

Minister of Energy and Mineral Resources of the Republic of Indonesia

Decree of the Minister of Energy and Mineral Resources No.1480 of 2004

Regarding

Procedure to Determine and to Offer Oil and Natural Gas Work Areas

The Minister of Energy and Mineral Resources

- Considering :
- that in the framework of creating a climate conducive to investment in the field of oil and natural gas upstream business activities, it is deemed necessary to arrange and regulate a policy on determining and offering of work areas for oil and natural gas exploration and exploitation activities;
 - that based on the consideration as referred to in sub a above, it is necessary to establish a Procedure to Determine and to Offer Oil and Natural Gas Work Areas in a Decree of the Minister of Energy and Mineral Resources;
- In view of :
- Law No.22 of 2001 regarding Oil and Natural Gas (State Bulletin (SB) of RI of 2001 No.136, State Bulletin Supplement (SBS) of RI No. 4152;
 - Government Ordinance No.35 of 1994 regarding Guidelines and Terms and Conditions for a Cooperation in Oil and Natural Gas Production Sharing Contract (SB of RI of 1994 No.64, SBS of RI No.3571);
 - Presidential Decree No.228/M of 2001 dated 9 August 2001;
 - Decree of the Minister of Energy and Mineral Resources No.150 of 2001 dated 2 March 2001 jo. Decree of the Minister of Energy and Mineral Resources No. 1915 of 2001 dated 23 July regarding Organization and Work Procedure of the Department of Energy and Mineral Resources;
 - Decree of the Minister of Energy and Mineral Resources No.1088K/20/ME/2003 dated 17 September 2003 regarding the Guidelines on the Implementation of Developing, Supervising, Regulating and Controlling of Oil and Natural Gas Upstream Business Activities and Oil and Natural Gas Downstream Business activities;
- Has Decided**
- To establish : A Decree of the Minister of Energy and Mineral Resources regarding the Procedure to Determine and to Offer Oil and Natural Gas Work Areas.
- Chapter I**
General Provision
Article 1
- In this Ministerial Decree:
- Indonesia's Mining Jurisdiction refers to Indonesia's entire land, waters and continental shelves.
 - An Open Area refers to a part of Indonesia's Mining Jurisdiction that are not yet established as a Work Area.
 - A Work Area refers to a certain area within Indonesia's Jurisdiction for the implementation of Exploration and/or Exploitation.
 - The Offer of a Work Area refers to a series of activities in the framework of offering a certain Work Area to a Business Enterprise or a Permanent Business Entity to carry out Exploration and Exploitation through an auction mechanism.
 - Exploration refers to a series of activities to obtain information on the geological condition to find and obtain an estimation as to Oil and Natural Gas reserves on the determined Work Area.
 - Exploitation refers to a series of activities with the aim of producing Oil and Natural Gas from the determined Work Area, which comprise drillings and well completions, construction of transportation means, storage and processing to separate and refine Oil and Natural Gas in the field as well as other supporting activities.
 - A Cooperation Contract refers to a Production Sharing Contract or another form of Cooperation Contract in Exploration and Exploitation activities which is more beneficial to the state and the yield is used for the utmost prosperity of the people.
 - The Executive Body refers to a body established to control the Upstream Business Activities in the field of Oil and Natural Gas.
 - A Joint Study refers to a joint activity to carry out inventorizing, data processing and evaluating in an Open Area within the framework of knowing the Oil and/or Natural Gas potential.
 - Data refers to all facts, clues, indications and information be it in character, digital, analogical, magnetic media, documents, rock samples, fluids and other forms obtained from the result of General Surveys, Exploration and Exploitation of Oil and Natural Gas.
 - Data Access refers to observing and/or retrieving Data from a Data processing system electronically and/or other methods commonly applied.
 - Bid Information refers to documents for offering a Work Area to be bid.
 - Bid Document refers to a document submitted to take part in a tender for an offered Work Area in accordance with the terms and conditions determined in the Bid Information.
 - A Business Enterprise refers to a company in the form of a legal entity engaged in a permanent business operation, continuously and established in accordance with the prevailing legislative rules as well as works and domiciles within the territory of the State of the Republic of Indonesia.
 - A Permanent Business Entity refers to a business entity established and is a legal entity outside the territory of the Unitary State of the Republic of Indonesia and shall abide by the legislative rules that prevails in

Indonesia.

16. Department refers to the Department which task and authority encompass Oil and Natural Gas business activities.
17. Directorate General refers to the Directorate General which task and authority encompass Oil and Natural Gas business activities.
18. Minister refers to the minister whose task and authority encompass Oil and Natural Gas business activities.
19. Director General refers to the Director General whose task and authority encompass Oil and Natural Gas business Activities.

Chapter II

Planning and Determining Work Areas

Article 2

- (1) The Minister plans and prepares Work Areas of Open Areas or Work Areas to be set aside or Work Areas which Cooperation Contract period is to expire with due regard to the Executive Body's consideration.
- (2) Planning and Preparing Work Areas as referred to in sub-article (1) is carried out by the Directorate General by carrying out Data evaluation and processing.
- (3) In the framework of Data evaluation and processing as referred to in sub-article (2), the Director General may appoint another party having capability and expertise, besides a Business Enterprise or a Permanent Business Entity.

Article 3

- (1) The Director General proposes to the Minister regarding the Work Area to be offered to a Business Enterprise and a Permanent Business Entity.
- (2) The proposed Work Area as referred to in sub-article (1), may be submitted based on the result of technical surveys by : (a). The Directorate General; (b). A Business Enterprise or a Permanent Business Entity; (c). The Directorate General jointly with the Business Enterprise or the Permanent Business Entity within the framework of a Joint Study.

Article 4

- (1) As proposed by the Director General as referred to in Article 3, the Minister established the Work Area as well as the stipulation and terms and conditions of a Cooperation Contract to be offered to a Business Enterprise and a Permanent Business Entity after obtaining considerations from the Executive Body.
- (2) In establishing a Work Area as referred to in sub-article (1), the Minister consults the Governor whose administrative area covers the Work Area to be offered.
- (3) Consultation as referred to in sub-article (2) is meant to clarify and obtain information regarding offers of certain areas considered potential in Oil and Natural Gas resources to become Work Areas.

Chapter III

Offers of Work Areas

Article 5

- (1) The Minister offers Work Areas through auction.
- (2) Offers of Work Areas as referred to in sub-article (1) is carried out by the Director General.
- (3) To exercise the offer of Work Areas as referred to in sub-article (2) the Directorate General prepares and publishes Bid Informations for each Work Area.
- (4) To process the implementation to offer Work Areas as referred to in sub-article (2), a Work Area Offering Team is established, which membership comprises representatives from the Department, Directorate General and Executive Body.
- (5) The Bid Information as referred to in sub-article (3) contains among others : (a). bidding time arrangement; (b). bidding procedures; (c). Work

Areas' technical information; (d). Data Access procedures; (e). concept of a Cooperation Contract; (f). other required terms and conditions.

- (6) Concept of a Cooperation Contract as referred to in sub-article (5) sub e is prepared by the Work Area offering Team.

Article 6

- (1) In the framework of offering a Work Area as referred to in Article 5, the Director General : (a). announces the Work Areas through printed media, electronic media and other media; (b). promoted the Work Areas in various forums either national or international.
- (2) To make announcements and promotions of Work Areas as referred to in sub-article (1), the Director General may appoint another party having capability and expertise.

Article 7

Offer of Work Areas as referred to in Article 5 may be conducted by way of : (a). regular annual auction of Work Areas based on technical assessment by the Director General; (b). auction of Work Areas through direct offer based on technical assessments by the Directorate General jointly with a Business Enterprise and a Permanent Business Entity in the framework of a Joint Study.

Article 8

- (1) Offer of Work Areas as referred to in Article 7 sub b is valid for Work Areas which had previously been offered.
- (2) To offer work Areas as referred to in sub-article (1), a stipulation and terms and conditions, which had previously been established, unless otherwise established by the Minister, is valid.

Article 9

- (1) A Business Enterprise and A Permanent Business Entity as auction participants may be a single company or a consortium.
- (2) A Business Enterprise or a Permanent Business Entity as auction participants as referred to in sub-article (1), shall buy the Bid Information in accordance with the desired Work Area.
- (3) The obligation to buy a Bid Information as referred to in sub-article (2) is also valid for each company that forms a consortium.

Article 10

A Business Enterprise or a Permanent Business Entity as auction participants as referred to in Article 9, shall submit the Bid Documents which comprises :

- (a). completely filled-in forms of auction participant and signed by the Management or the one given the authority by the Management;
- (b). a work plan and budget for 6 (six) years exploration period, which comprise a first 3 (three) years of firm commitment and a second 3 (three) years of exploration period;
- (c). geological evaluation and technical justification shown by the planned location of new field wildcat wells as well as petroleum system, which is based on good technical norms based on relevant data by mentioning the source and enclose a proof as to its acquisition;
- (d). financial capacity to support field activity plan illustrated in the annual financial statement for the last 3 (three) years or its holding company's financial statement if the company auction participant is newly established;
- (e). a promissory note stating that the Business Enterprise or Permanent Business Entity auction participant is willing to pay an awarded compensation, contributions of goods and equipment, educational facilities and services and contributes directly the cumulative production bonuses and may not be borne by the petroleum operation expenditures in Indonesia;
- (f). an MoU on the establishment of a consortium and appointment of operator for a Business Enterprise or Permanent Business Entity

- (g). a letter of statement that the Business Enterprise or the Permanent Business Entity accepts and is willing to sign a concept of a Cooperation Contract whenever declared as the winner;
- (h). copy of the Bid Information receipt;
- (i). copy of the Business Enterprise or the Permanent Entity auction participant's deed of establishment legalized by the Notary Public/ the authorized Functionary;
- (j). completeness of other terms and conditions as stipulated in the Bid Information.

- (1) Submission of the Bid Document as referred to in Article 10 is made in 2 (two) fold put in a closed and sealed envelope and shall be submitted by the Business Enterprise or the Permanent Business Entity bid participant at the time, place and address determined in the Bid Information.
- (2) The Business Enterprise or the Permanent Business Entity auction participant that has submitted the Bid Document as referred to in sub-article (1) will obtain a receipt from the Directorate General as proof of a legal acceptance.
- (3) The Business Enterprise or the Permanent Business Entity that submits the Bid Document after the fixed time limit as referred to in sub-article (1), is declared invalid as auction participant.

Article 13

- (1) The Work Area Bid Team opens and examines the Bid Documents witnessed by at least 5 (five) Members.
- (2) The result of opening and examining the Bid Document as referred to in sub-article (1), is made in an official report and signed by Members of the Work Area Bid Team who examined and witnessed the opening of the Bid Documents.

The Work Area Bid Team conducts a final evaluation to be used to determine the tender winner of a Work Area based on the bidding criteria beneficial to the state.

Criteria of Auction Evaluation

- (1) Implementation of a final evaluation as referred to in Article 14 is based on : (a). technical evaluation; (b). financial evaluation; (c). performance evaluation of the Business Enterprise or the Permanent Business Entity.
- (2) A technical evaluation as referred to in sub-article (1) sub a, is carried out on the work plan for the first 3 (three) years of firm commitment, which is supported by geological evaluation and technical justification, indicated with the drilling location plan of new field wildcat wells as well as a petroleum system based on good technical norms.
- (3) Financial Evaluation as referred to in sub-article (1) sub b, is carried out on : (a). the amount of awarded compensation; (b). financial capacity to support the exploration and exploitation plans indicated in the annual financial statements comprising a balance sheet and the company's profit and loss account which had been audited by a public accountant.
- (4) A performance evaluation of a Business enterprise or a Permanent Business Entity as referred to in sub-article (1) sub c, is carried out on : (a). the experience in the field of oil industry; (b). the adherence toward the

In the case of only one Business Enterprise or Permanent Business Entity auction participant, the Business enterprise or Permanent Business Entity does not directly become the tender winner if it cannot meet the stipulations as referred to in Article 15.

- (1) Technical evaluation as referred to in Article 15 sub-article (2), constitutes a principal evaluation to determine the rank of the prospective tender winner.
- (2) Financial evaluation as to the amount of payment of the awarded compensation as referred to in Article 15 sub-article (3) sub a, constitutes a subsequent evaluation to determine the rank of the prospective auction winner.

- (1) Based on the result of Bid Document examination, as referred to in Article 13 and the final evaluation as referred to in Article 15, the Work Area Tender Team submit the sequence of rank of the Business Enterprises or the Permanent Business Entities prospective tender winner to the Director General.
- (2) Based on the rank sequence of the Business Enterprises or the Permanent Business Entities tender winner as referred to in sub-article (1) the Director General reports to the Minister to determine the Business Enterprise or the Permanent Business entity as auction winner.

- (1) The Director General submits a written announcement to the Business Enterprise or the Permanent Business Entity as the auction winner.
- (2) Within a period of 7 (seven) working days as of the receipt of the announcement as referred to in sub-article (1), the Business Enterprise or the Permanent Business Entity shall submit a letter of readiness to meet all commitments submitted in the Bid Document including the agreement of the draft Cooperation Contract, to the Director General.
- (3) If within a period of 7 (seven) working days as of the receipt of the announcement as referred to in sub-article (2), the Business Enterprise or the Permanent Business Entity did not submit a letter of readiness or withdrawal, the Director General determines the Business Enterprise or the Permanent Business entity of the following rank sequence as the tender winner.
- (4) If there is no Business Enterprise or Permanent Business Entity tender winner in the following sequence as referred to in sub-article (3), the Work Area may be re-tendered.

- (1) The Director General reports the entire tender implementation of the Work Area to the Minister.
- (2) Based on report as referred to in sub-article (1), the Minister determines the Business Enterprise or the Permanent Business Entity to carry out exploration and exploitation in the Work Area concerned after coordination with the Executive Body.

(1) The Business Enterprise or the Permanent Business Entity which carries out direct offer in the framework of a Joint Study as referred to in Article

7 sub c, does not immediately become the auction winner.

- (2) A Business Enterprise or a Permanent Business Entity as referred to in sub-article (1), obtains the right to make bid change at least equal to the highest bid submitted by a Business Enterprise or a Permanent Business Entity as another auction participant.
- (3) A Business Enterprise or a Permanent Business Entity as referred to in sub-article (2) shall be determined as the tender winner if its bid value is minimally similar to the highest bid of the other auction participant.
- (4) If a Business enterprise or a Permanent Business Entity as referred to in sub-article (2) is not ready to make bid changes as referred to in sub-article (2), the Director General determines a Business Enterprise or a Permanent Business Entity with the highest bid value as the auction winner.

Chapter V Other Provisions

Article 23

A Work Area particularly originated from a Work Area to be set aside or to terminate its Cooperation Contract and is proven to contain oil and/or natural gas reserves or had been producing, may be offered to a Business Enterprise or a Permanent Business Entity through auction.

Article 24

A Business Enterprise or a Permanent Business Entity auction participant of a particular Work Area as referred to in Article 23, shall submit documents as terms and conditions of a tender which comprise :

- (a). a form which has been completely filled in by the auction participant and signed by the Management or someone authorized by the Management;
- (b). work plan and field development budget;
- (c). the amount of Oil and/or Natural Gas production cost;
- (d). result of technical evaluation and economic analysis based on cash flow of the field development plan, which is based on good technical norms based on relevant data by mentioning the source and enclose the proof of acquisition;
- (e). financial capacity to support field activity plan indicated in the annual financial statement of the last 3 (three) years or a financial statement of its holding company if the Business Enterprise or Permanent Business Entity auction participant concerned is newly established;
- (f). a promissory note which states that the auction participant is willing to pay an awarded compensation immediately and not to be borne by the petroleum operation expenditures in Indonesia;
- (g). an MoU on the establishment of a consortium and the appointment of operator for auction participant that formed a consortium;
- (h). a promissory note which states that the auction participant accepts and ready to sign the draft Cooperation Contract if declared as the tender winner;
- (i). copy of a Bid Information purchase receipt;
- (j). copy of the deed of establishment of the company auction participant legalized by the Notary Public/ authorized Functionary;
- (k). completeness of other terms and conditions as determined in the Bid Information.

Article 25

Submission procedure, opening and examining of Bid Documents for a Work Area as referred to in Article 23, is carried out similarly with the submission procedures, opening and examining of Bid Documents as arranged in Article 10 up to Article 14 of this Ministerial Decree.

Article 26

- (1) The implementation of a final evaluation of a Business Enterprise or a Permanent Business Entity auction participant of a Work Area as referred to in Article 23 is carried out based on : (a). technical evaluation; (b). financial evaluation; (c). the amount of production cost; (d). performance evaluation of the Business Enterprise or the Permanent Business Entity.
- (2) Technical evaluation as referred to in sub-article (1) sub a is carried out on a work plan for the first 2 (two) years of firm commitment, which is supported by reservoir evaluation, technical justification and economic analysis based on cash flow of the field development plan based on good and proper technical norms.
- (3) Financial evaluation as referred to in sub-article (1) sub b, is carried out on : (a). the amount of awarded compensation; (b). the financial capacity to support field development plan indicated in the annual financial statement comprising a balance sheet and company profit and loss account which has been audited by a public accountant.
- (4) The amount of production cost as referred to in sub-article (1) sub c is declared in US\$/barrel for Oil and/or US\$/MMBTU for Natural Gas.
- (5) The performance evaluation of a Business Enterprise or a Permanent Business Entity as referred to in sub-article (1) sub d, covers : (a). experience in the field of oil matters; (b). adherence toward the legislative rules prevailing in Indonesia for companies that had once been operating in Indonesia.

Article 27

- (1) Technical evaluation as referred to in Article 26 sub-article (2) constitutes a principal evaluation in determining the rank of the prospective auction winner.
- (2) Financial evaluation as to the amount of the awarded compensation payment as referred to in Article 26 sub-article (3) sub a, constitutes a subsequent evaluation to determine the rank of the prospective auction winner.

Article 28

Determining the auction winner of a Work Area as referred to in Article 23, is carried out with similar procedures as determining the auction winner arranged in Article 18 up to Article 21 of this Ministerial Decree.

Chapter VI

Concluding Provision

Article 29

Matters not yet fully arranged in this Ministerial Decree, shall be arranged further in the Director General Decree.

Article 30

By the enforcement of this Ministerial Decree, the Decree of the Energy and Mineral Resources Minister No.1906.K/30/MEM/2001 regarding the Procedure to Determine Mining Authority Area and Oil and Natural Gas Work Area and the Decree of the Oil and Natural Gas Director General No.17.K/73/DJM/2002 regarding the Evaluation Criteria and Determining the Tender for Oil and Natural Gas, are declared null and void.

Article 31

This Ministerial Decree is valid on the date of its establishment.

*Established in Jakarta,
on 9 August 2004*

Minister of Energy and Mineral Resources

signed and stamped,

Purnomo Yusgiantoro