On November 3, 2008, Zhou Yongkang, Member of Political Bureau of the CPC Central Committee, warmly met general manager of PetroChina (Indonesia).

On April 21, 2005, Chinese President Hu Jintao gave an interview to CNPC chief representative in Jakarta.

The People’s Republic of China and the Republic of Indonesia share a long history of friendship and culture. Our two countries have strong economic links contributing to the development of bilateral trade. The Chinese government attaches great importance to developing relations with Indonesia. Since the establishment of the Sino-Indonesian strategic partnership in 2005, our relationship has entered a new phase; further strengthening mutual trust, economic cooperation and cultural links. In early 2010, we established the Sino-Indonesian Strategic Partnership Action Plan, a comprehensive blueprint for our cooperation. Energy and infrastructure construction have emerged as key areas of focus. In 2010, we celebrated the 60th anniversary of our diplomatic relationship and the Year of Friendship between our two countries. The Friendship Year expanded our governmental and non-governmental links and further enhanced our economic and trade cooperation, bringing opportunities for exchange and mutual benefit, which will further strengthen our relationship. As Chinese Ambassador to Indonesia, I am deeply touched by the kindness and friendship of the Indonesian people, and also see great potential in developing comprehensive cooperation in economics and trade. I am confident that we can enhance our mutual understanding and friendship, and further promote common development.

Almost 900 Chinese companies currently operate in Indonesia in energy, power, agriculture, telecommunication, infrastructure, financial services and other areas. They fully respect local laws and regulations, local culture, customs and religion. These companies work closely with local enterprise, and are committed to building harmonious relationships with local stakeholders, and promoting local employment and economic development.

CNPC has enjoyed fruitful cooperation with the Indonesian oil industry since 2002 by leveraging its advantages in technology and human resources. CNPC is actively engaged in Indonesia’s public welfare undertakings. It fosters local technical talent, and financially supports local community programs, such as in agriculture, education, and healthcare. During natural disasters, such as after tsunamis and earthquakes, CNPC has stepped in to help people in disaster-affected areas. These efforts have strengthened the image of CNPC as a responsible global enterprise. I hope CNPC will continue to utilize its inherent advantages, respect local staff, develop local talents, and establish more sustainable public welfare programs for local communities, and remain committed to green and harmonious development.
About This Report

This is the first *CNPC in Indonesia* published by China National Petroleum Corporation to describe our efforts in living up to our commitment to contribute to sustainable development in Indonesia. Adhering to the principles of objectivity, standardization, credibility and openness, this report is published in Chinese, English and Indonesian. In case of any discrepancy of interpretation, the Chinese text shall prevail. China National Petroleum Corporation is also called “CNPC”, the “Company”, “we” and “us” in this report.
About CNPC

CNPC is the largest oil and gas producer and supplier in China, with businesses covering oil & gas exploration and development, refining and chemicals, oil and natural gas pipelining, refined products marketing, international trade of crude and refined products, oilfield services, engineering and construction, petroleum equipment manufacturing and financial services.

CNPC has total assets of RMB 2,600 billion. Our annual domestic and overseas oil and gas production capacity has reached 250 million tons of crude oil equivalent. In China’s total, our crude and natural gas production take 56% and 80% respectively, crude runs and refined products reach 40%, and oil and gas pipeline mileage covers 70%.

CNPC is engaged in oil and gas operations in 29 countries. As one of the world’s major providers of oilfield services, we offer a complete family of mature technologies and proprietary techniques capable of handling all geological conditions, even the most complex. We have experienced engineering and technical crews that specialize in all fields of geophysical prospecting, well drilling, well logging, mud logging, production test and downhole operations.

We have 597 technical service and engineering construction crews operating in 55 countries around the world. Our offshore geophysical prospecting and oilfield engineering & construction take the largest market share of the world. Our petroleum materials and equipment are sold in 88 countries. CNPC is the world’s fifth-largest oil company, and ranked No. 10 in the 2010 Fortune Global 500.

We pursue to become an integrated international energy company, and strive to provide cleaner and more efficient energy supply to fueling economic growth both in China and the world.
Indonesia has a long history in oil exploitation, going back more than 1,200 years, when a primitive approach was adopted for oil exploitation in Sumatra. Today, Indonesia is the largest oil & gas producer in Southeast Asia, and also one of the world’s major LNG exporters, making it an important player in the global energy market.

The Indonesian government has long encouraged foreign investments in its resources exploration and development. In the mid-1960s, the world’s first oil Production Sharing Contract (PSC) was inked in Indonesia, heralding a new cooperation mode between host countries and foreign investors. Since then, Indonesia has established a comprehensive regulatory and supervisory system for its oil & gas market. Today, more than 100 oil companies are engaged in Indonesia’s oil & gas operations, and play a significant role in local socio-economic development.

In 2002, we signed a Cooperation Memorandum of Understanding with Indonesia’s Pertamina, through our holding company PetroChina, to take over Devon Energy’s oil & gas assets in Indonesia, initiating our cooperation with the Indonesian oil industry. In 2010, CNPC had eight operational oil & gas blocks in Indonesia. During my visit to Indonesia in 2007, I had the honor of meeting Indonesian President Susilo Bambang Yudhoyono, and the Speaker of the People’s Representative Council Agung Laksono. I also had friendly and productive meetings with the Minister of Energy and Mining Resources as well as the President of Pertamina. I came away knowing that our oil & gas projects in Indonesia have the support of the government and people of the country.

Since 2002, we have utilized our technologies and expertise in oil & gas exploitation and development to enhance the oil recovery of mature oilfields in our blocks. Through technological innovation and fine management, we stopped the decline in production in 2002 and achieved an average annual growth rate of 15.7% by 2010. In 2010, the output of our Indonesian blocks was 1.6 times higher than in 2002. Furthermore, we are pleased to share our experience and expertise with our Indonesian partners.

Indonesia is also noted for its beautiful environment and rich biodiversity. We spare no effort to ensure the safety of our oil & gas operations so as to preserve this environment. We continue to improve our HSE policies, in compliance with local laws and regulations and also international rules and standards for an excellent HSE record.

Adhering to local labor laws and regulations, we are committed to sharing the fruits of our corporate development with our employees. We attach great importance to respecting our employees’ religion and customs, safeguarding their legal rights and interests, and improving the benefits system. We value the diligent work and close cooperation between Chinese and Indonesian employees, and are committed to employee health and safety and to creating a good working environment. We continue to promote employee localization, foster local talents and provide local employment opportunities. Today, we are delighted to see that 98% of PetroChina (Indonesia) employees are local hires, some of whom we send to other countries as international staff.

We have actively fulfilled our corporate social responsibilities in Indonesia, providing support to public welfare undertakings, and communicating with communities in the vicinity of our operations. We work with local governments in community development programs, by donating to education projects, providing medical facilities and supporting agriculture and animal husbandry.

In line with the concept of Mutual Benefit and Common Development, CNPC will further strengthen cooperation with the Indonesian government and petroleum sector. We will continue to attach great importance to our Indonesian stakeholders, and continuously expand the scale of our oil & gas cooperation, to facilitate Indonesia’s sustainable socio-economic development.

Jiang Jiemin, CNPC President
1. What has been PetroChina’s experience in Indonesia? What do you see as its achievements?

PetroChina’s formal participation in Indonesia’s oil & gas operations began in April 2002 with the acquisition of Devon Energy’s Indonesian assets. We currently operate eight oil & gas projects. Before 2002, we provided oil equipment and engineering services, but now we also provide services in geophysical prospecting, well drilling and workover, mud logging and formation test as well as oil trades.

Our operations in Indonesia always comply with local laws, regulations and contract requirements. Our responsible operations have earned the trust of the Indonesian government and stakeholders. PetroChina’s rapid development has been realized through continuous application of new technologies to halt the production decline of mature oilfields. In partnership with the Indonesian government and the local community, we promote employee localization.

During the construction of the Jabung LPG Plant, our adherence to the project design standards and budget greatly impressed the Indonesian government and stakeholders. The Indonesian Minister of Energy and Mining Resources praised the project, calling it “a pioneering work of large engineering projects of the past 10 years”. After taking over the Sakuwati oilfield in the Tuban Block, we took only three months to prepare it for operations. Stable daily production of 15,000 barrels has continued for the past six years. Then Indonesian President Megawati Sukarnoputri said “PetroChina’s entry into Indonesia is like a breath of fresh air in the energy market.”

Over the past eight years, the oil & gas production of PetroChina (Indonesia) has increased 1.6 times. The oil & gas reserve replacement rate exceeds 100% and the exploration well success rate is 67%, the highest in Indonesia. From 2002 to 2010, the Indonesian government received USD 5.6 billion in taxes, as well as USD 1 billion from project earnings.

2. What does PetroChina do to protect the environment during its operation in Indonesia?

Each time I hear the famous Indonesian song Bengawan Solo, the beautiful scenes of Solo River and the rainforest spring to my mind. We love and cherish this diverse ecological environment, where Indonesian people have lived for generations. We strictly abide by local laws and regulations as well as international HSE standards, and continuously update our HSE management system in order to minimize the environmental impact of our operations. Furthermore, our new technologies are helping to protect the environment. The Betara gas processing plant, in which we invested USD 320 million, has increased production and at the
same time reduced the emission of carbon dioxide, achieving ecological benefit and zero natural gas venting. Over the past eight years, we have maintained good HSE performance with no serious accidents, and have met all safety and environmental standards for our operations and waste emissions.

3. How does PetroChina promote employee localization and cultural integration in Indonesia?

PetroChina (Indonesia) has a team of over 3,400 employees, 98% of which are local hires. We also have a team of international employees from more than 10 countries, such as the UK, USA, Canada, and Australia. We understand it is important to respect the culture, customs and religions of our employees and strive to create a corporate culture of trust, tolerance and cooperation. We actively trust and motivate our employees, and provide career development opportunities. Since 2002, 28 outstanding local employees have been promoted to department managers, and some have even been appointed to become senior executives. 240 local employees have been selected and sent to China for business training and exchange. Furthermore, many efforts have been made to improve employee salaries and benefits, where additional bonuses are given to our best and experienced employees. In this multicultural atmosphere, more and more employees with higher sense of loyalty are pleased to take a long-term perspective to work with PetroChina.

4. What has PetroChina done to support community development?

We consider harmonious partnerships and active participation with our neighboring communities a crucial part of our responsibility. We have set up communication mechanisms, aiming to reach out and be part of our host communities. In our operations, we always provide support in line with local and national community development plans, such as infrastructure construction, education, healthcare, and agriculture, as well as energy supply. A total of USD 13 million has been donated to community development programs and we are pleased to see that these programs have achieved initial success. The cattle breeding and fattening program has benefited hundreds of villagers near our operations, and PetroChina-built roads have brought convenience to people’s travel; a clean energy supply has upgraded villagers’ lifestyles, and, at times of natural disaster, such as after tsunamis and earthquakes, we have extended our hands to help disaster-affected families.

5. What do you think about PetroChina’s sustainable development in Indonesia?

Our oil & gas business and oilfield services in recent years have gained the trust, understanding, and support of our stakeholders, enhancing the local image of PetroChina as a reliable and responsible company. We value and cherish this cooperation and friendship, and are confident in our ability to expand development through closer communication and cooperation.

We are working to develop sustainably, keeping our focus on discovering more oil & gas, increasing mature oilfield production, expanding the oil & gas market, and creating more benefits for our shareholders. Above all, talent and technology are core to our development. In the next five years, we will carry forward projects and plan to increase daily oil output to around 200,000 barrels.

I would like to take this opportunity to extend my gratitude to the Indonesian government and stakeholders who have provided us with long-term care, support, and help. We look forward to going hand in hand with you to realize mutual benefits and achieve greater development.
PetroChina has been in Indonesia for quite some time, with quite a significant contribution to the total production of oil and gas for Indonesia. With such a good history, Indonesian Government always keeps the door open for PetroChina to operate in other areas. We strongly hope that PetroChina’s successes in China can be transmitted to upstream oil and gas activities in Indonesia, so government’s targets for oil and gas production can be achieved.

Currently, environmental law and regulation is very tight. All PSCs are requested to obey the law and regulation, including PetroChina. We hope that PetroChina is still prioritizing the management of the environment. Stay away from any operation that could make a negative impact to the community, as well as flora and fauna around operating areas. BPMIGAS has a mission to improve the image of upstream oil and gas and become an environmentally friendly industry. Full support from every PSC is very much needed for this.

We very much appreciate PetroChina's efforts to obey the existing government’s rules and regulations. We hope that PetroChina can continue the synergy with BPMIGAS to reach our common goals.

Oil production in Indonesia is currently following a decreasing trend. Many efforts have been made to slow down the decreasing pace, but without any exploration activities to find new reserves and existing field development, oil reserves in Indonesia are predicted to be utilized within 12 years.

The fact is different with gas. Gas production is seeing an increasing trend. But it still has to follow with aggressive exploration activity so our gas production can keep up with the domestic need that is also showing an increasing trend.

Based on the above facts, the important thing to focus on for all PSCs in Indonesia, including PetroChina, in the development of its operations is the increase of exploration activity and optimizing field development.

Currently we aware that PetroChina International (Bermuda) is going to drill three exploration wells in Sorong, West Papua. It is a positive move and BPMIGAS will give maximum effort to make sure that these activities are supported by all stakeholders. We hope that exploration activities will succeed in finding new reserves, so as to increase oil and gas production of PetroChina, as well as national production overall.

Besides the discovery of new reserves, it should create chain effect to local economies, where local potentials must be optimized. This should be paid attention by all PSCs, considering there are many obstacles in the operation areas, which in the end could hamper operation activity. Therefore, PetroChina needs to increase synergy and harmony with stakeholders in the operation areas.

Other important things are environment management and community development activity around operation areas. Increasing local content, in term of goods and services, as well as improving the competency of local human resources, are also crucial.

We are also very supportive of PetroChina’s ongoing efforts to improve employee remuneration, as well as its mentoring program from expatriate employees to local employees. It is very positive and appreciated.
CNPC started to export petroleum equipment to Indonesia, and provided oilfield services.

On April 10, PetroChina took over Devon Energy’s oil & gas assets in Indonesia through international acquisition, initiating our cooperation with the Indonesian oil industry.

On November 30, CNPC signed a contract with Mineral Resources International Inc. (Malaysia) and purchased 45% interests in the SP Block.

In April, PetroChina completed the acquisition of a 30% interest in Amerada Hess Indonesia Holdings Ltd. together with Petronas, each holding 15%.

CNPC operates eight oil & gas blocks in the Sumatra, Java and Irian islands, and provides oilfield services in Indonesia, including geophysical prospecting, well drilling and workover, mud logging, formation testing and other comprehensive services.

At present, CNPC operates eight oil & gas blocks in the Sumatra, Java and Irian islands, and provides oilfield services in Indonesia, including geophysical prospecting, well drilling and workover, mud logging, formation testing and other comprehensive services.
CNPC has discovered new oil & gas fields since 2002, and achieved excellent performance. All these are attributable to its technological innovation and effective and reliable technical services. As a partner, we are pleased to deepen our cooperation in the oil & gas sector, and I believe CNPC will make greater achievements in Indonesia.

Eddy Purnomo, Operation Director, Pertamina Hulu Energi
Onshore oilfields in Indonesia have been exploited for several decades, and currently face challenges such as quickly declining production. By using our unique EOR technologies and production stimulation expertise, we have successfully tackled these challenges and increased oilfield production. Over the past eight years, the application of reservoir fine description and composite management of mature oilfields has resulted in improved performance.

Exploration and Development

**Exploration and production:** CNPC has applied mature oilfield technologies and expertise in its Indonesian blocks, including lithostratigraphic oil and gas reservoir exploration, and marine carbonate and igneous oil and gas reservoir exploration. In August 2004, exploration wells yielded high-capacity oil & gas flow in the West Betara and Southwest Betara structures, over an oil & gas bearing area of more than 50 square kilometers. This was, at that time, considered the largest oil & gas discovery in Indonesia. By the end of 2007, we had newly discovered 21 oil & gas fields.

The discovery of an RM structure–stratigraphic oil & gas reservoir, located in the SP Block of the Mid-Sumatra Basin, is another one of our exploration achievements. From 2005 to 2006, three exploration wells in the SP Block achieved commercial oil & gas flow. This has greatly increased the exploration value of SP Block, which achieved economic benefit and shows favorable exploration potentials.

By the end of 2010, our newly added recoverable oil & gas reserves in Indonesia reached 240 million barrels, with an exploration well success rate of 67%, the highest in Indonesia. 21 wells were completed in 2010, compared to eight in 2002, with efficiency improved 1.6 times.

**Development of mature oilfields:** We have applied reservoir fine management into the composite development of our blocks. Optimization technologies including residual oil research, infill drilling, water plugging, separated zone production, separated layer water-flooding, fracturing stimulation and progressive development have continuously enhanced mature oilfield production.

Through technological innovations and fine management, we reversed production declines in 2002 and achieved an average annual growth rate of 15.7% by 2010. In 2010, the oil and gas production of our Indonesian blocks ranked the seventh in Indonesia, 1.6 times higher than in 2002, and our oil & gas reserve replacement ratio exceeded 100%. From 2002 to 2010, the Indonesian government received USD 5.6 billion in taxes, as well as USD 1 billion in project earnings according to our product sharing contract.
LPG Processing Plant

Located in Jabung Block of south Sumatra, our LPG processing plant was put into trial production on May 18, 2005, with a processing capacity for liquids and natural gas ranking first and second in Indonesia. The LPG processing plant integrates both upstream and downstream production, including long distance pipelines, gathering pipelines, the Betara gas processing plant, an NGF distilling plant, NEG/GEMAH gas product recovery facilities, and offshore LPG refrigeration and storage, as well as crude/condensate and propane/butane terminals.

CNPC invested USD 320 million in the Betara gas processing plant in 2003 to capture natural gas from three surrounding areas. Each year the Betara facility processed over four million tons, which is set to meet the gas sales requirement of one billion cubic meters for Singapore. Furthermore, its reasonably compact design increased the efficiency of land use. We are pleased to see that, the operation of the Betara processing plant increases the efficient use of oil & gas resources, and brings economic and ecological benefits to the region.

In October 2006, PetroChina (Indonesia) won an “Indonesian Economic Development Special Contribution Award” from the Indonesian Ministry of Energy and Mineral Resources for the construction and operation of the Betara processing plant.
Oilfield Services

In the mid-1990s, CNPC’s business activities in Indonesian market were engaged in exporting petroleum equipment to local oil companies, and introducing technologies and knowledge through its oilfield services. Currently, our 61 oilfield crews in Indonesia provide a family of oilfield services in geophysical prospecting, well drilling and workover, mud logging and formation testing. We also transfer technologies and expertise into Indonesian oil & gas fields. In our operation, advanced techniques such as horizontal drilling, unbalanced drilling, air drilling, and compound perforation, are applied to meet the requirements of our service clients.

CNPC Daqing Drilling Engineering Company provides a whole set of EOR solutions, based on its 50 years of development experience. They optimize the well pattern in mature oilfields, and apply compound perforating technologies where necessary, thus achieving excellent technological outcomes and ultimately, client satisfaction.

CNPC’s subsidiary, Bohai Drilling Engineering Company, actively conducts technical exchange with oil companies in Indonesia. They come to understand client requirements, continuously improve the application of technology, and through highly efficient and “zero-accident” safe operation, attain excellent reviews.

Our subsidiary, BGP, takes the advantage of its operational experience in different terrains including mountainous areas, shallow seas, and tidal areas to provide high quality geophysical prospecting services. It has set up its geophysical interpretation center in Jakarta to provide support services. BGP has won its excellent reputation through years of high-quality services.

CNPC Greatwall Drilling Company closely follows advanced technologies in the oil industry. It has established a drilling fluid laboratory in Indonesia to provide solutions for technical challenges encountered in its operations. In order to swiftly put the laboratory technical innovations into use, they have established a long-term cooperative partnership with the National Laboratory of the Indonesian Ministry of Energy and Mineral Resources (LEMIGAS). The two sides each contribute their best skills and knowledge and undertake technical research through regular communication. They have achieved effective results in their research on drilling fluids. The KCL-polyols invented with the participation of LEMIGAS has reduced damage to reservoir zones caused by drilling fluids and have provided the technical certainty for drilling operations in the Jabung and Salawati Blocks.
Safety is the root of the company’s stable operation, and environmental protection is the basis of its sustainable development. As HSE superintendent, I bear huge responsibility for overseeing the smooth operation of equipment, employee safety, and environmental protection. I am proud that safety and environmental protection awareness is central in every employee’s mind throughout all operations and is supported by the continuous improvement of system regulations and procedures. In the past five years, no serious safety accidents have occurred in the Jabung Block, and our environmental protection achievements have also been widely recognized.

Iswandi Eka, HSE superintendent, PetroChina (Indonesia) Jabung Block
Safety & Environment

Indonesia has one of the world’s largest tropical rainforests as well as the most complicated forest ecological system. Forests cover 67.8% of Indonesian territory, and are second in size only to the Amazon region in South America. Indonesia is also rich in plant and animal species, providing a home for 10% of the world’s plant species, 12% of mammals, 16% of reptiles and 17% of amphibians.

Our goal is to put people, safety and the environment first and have zero accidents or pollution. We respect local laws and regulations and pay great attention to safe operation and environmental protection. We manage to achieve accident-free performance across our business through a combination of comprehensive HSE management systems and international standards.

HSE Management

CNPC pursues a complete HSE management system and enforces HSE regulations and operational procedures. To eliminate accidents, HSE training courses are held to strengthen staff safety awareness, stressing three sources of accidents: faulty management, unfocused minds, and facility problems. When hidden risks are discovered, appropriate preventative measures are taken to prevent anything similar from occurring again. We analyze the causes and draw lessons from risks, then widely apply across our operations. Furthermore, we pay extra attention to employees’ safety advice. By the end of 2010, the management of the Betara processing plant had taken 497 pieces of improvement advice on safe operation, and realized an accident-free performance record of 2,503 days.

We always take contractor safety into the scope of HSE management. Our international standards and local regulations define the controls and checks we require to examine the contractors, including contractor qualifications, equipment and drilling certifications. Meanwhile, on-site management composed of the project manager and independent safety supervisor, manage safety risks in line with relevant permits and approvals.

CNPC places great importance on improving drivers’ awareness of traffic rules and regulations. It maintains a strict driving regulation system, regularly checking vehicle rental company qualifications and interviewing drivers. Meanwhile, speed limit signs are set up at key locations to remind drivers of traffic safety. In addition, we also replace vehicles which are unable to meet operational requirements according to feedback from on-site management.
Safety Training

CNPC places great importance on staff safety training and practice so that each person understands the regulations and their role in safe operation. To update safety awareness and risk management, CNPC Greatwall Drilling Company (Asia-Pacific) regularly invites MIGAS officers and international equipment maintenance experts to offer on-site guidance and training. We continue to take effective measures in maintaining process safety in this sophisticated working environment. With respect to onshore and offshore operations, a complete response plan and regular practice are organized to find and resolve risks that might harm people and the environment, and prepare to deal effectively with any accidents may occur.

Analysis of Risk Prevention

In 2007, an operator of the Betara processing plant in Jabung Block climbed onto an equipment tower to read instrument data. After climbing to the height of 1 meter above the ground, she slipped. Although she was not seriously injured, the LPG project management took the matter very seriously and immediately launched an investigation.

They looked at questions such as: Why did the accident happen in the fifth year of operations? Was it necessary to read the instrument data by climbing the tower? Was it not possible to read the meter in the control room electronically? Could the meter have been placed at ground level? If none of this was possible, could the employee who reads the meter be accompanied?

Guided by the policy of zero tolerance for accidents, management is committed to fixing loopholes in operational procedures, and enforcing stricter regulations.

Within one week of the accident, the Betara processing plant brought down all meters in high locations after a thorough inspection of the whole system. The procedures for meter reading have been accordingly amended and made known to employees across the whole region, in addition to being included in the training materials. Since then, no such accident has occurred in the Jabung Block.
Environmental Protection

We have sharpened our focus on environmental protection and better manage the environmental impacts of our operations. To reduce emissions, we have adjusted production parameters and suspended parts of wells which contain more gas and less oil. Meanwhile, we have adopted energy saving and emission reduction technologies to maintain clean production.

CNPC BGP (Indonesia) strictly treats household garbage, waste gas, waste water and industrial residues during operation in accordance with local regulations. For water recycling, BGP has taken many measures including: reduction in the use of fresh water and increased use of waste water recycling facilities to protect the local water ecosystems and fisheries. For garbage treatment, BGP helps to classify and dispose of all garbage from the workcamps. For vegetation protection, BGP is determined to restore landscape after operation, and attaches importance to forest protection during operation, especially to the rare mangrove resources in Indonesia.

CNPC Greatwall Drilling Company (Asia-Pacific) works with leading organizations to improve its environmental monitoring system and help to prevent environmental pollution by implementing new technology. As of the end of 2010, the Greatwall Drilling Company has experienced no serious HSE accidents and received many environmental protection awards from the Indonesian government.
Jabung Block, located in southern Sumatra, crosses three regents of Jambi Province, covering an area of 1,643 square kilometers. Its facilities include oilfields, the LPG processing plant, and offshore processing platforms. Over the years, we have taken environmental protection initiatives to build an environmentally responsible oilfield.

In the Jabung Block, we treat waste gas, waste water and industrial residues, all to international standards. All wastewater is processed by treatment units and recycled through re-injection.

We invested in LPG processing facilities, greatly improving natural gas processing and recovery capacity, realizing a recovery capability 0.7PSIG of crude flash gas. Now, 900,000 cubic meters of natural gas are recovered every day, realizing the goal of zero gas venting.

In offshore platform operations, we have implemented an international environmental protection management system and standard operational procedures, with special attention paid to the protection of the ecological resources in the marine area. As of 2010, no HSE accidents had occurred on our offshore platform.
### Safety and Environment Awards Won by PetroChina (Indonesia)

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I have been working here for exactly 26 years, during which I experienced many changes in the company. These working experiences have profoundly made me realize that CNPC is a progressive and people-orientated company. It trusts and cares for its staff. Measures in employee localization, cultural integration and training are active and effective, facilitating the sustainable development of the company and its staff.

B. Budi Setiadi, Vice President, PetroChina (Indonesia)
**Human Resources**

We adhere to the principle of creating more local job opportunities when conducting our investment activities in Indonesia. Over the past eight years, we have attracted nearly 7,000 local employees which now form the backbone of the team.

**Employee Localization**

CNPC continuously improves our employee recruitment, training and assessment systems in line with the Indonesian government's employee localization policy. In 2010, the average employee localization rate of PetroChina (Indonesia) and CNPC’s engineering subsidiaries in Indonesia reached 98% and 90% respectively.

“I am happy working for CNPC BPG (Indonesia), whose corporate culture and atmosphere is attractive to me. Our company protects and trusts its staff, and gives us a lot of important work. Through training and exchange of advanced management experience, we continuously grasp advance technologies and accumulate new experience. In the company, we feel the reasonability and trust.”

“I have full confidence in the long-term development of the company. In the future, I hope I can engage in more fields, fulfill my full potential, and create more values for BGP.”

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“PetroChina (Indonesia) has created a harmonious environment for its staff where employees can fully explore their talents. I could show you plenty of information on company development over these years, especially in mature oilfields development. Through training and my own efforts, I have been promoted to exploration manager. I have learnt new knowledge in project management, exploration & development technologies from the training in China, which has raised my ability to a new level and has formed a solid foundation for my further development.”

“Over these years, I received many rewards and all my family are pleased that I work for PetroChina. Living conditions have gradually improved and my family is living a happier life. I am grateful that I have such a great opportunity! I am sure our company will develop successfully.”

“During my five years at CNPC, the experiences have been very positive for me—we have a very strong team of local Indonesians which receives support from management to perform in our areas of strength. In my case, when I joined the company, my previous industry background was in publishing and I had very little knowledge of the oil and gas industry. I was nurtured and now have an abundance of knowledge in the oil and gas logistics area, which I believe has increased my competency to perform in the company.”

“In 2010, I was honored to be sent to the Greatwall Drilling global annual meeting in Beijing. A selected number of people were invited to share knowledge—with the objective that we would bring that knowledge back to our home countries in order to improve our own team. Thank you Greatwall for the wonderful work environment, experiences and opportunities that you have provided to all of us.”
Training and Incentives

Local employee training is our top priority in human resources. CNPC concentrates on employee learning and practicing, integrating them into the overall process of employee development.

To improve employees’ abilities and skills, PetroChina (Indonesia) organizes one-week training courses every year for local employees according to job requirements and personal demands. The training includes many aspects of knowledge, such as petroleum technology and risk management. The training budget increased from USD 950,000 in 2002 to USD 2 million in 2010, with cumulative costs exceeding USD 14 million over the eight years. Since 2002, we have sent 128 key managers and technicians to international professional training sessions in other countries. Since 2004, a total of 210 employees have been sent to attend the training sessions at the China University of Petroleum.

CNPC’s oilfield service companies also pay great attention to local employee training. We set up a three-level training mechanism, which includes training sessions at the local, international organizations and headquarter levels, to enhance employee skills. We have adopted a pairing-up method for senior management and technical talents. Furthermore, CNPC respects our employees’ aspirations and is pleased to provide them with opportunities to work in other overseas projects. As of the time of this report, 128 employees had been sent to work on technical service projects in countries such as Saudi Arabia, Philippines, and Brunei.

We respect and trust all our employees and recognize their work. We conduct annual assessments of employee performance and offer rewards and honors to encourage our staff. Among our staff, 29 employees have been selected and promoted to department manager or above.

CNPC continually improves employee salaries and benefit levels according to their length of services. A commendation meeting is held every year to reward senior and experienced employees and to motivate younger staff.
Occupational Health

We pay close attention to employee health. CNPC not only provides periodic physical examinations and health consultations, but purchases endowment and medical insurance for employees and their families.

Providing Health Safeguards for Field Staff

CNPC BGP (Indonesia) pays close attention to the health of field staff. An occupational health management system has been established and a series of measures have been taken to help maintain employee health. BGP has provided regular healthcare for staff, accounting for a total of 1,052 appointments. Experienced medical technicians are hired to provide services and training for field safety and emergency response, every team assigned with two assistants. BGP also donates regularly to medical treatment rooms, gradually improving in-field first aid equipment and skills.

Multicultural Environment

98% of PetroChina (Indonesia) staff are local hires, while another 1% come from more than 10 countries including UK, USA, Canada and Australia. Carl Mencel, an Australian engineer, says “the team is like one family with people with different backgrounds, respecting and learning from each other in a process of continual adjustment. Meanwhile, the company has a strong executive force. We all make use of our skills and specialties in the company.”

CNPC respects its employees from different countries and areas as well as their personal beliefs and religions. We provide living arrangements and other customary conveniences for our employees, with prayer rooms built for our Muslim staff in all our fixed workplaces. Furthermore, we organize various communication activities for staff. We also hold training on language, culture and customs, as well as various recreational and sports activities.
We are satisfied with CNPC’s community development programs. CNPC not only pays attention to environmental protection around its operations, but also brings opportunities for village development. Many measures have been taken, such as local purchasing and community programs, promoting our local development. We hope CNPC will develop more community development programs in the surrounding areas and raise the standard of living for local people.

Abdullah Hich, East Tanjab Regent, Indonesian Jambi Province
Community Integration

A harmonious relationship with local governments and communities is crucial to our business development and stable operation. In line with the principle of Mutual Benefit and Common Development, we respect local culture and customs, and support local community development through joint efforts with local governments. We also implement a number of community development programs, in accordance with local realities and needs.

Community Communication

The sustainable development of our business largely depends on good communication with our stakeholders. We have established a communication mechanism over these years, and are working to listen to and care for the concerns of our neighbors. Our community communication program aims to maintain friendly relationships and fully optimize the local economic, social and environmental benefits of our operations.

We have clear rules and procedures for how we work and engage with communities that may be affected by our operations. Before we begin development, interviews with local communities help us to better understand our impacts and find out what matters most to local people. During our operations, we maintain regular visits to discuss and resolve issues. Finally, we restore the landscape as soon as possible after operation, thus minimizing any impact.

Infrastructure Construction

Since most of our projects are near rainforest areas, the transportation infrastructure is often deficient. In our operations, roads construction at well sites not only satisfies our own operational needs, but also brings convenience to the surrounding population. In Pandan Makmur Village of Jambi Province, for example, the roads we constructed make the journey between the village and the provincial capital much shorter.

We also work to improve agricultural infrastructure for local farmers, enhancing the capacity to fight against natural disasters. Our newly-built dams help prevent farmland from being flooded during the rainy season. We also installed pumps and built water tanks to resolve water shortages during the dry season.

Vented natural gas recovery facilities were built in order to supply recovered natural gas to remote areas and to provide gas for local power plants at preferential prices. We have also provided power transmission infrastructure to deliver electricity to villages.

Finally, we actively support local medical services and education. Free physical examinations and medical treatment are provided for local elders, and educational and cultural programs, including financial support for the education of disadvantaged children, library and school housing repair and book donation, are undertaken.
“We consider carrying out community development programs as our social responsibility in accordance with the principle of common development. PetroChina (Indonesia) aims to benefit surrounding communities and build harmonious relationships. We design program plans according to a good understanding of local needs. Specialized teams also have been arranged to make sure that funds and resources are put to effective and transparent use.”

“Since 2002, PetroChina (Indonesia) has spent over USD 13 million on community programs. These programs build a strong relationship with local communities, and promote local economic development and standards of living.”
Local Enterprise Development

CNPC promotes the development of local enterprises. Both our oil & gas business and oilfield services strive to hire and buy locally and carry out technological cooperation with local companies. Besides our operational and technical cooperation, CNPC also coordinates with local companies for logistical services, office support, catering, and security services, helping those companies to gradually expand their scales of operation and improve their reputations.
Farmer Economic Development

We have taken various measures to support the economic development of local farmers, including purchasing tractors, threshers, and other agricultural equipment. We supply farmers with cash crop seeds and seedlings, including palm trees, rubber trees and vegetable seeds, and provide support for fish feeding, weaving, and other family-based economic activities. These measures effectively facilitate the economic development of local communities, increasing the earnings of local farmers and improving their standards of living.

Kosiman
Chief of Village Pandan Makmur

“PetroChina (Indonesia) has carried out many community development programs, including infrastructure, healthcare, education, and farmers’ economic development. We are very grateful for PetroChina’s help to the local villages. The company focuses on environmental protection during operation, and no negative environmental impacts have occurred to our village. We strongly support these community development programs, and hope for further improvement to our lives.”
Cattle Breeding and Fattening

In 2003, PetroChina (Indonesia) signed contracts with local communities in Jambi Province and purchased 826 cows. The cows were handed over to the local villagers to breed. The newly born calves belong to the villagers and the cows are then handed over to other villagers to breed. The program not only relieves farmers’ economic burdens, but also effectively increases their incomes. After several rounds, hundreds of villagers have benefited from this program.

Disaster Relief

After natural disasters such as tsunamis, earthquakes, and volcano eruptions in Indonesia, CNPC actively participated in disaster relief activities. By donating money and materials, we extended helping hands to express sympathy and concern to the people of the disaster-affected areas and provided aid for post-disaster reconstruction.

In January 2005, CNPC and its staff donated RMB 12.5 million to the areas affected by the Indian Ocean tsunami through the Red Cross Society of China to help in the post-disaster reconstruction of Southeast Asian countries.

Local Pipeline Maintenance Service

CNPC has signed service contracts with the local government to deal with mowing and other maintenance work around our oilfields and decentralized system of gathering pipelines. We provide the villagers with necessary training on environmental protection and safety measures, and in this way, the local villagers promote safety regarding pipeline maintenance, provide effective monitoring of the oil & gas network, and improve their incomes.
Borobudur Temple Compounds-Indonesia's UNESCO World Heritage Site