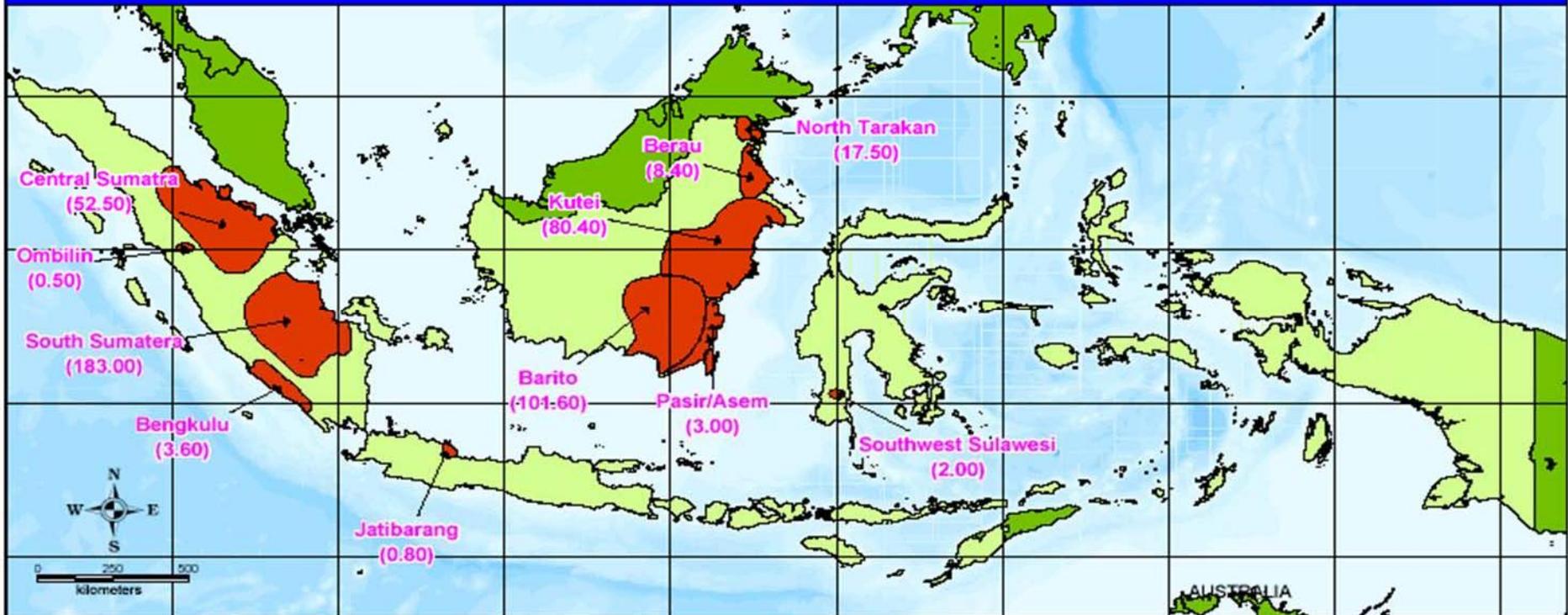


CBM BUSSINES ACTIVITIES

REGULATION OF CBM

- Regulated under Law No. 22 / 2001 on Oil and Gas;
- Government Regulation No. 35/ 2004 on Upstream Oil and Gas Business Activities;
- Minister of Mines and Energy Decree No. 1669/ 1998 on the Implementation of CBM Development;
- Minister of Mines and Energy Decree No. 040/ 2006 on the Stipulation and Offering of Oil And Gas Acreages;
- Minister of Mines and Energy Decree No. 033/ 2006 on CBM Bussines Activities and have been revised with Minister of Mines and Energy Decree No. 036/ 2008.

COAL BED METHANE RESOURCES IN INDONESIA (IN TCF)



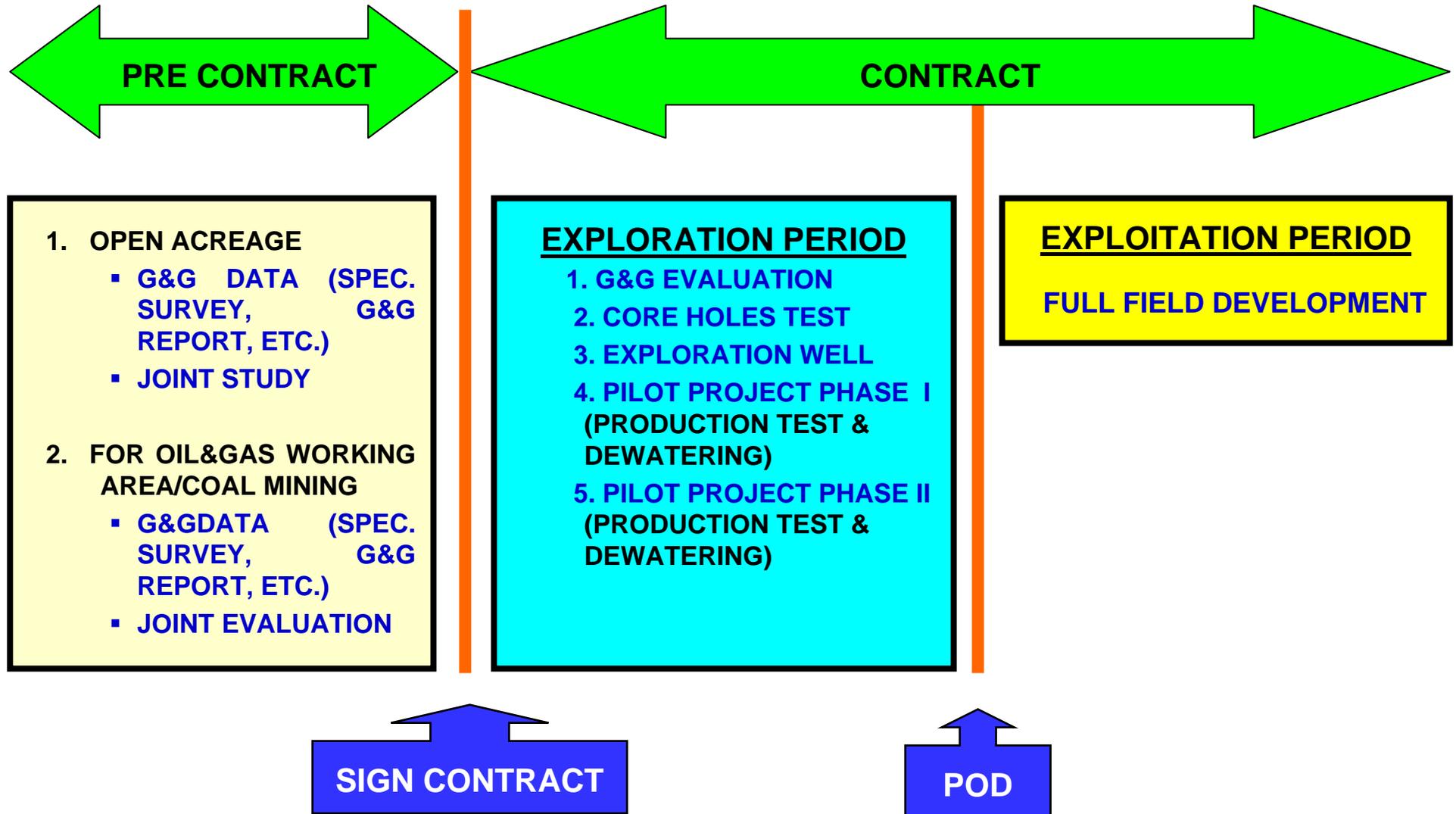
TOTAL RESOURCES = 453.30 TCF

Total CBM Basin = 11

(Advance Resources Interational, Inc., 2003)

Signed contract up to the end of 2008: 7 CBM PSCs

STEP OF CBM ACTIVITY



SOME PRINCIPLES OF CBM PSC TERM AND CONDITIONS

- ✧ **CONTRACTOR PROVIDES ALL FUND, TECHNOLOGIES, NECESSITIES ABILITY AND RISKS.**
- ✧ **30 YEARS CONTRACT ON COMMERCIALITIES OF CBM FOUND.**
- ✧ **EXPLORATION PERIOD IS SIX (6) YEARS, COULD BE EXTENDED FOR FINAL FOUR (4) YEARS.**
- ✧ **CONTRACTOR IS OBLIGED AND REQUIRED TO RELINGUISH THE ACREAGE (BLOCK) IN PHASES.**
- ✧ **THE SPLIT BETWEEN GOVERNMENT AND CONTRACTOR IN THE PRODUCTION SHARING (AND IN KIND) ON COMMERCIAL CBM DISCOVERY MORE ATTRACTIF.**
- ✧ **CEILING COST 80-90% EVERY YEAR AFTER COMMERCIAL PRODUCTION**
- ✧ **CONTRACTOR REQUIRE TO FIRMLY COMMIT FOR THE FIRST 3 YEARS OF EXPLORATION AND SURING WHICH CONTRACTOR IS NOT ALLOWED TO DIVEST ITS MAJORITY SHARES IN THE ACREAGE.**
- ✧ **DOMESTIC MARKET OBLIGATION FOR CONTRACTOR.**
- ✧ **SIGNATURE BONUS, EQUIPMENT AND SERVICES BONUS, PRODUCTIONS BONUS.**
- ✧ **AVAILABLE DATA PACKAGE AND SPECULATIVE DATA.**

OFFERING CBM PROCEDURE

Tender Procedure :

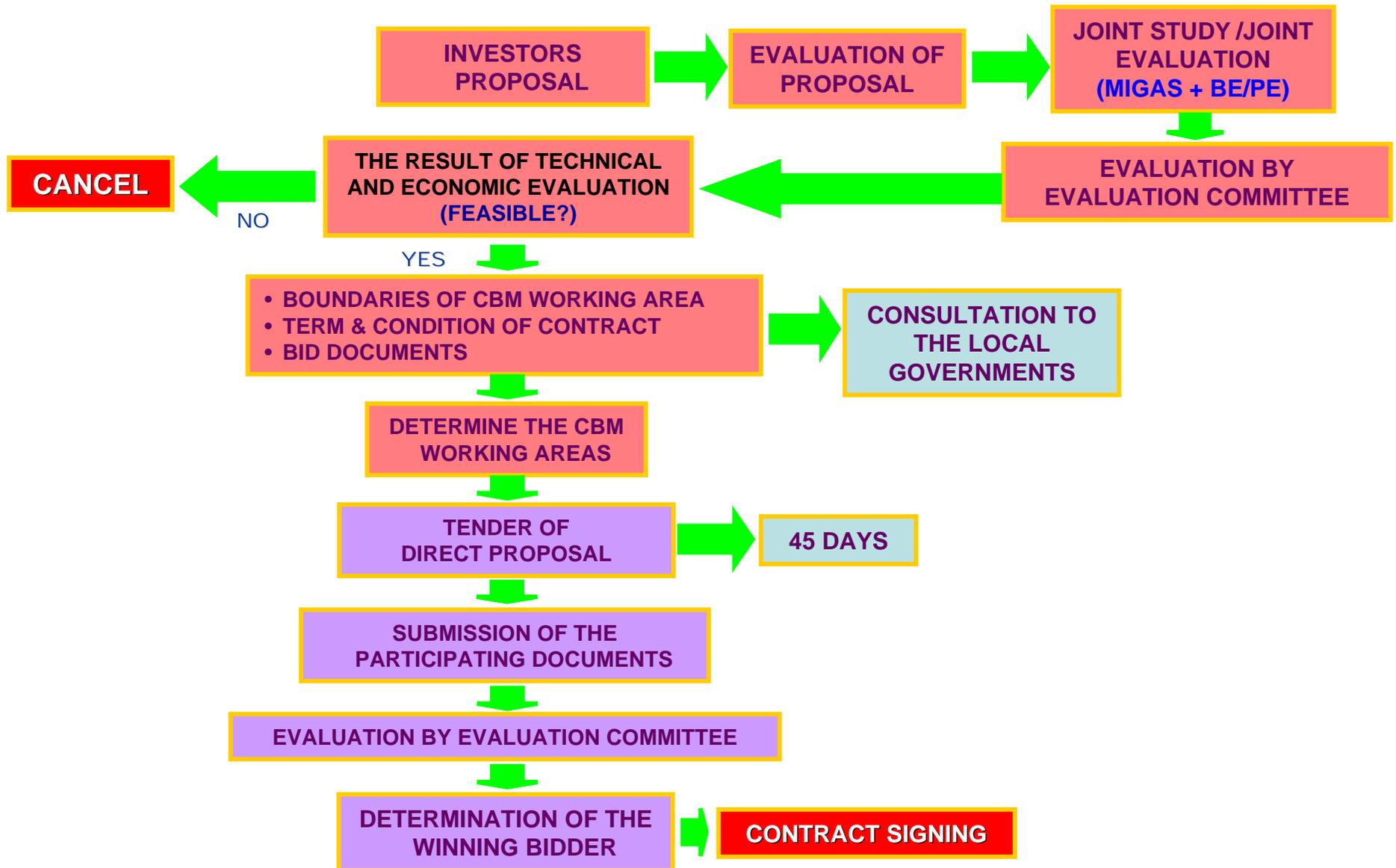
A. Regular Tender

- Planning and preparing CBM Acreages by Directorate General of Oil & Gas
- Stipulation of CBM operational areas and terms & conditions by MEMR
- CBM Working Area to be offering by Tender (120 days)

B. Direct Proposal Tender

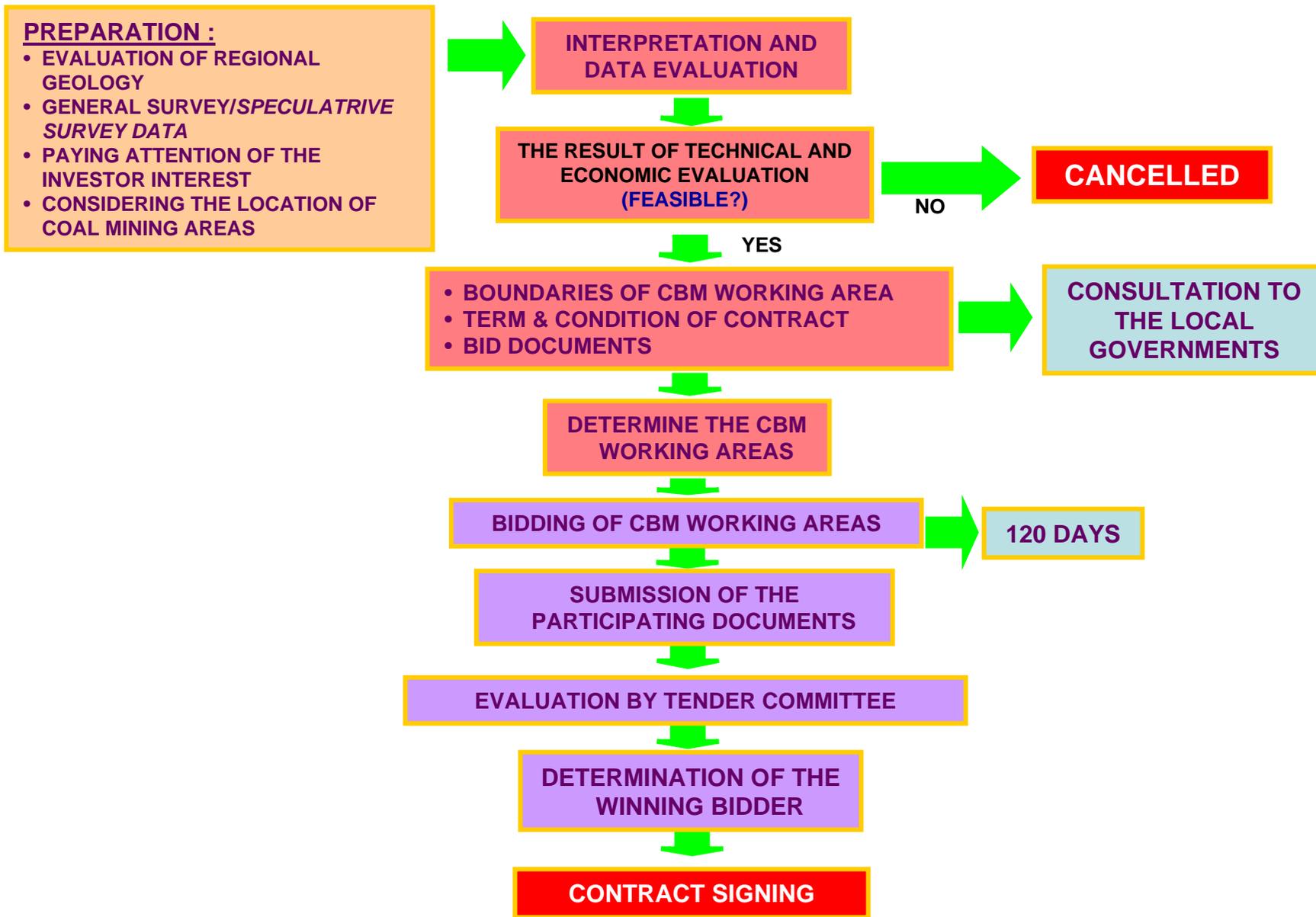
- Joint Studies (for open areas)
- Joint Evaluation :
 - for existing oil and gas has been fulfill firm commitment (3 years exploration commitment) or
 - for coal mining has been minimum 3 years exploitation activity, and
 - existing oil and gas will have first priority if the area overlay with coal mining.
- Stipulation of CBM operational areas and terms & conditions by MEMR
- CBM Working Area to be offering by Tender (45 days)
- Company's conduct the Joint Study/Joint Evaluation will get *right to match* for matching

FLOW CHART DIRECT PROPOSAL TENDER OF CBM WORKING AREAS IN OPEN AREA, AVAILABLE BLOCK AND EXISTING AREA (OIL & GAS WORKING AREA / COAL MINING AREA)





FLOW CHART REGULAR TENDER OF CBM WORKING AREA



PARTICIPATING DOCUMENT EVALUATION

THE PARTICIPATING DOCUMENT'S COMPLIANCE WITH THE PROVISIONS SET FORTH IN THE QUALIFICATION OF TENDER PARTICIPANTS / DIRECT PROPOSAL PARTICIPANTS AND IF PARTICIPATING DOCUMENT NOT COMPLETED, THE TENDER PARTICIPANTS / DIRECT PROPOSAL PARTICIPANTS WILL NOTIFY TO BE FAILED AND FURTHERMORE WIL NOT TO BE EVALUATED

EVALUATION CRITERIA IF PARTICIPATING DOCUMENT COMPLETED :

1. TECHNICAL EVALUATION FOR FIRM COMMITMENT (3 YEARS EXPLORATION COMMITMENT) (PRIMARY EVALUATION)
 - SEISMIC SURVEY COMMITMENT, COVERING TYPE, TRACK PLAN AND QUANTITY OF SEISMIC SURVEY, OR
 - COMMITMENT ON THE DRILLING NUMBERS OF THE NEW FIELD WILDCAT WELL AND ITS LOCATION PLAN BASED ON G & G EVALUATION AND TECHNICAL JUSTIFICATION (ENGINEERING) WITH THE APPROPRIATE AND SUPPORTING DATA, ALL DATA AND INFORMATION APPLIED IN A MONTAGE SOME OTHER MINIMUM CBM SYSTEM AND POTENTIAL RESOURCES AND/OR CBM RESERVES INCLUDING APPROPRIATE COST.
2. FINANCIAL EVALUATION (SECONDARY EVALUATION)
 - THE AMOUNT OF SIGNATURE BONUS;
 - THE FINANCIAL ABILITY TO SUPPORT THE FIRM COMMITMENT AND OTHER FINANCIAL LIABILITIES BASED ON PRODUCTION SHARING CONTRACT INDICATED IN THE ANNUAL FINANCIAL STATEMENTS FOR THE LAST THREE (3) YEARS OF THE RELEVANT BUSINESS ENTITY OR PERMANENT ESTABLISHMENT OR FINANCIAL STATEMENTS OF ITS PARENT COMPANY AUDITED BY A PUBLIC ACCOUNTANT OR BANK REFERENCE FROM PRIME BANK IN JAKARTA;
 - BUDGETING FOR FIRM COMMITMENT.
3. PERFORMANCE EVALUATION (THIRD EVALUATION)
 - EXPERIENCES IN THE OIL AND GAS BUSINESS AND/OR CBM BUSINESS;
 - COMPLIANCE WITH PROVISION AND REGULATION OF OIL AND GAS.

BOND FOR TENDER AND DIRECT PROPOSAL

❖ THE BUSINESS ENTITIES OR PERMANENT ESTABLISHMENT SHALL, NO LATER THAN 14 (FOURTEEN) DAYS AFTER THE APPROVAL OF THE JOINT STUDY/JOINT EVALUATION (JS/JE), SUBMIT PERFORMANCE BOND OF JE/JS FROM THE PRIME BANK IN JAKARTA, IN THE AMOUNT OF ONE MILLION DOLLAR UNITED STATES (US\$ 1,000,000) FOR THE VALIDITY PERIOD OF JS/JE.

(IF BUSINESS ENTITY OR PERMANENT ESTABLISHMENT FAIL TO FULFILL ITS OBLIGATION TO CONDUCT THIS STUDY, THE DIRECTOR GENERAL SHALL DRAW DOWN THE PERFORMANCE BOND)

❖ TENDER PARTICIPANTS OR DIRECT OFFER PARTICIPANTS ARE REQUIRED TO SUBMIT BID BOND, IN THE AMOUNT OF 100% OF SIGNATURE BONUS FROM PRIME BANK IN JAKARTA, ENCLOSED IN THE PARTICIPATING DOCUMENT

(IF PARTICIPANT WHO DECLARED AS BIDDING WINNER WITHDRAW OR REFUSE TO SIGN PSC, DIRECTOR GENERAL SHALL DRAW DOWN THIS BID BOND AND/OR IF PARTICIPANT FAIL TO FULFILL ITS OBLIGATION TO PAY SIGNATURE BONUS AS CONTEMPLATED IN THE PSC CONTRACT, THE DIRECTOR GENERAL SHALL DRAW DOWN THE BONUS PAYMENT GUARANTEE LETTER)

❖ TENDER PARTICIPANTS OR DIRECT OFFER PARTICIPANTS DECLARED AS THE SUCCESSFUL BIDDER OF THE TENDER IS REQUIRED TO SUBMIT A GUARANTEE BANK FROM PRIME BANK IN JAKARTA TO GUARANTEE AND PROVIDE FUNDS AMOUNTING TO THE BUDGET TO FUND THE FIRST 3 (THREE) YEARS COMMITMENT EXPLORATION DURING THE EXPLORATION PERIOD AS A PERFORMANCE BOND FROM THE TENDER OR DIRECT OFFER WINNER WHICH SHALL BE VALID UP TO 3 (THREE) YEARS AFTER THE EFFECTIVENESS OF THE PSC CONTRACT.

(IF PARTICIPANT FAIL TO FULFILL ITS OBLIGATION TO CONDUCT THIS COMMITMENT, THE DIRECTOR GENERAL SHALL DRAW DOWN THE PERFORMANCE BOND, BASED A NOTIFICATION FROM BPMIGAS)