
SECTION 15

UNCONVENTIONAL GAS COMMITTEE

2015 ACTIVITIES REPORT

AND

2016 WORK PROGRAM

CHAIRMAN

Chandra Daud Tiranda

(Bukit Energy Indonesia)



UNCONVENTIONAL GAS COMMITTEE

2015 Activities Report and 2016 Work Program

COMMITTEE MEMBERS:

POSITION	NO	NAME	COMPANY
Chairman	1	Chandra D. Tiranda	Bukit Energy Indonesia
Deputy Chairman	2	Achmadi Kasim	Vico Indonesia
Deputy Chairman	3	Unggul Setyatmoko	Dart Energy
	4	Stuart Smith	Lion Energy
	5	Heri Suryanto	Pacific Oil & Gas
	6	Dave Taber	Chevron
	7	Darmawan	Medco
	8	Wahyu Danumulyo	INPEX
	9	Pedro Nermalceff	Cooper Energy
	10	Minter Silalahi	Energi Mega Persada
	11	Yudie Iskandar	Total
	12	Sekar Sakti Hastasari	Pertamina (Persero)
	13	Tonny Supriadi Priantono	PHE
	14	Erica Listiani	Santos
	15	Walter Ziza	AWE
	16	Yong Wah Kee	NuEnergy Gas Ltd.
	17	Indra Hudaya	Sugih Energy
	18	Dini Sunardi	ConocoPhillips
	19	Rusli	Sugico
Alternate Vico	20	Mutia Djaafar	Vico Indonesia
Alternate Cooper Energy	21	Vladimir Caicedo	Cooper Energy
Alternate Pertamina	22	Henry Ardiyanto	Pertamina
Alternate Ephindo	23	Moshe Husin	Ephindo
Alternate Pacific Oil&Gas	24	Darwin	Pacific Oil & Gas
Alternate Bukit Energy	25	Bayu Harimurti	Bukit Energy Indonesia

SUMMARY REPORT OF 2015 ACTIVITIES

1	January 8	Finalizing Draft of Policy Paper on Accelerating Development of CBM Industry in Indonesia.
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2	January 23	LITBANG and IPA Unconventional Group (MNK) meeting to form FGD (Focus Group Discussion) on MNK.
3	January 29	Submission of Policy Paper on “Accelerating Development of CBM Industry in Indonesia”.
4	February 4	IPA MNK Unconventional Group meeting with LITBANG to draft a Policy Brief for MNK.
5	May 12, 2015	LEMIGAS FGD on Development of Shale Hydrocarbon and CBM Rig Pilot Project and CBM Development.
6	May 22, 2015	Three MNK Blocks signed: Palmerah MNK, Sakakemang MNK and Selat Panjang MNK.
7	July 28	FGD CBM meeting with Director General MIGAS on “Accelerating the Development of CBM Industry in Indonesia”.
8	Nov. 2	<ul style="list-style-type: none"> - Announcement of the approval of Minister Decree 38/2015 to allow CBM and MNK to choose three type of contracts: Regular PSC, PSC Sliding Scale and Gross PSC Sliding Scale - Announcement of three MNK Blocks thru Direct Offer Tender: MNK Blora, MNK Batu Ampar, and MNK Central Bangkanai - Pre-FGD Research Tim Meeting on MNK (Shale Gas, Shale Oil, Tight Sand Gas) by KEN (National Exploration Committee)

Ministerial Regulation No.38/2015

“EXPEDITING THE EXPLOITATION OF NON CONVENTIONAL OIL AND GAS”

On Monday Oct 26th at a conference in Bali to launch a new bid round for unconventional blocks Migas (the oil and gas division of the Ministry of Energy & Mineral Resources) announced that the Government will offer 3 kinds of arrangement for CBM exploration and exploitation. This was formalised with the release of a new Ministerial Regulation (MR 38/2015) on 2 Nov 2015.

Per the new MR, the three kinds of unconventional (ie. CBM, shale, tight gas, methane hydrate) cooperation contract from which the contractor (ie. oil and gas company) can choose are:

1. Production Sharing Contract ie. traditional PSC as we have now
2. Sliding Scale PSC with progressive sharing based on annual cumulative production level with cost recovery system
3. Gross Split Sliding Scale PSC with progressive sharing based on annual cumulative production level without cost recovery

Other finer points of the MR:

- a) The Director General of Migas has the duty to “formulate as well as implement policies and technical standardization in oil and gas sector”.
- b) SKK Migas will continue to be the regulator “administering the management of upstream business activities in oil and gas sector based on Cooperation Contract under the stewardship, coordination, and supervision of the Minister”.

- c) Instead of a Performance Bond the contractor will have to put up 10% of the cost the Firm Commitment or US\$1.5mil into an escrow account. The good news is that these funds can then be drawn upon the execute the work program.
- d) Plan of Development (POD) approval still required, assuming 100% of P1 and 70% of P2 reserves, however certification of such reserves is not required. Approval of 1st POD is from the Minister and subsequent from SKK.
- e) Oil and gas production prioritised for domestic consumption.
- f) Pre-POD sales permitted without FTP or Cost Recovery.
- g) Holders of existing CBM PSC's may convert to a new cooperation contract upon completion of 60% of the Firm Commitment under their existing PSC. Remaining firm commitment to be rolled into the new contract. The basic terms & conditions of the new contract shall be determined by the Minister.

The exact splits for the new options 2 and 3 were not included in the MR. It remains unclear if there will be a fixed set of sliding scales for all contracts or if this will be determined on a case by case basis. However, at the Bali conference Migas put up the following slide that gives some hint on the significant extent of the improvement to the contract take under the two new options:

SUBJECT	PSC	Net PSC SS	Gross PSC SS																																							
Commercialization	Tax: according to current regulation Split before tax: GOI : PSC contractor 25 : 75	Tax: according to current regulation Indicative Split before tax <table border="1"> <thead> <tr> <th>Prod (BCF)</th> <th>GOI</th> <th>PSC Contractor</th> </tr> </thead> <tbody> <tr><td><1</td><td>1</td><td>9</td></tr> <tr><td>1-10</td><td>3</td><td>97</td></tr> <tr><td>10-20</td><td>5</td><td>95</td></tr> <tr><td>20-50</td><td>10</td><td>90</td></tr> <tr><td>50-100</td><td>15</td><td>85</td></tr> <tr><td>>100</td><td>25</td><td>75</td></tr> </tbody> </table>	Prod (BCF)	GOI	PSC Contractor	<1	1	9	1-10	3	97	10-20	5	95	20-50	10	90	50-100	15	85	>100	25	75	Tax: according to current regulation Indicative Split before tax <table border="1"> <thead> <tr> <th>Prod (BCF)</th> <th>GOI</th> <th>PSC Contractor</th> </tr> </thead> <tbody> <tr><td><5</td><td>5</td><td>95</td></tr> <tr><td>5-20</td><td>15</td><td>85</td></tr> <tr><td>20-50</td><td>17.5</td><td>82.5</td></tr> <tr><td>50-100</td><td>20</td><td>80</td></tr> <tr><td>>100</td><td>25</td><td>75</td></tr> </tbody> </table>	Prod (BCF)	GOI	PSC Contractor	<5	5	95	5-20	15	85	20-50	17.5	82.5	50-100	20	80	>100	25	75
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2016 WORK PROGRAM

- Continue external law firm engagement to draft the new contract of Gross Split Sliding Scale
- Engaging Ditjen Migas and SKK Migas to discuss on the implementation of Gross Split Sliding Scale
- Further evaluation of KEN's proposal in funding the MNK wells.
- Continue participation in FGD MNK Technical supported by LITBANG and KEN.

CONCLUSION:

- Policy Paper on Accelerating Development of CBM Industry in Indonesia was submitted in end of January 2015.
- Government signed three MNK Blocks during IPA in May 2015, Palmerah MNK, Selat Panjang MNK and Sakakemang MNK.
- Government issued Ministerial Regulation 38/2015 which included the proposed Gross PSC Sliding Scale for both CBM and MNK. Additional contract type, PSC Sliding Scale is also proposed by government.
- To draft new contract of Gross Split PSC Sliding Scale thru external lawyers.
- Government announced MNK Direct Offer Tender for three MNK blocks: MNK Blera, MNK Batu Ampar, and MNK Central Bangkanai.
- KEN's proposal of funding MNK wells is being studied/evaluated by existing MNK operators (members of IPA Unconventional Group).