THE PRESIDENT OF
THE REPUBLIC OF INDONESIA

Law of The Republic of Indonesia Number 22 of 2001

LAW OF THE REPUBLIC OF INDONESIA
NUMBER 22 OF 2001
CONCERNING
OIL AND GAS

WITH THE BLESSING OF GOD THE ALMIGHTY

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering:

a. whereas national development should be directed to the creation of welfare for the people by effecting reforms in all aspects of life as a nation and state based on Pancasila principle and the 1945 Constitution;

b. whereas oil and gas are strategic and non-renewable natural resources which are controlled by the state and constitute vital commodities that control the livelihood of the people at large and play an important role in the national economy so that their management should be able to provide the maximum prosperity and welfare for the people;

c. whereas oil and gas business activities have an important role in actually giving real added value to an increasing and sustainable growth of national economy;

d. whereas Law Number 44 Prp of 1960 concerning Oil and Gas Mining, Law Number 15 of 1962 concerning Establishment of Government Regulation in Lieu of Law Number 2 of 1962 concerning the Obligation of Oil Company to Fulfil Domestic Requirements and Law Number 8 of 1971 concerning State Oil and Gas Mining Enterprise are no longer compatible with the development of oil and gas mining business;

e. whereas by keeping in consideration the national as well as international development, there is a need for amending the laws and regulations concerning oil and gas mining to enable the creation of independent, capable, transparent, competitive, efficient, and environment-oriented oil and gas business activities which support the development of national potential and involvement;

f. whereas based on the considerations as referred to in letter a, letter b, letter c, letter d, and letter e and to establish a legal basis for reform and restructuring measures in the implementation of oil and gas business, it is necessary to establish the Law concerning Oil and Gas;

In view of:

1. Article 5 paragraph (1); Article 20 paragraph (1), paragraph (2), paragraph (4), and paragraph (5); and Article 33 paragraph (2) and paragraph (3) of the 1945 Constitution as amended by the Second Amendment of 1945 Constitution;

THE PRESIDENT OF
THE REPUBLIC OF INDONESIA

Law of The Republic of Indonesia Number 22 of 2001

With the concurrence of

THE HOUSE OF PEOPLE’S REPRESENTATIVES
OF THE REPUBLIC OF INDONESIA

HAS DECIDED:

To establish : THE LAW CONCERNING OIL AND GAS.

CHAPTER I
GENERAL PROVISIONS

Article 1

Referred to in this Law as:

1. Crude Oil shall be the product of natural process in the form of hydrocarbons which under atmospheric pressure and temperature conditions are in liquid or solid form, including asphalt, mineral wax or ozocerite, and bitumen which are extracted by mining process, but excludes coal or other hydrocarbon deposits which are in solid form and obtained from activities not related to Oil and Gas mining activities;

2. Natural Gas shall be the product of natural process in the form of hydrocarbons which under atmospheric pressure and temperature conditions takes the form of gas phase which is obtained from Oil and Gas mining process;

3. Oil and Gas shall be Crude Oil and Natural Gas;

4. Petroleum Fuel shall be the fuel derived and/or processed from Crude Oil;

5. Mining Authority shall be the authority granted by the State to the Government to perform Exploration and Exploitation activities;

6. General Survey shall be the field activity which includes the collection, analysis, and presentation of data related to information on geological conditions for the purpose of estimating the location and the potential of Oil and Gas resources outside of Operational Area;

7. Upstream Business Activities shall be the business activities which core activities are or are based on Exploration and Exploitation activities;

8. Exploration shall be the activity directed to obtain information concerning the geological condition required to find and estimate Oil and Gas reserves in an appointed Operational Area;

9. Exploitation shall be the series of activities which purpose is to produce Oil and Gas from an appointed Operational Area, which consist of drilling and well completion, construction of facilities for transportation, storage, and processing for the purpose of separation and purification of the Oil and Gas in the field and other supporting activities;

10. Downstream Business Activities shall be the business activities, which core activities are or are based on Processing, Transportation, Storage, and/or Trading activities;

11. Processing shall be the activity of refining, obtaining fractions, enhancing the quality, and increasing the added value of Crude Oil and/or Natural Gas, but excluding field processing;
12. Transportation shall be the activity of transferring Crude Oil, Natural Gas, and/or the product of their processing from the Operational Area or from the gathering place and Processing, including Natural Gas transportation through transmission and distribution pipelines;

13. Storage shall be activity of receiving, collecting, gathering, and releasing Crude Oil and/or Natural Gas;

14. Trading shall be the activity of purchasing, selling, exporting, importing Crude Oil and/or its processed products, including the trading of Natural Gas through pipelines;

15. Indonesian Legal Mining Territory shall be the entire area of land, waters, and continental shelf of Indonesia;

16. Operational Area shall be a certain area within the Indonesian Legal Mining Territory for conducting Exploration and Exploitation;

17. Business Entity shall be a company in the form of a legal entity which practices permanent, sustained business and is established in accordance with the prevailing laws and regulations, and functioning and domiciled within the territory of the Unitary State of the Republic of Indonesia;

18. Permanent Establishment shall be a business entity established and having legal status outside the territory of the Unitary State of the Republic of Indonesia and which conducts its activity within the territory of the Unitary State of the Republic of Indonesia and is obligated to obey the applicable laws and regulations of the Republic of Indonesia;

19. Cooperation Contract shall be the Production Sharing Contract or other forms of cooperation contracts for Exploration and Exploitation activities which shall give more benefit to the State and which outcome shall be utilized for the maximum prosperity of the people;

20. Business License shall be the license granted to the Business Entity to conduct Processing, Transportation, Storage, and/or Trading with the objective of gaining benefit and/or profit;

21. Central Government, hereinafter referred to as the Government, shall be the apparatus of the Unitary State of the Republic of Indonesia consisting of the President and the Ministers;

22. Regional Government shall be the Head of the Region and other apparatuses of the Autonomous Region as the Regional Executive Body;

23. Implementing Body shall be the agency established to perform the management of the Upstream Business Activities of Oil and Gas;

24. Regulatory Body shall be the agency established to regulate and control the supply and the distribution of Petroleum Fuel and Natural Gas as well as Transportation of Natural Gas by pipeline in the Downstream Business Activities;

25. Minister shall be the minister whose duties and responsibilities cover Oil and Gas business activities;

CHAPTER II

PRINCIPLE AND PURPOSE

Article 2

The implementation of Oil and Gas business activities under this Law shall be based on the principles of people-oriented economy, integration, benefit, justice, balance, equitable distribution, common prosperity and welfare of the people at large, security, safety, and legal certainty as well as environment-oriented operation.
Article 3

The purpose of Oil and Gas business activities shall be to:

a. Assure effective implementation and control of Exploration and Exploitation business activities in useful, efficient, and highly competitive and sustainable manner of the strategic and non-renewable Oil and Gas that belong to the State through open and transparent mechanism;

b. assure effective implementation and control of the business of Processing, Transportation, Storage, and Trading in accountable manner through the mechanism of fair, healthy, and transparent business competition;

c. assure efficient and effective supply of Crude Oil and Natural Gas, as energy resource as well as raw material for domestic needs;

d. support and promote the growth of national capacity in order to be more competitive at the national, regional, and international levels;

e. increase state revenue for the greatest contribution to national economy, and to develop and strengthen the position of Indonesian industry and trade;

f. create job opportunities, increase the welfare and prosperity of the people in a fair and equitable manner, and maintain the preservation of the living environment.

CHAPTER III

CONTROL AND BUSINESS OPERATION

Article 4

(1) Oil and Gas as strategic non-renewable natural resources existing within the Indonesian Legal Mining Territory constitute national assets which are controlled by the state.

(2) The control by the state as referred to in paragraph (1) shall be conducted by the Government as the holder of the Mining Authority.

(3) The Government as the holder of Mining Authority shall establish the Implementing Body as referred to in Article 1 number 23.

Article 5

Oil and Gas business activities shall consist of:

1. Upstream Business Activities which comprise:
   a. Exploration;
   b. Exploitation.

2. Downstream Business Activities which comprise:
   a. Processing;
   b. Transportation;
   c. Storage;
   d. Trading.
Article 6

(1) Upstream Business Activities as referred to in Article 5 number 1 shall be conducted and controlled through the Cooperation Contract as referred to in Article 1 number 19.

(2) The Cooperation Contract as referred to in paragraph (1) shall at least contain the following requirement:
   a. the ownership of natural resources shall remain in the hands the Government up to the point of transfer;
   b. the management control of operations shall be by the Implementing Body;
   c. all capital and risk shall be borne by the Business Entity or Permanent Establishment.

Article 7

(1) Downstream Business Activities as referred to in Article 5 number 2 shall be conducted under Business License as stipulated in Article 1 number 20.

(2) Downstream Business Activities as referred to in Article 5 number 2 shall be conducted through the mechanism of fair, healthy, and transparent business competition.

Article 8

(1) The Government shall give priority to the utilization of Natural Gas for domestic needs and has a duty to provide a strategic reserve of Crude Oil to support the supply of the domestic Petroleum Fuel that shall be further regulated by Government Regulation.

(2) The Government shall be obligated to guarantee the availability and smooth distribution of Petroleum Fuel which is a vital commodity that affects the livelihood of the people at large throughout the territory of the Unitary State of the Republic of Indonesia.

(3) The business of Natural Gas Transportation by pipeline that concerns public interests, shall be regulated to allow that it utilization is open for all users.

(4) The Government shall be responsible for regulating and supervising business activities as referred to in paragraph (2) and paragraph (3), the implementation thereof shall be conducted by the Regulatory Body.

Article 9

(1) Upstream Business Activities and Downstream Business Activities as referred to in Article 5 number 1 and number 2 may be conducted by:
   a. state-owned business entities;
   b. regional government-owned business entities;
   c. cooperatives; small companies;
   d. private business entities.

(2) Permanent Establishment may only conduct Upstream Business Activities.

Article 10

(1) A Business Entity or Permanent Establishment engaging in Upstream Business Activities shall be prohibited from engaging in Downstream Business Activities.

(2) A Business Entity engaging in Downstream Business Activities may not engage in Upstream Business Activities.
CHAPTER IV
UPSTREAM BUSINESS ACTIVITIES

Article 11

(1) Upstream Business Activities as referred to in Article 5 number 1 shall be conducted by a Business Entity or Permanent Establishment based on Cooperation Contract with the Implementing Body.

(2) Every Cooperation Contract that has been executed shall be notified in writing to the House of People’s Representatives of the Republic of Indonesia.

(3) The Cooperation Contract as referred to in paragraph (1) shall contain at least the basic provisions, namely:

a. State revenues;
b. Operational Area and its relinquishment;
c. fund expenditure obligations;
d. transfer of ownership of Oil and Gas production;
e. period and conditions of extension of contract;
f. dispute settlement;
g. obligation to supply Crude Oil and/or Natural Gas for domestic demands;
h. expiration of contract;
i. post-mining operation obligations;
j. work safety and health;
k. management of the living environment;
l. transfer of rights and obligations;
m. necessary reporting;
n. field development plans;
o. prioritizing the utilization of domestic goods and services;
p. development of the surrounding local community and guarantee of the community’s customary right;
q. prioritizing the employment of Indonesian manpower.

Article 12

(1) Operational Areas to be offered to a Business Entity or Permanent Establishment shall be stipulated by the Minister after consulting the Regional Government.

(2) The offering of Operational Areas as referred to in paragraph (1) shall be conducted by the Minister.

(3) The Minister shall determine the Business Entity or Permanent Establishment that is authorized to conduct Exploration and Exploitation business activities in the Operational Areas as referred to in paragraph (2).

Article 13

(1) Each Business Entity or Permanent Establishment shall only be granted 1 (one) Operational Area.

(2) In the event that a Business Entity or Permanent Establishment manages several Operational Areas, a separate legal entity for each Operational Area shall be established.

Article 14

(1) The period of the Cooperation Contract as referred to in Article 11 paragraph (1) shall be implemented for a maximum period of 30 (thirty) years.
(2) A Business Entity or Permanent Establishment may apply for the extension of Cooperation Contract period as referred to in paragraph (1) for a maximum period of 20 (twenty) years.

Article 15

(1) The Cooperation Contract as referred to in Article 14 paragraph (1) shall consist of an Exploration period and an Exploitation period.

(2) The Exploration period as referred to in paragraph (1) shall be implemented for 6 (six) years, and may only be extended for 1 (one) period which shall be implemented for a maximum period of 4 (four) years.

Article 16

A Business Entity or Permanent Establishment shall be obligated to gradually relinquish part or the whole of its Operational Area to the Minister.

Article 17

In the event that a Business Entity or Permanent Establishment which has obtained the approval for initial field development within its Operational Area does not conduct its activities in a period of a maximum of 5 (five) years after the expiration of the Exploration period, it shall be obligated to relinquish all of its Operational Area to the Minister.

Article 18

The guidelines of, procedures for, and conditions of a Cooperation Contract, the stipulation and offering of Operational Area, changes and extension of the Cooperation Contract as well as the relinquishment of Operational Area as referred to in Article 11, Article 12, Article 13, Article 14, Article 15, Article 16 and Article 17 shall be further regulated by Government Regulation.

Article 19

(1) In order to support the preparation of the Operational Area as referred to in Article 12 paragraph (1), a General Survey shall be conducted by or upon approval by the Government.

(2) The procedures and requirements for the implementation of a General Survey as referred to in paragraph (1) shall be further regulated by a Government Regulation.

Article 20

(1) Data obtained from a General Survey and/or Exploration and Exploitation shall be the property of the state, which shall be controlled by the Government.

(2) Data obtained by a Business Entity or Permanent Establishment in its Operational Area may be used by the aforementioned Business Entity or Permanent Establishment during the period of the Cooperation Contract.

(3) In the event that the Cooperation Contract expires, the Business Entity of Permanent Establishment shall be obligated to submit all data obtained during the period of Cooperation Contract period to the Minister through the Implementing Body.

(4) Confidentiality of the data obtained by a Business Entity or Permanent Establishment in its Operational Area shall be effective during a certain period of time.

(5) The Government shall regulate, manage, and utilize the data as referred to in paragraph (1) and (2) in
order to plan the preparation for the opening of Operational Areas.

(6) The implementation of the provisions regarding the ownership, period of use, confidentiality, management, and utilization of data as referred to in paragraph (1), paragraph (2), paragraph (3), paragraph (4) and paragraph (5) shall be further regulated by Government Regulation.

**Article 21**

(1) The development plan for the field which will be put in production for the first time within an Operational Area shall be obligated to obtain an approval of the Minister based on considerations from the Implementing Body and after consultation with the Regional Government of the relevant Province.

(2) In developing and putting Oil and Gas field into production, a Business Entity or Permanent Establishment shall be obligated to conduct optimization and conduct it in accordance with good engineering practices.

(3) Provisions regarding field development, the production of Oil and Gas reserves, and provisions regarding engineering practices as referred to in paragraph (1) and (2) shall be further regulated by Government Regulation.

**Article 22**

(1) Business Entity or Permanent Establishment shall be obligated to provide a maximum of 25% (twenty five percent) of its share of Crude Oil and/or Natural Gas production to fulfill the domestic demands.

(2) The implementation of the provision referred to in paragraph (1) shall be further regulated by Government Regulation.

**CHAPTER V**

**DOWNSTREAM BUSINESS ACTIVITIES**

**Article 23**

(1) Downstream Business Activities as referred to in Article 5 paragraph 2 may be conducted by a Business Entity after obtaining Business License from the Government.

(2) The Business License required for Crude Oil business activities and/or Natural Gas business activities as referred to in paragraph (1) shall be distinguished into the following:

a. Business License for Processing;
b. Business License for Transportation;
c. Business License for Storage;
d. Business License for Trading.

(3) Every Business Entity may be granted more than 1 (one) Business License provided that it is not inconsistent with the applicable laws and regulations.

**Article 24**

(1) Business License as referred to in Article 23 shall at least contain the following:

a. name of the operator;
b. types of business activities granted;
c. obligations in conducting the business;
d. technical requirements.
(2) Each Business License granted as referred to in paragraph (1) may only be used in accordance with the purpose for which it is issued.

Article 25

(1) The Government may issue written reprimands, postpone activities, suspend activities, or revoke Business License as referred to in Article 23 based on:
   a. violation of one of the requirements stipulated in the Business License;
   b. recurrence of violation of the requirements of the Business License;
   c. failing to meet the requirement stipulated based on this Law.

(2) Prior to implementing the revocation of Business License as referred to in paragraph (1), the Government shall first allow the Business Entity opportunities during a certain period of time to rectify the violation committed or to meet the stipulated requirements.

Article 26

For field processing, transportation, storage, and selling activities of own production as a continuation of Exploration and Exploitation conducted by a Business Entity or Permanent Establishment, no separate Business License as referred to in Article 23 shall be required.

Article 27

(1) The Minister shall establish a master plan for national network of Natural Gas transmission and distribution.

(2) A Business Entity holding a Business License for Natural Gas Transportation by pipeline may only be granted a certain Transportation segment.

(3) A Business Entity holding a Business License for Natural Gas Trading by pipeline may only be granted a certain Trading area.

Article 28

(1) Petroleum Fuel and certain processed products, which are sold in the domestic market for meeting public needs, shall be obligated to comply with the standard and quality set up by the Government.

(2) Prices for Petroleum Fuel and Natural Gas shall be left to the mechanism of healthy and fair business competition.

(3) The implementation of the price policy as referred to in paragraph (2) will not reduce the Government’s social responsibility to certain groups of people.

Article 29

(1) In areas which experience shortage of Petroleum Fuel and in remote areas, Transportation and Storage facilities including the supporting facilities thereof may be utilized jointly with other parties.

(2) The utilization of facilities as referred to in paragraph (1) shall be regulated by the Regulatory Body by keeping the technical and economic aspects into consideration.
Article 30

Provisions regarding Processing, Transportation, Storage, and Trading activities as referred to in Article 23, Article 24, Article 25, Article 26, Article 27, Article 28 and Article 29 shall be further regulated by Government Regulation.

CHAPTER VI

STATE REVENUES

Article 31

(1) A Business Entity or Permanent Establishment engaging in Upstream Business Activities as referred to in Article 11 paragraph (1) shall be obligated to pay state revenue in the form of tax and Non-Tax State Revenue.

(2) State revenues in the form of tax as referred to in paragraph (1) shall consist of:
   a. Taxes;
   b. Import duties, and other levies on import and excise;
   c. Regional taxes and regional retributions.

(3) Non-Tax State Revenue as referred to in paragraph (1) shall consist of:
   a. The state’s share
   b. The state levies in the form permanent contributions and Exploration and Exploitation contributions;
   c. bonuses.

(4) In Cooperation Contract it shall be stipulated that the obligation to pay taxes as referred to in paragraph (2) letter a shall be fulfilled in accordance with:
   a. the provisions of tax laws and regulations prevailing at the time of the execution of the Cooperation Contract; or
   b. the provisions of the prevailing tax laws and regulations.

(5) Provisions regarding the determination of the state’s share, the state levies, and bonuses as referred to in paragraph (3), as well as the procedure for the payment thereof shall be further regulated by Government Regulation.

(6) Non-Tax State Revenue as referred to in paragraph (3) shall constitute the revenues of the Central Government and Regional Government, the sharing of which shall be determined in accordance with the prevailing laws and regulations.

Article 32

A Business Entity engaging in Downstream Business Activities as referred to in Article 23 shall be obligated to pay taxes, regional taxes and regional retribution, as well as other obligations in accordance with the prevailing laws and regulations.
CHAPTER VII

THE RELATIONSHIP BETWEEN OIL AND GAS BUSINESS AND LAND TITLES

Article 33

(1) Oil and Gas business activities as referred to in Article 5 shall be conducted within the Indonesian Legal Mining Territory.

(2) The entitlement to an Operational Area shall not include title to the land surface.

(3) Oil and Gas business activities may not be conducted at the following sites:
   a. Cemeteries, sacred places, public places and public facilities and infrastructure, natural reservations, cultural reservations, as well as lands owned by customary communities;
   b. state defence fields and buildings as well as their surrounding lands;
   c. historical building and state symbols;
   d. buildings, residential houses, or factories as well as their surrounding premises, except with the approval of the Government authority, approval of the community, and individual related there to.

(4) A Business Entity or Permanent Establishment intending to conduct its activities may move the buildings, public places, public facilities and infrastructure as referred to in paragraphs (3) letter a and letter b after obtaining prior approval of the competent Government authorities.

Article 34

(1) In the event that a Business Entity or a Permanent Establishment desiring to use plots or proprietary land or state-owned land within its Operational Area, the Business Entity or Permanent Establishment shall first reach a settlement with the title holder or the user of the state-owned land in accordance with the provisions of the prevailing laws and regulations.

(2) The settlement as referred to in paragraph (1) shall be conducted by deliberations and consensus by means of sale and purchase, exchange, proper compensation, recognition or any other type of compensation to the title holder or the user of the state-owned lands.

Article 35

The holder of land title shall be obligated to allow a Business Entity or Permanent Establishment to conduct Exploration and Exploitation on the land, if:

a. prior to the commencement of its activity, the respective Business Entity or Permanent Establishment shows the Cooperation Contract or a valid copy thereof, and has informed about the purpose and location of the activity to be conducted;

b. the settlement or guarantee for the settlement as agreed to by the holder of the land title or the land user in the case of the state-owned land as referred to in Article 34 has been made.

Article 36

(1) In the event that a Business Entity or Permanent Establishment has been granted an Operational Area, then for the plots of land used for Oil and Gas business activities and the safety areas, a right to use shall be
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The development of Oil and Gas activities shall be conducted by the Government.

Article 39

(1) The development as referred to in Article 38 shall includes:

a. the implementation of Government’s affairs in the field of Oil and Gas business activities;

b. the establishment of policies on Oil and Gas business activities based on the owned reserves and potential of Oil and Gas resources, production capabilities, domestic needs for Petroleum Fuel and Natural Gas, technological competence, environmental aspect and environmental preservation, national capabilities, and development policies.

(2) The implementation of the development as referred to in paragraph (1) shall be effected with care, transparency and fairness on the conduct of Oil and Gas business activities.

Article 40

(1) The Business Entity or Permanent Establishment shall ensure the standard and quality applied in accordance with the provisions of the prevailing laws and regulations and shall apply good engineering practices.

(2) The Business Entity or Permanent Establishment shall ensure health and safety and environmental management and comply with the provisions of the prevailing laws and regulations in the Oil and Gas business activities.

(3) Environmental management as referred to in paragraph (2) shall be in the form of the obligation to perform pollution prevention and mitigation as well as recovery from environmental damages, including post mining operation obligations.

(4) The Business Entity or Permanent Establishment conducting Oil and Gas business activities as referred to in Article 5 shall prioritize the use of domestic manpower, domestic goods, and services as well as domestic design, engineering and construction expertise transparently and competitively.
(5) The Business Entity or Permanent Establishment conducting Oil and Gas business activities as referred to in Article 5 shall also be responsible for developing the local environment and community.

(6) Provisions on work safety and health as well as environmental management as referred to in paragraph (1) and paragraph (2) shall be further regulated by Government Regulation.

Part Two
Supervision

Article 41

(1) The responsibility for supervision of compliance with the prevailing laws and regulations in the implementation of Oil and Gas business activities shall remain under the competence of the department whose duties and authorities cover the Oil and Gas business activities and by other related departments.

(2) The Implementing Body shall conduct supervision on the implementation of Upstream Business Activities based on Cooperation Contract.

(3) The Regulatory Body shall conduct supervision on the implementation of Downstream Business Activities based on Business License.

Article 42

The supervision as referred to in Article 41 paragraph (1) shall cover:

a. conservation of the Oil and Gas resources and reserves;
b. management of Oil and Gas data;
c. application of good engineering practices;
d. types and qualities of the processed products of Oil and Gas;
e. allocation and distribution of Petroleum Fuel and raw materials;
f. work safety and health;
g. environmental management;
h. utilization of domestic goods, services, technology and design, engineering and construction capabilities;
i. employment of expatriate manpower;
j. development of Indonesian manpower;
k. development of the local environment and community;
l. control over, development of and application of Oil and Gas technology;
m. other activities in the field of Oil and Gas activities insofar as such activities involve public interest.

Article 43

Provisions on the development and supervision as referred to in Article 38, Article 39, Article 41, and Article 42 shall be further regulated by Government Regulation.

CHAPTER IX
IMPLEMENTING BODY AND REGULATORY BODY

Article 44

(1) Supervision on the implementation of the Cooperation Contract for Upstream Business Activities as referred to in Article 5 number 1 shall be conducted by the Implementing Body as referred to in Article 4 paragraph (3).
(2) The function of the Implementing Body as referred to in paragraph (1) shall be to supervise Upstream Business Activities so that the extraction of state-owned Oil and Gas resources renders the maximum benefit and income to the State for the greatest prosperity of the people.

(3) The duty of the Implementing Body as referred to in paragraph (1) shall be to:

a. provide considerations to the Minister on his/her policy in preparing and offering the Operational Area as well as the Cooperation Contract;

b. execute signing of the Cooperation Contract;

c. review and submit the development plan for the field to be put in production for the first time within any Operational Area to the Minister for approval;

d. approve field development plans other than as referred to in letter c;

e. approve work programs and budgets;

f. monitor and report the implementation of the Cooperation Contract to the Minister;

g. appoint the seller of the state’s share of Crude Oil and/or Natural Gas which will give the maximum benefit for the country.

Article 45

(1) The Implementing Body as referred to in Article 4 paragraph (3) shall be a state owned legal entity.

(2) The Implementing Body shall consist of elements of leadership, experts, technicians, and administrators.

(3) The Head of Implementing Body shall be appointed and dismissed by the President after consultation with the House of People’s Representatives and in performing his duty shall be accountable to the President.

Article 46

(1) Control over the implementation of supply and distribution of Petroleum Fuel as well as Transportation of Natural Gas through pipelines, shall be conducted by the Regulatory Body as referred to in Article 8 paragraph (4).

(2) The function of the Regulatory Body as referred to in paragraph (1) shall be to regulate so that the availability and distribution of Petroleum Fuel and Natural Gas as stipulated by the Government can be assured throughout the entire territory of the Unitary State of the Republic of Indonesia as well as to increase domestic utilization of Natural Gas.

(3) The duty of the Regulatory Body as referred to in paragraph (1) shall cover the regulation and stipulation concerning the:

a. availability and distribution of Petroleum Fuel;

b. national Petroleum Fuel reserves stock;

c. utilization of Transportation and Storage facilities of Petroleum Fuel;

d. tariff of Natural Gas Transportation by pipeline;

e. price of Natural Gas for households and small-scale customers;

f. business of Natural Gas transmission and distribution.
(4) The duty of the Regulatory Body as referred to in paragraph (1) shall also include the supervision on those areas set out in paragraph (3).

**Article 47**

(1) The structure of the Regulatory Body as referred to in Article 8 paragraph (3) shall comprise a committee and divisions.

(2) The committee as referred to in paragraph (1) shall consist of 1 (one) chairperson who shall also be a member and 8 (eight) members who are professionals.

(3) The chairperson and members of the Regulatory Body’s committee as referred to in paragraph (1) shall be appointed and dismissed by the President upon the approval of the House of People’s Representatives of the Republic of Indonesia.

(4) The Regulatory Body as referred to in Article 8 paragraph (3) shall be accountable to the President.

(5) The establishment of the Regulatory Body as referred to in Article 8 paragraph (4) shall be stipulated by Presidential Decision.

**Article 48**

(1) The operational budget of the Implementing Body as referred to in Article 45 shall be based on the fee from the Government in accordance with the prevailing laws and regulations.

(2) The operational budget of the Regulatory Body as referred to in Article 46 shall be based on the state budget and contributions from the Business Entities which it regulates in accordance with the prevailing laws and regulations.

**Article 49**

Provisions concerning the organizational structure, status, functions, duties, personnel, authority and responsibility as well as the working mechanism of the Implementing Body and Regulatory Body as referred to in Article 41, Article 42, Article 43, Article 44, Article 45, Article 46, Article 47, and Article 48 shall be further regulated by Government Regulation.

**CHAPTER X**

**INVESTIGATION**

**Article 50**

(1) In addition to investigators from the Police Force of the State of the Republic of Indonesia certain Civil Servants in the office of the department which scope of duty and responsibility covers Oil and Gas business activities, shall be granted special authority as investigators as referred to in Law Number 8 of 1981 concerning the Criminal Procedural Law, to conduct criminal investigations in the Oil and Gas business activities.

(2) The Civil Servant Investigators as referred to in paragraph (1) shall be authorized to:

a. conduct examinations concerning the accuracy of reports or information received concerning crime in Oil and Gas business activities;

b. conduct examinations on persons or agencies suspected as having committed crime in the Oil and Gas business activities;
c. summon persons to be heard and examined as witness or suspect in criminal cases in Oil and Gas business activities;
d. search premises and/or facilities suspected of having been used to commit crime in the Oil and Gas business activities;
e. conduct examinations on facilities and infrastructure of Oil and Gas Business activities and cease the usage of facilities that are suspected of having been used to conduct the crime;
f. seal and/or confiscate Oil and Gas business activity equipment used to commit the crime as evidence;
g. summon the experts required in connection with the examination of criminal cases in the Oil and Gas business activities;
h. cease investigation of criminal case in the Oil and Gas business activities.

(3) Civil Service Investigators as referred to in paragraph (1) shall announce the commencement of investigations of criminal cases to the Officer of the Police Force of the State of the Republic of Indonesia in accordance with the provisions of the prevailing laws and regulations.

(4) Investigators as referred to in paragraph (1) shall be obligated to cease their investigations in the event that the incident as referred to in paragraph (2) letter a does not generate sufficient evidence and/or the incident is not a crime.

(5) The authorities as referred to in paragraph (2) shall be exercised in accordance with the provisions of the prevailing laws and regulations.

CHAPTER XI
CRIMINAL PROVISIONS

Article 51

(1) Every person who conducts a General Survey as referred to in Article 19 paragraph (1) without any right to do so, shall be subject to imprisonment for a maximum period of 1 (one) year or a maximum fine of Rp10,000,000,000.00 (ten billion rupiah).

(2) Every person who sends or delivers or transfers data as referred to in Article 20 without any right to do so in any form whatsoever shall be subject to imprisonment for a maximum period of 1 (one) year or a maximum fine of Rp10,000,000,000.00 (ten billion rupiah).

Article 52

Every person who conducts Exploration and/or Exploitation without a Cooperation Contract as referred to in Article 11 paragraph (1), shall be subject to imprisonment for a maximum period of 6 (six) years and a maximum fine of Rp60,000,000,000.00 (sixty billion rupiah).

Article 53

Every person who conducts:

a. Processing as referred to in Article 23 without a Processing Business License, shall be subject to imprisonment for a maximum period of 5 (five) years and a maximum fine of Rp50,000,000,000.00 (fifty billion rupiah);
b. Transportation as referred to in Article 23 without any Transportation Business License, shall be subject to imprisonment for a maximum period of 4 (four) years and a maximum fine of Rp40,000,000,000.00 (forty billion rupiah);
THE PRESIDENT OF
THE REPUBLIC OF INDONESIA

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c. Storage as referred to in Article 23 without a Storage Business License, shall be subject to imprisonment for the maximum period of 3 (three) years and a maximum fine of Rp 30,000,000,000.00 (thirty billion rupiah);
d. Trading as referred to in Article 23 without a Trading Business License, shall be subject to imprisonment for a maximum period of 3 (three) years and a maximum fine of Rp 30,000,000,000.00 (thirty billion rupiah).

Article 54

Every person who deliberately counterfeits or falsifies Petroleum Fuel and Natural Gas and other processed products as referred to in Article 28 paragraph (1) shall be subject to imprisonment for the maximum period of 6 (six) years and a maximum fine of Rp60,000,000,000.00 (sixty billion rupiah).

Article 55

Every person who misuses the Transportation and/or Trading of Petroleum Fuel subsidized by the Government shall be subject to imprisonment for a maximum of 6 (six) years and a maximum fine of Rp60,000,000,000.00 (sixty billion rupiah).

Article 56

(1) In the event that the crime as referred to in this Chapter is committed by or on behalf of a Business Entity or a Permanent Establishment, the prosecution and imposition of criminal sanctions shall be charged on the Business Entity or Permanent Establishment and/or the management thereof.

(2) In the event that a Business Entity or Permanent Establishment commits a crime, the criminal sanction imposed on the aforementioned Business Entity or Permanent Establishment shall be fines, with the provision that the maximum fine shall be added with an additional amount of one-third of the same.

Article 57

(1) Criminal acts as referred to in Article 51 shall constitute misdemeanors.

(2) The criminal acts as referred to in Article 52, Article 53, Article 54, and Article 55 shall constitute felonies.

Article 58

In addition to the criminal provisions as referred to in this Chapter, an additional penalty shall be the revocation of rights or confiscation of assets used for or obtained from criminal acts in Oil and Gas business activities.

CHAPTER XII

TRANSITIONAL PROVISIONS

Article 59

At the time this Law comes into effect:

a. within a period of no longer then 1 (one) year, the Implementing Body shall be established;
b. within a maximum period of 1 (one) year, the Regulatory Body shall be established.
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Article 60

At the time this Law comes into effect:

a. within a period of no longer than 2 (two) years, Pertamina shall be transformed into a State Limited Liability Company (Persero) under a Government Regulation;

b. insofar as the Persero as referred to in letter a has not been established, Pertamina which is established based on the Law Number 8 of 1971 (State Gazette of 1971 Number 76, Supplement to State Gazette Number 2971) shall be obligated to conduct Oil and Gas business activities, as well as to regulate and manage assets, employees and other important matters that are required;

c. at the time the new Persero is established, the obligations of Pertamina as referred to in letter b, shall be transferred to the Persero.

Article 61

At the time this Law comes into effect:

a. Pertamina shall continue to perform its duty and function of guiding and supervise the business of Exploration and Exploitation contractors, including Production Sharing Contract contractors until the establishment of the Implementing Body.

b. at the time of the establishment of the Persero as the replacement of Pertamina, the aforementioned state-owned business entity shall be obligated to enter into Cooperation Contracts with the Implementing Body to continue Exploration and Exploitation in former Pertamina Mining Authority Areas and shall be deemed as having obtained the required Business Licenses as referred to in Article 24 for Processing, Transporting, Storage, and Trading businesses.

Article 62

At the time this Law comes into effect Pertamina shall continue to perform its duty to supply and serve Petroleum Fuel for domestic requirements for a period of a maximum 4 (four) years.

Article 63

At the time this Law comes into effect:

a. upon the establishment of the Implementing Body, all rights, obligations and consequences of the Production Sharing Contracts between Pertamina and other parties shall be transferred to the Implementing Body;

b. upon the establishment of the Implementing Body other contracts related to the contracts referred to in letter a between Pertamina and other parties shall be transferred to the Implementing Body;

c. all contracts as referred to in letter a and letter b shall be declared as remaining applicable until the expiration of the contracts concerned;

d. the rights, obligations and consequences of contracts, agreements or commitments other than those referred to in letter a and letter b, shall continue to be conducted by Pertamina until the establishment of the Persero specifically set up for such purpose and shall be transferred to the aforementioned Persero;

e. the implementations of discussions of negotiations between Pertamina and other parties in the context of Exploration and Exploitation cooperation shall be transferred to the Minister.

Article 64

At the time this Law comes into effect:

a. state-owned business entities other than Pertamina engaging in Oil and Gas business activities shall be deemed as having obtained Business Licenses as referred to in Article 23;
b. the implementation of development which at the time this Law comes into effect is being conducted by the state-owned business entities as referred to in paragraph a, shall remain conducted by the concerned state-owned business entities;

c. within a period of no longer than 1 (one) year, the state-owned business entities as referred to in paragraph a shall be obligated to establish Business Entities set up for their business activities in accordance with the provisions of this Law;

d. contracts or agreements between the state-owned business entities as referred to in letter a and other parties shall remain effective until the expiration of the relevant contract or agreement period.

CHAPTER XIII

OTHER PROVISIONS

Article 65

Business activities of oil and gas other than those referred to in Article 1 number 1 and number 2 which are not regulated by other laws will be regulated by the stipulations of this Law.

CHAPTER XIV

CLOSING PROVISIONS

Article 66

(1) Upon the promulgation of this Law, the following shall be declared as no longer applicable:

a. Law Number 44 Prp of 1960 concerning Oil and Gas Mining (State Gazette of 1960 Number 133, Supplement to the State Gazette Number 2070);

b. Law Number 15 of 1962 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 of 1962 concerning the Obligation of Oil Companies to Fulfil Domestic Requirements (State Gazette of 1962 Number 80, Supplement to the State Gazette Number 2505);

c. Law Number 8 of 1971 concerning the State Oil and Gas Mining Enterprise (State Gazette of 1971 Number 76, Supplement to State Gazette Number 2971) including all amendments thereof, last amended under Law Number 10 of 1974 (State Gazette of 1974 Number 3045).

(2) All implementing regulations of Law Number 44 Prp of 1960 concerning Oil and Gas Mining (State Gazette of 1960 Number 133, Supplement to State Gazette Number 2070) and Law Number 8 of 1971, concerning the State Oil and Gas Mining Enterprise (State Gazette of 1971 Number 76 Supplement to State Gazette Number 2971), shall be declared as still in effect insofar as they are not contradictory to or have been superseded by the new regulations by virtue of this Law.

Article 67

This Law shall become effective on the date of its promulgation.

So that it be known to all, ordering the promulgation of this Law by its placement in the State Gazette of the Republic of Indonesia.
Enacted in Jakarta
on 23 November 2001
PRESIDENT OF THE REPUBLIC OF INDONESIA,
signed
MEGAWATI SOEKARNOHUTRI

Promulgated in Jakarta
on 23 November 2001

STATE SECRETARY OF THE REPUBLIC OF INDONESIA
Signed
BAMBANG KESOWO

STATE GAZETTE OF THE REPUBLIC OF INDONESIA of 2001 NUMBER 136

For copy conform
Deputy Secretary of the Cabinet,

for Legal and Legislative Affairs

signed and stamped

Lambock V. Nahattand
ELUCIDATION OF LAW OF
THE REPUBLIC OF INDONESIA
NUMBER 22 OF 2001
CONCERNING
OIL AND GAS

GENERAL

Article 33 paragraph (2) and paragraph (3) of the 1945 Constitution states that the fields of production which are important to the state and control the livelihood of the people at large are controlled by the state. The land and the water contained therein are also controlled by the state and are utilized for the greatest prosperity and welfare of the people. Bearing in mind that oil and gas are strategic and non-renewable natural resources which are controlled by the state and constitute vital commodities which play significant roles in the supply of industrial raw materials, the fulfillment of the domestic needs of energy, and being the main generator of the state foreign-exchange, their development should therefore be optimized for the greatest prosperity and welfare of the people.

In the context of complying with the aforementioned provisions of the 1945 Constitution, after four decades since Law Number 44 Prp (Government Regulation in Lieu of Law) of 1960 concerning Oil and Gas Mining and Law Number 8 of 1971 concerning State Oil and Gas Mining Enterprise were being effected, various constraints were found because the material substance of both of the aforementioned laws are no longer suitable for the current development as well as future challenges.

Facing the future global demands and challenges, the oil and gas business activities must be better capable of supporting the continuity of national development in the context of promoting the prosperity and welfare of the people.

Based on the foregoing it is necessary to draft an Oil and Gas Law to give the legal basis for reform and restructuring measures of oil and gas business activities.

The aims of drafting this Law are as follows:

1. the implementation and control of Oil and Gas as strategic and vital natural and development resources;
2. to support and promote the growth of national capacity in order to be more competitive;
3. the increase of state’s revenue and giving the utmost contribution to the national economy, to develop and strengthen Indonesian industry and trade;
4. to create job opportunities, improve the environment, increase people’s welfare and prosperity.

This Law contains the basic substances concerning the provision that Oil and Gas as strategic natural resources existing within the Indonesian Legal Mining Territory are natural assets controlled by the state, and their management shall be conducted by the Government as the holder of Mining Authority in the Upstream Business Activities. The Downstream Business Activities on the other hand shall be conducted after obtaining Business License from the Government.
For more efficient implementation of the Government’s function as the regulator, manager and supervisor, an Implementing Body shall be established for the Upstream Business Activities, while for the Downstream Business Activities a Regulatory Body shall be established.

ARTICLE BY ARTICLE

Article 1
Self-explanatory

Article 2
Self-explanatory

Article 3
Self-explanatory

Article 4

Paragraph (1)

Based on the spirit of Article 33 paragraph (3) of the 1945 Constitution, Oil and Gas as strategic natural resources existing within the Indonesian Legal Mining Territory are national assets controlled by the state. The control of the state as referred to above is so that such national assets be utilized for the greatest prosperity of all people of Indonesia. Therefore, individuals, the public and business entrepreneurs although possessing land rights over a piece of land on the surface, do not have the right to control or to own the Oil and Gas contained underground.

Paragraph (2)
Self-explanatory

Paragraph (3)
Self-explanatory

Article 5

Number 1
Self-explanatory

Number 2
Trading in this stipulation shall include Trading of Natural Gas through transmission pipelines as well as distribution pipelines.

Article 6

Paragraph (1)

Besides having to comply with the prevailing laws and regulations, Business Entities or Permanent Establishments shall also fulfil certain obligations in conducting their business activities.
Paragraph (2)

The type of the Cooperation Contract in this provision shall be the Production Sharing Contract form or other forms of Exploration and Exploitation contract, which are more beneficial for the state. Furthermore in this stipulation, what is meant by:

1. Point of transfer shall be the point of sales of Oil and Natural Gas.
2. The control of the management of operations shall mean the granting of approval of work plans and budgets, development plans and the control over the realization of such plans.
3. All capital and risk shall be borne by the Business Entity or Permanent Establishment shall mean that in the Cooperation Contract the Government through the Implementing Body based on this Law is prohibited from investing and bearing the financial risk in implementing the Cooperation Contract.

Article 7

Paragraph (1)

Self-explanatory

Paragraph (2)

The implementation through the mechanism of fair, healthy, and transparent business competition shall not mean that the Government ignores its social responsibility.

Article 8

Paragraph (1)

The Government Regulation as the implementation of this provision shall include among other things the following basic substances: priority of the Natural Gas utilization, quantity, type, and the location for the strategic reserve of Crude Oil.

Paragraph (2)

The Government shall be obligated to maintain that the needs of Petroleum Fuel in the entire homeland, including remote areas, may be fulfilled and also to maintain that a national reserve in an amount sufficient for certain period of time is always available.

Paragraph (3)

Since Natural Gas pipeline networks are natural monopoly facilities, their use shall need to be regulated and supervised to assure equal treatment towards their users. In addition, public interest in this provision shall mean the interest of the producers, consumers and other communities, which is related to the activities of Natural Gas Transmission.

Paragraph (4)

Self-explanatory
Article 9

Paragraph (1)

This provision is intended to give the widest opportunity to the Business Entity, including the large-scale, medium-scale or small scale Business Entity to conduct Upstream Business Activities and Downstream Business Activities which operational scale based on financial and technical capability of such Business Entity.

Paragraph (2)

A lot of Upstream Business Activities related to high risks are conducted by international companies having wide international network. In order to provide a conducive investment climate to attract capital investors, including foreign investors, an opportunity not to have to establish Business Entities in given.

Article 10

Paragraph (1)

Considering that the Upstream Business Activities are the extraction of non-renewable natural resources which constitute state’s assets, in these activities the state must obtain the maximum benefits for the prosperity of the people.
On the other hand, the Downstream Business Activities constitute common business activities, in which the production costs and loss that may occur cannot be charged (consolidated) to the Upstream Business Activities costs. This restraint on consolidating Upstream Business Activities and Downstream Business Activities is also for the purpose that the division of revenues between the Central Government and Regional Government as referred to in Article 31 paragraph (6) becomes clear.
In the event that a Business Entity engages in Upstream and Downstream Business Activities at the same time it shall have to establish separate legal entities, among other things by way of a Holding Company.

Paragraph (2)

Self-explanatory

Article 11

Paragraph (1)

The Government shall stipulate the obligations in the requirements under the Cooperation Contract so that the Government can control the Upstream Business Activities through the aforementioned contract requirements as well as the prevailing laws and regulations as referred to in Article 6 paragraph (1).

Paragraph (2)

Every Cooperation Contract that has been jointly approved and executed by both parties shall be delivered to the Commission of House of People’s Representatives of the Republic of Indonesia which handles Oil and Gas affairs.

Paragraph (3)

This provision is intended to provide legal certainty for parties bound by the Cooperation Contract.
Article 12

Paragraph (1)
Consultation with the Regional Government shall be done to clarify and to obtain information regarding the plan to offer certain areas, which are considered to be potentially containing Oil and Gas resources, as Operational Areas. The consultation with the Regional Government shall be conducted with the Governor who leads the Regional Government in accordance with the provisions of the Law on Regional Government.

Paragraph (2)
The Minister coordinates with the Implementing Body during this process.

Paragraph (3)
The Minister coordinates with the Implementing Body during this process.

Article 13

Paragraph (1)
Self-explanatory

Paragraph (2)
This provision is intended to avoid the consolidation of charging and or returning Exploration and Exploitation costs from one Operational Area to other Operational Areas. This provision is also intended to prevent uncertainty on the distribution of revenues between the Central Government and each of the Regional Government related to the aforementioned Operational Areas.

Article 14
Self-explanatory

Article 15

Paragraph (1)
Self-explanatory

Paragraph (2)
In the event that a Business Entity or a Permanent Establishment within the Exploration period does not find Crude Oil and/or Natural Gas deposit that can be put into production, it shall be obligated to relinquish its entire Operational Areas.

Article 16
This provision is intended so that a part of and/or the entire Operational Area, which are not being utilized, can be offered to other parties as a new Operational Area.

Therefore, the Government may obtain an optimum result from the utilization of natural resource potential from an area.
Article 17

Self-explanatory

Article 18

The Government Regulation as an implementation regulation of this provision shall contain the following basic substances: terms and conditions of the Cooperation Contract, conditions and procedure to determine and offer an Operational Area, extension of Cooperation Contract, determination and relinquishment of Operational Area.

Article 19

Paragraph (1)

Self-explanatory

Paragraph (2)

The Government Regulation regarding General Survey shall include among other things the following basic substances: the executor of General Survey, types of activities, implementation schedule, implementation procedures, and the management of data resulting from the survey.

Article 20

Paragraph (1)

Self-explanatory

Paragraph (1)

Self-explanatory

Paragraph (1)

Self-explanatory

Paragraph (4)

Data or information regarding subsurface conditions as the results of investment conducted by a Business Entity or a Permanent Establishment shall not be directly disclosed to the public in order to protect the investment’s interests. Data shall be declared disclosed after a certain period of time, and the concerned parties may use the aforementioned data. The confidentially period of data shall depend on the data types and classification of the data.

Paragraph (5)

Self-explanatory

Paragraph (6)

The Government Regulation as the implementation regulation of this provision shall contain among other things the following basic substances: authority and responsibility of the Government, data
types, data classification and confidentiality period, data administration and maintenance, as well as
the utilization period and relinquishment of the data.

Article 21

Paragraph (1)

Approval of the Minister in this provision shall be required given that the initial field development in
an Operational Area shall determine the relinquishment or continuation of the operation of the
aforementioned Operational Area by the Business Entity or Permanent Establishment. The
Implementing Body shall grant approval of subsequent field development plans within the
aforementioned Operational Area. Consultation with the Regional Government in this provision is
needed so that the proposed plan of field development can be coordinated with the Provincial Regional
Government especially concerning the spatial plan and the plan of the region’s revenue from Oil and Gas
in that area according to the prevailing laws and regulations.

Paragraph (2)

This provision is intended so that the Business Entity or Permanent Establishment in conducting Oil
and Gas Exploitation shall take into account the optimization and conservation of Oil and Gas
resources and shall implement it in accordance with good engineering practices.

Paragraph (3)

The Government Regulation as the implementation regulation of this provision shall contain among
other things the following basic substances: the type and plan of field development, engineering
practices, reporting obligations, as well as the procedure for the approval of the field development
plan.

Article 22

Paragraph (1)

This provision is intended to guarantee the availability of Crude Oil and/or Natural Gas supply
produced from Indonesian Legal Mining Territory to fulfill the domestic fuel demands. The
meaning of submitting a maximum of 25% (twenty five percent) of its share of Crude Oil and/or
Natural Gas production in this stipulation is that if an Operational Area produces Oil and Gas then
the Business Entity or the Permanent Establishment shall be obligated to submit a maximum of 25%
(twenty five percent) of their share of the Crude Oil production and a maximum of 25% (twenty five
percent) of their portion of the Natural Gas production.

Paragraph (2)

The Government Regulation referred to in this provision shall contain among other things the
following basic substances: the conditions of domestic needs, implementation mechanism and
provisions on price, also the policy of providing incentive in connection with the implementation of a
Business Entity and/or Permanent Establishment obligation to deliver their share of the Crude Oil
and/or Natural Gas production.
Article 23

Paragraph (1)

Business License shall be license granted to a Business Entity by the Government in accordance with their respective authorities, to conduct Processing, Transportation, Storage and/or Trading activities, after meeting the necessary requirements.
In matters which concern the Regional interests, the Government shall issue a Business License after the relevant Business Entity obtained recommendation from the Regional Government.

Paragraph (2)

This provision is intended to make more effective supervision and control over the Business Entity engaging in the fields of Processing, Transportation, Storage, and/or Trading.
The Government shall be obligated to grant or refuse the application for Business License submitted by the Business Entity within a certain period of time in accordance with the prevailing laws and regulations.

Paragraph (3)

Self-explanatory

Article 24

Self-explanatory

Article 25

Paragraph (1)

Self-explanatory

Paragraph (2)

Based on considerations, among other things, that Downstream Business Activities concern commodities which affect the livelihood of the people at large and involve large investments, the Government and/or Regional Government in accordance with their respective authorities may provide opportunities for a Business Entity to rectify the violations it committed before its Business License is revoked.
Besides as the result of the occurrence of violations, revocation of Business License may also be effected upon the request of the respective Business License holder.

Article 26

Considering that in the activities of field Processing, Transportation, Storage and Selling of Oil and Gas in the context of the continuation of Exploration and Exploitation, the facilities developed are not intended to gain benefits and/or profit from the activities alone, no Business License shall be required.
This provision shall not be applicable in the event that facilities owned by a Business Entity or Permanent Establishment are used jointly with other parties by charging fees or rent in order to gain benefits and/or profits, therefore, the aforementioned Business Entity or Permanent Establishment shall be obligated to obtain a Business License.
Article 27

Paragraph (1)

The master plan stipulated by the Government shall be used as reference for investment in the development and construction of Natural Gas transmission and distribution network by interested Business Entities.

Paragraph (2)

This provision is intended to encourage fair business competition and to improve efficiency in the use of infrastructure as well as the quality of service. The division of segments for Transportation activities shall be conducted by taking into consideration the technical, economic, security and safety aspects.

Paragraph (3)

This provision is intended to encourage fair business competition and to improve efficiency in the use of infrastructures as well as the quality of service. The division of Trading area shall be conducted by taking into considerations the technical, economic, security and safety aspects.

Article 28

Paragraph (1)

This provision is intended to protect the interest of consumers, public health and the environment.

Paragraph (2)

Self-explanatory

Paragraph (3)

The Government may provide special assistance to substitute subsidy to certain consumers for the utilization of certain Petroleum Fuel. The Government establishes the pricing policy of Natural Gas or household and small consumers as well as other particular uses.

Article 29

Paragraph (1)

This provision is intended to provide opportunities for joint utilization with other parties of the facilities owned by a certain Business Entity based on a joint agreement in order to optimize the use of facilities and business efficiency in order to reduce distribution costs, especially in the case of a lack of Petroleum Fuel supply in an area and in a relatively remote area.

Paragraph (2)

Self-explanatory

Article 30

The Government Regulation which serves as the implementing regulation of these provisions shall include among other things the following basic substances: types of activities, procedure for the application and
implementation of Business License, standard and quality, obligation of a Business Entity, classification of violations, procedure for reprimands, postponement, suspension and revocation of Business License, and the authority of the Regional Government on business licensing.

Article 31

Paragraph (1)

Because the provisions contained in this Article are based on the understanding that the Upstream Business Activities consisting of Exploration and Exploitation are activities of extraction of non-renewable natural resources which serve as state assets, besides the obligation to pay taxes, import duties and other obligations, a Business Entity or a Permanent Establishment is obligated to remit Non Tax State Revenue comprising of state’s share, state levies, and bonuses.

Paragraph (2)

Letter a

Self-explanatory

Letter b

Self-explanatory

Letter c

In addition to regional taxes, a Business Entity or a Permanent Establishment is also obliged to pay regional retributions.

Paragraph (3)

Letter a

The state’s share shall be a portion of the production submitted by the Business Entity or Permanent Establishment to the state as the owner of the Oil and Gas resources.

Letter b

This provision shall be based on the understanding that the Business Entity or Permanent Establishment shall be obligated to pay a permanent contribution in accordance with the extent of the Operational Area as a compensation for the “opportunity” to conduct Exploration and Exploitation activities. Exploration and Exploitation contributions shall be imposed on Business Entities or Permanent Establishments as compensation for the extraction of non-renewable natural resources of Oil and Gas. State’s levies comprising the revenues of the Central Government constitute Non-Tax State Revenue (PNBP) in accordance with the provisions of the prevailing laws and regulations.

Letter c

Bonuses in this provision shall mean data bonus, signature bonus, and production bonus based on the achievement of a certain level of cumulative production.
Paragraph (4)

The provisions regulated by this Article are intended to allow a Business Entity or Permanent Establishment to choose the alternatives of taxation regulations to be applied in its Cooperation Contract. Such opportunity to select those alternatives provides a flexibility for the Business Entity or Permanent Establishment to select the tax regulations appropriate for the feasibility of its business, considering that Exploration and Exploitation activities are long-term businesses, which require large capital and of high-risk.

Paragraph (5)

The Government Regulation as the implementing regulation of this provision shall contain among other things the following basic substances: the arrangement on the amount of the state’s share based on the percentage of net production; and a state’s levies composed of fixed contribution per unit area of Operational Area; Exploration and Exploitation contributions per unit volume of production; bonuses and arrangement of certain requirements in the Cooperation Contract.

Paragraph (6)

“The sharing of which shall be determined in accordance with the prevailing laws and regulations” in this provision shall mean in accordance with the provisions of the Law concerning the Financial Appropriation between the Central Government and Regional Government.

Article 32

Since Downstream Business Activities in the form of Processing, Transportation, Storage, and Trading are not directly related to the extraction of non-renewable natural resources, they shall be subject to the obligation to pay taxes, import duties, and other obligations to the state similar to other industrial and/or commercial business activities in general.

Article 33

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

In principle, all Oil and Gas business activities conducted in a particular location requires a permit from a Government authority. However, for certain sites, before obtaining permit from the Government authority, prior approval is required from the community and/or the individual.

Letter a

Public places, public facilities and infrastructure as referred to in this provision shall mean the facilities provided by the Government in the interest of the public in general and have social function such as: roads, markets, cemeteries, parks and religious service places.
Paragraph (4)

Given that public places, public facilities and infrastructure, defence field and buildings constitute the facilities developed by the Government for the interest of the community or defence, the approval of relevant Government authorities shall be necessary, by taking into account the advice of the community.

With particular regard to cemeteries, sacred places and lands owned by customary communities, the approval from the local community shall be necessary prior to the issuance of approval by the competent Government authorities.

Article 34

Paragraph (1)

Self-explanatory

Paragraph (2)

Recognition in this provision shall mean recognition of the existence of customary rights of customary law based community in a region, so that the settlement shall be made through deliberations and consensus based on the relevant customary law.

Article 35

Self-explanatory

Article 36

Paragraph (1)

Considering that the right on an Operational Area does not include the right on the land surface, a Business Entity or a Permanent Establishment shall not automatically have the right to use the plots of land within its Operational Areas.

If a Business Entity intends to directly use the aforementioned plots of land, such right to use must be processed in accordance with the prevailing laws and regulations.

Paragraph (2)

Self-explanatory
Article 37

The Government Regulation as the implementation regulation of this provisions shall include among
other things the following basic substances: procedures for settlement or negotiations, rights and
obligations of each party, guideline on the amount of compensation and technical provisions on the
pattern of land use settlement.

Article 38

The development effected by the Government in the Oil and Gas business activities is based on the state’s
control on natural resources and production branches which control the livelihood of the people at large.

Article 39

Paragraph (1)

Letter a

The implementation of Government’s affairs as referred to in this provision shall cover among
other things: the dissemination of information, education and training, technological research and
development, increase of added value of products, application of standardization, award of
accreditation, development of suppporting industries/companies, development of small medium
business, utilization of domestic goods and services, maintenance of work safety and health,
perservation of living environment, creation of a conducive investment climate as well as
maintenance of security and order.

Letter b

Self-explanatory

Paragraph (2)

Self-explanatory

Article 40

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4)

This provision is intended to support and improve national capacity so that it be more competitive.
Paragraph (5)

“Also responsible for developing the local environment and community” in this provision shall mean the participation of the Business Entity or Permanent Establishment in developing and utilizing the potential and skills of the local community, by, among others, employing manpower in certain number and quality, as well as improving their living environment, to increase harmony between the Business Entity or Permanent Establishment and its surrounding community.

Paragraph (6)

The Government Regulation as the implementing regulation of this provision shall include substantial matters concerning the obligation of the Business Entity or Permanent Establishment as follows:

a. in the field of work safety and health, comprising the safety and health of workers, the condition and requirement of work place and environment, and installation and equipment standards;

b. in the field of environmental management, comprising the prevention and mitigation of environmental pollution, and the recovery from environmental damages during the period of and post Cooperation Contract.

Article 41

Self-explanatory

Article 42

Letter a

Self-explanatory

Letter b

Self-explanatory

Letter c

Self-explanatory

Letter d

Self-explanatory

Letter e

Self-explanatory

Letter f

Self-explanatory

Letter g

Self-explanatory

Letter h

In implementing this, attention shall still be given to the economic value on each project or related activity.
Letter I

The use of the expatriate manpower should address the valid procedures and requirements as needed.

Letter j

Self-explanatory

Letter k

Self-explanatory

Letter l

Self-explanatory

Letter m

Self-explanatory

Article 43

The Government Regulation as the implementing regulation of this provision shall include the substantial matters as set out in the elucidation of Article 39 paragraph (1) letter a.

Article 44

Self-explanatory

Article 45

Paragraph (1)

The state-owned legal entity as referred to in this provision has civil legal status and is a non-profit institution, which is professionally organized.

Paragraph (2)

The element of leadership in this stipulation shall mean the head and a vice head as well as the deputies. The experts are functionaries who are experts in their field.

Paragraph (3)

Consultation shall mean conducting test of the capability and appropriateness of a candidate head of the Implementing Body by the House of People’s Representatives of the Republic of Indonesia in this case the commission handling Oil and Gas.

Article 46

Paragraph (1)

This provision is intended for protecting the consumers interests on the continuity of Petroleum Fuel supply and distribution all over Indonesia.
Supervision on Natural Gas Transportation by pipeline shall be conducted for the purpose of optimization and to prevent the occurrence of monopoly on the utilization of transmission and distribution pipelines, and storage facilities by certain Business Entity.

Paragraph (2)

The Government shall be responsible for the availability of the supply and service as well as to avoid Petroleum Fuel scarcity throughout Indonesia.

Paragraph (3)

The utilization of the Transportation and Storage facilities of Petroleum Fuel as referred to in this stipulation is intended specifically for certain areas or remote areas where the market mechanism is not yet active, so that the available Transportation and Storage facilities need to be organized for usage to achieve an optimum condition and the lowest cost possible.

Household shall mean every consumer who uses the Natural Gas for household needs.

The transmission and distribution of Natural Gas business shall be regulated by the Regulatory Body as related to the business aspects of the Natural Gas transmission and distribution.

Paragraph (4)

Self-explanatory

Article 47

Paragraph (1)

Self-explanatory

Paragraph (2)

Professionals in this provision shall be those having the expertise, experience and knowledge required in the field of oil industry, environmental protection, law, economy, and social as well as having high integrity in conducting their duties and obligations.

Paragraph (3)

The Regulatory Body shall be independent, and considering that its duty and function concern the interests of the community as a whole, the appointment and dismissal thereof shall need to be approved by the House of People’s Representatives of the Republic of Indonesia.

Paragraph (4)

Considering that the duty and function of the Regulatory Body are directly related with the commodities that are extremely required by the public at large, and thus greatly affect the national economy and may induce widespread vulnerability among the public, and its regulation having a cross-sectoral nature, the Regulatory Body shall be accountable to the President.

Paragraph (5)

Self-explanatory
Article 48

Paragraph (1)

Every state revenue received from the Business Entity of Permanent Establishment conducting the Upstream Business Activities shall be directly deposited to the State Treasury. The Implementing Body in managing the Cooperation Contract with the Business Entity or Permanent Establishment, receives a fee as a management commission, which is received from the Government for its activities.

Paragraph (2)

The Regulatory Body’s Operational Budget, which originates from the Budget of State Income and Expenditure constitutes a start up capital for the Agency. From then of the Regulatory Body’s Operational Budget will be derived from fees received from Business Entities it regulates.

Article 49

Self-explanatory

Article 50

Self-explanatory

Article 51

Self-explanatory

Article 52

Self-explanatory

Article 53

Self-explanatory

Article 54

Self-explanatory

Article 55

Misuse as referred to in this provision shall mean the activities which are directed at personal or company profit by means detrimental to the people’s and country’s interests and include among others the activities of Petroleum Fuel mixing, Petroleum Fuel allocation deviation, Transportation and Selling of Petroleum Fuel outside the country.

Article 56

Self-explanatory

Article 57

Self-explanatory
Article 58

Self-explanatory

Article 59

Self-explanatory

Article 60

Letter a

The form of Limited Liability Company as referred to in this provision shall be the form of company as referred to in the Law concerning state-owned business entity.

Letter b

Self-explanatory

Letter c

Self-explanatory

Article 61

Letter a

Self-explanatory

Letter b

Cooperation Contract as referred to in this provision shall incorporate the obligation to pay the State the amount of which shall be in accordance with the provisions applicable to Pertamina Mining Authority Area all this time by incorporating the details in accordance with the provisions specified in CHAPTER V.

Article 62

Self-explanatory

Article 63

Letter a

In order to implement this provision, the amendment to the Cooperation Contract, which is related to the parties executing the contract shall be drawn up, without changing the condition and requirement of the contract.

Letter b

Self-explanatory

Letter c

Self-explanatory
Law of The Republic of Indonesia Number 22 of 2001

Letter d
Contracts, agreements or commitments as referred to in this provision shall be among other things the liquefied natural gas sales contract.

Letter e
Self-explanatory

Article 64

Letter a
State-owned business entities other than Pertamina engaging in Oil and Gas business activities shall be among others PT. Perusahaan Gas Negara (Persero) established by virtue of Government Regulation Number 37 of 1994.

Letter b
Self-explanatory

Letter c
Self-explanatory

Letter d
Self-explanatory

Article 65
Oil or gas as referred to in this provision shall be oil and gas resulting from a manufacturing process (not the natural process).

Article 66
Self-explanatory

Article 67
Self-explanatory

SUPPLEMENT TO THE STATE GAZETTE
OF THE REPUBLIC OF INDONESIA NUMBER 4152