



INDONESIAN PETROLEUM ASSOCIATION

2010 ANNUAL REPORT

THIRTY-NINTH GENERAL MEETING

DECEMBER 15th, 2010

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SECTION 1

INDONESIAN PETROLEUM ASSOCIATION

PRESIDENT'S REPORT - 2010

by

Ron Aston

On behalf of

IPA Board of Directors

December 2010

www.ipa.or.id



INDONESIAN PETROLEUM ASSOCIATION

President's Report for 2010

INTRODUCTION

Under President Susilo Bambang Yudhoyono SBY the Indonesian economy is experiencing strong growth at over 6% per annum based on a platform of political and security stability. The country needs energy to fuel the economy and the sector requires significant investment which in turns requires the investment climate to remain positive. The Government recognizes this and is working hard with industry to ensure this is the case, however uncertainty has returned to the sector in the eyes of the investor and the principal objective of the IPA is to work with the government to remove that uncertainty.

It is imperative that the investment climate in the Indonesian oil & gas sector remains competitive and that it provides the **Clarity, Consistency and Certainty** the investor requires. The member companies of the IPA will provide the vast majority of future investment and it is vital that there is continued strong collaboration between the association and the Government to ensure this happens. In the Commentary section we highlight areas of concern for the association in this regard.

Maintaining a constant dialogue with the Government is one of the principal aims of the IPA but of course the Association also looks to provide a showcase for the Indonesian oil & gas sector with the annual IPA Convention & Exhibition and provide an educational and training focus through the activities of the Professional division. Both of these activities continued very successfully during the year and the role the IPA plays in the Indonesian energy sector continues to grow in importance and prominence each year.

GENERAL COMMENTARY

In order to provide existing and potential investors with an economic environment conducive to achieving long term production growth in Indonesia the IPA has highlighted several principal issues which need to be addressed.

Cost Recovery and Contract Sanctity

Cost Recovery is the mechanism in the PSC regime which allows contractors to recover their investment on exploration, development and production from production revenues once hydrocarbons have been successfully produced. Unsuccessful exploration in undeveloped areas is entirely borne by the PSC contractor. There should be a fundamental recognition that cost recovery does not represent the Government providing an incentive but rather providing its share of the necessary investment as agreed in the production contract.



Cost Recovery was included in the state budget for the first time in 2009 and this has led to the possibility of it being capped for individual contractors. Ministerial Decree 22 was also issued prohibiting certain categories of expenditure. The Government Regulation on Cost Recovery is being finalized and is currently at State Secretary's office prior to signing by the President. The IPA understands that after much discussion with the industry, the provisions on Cost Recovery capping has been eliminated from the draft. Although the draft is in finalization stage, the IPA continues to voice its concerns to ensure that the regulation shall not be applied retroactively.

Regional Gas Price competitiveness

Indonesia has extensive gas reserves and the potential to discover significantly more. However these potential reserves are to be found in increasingly more remote and challenging environments where the cost of exploring for and developing is very high (a typical single well in an offshore deepwater block can cost upwards of US\$ 60 million and development costs of typical field sizes run into several billions of dollars).

In order to attract the level of investment necessary the investor needs an appropriate level of return and certainty that this return will be realized and not eroded. The attractiveness of the return is dictated primarily by the gas price which must be competitive and essentially market driven. In this respect, the latest agreements signed between producers and the state electricity company PLN are encouraging and it is hoped the upward trend in domestic pricing will continue into the future.

Other issues are important in the utilization of gas domestically, notably the development of infrastructure and the determination of appropriate tariff formulas. However the ability of the gas producer to direct the product into a market which offers truly competitive pricing on a regional scale is the crucial issue in attracting investment.

Regulatory Environment

The approval and regulatory process needs to be speeded up and provide more facilitation and less control and if this is achieved production would increase. This applies to all stages of the approval process from GSA to POD and from WP&B to AFE. The IPA fully recognize that over the last year substantial progress has been made in the WP&B process enabling budgets to be approved before the year end and would compliment BPMIGAS on this achievement.

However the regulatory environment could be improved further with greater coordination between ministerial departments and early consultation with industry to assess the impact of new legislation from other ministries should be encouraged. Problems are being experienced in relation to the Environmental law, the Cabotage law and new local content requirements, all of which adds to uncertainty for the investor and leads to further delay in production.

Fiscal Certainty

There should be harmonization across fiscal policy. There needs to be confirmation of the sanctity of the PSC and application of the Uniformity Principle whereby tax deductibility

equals cost recovery and the income tax rate is set for the life of the PSC irrespective of subsequent rate changes. There should be reaffirmation of the principle of assume and discharge responsibility in the PSC except for corporate tax and dividend tax.

There should be no tax on the transfer of interests, particularly in the exploration phase where the farm-in / farm-out mechanism is a key component in maintaining exploration activity. The provision of annual exemptions from import duties of categories of equipment used in exploration activity should be removed and replaced by permanent exemptions. The annual approval cycle causes uncertainty and delays production.

Exploration Competitiveness

In order to secure future production, there needs to be a substantial increase in exploration activity which has been on a downward trend in recent years. There needs to be a significant increase in wildcat exploration activity. In order to achieve and sustain a target level of production of one million bod it is estimated that over 100 wildcat wells per annum need to be drilled, which is double the current total. Exploration activity needs to be encouraged not discouraged.

The disappointing licence award results for 2009 have continued in 2010. Out of the 14 working areas offered on auction by the Government in the Regular Tender Bid Round for 2010, only 3 blocks attracted investors. For the working areas offered by Direct Offer, only 4 blocks attracted investors.

Whilst a number of factors contributed to this both from a global and country perspective it is clear that the terms offered and the way they are regulated must be very closely examined to ensure that exploration activity thrives in an increasingly competitive global environment. For this purpose, the IPA has set up an informal working group with MIGAS to identify the major issues and provide suggestions for improvement.

PSC extensions

Currently applications for PSC contract extensions can only take place within ten years of the contract expiry and there is no clear and transparent process governing the application. Increasingly the level of capital commitment and planning for major projects require a longer time frame to execute particularly in terms of gas projects and earlier application should be allowed. Failure to allow early application for PSC extension and the absence of a transparent process leads to the slow down of investment in the final years of the PSC and a consequent deceleration of production. The IPA applauds the extensions that were granted in 2010 and would strongly encourage the establishment of a transparent mechanism to ensure future extensions are granted.

Cabotage

The IPA is extremely concerned about the developments with respect to the Cabotage issue under Shipping Law No. 17/2008 which if not resolved would have immediate negative repercussions in terms of both the level of industry activity and the production of oil and gas in Indonesia. If dispensation for the specific vessels needed for exploration and production activities are not obtained, non-compliant vessels will have to stop their operations and this

would drastically impact the exploration and production work programs of the PSC operators.

After several meetings with the government, the Minister of Transportation issued Ministerial Decree No 73/2010 which would allow foreign vessels conducting transportation activities to support and gas activities to continue their activities until 7 May 2011.

At present, the IPA is involved in the preparation of an academic paper together with the Government with which will be used by them to present an amendment to the Law No. 17/2008 to the DPR.

In view of the potential loss of oil and gas production which would have a substantial impact on the revenues of the government, the IPA also sent a letter the DPR to support the amendment of Law No. 17/2008 which would allow all PSC operators to continue their operations in Indonesia.

Revisions to Oil and Gas Law No. 22 / 2001

In July, the IPA was invited by the DPR to present its view on the revisions to the Oil and Gas Law No. 22 / 2001 being initiated by the parliament. To boost investment in the upstream oil and gas sector, the IPA believes that Indonesia needs to provide a positive and stable business environment. This environment can be improved without major modifications to the Law through implementing regulations to create a more conducive climate for the industry.

Summary

The above outline the areas of principal concern to the investor who constantly looks for Clarity, Consistency, Certainty and Competitiveness in the investment environment to make his decision. The vast majority of new investment in the energy sector needs to come from the existing PSC contractors who in turn act as ambassadors for attracting new investors. It is essential to recognize this and ensure that existing contractors are treated well and encouraged to increase their future investment.

The request from the industry is for early engagement in policy formulation and ongoing collaboration in the regulatory process and the IPA can facilitate this.

IPA MEMBERSHIP AND OBJECTIVES

Currently the IPA membership stands at 52 Member Companies and 103 Associate Members. As you are aware, the IPA is predominantly a volunteer based organization whose members contribute their time and resources focused on the principle objective of promoting the petroleum industry in Indonesia. This personal commitment is critical to the success of the IPA particularly during these challenging times for our industry. The IPA Mission is simply stated:



“To maximize the hydrocarbon potential of Indonesia for the benefit of all stakeholders; the contractors, the Government and the people of Indonesia”

The way we go about delivering our mission is through dialogue and engagement.

- IPA is a Forum for our members and future investors to exchange knowledge, ideas and experiences about the Oil & Gas Industry in Indonesia and worldwide;
- IPA is also a Forum to facilitate the dialogue between the Industry, the Government of Indonesia and its agencies; and again
- IPA is a Forum to promote education and knowledge transfer, primarily through our Professional Division. Membership comprises over 2000 individuals who meet and learn through luncheon talks, short courses, field trips, workshops, technical symposiums and interaction with various Indonesian universities and institutions

The IPA Board of Directors, comprised of 13 representatives from Member Companies, continued to meet monthly. Included in those meetings are selected Committee members who periodically update the Board on their committee activities and seek Board input as and when necessary on specific Committee activities and undertakings. The Chairman Reports, some of which will be presented at the Annual General Meeting, are enclosed for your review.

To further stay in touch with Member Companies, the IPA Board has expanded the attendance at their regular monthly Board meetings on a quarterly basis to include Member Company representatives if they wished to attend.

In January 2010, the Board conducted survey of all Member Companies to obtain opinions on how the IPA could best serve their needs. This was followed by a “Brainstorm Session” with the Committee Chairpersons and Member Company representatives in attendance. The results of the survey and meeting were as follows:

Focus on Government Advocacy

- Conduct more pro-active engagement with the Government
- Ensure the IPA is the partner of choice with the Government for the sector

Improve IPA Governance Structure

- Increase the participation of Associate Members in the association activities
- Adopt a more structured approach in reporting Committee activities to the IPA Board
- Rationalize the number of Committees (currently 13)

Increase organizational capabilities of IPA Secretariat

- Build analytical capability and capacity of the Secretariat
- Recruit the necessary resources for the above

In response to these results the Board of the IPA has announced two measures designed to meet the requirements of its members:



-
- (i) Recommended an increase in its Membership Fees to help further develop the capability of the Secretariat
 - (ii) Recommended that the Associate Members should provide two advisors to the Board who shall be selected from a formal annual election process

The two measures are aimed at increasing the analytical capability of the IPA in its advocacy role with the Government and to strengthen the voice of the industry by ensuring the service sector has appropriate representation in the IPA.

IPA ACTIVITIES

INTERNAL

Strengthening the Secretariat – appointment of IPA Communications Executive

In April, the IPA Secretariat was further strengthened by the recruitment of Ibu Ferita Kanter as IPA Communications Executive. Ibu Ferita brings strong experience in communications and networking within the Indonesian oil and gas industry from her career with Total E&P Indonesia and her main responsibilities are to support the IPA Board in managing external communications, to maintain the IPA website, to publish the IPA Newsletter and to liaise with the IPA Communications committee.

Lawsuit against the Directorate General of Taxes

In November 2009, IPA filed a lawsuit against the Badora tax office following its decision to appoint IPA as a Taxable Entrepreneur (PKP) retroactive 1st January 2008.

After several sessions at the Tax Court, in July 2010 the panel of judges decided that there was no basis to justify the decision of Badora tax office to appoint IPA as a Taxable Entrepreneur (PKP) and the lawsuit filed by IPA to revoke the decision of Badora tax office appointing it as PKP was accepted in its entirety.

With this favorable court decision, IPA will not be subject to VAT and penalties estimated at Rp 5,042 billion for the period 2008 - 2009 .

Extractive Industries Transparency Initiative (EITI) appointment

In April 2010, President Yoedhoyono signed Presidential Regulation No. 26 / 2010 regarding “Transparency of State and Regional Revenues Obtained from Extractive Industries”.

The IPA was requested to nominate its representative who will sit as a member of the Implementation Team consisting of senior government officials from several ministries and representatives from associations and regions producers of minerals, coal, oil and gas. This Implementation Team reports to a Steering Committee which reports directly to the President.

In May 2010, the IPA Board meeting appointed the IPA Executive Director as its representative to the EITI Implementation Team.

Review of Internal Systems & Financial Control Project

In May 2010, Deloitte was selected to review and develop IPA accounting systems consisting of (a) Policies and SOP's and (b) Accounting Manual. The final draft of these documents have been completed and socialized to all IPA personnel. The project is now entering the final implementation stage to discuss how these new business processes can be incorporated into the Accurate accounting system.

EXTERNAL

Relationship with the Government

The IPA Board continues to maintain an active and open dialogue with the Government authorities. This year, issues of concern for the industry have been presented to senior government officials including the Vice President of RI, Commission VII of the DPR, the Coordinating Minister for the Economy, the Minister of Finance and the Minister of Transportation as well as MIGAS and BPMIGAS .

It is very encouraging to note that input from the IPA is now actively being sought by the Government when drafting laws & regulations affecting the industry, however it is essential that this input is provided at the 'concept' stage and not when the regulations are already formalized.

Since October, BPMIGAS has held regular monthly meetings with the IPA which it is hoped will contribute greatly to improving communications and working relations between the two bodies. It is a very positive step forward that a regular working dialogue has been institutionalized in this way.

The IPA is also constantly being asked to participate in seminars and discussion forums and workshops organized by the Government as well as by universities and the media.

The association was asked to partner the Government in two important events held in October respectively a Joint Symposium organized by MIGAS held in London and in Berlin to showcase investment opportunities in the upstream energy sector. Whilst recognizing that they might not always share the same priorities, the debate between the IPA and the Government is always positive and constructive and conducted in a manner which encourages constructive criticism on both sides. This can only be beneficial in the long term.

In August 2010, MIGAS held a National Symposium to gather input and recommendation for the planned revisions to the Oil and Gas Law No. 22/2001 initiated by the DPR. Attending the symposium were speakers representing MIGAS, Pertamina, BPMIGAS, IPA as well as representatives of the industry, economists, academia and think tanks/NGOs. A wide range of views were expressed by the speakers, ranging from minimal changes of the oil and gas law to questioning the existence of BPMIGAS and BPHMIGAS.

Engagement with the Government on Energy Policy goals - National Gas Dialogue

In April 2010, BPMIGAS organized the National Gas Dialogue which gathered representatives of the government, producers and consumers of natural gas to brainstorm the current situation of the industry. The main conclusions were:

- The necessity to have an updated energy blueprint (latest one issued in 2004)
- A comprehensive gas demand management
- A minimum return to the investor guaranteed by a comprehensive pricing policy
- A comprehensive gas supply management by BPMIGAS implementing an Indonesia Inc. concept

CSR efforts

In response to the recent natural disasters in a number of areas in Indonesia, the IPA contributed USD 25,000 to the Indonesian Red Cross (PMI) towards post disaster and rehabilitation efforts for the communities affected by the disasters.

CONCLUSION

The PSC fiscal regime has served the industry well in Indonesia for more than forty years and provided a stable framework that investors understood and were comfortable with while at the same time providing much benefit to the country. Over recent years however investor's perception of the stability of the PSC has been slowly eroding and investors are becoming very concerned about uncertainty over cost recovery.

It is essential that the current and perspective investors operating in Indonesia be reassured as to the principle of contract sanctity. It is also important that the Government recognizes the extraordinary challenges that investors face as we emerge from the global economic crisis and that it enacts policies aimed at establishing a sufficient level of incentives to promote investment in an industry which contributes over 30% of the Government budget revenues and is so very critical to the Indonesian economy.

In this respect, The IPA remains committed to its Mission of working collaboratively with all stakeholders to enhance the future of the petroleum industry in this country. Developing mutual trust and respect amongst stakeholders, recognizing the highly competitive and changing business environment and fostering a high level of investor confidence will ensure achievement of that objective.

On a personal note, I am honoured to have been re-elected to serve as the President of IPA. I would like to thank my colleagues on the IPA Board, the Secretariat, the Committees and the General Membership for all their work and support and also to industry colleagues in ESDM, MIGAS and BPMIGAS for their continued cooperation throughout the year as we pursue our common goals and objectives.

Ron Aston
President IPA
December 2010



SECTION 2

TREASURER REPORT 2010

by

Dipnala Tamzil

Executive Director

INDONESIAN PETROLEUM ASSOCIATION

Treasurer Report Financial Year 2009 and 2010 Highlights

The IPA's Audited Statements of Revenues and Expenditures for the year ending December 31, 2009 shows excess of revenues over expenditures amounting to Rp 9 million before Corporate Income Tax (CIT) of Rp 143 million. Net effect of such CIT has resulted in a deficit of Rp 135 million.

The opening balance of cash flow for the year 2009 was Rp 3.6 billion. During the year 2009, adjustments made for depreciation and other changes in assets and liabilities resulted in a net increase in cash and cash equivalent of Rp 1.2 billion. This net increase contributed to an increase of cash and cash equivalent ending balance to Rp 4.8 billion as indicated in the IPA Audited Cash Flow.

IPA funds are managed through the use of Rupiah and US Dollar bank accounts with the surplus funds invested in US Dollar denominated Time Deposit certificates interest on the average of 2.75 % (2008: 3.25 % to 4.00 %) per annum. Meanwhile, Rupiah Time Deposit interests for 2009 ranging from 5.25 % to 6.25 % (2008: 6.00 % - 7.75 %) per annum.

Financial Highlights 2010

The YTD October 31, 2010 surplus of Rp 545 million primarily resulted from remaining balance of accrued 2010 convention receivables. However, latest estimate per December 31, 2010 shows an estimated deficit of Rp 1.6 billion mainly due to anticipated excess of expenditures over revenues in Quarter 4 2010.



**Indonesian Petroleum Association
2009 Net Surplus/ (Deficit)
(in million Rp)**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues	13,134	11,621	1,513
Expenses	13,125	11,364	1,761
Operating Surplus / (Deficit)	9	257	(248)
Corporate Income Tax	(143)	0	(143)
Net Surplus/ (Deficit) After CIT	(135)	257	(391)

Indonesian Petroleum Association

2009 Cash Flow (in million Rp)

Balance per January 1, 2009		3,613
Operating Surplus/ (Deficit) before Corporate Income Tax		9
Depreciation		325
Net (Decrease) / Increase in cash and cash equivalent	1)	896
		<hr/>
Balance per December 31 , 2009		4,843
		<hr/> <hr/>

Notes : 1) - Account Receivables and Prepayments	(22)
- Employee service entitlement expenses	266
- Employee loans receivables	13
- Inventory	(18)
- Deposits	31
- Account Payables and accrued liabilities	1,102
- Tax payables	(36)
- Payment for employee service entitlements to an approved pension fund	(266)
- Corporate income tax paid	(152)
- Purchase of fixed assets	(21)
	<hr/>
	896
	<hr/>

Indonesian Petroleum Association
2009 Revenues
(in million Rp)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Company and Associate Company Dues	2,741	2,489	252
Professional Division Revenues	6,843	5,911	932
Sale of Publications	68	0	68
Bank Interest, Other	47	0	47
Convention Surplus	3,435	3,221	214
	13,134	11,621	1,513

Indonesian Petroleum Association 2009 Expenses (in million Rp)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Professional Division Committee	5,805	4,629	1,176
Communication Committee	584	755	(171)
Environmental Affairs Committee	46	50	(4)
Finance Committee	32	292	(260)
Human Resource	5	0	5
University Assistance Committee	334	374	(40)
Supply Chain Management Committee	7	53	(46)
LNG and Gas Sales Committee	2	32	(30)
Regulatory Affair Committee	61	52	9
Downstream Committee	47	0	47
Security Committee	64	53	11
Service Company Committee	0	15	(15)
Data Management Committee	0	11	(11)
General and Administrative	2,947	2,493	454
Salaries and Benefits	3,190	2,555	635
	13,125	11,364	1,761

Indonesian Petroleum Association
2009 General & Administrative Expenses
(in million Rp)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Office Rent	1,040	900	140
Office Maintenance and Repairs	28	30	(2)
Telephone and Facsimile	41	58	(17)
Photocopy Machine	54	65	(11)
Stationaries and Other Supplies	136	100	36
Printings and Reproductions	186	5	181
Postages and Mailings	7	10	(3)
Transportations	45	80	(35)
Meetings	254	250	4
Information Technology	26	30	(4)
Bank Charges	19	50	(31)
(Gain) or Loss on Exchange Rate	417	250	167
Audit and Tax Service Fees	272	260	12
Tax	4	5	(1)
Depreciation	325	300	25
Other Expenses	93	100	(7)
Sub -T o t a l G & A	2,947	2,493	454
Sub-Total Salary & Benefit	3,190	2,555	635
Total G & A and Salary Expenses	6,137	5,048	1,089

Indonesian Petroleum Association CASH FLOW

December 31, 2009 and Year To Date October 31 , 2010

	Dec. 31, 2009		YTD Oct. 31, 2010	
	Actual		Actual	
	Rp	US\$	Rp	US\$
	(million)	('000)	(million)	('000)
CASH FLOW FROM OPERATING ACTIVITIES				
Excess revenue over expenditure before Corporate Income	9	1	553	62
Depreciation expenses	325	35	225	25
Employee entitlement expense	266	28	141	16
<u>Changes in assets and liabilities</u>				
Account Receivables	(22)	(2)	(1,458)	(163)
Employee loan receivables	13	1	4	0
Prepayments	0	0	0	0
Inventory	(18)	(2)	8	1
Account Payables and accruals	1,102	117	(876)	(98)
Deposits	31	3	34	4
Liability for severance payments	(266)	(28)	(141)	(16)
Tax payables	(36)	(4)	0	0
Corporate Income Tax paid	(152)	(16)	(8)	(1)
<u>NET CASH PROVIDED BY (used In) OPERATING ACTIVITIES</u>	1,251	133	(1,520)	(169)
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase Furniture and P & E	(21)	(2)	0	0
<u>NET CASH PROVIDED BY INVESTING ACTIVITIES</u>	(21)	(2)	0	0
CASH FLOW FROM FINANCING ACTIVITIES				
Advance from Company Members	0	0	0	0
<u>NET CASH PROVIDED BY (used in) FINANCING ACTIVITIES</u>	0	0	0	0
Increase (decrease) in cash and cash equivalent	1,230	131	(1,520)	(170)
Cash and Cash Equivalent - Beginning Balance	3,613	384	4,843	543
Cash and Cash Equivalent - Ending Balance	4,843	515	3,323	372

Indonesian Petroleum Association
STATEMENT OF REVENUE AND EXPENSE
OCTOBER 31, 2010
(in million Rp)

	YTD OCT 31, 2010 ACTUAL	AVG. YTD 2010 BUDGET	FULL YEAR 2010 BUDGET
<u>REVENUES</u>			
Company and Associate Company Dues	2,226	2,125	2,550
Professional Division Revenues	4,938	5,367	6,440
Other Revenues	84	93	112
	7,249	7,585	9,102
<u>EXPENDITURES</u>			
Professional Division Committee	3,576	4,458	5,350
Communication Committee	37	42	50
Environmental Affairs Committee	27	63	75
Finance and Tax Committee	11	63	75
Human Resources Committee	2	58	70
University Assistance Committee	52	250	300
Supply Chain Mngmt Improvement	3	33	40
LNG and Gas Committee	1	0	0
Regulatory Affair Committee	84	42	50
Security Committee	24	71	85
Service Company Committee	0	0	0
Data Management	0	0	0
Special Projects	339	705	846
General and Administration	2,565	2,863	3,436
Salaries and Benefits	3,072	3,137	3,764
	9,795	11,784	14,141
Running Surplus / (Deficit)	(2,547)	(4,199)	(5,039)
Convention Surplus / (Deficit)	3,100	2,667	3,200
Corporate Income Tax	(8)	(104)	(125)
Net Surplus / (Deficit)	545	(1,637)	(1,964)

2009 Rate : 1 US\$ = IDR 9.400

2010 Rate : 1 US\$ = IDR 10.000



Indonesian Petroleum Association

STATEMENT OF REVENUE AND EXPENSE

L.E. DECEMBER 31, 2010

(in million Rp)

	OCT 31, 2010 YTD ACTUAL	DEC. 31, 2010 L.E.	FULL YEAR 2010 BUDGET
<u>REVENUES</u>			
Company and Associate Company Dues	2,226	2,366	2,550
Professional Division Revenues	4,938	6,590	6,440
Others	84	112	112
TOTAL REVENUE	7,249	9,068	9,102
<u>EXPENDITURES</u>			
Professional Division Committee	3,576	5,250	5,350
Communication Committee	37	54	50
Environmental Affairs Committee	27	54	75
Finance and Tax Committee	11	54	75
Human Resources Committee	2	54	70
University Assistance Committee	52	120	300
Supply Chain Management Improvement	3	36	40
LNG and Gas Committee	1	27	0
Downstream Committee	0	10	0
Regulatory Affair Committee	84	108	50
Security Committee	24	90	85
Service Company Committee	0	10	0
Data Management	0	10	0
Special Projects	339	600	846
General and Administration	2,565	3,536	3,436
Salaries and Benefits	3,072	3,784	3,764
TOTAL EXPENDITURES	9,795	13,795	14,141
Running Surplus / (Deficit)	(2,547)	(4,727)	(5,039)
Convention Surplus / (Deficit)	3,100	3,100	3,200
Corporate Income Tax	(8)	(8)	(125)
Net Surplus / (Deficit)	545	(1,635)	(1,964)

2009 Rate : 1 US\$ = IDR 9.400

2010 Rate : 1 US\$ = IDR 10.000



INDONESIAN PETROLEUM ASSOCIATION
BALANCE SHEETS
DECEMBER 31, 2009 AND 2008
(in million Rp)

	<u>Audited</u> <u>Dec. 31, 2009</u>	<u>Audited</u> <u>Dec. 31, 2008</u>
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalent	4,843	3,613
Account Receivable and Prepayments	796	774
Employee Loans Receivable	102	115
Inventory	138	119
Total Current Assets	5,879	4,621
Non Current Assets		
Fixed Assets, net	1,014	1,318
Deposits	211	242
Total Non Current Assets	1,225	1,560
TOTAL ASSETS	7,104	6,181
 <u>LIABILITIES AND ACCUMULATED SURPLUS</u>		
LIABILITIES		
Current Liabilities :		
Account Payable and Accrued Liabilities	2,522	1,421
Tax Payables	1	36
Total Current Liabilities	2,523	1,457
Non Current Liabilities		
Deferred tax liability	9	17
Total Non Current Liabilities	9	17
TOTAL LIABILITIES	2,532	1,475
Accumulated Surplus	4,572	4,706
TOTAL LIABILITIES AND ACCUMULATED SURPLUS	7,104	6,181

INDONESIAN PETROLEUM ASSOCIATION
BALANCE SHEETS
OCTOBER 31, 2010 AND DECEMBER 31, 2009
(in million Rp)

	Unaudited Oct.31, 2010	Unaudited Sep. 30, 2010	Audited Dec. 31, 2009
<u>ASSETS</u>			
Current Assets :			
Cash and Cash Equivalent	3,323	1,942	4,843
Account Receivable and Prepayments	2,145	3,668	796
Employee Loan Receivables	98	102	102
Inventory	130	134	138
	<hr/>	<hr/>	<hr/>
Total Current Assets	5,696	5,846	5,879
Non Current Assets			
Fixed Assets, net	789	812	1,014
Deposits	278	346	211
	<hr/>	<hr/>	<hr/>
Total Non Current Assets	1,067	1,158	1,225
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	6,764	7,004	7,104
<hr/>			
<u>LIABILITIES AND ACCUMULATED SURPLUS</u>			
<u>LIABILITIES</u>			
Current Liabilities			
Account Payables and Accrued Liabilities	1,647	1,488	2,523
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	1,647	1,488	2,523
Non Current Liabilities			
Deferred Tax Liability	0	0	9
	<hr/>	<hr/>	<hr/>
Total Non Current Liabilities	0	0	9
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	1,647	1,488	2,532
	<hr/>	<hr/>	<hr/>
Accumulated Surplus	5,116	5,516	4,572
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND ACCUMULATED SURPLUS	6,764	7,004	7,104
	<hr/>	<hr/>	<hr/>

SECTION 3

COMMUNICATION COMMITTEE

REPORT ON 2010 ACTIVITIES AND 2011 WORK PROGRAM

CHAIRMAN

Paul Mustakim

(Chevron Pacific Indonesia)

COMMUNICATIONS COMMITTEE

2010 Activities Report and 2011 Work Program

2010 Highlight

During the early part of 2010, the programs of the Communication Committee have mostly focused on increasing public awareness and government relations with activities incorporated into the 34th IPA Convention and Exhibition Event. With the vacancy of the chairman of the Committee, some of the planned 2010 activities were deferred to later part of the year and have to be moved into next year planned programs.

The committee has successfully integrated the IPA Convention Communications and Media strategy with IPA's communications strategy. The communication team (Basrie Kamba of BP Indonesia, Tommy Hersyaputera of Statoil Indonesia, Adelina Novianti of Talisman Indonesia, Teddy Rahmanto of BP Indonesia and Wianda Pusponegoro of Pertamina) has effectively created public awareness of IPA organization with an integrated communications and media program in the convention. An effective engagement with the Government of Indonesia's related institutions have also provided a great help to the success of the Convention program.

Due to the increasing needs in the area of communication, the IPA Board has created a position of Communication Executive to help promote the communication needs of the IPA executive office concentrating on enhancing further the IPA Newsletter and Website. Ms. Ferita Kanter was recruited as the Communications Executive to mainly assist the Executive Director in running the association, and deal with day-to-day issues, from the communications perspective.

During the third quarter of 2010 IPA Board has also appointed Paul Mustakim from Chevron Corp to become Chairman of the Communication Committee.

With the increasing challenges faced by the O&G industry, IPA are called upon to be more active and pro-actively contribute through interactive and productive engagements with the government of Indonesia through BPMIGAS, MIGAS, and other related ministries.

The organization is now entering into the next level of need to increasing further the public awareness of the IPA role. Inevitably IPA needs to continue positioning itself as organization that brings benefits to government, investors, communities, employees, customers and the environment as a partner of the Government of Indonesia and that continuously improving and maintaining the investment climate within the energy sector, particularly oil & gas industry. IPA is now ready to maintain that good reputation by working with strategic stakeholders such as Indonesian Government, Media, NGOs, its company and individual members to increase its profile.

Beginning fourth quarter 2010 the committee started to set two main focuses i.e. in the area of:



-
1. Stakeholder Relations and Issue Management
 2. Communications and Media Relations.

A positive role has been initiated by the Communication Committee towards the later part of the year through building synergies with other IPA Committees such as SCM and RAC. The significant collaboration among these committees has been demonstrated through the advocacy process of the Cabotage issue.

Key Activities in 2010:

34th IPA Convention and Exhibition (18 – 20 May 2010)

- Media interview media outlets: Jakarta Post.
- Partnership with NGO media: Newspaper in Education -- by giving a sponsorship of free entrance to more than NIE (News-Information-Education, Jakarta Post) participated by teachers and students from all across Jakarta to come and see IPA Exhibition and Convention 2010.
- Media partnership with TEMPO, the Jakarta Post and the Economist in promoting IPA's profile and activities during IPA Exhibition and Convention 2010.
- Participated in talk show Jakarta Foreign Correspondent Club.

In response to the recent natural disasters in a number of areas in Indonesia, IPA has committed to support through the Indonesian Red Cross with a contribution of USD 25,000.00 IPA will continue participating in the humanitarian and community care programs in the future.

2011 Focus Areas

The Communication Committee will lead the objectives and the efforts of IPA organization in the following focus areas:

External Communication

Clear Positioning; re-emphasize IPA position as;

- An enabler of investments
- Reliable partner of Government of Indonesia in promoting investment climate
- A trusted partner for the community in energy sector
- Constructive Communication
- Clear stands and messages (investment best interests), with collaborative approach with Government of Indonesia
- Engagement at all level and broad stakeholders (government institutions, media, observer, consultants, community groups, NGOs, etc)
- Deploy reputation/ perception messages
- Pro-active advocacy
- Maintain regular engagement
- Use IPA common issues in constructive dialogues
- Capture and manage emerging issues
- Ad-hoc issue teams

Internal Communication

- Improved Communication Flow / Governance
- Regular highlights of committees' key programs and progresses on IPA issues list to:
 - Board
 - Executive / Secretariat Office
 - Communication Committee
- Structured issues management process
- Leveraged Internal Knowledge
- Lateral: synergizing efforts among committees
- Vertical: regular updates between Committees and Board
- Extended: leverage PSCs' functional networking
- In-ward: capturing emerging potential issues out from workshops, medias, etc (intelligence)
- Members participation (in messages, advocacy strategy, etc)

Reliable Information System

- Comprehensive information and database on web or in library including regular updates of IPA web content.
- Efficient filing and retrieving systems, issue/ topical information and filing tracking system

Priorities during 2011 are:

- Work in coordination to support IPA 2011 Convention & Exhibition organising committee
- Facilitate advocacy processes in managing key issues in IPA list (cabotage, cost recovery, new oil & gas law, etc.
- Increased Government of Indonesia engagement programs
- Media engagements
- Inter-committees engagements
- Public/ community and environmental care programs
- Improved database

Communications Committee Members

Chairman	:	Paul E. Mustakim	Chevron Pacific Indonesia
Member	:	Desy Unidjaja	BP Indonesia
		Ivan A. Sebayang	ConocoPhillips Indonesia
		Adelina Novianti	Talisman Indonesia
		Ratna Novanti	Chevron Pacific Indonesia
		Tri Sukma Djandam	ExxonMobil Oil Indonesia
		Ineke Sundari	ConocoPhillips Indonesia
		Hendi Kiswanto	Marathon Oil
Secretary	:	Tommy Hersyaputera	Statoil Indonesia

Note: members maybe expanded should there is a need.

SECTION 4

CONVENTION COMMITTEE
REPORT ON 2010 ACTIVITIES

CHAIRMAN

Vincent Soetedja

(eni Indonesia)

CONVENTION COMMITTEE

I. Report on the Organization and the Implementation of the 34th Annual IPA Convention and Exhibition Jakarta Convention Center, May 18th to 20th May 2010

In the wake of global economic recovery and stabilized oil price, the overall organisation of the convention and exhibition was deemed very successful. There were numerous high quality technical papers and posters presented, along with many innovative booth design and display animations. In addition to that, there were 2 Plenary Sessions and 2 Special Sessions which were able to attract full house audiences in the Plenary Hall.

The theme of this year's convention was:

Managing Investing Together for Future Growth

The opening ceremony was held at the JCC Plenary Hall, attended by HE Vice President DR. Boediono, HE Minister of Energy and Natural Resources DR. Darwin Zahedi Saleh, HE Minister of Law and Human Rights Patrialis Akbar, IPA President and Board of Directors, VIP invitees and distinguish guests, and IPA members.

In addition to the opening by the HE Vice President DR. Budiono, the following distinguished speakers and panellists participated in the event:

Opening Ceremony Minister of Energy & Mineral Resources HE DR. Darwin Zahedi Saleh
Ron Aston (President of IPA)

Plenary Session 1 R. Priyono (Chairman of BPMIGAS)
(Supported by BCG) Karen Agustawan (President & CEO PT Pertamina (Persero))
Sofjan Wanandi Chairman of APINDO (Indonesian Employees Association)
Tony Nash (Global Research Director-Economist Intelligence Unit, The Economist)
Terry S McPhail (President&GM of ExxonMobil Indonesia, Inc.)
Jim Taylor (VP IPA BoD)
Klaus Langner (Boston Consultant Group)

Plenary Session 2 Bambang Susantono (Deputy Minister of Transportation)
(Supported by BCG) Evita Legowo (Director General of MIGAS)
Nur Pamuji (Director of Primary Energy, PT PLN (Persero))
Hendi Prio Santoso (President Director of PT PGN (Persero) Tbk)
Elizabeth Proust (President & GM of Total E&P Indonesia)
Sammy Hamzah (VP IPA BoD)
Klaus Langner (Boston Consultant Group)

Special Session 1 Prof. DR. Ir. H. Gusti Muhammad Hatta, MS. (Minister of Environment)
Peter Dumanauw (IPA Regulatory Affairs Committee)



Hermin Roosita (Deputy 2 Minister of Environment)
 Frank Nijman (Golden Indonesia)
 Maurice Burke (Herbert Smith LLP)
 Agustanzil Sharoezah (PT Energi Mega Persada)
 Allan Frederick (Widyawan & Partners)

Special Session 2 Sampe L Purba (BPMIGAS VP Program & Budgeting Management)
 Arividy Novianto (Total E&P Indonesia)
 Budi Agus Widjaja (BP Indonesia)
 William Deertz (PriceWaterhouse Coopers)

Exhibition

Number of exhibition booths this year amounts to **138** with a surface of **3,480 sqm** sold

Delegates and Participation

Registered delegates including convention participants, exhibitors and compliments amount to **3,377**

Technical Papers

Professional Oral and Poster presentations amount to **93**

Student Oral and Poster Presentations amount to **21**

Contract Signing and Block Awards

Witnessed by the HE Vice President DR. Budiono at the opening ceremony, **14** Production Sharing Contracts and **3** Gas Sales Contracts were signed.

Financial Figures (Rp x000)

	Actual 2009 Oct.31, 2009	Revised Budget 2010	Actual 2010 Oct.31, 2010
REVENUE			
Sponsorships	1,506,520	1,700,000	1,801,514
Booth Space Sales	10,746,752	10,373,250	10,579,030
Registered Delegates	5,480,697	5,373,687	5,855,966
Golf	411,373	322,000	325,119
Gala Dinner		125,000	56,000
Short Courses	752,609	669,780	865,151
Others	1,423		9,276
Total Revenue	18,899,374	18,563,717	19,492,056
EXPENDITURE			
Expenditures	14,777,430	13,148,169	13,294,102
Expenditures Golf	510,822	289,920	347,993
EO Cost		1,510,628	977,956
PPN			1,772,005
PPH Tax	208,899		
Total Expenditure	15,497,151	14,948,717	16,392,056
NET MARGIN	3,402,223	3,615,000	3,100,000



34th IPA Convention & Exhibition Committee

General Chairman : Ngurah Kresnawan (BP)
General Vice Chairman : Sonny Kosasih (Talisman)
Vincent Soetedja (eni)

Advisors : Dipnala Tamzil (IPA)
Wursitaningari (IPA)

IPA Secretariat : Audrey Sahertian (IPA)

<u>Sub-Committee</u>	<u>Chairperson</u>	<u>Vice-Chairperson</u>
Exhibition	Weanny Hikmat (Total)	Widiati Wagono (Talisman)
Finance	Freddy (Petrochina)	T. Ilhamsyah (IPA)
Plenary	Martinus Sembiring (Nat. Geoconsultant)	Tina Soetrisno (eni)
Publicity	Basrie Kamba (BP)	Tommy Hersyaputra (Statoil) Wianda (Pertamina)
Protocol & Reception	Ivan Sebayang (ConocoPhillips)	Maja Damajanti (Total)
Security	Untung Medianto (CNOOC)	Baruno Subroto (Chevron)
Short Course	Leonard Lisapaly (Fugro-Jason)	Ukat Sukanta (eni Indonesia)
Golf	Tjut Hamzah (Vico)	Mulkan Hamid (Petrochina)
Social & FB	Karlina Hardja (Energy Equity)	Koeswardhani (VICO)
Sponsorship	Handoyo Eko Wahono (BPMIGAS)	Suprijonggo Santoso (Saripari)
Technical Program	Bob Wikan (Pertamina)	Gregory Caine (ExxonMobil)

II. Report on the Organization and preparation of the 35th Annual IPA Convention and Exhibition

The 35th Annual IPA Convention and Exhibition is planned to be held on **May 18th – 20th, 2011** at **Jakarta Convention Center**.

The theme of the Convention is being worked with the assistance of the facilitator.

The Organising committee has been formed and the appointment of each position within the committee is made. Similar to the previous convention in 2010, an outsourcing approached of using the professional Event Organizer is adopted, and the number of the IPA committee members will be reduced by 25%. This call for better scope of work definition for the EO, more efficient in using the time of IPA committee member and increasing the utilization of EO function.

As traditionally arranged, the opening of the Convention and Exhibition is planned to be conducted by the president of Republic Indonesia, Susilo Bambang Yudhoyono. Two plenary and two Special sessions have been ear marked while an enhanced security system will be put in place.

Call of Technical Papers has been made since September 2010, and preparation work is underway.



35th IPA Convention & Exhibition Committee

General Chairman	:	Vincent Soetedja (eni Indonesia)
Vice Chairman 1	:	Budi Setiadi (Petrochina)
Vice Chairman 2	:	Basrie Kamba (BP)
Advisors	:	Dipnala Tamzil (IPA) Wursitaningari (IPA)
IPA Secretariat	:	Audrey Sahertian (IPA)

Sub-Committee

Chairperson

Vice-Chairperson

Exhibition	Widiati Wageono (Talisman)	TBC
Golf	Tjut Hamzah (Vico)	Yoedo K. (Total)
Security	Untung Medianto (CNOOC)	TBC
Protocol & Social	Ivan Sebayang (ConocoPhilips)	Tommy Hersyaputra (Statoil) Ratna Novanti (Chevron)
Finance	Freddy (Murphy Oil)	T. Ilhamsyah (IPA)
Sponsorship	Handoyo Eko Wahono (BPMIGAS)	Suprijonggo S. (Saripari)
Plenary	Reza Musa (Schlumberger)	Tina Soetrisno (eni Indonesia)
Short Courses	Leonard Lisapaly (Fugro-Jason)	Rini Kusumastuti (IPA)
Technical Program	Moh Syaiful (Think Tank)	Chris Golding (eni Indonesia) Roger Dube (Schlumberger)
Publicity	Adelina Novianti (ConocoPhilips)	Teddy W. (BP) Arlinka (Pertamina Energi Hulu)

SECTION 5

DATA MANAGEMENT COMMITTEE

REPORT ON 2010 ACTIVITIES

CHAIRMAN

Leonardus Tjahjadi

(BP Indonesia)

DATA MANAGEMENT COMMITTEE

Report of 2010 Activities and 2011 Objectives

Data Management Committee 2010 Highlight

- a. Resolved the data submission procedure to PUSDATIN.
 - Data that funded by AFE should be submitted to BPMIGAS.
 - Data that not funded by AFE should be submitted to MIGAS.
- b. Start engagement with Patra Nusa Data on Data Management issue.
 - On data license
 - Disaster Recovery Plan
- c. Conduct regular committee meetings.

Data Management Committee 2011 Objective

- Continue as liaison to Government and industry for Data Management issues.
- Work with all stakeholders for scoping the Indonesia Data Disaster Recovery Plan and national data bank.
- Continue regular meeting among members.

SECTION 6

ENVIRONMENT AND SAFETY COMMITTEE

REPORT ON 2010 ACTIVITIES

CHAIRMAN

Satrio Pratomo

(PEARL ENERGY INDONESIA)

ENVIRONMENT AND SAFETY COMMITTEE

Report of 2010 Activities

I. OVERVIEW

IPA ESC is a working committee and serves as a bridge between oil and gas operations and regulatory bodies, creates open dialogue between all stakeholders and provides a platform for the Government and the industry to address opportunities and future challenges in the environmental compliance. The committee is here to ensure that oil and gas operations comply with the applicable regulations. Furthermore, the committee actively participates in reviewing the draft of the regulations and providing input to ensure the regulations are sensible for industries without sacrificing the environment and human being.

For the past few years, IPA ESC have been very actively involved in regulatory advocacy from the industry and professional perspective and influencing government to revisit regulations which are not practical to achieve sustainability.

II. ENVIRONMENT & SAFETY COMMITTEE (ESC) MEMBERS

Along with the complexity of environmental and safety issues, the ESC membership has also grown. In 2009, the ESC members consisted of 19 members, and this number grew up in year 2010 into 25 members.

The ESC members in 2010 are shown below:

Chairman	:	Satrio Pratomo	Pearl Energy Indonesia
Secretary	:	Rossi Yuliani	Pertamina Hulu Energi ONWJ Ltd.
Members	:	1. Agustanzil Sjahroezah	Energi Mega Persada
		2. Agustina Parwitosari	Chevron
		3. Arudji Wahyono	Chevron
		4. Ibrahim Arsyad	Medco E&P Indonesia
		5. Juli Rusjanto	Total E&P Indonesia
		6. Joko Susilo	PT. Pertamina (Persero)
		7. Krishna Ismaputra	ConocoPhillips Indonesia
		8. Lidia Ahmad	BP Indonesia
		9. Muhammad Shobirin	Premier Oil Natuna Sea Ltd.
		10. Prijo Hutomo	Star Energy (Kakap) Ltd.
		11. Randolph Bledoeg	PetroChina Int'l Ltd.
		12. Sugiarto	PTT Explo. and Prod. Malunda Ltd.
		13. Nedia Permata Hasan	PC Muriah Ltd.
		14. M. Kosario Kautsar	BPMIGAS
		15. Bagus Edvantoro	BPMIGAS
		16. Mashudi	Total E&P Indonesia

17. Mirza Bourhanuddin	EMOI
18. Hanivatu Avida	EMOI
19. TP Pasaribu	PT. Pertamina (Persero)
20. Arryati Ramadhani	ConocoPhillips Indonesia
21. Benyamin Argubie	Total E&P Indonesia
22. Tangkas Siahaan	KODECO
23. I Nyoman Adi	CNOOC SES Ltd.
24. Mega Nainggolan	Energi Mega Persada

Since its establishment in 1990, the Committee chairpersonship has changed along the period, the honorary chairpersons of the committee as listed below:

HONORARY CHAIRPERSONS

1. Agustanzil Sjahroezah	Energi Mega Persada
2. Arudji Wahyono	Chevron
3. Jusuf R. Odang	Vico
4. Otong S. Adisapoetra	Repsol YPF
5. Benky Bagoes Oka	ARCO Indonesia
6. I Made Surya Kusuma	Caltex Pacific Indonesia
7. Steve Massey	Mobil Oil Indonesia
8. Michael Bradey	Lasmo Oil

New members joining in 2010:

1. Joko Susilo	PT. Pertamina (Persero)
2. Krishna Ismaputra	ConocoPhillips Indonesia
3. TP Pasaribu	PT. Pertamina (Persero)
4. Arryati Ramadhani	ConocoPhillips Indonesia
5. Benyamin Argubie	Total E&P Indonesia
6. Tangkas Siahaan	KODECO
7. I Nyoman Adi	CNOOC SES Ltd.
8. Mega Nainggolan	Energi Mega Persada

Members who left in 2010:

1. Karel Piet	CNOOC SES Ltd.
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III. 2010 HIGHLIGHTS ISSUE

Late in 2009, the government enacted the third generation of the environmental law (Law No.32/2009) which many respects is not a revision but a rewrite of the previous Environmental Management Act, now called Protection Act and Environmental Management (UU-PPLH). The enactment of the 2009 UUPPLH heralds a challenging age for environmental management in Indonesia. Innovative concepts such as

environmental permits, recovery mechanism and remediation of contamination, carbon emission limits, environmental bonds, environmental risk assessment, and strategic environmental assessment introduced as a requirement for regional government and specific penalties for violators have been introduced.

What is required is to support the 2009 UU-PPLH with clear implementing regulations, to involve the industry in formulating these regulations. Of note is that implementing a regulation has its costs: additional money and effort have to be spent by the oil & gas operator.

As with any law, the 2009 UU-PPLH must be read in conjunction with implementing regulations. Some of these exist from the previous law, but there are at least 14 draft government regulations (*RPP, rancangan peraturan pemerintah*) and 9 draft ministry regulations (RPerMen, *rancangan peraturan menteri*) that will need to be drafted and passed by the government. The lack of implementing regulations will create uncertainty.

The State Ministry for the Environment (KNLH) and IPA ESC have agreed to continue periodic communications, giving feedback and providing regulatory proposals which will be further reviewed by KNLH.

IV. 2010 ENVIRONMENT & SAFETY WORK PROGRAMS AND ACHIEVEMENTS

IPA-ESC is routinely having a monthly meeting every second Thursday of the month. Various environmental and safety topics were discussed in the meeting, focusing on regulatory advocacy and members capacity building.

Regulatory advocacy is one of the ESC focus. The objective of this working group is to support the development of draft RPP and RPerMen for the clear implementation of the 2009 UUPPLH. ESC is actively involved in discussion with relevant regulator to advocate the new regulation, so that oil & gas operations can run smoothly whilst complying with the prevailing regulations.

The following are the discussion summary advocacy conducted by the committee:

Regulatory Requirement	Result and Outstanding Issues
Draft of Government Regulation on Environmental Permit (<i>perizinan lingkungan</i>)	<ul style="list-style-type: none"> • Provided input for the draft development which attempt to exclude environmental permit requirement at exploration stage.
Draft of Government Regulation on AMDAL	<ul style="list-style-type: none"> • Criteria of activities which subject to AMDAL, UKL/UPL, SPPL and those requiring new AMDAL. • Environmental Bonds (<i>Dana</i>)

	<p><i>Penjaminan Lingkungan</i>).</p> <ul style="list-style-type: none"> • Community involvement/public consultation. • Cost of AMDAL document review to be borne by the government. • Provided input that AMDAL should not be too detail due to the nature of oil and gas business but only to cover basic design of development • AMDAL process should be focused and lean. • RKL/RPL document shall focus on significant environmental impact only. • Environmental risk analysis will not be part of AMDAL study.
Draft revision of Ministry of Environment regulation on effluent discharge standard for oil and gas activities	<ul style="list-style-type: none"> • New set of standard has been proposed to accommodate the dynamics of upstream oil and gas operations.
Draft Ministry of Environment regulation on emission load calculation methodology for oil and gas industry	<ul style="list-style-type: none"> • Drafted the overall structure of calculation methodology based on international oil and gas industry standard • Final document was approved as initial official draft (for the ministry regulation due to be issued in 2011) • Support MIGAS to conduct socialization of the draft to both upstream and downstream oil and gas industry

In the first semester of 2010, the IPA ESC has successfully facilitated communication between Ditjen Migas, State Ministry for the Environment (KNLH) and BPMIGAS with regards to the implementation of the UUPPLH which took effect on October 3, 2009.

Meetings and discussion were held with Deputy State Minister for the environmental compliance and his team, Ditjen Migas and IPA ES, whereby IPA ESC provides insights and constructive input to prevent the shutdown of upstream oil and gas operations due to non-fulfillment of “environmental quality standards”, especially waste water and air emission.

Advocacy process was also carried out in cooperation with BPMIGAS so that IPA ESC was involved in several cross-sector meetings coordinated by Ditjen. Migas.

The last meeting which was held on 21-23 April 2010 and attended by the Ditjen Migas, KNLH, BPMIGAS and IPA ESC team, has generated an agreement to provide PSC's and other business entities a transitional period to enable them to adhere to stipulation on environmental quality standard. KNLH will issue letter of warning to PSC's with copy to Ditjen MIGAS, BPMIGAS and BARESKRIM as an omission of non-fulfillment and will be considered comply as long as meet the agreed period. Later, this agreement reflected in the 2009-2010 PROPER criteria for BLUE rank.

Another outstanding achievement for this Regulatory Advocacy Group, successfully facilitate the development of draft PERMENLH by involving not only upstream interest but also down stream interest that representing by refinery unit of Pertamina and LNG Plant. IPA ESC proposed a final draft for air emission load calculation methodology to support the implementation of Government Regulation No.13 year 2009 pertaining Stationary Air Emission Standard for Upstream Activities. Final meeting was held on 29 October 2010 by Deputy State Minister for environmental pollution controlling in Solo through a meeting title "Final Discussion on draft of PERMENLH subject stationary emission load calculation methodology" and ESC draft accepted by all interest stakeholders. KNLH plans to issue this draft as new PERMENLH by end of this year. IPA ESC also invited by Ditjen MIGAS as main speaker during socialization of this draft to down stream business which was held on 15 November 2010 in Bandung. Appreciation to this group was given by MIGAS.

On 9 October 2010, IPA ESC led the discussion with KNLH on the revision effluent discharge standard for upstream oil, gas and geothermal activities (ref. PERMENLH No.4/2007). The outline changes to regulations are determination of effluent discharge standard for onshore E&P that returns to the previous decree (ref. KEPMENLH No.42/1996); whereas Minister of Environment may issue other provisions based on scientific reviews. In addition, maximum concentration for sanitary waste water standard changes to 2 mg/l and delta temperature equals to 5 degrees for cooling water in the refinery.

In the end of November 2010, ESC actively participated in Forum AMDAL Indonesia (FAI) to advocate the implementing regulation on environmental permit. Discussion is still on going.

Competencies have become the primary driver for professional development and all aspect of talent management. Competencies are defined as a set of observable behaviors that encompass the knowledge, skills, attitudes, motives and temperament that distinguish excellent performers.

Considering that, the Environment and Safety Committee has established Professional Competency working group with the objective for short term as explained below;



Short Term (2010-2011): Competency & capacity building on the overall HSE & Business Sustainability Concepts to all IPA Company Members' Technical Heads and Senior Lead Operating Personnel who are accountable and responsible for operations and exploration activities as stipulated in the UU PPLH No.32/2009. The expected output of this program is a competency matrix.

The following are short summary of the Professional Competency Program achievement:

The first and second workshops, "*Competencies in Managing Major Disaster*" and "*Emergency Response Management: Competencies and Practices*", were held on July 22 and 29, 2010. The total number of attendees for both workshops is 32. These are joint session with ITB, SPE, IATMI and APMI, it result a proposed competency matrix for crisis and emergency management for industry leadership (Technical Head, managers).

The third workshop with topic "*New Environmental Regulatory Requirements*" was conducted on September 23, 2010. The guest speaker, Mr. Bambang Pramudyanto, is a civil service investigator (*Penyidik Pegawai Negeri Sipil*) from KNLH. The event was attended by 22 participants. The summary of the discussion concludes that:

- KNLH will perform supervision and implement strict sanction consistently.
- Industries will implement PROPER consistently.
- There needs to be a stronger commitment by all stakeholders including the Government, Legislators and Industries in environmental protection and management.

FORWARD PLAN

- Continue the advocacy work on new emerging issues in 2010 on various government regulations development and/or changes through working team assigned with the relevant government agencies.
- Continue involvement competency development of health, safety and environmental by organizing trainings and/or workshops.
- Expand and maximize the active participation of IPA-ESC in the health, safety and environmental discipline of IPA and other relevant events, such as IPA or SPE Annual Convention.
- Support the ongoing BP MIGAS Campaigns on the Journey To Zero Incident

SECTION 7

FINANCE AND TAX COMMITTEE

REPORT ON 2010 ACTIVITIES

CHAIRMAN

A. Noviyanto

(TOTAL E&P INDONESIA)

FINANCE AND TAX COMMITTEE

Report of 2010 Activities and 2011 Objectives

Chairperson	: A. Noviyanto (TOTAL)
Secretary	: Putri Wirjawan (CHEVRON)
Coordinator Tax	: Hendra Halim (BP)
Coordinator Audit	: Edwinsjah Iskandar (CNOOC)

2010 Objectives

- 1) To continue active engagement with BPMIGAS, MIGAS and DGT (Directorate General of Taxation), together with the Regulatory Affair Committee, in shaping the draft of GR of Cost Recovery and ensuring the GR to honor the existing contracts and not to put any annual cost recovery cap.
- 2) To continue supporting IPA Board of Director in engaging various stakeholders of oil and gas industry to improve the understanding on cost recovery, the importance of cost recovery, and the impact of changes in cost recovery mechanism to the industry.
- 3) To continue working with BPMIGAS, MIGAS and DGT to ensure the principal of PSC income tax calculation is following the current tax principal under the existing PSCs (e.g. Uniformity Principle, tax payment in cash, ICP is the basis for taxable income calculation).
- 4) To continue working with BPMIGAS and MIGAS to renew the import tax exemption facilities and continue to monitor the possibility to re-propose the more permanent solution on the import facilities.
- 5) To continue engage and collaborate with BPMIGAS, DG of State Budget and DGT, to immediately issue the implementing procedure for tax borne by Government on Parent Company Charges and other charges coming from head office.
- 6) To obtain BPMIGAS and MIGAS support and continue working with DGT regarding taxation methodology on transfer of PSC interest, with preference that Capital Gain Tax (CGT) to be imposed only on the gain portion (not the gross transaction value) as well as lower effective tax rate. IPA will also demand certain CGT exemption for internal company restructuring and the requirement to farm out 10% interest to Indonesian participation (required under the PSC).
- 7) To provide input to BPMIGAS for the improvement of Work Program & Budget process, which should be more focus on the high-level management meetings with more strategic approach rather than having discussion on the very detail items (micro management approach).

-
- 8) Continue to proactively engage and conduct dialogue with the DGT to share the progress on industry cost recovery issues and progress on BPKP audit exceptions; and to coordinate and advocate audit issues raised by BPK, BPKP and BPMIGAS auditors for appropriate attention and resolution. In 2009, BPMIGAS introduced new Division i.e. Operation Cost Audit Division. Besides that, BPMIGAS becoming more active in performing review related to Procurement (implementation of PTK007) and Asset. We need to carefully monitor development on such new activities and address issues accordingly.
 - 9) To conduct regular meeting and/or teleconference with Finance and Tax Committee (core) team to share knowledge, to discuss issues and agree on the strategic action point to progress/resolve the industry issues. And to conduct a wider industry Finance and Tax Committee meetings at least twice a year.

2010 Activities

- 1) The Finance and Tax Committee continuously monitors new development in the industry's finance and tax affairs and regularly share its progress and development to key finance people in the upstream oil and gas companies.

The Committee formed a joint effort with Regulatory Affairs Committee to provide input to the Government on the draft of Government Regulation with regard to Cost Recovery, Income Tax for Upstream Oil and Gas Sector and on the improvement of the Work Program and Budget process. After many meetings and various correspondences, many inputs from the IPA have been adapted in the latest draft regulation. Following are some of our proposals adapted in the latest draft:

- a. Confirmation that existing contracts will be grandfathered;
 - b. Confirmation that customs duty and import taxes are exempted on importation of goods for exploration and exploitation activities. This provision applies for existing and future contracts;
 - c. Elimination of cost recovery capping and removal of terms of Field Ring-Fencing;
 - d. The inclusion of tax exemption on the transfer of working interest during exploration (for risk sharing purposes) and any transfer to Indonesian Participants (IP).
- 2) The Committee has also actively involved in discussions with the BPMIGAS and the DGT for improvement of industry's Finance and Tax implementation and procedures.
 - 3) The Committee has actively participated and contributed in Finance and Economic Forum conducted by BPMIGAS in 30 March – 1 April 2010.
 - 4) The Committee provide to industry on obtaining a resolution on tax issues with the DGT, with the support of BPMIGAS and Fiscal Policy Board (BKF) on the issues:
 - a. Implementation of PMK 73/2010 (revision of PMK 11/2005) regarding timing for VAT collection by the PSC Companies as VAT collector

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- b. Implementation on Tax Borne by the Government on Head Office & Affiliated Offices Charges.
 - c. Importation taxation
- 5) The Committee, in collaboration with IADC (International Association Drilling Contractor) and BPMIGAS, had meeting with Tax Office with the objective to educate and push back the recent Tax Office's proposal to impose a new taxation on drilling activities (i.e. WHT Art. 22 and Art 23), which never been imposed before and this will potentially cause a detrimental impact to investor economics.
 - 6) Together with Regulatory Affair Committee, the Committee prepared Issues Paper/Talking Points for IPA Board of Directors meeting with the Minister of Finance on 20 July 2010.
 - 7) Continued engaging the industry Finance & Tax practitioners in the development of oil and gas industry taxation and financial matters through VP Finance meeting conducted during the year, active work-group meetings and telephone conferences.

2011 Objectives

- 1) To continue supporting IPA Board of Director in engaging various stakeholders of oil and gas industry to improve the understanding on cost recovery, the importance of cost recovery, and the impact of changes in cost recovery mechanism to the industry.
- 2) To continue working with BPMIGAS, MIGAS and DGT to ensure the principal of PSC income tax calculation is following the current tax principal under the existing PSCs.
- 3) To continue engage and collaborate with BPMIGAS, BKF and other stakeholders:
 - a. to immediately issue the implementing procedure for tax borne by Government on Parent Company Charges and other charges coming from head office and the amendment/revision of PMK 73/2010 (with the involvement of DG of State Budget and DGT).
 - b. to maintain the current tax treatment on cost sharing/cost allocation inter and intra PSC companies and on drilling services; and to obtain clarification on transfer pricing reporting requirements for oil and gas industry.
- 4) To engage IPA Board of Director to provide input for BPMIGAS Management for the improvement of Work Program & Budget process, which should be more focus on the strategic issues with a longer term vision.
- 5) Continue to proactively engage and conduct dialogue with the DGT to share the progress on industry cost recovery issues and progress on BPKP audit exceptions; and to coordinate and advocate audit issues raised by BPK, BPKP and BPMIGAS auditors for appropriate attention and resolution.
- 6) To conduct regular meeting and/or teleconference with Finance and Tax Committee (core) team to share knowledge, to discuss issues and agree on the strategic action point to progress/resolve the industry issues and to conduct a wider industry Finance and Tax Committee information meeting during the year.

SECTION 8

HUMAN RESOURCES COMMITTEE

REPORT ON 2010 ACTIVITIES AND 2011 PLANS

CHAIRMAN

Harris H. Djauhari

(PT. CHEVRON PACIFIC INDONESIA and CHEVRON INDONESIA COMPANY)

HUMAN RESOURCES COMMITTEE

Report of 2010 Activities and 2011 Plans

A. ORGANIZATION

Listed below are the current members of the Human Resources Committee:

Chairman	: Harris Djauhari	- Chevron (CPI & CICO)
Vice Chairman	: Ali Mudhofar	- ConocoPhillips
Secretary	: ETTY Purwanto	- Santos
	Anna Suherman	- Schlumberger
Members	: Amyra Sindikusumo	- CNOOC
	Maryke Pulunggono	- PetroChina
	Novian	- Total Indonesia
	Indrarko Susatijo	- ExxonMobil
	M.H. Manullang	- VICO Indonesia
	Susbandono	- Medco
	Insan Purwarisya	- Pertamina
	Sugembong CF	- Star Energy
	Budi Munandar	- BP Indonesia

B. PURPOSE & SCOPE

PURPOSE

- To provide a forum for IPA Company members to discuss, interpret, clarify and communicate all human resources and industrial relations issues in the oil and gas sector.
- To represent the oil and gas sector in the advocacy effort directly to various government institutions or via other associations such as APINDO (Employers Association) to ensure that the concerns of the IPA Company members or the oil and gas sector are properly addressed.

SCOPE

- To continuously advocate to the Government to streamline the formalities requirements and processes for the expatriate and national employees.
- To continuously advocate to the Government to properly address the industrial relations issues for the national employees.
- To benchmark good practices in the employee compensation and benefits issues as allowed by the laws and regulations of the host and home countries of Company members.
- To share knowledge, experience and practices in the employees development and to synergize on the employees training programs where possible.

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- To share knowledge, experience and practices in the medical services and to provide input to BPMIGAS on medical cases that require further treatment outside Indonesia.

Based on the above purpose and scope, the HR Committee has 4 sub-committees and work closely with BPMIGAS to address the issues within the above scope:

- Sub-Committee I covers the formalities issues (RPTK, Work Permits, Visas, etc)
- Sub-Committee II covers the industrial relations and compensation & benefits issues.
- Sub-Committee III covers the training and development issues.
- Sub-Committee IV covers the medical issues

C. 2010 ACTIVITIES

1. Provide the subject matter experts for the BPMIGAS PTK-018 to develop written guidelines for clarification both to the PSC companies and Government auditors (BPK and BPKP) on the total remuneration programs in line with PSC term and industry concern and support BPMIGAS initiative. We suggested the guidelines should recognize difference conditions and philosophy of each company and have global perspective in light of the current competition for talents across the countries and regions.
2. Continue to provide inputs to BPMIGAS regarding the extension of employment for national employees after regular retirement age of 56 years. The spirit of the BPMIGAS decree is supporting the PSCs to build the Organization Capability to deliver the business plan targets. Different PSC has different operational needs, and therefore the implementation of each PSC will be managed differently. Several PSCs may not have a business case to adopt the extension of retirement age at this time.
3. Provide the subject matter experts to BPMIGAS in developing a plan for competency development in Oil and Gas Industry in Indonesia to build the National Capability.
4. Continue the advocacy to BPMIGAS and Manpower Department as well as related government institutions in streamlining the HR process. Further advocacy is needed to improve the efficiency and effectiveness of HR procedures based on the Memorandum of Understanding between BPMIGAS and Manpower Department.
5. Supported the annual IICS compensation survey administered by third party and followed by discussion forum at year end which includes the discussion on financial and non financial program in order to retain the talents within the company especially in this current situation.
6. Collaborative efforts to execute the program of “University Assistance Committee (UAC)” of the Indonesia Petroleum Association on managing the assistance in terms of participating short courses and/or seminars for students and lecturer, and donating books and magazines of Oil and Gas to several Universities in Indonesia.

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7. Conducted regular meeting on medical referral issues to provide input to BPMIGAS on medical cases for national employee requiring treatment overseas.
 8. Conducted Human Resources Annual Forum with participant consist of HR professional and management from BPMIGAS, PSC, Services Company and other Government Offices on November 9 – 12, 2010 discussing various HR issues in the oil and gas sector including CDM Award, Lecturer, Sharing Best Practice from various industries, and HR service provider booths.

D. 2011 PLANS

1. Conduct discussion on the people development in the PSCs, and support the work groups of HR Committee to execute the programs.
2. Continue to identify improvement opportunity and advocacy efforts to BPMIGAS and Manpower Dept. so that HR Committee of IPA can focus on a more strategic thinking in the following process:
 - a. Streamlining the requirements and process for expatriates' formalities.
 - b. Better coordination in the inspections by various Government offices
 - c. National Tripartite Forum
 - d. Government Regulation on severance pay, cost recovery
 - e. Any new laws and regulations affecting oil & gas sector.
3. Continue to provide Subject Matter Experts (SME) to the BPMIGAS HR efforts in building the National Capability in Oil and Gas Industry in Indonesia.
4. Continue information sharing on medical programs and regular medical referral meeting.
5. Continue HR Annual Forum with BPMIGAS and other Government Offices to improve communication and relations.
6. Continue to collaboratively execute the program of "University Assistance Committee (UAC)" of the Indonesia Petroleum Association on managing the assistance in terms of participating short courses and/or seminars for students and lecturer, and donating books and magazines of Oil and Gas to several Universities in Indonesia.
7. Conduct quarterly HR Committee meeting in IPA Office and continue information sharing on attrition and retention issues on critical competency.
8. Conduct workshop and joint training programs related to industrial relation, occupational health and talent assessment.
9. Support the annual IICS compensation & benefits survey and discussion forum for better benchmarking for local and regional.

SECTION 9

GAS, LNG, AND CBM COMMITTEE

REPORT ON 2010 ACTIVITIES

CHAIRMAN

Larry Marks

(VICO Indonesia)

GAS, LNG, AND CBM COMMITTEE

Report of 2010 Activities

I. ORGANIZATION

Chairman: Larry R. Marks

II. FULL COMMITTEE

The full Gas, LNG and CBM Committee has been inactive for several years. The CBM Subcommittee was active throughout the year.

At the IPA Extended Board of Directors Meeting held on 27 August 2010, the Board of Directors adopted a resolution to reactivate the full Committee with a mandate to address a number of gas and LNG issues faced by the industry. IPA requested members to nominate their respective representatives to the Committee. The first meeting of the Committee will be held soon after completion of the appointments by the members.

Key issues that the Board of Directors directed the Committee to discuss include:

1. Increasing Gas Share in Indonesia' Energy Industry
Support the Government's awareness regarding an increasing gas share in Indonesia's energy industry and the need for industry incentives to assure development of new gas in Indonesia, which will be primarily from high cost sources of gas.
2. Domestic Gas Provision in the Revised Oil and Gas Law
 - a. 25% minimum DMO obligation with no certainty on maximum DMO; and
 - b. Pricing principles for domestic gas sales with possible cap on contractor rate of return.
3. Necessity to phase out PSC Contractor price subsidies for domestic gas sales.
4. Implications to the industry of the Government's plans for domestic LNG.
5. Possibility for future PSC driven mid and downstream projects, such as: pipelines and power.
6. Lack of clarity on PSC extensions stalling gas projects

III. CBM SUBCOMMITTEE

In 2010, the CBM Subcommittee has been active in discussing and providing inputs to the Government on the following matters:

1. Issuance of CBM Implementing Regulation By MIGAS

IPA working together with KADIN sent a letter to provide comments during preparation of the guideline. IPA also participated in the seminar held by MIGAS to finalize the first draft. After issuance of the first draft, IPA sent a letter to MIGAS providing comments to the draft as follows:

- a. Bigger CBM working area size to maximize development efficiency
- b. Ability to utilize individual wells for multiple PSC well commitments during exploration period (core holes, dewatering/exploration well, pilot well)
- c. Approvals for exploration and testing activities as part of the existing regular annual work program & budget (WP&B) approval process from a single government entity
- d. Ability to have a Plan of Development (POD) covering all or major part of working areas containing development in stages and with flexibility to adjust periodically based on operational experience and additional appraisal activities
- e. Ability to market up to 100% of P2 volumes
- f. Reserve certification and basis for POD to reflect characteristics of CBM project development and production
- g. Unitization obligation only to be applied if the production well is less than the required minimum distance from PSC boundary and based on mutual agreement by the parties concerned
- h. Transfer of Interest to be in accordance with PSC
- i. Maintaining flexibility to lease or purchase land for CBM activities

2. Gross CBM PSC

MIGAS socialized the Gross CBM PSC concept to CBM PSC Contractors, which was to be implemented in 2010 for the new CBM PSCs. If implemented, the existing CBM PSC Contractors would have an option to convert their respective conventional CBM PSCs to Gross CBM PSC. IPA together with IGA and KADIN provided comments and inputs to MIGAS regarding the Gross CBM PSC in March 2010.

The Gross PSC has not been implemented by MIGAS. The Subcommittee continues to monitor Government initiatives to introduce the Gross CBM PSC, but will take no proactive positions on the matter.

IV. FORWARD PLAN

1. Reactivate the full Committee to provide inputs to the Government regarding the above key issues affecting future development of gas and LNG projects in Indonesia.
2. Continue ongoing engagement with Government on CBM activities as described above.

SECTION 10

PROFESSIONAL DIVISION COMMITTEE

REPORT ON 2010 ACTIVITIES

CHAIRMAN

Ron Noble

(NIKO RESOURCES LTD)

PROFESSIONAL DIVISION COMMITTEE

January 2010 - December 2010

CHAIRMAN'S REPORT

Ron Noble (NIKO RESOURCES)

The mission of the IPA Professional Division is to promote and facilitate the transfer of technical information and advancing new technologies to individuals and companies working in the upstream oil and gas industry of Indonesia, and foster individual professional development amongst its members. The primary method of accomplishing this task is through an active program of luncheon talks, short courses, field trips, workshops and technical symposiums. In addition, the Professional Division issues a quarterly newsletter, publishes and sells technical proceedings, and supports an interactive web-based homepage.

As stated in Article X of the IPA Constitution, membership of the Professional Division is open to all individuals, whether salaried or self-employed, participating in petroleum activities in Indonesia. Individual membership in the Professional Division is, for the most part, drawn from industry professionals of all disciplines throughout Indonesia and from overseas. The Professional Division membership at year-end 2010 stands at 2011 individuals. Membership has increased by 14% from 2009, which is biggest increase we have seen since 2006. We currently have 23 lifetime members.

The Professional Division Committee is composed of a dedicated, multi-disciplinary group of volunteers who assume particular responsibility for various functions of the Division's programs. The program is executed with the very able assistance of staff from the IPA Secretariat, with whom the Committee works closely throughout the year. There were a few changes in the Professional Division Committee in 2010. The role of 2nd vice chairman has been filled by Stephen Scott (GENTING). Redo Waworuntu (CONOCOPHILLIPS) has the sole responsibility of coordinating Professional Division support of the University Activity Committee. All other members remain in their same positions. We are greatly indebted to all our committee for volunteering their time and effort to the IPA.

The Professional Division Committee at the end of 2010 is as follows:

Chairman	Ron Noble	(NIKO RESOURCES)
1 st Vice Chairman	Dharmawan Samsu	(BP)
2 nd Vice Chairman	Stephen Scott	(GENTING OIL)
Secretary	Audrey Sahertian	(IPA SECRETARIAT)
Treasurer	Roland Panjaitan	(HESS)
Continuing Education	H.L. Ong	(ITB/BPMIGAS)
	Sigit Sukmono	(ITB)
Field Trips	Walter Ziza	(TALISMAN)



Newsletter	Joel Guttormsen	(CONOCOPHILLIPS)
	James Farmer	(HALLIBURTON)
Luncheon Talks	Mark Thomsen	(EXXONMOBIL)
Membership	Sugembong C.F.	(STAR ENERGY)
Publications	Andy Livsey	(HORIZON)
Student Liaison	Redo Waworuntu	(CONOCOPHILLIPS)
Riau Chapter	Timbul P. Panjaitan	(CHEVRON)
Balikpapan Chapter	Patricius Andri Indhiarto	(CHEVRON)

The Professional Division has continued to successfully carry out its mission during 2010. Six (6) luncheon talks were held during the year, with attendance exceeding 570 professionals in Jakarta. In addition, ten (10) short courses were held on diverse technical topics throughout the year and all were well received and attended. The short courses presented in 2010 drew a total of 237 attendees, which is somewhat lower than last year. The demand for educational services remains strong, and the excellent work of short course organizers and instructors, has resulted in a healthy surplus for the IPA. In addition, four (4) educational fieldtrips were successfully completed during the course of the 2010.

The 2010 IPA Membership Directory was published and distributed to members, as were two (2) informative newsletters, which now can be accessed exclusively through the IPA website.

The Publications group continues with distribution of the IPA Proceedings volumes in digital format, both via an online website and on CD. This service can be accessed via the AAPG data pages, which is a highly efficient and cost effective method of disseminating technical information. Hard copy book sales are now quite rare.

Many thanks are offered to the dedicated officers and sub-committee chairmen for making 2010 such a successful year. In addition, special thanks are extended to all members of the IPA Secretariat for their outstanding work and continued assistance throughout the year.

TREASURER'S REPORT

Chairman : Roland Panjaitan (HESS)

Full year 2009 surplus was Rp1.03 billion which was from Revenue Rp6.84 billion and expenditure of Rp5.81 billion. Year 2009 budgeted a surplus of Rp1.28 billion.

Financial results for 2010 are still in progress. As of October 31, 2009 cash surplus was Rp1.36 billion. The surplus derived from Revenue of Rp4.94 billion and expenditure of Rp3.58 billion.

The main contribution to the cash surplus was Courses Rp1.07 billion, Membership Rp145 million, Fieldtrip Rp123 million, and the Sales of IPA DVD and other publication Rp94 million.

As of December 2010, we forecast a cash surplus of Rp1.34 billion. This surplus is derived from Revenue of Rp6.59 billion and Expenditures of Rp5.25 billion. Year 2010 budgeted a surplus of Rp1.13 billion.

CONTINUING EDUCATION SUB-COMMITTEE

Chairman : H.L. Ong (ITB & P.T. GEOSERVICES)

Vice-Chairman : Sigit Sukmono (ITB)

There were 10 professional courses offered in 2010 (lower than last year), plus 5 short courses held in conjunction with the Thirty-Fourth (2010) IPA Annual Convention & Exhibition. However, the convention short courses are no longer included in the Professional Division Committee report. A full list of short courses titles and the instructors is provided in Appendix A. A total of 237 participants attended the short courses from local and overseas. In general, all short courses were well attended and have generated a surplus for the IPA.

FIELDTRIP SUB-COMMITTEE

Chairman : Walter Ziza (TALISMAN)

The Fieldtrip Professional Sub Committee arranges educational fieldtrips for IPA members across the Indonesian archipelago. These fieldtrips are designed to provide educational training for individuals and petroleum companies working within Indonesia.

Four fieldtrips were scheduled during the course of the 2010 and one of them was re-run in December.

The first trip of the year was the classic Petroleum Geology of South Sumatra Basin, conducted by Dr. Alit Ascara and Dr. Andang Bachtiar as Leaders and with the participation of 9 persons.

Twenty-one non-geoscientists attended the second trip to *Madura, East Java and Cepu Area* which ran in April, and was conducted by Yohannes Koesoemo.

The third trip of the year was the classic *Modern and Ancient Mahakam Delta Sedimentology* trip which ran in May, conducted by Irfan Cibaj as leader, with a total of 15 attendees. We greatly appreciate the assistance of Total E&P Indonesia in making this trip possible.

Due to its popularity the trip *Oil Exploration, Drilling and Production Operations A Field Seminar for Non-Geoscientists*, in the Solo-Kuwu-Cepu-Porong-Suramadu area, was run the first time in August, with a total of 19 attendees; a second trip is presently planned in December.

Looking forward to 2011, the field trip budget proposal for next year includes further re-run of the Mahakam Delta trip, as well as possible re-run of Cepu trip and the trip to South

Sumatra. A field trip to the western coast of South Sulawesi, initially planned in 2010 has been rescheduled to 2011 for the unavailability of the trip leaders: we hope to run this trip in the second or third quarter 2011.

NEWSLETTER SUB-COMMITTEE

Chairman: Joel Guttormsen (CONOCOPHILLIPS) and James Farmer (HALLIBURTON)

In 2010 the Professional Division Newsletter went green, switching from a paper to an e-Newsletter format. The new e-Newsletter provides several levels of benefits, such as quicker distribution of the Newsletter via the internet, reduced cost to the IPA and membership in printing costs and mailing, and an environmentally friendlier format without the need for paper. E-mail notifications are sent out to the user base on publishing, and an embedded link allows them immediate web access. Alternately, members can visit the IPA Website (<http://www.ipa.or.id>) to access the Newsletter Digital Archives.

Also with this change the contributions of the Professional Division have been rolled-up into the much broader IPA Newsletter started in September 2009, with the objective of sharing information from the many IPA Committees working on behalf of the membership.

A big part of this effort has been coordinated by Ferita Kanter (Communications Executive), and her contributions and advice are appreciated by the Newsletter Editors and certainly benefits the membership.

The Newsletter focus remains on sharing articles and issues relevant to the Indonesian petroleum industry. Each Newsletter typically has one or two anchor articles, along with regular segments contributed by the following:

- Editor's Page: contributed by Joel Guttormsen and James Farmer
- Chairman's Corner: contributed by Ron Noble
- Drilling Highlights: contributed by Mark Harris (DI International, Singapore)
- Events Calendar: contributed by Simon Crellin (Deloitte Petroleum Services, Singapore)
- IPA Training Calendar: compiled by Rini Kusumastuti
- Ganti Wajah: list of new members/companies and updates, compiled by Rini Kusumastuti and Audrey Sahertian
- Miscellaneous: sub-committees such as Conferences, Training, Field Trips, Students, and Luncheon Talks often contribute notifications and short articles

For 2010, two issues of the Newsletter will be published. Topics included in the July 2010 Professional Division Newsletter: a recap of the successful 34th IPA Annual Convention & Exhibition, summary of Luncheon Talks, and a summary of Field Trips to South Sumatra and Cepu. The next targeted Newsletter will be in December 2010. For 2011, the target will be to issue a Newsletter per quarter.

An area for improvement would be to publish contributions from the membership, such as short technical articles – which has been a challenge through the years to obtain. The

editors have been leveraging the IPA technical archives for relevant articles to re-print in the Newsletter, and this has proved to be a useful resource to fill this gap.

The Newsletter Editors hopes these changes for 2010 are well received, and welcome constructive comments from the membership on how we might improve.

LUNCHEON TALKS SUB-COMMITTEE

Chairman: Mark Thomsen (EXXONMOBIL)

Luncheon Talks are an important focal point for members of the IPA and we are continually on the lookout for talks that are relevant and of interest to the IPA membership. In 2010 we were able to host six very interesting presentations during the February through October period. A wide range of topics were covered by the various speakers. In February 2010 Pak R. Priyono, Chairman of BPMIGAS, presented a very well attended talk titled "A Summary of 2009 E&P Activities in Indonesia and Outlook for 2010". PricewaterhouseCoopers presented their annual oil and gas survey results in June, also to a very full and attentive audience. Other talks covered topics including sequence stratigraphy, chemostratigraphy, and unconventional resources. In addition we had the privilege of hosting an AAPG Distinguished Lecturer as one of our guests.

Planning is already underway for 2011 with speakers for the first quarter already firming up.

MEMBERSHIP SUB-COMMITTEE

Chairman: Sugembong C.F. (STAR ENERGY)

The total for 2010 IPA Professional Division Membership is 2011. It increases fourteen percent (14 %) compare to last year. The breakdown of members is as follows: Jakarta 1428, Riau 474, Balikpapan 20, and Overseas 89.

This year we have the biggest increase in membership since 2006. The significant additional members came from Jakarta and Riau chapters with 186 and 70 new members respectively. The other sources of memberships such as Balikpapan and overseas, are relatively constant. This year is the fourth year of introducing lifetime membership to the IPA members. There are 23 lifetime members registered to date. In order to qualify for lifetime membership, an individual must have been an IPA member in good standing for at least 5 years. Life membership costs Rp. 2.250.000 or US \$300.

PUBLICATIONS SUB-COMMITTEE

Chairman: Andy Livsey (HORIZON)

The Publications Sub-Committee oversees the production and sales of all IPA publications including Convention Proceedings, Special Publications and Field Guides.



The Sub-Committee is now reviewing the ways in which publications are delivered in order to minimize production costs and time while maximizing revenue.

The digitizing of IPA publications in cooperation with the AAPG has added new life to some of the older publications. Sales of the IPA Digital Publications DVD have generated US\$61,000 since it was first released in 2007 and IPA share of royalties generated from AAPG Datapages as a result of this arrangement has also reached US\$25000.

As the Agreement with the AAPG winds down the Sub-Committee is investigating extension of this arrangement, look at devising a system to offer pay per view access to IPA Publications via the IPA website and also planning to update the digital publications database with the more recent conference publications and provide easy access to users.

HOMEPAGE AND INFORMATION TECHNOLOGY SUB-COMMITTEE

Responsibility for Home Page and IT support has moved from Professional Division to IPA Secretariat.

STUDENT ACTIVITIES LIAISON

Chairman : Redo Waworuntu (CONOCOPHILLIPS)

Funding and organization of student activities such as training courses are being handled by the University Assistance Committee. The Professional Division will support these activities by assisting with industry contact and liaison to determine when visiting technical staff might be in Jakarta and available to give lectures and lead seminars after their official business was completed.

RIAU CHAPTER

Chairman: Timbul P. Panjaitan (CHEVRON)

Local technical activities continue with other professional organizations, as most of our members are also members of SPE, IATMI, IAGI/HAGI. Several Abstracts for 2011 IPA Convention have been submitted. Some Luncheon Talk and Presentation as well as Short Courses for 2011 planning have been being reviewed by Riau committee in harmonic with other professional associations.

BALIKPAPAN CHAPTER

Chairman : Patricius Andri Indhiarto (CHEVRON)

The IPA membership of Balikpapan is planning technical activities by working together with other professional organizations in Balikpapan, as most of our members are also members of IAGI, HAGI, IATMI, and SPE.



APPENDIX A

SHORT COURSES - 2010

1. Title : Practical Investment Appraisal and Business Decision Analysis in Petroleum Exploration & Production - with special reference to the Indonesian PSC system
Instructor : Dr. H.L. Ong - Institute of Technology Bandung & Advisor to BPMIGAS
Dates : March 1 - 5, 2010
Venue : Sheraton Bandung Hotel & Towers, Bandung, Indonesia
Cost : US\$ 1,950 (IPA Members) - US\$ 2,050 (Non- IPA Members)
No. of participants: 21

2. Title : 3-D Seismic Interpretation Techniques
Instructor : Alistair R. Brown - Consulting Reservoir Geophysicist
Dates : March 22 - 26, 2010
Venue : Sheraton Mustika Yogyakarta, Indonesia
Cost : US\$ 2,500 (IPA Members) - US\$ 2,600 (Non- IPA Members)
No. of participants: 25

3. Title : Sequence and Seismic Stratigraphy: Concepts and Applications
Instructor : Dr. Henry Posamentier, Chevron Energy Technology Company
Dates : May 24 - 27, 2010
Venue : Sheraton Senggigi Beach Resort Lombok, Indonesia
Cost : US\$ 2,550 (IPA Members) - US\$ 2,650 (Non-IPA members)
No. of participants: 32

4. Title : Applied Subsurface Geological Mapping
Instructor : Siamak Agah - Subsurface Consultants & Associates, LLC - USA
Dates : June 14 - 18, 2010
Venue : Sheraton Mustika Yogyakarta - Indonesia
Cost : US\$ 3,750 (IPA Members) - US\$ 3,850 (Non-IPA Members)
No. of participants: 18

5. Title : Farmins and Farmouts for Explorationists
Instructor : Peter J. Cockcroft - Chairman, Blue Energy Limited
Dates : June 28 - 30, 2010
Venue : Hotel Mulia Senayan - Jakarta, Indonesia
Cost : US\$ 1,400 (IPA Members) - US\$ 1,500 (Non- IPA Members)
No. of participants: 21

6. Title : Basic of Petroleum Engineering, Geophysics and Geology Technology in Upstream Oil & Gas Industry for Non-Technical Staffs
Instructors : 1) Dr. Sigit Sukmono - Institute of Technology Bandung
2) Budianto Toha M.Sc. - Gadjah Mada University
3) Suranto, MT - UPN "Veteran"
Dates : July 12 - 15, 2010
Venue : Sheraton Mustika Yogyakarta, Indonesia
Cost : US\$ 1,500
No. of participants: 9

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7. Title : Petroleum Geology of Deep-Water (Turbidite) Depositional Systems
Instructor : Dr. Roger Slatt - University of Oklahoma
Dates : July 12 - 16, 2010
Venue : Sheraton Mustika Yogyakarta, Indonesia
Cost : US\$ 2,550 (IPA Members) - US\$ 2,650 (Non-IPA Members)
No. of participants: 23
8. Title : An Overview of CBM and Other Unconventional Gas
Instructor : Peter J. Cockcroft - Chairman, Blue Energy Limited
Dates : October 25 - 26, 2010
Venue : Le Meridian Hotel - Jakarta, Indonesia
Cost : US\$ 1,100 (IPA Members) - US\$ 1,200 (Non- IPA Members)
No. of participants: 34
9. Title : Geological Application of Well Logs
Instructor : Jenny Garnham - Independent Consultants, UK
Dates : November 1 - 5, 2010 (re-scheduling dates)
Venue : Sheraton Senggigi Beach Resort Lombok, Indonesia
Cost : US\$ 2,550 (IPA Members) - US\$ 2,650 (Non- IPA Members)
No. of participants: 24
10. Title : Carbonate Sedimentation, Sequence Stratigraphy, and Reservoir
Characterization
Instructor : Rick Sarg Ph.D. - Subsurface Consultants & Associates, LLC, USA
Dates : December 6 - 10, 2010
Venue : Sheraton Bandung Hotel & Towers, Indonesia
Cost : US\$ 3,750 (IPA Members) - US\$ 3,850 (Non- IPA Members)
No. of enrollments: 30

APPENDIX B

FIELD TRIPS - 2010

- Trip # 1 : Petroleum Geology of South Sumatra Basin
Dates : 12-16 March 2010
Trip Leader : Dr. Alit Ascaria of Premier Oil & Dr. Andang Bachtiar of ETTI
Participants : 9
- Trip # 2 : Geological Trip to Cepu Area for Non-Geoscientist Personnel
Dates : 10-13 April, 2010
Trip Leaders : H.M. Yohannes P. Koesoemo of SDA Consultant, Cepu
Participants : 21
- Trip # 3 : The Modern and Ancient Mahakam Delta Sedimentology
A Technical Field Trip for Geoscientists
Dates : 11-15 May, 2010
Trip Leader : Irfan CIBAJ (TOTAL)
Participants : 15
- Trip # 4 : Geological Trip to Cepu Area for Non-Geoscientist Personnel
Dates : 1-4 August, 2010
Trip Leaders : H.M. Yohannes P. Koesoemo of SDA Consultant, Cepu
Participants : 19

APPENDIX C

LUNCHEON TALK 2010

1. Date : 2 February 2010
Venue : Four Seasons Hotel
Speaker : Ole J. Martinsen, StatoilHydro Research, Bergen Norway
Title : Sequence Stratigraphy 25 Years Down the Road: Technology Dependencies, Current Practices and Evolving Methods for Prediction of Petroleum Systems
No. of Guest : 54

2. Date : 16 February 2010
Venue : Four Seasons Hotel
Speaker : R. Priyono / BPMIGAS
Title : Summary of 2009 E&P Activities in Indonesia and Outlook for 2010
No. of Guest : 263

3. Date : March 18, 2009
Venue : Crowne Plaza Jakarta
Speaker : John Woods, New Ventures, Chemostrat International Welshpool, UK
Title : Introduction and Application of Chemostratigraphy in Carbonate Systems
No. of Guest : 37

4. Date : 22 June 2010
Venue : Shangri La Jakarta
Speaker : Q. R. Passey, ExxonMobil Upstream Research Co
Title : From Oil-Prone Source Rock to Gas-Producing Shale Reservoir – Geologic and Petrophysical Characterization of Unconventional Shale Gas Reservoirs
No. of Guest : 77

5. Date : 28 July 2010
Venue : Four Seasons Hotel
Speaker : Paul Van Der Aa, PriceWaterhouseCoopers
Title : The Pressure is on: Investor Survey of the Indonesian Oil and Gas Industry
No. of Guest : 70

6. Date : 27 October 2010
Venue : Le Meridien Jakarta
Speaker : Peter Cockcroft, Chairman, Blue Energy Limited, Australia
Title : Unconventional Gas - A Global Look
No. of Guest : 77

SECTION 11

REGULATORY AFFAIRS COMMITTEE

REPORT ON 2010 ACTIVITIES

CHAIRMAN

Mark Snell

(EXXONMOBIL OIL INDONESIA INC.)

REGULATORY AFFAIRS COMMITTEE

Report of 2010 Activities and 2011 Ojectives

Chairman	:	Mark Snell	(EXXONMOBIL)
Deputy Chairman	:	Debbie Chastity	(CONOCOPHILLIPS)
Members	:	Hardi Hanafiah	(BP)
		Peter Dumanauw	(CHEVRON)
		Chris Angus	(CHEVRON)
		Heike Butar Butar	(CHEVRON)
		Arif Widjaksono	(CHEVRON)
		Jack Griffin	(CONOCOPHILLIPS)
		Anna Rosita	(EXXONMOBIL)
		Yandri Hendarta	(PREMIER)
		Lona Tarigan	(PREMIER)
		Nathan Welsh	(HESS)
		Dhanny Jauhar	(HESS)
		Arvin Mogot	(SANTOS)
		Hanny Denalda	(SANTOS)
		Angus Gow	(TOTAL)
		Indri Khrisnavari	(TOTAL)
		Caecilia Wulandari	(TOTAL)
		John King	(VICO)
		Eko Yuliawan	(VICO)
		Andi Ismail	(MEDCO)
		Crista Yuki	(MEDCO)
		Chip Rothschild	(MARATHON)
		Andi Haryanto	(ANADARCO)
		Larry Cantu	(ANADARCO)
		Gregg Masman	(INPEX)
		Neil Prendergast	(TALISMAN)
		Ferry Zulkarnaen	(GENTING)
		Philipus Sunarko	(ENI)
		Vincent Soetedja	(ENI)
		Daniel Kohar	(PWC)
		Michael Arruda	(JONES DAY)

PRIMARY EFFORTS IN 2010

1. Cost Recovery

The issue on cost recovery continued to prevail in 2010. RAC, in conjunction with the FTC, actively participated in discussions with GOI on the Draft Government Regulation on Cost Recovery. There were a number of consultations with the GOI that did result in some changes to the Draft Regulation. A generic cost capping provision was removed and the retroactive application of the regulation was mitigated

to an uncertain extent. The consultations were at times challenging given that revised versions were not always provided in advance of a meeting with the GOI and the complete draft was often withheld. The fact that the draft continues to preserve some retroactivity and further erodes costs recovery remain the most significant concerns. Other aspects of the draft regulation will be a disincentive to future investment including proposed taxation reforms. It is uncertain whether there will be further consultation on the draft. On the last occasion the meeting was hosted by representatives of the Director General of Tax, again only portions of the draft were shared with representatives of the IPA at that meeting, and a subsequent request for a complete copy of the revised draft with an opportunity to comment was issued with no response to date.

RAC also contributed to comments provided to BPMIGAS on the Implementing Guidelines for E&MR Regulation No. 22 / 2008 on Negative List and participated in meetings on the new WP&B process.

2. Cabotage

The IPA became extremely concerned with certain provisions of Law No. 17 / 2008 on Shipping, specifically related to the Cabotage principle, which if not resolved quickly and effectively before the deadline of its implementation on 7 May 2011, will have long term negative repercussions in terms of both the level of industry activity and the production of oil and gas in Indonesia. To support the industry's oil and gas operations, specific vessels are needed for exploration and production activities which are which are covered by the Law. Currently there is a limited number of Indonesian flag vessels in one category and no Indonesian-flag vessels in another.

The IPA was successful, with other bodies, in raising its concerns at a Ministerial level after protracted consultations below, which culminated in a meeting with the Office of the Coordinating Minister for Economy at which it was determined that the Law should be delayed in its implementation and that the Ministry of Energy and Mineral Resources should develop an academic paper to illustrate the need for an amendment to address the issue and to propose the terms of that amendment.

RAC, in conjunction with the Procurement Committee have continued to assist at all levels of consultation on this matter and have recently participated in the workshops and meetings associated with the generation of the academic paper.

3. Draft of the Bilingual PSC

RAC continues to provide its support to IPA's efforts to comment on a MIGAS draft of the bilingual PSC. With the assistance of outside counsel RAC is currently reviewing the draft to enable IPA to submit comments to MIGAS by a December 4, 2010 deadline.

4. Regulated Production Increase

RAC was closely involved in consultations on the implementation on the Ministerial Regulation on Oil and gas Production Increase (“the MR”) early in the year. The MR requires non-producing fields and wells to be inventoried and new discoveries to be notified and seeks to impose an accelerated program for development inconsistent with prevailing law, applicable PSCs, and industry capability. Following consultations on the MR, in which RAC was involved, BPMIGAS acknowledged that there were challenges in complying with the MR and some uncertainty in its application and sought input on the same. There has been limited activity with respect to the MR since.

5. National Banks

RAC supported the FTC in addressing industry concerns with respect to the use of National Banks by convincing BPMIGAS to sponsor efforts to have the banks establish system requirements that met the needs of the contractor’s cash management systems.

RAC and FTC helped secure a release of liability from the government on Abandonment Funds in Joint Accounts.

6. Perdiem and Other Payments to Government Officials

RAC is seeking to rejuvenate the subcommittee taskforce consisting of RAC members and BPMIGAS officials to address issues on per diem and other payments to government officials. The goal of the subcommittee is to focus on possible initiatives to ensure compliance with Indonesian anti corruption laws and applicable international laws on anti corruption.

In order to use and handle explosives in support of its exploration and drilling operations a PSC Contractor must first obtain a permit under the auspices of a 2005 Decree of Head of BPMIGAS. It is common practice that PSC contractor’s sub-contract the processing work for such permits to a third party/agent that is recommended by the Police of the Republic of Indonesia. PSC Contractors are concerned about being captive to the use of such sub-contractors, the amount of the fees often sought and lack of transparency in respect to the sub-contractors engagement with others. We understand that BPMIGAS is considering amending the Decree to address its own concerns in this respect. The IPA supports BPMIGAS’ efforts and encourages safeguards that will reinforce compliance with the applicable laws and regulations. RAC is seeking to detail its concerns and suggested changes to BPMIGAS, and to participate in the ensuing discussions that BPMIGAS may wish to have with the Police and other relevant government authorities.

7. Environmental Law

RAC is working with the Environmental Committee to review and assess the impact of the new Environmental Law (Law 32/2009) and consider the possibility of filing a petition for judicial review. RAC is ready to engage with GOI on any draft implementing regulations, such regulations will potentially have a significant impact on the substantive application of the Law in a number of respects.

8. Procurement of Goods and Services

It is understood that BPMIGAS may be preparing further revisions to BPMIGAS PTK 007-Rev1/2009. To date RAC has not seen any draft of such revisions, however, RAC is ready to address any industry concerns that may arise.

RAC is currently considering a BPMIGAS initiative where all Production Sharing Contractors at the production stage in specified regions are requested to participate in a procurement forum. The review has brought up some potential antitrust sensitivities which are being considered.

9. Oil and Gas Law Bill

RAC continues to monitor the progress, of an initiative from the House of Representatives (DPR) to amend the Oil and Gas Law No. 22/2001. Although the DPR has recently solicited views from academia, to date, the DPR has not distributed any official draft for comment.

10. PSC Lawyer's Seminar and Lunch

RAC held a half day PSC Lawyers' Seminar and Luncheon with participants from GOI and IPA member companies. The event was a great success. The seminar and panel discussions dealt with important changes and issues under the new environmental regime in Indonesia and the concepts of prudent operator and gross negligence in its application in oil and gas contracts internationally and in Indonesia.

11. Compliance

As a proactive compliance initiative, RAC has prepared a draft compliance statement for possible adoption by the IPA Board. RAC will bring a recommendation to adopt the statement forward to the Board in early 2011.

2011 OBJECTIVES

The IPA RAC's objectives for 2011 are predominantly consistent with its activities in 2010. RAC will continue to perform an active advocacy role in educating key stakeholders with respect to IPA's key regulatory issues. Contract sanctity, compliance initiatives, cost recovery and deferrals will continue to be a focus with the revision of the Oil and Gas Law and PSC extensions likely to be a new focus in 2011. RAC will continue to support the IPA Board and other IPA committees in responding to prospective and new laws and regulations including proposed amendments to existing laws and regulations.

SECTION 12

SECURITY COMMITTEE
REPORT ON 2010 ACTIVITIES

CHAIRMAN

Whisnu Bharata

(BP Indonesia)

SECURITY COMMITTEE

Progress Report

I. General

As a continuation of 2009 program which was to provide the security outlook 2010 with topic of “Challenges a head of Indonesia’s Security; Impact to investment of Oil & Gas Industry”. The 2010 outlook focused on Terrorism after the dead of Noordin M. Top, The Global Financial Crisis Continuation, Local Election and Conflict, and how is the general social and political situation following the case of KPK and Century bank and the first 100 days of SBY administration.

II. IPA Security Committee Members

Security Chairman: Whisnu Bharata – BP Indonesia
Secretary: Astrid Febrina – BP Indonesia

COMMITTEE MEMBERS

1. Peter Harland – Vico
2. Lalu Hidayat – Conoco Phillips (*Replacing Dody Hendratna*)
3. Untung S. – CNOOC
4. Djayai Anwar – Pertamina EP
5. Satrio Wyardiono – Pertamina Hulu Energy (*Previously BP West Java*)
6. Baruno Subroto – Chevron
7. M. Sajid – Chevron

III. Related Activities and Programs 2010

- a. 34th IPA Convention & Exhibition 2010
Security Committee IPA participated in the 34th IPA Convention and Exhibition conducted in Jakarta Convention Center on 18 – 20 May 2010. The committee participated in the Oral Papers (The Technical Session) to present the Security Outlook 2010 with topic of “Challenges a head of Indonesia’s Security; Impact to investment of Oil & Gas Industry”.
- b. Internal Discussion to develop IPA Security Roadmap. This discussion is limited only for Security Committee member, and will be clarifying several issues including; The Purpose of IPA Security Committee, Learning Review, Identify Stake Holder, Challenge and, Deliverable Outcome.

The final result of the discussion will be compiled and produced as 2011-2013 IPA Security Roadmaps, and will be completed in 2011.

IV. Succession of IPA Security Chairperson

One key activity for 2011 is to succeed the succession plan of IPA Security Chairperson. The Role and Responsibility of IPA Security Chairman will be handed over from Whisnu Bharata to Baruno Subroto. Whisnu Bharata of BP Indonesia has been in this position since 2008, and Baruno Subroto of Chevron Indonesia Company, the next Chairman, will be fully in charge as IPA Security Chairman commencing on 1 January 2011. Baruno Subroto currently is an active member of IPA Security Committee since 2008, and he has been experiencing in leading and handling the IPA Security for the 34th and 35th Conventions and Exhibitions in the Jakarta Convention Center in the year 2009 & 2010.

SECTION 13

SERVICE COMPANIES COMMITTEE

NO REPORT SUBMITTED

CHAIRMAN

Bambang Purwohadi

(APEXINDO)

SECTION 14

SUPPLY CHAIN MANAGEMENT IMPROVEMENT COMMITTEE

REPORT ON 2010 ACTIVITIES

CHAIRMAN

I.G.K. Modana

(TOTAL E&P INDONESIA)

SUPPLY CHAIN MANAGEMENT IMPROVEMENT COMMITTEE (SIC)

Report of 2010 Activities and 2011 Objectives

The activities and highlights in 2010 of this committee were:

I. Routine activities

Monthly meetings amongst SIC members were done on:

- 26th January 2010
- 24th February 2010
- 24th March 2010
- 21st April 2010
- 2nd June 2010
- 22nd July 2010
- 9th August 2010
- 23rd September 2010
- 4th November 2010

Subjects have been discussed in the monthly meetings were:

- SIC special program for 2010.
 - Preparation of workshop Sharing best practices in implementation of new BPMIGAS Procurement Guidelines (PTK-007 Rev.1/2009).
 - First workshop was done on 10 March 2010.
 - Next workshop is planned after the issuance of new revision of PTK-007 (rev.2).
- New Minister of Industry Decree No.102/2009 about Local Content.
 - Discussion on this new decree which is not yet accommodated in PTK-007.
 - BPMIGAS has issued a letter on 21 June 2010 informing that this new decree now becomes part of procurement regulation for PSCs.
- New Minister of Finance Decree No.165/2010 about Assets Management of PSC.
 - Workshop organized by BPMIGAS done in Bandung in December 2009.
 - The new Decree No.165/2010 to replace the previous one No.135/2009 was issued on 7 September 2010.
 - A new stipulation in this decree is that the approval for engine exchange activity will be needed up to BPMIGAS level and just needs to report to Minister of Finance and Minister of Energy and Mineral Resources.
- Monitoring of Local Content achievement.
 - This requirement is included in PTK-007 Rev1.
 - Discussion about its implementation.
 - Some PSCs had a contract with 3rd party to do this Local Content monitoring.

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- Asset Management and Customs Affairs guidelines from BPMIGAS.
 - BPMIGAS has issued a new guideline for Assets Management (PTK-007 Book Three) and Customs Affairs (PTK-007 Book Four).
 - Socialization has been done in February 2010.
 - “Cabotage” issue.
 - Follow up of various activities with BPMIGAS, Migas and Directorate General of Sea Transportation.
 - Participation in various meetings with Authorities (BPMIGAS, Migas, Ministry of Transportation, Directorate of Sea Transportation), INSA, etc.
 - Participation in preparing IPA letter to Minister of Transportation (issued on 4th August 2010).
 - MoU between BPMIGAS and PT.Garuda Indonesia.
 - Discussion of the implementation of this MoU for PSCs.
 - BPMIGAS has a plan to issue the new revision of Procurement Guidelines (PTK-007 Rev 2).
 - Socialization has been done on 25th May 2010.
 - There are some concerns from PSCs, mainly on :
 - The threshold value for Tender Plan and Recommendation of Tender Winner that needs BPMIGAS approval (2 or 5 MUSD).
 - Procurement process related to local content.
 - Pre-qualification procedure.
 - The new guideline has not been issued yet when this report is made.
 - Price benchmarking.
 - Plan to make price benchmarking for main materials & services amongst the PSCs.
 - Scope under preparation.
 - Training for supply chain subject organized by IPA.
 - Plan to organize public training about Supply Chain.
 - Topic is being prepared.
 - SCM Professional Certification.
 - Received APPI letter on 25 August 2010 asking IPA support on establishment of Professional Certification Institution for Supply Chain Management under license of BNSP.
 - Requested APPI to make a presentation on this proposal.

II. Non-routine activities

- Workshop of sharing best practices in implementation of new BPMIGAS Procurement Guidelines (PTK-007 Rev.1/2009).

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- Workshop has been conducted on 10 March 2010 at ConocoPhillips office attended by around 40 people from PSCs who involve in Supply Chain/ Procurement activities.
 - Cabotage follow up :
 - Participation in Cabotage workshop organized by BPMIGAS on 18-19 February 2010 in Bandung involving all stake holders (Migas, Ministry of Transportation, PSCs, and Associations).
 - Participation in various meetings with BPMIGAS, Migas, and Directorate General of Sea Transportation.
 - Presentation on last update of this Cabotage issue to IPA Board of Directors on 11 June and 30 September 2010.
 - Participation in preparing IPA letter to Minister of Transportation (issued on 4th August 2010).
 - Participation on the meeting between IPA and Vice Minister of Transportation on 28 September 2010 (attended also by BPMIGAS, INSA, Representative from State Secretariat and Representative from Ministry of Defense).
 - Participation in the meeting between IPA and INSA (Indonesian National Ship-owners Association) on 6 October 2010.
 - A new decree of Minister of Transportation No. PM 73/2010 has been issued on 19 November 2010 (as revision of previous regulation no. KM 22/2010) stipulating that foreign ships engaged in transportation activities supporting domestic upstream and downstream oil and gas business shall be able to continue its activities until 7 May 2011.
 - Participation in the meeting with Migas, BPMIGAS, Ministry of EMR and Associations (GAPENRI, APMI, IADC, AKSLI) on 25 November 2010 for preparing academic paper for the proposal of amendment of Law no 17/2008 to House of Representatives (DPR).

III. 2011 Objectives

The SIC work program and objectives for 2011 will be:

- To continue seeking and proposing improvement on Procurement Guidelines from BPMIGAS (PTK-007).
- To organize a workshop for sharing best practices in doing procurement of goods and services and other supply chain management amongst the PSCs.
- To make price benchmarking for main materials & services amongst the PSCs.
- To recommend improvement on Assets & Materials Management processes to BPMIGAS.
- To join with IPA Professional Division Committee in organizing training for supply chain subjects,

SECTION 15

LIST OF COMPANIES & ASSOCIATES MEMBER

INDONESIAN PETROLEUM ASSOCIATION COMPANY MEMBERS

1. ANADARKO INDONESIA COMPANY
2. APEC BUNGA MAS INTERNATIONAL COMPANY
3. AWE LTD.
4. BP INDONESIA
5. BUMI PARAHYANGAN RANHILL ENERGIA CITARUM PTE. LTD.
6. CHEVRON INDONESIA COMPANY
7. CITIC SERAM ENERGY LTD.
8. CNOOC SES LTD.
9. CONOCOPHILLIPS INDONESIA, INC. LTD.
10. DART ENERGY INDONESIA
11. EPHINDO, PT.
12. ENERGY EQUITY EPIC (SENGKANG) PTY. LTD.
13. ENI INDONESIA LTD.
14. EXXONMOBIL OIL INDONESIA, INC.
15. FREEPORT INDONESIA, PT.
16. GENTING OIL NATUNA PTE. LTD.
17. HESS (INDONESIA PANGKAH) LTD.
18. HUSKY ENERGY, INC.
19. INDELBERG INDONESIA, PT.
20. INPEX CORPORATION
21. IRIAN PETROLEUM LTD.
22. JAPEX CO. LTD.
23. KALREZ PETROLEUM (SERAM) LTD.
24. KANGEAN ENERGY INDONESIA LTD.
25. KODECO ENERGY CO. LTD.
26. KONDUR PETROLEUM S.A.
27. LAPINDO BRANTAS, INC.
28. LUNDIN OIL & GAS B.V.
29. MARATHON INTERNATIONAL PETROLEUM INDONESIA LTD.
30. MEDCO ENERGI INTERNASIONAL, PT.
31. MITRA ENERGY (INDONESIA SIBARU) LTD.
32. MURPHY
33. NIKO RESOURCES LTD.
34. OILEX LTD.
35. OVERSEAS PETROLEUM & INVESTMENT
36. PACIFIC OIL & GAS INDONESIA, PT.
37. PEARLOIL (TUNGKAL) LTD.
38. PT PERTAMINA EP
39. PETROCHINA
40. PETROLIAM NASIONAL BERHAD/PETRONAS

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41. PETROSELAT LTD., PT.
 42. PPPTMGB "LEMIGAS"
 43. PREMIER OIL INDONESIA
 44. SALAMANDER ENERGY (BONTANG) PTE. LTD.
 45. SANTOS (SAMPANG) PTY. LTD.
 46. SHELL INDONESIA, PT.
 47. STAR ENERGY (KAKAP) LTD.
 48. STATOIL INDONESIA KARAMA AS
 49. TALISMAN (ASIA) LTD.
 50. TOTAL E&P INDONESIE
 51. TRIANGLE PASE INC.
 52. VICO INDONESIA

INDONESIAN PETROLEUM ASSOCIATION ASSOCIATE MEMBERS

1. ABHITECH MATRA INDAH, PT.
2. ACCENTURE, PT.
3. ALAMJAYA MAKMUR SEJAHTERA, PT.
4. AMEC BERCA INDONESIA, PT.
5. APEXINDO PRATAMA DUTA, PT.
6. ARMINDO PRIMA, PT.
7. BADAQ NGL, PT.
8. BAHAR & PARTNERS
9. BAKER HUGHES NDONESIA, PT.
10. BAKER BOTTS L.L.P.
11. BECHTEL INDONESIA, PT.
12. BGP INDONESIA, PT.
13. BINDER INDONESIA, PT.
14. BJ SERVICES INDONESIA
15. BMT ASIA PACIFIC INDONESIA, PT.
16. BORMINDO NUSANTARA, PT.
17. CAMERON SYSTEM, PT.
18. CENTURY DINAMIK DRILLING
19. CITRA TUBINDO, PT.
20. CITRABUANA INDOLOKA, PT.
21. CLIFFORD CHANCE
22. CORELAB INDONESIA, PT.
23. DELOITTE PETROLEUM SERVICES
24. DIMAS UTAMA, PT.
25. EAGLEBURGMANN INDONESIA, PT.
26. ERNST & YOUNG
27. EXLOG SARANA INDONESIA, PT.
28. EXTERRAN INDONESIA
29. FIBEROD ARCHIPELAGO INDONESIA, PT.
30. FLUOR DANIEL INDONESIA, PT.
31. FMC SANTANA PETROLEUM EQUIPMENT INDONESIA
32. GAFFNEY, CLINE & ASSOCIATES
33. GEOKINETICS INDONESIA, PT.
34. GEOPROLOG INTIWIJAYA, PT.
35. GEOSERVICES, PT.
36. HALLIBURTON INDONESIA, PT.
37. HERBERT SMITH/HISWARA BUNJAMIN & TANDJUNG
38. HITEK NUSANTARA OFFSHORE DRILLING
39. HORIZON GEOCONSULTING, PT.
40. IHRDC (INT'L HUMAN RESOURCES DEV CORP)

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41. IMECO INTERSARANA, PT.
 42. INSTITUT SAINS & TEKNOLOGI AKPRIND
 43. INSTITUTE TECHNOLOGY BANDUNG
 44. INSTITUTE TECHNOLOGY MEDAN
 45. INSTITUTE TECHNOLOGY SEPULUH NOPEMBER
 46. INTERTEK UTAMA SERVICES, PT.
 47. ISTECH RECOURSES ASIA, PT.
 48. ITOCHU CORPORATION
 49. JGC CORPORATION
 50. JONES DAY
 51. KALIRAYA SARI, PT.
 52. LANDMARK CONCURRENT SOLUSI INDONESIA
 53. LEIGHTON CONTRACTORS INDONESIA, PT.
 54. LERINDRO INTERNATIONAL
 55. M-I INDONESIA, PT.
 56. McDERMOTT INDONESIA
 57. MITSUBISHI CORPORATION
 58. MUTIARA BIRU PERKASA, PT.
 59. OSCO UTAMA, PT.
 60. PERFORINDO TEKNIKA NUSANTARA, PT.
 61. PETRATAMA NUSAPERTIWI (PETRANUSA)
 62. PETROLAB SERVICES, PT.
 63. PETROMARINE SERVICES INDONESIA, PT.
 64. PETROSEA TBK., PT.
 65. PGS NUSANTARA, PT.
 66. PRICEWATERHOUSECOOPERS
 67. PUNDI STRATEJASA INDONESIA, PT.
 68. PUSDIKLAT "MIGAS"
 69. RESOURCES JAYA TEKNIK MANAGEMENT INDONESIA, PT.
 70. SCHLUMBERGER GEOPHYSICS NUSANTARA, PT.
 71. SCOMI OILTOOLS, PT.
 72. SEAMLESS PIPE INDONESIA JAYA, PT.
 73. SGS INDONESIA, PT.
 74. SIDDHARTA & SIDDHARTA, DRS.
 75. STTNAS YOGYAKARTA
 76. SUCOFINDO
 77. SUDJACA PALEMBANG, PT.
 78. SUMBER DAYA KELOLA, PT.
 79. SYNERGY DOWNSTREAM SOLUTIONS PTE. LTD.
 80. SUPRACO INDONESIA, PT.
 81. TIDEWATER OPERATORS INDONESIA
 82. TRANS NUSANTARA MULTI CONSTRUCTION, PT.
 83. TRIPATRA ENGINEERING, PT.
 84. TUGU PRATAMA INDONESIA, PT.
 85. UNIVERSITY OF BRAWIJAYA

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86. UNIVERSITY OF GADJAH MADA
 87. UNIVERSITY OF HASANUDDIN
 88. UNIVERSITY OF INDONESIA
 89. UNIVERSITY OF LAMPUNG
 90. UNIVERSITY OF LONDON
 91. UNIVERSITY OF PADJADJARAN
 92. UNIVERSITY OF PAKUAN
 93. UNIVERSITY PROKLAMASI
 94. UNIVERSITY OF ISLAMIC RIAU
 95. UNIVERSITY OF SRIWIJAYA
 96. UNIVERSITY OF TRISAKTI
 97. U.P.N. VETERAN
 98. VERITAS DGC MEGA PRATAMA, PT.
 99. WEATHERFORD INDONESIA, PT.
 100. WELLTEKINDO NUSANTARA, PT.
 101. WIDYAWAN & PARTNERS
 102. WOOD MACKENZIE LTD.
 103. ZIFF ENERGY GROUP