

[LETTERHEAD]
ELVARY

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World Wildlife Fund
Att.: Environmental Policy Director
Mr. Shvartz E.A.

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Re: Gray Whale Impact Mitigation

Dear Evgeniy Arkadievich,

CJSC Elvary Neftegaz received your letter No 372 dated 17 June 2009.

In accordance with terms of the state license No ShOM 12303 NP CJSC Elvary Neftegaz is realizing Offshore Exploration Program within Kaygansko-Vasyukanskiy license area. License provisions restrict field operation scope and schedule on the license area. Non-compliance with scope stipulated by the license agreement or breach of field operation schedule represents material violation of license provisions and could lead to license withdrawal.

CJSC Elvary Neftegaz as license holder (license No ShOM 12303 NP) can not suspend exploration works for indefinite period. Total scope of such works is determined by the license and should be completed strictly within the license validity period. In Kaygansko-Vasyukanskiy area basin offshore exploration work period depends heavily on weather and ice conditions and lasts not longer than 3.5 months. Quality seismic studies enable to minimize further exploratory drilling footage that in its turn results in significant environmental impact mitigation including impact on aquatic mammals.

CJSC Elvary Neftegaz operates in Kaygansko-Vasyukanskiy area in accordance with applicable requirements of environmental laws and license provisions. Audits of our company conducted by authorized environmental authorities and realized by independent contractors of Environmental monitoring program did not reveal violations of environmental legislation.

CJSC Elvary Neftegaz holds the following information in respect of assumptions made by GWAP experts in respect of causes of Gray Whale redistribution in their feeding grounds during summer 2008:

1. Prior to commencement of 2008 works CJSC Elvary Neftegaz conducted consultations with independent environmental specialists to work out optimal measures to mitigate possible impact of planned field operations on aquatic mammals.
2. Taking into account results of consultations conducted, Marine Biology Institute at the Far East Branch of the Russian Academy of Sciences developed Monitoring and Control Program for potential seismic impact on aquatic mammals, including Action plan for mitigating impact on aquatic mammals. When conducting field operations in Kaygansko-Vasyukanskiy basin in 2008 measures scheduled were accomplished in full.

3. Based on the results of Monitoring and Control Program for potential seismic impact on aquatic mammals in 2008 in Kaygansko-Vasyukanskiy area scientists from Marine Biology Institute at the Far East Branch of the Russian Academy of Sciences found out the following:
 - 2 migrating Gray Whales were located in Kaygansko-Vasyukanskiy basin in 2008;
 - during 2008 field operations no facts were identified that CJSC Elvary Neftegaz activity in Kaygansko-Vasyukanskiy area impacted Gray Whale population.
4. Report on delivery of Monitoring and Control Program for potential seismic impact on aquatic mammals in 2008 was submitted to the Federal Supervisory Natural Resources Management Service (Rosprirodnadzor). No criticism or complaint was addressed to CJSC Elvary Neftegaz in respect of this Monitoring and Control Program execution results.

Thus, scientific data obtained by CJSC Elvary Neftegaz does not confirm WGWAP experts' assumptions that offshore operations within Kaygansko-Vasyukanskiy area had significant impact on Gray Whales in their feeding grounds in 2008. Meanwhile CJSC Elvary Neftegaz is interested in obtaining additional reliable data on actual impact of drilling and seismic operations on Gray Whales and other aquatic mammals. In particular we would like to have scientific acknowledgement of a possibility of negative impact of seismic operation on whales at the distance of 100 km as you mentioned in your letter. If World Wildlife Fund has such information we ask you to provide it in order to finalize Action plan for mitigating impact on aquatic mammals.

CJSC Elvary Neftegaz believes it is highly important to develop efficient measures for mitigating environmental impact including on Gray Whales population. To this effect our specialists are open for interacting with scientific organizations and individual scientists – experts on the issue. For example, we are ready to hold a meeting in our office in Yuzhno-Sakhalinsk with group of competent authorities and scientists to discuss issues of mitigating impact of offshore exploration works on Gray Whales population and exchange of information.

Kind regards,

Acting Director General

Mikhailov Y.N.

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