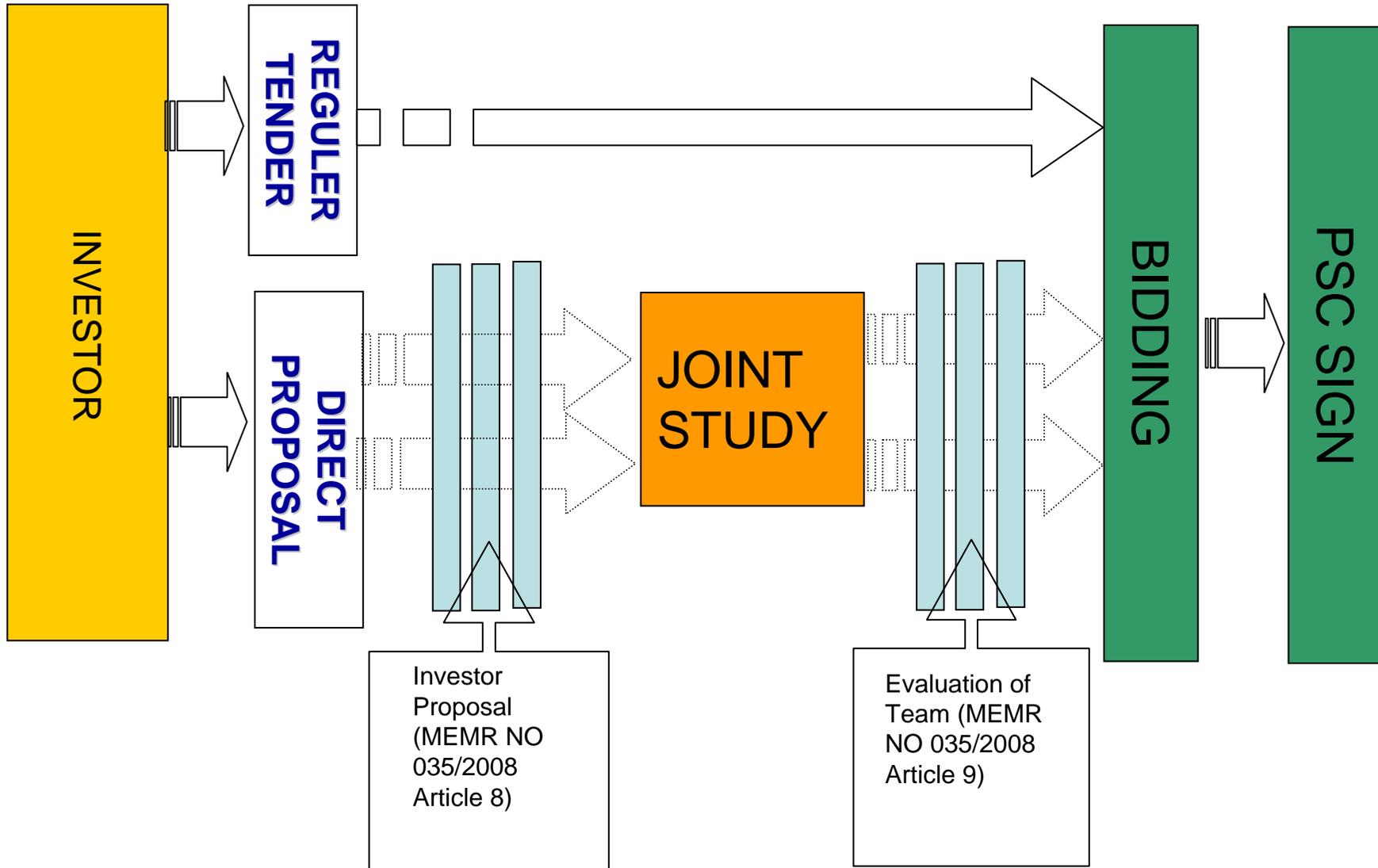


**MINISTERIAL REGULATION OF ENERGY AND  
MINERAL RESOURCES  
NUMBER 035 OF 2008  
CONCERNING  
PROCEDURES FOR THE AWARD AND OFFER  
OF OIL AND NATURAL GAS  
WORKING AREA**

# THE WORKING AREA OFFERING MECHANISM



# TENDER

- ❑ The implementation in preparing Working Area shall be conducted by the Directorate General through technical and economical evaluation and Data processing.
  
- ❑ Based on the technical and economical evaluation and Data processing, the Director General shall determine:
  1. boundaries of Working Area in Grid System;
  2. procedures, mechanism and requirements for implementing the Offer for Working Area;
  3. form and main provisions of the Production Sharing Contract;

# DIRECT PROPOSAL

- ❑ The implementation in preparing Working Area for Direct Proposal Tender shall be conducted by the Directorate General based on Business Entities or Permanent Establishment propose.
  
- ❑ For the purpose of Direct Proposal, the Business Entities or Permanent Establishment shall conduct technical and economical evaluation through Joint Study.

# PROPOSED AREA FOR DIRECT PROPOSAL

- a. Available Block (as long as it has not been reserved for an offer by the Director General)
- b. The Area that has not been designated as Working Area;
- c. Relinquishment Area by Production Sharing Contract
- d. Termination Block;
- e. The Part of Working Area that had never been developed and/or was or had been produced that was set aside on the Contractor proposal;
- f. The Part of Working Area that had never been developed and/or had been produced that was set aside based on the Minister request

## **Note:**

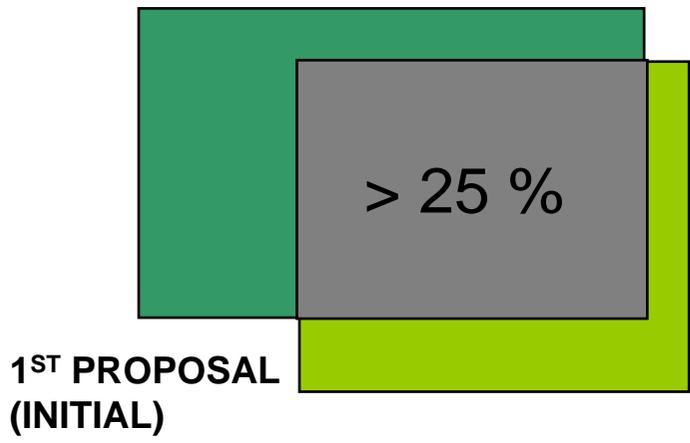
Direct proposal for Area to the letter c, d, e and f only could be carried out after the issuing of the agreement in writing concerning relinquishment or termination by the Minister.

# REQUIREMENT OF DIRECT PROPOSAL

The Direct Proposal by the Business Entity or Permanent Establishment shall be submitted in writing to the Director General consisting of:

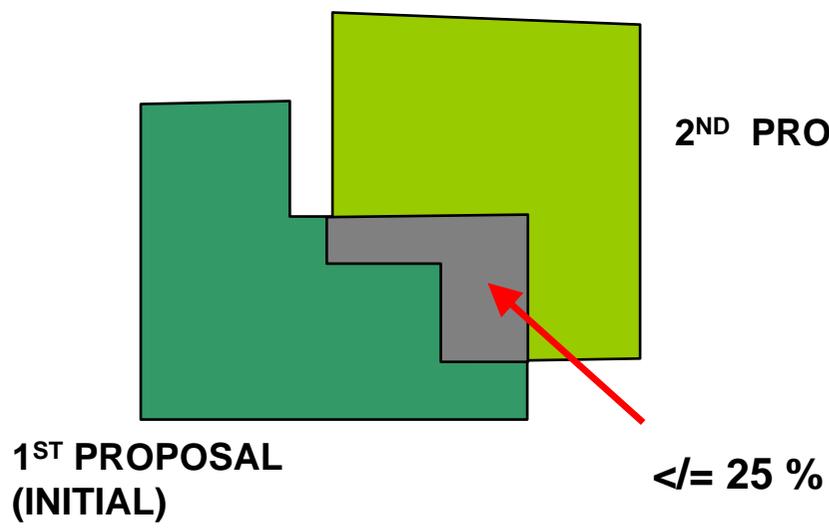
- a. Boundaries of the proposed Open Area or Available Block based on grid code
- b. Short geology report of potential Oil and Gas;
- c. In the matter of Direct Proposal was proposed to the part of working area that had never been developed and/or was or had been produced that was set aside on the Contractor's proposal or the part of working area that had never been developed and/or had been produced that was set aside was based on Minister's request attached with the estimate of the reserve, the estimate of the production, the plan of production and the economic study;
- d. Profiles of the Business Entity or Permanent Establishment;
- e. A statement (letter) affirming of the Business Entity or Permanent Establishment to provide Performance Bond for Joint Study;
- f. Work Program and schedule of Joint Study.

- If the area proposed by 2<sup>nd</sup> company covers more than 25% from the area proposed by 1<sup>st</sup> company then the whole area will be retained for regular tender



→ **WHOLE AREA WILL BE RETAINED FOR REGULAR TENDER**

- If the area proposed by 2<sup>nd</sup> company covers less than or equal to 25% from the area proposed by 1<sup>st</sup> company, then the 2<sup>nd</sup> company shall revise their proposal to adjust with the 1<sup>st</sup> area



→ **2<sup>ND</sup> Company shall revise their proposal**

# IMPLEMENTATION OF JOINT STUDY

- During the implementation of Joint Study, the Business Entity or Permanent Establishment do not accepted to do the consortium or shifted or change of owner of the Direct Proposal agreement to other Business Entity or Permanent Establishment.
- the Business Entities or Permanent Establishment shall, no later than 14 (fourteen) days after the approval of the Joint Study, submit performance bond of Joint Study from the Prime Bank that conduct its activities in Jakarta, in the amount of one million Dollar United States (USD 1,000,000) for the validity period of Joint Study.
- the Business Entities or Permanent Establishment that could not complete the Joint Study, such as:
  - a. With drew
  - b. Could not comply with the provisions of the condition in Joint Study agreement; or
  - c. Reducing of Joint Study commitment or other reasons,The Director General shall draw down on the Performance Bond of Joint Study.
- the Business Entities or Permanent Establishment that got the Direct Proposal agreement could not propose other Direct Proposal up to was completed previous joint study

# IMPLEMENTATION OF JOINT STUDY

continued..

- Business Entities or Permanent Establishment the implementing Joint Study obligatory increased the quality of the Data and carried out the receipt of the Data through the survey of geology, geophysics and/or geochemistry in the area that proposed.
- acquisition data could be carried out by Business Entities or Permanent Establishment the implementing Joint Study or was received from the Public survey activity in accordance with the provisions of the legislation regulation.
- Business Entities or Permanent Establishment the implementing Joint Study who could not win bidding process, obligatory handed over all the Data that was received by him to the Directorate General not later than 14 (fourteen) the work days after the winner of Bidding was announced.
- Business Entities or Permanent Establishment the implementing Joint Study have the right to match, if other bidding participant have higher commitment.
- In the matter of the implementation of Joint study that was carried out by the consortium and followed up by the Direct Proposal tender process, if one of the consortium's members withdrew from the membership of the consortium and did not put the Participating Document, the consortium's other member who put the Participating Document still have the right to match.

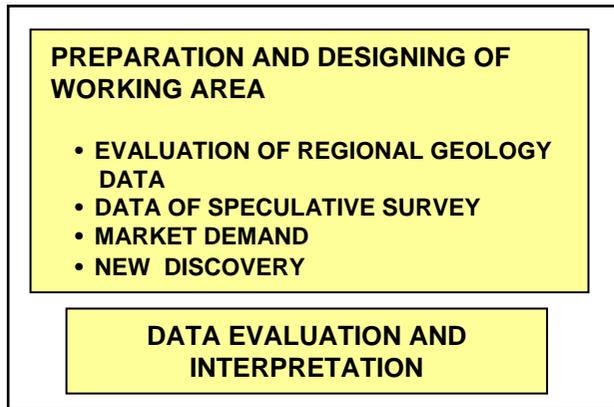
# IMPLEMENTATION OF JOINT STUDY

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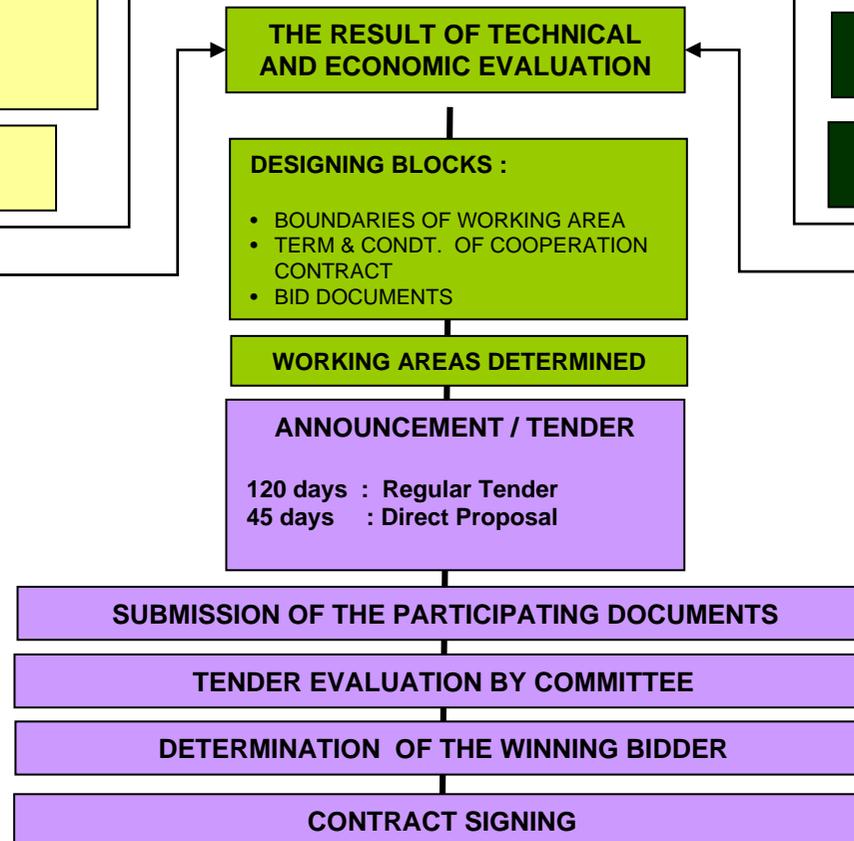
- In the matter of the implementation of Joint study that was carried out by the consortium and followed up by the Direct Proposal tender process, if being gotten more than 1 (one) Participating Document that was submitted by the consortium's member as participants in bidding, the right to match that was given is not valid.
- Business Entities or Permanent Establishment the implementing Joint Study that was completed Joint Study could form the consortium as long as the interest at least 51 % (fifty-one percent) until the signing PSC, if this not fulfilled than the right to match that was given is not valid.

# TENDER PROCESS

## REGULAR TENDER



## DIRECT PROPOSAL



# EVALUATION

- ❑ The technical evaluation is based on:
  1. The seismic survey commitment (the kind, the tracks plan and the quantity)
  2. The commitment of the number and location of wildcat wells
  
- ❑ The financial evaluation is based on:
  1. Signature Bonus
  2. The financial capacity to carry out the commitment in accordance with PSC
  3. The budget of the firm commitment
  
- ❑ The Performance evaluation is based on:
  1. Experience in Oil and Gas;
  2. Compliance with the legislation applicable in Indonesia.

Especially for Working Area ex-relinquishment by contractor propose and by Minister request, evaluation is also based on production cost (US\$/bbl or US\$/MMBTU)

# BONDS

## ❑ The Implementation of Joint Study

1. Amount US\$ 1 million
2. Submitted no later than 14 (fourteen) days after the approval of the Joint Study
3. validity period of Joint Study
4. draw down on the Performance Bond if the joint Study not completed.

## ❑ The Implementation of Bidding

1. Amount 100% of signature bonus
2. Submitted in participating document
3. validity period six months
4. draw down on Bid Bond if the winning bidder do not pay signature bonus 30 days after PSC signing

## ❑ The Implementation of PSC

1. Amount 10% of firm commitment or US\$ 1.5 million
2. Especially for Working Area ex-relinquishment by contractor propose and by Minister request the amount is 10% of two first year commitment or US\$ 1 million Submitted no later than 14 (fourteen) days after the approval of the Joint Study
3. Submitted on PSC signing
4. draw down on the Performance Bond if the commitment not completed.