND OIL PROCESSING MARKET

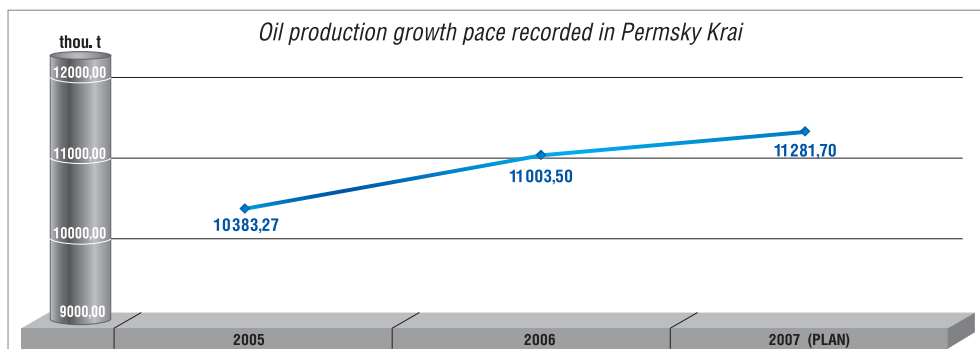
when oil export was declining the considerable crude oil stock has been collected at domestic market.



## 2.2. Permsky Krai

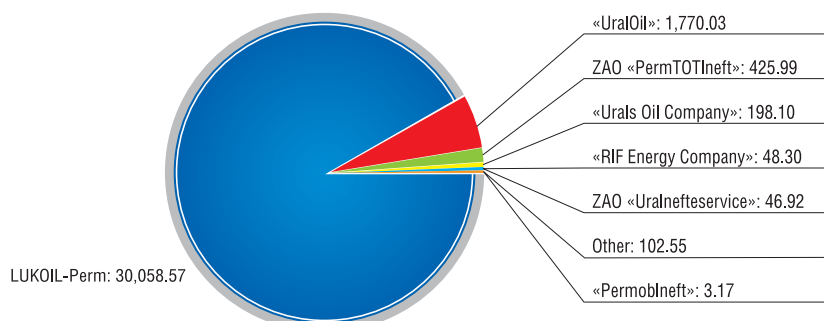
### 2.2.1. Oil production and refining

Average annual growth of oil production in Permsky Krai during the period 2000 to 2006 was equal to 2.6%. According to results of 2006 the growth pace of commercial minerals recovery in Permsky Krai accounted for around 6% that was the best ration among the competitor regions. In this year such tendency was in force as well: so in comparison with similar period of the year preceding within the first five months of 2007 the growth of oil production amounted to 4.6%. In result the absolute volume of oil production reached in 2006 was 11 mln.t whereas within January-May the total of 4.7 mln t of oil were produced.



According to data provided by Ministry of industry and natural resources of Permsky Krai, total number of oilfield opened in Permsky Krai is 219. Of this number already distributed are 158 oilfields whereas 61 oilfields are still undistributed. In 2006 total sum of local investments in the regional oil production was Rbs 6,676.36 mln, including Rbs 577.8 mln placed in geological exploration works and Rbs 6,098.56 placed in the oilfield development and oil production. Increase of oil reserves attributed to ABC1 category was 5,055 mln t. At the same time the actually operated oil were equal to 450 mln t, whereas the size of prospect reserves was assessed as 50 to 70 mln tons.

*Share of major oil producing companies in the total oil production in Permsky Krai (2005 to 2007)*



Source: Ministry of industry and natural resources of Permsky Krai



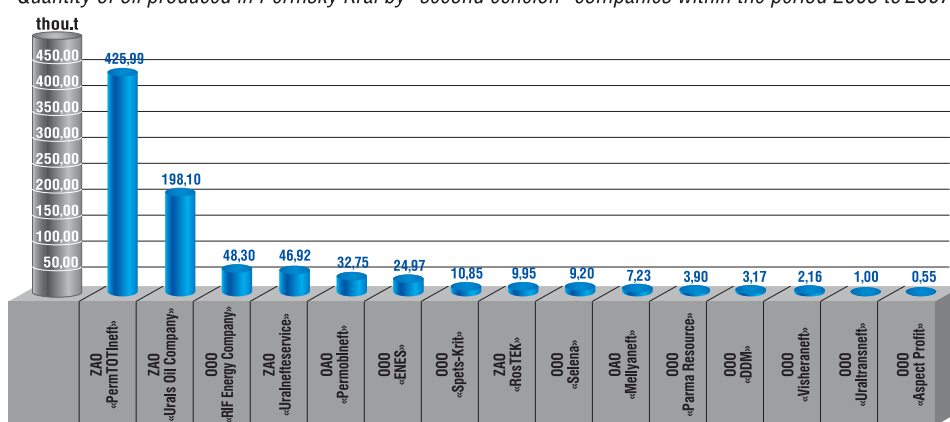
For the time being at the territory of Perm Krai are operating 20 oil producing companies. As of January 1, 2007 total number of issued licenses is 151. Of this number 132 licenses are referred to NE type, 11 licenses – HR type, and 8 licenses – NP type.

*Below is given the list of major oil producing companies operating at the territory of Perm Krai, as follows:*

- First echelon companies: OOO «LUKOIL-Perm», OOO «Uralneft».
- Second echelon companies: ZAO «PermTOTIneft», ZAO «Urals Oil Company», OOO «DDM», ZAO «RosTEK», ZAO «Uralneftservice», OAO «Mellyanef», OOO «Selena», OAO «Permoblneft», OOO «RIF Energy Company», OOO «UralOil», OOO «Spets-Krit», OOO «Parma Resource», OOO «ENES», OOO «Aspect Profit», OOO «Urals Oil and Gas Company», OOO «Ecotrade», OOO «Uraltransneft», OOO «Visheranef».

The major share of oil production is provided by companies.

Quantity of oil produced in Perm Krai by “second echelon” companies within the period 2005 to 2007



Source: Ministry of industry and natural resources of Perm Krai

High degree of the regional oil production and processing capacity utilization stipulates the relatively modest dynamics of the increase of productivity in these industries.

According to data provided by Perm Statistical Office, during the last seven years the level of capacity utilization related to the output of primary refinery products has been demonstrating continuous growth thus closing to the limit values: so from 98.7% (2000) it was increased to 99.1% (2005).

In 2006 the average pace of growth of manufacturing various oil processing products was around 5%. In 2007 this average pace was also growing: so the output of furnace fuel oil has grown up by 23.1% in comparison with similar period of the year preceding.

## 2.2.2. Financial aspects.

According to results of 2006 and January – May 2007 the regional oil production and processing was characterized by growing turnover (respectfully by 27.4 and 15 percent). The growth of turnover in the regional production of fuel and energy minerals in 2006 accounted for 21%; meanwhile according to results of the first five months of 2007 the negative dynamics in the industry was recorded (-13%). The similar dynamics demonstrate also the financial results of operations in these two industries: so profit before tax in petroleum-refining industry is a rather stable whereas the same performance ratio in oil production industry is varying. For instance according to results of the 1st quarter of 2007 the aggregate balanced financial result of all oil producing enterprises operating in Perm Krai has dropped by half (-50,2 %).

These two integrated industries make considerable contribution to the overall regional financial proceeds generated by Perm Krai (around 50% according to results of 2007).

Evidently that the further development of financial situation in the region shall be to a certain extent affected by movement of the international oil prices. According to the latest forecasts developed by IEA (International Energy Agency) oil grade Brent would need some period of time to restore its previous price level, whereas Urals oil grade quotations are historically tied to Brent oil process.

## 3. INFORMATION OF THE COMPANY

Joint stock open company AIA «Permoblneft» was established in compliance with Resolution No 91 adopted by Permsky regional Soviet of Peoples Deputies on April 22, 1981 by agreement with Ministry of Fuel Industry of the Russian Federal Soviet Socialist Republic for the purpose to cover local fuel demand.

State Enterprise Oil and Gas production directorate «Permoblneft» was transformed into AOOT «Permoblneft» on the basis of Law of Russian Federal Soviet Socialist Republic «Regarding privatization of state and municipal enterprises in the Russian Federation» of February 5, 1992 (all amendments and supplements thereto inclusive), and Edict of President of the Russian Federation № 721 «Regarding organizational measures to transform state enterprises into joint stock companies» of July 1, 1992.

Currently in balance sheet of OAO «Permoblneft» are included more that 17 wells located within the limits of 16 oilfields, as follows:

- Well № 51 in Babrinskoye oilfield (the well in question is located in Chastinsky district at a distance 40 km from Chastye town).
- Well № 123 in Druzhinskoye oilfield (the well in question is located in Cherdynski district at a distance 28 km in south-western direction from Cherdyn town).
- Well № 184 in Tomilovskoye oilfield (the well in question is located in Cherdynski district).
- Well № 37 in Tolukshinskoye oilfield (the well in question is located in Chernushinsky district at a distance 18 km in north-western direction from Chernushka town).
- Well № 276 in Rakinskoye oilfield (the well in question is located in Chernushinsky district at a distance 18 km in north-western direction from Chernushka town).
- Well № 4 in Peschanikovskoye oilfield (the well in question is located in Krasnovishersky district at a distance 12 km in eastern direction from Krasnovishersk town, at a distance 25 km from oil pipeline Gezh-Unva-Yarino-Perm).
- Well № 37 in Cherdynskoye oilfield (the well in question is located within the limits of Cherdyn town).
- Well № 41 in Cherdynskoye oilfield (the well in question is located within the limits of Cherdyn town).
- Well № 51 in Cherdynskoye oilfield (the well in question is located 5 km to north from Cherdyn town, and is accommodated at an individual shall uplifting that is a part of Cherdynskaya terrace by the Aretinsky formation roofing).
- Well № 50 in Cherdynskoye oilfield (the well in question is located 5 km to north from Cherdyn town).
- Well № 102 in Lesorubnoye oilfield (the well in question is located in Cherdynski district, at a distance 13 km from Cherdyn town).
- Well № 49 in Nikolsky uplifting (the well in question is located in Osunsky district at a distance 15 km in north-eastern direction from Osa town).
- Well № 181 in Pikhtowaya area (this oilfield is not included into balance sheet). The well in question is located in Alexandrovsky district at a distance 40 km from Pikhtovoye oilfield currently operated by OOO «LUKOIL-Perm».
- Well № 8-ОГН in Verkh-Borovskoye oilfield (the well in question is located in Solikamsky district at a distance 20 km in northern direction from Solikamsk City and 7.5 km to the west from Borovskoye oilfield).
- Well № 155 in Tiyshevskoye oilfield (the well in question is located in Oktyabrski district at a distance 15 km in western direction from Oktyabrski town).
- Well № 106 in Youzhno-Kukushtanskoye oilfield (the well in question is located in Kungursky district at a distance 20 km in western direction from Kungur City).
- Well № 141 in Zarubovskoye oilfield (the well in question is located in Ilyinski district at a distance 38 km in south-eastern direction from Ilyinski town and at a distance 2.5 km in south-western direction from Rusakovskoye oilfield operated/developed by OOO «UralOil»).





In 2005 OAO «Permoblneft» has filed application on participation in tender to acquire mine usage rights in respect of Samoylovskoye, Krasnoselskoye and Chermozovskoye oilfields. In result of this tender our company has obtained mining rights on Samoylovskoye and Krasnoselskoye oilfields (operation license ПЕМ № 00790 НЭ dated vember 3, 2005 valid in respect of Samoylovskoye licensed area and operation license ПЕМ No 00798 НЭ dated November 3, 2005 valid in respect of Krasnoselskoye licensed area).

Primary activity type of our company is the arrangement of oil production within the limits of mining areas in compliance with the relevant licenses obtained authorizing to carry out the recovery of liquid hydrocarbons. In compliance with the licenses obtained on operation of Samoylovskoye and Krasnoselskoye oilfields, at the present time OAO «Permoblneft» has proceed to the arrangement of oil production in these areas. In general our company has experience of operating the following producing areas located within the territory of Perm Krai: Travininsky, Sivinsky, Isanevsky, Verkh-Sypanskoye, Karamorskoye, Samoylovskoye, Tokarevskoye, Tavdinskoye and Lysvenskoye. Operation of oilfields listed above has been carried out within the period since 1984 to 2002.

Until recently OAO «Permoblneft» has been providing also services on current and capital repair of oil wells. Now OAO «Permoblneft» is engaged in rendering assistance at the territory of Perm Krai to small oil producing companies in the arrangement of works related to oil recovery.

Being in a possession of the latest expertise and experience in field of geology, geophysics, well drilling, equipment knowledge and oil economy, OAO «Permoblneft» offers its partners a wide range of consultancy services to oil and gas producing enterprises related to the efficient use of assets in course of the development and mastering oil and gas deposits. List of such services includes:

- Planning the prospecting and identification of prospect hydrocarbon bearing structures.
- Optimization of oilfield operations.
- Review of various applicable technologies and their efficient use in process of oilfield development.
- Assessment and the in-depth resource analysis.
- Preparation of procedural provisions and the customized operation standards in various production fields.
- Drawing up and assessment of investment projects to develop oilfields, and
- Assessment of efficiency of making use the available enterprise assets.

OAO «Permneft» provides services on implementation of projects to develop hydrocarbon deposits and installations intended for the production of oil, gas and condensate.

When considering the relevant projects our company is oriented on providing package solutions to satisfy client needs in all aspects connected with the development and operation of oil and gas deposits such as the development of oilfield construction design, preparation of requisite technical documentation, manufacturing and delivery of the agreed equipment and the commissioning/handing over thereof to client on turn key basis.

Our company performs also the appropriate construction, installation, supervision and set up/adjustment works, and training of customer's personnel to provide proper operation of equipment manufactured by the company according to computer programs developed by OAO «Permneft». In case of necessity jointly with customer we may also carry out works to reach the designed productivity level, any other post-commissioning services inclusive.

The development and implementation of new competitive technologies and equipment is carried out by OAO «Permneft» in close cooperation with leading scientific research and design oil industry institutions and the relevant manufacturing plants.

OAO «Permneft» is engaged also in providing services on transportation of dangerous cargos referred to class 2 and 3 (i.e. oil and oil-containing products) with the use of own road vehicles throughout the territory of the Russian Federation. We provide our services on carrying oil by special road vehicles (tankers) to such companies as OOO «UralOil», OAO ATP «Lukoil-Trans», OOO UPR «Rostek», OOO «Technical Service Center» and many others.

### 4. STRATEGIC OBJECTIVES

Company management took decision to concentrate primary efforts on the development of oil production and refrain in future from any activity related to providing services on the current and capital well repair.

For the nearest future OAO «Permneft» sees its strategic objective as follows: intensification of activity related to the development of oilfields, and the production of oil in oilfields in respect of which it holds valid licenses. Production target of the company may be outlined as the reduction of our production/operation costs to the level below the average level prevailing currently prevailing in Permsky Krai.

### 5. MAIN PERFORMANCE INDICES

#### 5.1. Economic conditions

In spite of being affected by certain risks typical for oil production industry as a whole, in 2006 economic operation conditions of the company may be outlined as stable. List of such risks includes inflation impact, fluctuation of international oil and oil product prices, changes in currency exchange rates and interest rates at the international financial markets. The most important global factor affecting the activity of OAO «Permneft» is the international oil prices that has reached in 2006 its historically maximum level; meanwhile the prices have been affected by the sizable fluctuations as well.

During the first half of 2006 oil prices continued climbing and have reached USD 75 per barrel. Nevertheless during the second half of the year in response to the prices growth the global oil demand dropped, and strategic oil reserves have been increased thus diminishing risk of deficit in short-term prospects. Combination of all these factors result in sharp decline in Brent oil prices: so during the certain period of time within the second part of 2006 the Brent price dropped below USD 60 per barrel.

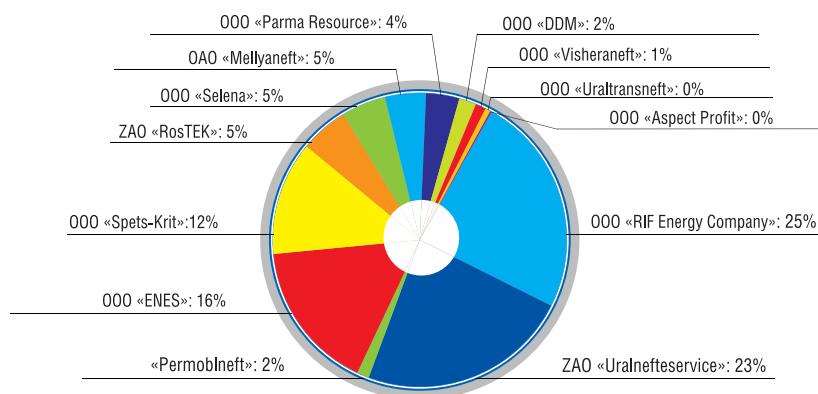
#### 5.2. Key performance data.

In respect of oil production volumes, as of today OAO «Permneft» is among leaders of the second echelon oil producing companies operating in Permsky Krai.

Currently the production of liquid hydrocarbons by our company accounts for 0.2 percent of the total hydrocarbon production in the subject region (or 2 percent of the total volume of oil produced by second echelon companies).

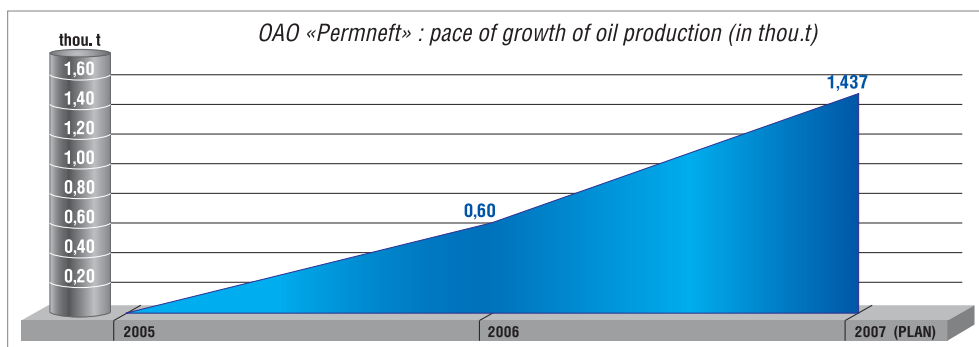
So if in 2006 OAO «Permneft» has produced only 600 tons of liquid hydrocarbon, it is expected that by the end of 2007 the total volume of liquid hydrocarbons produced by company would reach around 2.57 thou tons (growth in 4.3 times).

Quantity of oil produced in Permsky Krai by "second echelon" companies within the period 2005 to 2007



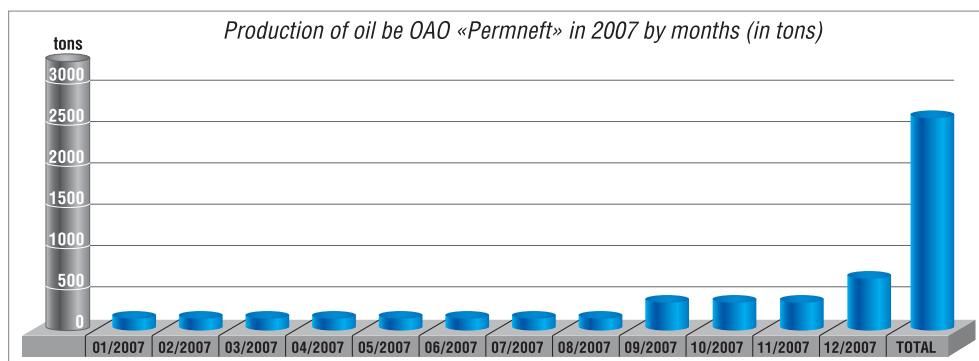


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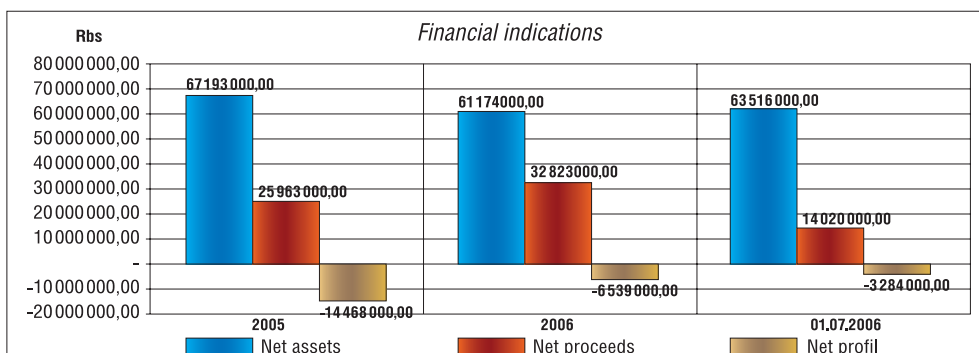
#### Results of oil production by OAO "Permneft" (tons).

Month and year	Well No.250	Well No.245	Well No.218	Well No.255	Well No.251	Well No.219	Well No.220	Well No.221	Well No.	Total:
January, 2007	50	70								120
February, 2007	21	59								80
March, 2007	80	71								151
April, 2007	66	61								127
May, 2007	54	65								119
June, 2007	58	62								120
July, 2007	58	29								87
August, 2007	57	84								141
September, 2007	58	65								123
October, 2007	58	65								123
November, 2007	58	65								123
December, 2007	58	65								123
<b>TOTAL:</b>	<b>676</b>	<b>761</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1437</b>

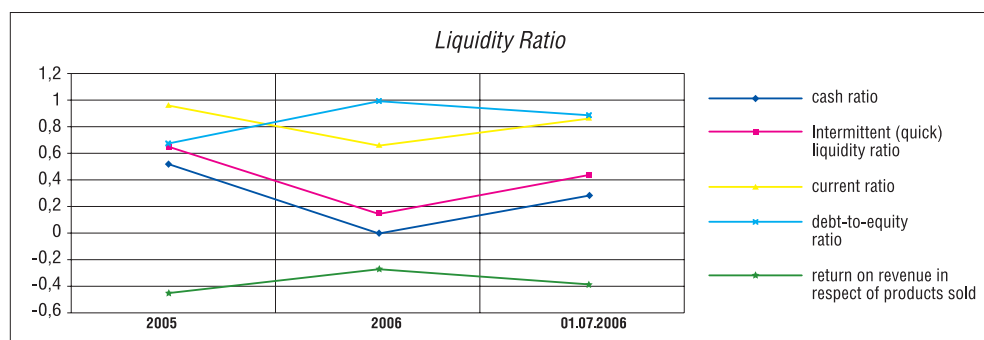


### 5.3. Financial statements

In compliance with the applicable laws of the Russian Federation, OAO «Permneft» is liable to prepare its annual financial reports and statements (statutory reports) according to Russian accountancy principles. Such reports and statements are subject to the obligatory approval by company's shareholders during its annual meetings.



## MAIN PERFORMANCE INDICES



### 5.3.1. Balance sheet

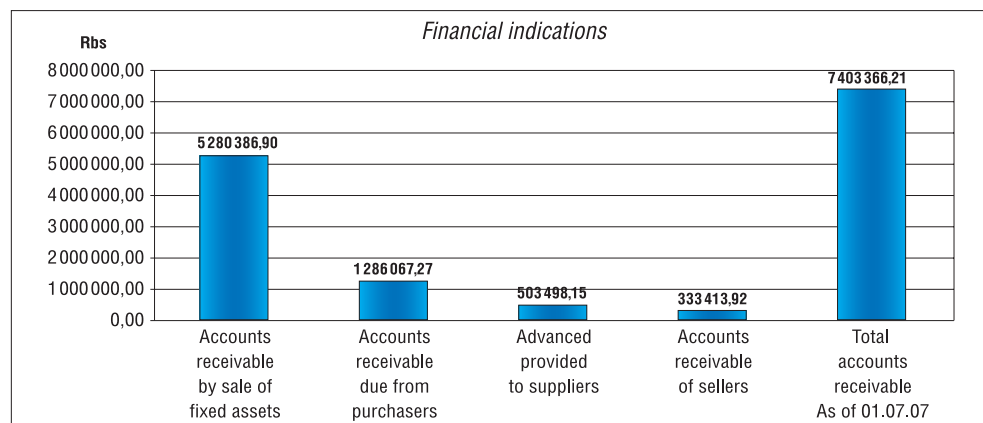
Item	Data for preceding periods		
	01.01.2006	01.07.2006	01.01.2007
<b>Assets</b>			
<b>Current assets</b>			
Cash	19	36	41
Securities	0	0	0
Accounts receivables	15 621	11 076	11 213
Inventories	5 518	3 490	2 528
Prepaid expenses	0		
Other current assets	12 654	15 911	18 825
<b>Total current assets</b>	<b>33 812</b>	<b>30 513</b>	<b>32 607</b>
<b>Fixed assets</b>			
Tangible fixed assets	58 807	56 199	49 215
Intangibles	23 200	23 144	22 810
	5 313	8 131	22 697
<b>Total fixed assets</b>	<b>87 320</b>	<b>87 474</b>	<b>94 722</b>
<b>TOTAL ASSETS</b>	<b>121 132</b>	<b>117 987</b>	<b>127 329</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank loan	24 279	21 447	25 876
Current portion of long-term debt	0	0	0
Accounts payables	25 044	31 432	38 964
Miscellaneous accruals & taxes	0	0	0
<b>Long - term debt</b>	<b>5 528</b>	<b>239</b>	<b>163</b>
<b>Total liabilities</b>	<b>54 851</b>	<b>53 118</b>	<b>65 003</b>
<b>Equity</b>			
Shareholders' equity	56	56	56
Retained earnings	66 225	64 813	62 270
<b>Total equity</b>	<b>66 281</b>	<b>64 869</b>	<b>62 326</b>
<b>LIABILITIES + EQUITY</b>	<b>121 132</b>	<b>117 987</b>	<b>127 329</b>
<b>Working capital</b>			



## 5.3.2. Profit and loss statement

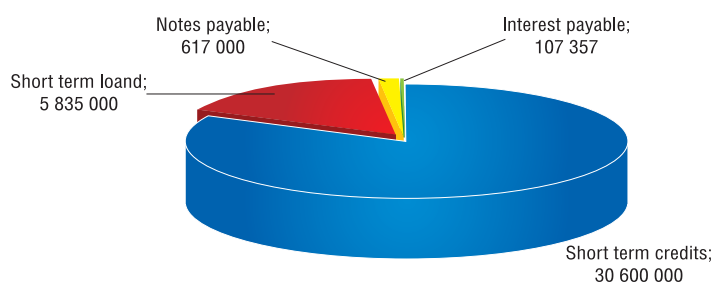
Item	Data for preceding periods					
	2005	% of sales	01.07.2006	% of sales	01.01.2007	% of sales
Net sales	25 982		14 020		32 823	
Cost of goods sold (less depreciation)	27 533	105,97%	13 898	99,13%	31 558	96,15%
Fixed cost	5 044	19,41%	1 963	14,00%	3 462	10,55%
Variable cost	22 489	86,56%	11 934	85,12%	28 096	85,60%
Gross margin (GM)	-1 551	-5,97%	122	0,87%	1 265	3,85%
Selling & Administrative cost (S&A)	7 462	28,72%	4 147	29,58%	7 574	23,07%
Depreciation (D)	2 529	9,73%	1 262	9,00%	2 227	6,79%
Operating income (OPI)	-11 542	-44,42%	-5 287	-37,71%	-8 536	-26,01%
Other income (OI)	-11 091	-42,69%	-709	-5,06%	1 402	4,27%
Profit before interest & Taxes (PBIT)	-22 633	-87,11%	-5 996	-42,77%	-7 134	-21,73%
Interest expense (I)	-504	-1,94%	-2 066	-14,73%	-4 164	-12,69%
Taxable income (PBT)	-23 137	-89,05%	-8 062	-57,50%	-11 298	-34,42%
Tax (T1=___%)						
Additional expenses after tax according to Russian regulations						
Net income (NI)						
Dividends						
Retained earnings						

## 5.3.3. Accounts receivable



## 5.3.4. Loans

Loans and credits raised by OAO Permoblneft as of 01.07.07 (Rbs)



## 5.3.5. Non-current assets as of July 1, 2007

### Works in progress

Works name:	Sum (Rbs)	NOTES
Drilling well battery 11 (Sivinskoye oilfield)	859 000,01	Capital investment placements in objects transferred to OOO "UralOil". This company has refused to redeem projects either indemnify OAO «Permoblneft» for expenses sustained in connection with the objects above mentioned.
Studying geological structure and calculation of reserves of Ocher, Tokarevskoye oilfield	700 000,00	
Checkpoint in Zaostrovka base	86 924,75	
Materials for PBC 7,8 (Sivinskoye oilfield)	36 076,00	
Laying oil pipeline (Sivinskoye oilfield)	17 456,00	
Design for Tokarevskoye oilfield	308 885,83	
Development of Verestchaginskoye oilfield, 3 <sup>rd</sup> stage (agreement 1104)	1 100 000,00	
Technological diagrams for development of Ocher, Tokarevskoye and Travn oilfields	600 000,00	
<b>TOTAL :</b>	<b>3 708 342,59</b>	
<b>Placements in development of Samoylovskoye and Krasnoselskoye oilfields</b>		
Oil meters CKG-30-40 M2 for Well No.245	7 782,38	
High voltage line 6 eW for Samoylovskoye oilfield, Well No. 245	292 263,00	
High voltage line 6 eW for Samoylovskoye oilfield, Well No. 245	1 091 485,31	
Development of Well No.218, Krasnoselskoye oilfield	1 947 630,00	
Well No.250		
Development of Well No.245, Samoylovskoye oilfield	4 990 454,62	
Development of Well No 250 for trial operation period	5 862 969,42	
Total expense on Samoylovskoye oilfield	887 548,00	
Total expense on Krasnoselskoye oilfield	360 000,00	
Well No.245 for Samoylovskoye oilfield	1 464 243,22	
Well No.218 for Krasnoselskoye oilfield	50 000,00	
Construction of filling point at Well No. 245	3 443 962,12	
<b>Total :</b>	<b>20 398 338,07</b>	
<b>Equipment due to installation</b>	<b>70 700,00</b>	
<b>GRAND TOTAL :</b>	<b>24 177 380,66</b>	

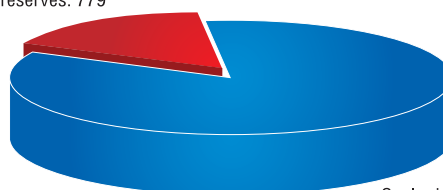


## 6. ASSESSMENT OF INVESTMENT ATTRACTIVENESS OF OILFIELDS OPERATED BY OAO «PERMOBLNEFT»

For the time being OAO «Permneft» is a holder of two licenses authorizing thereof to extract liquid hydrocarbons from the areas as follows: Krasnoselskoye oilfield (operation license ПЕМ-№ 00798-НЭ of November 3, 2005), and Samoylovskoye oilfield (operation license ПЕМ-№ 00790-НЭ of November 3, 2005).

*Krasnoselskoye and Samoylovskoye oilfields: oil reserves attributed to categories C1 and C2 (thou t)*

Recoverable reserves: 779



Geological reserves: 3 959

### 6.1. Krasnoselskoye oilfield.

*Krasnoselskoye oilfield: oil reserves attributed to categories C1 and C2 (thou t)*

Recoverable reserves: 277



Geological reserves: 1 454

Geological oil reserves referred to categories C1 and C2 containing in this area amount to 1,451 thou t, and the recoverable ones add to this figure another 277 thou t. Area of the subject licensed area is 7.9 sq.km. Oil recovery ratio applicable to geological reserves revealed in all discovered horizons of Krasnoselskoye oilfield is assessed as 0.45. As we reasonably expect in case of prolongation of the issued subsoil use license, drilling new wells and proper development of all productive formations of Krasnoselskoye oilfield the potential oil recovery from this pay area may reach 633 thou tons.

Proceeding from terms and conditions of license agreement, for the time being within the limits of Krasnoselskoye licensed area we are engaged in working out the trial operation design applicable to well No 218, the relevant arrangement design inclusive.

To specify geological data we have performed also re-interpretation of geophysical information (performer ZAO «PITS «Geophysics») related to well No 218. According to result of these works we have managed to identify four oil saturated layers that are characterized by the adequate collector properties; their respective oil saturation coefficient is varying from 50% to 80%. The list of such layers is given below as follows:

1. Tula carbonate horizon within the interval from 1547,6 to 1551,4 meters;
2. Bobrikovski horizon within the interval from 1575,0 to 1582,6 meters
3. Malinovski horizon within the interval from 1607,7 to 1610,0 meters, and
4. Tournaisian stage within the interval from 1616,6 to 1639,8 meters.

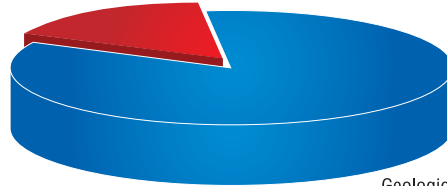
As we expect, given the construction of 4 operation wells within the limits of Krasnoselskoye oilfield during the period from 2009 to 2024, from the total development area equal to 4.0 sq.km may be extracted 172 thou t of oil containing in Tournaisian stage. Accordingly, upon depletion of

Tournaisian stage, making use of the newly constructed wells the oil recovery may be continued from the superincumbent oil objects, i.e. from Malinovski, Bobrikovski and Tula horizons.

## 6.2. Samoylovskoye oilfield

*Samoylovskoye oilfields oil reserves attributed to categories C1 and C2 (thou t)*

Recoverable reserves: 502



Geological reserves: 2 508

Geological oil reserves referred to categories C1 and C2 containing in this area amount to 2,508 thou t, and the recoverable ones add to this figure another 502 thou t. Area of the subject licensed area is 22.8 cq.km.

Well No 250 was commissioned in 1985 and was commercially operated until July 1995: since this moment ant until now it was not operated (preservation status). As of the moment total amount of capital investments placed thereto accounts for Rbs 24.4 mln. As expected for return of this well into commercial operation 8 to 10 months are required.

To facilitate successful development of our company and the continuous operation of this oil-field, within the period from October to December 2007 we are planning to carry out the relevant prospecting works by way of deepening Well No 245 up to the depth of burial of Tula horizon (1480 to 1500 m).

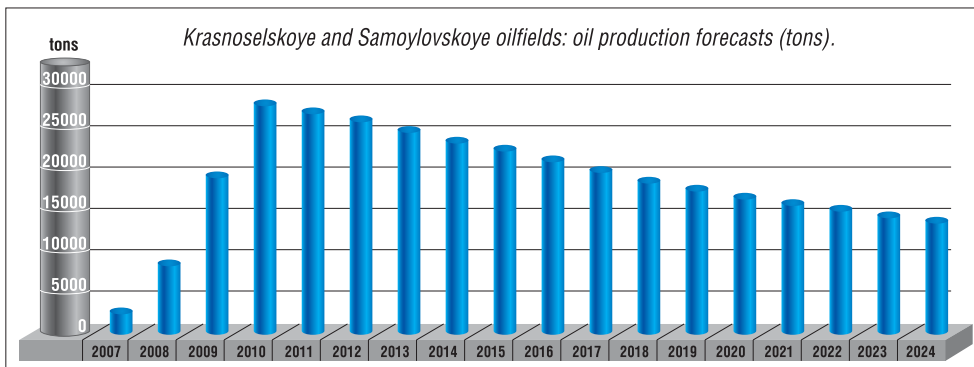
When drilling-in this Tula horizon it is planned also to perform the full cycle of the appropriate geophysical studies and the relevant seismic surveying works to determine character of oil saturation of the subject productive formation and spatial distribution of this productive structure.

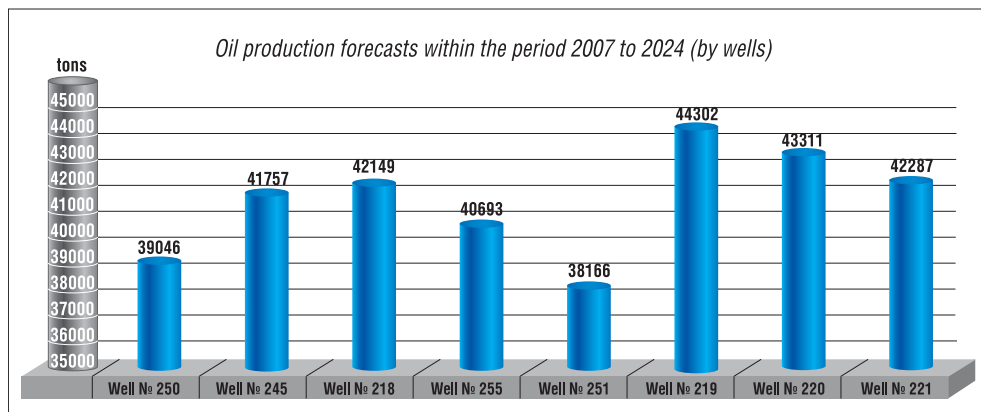
Carrying out works on deepening bore of Well No 245 would allow to discover new hydrocarbon bank and add to recoverable reserves approximately 400 to 600 thou t; respectfully daily production rate of Well No 245 may be developed up to 10 tons.

**In case of confirmation of oil reserves containing in Tula horizon the size of recoverable reserves attributed to C1 category may be increased up to 1175 thou t. Meanwhile overall geological reserves related to Samoylovskoye oilfield attributed to C1 + C2 categories would amount to 4,008 thou t (2,508 thou t as per Kashira-Vereyski horizon and 1,500 thou.t as per Tula horizon).**

## 6.3. General project assessment

*Krasnoselskoye and Samoylovskoye oilfields: oil production forecasts (tons).*



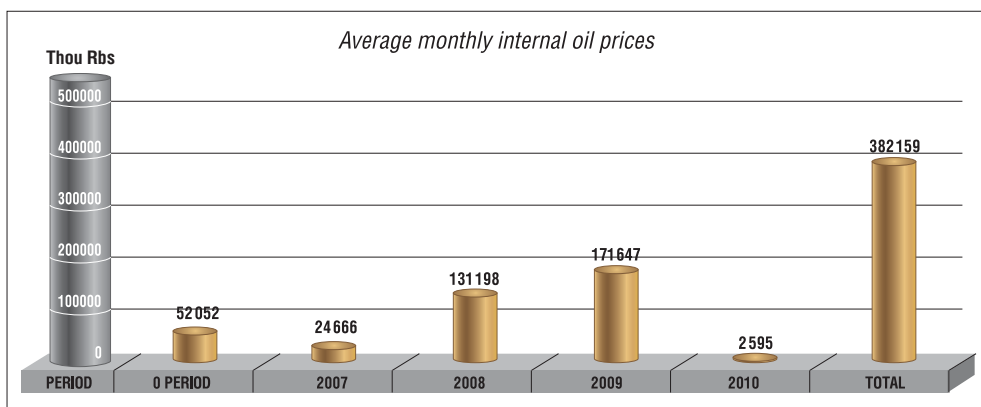


*Macroeconomic investment benefits of the above mentioned oilfields may be outlined as follows:*

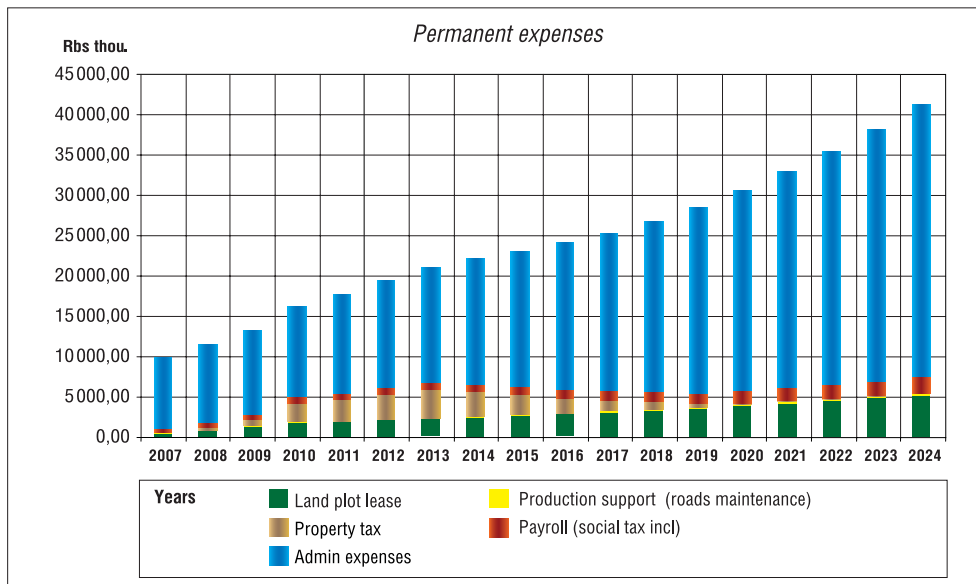
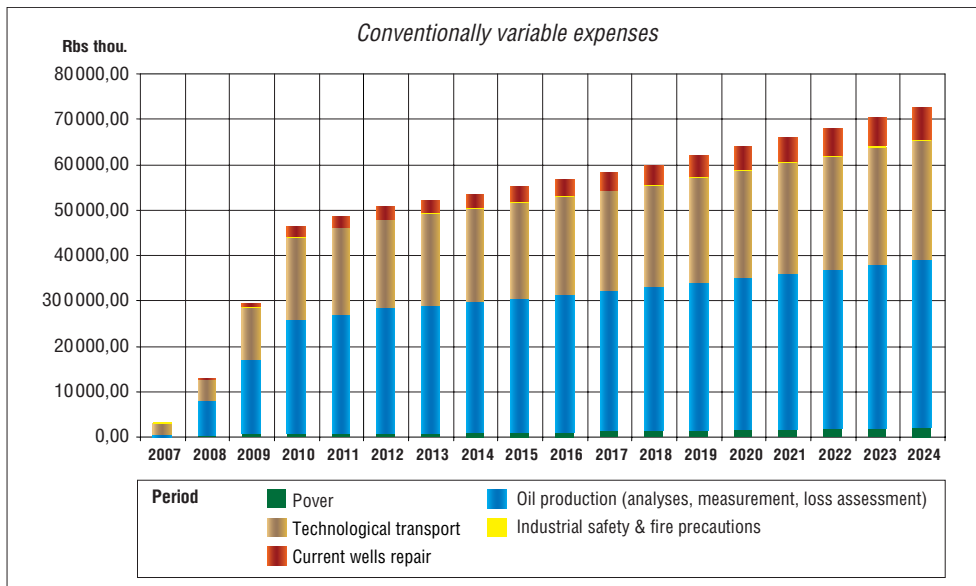
- Stable regulatory framework regulating subsurface management procedures and organization of oil production that are providing proper conditions for launching/running new similar projects.
- The available company's experience and expertise, and possession of the own mining assets/equipment thus allowing to minimize the relevant project launch expenses.
- Product competitiveness (in spite of sizable fluctuations of both international and domestic oil prices).
- Optimistic project expectations based on experience of successful operation of small oil producing enterprises collected in Perm Krai (without the additionally acquired licenses).
- Capability of the company's management to cope challenges connected with implementation of the oil production projects at hand (with account of the actual human resources).

## 6.4. Financial aspects of the project.

Development and operation of the subject oilfields shall be done by way of de-preservation / new completion of the available wells, and also by way of drilling the additional wells upon carrying out the additional geologic studies.



Duration of investment period accounts for 4 years. Total sum of investment placements is assessed as Rbs 382,159,000; as expected the major part of these funds shall be used during 2009 (44.9 percent). Plan of investment placements related to Zero Period has been already performed in full.



Calculation of efficiency of placements was done proceeding from the estimates as follows:

Coefficient (b) applicable to the industry	0,54
Debt-equity ratio	0,11
Risk-less financial rate of return in terms of USD (percentage)	4,2
Market premium to cover investment risks (percentage)	13,5
Adjustment of (b) for financial leverage	0,59
Profitability as per CAPM (Capital Asset Pricing Model): expected rate of return	0,1361

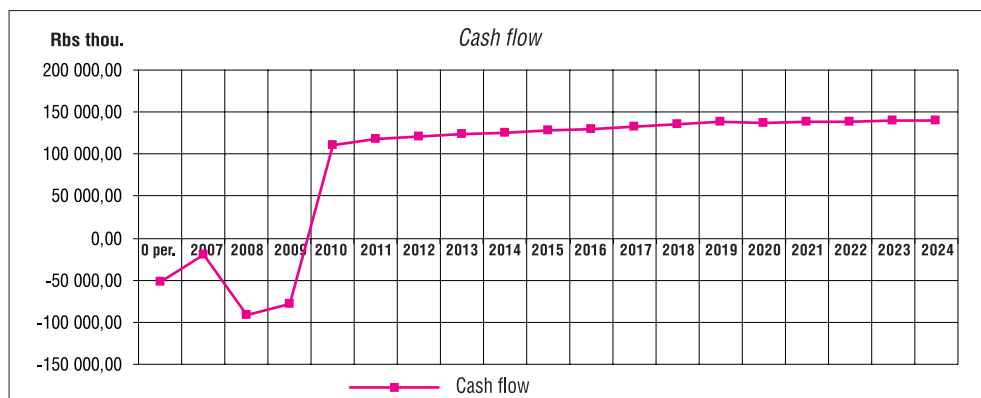
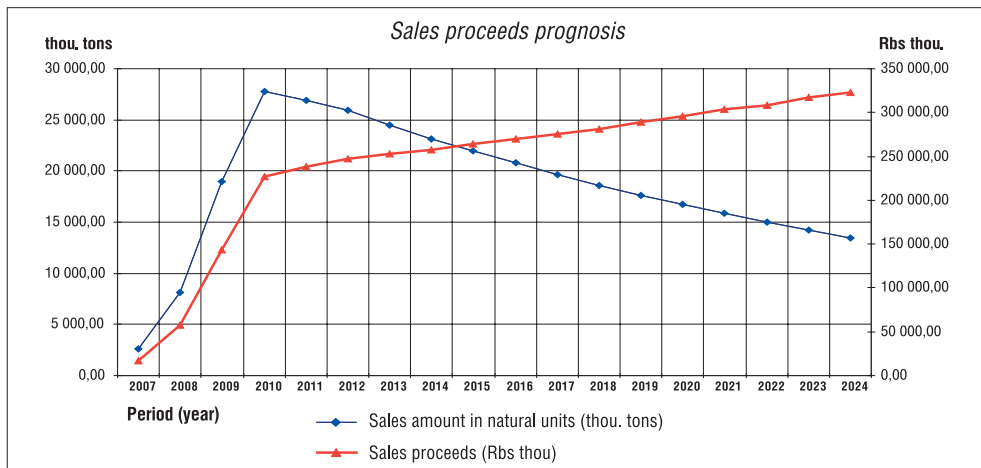
#### Calculating cost of capital

Volume of own assets	0,1
Volume of borrowed funds	0,9
Equity valu	0,1361
Cost of borrowed capital	0,18
T	0,2
WACC in US	0,1417
WACC in Rubles	0,1747

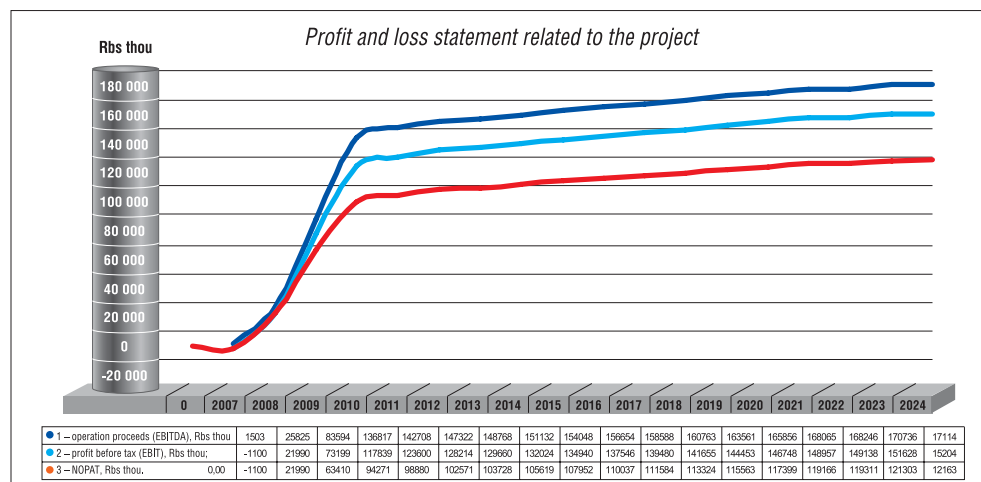


Calculation of the product price has been done within the frameworks of the moderate-pessimistic scenario: so currently the price of 1 ton of oil at the internal market of Perm Krai is varying within the limits Rbs 7,000 to 6,300 per ton, whereas in our calculations we have been using oil price equal to Rbs 6,500.

Operation of two wells of Samoylovskoye oilfield (Nos 245 and 250) is already in progress. As expected commissioning (and operation) of wells newly drilled at Samoylovskoye and Krasnoselskoye oilfields shall be taking place prior to the end of construction period\$ therefore at least part of requirements in investments shall be covered by the relevant operation cash flows generated by project, i.e. such investments shall be financed for the account of proceeds earned in result of operation of the newly commissioned wells.

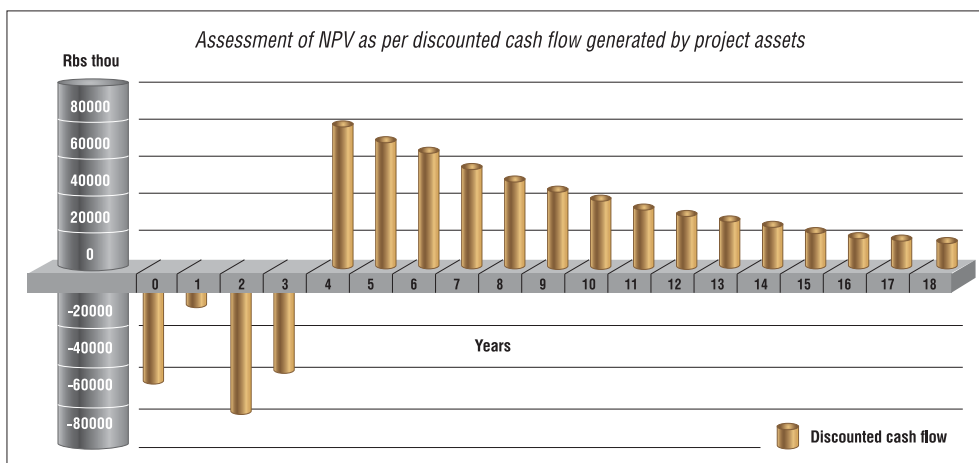
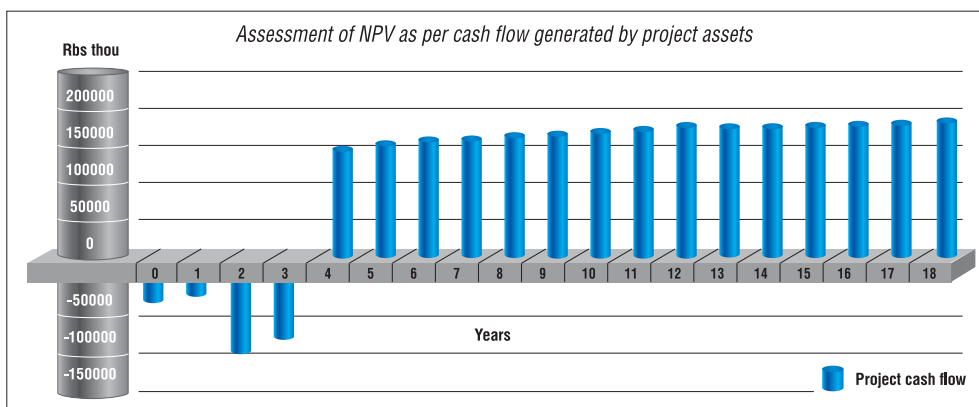
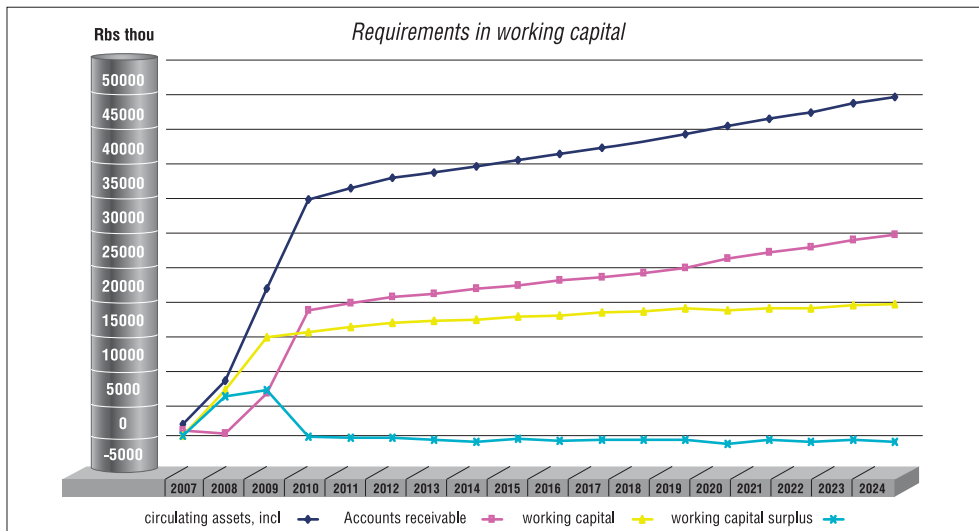


Cash flow generated by the project assets has been calculated with the account VAT and income tax payable; meanwhile the mineral extraction tax was disregarded.



## ASSESSMENT OF INVESTMENT ATTRACTIVENESS OF OILFIELDS OPERATED BY OAO «PERMOBLNEFT»

Operation proceeds (EBITDA) generated by project would allow to meet obligations related to investment return, payment of the relevant interest, observe the appropriate tax obligations (payment of the applicable mineral extraction tax inclusive) and pay the dividend accrued.



Data calculation:

Payback period	6,5 years
Internal rate of return (IRR)	33,28%
Discounted payback period	8 years
ECF	48 369,18
NPV for 10 years	<b>103 924,95</b>
NPV for 18 years	<b>217 249,08</b>



**PERMOBLNEFT**

## **7. CORPORATE MANAGEMENT**

### **7.1. Management**

**Chervonnykh Alexey Vladimirovich.**

*Director General of OAO «Permoblneft».*

Mr.Chervonnykh was born on March 28, 1968. In 1992 he was graduated (diploma cum laude) from Permsky State Pedagogical Institute, City of Perm, specialty: English and French languages. In 2005 Mr.Chervonnykh continued his higher education and was graduated from Higher School of Financial Management, Academy of National Economy under Government of the Russian Federation, Moscow.

He holds MBA degree in «Strategic planning». Was graduated abroad (Geneva, Switzerland, specialty: Strategic management and Finance). Mr.Chervonnykh is perfectly command of English and French languages. He has initiated his practical career in OAO «Permoblneft», and since 2003 holds position of Financial Director and Acting Director General.

Prior to coming into oil business Mr.Chervonnykh has been working with joint stock commercial banks OAO «Joint stock commercial bank Ecoprombank» and Perm affiliate to Joint stock commercial bank «Tveruniversalbank». Currently he is member of Board of Directors to OAO «Joint stock commercial bank Ecoprombank» and OAO Azot (Berezniki Town, Permsky Krai).



**Anatoly Gennadievich Voytechovsky.**

*Stockholder to OAO «Permoblneft», Director General and co-founder of OOO «EPB-Project» (City of Perm).*

Mr.Voytechovsky was born on January 27, 1966. In 1995 he was graduated from Permsky State University, City of Perm, specialty: jurisprudence. Mr.Voytechovsky initiated its business career as Director for economy and finance of ZAO «Regional Promissory Notes Center»; later on he was appointed counselor to President of OAO Commercial Bank Kauri.

Since 2000 he was holding position of commercial director of OAO «Permsky Myasokombinat»; in this position he has succeed in making his enterprise the industry leader. In February 2002 he passed into OAO «Ecoprombank» and occupied position of Head of Financial Monitoring Department.

Being Director General, since March 2004 and till January 2007 Mr.Voytechovsky headed OOO «Rosprom-Perm» that was in charge of providing oil supplies and oil delivery to 30 districts of Permsky Krai.

Currently Mr.Voytechovsky is a proprietor of 6.61 percent of stock of OAO «Ecoprombank» and 25.1 percent of stock of OAO «Permoblneft».



## 7.2. Corporate management principles

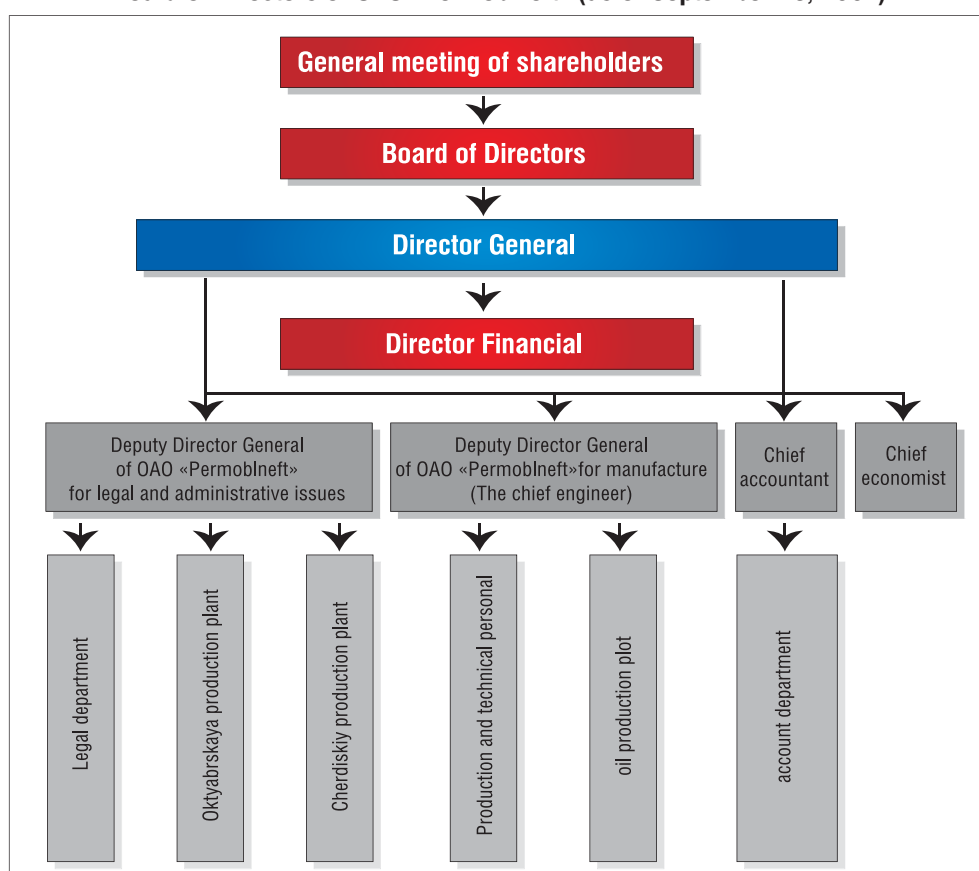
Strategy of OAO «Permoblneft» underlines importance of the efficient corporate management in building of the international class company and reaching level compatible with level of major international oil and gas producer companies.

We consider corporate management as an important factor to improve overall efficiency of our activity and investment attractiveness, reinforcement of our business reputation and delivering value to our shareholders.

System of corporate management of our company are based on the principles as follows:

- observance and protection of rights of all shareholders;
- accountability of company's management to its shareholders, and
- duly and adequate disclosure in all sufficient aspects information of the company related to results of its activity, risks and current financial position.

### Board of Directors of OAO «Permoblneft» (as of September 13, 2007).



## 7.3. Equity structure

As of June 2007 the amount of charter capital of OAO «Permoblneft» accounts for Rbs 558 230 000.

### Brief information of securities issued by company:

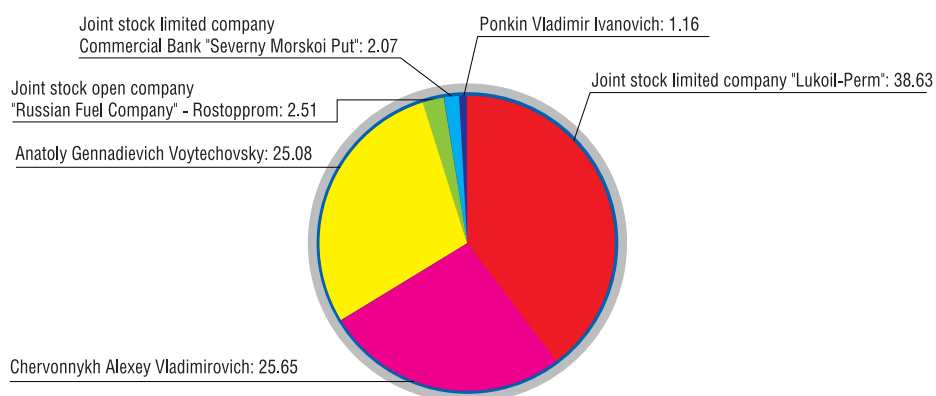
Security description	State registration number	Issue	Face value, Rubles	Total securities, pcs
1	2	3	4	5
Ordinary registered shares	56-1p-484	1	1	55823
TOTAL of ordinary shares:				55823
TOTAL of preferential shares:				
TOTAL :				55823



Total number of shareholders of OAO «Permoblneft» is 6: three of them are represented by individuals whereas the other three are legal entities.

No.	Status	Name in full	Position :
1	Member of the Board of Directors	Anatoly Mikhailovich Golubtsov	Head of Logistics support and transport department of OOO «LUKOIL-Perm»
2	Member of the Board of Directors	Dimitrii Victorovich Perestoronin	Head of Economic and planning department of OOO «LUKOIL-Perm»
3	Member of the Board of Directors	Igor Ivanovich Mazein	Head of Oil and gas production technology department of OOO «LUKOIL-Perm»
4	Member of the Board of Directors	Evgeny Alexandrovich Nemolyeav	Chairman of the Council, Chief Economy and Finance Officer, Deputy Director General of OAO «Russian Fuel Company» – Rostoprom
5	Member of the Board of Directors	Sergey Ivanovich Yeremenko	Deputy Director General of OAO «Permoblneft» for legal and administrative issues
6	Member of the Board of Directors	ANATOLY GENNADIEVICH VOYTECHOVSKY	Director General of OOO «Rostoprom – Perm»
7	Member of the Board of Directors	Dimitrii Yourievich Tarychev	Director of OOO «VolgaUralsVoyage»

*Structure of shareholding of OAO «Permoblneft» (percentage)*



Below is presented the detailed extract from Register of holders of registered securities issued by OAO «Permoblneft» including data of total number of securities belonging to the registered holder thereof – as percentage of the issuer's charter capital and total number of securities of the given category issued as of June 29, 2007 /24:00/.

**Issuer: Joint stock open company "Permoblneft":**

Equity percentage: from 1.00 to 100.00									
Ser No.	Name of full of individual either full name of organization	Number of current account	Account type	Preferential stock		Ordinary stock		Total number of shares	Percentage in equity
				Number of shares	Percentage of total number	Number of shares	Percentage of total number		
				pcs.	%	pcs.	%	pcs.	%
1	2	3	4	5	6	7	8	9	10
1	Joint stock limited company "Lukoil-Perm"	734	PR			21567	38,63	21567	38,6346
2	CHERVONNYKH ALEXEY VLADIMIROVICH	737	PR			14318	25,65	14318	25,6489
3	VOYTECHOVSKY ANATOLY GENNADIEVICH	742	PR			14000	25,08	14000	25,0739
4	Joint stock open company "Russian Fuel Company" – Rostoppprom	738	PR			1400	2,51	1400	2,5079
5	Commercial Bank "Severny Morskoi Put" - Joint stock limited company	736	NH			1154	2,07	1154	2,0672
6	PONKIN VLADIMIR IVANOVICH	171	PR			648	1,16	648	1,1608
	TOTAL as per list: (accounts: 6)					53087	95,10	53087	95,0988
	Notes:								
	PR - proprietor								
	NH - nominal holder								



## 8. LICENSES HELD

ОАО «Permoblneft» is a legal holder of the licenses as follows:

1. License to run oil producing operations. License number A 129747 36-3H-000679 (H). The license is valid since December 23, 2003 till December 23, 2008.

In supplement to the license in question are listed the activity types as follows: drilling, liquidation and preservation of oil and gas producing wells; liquidation and preservation of the other oil producing installations; operation of oil and gas producing wells, including operations on their technical maintenance, oil recovery improvement, liquidation of the open oil- and gas well flowing; operation of enterprises to uncover oil and gas bearing formations with the use of the appropriate perforating-explosive equipment, development/mastering oil and gas producing wells, and carrying out geophysical and geodynamics studies.

2. License on carrying cargos by road vehicles throughout the territory of the Russian Federation, and transportation of the own dangerous cargos (class 2 and 3) for production purposes within boundaries of the Russian Federation. License number BA No 016803 FCC-59-400283. The license is valid since January 21, 2004 till January 12, 2009.

3. License on transportation of passengers by road vehicles throughout the territory of the Russian Federation. License number BA No 016804 ACC-59-403672. The license is valid since January 21, 2004 till January 12, 2009.

4. Subsoil use license series ПЕМ number 00790, license type H3. License purpose and the authorized works types: exploration and production of hydrocarbon containing raw materials within the boundaries of Samoylovsky subsoil plot. Krasnoselsky

5. Subsoil use license series ПЕМ number 00798, license type H3. License purpose and the authorized works types: exploration and production of hydrocarbon containing raw materials within the boundaries of Krasnoselsky subsoil plot.

### Review of performance of license agreements concluded by ОАО «Permneft» within the period since January 1, 2006 till May 1, 2007.

Counteragent	Agreement	Subject	Performance timeframes	Sum, Rbs thou	Paid, Rbs thou	Arrears, Rbs thou
<b>Samoylovskoye oilfield</b>						
<b>250 wells</b>						
Ministry of natural resources of the Russian Federation		License on the right to operate Samoylovskoye subsoil plot (ПЕМ No.00790 NE)	Term of validity till 08.11.2025	13 719,96	13 719,96	
ООО «Уралстройэкспертиза»	No.08-02/06 dated 01.08.2006	Development of well No.250	01.08.2006 to 30.08.2007	5 171,90	5 171,90	
Individual Enterprise Samin N.P.	No.04 dated 15.06.2006	Completing and installation of sucker rod pumping unit on Well No.250	15.06.2006 to 25.06.2006	82,00	82,00	
ООО «Service Electromontazh»	No.02/02-06 dated 20.02.2006	Construction and installation works of high voltage transmission line 6kV	01.04.2006 to 31.08.2006	1 590,70	1 590,70	
Individual Enterprise Samin N.P.	No.05 dated 15.06.2006	Completion and installation of piping for flow head equipment type ETG 65*140 on Well No.250 (collection tank inclusive)	15.06.2006 to 25.06.2006	80,00	80,00	
ЗАО «НПФ «Нафита»	No.57 dated 15.03.2006	Trial operation design for Samoylovskoye oilfield	15.03.2006 to 18.10.2006	1 109,20	377,60	731,60
ООО «НАРН»	No.49/07 dated 01.02.2007	Examination of trial operation design	01.04.2007 to 30.04.2007	105,00	105,00	
ООО «GeoTechnology»	No.03-03/75 dated 10.05.2006	Mining allotment design for Samoylovskoye oilfield	01.04.2007 to 30.04.2007	118,30		118,30
ООО «НПП Тос»	No.09-186 dated 15.02.2006	Design and assessment documentation for project "Development of well No.250 for Samoylovskoye oilfield"		1 872,50	1 813,50	59,00

## LICENSES HELD

Individual Enterprise Soyur A.N., Rossprirodnadzor Department, OOO «Uraltechanalit»		Examination of Design and assessment documentation for project "Development of well No.250 for Samoylovskoye oilfield"		73,80	73,80	
ZAO «PTITS «Geophysics»	No.02/2006 dated 06.02.2006	Performance of field geophysical, perforating- explosive operations, processing and interpretation of seismic works results	06.02.2006 to 31.12.20006	265,70	265,70	
Works performed by PKRS Shop, <b>245 wells</b>		Well re-entry operations	May 2006	598,90	598,90	
OOO «Uralstroyexpertisa»	No.08-01/06 dated 15.08.2006	Development of well No.245	15.08.2006 to 30.08.2006	5 171,90	5 171,90	
OOO «NPP Test»	No.06-123 dated 24.07.2006	Design and assessment documentation for project «Development of well No.245 for Samoylovskoye oilfield»	01.08.2006 to 30.11.2006	565,10	545,50	19,60
Individual Enterprise Soyur A.N., PGTU, State Examination Office of Ministry for Extraordinary Situations of the Russian Federation		Examination of Design and assessment documentation for project "Development of well No.245 for Samoylovskoye oilfield"		42,50	42,50	
Individual Enterprise Sonin N.P.	No.160 dated 01.09.2006	Dismantling and erection works on well No.245 (gas separation tank with capacity 25 cu.m)	08.09.2006 to 01.10.2006	413,90	413,90	
OOO «DIZ-Ain»	No.153 dated 31.08.2006	Delivery and installation of sucker rod pumping unit type CK-8 on Well No.245	01.09.2006 to 10.09.2006	283,20	283,20	
Works performed by PKRS Shop, OAO «Permneft»		Well re-entry operations	August 2006	1 003,00	1 003,00	
ZAO «PTITS «Geophysics»	No.02/2006 dated 06.02.2006	Performance of field geophysical, perforating- explosive operations, processing and interpretation of seismic works results	01.08.2006 to 31.08.2006	297,10	297,10	
OOO «Tech-Pro- Etalon»	No.58 dated 01.11.2006	Capital repair of Well No.245	01.11.2006 to 30.11.2006	1 392,10	1 392,10	
OOO «TPU «Permneftepromchim»		Upgrading oil production technological process (chemical oil treatment method)	01.09.2006 to 30.09.2006	38,50	38,50	
OOO «Energosistemy»	No.034/06 dated 10.08.2006	Delivery of flow head equipment	01.08.2006 to 31.08.2006	85,00	85,00	
OOO «MTC»	n/n dated 07.08.2006	Delivery of oil well tubing and pump type HB-44	01.08.2006 to 31.08.2006	235,00	235,00	
OOO «MTC»	No.71-638 dated 06.11.2006	Installation of collection tank	01.11.2006 to 30.11.2006	3 545,2	3 545,2	
OOO NPO «NTES»	No.06/143 dated 25.08.2006	Delivery of CKG-30	01.12.2006 to 31.01.2007	116,80	116,80	
OOO «Sputnik- Metrology-Service»	No.2201-07 dated 27.01.2007	Installation of CKG-30 on Well No.245	01.03.2007 to 30.04.2007	96,80	96,80	
	No.120 dated 01.01.2006	Installation of power transmission line 0,4kV on Well No.245 and road transportation services	01.01.2007 to 31.01.2007	30,30		30,30
OOO «SNEMA»						
ZAO «PTITS «Geophysics»	No.02/2006 dated 06.02.2006	Processing and interpretation of geophysical data	01.12.2006 to 31.12.2006	82,60		82,60
<b>Krasnoselskoye oilfield</b>						
Ministry of natural resources of the Russian Federation		License on the right to operate Krasnoselskoye subsoil plot (PEM No.00798 HE)	Term of validity till 03.11.2025	10 235,66	10 235,66	
ZAO «HPF «Naphta»	No.58 dated 15.03.2006	Design of trial operation of Krasnoselskoye oilfield		1 345,20		1 345,20
OOO «NPP Test»	No.06-187 dated 15.02.2006	Design and assessment documentation for project "Development of Krasnoselskoye oilfield for the period of trial operation"	01.03.2006 to 31.08.2006	2 298,20	676,60	1 621,60
ZAO «PTITS «Geophysics»	No.02/2006 dated 06.02.2006	Processing and interpretation of geophysical data	01.12.2006 to 31.12.2006	59,00		59,00
		<b>TOTAL :</b>		<b>52062,02</b>	<b>47996,76</b>	<b>4065,20</b>

