

Business Strategy

A. Upstream: Exploration and Production

- Increasing production from existing fields.
- Expanding business activities and operations, including using inorganic methods (acquisitions).
- Developing the potential of CBM in Pertamina areas.
- Forming strategic alliances to support the expansion and building specific skills.

B. Upstream: Non Exploration and Production

- Increasing the domestic gas trading business while taking the opportunity to expand the gas
- Transport and process business through synergy with other Pertamina subsidiaries.
- Being pro-active in formulating pricing policy, in accordance with national policies.
- Building capacity and specific skills in drilling services to support oil and gas expansion plans.

Presently, the Upstream Directorate managed 6 subsidiaries in the oil, gas, and geothermal business, namely: PT Pertamina EP (PEP), PT Pertamina Hulu Energi (PHE), PT Pertamina Gas, PT Pertamina Geothermal Energy (PGE), PT Pertamina EP Cepu (PEP Cepu), and PT Pertamina Drilling Services Indonesia (PDSI), as well as developing the upstream support technological function carried out by the Exploration & Production Technology Center (EPTC).

The main focus of each subsidiary and of the supporting function is as follows:

PERTAMINA EP

PEP was established on 13 September 2005, to manage oil and gas operations (own operations) based on a Cooperation Contract (KKS) with BP Migas signed on 17 September 2005. As an upstream sector subsidiary, PEP carries out exploration and production of oil and gas in domestic working areas covering 140,000 km² formerly managed by PERTAMINA. PEP's working area is divided into three regions: The Sumatra, Java, and Eastern Indonesian (KTI) Regions. The Sumatra Region covers the Rantau, Pangkalan Susu, Jambi, Pendopo and Prabumulih Fields, as well as the Pertamina EP Business Units (UBEP) at Jambi, Limau, Lirik, and Adera (ex JOB-EOR PERTAMINA Lekomaras, 22 April 2009). The Java Region covers The Cepu, Jatibarang, Subang and Tambun Fields. The Eastern Indonesian Region (KTI) covers: The Bunyu, Sangatta and Sorong Fields as well as the Tanjung and Sangasanga-Tarakan UBEPs.

PERTAMINA GAS

Pertamina established PT Pertagas on 23 February 2007, and it became PT Pertamina Gas in 2008. The company undertakes gas transportation, trading and processing.

In the gas transmission business, Pertamina owns a gas pipeline network with a total volume of 34,000 km-inches in Northern Sumatra, Central Sumatra, Southern Sumatra, Western Java, Eastern Java, and East Kalimantan

In January 2009, PT Pertamina Gas obtained a Transportation Permit and in February 2009, it received a Exclusive Right from BPH Migas for gas transportation along 43 transmission routes. These Permit and Exclusive

Rights complemented the Business Permit that had been issued previously (in September 2008). By obtaining a business license and special rights, PT Pertamina Gas now has a regulatory basis to play the principal role in the gas business in Indonesia.

PERTAMINA GEOTHERMAL ENERGY

PGE was founded on 12 December 2006. This Pertamina subsidiary carries out geothermal exploration and

exploitation in 15 working areas (WKP) in Indonesia, namely: Sibayak-Sinabung, Sibual-buali–Sarulla, Sungai Penuh-Sumurup, Tambang Sawah-Hululais, Lumut Balai, Waypanas-Ulubelu, Cibereum-Parabakti, Pengalengan (Patuha-Wayang Windu), Kamojang-Darajat, Karaha-Telagabodas, Dieng, Iyang-Argopuro, Tabanan-Bali, Lahendong-Tompaso and Kotamobagu.

PERTAMINA EP CEPU

PEP Cepu, which was established on 14 September 2005, is a subsidiary of PT Pertamina (Persero) that focuses on the upstream oil and gas business. In the Cepu Block, Pertamina has a 45% interest in partnership with Mobil Cepu Ltd (as the operator) and the Regional Owned Enterprise (BUMD) that manages the KKS for the Cepu Block.

PERTAMINA DRILLING SERVICES INDONESIA

PT PDSI was established on 13 June 2008 as a drilling service management business entity. The services provided comprise drilling, workover activities, and drilling services that use a Daily Rate and Integrated Drilling Management (MPT) system for oil, gas, and geothermal wells.

Presently, PT PDSI owned 34 drilling rigs (28 owned by PT PDSI and 6 transferred from PT Usayana)

EXPLORATION AND PRODUCTION TECHNOLOGY CENTER

EPTC is a research center and upstream technology engineering center for oil, gas, geothermal and CBM developed by Upstream Directorate.

EPTC is aimed at increasing independence and strengthening the values of excellence, as well as providing technological solutions in order to accelerate the business development of all upstream subsidiaries. The research and engineering carried out by EPTC have resulted in several innovations, both in the search for new exploration areas and the intensive and directed optimization of reservoir management.

The existence of EP Technology Center (EPTC) is vital in order to maintain the independence of upstream oil and gas technology. EPTC is the producer of technological innovation for subsidiaries, both through research and development and through cooperation with other parties. No less important is EPTC's role supplying and developing EP technological solutions needed by the Pertamina Upstream Directorate and its subsidiaries.

EPTC can also function as director and implementer of Upstream Directorate technology policy at the subsidiaries. This means it can be said to be responsible for the adaptation of Upstream Directorate technology policy at the subsidiaries as well as being the developer of technical competencies of Upstream human resources. A further role of EPTC is as the center of excellence for technological support at the operational level of subsidiaries in the Pertamina Upstream Directorate.

To support the strategy of increasing and developing upstream business, EPTC uses various software and hardware technologies for seismic investigation parameter design, seismic data processing, seismic modeling processing, seismic interpretation, basin modeling, geological modeling for reservoir characterization, petrophysics evaluations, reservoir simulation, production analysis, well testing analysis, well performance analysis, well stimulation analysis, process and facility design and 3D visualization tools for well design to support the collaboration activities of exploration and production experts in the oil and gas, and geothermal sectors.

Geodesy and Geomatics activities use survey and mapping tools and applications to support surface & sub-surface activities. Developments in Geographic Information System (GIS) and Global Positioning System (GPS) technologies are now utilized for effective and efficient position determination.

Digital and physical data processing is carried out in an integrated fashion, which facilitates the work of experts and specialists in Upstream PERTAMINA carrying out GGR studies and evaluations to develop the upstream business.

PERTAMINA UPSTREAM ENERGY

PHE is one of the Upstream Directorate subsidiaries working in the oil and gas upstream business, and is also an upstream business vehicle for managing the domestic and overseas cooperation portfolio in the form of: Production Sharing Contracts (PSC), Joint Operating Body-Production Sharing Contracts (JOB-PSC), Indonesian Participating / Pertamina Participating Interests (IP/PPI) and *Badan Operasi Bersama* (BOB). PHE's overseas working areas covered: Western Desert Block 3, Iraq; Block 10&11.1, Offshore South Vietnam; Block SK-305, Offshore Sarawak, Malaysia; Sabratah 17-3 Block, Offshore Libya; Sirte 123-3 Block, Libya; Block 13, Red Sea, Offshore Sudan; Block-3, Offshore Qatar; and Basker Manta Gummy Block, Australia.