OJSC "SURGUTNEFTEGAS"

ENVIRONMENTAL REPORT

2008

CONTENTS

Anatoly S. Nuryaev
First Deputy Director General OJSC "Surgutneftegas"

OJSC "Surgutneftegas" alongside with other leading Russian companies is highly committed to social responsibility adopted by the majority of developed countries, and is striving to promote its principles within the activities performed.

To this end, one of our key priorities is to ensure a healthy environment for present and future generations.

The Company puts special emphasis on a sound environmental management considered mission critical for the successful business. To this end, careful and effective use of natural resources and sustainable improvement of the industrial safety are the issues of primary concern for the Company today.

Over five years, Surgutneftegas has been providing public environmental reporting to promote mutual understanding between the Company and state authorities, its shareholders, citizens of the regions it operates in, and public organizations.

Full compliance with environmental legislation and adherence to strict internal policy enable us to mitigate environmental and legal risks. A great variety of nature and resource saving technologies actively employed by the Company both boosts environmental effect and significantly reduces social risks.

Within last five years, the Company tripled its environmental investments to RUR 21.82 bn in 2008.

The investment initiatives enabled us to construct and commission a large number of environmental facilities, also in Eastern Siberia, a new region of our business, dramatically eliminate emissions and effluents, as well as enhance waste recovery. Moreover, we maintain the leading position among our peers in utilization of associated petroleum gas (APG) and developing small-scaled power generation.

The Company's efforts to apply state-of-the-art resource saving and environmentally friendly technologies, and implement innovative and eco-friendly solutions were highly rewarded by the state authorities, environmental organizations and an independent environmental rating agency.

In 2008, Surgutneftegas became a winner of the annual prize promoted by the Ministry of Natural Resources and Ecology of the Russian Federation as "The Best Environmental Project of the Year". The Company's shares were included into the NERAX-Eco Index portfolio for 2009.

FUNDAMENTALS OF OJSC "SURGUTNEFTEGAS" ENVIRONMENTAL POLICY

Under the environmental policy OJSC "Surgutneftegas" follows, ecological wellbeing is recognized as a key driver to economic prosperity and a basic condition to maintain safety and health of the Company's employees and people living in the regions it operates.

Environmental policy along with scientific and technical, human resources and social policies provides our sustainable development.

Today, the fundamental principles of the Company's environmental policy include:

- Progressive improvement of natural protection and environmental management;
- Industrial and environmental safety in line with up-to-date international standards and requirements;
- Lower toxic waste and pollutants discharge against higher production output through the state-of-the-art technologies and scientific achievements;
- Sustainable utilization of natural resources based on resource saving and environmentally friendly technologies;
- Constant control over compliance with industrial and environmental safety requirements;
- Continued monitoring of the environmental situation in the regions of the Company's operation;
- Lower industrial impact of new-built facilities achieved through comprehensive preparation of preliminary design and project documentation;
- Extensive personnel expertise in nature protection;
- Transparency of the Company's environmental efforts.

ENVIRONMENTAL MANAGEMENT SYSTEM

The environmental management system employed by OJSC "Surgutneftegas" is a part of the integrated management system.

The environmental management system enables the Company to accomplish its primary environmental goal of balanced improvement of environmental safety via comprehensive environmental programs.

We consider transition from environmental hazard management to its elimination and prevention to be a vital necessity for our business. To this end, the Company gives much attention to accounting and management of its fundamental ecological aspects and impacts.

Continued monitoring of environmental values and control of their compliance with state and internal regulations is the essential part of the Company's environmental management system.

Besides, we are heavily focused on expanding knowledge and competence of our employees and ensuring they are aware of their roles in environmental activities of Surgutneftegas.

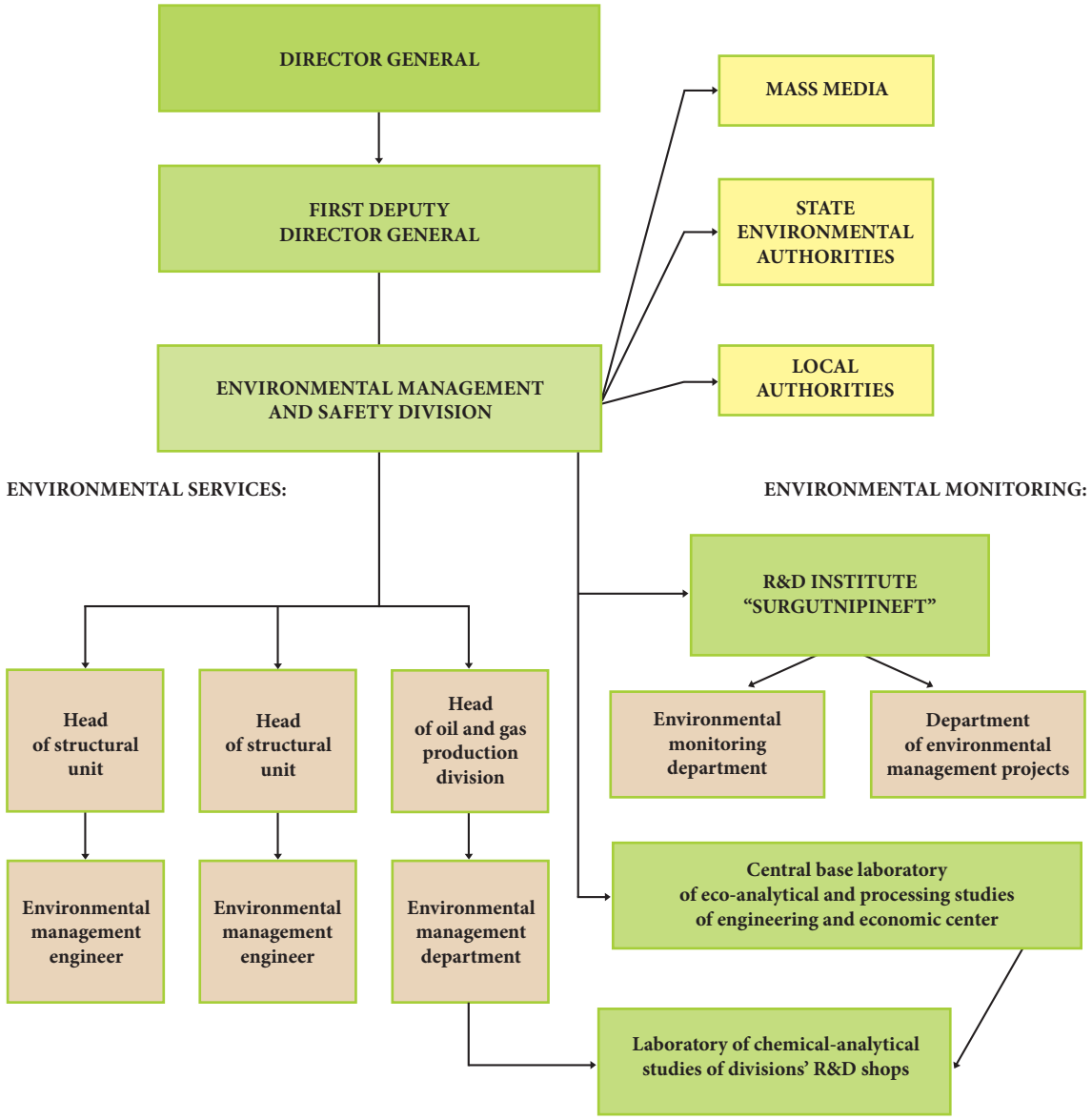
In its effort to enhance environmental production safety, OJSC "Surgutneftegas" follows the Convention on Environmental Impact Assessment in a Transboundary Context, Unified State Ecological Monitoring System of the Russian Federation and Convention on the Transboundary Effects of Industrial Accidents. The convention imposes an obligation to inform the public on any industrial accident taken place.

Every year, we publish environmental reports to inform our partners, public organizations, citizens and other interested parties of society on the environmental hazards and measures applied to minimize negative impact of the production facilities on environment.

It took OJSC "Surgutneftegas" some years to create its environmental management system. Now, it is employed in all structural units and combines efforts of 163 environmental specialists working in all Company's units, 125 employees of 11 laboratories and 370 employees of units of accident prevention and elimination of hazards.

As part of the environmental policy, we have assigned duties and responsibilities to our employees at all corporate levels of the vertical management structure. The Company also adheres to the procedures developed to identify the environmental priorities helping us plan environmental activities.

ENVIRONMENTAL MANAGEMENT SYSTEM OJSC "SURGUTNEFTEGAS"



SCIENTIFIC RESEARCH AND APPROACHES TO ENVIRONMENTAL ISSUES

High quality products, resource and habitat conservation are gaining higher importance in 21st century. Thus, eco-friendly and non-waste production is able to considerably minimize environmental impact allowing economic and environmental issues to be tackled successfully.

The only way to settle such a multi-aspect issue is to foster strong relations between science and production that enables us both to enhance the environmental efficiency of production and make the production process effective.

Being aware that the progress can be achieved via the significant investments in innovations, the Company actively maintains and extends cooperation with the leading Russian scientific and scientific and design centers.

Over 25 scientific institutes of the Russian Federation are engaged in work with Surgutneftegas striving to develop the cutting edge effective and eco-friendly technologies when managing environmental issues.

As part of the environmental policy, the Company employs the latest information technologies that provide actual environmental data.

The geo information combined with land remote sensing proved to be highly effective when applying in practice.

The Company's environmental experts use land remote sensing data to tackle a great variety of issues, i.e. to develop projects on drilling mud storage pits recultivation, maintain regional waste inventory, identify waterlogged territories and eliminate hydrological regime changes. Space and air survey data are examined to develop environmental monitoring projects, prepare sampling procedures for assessment of the current background pollution of new license areas, and patterns of water protection area boundaries when designing production facilities, as well as identify natural complexes.

The spatial information obtained from interpreted remote sensing data allows us to maintain current environmental data geo information base (EcoGIS) that comprises information on environmental monitoring location, water sluices and recultivation areas. One of the key priorities for us is to improve the database performance, i.e. to update data on water protection areas of the water bodies and geographical landscapes of all areas the Company operates in. The information is extensively used to perform engineering and ecological surveys for ecological feasibility report when performing construction or other activities, as well as design capital construction projects and assess potential human intervention when preparing project documentation.

The experts of environmental monitoring department of SurgutNIPIneft apply a well-proven technology of remote sensing to detect derelict lands. The Company has been performing aerial visual monitoring since 2002. The current aerial survey base includes over 35,000 pictures. Surgutneftegas uses integrated data obtained from interpreted space surveys on environment status of the areas with oil fields being exploited for long time including revegetation of the recultivated areas.

Scientific institutions – the Company's partners	Trend of cooperation
Scientific and Research Center of Ecological Safety of the Russian Academy of Science (RAS)	Development of operation schedule for recultivation of derelict and polluted lands
State Scientific and Research Center Institute of Lake and River Fisheries	Water bodies monitoring
State Hydrological Institute	Bog complexes monitoring
Zoological Institute (RAS), Biological Institute (RAS)	Ecosystem monitoring
Center of Independent Ecological Expertise (RAS), All Russia Petroleum Research Exploration Institute (VNIGRI), Scientific and Research Institute of Military Medicine, Sysin Scientific and Research Institute of Human Ecology and Environmental Hygiene of Russian Academy of Medical Science (RAMS)	Drilling mud toxicity assessment
Saint-Petersburg State University, Lomonosov Moscow State University, Independent Non-Profit Organization "Competence and Analytical Center on Problems of the Environment ANO "Ecoterra"	Determination of oil-contaminated lands condition Development of standards for permissible residual content of oil products after recultivation
Interindustry Scientific and Research Institute of Ecology of Fuel and Energy Sector	Development of specific rates for production waste generation and their utilization
The G. V. Plekhanov Saint Petersburg State Mining Institute	Oil production ecological safety
Sukachev Institute of Forest SB RAS, Dokuchaev Soil Science Institute of the Russian Academy of Agricultural Sciences, Siberian Regional Hydrometeorological Institute, All-Russian Scientific Research and Information Center for Forest Resources	Development of effective technology of drilling mud storage pit recultivation
Institute of Plant and Animal Ecology of the Ural Division of RAS, Institute of the North Development SB RAS	Ecosystem assessment and evaluation of impact made by construction of oil production facilities
Institute of Applied Ecology of the North of the Academy of Sciences of the Sakha Republic (Yakutia)	Assessment of the license areas ecosystem
Perm State Technical University	Monitoring of resources condition
All-Russia D.I. Mendeleev Scientific and Research Institute for Metrology	Accreditation of ecoanalytical laboratories
Federal State Unitary Scientific and Production Enterprise "Aerogeology"	Development of regulatory documents for license areas environmental monitoring
Scientific and Research Institute of Development and Maintenance of Oil Country Tubular Goods, Central Bardin Scientific Research Institute of Ferrous Metallurgy, Institute of Power Resources Transport	Reliability enhancement of oil and gas pipelines
Institute of Physical Chemistry and Electrochemistry of RAS, Center of Chemical Mechanics of Oil of the Academy of Sciences of the Republic of Bashkortostan, Siberian Scientific and Research Institute of Oil Industry, All-Russian Scientific-Research Institute	Determination of aggressive environmental impacts and level of their aggression

A wide variety of environmental activities within intensive development of oil and gas fields requires complex automation of the works performed. Thus, the Company applies developed and implemented solutions:

- Web-module "Chemical and Ecological Monitoring of Environment" is developed to analyze the current environmental status of the license areas and includes results of chemical analytical studies of more than 31 thousand samples collected from 1995 to 2008;
- "Control of Pipeline Supervision Routes" is developed to prevent pipelines accidents via satellite navigations loaded with maps of technogenic and natural objects;
- "Calculation of Environmental Payments" was purchased and implemented in 48 structural units in 2008 to calculate environmental expenses incurred due to environmental negative impact;
- Web-module "Environmental Action Program of OJSC "Surgutneftegas" is developed to provide centralized capture and storage of data on environmental activities.

Surgutneftegas also installed software "Extra" to enhance reliability of the pipelines.

ENVIRONMENTAL MANAGEMENT

The Company's activities within environmental management and conservation of natural resources are fulfilled under annually developed "Ecology" program.

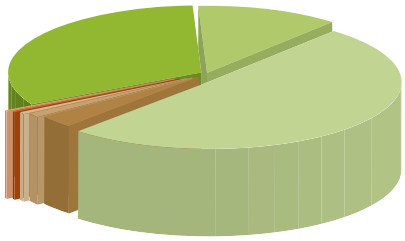
Traditionally, the program envisages nature protection facilities construction, land, water and air resources protection and conservation, natural environment and production facilities monitoring, pipeline accident prevention and management, production waste processing and utilization, as well as and scientific research works.

"Ecology-2008" program financing totaled RUR 21,082.2 mn (vs. RUR 16,136.8 mn in 2007). For the last three years, environmental investments of Surgutneftegas grew up by 30–40% per year. The Company strives to maintain sustainable capital investment level, i.e. 30% of the total investments. The second priority among total investments is usually given to capital investments in environmental facilities key assets.

The biggest part of financing (one half of the total financing) is provided for production and industrial wastes recovery. The remaining amount is allocated to prevent pipeline accidents.

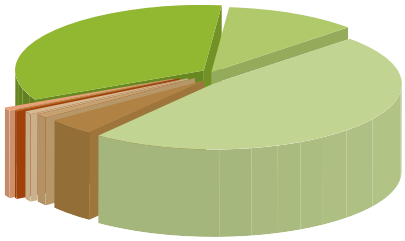
FINANCING OF ENVIRONMENTAL ACTIVITIES in 2006–2008 (RUR mn)

2006 | 11,413.8



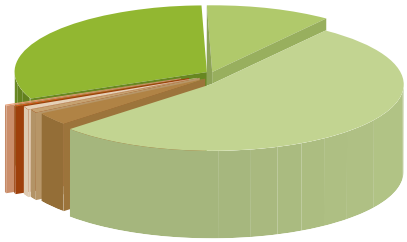
- 35.42% nature protection facilities construction
- 11.76% pipeline accident prevention
- 47.97% industrial waste recovery
- 2.69% accident management
- 0.78% drilling mud storage pits recultivation
- 0.69% monitoring
- 0.08% air protection
- 0.60% contractual works, eco-training, experts training and attestation

2007 | 16,136.8



- 31.74% nature protection facilities construction
- 11.97% pipeline accident prevention
- 52.31% industrial waste recovery
- 2.61% accident management
- 0.64% drilling mud storage pits recultivation
- 0.54% monitoring
- 0.10% air protection
- 0.09% contractual works, eco-training, experts training and attestation

2008 | 21,082.2



- 32.28% nature protection facilities construction
- 12.83% pipeline accident prevention
- 50.73% industrial waste recovery
- 2.50% accident management
- 1.03% drilling mud storage pits recultivation
- 0.38% monitoring
- 0.11% air protection
- 0.14% contractual works, eco-training, experts training and attestation

Pipeline Accident Prevention

High-level reliability of field pipelines can ensure significantly environmental safety of oil and gas areas. Thus, under its environmental policy, OJSC "Surgutneftegas" is highly committed to preventing pipelines accidents.

For over a decade, we have been carrying out complex measures to promote environmental safety of the pipelines that allowed us to eliminate accident risk from 12 to 5 times. The result was achieved due to utilization of corrosion-resistant pipelines having limitations on corrosion-active non-metallic inclusion content, monitoring of pipeline corrosion, inhibitor protection, as well as installation of initial water separation units based on three-phase separators.

Today, the Company employs 23 thousand km of different pipelines. To provide their safety, Surgutneftegas continuously improves reliability of equipment and facilities, monitors corrosion, protects oil and water pipelines.

To ensure environmental safety, our experts perform monitoring of corrosion of 3,035 km of pipelines. Now, the comprehensive monitoring system is applied at 444 control points enabling us to assess the aggressivity of pumped substances.

As a result, Surgutneftegas is able to plan and implement the adequate protection actions in compliance with standards, regulations and guiding documents.

In the reporting year, as a part of accident prevention program, we used 2,400 tons of corrosion inhibitors with efficiency of 90%–98% to cover 1,429.4 km of water and oil pipelines (that is 22% over the planned volume).
The corrosion inhibitors used to protect oil production facilities and equipment, as well as the enhancement of injection technology allow us to eliminate corrosive attack and reduce the number of accidents. Agents produced abroad account for 24% of the total volume. In 2008, the Company's environmental services managed to decrease specific daily consumption of import inhibitors from 6.82 kg/km to 6.23 kg/km versus 2007.

We maintain the specific daily consumption of domestic inhibitors at the level of 10 kg/km. In the year under review, the Company performed a large-scale field test of the Russian corrosion inhibitor "Napor 1010B" to add on to domestic agents having high water allocation coefficient.

The corrosion monitoring and forecasting for technical condition of the pipelines enabled the Company to develop inhibitor protection program for 2009. The program envisages protecting 1,574.7 km of pipelines with 4,805.5 tons of the corrosion inhibitors, as well as reducing specific daily consumption of import inhibitors to 3.61 kg/km.

In 2007, it was accepted to utilize only the pipelines with enhanced corrosion resistance having limitations on corrosion-active non-metallic inclusion content of 2 units/1 sq. mm that significantly increases resistance to local corrosion. To control metal pipeline quality, the Company concluded license agreement for "Steelworks Quality Control (its options)" innovation. With help of the accredited laboratory the initial inspection of the pipes was arranged, including destructive inspection technique.

The enhanced resistance to local corrosion and inhibitor protection enable us to eliminate pipeline accident risks by 2 times.

In 2008, the Company replaced over 558 km of accident-prone pipeline sections.

Operation of initial water separation units (IWSU) helps mitigate risk of accidents at pressure pipelines to a large extent. IWSUs enable us to transport oil with average residual water content of about 2–4% and prevent oil pipeline "rill corrosion" of pressure and gathering pipelines. At the same time, IWSUs make it possible to reduce energy consumption and steel intensity of Surgutneftegas pipeline system which is of high importance taking into consideration high water cut of our oil.

Altogether, we have 95 IWSUs in operation, including 86 units installed on three-phase Heater-Treater separators enabling us to run 3,000 km of pressure pipelines in dehydrated oil transport mode. In 2008, the Company put into operation 2 water separations units.

Equipment Operated by Oil Spill Response Teams

The extensive use of preventive measures cannot fully guarantee accident-free and fail-safe operations. Specifically, the upstream operations call for an immediate and efficient response to emergencies.

OJSC "Surgutneftegas" boasts a highly-efficient fleet of clean-up equipment and techniques, which is continually expanded and updated, and is always ready for operations.

When dictated by the circumstances, the most effective equipment for containment, skimming and pumping of oil spills can be delivered to the hard-to-reach areas and rapidly deployed within less than an hour. The equipment operated is fitted with various interchangeable skimming heads to allow for optimum performance in a wide range of oil viscosities and under any weather and terrain conditions.

A wide variety of accessories and subassemblies enables us to optimize emergency and aftermath response operations, and increase the number of works performed.

To clean up oil spills, OJSC "Surgutneftegas" operates:

- 117 oil-skimmers (including 11 skimmers purchased in 2008) of different models and skimming parameters designed to operate in various oil viscosities and under any weather or climatic conditions;
- 3 oil spill recovery boats designed to skim oil off shallow waters and rivers, including the Ob', Pim, and Tromyegan rivers;
- self-contained high-pressure pumps and easy-to-assemble aluminum pipes to pump over skimmed oil from hard-to-access areas;
- 6,580 meters (including 280 meters purchased in 2008) of portable and quickly deployable booms equipped with air blowers, – lightweight, reinforced, frost-resistant for onshore and offshore protection;
- mobile self-elevating Vaico tanks for temporary oil storage;
- absorbent boom-forming equipment and absorbent boom squeezers, absorbent materials used to form multi-use booms;
- sprinkler irrigation systems of different flow rates for biological reagents and bacteria treatment;
- 5 U-STRG units (including 1 unit purchased in 2008) for producing thermally exfoliated graphite absorbent (STRG) with capacity of 30 kg/h, and 12 backpack sprayers to apply absorbent to hard-to-access areas.

The Company operates 18 Kenworth-based vacuum dump trucks to pump and safely transport skimmed oil. In 2008, we additionally purchased 6 Kenworth trucks. Our "green truck fleet" also includes Tatra-based vacuum tank cars "KAS-11" and all-terrain vehicles "Haska" equipped with mechanical shovel and attachments. This highly-efficient equipment for skimming, pumping and transportation of oil, oil-contaminated water and soil is kept always serviceable.

All skimmed oil-contaminated soils and liquids are transported to cleaning facilities designed to handle oil contaminated soils with complete oil recuperation and subsequent utilization of recovered soils.

For post-accident clean-up and rehabilitation of hard-to-reach swampy areas and wetlands, the Company successfully uses multifunctional amphibious vehicles "Truxor DM 4700V" with attached implements for integrated treatment of water basins and near-shore areas. In the reporting year, the Company added 2 vehicles to its fleet.

In parallel with development of new oil

and gas provinces and extension of pipelines, Surgutneftegas enhances the capacity of equipment fleet operated by its environmental protection services. In 2008, the Company provided additional top-of-the-line equipment for oil spill response team of Oil and Gas Production Division "Talakanneft", which was the first in Eastern Siberia to operate highly-efficient equipment specifically designed for oil spills control.

To optimize performance of our equipment, we developed and proved the feasibility of clean-up techniques designed for swampy areas, which have not been originally provided by guidelines and rules both prepared by Russian institutions and in the course of international cooperation. The Company's experts developed and validated the in-situ burning technique used on areas covered by swamps, ice and snow. Equipment and techniques employed by the Company are used to protect the most important territories and water basins, and maximally remediate waters and soils. The choice of particular equipment is first of all dictated by the season, location and accessibility of a contaminated area. Guided by these parameters, we developed an integrated selection matrix of oil spill clean-up techniques applied at water and swampy areas, which further formed the basis of the Company's spill response plan approved and launched by the Ministry of Emergencies of Russia.

The Environmental Service continues to improve its oil and oil products spill prevention and response system enabling to take immediate actions if any emergency occurs in areas where the Company operates.

All 7 oil spill and accident response teams created at the Company's oil and gas production divisions have been certified by the Territorial Certification Commission. Every year, they hold emergency response exercises, jointly and separately, focusing on actions to be taken during flood periods.

Due to initiatives pursued during the last 3 years, the Company managed to prevent oil spills causing substantial adverse effects on the environment. Besides, the Company's spill response teams successfully participated in containment of oil spills caused by other entities in the areas of the Company's operations.

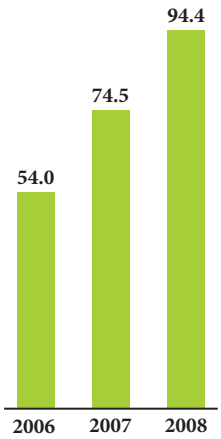
Land Rehabilitation

In 2008, we continued to implement our large-scale disturbed and contaminated land restoration program. Rehabilitation of disturbed ecosystems is socially and environmentally significant initiative. To mitigate negative impacts of the Company's activities, we apply ecosystem approaches, which allow us to achieve high performance results even under harsh climatic conditions of the Middle Ob.

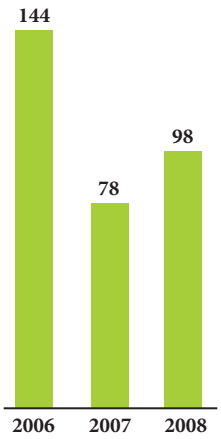
We carry out recultivation of lands in accordance with our land rehabilitation plans (programs) based on standard process flow schemes adjusted for specific swampy environment, which were developed together with the Center for Independent Environmental Impact Assessment of the Russian Academy of Sciences (Saint-Petersburg), and approved by the State Environmental Expert Review Committee. The continuous improvement of rehabilitation techniques and renewal of equipment fleet have resulted in higher efficiency of oil-contaminated lands remediation.

Using the multifunctional amphibious vehicles "Truxor DM 4700V", we successfully remediate areas located on hard-to-reach swampy terrain and wetlands, which were contaminated in the previous years. These vehicles are fitted with attached implements for integrated treatment of water basins and near-shore areas (digging bucket, bottom mud pump, mower, etc.). In the period under review, Truxor DM 4700V vehicles enabled us to remediate 15.7 ha of oil-contaminated lands located at hard-to-get swampy areas. In 2009, we plan to additionally purchase 8 upgraded multifunctional amphibious vehicles "Truxor DM 5000".

RECLAIMED AND DEREGISTERED CONTAMINATED LANDS (ha)



FOREST REHABILITATION OF SLUDGE PITS (pits)



In 2008, 94.4 ha of restored lands were inspected and deregistered by Rosprirodnadzor (The Federal Service for Supervision of Natural Resource Usage) for Khanty-Mansiysky Autonomous Okrug – Yugra.

The reclaimed areas can be excluded from the contaminated land register based on residual oil and oil products contained in treated soils pursuant to regional standards for permissible residual content of oil and oil products in soils of KhMAO-Yugra.

In 2008, we spent RUR 448.5 mn on rehabilitation of oil-contaminated areas. Annually, we increase our contaminated land management capacities along with reducing areas damaged in the previous years. In 2009, we plan to reclaim 71.5 ha of land.

As of 01 January 2009, contaminated lands of the Company's license areas covered 335.9 ha.

Sludge pits located on the territory of Khanty-Mansiysky Autonomous Okrug – Yugra are reclaimed mostly by means of revegetation and reforestation techniques ("forest rehabilitation"), which allow us to avoid burial disposal.
This efficient environmental technology applied by us for more than 10 years proved to be the most ecologically and economically sound.

In 2008, the Company spent over RUR 216 mn on revegetation of 98 sludge pits, and planed to spend RUR 230 mn to reclaim 105 pits using this technology in 2009.

Moreover, every year the Company promptly rehabilitates and reforests over 1.5 thousand ha of short-term leased land.

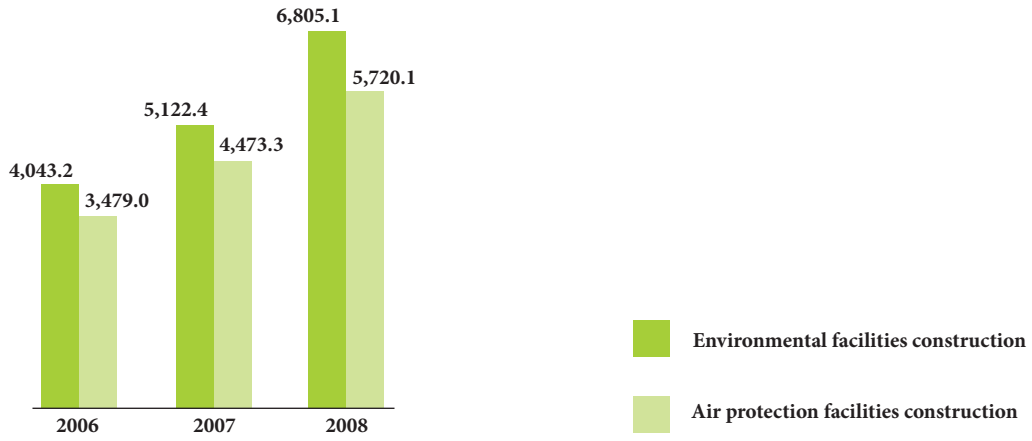
Air Protection

High level of air pollutants, mostly greenhouse gases, emitted by energy companies – on the one hand – and non-renewable character of hydrocarbon resources – on the other hand – assign high priority to air protection initiatives. Reduction of air pollution in the sphere of oil and gas field development has become a vital objective, which requires an integrated approach towards assessment of the impact produced by upstream operations and associated petroleum gas (APG) utilization. Solution which allows for minimum environmental impact is economically feasible and efficient in terms of APG utilization.

As the Company brings into development small deposits located at undeveloped areas far from infrastructure and consumers, the standard gas utilization process normally employed at newly developed fields, which requires construction of facilities for treatment, compression and long-distance transportation of gas, makes projects unprofitable. The most environmentally and economically viable solution found for this purpose is in-field utilization of APG used to supply energy for the Company's upstream operations.

Over the last ten years, Surgutneftegas has been implementing the project for construction of gas turbine and gas piston power plants (GTP and GPP plants) and upgrade of compressor stations (with electric drives replaced by gas turbines). Through these efforts, we managed to achieve higher APG utilization rate, lower pollutant emissions, and tap a new source of low cost energy.

ENVIRONMENTAL INVESTMENTS BY OJSC "SURGUTNEFTEGAS" (RUR mn)



Along with that, we can reduce or even stop construction of gas pipelines, compressor stations, high-voltage lines and substations, which in turn help avert an industrial impact on environment.

In 2008, the Company commissioned 12 new air protection facilities: 2 gas turbine power plants, 1 gas piston power plant, 3 compressor stations, 5 indoor heated car parks and 2 car parks with installed air-heating systems.

The majority of these facilities (primarily, GTP and GPP plants) is designed to utilize associated petroleum gas. In 2008, we commissioned the GTP plants at the Rogozhnikovskoye (KhMAO-Yugra) and Talakanskoye (Republic of Sakha (Yakutia)) fields, and the GPP plant at the Zapadno-Sakhalinskoye field in Khanty-Mansiysky Autonomous Okrug – Yugra, as well as enhanced the gas turbine power plant at the Vostochno-Elovoye field. All in all, at the beginning of 2009, the Company's distributed power generation facilities included 17 GTP and 4 GPP plants.

In 2008, Surgutneftegas invested RUR 5,720 mn in construction of the air protection facilities, including APG utilization facilities, which translated into a 28% increase compared to 2007, and accounted for 84% of the Company's total capital expenditures.

Hence, Surgutneftegas demonstrated the sustainable growth of investments into the fixed environmental assets, which serves the Company's primary environmental objective – efficient APG

POLLUTANT EMISSIONS VS. APG UTILIZATION

utilization management, gas flaring and, consequently, pollutant emissions reduction.

The Company's program for construction of gas turbine power plants and reduction of gas flaring, which has been implemented during the last three years (since 2006), helped achieve a steady decline in pollutant emissions, and, as a result, in greenhouse gases emissions. Annually, our GTP and GPP plants allow us to reduce methane emissions, which if translated in CO_2 equivalent, reached 800 thousand tons in 2008. This achievement enables us to implement GTP construction projects to comply with the Kyoto Protocol. OJSC "Surgutneftegas" executed a document "Preparation and Implementation of Projects in Compliance with Article 6 of the Kyoto Protocol to the United Nations Framework Convention on Climate Change".

The Company continues to realize projects focused on higher APG utilization rate, including construction of compressor stations, heated parking lots, air-heating systems for motor vehicles, and in-house gas consumption (boilers, furnaces, initial water separation units, oil treatment and other facilities). In 2008, the Company increased its in-house gas consumption by 6.4% to 2,583 mn cubic meters. The APG utilization rate is triggered by the Company's gas processing output, which reached 6.874 bcm in the reporting year.

As a result, in 2008 our concerted efforts in this sphere allowed us to reach 95.4% of APG utilization, including almost 95.7% in Western Siberia, and reduce gas flaring by 20% compared to 2007, which helped mitigate air pollution despite the Company's expanding production activities. Totally, the Company's upstream sector reduced air pollution by 27.4 thousand tons, or 8.7%, compared to 2007, with specific emissions reaching 4.66 kg/t of oil.

In 2008, the Company's gross pollutant emissions equaled 287.5 thousand tons, which means we did not exceed the permissible exposure limit.

In an effort to reduce pollutant emissions, we regularly adjust and upgrade the Company's boilers, furnaces, and other fuel-burning equipment, which helps stay within permissible limits of emitted pollutants.

Dust and gas catchers installed at the process equipment also contribute to lower rate of pollutant emissions, mostly solids. In 2008, the Company commissioned 15 dust and gas catchers with total capacity of 48.5 thousand cubic meters per hour. In the reporting year, total pollutant emissions collected by the catchers amounted to 9.6 thousand tons. We systematically control the performance of dust and gas catchers in operation by measuring their purification efficiency rate.

Moreover, the Company managed to mitigate pollutant emissions by maintaining a complete control over toxicity and smoke opacity level of exhaust emissions produced by the vehicles in the areas of its operation, including the Republic of Sakha (Yakutia).

In 2008, "SurgutNIPIneft", the Company's R&D Institute, developed and updated 26 projects on

maximum permissible emissions (MPE) standards, based on which the Company's business units can promptly obtain emission permits.

In 2009, Surgutneftegas plans to construct and commission the 2nd phase of the GTP plant at the Talakanskoye oil-gas condensate field, 3 GPP plants in KhMAO-Yugra (at the Yaunlorskoye, Severo-Seliyarovskoye and Vatlorskoye fields), a compressor station in the Republic of Sakha (Yakutia), heated (indoor) parking lots and air-heating systems for motor vehicles.

In 2009, the Company's capital expenditures on construction of air protection facilities are to amount to RUR 3,320.2 mn.

In 2009, Surgutneftegas plans to utilize 95.65% of associated petroleum gas, and reduce pollutant emissions by 37.8 thousand tons.

Water Protection

The Region of the Middle Ob where the majority of Surgutneftegas license areas locate is unique in terms of extensive swamping process and the planet's largest marsh system with a great number of lakes and minor rivers concentrating here. The river Ob's floodplain on the territory of KhMAO-Yugra and part of YaNAO is the longest floodplain region in the world. High-water season is record high and does not occur on other rivers. Accounting for the region's specific character we elaborated special operating procedures allowing high-level water bodies' protection to be provided.

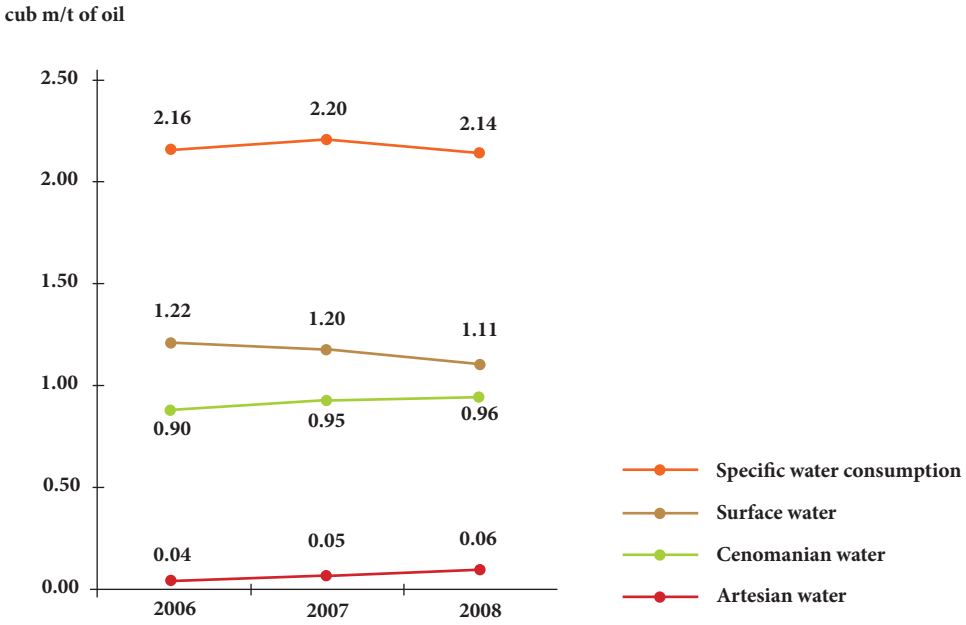
The Company's water resources protection activities are focused on prevention of water bodies' pollution with wastewaters, industrial waters, and waste liquids, as well as on sound water use.

To prevent water bodies' pollution, Surgutneftegas has developed and implemented standards and requirements, as well as regulatory documents on design and operating procedures in water protection zones (WPZs).

As of the end of the period under review, the Company operated 947 facilities located in water protection zones.

All the production facilities constructed in the 1980-s and located in WPZs were modernized in accordance with the effective environmental requirements. Throughout 2008, the Company continued to renovate the facilities built in the 1990-s and located in WPZs. We replaced flare pits with drain tanks on 56 cluster well sites, restored bunds and ramps and set barriers on 124 cluster well sites.

SPECIFIC WATER CONSUMPTION



To assess well construction and oil production impact on the quality of environment components and take timely measures to reduce adverse ecological impact, we carried out soil, surface and ground waters monitoring around 138 well sites in water protection zones.

Almost all the booster pump stations of Surgutneftegas are equipped with initial water separation units installed on three-phase separators which perform in-situ separation, treatment and utilization of produced water. As a result, bottom water line is reduced, and water cut level is below critical, therefore, risks of accidents and possibility of water basins and water bodies' pollution with bottom water and oil are significantly mitigated. The Company's oil fields are located on wetlands and swampy areas where WPZs account for 40–90%, so the solution applied is quite effective.

To maintain reservoir pressure at distant cluster sites, the Company applies environmentally benign system of intra-cluster water injection, which eliminates construction of cluster pump stations and multikilometre HP and LP water lines' construction. These sites are fitted with double bunding, sewage systems and storm runoffs.

Infield road construction is executed in regard to surface slope; permanent bridges with fish pass are built on streams and minor rivers. Marsh roads are equipped with water discharge pipes to protect water networks and area ecosystems.

Since 2000, Surgutneftegas has stopped domestic waste waters discharging into water bodies. After being treated, waste waters are pumped or delivered by trucks to be further utilized in the reservoir pressure maintenance system. In 2008, in the village of Vitim, the Republic of Sakha (Yakutia), Surgutneftegas exceptionally experienced about 44 thousand cubic meters of industrial area wastes under-treatment and their discharging in the Romanovsky stream due to considerable remoteness from the producing fields – over 100 kilometres.

Over several years, we made efforts to reduce house water consumption in absolute and specific terms; though the Company's operating area is not referred to as one with water-supply deficit. We consider sound underground and surface waters' use to be a substantial component of the comprehensive environmentally friendly and resource saving program.

The Company observed substantial increase in water intake in contiguous productions and domestic water consumption at newly developed oil-fields, as well as social water use at Vitim village, the Republic of Sakha (Yakutia), but, nonetheless, during the last four years specific water consumption remained at 2 cubic meter of water/ton of produced oil.

In 2008, the Company spent over RUR 1,014 mn on construction of water-protective facilities, such as IWSU and disposal facilities of production wastewater and sewerage/rainfall run-offs, pumping stations for run-off treatment and sewerage networks, including RUR 215 mn on the territory of the Republic of Sakha (Yakutia).

In 2009, Surgutneftegas intends to spend about RUR 373 mn on construction of water-protective facilities, such as disposal facilities of production/ rainfall and wastewater run-offs, sewerage networks and IWSU, including RUR 212 mn on the territory of the Republic of Sakha (Yakutia).

Production and Consumption Waste Management

The Company believes that waste management is to be based on integrated approach and focuses its efforts on reduction of production and consumption wastes, mitigation of their environmental threat, as well as introduction of recycling technologies.

In the reporting year, the expansion of the Company's business activity and construction of new production facilities in KhMAO-Yugra, YaNAO and in the Republic of Sakha (Yakutia) resulted in increased waste generation – by 4.3% compared to 2007. In this regard, waste burial at disposal sites reduced and comprised 21.3% of the total number of the wastes produced.

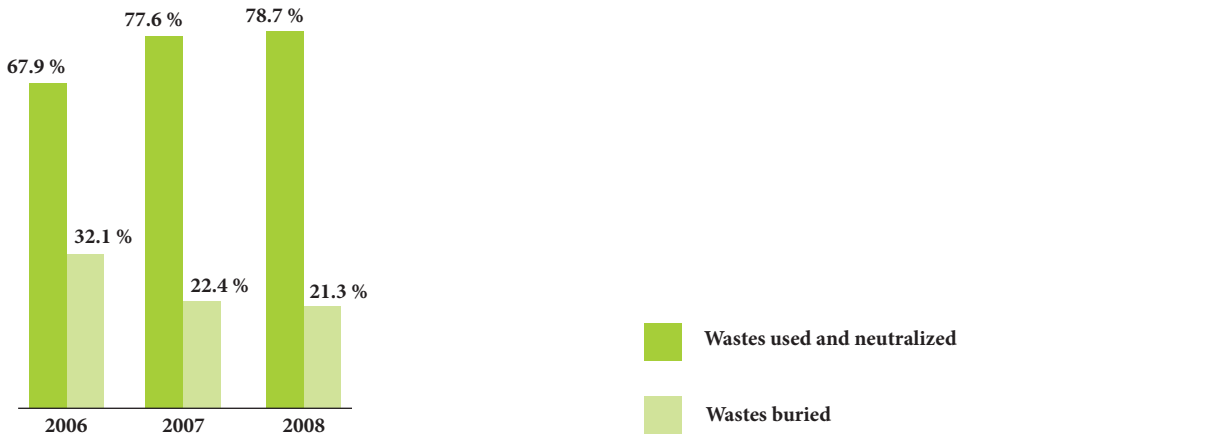
In 2008, the Company neutralized and provided in-house and third-party contracts for use of 78.7% of 479.6 thousand tons of waste, including 352.3 thousand tons used and 20.1 thousand tons neutralized.

Allowing for flammability and ecotoxicity of oil-contaminated wastes, Surgutneftegas fully neutralizes oil sludge, oily rags with maximum oil recuperation, without their burial at disposal sites.

Today, the Company operates 6 oily soil and sludge decontamination units with washing technology. In 2008, the units allowed Surgutneftegas to treat 11.5 thousand tons of oily soil and sludge.

Surgutnefteprom khim (Surgut Production Process Chemicalization Division), one of the Company's structural units, operates 3 mobile tank washing and cleaning units, where oil sludge accumulated in oil storage tanks is partially washed and dewatered. And mobile facilities for high temperature decontamination of oil sludge such as two incinerators and a thermal extractor (stripper) ensure full oil sludge decontamination, and the produced refuse burnout is used to arrange road embankment

WASTE MANAGEMENT IN OJSC "SURGUTNEFTEGAS"



base and process pads. In the reporting year, Surgutnefteprom khim decontaminated 8.2 thousand tons of oil-contaminated sludge and sand, sludge of associated petroleum gas treatment and about 0.3 thousand tons of oily solid wastes (combustion engine screens, waste ends etc.).

To reduce drill cuttings Surgutneftegas widely used four-phase systems for drilling mud and cuttings treatment.

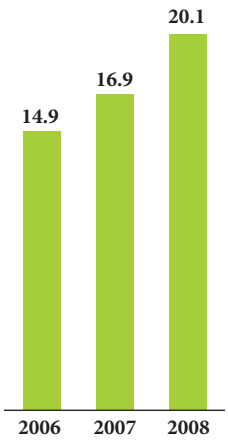
In 2008, we operated 67 sets of such equipment in development drilling and 17 sets in exploratory drilling. These systems equipped with high-performance shale shakers, hydrocyclones, desilters and centrifuges allow the Company to reduce drill cuttings buried in sludge pits and use them as soil for the embankment construction of cluster sites and exploratory well sites.

In the year under review, only 13.6% of 340.2 thousand tons of drill cuttings was buried in sludge pits. The use of drill cuttings as soil in the embankment base arrived at 85.4% of the total 290.4 thousand tons of drill cuttings. Minor part of drill cuttings – 4.3 thousand tons – produced after well workover and liner drilling was initially decontaminated in washing centres of oil and gas production divisions and then used as soil on production sites.

In 2008, the number of well sites constructed with use of the treated drill cuttings as soil amounted to 138; in the area of these sites we selected and analyzed 1,223 samples of ground and surface water, and 1,138 samples of soil and mud. The quality results of environment components in well sites' region unambiguously prove that the Company's utilization technology of the treated drill cuttings has no environmental impact, does not contribute to soil and ground waters' pollution.

In the year under review, to solve the problem of end-of-life tires utilization

WASTE DECONTAMINATION IN OJSC "SURGUTNEFTEGAS" ('000 tons)



"Surgutneftedorstroyremont" Trust (Road Construction and Repair Trust), one of the Company's structural units, started to operate a unique tires recycling shop allowing Surgutneftegas to process end-of-life all-textile and steel-cord tires, and cut down transport and third-party wasted tires' transfer costs.

In the reporting year, the shop processed 2.1 thousand tons of end-of-life tires in rubber crumbs used by the Company's asphalt-concrete plants for asphalt modification with relevant facilities' employment. Alongside with ecological effect such process provides a possibility to improve hard-surface quality of roads.

At present, Surgutneftegas operates 5 landfills for production and consumption waste utilization and disposal, including an SDW and production waste disposal site at the Talakanskoye oil-gas condensate field in the Republic of Sakha (Yakutia). Since 2008, the disposal site runs garbage incinerator "Forsazh-2M" providing decontamination of production and consumption wastes generated in the Company's structural units in Eastern Siberia. In 2008, Surgutneftegas investments in construction of waste decontamination facilities totally exceeded RUR 62 mn and comprised RUR 57.4 mn in the Republic of Sakha (sludge collector at the Talakanskoye oil-gas condensate field), RUR 4.7 mn in KhMAO-Yugra (commencement of sludge collector construction at the Severo-Labat'yuganskoye field and sludge washing centres building with sludge collector at the Lukyavinskoye field).

In 2009, Surgutneftegas is planning to accomplish the sites' construction and setting-up of 3 oil sludge decontamination facilities: at the Talakanskoye oil-gas condensate field in the Republic of Sakha (Yakutia) at a cost of RUR 90.5 mn, Lukyavinskoye field in KhMAO-Yugra at a cost of RUR 93.8 mn and Rogozhnikovskoye field in KhMAO-Yugra at a cost of RUR 12 mn, and 1 sludge collector construction at the Savuyskoye field at a cost of RUR 10.2 mn. New facilities will involve separation line of water phase and system of oil-contaminated soil and oil sludge thermal decontamination, and will provide annual decontamination of 3–5 thousand tons of soil and oil sludge each and utilization of oil-contaminated water phase.

Moreover, Surgutneftegas plans the purchase and introduction of 4 waste thermal decontamination units "Forsazh" which will allow us to increase the quantity of treated oil-contaminated wastes, cut down transport and on-site waste disposal costs.

Throughout the reporting period, Surgutneftegas got the federal license approved by Rosthekhnadzor (Federal Service of Environmental, Technological and Nuclear Supervision) decree to collect, use, decontaminate, transport and dispose hazardous wastes on the territory of 11 constituent entities of the Russian Federation: Khanty-Mansiysky, Yamalo-Nenetsky and Nenetsky Autonomous Okrugs, the Republic of Sakha (Yakutia), Irkutskaya, Novosibirskaya, Omskaya, Tomskaya, Tyumenskaya Oblasts, Krasnoyarsky and Krasnodarsky Krais.

INFORMATION ON DRILL CUTTINGS MANAGEMENT IN OJSC "SURGUTNEFTEGAS" (thousand tons)

Parameter	2006	2007	2008
Total wastes produced for the reporting year, thousand tons	322.886	339.861	340.194
Use and decontamination of domestic and wastes produced by contractors, thousand tons	227.933	288.272	294.691
Waste disposal (burial) at domestic sites, thousand tons	94.952	51.475	46.175

Internal Environmental Monitoring

Surgutneftegas internal environmental monitoring is realized in two streams:

- quality monitoring of environmental components such as surface and ground waters, bottom silts, soil, ambient air, and snow cover in the areas of the Company's operations;
- environmental monitoring of industrial facilities: control of emission and discharge sources, well sites and sludge pits, landfills for domestic and industrial wastes.

The implemented surveillance system makes it possible to assess environmental components quality and detect adverse trends created by anthropogenic factors.

The environmental activities are performed by the Company's Environmental Management and Safety Division and environmental services in oil and gas production divisions organize and carry out such activities.

Quality monitoring of environmental components is carried out in 63 license areas on the territory of KhMAO-Yugra, in 33 license areas on the territory of nine constituent entities of the Russian Federation: the Republic of Sakha (Yakutia), YaNAO and NAO, Tyumenskaya, Omskaya, Tomskaya, Irkutskaya, Novosibirskaya Oblasts, and Krasnoyarsky Krai. In 2008, environmental components were monitored at 2,069 locations in all license areas: at 1,358 locations in KhMAO-Yugra, at 182 locations in the Republic of Sakha (Yakutia), and at 529 locations in other areas.

Environmental monitoring in Khanty-Mansiysky Autonomous Okrug – Yugra conforms to the Okrug licence agreements and government regulations. In the reporting year, Surgutneftegas re-developed and got approval for 3 projects of local environmental monitoring due to territorial change: Aypimskoye, Bittemskoye, Severo-Labat'yuganskoye license areas. The Company takes and analyzes samples of all environmental components:

- surface waters (69 rivers, 3 streams and 5 lakes) at 360 locations,
- bottom silts at 320 locations,
- soil at 208 locations,
- ground waters at 16 locations,
- ambient air at 150 locations,
- and snow cover at 148 locations,

and at 73 locations of under-plume zone.

Throughout 2008, pursuant to the license agreements on assessment of current background pollution level of license areas located in other constituent entities of the Russian Federation Surgutneftegas elaborated and approved documentation specifying the parameters of current background pollution level assessment (diagrams and sampling procedures for environmental components taking), as well as performed sampling and analyzing.

Samples of surface waters were taken at 229 locations, bottom silts at 226 locations, soils at 144 locations, ground waters at 99 locations, ambient air at 13 locations, and snow cover at 4 locations.

The Company developed and got approval for environmental monitoring programs in 12 license areas, 2 programs are submitted for the approval.

Since new license areas are in undeveloped territories and all survey locations are at a considerable distances from the existing road network, the Company uses helicopters to take the samples.

In the area of the Surgutneftegas operations environmental monitoring is carried out around all industrial facilities.

In the reporting year, quality monitoring of environmental components was run around 138 well sites situated on the territory of water protection zones of water bodies and site embankment construction with use of clean drill cuttings as soil. The Company's environmental experts take samples of soils and drill sludge, ground and surface waters twice during every no-snow season. In 2008, water samples were biotested for 32 components, soil and sludge samples – for 21 components, including toxicity index and level. The tests and analyses involved 1,223 samples of ground and surface waters (39,136 analyses) and 1,138 samples of soil and sludge (23,898 analyses).

Monitoring data and their analysis unambiguously prove that the drill cuttings utilized to the embankment base of cluster site in WPZs have no environmental impact.

To monitor the environmental components quality of 5 landfills for domestic and industrial wastes, Surgutneftegas developed special in-process programs (schedules) of ground and surface water bodies, soils and ambient air control in the areas of landfills' potential adverse environmental impact. No background pollutant concentrations were found to be beyond normal limits in water and soil of the landfills areas.

To adhere to Air Contaminant Emission Limits we control emission and discharge sources pursuant to monitoring schedules at 1,103 locations.

The samples were studied by 11 laboratories including one laboratory in the Republic of Sakha (Yakutia). Centralized environmental monitoring conducted by the Central Base Laboratory of Ecoanalytical and Processing Studies of the Company's Engineering and Economic Center accredited by the Standardization, Metrology and Certification Committee (GosStandart) of Russia to perform analysis of 707 parameters, including 365 ecological ones. In 2008, physicochemical analysis laboratories of six oil-and-gas-production divisions obtained accreditation in the Analytical Laboratory Accreditation System (ALAS).

In 2009, production and research laboratory of the staging area of Oil and Gas Production Division "Talakanneft" will also be accredited.

The Federal State Agency department "The Centre for Laboratory Analysis and Technical Measurements for the Urals Federal District" for Khanty-Mansiysky Autonomous Okrug – Yugra conducts sample environmental monitoring in the area of Surgutneftegas operations.

In 2008, the Company spent RUR 79 mn for environmental monitoring activities (compared to RUR 78.5 mn in 2007).

The monitoring shows that the general environmental situation in the area of the Company's operations is satisfactory, and the impact of Surgutneftegas production facilities is assessed as acceptable, i.e. able to maintain the quality of the environment.

CONCLUSION

Regular analyses of Surgutneftegas natural protection management show that its fundamentals are objective: all the investments in environmental activities, development and implementation of environmentally friendly and resource saving technologies promote considerable ecological and economic benefits. Technological environmental impact in the fields' area does not exceed 5%. Annual economic effect of the realized programs amounts to RUR 8.7 bn.

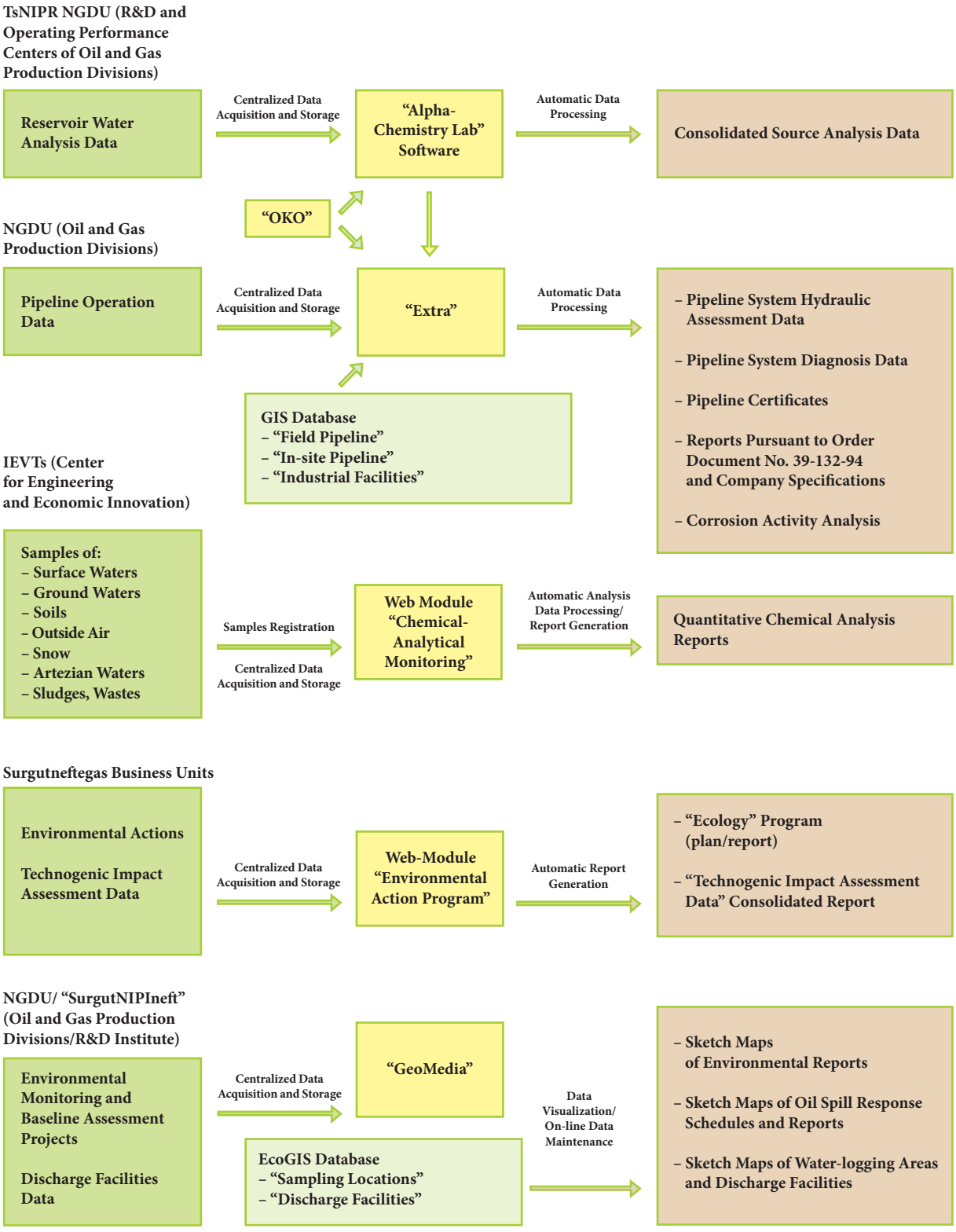
To develop its achievements the Company precedes systematic activity pursuit of minimization of the production impact on nature. Surgutneftegas will focus mainly on finding and development of the cutting-edge environmental protection technologies, carrying out scheduled activities related to the prevention of all environmental components pollution and sound resources use.

Active fields development in Western Siberia will determine Surgutneftegas realization of large-scale ecological programs and nature protection facilities construction in the Republic of Sakha (Yakutia). On the whole, in 2009, comprehensive "Ecology" program will cover 11 areas of the Company's operations.

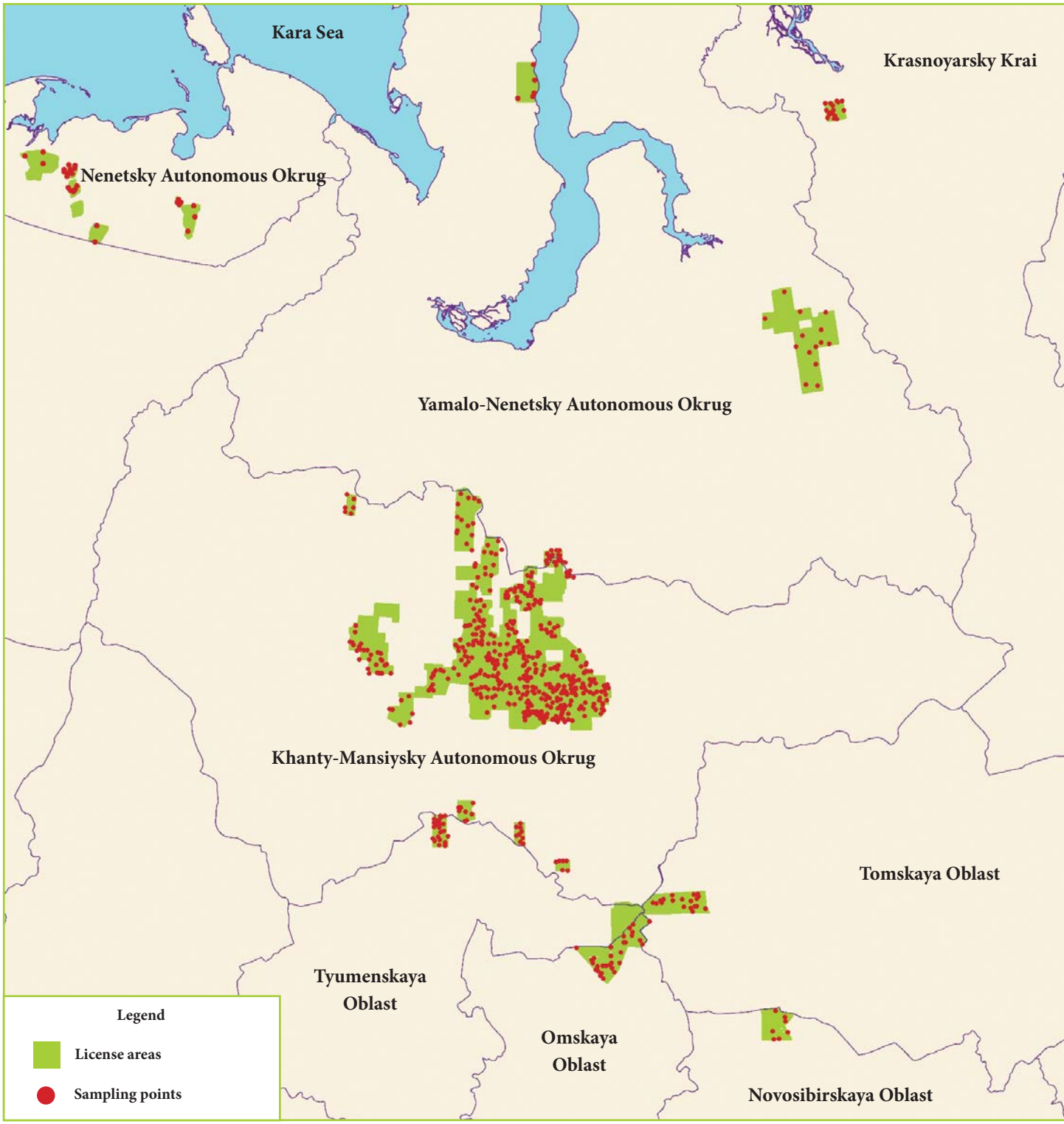
We are open for conversation and cooperation with authorities, public, environmental organizations, and submit full ecological information to various interested parties. Surgutneftegas shares inclusion into the NERAX-Eco Index portfolio proves this fact. The Company ranks among the leaders of socially and ecologically responsible business in Russia in relation to industrial ecological efficiency and adverse impact mitigation.

Throughout several years, the Company develops and implements necessary mechanisms to realize environmental policy objectives, organize effective quality monitoring of environment, introduce environmental control of industrial facilities, and improve ecological management system. In the future, Surgutneftegas intends to boost ecological operating rates in accordance with International Standards and principles of ecological management system arrangement.

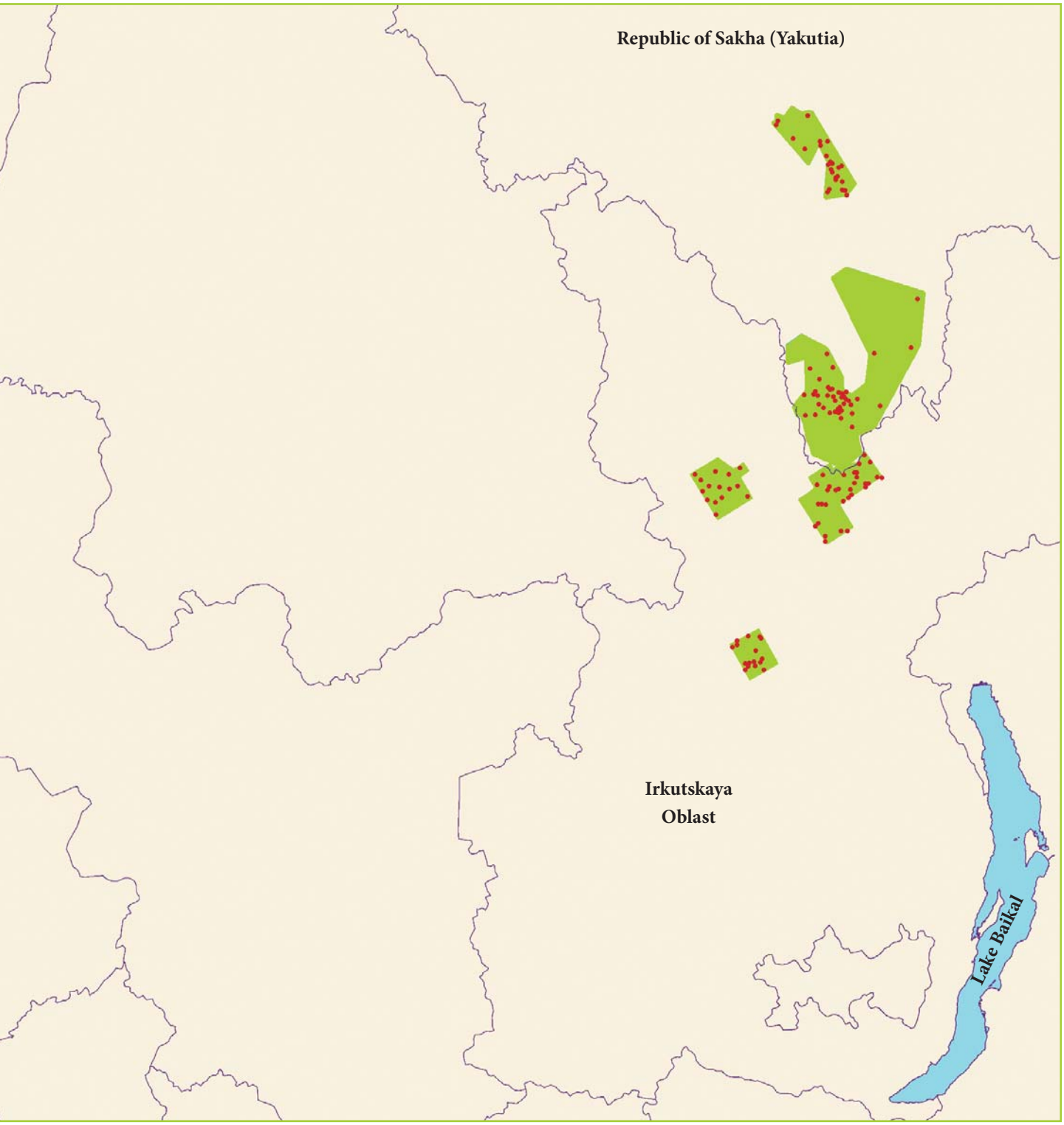
ENVIRONMENTAL INFORMATION SYSTEM



ENVIRONMENTAL MONITORING NETWORK



IN LICENSE AREAS OF OJSC "SURGUTNEFTEGAS"



"OJSC "Surgutneftegas", "the Company", "Surgutneftegas", "we", "our", "us" and "joint-stock company" used in the text of the Brochure are interchangeable terms relating to the entire Surgutneftegas Group, OJSC "Surgutneftegas" and/or its subsidiaries subject to the context.