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GENERAL  
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DEPARTMENT OF ENERGY AND MINERAL RESOURCES

**ACT OF THE REPUBLIC OF INDONESIA  
NUMBER : 22 OF 2001 ; DATED : NOVEMBER 23, 2001**

ON

**OIL AND NATURAL GAS**

WITH THE BLESSING OF THE ALMIGHTY GOD  
THE PRESIDENT OF THE REPUBLIC OF INDONESIA

- Considering** :
- a. that oil and natural gas are non-renewable natural resources which is controlled by the State and which constitute a vital commodity which controls the life of the people and plays an important role in the national economy, the management of which must be able to provide the maximum prosperity and welfare to the nation;
  - b. that the oil and natural gas business activities has an important role in providing a real added value to an everlasting, increasing and expanding national economic growth;
  - c. that Act number 44 Prp of 1960 on the Oil and Natural Gas Mining, Act Number 15 of 1962 the Determination of Government Regulation in lieu of Act Number 2 of 1962 on the Obligation of Oil Companies to Fulfill the Domestic Requirements, and Act Number 8 of 1971 on the State Owned Oil and Natural Gas Mining Company are no longer in line with and are incapable of accomodating the need for development in the oil and natural gas business.
  - d. that by still considering the national as well as international development the amendment of the legislative regulations on Oil and Natural Gas Mining must be able to create an independent, reliable, transparant, competitive and efficient oil and natural gas business which is environmental conservation oriented and stimulating the development of the national potential and role.
  - e. that on the basis of the considerations as referred to in letters a, b, c, and d, and as an implemntation of the provisions of Article 33 sub section (2) and sub section (3) of the 1945 Constitution and to provide a legal foundation for the steps of renewing and rearranging the execution of the oil and natural gas trade, it is necessary to lay down an Act on Oil and Natural Gas.

- Bearing in mind** :
- Article 5 sub section (1), Article 20 sub section (1), sub section (2) and sub section (4) and Article 33 sub section (2) and sub section (3) of the 1945 Constitutions as they have been amended with the Second Amendment on the 1945 Constitution;

With the approval of the  
**HOUSE OF PEOPLES REPRESENTATIVES OF THE REPUBLIC OF INDONESIA**  
**HAS DECIDED**

To lay down **THE ACT ON OIL AND NATURAL GAS**

**CHAPTER I**  
**GENERAL PROVISIONS**  
**Article 1**

In this act referred to as :

1. Natural Oil is a hydrocarbon which in the condition of the atmospheric pressure and temperature is in the form of a liquid or solid phase, including asphalt, mineral wax or ozocerite, and bitumen which is obtained from the mining process, but not including coal or other hydrocarbon sediments in solid form which is obtained from activities which are not related to the oil and natural gas business activities.
2. Natural Gas is a hydrocarbon which in the condition of the atmospheric pressure and temperature is in the form of a gas phase which is obtained from the process of mining oil and natural gas, including natural gas which is changed into a liquid to facilitate the transportation.
3. Oil and Natural Gas is Natural Oil and Natural Gas.
4. Fuel Oil is fuel originating and or processed from Natural Oil.
5. Mining Concession is the authority given to carry out Exploration and Exploitation activities.
6. General Survey is an activity which covers the collection, analysis and presentation of data which are connected with the information on geological conditions to estimate/ forecast the location and potential of Oil and Natural Gas Resources outside the Working Territory.
7. Upstream Business Activity is the business activity which covers Exploration and Exploitation.
8. Exploration is the activity which is aimed at obtaining information to find Oil and Natural Gas reserves in certain Working Territory.
9. Exploitation is an activity which is aimed to produce Oil and Natural Gas from a certain Working Territory, which consists of but is not limited to the drilling and completion of wells; the construction of transportation, storage means and field processing, including the processing of natural gas which is changed to become liquid.
10. Downstream Business Activity is a business activity which covers Processing, Transportation, Storage, and Trading.
11. Processing is the activity to purify, to obtain parts, to improve quality, and to increase the added value of Natural Oil and or Natural Gas, but not including field processing.

12. Transportation is the activity of moving Natural Oil, Natural Gas, and or the products of its processing from the Working Territory or accumulation and Processing places, including the transportation of Natural Gas through transmission pipes.
13. Storage is the activity of receiving, collecting, accumulation and release of Natural Oil and or Natural Gas.
14. Trading is the activity of purchasing, selling, exporting, importing Natural Oil and or Natural Gas and or the products of its processing, including the Trade of Natural Gas through distribution pipes.
15. Indonesian Mining Legal Territory is the entire territory of land, waters, and continental shelf of Indonesia.
16. Working Territory is a certain region within the Indonesian Mining Legal Territory for the execution of Exploration and Exploration.
17. Business Entity is any legal entity which carries on the type of business which is of a permanent and continuous nature and which is established in accordance with the applicable legislative regulations, and is working, domiciled within the territory of the Republic of Indonesia.
18. Permanent Establishment is a business entity which is established and is a legal entity outside the territory of the Republic of Indonesia and carries on its activities within the territory of the Republic of Indonesia.
19. Cooperation Contracts are all forms of contracts or cooperations in Explorations and Exploitations which can be used and is beneficial to the State.
20. Business Licence is a licence issued to to a Business Entity to carry out the Processing, Transportation, Storage and or Trade with the objective of obtaining a benefit and or profit.
21. Central Government, hereinafter called Government, is an instrument of the Unified State of the Republic of Indonesia consisting of the President and the Ministers.
22. Regional Administration is the Head of the Region together with the other instruments of the Autonomous Region as the Regional Executive Body.
23. Minister is the Minister whose field of duty and responsibility covers the Oil and Natural Gas business activities.

## **Article 2**

The execution of the Oil and Natural Business activities which are regulated in this Act is based on people's economy, benefit, justice, equilibrium, equal distribution, welfare, environmentally oriented, security and safety, and legal certainty.

## **Article 3**

The execution of the Oil and Natural Gas business activities has as objectives :

- a. to ensure that the Exploration and Exploitation is carried out and controlled efficiently, effectively and on a long term basis on the State owned natural resources which is

strategie and non-renewable;

- b. to ensure that the Processing, Transportation, Storage and Trade is carried out and controlled openly and transparently by leaving matters to the fair and sound business competition mechanism;
- c. to ensure the availability of Oil and Natural Gas, both as a source of energy and as raw material;
- d. to support and develop the growth of the national capability to compete at national, regional and international level;
- e. to improve the earning of the State to give the greatest contribution to the national economy, and to develop and strengthen the Indonesian industry and trade;
- f. to create employment opportunities, to improve the enviroment, to increase the welfare and prosperity of the nation.

**CHAPTER II  
COTROL AND MANAGEMENT  
Article 4**

The Oil and Natural gas business activities consist of :

- (1) Upstream Business Activities covering :
  - a. Exploration
  - b. Exploitation
- (2) Downstream business activities covering :
  - a. Processing;
  - b. Transportation;
  - c. Storage;
  - d. Trade.

**Article 5**

- (1) Oil and Natural Gas as a strategic natural resource contained within the Indonesian Mining Legal Territory constitutes a national wealth which is controlled by the State.
- (2) The Control by the State as referred to in sub section (1) is carried out by the Government as holder of the Mining Concession.
- 3) The Government as holder of the Mining Concession establishes an Executive Body as executor of the Mining Concession.

**Article 6**

- (1) The Upstream Business Activity as referred to in Article 4 figure 1 is carried out and controlled through a Coopera-tion Contract as referred to in Article 1 figure 19.
- (2) The Cooperation Contract as referred to in sub section (1) covers all forms of contracts or cooperations on the condition that the ownership of the natural resources reamains with

the Government up to the point of delivery.

#### **Article 7**

- (1) The Downstream Business Activities as referred to in Article 4 figure 2, is carried out by issuing a Business Licence as referred to in Article 1 figure 20.
- (2) The Downstream Business Activities as referred to in Article 4 sub section (2) is left to the reasonable and sound business competition mechanism.

#### **Article 8**

- (1) Fuel Oil which constitutes a vital commodity and controls the life of the people must be guaranteed as regards its availability by the Government throughout the territory of the Republic of Indonesia.
- (2) The Natural Gas Transportation business through pipes which concerns the interests of the public, the management should be arranged openly for all users.
- (3) The government is responsible for the regulation and control of the business activities as referred to in sub section (1) and sub section (2) which will be executed by the Regulating Body.

#### **Article 9**

- (1) The Upstream and Downstream Business Activities as referred to in Article 4 figure 1 and figure 2, may be carried out by a Business Entity which is in possession of the financial, technical and operational capabilities in the form of :
  - a. A State Owned Business Entity;
  - b. A Regional Owned Business Entity;
  - c. Cooperatives;
  - d. Private Business Entity.
- (2) Permanent Establishments are only permitted to carry out Upstream Business activities.

#### **Article 10**

- (1) Business Entities or Permanent Establishments which carries on Upstream Business Activities cannot carry out Down Stream Business Activities.
- (2) Business Entities carrying on Downstream Business Activities cannot carry out Upstream Business Activities.

### **CHAPTER III UPSTREAM BUSINESS ACTIVITIES**

#### **Article 11**

- (1) The Upstream Business Activities as referred to in Article 4 figure 1 is carried out by a Business Entity or Permanent Establishment based on a Cooperation Agreement with the Executive Body.

- (2) Each Cooperation Contract which has been signed must be conveyed to the House of Peoples' Representatives of the Republic of Indonesia.
- (3) The Cooperation Contract as referred to in sub section (1) must contain at least the main provisions, i.e. :
  - a. the State's revenues
  - b. the Working Territory and its repayment
  - c. the obligations to expend funds
  - d. the transfer of the right of title on Oil and Natural Gas
  - e. the period of time and conditions of the contract extension
  - f. settlement of disputes
  - g. the obligation to supply Natural Oil for domestic requirements
  - h. the expiry of the contract
  - i. post mining operations obligations
  - j. occupational safety and health
  - k. environmental management
  - l. transfer of rights and obligations
  - m. the required reporting
  - n. field development plans
  - o. to give priority to the use of domestic goods and services.

#### **Article 12**

- (1) The Working Territory which will be offered to the Business Entity or the Permanent Establishment shall be determined by the Minister.
- (2) The offer of the Working Territory as referred to in sub section (1) shall be carried out by the Minister.
- (3) The Minister shall determine the Business Entity of Permanent Establishment which has been given the authorization to carry out the Exploration and Exploitation business activities at the Working Territory as referred to in sub section (2).

#### **Article 13**

- (1) To each Business Entity or Permanent Establishment shall only be given 1 (one) Working Territory.
- (2) In case the Business Entity or Permanent Establishment operates in several Working Territories, a separate legal entity must be established for each Working Territory.

#### **Article 14**

- (1) The period of the Cooperation Contract as referred to in Article 11 sub section (1) shall be at the longest 30 (thirty) years.
- (2) The Business Entity or Permanent Establishment can always apply for an extension of the Cooperation Contract as referred to in sub section (1) may be carried out only 1 (one) time for a period of at the most 20 (twenty) years.

#### **Article 15**

- (1) The Cooperation Contract as referred to in Article 14 sub section (1) consists of a period of Exploration and a period of Exploitation.
- (2) The period of Exploration as referred to in sub section (1) shall be 6 (six) years and may be extended only 1 (one) time for a period of at the most 4 (four) years.

#### **Article 16**

The Business Entity or Permanent Establishment is obliged to return part of its Working Territory in phases or in its entirety to the Minister.

#### **Article 17**

When a Business Entity or Permanent Establishment which has obtained a first permission for a field expansion within a Working Territory does not carry out its activities within a period of at the longest 5 (five) years as from the expiry of the Exploration period, must return the entire Working Territory to the Minister..

#### **Article 18**

The guidelines, procedure and conditions concerning the Cooperation Contract, Xthe\$ determination and offering of the Working Territory, the extension of the Cooperation Contract, and the returning of the Working Territory as referred to in Article 11 through Article 17 shall be further regulated with a Government Regulation.

#### **Article 19**

- (1) To support the preparation of the Working Territory as referred to in Article 12 sub section (1), a General Survey is carried out by or with the permission of the Government.
- (2) The procedure and conditions of Execution of the General Survey as referred to in sub section (1) shall be further regulated with a Government Regulation.

#### **Article 20**

- (1) The data obtained from the General Survey and or the Exploration and Exploitation is the property of the State which is controlled by the Government.
- (2) The data obtained by the Business Entity or Permanent Establishment within its Working Territory may be used by the Business Entity or Permanent Establishment concerned during the period of the Cooperation Contract.
- (3) When the Cooperation Contract expires, the Business Entity or Permanent Establishment is obliged to deliver all data obtained during the Cooperation Contract to the Minister.
- (4) The confidentiality of the data obtained by the Business Entity or Permanent Establishment within the Working Territory shall apply during a certain period.
- (5) The Government regulates, manages, and uses the data referred to in sub section (1) and sub section (2) to plan the preparations for the opening of a Working Territory.

- (6) The implementation of the provisions on ownership, period of use, confidentiality, management and the use of data as referred to in sub section (1) through sub section (5), shall be further regulated with a Government Regulation.

#### **Article 21**

- (1) The plan for the development of a field which will produce for the first time within a Working Territory must obtain the approval of the Minister.
- (2) In developing and producing the Oil and Natural Gas field, the Business Entity or Permanent Establishment must carry out an optimization in accordance with the good technical norms.
- (3) The provisions on the field development, production of Oil and Natural Gas reserves and the provisions on the technical norms as referred to in sub section (1) and sub section (2) shall be further regulated with a Government Regulation.

#### **Article 22**

- (1) The Business Entity or Permanent Establishment must deliver at the most 25% (twenty five percent) of its portion of the Natural Oil production yield to fulfil the domestic needs.
- (2) The implementation of the provisions as referred to in sub section (1) shall be further regulated with a Government Regulation.

### **CHAPTER IV DOWNSTREAM BUSINESS ACTIVITIES**

#### **Article 23**

- (1) The Downstream Business Activities as referred to in Article 4 figure 2, may be carried out by the Business Entity after obtaining a Business Licence from the Government.
- (2) The Business Licence required for the Oil business activities and Natural Gas business activities as referred to in sub section (1) is differentiated into :
  - a. Business Licence for processing;
  - b. Business Licence for Transportation;
  - c. Business Licence for Storage;
  - d. Business Licence for Trading.
- (3) Each Business Entity may be given more than 1 (one) Business Licence as long as it is not in contradiction with the legislative regulations in force.

#### **Article 24**

- (1) The Business Licence as referred to in Article 23 shall at least contain :
  - a. the name of the organizer;
  - b. the type of business given
  - c. the obligations in organizing the management;
  - d. the technical conditions.
- (2) Each Business Licence which has been issued as referred to in sub section (1) can only be used in accordance with its designation.

#### **Article 25**

- (1) The Government may issue a written reprimand, suspend the activities, freeze the activities, or revoke the Business Licence as referred to in Article 24 based on :
  - a. the violation of one of the conditions mentioned in the Business Licence;
  - b. a repetition of the violation on the conditions of the Business Licence;
  - c. failure to fulfil the conditions laid down based on this Act.
- (2) Before the revocation of the Business Licence as referred to in sub section (1), the Government will give an opportunity to the Business Entity during a certain period within which to remedy the violation which has been committed or the fulfilment of the conditions which have been laid down.

#### **Article 26**

For the activities of field processing, transportation, storage, and the sale of its own production results as a continuation of the Exploration and Exploitation carried out by the Business Entity or Permanent Establishment, no separate Business Licence shall be required as referred to in Article 23.

#### **Article 27**

- (1) The Minister shall determine the national Natural Gas Transmission and Distribution Network Master Plan.
- (2) To a Business Entity holder of a Natural Gas Transportation Business Licence through a network of pipes a certain Transportation segment can only be given.
- (3) To a Business entity holder of a Natural Gas Trading Business Licence through pipes, only a certain Trading Territory can be given.

#### **Article 28**

- (1) Fuel Oil and certain processing yields which are marketed at home to fulfil the needs of the community must fulfil the standard and quality determined by the Government.
- (2) The price of Fuel Oil and the price of Natural Gas is left to the mechanism of a fair and sound business competition.

#### **Article 29**

- (1) In territories suffering from a scarcity of Fuel Oil and in remote regions, the facility of Transportation, and Storage including its supporting facilities, may be jointly used with another party.
- (2) The use of facilities as referred to in sub section (1) shall be regulated by the Regulating Body while still considering the technical and economical aspects.

#### **Article 30**

The provisions on the business of Processing, Transportation, Storage, and Trade as referred to in Article 23 through 29 shall be further regulated with a Government Regulation.

### **CHAPTER V STATE EARNINGS Article 31**

- (1) A Business Entity of Permanent Establishment which carries out an Upstream Business Activity as referred to in Article 11 sub section (1) must pay the State earnings which consists of tax and non/tax State earnings.
- (2) The State Earnings in the form of tax as referred to in sub section (1) consists of :
  - a. taxes;
  - b. import duties, and other levies on imports and excise;
  - c. regional tax.
- (3) The non-tax State earnings as referred to in sub section (1) consists of :
  - a. the portion of the State;
  - b. State levies in the form of fixed contributions and exploration and exploitation contributions;
  - c. bonus.
- (4) In the Cooperation Contract shall be determined that the obligations to pay tax as referred to in sub section (2) letter (a) shall be carried out in accordance with :
  - a. the provisions of the legislative regulations applicable in the field of taxation at the time the cooperation Contract is signed; or
  - b. the provisions of the legislative regulations applicable in the field of taxation.
- (5) The provisions on the determination of the amount of the State portion, the State levies, and bonus as referred to in sub section (3), and the procedure of its payment shall be further regulated with a Government Regulation.
- (6) *the non tax State earnings as referred to in sub section (3) constitute the earnings of the Central Government and the Regional Administration, the division of which shall be determined in accordance with the provisions of the legislative regulations in force.*

#### **Article 32**

A Business Entity which carries on a Downstream Business activity as referred to in Article 23 is obliged to pay tax, import duties and other levies on import, excise, regional tax and regional re-compense, and the other obligations in accordance with the provisions of the legislative regulations in force.

### **CHAPTER VI RELATIONSHIP BETWEEN THE OIL AND NATURAL GAS BUSINESS ACTIVITIES AND THE RIGHT ON LAND**

#### **Article 33**

- (1) The Oil and Natural Gas business activities as referred to in Article 4 shall be carried out within the Indonesian Mining Legal Territory.
- (2) The right on Working Territory does not cover the right on land at the surface of the earth.
- (3) The Oil and Natural Gas business activity cannot be carried out at :
  - a. burial place, a place considered sacred, public places, public means and infrastructure, natural preserves, cultural preserves, and land owned by the

- traditional community;
- b. defence fields and structures and land in the surrounding area;
- c. historical buildings and State sy, bols;
- d. buildings, residences or factories together with the yards around it;

except with the permission of the Government agency, the approval of the community, and individuals related with the said matter.

- (4) A Business Entity or Permanent Establishment intending to carry out its activities may move the building, public place, public means and infrastructure as referred to in sub section (3) letters a, and b, after first obtaining permission from the authorized Agency.

#### **Article 34**

- (1) In case the Business Entity or Permanent Establishment intends to use privately owned or State owned plots of land within its Working Territory, the Business Entity or Permanent Establishment concerned is obliged to first arrange a settlement with the holder of the right or the user of the land on State owned land, in accordance with the provisions of the legislative regulations in force.
- (2) The settlement as referred to in sub section (1) shall be carried out by deliberations and agreement by way of a sale-purchase, exchange, reasonable indemnification, recognition or any other form of indemnification to the holder of the right or the user of the land on State owned land.

#### **Article 35**

The holder of a right on land is obligated to permit a Business Entity or Permanent Establishment to carry out an Exploration and exploitation on the land concerned, when :

- a. before the activity is started, the Cooperation Contract or a legal copy thereof must first be shown, and the purpose or place where the activities will be carried out must be mentioned; and
- b. an exhaustive settlement must be carried out or a guarantee of the settlement must be given which is approved by the holder of the right on the land or the user of the land on State owned land must first be carried out as referred to in Article 34.

#### **Article 36**

- (1) In case a Business Entity or Permanent Establishment has been given a Working Territory, then to the plots of land which are directly used for the Oil and Natural Gas business activities and its security area, a will be given a utilization right in accordance with the provisions of the legislative regulations in force and must maintain and guard the said plot of land.
- (2) In case the granting of a Working Territory as referred to in sub section (1) covers a large are on State owned land, then the parts of the land which are not used for the Oil and Natural Gas business activities, may be given to another party by the Minister whose duties

and responsibilities cover the field of agrarian affairs or land affairs by giving priority to the local community after receiving a recommendation from the Minister.

#### **Article 37**

The provisions on the procedure for the settlement of the use of private owned land or State owned land as referred to in Article 35 shall further be regulated with a Government Regulation.

### **CHAPTER VII DEVELOPMENT AND SUPERVISION Part One Development Article 38**

The development of the Oil and Natural Gas business activities shall be carried out by the Government.

#### **Article 39**

- (1) The development as referred to in Article 38 covers :
  - a. the implementation of Government affairs in the field of the Oil and Natural Gas business activities;
  - b. the determination of the policies concerning the Oil and Natural Gas business activities based on the reserves and potential of the owned Oil and Natural Gas resources, the production capabilities, the domestic need for Fuel Oil and Natural Gas, the mastering of technology, the national capability, and development policy.
- (2) The execution of the development as referred to in sub section (1) shall be carried out transparently and fairly on the execution of the Oil and Natural Gas business activities.

#### **Article 40**

- (1) The Business Entity or Permanent Establishment guarantees the applicable standard and quality in accordance with the provisions of the legislative regulations in force and the application of the proper technical norms.
- (2) The Business Entity or Permanent Establishment guarantees the occupational safety and health and the environmental management and the adherence of the provisions of the legislative regulations in force in the Oil and Natural Gas business activities.
- (3) The environmental management as referred to in sub section (2) constitutes the prevention and overcoming of pollution and the restoration when an environmental damage has taken place, including the post mining operation obligations.
- (4) The Business Entity or Permanent Establishment which carries on Oil and Natural Gas business activities as referred to in Article 4 shall give priority to the transparent and competitive use of domestic goods, services, and engineering and design capabilities.

- (5) the Business Entity or Permanent Establishment which carries on Oil and Natural Gas business activities as referred to in Article 4 shall also be responsible for the development of the local community environment.
- (6) The provisions on occupational safety and health and the environmental management as referred to in sub sections (1) and (2) shall be further regulated with a Government Regulation.

**Part Two**  
**Supervision**  
**Article 41**

- (1) The responsibility for the supervisory activities on the work and the execution of the Oil and Natural Gas business on the adherence to the provisions of the legislative regulations in force lies with the department which field of duties and authority covers the Oil and Natural Gas business activities and the other related departments.
- (2) The supervision on the execution of the Upstream Business activity based on the Cooperation Contract shall be carried out by the Executive Body.
- (3) The supervision on the execution of the Downstream Business activity based on the Business Licence shall be carried out by the Regulating Body.

**Article 42**

The supervision as referred to in Article 41 sub section (1) covers :

- a. the conservation of the Oil and Natural Gas resources and reserves;
- b. the Oil and Natural Gas data management;
- c. the application of the proper technical norms;
- d. the types and quality of processing yields;
- e. occupational safety and health;
- f. the environmental management;
- g. the use of domestic goods, services, technology, and design and engineering capabilities;
- h. the use of foreign manpower;
- i. the development of Indonesian manpower;
- j. development of the environment of the local community;
- k. the mastery, development, and application of Oil and Natural Gas technology;
- l. other activities in the field of the Oil and Natural Gas business activities as long as it concerns the public interest.

**Article 43**

Further provisions concerning the development and supervision as referred to in Article 38, Article 39, Article 41 and Article 42 shall be further regulated with a Government Regulation.

- 8) The committee draws up the Official Report on the Results of Clarification/ Negotiation accompanied by a statement from the consultant concerning whether or not an agreement has been reached and reported to the authorized official.

I. Determination .....  
To be continue

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G E N E R A L  
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**ACT OF THE REPUBLIC OF INDONESIA  
NUMBER : 22 OF 2001 ; DATED : NOVEMBER 23, 2001**

ON

**OIL AND NATURAL GAS**

(Continuation From Warta CAFI No. 05)  
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**CHAPTER VIII  
EXECUTIVE BODY AND REGULATING BODY  
Article 44**

- (1) The supervision on the execution of the Cooperation Contract on Upstream Business Activities as referred to in Article 4 figure 1 shall be carried out by the Executive Body as referred to in Article 5 sub section (3).
- (2) The function of the Executive Body as referred to in sub section 1 is to carry out the supervision on the Upstream Business Activities in order that the taking of the Oil and Natural Gas natural resources owned by the State can give the maximum benefit and earnings to the State for the largest welfare of the people.
- (3) The duties of the Executive Body as referred to in sub section (1) are:
- a. to sign the Cooperation Contract;
  - b. to study and submit the plan of field development which will be produced for the first time within a Working Territory to the Government to obtain its approval;
  - c. to give an approval on the field development plan other than as referred to in letter b;
  - d. to give an approval on the working and budget plan;
  - e. to monitor and report to the Minister the execution of the Cooperation Contract;
  - f. to appoint an Oil or Gas seller for the portion of the State.

**Article 45**

- (1) The personnel of the Executive Body as referred to in Article 5 sub section (3) consists of experts in the field of Oil and Natural Gas.
- (2) The Head of the Executive Body shall be appointed and dismissed by the President.

- (3) The establishment of the Executive Body as referred to in Article 5 sub section (3) shall be determined with a Decree of the President.
- (4) the Head of the Executive Body as referred to in sub section is (3) responsible to the President.

#### **Article 46**

- (1) The supervision on the supply of Fuel Oil and the Transportation of Natural Gas through pipes shall be carried out by the Regulating Body as referred to in Article 8 sub section (3).
- (2) The function of the Regulating Body as referred to in sub section (1) is to regulate that the availability of Fuel Oil which is determined by the Government can be guaranteed throughout Indonesia and to increase the domestic use of Natural Gas.
- (3) The duties of the Regulating Body as referred to in sub section (1) cover the regulation, determination and execution of :
  - a. Natural Gas transportation tariff
  - b. the price of Natural Gas for household and small size customers
  - c. the Natural Gas transmission and distribution management
  - d. the availability of Fuel Oil
  - e. the National Fuel Oil Reserve
  - f. the use of the facilities for the Transportation, and Storage of Fuel Oil
- (4) The duties of the Regulating Body as referred to in sub section (1) also cover the duties of supervision in the fields as mentioned in sub section (3).

#### **Article 47**

- (1) The structure of the Regulating Body as referred to in Article 8 sub section (1) consists of a Committee and Departments.
- (2) The Committee as referred to in sub section (1) consists of 1 (one) Chairperson concurrently member and 4 (four) members originating from professionals.
- (3) The Chairperson and members of the Regulating Body Committee as referred to in sub section (1) are appointed and dismissed by the President after obtaining the approval of the House of People's Representatives of the Republic of Indonesia.
- (4) The Regulating Body as referred to in Article 8 sub section (3) is responsible to the President.
- (5) The establishment of the Regulating Body as referred to in Article 8 sub section (3) shall be determined with a Decree of the President.

#### **Article 48**

The operational budget of the Executive Body and the Regulating Body as referred to in Article 5 sub section (3) and Article 8 sub section (3) shall be charged to the State Revenue and Expenditures Budget.

**Article 49**

The provisions concerning the structure of organization, status, function, duties, personnel, authority and responsibility and the working mechanism of the Executive Body and the Regulating Body as referred to in Article 41 through Article 48 shall be further regulated with a Government Regulation.

**CHAPTER IX  
INVESTIGATION  
Article 50**

- (1) In addition to Investigating Officials of the State Police of the Republic of Indonesia, certain Civil Servant Officials within the department which scope of duties and responsibility covers the Oil and Natural Gas business activities, shall be given a special authority as Investigator as referred to in Act Number 8 of 1981 on the Law of Criminal Procedure, to carry out an investigation on crimes in the Oil and Natural Gas business activities.
- (2) The Civil Servant Investigator as referred to in sub section (1) is authorized :
  - a. to carry out an examination on the correctness of a report or information concerning a crime in the Oil and Natural Gas business activity;
  - b. to carry out an examination on persons and bodies who/which are suspected of having committed a crime in the Oil and Natural Gas business activity;
  - c. to call a person to be heard and examined as a witness or suspect in a crime in the Oil and Natural Gas business activity;
  - d. to carry out a search at the place which is suspected to have been used to commit a crime in the Oil and Natural Gas business activity;
  - e. to examine the means and infrastructure for the Oil and Natural Gas business activity and to discontinue the use of the equipment which is suspected to have been used to commit a crime;
  - f. to seal up and or confiscate the equipment used in the Oil and Natural Gas business activity to commit a crime as evidence;
  - g. to invite experts which are needed in connection with the examination of a crime in the Oil and Natural Gas business activity;
  - h. to discontinue the examination of a crime in the Oil and Natural Gas Business activity.
- (3) The Civil Servant Investigating Official as referred to in sub section (1) informs the commencement of an investigation of a crime to the Investigator of the State Police of the Republic of Indonesia in accordance with the provisions of the applicable legislative regulations.
- (4) The investigator as referred to in sub section (1) is obliged to discontinue the investigation in the event that the incident as referred to in sub section (2) letter a does not have any proof and or the incident does not constitute a crime.
- (5) The exercise of authority as referred to in sub section (2) shall be carried out in accordance with the provisions of the applicable legislative regulations.

**CHAPTER X  
CRIMINAL PROVISIONS  
Article 51**

- (1) Whoever carries out a General Survey as referred to in Article 19 sub section (1) without right, shall be subject to imprisonment of at the most 1 (one) year or a fine of at the most Rp 10,000,000,000.00 (ten billion rupiah).
- (2) Whoever sends or delivers or transfers data as referred to in Article 20 without right in any form whatsoever, shall be subject to imprisonment of at the most 1 (one) year or a fine of at the most Rp 10,000,000,000.00 (ten billion rupiah).

#### **Article 52**

Whoever carries out an Exploration and or Exploitation without being in possession of a Cooperation Contract as referred to in Article 11 sub section (1), shall be subject to imprisonment of at the most 6 (six) years and a fine of at the most Rp 60,000,000,000.00 (sixty billion rupiah).

#### **Article 53**

Whoever carries out :

- a. Processing as referred to in Article 2 without a Processing Business Licence, shall be subject to imprisonment of at the most 5 (five) years and a fine of at the most Rp 50,000,000,000.00 (fifty billion rupiah);
- b. The transportation as referred to in Article 23 without a Transportation Business Licence, shall be subject to imprisonment of at the most 4 (four) years and a fine of at the most Rp 40,000,000,000.00 (forty billion rupiah);
- c. The storage as referred to in Article 23 without a Storage Business Licence, shall be subject to imprisonment of at the most 3 (three) years and a fine of at the most Rp 30,000,000,000.00 (thirty billion rupiah);
- d. Trade as referred to in Article 23 without a Trading Business Licence, shall be subject to imprisonment of at the most 3 (three) years and a fine of at the most Rp 30,000,000,000.00 (thirty billion rupiah).

#### **Article 54**

Whoever intentionally imitates or falsifies Fuel Oil and Natural Gas and the other Processing Yields as referred to in Article 29 shall be subject to imprisonment of at the most 6 (six) years and a fine of at the most Rp 60,000,000,000.00 (sixty billion rupiah).

#### **Article 55**

Whoever intentionally carries out the transportation and or trade in Fuel Oil which is subsidized by the Government outside the Indonesian legal territory shall be subject to imprisonment of at the most 6 (six) years and a fine of at the most Rp 60,000,000,000.00 (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, then the prosecution and sentencing shall be imposed on the Business Entity or Permanent Establishment and or it

management.

- (2) In the event that the crime is committed by a Business Entity or a Permanent Establishment, then the sentence imposed on the Business Entity or the Permanent Establishment concerned shall be a fine, on the condition that at the most it will be a fine plus one third.

#### **Article 57**

- (1) The criminal act as referred to in Article 52 through Article 55 shall be a crime.
- (2) The criminal act as referred to in Article 51 shall be a violation.

#### **Article 58**

Apart from the criminal provisions as referred to in this Chapter, as an additional sentence is the revocation of the rights or the confiscation of the goods used for or obtained from the crime committed in the Oil and Natural Gas business activity.

### **CHAPTER XI TRANSITIONAL PROVISIONS**

#### **Article 59**

At the time this Act comes into force :

- a. Within a period of at the most 1 (one) year, an Executive Body shall be established.
- b. Within a period of at the most 2 (two) years, a Regulating Body shall be established.

#### **Article 60**

At the time this Act comes into force :

- a. Within a period of at the most 2 (two) years, the form of Pertamina shall be transferred into a "Perusahaan Perseroan (Persero)" with a Government Regulation.
- b. As long as the "Persero" as referred to in sub section (1) has not been established, Pertamina is obliged to carry on the Oil and Natural Gas business activities, to regulate and manage the assets, personnel and the other required important matters.
- c. At the time of the establishment of the new "Persero", the obligations of Pertamina as referred to in letter b, must be transferred to the "Persero" concerned.

#### **Article 61**

At the time this Act comes into force :

- a. Pertamina must continue to carry out its duty and function of development and supervision on the management of the Exploration and Exploitation contractors including the Production Sharing Contract Contractors until the establishment of the Executive Body;
- b. At the time of the establishment of the Persero as a replacement of Pertamina, said State Owned Business Entity must enter into a Cooperation Contract with the Executive Body to continue the Exploration and Exploitation at the former Mining Concession Territory of Pertamina and is considered to have obtained the required Business Licence

as referred to in Article 24 for the business of Processing, Transportation, Storage and Trading.

#### **Article 62**

At the time this Act comes into force :

- a. Pertamina must continue the duty of supplying and service of Fuel Oil for the domestic requirements up to a period of 2 (two) years at the most or until the Persero as replacement of Pertamina has been established.
- b. Fuel Oil which is still subsidized is not permitted to be transported and or marketed outside the legal territory of Indonesia.

#### **Article 63**

At the time this comes into force :

- a. At the time of the establishment of the Executive Body, all rights, obligations, and consequences which arise from a Production Sharing Contract between Pertamina and another party will be transferred to the Executive Body.
- b. At the time of the establishment of the Executive Body, the other Contracts which are related to the contracts as mentioned in letter a between Pertamina and the other party will be transferred to the Executive Body.
- c. All contracts as referred to in letters a and b shall be declared to remain in force until the enpiry of the contract concerned.
- d. The rights, obligations, and consequences which arise from the contract, agreement of treaty other than as referred to in letter a and letter b, must still be carried out by Pertamina until the establishment of the new "Persero" which is established for that purpose and is transferred to said "Persero".
- e. The negotiations between Pertamina and the other party in the framework of the cooperation in Exploitation and Exploitation shall be transferred to the Minister.

#### **Article 64**

At the this time Act comes into force :

- a. The State Owned Business Entity other than Pertamina which carries on an Oil and Natural Gas business activity is considered to have obtained a Business Licence as referred to in Article 23.
- b. The development which at the time this Act comes into force is being carried out by the State Owned Business Entity as referred to in letter a, must still be carried out by the State Owned Business Entity concerned.
- c. Within a period of at the most 1 (one) year the State Owned Business Entity as referred to in letter a, is obliged to establish a Business Entity for its business activities in accordance with the provisions of the Act.

- d. The contract or agreement between the State Owned Business Entity as referred to in letter a with another party shall remain valid until the expiry of the period of the contract or agreement concerned.

**CHAPTER XII**  
**CONCLUDING PROVISIONS**  
**Article 65**

- (1) With the coming into force of this Act, declared no longer valid are :
- a. Act Number 44 Prp of 1960 on the Oil and Natural Gas Mining (State Gazette of 1960 Number 133, Supplement to the State Gazette Number 2070);
  - b. Act Number 15 of 1962 on the Determination of Government Regulation in Lieu of Act Number 2 of 1962 on the Obligation of the Oil Company to fulfil the Domestic Needs (State Gazette of 1962 Number 80, Supplement to the State Gazette Number 2505);
  - c. Act Number 8 of 1971 on the State Owned Oil and Natural Gas Mining Company (State Gazette of 1971 Number 76, Supplement to the State Gazette Number 2971) together with all its amendments, the last with Act Number 10 of 1974 (State Gazette of 1974 Number 3045);
- (2) All executive regulations of Act Number 44 Prp of 1960 on Oil and Natural Gas Mining (State Gazette of 1960 Number 133, Supplement to the State Gazette Number 2070) and Act Number 8 of 1971 on State Owned Oil and Natural Gas Mining Company (State Gazette of 1971 Number 76, Supplement to the State Gazette Number 2971) are declared to remain in force insofar as they are not in contradiction with or have not been replaced by a new regulation based on this act.

**Article 66**

This act comes into force on the day of its promulgation.

In order that everyone shall take cognizance of this, the promulgation of this Act is hereby ordered by its placement in the State Gazette of the Republic of Indonesia.

EXECUTED IN : JAKARTA  
ON : NOVEMBER 23, 2001  
THE PRESIDENT OF THE REPUBLIC OF INDONESIA  
signed  
MEGAWATI SOEKARNOPUTRI

PROMULGATED IN JAKARTA  
signed  
STATE SECRETARY OF THE REPUBLIC OF INDONESIA

**STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2001 NUMBER 136**

ELUCIDATION .....  
To be continue