

December 20, 2002

Assignment of interests in the ACG Project of the Azerbaijan Sector of the Caspian Sea.

On December 20, 2002, INPEX agreed and signed an Assignment Agreement with LUKOIL providing for the assignment to INPEX of the 10% interest held by LUKOIL in the ACG project of the development and production of the Azeri, Chirag and Gunashli oil fields in the Azerbaijan sector of the southern Caspian Sea being conducted by the Azerbaijan International Operating Company (AIOC), an international consortium of 10 companies from 7 countries.

The ACG project started in 1997 with the Chirag field, which is currently producing 120,000 barrels per day and will gradually increase its production to reach 500,000 barrels per day in 2006 and 1 million barrels per day in 2008.

The oil produced is transported and shipped through pipelines built by AIOC, during the primary stages of the project via the Northern Route through Russia to Novorossiysk but at present using the Western Route via Baku to Supusa on the Black Sea. Construction of a BTC (Baku-Tbilisi-Ceyhan) pipeline started in September 2002, and on its completion in 2005 the plan is that this will become the main route to transport oil to Ceyhan on the Mediterranean Sea.

The assignment of interests requires the approval of the Azerbaijan state oil company SOCAR as well as each partner in the project, and all such procedures are expected to be completed by the first half of 2003.

INPEX's business activity in the Caspian Sea sector, once it was established as a target area, has been aggressive, as demonstrated below:

1. In 1998 INPEX acquired interests in the Republic of Kazakhstan sector of the north Caspian Sea, and in its first exploration well succeeded in discovering the giant Kashagan field in 2000. Evaluation work led to the announcement of commercial discovery of the oil field (estimated reserves 7-9 billion barrels) in June 2002. A development plan is currently being decided.
2. Since September 2002 INPEX has been involved in the BTC pipeline project with

which INPEX has as its aim the securing of a route for transporting oil produced in the Kashagan field of the sector of the northern Caspian Sea. This route has a total length of 1,760km and runs from Baku via Tbilisi in Georgia to Ceyhan in Turkey on the Mediterranean Sea.

3. Since December 1998 INPEX has been conducting exploration projects of oil and gas in the promising area of Azerbaijan sector of the Caspian Sea with capital investment in Japan Azerbaijan Oil Co., Ltd.

With the acquisition of interests of the ACG project, the Caspian Sea sector is expected to become INPEX's third core area following Indonesia and Australia. On the acquisition of the ACG interests, Mr. Kunihiro Matsuo, President of INPEX, stated:

"This transaction marks an important additional step for INPEX's involvement in the Caspian Sea region, which we believe will be one of the most prolific oil and gas regions in the world. We look forward to working with SOCAR, BP, and other consortium members to realize the tremendous potential of this project. INPEX also views this transaction as a significant advance in its relationship with LUKOIL, the largest oil company in Russia, providing an excellent platform for both companies to continue to develop their joint activities inside and outside Russia."

In addition, Mr. Vagit Alekperov, President of LUKOIL stated in an independent press release: "We also appreciate the opportunity of this transaction, which gives us to work closely with INPEX, and we hope to have other opportunities with them in the future."

\* Footnotes.

1. The PS Agreement for the ACG project, which includes the discovered fields of Azeri, Chirag and the deep-water portion of Gunashli in the Azerbaijan sector of the Caspian Sea, was concluded in September 1994 between an international consortium consisting of 10 companies from 7 countries and SOCAR, and came into effect in December 1994.

2. The project is located in the Azerbaijan sector of the southern Caspian Sea, at a depth of 100 m - 400 m, and comprises an area of 432.4 square km. The Gunashli (1979), Chirag (1985) and Azeri (1987) fields were discovered by Khezerdenizneft in the era of the Soviet Union. The Chirag field started early production from November 1997 and 65 million barrels were produced from 12 producing wells until August 2002.

According to a September 2002 AIOC press release, estimated reserves of the project are 5.4 billion barrels and it is expected to be one of the biggest oil fields in the world. The quality of the oil produced is light (34 API degrees) with low sulfur.

3. The consortium conducting development and production of the ACG oil fields is at present composed of 10 companies from 7 countries. Apart from LUKOIL (10%), the participants are BP (with an interest of 34.1%, operator), Unocal (10.3%), SOCAR (10%), Statoil (8.6%), Exxon Mobil (8%), Turkish Petroleum Corporation (TPAO) (6.8%), Pennzoil (5.6%), Itochu Oil Exploration (3.9%), and Delta Hess (2.7%).

4. INPEX is conducting this project through its subsidiary INPEX Southwest Caspian Sea, Ltd., and it also expects investment and loan guarantees from Japan National Oil Corporation (JNOC) and syndicate loans from Japanese government financial institutions and Japanese banks.