



**THE MINISTER OF ENERGY AND MINERAL RESOURCES
REPUBLIC OF INDONESIA**

REGULATION OF THE MINISTER OF ENERGY AND MINERAL RESOURCES
OF THE REPUBLIC OF INDONESIA
NUMBER 08 YEAR
2017 ON
GROSS SPLIT PRODUCTION SHARING CONTRACT

BY THE GRACE OF GOD ALMIGHTY

THE MINISTER OF ENERGY AND MINERAL RESOURCES
OF THE REPUBLIC OF INDONESIA

- Considering:
- a. that in the execution of Upstream Oil and Gas Business Activities based on the Production Sharing Contract oriented towards increasing efficiency and effectiveness in the Oil and Gas production sharing model , it is deemed necessary to regulate the scheme and the basic provisions of the production sharing contract without the operating cost recovery mechanism;
 - b. that in view of the considerations as referred to in letter a, it is necessary to enact the Regulation of the Minister of Energy and Mineral Resources on the Gross Split Production Sharing Contract;
- In view of:
1. Law Number 22 Year 2001 on Oil and Gas (State Gazette of the Republic of Indonesia Year 2001 Number 136, Supplement to the State Gazette of the Republic of Indonesia Number 4152);

2. Government Regulation Number 35 Year 2004 on Upstream Oil and Gas Business Activities (State Gazette of the Republic of Indonesia Year 2004 Number 123, Supplement to the State Gazette of the Republic of Indonesia Number 4435) as amended several times, last by Government Regulation Number 55 Year 2009 on the Second Amendment to Government Regulation Number 35 Year 2004 on Upstream Oil and Gas Business Activities (State Gazette of the Republic of Indonesia Year 2009 Number 128, Supplement to the State Gazette of the Republic of Indonesia Number 5047);
3. Presidential Regulation Number 9 Year 2013 on the Management of the Upstream Oil and Gas Business Activities (State Gazette of the Republic of Indonesia Year 2013 Number 24);
4. Presidential Regulation Number 68 Year 2015 on the Ministry of Mines and Natural Resources (State Gazette of the Republic of Indonesia Year 2015 Number 132); as amended by Presidential Regulation Number 105 Year 2016 on the Revision to Presidential Regulation Number 68 Year 2015 on the Ministry of Energy and Mineral Resources (State Gazette of the Republic of Indonesia Year 2016 Number 289);
5. Minister of Energy and Mineral Resources Regulation Number 13 Year 2016 on the Organization and Work Procedures of the Ministry of Energy and Mineral Resources (State News of the Republic of Indonesia Year 2016 Number 782);

HAS DECIDED:

To enact:

REGULATION OF THE MINISTER OF ENERGY AND MINERAL RESOURCES ON THE GROSS SPLIT PRODUCTION SHARING CONTRACT.

CHAPTER I
GENERAL PROVISIONS

Article 1

In this Minister Regulation the following meanings apply:

1. Crude Oil means the product of a natural process of hydrocarbon which under atmospheric pressure and temperature is in a liquid or solid phase, including asphalt, wax, whether mineral or ozokerite, and bitumen obtained through a mining process but not including coal or other solid hydrocarbon deposits obtained from activities not related to the oil and gas business activities.
2. Natural Gas is from a natural process of Hydrocarbon which is in the gas phase under atmospheric pressure and temperature obtained from the mining process of Oil and Natural Gas.
3. Exploration means activities that aim to obtain information on geological conditions to find and obtain Oil and Gas reserves estimates in a certain Working Area.
4. Exploitation means a series of activities that aim to produce Oil and Gas in a certain Working Area, consisting of well drilling and completion, construction of facilities for transportation, storage and processing to separate and refine Oil and Gas in the field and other supporting activities.
5. Cooperation Contract means a Production Sharing Contract or other schemes of cooperation contract in Exploration and Exploitation activities that are more favorable to the State, and the profits utilized for the greatest welfare of the people.

6. Production Sharing Contract means a scheme of Cooperation Contract in Exploration and Exploitation activities based on the principle of Production Sharing.
7. Gross Split Production Sharing Contract means a Production Sharing Contract in the Upstream Oil and Gas Business Activities based on the principle of gross production sharing without the operating cost recovery mechanism.
8. Working Area means a certain area in the Indonesia Legal Mining Territory in which to carry out Exploration and Exploitation.
9. Upstream Business Activities means business activities which are based or centered on Exploration and Exploitation business activities.
10. Contractor means a business entity or a permanent business establishment which conducts exploration and exploitation in a working area based on cooperation contract with the Special Task Force for Upstream Oil and Gas Business Activities.
11. Minister means the minister who administers government affairs in the area of crude oil and natural gas.
12. Directorate General means the directorate general with the task of organizing the formulation and implementation of policies for the management, control and oversight of oil and gas activities.
13. The Special Task Force for Upstream Oil and Gas Business Activities hereinafter abbreviated as SKK Migas means the task force that carries out the management of the upstream oil and gas business activities under the guidance, coordination and oversight of the Minister.

CHAPTER II
SCHEME AND BASIC PROVISIONS
GROSS SPLIT PRODUCTION SHARING CONTRACT

Article 2

- (1) The Minister enacts the scheme and basic provisions of the Gross Split Production Sharing Contract.
- (2) The Gross Split Production Sharing Contract as referred to in paragraph (1) at a minimum includes the following requirements:
 - a. the ownership of the natural resources remains in the hands of the Government until the custody transfer point;
 - b. the operational management control rests with SKK Migas; and
 - c. all costs and risks are borne by the Contractor.

Article 3

The Gross Split Production Sharing Contract must include at a minimum the following basic provisions:

- a. the government income;
- b. the Working Area and its relinquishment;
- c. the obligation for disbursement of capital;
- d. the custody transfer of Oil and Gas production;
- e. the timing and conditions for contract extension;
- f. the resolution of disputes;
- g. the obligation to supply Crude Oil and/or Natural Gas for domestic demand;
- h. the expiry of contract;
- i. the obligations for post-mining operations;
- J. the work health and safety;
- k. the management of the environment;
- l. the transfer of rights and obligations;
- m. the required reporting;

- n. the field development plans;
- o. the priority on the use of Indonesian workforce;
- p. the priority towards the utilization of domestic goods and services; and
- q. the development of surrounding communities and the guarantee of the rights of indigenous communities.

Article 4

The Gross Split Production Sharing Contract as referred to in Article 2 paragraph (1) utilizes a base split production share mechanism, which may be adjusted, based on variable components and progressive components.

Article 5

- (1) In the execution of the Gross Split Production Sharing Contract as referred to in Article 4, the production sharing base split is determined as follows:
 - a. for Crude oil in the amount of 57 % (fifty seven percent) Government share and 43 % (forty three percent) Contractor share.
 - b. for Natural Gas in the amount of 52 % (fifty two percent) Government share and 48 % (forty eight percent) Contractor share.
- (2) The base split production share as referred to in paragraph (1) is used as a base reference in the determination of production share upon the approval of the field development plan.

Article 6

- (1) Upon approval of the field development, the production share amount is determined based on the base split production share adjusted by the variable components and the progressive components.

- (2) The variable components as referred to in paragraph (1) are:
 - a. the Working Area status;
 - b. the field location;
 - c. the reservoir depth,
 - d. the availability of supporting infrastructure;
 - e. the reservoir type,
 - f. the carbon dioxide content (CO₂);
 - g. the hydrogen sulphide content (H₂S);
 - h. the crude oil specific gravity;
 - i. the level of domestic components in the field development period; and
 - J. the production phase.
- (3) The variable components as referred to in paragraph (2) refers to the Attachment which is an inseparable part of this Minister Regulation
- (4) The progressive components as referred to in paragraph (1) consist of:
 - a. Crude Oil price; and
 - b. Oil and Gas cumulative production
- (5) The parameter intervals of the progressive components as referred to in paragraph (3) refer to the Attachment which is an inseparable part of this Minister Regulation.

Article 7

- (1) In the event the commercial evaluation of a field or a number of fields does not meet a certain economic level, the Minister may grant an additional production share percentage of maximum 5% (five percent) to the Contractor.
- (2) In the event the commercial evaluation of a field or a number of fields exceeds a certain economic level, the Minister may enact an additional production share percentage of maximum 5% (five percent) for the State from the Contractor.

Article 8

- (1) The Minister, upon recommendation from the Head of SKK Migas, enacts the production share as referred to in Article 6, which is an integral part of the first field development plan approval.
- (2) The Head of SKK Migas enacts the production share as referred to in Article 6, for the subsequent field development.
- (3) In the event of differences arising in the variable components and progressive components in the field development as referred to in paragraph (1) and paragraph (2) compared to actual conditions, a production share adjustment shall be done with reference to the actual conditions after commercial production.

Article 9

- (1) The production share adjustment as a result of the Crude Oil price progressive component as referred to in Article 6 paragraph (4) letter a, is conducted every month based on the evaluation by SKK Migas.
- (2) The evaluation as referred to in paragraph (1) is conducted based on the calculation of the monthly Indonesia crude price.

Article 10

The production share adjustment as referred to in Article 8 paragraph (3) and Article 9 paragraph (1) is recorded in official minutes, which form an integral part of the Gross Split Production Sharing Contract.

CHAPTER III
GOVERNMENT AND CONTRACTOR INCOME

Article 11

- (1) Government Income in the Gross Split Production Sharing Contract as referred to in Article 3 letter a consists of:
 - a. Government share;
 - b. Bonuses; and
 - c. Contractor income tax.
- (2) In addition to Government Income as referred to in paragraph (1), the Government receives indirect tax in accordance with the provisions in the laws and regulations.

Article 12

- (1) Contractor Income (Contractor Take) in the Gross Split Production Sharing Contract is the Contractor share calculated based on the gross production percentage after subtracting the income tax.
- (2) Provisions for granting tax facilities and other incentives must follow the provisions in the laws and regulations for tax facilities and incentives in the Oil and Gas Upstream Business Activities.

Article 13

Contractor must pay income tax in accordance with the provisions in the laws and regulations of income tax treatments in Oil and Gas Upstream Business Activities.

Article 14

The operating costs already expended by Contractor may be included as an element for Contractor income tax deduction.

CHAPTER IV
WORK PROGRAM AND BUDGET AND
FIELD DEVELOPMENT PLAN

Article 15

- (1) Contractor must prepare and submit a work program and budget to SKK Migas.
- (2) On the submitted work program and budget as referred to in paragraph (1), SKK Migas conducts an evaluation of the work program.
- (3) Submittal of the budget as referred to in paragraph (1) is only intended as support data for the work program evaluation.
- (4) Based on the evaluation as referred to in paragraph (2), SKK Migas may approve or turn down the work program submitted by the Contractor within a period at the latest 30 (thirty) working days after receiving the complete work program documents.

Article 16

- (1) The Minister shall give the approval for the field development plan for first production in a Working Area based on the advice from SKK Migas.
- (2) The Head of SKK Migas shall give the approval for the subsequent field development plans.

- (3) In the event a subsequent field development plan as referred to in paragraph (2) results in a change in the production split approved by the Minister for the first field development caused by the variable components and progressive components, the Head of SKK Migas shall request approval for the difference in Production Share to the Minister.
- (4) The procedures for the submittal and approval of the first field development plan as referred to in paragraph (1) and the subsequent field development plans as referred to in paragraph (2) are conducted in accordance with the provisions in the laws and regulations.

CHAPTER V CONTRACTOR OBLIGATIONS

Article 17

- (1) Contractor must fulfill the Oil and/or Gas demand for the needs of the domestic market.
- (2) The obligation of the Contractor to take part in fulfilling demand as referred to in paragraph (1) is executed through the delivery of 25% (twenty five percent) of the Crude Oil and/or Natural Gas production from the Contractor's share.
- (3) The Contractor receives payment for fulfilling the obligation to supply Crude Oil as referred to in paragraph (2) at the amount of Indonesia crude oil price (full price).

Article 18

- (1) Contractor must prioritize the use of a workforce of Indonesian citizens, the utilization of domestic goods, services, technology, as well as national engineering and construction abilities.
- (2) The procurement of goods and services are conducted by Contractor independently.

Article 19

- (1) Data obtained by the Contractor in the execution of the Gross Split Production Sharing Contract is data owned by the Government.
- (2) Provisions regarding the management and the utilization of data as referred to in paragraph (1) are conducted in accordance with the provisions in the laws and regulations.

Article 20

Provisions regarding procedures for the preparation, determination and offer of Working Area, firm commitments, work commitments, guarantees, exclusions and relinquishment of the Working Area, unitization, participating interest 10% (ten percent), bonuses and post-operations activities including fund allocations for post-operation activities are conducted in accordance with the provisions in the laws and regulations.

CHAPTER VI

OPERATIONAL GOODS AND LAND

Article 21

All goods and equipment procured by the Contractor and directly utilized in the Oil and Gas Upstream Business Activities shall be owned by the state/State assets in the custody of the Government, and is managed by SKK Migas.

Article 22

- (1) Land which has been concluded by the Contractor becomes the property of the State and is managed by SKK Migas, except land on lease.
- (2) Land as referred to in paragraph (1) shall be applied for its certificate of land rights in accordance with the provisions in the laws and regulations.

CHAPTER VII
CONTROL AND OVERSIGHT

Article 23

- (1) SKK Migas performs control and oversight over the execution of the Gross Split Production Sharing Contract.
- (2) Control as referred to in paragraph (1) is limited to formulating policies on the work program and budget submitted by Contractor as referred to in Article 15 paragraph (1).
- (3) Oversight as referred to in paragraph (1) is conducted upon the realization of the Contractor's main operational activities including Exploration and Exploitation activities in accordance with the approved work plan.

Article 24

- (1) For the Working Area with an expiring Contract period which is not be extended, the Gross Split Production Sharing Contract shall apply, as referred to in Article 4.
- (2) For a Working Area with an expiring Contract period which is to be extended, the Government may determine the same original Cooperation Contract or the Gross Split Production sharing Contract.

CHAPTER IX
TRANSITIONAL PROVISIONS

Article 25

At the time this Minister Regulation comes into force:

- a. Cooperation Contracts executed before the enactment of this Minister Regulation are deemed to remain in effect until the date of expiry of said contracts.

- b. Cooperation Contracts whose contract periods have expired and have been granted approval for extension, may utilize the same Cooperation Contract scheme as before or propose a change in scheme from Cooperation Contract to Gross Split Production Sharing Contract.
- c. Contractors with a Cooperation Contract executed before the enactment of this Minister Regulation may propose a change in scheme from Cooperation Contract to Gross Split Production Sharing Contract.
- d. In the case of the Contractor proposing a change in Cooperation Contract scheme as referred to in letter (b) and letter (c), operating costs already expended and not yet recovered will be computed as an additional Contractor share split as referred to in Article 7 paragraph (1).

CHAPTER X CLOSING PROVISIONS

Article 26

At the time this Minister Regulation comes into force, provisions regulating the Sliding Scale Gross Split Production Sharing Contract in the Minister of Energy and Mineral Resources Regulation Number 38 Year 2015 on the Acceleration of Non-Conventional Oil and Gas Business (Official Gazette of the Republic of Indonesia Year 2015 Number 1643), is retracted and deemed not in effect.

Article 27

This Minister Regulation shall come into force on the date of promulgation.

For public cognizance, this Minister Regulation shall be promulgated in the Official Gazette of the Republic of Indonesia.

Enacted in Jakarta

On 13 January 2017

MINISTER OF ENERGY AND MINERAL RESOURCES
REPUBLIC OF INDONESIA,

(signed)

IGNASIUS JONAN

Promulgated in Jakarta

On 16 January 2017

DIRECTOR GENERAL OF
REGULATORY LEGISLATION
MINISTRY OF LAW AND HUMAN RIGHTS
REPUBLIC OF INDONESIA,

(signed)

WIDODO EKATJAHJANA

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2017 NUMBER 116

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MINISTRY OF ENERGY AND MINERAL RESOURCES

Head of Legal Bureau,

Hufron Asrofi

