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

The Company's priority is to make its activities consistent with its environmental goals, including continuous mitigation of adverse environmental effects, sustainable improvement of the industrial safety, and effective use of natural resources.

To complete this mission, we work together with the Russian leading research centers to seek, develop and validate the latest environmentally and economically sustainable conservation approaches.

For the reason above, the main message of this environmental report is to illustrate new environmental technology and equipment developed and introduced through the Company's innovation efforts.

Year by year, we increase our investments in the Company's environmental programs to accomplish our key objective – the highest international level of environmental safety achieved across the Company's entire production life cycle.

This report demonstrates that we successfully completed all the tasks set for 2009.

We are always willing to hold a constructive dialogue and discussions on vital ecological issues with any parties concerned with environmental conservation.





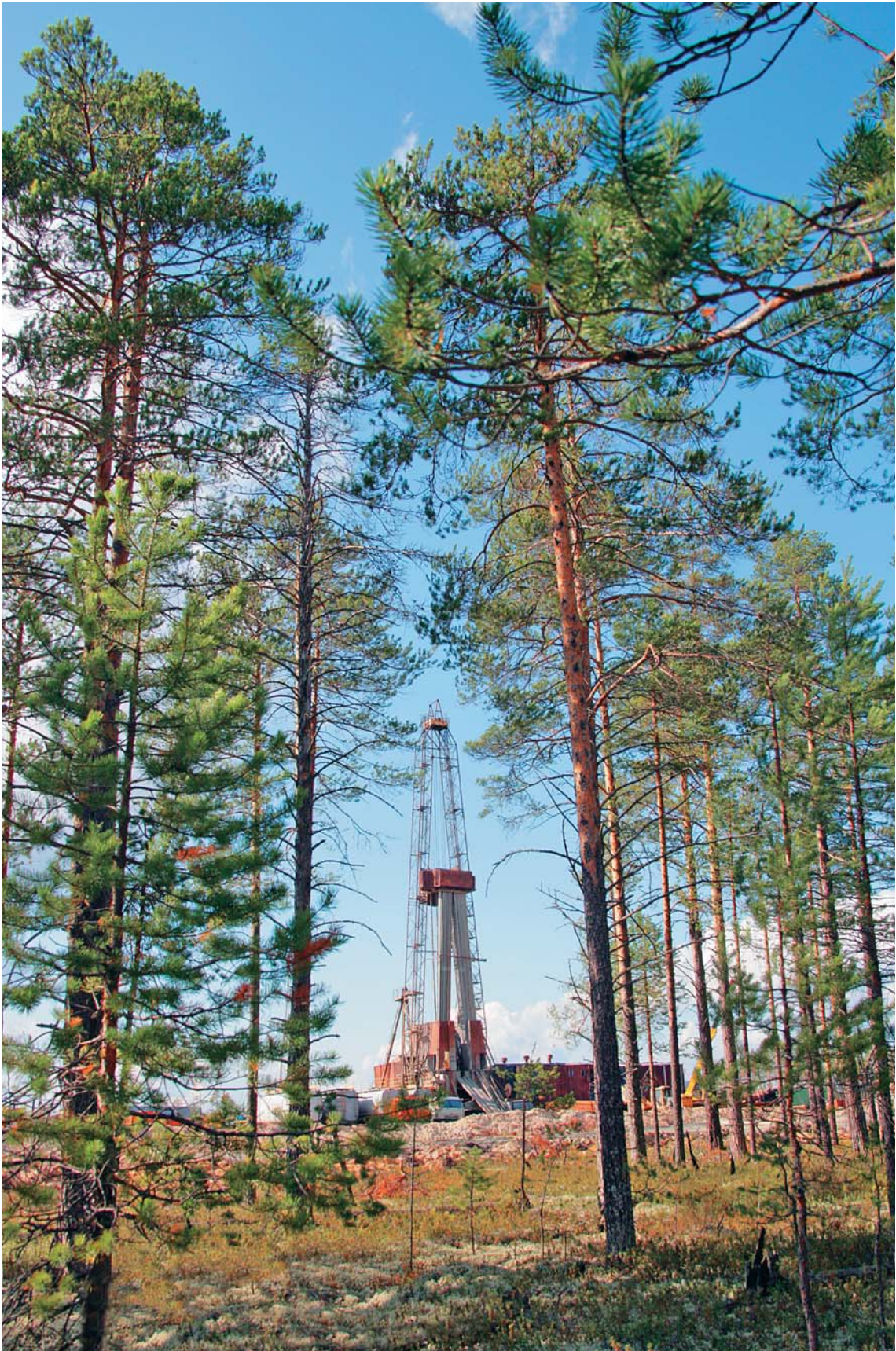
Environmental policy fundamentals

Under the environmental policy followed by Surgutneftgas, 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 where 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 across the Company's subdivisions;
- 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 innovation programs

In collaboration with the leading domestic R&D centers, the Company developed a number of high-performance technologies able to substantially mitigate environmental damage.

Technology: oil sludge and drill cuttings management.

Target: completely recover oil sludge.

Equipment employed:

- 6 washing sites for sludge and oil-contaminated soil with solid and liquid phase processing facilities;
- 3 liquid phase processing units;
- 4 mobile units for tank cleaning and de-sludging;
- 6 thermal treatment facilities for oil sludge and oil-contaminated soil.

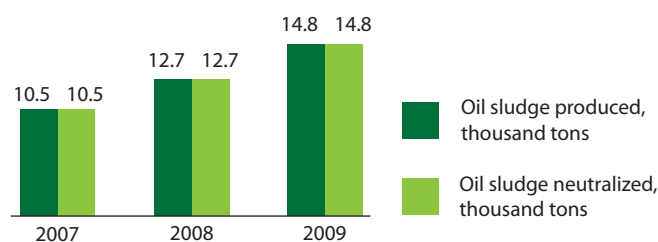


Oil sludges that can be neutralized:

- oil-contaminated soil;
- oil refuse remaining after clean-up of tanks, reservoirs, pipelines, and tubings;
- drill cuttings based on hydrocarbons and salt biopolymer solutions;
- cuttings remaining after workover operations.

These technologies allow us to consistently reduce waste landfills.

Oil sludge produced and recovered by Surgutneftegas facilities





Technology: pitless drilling and use of drill cuttings as embankment material.

Target: reduce waste discharge and arrange waste recycling.

Equipment employed: 88 sets of four-phase treatment systems for drilling mud and cuttings including high-performance shale shakers, hydrocyclones, desilters and centrifuges.

The above equipment and drilling mud based on low-hazard chemicals enable us to use drill cuttings as embankment material for construction of well sites in accordance with 13 protocols of sanitary and healthcare inspection issued by Chief Sanitary Officer of the Russian Federation.

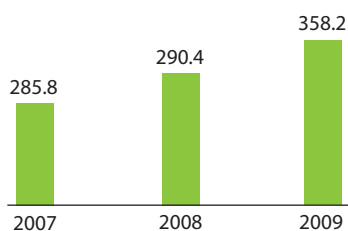


Priority tasks:

- reduction of waste discharges;
- conservation of ecosystem through discontinuing sand mining operations;
- reduction of exhaust emissions from vehicles transporting sand and drill cuttings;
- lower transportation costs.

This technology helps reduce drilling waste buried in sludge pits, and use this waste as embankment material for construction of cluster sites and exploratory well sites.

Drill cuttings used by Surgutneftegas as embankment material, thousand tons



**Technology: recycling of worn-out tires.**

Target: reduce waste discharge and arrange waste recycling.

Equipment employed: worn-out tires recycling complex.

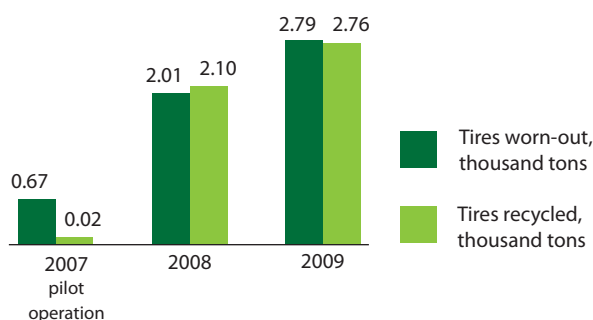
Priority tasks:

- reduction of waste discharges;
- recycling: production of rubber crumbs used for manufacturing bituminous concrete mixtures at coating plants;
- lower costs on transportation of tires to specialized plants for their further recycling.



This technology enables the Company to reduce transportation costs for worn-out tires and minimize exhaust emissions, as well as to manufacture rubber crumbs delivered to Surgutneftegas coating plants for further production of modified bitumen applied as high performance coating to the Company's field roads.

Worn-out tires recycled by Surgutneftegas





Technology: reforestation of sludge pits, recultivation without sand filling.

This technology is applied within the West Siberian mid-taiga subzone of the Russian forest reserves.

Target: mitigate environmental impacts through prohibition against sand mining operations, prevention of exhaust emissions, revegetation control, and prevention of water and wind erosion.



Reclaimed area: almost 100 pits per year.

In 1996-2009, the Company used this technology to restore 1,913 sludge pits covering 1,468.9 ha.

Alongside, the Company:

- conserved 207.44 ha of ecosystem;
- saved 4.33 mn cubic meters of mineral ground;
- prevented emission of 34.3 thousand tons of air pollutants;
- saved RUB 725 mn.

Sludge pits located within our areas of operation in Khanty-Mansiysky Autonomous Okrug – Yugra are remediated mostly by means of revegetation and reforestation techniques without backfilling. Applied by us for more than 10 years, this technology proved to be environmentally friendly and the most ecologically and economically sound.



Operation of multifunctional amphibious vehicles Truxor DM 4700V and Truxor 5000.

Target: manage accidents and remediate areas located within hard-to-reach swampy terrain and wetlands.

Equipment range: 10 multifunctional amphibious vehicles Truxor DM 4700V and Truxor 5000 with attached implements for integrated treatment of water basins and near-shore areas, including shovel, bottom mud pump, mower, etc.

In 2005-2009, the Company used this technology to remediate almost 57 ha of hard-to-reach swampy terrain and wetlands.

Alongside, the Company:

- conserved 5.7 ha of ecosystem;
- saved 513 thousand cubic meters of mineral ground;
- prevented emission of 4.1 thousand tons of air pollutants;
- saved RUB 3-5 mn per vehicle per season.





Preparation of quality specifications for pipelines and fittings to be applied during acceptance tests, construction and repair operations.

Target: to improve reliability of pipeline transportation, and make oil pumping operations environmentally safe.



Since 1997, OJSC "Surgutneftegas" has been committed to improvement of its pipeline systems robustness:

- for construction and overhaul maintenance we use pipes only with improved corrosion resistance and limited corrosion-active non-metallic inclusions in accordance with specifications designed with respect to the Company's field conditions;
- we continue to search for new steel grades and rank them by their corrosion-resistance performance: thus, in 2009, we performed 57 field tests of pipe steel grades;
- on the basis of the above field tests, we amended 3 specifications and prepared a new one;
- we apply the destructive inspection techniques during our acceptance tests:
 - we concluded the license agreement for the right to use "Steelworks Quality Control Method (and its options)" invented by OJSC "Severstal";
 - we purchased 5 units of laboratory equipment and 4 sets of tools required for application of destructive inspection techniques;
 - we accredited a testing laboratory;
- in 2008-2009, we rejected 150 km of pipes as a result of our acceptance tests;
- in 2009, we started to develop specifications for the entire range of pipeline fittings;
- we commenced construction of the shop for steel pipes acceptance inspection, and continued to purchase automatic equipment for non-destructive inspection of pipes.





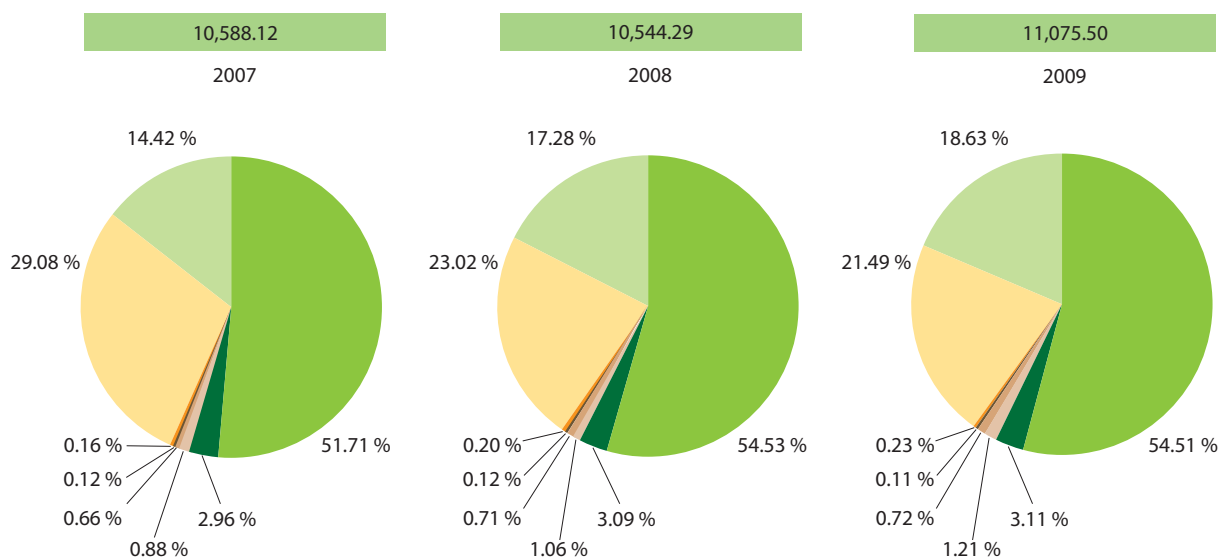
Environmental programs: planning and implementation

Companies' environmental profiles are globally considered to be the key indication of their business efficiency, and an increasingly vital component of their competitiveness with a significant effect on their corporate image.

Consistent and sustainable improvement of the industrial safety is our environmental strategy objective, which is being accomplished through our specific environmental programs.

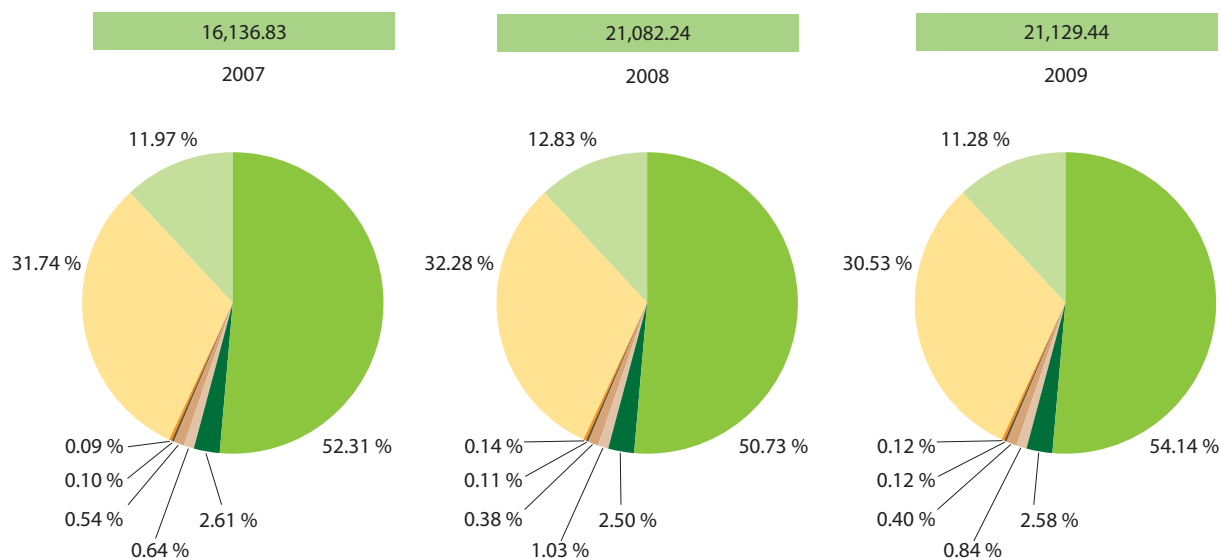
In 2006, Surgutneftegas launched its medium-term environmental program "Ecology: 2007-2009" designed to maintain the ecological balance in the areas where it operates through a broad range of conservation measures. The initially planned financing for our environmental programs amounted to RUB 32.2 bn. However, year by year, the Company demonstrated increment in investments: up to RUB 41.632 bn in 2007 and RUB 53.356 bn in 2008, while the actual program financing reached RUB 58.348 bn. This substantial investments increase was driven by dynamic development of newly discovered fields and construction of environmental facilities in Eastern Siberia, with facilities for associated petroleum gas utilization and production waste treatment among others.

Planned investments in "Ecology: 2007-2009" program,
RUB mn

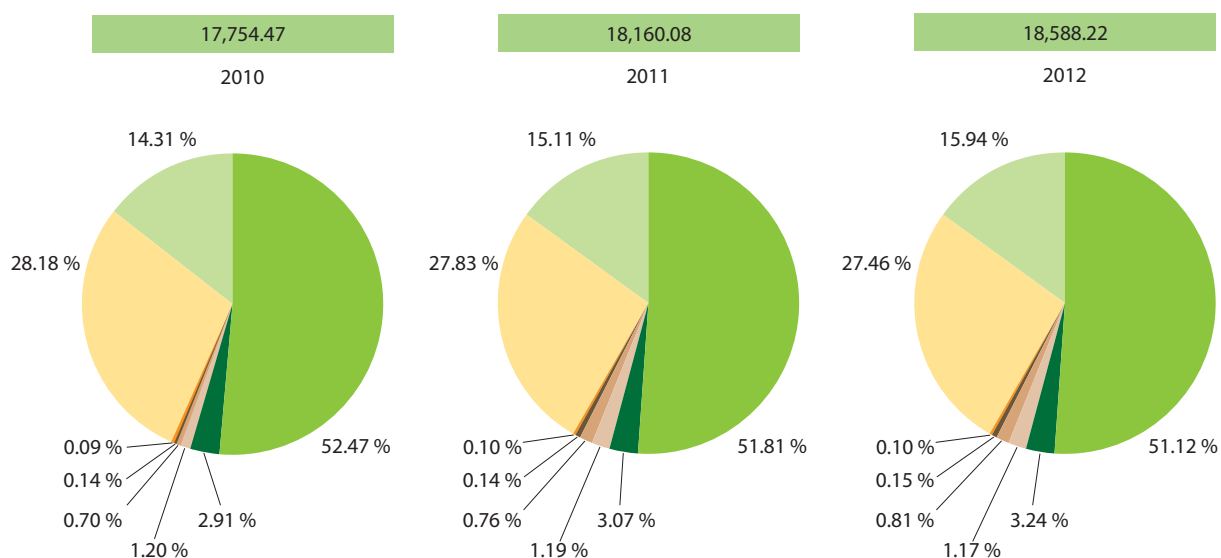




Actual investments in "Ecology: 2007-2009" program,
RUB mn



Planned investments in "Ecology: 2010-2012" program,
RUB mn



- Industrial effluents and waste utilization
- Pipeline accident prevention
- Conservation facilities construction
- Contractual works
- Air protection
- Monitoring
- Sludge pits remediation
- Accident management



During 2007-2009, the Company constructed and commissioned 84 conservation facilities, including:

- 30 water protection facilities, including 5 treatment facilities for industrial and domestic effluents (in the village of Vitim at the Talakanskoye oil and gas field, Alinskoye and Rogozhnikovskoye fields);
- 15 initial water separation units (IWSU) at the Talakanskoye (Booster Pump Station, Booster Pump Station No. 2), Russkinskoye, Zapadno-Kamynskoye (IWSU No. 2, IWSU No. 3), Severo-Labatyuganskoye, Yuzhno-Soimlorskoye, Yukyaunskoye and Bystrinskoye fields (IWSU-B, IWSU No. 3), as well as Vatlorskoye, Vostochno-Mytayakhinskoye, Alinskoye, Vachimskoye (IWSU No. 3), and Zhumazhanovskoye fields;
- 3 car washes (Surgutskoye UTT No. 2 (Utility Vehicles Division No. 2), Talakanskoye UTT No. 1, Rogozhnikovskoye UTT of Oil and Gas Production Division "Bystrinskneft");
- 7 corrals (10.3 km at the Lukyavinskoye field, 2.835 km at the Kamynsky well cluster No. 50, 6.98 km, 29.845 km and 27.205 km at the Konitlorskoye field, and 17.490 km at the Tromyeganskoye and Vostochno-Tromyeganskoye fields);
- 44 air protection facilities, including 6 gas piston power plants (at the Vostochno-Surgutskoye, Vostochno-Elovoye (the 2nd phase), Zapadno-Sakhalinskoye, Yaunlorskoye, Severo-Seliyarovskoye, and Vatlorskoye fields), 6 gas turbine power plants (at the Severo-Labatyuganskoye, Tromyeganskoye, Zapadno-Chigorinskoye, Verkhnenadymskoye, Talakanskoye (the 1st and 2nd phases), and Rogozhnikovskoye fields), 3 compressor stations (at the Talakanskoye, Alekhinskoye and Bitemskoye fields), 29 indoor (heated) car parks and air heaters;
- 2 disposal sites for burial of solid domestic and industrial waste located at the Talakanskoye gas and oil field in the Republic of Sakha (Yakutia) with a capacity of 9,075 cubic meters per year, and at the Rogozhnikovskoye field in Khanty-Mansiysky Autonomous Okrug – Yugra with a capacity of 5,900 cubic meters per year;
- 5 sludge collectors for temporary waste disposal and further treatment at the facilities located at the Lukyavinskoye, Rogozhnikovskoye, Savuyskoye, and Russkinskoye fields in Khanty-Mansiysky Autonomous Okrug – Yugra and Talakanskoye oil and gas field in the Republic of Sakha (Yakutia) with a total capacity of 6,639 cubic meters;
- 3 sludge processing centers located at Lukyavinskoye and Rogozhnikovskoye fields in Khanty-Mansiysky Autonomous Okrug – Yugra and Talakanskoye oil and gas field in the Republic of Sakha (Yakutia).



Through this program we managed to mitigate environmental impacts as follows:

- gross pollutant emissions lowered by 31%;
- specific pollutant emissions lowered by 25%;
- captured pollutants decreased by 337%;
- associated petroleum gas (APG) utilization rate maintained at a high level (from 94.26% in 2007 up to 96.89% in 2009);
- APG flaring reduced by 49% as compared to 2007, and flare emissions – by 46%;
- ceased sewage discharge to water bodies (zero discharge), except for effluents treated to standard quality within the industrial area of the village of Vitim in the Republic of Sakha (Yakutia) located far from the fields of OJSC "Surgutneftgas";
- fresh water intake from surface water bodies reduced by 10.8%;
- specific water consumption rate maintained at a low level (approximately 2 cubic meters of water per ton of produced oil);
- 403 well sites located on swamps and within water protection zones brought in line with new environmental requirements;
- utilization of industrial waste as construction material and manufacture of recycled materials increased by 28.5%;
- drill cuttings landfills decreased by 37.9% due to their utilization;
- processing of oily solid wastes increased by 57.3%;
- total number of waste landfills decreased by 6.1% despite their increase by 17.9% caused by the Company's extended presence in new territories;
- pipeline inhibition coverage increased by 53%;
- pipeline accidents reduced by 74.6%;
- contaminated land coverage decreased by 34.6%;
- land resources utilization maintained at a low level (less than 2 square meters per ton of produced oil).

The Company's environmental efforts helped save RUB 8,625 mn in 2007-2009.

Along with the mid-term programs Surgutneftgas annually develops its short-term programs encompassing a wide variety of specific environmental measures.



Program “Ecology 2009”: achievements

Pipeline accidents prevention.

Key activities: mitigation of accident risks and environmental impacts.

Our accident prevention measures are primarily focused on prevention and protection from pipeline internal corrosion as this factor accounts for over 95% of the Company's total in-field accidents. Surgutneftegas assigns high priority to implementation of its program for construction and operation of initial water separation units (IWSU), which allow us to operate pressure pipelines transporting oil with low water-cut. We operate 93 IWSUs with three-phase Heater-Treater separators enabling us to run over 3,000 km of pressure pipelines transporting dehydrated oil. Our statistic analysis of accidents demonstrates a sixfold decrease in accident risks related to “rill corrosion” of pressure and gathering pipelines.

In many instances corrosion inhibitors claim to be the only remedy for internal corrosiveness of oil gathering pipelines and low-pressure water pipes.

In the reporting year, the Company treated 1,841.8 km of water pipes and oil pipelines with 4,251 tons of corrosion inhibitors, which allowed us to save RUB 3,595.5 mn on post-accident measures. In pursuit to minimize costs and raise efficiency of pipeline inhibition, we continued to search for domestic corrosion inhibitors with a high water partition coefficient to be used for low and high water-cut products under conditions of in-pipe water phase separation.

We performed corrosion monitoring at 525 control points along 3,442 km of pipelines. To minimize accident risk, the Company uses monitoring data to assess the aggressivity of pumped substances, and determine the necessity and effectiveness of its protection measures.



The Company's subdivisions fulfill the pipeline performance diagnostics in compliance with the standards and applicable certificates of accreditation for specified inspections (pigging, thickness gauging, mechanical test, non-destructive inspection, vibration diagnostics, etc.). All the detected hazardous pipeline sections undergo capital repair and replacement. Thus, in the reporting year, we spent RUB 2,005.1 mn to replace 462.9 km of pipelines.

Among the most important preventive actions taken by the Company is one that ensures high corrosion resistivity and quality of pipeline steel.

Since 2007, the Company has accepted pipelines only with improved corrosion resistivity and limited corrosion-active non-metallic inclusions (less than 2 units/1 sq. mm), which significantly increases their resistance to local corrosion. To control metal pipes quality, the Company concluded the license agreement for the right to use "Steelworks Quality Control Method (and its options)" invented by OJSC "Severstal". The Company's accredited laboratory carries out pipeline acceptance tests using the destructive inspection technique among others.

To select and rank pipes by their corrosion-resistance performance, we performed 57 field tests of pipe steel grades in 2009.

In compliance with Surgutneftegas technical requirements, we prepared specifications for the required range of pipeline fittings. These specifications include the corrosion resistivity requirements and permit to use as workpieces only pipes accepted by OJSC "Surgutneftegas".

Improved pipeline resistance to local corrosion coupled by use of inhibitors helped cut pipeline accident and incident risks in half.

To minimize potential accidents and their aftereffects, Surgutneftegas put into service the highly-efficient fleet of clean-up equipment and techniques.

Presently, the fleet includes:

- 117 oil-skimmers of different models and skimming techniques 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;



- 6 self-contained high-pressure pumps and 7.6 km of easy-to-assemble aluminum pipes for pumping skimmed oil from hard-to-access areas;
- 6,580 meters of portable and quickly deployable frost-resistant booms equipped with air blowers both lightweight and reinforced for onshore and offshore protection;
- 15 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;
- 12 sprinkler irrigation systems of different flow rates for biological agents and bacteria treatment;
- 6 U-STRG units for producing thermally exfoliated graphite absorbent (STRG) with a capacity of 30 kg/h, and 12 backpack sprayers to apply absorbent within hard-to-get areas.

To pump and transport the skimmed oil, the Company operates 17 Kenworth-based vacuum dump trucks, as well as Tatra-based vacuum tank cars KAS-11. For embanking and soil loosening operations we use the all-terrain vehicles Haska equipped with mechanical shovel and attachments. Soils and liquids collected by the Company are transported to the cleaning facilities designed to handle oil contaminated soils with complete oil recovery and subsequent disposal of treated soils. In 2009, we added 3 new facilities for thermal treatment of oily sludge and oil-contaminated soils at the Lukyavinskoye, Rogozhnikovskoye and Talakanskoye fields.

For post-accident clean-up and rehabilitation of hard-to-reach swampy areas and wetlands, the Company has introduced and successfully employs 8 multifunctional amphibious vehicles Truxor DM 4700V and 2 enhanced models Truxor 5000 (purchased in 2009) with attached implements for end-to-end treatment of water basins and near-shore areas. In 2009, we used the above vehicles to remediate 18.5 ha of oil-contaminated soils within hard-to-get areas and wetlands.

Annually, we hold accident response training sessions, and our 7 oil spill and accident response teams have been certified by the Territorial Certification Commission. The Company's oil and oil products spill prevention and clean-up system provides for an immediate emergency response within both local and regional areas of its presence.



Air Protection

Key activities: improvement of air quality at production sites.

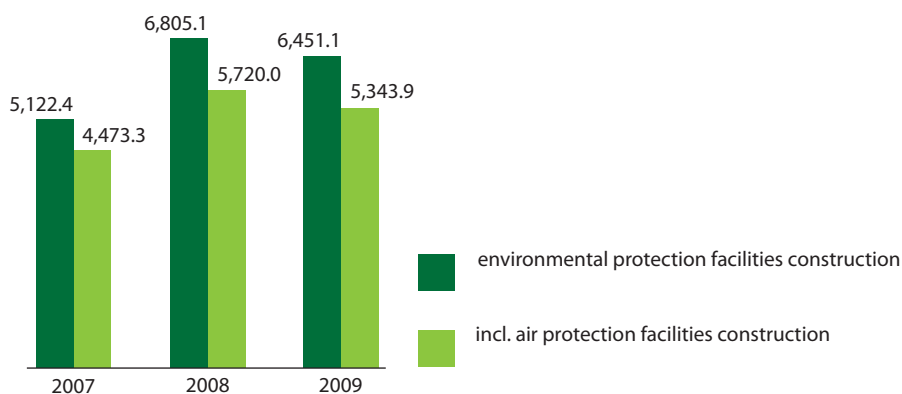
Air protection actions are aimed at associated petroleum gas (APG) efficient use, reduction of gas flaring and air polluting emissions, respectively.

In 2009, the costs of air protection facilities construction amounted to RUB 5,343.9 mn or 83% of overall investments in environment protection facilities construction.

The majority of air protection facilities being constructed are designed for APG utilization. These are primarily gas turbine power plants (GTP plant), gas piston power plants (GPP plant) and compressor stations (CS).

In 2009, we commissioned the second phase of the GTP plant and a CS at the Talakanskoye oil-gas condensate field in the Republic of Sakha (Yakutia) and three GPP plants in Khanty-Mansiysky Autonomous Okrug – Yugra. As of the beginning of 2010, the network of small-scale power generation facilities included 17 GTP plants and 7 GPP plants. In 2009, due to use of GTP, GPP plants and CS equipped with gas turbine drive, air polluting emissions were reduced by 568.48 thousand tons, including 84.96 thousand tons of greenhouse gas methane, which amounted to 1,784 thousand tons in CO₂ equivalent.

The dynamics of capital investment in Surgutneftegas air protection facilities, RUB mn.





We continued to implement actions aimed to increase APG utilization level through its use for in-house needs: gas injection for repressuring, construction of heated parking lots and air heating lines for vehicles, radiant heating, fueling with gas boilers, burners, initial water separation units, oil treatment units and other Surgutneftegas facilities.

Also Surgutneftegas utilizes APG by processing. In the reporting year, more than 7.2 bn cubic meters were processed.

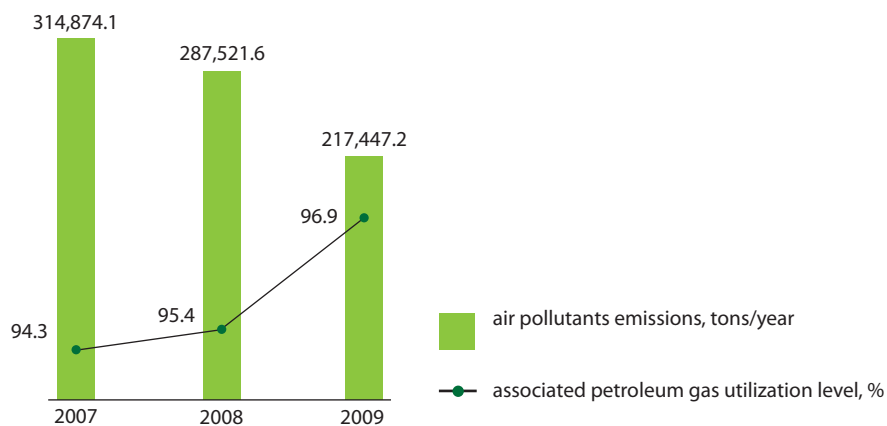
In 2009, reconstruction and modernization of APG utilization facilities was conducted in order to increase APG utilization process efficiency and lower negative impact on the environment.

As a result of measures taken the associated petroleum gas use level rose from 95.4% in 2008 up to 96.9% in 2009 (including in Western Siberia – up to 97.6%) and associated petroleum gas flaring reduced by 36% compared to 2008 respectively, and flare emissions polluting the air reduced by 34.8%.

During the past three years (since 2006) the decrease of air pollutants discharge, including greenhouse gases, was achieved due to implementation of Surgutneftegas program on construction of associated petroleum gas utilization facilities and reduction of gas flaring.

Overall, Surgutneftegas emissions were reduced by 24% compared to 2008.

The dynamics of air pollutants emissions and associated petroleum gas utilization level in Surgutneftegas





In the business units of the Company, operational and adjustment works on boiler equipment, burners and other fuel-firing equipment are conducted regularly. In 2009, the costs of these works amounted to RUB 18.1 mn.

The regularity of such works enables the Company to comply with the pollutants discharge standards.

The reduction of air pollutants discharge (solid substances mainly) is reached by means of dust and gas catchers installed on production equipment. In 2009, 8 dust and gas catchers with the total capacity of 9.6 thousand cubic meters/hour were placed in operation. Performance efficiency control (purification rate), inspection, running and preventive maintenance of operating dust and gas catchers are conducted regularly.

In 2009, dust and gas catchers trapped 40.2 thousand tons of pollutants.

Moreover, air polluting emissions were reduced due to 100% toxicity and exhaust smoking control of vehicles. In 2009, the costs of such works amounted to RUB 6.7 mn.

Surgutneftgas is timely developing projects on maximum permissible air pollutants emission standards, which excludes emission in excess of the established limits. In 2009, "SurgutNIPIneft", the Company's R&D Institute, developed 36 projects on maximum permissible air pollutants emission standards.

Water Protection

Key activities: prevention of water bodies pollution with production waste, wastewater and sewage; their treatment and utilization for production purposes.

Since 2000, Surgutneftgas has stopped domestic wastewaters discharging into water bodies. The in-field wastewaters are treated and then either pumped or delivered by trucks to be further utilized by reservoir pressure maintenance system. In 2009, we reduced freshwater intake from surface water bodies due to domestic wastewaters utilization in the amount of 1,312.413 thousand cubic meters for injection into reservoir pressure maintenance system.

Since 1997, we have implemented the program of initial water separation units (IWSU) construction, which are installed on three-phase Heater-Treater type separators in order to decrease the human impact on environment. These units can be quickly assembled on booster pump stations (BPS), and enable us to perform an efficient separation of produced water on BPS sites without the use of tanks and injection burners



for reservoir pressure maintenance. Substantial reduction of water cut level of pipeline oil lowered the risk of pipeline transportation accidents, therefore, pollution of environment and water bodies in particular.

In 2009, five initial water separation units (IWSU) were commissioned. The costs of construction and upgrade of the units amounted to RUB 429.851 mn. Overall number of IWSU operated in Surgutneftegas is 101 units and 93 of them employ three-phase separators Heater-Treater. Dehydrated oil transportation enables us to reduce energy intensity of the process and metal intensity of oil pipes. This is particularly crucial considering high water cut level (86.91%) of the oil produced.

Since 2008, we have operated domestic wastewaters disposal facilities at the Talakanskoye oil-gas condensate field in the village of Vitim, the Republic of Sakha (Yakutia).

In 2009, Surgutneftegas spent RUB 624.0 mn on water protection facilities construction, including RUB 458.3 mn in the Republic of Sakha (Yakutia).

Surgutneftegas is financing the development and demarcation of water protection zones (WPZs) over the whole territory of its production activity.

As of the beginning of 2010, Surgutneftegas operates 947 areal oil-field facilities located in WPZs.

Production facilities constructed in the 1980-s and located in WPZs were modernized in accordance with the current effective environmental requirements of Surgutneftegas regulatory documents on design and operating procedures in such zones. The Company replaced flare pits with drain tanks at 29 cluster well sites, restored perimeter bunds at 240 cluster well sites and ramps at 160 cluster well sites.

Surgutneftegas consumes water from both surface and subsoil water bodies. We recover fresh water from 177 subsoil and 4 surface fresh water intake systems by virtue of 63 licenses for the use of subsurface resources and 4 water use agreements. Fresh subsoil water (artesian water) intake amounted to 5.2% of the permitted water withdrawal from this aquifer.

During 2009, a large number of hydrogeological works was conducted by the Company in accordance with the license agreements. Works on evaluation and revaluation of subsoil fresh water stocks were conducted for 15 license areas. Evaluation works on subsoil fresh water stocks of artesian wells located in 6 license areas are in progress.

We gave much attention to assessment and efficient use of water resources; though the Company's operating area is not referred to as one with water-supply deficit. The Company observed growing number of personnel and production sites but, nonetheless, during the last four years specific consumption of all water types remained at 2 cubic meters of water/ton of produced oil.



Land Protection

Key activities: reduction of oil recovery impact on the environment by means of land amortization and recultivation of disturbed soils.

In order to minimize the production activity impact on the ecosystems of the Company's operating regions, at the early stage of oilfields development we use technologies and equipment, able to reduce areas of land dedicated to commercial development.

At the oilfields newly placed on production we combine the construction of cluster pump stations, booster pump stations and IWSU within one site, which allows us to substantially minimize amortized lands. The Company reduced the amount of drilling waste by means of extensive use of the sidetracking technology where several directional wells can be substituted for one sidetrack. Surgutneftegas reduces amortized lands dedicated to waste burial by implementing waste recycling and utilization technologies.

Gas piston and gas turbine power plants construction enables the Company to avoid the additional technological impact on the environment, as there is no need to construct new gas pipe lines and electricity transmission lines. For this purpose on distant oilfields we use on-site water injection systems, which enable us to avoid the construction of cluster pump stations and long water pipe lines.

Land protection measures in Surgutneftegas are focused on prevention of land contamination, efficient land use and recultivation in order to



recover and reuse the land. As of January 01, 2009, Surgutneftegas allocated 10,515 ha of land and as of January 01, 2010 – 10,922 ha. The production surveillance of land is the Company's effective land protection measure.

The recovery of disturbed and contaminated lands is integrated and based on scientifically grounded methods. To make a timely return of short-term use lands to the State Forest Fund, we conduct a range of technical and biological recultivation works. In 2010, we plan to return 6,833 ha of lands to the State Forest Fund.

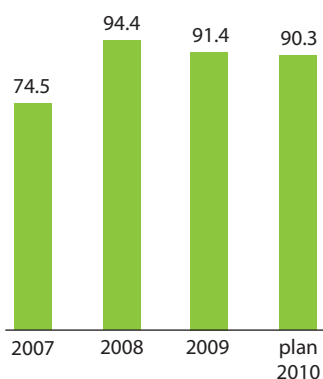
In 2009, we recultivated 523.6 ha of oil-contaminated lands, 91.4 ha of which were examined and deregistered by the Federal Service for Supervision of Natural Resource Usage (Rosprirodnadzor) on Khanty-Mansiysky Autonomous Okrug – Yugra. Deregistration was done according to the amount of residual oil and oil product content in soils after the recultivation.

For recultivation we used the bacterial agent "Destroil" (5.8 tons used). In 2009, the cost of oil-contaminated lands recultivation reached RUB 537.6 mn.

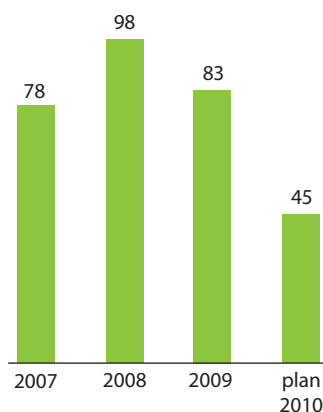
The contaminated lands within license areas of the Company were reduced by 24%, compared to the previous year, and as of January 01, 2010 reached 258.3 ha.

Sludge pits located in Khanty-Mansiysky Autonomous Okrug – Yugra, are mainly recultivated without backfilling, but by means of revegetation (forest recultivation). In 2009, forest recultivation works were conducted on 225 sections of 83 sludge pits, whereas the costs amounted to RUB 177 mn.

Examination of recultivated
oil-contaminated lands,
ha



The forest recultivation
of sludge pits,
pcs.





Production and Consumption Waste Management

Key activities: reduction of wastes production and wastes subject to storage and burial; wastes neutralization and recycling.

The introduction of new production waste utilization technologies, the constant improvement of the equipment fleet for oily soils, sludge, oil-contaminated solid and liquid wastes neutralization, the purchase of advanced equipment models for the abovementioned activities enable us to reduce waste production on the territories of Surgutneftegas business activities.

In 2009, Surgutneftegas and allied companies produced 542.7 thousand tons of waste, 465.9 thousand tons of which (86% of overall amount) were neutralized and used, 379 thousand tons were used in-house, 61.1 thousand tons were allocated to third-parties under contracts of use and 25.8 thousand tons were neutralized using in-house facilities.

The expansion of the Company's business activities into the territories of Khanty-Mansiysky Autonomous Okrug – Yugra, Tomskaya, Novosibirskaya and Irkutskaya Oblasts resulted in increased waste generation – by 13.2%. However, even under the above mentioned conditions the amount of waste burial steadily decreases. In 2009, 16% of overall amount of waste was buried (21% in 2008). We succeeded in obtaining these results using less environmentally hazardous drill fluids and pitless drilling systems (4-stage drill fluid treatment system), which enabled us to use drill cuttings as embankment material, and also due to implementation of technology and equipment for use and neutralization of other wastes produced.

Due to oil-contaminated waste (sludge, oily rags, etc.) inflammability and ecotoxicity Surgutneftegas meets the challenge of complete



waste decontamination. When decontaminating waste we provide oil recuperation and exclude dangerous waste burial at disposal sites.

In 2009, we significantly expanded the range of our decontaminating equipment by commissioning 3 drill cuttings washing centers, 3 incinerators "Forsazh-1" to neutralize solid oil-contaminated waste produced at our distant exploratory drilling sites and incinerators "Forsazh-2M".

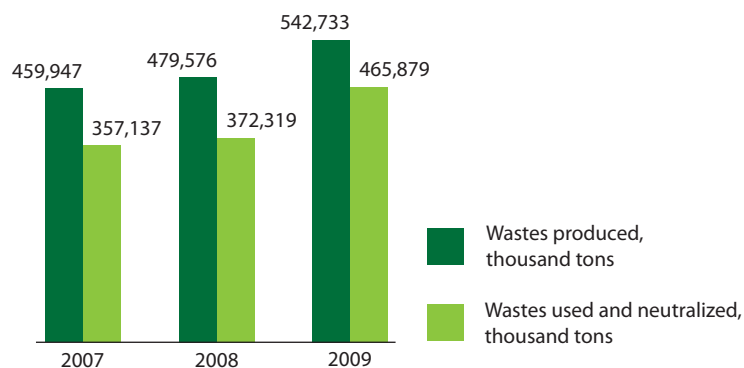
At present, apart from decontamination equipment for oil sludge and drill cuttings, Surgutneftegas operates 7 incinerators for neutralization of solid oil-contaminated wastes, including "Forsazh-1" (3 units), "Forsazh-2M" (3 units) and "Vulkan" (1 unit).

In 2009, we neutralized 25.7 thousand tons of waste using the above mentioned equipment, including:

- 15.8 thousand tons of oily soils and oil sludge were neutralized using drill cuttings washing centers and oily liquids utilization plant;
- 9.5 thousand tons of oil sludge, sand and APG treatment residue were neutralized using the facilities for thermal treatment of oil sludge;
- 0.5 thousand tons of waste were neutralized using solid oily waste decontamination facilities.

When handling the drilling waste we implement 4-stage drill fluid and cuttings treatment system in order to reduce waste production and burial. Only 8.1% of 393 thousand tons of waste produced during 2009 were buried at sludge pits. 91.1% out of overall amount of drill cuttings produced and received (358.2 thousand tons) underwent the 4-stage treatment and was used. During the reporting period, 3.6 thousand tons of drill cuttings were neutralized at drill cuttings and oily soils washing centers.

Neutralization and use of waste produced by Surgutneftegas

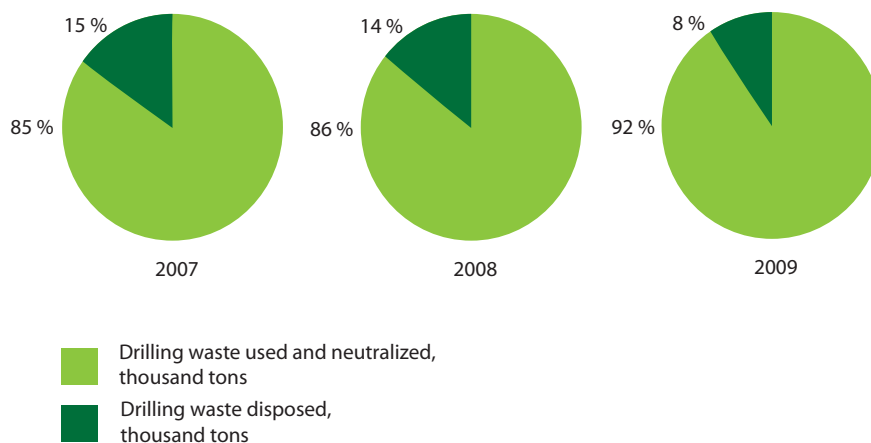




In 2009, during the ecological monitoring 1,228 samples of ground and surface water and 1,143 samples of soil and mud we selected at 169 well sites built using the treated drill cuttings as embankment material. The results unambiguously prove that the Company's technology of treated drill cuttings utilization does no harm to the environment and does not lead to soil and ground waters pollution.

Surgutneftegas drilling waste amounts on 2007-2009, thousand tons

Year	Drilling waste produced, thousand tons	Drilling waste used and neutralized, thousand tons	Drilling waste disposed, thousand tons
2007	339.861	288.272	51.475
2008	340.194	294.691	46.175
2009	393.008	361.812	31.947





In 2007, the Company implemented an end-of-life tires utilization technology. In 2009, more than 2.7 thousand tons of tires were processed into 1.2 thousand tons of rubber crumbs utilized by the Company's asphalt-concrete plants for asphalt modification, used for hard-surface improvement for sites access roads.

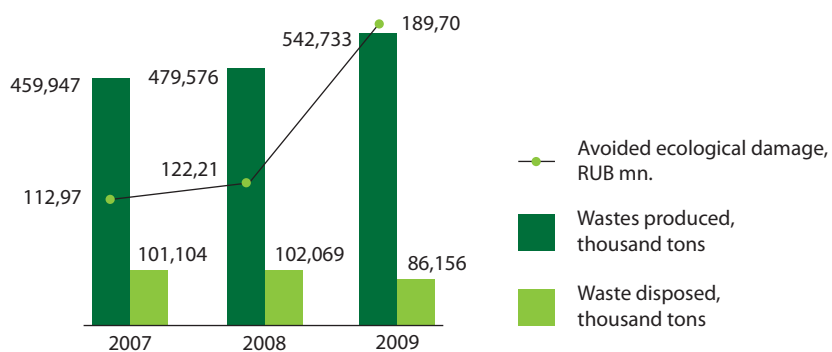
In 2009, the cost of ecological damage avoided by Surgutneftegas through implementation of wastes decontamination, use of equipment and technologies and also wastes handover for further decontamination and use amounted to RUB 189.7 mn.

Surgutneftegas has commissioned and operates 5 waste disposal landfills.

In 2009, the investments into decontamination facilities construction (allocation up to 3 years) reached RUB 483.2 mn, including RUB 245.8 mn in the Republic of Sakha (Yakutia), and RUB 237.4 mn in Khanty-Mansiysky Autonomous Okrug – Yugra.

All Surgutneftegas business units have draft standards for waste generation and limits on waste disposal. These documents provide the standards and disposal limits for all wastes produced. As required by the law on the waste management, we continued training of the personnel admitted to the management of waste. In 2009, 83 more specialists were trained in the program "Hazardous waste operations and environmental safety".

Avoided ecological damage due to wastes decontamination and use





Environmental Monitoring

Key activities: execution of constant environmental monitoring in order to improve the environmental protection management.

The environmental monitoring of all the territories of Surgutneftegas activity follows two directions:

- environmental monitoring of industrial facilities (control of emission and discharge sources, well sites and sludge pits, landfills for domestic and industrial wastes, etc.);
- quality monitoring of environmental components (surface and ground waters, bottom silts, soil, ambient air, and snow cover).

The implemented surveillance system enables the Company to assess environmental components quality and detect adverse trends created by anthropogenic factors. The environmental activities are performed by Surgutneftegas Environmental Management and Safety Division and environmental services of its business units.

Environmental monitoring of industrial facilities includes the control of emission sources, well sites and sludge pits, landfills for domestic and industrial wastes and other industrial facilities.

In order to ensure the compliance to the maximum acceptable

Air Contaminant Emission Limits, we control emission and discharge sources pursuant to monitoring schedules at 1,161 locations.

Quality monitoring was run around 169 well sites situated on the territory of water protection zones (WPZs) of water bodies and constructed with use of clean drill cuttings as embankment material. The Company's environmental experts take samples of ground and surface waters, soils and drill sludge twice a year during no-snow season. Water samples were biotested for 32 components, soil and sludge samples - for 21 components, including toxicity index and level.

In 2009, all tests and analyses involved 1,228 samples of ground and surface waters (39,296 analyses) and 11,343 samples of soil and sludge (24,003 analyses). The long-continued monitoring data and their analysis unambiguously prove that the drill cuttings utilized as the embankment fill material of cluster site within 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) for environment components control in the areas of potential landfills' environmental impact. We monitor ground



and surface water bodies, soils and ambient air. No background pollutant concentrations were found to be beyond normal limits in water and soil of the landfills areas.

Environmental components monitoring is carried out in 63 license areas on the territory of Khanty-Mansiysky Autonomous Okrug – Yugra, and in 35 license areas on the territory of nine constituent entities of the Russian Federation: the Republic of Sakha (Yakutia), Yamalo-Nenetsky Autonomous Okrug and Nenetsky Autonomous Okrug, Tyumenskaya, Omskaya, Tomskaya, Irkutskaya, Novosibirskaya Oblasts, and Krasnoyarsky Krai.

In 2009, the environmental components quality was monitored at 1,644 locations, including: at 1,138 locations in Khanty-Mansiysky Autonomous Okrug – Yugra, at 129 locations in the Republic of Sakha (Yakutia), and at 377 locations in other constituent entities of the Russian Federation.

The samples were studied by 11 laboratories. Centralized environmental monitoring is conducted by the Central Base Laboratory of Ecoanalytical and Processing Studies accredited by the Standardization, Metrology and Certification Committee (GosStandart) of Russia to perform the analysis of 707 parameters, including 365 ecological ones. In 2009, the physicochemical analysis laboratories of six oil-and-gas-production divisions located in Khanty-Mansiysky Autonomous Okrug – Yugra obtained accreditation for around 30 environmental parameters.

Since 2009, environmental monitoring on the territory of the Republic of Sakha (Yakutia) and Irkutskaya Oblasts has been executed by production and research laboratory of the pre-production site of Oil and Gas Production Division "Talakanneft", in order to eliminate the costs of samples delivery to Surgut. The laboratory obtained accreditation for 283 environmental parameters, including 24 radiological ones.

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 selective environmental monitoring in the area of Surgutneftegas operations.

In 2009, the Company spent RUB 83.6 mn for environmental components monitoring activities (compared to RUB 79 mn in 2008).

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.



Information Technologies

Key activities: enhancement of the environmental security measures efficiency, to obtain operating data and update environmental monitoring data.

Wide use of IT enables us to obtain the current state of environment in real-time mode.

Since 2002, Surgutneftegas has been conducting the remote monitoring of the territories of its activity using the space imagery materials, spectrozonal aerophotography and local digital shooting.

The environmental monitoring department of "SurgutNIPIneft" proved the technology for remote sensing interpretation.

The local aerophotography interpretation results are used for developing the projects of sludge pits reforestation, for keeping the regional waste inventory, for detecting waterlogged territories and for developing the hydrological regime remedial measures. Spectrozonal aerophotography and space imagery materials of moderate and high resolution are used to develop samples selection schemes for evaluation of current background pollution level in license areas, environmental monitoring projects, landscape maps, and also to prepare water protection zones' boundary maps when developing production facility projects.

Spatial data resulting from remote sensing interpretation allow us to maintain current geoinformation base of ecological data EcoGIS. This data is crucial for environmental feasibility studies of construction or any other business activities, and also during evaluation of possible human impact on environment.



The web-module "Pipeline failures" and "Control of Pipeline Supervision Routes" software are developed and used for pipeline accidents detection and prevention. The software "Extra" for pipeline conditioning and analysis of its current state based on actual, diagnostic and estimated corrosion hazard rates, was implemented in order to enhance operational reliability of Surgutneftegas pipelines.

The web-module "Chemical and Ecological Monitoring of Environment" was developed and implemented for current ecological situation analysis of Surgutneftegas operating areas. The web-module "Surgutneftegas environment protection program" was developed to provide centralized gathering and storage of data on environment security measures implementation. The software "Payments calculation" is used to calculate charges for negative impact on the environment. The implementation of these software products enabled us to substantially cut labor costs on completed reports examination, to automate the preparation of both paper and electronic consolidated documentation: quantitative chemical analysis records, "Information on Surgutneftegas technological impact on environment" reports, plans and reports on environment security measures implemented by Surgutneftegas (program "Ecology"), calculation of charges for negative impact on the environment.

Since 2009, Surgutneftegas has employed the software product "Ecological and legal system ECOYURS" which provides integrated information and legal support to environmental services of the Company in terms of environmental legal requirements compliance and environmental risk mitigation.





Conclusion

In 2009, Surgutneftegas one more time showed a steady commitment to the sustainable development approach, which consists of the execution of environmentally determined management and development techniques representing an integral and system-wide part of corporate governance and development.

This direction was taken by the Company in formulating its main environmental policy principles, which are crucial for planning of long-term and medium term development programs and each of the current projects.

The results of the environmental security program "Ecology – 2007-2009" obtained in 2009, showed the substantial decrease in adverse environmental impact. The program's high efficiency conditioned by the duly set priorities, environmental security measures integrity, coordinated efforts and investment directions. The efficiency of environmental investments was also conditioned by execution of innovative projects on associated petroleum gas utilization, wastes management and sludge pits recultivation, which enabled the Company to substantially decrease air emissions and waste burials, and to increase the environmental security in different production segments.

An indisputable contribution to the efficiency enhancement of the Company's environmental policy was made by a high use of IT in different levels of decision making.

The integrity of goals and tasks set according to environmental policy made itself evident during the development of new region across the Republic of Sakha (Yakutia) and Eastern Siberia in general. The ecological technologies constitute the main part of the efficient technologies used by Surgutneftegas in the region, and include reduction of allocated and industrial lands, minimization of waste production and waste safety, maximum associated petroleum gas utilization and overall control of ecosystem indicators.

Surgutneftegas is determined to develop with an equal responsibility the Timano-Pechora basin on the north of European part of Russia and also other regions of Russian Federation, generalizing the experience and taking into consideration new environmental conditions and trends.

The Company's responsibility for production environment indicators on the territories of its traditional business activity will also increase progressively.

The responsibility is one of the main principles of Surgutneftegas corporate policy.



"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.

