



# **2012 ANNUAL REPORT**

**FORTYFIRST GENERAL MEETING**

**Jakarta, 5<sup>th</sup> December 2012**



# **INDONESIAN PETROLEUM ASSOCIATION**

## **2012 ANNUAL REPORT**

**FORTYFIRST GENERAL MEETING**

**5<sup>th</sup> DECEMBER 2012**

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**SECTION 1**

**INDONESIAN PETROLEUM ASSOCIATION**

**PRESIDENT'S REPORT - 2012**

by

**Elisabeth Proust**

On behalf of

**IPA Board of Directors**

**December 2012**

[www.ipa.or.id](http://www.ipa.or.id)

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# INDONESIAN PETROLEUM ASSOCIATION

## President's Report for 2012

### INTRODUCTION

Of all the industries that are contributing to Indonesia's rapid economic growth of around 6.5% per annum, the oil and gas industry is arguably the most important, providing around 25% of the government's income and generating direct annual investment of up to \$16 billion USD.

The industry provides highly significant benefits to the country in several key areas;

- Generates over 25% of total government revenue from all sources, amounting to approximately 35 Billion dollars in tax and royalty payments in 2011
- Reduces the reliance on imported energy through investment in high risk exploration activity
- Contributes up to 7% of GDP
- Provides direct employment of over 30,000 people and indirect employment of 300,000 people
- Invests hundreds of millions of dollars annually on equipment and services
- Develops key infrastructure to deliver energy for domestic consumption
- Provides local community support and development through ongoing CSR programs amounting to over 100 million dollars annually

Despite its significant contribution to the country, the industry is still facing the public misperception that it is highly dominated by foreign companies so it doesn't generate much benefit to the Indonesian people and to the State. As the key stakeholders of this industry, we do need to rectify this misperception which causes challenges to development of the industry and to our efforts in achieving national production target. It is important to remind the public that the Government of Indonesia is the owner of the hydrocarbon resources and the PSC contractors invest and get as remuneration a share of the entitlements, the largest share being for the Government.

Indonesia still needs foreign capital and technology as this industry requires high-investment, high technology and is high-risk. Moreover, with Indonesia's unexplored basins being mostly located in frontier (remote and deep offshore) or gas prone areas, these factors make it increasingly challenging from a technical and financial perspective.

The IPA are also concerned over recent decreases in local oil production from 1.3 million BPOD in 2001 to approximately 900,000 BPD in 2011. This reflects the maturity of existing fields and the lack of new developments, emphasizing that Indonesia needs to unlock new resources and realize the potential of gas reserves, together with further development of sustainable renewable energy resources.

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Only by increasing proven oil and gas reserves will Indonesia be able to make its production sustainable and sufficient for its steadily rising consumption as its economy expands.

The only way to enlarge its proven hydrocarbon reserves is to launch the developments of existing reserves not yet developed and increase investment in exploration, because most of the country's oil and natural gas fields are already quite mature and have reached their production peaks. However, each time the government put new oil blocks out for open tenders, very few national companies have been interested in bidding, given the high risks and the large amounts of capital and advanced technology that are needed in the upstream oil and gas industry.

The government has now set a production target of one million barrels per day, by 2014. The IPA, representing the interests of 90% of Indonesia's oil and gas upstream industry, is firmly supporting this goal, but emphasises the importance of lightening the regulations in order to encourage investment and development rather than increasing the constraints and the uncertainties.

Since 2009, the oil and gas industry has been facing several challenges causing degradation of the investment climate such as the promulgation of GR 79, PBI 13/20 and numerous PTKs creating complexity and major uncertainties, which is reflected in putting Indonesia as a less competitive place to invest in the oil and gas industry. Last year, based on the survey conducted by the Canada-based Fraser Institute, Indonesia was ranked 111th out of 135 surveyed countries which was deemed as "not appealing to investors."

Indonesia's investment attractiveness in the oil and gas industry may be lessened amid the wariness of business players following a recent decision by the Constitutional Court to disband the nation's upstream oil and gas regulatory body, BPMIGAS. Following the disbandment, we appreciate the prompt actions and response of the government by issuing several decrees and establishing a temporary working unit titled SKSPMIGAS within the MEMR. The transfer within MEMR is an opportunity to improve our business relationship which is consistent with the terms of the agreed PSC and the approved WP&B and to consider the removal of any unnecessary impediments or redundant regulations that creates confusion or multiple interpretation.

## **CONSULTATION, COOPERATION AND COORDINATION**

To secure Indonesia's future energy supply, increasing consultation, cooperation and coordination between key stakeholders within the industry are essential. For this reason, the 36<sup>th</sup> IPA Convention and Exhibition in 2012 was built around that common theme: **"Working Together to Meet Indonesia's Energy Needs."**

Government must help industry to achieve the production goals that are needed to support the rapidly growing economy.

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To create an environment to meet this demand, consultation, cooperation and coordination are essential and the industry requests early engagement in policy formulation and ongoing consultation and dialog in the regulatory process.

In response to the Presidential decree no 02/2012 for more coordination between government bodies and regional authorities, the industry has extended this call for coordination amongst the oil and gas industry stakeholders as a whole. The IPA is committed to opening up opportunities for all stakeholders to meet and create opportunities for collaboration which will help boost investment in Indonesia and lead to increased production.

## **INVESTMENT REQUIREMENTS**

Despite its existing major contribution to the economy, the Indonesian petroleum industry requires a better investment climate now more than ever as most of our prospective reserves are located in deep waters in eastern Indonesia. We need major new investment to reverse exploration and production declines and remain competitive in the global marketplace. The total investment in the industry in 2011 was 14.02 billion dollars, which was an increase of approx 2.7 billion dollars over 2010, however over 88% of this investment was to fund existing production and development activity. The industry now requires significant increases in exploration investment to reverse production declines.

In addition, the additional production that has been realized from new operating sites has not been able to reverse the decline in the naturally decreasing production rate. As a result, production realization in 2011 was 2.40 million barrels of oil equivalent per day (BOEPD), a 4.82% decline over 2010.

The long term health of the industry is therefore essential to support Indonesia's future growth targets and provide sustainable energy security for the government and the people of Indonesia.

At the IPA Convention in 2012, the Boston Consulting Group also noted that Indonesian exploration success and drilling activity have lagged behind their peers and that a collaborative approach is needed to develop a mix of resources to close the production-consumption gap. The BCG also emphasized that 50 to 70 Billion dollars of Capex investment needs to be approved over the next 3-4 years if Indonesia is to meet its ongoing energy needs.

Indonesia needs to compete for these funds on a global scale, provide incentives, encourage exploration and develop the infrastructure to exploit conventional oil and gas, non-conventional gas, CBM, shale gas and new and renewable energy. In addition, there needs to be improved coordination between ministries, central and local government and early consultation with the industry to assess the impact of new or proposed legislation.

**Without further significant investment, exploration activity will continue to decline and Indonesia's oil and gas potential will not bring any additional value and benefits to the State and its people.**



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In the Commentary section we highlight the current areas of concern for the association in this regard.

## **GENERAL COMMENTARY**

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

### **A. Contract Sanctity**

**Existing Production Sharing Contracts (PSC's) must be honored** – following the recent Constitutional Court decision, commitment is required from the Ministry of Energy and Mineral Resources, the Ministry of Finance and other government ministries and agencies on the sanctity of existing contracts to support the capital intensive long-life nature of oil and gas projects and provide the certainty that the industry requires.

- Existing PSC's are steadily being eroded by the introduction of new rules and regulations that impact the economics of the contracts that are already established.
- New government laws and regulations being drafted should not be in contradiction with Art. 63.c of Oil and Gas Law No. 22/2001 which provides the legal basis for the preservation of existing contracts.

### **B. Government Regulation No. 79 / 2010 on Cost Recovery and Income Tax In The Upstream Business Sector (GR79)**

- The IPA requests that the GR79 be amended since it will potentially cause a negative impact to the oil and gas investment climate in Indonesia and could reduce investment by as much as 20% and a production decline of 150,000 BOEPD.
- Cost Recovery should be taken out from the State Budget Law

### **C. Amendment to Law No. 22/2001 on Oil and Gas**

The IPA believes that the existing Oil and Gas Law has been relatively successful and any substantive amendment to the Law at this time will cause further uncertainty for those considering investments in Indonesia.

- We support the importance of amending the Oil and Gas Law to conform with the decisions of the Constitutional Court. However, it is our view that any changes should be limited to amending those articles that have been deemed unconstitutional by the Constitutional Court. This is because current issues surrounding the oil and gas industry can be addressed without changing the existing Oil and Gas Law.

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- Indonesia's economic growth relies heavily on the petroleum industry. Legal certainty is a key principle in assuring the sustained long term investment that needs to be maintained to keep the investment climate competitive.
  - Exploration investment took a downturn after the current Oil and Gas law was introduced and only started to recover after the effects of its implementation became clearer. The same trend is expected to happen if the Oil and Gas law is amended again as investors will reconsider their investment plans if they see that there will be consequences due to the amendment.

#### **D. Regulatory Environment**

- The approval and regulatory process for all stages (GSA, POD, WP&B and AFE) needs to be accelerated and provide more facilitation and less bureaucracy and micro-management.
- Some existing PTK such as PTK 007 or Place In Service (PIS) or proposed PTK to regulate suspended account, that are not in accordance with the PSC have generated serious concerns amongst the industry players and created instability in investment decisions. The PSC contractors have had to face a complex approval system which has forced us to dedicate huge resources, costs and personnel to this process.
- The IPA hopes that the new entity SKSP Migas within ESDM will develop evident synergies within ESDM and will improve the efficiency of the overall approval system.
- Greater coordination at the highest levels between Ministries/ Departments and Regional Governments is also needed to avoid problems which may have an adverse impact on oil and gas activities (Environmental Law, Forestry Law etc). This spirit of coordination and cooperation is endorsed by the IPA and is an important element in achieving the production targets outlined in the Presidential Decree of 12 January 2012.

#### **E. Bank Indonesia Regulation on Foreign Exchange Export proceeds**

The IPA believes that its member companies should not be subject to the provisions of the Bank Indonesia regulation No. 13/20/PBI/2011 as the members companies are Contractors and not Exporters. Contractors are responsible for the execution and conduct of all aspects of Petroleum operations under the terms of the Production Sharing Contract and the PSC provides the right for the Contractors to freely lift, dispose of and export their share of petroleum and retain abroad the resulting proceeds.

In view of the above, and as this matter is of great concern for the industry, the IPA has requested the government not to apply PBI 13/20 to the Oil and Gas industry. If immediate confirmation is not possible, the IPA request a one year deferral in order to cooperate with the government to achieve mutual understanding of the issue and to assess the full impact of the regulation in relation to PSC terms and the existing Trust / Financing Agreements.

#### **F. Gas Pricing**

**Competitive market prices should dictate regional and domestic gas prices**

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- The era of “cheap” Indonesian produced gas is over - Future developments will largely depend on higher cost, more complex and technologically challenging new frontiers (e.g. Deep water and CBM). These higher cost frontier developments have the potential to supply large volumes of Indonesian gas, but need higher gas prices to be viable. In the meantime, a significant gap between domestic gas prices and international gas prices exists (current Asia Pacific LNG price is around \$15/MMBTU while Indonesia domestic gas pricing is averaging around \$6/MMBTU).
  - Limited gas infrastructure exists to connect gas sources to markets and existing regulations do not attract investors to develop gas infrastructure

To overcome these challenges, the Government should:

- Improve domestic gas pricing, particularly in the negotiation and approval of gas prices which are linked to international market prices or indexed to the alternative commodity such as crude oil.
- Provide incentives to attract investment in the areas of gas infrastructure, unconventional oil and gas (CBM/shale) and deep water exploration and development.
- Depending on project economics, size, availability of demand and infrastructure, allow both export and domestic markets to co-exist to provide acceptable market risk and reward to attract and retain investors and at the same time develop a robust domestic gas business
- Define gas infrastructure as eminent domain

In the medium term, it is imperative that regional and domestic gas prices must be recognized as competitive and market driven to attract the level of investment required to develop new gas fields in increasingly remote and challenging environments

#### **G. PSC Extension Process**

**The PSC Extension process should be transparent** - with an increasing number of existing production sharing contracts approaching their end dates, clear and transparent processes governing favorable PSC contract extensions must be in place to allow for the extended timeframes required by PSC's to plan and develop major new discoveries, particularly for gas related projects.

- There is a clear necessity for a timely resolution of extension negotiations to ensure the last decade of a contracts life does not suffer from uncertainty and under-investment that will neither enhance production nor asset integrity. Government has the option to terminate or extend on terms more favorable to the state but must recognize the risks taken by the current investors during exploration, development and the capital and technology requirements to optimize production and development of remaining reserves and resources.
- The Government should consider establishing a clear and transparent process to extend the PSC by issuing a Government or Ministerial Regulation.

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## H. Exploration Investment

**Exploration Activity should be encouraged, incentivized and accelerated** - To compete for exploration capital in a global marketplace, the government must recognize that deepwater exploration is a high-cost, high technology and time consuming process that is more or less limited to a small number of multi-national companies. Exploration investment is the key to future production.

The government therefore needs to consider:

- Providing incentives to encourage exploration by deleting ring fencing within a PSC and even deleting ring fencing between PSCs.
- Providing incentives to encourage exploration in remote, deepwater offshore areas
- Improving data access, minimum signature bonuses, reviewing relinquishment rules, size of commitments, size of license areas, frequency of tender rounds, transparency in the awards system, fiscal splits and improved terms for deepwater exploration
- The current level of regulatory monitoring of Exploration PSC's is seen as excessive and counter-productive, resulting in unnecessary delays in the overall exploration and production process. The IPA recommends that the government simplifies the management processes for PSC's which are in the exploration phase, resulting in speeding up the drilling of much needed exploration wells and reducing costs.

## **IPA MEMBERSHIP, OBJECTIVES AND ACTIVITIES**

Currently the IPA membership stands at 53 Company Members (Multinational and National Oil and Gas Companies), 116 Associate Members and more than 2,000 individual members. As you are aware, the IPA is predominantly a volunteer based organization whose members contribute their time and resources focused on the principle objective of promoting the petroleum industry in Indonesia. This personal commitment is critical to the success of the IPA particularly during these challenging times for our industry. The IPA Mission is simply stated:

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

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

- The IPA provides a Forum for members and future investors to exchange knowledge, ideas and experiences about the Oil & Gas Industry in Indonesia and worldwide;
- The IPA is the industry's “partner of choice” with the Governmental Institutions by facilitating dialogue and communication between the industry and the Government of Indonesia.
- The IPA promotes education and knowledge transfer, primarily through our Professional Division via luncheon talks, short courses, field trips, workshops, technical symposiums and interaction with various Indonesian universities and institutions

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The IPA Board of Directors, comprised of 13 representatives from Member Companies, continues to meet on a monthly basis. 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 Committee Chairman Reports, some of which will be presented at the Annual General Meeting, are enclosed for your review.

On 18th January 2012, a “Brainstorming session” with the Committee Chairpersons and Member Company representatives was conducted. The results of the meeting which becomes the goal of the association this year were as follows:

- 1. Improving the oil and gas industry’s image.**
- 2. Making Indonesia a more competitive environment for oil and gas investment.**

## **IPA ACTIVITIES**

This has been a year of extraordinary events in the IPA.

### **• Media and Public Engagement**

The IPA has been increasingly sought as the voice of the industry nowadays, with many interviews coming from international and local media and speaking opportunities at several conferences. In every media and public engagement opportunity, the IPA always take the opportunity to convey the industry’s consistent message and recommendation for the development of the industry for the benefit of all stakeholders, especially the people of Indonesia.

On 12 October 2012, the IPA issued a Press Release expressing its deep concern with the development of the Bioremediation case that has impacted one of its member companies and resulted in the detention of their employees.

Main points of this press release are :

- The criminalization of PSC operations sets a new precedent with wide ranging consequences for the oil and gas industry in Indonesia.
- As the PSC is a business contract, disputes arising from project implementation should be governed by civil law not criminal law
- The IPA hopes that the detained employees will have their detention suspended while the investigation continues.

### **• Government Advocacy and Engagement**

The IPA Board continues to maintain an active and open dialogue with the Government authorities. We are open to provide active input at the concept stage and recommend that the IPA are consulted when laws & regulations are being drafted that may affect the industry and not when the regulations are already formalized.

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The IPA Board has regularly conducted formal and informal meetings and discussion with several senior government officials including the Minister of Energy and Mineral Resources, the Minister of Finance, Governor of Bank Indonesia and regular monthly meeting with the former BPMIGAS Chairman and Deputies.

- **The 36<sup>th</sup> IPA Convention & Exhibition 2012**

**The 36<sup>th</sup> IPA Convention and Exhibition** was held over **May 23<sup>rd</sup>-25<sup>th</sup> 2012** in Jakarta Convention Center with the theme **“Working Together to Meet Indonesia’s Energy Needs”** which has set several new records as follows:

- 136 companies exhibiting in 3,950 sqm of space
- Around 7,606 visitors to the IPA convex, including over 2,276 registered participants, a 10% increase to 2011 figure.
- 103 technical papers and 34 posters from professionals and students covering Geosciences, Engineering and Business/ Commercial
- 40 participants to the three Pre-Convention Short Courses held on 21-22 May 2012
- 130 participants at the Golf Tournament held at the Emeralda Golf Course on 20 May 2012
- 230 participants at the Gala Dinner held at the JCC on 24th May 2012

- **MIGAS-IPA Exploration Forum**

An Exploration Forum jointly organized by MIGAS and the IPA was held on 10 July 2012 at the Dharmawangsa Hotel. Attended by representative from MIGAS, BPMIGAS, the Geological Agency of ESDM, the Fiscal Policy Body (BKF) of the MOF and the IPA, the forum was concluded with discussions during which the IPA presented its recommendations solicited from member companies that were consolidated into 4 categories : Attracting New Investors, Exploration Operational Efficiency, Data Access & Management and finally Fiscal Regime & Government Regulations.

- **IPA Breaking the Fast Event & IPA CSR Effort**

Following a tradition started last year, the IPA held a Buka Puasa with all stakeholders on August 7, 2012 at the Dharmawangsa.

On this occasion, the IPA took the opportunity to continue its “IPA Care Program” by giving support to “Sekolah Kami”, a school established in 2001 for around 150 scavengers and disadvantaged children located in Bekasi area, amonting to Rp. 75 million to renovate the school facilities and to fix the fish ponds.

Moreover, the IPA has started to promote the vast CSR activities performed by members and associate members.

## **CONCLUSION**

The Indonesian petroleum industry requires a better investment climate now more than ever as most of our prospective reserves are located in deep waters in eastern Indonesia.

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We need major new investment to reverse exploration and production declines and remain competitive in the global marketplace. Indonesia could no longer behave as if it is the only country in the world that offers promising hydrocarbon basins. It is essential that the existing and prospective 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 with the global economic crisis and the more challenging areas to be explored. The government should enact policies that are aimed at establishing a sufficient level of incentives to encourage investment rather than fermenting uncertainty.

The role and principal objective of the IPA is to work with the government to remove the level of uncertainty for this much needed future investment and to fully realize Indonesia's hydrocarbon potential for the benefit of all stakeholders.

We also believe that the government's objectives are eminently achievable because there are still major fields in Indonesia that are yet to be developed. Additionally, although new investors are welcomed, the major international players are already present and have been for some time. Attracting prospective investors is as important as maintaining relationships with the existing investors by establishing better incentives for exploration and by ensuring that the IPA is involved in early dialog and discussion with the Government in energy policy formulation.

The IPA encourage the government not to react to the drop in production by creating unnecessarily restrictive regulations, as the result could be an endless cycle in which the government tightens its grip, fewer companies commit to exploring for new reserves, investors are repelled, and production falls even lower. Hopefully, the dialogue between the Government of Indonesia and the industry should prevent such escalation. The oil and gas industry is ready to open up new energy fields and take the risks in exploration and development but expects positive signals from the government and the IPA is committed to creating this positive dialogue.

In this respect, we remain committed to our Mission of **creating a positive dialogue and working collaboratively with all stakeholders to enhance the future of the petroleum industry in this country**. Developing mutual trust and respect amongst stakeholders, recognizing the highly competitive and changing business environment and fostering a high level of investor confidence will ensure achievement of that objective.

On a personal note, I am honored to have been elected in April 2012 to serve as the President of the IPA. I would like to thank my colleagues on the IPA Board, the Executive Office, the Committees and the General Membership for all their work and support and also to industry colleagues in ESDM and MIGAS and in other government institutions for their continued cooperation throughout the year as we pursue our common goals and objectives.

**Elisabeth Proust**  
**President IPA**  
December 2012







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**SECTION 2**

**FINANCIAL REPORT  
2012**

by

**Dipnala Tamzil  
Executive Director**

**INDONESIAN PETROLEUM ASSOCIATION**



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## **Financial Executive Summary**

### **For the Year 2011 and Highlights 2012**

The IPA's audited Statements of Revenues and Expenditures for the year ending December 31, 2011 shows a surplus of Rp 1.2 billion before Corporate Income Tax (CIT) of Rp 0.4 billion. Total 2011 surplus after CIT is Rp 0,8 billion.

2011 surplus is primarily due to increased revenues from new annual membership fees for Company and Associate Members and activities of the Professional Division which exceed the increase of expenditures mainly due to several Special Projects such as the judicial review of GR 79/2010 and an exploration study commissioned by the Board.

The opening balance of cash flow for the year 2011 was Rp 3,4 billion. During the year 2011, adjustments made for depreciation and other changes in assets and liabilities resulted in cash and cash equivalent of Rp 1.3 billion. Such adjustments contributed to an increase of cash and cash equivalent ending balance to Rp 4.7 billion as indicated in the audited cash flow.

### **Financial Highlights 2012**

YTD October 31, 2012 indicates surplus before tax of Rp 3.7 billion. Latest estimate per December 31, 2012 shows a surplus of Rp 2.4 billion primarily due to reduced activities by the IPA committees and the absence of major special projects.

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**Indonesian Petroleum Association**  
**2011 NET SURPLUS/ (DEFICIT)**  
**(in million Rp)**

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	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues	17,724	15,981	1,743
Expenses	16,529	14,721	1,808
Operating Surplus / (Deficit)	1,195	1,260	(64)
Corporate Income Tax (CIT)	(400)	0	(400)
<b>Net Surplus/ (Deficit) After CIT</b>	<b>795</b>	<b>1,260</b>	<b>(464)</b>

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**Indonesian Petroleum Association**  
**2011 CASH FLOW**  
**(in million Rp)**

Balance per January 1, 2011		3,353
Operating Surplus/ (Deficit) before Corporate Income Tax		1,195
Allowance for impairment losses		293
Depreciation		306
Employee entitlement expenses		374
Write off on account payable and accrued liabilities		(470)
Net (Decrease) / Increase in cash and cash equivalent	<b>1 )</b>	(389)
<b>Balance per December 31 , 2011</b>		<b>4,662</b>

Notes : 1 ) - Account Receivables and Prepayments		(852)
- Employee loans receivables		5
- Inventory		29
- Deposits		(7)
- Account Payables and accrued liabilities		704
- Tax payables		(9)
- Payment for employee service entitlements		(170)
- Corporate income tax paid		(71)
- Purchase of fixed assets		(18)
		<b>(389)</b>

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**Indonesian Petroleum Association**  
**2011 REVENUES**  
**(in million Rp)**

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	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Company and Associate Company Dues	5,086	5,281	(195)
Professional Division Revenues	8,736	6,590	2,146
Sale of Publications	90	71	19
Bank Interest, and Other	608	39	569
Convention Surplus	3,205	4,000	(795)
	<hr/> <b>17,724</b>	<hr/> <b>15,981</b>	<hr/> <b>1,743</b>

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**Indonesian Petroleum Association**  
**2011 EXPENSES**  
(in million Rp)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Professional Division Committee	6,203	4,600	1,603
Communication Committee	85	506	(421)
Environmental Affairs Committee	46	75	(29)
Finance Committee	18	75	(57)
Human Resource	12	75	(63)
University Assistance Committee	82	276	(194)
Supply Chain Management Committee	6	75	(69)
LNG and Gas Sales Committee	7	46	(39)
Regulatory Affair Committee	12	75	(63)
Downstream Committee	0	45	(45)
Security Committee	0	75	(75)
Service Company Committee	0	45	(45)
Data Management Committee	0	5	(5)
Unconventional Gas Committee	4	0	4
Exploration Committee	1	0	1
Special Projects	2,070	1,380	690
General and Administration	4,024	2,764	1,260
Salaries and Benefits	3,959	4,604	(645)
	<b>16,529</b>	<b>14,721</b>	<b>1,808</b>

**Indonesian Petroleum Association**  
**2011 GENERAL & ADMINISTRATIVE EXPENSES**  
(in million Rp)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Office Rent	834	910	(76)
Office Maintenance and Repairs	115	36	79
Telephone and Facsimile	38	32	6
Photocopy Machine	55	54	1
Stationaries and Other Supplies	151	58	93
Printings and Reproductions	414	250	164
Postages and Mailings	28	10	18
Transportations	63	43	20
Meetings	409	400	9
Information Technology	108	60	48
Bank Charges	39	20	19
(Gain) or Loss on Exchange Rate	116	0	116
Audit and Tax Service Fees	373	330	43
Legal Services	126	99	27
Accounting Systems Dev	36	50	(14)
Tax	2	7	(5)
Depreciation	306	270	36
Other Expenses	812	135	677
<b>Sub -T o t a l G &amp; A</b>	<b>4,024</b>	<b>2,764</b>	<b>1,260</b>
<b>Sub-Total Salary &amp; Benefit</b>	<b>3,959</b>	<b>4,604</b>	<b>(645)</b>
<b>Total G &amp; A and Salary Expenses</b>	<b>7,983</b>	<b>7,368</b>	<b>615</b>

**Indonesian Petroleum Association**  
**CASH FLOW**  
**December 31, 2011 and YTD October 31 , 2012**

	Dec. 31, 2011		YTD Oct. 31, 2012	
	Actual		Actual	
	Rp	US\$	Rp	US\$
	(million)	('000)	(million)	('000)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Excess revenue over expenditure before Corporate Income Tax	1,195	132	3,656	377
Adjustments to reconcile excess of revenues over expenditures/(expenditures over revenues) to net cash provided by (used in) operating activities :				
Allowance for impairment losses	293	32	0	0
Depreciation of fixed assets expenses	306	34	303	31
Employee entitlement expenses	374	41	0	0
Write off on account payable and accrued liabilities	(470)	(52)	0	0
Changes in assets and liabilities :				
Account Receivables	(852)	(94)	(437)	(45)
Employee loan receivables	5	1	65	7
Prepayments	0	0	(254)	(26)
Inventory	29	3	(25)	(3)
Account Payables and accrued liabilities	704	78	(1,858)	(192)
Deposits	(7)	(1)	0	0
Payment for Liability service entitlements	(170)	(19)	0	0
Tax payables	(9)	(1)	0	0
Corporate Income Tax paid	(71)	(8)	0	0
<b>Net cash provided by/(used in) operating activities</b>	<b>1,327</b>	<b>146</b>	<b>1,451</b>	<b>150</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets	(18)	(2)	(152)	(16)
<b>Net cash used in investing activity</b>	<b>(18)</b>	<b>(2)</b>	<b>(152)</b>	<b>(16)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Prior Year Surplus	0	0	(822)	(85)
<b>Net cash used in financing activity</b>	<b>0</b>	<b>0</b>	<b>(822)</b>	<b>(87)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT</b>	<b>1,309</b>	<b>144</b>	<b>477</b>	<b>49</b>
<b>CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR</b>	<b>3,353</b>	<b>370</b>	<b>4,662</b>	<b>481</b>
<b>CASH AND CASH EQUIVALENT AT THE END OF THE YEAR</b>	<b>4,662</b>	<b>514</b>	<b>5,140</b>	<b>530</b>

2011 Rate : 1 US\$ = IDR 9.068

2012 Rate : 1 US\$ = IDR 9.700





**Indonesian Petroleum Association**  
**STATEMENT OF REVENUE AND EXPENDITURES**  
**October 31, 2012**  
**(in million Rp)**

	YTD OCT 31, 2012 ACTUAL	AVG. YTD 2012 BUDGET	FULL YEAR 2012 BUDGET
<b><u>REVENUES</u></b>			
Company and Associate Company Dues	5,258	4,270	5,124
Professional Division Revenues	4,335	5,583	6,700
Other Revenues	629	88	105
<b>TOTAL REVENUE</b>	<b>10,222</b>	<b>9,941</b>	<b>11,929</b>
<b><u>EXPENDITURES</u></b>			
Professional Division Committee	2,888	3,933	4,720
Communication Committee	14	50	60
Environmental Affairs Committee	30	42	50
Finance and Tax Committee	6	25	30
Human Resources Committee	6	17	20
University Assistance Committee	43	83	100
Supply Chain Mngmt Improvement	8	17	20
LNG and Gas Committee	6	0	20
Regulatory Affair Committee	15	21	25
Downstream	0	4	5
Service Company Committee	0	4	5
Data Management	0	4	5
Unconventional Gas Committee	4	4	5
Exploration Committee	0	4	5
Special Projects	256	1,667	2,000
General and Administration	2,725	2,595	3,114
Salaries and Benefits	3,563	3,304	3,965
<b>TOTAL EXPENDITURES</b>	<b>9,566</b>	<b>11,774</b>	<b>14,149</b>
Running Surplus / (Deficit)	<b>656</b>	<b>(1,833)</b>	<b>(2,220)</b>
Convention Surplus / (Deficit)	<b>3,000</b>	<b>2,500</b>	<b>3,000</b>
Corporate Income Tax	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Surplus / (Deficit)</b>	<b>3,656</b>	<b>667</b>	<b>780</b>

**Indonesian Petroleum Association**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**L.E. DECEMBER 31, 2012**  
**(in million Rp)**

	OCT 31, 2012	DEC. 31, 2012	FULL YEAR 2012
	YTD ACTUAL	L.E.	BUDGET
<b><u>REVENUES</u></b>			
Company and Associate Company Dues	5,258	5,401	5,124
Professional Division Revenues	4,335	6,036	6,700
Other Revenues	629	769	105
<b>TOTAL REVENUE</b>	<b>10,222</b>	<b>12,206</b>	<b>11,929</b>
<b><u>EXPENDITURES</u></b>			
Professional Division Committee	2,888	4,909	4,720
Communication Committee	14	17	60
Environmental Affairs Committee	30	37	50
Finance and Tax Committee	6	8	30
Human Resources Committee	6	9	20
University Assistance Committee	43	45	100
Supply Chain Management Improvement	8	7	20
LNG and Gas Committee	6	7	20
Regulatory Affair Committee	15	21	25
Downstream Committee	0	0	5
Service Company Committee	0	0	5
Data Management	0	0	5
Unconventional Gas Committee	4	6	5
Exploration Committee	0	0	5
Special Projects	256	619	2,000
General and Administration	2,725	2,963	3,114
Salaries and Benefits	3,563	4,184	3,965
<b>TOTAL EXPENDITURES</b>	<b>9,566</b>	<b>12,833</b>	<b>14,149</b>

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Running Surplus / (Deficit )	<b>656</b>	<b>(627)</b>	<b>(2,220)</b>
Convention Surplus / (Deficit)	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>
Corporate Income Tax	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Surplus / (Deficit)</b>	<b>3,656</b>	<b>2,373</b>	<b>780</b>

**Indonesian Petroleum Association**  
**BALANCE SHEETS**  
**DECEMBER 31, 2011 AND 2010**  
**(in million Rp)**

	<b>Audited Dec. 31, 2011</b>	<b>Audited Dec. 31, 2010</b>
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash and Cash Equivalent	4,662	3,353
Account Receivable and Prepayments	1,405	846
Employee Loans Receivable	92	97
Inventory	85	114
<b>Total Current Assets</b>	<b>6,244</b>	<b>4,411</b>
<b>Non Current Assets</b>		
Fixed Assets, net	426	714
Deposits	209	202
Deferred Tax Assets	100	0
<b>Total Non Current Assets</b>	<b>736</b>	<b>916</b>
<b>TOTAL ASSETS</b>	<b>6,979</b>	<b>5,327</b>
<b><u>LIABILITIES AND ACCUMULATED SURPLUS</u></b>		
<b>LIABILITIES</b>		
<b>Current Liabilities :</b>		
Account Payable and Accrued Liabilities	2,336	2,103
Tax Payables	513	94
<b>Total Current Liabilities</b>	<b>2,849</b>	<b>2,197</b>
<b>Non Current Liabilities</b>		
Provision for Employee Service Entitlements	204	0
Deferred tax liability	0	0
<b>Total Non Current Liabilities</b>	<b>204</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>3,053</b>	<b>2,197</b>
Accumulated Surplus	3,926	3,131
<b>TOTAL LIABILITIES AND ACCUMULATED SURPLUS</b>	<b>6,979</b>	<b>5,327</b>

**Indonesian Petroleum Association**  
**BALANCE SHEETS**  
**OCTOBER 31, 2012 AND DECEMBER 31, 2011**  
**(in million Rp)**

	Unaudited Oct.31, 2012	Unaudited Sep. 30, 2012	Audited Dec. 31, 2011
<b><u>ASSETS</u></b>			
<b>Current Assets :</b>			
Cash and Cash Equivalent	5,140	6,221	4,662
Account Receivable and Prepayments	2,572	2,321	1,405
Employee Loan Receivables	27	29	92
Inventory	109	109	85
<b>Total Current Assets</b>	<b>7,849</b>	<b>8,680</b>	<b>6,244</b>
<b>Non Current Assets</b>			
Fixed Assets, net	218	236	426
Deposits	209	209	209
Deferred Tax Assets	100	100	100
<b>Total Non Current Assets</b>	<b>527</b>	<b>545</b>	<b>736</b>
<b>TOTAL ASSETS</b>	<b>8,376</b>	<b>9,225</b>	<b>6,979</b>
<b><u>LIABILITIES AND ACCUMULATED SURPLUS</u></b>			
<b><u>LIABILITIES</u></b>			
<b>Current Liabilities</b>			
Account Payables and Accrued Liabilities	1,147	1,283	2,336
Tax Payable	0	0	513
<b>Total Current Liabilities</b>	<b>1,147</b>	<b>1,283</b>	<b>2,849</b>
<b>Non Current Liabilities</b>			
Provision for Employee Service Entitlements	204	204	204
Deferred Tax Liability	0	0	0
<b>Total Non Current Liabilities</b>	<b>204</b>	<b>204</b>	<b>204</b>
<b>TOTAL LIABILITIES</b>	<b>1,351</b>	<b>1,487</b>	<b>3,053</b>
<b><u>ACCUMULATED SURPLUS</u></b>	<b>7,025</b>	<b>7,738</b>	<b>3,926</b>
<b>TOTAL LIABILITIES AND ACCUMULATED SURPLUS</b>	<b>8,376</b>	<b>9,225</b>	<b>6,979</b>



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**SECTION 3**

**ASSOCIATE MEMBERS COMMITTEE**

**CHAIRMAN**

**Robert Harvey**

**( PT Weatherford Indonesia )**

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## ASSOCIATE MEMBERS COMMITTEE

### Report of 2012 Activities

#### Objective 2013

1. Associate Members Issue Survey was released and results incorporated into PTK 007 Rev 2 White Paper
2. PTK007 Rev 2 White Paper submitted to IPA BOD Sponsors for internal review
3. PTK007 Rev 2 White Paper submitted to IPA BOD Sponsors and reviewed for external release. Currently being edited after initial review with BDL, once final external draft is approved it will be submitted to AMCHAM and DG Migas for inclusion in Migas / Associate member committee "workshop" sponsored by DG Ibu Evita Legowo
4. Associate and Supply Chain to hold joint Committee meetings in 2013 on Contract Terms and Conditions
5. Continue to position the Associate Members Committee to support the IPA BOD and engage governmental departments and agencies as required to promote member issues.

**Estimated 2013 Budget : \$0**



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**SECTION 4**

**COMMUNICATIONS COMMITTEE**

**REPORT ON 2012 ACTIVITIES AND 2013 WORK PROGRAM**

**CHAIRMAN**

**Paul E. Mustakim**

**( Chevron Indonesia Company )**

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## COMMUNICATIONS COMMITTEE

### 2012 Activities Report and 2013 Work Program

#### 2012 Highlight

The 2012 goals and programs of Communication Committee (Communication Committee) were intended for two directions, external and internal communications. Focuses were on:

#### **External Communication**

- Stakeholder relationship engagements
- Issue advocacy – constructive engagement with government
- Media industry education
- Media engagements for industry issues communication
- Articles and advertorial
- Communication tools (position papers, talking points, web contents, database, etc)

#### **Internal Communication**

- Regular feedback, inputs to Board/ Officers and executive Office
- Communication to members, particularly on issue updates
- Continued collaboration among committees
- Structured issues management process and preparation and issue of position papers,
- Media tracking and reporting

#### **Information System**

- Support executive office in IPA database management, including regular web content updates.

#### Key Activities in 2012

Significant collaborations among IPA committees were demonstrated through the IPA Convention program and advocacy process of a number of industry issues. Communication Committee has conducted a series of activities to meet the objectives of the IPA, such as:

- **Supporting the 36<sup>th</sup> IPA Convention & Exhibition:**
  - Media briefing and Press Release
  - Media partnership (Metro Group, Upstream, The Jakarta Post, The Wall Street Journal, Petromindo Group, Petrominer, Oxford Business Group and Berita Satu Group)

- 
- Extensive news feed during the convention days
  - **Issues Advocacy and IPA Board**
  - **Engagement and Communications with Governments and Institutions:**
    - BPMIGAS/SKSPMIGAS, DPR, Minister of EMR, MoF, UKP4, KADIN, Universities
  - **Media Relations and Educations**
    - Media articles and editor opinion
  - **Internal Communications**
    - Quarterly newsletter
    - Daily Media Clippings and Monitoring to the IPA Board and concerned committees
    - Captured potential issues for the attention of the IPA Board
  - **Social Partnership**
    - Contribution to the Sekolah Kami Foundation for the amount of IDR 75 million, used to renovate school facilities and repair the fish ponds as a means to teach the children about fish farming as the fish could be used as source of nutrition for the children.

### **2013 Focus Areas**

The Oil & Gas industry will be facing even more increasing challenges next year through a transitional period following the dismissal of BPMIGAS and possible enactment of a new Oil & Gas law with may adversely bring more uncertainties in this industry sector for foreign future investments, contract extensions, and slower business process approvals due to pending implementing regulations. The same year will also see increased political dynamics of pre-general elections period.

It is crucial for the association to be able to position well as a reliable partner of the government to help develop a business environment that best support the country's objectives in energy and economy derived from the sector.

Effective advocacy and communications to broad government, parliament and public key stakeholders shall be implemented.

Accordingly, the Communication Committee will continue supporting the Board in focusing on the following areas in 2013:

#### **Government Relations**

- Engaged more in Issue Management and Advocacy
- Stakeholder Relationships and Regular Meeting Engagement
- Facilitate/participate in government and regulatory policy discussions
- Capture emerging and potential issues from industry

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## **Media Engagement**

Balanced information around PSC investments and the future perspectives

- Media Engagement and Educations (including for public)
- Media advocacy for awareness purposes
- Industry education through media

## **Communications**

- Information leverage and management
- Content review IPA Publication (website, newsletter, etc)
- Foster internal communications governance and issues update
- Publications

## **Social Partnership**

- Thought leadership through impact assessment of the industry's Social Partnership programs and a roundtable forum
- Conduct community outreach and IPA Care programs
- Public Awareness and Outreach

## **Communications Committee Members**

Chairperson:	Paul E. Mustakim	Chevron
Vice Chairperson:	Joang Laksanto	Medco Energy
Members:	Ferita Kanter	IPA Executive Office
	Jacob Kastanja	ConocoPhillips
	Alvin Anwar	Santos
	Dany Surjalesmana	CNOOC
	Michael Putrawenas	Shell
	Reka Wahab	Medco Energy
	Fitra Iskandar	Medco Energy
	Roy Karamoy	Total Indonesia
	Ivan Sebayang	Chevron
	Azi Alam	ExxonMobil
	Wahyu Suharyo	Ephindo
Secretary:	Adelina Novianti	Talisman Energy

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**SECTION 5**

**CONVENTION COMMITTEE**  
**REPORT ON 2012 ACTIVITIES**

**CHAIRMAN**

**Mochamad Harun**

**( Pertamina )**

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## CONVENTION COMMITTEE

### I. INTRODUCTION

The 36<sup>th</sup> IPA Convention and Exhibition was held over **May 23<sup>rd</sup>-25<sup>th</sup> 2012** in Jakarta, Indonesia with the theme “**Working Together to Meet Indonesia’s Energy Needs**”. With a strong array of panelists and speakers, extensive discussion on the key issues facing the oil and gas industry, the highest number of participants and visitors yet, and an exceptional media turnout, the 36<sup>th</sup> IPA Convex can be considered a success by most reasonable metrics. This document has been drawn up to summarize the key points that were discussed at the plenary and special sessions, and the overall noteworthy information of the Convention and Exhibition.

### II. HIGHLIGHTS

- Opening ceremony attended by His Excellency, Mr. Jero Wacik, Minister of Energy and Mineral Resources
- Around 7,606 visitors to the IPA convex, including over 2,276 registered participants, a 10% increase to 2011 figure.
- Exceptional industry participation, with 136 companies setting up booths at the exhibition.
- Introduction of the newly appointed IPA President, Ms. Elisabeth Proust, to a wide industry.
- 103 technical papers and 34 posters from professionals and students covering Geosciences, Engineering and Business/ Commercial
- 40 participants to the three Pre-Convention Short Courses held on 21-22 May 2012
- 130 participants at the Golf Tournament held at the Emeralda Golf Course on 20 May 2012
- 230 participants at the Gala Dinner held at the JCC on 24th May 2012

### III. PROGRAM SUMMARY

#### 1. **Plenary Sessions:** Three Plenary Sessions were held on 23<sup>rd</sup> and 24<sup>th</sup> May 2012

- **Plenary Session I**

Title	"What are Indonesia's current and future energy needs ?"
Objective	Establish facts about Indonesia's energy demand to support future growth
Panelists	Mr Herman Agustiawan – DEN (National Energy Council) Mr Nur Pamudji – President Director PLN Mr Suryo Bambang Sulisto - Chairman KADIN Mr Hendy Santoso – President Director PGN
Moderator	Mr M. Husen – IPA Board Member
Facilitator	Mr Kong Ming Tek - Boston Consulting Group (BCG)

- **Plenary Session II**

Title	" How to create an environment to meet the demand ?"
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Objective	Establish facts on the industry and what is needed to develop supply and the development.
Keynote Speaker	Mr R. Priyono - Chairman BPMIGAS
Panelists	Mr Hary Karyuliarto – Gas Director Pertamina Mr Ramlan Malek – Vice President PMU (Petroleum Mgmt Unit) Petronas Mr Tor Fjaeran – President Director Statoil Mr Lukman Mahfoedz – President Director Medco Energi Internasional Mr Ahmad Yuniarto – Chairman Schlumberger
Moderator	Mr Jeff Shellebarger – IPA Board Member
Facilitator	Mr Kong Ming Tek - Boston Consulting Group (BCG)

- **Plenary Session III**

Title	"How do we work together to achieve Presidential Instruction No. 2 Year 2012 ?"
Objective	Discuss ways for industry-government collaboration to develop actions and solutions to the challenges laid out in the previous plenary discussions.
Keynote Speaker	Mr Bambang Brodjonegoro – Head of Fiscal Policy Body (BKF) Ministry of Finance Ibu Evita Legowo – Director General of MIGAS Mr Soeprapto – Special Staff to Minister of Forestry
Panelists	Mr Sugiharto – President Commissioner Pertamina Mr Edy Hermantoro – MIGAS (alternate to Ibu Evita Legowo)
Moderator	Mr Sammy Hamzah – IPA Board Member
Facilitator	Mr Philip Whittaker - Boston Consulting Group (BCG)

## 2. Special Session on Revisions to Oil and Gas Law - 25 May 2012.

A Special Session to discuss the upcoming revisions to the Oil and Gas Law No. 22 Year 2001 currently under discussions at Commission VII of the DPR.

Guest Speakers:	Mr Satya Yudha – Member of Commission VII DPR Ibu Evita Legowo – Director General MIGAS Mr Anggito Abimanyu – University of Gajah Mada, Jogjakarta Mr Pri Agung Rakhmanto – Executive Director Reforminer Institute
Moderator :	Mr Suyitno Patmosukismo – IPA Board

## 3. Media Talk Show with BPMIGAS

On 25 May 2012, BPMIGAS invited several Chief / Senior Editors of the national media to have an insight of the media's perception of the oil and gas industry. Invited in this "Talk Show" were Mr Kornelius Purba (Jakarta Post as moderator of the session), Mr Pieter P. Gero (*Kompas*), Mr Arif Budisusilo (Bisnis Indonesia), Mr Wahyu Muryadi (Tempo), Mr

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Primus Dorimulu (Suara Pembaruan, Investor Daily), Mr Dodi Sarjana (Tribun Pekanbaru) and Mr Gde Pradnyana (BPMIGAS).

#### 4. Technical Program

- This year Technical presentations are:
  - 103 oral presentations (96 Professionals and 7 Students)
  - 34 poster presentations (22 Professionals and 12 Students)led by 60 chairpersons in 30 sessions of 5 parallel rooms and 89 professional judges for the papers (oral and poster presentations).
- Winners for the best speaker for oral & poster presentations are:
  - **Professionals:**
    - Best Oral Presentation:
      - Engineering & Formation Evaluation: Masahiko Nomura, INPEX Corporation
      - Geology: Frank Musgrove, Mobil Cepu Limited
      - Geophysics: Nader C. Dutta, Schlumberger
      - HSE, Community Development, Business & Commercial: Stein Wolden, ConocoPhillips
    - Best Poster Presentation: Aveliansyah Aveliansyah (Pertamina Hulu Energi), Dini Andriani (Patra Nusa Data), Rizky Syawal (ETTI)
    - Best Overall Oral Presentation: George Stewart, Weatherford International
  - **Students:**
    - Best Oral Presentation : Septriandi, University of Padjajaran
    - Best Poster Presentation: Tri Wuri Asri Sulistyoti, Lita Novitasari, Sonny Winardhi, Institute of Technology Bandung

#### 5. Exhibition:

- This year exhibitors are: 136 companies, with a surface of 3,950 sqm. This represents a 98.7% space sold out of the 4000 sqm offered, which resulted a total exhibition revenue of USD 1.718.610,-
- Winners of the best booth Exhibition are:
  - Category 1 : PT Medco Energi International Tbk.
  - Category 2 : Hess Indonesia
  - Category 3 : PT DAHANA (Persero)

#### 6. Empowerment Center:

The “Empowerment Center” was a new feature of this year’s Convention with educational cinema presentations showing the process of oil and gas exploration and production, the PSC concept in Indonesia and the efforts made by the PSC’s to support the environment and communities where they operate. Minister and Ibu Jero Wacik were impressed with projects that were on display.



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## 7. Learning Center

A portion of the exhibition areas that were not sold were converted into the learning center which took place in Cendrawasih Hall, Jakarta Convention Center. The activities included presentation session from representative of exhibiting companies such as Schlumberger, Petroedge, PT. Langkah Multi Dimensi, Lintas Arta and ENI Indonesia.

## 8. Photo Competition

- The photo competition idea was to display, promote and learn about the industry through still pictures during the three days exhibition. This was a two round contest with the theme of **“Oil and Gas for All of Us”**.
  - Categories of the competition are as the following:
    1. Corporate Social Responsibility/Social Investment in oil and gas industry.
    2. People and Energy (People at Work, Energy in Use)
    3. Oil and Gas facilities/activities
  - Out of 176 pictures, winners are:
    - People & Energy
      - 1. 1<sup>st</sup> Prize “Pull Out Of Hole Tubing” - AfrinaldiZulhen
      - 2. 2<sup>nd</sup> Prize “MenerjangBanjir Rob”- Boy T. Harjanto
      - 3. 3<sup>rd</sup> Prize “Fire Drilling” – Chairunnas
    - Oil & Gas
      - 1. 1<sup>st</sup> Prize “Double Rainbow At Rigsite” – AamSupriatna
      - 2. 2<sup>nd</sup> Prize “Team Work” - FatchurRofiq
      - 3. 3<sup>rd</sup> Prize “Ready To Logging Job” - Al Juniarsam
    - Corporate Social Responsibility
      - 1. 1<sup>st</sup> Prize “CSR Indonesia Power” - Yamtono
      - 2. 2<sup>nd</sup> Prize “Harmony” - AnjasSetiady
      - 3. 3<sup>rd</sup> Prize “BudidayaSayurHidroponik” - StanlieAndika
- Best Favorite Photo: “Fire Drilling” – Chairunnas

## 9. Gala Dinner – 24 May 2012

The Gala Dinner took place in Jakarta Convention Center participated by prominent figures (such as the US Ambassador, oil and gas company presidents & GMs).

This year dinner format has a more relaxed atmosphere to break barriers amongst participants and enable to mingling around.

## 10. Lifetime Achievement Award

At the Gala Dinner, the IPA gave a “Lifetime Achievement Award” to Pak Baihaki Hakim, former President Director of PT Caltex Pacific Indonesia, Pertamina and President of the IPA (1999).

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#### **IV. CONCLUSION**

As noted in the introduction, the 36th IPA convex can be considered a success, as the event exceed most of last year's metrics in many aspect such as the number of convention's participants, exhibition's visitor, exhibiting companies and sponsorship. Besides, there are noticeable improvements in many areas as shown by the survey's result

## Appendix A –Committee Members

### THIRTY SIXTH IPA CONVENTION & EXHIBITION LIST OF COMMITTEE MEMBERS

COMMITTEE	POSITION	NAME	COMPANY	E-MAIL ADDRESS
<b>CHAIRMAN</b>		M. Harun	Pertamina	mcharun@pertamina.com
	Advisors	T.M. Razief Fitri	ConocoPhillips	razief.fitri@conocophillips.com
		Faturochman	BPMIGAS	
		Harry Karyuliarto.	Pertamina	hkaryuliarto@pertamina.com
		Dipnala Tamzil	IPA	dipnala.tamzil@ipa.or.id
	General Affairs	Wursitaningari (Sita)	IPA	sita@ipa.or.id
Finance	Chairperson	Freddy	Murphy	freddy@murphyoilcorp.com
	Vice-Chairperson	Arief Handoko	ConocoPhillips	arief.s.handoko@conocophillips.com
Sponsorship	Chairperson	Elan Biantoro	BPMIGAS	ebiantoro@bpmigas.go.id
	Vice-Chairperson	Agus Mashud	Pertamina	agus.mashud@pertamina.com
Secretary		Anna P. Harland	ConocoPhillips	anna.p.harland@conocophillips.com
<b>VICE CHAIRMAN CONDUCT COMMITTEE</b>		Jakob Kastanja	ConocoPhillips	jacob.kastanja@conocophillips.com
Exhibition	Chairperson	Alvin Anwari	Santos	alvin.anwari@santos.com
	Vice-Chairperson	Yunita Purba	Statoil	puy@statoil.com
Golf/Fun Bike	Chairperson	Dody Purba	Star Energy	doddy.purba@starenergy.co.id
	Vice-Chairperson	Liza Kridhantoro	ConocoPhillips	liza.p.kridhantoro@conocophillips.com
	Member	Ketut Budiarta	BPMIGAS	kbudhiarta@bpmigas.go.id
		Muhammad Arfan	BPMIGAS	marfan@bpmigas.go.id
		Yopi Umboh Widyeko Eri Sistiana	EMP Star Energy Chevron	esistia@chevron.com
Security	Chairperson	Yura Natanegara	ConocoPhillips	yura.natanegara@conocophillips.com
	Vice-Chairperson	Yunpri Suyanto	Pertamina	
Registration		Audrey Sahertian	IPA	audrey.sahertian@ipa.or.id
		IPA Staffs	IPA	ipa@cbn.net.id
Empowerment Center	Chairperson			
	Vice-Chairperson	Imanda Susilo	ConocoPhillips	imanda.susilo@conocophillips.com
	Member	Novitri Lilaksari	PHE ONWJ	novitri.lilaksari@pertamina.com
Hafif Assaf		CNOOC	hafif_assaf@cnooc.co.id	
Protocol	Chairperson	Ratna S. Novanti	Statoil	rnov@statoil.com
	Vice-Chairperson	Ivan Sebayang	Chevron	isiz@chevron.com
	Member	Tommy Hersyaputera	Statoil	moche@statoil.com
		Widiati Wageono	Talisman (Sageri) Ltd.	wwageono@talisman-energy.com
Publicity	Chairperson	Adelina Novianti	Talisman (Sageri) Ltd.	anovianti@talisman-energy.com
	Vice-Chairperson	Teddy W. Rahmanto	Eni Indonesia	teddy.rahmanto@eniindonesia.co.id

	Member	Dewi Mayasari	COPI	dewi.mayasari@conocophillips.com
		Novie Hernawati	Schlumberger	nhernawati@slb.com
		Abraham Situmorang	Vico Indonesia	abraham.situmorang@vico.co.id
		Oka Setiawan	Schlumberger	oka@slb.com
		Ferita Kanter	IPA	ferita.kanter@ipa.or.id
<b>VICE CHAIRMAN TECHNICAL COMMITTEE</b>		<b>Bambang Istadi</b>	<b>EMP</b>	<b>bambang.istadi@energi-mp.com</b>
Plenary Session	Chairperson	Maria Nellia	Eni Indonesia	maria.nellia@eniindonesia.co.id
	Vice-Chairperson	Iwan Soerono	Schlumberger	soerono1@slb.com
	Member	Martarani Dhiastuti	Medco	martarani.dhiastuti@medcoenergi.com
		Bidi Subagio	Salamander	bidi.subagio@salamander-energy.com
		Anggoro Kasyanto	Bunga Mas International	anggorok@apecpartners.com
		Lies Kurniasih	Medco	lies.kurniasih@medcoenergi.com
Technical Program	Chairperson	Stephen M. Scott	Genting Oil (Kasuri)	stephen.scott@gentingenergy.com
	Vice-Chairperson 1	Mark Thomsen	Exxonmobil	Mark.thomsen@exxonmobil.com
	Chairperson 2	Sri Sulistiowati	Fugro-Jason	ssulistiowati@fugro-jason.com
Short Courses	Chairperson	Rini Kusumastuti	IPA	rini.kusumastuti@ipa.or.id
	Vice-Chairperson	IPA Staffs	IPA	ipa@cbn.net.id

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**SECTION 6**

**DATA MANAGEMENT COMMITTEE**

**REPORT ON 2012 ACTIVITIES**

**CHAIRMAN**

**Zuki Harahap**

**( ConocoPhillips Indonesia, Inc. Ltd. )**

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## DATA MANAGEMENT COMMITTEE

### Report of 2012 Activities

#### **2012 Highlight**

1. Continue as liaison to Government and industry on data management issues Work with Komisi Eksplorasi and FOKWE BPMIGAS to share concerns and propose solution to stakeholders.
2. Work with PND and Pusdatin Visited PND office to see their infrastructure readiness to retrieve, catalogue, and manage upstream data. Also discussed their latest offering to Indonesia oil and gas industry. Help Pusdatin to conduct their first data management seminar. It is planned for 6-7th Desember 2012.
3. Continue regular meeting among members

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**SECTION 7**

**ENVIRONMENT AND SAFETY COMMITTEE**

**REPORT ON 2012 ACTIVITIES**

**CHAIRMAN**

**Satrio Pratomo**

**( Mubadala Petroleum )**

## ENVIRONMENT AND SAFETY COMMITTEE

### Report of 2012 Activities

#### I. OVERVIEW

The IPA ESC is a working committee and serves as a bridge between oil and gas operators and regulatory bodies, creates open dialogue between all stakeholders and provides a platform for the Government and the upstream oil & gas industry (mainly) to address opportunities and future challenges relating to environmental issues and safety compliance. The committee role is to support the IPA members and operators to comply with applicable regulations, to promote the beyond compliance effort and share best practices. The committee therefore actively participates in providing necessary feedback and comments during related regulatory development to ensure that the produced regulations are applicable & sensible for the industry without sacrificing the environmental and safety standards that are an integral part of oil and gas operations within Indonesia.

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

#### II. ENVIRONMENT & SAFETY COMMITTEE (ESC) MEMBERS

The ESC members in 2012 are shown below:

<b>Chairman</b>	:	Satrio Pratomo	Mubadala Petroleum
<b>Secretary</b>	:	Rossi Yuliani	PT. PHE ONWJ
<b>WG-1 Lead</b>	<b>1.</b>	<b>Krishna Ismaputra</b>	<b>Total E&amp;P Indonesia</b>
	<b>2.</b>	Lidia Ahmad	BP Indonesia
	<b>3.</b>	Sugiarto	PTT EP Malunda Ltd.
	<b>4.</b>	Nedia Permata Hasan	PC Muriah Ltd.
	<b>5..</b>	TP Pasaribu	PT. PERTAMINA (Persero)
	<b>6.</b>	Arryati Ramadhani	ConocoPhillips Indonesia
	<b>7.</b>	I Nyoman Adi	CNOOC SES Ltd.
	<b>8.</b>	Mega Nainggolan	Energi Mega Persada
	<b>9.</b>	Ibrahim Arsyad	Medco E&P Indonesia
<b>WG-2 Lead</b>	<b>:</b>	<b>10. Paul Wijaya</b>	<b>ENI Indonesia</b>
	<b>11.</b>	Muhammad Shobirin	Premier Oil Natuna Sea Ltd.
	<b>12.</b>	Benyamin Argubie	Total E&P Indonesia
	<b>13.</b>	Agustanzil Sjahroezah	Energi Mega Persada
	<b>14.</b>	Arudji Wahyono	Chevron



	15.	Joko Susilo	PT. PERTAMINA (Persero)
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Since its establishment in 1990, the Committee chairpersonship has changed during the period, with the honorary chairpersons of the committee listed below for information:

### **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

### **III. 2012 HIGHLIGHTS ISSUES AND ACHIEVEMENT**

During 2012, several dialogue and developing partnerships have been done with related stakeholders through formal or informal meetings and discussions. These sessions have been conducted with several regulatory bodies such as the Ministry of Environment, MIGAS and BPMIGAS (before dissolution), SeaCom and the Global Initiatives in Oil Spill Response Management.

The IPA ESC was chosen as an important partner to be consulted by the Ministry of Environment and MIGAS relating to the development of environmental implementing regulations.

Currently the committee has been deeply involved in two (2) drafts of Implementing regulations as follows:

- Management Toxic and Hazardous Material, Toxic and Hazardous Waste and Dumping to Sea
- Flaring and Venting

Related to these draft regulations, one of the committees' priorities is focus on the mechanism of dumping of drilling waste (used mud & cuttings) for offshore operations. Considering the importance of dumping issue, with IPA BOD approval, the Committee had engaged with other Industry Association in advocacy draft implementing regulation on Management Toxic and Hazardous Material, Toxic and Hazardous Waste and Dumping to Sea and conducted a meeting with Minister of Environment to convey the oil & gas concerns. As result, the Ministry of Environment postponed the issuance of the aforementioned regulation and promised to make the regulation more reasonable to be implemented and not giving high economy cost impact.

Another important issue is PROPER – Company Environmental Performance Rank, Government initiative on incentive and dis-incentive instrument. IPA proposed to drop the

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requirement to have dumping permit for used mud & cuttings. Considering the implementing regulations have not been published yet, PSCs contractor have retained environmental document approval and current practices be based on the Energy and Mineral Resources decree. As result, the requirement to have dumping permit as one of PROPER criteria was excluded from minimum compliance criteria.

#### **IV. 2012 ENVIRONMENT & SAFETY WORK PROGRAMS AND ACHIEVEMENTS**

##### **ENVIRONMENT**

The IPA-ESC is routinely having a monthly meeting every second Thursday of the month. Various environmental are discussed in these meetings, focusing on regulatory advocacy and member's capacity building.

1. Continue the advocacy on the development of Government Regulations
  - Provide input on the draft implementing regulation on Management Toxic and Hazardous Material, Toxic and Hazardous Waste and Dumping to Sea. The main concerns to be proposed/accommodated in this draft implementing regulation are de-listing used mud & cutting from the list of Toxic and Hazardous Waste (*Limbah B3*), determination of dumping location be based on environmental impact assessment not sea water depth and simplification in obtaining dumping permit. Engaged with other Industry Association in advocacy draft implementing regulation on Management Toxic and Hazardous Material, Toxic and Hazardous Waste and Dumping to Sea and conducted a meeting with Minister of Environment to convey the oil & gas concerns
  - Provide input on the Draft of Flaring Regulation to Directorate General of MIGAS, in order to regulation be able implemented.
2. Continue involvement in competency development on Health, Safety and Environmental Professional
  - Conducted workshop for socialization of new Government Regulation No. 27/2012 about "Environmental Permit" with Ministry of Environment and BPMIGAS to IPA Member and KKKS, April 2012
  - Supported Forum Communication of BPMIGAS-KKKS to find out the solution of several Environmental Issue to support Presidential Decree on Oil and Gas Production Acceleration, June 2012
3. To promote the improvement of HSE performance of Oil and Gas Industry
  - Conducted joint workshop with IPIECA (International Petroleum Industry Environmental Conservation association) and Director General Sea Communication to Introduce "Global Initiative" Program on dealing with Oil Spill Response to IPA Member and KKKS, February 2012
  - Conducted Lunch Discussion with Prof. DR Surna Djayadiningrat as Chief of "Dewan Kehormatan" PROPER to provide input on the issues related to PROPER

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- Visited Mr. Karliansyah (Deputy Minister of Environment) to appeal the PROPER Assessment Criteria 2012 to exclude Drilling Dumping Permit as criteria for PROPER.
4. To support the efforts on stakeholders engagement to improve the understanding on Oil & Gas industry activities
- Planning to conduct workshop with BPMIGAS and Ministry of Environment to the Local Government in East Kalimantan Province and South Sumatra Province on Mid of December 2012

## **SAFETY**

- Maintain communication and network with National Safety and Health Council of Indonesia (NSCHCI or DK3N) and participated in periodic Breakfast Safety Discussion and meeting.
- Participated in NSHCI Committee in preparing Asia Pacific Occupational Health and Safety (APOSHO) 28<sup>th</sup> Conference in Jakarta 2013.
- Lessons learned and Sharing best practices such as Golden Safety Rule, Life Saving Rule etc.

## **FORWARD PLAN**

- Continue the advocacy work on new emerging issues in 2012 on the development of various government regulations and/or changes facilitated through working teams assigned with the relevant government agencies.
- Continue involvement in competency development of health, safety and environmental professionals by organizing training programs and/or workshops.
- Expand and maximize the active participation of the IPA-ESC in the health, safety and environmental discipline of IPA through active participation in relevant events such as the IPA or SPE Annual Convention.
- Continue to sponsor and conduct periodic Safety Discussion forums or lessons learnt meetings in cooperation with Safety professional Organizations or other related institutions and industries.
- Continue to involve in engagement with stakeholder to improve the understanding on Oil and Gas industry activities.

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**SECTION 8**

**EXPLORATION COMMITTEE**  
**REPORT ON 2012 ACTIVITIES**

**By:**

**Chris Newton**

**( RISCO Energy Pte.Ltd. )**

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## EXPLORATION COMMITTEE

Indonesia faces a widening oil and gas supply – demand gap in the coming decade as demand rises but production continues to fall. Increased exploration is one of the key opportunities to address this shortfall. The IPA calculates that exploration drilling must immediately increase by at least 3 to 5 times current levels if exploration is to make any impact on the widening oil and gas supply shortfall. However, rather than increasing, exploration investment, activity and performance has continued its decade long decline. Addressing this is one of the key objectives of the IPA exploration committee.

The Exploration Committee is charged with providing recommendations to the IPA Board of Directors to promote increasing the level of exploration investment and also improving the efficiency of exploration activities. Three sub-committees have been established in order to focus on particular aspects of exploration activities:

- Regulatory procedures and management of PSC activities, WP&B, AFE's
- Data access and management
- Exploration investment climate, bid rounds, fiscal regime

The goal for the sub-committees is to seek constructive dialog on exploration investment and efficiency issues in order to be able to recommend and implement measures which will result in an increase in exploration activity and ultimately lead to discovery of new hydrocarbon resources and provinces. This is particularly important to address given the poor industry response to recent bid rounds and downtrend in exploration drilling.

In 2011 the IPA appointed IHS-CERA to prepare a comparative analysis of current global, regional and Indonesia-specific trends in exploration over the past decade to identify who and what is attracting exploration capital and determine what Indonesia needs to do to enhance its own share of global exploration investment. Eight key fact-supported trends were identified and the drivers behind them identified and documented:

1. SE Asia and Indonesia have been successful in building global market share over the decade in new block awards and seismic activity.
2. Within SE Asia, Indonesia has lost market share of new block awards and 2D seismic acquisition over the decade.
3. Structural shift in upstream participation as the role of the majors was gradually replaced by local companies, INOC's and small independents.
4. The increased global share of new blocks and seismic activity **did not translate into an increased share for Indonesia in global exploration drilling**. Indonesian exploration drilling declined in absolute terms and in global and regional share.
5. Declining trends in numbers of Indonesian wildcat wells drilled in producing blocks.
6. Indonesia's exploration efficiency (boe's added / exploration well drilled) is a stand-out poor performer globally and regionally.
7. Indonesia's resource additions from exploration have been increasingly gassy adding above ground risks and economic challenges.

8. Indonesian government take from oil and gas is second highest quartile regionally while recent exploration performance is bottom quartile.

Armed with the above independently derived facts, the IPA cooperated in mid 2012 with MIGAS by holding an Exploration Forum to identify key issues adversely impacting the exploration business and propose solutions. Representatives of IPA member companies, services companies, BPMIGAS, MIGAS and Badan Geologi were present. Key presentations are available on the IPA website : [www.ipa.or.id](http://www.ipa.or.id) and the workshop summary is included below. After the forum the IPA, BPMIGAS and MIGAS worked constructively on action plans to accelerate exploration investment.

The IPA remains committed to increasing exploration activity levels for the benefit of all stakeholders and seeks feedback from its members on ways in which together we can make this happen.

**Summary of Key Points**  
**“Migas – IPA Exploration Forum”**  
**Jakarta, 10<sup>th</sup> July 2012**

Title and Presenter	Key Points
<p>“IPA President’s Welcoming Address”</p> <p><i>Ibu Elisabeth Proust</i>  <i>IPA President</i></p>	<ul style="list-style-type: none"> <li>- Exploration is the future of the oil and gas industry in Indonesia</li> <li>- Realizing the potential of exploration involves technical, economic and political challenges</li> <li>- Stakeholders understand the current situation of declining production, reserves and investment.</li> <li>- This Forum to address what is missing</li> </ul>
<p>“Accelerating Exploration Investment”</p> <p><i>Bapak Haposan Napitupulu</i>  <i>Deputy Planning</i>  <i>BPMIGAS</i></p>	<ul style="list-style-type: none"> <li>- 293 active work areas of which 218 are in exploration stage and of these 50 are CBM PSC’s. 78 PSC’s in Exploitation stage</li> <li>- Only 23% of PSC’s had satisfied their firm commitments.</li> <li>- Exploration WP&amp;B drilling realization &lt;50%</li> <li>- After land access issues, the most common cause of failure to satisfy commitments were contractor’s poor financial, technical and operational capability.</li> <li>- Situation was hindering block success ratio’s, drilling activity and reserve additions and ultimately future production</li> <li>- Facilitating and enabling the exploration farm out process was seen as an important step to ameliorate the situation</li> </ul>

<p>“Roadmap Oil and Gas Exploration”</p> <p><i>Bapak Yunus Kusumabrata Secretary to Head of Badan Geologi KESDM</i></p>	<ul style="list-style-type: none"> <li>- Improve access to data and information by KESDM to enable greater G&amp;G evaluation and, integration to ultimately reduce industry risk.</li> <li>- Focus on adding work areas in Eastern Indonesia through great data and information availability</li> </ul>
<p>“ Multi-client Seismic Investment To Boost Exploration Activity in Indonesia”</p> <p><i>Ranjit Pannu WesternGeco</i></p>	<ul style="list-style-type: none"> <li>- More data means more prospects, reduced risk and more drilling</li> <li>- Multi-client seismic acquisition activity levels in Indonesia well below Australia which significantly increased investment by extending exclusivity period from 10 to 15 years. Indonesia needs to follow.</li> <li>- Introduce mechanism to allow cost recovery of multiline data</li> <li>- Extend lead time for bid submission of regular tenders to 12-18 months to allow use of multi-client data.</li> </ul>
<p>“Norway Case History : Incentivizing Exploration and Reserves Growth in a Mature Areas”</p> <p><i>Jeffrey J. Lobao Exploration Advisor (Fmr. GM SEAsia for Lundin)</i></p>	<ul style="list-style-type: none"> <li>- Norway similar to Indonesia with advanced exploration maturity and experiencing production and reserves decline.</li> <li>- Easy and attractive to invest with stable fiscal terms, easy data access and no ring-fencing of licenses</li> <li>- In 2004 Government incentivized exploration risk taking by providing a 78% exploration drilling rebate, paid in cash if no tax offset available.</li> <li>- Exploration drilling activity increased by 60% and reserves additions increased by 120%</li> <li>- Government received an approximately 400% return on its investment</li> <li>- Promoting risk taking through the exploration cost – risk – reward equation and drilling commitment flexibility drove the success, not new technology.</li> </ul>
<p>“Promoting Exploration Investment”</p> <p><i>Ibu Evita H Legowo Director General of Oil and Gas</i></p>	<ul style="list-style-type: none"> <li>- Significant resource potential remaining in explored and under explored basins.</li> <li>- Oil &amp; Gas still expected to comprise 50% of 2025 national energy mix.</li> <li>- Securing domestic fuel supply a critical component of national security.</li> <li>- Key initiatives include: <ul style="list-style-type: none"> <li>o Increase the number of offered working areas and exploration activity.</li> <li>o Accelerate field development.</li> <li>o Improve development of unconventional.</li> <li>o Improve coordination with relevant agencies to resolve issues related to regulation, licensing, security and land overlapping.</li> <li>o Willingness from the government to give special incentive for increasing exploration (fiscal &amp; non-fiscal).</li> </ul> </li> </ul>

<p>“Indonesian Fiscal Policies to Support Oil and Gas Sector”</p> <p><i>Astera Primanto Bhakti</i>  <i>Director of Centre for State Revenue Policy,</i>  <i>Fiscal Policy Office,</i>  <i>MoF</i></p>	<ul style="list-style-type: none"> <li>- MoF provides support to increase oil and gas lifting’s with fiscal and non fiscal incentives based on economic analysis.</li> <li>- Upstream Focus has been on VAT, Customs and import duties but it is acknowledged that Indonesia has limited tax facilities</li> <li>- Proper governance of cost recovery is required to safeguard state revenue.</li> <li>- Sanctity of contract must be taken into account</li> <li>- BPT disputes on old PSC will need to be resolved through contract renegotiation and not tax treaty renegotiation which is much too hard. PSC Investors should come and talk to us on the treaty issue.</li> <li>- On the issue of VAT to be borne by the Government, we will try to find a solution for the future. <sup>1</sup></li> <li>- MoF invites IPA and all other petroleum stakeholders to work together towards improvement of the relevant laws and regulations; and the enhancement of mutual trust and good cooperation.</li> </ul>
<p>“Indonesian Upstream Performance 2001 - 2010  A Review of Activity, Results &amp; Investment Trends.</p> <p><i>Chris Newton</i>  <i>Advisor to IPA Board</i></p>	<ul style="list-style-type: none"> <li>- In 2011 IPA engaged IHS to provide credible and independent third party data and analysis on Indonesian exploration trends, performance and competitive position.</li> <li>- Indonesia had increased its global share of block awards and seismic activity but lost market share within SE Asia.</li> <li>- The increased global share of new blocks and seismic activity DID NOT TRANSLATE INTO AN INCREASED SHARE FOR INDONESIA IN GLOBAL EXPLORATION DRILLING. Indonesian exploration drilling declined in absolute terms and in global and regional share.</li> <li>- Indonesia’s exploration efficiency (boe’s added / exploration well drilled) is a standout poor performer globally and regionally.</li> <li>- Structural shift in upstream participation as the role of the majors was gradually replaced by local companies, INOC’s and small independents with generally lower exploration capability, risk appetite and exploration funding capacity.</li> <li>- Indonesian government take from oil and gas is second highest quartile regionally while recent exploration performance is bottom quartile.</li> <li>- Exploration investment will continue to decline until</li> </ul>

<sup>1</sup> The IPA notes that the matter of such VAT is covered in our letter No.412/BOD/11 dated on 22<sup>nd</sup> December 2011 to the Minister of Finance, Bapak Agus Martowardojo concerning Minister of Finance Letter No. S-604/MK.017/1998 which regulates that tax on overhead, TSA and related charges coming from Home Office shall be borne by the Government of Indonesia.



	<p>the fundamentals of exploration risk and reward are rebalanced to the new realities of exploration maturity, gas propensity, reduced prospectivity and a more challenging operating environment.</p>
<p>“The Role of Exploration in Meeting Indonesia’s Future Oil and Gas Needs”</p> <p><i>John Bates IPA Exploration Committee</i></p>	<ul style="list-style-type: none"> <li>- Exploration has contributed less than 20% to Indonesia’s proven reserves replacement ratio over the last 5 years.</li> <li>- This low contribution from exploration was driven by declining wildcat exploration drilling activity and poor exploration efficiency (BOE’s added / NFW).</li> <li>- With declining production and growing demand exploration will have to play a much great role in satisfying future oil and gas supply in the national energy target.</li> <li>- New field wildcat drilling levels will have to increase by at least 3X current levels by 2015 and 5X times by 2020 if conventional exploration is to satisfy only half the supply – demand gap.</li> <li>- Oil and gas exploration investment in Indonesia is in crisis and radical measures are needed to enhance investment and ensure future oil and gas supply for the nation’s energy needs.</li> </ul>
<p>IPA High graded Recommendations to increase exploration Investment and Reserves growth.</p>	<ul style="list-style-type: none"> <li>- Consideration to reduction of micro-management of PSC’s during exploration phase to speed up exploration operations cycle time and cut costs.</li> <li>- Data access and management procedures could be thoroughly over-hauled and replaced by a system which promotes rather than deters investment.</li> <li>- Consideration to elimination of all forms of taxation from exploration phase activities.</li> <li>- Consideration to removal of requirement to utilize PTK-007 during Exploration Phase.</li> <li>- Award of blocks in bid rounds should be made to bona fide companies having “financial ability, technical competence and professional skills necessary to carry out the Petroleum Operations...”</li> <li>- Promote a business culture which encourages and favors bona fide exploration companies rather than attempting to penalize the delinquent companies. Such practice significantly decreases exploration operational efficiency and destroys value.</li> </ul>

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**SECTION 9**

**FINANCE AND TAX COMMITTEE**

**REPORT ON 2012 ACTIVITIES**

**CHAIRMAN**

**Andang Sancaka**

**( INPEX Corporation )**

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## FINANCE AND TAX COMMITTEE

### Report of 2012 Activities & 2013 Objectives

<b>Chairman</b>	<b>:</b>	<b>Andang Sancaka (INPEX)</b>
<b>Vice Chairman</b>	<b>:</b>	<b>Djindar Rohani (COPI)</b>
<b>Coordinator Tax</b>	<b>:</b>	<b>Hendra Halim (BP)</b>
<b>Coordinator Audit</b>	<b>:</b>	<b>Edwinsjah Iskandar (CNOOC)</b>
<b>Coordinator Finance</b>	<b>:</b>	<b>Agus Priyantoro (CHEVRON)</b>

### 2012 Objectives

- 1) Support and share lessons learned among IPA members on various litigation processes:
  - a. To cooperate with RAC to anticipate and address any future contractual (PSC) and legal issues as part of honoring prevailing PSC post Supreme Court ruling against IPA's judicial review request on GR79
  - b. To build and maintain list of active Tax Court / Supreme Court proceedings to enable IPA members to compare notes and optimize outcomes. The following are some current issues at hand:
    - Import Taxes and Duties exemption facility (Masterlist facility);
    - VAT Collection Procedure (PMK 11/73);
    - Tax borne by Government facility on PCO / TSA charges (S-604)
    - Tax Treatment on Cost Sharing
    - Tax Treaty dispute
  
- 2) Actively participate in industry efforts to shape and influence the drafting of new proposed laws and regulations to minimize surprises and unfavorable impact to the industry. The following are some of the relevant new laws and regulations:
  - a. Draft new Oil & Gas Law;
  - b. Currency Law;
  - c. Bank Indonesia Regulation number 13/20/PBI/2011 on export receipt;
  - d. Implementing Regulations of GR 79 / S-604 / Master List Facilities in relation to new PSC;
  - e. GR 79 Revision which may result from IPA lobby or Government own initiative
  - f. Participation as resource persons on Tax audit discussion on Oil and Gas SOP drafting with Tax Office.
  
- 3) Continue to promote a regular and proactive internal communication within IPA organization to share knowledge, discuss issues and agree on the strategic action points to progress/resolve industry issues by involving:
  - a. F&T Committee
  - b. Tax Sub Committee
  - c. Inter IPA Committees

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d. IPA Board

- 4) Improve and intensify engagement and dialogue with various government institutions for better understanding on the uniqueness and high risk business profile of oil and gas industry. This is a critical engagement to gain government understanding and support in creating a conducive business climate especially in the current environment of continues changing of Laws and regulations that impact the industry.
- 5) Act as a sounding board for IPA members in relation to Finance and Tax related issues to get consistency and alignment in strategy implementation within the industry.

### **2012 Activities**

- 1) The Committee has reestablished and strengthens its relationship with the related government institutions such as BPMIGAS, MIGAS, BKF (MoF Fiscal Policy Body) and DJP (MoF Directorate of Tax), based on mutual understanding and healthy dialogue by working closely and conducting an open and transparent relationship with the key stakeholders to build mutual trust.
- 2) The Committee has proactively informed Board on the critical/urgent F&T related issues as well as provides recommendation on the way forward.
- 3) BPMIGAS Economic Forum was conducted on 20-22 June 2012 where the Committee participated and contributed actively on key Accounting & Reporting, Budget & Cost Recovery and Taxation related issues. The Committee had ensured the industry's viewpoint and feedback were presented during the discussion.
- 4) The Committee continues escalating and voicing the industry's concerns on GR79 negative implications to both exploration activities and production rate in Indonesia via international business chambers, Embassies as well direct engagement with BKF, DGT and BPMIGAS in attempt to resolve deadlock and progress with a clear resolution proposal.
- 5) The Committee, in more specific, continues to resolve Parent Company Overhead and Cost Sharing/Facility Taxation issues by working closely with BKF, DGT and BPMIGAS and provide a necessary background and business context to justify no tax should be due on those transactions. The relevant senior government officers have supported IPA's proposal and the draft regulations are currently in the process of finalization.
- 6) The Committee raised the potential negative implications caused by Land and Building Tax (PBB) on the new PSC signed after GR79 enacted to the Board, BPMIGAS and MIGAS. The Committee highlighted that this hefty PBB imposition will potential discourage exploration activities and negatively impact the growth of energy sector in Indonesia. The government understood IPA's concerns and will try to accommodate IPA's request.

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- 7) The Committee has worked closely with BPMIGAS and Bank Indonesia, as well as Ditjen MIGAS, to grant exemption on PBI13's requirement (i.e. all foreign currencies from export must be deposited into a domestic reserve banks) to PSC as the PSC allows the Contractor to "freely" lift and dispose its share of Petroleum and "retain" abroad the proceeds obtained therefrom. This fundamental principle is protected under the Oil and Gas Law based on the principle of "contract sanctity" which is binding for the parties in nature.
  - 8) The Committee has regularly updated the Board and highlighted the potential impact of BPMIGAS initiative on the PTK Suspend Account. The Committee has also working closely with BPMIGAS to find alternative solutions and conveyed that Suspend Account is not in line with PSC terms and conditions and sound business practices.
  - 9) The Committee is currently reviewing the financial impact and reporting requirement impact of the recent Constitutional Court decision to dissolve BPMIGAS.
  - 10) Meeting and teleconference between members of the Committee were conducted at a regular basis. The Committee has proactively seeking input from other relevant Committees where necessary.

### **2013 Objectives**

- 1) Supporting IPA Board of Director in engaging various stakeholders of oil and gas industry to have better understanding the nature of cost recovery, the importance of cost recovery, and the impact of changes in cost recovery mechanism to the industry.
- 2) Act as a sounding board for IPA members in relation to Finance and Tax related issues to get consistency and alignment within the industry.
- 3) Continue to improve and intensify the engagement/dialogue with various government institutions to promote better understanding of the uniqueness and high risk business profile of oil and gas industry. This is a critical engagement strategy to build and promote trust from government toward our industry.
- 4) Conducting regular meetings and/or teleconferences with the Committee's members to share knowledge, to discuss issues and agree on the strategic action point to progress/resolve the industry issues.
- 5) Analyze and understand the implications of the newly establish temporary function, i.e. Satuan Kerja Sementara Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi (SKSPMIGAS), especially from finance's perspectives, under Ministry of Energy and Mineral Resources. Established and agreed the engagement strategy with SKSPMIGAS on point forward basis. The Committee to further monitors the subsequent changes of SKSPMIGAS as this is a temporary working unit under Ministry Energy to response Constitutional Court decision.

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- 6) Creating a mutual understanding and strengthen the relationship with SKSPMIGAS, MIGAS, BKF, DJA and DGT to resolve the key outstanding tax issues such as Parent Company Overhead, Cost Sharing, Land and Building Tax, Suspend Account and GR79 related tax issue (e.g. transfer of PSC interest) and any other tax issue.
  - 7) Continue progressing on the GR79 amendment/improvement proposal with 2 main objectives: to ensure contract sanctity for existing PSC and to provide certainty with no ambiguity for the future PSCs by working closely with RAC, SKSPMIGAS, BKF and DGT, DJA and MIGAS.
  - 8) Continue working with the relevant government institutions (e.g. SKSPMIGAS, Bank Indonesia, etc.) to resolve PBI13 and Suspend Account conflict.

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**SECTION 10**

**HUMAN RESOURCES COMMITTEE**

**REPORT ON 2012 ACTIVITIES AND 2013 PLANS**

**CHAIRMAN**

**Aryoko Dwinanto**

**(EXXONMOBIL OIL Indonesia, Inc.)**

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## HUMAN RESOURCES COMMITTEE

### Report of 2012 Activities and 2013 Plans

#### A. ORGANIZATION

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

Chairman	: Aryoko Dwinanto	- ExxonMobil Indonesia
Vice Chairman	: Andi Iwan Uzamah	- Talisman
Secretary	: Putri L. Wirjawan	- Chevron Indonesia
	Anna Suherman	- Schlumberger
Members	: Ali Mudhofar	- ConocoPhillips Indonesia
	Amyra Sindukusumo	- CNOOC
	Maryke Pulunggono	- PetroChina
	Arividya Novianto	- Total E&P Indonesia
	M.H. Manullang	- VICO Indonesia
	P.M. Susbandono	- Star Energy
	Budi Mumandari	- BP Indonesia
	Amri Siahaan	- Premier Oil
	TBN	- Pertamina EP
	TBN	- Medco

#### 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.



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- To continuously advocate to the Government to properly address the industrial relations issues for the national employees.
  - To advocate to the Government, on the employee compensation and benefits issues as allowed by the laws and regulations.
  - To share knowledge, experience and practices in the employees development and to synergize on the employees training programs where possible and permissible under applicable laws and regulations.
  - 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/sub working group and work closely with BPMIGAS to address the issues within the above scope:

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

### **C. 2012 ACTIVITIES**

1. Provided advocacy on GR 79/2010 related to HR items to BPMIGAS and other department. We raised in issue that remuneration both expat and national should not be capped, but based on competitive markets. Also, Pension and other employee benefits should honor existing Collective Labor Agreement of respective companies. We met with APINDO chairman and Vice Minister of Finance, on this subject.
2. Provided input and subject matter experts on draft of BPMIGAS PTK-018 revision. Suggestion offered for the guidelines should be more strategic and less administrative to all parties.
3. Continued to provide input to BPMIGAS regarding implementation of the extension of employment for national employees after regular retirement age of 56 years. As each PSC may have different operational needs, PSC should be given flexibility on the timing and transition for smooth implementation of each PSC.
4. Provided input to both BPMIGAS and MIGAS on RPTK/IMTA process. We expect an integrated review, coordination, and consistency between BPMIGAS/MIGAS. Objective is to have more efficient process, such that there will be no business impact, cost and impromptu/sudden personnel mobilizations.
5. Supported people development program such as global HR certification. Facilitated

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knowledge sharing among PSCs on HR related issues; industrial hygiene program, medical evacuation, industrial relation, fresh graduate program, mentoring program, etc

6. Participated in Oil and Gas industry Human Resources Annual Forum (“2012 Raker and HR Summit”), attended by HR professionals and management from BPMIGAS, PSC, Services Company and HR Professionals from various industries on September, 25-28, 2012 discussing various HR issues in the oil and gas sector including Career Development and Monitoring (“CDM”) Award, Lecturer, Best Practice sharing, and participation of HR related service provider booths.
7. Strengthen the coordination between HR IPA committee with sub working groups to ensure alignment for inputs to BPMIGAS and support the sub working group program.
8. Provided study and input on emerging Outsourcing issues related to Constitutional Court verdict No. 27/2011 (“MK-27”). Perspective/input offered to get clarity on MK-27 expectation, clarity on applicability to related procurement process, and alignment with upcoming ministry decree.
9. Provided study and input to Ministry of Manpower and Transmigration Decree 110/1997 ( Expatriate Utilization Procedures for Mining and Energy, Sub-Sector Oil and Gas ) revision to Ministry of Manpower. Perspective/input offered to provide clarity of role on respective institutions, be more administratively efficient in current governance structure (BPMIGAS and MIGAS) ; applicable with recent industry situation; and create opportunity to be reviewed from time to time.

Provided study and input to Ministry of Manpower and Transmigration Decree 234/2003 ( Work and rest time for Oil and Gas sub-sector ) revision to Ministry of Manpower. Perspective/input offered to be more applicable with recent industry situation.

#### **D. 2013 PLANS**

1. Conduct quarterly HR Committee meeting in IPA Office to discuss and continue information sharing on HR issues. Continue to closely coordinate with sub working groups for alignment and program executions.
2. Continue to identify improvement opportunity and advocacy efforts to BPMIGAS and other related government departments on related HR matters or regulations.
  - a. GR 79/2010
  - b. Formalities and work permits
  - c. PTK 018 revision
  - d. BPMIGAS and Manpower Department memorandum of understanding
  - e. MK Verdict no. 27/2011
  - f. Ministry of Manpower and Transmigration Decree No. 110/1997 (Expatriate Utilization Procedures for Mining and Energy, Sub-Sector Oil and Gas ), No. 234/2003 ( Work and rest time for Oil and Gas Sub-sector )

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3. Continue to provide Subject Matter Experts (SME) to the BPMIGAS HR efforts in National Capability Building programs in Oil and Gas Industry in Indonesia.
  4. Continue to support people development program and facilitate knowledge sharing among PSC and join workshop or training. As allowed by applicable law and regulations.
  5. Participate in HR Annual Forum with BPMIGAS and other Government Offices to enhance communication and relations.

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**SECTION 11**

**LNG AND GAS COMMITTEE**  
**REPORT ON 2012 ACTIVITIES**

**CHAIRMAN**

**Larry Marks**

**( BP Indonesia )**

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# LNG AND GAS COMMITTEE

## Report of 2012 Activities

### I. ORGANIZATION

Chairman	:	Larry Marks (BP)
Vice Chairman	:	Muhsin Assegaf (Chevron)
Secretary	:	Taufik Ahmad (ConocoPhillips)
Members/Alternates	:	Marietta Putri (BP) Renita Zahar (Chevron) Gadang Marpaung (ConocoPhillips) Nara N / Ngakan Nurcahya (Genting) J. Appleton / Hari Budiman (ExxonMobil) N. Takeda / M. L. Gaol (Inpex) Hayu Prabowo / Subaga W. (EMP) Ginancar / Yenni (Pertamina) P. Wijaya / Otto Hatta (Star Energy) C. Marshal (Murphy Oil) Mira L. Delima (Talisman) Jean-Francois Capelle (Total E&P Indonesia) F. Di Majo / Mayang P. (ENI) Iqbal Asaat (Triangle Pasa) Arifin / G. Giannuzzi (VICO)

### II. 2012 ACTIVITIES

The LNG and Gas Committee focuses on issues, studies and regulations regarding or impacting the natural gas business. Members and alternate members of the Committee represent 15 IPA company members.

Key activities of the Committee during 2012 include:

#### 1. Interaction with the Indonesian Gas Association (IGA) and National Economy Commission (KEN)

KEN is a commission which reports directly to the President of Indonesia and works with the Coordinating Minister of Economy to provide analysis and input on global and domestic issues related to the economy.

IPA and IGA continued the engagement with KEN in early 2012 and proposed the top 3 issues of the oil and gas industry that the Government needs to consider in its policy formulation:

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- Government Regulations 79/2010
  - Streamlining Regulators Roles & Responsibilities and their approval process
  - Challenges in fulfilling domestic gas demand

There were no further discussions with IGA or KEN in the second half of 2012. However, the key messages related to gas business have been acknowledged by the Government as reflected in their statements during the gas conferences or events.

## **2. Independent consultant study on Indonesian Gas Policy and Investment Climate**

The plan to engage a consultant, which was initially suggested by KEN to provide independence, credibility and quantitative support on IPA's position on the LNG and gas business climate in Indonesia, was discussed and supported by the IPA Board. The Committee contacted several consultants including Wood Mackenzie who was initially considered to have the qualification and capacity to do this type of work. The proposed scope of works included: 1) How current regulatory affect gas investment in Indonesia, 2) Assessment of gas commerciality from upstream development and overall Indonesia gas market

However, due to workloads of the Consultant and absence of follow up discussions with KEN, the planned study has been canceled.

## **3. Engagement with the Government's Indonesian Gas Development Master Plan (GDMP).**

The IPA was invited to participate and provide inputs to the Indonesian Gas Development Master Plan being formulated by the Ministry of National Planning (BAPPENAS). The LNG and Gas Committee, representing the IPA, participated in several meetings and focus group discussion reviewing the draft plan. The comments from the Committee to the GDMP were related to:

- Domestic market conditions and pricing
- Alignment of infrastructures between upstream and downstream
- Frontier and marginal fields development
- Policy and fiscal stability
- Permitting and approval process

The interim report of GDMP was planned to be issued by year end and the final report to be issued by end of first quarter 2013. The Committee will continuously monitor the development of the Plan.

## **4. Interaction with other IPA Committees**

The LNG and Gas Committee has proposed to send a representative to the Regulatory Affairs Committee and the Finance & Tax Committee for discussions on

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the proposed revision of the Oil and Gas Law and on the Central Bank Regulation (PBI 13) on export proceeds receipts.

### **III. 2013 PLANS**

In 2013, the LNG and Gas Committee will continue to work on the above issues and other new issues coming up in 2013 impacting the LNG and Gas business, especially amid the recent Constitutional Court decision on the Oil and Gas Law / BPMIGAS. The Committee will also work with the Convention Committee to review the abstracts of the 2013 convention related to gas.

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**SECTION 12**

**PROFESSIONAL DIVISION COMMITTEE**

**REPORT ON 2012 ACTIVITIES**

**CHAIRMAN**

**Ron Noble**

**( Niko Resources Ltd. )**



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## PROFESSIONAL DIVISION COMMITTEE

January 2012 - December 2012

### CHAIRMAN'S REPORT

Ron Noble (NIKO RESOURCES)

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

As stated in Article X of the IPA Constitution, membership of the Professional Division is open to all individuals, whether salaried or self-employed, participating in petroleum activities in Indonesia. Individual membership in the Professional Division is, for the most part, drawn from industry professionals of all disciplines throughout Indonesia and from overseas. The Professional Division membership at year-end 2012 stands at 1707 individuals, which is 22% less than last year. We also have 29 lifetime members.

The Professional Division Committee is composed of a dedicated, multi-disciplinary group of volunteers who assume particular responsibility for various functions of the Division's programs. The program is executed with the very able assistance of staff from the IPA Secretariat, with whom the Committee works closely throughout the year. There were a few changes in the Professional Division Committee in 2012. Committee vice-chairman, Stephen Scott (GENTING OIL) expanded his role by providing an editorial column and coordination of the Newsletter. We bade farewell to Sigit Sukmomo as Co-chairman of the Continuing Education, and welcomed Leonardus Tjahjadi (BP) to the committee. Stephen Hay (STATOIL) took over from Mark Thomsen as Luncheon Talks Chairman. All other members remain in their same positions. We are greatly indebted to all our committee for volunteering their time and efforts to the IPA.

The Professional Division Committee at the end of 2012 is as follows:

Chairman	<b>Ron Noble</b>	(NIKO RESOURCES)
1 <sup>st</sup> Vice Chairman	<b>Dharmawan Samsu</b>	(BP)
2 <sup>nd</sup> Vice Chairman	<b>Stephen Scott</b>	(GENTING OIL)
Secretary	<b>Audrey Sahertian</b>	(IPA SECRETARIAT)
Treasurer	<b>Roland Panjaitan</b>	(HESS)
Continuing Education	<b>H.L. Ong</b>	(ITB/SKSPMIGAS)
	<b>Leonardus S. Tjahjadi</b>	(BP)

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Field Trips	<b>Walter Ziza</b>	(AWE LIMITED)
Newsletter	<b>Stephen Scott</b>	(GENTING OIL)
Luncheon Talks	<b>Stephen Hay</b>	(STATOIL)
Membership	<b>Sugembong C.F.</b>	(STAR ENERGY)
Publications	<b>Andy Livsey</b>	(HORIZON)
Student Liaison	<b>Redo Waworuntu</b>	(CONOCOPHILLIPS)
Riau Chapter	<b>Timbul P. Panjaitan</b>	(CHEVRON)
Balikpapan Chapter	<b>Patricius Andri Indhiarto</b>	(CHEVRON)

Five (5) luncheon talks were held during the year, with attendance exceeding 440 professionals in Jakarta. In addition, fifteen (15) short courses were held on diverse technical topics throughout the year and all were well received and attended. The short courses presented in 2012 drew a total of 214 attendees from local and overseas organizations. The demand for educational services remains strong, and the excellent work of short course organizers and instructors, has resulted in a healthy surplus for the IPA. In addition, three (3) educational fieldtrips were successfully completed during 2012, which is two less than the previous year.

The 2012 IPA Membership Directory was published and distributed to members, as were informational newsletters, which now can be accessed exclusively through the IPA website.

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

Many thanks are offered to the dedicated officers and sub-committee chairmen for making 2012 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 2011 surplus amounted to Rp2.8 billion, which was from revenue of Rp8.8 billion and expenditure of Rp6.0 billion. This exceeds the 2011 budget expectation of Rp0.8 billion.

Financial results for 2012 are still in progress. As of October 31, 2012 surplus was Rp1.4 billion. The surplus was derived from revenue of Rp4.3 billion and expenditure of Rp2.9 billion.

The surplus was mainly contributed by short courses Rp0.7 billion, individual membership Rp0.5 billion, field trip Rp0.2 billion, and sales of proceedings Rp0.08 billion.

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As of December 2012, we forecast a surplus of Rp1.8 billion. This surplus is derived from revenue of Rp6.7 billion and expenditure of Rp4.9 billion. We will exceed the 2012 budgeted expectation of Rp0.2 billion.

#### **CONTINUING EDUCATION SUB-COMMITTEE**

Chairman : H.L. Ong (ITB/SKSPMIGAS)

Vice Chairman : Leonardus S. Tjahjadi (BP)

There were 15 professional courses offered in 2012. Four were cancelled or postponed until next year (2013). Five of the courses were held in conjunction with the 36<sup>th</sup> Annual IPA convention and Exhibition in 2012.

The Professional Division offered a new non-technical course for the first time, "Corporate Communications in the Indonesian Petroleum Industry". There were 14 participants.

A list of the short courses and the names of the instructors is provided in Appendix A. A total of approximately 214 participants attended the courses from local and overseas. In general, all short courses were well attended and have generated a surplus for the IPA.

#### **FIELDTRIPS SUB-COMMITTEE**

Chairman : Walter Ziza (AWE LIMITED)

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.

Three fieldtrips have been conducted during the course of the 2012.

The first trip of the year was the classic *Geological Trip to Cepu Area for Non-Geoscientists*, conducted by Yohannes Koesoemo, from 19<sup>th</sup> to 23<sup>rd</sup> February, in the Solo-Kuwu-Cepu-Parong-Suramadu area, with a total of 16 attendees.

The second trip of the year was another classic technical trip for Geoscientists: *Modern and Ancient Mahakam Delta Sedimentology*. It was run in March and conducted by Irfan Cibaj (Total) as leader, with a total of 15 attendees. We greatly appreciate the assistance of Total E&P Indonesia in making this trip possible.

From 9<sup>th</sup> to 11<sup>th</sup> May, 11 geoscientists attended a new field trip to Pulau Seribu (or Thousand Islands), to investigate an equatorial carbonate systems representing a modern analogue for Miocene carbonates of Indonesia. The trip was as conducted by Dr. Robert (Bob) Park an Independent Consultant with a vast experience in SE Asia.

Unfortunately two other field trips to East Java and NE Java Basin have been cancelled for an insufficient number of participants.

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Looking forward to 2013, the field trip budget proposal for next year is quite ambitious: further re-run of classic field trips (Mahakam Delta and Cepu trips) and other proposals such as a new edition of the Pulau Seribu field trip, a study of modern carbonate sediments in Southern Bali (trip associated to the IPA short course), and a field trip dedicated to Basic Petroleum Geology in a location still to be established: also this trip will be associated with an IPA short course. Finally a very interesting trip to study the Pre-Tertiary depositional systems of Eastern Indonesia in the Misool Island is being planned in September 2013.

### **NEWSLETTER SUB-COMMITTEE**

Chairman : Stephen Scott (GENTING OIL)

In 2012 the Professional Division continued to contribute to the IPA e-Newsletter by reporting the activities of the Professional Division Sub-Committees. The newsletter is coordinated by Ferita Kanter (Communications Executive), and her contributions and advice are appreciated by the Newsletter Editor.

The Professional Division's contribution to the newsletter remains focused on sharing articles and issues relevant to the Indonesian petroleum industry. Each Newsletter typically has one or two anchor articles, along with regular segments contributed by the following:

- Editor's Note: contributed by Stephen Scott
- Chairman's Corner: contributed by Ron Noble
- Luncheon Talks: contributed by Stephen Hay
- Field Trips: contributed by Walter Ziza
- Drilling Highlights: contributed by Mark Harris (DI International, Singapore)
- Events Calendar: contributed by Simon Crellin (Deloitte Petroleum Services, Singapore) via the Seapex website.
- Upcoming IPA Training Calendar: compiled by Rini Kusumastuti
- Ganti Wajah: list of new members/companies and updates, compiled by Rini Kusumastuti and Audrey Sahertian

### **LUNCHEON TALKS SUB-COMMITTEE**

Chairman : Stephen Hay (STATOIL)

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.

This year has seen five excellent luncheon talks presented throughout the year.

Samuel Gray from CGGVeritas presented a very interesting talk titled "A Brief History of Depth...and Time Seismic Imaging" to a full and attentive audience in February. In March, Pak Priyono from BPMIGAS presented an eagerly awaited talk titled "Summary of 2011 E&P Activities in Indonesia and Outlook for 2012" to over 240 participants. This was followed by a

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talk in April given by Jamie Higon of Neflex, London titled “Integrating Eustasy and Tectonics in SE Asia and Why it Matters”. Then in June, Graziano Capone from ENI gave an excellent talk titled “Experience of reservoir evaluation without conventional DST in deep water wells – learnings for Indonesia.”

The second half of the year has seen less activity. Declan O’Driscoll from PT Oil Spill Response Indonesia gave a presentation in November titled “Oil Spills - changing landscape, changing response”.

If you missed any of these talks then you missed out on discussions of current and relevant topics to the E&P industry. Come and enjoy excellent technical presentations, a great lunch and networking with others working in the Indonesia O&G industry!

Planning is already underway for 2013 with speakers for the first half of the year already firming up.

#### **MEMBERSHIP SUB-COMMITTEE**

Chairman : Sugembong C.F. (STAR ENERGY)

The total for 2012 IPA Professional Division Membership is 1707. It represents a decrease of twenty two percent (22%) compare to the last year. The breakdown of members is as follows: Jakarta 1204, Riau 401, Balikpapan 24, and Overseas 78. Please see the detail membership by area in the table below.

The most significant membership reduction occurred in Jakarta and Riau. To anticipate this reduction in Jakarta, the committee has sent a reminder several times to coordinators in every company but we found minimal response. The reduction in Riau is due to employee retirement. The committee requested the Riau chapter to promote membership from new employees to maintain the IPA membership in Riau. On the other hand, membership in Balikpapan has increased, most of the new members coming from Total E&P. Since this year, the annual membership fee has been adjusted from Rp 150,000,- to Rp 200,000,- for national members and from US\$20 to US\$25 for international members. It is unlikely that the reduction in membership is due to increasing fees.

<b>Years</b>	<b>Jakarta &amp; Others</b>	<b>Riau</b>	<b>Balikpapan</b>	<b>Overseas</b>	<b>Total</b>
2011	1.609	467	20	88	2.184
2012	1204	401	24	78	1.707

#### **PUBLICATIONS SUB-COMMITTEE**

Chairman : Andy Livsey (HORIZON)

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

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The IPA's agreement with the AAPG continues to generate new revenue through online sales of IPA Publications and through shares of corporate subscriptions to the AAPG Datapages Service. A new agreement is being reviewed and the updated DVD containing all IPA publications has been completed and will be available for sale shortly.

The project to provide a searchable and downloadable database of IPA publications including titles, authors, keywords, georeferencing and abstracts via the IPA website has now been completed and will be unrolled on the website before the year end.

The book, "The Sedimentary Geology of Java", written by Peter Lunt has now been finalized and received for printing. This will be available early in the New Year.

### **STUDENT ACTIVITIES LIAISON**

Chairman : Redo Waworuntu (CONOCOPHILLIPS)

During 2012, funding and organization of student activities such as training courses are being handled by the University Assistance Committee (UAC). The Professional Division (PD) will support these activities by assisting with industry contact and liaison to determine when visiting technical staff might be in Jakarta and available to give lectures and lead seminars after their official business was completed.

In October 2012, Professional Division received proposal from student organization of ITM-Medan to conduct "Seismic Interpretation" course for students. Due to some difficulties within UAC and to the support student program, the Professional Division took the initiative to proceed with this program. The course will be held on November 24-25 at ITM Medan with Parvita Siregar and Redo Waworuntu as lecturers.

The plan for 2013 is as follows:

1. The Professional Division will provide some free seats for PD-IPA short courses in Jakarta, Bandung and Jogjakarta area. The universities will nominate (senior students and junior lectures) by sending the name and CV, afterwards PD-IPA will select candidates from the list.
2. The Professional Division will arrange an extra day or two for visiting lecture to teach in the universities. The plan is to ask for volunteers to teach the same courses at more universities.

### **RIAU CHAPTER**

Chairman: Timbul P. Panjaitan (CHEVRON)

Local technical activities continue with other professional organizations, as most of our members are also members of SPE, IATMI, IAGI/HAGI. Several papers for 2012 IPA Convention were presented, and some Luncheon Talks and Short Courses have been reviewed by Riau committee in cooperation with other professional associations.

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## **BALIKPAPAN CHAPTER**

Chairman : Patricius Andri Indhiarto (CHEVRON)

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

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## APPENDIX A

### SHORT COURSES - 2012

- 1. Title : Practical Investment Appraisal and Business Decision Analysis in Petroleum Exploration & Production - with special reference to the Indonesian PSC system**

Instructor : Dr. H.L. Ong - Lecturer, Institute of Technology Bandung  
Dates : April 9 - 13, 2012  
Venue : Sheraton Bandung Hotel & Towers - Bandung, Indonesia  
Cost : US\$ 2,500 (IPA Member) - US\$ 2,600 (Non- IPA Member)  
Participants : 17
- 2. Title : Corporate Communications in the Indonesian Petroleum Industry**

Instructor : Hendi H. Kiswanto - Petroleum Business Consultant, Jakarta - Indonesia  
Dates : May 1 - 3, 2012  
Venue : Sheraton Mustika Yogyakarta, Indonesia  
Cost : US\$ 1,500  
Participants : 14
- 3. Title : Overpressure in Sedimentation Basins: Mechanism, Prediction, Application for Geohazard and Hydrocarbon Play, and Case Studies from some Indonesia's Sedimentary Basins**

Instructor : Agus M. Ramdhan PhD - Institute of Technology Bandung, Indonesia  
Dates : May 21 - 22, 2012  
Venue : Hotel Mulia Senayan, Jakarta - Indonesia  
Cost : US\$ 950 (IPA Member) - US\$ 1,050 (Non- IPA Member)  
Participants : 9
- 4. Title : Petroleum Geology of Indonesia: Current Knowledge**

Instructor : Awang Harun Satyana - BPMIGAS, Indonesia  
Dates : May 21 - 22, 2012  
Venue : Hotel Mulia Senayan, Jakarta - Indonesia  
Cost : US\$ 1,000 (IPA Member) - US\$ 1,100 (Non- IPA Member)  
Participants : 17
- 5. Title : Cenozoic Tectonics of Indonesia: Problems and Models**

Instructor : Prof. Robert Hall - SE Asia Research Group, Department of Earth Sciences, Royal Holloway, University of London  
Dates : May 21 - 22, 2012  
Venue : Hotel Mulia Senayan, Jakarta - Indonesia  
Cost : US\$ 1,150 (IPA Member) - US\$ 1,250 (Non- IPA Member)  
Participants : 13



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6. **Title** : **Basic Interpretation Techniques for Seismic Inversion**  
 Instructor : Sagar Ronghe - Fugro-Jason, Perth Australia  
 Dates : May 21 - 22, 2012 **Cancelled**  
 Venue : Hotel Mulia Senayan, Jakarta - Indonesia  
 Cost : US\$ 950 (IPA Member) - US\$ 1,050 (Non- IPA Member)
7. **Title** : **Petroleum System Analysis: Essential Concepts & Methods for Increasing Exploration Success and Assessing Risks of Plays & Prospects**  
 Instructor : Awang Harun Satyana - BPMIGAS, Indonesia  
 Dates : June 4 - 8, 2012  
 Venue : Novotel Solo, Indonesia  
 Cost : US\$ 2,400 (IPA Member) - US\$ 2,500 (Non- IPA Member)  
 Participants : 27
8. **Title** : **Applied Subsurface Geological Mapping**  
 Instructor : Siamak Agah - Subsurface Consultants & Associates, LLC - USA  
 Dates : June 25 - 29, 2012  
 Venue : Sheraton Senggigi Beach Resort Lombok, Indonesia  
 Cost : US\$ 3,950 (IPA Member) - US\$ 4,050 (Non- IPA Member)  
 Participants : 29
9. **Title** : **Seismic Signature of the Deepwater Realm - Salt Tectonics and Basins without Salt**  
 Instructor : Dr. Roberto Fainstein - Schlumberger  
 Dates : July, 2012  
 Venue : **postponed to be conducted in year 2013**  
 Cost : TBA
10. **Title** : **Sequence and Seismic Stratigraphy: Concepts and Applications**  
 Instructor : Dr. Henry Posamentier  
 Sr. Geological Consultant, Chevron Energy Technology Company  
 Dates : **postponed to be conducted in year 2013**  
 Venue : TBA  
 Cost : TBA
11. **Title** : **Fundamentals of Seismic Data Processing for Geologists and Geophysicists**  
 Instructor : Prof. Dr. Suprayitno Munadi & Humbang Purba, Msi - PPPTMGB  
 "LEMIGAS"  
 Dates : October 1 - 5, 2012  
 Venue : Sheraton Bandung Hotel & Towers, Indonesia  
 Cost : US\$ 2,500 (IPA Member) - 2,600 (Non- IPA Member)  
 Participants : 5

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**12. Title : Geological Application of Well Logs**

Instructor : Jenny Garnham - Independent Consultants, UK  
Dates : October 29 - November 2, 2012  
Venue : Novotel Nusa Dua Bali - Indonesia  
Cost : US\$ 2,950 (IPA Member) - US\$ 3,050 (Non- IPA Member)  
Participants : 23

**13. Title : 3-D Seismic Interpretation Techniques**

Instructor : Alistair R. Brown - Consulting Reservoir Geophysicist, USA  
Dates : November 26 - 30, 2012  
Venue : Novotel Nusa Dua Bali - Indonesia  
Cost : US\$ 2,950 (IPA Member) - US\$ 3,050 (Non- IPA Member)  
Participants : 30

**14. Title : Petroleum Geology of Deep-Water (Turbidite) Depositional Systems**

Instructor : Dr. Roger Slatt - University of Oklahoma, USA  
Dates : postponed to be conducted in year 2013  
Venue : TBA  
Cost : TBA

**15. Title : Carbonate Sedimentation, Sequence Stratigraphy & Reservoir Characterization**

Instructor : Dr. Rick Sarg - Subsurface Consultants & Associates, LLC - USA  
Dates : December 10 - 14, 2012  
Venue : Novotel Nusa Dua Bali - Indonesia  
Cost : US\$ 4,000 (IPA Member) - US\$ 4,100 (Non- IPA Member)  
Participants : 30

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## APPENDIX B

### FIELD TRIPS - 2012

Trip # 1 : Geological Trip to Cepu Area for Non-Geoscientist Personnel  
Dates : February 19-23, 2012  
Trip Leader : H.M. Yohannes P. Koesoemo (SDA Consultant)  
Participants : 16

Trip # 2 : The Modern and Ancient Mahakam Delta Sedimentology  
A Technical Field Trip for Geoscientists  
Dates : March 23-27, 2012  
Trip Leader : Irfan CIBAJ (TOTAL)  
Participants : 15

Trip # 3 : Equatorial Carbonate Systems: Pulau Seribu – a modern analog for  
Miocene carbonates of Indonesia  
Dates : May 9 -11, 2012  
Trip Leader : Dr. Robert (Bob) Park (Independent Consultant)  
Participants : 11

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## APPENDIX C

### LUNCHEON TALK 2012

1. Date : February 8, 2012  
Venue : Le Meridien Jakarta  
Speaker : Samuel Gray, CGGVeritas, Calgary, Canada  
Title : *"A Brief History of Depth...and Time Seismic Imaging"*  
No. of Guest : 60
  
2. Date : March 16, 2012  
Venue : The Ritz-Carlton Jakarta, Pacific Place  
Speaker : Bapak R. Priyono, Chairman BPMIGAS  
Title : Summary of 2011 E&P Activities in Indonesia and Outlook for 2012  
No. of Guest : 243
  
3. Date : April 12, 2012  
Venue : Four Seasons Jakarta  
Speaker : Jamie Higton, Neflex  
Title : Integrating Eustasy and Tectonics in SE Asia and Why it Matters  
No. of Guest : 61
  
4. Date : July 3, 2012  
Venue : Le Meridien Jakarta  
Speaker : Graziano Capone, Eni Indonesia  
Title : Experience of reservoir evaluation without conventional DST in deep water wells – learnings for Indonesia  
No. of Guest : 53
  
5. Date : November 22, 2012  
Venue : Le Meridien Jakarta  
Speaker : Declan O'Driscoll, PT Oil Spill Response Indonesia  
Title : Oil Spills - changing landscape, changing response  
No. of Guest : 41

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**SECTION 13**

**REGULATORY AFFAIRS COMMITTEE**

**REPORT ON 2012 ACTIVITIES**

**CHAIRMAN**

**Debbie Maja Chastity**

**( ConocoPhillips Indonesia, Inc. Ltd. )**

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## REGULATORY AFFAIRS COMMITTEE

2012

Chairman	:	Debbie M. Chastity	(CONOCOPHILLIPS)
Deputy Chairman	:	Hardi Hanafiah	(BP)
Members	:	Andi Haryanto	(ANADARKO)
		Larry Cantu	(ANADARKO)
		Peter Dumanauw	(CHEVRON)
		Heike Butar Butar	(CHEVRON)
		Arif Widjaksono	(CHEVRON)
		Dewita Tambunan	(CONOCOPHILLIPS)
		Greg McMillan	(EXXONMOBIL)
		Anna Rosita	(EXXONMOBIL)
		Gregg Masman	(INPEX)
		Yasutoshi Seki	(INPEX)
		Chasijastuti	(INPEX)
		Reza Krisna Perdana	(INPEX)
		Andi Ismail	(MEDCO)
		Crista Yuki	(MEDCO)
		Alan Frederik	(PERTAMINA)
		Andri Kristanto	(PREMIER)
		Daniel Kohar	(PWC)
		Dewi Mayang Sari	(SALAMANDER)
		Hanny Denalda	(SANTOS)
		Chandra Triayu	(SANTOS)
		Ray Amalia	(SANTOS)
		Neil Prendergast	(TALISMAN)
		Richard Dinnie	(TOTAL)
		Yandri Hendarta	(TOTAL)
		Nurul Setyorini	(VICO)
		Chris Wyatt	(VICO)

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## PRIMARY EFFORTS IN 2012

### 1. Regulation on Cost Recovery and Taxation

Following the issuance of Government Regulation No. 79 of 2010, IPA sent several letters to the Government emphasizing the importance of contract sanctity and that consequently the IPA, consistent with previous correspondence, retains the view that pre-GR contracts should not be impacted. The IPA attended various socialization meetings with DGT and BPMIGAS where it re-iterated its concerns and sought to establish an appropriate forum to continue to influence the application of the GR and the content of the implementing regulations to come.

A petition for judicial review was filed on 16 June 2011 after consultation with the GOI. The petition emphasizes the key arguments that the GR should be revoked since it violates higher laws and/or its formation does not comply with applicable laws. On 18 October 2011, the petition was denied by the Supreme Court, however, to date, the written judgment has not been issued by the Court and therefore, the basis of the denial is not yet known. Despite this disappointing news, the RAC continued and will continue to assist the IPA in its endeavors to discuss and resolve ongoing implementation issues associated with the GR including those relating to WP&B.

### 2. Oil and Gas Law Bill

Despite requests from the IPA, the DPR has yet distributed any official draft Bill for comments. This year, the IPA has not had any opportunity to meet with the DPR to further discuss the Oil and Gas Law Bill.

The IPA has formed a Task Force, on which the RAC is represented, to primarily advise the IPA Board on the potential changes to the existing Oil and Gas Law that are currently being considered by the DPR. The IPA continues to seek a confirmed version of the draft Bill to improve IPA's ability to influence and continues to correspond with GOI stakeholders advocating the primary message that substantive change is not required and will act as a disincentive to investment in the future.

### 3. Explosive Permitting

IPA through the RAC is a primary participant in an Explosives Permitting Task Force, together with 19 PSCs, service companies and BPMIGAS. The Task Force is seeking to address the lack of transparency in procedure and costs relating to obtaining explosives permits and handling explosives to mitigate compliance risks. The Task Force is working with relevant government offices (Police Dept, BPMIGAS, MIGAS, Ministry of Finance, UKP4) to establish an appropriate legal instrument that will address concerns while complying with administrative laws. The Task Force has gained the

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support from BPMIGAS and the Police Headquarters, and efforts are ongoing to align support from the provincial and regency police offices, as well as from the Custom Office in Batam where all importation of explosives are processed. The effort was interrupted with the issuance of Ministry of Finance Decree dated May 2012 which stipulated that all importation could only be made by a single importer, namely PT Dahana (Persero). BPMIGAS has agreed to facilitate the discussion with PT Dahana, but this, too, was interrupted with the dissolution of BPMIGAS in November 2012.

#### 4. **Deferral on Cost Recovery – Suspend Account**

Earlier this year, BPMIGAS issued a circular letter to all PSC with regard to treatment of outstanding audit finding and any cost related dispute that has yet to become an audit finding. The Circular Letter instruct all PSCs not to take those outstanding audit finding or cost dispute immediately to cost recovery but instead to exclude them from cost recovery and put them into a “suspend account” in the relevant PSC’s accounting books. The IPA has strongly rejected the introduction of the suspend account and has sent a letter to BPMIGAS conveying its position that the suspend account mechanism is not recognized under the PSC.

Despite strong resistance from the industry, BPMIGAS informed the PSCs that they will issue a Technical Guideline to implement the Circular Letter and that the IPA is invited to send representatives on the discussion of the Technical Guideline. After several meetings with BPMIGAS, it was clear that BPMIGAS will proceed with the issuance of the PTK in the very near future.

The RAC worked together with the F&T Committee to support IPA’s position with regard to the suspend account.

#### 5. **Repatriation of Export Proceeds**

Bank Indonesia (BI) has issued a regulation concerning export sales proceeds (BI Regulation No. 13/20, “PBI 13”). It seeks to capture export proceeds in domestic bank accounts. It appears that BI wishes to strengthen Indonesia’s domestic liquidity of foreign currency by requiring Indonesia’s sizeable export proceeds to be brought into the domestic banking system. PBI 13 contains no exemption to any industry including Oil and Gas. It is intended to be applicable for any export proceeds.

The RAC worked together with the F&T Committee to define IPA’s position with regard to the PBI 13 which has been formally conveyed to BI and the Minister of Energy. In essence, the IPA believes that the PSC Contractors should not be subject to the PBI 13 for several reasons but mainly because the PSC expressly provides a right to Contractors to retain Petroleum proceeds abroad.



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## 2013 OBJECTIVES

The IPA RAC's objectives for 2013 are predominantly consistent with its activities in 2012. RAC will continue to perform an active advocacy role in educating key stakeholders with respect to IPA's key regulatory issues. Contract sanctity, compliance initiatives, cost recovery and deferrals will continue to be a focus with the recent Constitutional Court decision, the revision of the Oil and Gas Law and PSC extensions likely to be a focus in 2013. RAC will continue to support the IPA Board and other IPA committees in responding to prospective and new laws and regulations including proposed amendments to existing laws and regulations.

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**SECTION 14**

**SUPPLY CHAIN MANAGEMENT IMPROVEMENT COMMITTEE**

**REPORT ON 2012 ACTIVITIES**

**CHAIRMAN**

**Pudji Setyawan Subyantoro**

**(PETRONAS Carigali Muriah Ltd.)**

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# SUPPLY CHAIN MANAGEMENT COMMITTEE (SCMC)

## Report of 2012 Activities and 2013 Objectives

The activities and highlights in 2012 of this committee were:

### I. Routine activities

Monthly meetings amongst SCMC members were done on:

- 24<sup>th</sup> January 2012
- 29<sup>th</sup> February 2012
- 28<sup>th</sup> March 2012
- 30<sup>th</sup> April 2012
- 15<sup>th</sup> May 2012
- 31<sup>st</sup> May 2012
- 29<sup>th</sup> June 2012
- 31<sup>st</sup> July 2012
- 31<sup>st</sup> August 2012
- 16<sup>th</sup> October 2012
- 20<sup>th</sup> November 2012

**Subjects that have been discussed in the monthly meetings were:**

- Objectives IPA SIC 2012
  - Sharing session of the objectives of IPA SIC 2012 which had been approved by Board of Directors and IPA Committees.
  - One of the objective is IPA SIC to facilitate a training with the proposed topic is “cost modeling”
- Procurement Guideline (PTK-007 Revision 2).
  - Procurement expert of BPMIGAS presented the proposed PTK revision 2 and to be implemented in Q1 2012.
- “Cabotage” issue.
  - Discussion on the proposed solution in relation with cabotage law implementation i.e. developing a road map together with BPMIGAS
- PP No. 79/2010 about cost recovery and Withholding tax
  - IPA’s proposal of “Judicial Review” had been refused by Supreme Court
- TKDN Monitoring
  - During the workshop in Bandung with BPMIGAS, PSCs had proposed to simplify the TKDN Monitoring process by using Contractor’s self assessment. Still being discussed by internal BPMIGAS.
- Master List

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- Master list for CBM PSC is yet to be accepted by Custom. Ditjen Migas had already sent a letter to ESDM Minister and been forwarded to Finance Minister. Waiting for the response from Finance Minister.

- Appointment of IPA SIC new structure as detailed below:
  - Chairman : Bp. Pudji S. Subyantoro (Petronas Carigali)
  - Vice Chairman : Ibu Lies Widaningsih (PHE ONWJ)
  - Secretary I : Lita Myrosa (Total)
  - Secretary II : Nofa F. Azzahra (Petronas Carigali)

The above structure had been approved by IPA Board of Directors on 3 April 2012 and effective on April 2012.

Changing name of IPA SIC to be IPA Supply Chain Management Committee (SCMC)

- Discussion and Sharing Session with Kadiv PMA - SKSPMIGAS (formerly known as BPMIGAS) and other expertise to share the issues of:
  - Discussion with Kadiv PMA – Bp. Gerhard Rumesser regarding the Impact of Law no. 27/PU-IX/2011 and Procurement process for the value up to USD 200,000
  - Sharing material on the draft of PTK007 revision III with Bp. Sumardji – BPMIGAS Procurement Expertise
  - Discussion of Asset Management (Junk Yard, Material Transfer, Write-off Material, presented by Kasubdin Manajemen Aset– Bp. Bayu Murbandono
  - Discussion of Formalities Procedures with Bp. Sumiran – Kasubdin Kepabeanan
- Sharing session of the result from POKJA I (Kelompok Kerja) which was deliberated by Bp. Pudji S. Subyantoro as POKJA I Leader.
  - Total target of cost saving for the year 2012 is USD80million.
  - From the 1<sup>st</sup> semester (as of June 2012), realization of cost saving achievement from Rig Contract Sharing was USD64million approximately.
- Discussion with IPA SCMC members regarding the issue of BPMIGAS disbandment.
  - SKSPMIGAS will issue a directive letter signed by Bp. Jero Wacik to all PSCs
  - Waiting the above-mentioned letter to be issued formally
  - Continue the tendering process and use current regulation as a basis with approval from Top Management of respective PSCs
  - Letter of Intent can be issued partially in accordance to the threshold limit of respective PSCs.

## **II. Non-routine activities**

- Meeting with P3DN team which is led by Ibu Evita Legowo to discuss about domestic product utilization.

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### III. 2013 Objectives

The SIC work program and objectives for 2013 will be:

- To continue seeking and proposing improvement on Procurement Regulations from SKSPMIGAS (PTK-007revisiII).
- To organize a workshop for sharing best practices in doing procurement of goods and services and other supply chain management amongst the PSCs.
- To initiate joint procurement and contracts amongst PSCs for cost efficiency.
- To recommend improvement on Assets & Materials Management processes to SKSPMIGAS.
- To join IPA Professional Division Committee in organizing training for supply chain subjects.

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**SECTION 15**

**UNCONVENTIONAL GAS COMMITTEE**

**REPORT ON 2012 ACTIVITIES**

**VICE CHAIRMAN**

**Nurman Djumiril**

**( TOTAL E&P INDONESIA )**

## UNCONVENTIONAL GAS COMMITTEE

### REPORT

- |                     |   |                      |                 |
|---------------------|---|----------------------|-----------------|
| • Marjolijn Wahong  | - | Santos               | Liaison Officer |
| • Vacant            | - |                      | Chairman        |
| • Nurman Djumiril   | - | Total E&P Indonesia  | Vice Chairman   |
| • Chris Allen       | - | Vico Indonesia       | Secretary       |
| • Greg Ewbank       | - | ConocoPhillips       |                 |
| • Michael Bowe      | - | Ephindo              |                 |
| • Luigi Livraghi    | - | Eni Indonesia        |                 |
| • Paul Foster       | - | ExxonMobil Indonesia |                 |
| • Wahyu Danumulyo   | - | Inpex Corporation    |                 |
| • Minter Silalahi   | - | Kondur               |                 |
| • Bambang Widarsono | - | Lemigas              |                 |
| • Chandra Tiranda   | - |                      |                 |
| • Kamel Baneskeur   | - | Ephindo              |                 |
| • Ichwan Murdianto  | - | Chevron              |                 |

1	January	EMR issued Regulation #5/2012 dated Jan 31, on “procedure for determining & offering of non-conventional oil and gas work areas” – overview of this regulation presented to the Board in April/May (?)
2	February	CBM fiscal incentives status: a. Discussions with MoF team Oct 2011 b. Review & discussion with BKF team Dec 2011 c. Responded to BKF team’s comments June 2012 d. No further news from MoF team
3	March	Indonesia Policy Dialogue : “Creating a framework for encouraging unconventional gas production” hosted by CERA
	March	US – Indonesia Energy Investment Round table : “Unconventional Gas”, Sammy Hamzah spoke for IPA
4	April/May	Review discussions for Indo-CBM forum 2012
5	May 14/15	CBM Indonesia : Optimizing the potential for CBM towards commercialization”
6	June 12	Pak Soeryo, our Chairman tendered his resignation, so a meeting was convened
7	July	options to sell electricity generated from CBM gas discussions for review with MIGAS : CBM to Power – no conclusive progress
8	July 31	Committee members cast direct vote to the IPA secretariat for nomination of chairman to replace Soeryowibowo
9	November 26-27	Unconventional Gas Asia Summit in Bali

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## CONCLUSION:

In spite of active deliberation between the Committee and Government (MIGAS, BPMIGAS, BKF, MOF, KEN) but no meaningful results progressed from these interfaces. The Committee look forward to a more interactive exchange with various stakeholders to seek common ground on proposed and acceptable fiscal terms for CBM development.

So in 2013 we will:

- Restate our objectives
- Focus more on the recent promulgation of ministerial regulations – how this impacts CBM development
- More need to be followed as we need to demonstrate what we have accomplished so far, viz. where we are on PILOT program
- How to socialize SKSPMIGAS that for CBM gas can be disposed at P2 reserves
- Focus on SKSPMIGAS' initiative to properly regulate CBM





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**SECTION 16**

**LIST OF COMPANIES & ASSOCIATES MEMBER**

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## **INDONESIAN PETROLEUM ASSOCIATION COMPANY MEMBERS**

1. ANADARKO INDONESIA NUNUKAN COMPANY
2. APEC BUNGA MAS INTERNATIONAL COMPANY
3. AWE (TITAN) NZ LIMITED
4. BUKIT ENERGY BOHOROK PTE. LTD.
5. BP INDONESIA
6. CHEVRON INDONESIA COMPANY
7. CITIC SERAM ENERGY LTD.
8. CNOOC SES LTD.
9. CONOCOPHILLIPS INDONESIA INC. LTD.
10. DART ENERGY INDONESIA
11. ENERGI MEGA PERSADA
12. ENI INDONESIA
13. EPHINDO ENERGY PRIVATE LIMITED
14. EXXONMOBIL OIL INDONESIA INC.
15. FREEPORT INDONESIA, PT
16. GDF SUEZ EXPLORATION INDONESIA BV
17. GENTING OIL KASURI PTE. LTD.
18. HESS INDONESIA
19. HUSKY OIL NORTH SUMBAWA
20. INPEX CORPORATION
21. JAPEX CO., LTD.
22. KALREZ PETROLEUM (SERAM) LTD.
23. KANGEAN ENERGY INDONESIA LIMITED
24. KODECO ENERGY CO. LTD.
25. KRISENERGY LTD.
26. LAPINDO BRANTAS, INC.
27. LUNDIN OIL & GAS B.V.
28. MARATHON INTERNATIONAL PETROLEUM INDONESIA LTD.
29. MEDCO ENERGI INTERNASIONAL TBK., PT

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30. MITRA ENERGY LTD.
  31. MUBADALA PETROLEUM
  32. MURPHY
  33. NIKO RESOURCES LTD.
  34. OPIC INDONESIA
  35. PACIFIC OIL & GAS INDONESIA, PT
  36. PAN ORIENT ENERGY (CITARUM) PTE. LTD.
  37. PETROCHINA INTERNATIONAL COMPANIES IN INDONESIA
  38. PETRONAS CARIGALI MURIAH LTD.
  39. PETROSELAT LTD.
  40. PREMIER OIL INDONESIA
  41. PT PERTAMINA (PERSERO)
  42. PTTEP SOUTH MANDAR LIMITED
  43. SAKA ENERGI INDONESIA, PT
  44. SALAMANDER ENERGY - INDONESIA
  45. SANTOS (SAMPANG) PTY. LTD.
  46. SHELL INDONESIA, PT
  47. STAR ENERGY (KAKAP) LTD.
  48. STATOIL INDONESIA
  49. TALISMAN ENERGY INDONESIA
  50. TATELY N.V.
  51. TOTAL E&P INDONESIE
  52. TRIANGLE PASE INC.
  53. VICO INDONESIA

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## **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. ARCHER WELL COMPANY (SINGAPORE) PTE. LTD.
7. ARMINDO PRIMA, PT.
8. BADAK NGL, PT.
9. BAKER BOTTS L.L.P.
10. BAKER HUGHES NDONESIA, PT.
11. BECHTEL INDONESIA, PT.
12. BGP INDONESIA, PT.
13. BINDER INDONESIA, PT.
14. BJ SERVICES INDONESIA
15. BMT ASIA PACIFIC INDONESIA, PT.
16. CAMERON SYSTEM, PT.
17. CENTURY DINAMIK DRILLING, PT.
18. CGGVERITAS SERVICES INDONESIA, PT
19. CITRA TUBINDO TBK., PT.
20. CITRABUANA INDOLOKA, PT.
21. CLIFFORD CHANCE
22. CORELAB INDONESIA, PT.
23. DELOITTE PETROLEUM SERVICES
24. DIMAS UTAMA, PT.
25. EAGLEBURGMANN INDONESIA, PT.
26. ERNST & YOUNG
27. EXLOG SARANA INDONESIA, PT.
28. EXTERRAN INDONESIA, PT.
29. FIBEROD ARCHIPELAGO INDONESIA, PT.

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30. FLUOR DANIEL INDONESIA, PT.
  31. FMC SANTANA PETROLEUM EQUIPMENT INDONESIA, PT.
  32. GAFFNEY, CLINE & ASSOCIATES
  33. GEO LINK NUSANTARA, PT.
  34. GEOKINETICS INDONESIA, PT.
  35. GEOLOG INDONESIA, PT.
  36. GEOPROLOG INTIWIJAYA, PT.
  37. GEOSERVICES, PT
  38. GERMANISCHER LLOYD
  39. GSM KONSEP INTERNASIONAL, PT.
  40. HALLIBURTON INDONESIA, PT.
  41. HERBERT SMITH/HISWARA BUNJAMIN & TANDJUNG
  42. HITEK NUSANTARA OFFSHORE DRILLING, PT.
  43. HORIZON GEOCONSULTING, PT.
  44. IHRDC
  45. IMECO INTER SARANA, PT.
  46. INSTITUT SAINS & TEKNOLOGI AKPRIND
  47. INSTITUTE TECHNOLOGY BANDUNG
  48. INSTITUTE TECHNOLOGY MEDAN
  49. INSTITUTE TECHNOLOGY SEPULUH NOPEMBER
  50. INTEGRATED PETROLEUM SERVICES, PT
  51. INTERTEK UTAMA SERVICES, PT.
  52. ISLAMIC UNIVERSITY OF RIAU
  53. ISTECH RECOURSES ASIA, PT.
  54. ITOCHU CORPORATION
  55. JGC CORPORATION
  56. JONES DAY
  57. KALIRAYA SARI, PT.
  58. LANDMARK CONCURRENT SOLUSI INDONESIA, PT.
  59. LEIGHTON CONTRACTORS INDONESIA, PT.
  60. LERINDRO INTERNATIONAL, PT.
  61. McDERMOTT INDONESIA, PT.
  62. M-I INDONESIA, PT.
  63. MITSUBISHI CORPORATION

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64. MUTIARA BIRU PERKASA, PT.
  65. OFFSHORE WORKS INDONESIA, PT.
  66. OPAC BARATA, PT
  67. OSCO UTAMA, PT.
  68. PASIFIK SATELIT NUSANTARA, PT.
  69. PERFORINDO TEKNIKA NUSANTARA, PT.
  70. PETRATAMA NUSAPERTIWI (PETRANUSA), PT.
  71. PETROLAB SERVICES, PT.
  72. PETROS TECHNOLOGIES INDONESIA, PT.
  73. PETROSEA TBK., PT.
  74. PGS NUSANTARA, PT.
  75. PPPTMGB "LEMIGAS"
  76. PRICEWATERHOUSECOOPERS
  77. PUNDI STRATEJASA INDONESIA, PT.
  78. PUSDIKLAT "MIGAS"
  79. RESOURCES JAYA TEKNIK MANAGEMENT INDONESIA, PT.
  80. SCHLUMBERGER GEOPHYSICS NUSANTARA, PT.
  81. SCOMI OILTOOLS, PT.
  82. SEAHORSE SERVICES CORPORATION
  83. SGS INDONESIA, PT.
  84. SIDDHARTA & WIDJAJA
  85. SLICKBAR INDONESIA, PT.
  86. STANDARD CHARTERED BANK
  87. STTNAS YOGYAKARTA
  88. SUCOFINDO, PT.
  89. SUDJACA PALEMBANG, PT.
  90. SUMBER DAYA KELOLA, PT.
  91. SUPRACO INDONESIA, PT.
  92. SYNERGY DOWNSTREAM SOLUTIONS PTE. LTD.
  93. SYSLAB, PT.
  94. TENARIS-SEAMLESS PIPE INDONESIA JAYA, PT.
  95. TESSO TETRA CHEMIKA, PT.
  96. TIDEWATER OPERATORS INDONESIA, PT.
  97. TRANS NUSANTARA MULTI CONSTRUCTION, PT.

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98. TRIPATRA ENGINEERING, PT.
  99. TUGU PRATAMA INDONESIA, PT.
  100. UNIVERSITY OF BRAWIJAYA
  101. UNIVERSITY OF GADJAH MADA
  102. UNIVERSITY OF HASANUDDIN
  103. UNIVERSITY OF INDONESIA
  104. UNIVERSITY OF LAMPUNG
  105. UNIVERSITY OF LONDON
  106. UNIVERSITY OF PADJADJARAN
  107. UNIVERSITY OF PAKUAN
  108. UNIVERSITY PROKLAMASI
  109. UNIVERSITY OF SRIWIJAYA
  110. UNIVERSITY OF TRISAKTI
  111. U.P.N. VETERAN
  112. WEATHERFORD INDONESIA, PT.
  113. WELLTEKINDO NUSANTARA, PT.
  114. WIDYAWAN & PARTNERS
  115. WOOD MACKENZIE LTD.
  116. ZIFF ENERGY GROUP



