

Approval from the Directorate of Oil and Gas (MIGAS), Indonesia: Elster meters used in custody transfer applications

For more than 25 years, Indonesia has dominated the region and led the global Liquefied Natural Gas (LNG) market as the world's largest exporter. But a number of nationalistic policy signals have recently alienated new foreign investors and inhibited the country's ability to tap new supplies efficiently. Recently, Qatar bypassed Indonesia as the world's largest LNG exporter.

Indonesia has some of the largest known pools of natural gas in the world, with total estimated reserves of 180 trillion standard cubic feet (scf), according to the Energy Ministry. Local gas production in 2006 amounted to 8.1 billion scf per day, of which 46% was dedicated to domestic demand for power generation, fertilizer production and other industries, while the rest was exported mainly as liquefied natural gas.

Our SM-RI and TRZ turbine meters have enjoyed a substantial share of the distribution market throughout the late 80's and early 90's, up until the mid 90's when the economy slowed down tremendously.

company) monopoly, the new Oil and Gas Law of 2001 introduced other changes that have encouraged domestic gas use. The new law permits direct "free market" negotiations of gas contracts between buyer and seller, endorsed by the government. In the past, production sharing contractors (PSCs) had to sell their gas to Pertamina, which in turn sold the gas to the final buyer. The law also establishes a domestic market obligation (DMO) for new PSCs, requiring them to dedicate up to 25 percent of their gas production to the domestic market.

Several PSCs report that the new direct negotiation concept is working well and



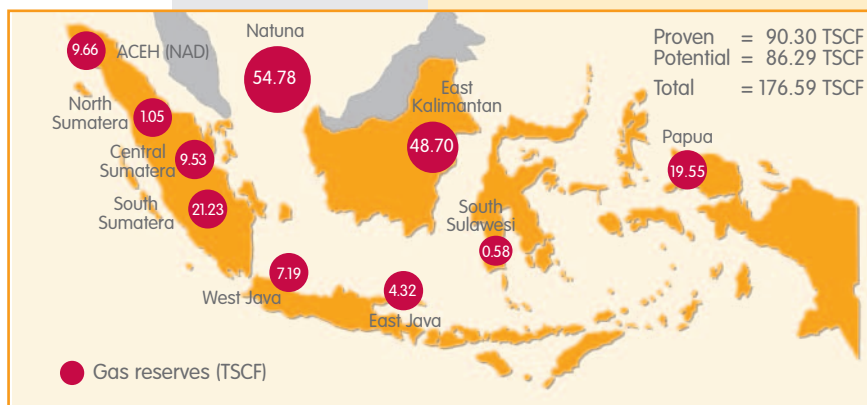
Despite the launch of new products such as Q-Sonic 3C / 4C / 5C, EnCal 3000 and FC 2000, without approval registration with MIGAS, we have not been able to penetrate the market. And even our Q-Sonic 5S – although approved by MIGAS – has lost out on its share of the market due to price competition with competitors who offer a 4-path USM.

Following a few presentations and submission of the appropriate documents (test certificates, QA/QC manual, etc.) to MIGAS, the following equipment has recently been approved for custody transfer applications:

- 1) Q-Sonic 3C, 4C, 5C, 3S, 4S and 5S
- 2) Turbine meters SM-RI and TRZ2
- 3) Flow computer FC 2000
- 4) EnCal 3000
- 5) Electronic volume correctors EK230 and EK260

Having obtained MIGAS approval, we managed to secure two contracts in Dec '07 and Jan '08 for a USM for fiscal metering and a Q-Sonic 3C, respectively.

We look forward to a promising future.



Indonesian gas reserves

Our first ultrasonic meter (Q-Sonic 5S) and EnCal 2000 PGC were installed in Indonesia back in 1996, and these are the only devices that have been approved by MIGAS for custody transfer applications.

With the increasingly competitive LNG market and oil price surge, both government and industry recognised the need to develop Indonesia's potentially large domestic gas market. Besides the removal of the Pertamina (state-owned petroleum

that the upstream authority BP Migas has generally stayed out of the negotiations, except in cases where either the buyer or seller requested its participation.

These provisions have raised domestic demand estimates and led to a number of new gas sales agreements. Cautious projections predict that between now and 2015, Indonesia's domestic gas demand will increase by as much as 60 percent to 3.7 bcf/d.