

September 21, 2004

Work to Go Forward on ACG Project's Phase Three Development

On September 20, INPEX CORPORATION (INPEX) and other international consortium partners signed an agreement to carry out phase-three development of the Azeri-Chirag-Gunashli (ACG) project: development of the Azeri and Chirag oil fields as well as the deep-water portion of the Gunashli field in Azerbaijani territorial waters of the Caspian Sea. The signing took place at a ceremony in the Azerbaijani capital of Baku marking the 10th anniversary of the production-sharing agreement for that project, with President Ilham Aliyev of the Republic of Azerbaijan, Prime Minister Zurab Zhvania of Georgia, and Energy Minister Hilmi Guler of the Republic of Turkey in attendance. INPEX holds a 10% interest in the ACG oilfields through its subsidiary INPEX Southwest Caspian Sea, Ltd.

The ACG project is devoted to the phased development of one of the world's largest oil fields (with recoverable reserves estimated at 5.4 billion barrels) by an international consortium operated by the British oil company BP p.l.c. The project aims to achieve an output of more than one million barrels of crude oil per day by 2009. Production of "early oil" began in 1997 at the Chirag oil field, which currently produces 157,000 barrels per day. Plans call for work to be carried out successively on development phase one, the central portion of the Azeri oil field (scheduled to begin production in 2005); phase two, the western and eastern portions of the Azeri oil field (scheduled to start producing in 2006 and 2007, respectively); and phase three, the deep-water portion of the Gunashli oil field (scheduled to begin production in 2008).

The crude oil produced by this project is currently transported via the "western route," which runs from Baku to Supsa on the Black Sea. However, to ensure that transport capacity keeps up with increasing production as the project proceeds, the consortium's core members have been working on the construction of the Baku-Tbilisi-Ceyhan (BTC) Pipeline since September 2002. Upon completion, scheduled for 2005, most of the crude oil will be transported through this pipeline to Ceyhan on the Mediterranean Sea, and from Ceyhan delivered to world markets. INPEX is also involved in the BTC Pipeline project, holding a 2.5% interest.

* Supplemental Information

1. On September 20, 1994, an international consortium and Azerbaijan's state oil company SOCAR signed a production-sharing agreement for the ACG project to develop the Azeri, Chirag, and deep-water Gunashli oil fields, previously discovered fields lying beneath Azerbaijani territorial waters in the southern Caspian Sea. The agreement went into effect in December the same year.

2. The ACG development project concession area measures 432.4 square kilometers and lies some 100 to 400 meters under the Caspian Sea in Azerbaijan's territorial waters. The Gunashli, Chirag, and Azeri fields were discovered during the Soviet era in 1979, 1985, and 1987, respectively, by Khezerdenizneft, but during that era development never progressed beyond the shallow-water portion of the Gunashli field. After the fall of the Soviet Union, the oil fields became part of the territory of Azerbaijan, and a production-sharing agreement covering the concession was concluded, as described in (1) above. In November 1997, production of "early oil" in the Chirag field began, and by August 2004 volume had reached 154,000 barrels per day. The Chirag field has yielded approximately 255 million barrels to date.

3. The international consortium involved in the ACG development and production project currently consists of 10 companies based in six countries: INPEX (10%), BP (the operator, with an interest of 34.1%), UNOCAL (10.3%), SOCAR (10%), Statoil (8.6%), ExxonMobil (8%), TPAO, the state oil company of Turkey (6.8%), Devon (5.6%), Itochu Oil Exploration (3.9%), and Amerada Hess (2.7%).

4. INPEX's subsidiary INPEX Southwest Caspian Sea, which directly controls the interest in the ACG project, has received funding and debt guarantees from Japan National Oil Corporation (JNOC), as well as joint financing by a number of Japanese banks, including the Japan Bank for International Cooperation. (The company's capital stands at ¥53.594 billion, with INPEX holding a 51% interest and JNOC 49%.) In April 2003, the Russian Federation's Lukoil transferred its 10% interest in the ACG project to INPEX Southwest Caspian Sea.