ENVIRONMENTAL REPORT

2011

OJSC "SURGUTNEFTEGAS"

CONTENTS

To maintain sound environment for today and future generations, the Russian companies are becoming strongly committed to social responsibilities. Environmental sustainability is a burning issue for Surgutneftegas as an oil operator.

To this end, the Company together with other leading Russian enterprises adheres to social responsibility principles and consistently implements them in its business practice. We show high level of commitment in terms of friendly and efficient use of natural resources and consistent enhancement of operational environmental safety.

To meet its environmental objectives and maintain the highest level of resource conservation, the Company invests heavily in nature protection programs, advanced alternative technologies and process optimization.

Intensive environmental investments allow us to commission annually dozens of environmental facilities in Western and Eastern Siberia, mitigate hazardous emissions and discharges, increase the proportion of recoverable wastes and the recyclability rate, as well as remain the industry leader in terms of efficient utilization of associated petroleum gas and development of small-scale power generation.

Strict adherence to environmental legislation and internal regulations eliminates the Company's ecological and legal risks. On the other hand, large-scale implementation of low impact and resource saving technologies, along with immediate environmental effect and cost reduction, provides for low social risks.

The Company's efforts to make its business environmentally friendly through cutting-edge low impact, resource saving and low waste technologies and innovative solutions are highly valued by governmental agencies and environmental organizations.

Environmental management has been continuously considered as one of the Company's priorities. Indeed, in the longer term, the ecological and economic approach based on resource saving and environmental sustainability within the production cycle ensures competitive strength, stability and prosperity of the Company.

To achieve common understanding with the government agencies, shareholders, regions of the Company's presence and public organizations, we are open to dialogue and invite the stakeholders concerned about sustainable development and environmental conservation to discuss the key environmental issues through offering them our transparent environmental reporting.

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

The Company's Environmental Activity Based on Resource Saving Principles

THE COMPANY'S ENVIRONMENTAL POLICY WHICH DEFINES ECOLOGICAL WELL-BEING AS THE FOUNDATION OF BUSINESS PROSPERITY FOCUSES ON CONTINUOUS ENHANCEMENT OF ENVIRONMENTAL ACTIVITY, RATIONAL USE OF NATURAL RESOURCES BASED ON INNOVATIVE LOW IMPACT AND RESOURCE SAVING TECHNOLOGIES, AS WELL AS MITIGATION OF EMISSIONS AND THEIR TOXICITY, AND REDUCTION OF DISCHARGED POLLUTANTS AND WASTE WHILE INCREASING PRODUCTION. TODAY, THE COMPANY IS THE LEADER AMONG ITS PEERS IN TERMS OF ECO-EFFICIENCY, RESOURCE SAVING AND INNOVATIVE ENVIRONMENTAL TECHNOLOGIES.
BEING ONE OF THE RUSSIAN OIL MAJORS, SURGUTNEFTEGAS IS AWARE OF RESPONSIBILITIES TO SUSTAIN FAVORABLE ENVIRONMENT IN THE REGIONS OF ITS PRESENCE AND USE NATURAL RESOURCES IN AN EFFICIENT WAY.

We run our business under strict adherence to environment legislation and standards of efficient environmental management and resource saving. The Company's continuous efforts to mitigate environmental impact of production facilities via advanced technologies and in-house developments significantly improved environmental safety and energy efficiency.

The main areas of Surgutneftegas environmental activity are:

- construction, reconstruction and upgrading of the existing environmental facilities;
- protection and rehabilitation of land, air and water resources;
- monitoring of natural environment components and production facilities;
- pipeline accident prevention and cleanup operations;
- decontamination of production residuals;
- R&D activities and environmental training programs.

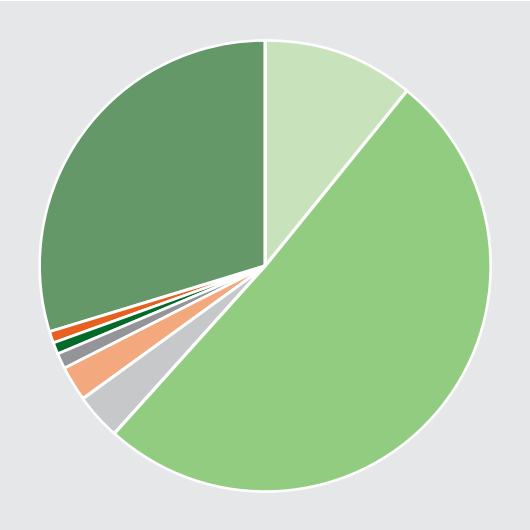
Since 2008, the Company has been spending over RUB 20 bn per year in environment protection of crude production alone.

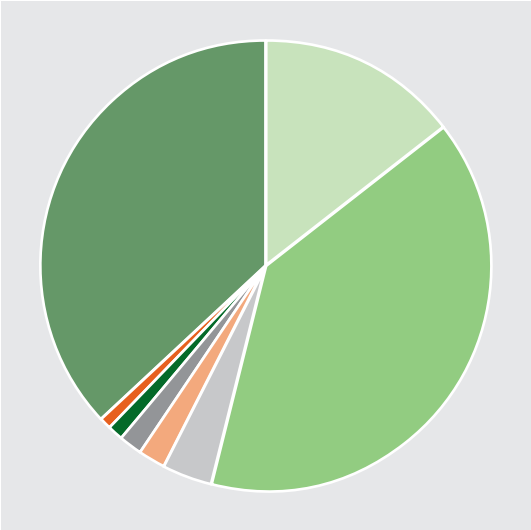
The significant financial support of the environmental program in line with growing production and expanding presence allow us to eliminate technological environmental impact and sustain favorable environment. In the reporting year, the top priorities of the Company's regular Ecology program involved enhanced efficiency of environmental activity and resource saving.

In 2011, Surgutneftegas spent RUB 20.39 bn on environmental protection. The major investments of RUB 6.3 bn were made in construction of environmental facilities, as well as utilization of industrial wastes and prevention of pipeline accidents.

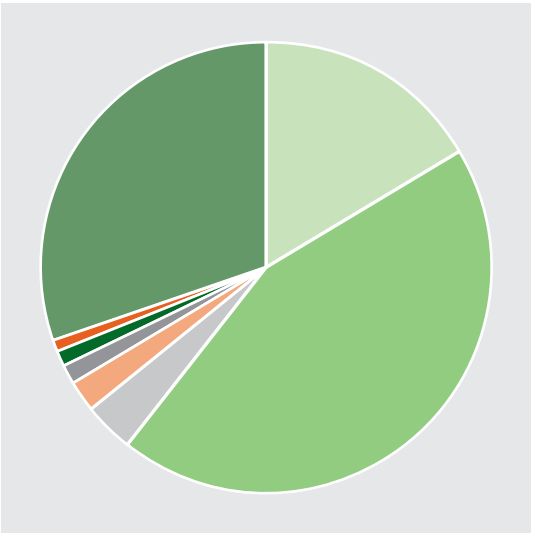
ENVIRONMENTAL INVESTMENTS IN 2009–2011
AND THE 2012 INVESTMENT PLAN, RUB MN

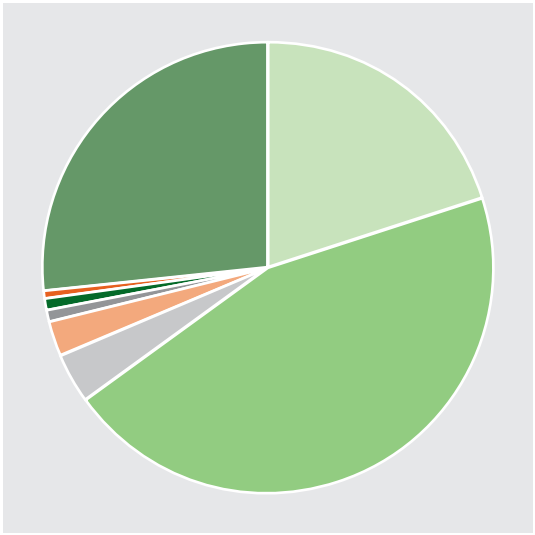
2009 **21,129.4**		2010 **20,067.8**	
30.53%	Environmental facilities construction	**37.19%**	Environmental facilities construction
11.28%	Pipeline accident prevention	**15.75%**	Pipeline accident prevention
54.14%	Industrial waste utilization	**42.76%**	Industrial waste utilization
2.58%	Accident management	**2.61%**	Accident management
0.84%	Sludge pits remediation	**0.81%**	Sludge pits remediation
0.40%	Monitoring	**0.65%**	Monitoring
0.12%	Air protection	**0.13%**	Air protection
0.12%	Contractual works, environmental training, training and certification	**0.11%**	Contractual works, environmental training, training and certification



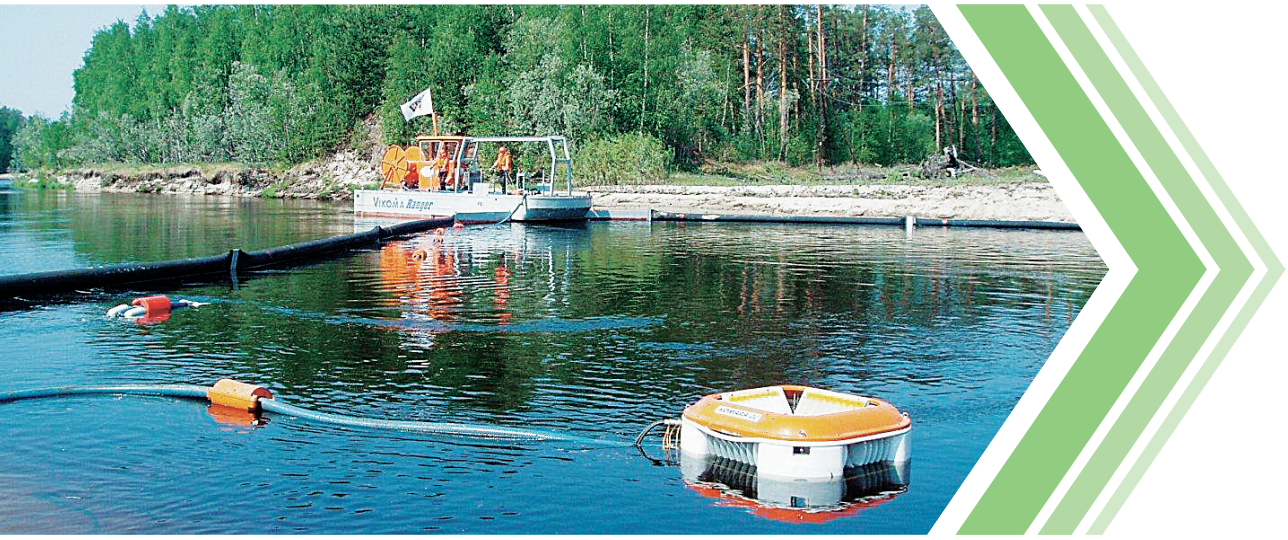


2011 **20,386.41**		plan 2012 **22,046.47**	
30.70%	Environmental facilities construction	**27.11%**	Environmental facilities construction
16.97%	Pipeline accident prevention	**20.05%**	Pipeline accident prevention
41.47%	Industrial waste utilization	**46.76%**	Industrial waste utilization
2.83%	Accident management	**3.63%**	Accident management
1.26%	Sludge pits remediation	**1.64%**	Sludge pits remediation
0.60%	Monitoring	**0.54%**	Monitoring
0.16%	Air protection	**0.14%**	Air protection
0.07%	Contractual works, environmental training, training and certification	**0.12%**	Contractual works, environmental training, training and certification





ENVIRONMENTAL SAFETY OF OIL PRODUCTION



INDUSTRIAL SAFETY OF OIL AND GAS PRODUCTION PRIMARILY DEPENDS ON RELIABILITY OF FIELD EQUIPMENT AND FACILITIES. TO THIS END, TO ENSURE ENVIRONMENTAL SAFETY IN THE REGIONS OF ITS OPERATION, SURGUTNEFTEGAS TAKES A NUMBER OF TECHNOLOGICAL, ENGINEERING AND ORGANIZATIONAL STEPS AIMED AT ACCIDENT PREVENTION WHEN PRODUCING, GATHERING AND TREATING CRUDE OIL, AND MITIGATION OF ENVIRONMENTAL IMPACT.

Geo-ecology of Western Siberia, the core region of the Company's activities, is distinguished by wetlands and hard-to-reach places. Therefore, oil spills clean up operations and land rehabilitation as the result of probable pipeline leakage are considered to be cost and effort consuming.

Striving to keep environmental safety of oil production to maximum, the Company implements its comprehensive program allowing for mitigation of accident risks and environmental impact. As part of the program, Surgutneftegas pays increased attention to environmental safety of its field pipelines, since most of them run through the forest area of the Russian Federation environmental preservation of which is an issue of paramount importance.

PIPELINE ACCIDENT PREVENTION

Environmental pollution of the oil producing areas is mainly caused by pipeline accidents: as much as 85% of field oil spills occurs due to pipeline internal corrosion.

To prevent and reduce the corrosion, the Company performs:

- initial verification control of the pipes delivered including destructive testing;
- complete technical diagnostics of equipment and facilities;
- in-line inspection and diagnostics of the pipelines;
- pipeline corrosion monitoring;
- pipeline inhibitor protection including its optimization, benchmark and pilot testing of new corrosion inhibitors;
- application of anti-corrosive piping systems;
- deep oil dehydration using three-phase separators of initial water separation units at booster-pump stations;
- on-schedule pipeline overhauling.

To provide corrosion resistance of its piping systems, Surgutneftegas carries out initial verification of pipes with help of the accredited laboratory. In 2011, 20.5% of the total number of the pipes delivered underwent initial verification control. The implemented measures enabled the Company to reduce pipeline accident risks twofold.

The pipeline technical diagnostics is performed to determine the remaining life and detect damaged sections of the pipelines, as well as organize repairs in timely and efficient manner. The Company's subdivisions examine their technical condition in compliance with applicable certificates of accreditation for specified inspections including pigging, thickness gauging, vibration diagnostics, etc.

The pipe condition data allow us to decommission damaged sections of the field pipelines in time and perform their repair and overhaul. In 2011, the Company replaced 529.8 km of damaged pipeline sections and built 53.5 km of pipelines with internal protective coating.

Environmental safety of the field pipelines via efficient corrosion protection is based on system data analysis of pipeline operating conditions. To this end, we performed corrosion monitoring at 699 control points along 4,495 km of pipelines. Monitoring data made it possible to plan and implement protection measures in compliance with state and corporate standards, regulations and guidelines.

In 2011, Surgutneftegas treated 2,843.4 km of water pipes and oil pipelines with corrosion inhibitors. Due to mitigation of accident risk by 1.9 times, the Company was able to save RUB 6.4 bn.

One hundred and three initial water separation units (IWSUs) enabled the Company to run over 3,000 km of oil pipelines transporting dehydrated oil. Operation of IWSUs coupled with other initiatives makes it possible to prevent pipeline accidents caused by rill corrosion. Moreover, with the initial water separation units the Company managed to cut pipeline metal consumption almost twofold by reducing the diameter of pressure pipelines and the length of water pipelines, as well as minimize process output ratio and operational costs.

With pipeline network expanding significantly and pipelines ageing, for the five last years, Surgutneftegas has decreased frequency of pipeline accidents, on the average, from 3 failures per one thousand km in 2007 to 0.5 failures in 2011.

Throughout 2011, the Company managed to perform accident-free operation of pressure in-field and gathering pipelines due to preventive measures.

In the year under review, the number of accidents occurred at other categories of pipelines, including water pipelines, discharge

lines and oil-gathering systems, reduced by 29% vs. 2010 to 17 accidents.

In 2011, there were 19 pollution-related accidents and one well failure caused by open oil and gas blowouts resulting in 46.39 tons of oil spills with 44.59 tons of oil gathered within the first hours of cleanup operations.

The accidents which occurred in the reporting year are not considered severe due to low environmental impact associated with efficient oil spill containment and response.

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 potential oil spills.

To minimize environmental damage from possible emergencies, the Company takes measures to ensure availability and readiness of workforce and resources, and to contain and clean up accidental oil spills in the shortest time possible by employing highly efficient technologies.

The Company operates the leading-edge equipment and facilities designed to isolate and remove oil spills, including:

- 160 oil-skimmers of different types and skimming modes designed to operate in various oil viscosities and under diverse weather and climatic conditions;
- 3 clean-up boats;
- 10 self-contained high-pressure pumps;
- 10,680 meters of fast deployable mobile booms equipped with air blowers both lightweight and reinforced for onshore and offshore protection;
- 30 mobile tanks for temporary oil storage;
- 7.35 kilometers of easy-to-assemble aluminum pipes for pumping skimmed oil from hard-to-access areas;
- absorbent boom-forming equipment and absorbent boom squeezers, absorbent materials used to form multi-use booms;
- 21 sprinklers for biological agents and bacteria treatment;
- 7 U-STRG units for producing thermally exfoliated graphite absorbent (STRG) with the capacity of 30 kg/h.

To pump and transport skimmed oil, the Company operates 21 vacuum dump trucks, and vacuum tank cars manufactured domestically and abroad. For embanking and soil loosening operations, we use caterpillar trucks equipped with shovel and other attachments.

To meet the toughest spill response and remediation challenges, Surgutneftegas annually expands its fleet of special vehicles and oil skimming equipment.

For more efficient treatment of hard-to-reach swamp areas, the Company employs 8 multipurpose amphibious machines Truxor DM 4700B and 13 upgraded models Truxor 5000 (including 5 machines purchased in 2011) with accessories designed to clean up water basins and areas along the shoreline.

Additionally, for repairing damage caused by prior oil spills in hard-to-access swamp and lacustrine areas, and for gathering and delivering bituminous oil, the Company purchased 4 facilities with special pumps used to pick up and pump over heavy oil.

Accident response and post-accident clean-up operations are performed by the Company's special divisions. All seven emergency response teams (ERT) organized as part of the shops and units of the Company's oil and gas production divisions are certified by the Territorial Certification Commission No. 505. The ERT members undergo annual training to improve their response skills.

Surgutneftegas prevention and response system for spills of oil and petroleum products is always ready to immediately respond to potential local and regional emergencies.

LAND RECLAMATION

Measures taken to reduce negative environmental impacts include restoration of disturbed and contaminated lands.

Our recultivation efforts help reclaim lands disturbed by the Company's activities and return them to their applicable uses, as well as avoid their adverse impacts on adjacent terrains and harmonize natural and industrial landscapes.

In the reporting year, restoration of lands contaminated in the previous years by cause of oil spills achieved its best results. We reclaimed and excluded from the contaminated land register 103 lots with a total area of 108.2 ha. During 2011, the Company rehabilitated and returned to the State Forest Fund 2,917.6 ha of disturbed land.

As of early 2012, Surgutneftegas occupied 96,680.5 ha of land. 85.5 ha of oil spill sites, most of which located in the hard-to-get marshlands, require post-accident rehabilitation. By 2012, the Company plans to reclaim all the areas affected by oil spills in the previous years.

Remediation of sludge pits is one of the most important parts of these actions.

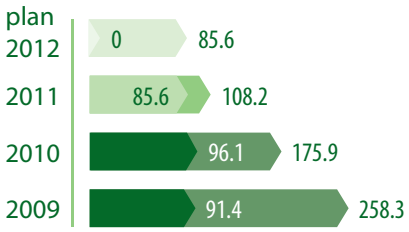
As the pits used to hold drilling waste pose potential environmental risks, the Company sees their remediation as a major environmental concern that calls for actions to lower environmental impact of drilling wastes and maintain environmental safety of field facilities construction. Development and implementation of resource saving, adjusted to local climate methods for reclamation of sludge pits are among the key missions of industry research institutions and environmental services of oil companies.

Pursuant to specifications certified by the state environmental expert commission and approved by the order of the Federal Service for Environmental, Technological and Nuclear Supervision for KhMAO – Yugra, Surgutneftegas employs a non-landfill technology to reclaim its sludge pits. This technology is a part of the Company's resource saving policy as it allows us to avoid extraction and delivery of large quantities of organic soil for pit landfilling, and as a result to reduce lands allocated for disposal of water pits and sand piles, and preserve environment of wetlands and water protection zones.

In 2011, our 153 sludge pits went through a mechanical non-landfill phase of remediation. Reduced quantities of soil extracted and delivered for landfills enabled the Company save almost 350 thousand cub m of soil, which helped conserve 4.19 ha of wetlands.

Along with the positive remediation effects produced by this resource saving technology, we were able to reduce air pollutant emissions by 6.5 times through decreased runtime of road machinery and special equipment and prevention of nonorganic dust emissions.

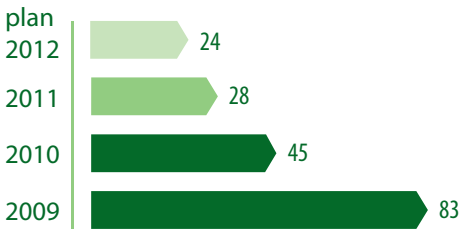
RECLAIMED OIL-CONTAMINATED LANDS
ha



Reclaimed hectares

Oil-contaminated hectares

REFORESTATION OF PITS
pits



AIR PROTECTION

IT IS OF A PARTICULAR PRIORITY FOR OIL AND GAS COMPANIES TO PRESERVE ATMOSPHERE FOR PRESENT AND FUTURE GENERATIONS. THIS CAN ONLY BE ACHIEVED THROUGH EFFECTIVE SYSTEM-BASED UTILIZATION OF ASSOCIATED PETROLEUM GAS (APG) WHICH IS A BYPRODUCT OF OIL PRODUCTION, AND GRADUAL REDUCTION OF AIR EMISSIONS. SO, THE COMPANY'S AIR PROTECTION ACTIONS ARE INTENDED TO MEET THESE CHALLENGES.

For a few years now, Surgutneftegas has been the industry leader in terms of APG utilization. Since 1999, the Company has been successfully constructing gas turbine power plants (GTPP) and gas piston power plants (GPPP) and revamping compressor stations with replacement of power drives with gas turbines. Therefore, the use of such valuable resource as APG for in-house power generation allows us to almost completely avoid gas wastage and atmospheric pollution.

All these measures help us considerably reduce inevitable negative environmental and man-made impact derived from "traditional" approach to associated gas utilization because we no longer build many kilometers of gas pipelines at fields under development to carry gas to treatment and processing sites, and we said no to compressor stations, high-voltage transmission lines, and substations. The significant resource-saving benefit received by the Company from such sustainable APG use provides considerable reserves saving for gas and electric power transportation to customers, i.e. oil production facilities.

As of 2011 year-end, Surgutneftegas operated 26 small-scale power generation sites, including 19 gas turbine and 7 gas piston power plants to generate electricity at remote oil fields, together with 26 compressor stations.

In the year under review, the Company demonstrated higher level of APG utilization coupled with advanced hydrocarbon production; and from 2010, cut its gas-flare emissions by one-and-a-half (down 38.7 thousand tons per year). On the whole, the share of flare emissions in the total amount of atmospheric pollutants dropped by three times (from 77% to 41%).

OJSC "Surgutneftegas" processes associated petroleum gas at its own stations located in Khanty-Mansiysky Autonomous Okrug – Yugra and supplies it to the consumers, such as Surgut State District Power Stations No. 1 and No. 2, for further power generation.

In the Republic of Sakha (Yakutia), the produced APG is used for power generation at GTPP of the Talakanskoye oil and gas condensate field and injected in oil-bearing horizon to maintain formation pressure.

The Company effectively uses associated petroleum gas for its own needs: as fuel for boiler plants, furnaces, initial water separation units, oil treatment plants, motor vehicle air-heating lines, etc.

In 2011, Surgutneftegas halved the volumes of flared APG. Due to corporate air protection activities, the ratio of associated petroleum gas utilization grew from 95.9% (in 2010) to 97.81% (in 2011), and amounted to 97.93% and 95.29% in KhMAO – Yugra and Eastern Siberia, respectively.

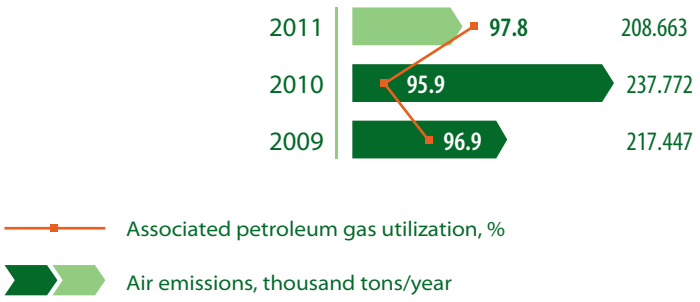
To mitigate the emissions, the Company also performs scheduled operating setup of fuel-fired equipment employed in oil production. All the working vehicles undergo toxicity and exhaust smoking control; we also carry out performance management and inspection of dust and gas catchers, their prompt routine maintenance and regular preventive repair.

In 2011, gross discharge of the air pollutants from stationary sources decreased by 29.1 thousand tons, emissions lowered by more than 2,760 thousand tons, including 219 thousand tons of greenhouse gas methane, which amounted to 4,610 thousand tons in CO_2 equivalent.

Such a resource-saving approach to APG enables the Company to show the best long-term results with respect to associated petroleum gas utilization and effectively implement the program of energy-efficiency and APG processing; moreover, it allows us to avoid excessive emissions payments and minimize corporate air pollution costs, providing enhanced business productivity in general.

In 2012, Surgutneftegas associated petroleum gas utilization is projected to reach 97.9%.

AIR EMISSIONS VS. APG UTILIZATION



WATER ASSETS PROTECTION AND REHABILITATION

THE REGION OF THE MIDDLE OB WHERE THE MAJORITY OF SURGUTNEFTEGAS LICENSE AREAS LOCATE IS UNIQUE IN TERMS OF WATER ASSETS, INCLUDING THE PLANET'S LARGEST MARSH SYSTEM CONCENTRATING HERE. HUNDREDS OF LAKES, MINOR RIVERS, AND THE FULL-FLOWING RIVER OB WITH THE WORLD'S MOST EXTENSIVE INUNDATED LANDSCAPE FORM THE BASIS OF WESTERN SIBERIA ECOSYSTEM CHALLENGING ATTITUDE OF CARE.

For the decades of its operation in this area, Surgutneftegas has worked out special business procedure facilitating high-level protection of water bodies and rational use of water resources.

The Company's actions to protect and restore water assets are primarily focused on prevention of water bodies' pollution with sewage, industrial wastewaters and liquid production effluents, along with sustainable water consumption.

Since 2000, Surgutneftegas hasn't been discharging wastewaters into water bodies on the territory of Khanty-Mansiysky Autonomous Okrug – Yugra. Upon mechanical and biological treatment, all the wastewaters are discharged into reservoir pressure maintenance (RPM) system. The wastewaters are pumped through pipeline, or if it's not possible, they are transported by motor vehicles to treatment facilities.

As for the Republic of Sakha (Yakutia), the use of effluents in RPM system is impossible because of a considerable (more than 100 km) distance of the village of Vitim from the operating fields, so the industrial wastes are discharged into the stream Romanovsky Klyuch upon their processing on industrial and household sewage biological treatment plants.

To diminish human impact on the environment, since 1997 Surgutneftegas has been successfully implementing the program of initial water separation units installation based on three-phase separators.

These units allow us to effectively separate produced formation water to inject it into the reservoir pressure maintenance system without use of tanks and furnaces at booster pump stations. Transportation of dewatered crude oil helped the Company reduce the amount of the pumped fluid and, as a result, to halve energy intensity of the pumping transfer and metal consumption of the oil pipelines system.

The employment of IWSUs and injection of tank water into formation help us solve another crucial problem: reduce the length of tank

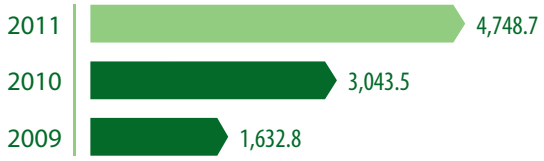
water pipeline and, therefore, cut accident risks and diminish a threat of pollution of gathering grounds and water bodies with oil and highly mineralized formation water. This becomes of a particular importance, since water protection zones and water bodies cover 40–90% of Surgutneftegas oil fields.

Last year, the use of the treated household and other sewage as injectant for reservoir pressure maintenance system allowed the Company to decrease freshwater intake by 1,170.6 thousand cub m. At the same time, Surgutneftegas utilization of such sewage in RPM system in the Republic of Sakha (Yakutia) rose up to 213.5 thousand cub m in 2011 from 32.8 thousand cub m in 2009.

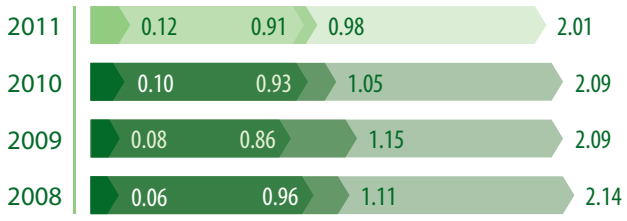
During 2011, on the territory of the Urals and the Far Eastern Federal Districts the Company injected 118,615.6 thousand cub m in the RPM system, and thus, reused those water resources.

Over the last few years, the Company's sound water assets management ensured that annually the average specific water withdrawal lowered by 2%; and despite significant growth of water consumption to maintain reservoir pressure at new fields and higher household water demand of the village of Vitim (the Republic of Sakha (Yakutia) within the corporate social responsibility, the Company's coefficient of water demand totaled two cubic meters of water per ton of oil produced.

WATER PRODUCTION IN THE REPUBLIC OF SAKHA (YAKUTIA)
thousand cub m



SPECIFIC WATER CONSUMPTION
cub m/t



Total water consumption
Surface water
Cenomanian water
Artesian water

WASTE MANAGEMENT

IN 2011, THE COMPANY'S PRODUCTION AND CONSUMPTION WASTE MANAGEMENT PROGRAM TO REDUCE, NEUTRALIZE, AND DRAW WASTE INTO ECONOMIC CIRCULATION GAINED NEW IMPETUS IN THE CONTEXT OF FURTHER STEPS TO IMPROVE ENVIRONMENTAL EFFICIENCY AND RESOURCE SAVING.

Utilization of drilling sludge as soil during well construction is one of the production and consumption waste management technologies that makes a major contribution to resource saving. It was developed and introduced by OJSC "Surgutneftegas" in cooperation with the leading Russian scientific organizations and received a positive state environmental expert review.

To carry out this task, the Company uses 61 sets of four-stage drilling fluid and sludge treatment equipment and biodegradable polymers for clay mud preparation.

In 2011, the Company reused 434.6 thousand tons of drilling sludge as soil for well construction. This allowed us to save 14.5 ha of undisturbed natural landscapes and marsh ecosystems through less sand pits and motor vehicle emissions during sand transportation, minimize the risk of man-made traffic accidents, and cut soil transportation costs.

Full and efficient neutralization is our top-priority objective in managing oil sludge classified as Environmental Hazard Class III. The amount of this type of sludge is constantly increasing because the Company expands its tank farms and storage facilities and constructs new pipelines for growing production volumes and new areas of operation; therefore, it needs to neutralize more sludge.

Ten sludge and oily soil washing and cleaning centers and 5 special thermal treatment plants are operated by the Company in Khanty-Mansiysky Autonomous Okrug – Yugra and the Republic of Sakha (Yakutia) to clean and decontaminate oil sludge. However, the Company has even bigger plans.

In an effort to make thermal treatment of oil sludge more efficient, the Company's experts in 2011 tested preliminary phase separation of oil sludge using a three-phase centrifuge, with recovery and recycling of oil and separation of water and solids. The phase separation tests involved waste accumulated on the sludge landfill at the Zapadno-Surgutskoye field and allowed us to recover 1.7 thousand tons of oil, double the capacity of thermal treatment plants for solid oil sludge, and clean the landfill.

This technology and equipment are recommended for application at other facilities of OJSC "Surgutneftegas".

Technical specifications were developed for sludge phase separation equipment on the basis of the tests. In 2012–2013, seven sets of phase separation equipment and a thermal treatment plant for oil sludge will be added to the Company's environmental equipment fleet.

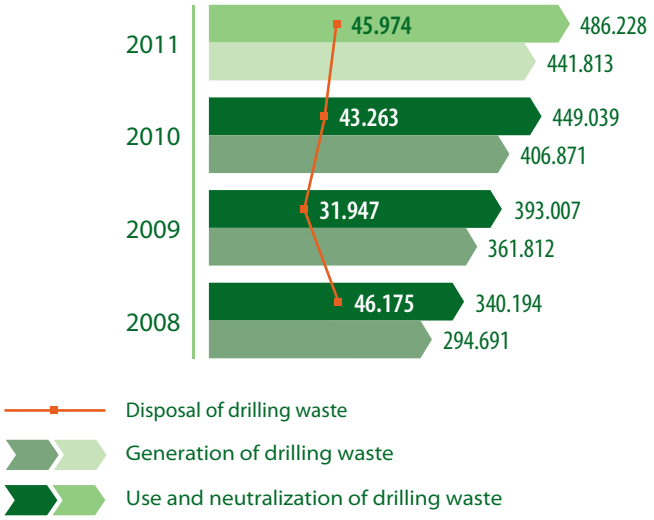
We continued to use waste oils in crude production processes throughout the reporting period to maximize the amount of valuable recovered materials involved in the production process (2.4 thousand tons in 2011), which made it possible to reduce waste transportation and recycling costs.

The operation of the Company's fleet of almost 24 thousand motor vehicles results in 3–3.5 thousand tons of waste tires every year.

For the last three years, the Company has been processing waste outer tires into recycled products, i.e. crumb rubber, at its own plant. In 2011, we obtained Certificate of Conformity No. ROSS RU.SL47.N00214 for crumb rubber later used for bitumen modification at the Company's asphalt concrete plants.

With the comprehensive engineering and environmental approach to waste recycling challenges, improved waste management, and advanced innovation technology for waste processing, OJSC "Surgutneftegas" recycled over 82% of waste into secondary material resources and recovered materials last year. In addition, the Company dramatically reduced its waste transportation and disposal costs.

GENERATION, USE, NEUTRALIZATION AND DISPOSAL OF DRILLING WASTE
thousand tons



ECOLOGICAL MONITORING

ENVIRONMENTAL MONITORING STUDIES IN LICENSE AREAS, INCLUDING DETERMINATION OF THE BACKGROUND POLLUTION LEVEL, ARE A PREREQUISITE FOR SUBSOIL USE.

The Company puts special emphasis on the quality monitoring of natural environment components, control of emission sources at industrial facilities and domestic and industrial waste landfills over the entire territory of the Company's production operations.

Ecological monitoring is carried out by 11 accredited laboratories with the most-up-to-date analytical equipment at the disposal of our ecologists, including gas and liquid chromatographs, mass spectrometers, and spectrophotometers. Numerous tools and instruments used for various environmental purposes are supplemented every year.

Technical competence of our laboratories is confirmed by accreditation certificates. The accreditation scope of the Central Base Laboratory for Ecoanalytical and Technological Studies of the Company's Engineering and Economic Implementation Center comprises 707 parameters, including 365 environmental parameters. The production and research laboratory of the pre-production site in Oil and Gas Production Division "Talakanneft" is accredited for 283 parameters. Physical and chemical analysis laboratories of the R&D shops in the Company's six oil and gas production divisions that operate in Khanty-Mansiysky Autonomous Okrug – Yugra are also accredited for more than 30 parameters.

In the year under review, environmental monitoring was carried out by OJSC "Surgutneftegas" in 125 license areas. To this end, the Company established an extensive observation network, with samples taken at 1,780 points.

The Company employs a wide range of information technologies to collect up-to-date information about the state of the environment, such as remote monitoring based on space imagery, spectrozonal aerophotography, and local digital shooting. If the industrial facilities in the license areas are showing any signs of a negative impact, management decisions are taken to eliminate the reasons for such impact.

The results of environmental monitoring prove that the general environmental situation in the area where OJSC "Surgutneftegas" operates is satisfactory.

The impact of the Company's production facilities is described as acceptable, i.e. it maintains the quality of the environment.

PLANS AND PROSPECTS

The system analysis of the results of the Company's environmental activities confirms that the Company's focus in this regard is on the right areas: financial investments in nature protection, development and introduction of low impact and resource saving technology prove to be very effective, both environmentally and economically.

To build on the progress we have made, we will continue to mitigate the environmental impact of our production facilities in a systematic way. The Company will again concentrate on the search for and deployment of the latest environmentally friendly and resource-saving technology, planned measures to prevent pollution of all environment components, and sustainable use of natural resources.

The environmental program for 2012 is developed for all sectors of the Company's activity. It includes nature protection measures to mitigate the environmental impact of production facilities, prevent accidents, reduce and recycle industrial waste, and monitor the state of the environment.

Total costs for the Ecology program in the production sector are expected to exceed RUB 22 bn this year.

We will proceed with a wide-scale program of environmental actions and facilities construction in Western and Eastern Siberia, with regard to all fields under development and producing fields. The measures planned for 2012 will cover 9 regions of the Company's operations.

OJSC "Surgutneftegas" will continue to conduct its operations by balancing the economic, social, and environmental aspects in the interests of highly efficient business, without jeopardizing sustainable development of future generations.

OJSC "Surgutneftegas", "Company", "Surgutneftegas", "we", "our", "us" and "joint stock company" used in the text of the Brochure are interchangeable terms that relate to Surgutneftegas group of companies as a whole, OJSC "Surgutneftegas" and/or its subsidiaries subject to the context.