

NEW REQUIREMENTS FOR UPSTREAM OIL AND GAS COOPERATION AGREEMENT BIDS

Nov 19, 2013

On 3 April 2013, the Special Oil and Gas Upstream Business Authority Unit (*Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi* – “**Authority**”) issued Decree No. KEP-0066/SKKO0000/2013/S0 on Amendments to Book Two of Guidelines No. 007-REVISIII/PTK/I/2011 on the Management of the

Supply Chains of Cooperation Agreement Contractors (“**Guidelines**”). In general, the Guidelines provide a more detailed explanation of the tender requirements and process. The major change under the Guidelines is with regard to the definitions. A domestic investment company is now defined as a company established in Indonesia at least 51% of the shares of which with the voting rights, dividend rights and controlling rights are owned by an Indonesian entity, BUMN, BUMD, regional government or the state and at least 2/3 of the members of its Board of Directors are local directors. The Authority now requires a written statement from the notary or legal consultant confirming the status of company as a domestic investment company in every Cooperation Agreement bid for oil and gas upstream businesses. The written statement must provide information on the ownership of shares in the company up to its ultimate shareholder. Another major point in the Guidelines is that tenders must be held in Indonesia and for Cooperation Agreement contractors in the production stage, a tender for work valued at up to IDR2,000,000,000,000 or USD200,000 must be held in the province where the contractor conducts its main operations.