



INDONESIAN PETROLEUM ASSOCIATION

2009 ANNUAL REPORT

**THIRTY-EIGHTH
ANNUAL GENERAL MEETING**

DECEMBER 9th, 2009



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SECTION 1

INDONESIAN PETROLEUM ASSOCIATION

PRESIDENT'S REPORT - 2009

by

Ron Aston

On behalf of

IPA Board of Directors

December 2009

www.ipa.or.id



INDONESIAN PETROLEUM ASSOCIATION

President's Report for 2009

INTRODUCTION

During the year global economies showed some small signs of recovery following the economic crisis at the end of 2008. Indonesia emerged comparatively unscathed from the crisis with growth forecast to be around 4.5% for the year. After a period of unprecedented volatility the oil price began to stabilize in the US\$65-75 range. In Indonesia, oil production continued its trend of slow decline with a stated target of 960,000 bopd looking increasingly unlikely to be met whereas gas production remained relatively flat. Similarly oil reserves continued to decline while gas reserves rose slightly. New PSC licence awards were fewer than recent years with only six blocks awarded out of a total of thirty three offered in the last two regular tender rounds, a result which is commented on later in this report. However in the emerging area of Coal Bed Methane thirteen new licences were awarded by both direct and tender round offers. CBM exploration activity commenced in the year with the drilling of the first pilot wells and the industry eagerly waits to see if the undoubted CBM potential can be realized.

Important political stability was maintained with His Excellency President Susilo Bambang Yudhoyono being elected for a second Presidential term during the year. However an important change occurred in the oil & gas sector with the announcement that Dr.Darwin Saleh would replace Dr.Purnomo Yusgiantoro as Minister of Mines & Energy. The IPA would like to thank the outgoing minister for the support and cooperation he always showed to the association throughout his long tenure and wish him well with his new responsibilities and we would also like to wish the new Minister the very best of good fortune in his role. The IPA will always strive to provide the fullest support and cooperation to ESDM and the regulatory bodies.

One of the principal objectives of the new Government is to achieve an ambitious growth target of over seven percent in the coming years and the country needs energy to fuel this growth. The energy sector itself needs to expand and this will require major investment from the private sector the majority of which will need to come from the international investor. 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 the association also looks to provide a showcase for the Indonesian oil & gas sector with the annual convention 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.

The year was also marked by the tragic events of July 17th and this had a particular resonance to the IPA with two of our own Company Member heads, including an IPA Board



Director sustaining serious injuries in the incident. It is extremely heartening to see both of them return to their respective positions and the association wishes them well with their continued recoveries. The association also offers its deepest condolences to the families of those so tragically lost in the incident.

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 six 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. A new Government Regulation on cost recovery is being drafted and a key objective of the IPA is to ensure that it should not include any capping or be applied retroactively. Discussion continues in this regard.

Regional Gas Price competitiveness

Indonesia has extensive gas reserves and the potential for 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 them are very high (a typical single well in 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 realised and not eroded. The attractiveness of the return is dictated primarily by the gas price and producers should be free to obtain a regionally competitive price irrespective of whether the gas is provided to the domestic or export market. The gas supplier should not face an indirect price cap (end user electricity pricing) thereby assuming the role of providing a subsidy to the power generator.

Other issues are important in the utilisation of gas domestically, notably the development of infrastructure and the determination of appropriate tariff formulas but 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. This applies to all stages of approval from GSA to POD to WP&B to AFE. Doing so would accelerate production projects. There should be improved coordination between ministerial departments and early consultation with industry to assess the impact of new legislation from other ministries. Doing so would reduce the problems caused by

legislation for example on the environmental law, cabotage and new local content requirements, all of which adds to uncertainty for the investor and leads to further delay in achieving 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 obtain 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 recent upturn in new licence activity came to an abrupt end with two very disappointing licence rounds in 2009. 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

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.

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 49 Member Companies and 98 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 work collaboratively with all stakeholders to enhance investment in the petroleum industry to deliver greater benefits to government, investors, communities, employees, customer and the environment”

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

- 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. This is the main focus area of our Professional Division – which today comprises over 1800 individual members who meet, collaborate and learn through luncheon talks, short courses, field trips, workshops, technical symposiums and intense 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. This opportunity has received favorable response from those representatives that took time from their busy schedules to attend.

In January 2009, the Board conducted a “Brainstorming Session” with the Committee Chairpersons and Member Company representatives in attendance. The purpose of that meeting was to reconfirm the IPA Long Term Objectives and to develop a list of focused objectives for 2009. The results of that meeting were as follows:

IPA LONG TERM OBJECTIVES

- Support government petroleum sector objectives by strengthening the partnership with government to maximize production from and investment in the petroleum industry
- Promote exploration investment to increase reserves and production
- Promote gas exploration and development investment by enhancing upstream economic viability and securing clarity and certainty over key gas issues
- Improve Indonesia's investment competitiveness with respect to taxation by taking opportunities presented in the new tax law to harmonize conflicting laws and regulations
- Enhance investment efficiency by streamlining the VAT and Duties regime where different procedures apply to different vintages of PSC
- Promote industry as an employer of choice and enhance total workforce capabilities

Each of these long term objectives were indeed already well embedded in the scope and ongoing activity of our Committees. In addition, five key objectives for 2009 were agreed:

IPA 2009 OBJECTIVES

1. Empower the IPA Secretariat to become a more effective forum for its members:
 - Complete the Secretariat's organization enhancement
 - Complete the new Website Upgrade
 - Improve the coordination and communication between each of the various Committees, and the Board
2. 33rd IPA Convention & Exhibition:
 - Secure participation of key stakeholders. (President ROI, Minister ESDM, DG MIGAS, Head of BPMIGAS, Minister of Finance, Minister SOEs, KADIN...)
 - Plan carefully two Plenary Sessions on:
 - a. Business Environment
 - b. Energy Policy
3. Increase effectiveness in relationships with ESDM, MIGAS, BPMIGAS
 - institutionalize IPA dialogue with other relevant stakeholders: Ministry of Finance, KADIN, "DEN", other associations
 - Improve external image and perception of O&G Industry
4. Enhance IPA engagement with the government on Energy Policy goals
 - reactivate and empower the "IPA Gas, LNG and CBM Committee"
5. Continue the efforts to Improve Indonesia's investment competitiveness with respect to regulatory environment, taxation and WP&B execution by reinforcing the Board engagement in key IPA Committees:
 - Regulatory Affairs
 - Finance & Tax
 - Supply Chain Management

IPA PERFORMANCE AGAINST 2009 OBJECTIVES

1. “Empower the IPA Secretariat ”

In March 2009 the organization of the IPA secretariat was strengthened by the appointment of Pak Dipnala Tamzil as Executive Director of the IPA on a full-time basis with Pak Suyitno undertaking a new role as Executive Advisor. Pak Dipnala brings very strong experience of the Indonesian oil & gas sector from a long career with Total Indonesia both in-country and overseas. His initial focus has been to review the internal structure of the secretariat organization. This is ongoing and will lead to further restructuring in 2010. The combination of a full-time Executive Director together with the guidance and advice provided by Pak Suyitno is a powerful one and enables the secretariat to go some way towards meeting its increasing demands

To further strengthen the secretariat organization a new financial control position was created and new Financial Controller appointed into the position, Pak Ilhamsyah. Again he brings with him strong industry and financial experience and will provide much needed additional capability as the level of revenue being generated increases and with it the need for strong financial stewardship and control becomes increasingly vital. After 22 years of loyal and dedicated service to the secretariat Edy Jusuf Siswoyo retired in November and we take this opportunity to thank him for his service and wish him a long and happy retirement.

Finally, with the help of the Professional Division, the secretariat launched the new website in November 2009 and it is hoped that this will continue to evolve and become an increasing valuable communication tool for all IPA members to utilize. It is also intended to launch a new version of the IPA newsletter in the first quarter 2010.

2. 33rd IPA Convention & Exhibition

The IPA Board and Convention Committee framed the 33rd Annual Convention around the theme:

“Managing Resources and Delivering Energy in a Challenging Environment”

The event received extensive media coverage and was well supported with over 3000 participants & visitors and 115 exhibitors. The convention was opened by His Excellency President Susilo Bambang Yudhoyono and included a keynote speech by the Minister of Energy and Mineral Resources, Dr. Purnomo Yusgiantoro. Two plenary sessions followed; **“The Global Crisis, its impact on the Nation’s Economy and Future Energy Demand”** and **“Delivering Energy in a Challenging Environment”** Participants in the two sessions included Chairman of the Indonesian Investment Coordination Board, Muhammad Lutfhi, Chairman of Committee VII, the House of Representatives, Airlangga Hartarto, Director General of MIGAS, Dr Evita Legowo, Chairman of BPMIGAS, R. Priyono and Bill Wallace from the World Bank. Both sessions were moderated by the Boston Consulting Group (BCG) representatives and provided lively and thought provoking debate.

The 2009 convention was once again a great success and provided an excellent showcase for the Indonesian oil & gas sector. The support provided by the Government

for the event is extremely important and greatly appreciated and it is hoped that it continues to attract current and potential future investors for the sector.

Preparation is already well underway for the 2010 Convention with the theme

“Investing Together for Future Growth”

which focuses on economic growth as one of the prime objectives of the new government and the role the oil & gas sector needs to play in meeting that objective.

3. “Increase effectiveness in relationships with ESDM, MIGAS, BPMIGAS”

The IPA Board looks to maintain an active and open dialogue with the Government authorities. Meetings are held regularly with MIGAS and BPMIGAS on both a formal and informal basis. The IPA strives to be viewed as the partner of choice of the Government in the oil and gas sector and is now constantly being asked to participate in discussion forums and workshops. The association was asked to partner the Government in two important events in the year. Firstly a Joint Symposium organized by MIGAS and Ernst & Young which was held in Singapore to showcase investment opportunities in the energy sector and more recently in the National Summit which was held to determine the priorities of the new Government. On both occasions the association was encouraged to present its member’s views on what could be done to improve the industry’s attractiveness and took advantage of the opportunities. 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. Engagement with departments other than ESDM remains challenging.

4. “Enhance IPA engagement with the Government on Energy Policy goals”

In 2008 the Government completed the Indonesian Natural Gas Balance Study. The study focused on gas supply resources and likely gas demand on a regional basis for the next nine years. This was followed by Presidential Regulation No. 26/2008 establishing the National Energy Board (Dewan Energi Nasional, DEN) which had the responsibility to design and formulate national energy policies and should therefore represent an ideal counterpart for the IPA. The true formulation and functioning of the body is still evolving and this has precluded any significant formal engagement. In anticipation of this occurring the LNG & Gas Committee has reactivated under new chairmanship and will be ready to engage fully in the New Year

5. “Continue efforts to Improve Indonesia’s investment competitiveness with respect to regulatory environment, taxation and WP&B execution by reinforcing the Board engagement in key IPA Committees”

All IPA Committees were extremely busy throughout year. Included amongst the items worked on were; new Work Program & Budget procedures, the use of state banks for abandonment provisions and operational activities, the implementation of Ministerial Decree 22, the revised RPK 07 regulations and new laws on Indonesian vessel ownership and Environment. All of these have a direct impact on oil & gas operations in Indonesia and the IPA constantly strives to ensure that any new law or regulation enhances and improves the efficiency and cost effectiveness of these activities rather than being detrimental to them.

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, it has been my privilege to have been elected to serve as President of the 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 2009

SECTION 2

TREASURER'S REPORT

FINANCIAL YEAR 2008

by

Dipnala Tamzil

IPA Executive Director



INDONESIAN PETROLEUM ASSOCIATION

Treasurer 's Report

Financial Year 2008 and 2009 highlights

IPA's unaudited financial statements for the year ended December 31, 2008 shows excess of revenues over expenditures (surplus) of Rp 282 million. This net surplus represents a figure after corporate income tax of Rp 220 million.

The opening balance of cash flow for the year 2008 was Rp 4.0 billion. During the year 2008, a net decrease in cash and cash equivalent of Rp 399 million resulted in ending balance of cash and cash equivalent of Rp 3.6 billion.

The surplus of Rp. 282 million, adjusted for depreciation and other changes in assets and liabilities totaling Rp 3.7 billion, result in a net decrease in cash and cash equivalent of Rp 399 million and a year-end cash balance of Rp 3.6 billion as indicated by the IPA's unaudited Cash Flow Statement.

The 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 earning on averages of 4.00 % (2007: 3.25 % to 4.00 %) per annum. Meanwhile, Rupiah Time Deposit accounts for 2008 ranging from 6.00 % to 7.75 %. (2007: 6.00 % - 7.75 %) per annum.

The IPA's audited Financial Statements 2008 have not been issued by the public accounting firm of Purwantono, Sarwoko & Sandjaja Ernst and Young by the time this report was prepared. The auditor needs more time to analyze the issue related to IPA as VAT-able Entrepreneur (Pengusaha Kena Pajak).

Financial Highlights 2009

The surplus of Rp1.7 billion recorded by October 31, 2009 primarily resulted from IPA Convention. Ending balance 2009 outlook shows an estimated surplus of Rp 421 million assuming that 2009 latest estimate's revenues and expenditures are realized.



Indonesian Petroleum Association 2008 Net Income

(in Thousand Rupiah)

| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
|---|---------------|---------------|-----------------|
| Revenues | 11,627,765 | 11,735,203 | (107,438) |
| Expenses | 11,345,268 | 11,466,700 | (121,433) |
| <hr/> | | | |
| Operating Surplus/(Deficit) – After Tax | 282,498 | 268,503 | 13,995 |
| <hr/> | | | |
| Net Income | 282,498 | 268,503 | 13,995 |
| <hr/> <hr/> | | | |

Indonesian Petroleum Association 2008 Cash Flow

(in Thousand Rupiah)

| | | |
|---|-----|------------------|
| Opening Balance | | 4,011,499 |
| Operating Surplus/ (Deficit) – Before Tax | | 502,051 |
| Depreciation | | 231,695 |
| Net (Decrease) / Increase in cash and cash equivalents | 1) | (1,132,488) |
| Balance @ December 31 , 2008 | | 3,612,757 |

| | | |
|--|--|--------------------|
| Notes : 1) - Account Receivable and Prepayment | | 3,973 |
| - Employee service entitlements expense | | 221,149 |
| - Employee loans receivable | | 23,333 |
| - Inventory | | (7,928) |
| - Deposits | | (140,745) |
| - Account Payable and accrued liabilities | | 720,583 |
| - Taxes payable | | 7,131 |
| - Payment for employee service entitlements to an approved pension fund | | (221,149) |
| - Corporate income tax paid | | (253,880) |
| - Purchase of Fixed assets | | (1,484,955) |
| | | (1,132,488) |

Indonesian Petroleum Association 2008 Revenues

(in Thousand Rupiah)

| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
|-------------------------------|---------------|---------------|-----------------|
| Company & Associate Dues | 2,191,462 | 2,190,200 | 1,262 |
| Professional Division Revenue | 5,896,182 | 7,055,000 | (1,158,818) |
| Sale of Publications | 15,693 | 12,459 | 3,234 |
| Sale of Seismic Atlas | 950 | 0 | 950 |
| Bank Interest, Other | 65,478 | 13,544 | 51,934 |
| Convention Surplus | 3,458,000 | 2,464,000 | 994,000 |
| | <hr/> | <hr/> | <hr/> |
| | 11,627,765 | 11,735,203 | (107,438) |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Indonesian Petroleum Association 2008 Expenses

(in Thousand Rupiah)

| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
|--------------------------------------|-------------------|-------------------|------------------|
| Professional Division Committee | 4,629,241 | 6,255,000 | (1,625,759) |
| Communications Committee | 342,571 | 250,000 | 92,571 |
| Environment & Safety Committee | 50,000 | 20,000 | 30,000 |
| Finance & Tax Committee | 292,000 | 292,000 | 0 |
| Human Resources Committee | 0 | 30,000 | (30,000) |
| University Assistance Committee | 375,392 | 411,000 | (35,608) |
| Supply Chain Mgmt. Improv. Committee | 997 | 23,250 | (22,253) |
| LNG, Gas & CBM Committee | 0 | 0 | 0 |
| Regulatory Affairs Committee | 46,000 | 46,500 | (500) |
| Security Committee | 388,963 | 385,950 | 3,013 |
| Service Companies Committee | 0 | 15,000 | (15,000) |
| Data Management Committee | 0 | 0 | 0 |
| General & Administrative | 2,632,104 | 1,346,000 | 1,286,104 |
| Fits - Out New Office | 333,000 | 544,000 | (211,000) |
| Salaries & Benefit | 2,255,000 | 1,848,000 | 407,000 |
| | <u>11,345,268</u> | <u>11,466,700</u> | <u>(121,433)</u> |

Indonesian Petroleum Association 2008 General & Administrative Expenses

(in Thousand Rupiah)

| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
|--|------------------|------------------|------------------|
| Office Rent 2008 | 986,000 | 800,000 | 186,000 |
| Office Maintenance & Renovation | 19,000 | 20,000 | (1,000) |
| Telephone & Facsimile | 51,000 | 52,000 | (1,000) |
| Cost of Photocopy Machine | 13,000 | 15,000 | (2,000) |
| Stationary & Other Supplies | 228,000 | 59,000 | 169,000 |
| Printing & Reproductions expenses | 168,000 | 1,000 | 167,000 |
| Postage & Mails | 8,000 | 8,000 | 0 |
| Transportation | 55,000 | 75,000 | (20,000) |
| Meeting AGM expenses | 278,000 | 120,000 | 158,000 |
| Bank Charges | 20,000 | 49,000 | (29,000) |
| (Gain) or Loss Due to Exchange Rate | (134,000) | 0 | (134,000) |
| Public Accountant fees | 542,000 | 130,000 | 412,000 |
| Tax expenses | 44,104 | 0 | 44,104 |
| Other Expenses/Sponsor to KADIN | 103,000 | 0 | 103,000 |
| Depreciation | 251,000 | 17,000 | 234,000 |
| Sub – Total G & A | 2,632,104 | 1,346,000 | 1,286,104 |
| Salary & Benefit | 2,255,000 | 1,848,000 | 407,000 |
| Total G & A and Salary Expenses | 4,887,104 | 3,194,000 | 1,693,104 |

Indonesian Petroleum Association Cash Flow

YEAR TO DATE OCTOBER 31, 2009

(Rp.000s)

| | Dec. 2008 | | YTD Oct. 2009 | |
|---|----------------|--------------|---------------|------------|
| | Actual | | Actual | |
| | IDR | US\$ | IDR | US\$ |
| | (million) | ('000) | (million) | ('000) |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Excess revenue over expenditure before tax | 502 | 54 | 1,672 | 180 |
| Depreciation expenses | 232 | 25 | 225 | 24 |
| Employee entitlement expense | 221 | 24 | 0 | 0 |
| <u>Changes in assets and liabilities</u> | | | | |
| Account Receivable | 4 | 0 | (873) | (94) |
| Employee loan receivable | 23 | 2 | 7 | 1 |
| Prepaid | 0 | 0 | (128) | (14) |
| Inventory | (8) | (1) | (10) | (1) |
| Payable and accruals | 721 | 78 | 516 | 55 |
| Deposits | (141) | (15) | 0 | 0 |
| Liability for severance payments | (221) | (24) | 0 | 0 |
| Taxes payable | 7 | 1 | 0 | 0 |
| Corporate income tax paid | (254) | (27) | 0 | 0 |
| <u>NET CASH PROVIDED BY (used In) OPERATING ACTIVITIES</u> | 1,086 | 117 | 1,409 | 152 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase Furniture and P & E | (1,485) | (160) | (21) | (2) |
| <u>NET CASH PROVIDED BY INVESTING ACTIVITIES</u> | (1,485) | (160) | (21) | (2) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Advance from shareholders | 0 | 0 | 0 | 0 |
| <u>NET CASH PROVIDED BY (used in) FINANCING ACTIVITIES</u> | 0 | 0 | 0 | 0 |
| | | | | |
| Increase (decrease) in cash and cash equivalents | (399) | (43) | 1,388 | 149 |
| CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR | 4,011 | 431 | 3,613 | 388 |
| CASH & CASH EQUIVALENTS AT END OF YEAR | 3,612 | 388 | 5,001 | 538 |

Indonesian Petroleum Association Statement of Revenue & Expense

OCTOBER 31, 2009

(Rp.000s)

| | YTD ACTUAL | AVG. YTD. 2009 BUDGET | FULL YEAR 2009 BUDGET |
|--------------------------------------|--------------------------|-----------------------------|-----------------------------|
| <u>REVENUES</u> | | | |
| Company & Associate Membership Dues | 2,732,658 | 2,074,167 | 2,489,000 |
| Professional Division Revenues | 5,859,879 | 4,925,833 | 5,911,000 |
| Others | 99,501 | 39,167 | 47,000 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL REVENUE | 8,692,038 | 7,039,167 | 8,447,000 |
| <u>EXPENDITURES</u> | | | |
| Professional Division Committee | 4,837,355 | 3,857,500 | 4,629,000 |
| Communications Committee | 550,470 | 629,167 | 755,000 |
| Environment & Safety Committee | 42,648 | 41,667 | 50,000 |
| Finance & Tax Committee | 32,426 | 243,333 | 292,000 |
| Human Resources Committee | 4,068 | 0 | - |
| University Assistance Committee | 322,098 | 311,667 | 374,000 |
| Supply Chain Mgmt. Improv. Committee | 6,840 | 44,167 | 53,000 |
| LNG, Gas & CBM Committee | 907 | 0 | 32,000 |
| Regulatory Affairs Committee | 57,490 | 43,333 | 52,000 |
| Security Committee | 28,230 | 44,167 | 53,000 |
| Service Companies Committee | - | 12,500 | 15,000 |
| Data Management Committee | - | 9,167 | 11,000 |
| General & Administration | 1,989,000 | 2,077,500 | 2,493,000 |
| Fits-Out New Office | - | 0 | - |
| Salaries & Benefit | 2,551,988 | 2,129,167 | 2,555,000 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL EXPENDITURES | 10,423,521 | 9,443,333 | 11,364,000 |
| Running Surplus / (Deficit) | <hr/> (1,731,483) | <hr/> (2,404,167) | <hr/> (2,917,000) |
| Convention Surplus / (Deficit) | <hr/> 3,402,223 | <hr/> 2,684,167 | <hr/> 3,221,000 |
| TOTAL SURPLUS / (Deficit) | <hr/> 1,670,740 | <hr/> 280,000 | <hr/> 304,000 |

2008 Rate : 1 US\$ = IDR 9.300

2009 Rate : 1 US\$ = IDR 10.500



Indonesian Petroleum Association Statement of Revenue & Expense

L.E. DECEMBER 31, 2009

(Rp.000s)

| | OCT. 31, 2009 YTD ACTUAL | DEC. 31, 2009 OUTLOOK | FULL YEAR 2009 BUDGET |
|--------------------------------------|-----------------------------|--------------------------|--------------------------|
| <u>REVENUES</u> | | | |
| Company & Associate Membership Dues | 2,732,658 | 2,735,000 | 2,489,000 |
| Professional Division Revenues | 5,859,879 | 6,420,000 | 5,911,000 |
| Others | 99,501 | 102,000 | 47,000 |
| TOTAL REVENUE | 8,692,038 | 9,257,000 | 8,447,000 |
| <u>EXPENDITURES</u> | | | |
| Professional Division Committee | 4,837,355 | 5,135,000 | 4,629,000 |
| Communications Committee | 550,470 | 755,000 | 755,000 |
| Environment & Safety Committee | 42,648 | 50,000 | 50,000 |
| Finance & Tax Committee | 32,426 | 50,000 | 292,000 |
| Human Resources Committee | 4,068 | 7,000 | 0 |
| University Assistance Committee | 322,098 | 375,000 | 374,000 |
| Supply Chain Mgmt. Improv. Committee | 6,840 | 10,000 | 53,000 |
| LNG, Gas & CBM Committee | 907 | 2,000 | 32,000 |
| Regulatory Affairs Committee | 57,490 | 60,000 | 52,000 |
| Security Committee | 28,230 | 53,000 | 53,000 |
| Service Companies Committee | 0 | 1,000 | 15,000 |
| Data Management Committee | 0 | 1,000 | 11,000 |
| General & Administration | 1,989,000 | 2,550,000 | 2,493,000 |
| Fits-Out New Office | 0 | 0 | 0 |
| Salaries & Benefit | 2,551,988 | 3,184,000 | 2,555,000 |
| TOTAL EXPENDITURES | 10,423,521 | 12,233,000 | 11,364,000 |
| Running Surplus / (Deficit) | (1,731,483) | (2,976,000) | (2,917,000) |
| Convention Surplus / (Deficit) | 3,402,222 | 3,397,000 | 3,221,000 |
| TOTAL SURPLUS / (Deficit) | 1,670,739 | 421,000 | 304,000 |

2008 Rate : 1 US\$ = IDR 9.300

2009 Rate : 1 US\$ = IDR 10.500



Indonesian Petroleum Association Balance Sheet

AS AT DECEMBER 31, 2008 AND DECEMBER 31, 2007
(Rp.000s)

| | Unaudited Dec. 31, 2008 | Audited Dec. 31, 2007 |
|---|----------------------------|--------------------------|
| <u>ASSETS</u> | | |
| Current Assets : | | |
| Cash On Hand and in Banks | 3,612,757 | 1,757,004 |
| Time Deposits | 241,966 | 2,254,495 |
| 2008 Convention Receivable | 11,479 | 73,655 |
| Account Receivable | 520,949 | 384,064 |
| Current Portion of Employee Loans Receivable | 114,500 | 137,832 |
| Inventory | 119,322 | 111,394 |
| Prepaid | 241,652 | 419,487 |
| Total Current Assets | 4,862,625 | 5,137,931 |
| Non Current Assets: | | |
| Office Furniture & Fixtures | 840,202 | 20,300 |
| Office Machines | 963,875 | 443,068 |
| Accumulated Depreciation | (485,856) | (396,338) |
| Total Non Current Assets | 1,318,221 | 67,030 |
| Employee Loans Receivable | 0 | 0 |
| TOTAL ASSETS | 6,180,846 | 5,204,961 |
| <u>LIABILITIES AND ACCUMULATED SURPLUS</u> | | |
| LIABILITIES | | |
| Current Liabilities : | | |
| Account Payable and Accrued Liabilities | 1,421,080 | 700,496 |
| Corporate Income Tax Payable | 36,284 | 79,903 |
| Total Current Liabilities | 1,457,364 | 780,399 |
| Non Current Liabilities | | |
| Deferred tax liability | 17,476 | 1,053 |
| Total Non Current Liabilities | 17,476 | 1,053 |
| TOTAL LIABILITIES | 1,474,840 | 781,452 |
| Accumulated Surplus | 4,706,006 | 4,423,509 |
| TOTAL LIABILITIES AND ACCUMULATED SURPLUS | 6,180,846 | 5,204,961 |



Indonesian Petroleum Association Balance Sheet

AS AT OCTOBER 31, 2009 AND DECEMBER 31, 2008

(Rp.000s)

| | Unaudited Oct. 31, 2009 | Unaudited Sep. 30, 2009 | Unaudited Dec. 31, 2008 |
|--|----------------------------|----------------------------|----------------------------|
| ASSETS | | | |
| Current Assets : | | | |
| Cash On Hand and in Banks | 2,415,433 | 2,924,273 | 3,612,757 |
| Time Deposits | 2,585,875 | 2,609,675 | 241,966 |
| 2009 Convention Receivable | 108,233 | 124,729 | 11,479 |
| Account Receivable | 1,297,329 | 156,177 | 520,949 |
| Current Portion of Employee Loans Receivable | 107,040 | 109,600 | 114,500 |
| Inventory | 180,191 | 174,314 | 119,322 |
| Prepaid | 667,916 | 656,811 | 241,652 |
| Total Current Assets | 7,362,016 | 6,755,579 | 4,862,625 |
| Non Current Assets | | | |
| Office Furniture & Fixtures | 1,315,375 | 1,310,965 | 840,202 |
| Office Machines | 459,572 | 459,572 | 963,875 |
| Accumulated Depreciation | (871,891) | (849,426) | (485,856) |
| Total Non Current Assets | 903,056 | 921,111 | 1,318,221 |
| TOTAL ASSETS | 8,265,072 | 7,676,690 | 6,180,846 |
| LIABILITIES AND ACCUMULATED SURPLUS | | | |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Account Payable and Accrued Liabilities | 744,368 | 743,632 | 1,421,080 |
| Corporate Income Tax Payable | 0 | 0 | 36,284 |
| Total Current Liabilities | 744,368 | 743,632 | 1,457,364 |
| Non Current Liabilities | | | |
| Liability for Severance Payments | 164,657 | 148,191 | 17,476 |
| Others Payable | 30,337 | 30,337 | 0 |
| Total Non Current Liabilities | 194,994 | 178,528 | 17,476 |
| TOTAL LIABILITIES | 939,362 | 922,160 | 1,474,840 |
| Accumulated Surplus | 7,325,710 | 6,754,530 | 4,706,006 |
| TOTAL LIABILITIES AND ACCUMULATED SURPLUS | 8,265,072 | 7,676,690 | 6,180,846 |



SECTION 3

**COMMUNICATIONS, CSR AND LOCAL RELATIONS
COMMITTEE**

2009 REPORT OF ACTIVITIES AND 2010 OBJECTIVES

CHAIRMAN

Deva Rachman

(ExxonMobil Oil Indonesia Inc.)



COMMUNICATIONS, CSR AND LOCAL RELATIONS COMMITTEE

2009 Activities Report (Jan – Nov) and 2010 Plans

2009 Highlight

Based on the grand communications and media strategy plan of IPA organization, the Communications, CSR and Local Relations committee has implemented some of the programs laid out in the yearly plan.

The committee received a very good support from the IPA officers to realize the strategy and they have given their full commitment to support the public awareness of IPA organization in Indonesia.

The committee also has successfully integrated the IPA Convention Communications and Media strategy with IPA's organization communications strategy. The team (Jacob Kastanja of BP Indonesia, Tommy Hersyaputra of Statoil, Ginandjar of PetroChina and Arie Novel of Santos) has effectively created public awareness of IPA organization with an integrated communications and media program in the Convention. The 2009 IPA Convention has more media partners thus created more public awareness in the public.

The global economic crisis has not given a major impact on IPA's commitment to communicate to the external audience about its role to the oil and gas industry and general public in Indonesia. This is proved by the number of attendance of IPA convention and the enthusiasm of participants in the event.

As we don't want to lose our communications momentum, the committee continuously is looking an opportunity for IPA to have a significant exposure for its role in oil and gas business in Indonesia.

In 2009, two major important programs are the new IPA Website and Newsletter. The committee, working closely with Executive Director of IPA, Bapak Dipnala Tamzil, is putting its effort to make these two programs launched in time.

The committee also has invited new members in the committee to make sure that the programs and strategy will represent all the issues of company's member in communications, CSR and local relations issue. The enthusiasm of Public Relations personnel of company members is very promising.

The organization now has entered the next level of public awareness that the organization is government's partner, a reliable of community and government partner in developing oil and gas resources in Indonesia. 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.

In fourth quarter 2009, the committee finally has established new sub committee with more committee members from various oil and gas companies. The sub committees are:

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

In view of the above, the committee proposes to change the Communications, CSR and Local Relations Committee name to become **Stakeholder Relations** which will address the three component sub committees. The new sub committee members will implement a more focused and strategic programs in 2010 by addressing key issues in oil and gas industry as well as acted as a think tank of external relations issues.

2009 Scope and Objective

Based on the Grand Plan of Communications & Media strategy, IPA is now implementing its **Level 2 Strategy**: Reputation Maintenance Program with increased level of public exposure to promote the organization profile. This strategy will be continued until 2010, with considerations of program and external audience evaluation to make sure a strategic implementation of this committee program.

Level 2 (2009 – 2010)

Reputation Maintenance

- Build public awareness of IPA organization as a reliable partner of Government of Indonesia and general public in oil and gas industry
- Increase image and reputation of IPA organization

Key Activities in 2009:

A. Building Public Awareness and Mutual Trust

- Trust and understanding building between IPA, Government as well as other strategic stakeholders
- Building reputation
- Leverage on expertise within the IPA to provide contribution to university, media and other stakeholders
- Community engagement

Programs:

1. Implement IPA 2009 Grand Key Messages:

- IPA is an organization formed by an interest to promote investment of oil and gas business in Indonesia thus creates significant benefits for the people in the country.
- IPA houses a group of companies with one vision to provide energy demand in Indonesia in an economically, safely, environmentally and socially responsible manner.
- IPA is ready to serve as a facilitator to bridge the industry and key stakeholders in oil and gas businesses (government, broader community, opinion leaders)

2. Introduce the new face of IPA Organization

IPA has a new face for the organization.



These individuals will be acted as the spokesperson in the media and public event.

- Ron Aston : IPA President
- Dipnala Tamzil: IPA Executive Director

3. Improve internal communications effectiveness

The Committee supports publication of organization's newsletters and information broadcast of IPA's events through IPA's E-newsletter and websites. Work with Executive Director of IPA, IPA officers as well as Technical Committees to lay out new IPA Newsletter. This newsletter has been published in the new IPA website. The first E newsletter was published in September 2009.

The IPA newsletter topic/layout is as follows:

- **Editorial Message**
Message from one of the IPA Board members (rotating).
- **Committee Highlights**
Section highlighting important committee activities during the quarter.
- **Company Profile**
Article on one of the IPA company members (activities, achievements, future).
- **Professional Division**
Section dedicated to the Professional Division activities (luncheon talks, courses, summary technical papers, abstracts etc)
- **Convention News**
Updates on Convention 2010 (nominations, organization, preparations etc.)
1st edition of E-Newsletter will highlight main results of Convention 2009.
- **CSR**
Section highlighting IPA CSR initiatives as well as IPA company member CSR initiatives (comdev, university assistance, HSE, corp. governance etc.)

4. Improve external communications effectiveness

- Redeveloping website together with Executive Director or IPA and all the committees in IPA
- Identify speaking opportunities for Board member/ organization experts at industry or non-industry events
 - BPMIGAS Communications Forum
 - CSR forum of University of Indonesia
 - Trisakti CSR School of Management
- Proactively develop appropriate opportunities for interviews with IPA president and Board member exposure with selected media representatives through regular informal/formal gatherings
 - Petrominer and Bisnis Indonesia interview request
- Support IPA Board and other committee' communication objectives by developing communication plans, news release and talking points.
 - News Release for the new IPA President.
 - The news release is published in national publications in Indonesia
 - Advertorial and articles in national publications such as in Jakarta Post, TEMPO and Bisnis Indonesia.

5. Media Engagement

IPA organization agreed to implement a pro-active media engagement strategy to highlight and elevate its profile in its strategic stakeholder. The strategy is to integrate

the media engagement strategy with IPA Convention and Exhibition as well as tailor a dedicated media engagement strategy for IPA organization.

2009 IPA Convention and Exhibition

- Media interview media outlets: TEMPO Magazine, Jakarta Post and Metro TV.
- Partnership with NGO media: Newspaper in Education -- by giving a sponsorship of free entrance to more than 100 NIE participants (teachers and students) from all across Jakarta to come and see IPA Exhibition and Convention 2008.
- Media partnership with Petromindo, TEMPO Magazine, TEMPO Newspaper, The Jakarta Post, Media Indonesia and Metro TV in promoting IPA's profile and activities during IPA Exhibition and Convention 2008.
- Participated in talk show crafted by Metro TV to highlight about IPA organization

IPA Organization:

- Sponsorship to KBR (news radio station) 68H Radio
- Benefit for IPA: two free radio talk shows on IPA profile and activities.
- Exposure of IPA profile in the event and key media contacts.

6. Issue Management and Stakeholder Relations

IPA is scheduled to have a forum with KADIN (Indonesia Chamber of Commerce) to strengthen its position as a leader of organization and government's partner in oil and gas business. The Committee is also plan to broaden its relationship with key external stakeholders such as new member of Commission VII of House Representatives as well as other key strategic organization in Indonesia.

7. Community Engagement

The Committee is scheduled to conduct community engagement programs involving IPA member i.e. Volunteer programs for Environmental program by conducting a replanting tree program in Gunung Pangrango together with Jakarta Green Radio and environmental activist to emphasize IPA's commitment in environmental and community initiatives.

B. Development of Sub Committee and New Committee Member

Chairman : Deva Rachman ExxonMobil Oil Indonesia Inc.

Sub Committee : **Communications & Media Relations**

| | |
|-------------------|---------------------|
| Basrie Kamba | BP Indonesia (Lead) |
| Tommy Hersyaputra | Statoil |
| Bina Yuanita | VICO |
| Weanny Hikmat | TOTAL |
| Danya Dewanti | Chevron |
| Widi Wageono | Talisman |

Stakeholder & Issue Management

| | |
|----------------------|-------------------------------|
| Paul Mustakim | Chevron Indonesia (Lead) |
| Ratna Novanti (Rina) | Chevron Indonesia |
| Deva Rachman | ExxonMobil Oil Indonesia Inc. |
| Dany Surjalesmana | CNOOC |
| Azi Nur Alam | ExxonMobil Oil Indonesia Inc. |



Jacob Kastanja
Bambang Setiabudi

ConocoPhillips
ConocoPhillips

Community Relations

Firsta Jusra Iskandar
Ineke Sundari
Basith Syarwani
Meisesary Rehana
Delly Indra
Arie Novel
Niken Larasati
Dahrul Hidayat

Medco (Lead)
ConocoPhillips
Pertamina
Pertamina Hess Jambi Merang
Kodeco Energy Co. Ltd.
Santos
Medco
Medco

C. Proposal of a new name for Communications Committee:

Based on the coordination meeting with new member of the committee, the Communications Committee proposes to change its name to: **Stakeholder Relations.**

2010 Program Activities

1. Stakeholder and Issue Management

- Conduct issue and stakeholders mapping
- Create working group to address the following regulations:
 - Law 22/2001 amendment
 - Environmental
 - CSR law, etc.
- Build relationship with key stakeholders (BPMIGAS, Kadin, DPR member, Ministerial office, USINDO, USAID, KPK, etc)

2. Community Relations

- Identify best practices on Community Relations/Development Program in oil and gas industry
- Create database on NGO and Community profile surrounding the oil and gas operations
- Conduct community outreach program – national level

3. Communications and Media Relations

- Produce opinion articles on important oil and gas issues
- Conduct communications campaign for Oil and Gas Understanding through
 - Public Discussion
 - Workshop
- Produce IPA brochure and newsletters and other communications tools.

SECTION 4

CONVENTION COMMITTEE

2009 REPORT OF ACTIVITIES AND 2010 OBJECTIVES

CHAIRMAN

Ngurah Kresnawan

(BP Indonesia)



CONVENTION COMMITTEE

I. Report on the Organization and the Implementation of the 33rd Annual IPA Convention and Exhibition Jakarta Convention Center, May 5th to 7th 2009

In spite of the global economic crunch and the low price of crude oil, the overall organisation of the convention and exhibition was judged by many as having been very successful. Many specialists we talked to value the high quality of technical papers presented. There has been numerous visitors at the exhibition booths with quality animations, mini presentations, talk shows student gatherings, quizzes ...etc. all related to our activities in the petroleum sector in Indonesia.

The theme of this year's convention was:

Managing Resources and Delivering Energy in a Challenging Environment

The media was pleased with the treatment we gave and many journalists dubbed this Convention as one of the "warmest" and "friendliest" towards the press. We have been given favourable coverage and our participation in the printed and electronic Medias including the publication of a daily newsletter has been well received by the public.

The presence of President Susilo Bambang Yudhoyono at the opening ceremony was crucial to the success of the Convention and, in spite, of his busy schedule after a Bali International Financial Conference and a Menado International Conference on the Ocean; he addressed the IPA Convention with some keynote remarks and officially presided over the opening.

Subsequently, other plenary sessions were held to address the global economic crisis and the Indonesian oil and gas sector facing the crisis followed by two other sessions specifically addressing the PSC challenges as well as Indonesia's application to EITI. Many prominent speakers addressed the assembly and it has been a very good opportunity for dialogues with the relevant authorities as well as among conference participants.

In addition to the opening by President Susilo Bambang Yudhoyono, the following distinguished speakers and panellists participated in the event:

| | |
|---|--|
| Opening Ceremony | Minister Purnomo Yusgiantoro Roberto Lorato (President of IPA) |
| Plenary Sessions (Supported by BCG) | Sofyan Djalil (Minister of State Owned Enterprise) Chris Kanter (Vice Chairman of KADIN) Mohammad Luthfi (Chairman of Indonesia Investment Board) Bill Wallace (World Bank) Airlangga Hartarto (Chairman of Commission VII DPR RI) Evita Legowo (Director General MIGAS) R Priyono (Chairman of BPMIGAS) |



Jim Taylor (IPA BoD)
Sammy Hamzah (IPA BoD)
Ron Aston (IPA BoD)

Special Sessions

Alan Frederik (BPMIGAS Legal Division Head)
Mike Aruda (Jones Day Singapore)
Mark Snell (Exxon Mobil)
Greg Holman (Talisman)
Dr. Ong Han Ling (Special advisor to BPMIGAS Chairman)
Lukman Mahfoedz (IPA BoD)
Suwito Anggoro (President Director CPI)
Peter Dumanauw (IPA Regulatory Affair Committee)

Exhibition

Number of exhibition booths this year amounts to **98** with a surface of **3,077 sqm** sold

Delegates and Participation

Registered delegates including convention participants, exhibitors and compliments amount to **2,995**

Technical Papers

Professional Oral and Poster presentations amount to **97**
Student Oral and Poster Presentations amount to **13**

Contract Signing and Block Awards

Witnessed by President Yudhoyono at the opening ceremony, 10 PS Contracts, 3 CBM Contracts and 5 Gas Sales Contracts were signed.

At the closing ceremony Oil and Gas Director General Evita Legowo announced the opening of new oil and gas acreages and work areas.

Financial Figures

| | Actual 2008 Rp x000 | Revised Budget 2009 Rp x000 | Actual 2009 Oct.31, 2009 Rp x000 |
|--------------------------|------------------------|--------------------------------|--|
| REVENUE | | | |
| Sponsorships | 1,739,567 | 1,600,000 | 1,506,520 |
| Booth Space Sales | 8,505,813 | 9,710,316 | 10,746,752 |
| Registered Delegates | 5,029,515 | 4,986,250 | 5,480,697 |
| Golf | 331,048 | 386,250 | 411,373 |
| Short Courses | | 320,000 | 752,609 |
| Others | 43,165 | | 1,423 |
| Total Revenue | 15,649,108 | 17,002,816 | 18,899,374 |
| EXPENDITURE | | | |
| Expenditures | 11,740,049 | 13,310,930 | 14,777,430 |
| Expenditures Golf | 451,057 | 471,337 | 510,822 |
| PPH Tax | 66,052 | 436,964 | 208,899 |
| Total Expenditure | 12,257,158 | 14,219,231 | 15,497,151 |
| NET MARGIN | 3,391,950 | 2,783,585 | 3,402,223 |

33rd IPA Convention & Exhibition Committee

| | | |
|-----------------------|---|--|
| General Chairman | : | Ananda Idris (Statoil) |
| General Vice Chairman | : | Ngurah Kresnawan (BP) Philippe Tresse (Total) |
| Advisors | : | Dipnala Tamzil (IPA) Wursitaningari (IPA) |
| IPA Secretariat | : | Audrey Sahertian (IPA) |

| <u>Sub-Committee</u> | <u>Chairperson</u> | <u>Vice-Chairperson</u> |
|-----------------------------|--------------------------------------|---|
| Exhibition | Ivan Sebayang (ConocoPhillips) | Weanny Hikmat (Total) |
| Finance | Moenartioso Moenarjo (Eni Indonesia) | Freddy (Petrochina) Edy Jusuf Siswoyo (IPA) |
| Plenary | Fanny Herawati (JOA O&G) | Martinus Sembiring (Nat. Geoconsultant) |
| Publicity | Jacob Kastanya (ConocoPhillips) | Ginandjar (Petrochina) Tommy Hersyaputra (Statoil) |
| Reception | Ratna S. Novianti (Chevron) | Dany Surjalesmana (CNOOC) |
| Security | Untung Medianto (CNOOC) | Baruno Subroto (Chevron) |
| Short Course | Leonard Lisapaly (Fugro-Jason) | Sigit Sukmono (ITB) |
| Golf | Franky Tungka (Star Energy) | Tjut Hamzah (Vico) |
| Social | Nova Artika (JOB PN-Talisman) | Karlina Hardja (Energy Equity) Cynthia Watung (Murphy) |
| Sponsorship | Handoyo Eko Wahono (BPMIGAS) | Suprijonggo Santoso (Saripari) |
| Student Volunteer | Irma Hermawaty (Vico) | Wahyu A. Rahmanto (Vico) |
| Technical Program | Chris Jones (JOB PN-Hess) | Bob Wikan (Pertamina) Gregory Caine (ExxonMobil) |

II. Report on the Organization and preparation of the 34th Annual IPA Convention and Exhibition

The 34th Annual IPA Convention and Exhibition is planned to be held on **May 18th – 20th, 2010** at **Jakarta Convention Center**.

The theme of the Convention will be:

Investing Together for Future Growth

The Organising committee has been formed and the appointment of each position within the committee is made. An outsourcing approach is adopted by increasing the utilisation of the third party partner, OPAC.

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 are planned while an enhanced security system will be put in place.

Call of Technical Papers has been made since October 2009, and preparation work is underway.

34th IPA Convention & Exhibition Committee

General Chairman : Ngurah Kresnawan (BP)
Vice Chairman 1 : Sonny Kosasih (Talisman)
Vice Chairman 2 : Vincent Soetedja (ENI)
Advisors : Dipnala Tamzil (IPA)
Wursitaningari (IPA)
IPA Secretariat : Audrey Sahertian (IPA)

Sub-Committee

Chairperson

Vice-Chairperson

| | | |
|----------------------|---|--------------------------------|
| Exhibition | Weanny Hikmat (Total) | Widiati Wageono (Talisman) |
| Finance | Freddy (Murphy Oil) | Ilham (IPA) |
| Plenary | Martinus Sembiring (Nat. Geoconsultant) | Agustina Soetrisno (ENI) |
| Publicity | Basrie Kamba (BP) | Tommy Hersyaputra (Statoil) |
| | | Ginandjar (Petrochina) |
| | | Wianda A.P (Pertamina) |
| Protocol & Reception | Ivan Sebayang (ConocoPhillips) | Maja Damajanti (Total) |
| Security | Untung Medianto (CNOOC) | Baruno Subroto (Chevron) |
| | | Pardi (Total) |
| Short Course | Leonard Lisapaly (Fugro-Jason) | Ukat Sukanta (ENI) |
| Golf | Tjut Hamzah (Vico) | Mulkan Hamid (Petrochina) |
| | | Boy Fardiono (ExxonMobil) |
| Social and F&B | Karlina Hardja (Energy Equity) | Cynthia Watung (Murphy) |
| | | Koeswardhani (Vico) |
| Sponsorship | Handoyo Eko Wahono (BPMIGAS) | Suprijonggo Santoso (Saripari) |
| Technical Program | Bob Wikan (Pertamina) | Gregory Caine (ExxonMobil) |
| | | Saad Ulaby (Schlumberger) |

SECTION 5

DATA MANAGEMENT COMMITTEE

2009 REPORT OF ACTIVITIES AND 2010 OBJECTIVES

CHAIRMAN

Leonardus Tjahjadi

(BP Indonesia)



DATA MANAGEMENT COMMITTEE

Report of 2009 Activities and 2010 Objectives

IPA DMC 2009 Highlight

- Following meetings with MIGAS, PUSDATIN and BPMIGAS, issued a Circular Letter in April 2009 to all IPA members on Oil & Gas Data Submission as required by Decree of Minister of M & MR No. 27 / 2006. Payment issue will still need time to be resolved.
- MIGAS circulate a new SOP for data submission that replace the PUSDATIN SOP. Letter number 2546/13/DJM.E/2009 dated 10 February 2009 which received by committee in 2H 2009.
- Conducted several sharing session among members

IPA DMC 2010 Objective

- To have Panel Discussion on DM at IPA Convention
- Continue to work with all stakeholders to find the most acceptable solution for data submission.
- Continue sharing session among members

SECTION 6

DOWNSTREAM COMMITTEE

NO REPORT SUBMITTED



SECTION 7

ENVIRONMENT AND SAFETY COMMITTEE

2009 REPORT OF ACTIVITIES AND 2010 OBJECTIVES

CHAIRMAN

Agustanzil Sjahroezah*
Satrio Pratomo**

(ENERGI MEGA PERSADA)

***) Chairman of Environmental and Safety Committee 2007-2009**

*****) Chairman of Environmental and Safety Committee 2009-2011**



ENVIRONMENT AND SAFETY COMMITTEE

Report of 2009 Activities

I. OVERVIEW

IPA ESC is a working committee and serves as a bridge between oil and gas operations and regulatory bodies. 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 reasonable to achieve sustainability.

II. ENVIRONMENT & SAFETY COMMITTEE (ESC) MEMBERS

Environmental issues have grown up more complex and demanding for the oil & gas industry in Indonesia. The increase in public awareness and knowledge of environmental issues has resulted in a higher demand for information. On the other hand, legislation continues to raise the bar as community expectations rise across a broad spectrum of issues. On-going local autonomy changes in Indonesia have increased the involvement of local authorities in most aspects of environmental management. Consequently, regulations in national level become more and more important because local legislations will refer to the higher regulations stipulated by the central government.

The same constantly growing concern was also recognized in safety issues. Along with the complexity of environmental and safety issues, the ESC membership has also grown. In 2003, the ESC members consisted of 13 members, and this number grew up in year 2008, into 19 members.

The ESC members in 2008 are shown below:

| | | | |
|-----------|---|--------------------------|---------------------|
| Chairman | : | Satrio Pratomo | Energi Mega Persada |
| Secretary | : | Rossi Yuliani | PHE 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. Karel Piet | CNOOC |
| | | 7. Lidia Ahmad | BP Indonesia |
| | | 8. Muhammad Shobirin | Premier Oil |
| | | 9. Prijo Hutomo | Star Energy |
| | | 10. Randolph Bledoeg | PetroChina |
| | | 11. Sugiarto | Elnusa Tristar |

| | | |
|-----|---------------------|-----------|
| 12. | Nedia Permata Hasan | Petronas |
| 13. | Kosario | BPMIGAS |
| 14. | Bagus Edvantoro | BPMIGAS |
| 15. | Mashudi | Total E&P |
| 16. | Mirza Bourhanuddin | EMOI |
| 17. | Hanivatu Avida | EMOI |

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 2009:

| | | |
|----|---------------------|-----------|
| 1. | Nedia Permata Hasan | Petronas |
| 2. | Mashudi | Total E&P |
| 3. | Mirza Bourhanuddin | EMOI |
| 4. | Kosario | BPMIGAS |
| 5. | Bagus Edvantoro | BPMIGAS |
| 6. | Hanivatu Avida | EMOI |

Members who left in 2009:

| | | |
|----|------------------|--------------------------|
| 1. | Muhammad Najib | Total E&P Indonesia |
| 2. | Sapta Nugraha | BPMIGAS |
| 3. | Doni G. Wibisono | Medco E&P Indonesia |
| 4. | Harry Eddyarso | PT Permata Drilling Intl |
| 5. | Ali Dikri | Chevron |

III. 2008 ENVIRONMENT AND SAFETY WORK PROGRAM AND ACHIEVEMENT

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, sharing lessons learned and best practices (for example: Pandemic Preparedness Plan).

IPA-ESC continues to promote communication and advocacy with BPMIGAS, Migas and the Ministry of Environment in the Environmental Forum. In the past IPA-ESC was very influential in the transformation of PROPER evaluation scheme, hence the achievement of green and gold ratings for upstream oil and gas industry are now likely under current PROPER assessment. In 2002, only six (6) PSCs received Blue (the

highest) rating. The next year, 2003, eleven (11) PSCs got blue ratings. There were no PROPER evaluations in 2004 and 2005 due to revitalization of the PROPER scheme as a result of IPA-ESC appeal. In 2006-2007 period evaluation after the revitalization of the PROPER scheme, seven (7) Green ratings and twenty nine (29) Blue ratings were awarded to oil and gas companies. Recently in 2008-2009 evaluation periods, Green ratings were awarded to ten (10) E&P companies.

In 2009, IPA-ESC conducted ongoing advocacy for RPP Keteknikan Migas, New Environmental Law UU 32/2009 and the implementation of Per MENLH 4/2007 pertaining Waste Water Standard for Oil Gas Activities and Per MENLH 2/2008 pertaining Toxic and Hazardous (B3) Waste Utilization.

IPA-ESC successfully hosted a half-day seminar at the Ritz Carlton on February 18, 2009 with the topic "Increasing Oil and Gas Production in alignment with Safety and Environmental Aspects and Regulatory Compliance to Achieve Sustainable Development". The keynote speaker was Bapak Emil Salim, once the Ministry of Environment and currently serving as Wantimpres and the seminar was attended by high ranking officials from the Ministry of Environment, Migas and BPMIGAS. (Messrs. Evita Logowo, Sujartono, Budi Indianto, etc.)

In terms of safety competency certification, IPA-ESC continues to engage with ICCOSH (Institute Certification of Competency on Occupational Safety and Health) by attending their regular meeting.

The followings are 2009 Work Programs and Achievements progress report:

- 1. The Development of Migas/Government Regulation on the Management and Supervisory of Technical Aspects in Oil and Gas / RPP Pengaturan dan Pengawasan Keteknikan dalam Kegiatan Usaha Migas**
(Person in Charge: Satrio Pratomo)

The Directorate General of Oil and Gas under the Department of Energy and Mineral Resources (ESDM) is developing a Draft of Migas/Government Regulation on the Management and Supervisory of Technical Aspects in Oil and Gas. The IPA-ESC working group conducted and facilitated several meetings internally and with Migas representatives in 2008 to discuss the draft of regulation and provide input from the industry point of view.

The discussion to review the draft is suspended in IPA-ESC working group, awaiting ESDM decision to finalize the draft of the regulation format which is being reviewed by Legal Department of ESDM.

- 2. The Revision of Ministry of Environment Decree No. 129/2003 concerning Air Emission Standard for Oil and Gas Industry**
(Person in Charge: Rossi Yuliani)

IPA-ESC has appealed the Ministry of Environment to revisit this Decree soon after being issued in 2003. IPA-ESC working group for this program have worked closely with BPMIGAS in providing input to MoE. The proposed suggestions for revision were presented in a meeting with MoE in Bandung in August 2008. New air emission standards and fugitive emission management were among other things that were discussed with MoE.

IPA-ESC working group has succeeded in convincing the Ministry of Environment that CEM does not have added value to effectively monitor the emission from oil and gas activities. Manual emission monitoring, which is regularly carried out by oil and gas industry, has served the function.

3. The Implementation of Ministry of Environment Regulation No. 4/2007 concerning Wastewater Standards for Oil and Gas and Geothermal Activities
(Person in Charge: Doni Wibisono)

The oil and gas industry has several concerns in the implementation of this Regulation. To compile all concerns and assess the impacts to the operations, a working group who would focus on articulating industry challenges was formed. The group was able to identify the issues and compile a proposal for solution. One of the issues is the standard for few wastewater parameters that IPA-ESC would like to be reviewed based on available technology, technical constraints, best practices, economical feasibility and environmental carrying capacity. At the moment, the working group is care about the scheme to pass on our suggestions considering this is a recently issued regulation and it is unlikely that MoE will revise or evaluate it until 2012.

4. The Implementation of Ministry of Environment Regulation No. 2/2008 concerning Toxic and Hazardous (B3) Waste Utilization
(Person in Charge: Ali Dikri)

The oil and gas industry has several concerns in the implementation of this Regulation. To compile all concerns and assess the impacts to the operations, a working group who would focus on articulating industry challenges was formed. The group was able to identify the expectations and compile a proposal as feedback. One of the concerns is that the decision for selection of B3 waste management implementation shall take into account the technical, safety, environmental, financial, nature of operations and regulation compliance feasibility analysis. Another one is to recognize other current 3R (Reduce, Reuse, Recycle) initiatives, both internal within industry and external. At the moment, IPA-ESC is care about the scheme to pass on our suggestions considering this is a recently issued regulation and it is unlikely that MoE will revise or evaluate it until 2012.

FORWARD PLAN

- Continue the advocacy work from 2009 and new emerging issues in 2010 on various government regulations development and/or changes through working team assigned with the relevant government agencies.
- Launch environmental and safety sharing lessons learned and best practices in the IPA website (http://www.ipa.or.id/cmt_enviromental.htm).
- Produce IPA-ESC leaflet to promote IPA-ESC activities.
- 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.

SECTION 8

FINANCE AND TAX COMMITTEE

2009 REPORT OF ACTIVITIES AND 2010 OBJECTIVES

CHAIRMAN

A. NOVIYANTO

(TOTAL E&P INDONESIA)



FINANCE AND TAX COMMITTEE

Report of 2009 Activities and 2010 Objectives

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

2009 Objectives

- 1) To continue constructive dialogues with BPMIGAS and other stakeholders to get more permanent solution on the Import Facilities, especially the issuance of VAT Import facilities (borne by the government) which is currently has to be renewed annually. For a longer term to seek more secure import facilities covering all importation component (WHT, VAT and Duties) from the government.
- 2) To maintain a constructive dialogue with BPMIGAS and other Government Auditors to keep or even improve procedures for resolution of government audit findings that is fair to the PSC contractors and the Government.
- 3) To continue communication and discussion with BPMIGAS in the finalization of IPA proposal regarding the issuance implementation guidelines related to Ministry of Energy and Mineral Resources decree no.22/2008 (Cost Recovery Issues).
- 4) To continue engaging the industry Finance & Tax practitioners and advisors in the development of oil and gas industry taxation and financial matters.
- 5) To influence the shape of the new proposed oil and gas Government Regulations to be closer to industry's expectation & requirement with the assistance of external consultant.
- 6) To conduct regular meeting of Finance and Tax Committee Meetings and conference calls in regular basis and on-call basis.

2009 Activities

- 1) After several consultations with related government institutions, the permanent solution to Import Facilities is not immediately feasible and available for the industry (mainly due to restriction in the prevailing regulations). The industry has to accept this limitation and work around the feasible solution by working together with BPMIGAS to renew the facility on annual basis.
- 2) Engaged in various active dialogues with DG of Oil & Gas (MIGAS), BPMIGAS and DG of Tax (DGT) regarding the draft of Government Regulation of Cost Recovery and Income Tax for Oil and Gas Upstream Activities (GR of Cost Recovery), focusing in 4 areas:

-
- The GR of Cost Recovery shall apply only for the new PSC signed after the effective date of this GR. This is to honor and protect the term and condition of existing PSCs, which also guaranteed by the article 64 (d) of the Law No.22/2001.
 - There should be no annual capping to cost recovery as it would impact PSC economics and production performance.
 - The equity share on a post-tax basis shall not be acceptable, as it may cause inconsistency in the disclosure of supplemental oil and gas required by SEC and creates problematic on claiming foreign tax credits.
 - Imposing Capital Gain Tax (CGT) on transfer of PSC interest during exploration and development stage would discourage exploration. If the Government insists, they shall consider only imposing CGT on the gain portion (vs. gross transaction value) at more competitive/lower tax rate.
- 3) Worked collaboratively with the Regulatory Affair Committee in engaging discussion with BPMIGAS in the finalization of IPA proposal regarding the issuance implementation guidelines related to Ministry of Energy and Mineral Resources decree no.22/2008 (Cost Recovery Issues). The BPMIGAS Implementation Guidelines was issued on 10 June 2009.
 - 4) Conducted and coordinated a constructive dialogue with BPMIGAS and DGT to progress on the implementing procedure of tax borne by Government on Parent Company Charges and other charges coming from home office. IPA had conducted various discussions and clarifications with these related parties and had collectively agreed a way forward (i.e. DG of State Budget and DGT have to collaboratively work together to establish a clear procedure/mechanism on tax borne by Government). This mechanism should also include the mechanism to redeem tax assessment letters on home office charges that already issued to few PSC contractors.
 - 5) Post issuance of MOF decree no. 11/2005, the timing of VAT collection is now based on invoice date (accrual basis) instead of invoice payment date (cash basis). IPA had held various discussions at different level of Tax Offices since then to explain and escalate industry's concern re. (a) Conflict of regulation between MOF decree and GR 143/2000 decree; (b) Unequal treatment with other VAT Collector and (c) Administration inefficiency/burden to follow MOF decree. Despite IPA strong push back to amend this MOF decree, Tax Office had recently issued tax penalty assessment to the PSCs.
 - 6) Proactively engaged and conducted a dialogue with the DGT to share the progress on industry cost recovery dispute. This will improve transparency between Tax Office and industry as well as for Tax Office to better understand industry's challenges.
 - 7) Supported BPMIGAS in dialogue with Government auditors and other interest group, including presented in a workshop on "Recoverability of Employee Income Tax Allowance" to BPK, BPKP, DG of State Budget, DGT and KPK.
 - 8) 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.

2010 Objectives

- 1) To continue active engagement with BPMIGAS, MIGAS and DGT, 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 (Harmoni). 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, 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.

SECTION 9

HUMAN RESOURCES COMMITTEE

2009 REPORT OF ACTIVITIES AND 2010 OBJECTIVES

CHAIRMAN

M.H. Manullang

(VICO Indonesia)



HUMAN RESOURCES COMMITTEE

Report of 2009 Activities and 2010 Plans

A. ORGANIZATION

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

| | | | | |
|---------------|---|-------------------|---|-----------------|
| Chairman | : | M.H. Manullang | - | VICO Indonesia |
| Vice Chairman | : | Harris Djauhari | - | Chevron |
| Secretary | : | Salmona Jahja | - | BP Indonesia |
| | | Anna Suherman | - | Schlumberger |
| Members | : | Amyra Sindikusumo | - | CNOOC |
| | | Maryke P Yustika | - | PetroChina |
| | | M Suharmoko | - | Total Indonesia |
| | | Indrarko Susatijo | - | ExxonMobil |
| | | Taufik Ahmad | - | ConocoPhillips |
| | | Reddy S Sunardi | - | Medco |
| | | Insan Purwarisya | - | Pertamina |
| | | Sugembong CF | - | Star Energy |
| | | Ety Purwanto | - | Santos |
| | | Tigor Pangaribuan | - | Premier Oil |

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.
- 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. 2009 ACTIVITIES

1. Worked with BPMIGAS and Sub-Committee III to conduct workshop and socialization of the Human Resources Work Procedure Guidelines BPMIGAS (PTK – 018) revisions to all HR PSC personnel.
2. Continuously worked with BPMIGAS, MIGAS, Manpower, Immigration and Police Offices to realize the plan in streamlining the requirement and process of expatriates' formalities into one integrated administration system.
3. Participated in discussion among BPMIGAS, MIGAS and Manpower Office prior issuing Manpower Minister Regulation No.4/2009 related to revocation of Ministry Decree No.27/2000 on Compensation Program for Contract Employees at end of Employment Agreement for specific period.
4. Participated in the 2009 HR Annual Forum with PSC - BPMIGAS and HR Summit in Westin Hotel Nusa Dua Bali on October 22 – 23, 2009 to share the best HR practices among PSCs and other industries with host Total Indonesia and Premier Oil.
5. Conducted bimonthly HR Committee meeting in IPA Office to share the recently HR issues related regulation including work program of the sub committees and discussion on "Talent Pool" PSC-BPMIGAS development program to accelerate the competency of "core function" in oil & gas business
6. Conduct workshop and joint training programs related to Work Program & Budget (RKA), Manpower Planning (RPTK), Industrial Relations, Technical and Introduction of Indonesian Culture to Expatriates.
7. Participated and supported the annual IICS compensation & benefits survey and

discussed a possibility of different model by including years of experience for better benchmarking in technical professionals.

D. 2010 PLANS

1. Provide inputs to BPMIGAS to support the possibility of revisions Human Resources Work Procedure Guidelines BPMIGAS (PTK – 018) especially in remuneration package guidelines
2. Continuously work with BPMIGAS, MIGAS, Manpower, Immigration, Provincial Governments and Police Offices in the following:
 - a. Streamline the formalities process and requirements by various Government Offices
 - b. Coordination among Government Offices in conducting control or inspections
 - c. National Tripartite Forum on handling industrial dispute
 - d. Discussion on the draft prior any new regulation issuing
3. Continue work with BPMIGAS to design and implement the development program of “Talent Pool” PSC-BPMIGAS to accelerate the competency of the core function in oil & gas business
4. Support the annual IICS compensation survey administered by third party and follow by discussion forum at year end which includes the discussion on possibility of new model including financial and non financial program in order to retain the talents within the company if necessary
5. Conduct joint training program on Indonesian culture orientation for expats, technical and soft skill training for professional and managerial. Share the information with other PSCs on accelerated development program for petro-technical and operators/technician that conducted by Total Indonesia, Medco, Chevron, etc in cooperation with Consultants, ITB Bandung and PPP MIGAS Cepu
6. Continue regular meeting on medical referral issues to provide input to BPMIGAS on medical cases for national employee requiring treatment overseas.
7. Participate in Human Resources Annual Forum BPMIGAS – PSC and HR Summit to share the HR best practices among the PSCs and other industries. The next year host will be coordinated by Medco and Santos.

SUB COMMITTEE OF HUMAN RESOURCES COMMITTEE UNIVERSITY ASSISTANCE COMMITTEE

REPORT ON 2009 ACTIVITIES & 2010 WORK PROGRAM AND BUDGET

An industry initiative toward developing a better education system throughout assistance, cooperation & promotion of the oil & gas industry to university students

CHAIRMAN
Kamsyadi Chairul Akbar
(P.T. MEDCO E&P INDONESIA)

SUMMARY

The University Assistance Committee has successfully organized and carried out the 2009 activities and programs, especially for One Day Course program. There are 21 sessions along 2009 spread at eight universities. Total 2009 budget expenditure was IDR 322,098,348 *), which is 86% of the approved budget. The less expenses from the approved budget are mainly caused by less University Financial Assistance & Journal/Book distribution proposal.

The committee continued to invite the student representatives from the various relevant student associations of the IPA-UAC members to the IPA-UAC 2009 semiannual meeting in Feb 2009 hosted by Geology Department STTNAS in Jogjakarta. Their participation proved very useful in supporting and making recommendations for the execution of the IPA-UAC programs.

UAC sponsored the attendance of a lecturer from IPA-UAC membership at 2009 IPA Annual Convention in Jakarta and also sponsored 24 lecturers to attend the commercial courses organized by IPA.

The proposed 2009 budget is IDR 396 million.

*) As per October 31, 2008

GENERAL

The University Assistance Committee in co-ordination with government/industry groups to provide assistance to universities that provide petroleum-related faculties and facilities, as well as promoting the oil & gas industry to university students. The committee processes requests to the IPA for educational help, funding for special projects/equipments/research and for technical literature.

Effective on October 2009 the chairman of UAC, Mr. Dedi Sukmara (MEDCO EP Indonesia), is replace by Kamsyadi Chairul Akbar (MEDCO EP Indonesia). Mr. Dedi Sukmara has new

assignment abroad. We thank for all his contributions to UAC – IPA and hope his success in his new assignment.

In 2009/2010, the committee is consists of the following members:

| | | | |
|---------------------------|---|------------------------|----------------|
| Chairman | : | Kamsyadi Chairul Akbar | MEDCO E&P IND. |
| Advisor | : | Edwin Tandean | MEDCO E&P IND. |
| Financial Assistance | : | Hadiyati | TATELY |
| Commercial Courses | : | Robhy Permana | VICO |
| One-Day Courses | : | Caroline Malla | TOTAL E&P IND. |
| Book/Journal Distribution | : | Ferry Yustiana | HESS |
| UAC Grant Aid | : | Iranta B. Sinaga | VICO |
| Administrative Secretary | : | Rosinta Wibowo | VICO |

PARTICIPATING UNIVERSITIES AND INSTITUTIONS

Educational and financial assistance is provided to the following university departments offering petroleum-related courses:

1. Geology Department Trisakti University – Jakarta
2. Petroleum Engineering Department Trisakti University - Jakarta
3. Gas Technology Department University of Indonesia – Jakarta
4. Geophysics Department University of Indonesia – Jakarta
5. Geology Department Pakuan University – Bogor
6. Geology Department Institute Technology Bandung – Bandung
7. Applied Geophysics Department Institute Technology Bandung– Bandung
8. Petroleum Engineering Department Institute Technology Bandung– Bandung
9. Geology Department Padjadjaran University – Bandung
10. Geophysics Department Padjadjaran University – Bandung
11. Geology Department Gadjah Mada University – Yogyakarta
12. Geophysics Department Gadjah Mada University – Yogyakarta
13. Geology Department Pembangunan Nasional University – Yogyakarta
14. Petroleum Engineering Department Pembangunan Nasional University – Yogyakarta
15. Geology Department Sekolah Tinggi Teknologi Nasional – STTNAS – Yogyakarta
16. Geophysics Department Pembangunan Nasional University – Yogyakarta
17. Petroleum Engineering Department Proklamasi University – Yogyakarta
18. Geophysics Department Institute Technology Surabaya – Surabaya
19. Geophysics Department Brawijaya University – Malang
20. PTK-AKAMIGAS – STEM – Cepu
21. Mining Geology Department Sriwijaya University – Palembang
22. Geology Department Institute Technology Medan – Medan
23. Petroleum Engineering Department University Islam Riau – Pekanbaru
24. Physics Department FMIPA Lampung University – Lampung
25. Geology Department Hasanudin University – Ujung Pandang
26. Geophysics Department Hasanudin University – Ujung Pandang

These universities are associate members of the IPA. They are therefore on the direct mailing list and receive notices of all IPA courses and luncheon talks.

For the next program, UAC – IPA will offer for membership for new earth science department at several universities in Indonesia.

FINANCIAL ASSISTANCE

Limited financial assistance is offered to participating universities to cover the purchase or repair of laboratory equipment and computers and for field excursions. Priorities are given to projects that directly benefit as many students as possible.

Any member shall entitle for this financial assistance when they propose the projects and be able to submit the last year project report and relevant expenditure documents to the subcommittee.

A total of 10 university departments are entitled for financial assistance during 2009, the remaining member are not entitle for some reasons. Total spending by Financial Assistance was IDR 122 million.

COMMERCIAL COURSES

This program sponsors a limited number of lecturers to attend commercial courses in earth sciences or engineering. These are normally one- to five-day courses held in Jakarta and organized by IPA and others. The Lecturers are also allowed to present their technical paper in the scientific convention like IAGI, IATMI and HAGI. The lecturers are expected to pass on to students the concepts/technology learned during the courses via course updates. The committee always approaches and persuades course institutions to provide a special discounted course fee for efficiency.

Total of 24 lecturers attended the IPA courses during the year of 2008, with a total expenditure Rp. 55.087 million.

DISTRIBUTION OF TECHNICAL JOURNALS AND PUBLICATIONS

The Committee assists university departments in purchasing technical textbooks and CD-ROMs. The book shall relevant to oil and gas industry and knowledge. The committee also paid for subscriptions to world-class journals, such as IPA, IAGI, AAPG, SEG and others.

During the year of 2009, sub-committee spending was approximately IDR 9.033 million, which is under the budget. The less spend reasons is mainly cause by the payment method. For the next program, UAC – IPA will coordinate with IPA staff for the payment procedures.

INDUSTRY-SPONSORED COURSES

The Committee selects a One Day Course courses organized by students and taught by professionals from the petroleum industry. The locations are spread around the participating university campuses. Attendance is normally 30 - 50 students. Expenses for lecturers are covered by their company, which helps to keeps IPA costs down. This gesture is much appreciated.

During 2009, the sub-committee sponsored and coordinated 21 sessions in various universities. Total expenditure was IDR 43.925.

UAC GRANT AID

The Grant Aid program is a most new program launch by the UAC. The program is replacing Research Grant. The lack of research proposed for the aid lead us to replace the program. The aim of the grant is to help and encourage the students. For this very first implementation, the Sub-committee launched 2 types of grant:

1. A Rp. 3,000,000 grant for 4 best students (in term of IPK) at the final year.
2. A Rp. 1,000,000 grant for 6 students with best IPK at any year of study.

For the next programs, UAC will accommodate and enforce the research grant from the universities.

Total grant given in 2009 is Rp. 20 million for students from various universities.

ANNUAL UAC MEETING

UAC held one meeting of UAC/University Representatives in Feb 9, 2009 at Geology Department, STTNAS. The meeting provides a forum to discuss the committee's programs and to solicit university input, in addition to promoting the IPA program and the oil & gas industry to student representatives. IPA covers transportation, meals and accommodation expenses for the university representatives. The UAC committee members expense were paid by individual company employers, which relieved the IPA cost burden.

IPA CONVENTION ATTENDANCE

UAC sponsored the attendance of a lecturer from IPA-UAC members at IPA Convention In 2009, IPA held annual convention meeting in May 2009. We sponsored 26 persons to attend the convention.

By attending IPA Conventions, the lecturer is expected to explore and gain experience from the technical papers/posters presented by various domestic and international oil & gas industries as well as services companies.

Total expenditure was IDR 36 million.

THE 2010 BUDGET

The approved 2009 budget is IDR 374,216,000. The committee is trying to keep the budget as low as possible by reshuffling the budget allocation from one sub-committee to another in order to improve efficiency and effectiveness.

The list of the proposed is as the table below:

| CODE | EXPENDITURE | APPROVED BUDGET 2009 | ACTUAL AS OF OCT 31, 09 | ACTUAL AS A % OF BUDGET | PROPOSED BUDGET 2010 |
|-------------|--|-----------------------------|--------------------------------|--------------------------------|-----------------------------|
| 01 | INDUSTRY ONE DAY COURSE | 34,516,000 | 43,925,000 | 127% | 45,000,000 |
| 02 | UNIVERSITY FINANCIAL ASSISTANCE | 174,000,000 | 122,000,000 | 70% | 165,000,000 |
| 03 | COMMERCIAL COURSES | 60,000,000 | 55,087,000 | 92% | 65,000,000 |
| 04 | JOURNAL / BOOK DISTRIBUTION | 20,000,000 | 9,033,848 | 45% | 15,000,000 |
| 05 | IPA CONV. ATTENDANCE | 30,200,000 | 36,000,000 | 119% | 40,000,000 |
| 06 | SEMI ANNUAL UAC/ UNIVERSITY REPS MEETING | 35,500,000 | 36,052,500 | 102% | 36,000,000 |
| 07 | IPA Grant Aid | 20,000,000 | 20,000,000 | 100% | 30,000,000 |
| | TOTAL | 374,216,000 | 322,098,348 | 86% | 396,000,000 |

SECTION 10

LNG, GAS AND CBM COMMITTEE

NO REPORT SUBMITTED

CHAIRMAN

Larry Marks

(VICO Indonesia)



SECTION 11

PROFESSIONAL DIVISION COMMITTEE

2009 REPORT OF ACTIVITIES AND 2010 OBJECTIVES

CHAIRMAN

Ron Noble

(BLACK GOLD ENERGY)



PROFESSIONAL DIVISION COMMITTEE

January 2009 – December 2009

CHAIRMAN'S REPORT

Ron Noble (BLACK GOLD ENERGY)

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 maintains 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 2009 stands at 1754 individuals. Membership has increased by 4% (68 members) from 2008. We currently have 20 lifetime members.

The Professional Division Committee is composed of a dedicated, multi-discipline 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 several changes in the Professional Division Committee in 2009. Hans Schwing relocated from Jakarta to Kuala Lumpur, creating two vacancies in the committee. We welcome back Dharmawan Samsu (BP), who has taken over the position of Vice Chairman. Mark Thomsen (EXXONMOBIL) is serving as the new Luncheon Talks chairman, also replacing Hans Schwing. Walter Ziza (TALISMAN) has joined the committee as Field Trips chairman. Stephen Scott (GENTING) and Redo Waworuntu (CONOCOPHILLIPS) are coordinating activities of the Student Chapter. Timbul Panjaitan (CHEVRON) has taken over from Mariwu Dengah as Chairman of the Riau Chapter. Taufik Manan relocated this year, and Audrey Sahertian (IPA) has assumed the responsibility of Division Secretary. We are greatly indebted to all our committee members for volunteering their time and effort to the IPA.

The Professional Division Committee at the end of 2009 is as follows:

| | | |
|----------------------|-------------------------|---------------------|
| Chairman | Ron Noble | (BLACK GOLD ENERGY) |
| Vice Chairman | Dharmawan Samsu | (BP) |
| Secretary | Audrey Sahertian | (IPA SECRETARIAT) |
| Treasurer | Roland Panjaitan | (HESS) |
| Continuing Education | H.L. Ong | (GEOSERVICES) |
| | 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) |
| Homepage & Information Technology | Jonathan Gilbey | (CHEVRON) |
| Student Chapter | Sujud Sunawan | (BLACK GOLD ENERGY) |
| | Stephen Scott | (GENTING OIL) |
| Riau Chapter | Redo Waworuntu | (CONOCOPHILLIPS) |
| Balikpapan Chapter | Timbul Panjaitan | (CHEVRON) |
| | Ida Herawati | (CHEVRON) |

The Professional Division has continued to successfully carry out its mission during 2009. Six (6) luncheon talks were held during the year, with attendance exceeding 573 professionals in Jakarta. In addition, twelve (12) short courses were held on diverse technical topics throughout the year and all were well received and attended. The short courses presented in 2009 drew a total of 279 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.

Four (4) educational fieldtrips were successfully completed during the course of the 2009. The field trips are: *Modern and Ancient Mahakam Delta Sedimentology* trip which ran in March, *Volcanoclastic rocks of Merapi and Southern Mountains areas*, near Yogyakarta, *field Seminar at Cepu, Central Java* was run in August. Due to the popularity of this trip, it was re-run in December.

The 2009 IPA Membership Directory was published and distributed to members, as were two (2) informative newsletters each focusing on a theme of technical interest to our members.

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.

There has been a complete upgrade to the IPA website, with web design services being provided by Nuage. Responsibility for maintaining the website has moved away from the Professional Division to the IPA Executive office. The IPA now is considering hiring a full time person to assist with the information content of the website. This person would be responsible for keeping all information about the industry live and up-to-date.

Many thanks are offered to the dedicated officers and sub-committee chairmen for making 2009 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 2008 surplus was Rp. 1,267 billion which was from Revenue Rp. 5,896 billion and expenditure of Rp. 4,629 billion. Year 2008 budgeted a surplus of Rp. 800 million.

Financial results for 2009 are still in progress. As of October 31, 2009 cash surplus was Rp. 1,023 billion. The surplus derived from Revenue of Rp. 5,860 billion and expenditure of Rp. 4,837 billion.

The main contribution to the cash surplus was Courses Rp. 1,077 billion, the Sales of IPA DVD and other publication Rp. 104 million, Fieldtrip Rp. 66 million, loss on foreign exchange (Rp. 207)-million, and others surplus minus Secretariat expenses (Rp. 17) million.

As of December 2009, we forecast a cash surplus of Rp. 1,265 billion. This surplus derived from Revenue of Rp. 6,766 billion and Expenditures of Rp. 5,501 billion. Year 2009 budgeted a surplus of Rp. 1,282 billion.

CONTINUING EDUCATION SUB-COMMITTEE

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

Vice-Chairman : Sigit Sukmono (ITB)

There were 12 professional courses offered in 2009, plus 5 short courses held in conjunction with the Thirty-Third (2009) IPA Annual Convention and Exhibition. However, these are no longer included in the Professional Division Committee report. A full list of course titles and the instructors is provided in Appendix A. A total of 279 participants attended the courses, of which 32 people came from overseas. In general, all 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 2009.

The first trip of the year was the classic *Modern and Ancient Mahakam Delta Sedimentology* trip which ran in March, with a total of 14 attendees. We greatly appreciate the assistance of Total E&P Indonesia in making this trip possible.

A new field trip was organized by the end of May to study outcrops and distribution of *Volcanoclastic rocks of Merapi and Southern Mountains areas*, near Yogyakarta; it was addressed to petroleum geologists, and it was attended by 7 professionals. We are grateful to Dr. Sutikno Bronto of GRDC, Bandung who leaded the trip.

The *Oil Exploration, Drilling and Production Operations; A field Seminar at Cepu, Central Java*, was run twice due to its popularity. The first time in August, with a total of 7 attendees, and the second in December, with 24 attendees.

Looking forward to 2010, 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. In addition a trip to South Sumatra is presently planned while one on the western coast of South Sulawesi is in the initial stages of planning: we hope to run this trip in the second or third quarter 2010.

NEWSLETTER SUB-COMMITTEE

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

The Newsletter focus remains on sharing articles and issues relevant to the Indonesian petroleum industry. Quarterly distribution of the Newsletter is targeted, but this has been met this year. The issue has been content and lack of outside IPA article submissions. Each Newsletter typically has one or two anchor articles, along with regular segments such as:

- Editor's Page: contributed by Joel Guttormsen and James Farmer
- Chairman's Corner: contributed by Ron Noble
- Drilling Highlights: contributed by Mark Harris (Geosolutions Asia, Singapore)
- Events Calendar: contributed by Simon Crellin (Deloitte & Touche Petroleum Services, Singapore)
- IPA Training Calendar: compiled by Audrey Sahertian and Sita
- Ganti Wajah: list of member and company changes, compiled by Audrey Sahertian and Sita
- Miscellaneous: sub-committees such as Conferences, Training, Field Trips, Students, and Luncheon Talks often contribute notifications or short articles.

For 2009, two issues of the Newsletter have been published. Themes covered this year have been:

The current publisher is Java Star. Average charge for printing 2,000 glossy color newsletters and distributing to the membership is Rp. 37 million. 2008 total costs for the Newsletter are expected to be around Rp. 74 million for two issues. Once Newsletters are completed, a web friendly formatted version is provided to the Home Page Sub-Committee for posting on the IPA web site.

A relatively low number of short technical articles are submitted to the Newsletter, and has remained a challenge for 2009. 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.

2010 is proposed to have a paperless newsletter in lieu of the paper newsletter. This letter would be emailed out and have links to the IPA website for pertinent articles. This would streamline the newsletter, save expense, and would allow editors to move to a bi-monthly update without the issues associated with publishing. It will allow the editor to search for key topics of interest such as:

- East Indonesia and Frontier Exploration
- Deepwater Exploration of the Kutei and Makassar Basins
- Controlled Source Electro-Magnetic (CSEM) Surveys in Exploration

-
- Introduction series targeted at young professionals: Biostratigraphy, Sequence Stratigraphy, Well Log Correlation, Structural Geology, Petrophysics, Seismic Acquisition and Processing, Seismic Interpretation and Visualization, Seismic Inversion, AVO and Seismic Attributes, Mapping, GIS, Gravity and Magnetics, Earth Modeling, Reservoir Engineering and Simulation, Economics and Risk Analysis, Operations Geology, Drilling, and Production.

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 2009 we were able to host six very good presentations during the February through October period. A wide range of topics were covered by the various speakers. In February 2009 Pak R. Priyono, Chairman of BPMIGAS, presented a very well attended talk titled "A Summary of 2008 E&P Activities in Indonesia and Outlook for 2009". Representatives of several O&G companies presented the remaining talks. In addition we had the privilege of hosting a Society of Exploration Geophysicists Distinguished Lecturer as one of our guests.

A full listing of all talks and attendance is attached as Appendix C. Total attendance was 573 members throughout the year.

Planning is already underway for 2010 with speakers for January, February and March firming up.

MEMBERSHIP SUB-COMMITTEE

Chairman: Sugembong C.F. (STAR ENERGY)

The total for 2009 IPA Professional Division Membership is 1754. The breakdown of members is as follows: Jakarta 1234, Riau 404, Balikpapan 21, and Overseas 95.

This year, membership has increased by 4% (68 members) compared to last year. The significant additional members came from Riau chapter, 100 new members, from 304 to 404 members. They are mostly new employees. The other regions such as Jakarta, Balikpapan and overseas, have remained constant. This year is the third year of introducing lifetime membership to the IPA. In order to qualify for lifetime membership, an individual must have been an IPA member in good standing for at least 5 years. We currently have 20 lifetime members. Life membership costs Rp. 2.250.000 or US \$300.

PUBLICATIONS SUB-COMMITTEE

Chairman: Andy Livsey (HORIZON)

The Publications Committee oversees the production and sale of all IPA publications. These provide a valuable source of information on hydrocarbon exploration, development and production in the SE Asian region. Sales are achieved via the IPA website, through adverts

in the IPA newsletter and through joint arrangements with the AAPG (digital publications) and the Geological Society of London (Hardcopy Volumes)

In 2009 the committee has undertaken the following:

- Assistance with incorporation of publications material in upgraded IPA website
- Preparation for publication by the IPA of “The Geology of Java”, a book authored by Peter Lunt
- Devising a means of delivering future IPA digital publications and convention proceedings to members

This latter task is intended to allow automatic updates of a searchable IPA publications database with new publications as these are obtained thus avoiding the need to keep recreating the DVD's. Software development is now underway to facilitate this and it is hoped that this system can be unveiled at the 2010 IPA Convention.

HOMEPAGE AND INFORMATION TECHNOLOGY SUB-COMMITTEE

Chairman: Jonathan Gilbey (CHEVRON) and Sujud Sunawan (BLACK GOLD ENERGY)

An expanded scope and budget for the IPA website led to a new and improved design contract being awarded to Nuage. Nuage have completed the website design and upgrade and the new layout has been finalized and approved by the IPA board. The improved website went live in October 2009. Some of the new additions to the site include:

- Option to pay subscription by Pay Pal
- Forum
- Online store for IPA publications

Upgrades to the site include:

- Modern and clear layout
- Easier search and access to relevant information

IPA is planning to employ a person to maintain the new website and keep content up to date with current interesting articles and features.

IPA web hosting, email hosting and server co-location services were moved to new provider Arthatel. Arthatel's offices are adjacent to IPA offices facilitating interaction and server maintenance. The contract with the previous service provider (Petrodata) is being settled.

STUDENT ACTIVITIES SUB-COMMITTEE

Chairman: Stephen Scott (GENTING) and Redo Waworuntu (CONOCOPHILLIPS)

Typical student activities such as training courses were not conducted. We determined that University Assistance Committee has a broad assistance program that also includes administration of lectures, seminars and courses conducted by industry volunteers. This aspect of their program actually overlaps with programs that were previously conducted via the Student Activities Sub-Committee. Professional Division members met with both the University Assistance Committee and AAPG Student Chapter representative to determine



how best the Student Activities Sub-Committee could compliment, without duplicating, programs already in place. It was decided that the Student Activities Sub-Committee would endeavor to pulse the industry to determine when visiting technical staff might be in Jakarta and available to give lectures and lead seminars after their official business was completed.

Stephen Scott did serve the 2009 IPA Convention by co-leading the Speaker's Workshop and specifically advising students, by meeting with students directly and helping them edit their papers and by chairing the Student Session during the convention.

RIAU CHAPTER

Chairman: Timbul Panjaitan (CHEVRON)

Local technical activities continue with other professional organizations, as most of our members are also members of SPE, IATMI, IAGI/HAGI.

BALIKPAPAN CHAPTER

Chairman: Ida Herawati (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 – 2009

1. **Title** : Understanding the Indonesian Upstream Oil & Gas Industry
Instructor : Dr. H.L. Ong - Lecturer of ITB, Geological Department ITB & Advisor to PT Geoservices
Date : January 19 - 20, 2009
Venue : Hotel Mulia Senayan - Jakarta, Indonesia
Cost : US\$ 700 (IPA Members) - US\$ 750 (Others) - Excludes: hotel accommodation
No. of participants: 32

2. **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 - Lecturer of ITB & Advisor to PT Geoservices (Ltd.)
Dates : February 16 - 20, 2009
Venue : Sheraton Bandung Hotel & Towers - Bandung, Indonesia
Cost : US\$ 1,850 (IPA Members) - US\$ 1,950 (Others) - includes: hotel accommodation for 6 nights
No. of participants: 20

3. **Title** : 3-D Seismic Interpretation Techniques
Instructor : Alistair R. Brown - Consulting Reservoir Geophysicist
a) Dates : March 2 - 6, 2009
b) Dates : March 10 - 14, 2009
a) Venue : Sheraton Bandung Hotel & Towers - Bandung, Indonesia
b) Venue : Sheraton Senggigi Beach Resort Lombok - Lombok, Indonesia
Cost : US\$ 2,350 (IPA Members) - US\$ 2,450 (Others) - includes: hotel accommodation for 6 nights
No. of participants: 34

4. **Title** : Basic of Petroleum Engineering, Geophysics and Geology Technology in Upstream Oil & Gas Industry for Non-Technical Staffs
Instructors : Prof. Pudji Permadi, Dr. Dardji Noeradi, and Dr. Sigit Sukmono - ITB
Dates : March 30 - April 2, 2009
Venue : Sheraton Bandung Hotel & Towers – Bandung, Indonesia
Cost : US\$ 1,300 - includes: fieldtrip and hotel accommodation for 5 nights
No. of participants: 20

5. **Title** : Applied Subsurface Geological Mapping
Instructor : Siamak Agah - Subsurface Consultants & Associates, LLC - USA
Dates : May 25 - 29, 2009
Venue : Hotel Santika Beach Resort Bali - Tuban, Bali, Indonesia
Cost : US\$ 3,575 (IPA Members) - US\$ 3,675 (Others) - includes: hotel accommodation for 6 nights
No. of participants: 16

6. **Title** : Carbonate Seismic Reservoir Analysis
Instructor : Dr. Sigit Sukmono - Lecturer, Institute Technology Bandung (ITB)
Dates : July 13 - 17, 2009
Venue : Sheraton Mustika Yogyakarta - Indonesia
Cost : US\$ 1,850 (IPA Members) - US\$ 1,950 (Others) - includes: hotel accommodation for 6 nights
No. of participants: 24

-
7. **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 21 - 24, 2009
Venue : Sheraton Mustika Yogyakarta, Indonesia
Cost : US\$ 1,300 - includes: fieldtrip and hotel accommodation for 5 nights
No. of participants: 23
8. **Title** : **Petroleum Geology of Deep-Water (Turbidite) Depositional Systems**
Instructor : Dr. Roger Slatt - University of Colorado
Dates : September 28 - October 2, 2009
Venue : Sheraton Senggigi Beach Resort Lombok - Lombok, Indonesia
Cost : US\$ 2,350 (IPA Members) - US\$ 2,450 (Others) - includes: hotel accommodation for 6 nights
No. of participants: 18
9. **Title** : **Quantitative Log Analysis and Petrophysics**
Instructor : Martin Kennedy Ph.D. - Consultant Petrophysicist
Dates : October 5 - 9, 2009
Venue : Sheraton Bandung Hotel & Towers - Bandung, Indonesia
Cost : US\$ 1,950 (IPA Members) - US\$ 2,050 (Others) - includes: hotel accommodation for 6 nights
No. of participants: 28
10. **Title** : **Risk Analysis, Prospect Evaluation and Exploration Economics**
Instructor : Jim Gouveia & Steve McIntyre - Rose & Associate, LLC, USA
Dates : October 19 - 23, 2009
Venue : Sheraton Bandung Hotel & Towers - Bandung, Indonesia
Cost : US\$ 2,800 (IPA Members) - US\$ 2,900 (Others), excludes: hotel accommodation for 6 nights
US\$ 3,300 (IPA Members) - US\$ 3,400 (Others), includes : hotel accommodation for 6 nights
No. of participants: 36
11. **Title** : **Corrosion Control in Oil and Gas Production (partly sponsored by Total E&P Indonesia)**
Instructor : Dr. Yves Gunaltun - Total E&P France
Dates : November 2 - 6, 2009
Venue : Sheraton Bandung Hotel & Towers - Bandung, Indonesia
Cost : US\$ 1,400 (IPA Members) - US\$ 1,500 (Others) - includes: hotel accommodation for 6 nights
No. of participants: 13
12. **Title** : **Advance Seismic Methods for Field Exploration & Development**
Instructor : Dr. Sigit Sukmono - Lecturer, Institute Technology Bandung (ITB)
Dates : December 14 - 18, 2009
Venue : Sheraton Senggigi Beach Resort Lombok - Lombok, Indonesia
Cost : US\$ 1,850 (IPA Members) - US\$ 1,950 (Others) - includes: hotel accommodation for 6 nights
No. of participants: 14

APPENDIX B

FIELD TRIPS - 2009

- Trip # 1 : The Modern and Ancient Mahakam Delta Sedimentology
A Technical Field Trip for Geoscientists
Dates : March 25 - 29, 2009
Trip Leader : Irfan CIBAJ (TOTAL)
Participants : 14
- Trip # 2 : Volcanoclastic rocks of Merapi and Southern Mountains areas
Dates : May 31 - June 3, 2009
Trip Leader : Dr. Sutikno Bronto (GRDC, Bandung)
Participants : 7
- Trip # 3 : Geological Trip to Cepu Area for Non-Geoscientist Personnel
Dates : August 2 - 5, 2009
Trip Leaders : H.M. Yohannes P. Koesoemo (Pusdiklat "Migas", Cepu)
Participants : 7
- Trip # 4 : Geological Trip to Cepu Area for Non-Geoscientist Personnel
Dates : December 7 - 9, 2009
Trip Leaders : H.M. Yohannes P. Koesoemo (Sumber Daya Alam Consultant, Cepu)
Participants : 24

APPENDIX C

LUNCHEON TALK - 2009

1. Date : February 25, 2009
Venue : The Ritz-Carlton Jakarta, Pacific Place
Speaker : R. Priyono, BPMIGAS
Title : Summary of 2008 E&P Activities in Indonesia and Outlook for 2009
No. of Guest : 236

2. Date : March 18, 2009
Venue : The Ritz-Carlton Jakarta
Speaker : Jack Bouska, BP Corporation, Muscat, Oman, SEG DL
Title : Integrating Seismic Acquisition and Processing
No. of Guest : 88

3. Date : May 12, 2009
Venue : Four Seasons Hotel
Speaker : Chris Newton and Thomas Soulsby
Title : Oil and Gas Sector Equity Market Risk and Return through the
|
ast 5 year Commodity Price Cycle
No. of Guest : 58

4. Date : August 13, 2009
Venue : Shangri-La Hotel
Speaker : H.L. Ong, ITB and BPMIGAS
Title : Peak Oil, Sustainability, and the Dilemma of Subsidy
No. of Guest : 68

5. Date : October 8, 2009
Venue : Four Seasons Hotel
Speaker : Dr. Andrew Long, SEG HL
Title : Multi-azimuth and Wide-azimuth Seismic: Foundations, Challenges, and Opportunities
No. of Guest : 57

6. Date : October 29, 2009
Venue : Shangri-La Hotel
Speaker : Toni Simo, ExxonMobil
Title : Heron Island (Great Barrier Reef): A Quaternary Analog for SE Asia Tertiary Isolated Carbonate Platforms
No. of Guest : 66

SECTION 12

REGULATORY AFFAIRS COMMITTEE

REPORT ON 2009 ACTIVITIES

CHAIRMAN

Peter Dumanauw

(CHEVRON INDONESIA CO.)

REGULATORY AFFAIRS COMMITTEE

Report of 2009 Activities and 2010 Objectives

| | | | |
|-----------------|---|--------------------|----------------------|
| Chairman | : | Peter Dumanauw | (CHEVRON) |
| Deputy Chairman | : | Heike Butar Butar | (CONOCOPHILLIPS) |
| Members | : | Deny Rijadi | (BP) |
| | | Chris Angus | (CHEVRON) |
| | | Gunawan Sjamsuddin | (CHEVRON) |
| | | Samita Mehta | (CONOCOPHILLIPS) |
| | | Mark Snell | (EXXONMOBIL) |
| | | Anna Rosita | (EXXONMOBIL) |
| | | Yandri Hendarta | (PREMIER) |
| | | Lona Tarigan | (PREMIER) |
| | | Joseph Tobing | (HESS) |
| | | Arvin Mogot | (SANTOS) |
| | | Hanny Denalda | (SANTOS) |
| | | Indri Khrisnavari | (TOTAL) |
| | | Lily Desy Saptania | (TOTAL) |
| | | Anton Latief | (TOTAL) |
| | | John King | (VICO) |
| | | Maeritta Putri | (VICO) |
| | | Andi Ismail | (MEDCO) |
| | | Rico Moegandhi | (MEDCO) |
| | | Chip Rothschild | (MARATHON) |
| | | Tom Hamilton | (ANADARCO) |
| | | Larry Cantu | (ANADARCO) |
| | | Arief Budiman | (KARIMSYAH LAW FIRM) |

PRIMARY EFFORTS IN 2009

1. Cost Recovery

The issue on cost recovery continued to be debated in 2009. In supporting the IPA officers, RAC actively participated in the discussions with GOI on the following matters:

- Minister Regulation on Negative List ("MR 22")
As a follow up to the issuance of the MR 22, RAC supports Finance and Tax Committee to have a thorough discussion with BPMIGAS about the detail 17 items on the negative list. BPMIGAS implementing guidelines No. 0043 on the Negative List was issued on 12 June 2008.
- Draft Government Regulation on Cost Recovery ("GR Cost recovery")

Jointly with Finance and Tax Committee addressed the industry's concerns towards the provisions in the draft GR Cost recovery that is viewed to fundamentally detriment the investment climate. The primary and ultimate concerns are on the retroactivity application of the GR Cost recovery towards the existing contracts and capping cost recovery that will conflict the sanctity of contract principles.

2. New Work program & Budget (WP&B) Process

Support the Finance & Tax Committee to provide feedback on the new WP&B process. The primary concerns associated with the new process are (1) that the production forecasts submitted by Contractor will be treated as a binding commitment; (2) that WP&B will limit the amount allowed for cost recovery for that year (indirect capping).

3. Use of National Bank

RAC support the Finance & Tax Committee to address industry's concern towards issue surrounding the readiness of technology and system in the national bank to facilitate the needs of contractor's cash management system.

- Abandonment funds
Negotiate a release of liability from the government on the placement of the abandonment funds in a joint account with BPMIGAS in the state-owned bank.
- Procurement of Services and Goods
Provide feedback towards BPMIGAS letter No. 0678/BPD0000/2009/S7 on requirement for Contractor to make payment for procurement of services and goods through Indonesian State Owned Bank (for producing PSC) and Indonesian commercial bank (for exploration PSC).

4. Perdiem and Other Payments to Government Officials

RAC formed a subcommittee taskforce consisting of RAC members and BPMIGAS officials to address issues on perdiem and other payments to government officials. The goal of the subcommittee is to ensure a proper compliance of the companies operating in Indonesia towards Indonesian anti corruption laws as well as international laws on anti corruption (FCPA, OECD convention).

5. Cabotage

Review the impact of implementation towards upstream operating support especially for high tech drilling supporting vessels, seismic vessels supply boat, FPU/FSO/FPSO.

6. New Environmental Law

Work together with the IPA environmental group in reviewing the impact of implementation and review the possibility of filing a petition for judicial review.

7. Revision to PTK 007 on Procurement of Goods and Services

BPMIGAS has issued the revision to the PTK No. 007 which effective as per 3rd November 2009. Some of the new provisions introduced by the revision are as follows:

- Local content and penalty for failing to meet the requirement;
- Requirement to settle disputes through BANI in Jakarta;
- Requirement to make payment through and to a bank located within the territory of the Republic of Indonesia by prioritizing the use of Commercial National Bank.

8. New Oil and Gas Law Bill

Review and study the proposal from House of Representatives (DPR) to the Government to change the Oil and Gas law No. 22/2001 and its supporting regulations. On 28 September 2009, DPR passed a Decree No, 21A/DPR RI/2009-2010 pertinent to the Apporval on the Result of The House of Represnetatives' Inquiry Committee regarding Government's Policy to raise Fuel Oil Price. The Recommendations among others:

- Insisting the Government and/or the House of Representatives of the Republic of Indonesia to promptly submit a new Oil and Natural Gas Bill to amend the Law Number 22 of 2001 along with its implementing regulations. The new Oil and Natural Gas Law shall be based on a mindset of the fulfillment of national energy resistance. This Bill must be submitted to the House of Representatives of the Republic of Indonesia at least within 1 (one) year after the issuance of this Decree of the House of Representatives of the Republic of Indonesia;
- Insisting the Government to promptly issue and announce to the public concerning the roadmap (blue print) of the Long Term National Energy Policy;
- Insisting the Government to build a new refinery and develop the existing refinery in order to strengthen national energy resistance, especially to secure the supply of domestic Fuel Oil;
- Insisting the Government to re-negotiate oil and natural gas contracts that are detrimental to the national interest.

9. Coordination with the Tax and Finance Committee. Throughout the year, the IPA RAC coordinated and provide input to the Tax Committee on various tax issues surrounding the oil and gas industry.

10. IPA Convention – Regulatory Session. On 6th May, the RAC has coordinated the first regulatory session in the IPA convention and having Alan Frederik presenting the "Indonesian PSC – Current Approach and Challenge".

2010 OBJECTIVES

The IPA RAC's objectives for 2010 are as follows:

- Play an active advocacy role in educating our key stakeholders with respect to IPA's key regulatory – related messages especially on contract sanctity;

-
- Continue to engage BPMIGAS and MIGAS on cost recovery discussions and educating our key stakeholders on the impact of capping cost recovery (or deferrals) towards the Indonesian future energy production;
 - Continue to engage BPMIGAS on the issues associated with payments of perdiems to government officials (related with business operation) to ensure proper compliance towards Indonesian as well as international anti corruption laws;
 - To engage BPMIGAS and MIGAS on discussions regarding PSC extensions to ensure a clear and transparent process for effective implementation;
 - Support the IPA Board and other IPA's committees in drafting and commenting new laws and regulations (e.g. Cabotage application, the new Environmental Law) including other proposed amendment to the existing laws and regulations relevant to the oil and gas industry (e.g. draft GR Cost Recovery) and the latest issue about DPR recommendation to the government to change the Oil and Gas Law No. 22/2001.

SECTION 13

SECURITY COMMITTEE

2009 REPORT OF ACTIVITIES AND 2010 OBJECTIVES

CHAIRMAN

Whisnu Bharata

(BP Indonesia)



SECURITY COMMITTEE

Report of 2009 Activities and 2010 Objectives

I. General

As a continuation of 2008 program which was to provide the security outlook 2009 with topic of "Security Forecast and General Situation in the year 2009; Impact to investment of Oil & Gas Industry". The main program of IPA Security Committee for the year 2009 is producing the 2010 security outlook by the end of the year. Within the year 2009, there are some activities in updating the outlook, especially in following up the security situation in Indonesia after the second Marriott bomb and bomb in the Ritz Carlton. The 2010 outlook will focus on Terrorism after the dead of Noordin M. Top, 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

There is some changes from the last year IPA Security Membership, there are;

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 2009

a. IPA Convention 2009

Security Committee IPA participated in the IPA Convention conducted in Jakarta Convention Center on 5 – 7 May 2009. The committee presented posters and papers to the convention participants with topic of "Security Forecast and General Situation in the year 2009; Impact to investment of Oil & Gas Industry"

- #### b. Forum Discussion to develop 2010 Security Outlook :
- focus on Terrorism after the dead of Noordin M. Top, and how is the general social and political situation following the case of KPK and Century bank case and the first 100 days of SBY administration.

This discussion is limited only for Security Committee.

The final result of the discussion will be compiled and produced as 2010 Security Papers which focus on Security Outlook 2010.



Poster Session

IV. 2010 Objective

In 2010, the objective of Security Committee is to produce the 2011 Security Outlook and will be started with several events of forum discussions and interviews with experts and related Government Officials in relation with the security and general situation in Indonesia. The study and discussions will be related to trends of terrorism and extremist movement in Indonesia after Noordin M Top (Who will be the new leaders, next targets, methodology etc). Secondly, the focus will also be on the general security situation specifically the closure of KPK and Bank Century case and what is likely to be impacted to the security of oil and gas industry. The Outlook will cover some general recommendations to mitigate negative impact to the business.

SECTION 14

SERVICE COMPANIES COMMITTEE

NO REPORT SUBMITTED

CHAIRMAN

Bambang Purwohadi

(APMI)



SECTION 15

**SUPPLY CHAIN MANAGEMENT IMPROVEMENT
COMMITTEE**

2009 REPORT OF ACTIVITIES AND 2010 OBJECTIVES

CHAIRMAN

I.G.K. Modana

(TOTAL E&P INDONESIA)



SUPPLY CHAIN MANAGEMENT IMPROVEMENT COMMITTEE

Report of 2009 Activities and 2010 Objectives

The activities in 2009 of this committee were:

I. Routine monthly meetings

Monthly meetings amongst SIC members were done on:

- 9th January 2009.
- 20th February 2009.
- 20th March 2009.
- 17th April 2009.
- 15th May 2009 (*attended by BPMIGAS Head Division Procurement & Mgt Assets*).
- 26th June 2009.
- 24th July 2009.
- 19th August 2009.
- 23rd October 2009.
- 13th November 2009 (*attended by BPMIGAS Head Dept Procurement Region 2*)

Subjects have been discussed in the monthly meetings were:

- **SIC Objectives 2009.**
 - Discussion on objectives 2009 of the committee.
 - SIC objectives 2009 which has been presented on IPA Brainstorming meeting on 16th January 2009.
- **Update status of revision of PTK-007 from BPMIGAS.**
 - Discussion on main changes of draft revised PTK-007 particularly on Local Content matters and obligation to use National General Banks.
 - BPMIGAS has delivered to SIC a copy of draft revision of PTK-007 for further review and input (only the fundamental ones will be accepted).
 - Discussion on some issues, i.e. National General Banks, Expensive price in a CFT, Sanction to PSC in case of non compliance with PTK-007 regulation.
 - BPMIGAS finally issued the PTK-007 Revision 1 on 4th September 2009 which starts in force as from 3rd November 2009.
 - Discussion in SIC regarding the main changes in PTK-007 Revision 1 (local content issues, disqualification to bidder for an offer below 80% OE, disqualification for error in writing volume / quantity, monitoring on local content achievement, etc.).
- **Utilization of local product valves.**
 - Inputs given to BPMIGAS following PSC's experiences using the local product valves in various projects. BPMIGAS promised to coordinate further with Migas.

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- **Special session for Supply Chain subject in IPA annual convention.**
 - Discussion on possibility to organize a special session on Supply Chain topics in IPA annual convention scheduled in May 2009.
 - Confirmed by IPA Technical Program Committee that this session cannot be done.

 - **Utilization of National General Banks and State-owned Banks.**
 - Discussion on the subject matter following the issuance of BPMIGAS letter on 24 December 2008.
 - Discussion on definition of National General Bank in the draft PTK-007 revision.
 - BPMIGAS Deputy of General Affairs issued a letter on 1st June 2009 asking the Production PSCs to utilize State-owned bank for payment of invoices to vendors/contractors. This stipulation is then confirmed in the PTK-007 revision 1.
 - BPMIGAS has also organized a workshop on this matter on 30th July 2009 inviting PSCs, Contractor's Associations, DPR Commission VII and State-owned banks (BNI, BRI, Mandiri).

 - **Guideline of Assets Management from BPMIGAS.**
 - This guideline was not issued yet by BPMIGAS up to today.

 - **Security Services.**
 - To follow special procedure for tender which refer to circular letter from Security Dept BPMIGAS dated 13th November 2007.

 - **Utilization of BANI (National Arbitration Body).**
 - BPMIGAS accepted the proposal that there is no obligation to use BANI for settlement of disputes. Other arbitration bodies in Indonesia are acceptable.

 - **Cabotage issue.**
 - BPMIGAS has reminded all PSC's to comply with Cabotage regulation (law no.17/2008).
 - Procurement team in PSC's start putting their requirement in new tenders.
 - Possible dispensation from the prevailing regulation (law) for oil & gas activities.
 - IPA Boards has decided to create "Marine Sub-Committee" under "Supply Chain Mgt Improvement Committee" to follow up this matter.
 - A team consists of representatives from BPMIGAS, Ministry of EMR, PSCs and Pertamina has met Directorate General of Sea Transportation on 5th November 2009 asking a dispensation for FSO and FPSO and vessels with more than 20 years from this regulation. A follow up will be done by BPMIGAS and Migas.

 - **Meeting agenda with Procurement Division of BPMIGAS.**
 - Preparation of agenda for meeting with Procurement Div BPMIGAS in the following month.

 - **Engine Exchange Procedure.**
 - New procedure: no more approval required from Ministry of EMR. Approval is now up to BPMIGAS only.

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- **Transfer of surplus material amongst Exploration PSC's**
 - Refer to Circular Letter of BPMIGAS for transfer of materials amongst PSCs.
 - **Sanction by BPMIGAS to PSC (Head of Procurement, user and related officers) in case of incompliance of PTK-007 or result of tender is considered too expensive.**
 - BPMIGAS explained that this stipulation is created because it was found there were some violations in procurement process and incompliance with approved of tender plan.
 - **Steel Importation Issue.**
 - Ref. Minister of Trade Decree No.08/2009 issued on 18th February 2009 regulates that steel importer has to posses special permit issued by Minister of Trade. Exception for steel importation has now been given to PSCs by the Ministry of Trade.
 - **Standardization of Material Code (MasterCode) for all PSCs by BPMIGAS.**
 - Project is on going, according to BPMIGAS the progress up to October 2009 reaches 68% and targeted to complete by October 2010.
 - The cost of this project (around 1.2 MUSD) will be charged to PSCs through the PSC's fund in BPMIGAS.
 - **Conflict of interest clause in PTK-007 revision 1.**
 - Discussion on definition of "conflict of interest" in the draft of PTK-007 revision 1 and proposal to BPMIGAS to remove this clause from PTK-007.
 - BPMIGAS finally keeps this stipulation in PTK-007 revision 1.
 - **Local Content target in a tender.**
 - BPMIGAS Head of Procurement Division has issued a letter to all PSCs on 9th June 2009 asking to commit the minimum local content target in each tender plan proposal to BPMIGAS.
 - This matter has been discussed with BPMIGAS, but BPMIGAS keeps this stipulation and confirmed in the PTK-007 revision 1.
 - **Study on Indonesian Oil & Gas Procurement Regulations.**
 - BP has sponsored "London Business School" to conduct a benchmarking study on Procurement Regulation compared to the ones from other countries (Angola, Egypt, Azerbaijan,...) regarding the transparency, efficient support of local content, best value of money, flexibility, timeliness, best use of regulator resource, efficient qualification of suppliers and global agreements.
 - The report of this study has been presented by BP to BPMIGAS on 9th July 2009.
 - BPMIGAS principally could accept the proposal, but for implementing in Indonesia they have to consider the legal basis and the local condition. The positive inputs might be accommodated in the PTK-007 next revision.
 - **Appointment of BATAM as Free Trade Zone.**
 - Gol Decree No.2/ 2009 has defined BATAM as Free Trade Zone.
 - All material out from BATAM shall pay 10% VAT.
 - Further clarification on this regulation is being seeked from BPMIGAS.

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- **Decree of Minister of Finance regarding PSC assets management.**
 - Minister of Finance has issued a new decree no.135/PMK.06/2009 on 24th August 2009 concerning the management of assets for PSC's
 - A clarification is still needed from BPMIGAS whether this decree is valid for all PSCs or only to PSC for which its contract is terminated.
 - **Key Performance Indicator (KPI) for Procurement activities of PSCs from BPMIGAS.**
 - BPMIGAS has informed Production PSCs on 18th August 2009 that they plan to implement KPI for procurement activities in each PSC.
 - Meeting between BPMIGAS with each PSC has also done in November 2009.

II. 2010 Objectives

The SIC objectives for 2010 will be:

- To continue seeking and proposing improvement on Procurement Guidelines from BPMIGAS (PTK-007).
 - New decree from Ministry of Industry No.102/2009 issued on 13 October 2009 concerning local content minimum threshold value during tender process seems will be able to increase competition. To be followed up with BPMIGAS.
 - Monitoring of local content achievement: heavy work load for PSC. How to handle it, joint contract with some or all PSC's for execution through third party(?).
- To recommend improvement on Assets & Material Management processes.
- To join with IPA Professional Division Committee in organizing training for supply chain subjects,

SECTION 16

LIST OF

COMPANY AND ASSOCIATE MEMBERS



INDONESIAN PETROLEUM ASSOCIATION

COMPANY MEMBERS

1. ANADARKO INDONESIA COMPANY
2. BLACK GOLD ENERGY
3. BP INDONESIA
4. BUMI PARAHYANGAN RANHILL ENERGIA CITARUM PTE. LTD.
5. CHEVRON INDONESIA COMPANY
6. CITIC SERAM ENERGY LTD.
7. CNOOC SES LTD.
8. CONOCOPHILLIPS INDONESIA, INC. LTD.
9. EPHINDO, PT.
10. ENERGY EQUITY EPIC (SENGKANG) PTY. LTD.
11. ENI INDONESIA LTD.
12. EXXONMOBIL OIL INDONESIA, INC.
13. FREEPORT INDONESIA, PT.
14. GENTING OIL NATUNA PTE. LTD.
15. HESS (INDONESIA PANGKAH) LIMITED
16. HUSKY ENERGY, INC.
17. INDELBERG INDONESIA, PT.
18. INPEX CORPORATION
19. IRIAN PETROLEUM LTD.
20. JAPEX BUTON LTD.
21. KALREZ PETROLEUM (SERAM) LTD.
22. KANGEAN ENERGY INDONESIA LTD.
23. KODECO ENERGY CO. LTD.
24. KONDUR PETROLEUM S.A.
25. LAPINDO BRANTAS, INC.
26. LUNDIN OIL & GAS B.V.
27. MARATHON INTERNATIONAL PETROLEUM INDONESIA LTD.
28. MEDCO ENERGI INTERNASIONAL, PT.
29. MITRA ENERGY (INDONESIA SIBARU) LTD.
30. MURPHY
31. OILEX LTD.
32. OVERSEAS PETROLEUM & INVESTMENT
33. PACIFIC OIL & GAS INDONESIA, PT.
34. PEARLOIL (TUNGKAL) LTD.
35. PT PERTAMINA (PERSERO)
36. PETROCHINA
37. PETROLIAM NASIONAL BERHAD/PETRONAS
38. PETROSELAT LTD., PT.
39. PPPTMGB "LEMIGAS"
40. PREMIER OIL NATUNA LTD.
41. PROVIDENT INDONESIA ENERGY LLC
42. SALAMANDER ENERGY (BONTANG) PTE. LTD.
43. SANTOS (SAMPANG) PTY. LTD.
44. SHELL INDONESIA, PT.
45. STAR ENERGY (KAKAP) LTD.
46. STATOIL INDONESIA KARAMA AS
47. TALISMAN (ASIA) LTD.
48. TOTAL E&P INDONESIE
49. 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. BADAK NGL, PT.
8. BAHAR & PARTNERS
9. BAKER ATLAS INDONESIA, PT.
10. BAKER BOTTS L.L.P.
11. BAKER HUGHES INTEQ
12. BECHTEL INDONESIA, PT.
13. BGP INDONESIA, PT.
14. BINDER INDONESIA, PT.
15. BJ SERVICES INDONESIA
16. BMT ASIA PACIFIC INDONESIA, PT.
17. BORMINDO NUSANTARA, PT.
18. CENTURY DINAMIK DRILLING
19. CITRA TUBINDO, PT.
20. CITRABUANA INDOLOKA, PT.
21. COOPER CAMERON
22. CORELAB INDONESIA, PT.
23. DELOITTE PETROLEUM SERVICES
24. DIMAS UTAMA, PT.
25. ERNST & YOUNG
26. EXLOG SARANA INDONESIA, PT.
27. FIBEROD ARCHIPELAGO INDONESIA, PT.
28. FLUOR DANIEL INDONESIA, PT.
29. FMC SANTANA PETROLEUM EQUIPMENT INDONESIA
30. GAFFNEY, CLINE & ASSOCIATES
31. GEOKINETICS INDONESIA, PT.
32. GEOPROLOG INTIWIJAYA, PT.
33. GEOSERVICES, PT.
34. HALLIBURTON INDONESIA, PT.
35. HANOVER INDONESIA, PT.
36. HITEK NUSANTARA OFFSHORE DRILLING
37. HORIZON GEOCONSULTING, PT.
38. IMECO INTERSARANA, PT.
39. INSTITUT SAINS & TEKNOLOGI AKPRIND
40. INSTITUTE TECHNOLOGY BANDUNG
41. INSTITUTE TECHNOLOGY MEDAN
42. INSTITUTE TECHNOLOGY SEPULUH NOPEMBER
43. INTERTEK UTAMA SERVICES, PT.
44. ITOCHU CORPORATION
45. JGC CORPORATION
46. JONES DAY
47. KALIRAYA SARI, PT.
48. KQKS ENGINEERING & CONSTRUCTION, PT.
49. LANDMARK CONCURRENT SOLUSI INDONESIA



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50. LEIGHTON CONTRACTORS INDONESIA, PT.
 51. LERINDRO INTERNATIONAL
 52. M-I INDONESIA, PT.
 53. McDERMOTT INDONESIA
 54. MITSUBISHI CORPORATION
 55. MUTIARA BIRU PERKASA, PT.
 56. OSCO UTAMA, PT.
 57. PETRATAMA NUSAPERTIWI (PETRANUSA)
 58. PETROMARINE SERVICES INDONESIA, PT.
 59. PETROSEA TBK., PT.
 60. PGS NUSANTARA, PT.
 61. PRICEWATERHOUSECOOPERS
 62. PUSDIKLAT "MIGAS"
 63. RESOURCES JAYA TEKNIK MANAGEMENT INDONESIA, PT.
 64. SCHLUMBERGER GEOPHYSICS NUSANTARA, PT.
 65. SCOMI OILTOOLS, PT.
 66. SEAMGAS INDONESIA, PT.
 67. SEAMLESS PIPE INDONESIA JAYA, PT.
 68. SIDDHARTA & SIDDHARTA, DRS.
 69. STTNAS YOGYAKARTA
 70. SUCOFINDO
 71. SUDJACA PALEMBANG, PT.
 72. SUMBER DAYA KELOLA, PT.
 73. SYNERGY DOWNSTREAM SOLUTIONS PTE. LTD.
 74. SUPRACO INDONESIA, PT.
 75. TIDEWATER OPERATORS INDONESIA
 76. TRANS NUSANTARA MULTI CONSTRUCTION, PT.
 77. TRIPATRA ENGINEERING, PT.
 78. TUGU PRATAMA INDONESIA, PT.
 79. UNIVERSITY OF BRAWIJAYA
 80. UNIVERSITY OF GADJAH MADA
 81. UNIVERSITY OF HASANUDDIN
 82. UNIVERSITY OF INDONESIA
 83. UNIVERSITY OF LAMPUNG
 84. UNIVERSITY OF LONDON
 85. UNIVERSITY OF PADJADJARAN
 86. UNIVERSITY OF PAKUAN
 87. UNIVERSITY PROKLAMASI
 88. UNIVERSITY OF ISLAMIC RIAU
 89. UNIVERSITY OF SRIWIJAYA
 90. UNIVERSITY OF TRISAKTI
 91. U.P.N. VETERAN
 92. VERITAS DGC MEGA PRATAMA, PT.
 93. WEATHERFORD INDONESIA, PT.
 94. WELLTEKINDO NUSANTARA, PT.
 95. WOOD MACKENZIE LTD.