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By: MINISTER OF ENERGY AND MINERAL RESOURCES OF THE  
REPUBLIC OF INDONESIA (MESDM)

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Title: PROVISIONS AND PROCEDURES ON DETERMINATION OF  
ALLOCATION AND UTILIZATION AS WELL AS PRICE OF NATURAL  
GAS

BY THE GRACE OF THE ALMIGHTY GOD

MINISTER OF ENERGY AND MINERAL RESOURCES OF THE REPUBLIC OF  
INDONESIA,

Considering:

- a. whereas the utilization of natural gas as non-renewable natural resources needs to be regulated continuously through policy on determination of allocation and utilization as well as price for the purpose supporting the security and independence of national energy for the greater prosperity of public;
- b. whereas in the framework of implementing the matters as referred to in letter a as well as to improve the optimization of utilization of Natural Gas, it is necessary to revise provisions of Regulation of the Minister of Energy and Mineral Resources Number 37 Year 2015 regarding Provisions and Procedures on Determination of Allocation and Utilization as well as Price of Natural Gas;
- c. whereas based on the considerations as referred to in letter a and letter b as well as to implement the provisions of Article 47, Article 48, Article 50, Article 86 and Article 87 of Government Regulation Number 35 Year 2004 regarding Upstream Oil and Natural Gas Business Activities as has been amended twice and the latest by Government Regulation Number 55 Year 2009, it is necessary to stipulate Regulation of the Minister of Energy and Mineral Resources regarding Provisions and Procedures on Determination of Allocation and Utilization as well as Price of Natural Gas;

In view of:

1. Law Number 22 Year 2001 regarding Oil and Natural Gas (State Gazette of the Republic of Indonesia Year 2001 Number 136, Supplement to the State Gazette of the Republic of Indonesia Number 4152);
2. Law Number 30 Year 2007 regarding Energy (State Gazette of the Republic of Indonesia Year 2007 Number 96, Supplement to the State Gazette of the Republic of Indonesia Number 4476);
3. Government Regulation Number 35 Year 2004 regarding Upstream Oil and Natural Gas Business Activities (State Gazette of the Republic of Indonesia Year

2004 Number 123, Supplement to the State Gazette of the Republic of Indonesia Number 4435) as has been amended twice and the latest by Government Regulation Number 55 Year 2009 (State Gazette of the Republic of Indonesia Year 2009 Number 128, Supplement to the State Gazette of the Republic of Indonesia Number 5047);

4. Government Regulation Number 36 Year 2004 regarding Downstream Oil and Natural Gas Business Activities (State Gazette of the Republic of Indonesia Year 2004 Number 124, Supplement to the State Gazette of the Republic of Indonesia Number 4436) as has been amended by Government Regulation Number 30 Year 2009 (State Gazette of the Republic of Indonesia Year 2009 Number 59, Supplement to the State Gazette of the Republic of Indonesia Number 4996);
5. Government Regulation Number 79 Year 2010 regarding Recoverable Operating Costs and Treatment for Income Tax in the Field of Upstream Oil and Natural Gas Business (State Gazette of the Republic of Indonesia Year 2010 Number 139, Supplement to the State Gazette of the Republic of Indonesia Number 5173);
6. Presidential Regulation Number 95 Year 2012 regarding Transfer of Implementation of Duties and Function of Upstream Oil and Natural Gas Business Activities (State Gazette of the Republic of Indonesia Year 2012 Number 226);
7. Presidential Regulation Number 9 Year 2013 regarding Organization of Management of Upstream Oil and Natural Gas Business Activities (State Gazette of the Republic of Indonesia Year 2013 Number 24);
8. Presidential Regulation Number 68 Year 2015 regarding Ministry of Energy and Mineral Resources (State Gazette of the Republic of Indonesia Year 2015 Number 132);
9. Regulation of the Minister of Energy and Mineral Resources Number 19 Year 2009 regarding Natural Gas Business Activities through Pipelines (Official Gazette of the Republic of Indonesia Year 2009 Number 274);
10. Regulation of the Minister of Energy and Mineral Resources Number 18 Year 2010 regarding Organization and Work Mechanisms of the Ministry of Energy and Mineral Resources (Official Gazette of the Republic of Indonesia Year 2010 Number 552) as has been amended twice and the latest by Regulation of the Minister of Energy and Mineral Resources Number 30 Year 2014 (Official Gazette of the Republic of Indonesia Year 2014 Number 1725);

HAS DECIDED:

To stipulate: REGULATION OF THE MINISTER OF ENERGY AND MINERAL RESOURCES REGARDING PROVISIONS AND PROCEDURES ON DETERMINATION OF ALLOCATION AND UTILIZATION AS WELL AS PRICE OF NATURAL GAS.

## CHAPTER I GENERAL PROVISION

## Article 1

In this Minister Regulation, referred to as:

1. Natural Gas shall be product of natural process in the form of hydrocarbon in pressurized condition and atmospheric temperature in the form of gas phase acquired from Oil and Natural Gas mining process including Non-Conventional Natural Gas and Flare Gas.
2. Non-Conventional Natural Gas shall be Natural Gas that is exploited from the reservoir of formation of Natural Gas with low permeability such as shale gas, tight sand gas, coal methane gas, and methane hydrate by using particular technology such as fracturing.
3. Flare Gas shall be gas produced from exploration activities and production or processing of Oil or Natural Gas that is burnt and cannot be handled by the existing production or processing facilities so that it is unutilized.
4. Impurities Gas shall be non-hydrocarbon compound contained in Natural Gas which is the by-product produced by exploration activities and production or processing of Oil or Natural Gas.
5. Working Area shall be a particular area within the Indonesian Mining Jurisdiction for the implementation of exploration and exploitation.
6. Natural Gas Buyer shall be an enterprise holding Commercial Business Permit of Natural Gas or consumer of Natural Gas.
7. Contractor shall be an enterprise or permanent business form designated to carry out exploration and exploitation in a Working Area based on production sharing contract with the Special Task Force for Upstream Oil and Natural Gas Business Activities.
8. Allocation of Natural Gas shall be a particular volume of Natural Gas that will be provided to fulfill the domestic and/or export demands within a particular period.
9. Utilization of Natural Gas shall be activity involving the use of Natural Gas to meet the demands for fuel, raw material, and/or other purpose.
10. Indonesian Natural Gas Balance shall be estimated domestic demands and supplies of Natural Gas for a particular period.
11. Field Economies shall be economic benefit from field development activities in a Working Area that will generate optimum state revenues and will provide sufficient income for the Contractor.
12. Household shall be Natural Gas consumer for own use (end consumer) with the amount of usage of Natural Gas up to 50 m<sup>3</sup>/month.
13. Small Customer shall be Natural Gas consumer for own use (end consumer) with the amount of usage of Natural Gas up to 1000 m<sup>3</sup>/month.
14. Natural Gas Based Industry shall be industry that utilizes Natural Gas as raw material and/or fuel that cannot be replaced by other fuel.

15. Minister shall be minister that organizes Governmental affairs in the field of Oil and Natural Gas.
16. Ministry shall be ministry that has the duties of organizing Governmental affairs in the field of energy and mineral resources to assist the President in state Administration.
17. Director General shall be Director General who has the duties to formulate as well as implement policy and technical standardization in the field of Oil and Natural Gas.
18. Special Task Force for Upstream Oil and Natural Gas Business Activities, hereinafter referred to as SKK Migas, shall be the executive controlling organization of upstream business activities in the field of Oil and Natural Gas based on production sharing contract under the development, coordination, and supervision of the Minister.
19. State Owned Enterprise shall be an Enterprise which capital is owned party or wholly by the state through direct investment that is derived from the segregated state assets.
20. State Owned Enterprise Engaged in the Field of Strategic Industry shall be State Owned Enterprise engaging in industrial sector which affect the lives of many people, increasing or generating added value of strategic natural resources, or are related to the purpose of state defense and security for the purpose of the fulfillment of duties of state Government.
21. Regional Owned Enterprise shall be an Enterprise which capital is owned party or wholly owned by Regional Government with its administrative territory covering the corresponding Working area.

## CHAPTER II POLICY ON ALLOCATION AND UTILIZATION OF NATURAL GAS

### Article 2

- (1) Determination of Policy on Allocation and Utilization of Natural Gas shall be aimed to guarantee the efficiency and effectiveness of availability of Natural Gas to meet domestic demands that are oriented to the benefit of Natural Gas.
- (2) Minister shall determine policy on Allocation and Utilization of Natural Gas as referred to in paragraph (1) by ensuring that the domestic demands can be fulfilled to optimum extent.
- (3) Policy on Allocation and Utilization of Natural Gas as referred to in paragraph (2) shall be set forth based on National Energy Policy as well as by taking into account:
  - a. public interests;
  - b. national interests;
  - c. Indonesian Natural Gas Balance;

- d. reserve and market opportunity of Natural Gas;
  - e. existing infrastructure and included in the planning in accordance with Master Plan of Transmission and Distribution Network of National Natural Gas; and/or
  - f. Field Economies from Oil and Natural Gas reserve to be allocated.
- (4) Indonesian Natural Gas Balance as referred to in paragraph (3) letter c shall be set forth by the Minister every year.

### Article 3

- (1) Minister shall stipulate the Allocation and Utilization of Natural Gas as well as Price of Natural Gas for domestic and/or export demands.
- (2) Natural Gas as referred to in paragraph (1) shall be derived from Natural Gas that is produced by the Contractor in Upstream Oil and Natural Gas Business Activities.

### Article 4

In the framework of supporting the fulfillment of Natural Gas for domestic demands as referred to in Article 3, Minister may determine policy on supply of Natural Gas derived from import.

## CHAPTER III DETERMINATION OF ALLOCATION AND UTILIZATION AS WELL AS PRICE OF NATURAL GAS

### Part One Allocation and Utilization of Natural Gas for Domestic Demands

### Article 5

Determination of Allocation and Utilization of Natural Gas for domestic demands as referred to in Article 3 paragraph (1) shall be implemented with order of priority of Allocation and Utilization of Natural Gas to:

- a. support Government program for the supply of Natural Gas for transportation, Household, and Small Customer;
- b. improve production of national Oil and Natural Gas;
- c. fertilizer industry;
- d. Natural Gas Based Industry;
- e. supply of electricity; and
- f. industries that use Natural Gas as fuel.

### Article 6

- (1) Allocation and Utilization of Natural Gas for transportation as referred to in Article 5 letter a shall be stipulated as an effort of fuel diversification for transportation sector.
- (2) Allocation and Utilization of Natural Gas as referred to in paragraph (1) may be given to:
  - a. State Owned Enterprise that has been assigned to supply and distribute Natural Gas by the Minister;
  - b. Regional Owned Enterprise that is located in Oil and Natural Gas producing area; or
  - c. enterprise holding Commercial Business Permit which engages in the field of Gas Fuel supply for transportation.
- (3) Allocation and Utilization of Natural Gas as referred to in paragraph (2) cannot be commercialized other than to end users or holder of Gas Fuel Commercial Business Permit.

#### Article 7

- (1) Allocation and Utilization of Natural Gas for Household and Small Customer as referred to in Article 5 letter a shall be stipulated as an effort of fuel diversification for Household and Small Customer.
- (2) Allocation and Utilization of Natural Gas as referred to in paragraph (1) may be given to:
  - a. State Owned Enterprise that has been assigned to supply and distribute Natural Gas by the Minister;
  - b. Regional Owned Enterprise that develops Natural Gas network for Household and Small Customer;
  - c. Regional Owned Enterprise that is located in Oil and Natural Gas producing area; or
  - d. enterprise holding Commercial Business Permit which engages in the field of gas supply for Household and Small Customer.
- (3) Allocation and Utilization of Natural Gas as referred to in paragraph (2) cannot be commercialized other than for Household and Small Customer.

#### Article 8

Allocation and Utilization of Natural Gas to increase national production of Oil and Natural Gas as referred to in Article 5 letter b shall be stipulated as an effort to improve Oil and Natural Gas production in supporting the availability of National Oil and Natural Gas.

#### Article 9

- (1) Allocation and Utilization of Natural Gas for fertilizer industry as referred to in Article 5 letter c shall be designated for Natural Gas used as raw material for fertilizer manufacturing in maintaining the availability of domestic fertilizer.
- (2) Allocation and Utilization of Natural Gas as referred to in paragraph (1) shall be prioritized to State Owned Enterprise assigned to fulfill the demand for supply of subsidized fertilizer.

#### Article 10

- (1) Allocation and Utilization of Natural Gas for Natural Gas Based Industry as referred to in Article 5 letter d shall be stipulated in the framework of supporting the improvement of domestic industries competitiveness.
- (2) Allocation and Utilization of Natural Gas as referred to in paragraph (1) may be given to:
  - a. State Owned Enterprise engaged in the field of Oil and/or Natural Gas that sells Natural Gas to Natural Gas Based Industry;
  - b. Regional Owned Enterprise that is located in Oil and Natural Gas producing area and sells Natural Gas to Natural Gas Based Industry in its territory;
  - c. Liquefied Petroleum Gas Processing Enterprise that uses Natural Gas as raw material;
  - d. Natural Gas based enterprise that uses Natural Gas as raw material; or
  - e. enterprise holding Commercial Business Permit that sells Natural Gas to Natural Gas Based Industry.
- (3) Allocation and Utilization of Natural Gas as referred to in paragraph (2) letter a, letter b, and letter e cannot be commercialized other than to Natural Gas Based Industry.
- (4) In the event that portion of Allocation and Utilization of Natural Gas as referred to in paragraph (3) cannot be distributed yet to Natural Gas Based Industry, Allocation of Natural Gas will be re-evaluated by the Minister.

#### Article 11

- (1) Allocation and Utilization of Natural Gas for the supply of electricity as referred to in Article 5 letter e shall be stipulated as an effort for the fulfillment of supply of domestic electricity.
- (2) Allocation and Utilization of Natural Gas as referred to in paragraph (1) may be given to:
  - a. State Owned Enterprise assigned to fulfill the supply of electricity to meet the need of power plant;
  - b. Regional Owned Enterprise that is located in Oil and/or Natural Gas producing area holding Electric Power Supply Business Permit;

- c. State Owned Enterprise engaged in the field of Oil and/or Natural Gas that sells Natural Gas to enterprise holding Electric Power Supply Business Permit;
  - d. Regional Owned Enterprise that is located in Oil and Natural Gas producing area and sells Natural Gas to enterprise holding Electric Power Supply Business Permit;
  - e. enterprise holding Electric Power Supply Business Permit that uses Natural Gas as power plant fuel; or
  - f. enterprise holding Commercial Business Permit that sells Natural Gas to enterprise holding Electric Power Supply Business Permit.
- (3) Allocation and Utilization of Natural Gas as referred to in paragraph (2) letter c, letter d, and letter f cannot be commercialized other than to enterprise holding Electric Power Supply Business Permit.
- (4) In the event that portion of Allocation and Utilization of Natural Gas as referred to in paragraph (3) cannot be distributed yet to enterprise having Electric Power Supply Business Permit, Allocation of Natural Gas may be sold to enterprise holding other Commercial Business Permit provided that:
- a. it owns/controls the pipeline infrastructure to end users;
  - b. it can be sold only to end users; and
  - c. it is sold at fair price

#### Article 12

- (1) Allocation and Utilization of Natural Gas for industries that use Natural Gas as fuel as referred to in Article 5 letter f shall be determined as an effort to support the improvement of domestic industries competitiveness.
- (2) Allocation and Utilization of Natural Gas as referred to in paragraph (1) may be given to:
- a. State Owned Enterprise engaged in the field of Strategic Industry that uses Natural Gas as fuel;
  - b. State Owned Enterprise engaged in the field of Oil and/or Natural Gas that sells Natural Gas to industries that use Natural Gas as fuel;
  - c. Regional Owned Enterprise that is located in Oil and Natural Gas producing area and sells Natural Gas to industries that use Natural Gas as fuel in its territory; or
  - d. enterprise holding Commercial Business Permit that sells Natural Gas to industries that use Natural Gas as fuel.
- (3) Allocation and Utilization of Natural Gas as referred to in paragraph (2) letter b, letter c, and letter d cannot be commercialized other than for industries that use Natural Gas as fuel.
- (4) In the event that portion of Allocation and Utilization of Natural Gas as referred to in paragraph (3) cannot be distributed yet to industries that use Natural Gas as



fuel, Allocation of Natural Gas may be sold to other enterprise holding Commercial Business Permit provided that:

- a. it owns/controls the pipeline infrastructure to end users;
- b. it can be sold only to end users; and
- c. it is sold at fair price.

#### Article 13

In the event that Allocation and Utilization of Natural Gas that has been determined as referred to in Article 10, Article 11, and Article 12 has not been followed up by Sale and Purchase Agreement of Natural Gas within a period of 12 months following the determination, Allocation of Natural Gas will be re-evaluated by the Minister.

#### Article 14

- (1) In the event that all priorities of domestic Allocation and Utilization of Natural Gas as referred to in Article 5 have been met, vendor of state entitlement to Natural Gas or Contractor may carry out auction of Natural Gas that has not been absorbed.
- (2) Auction winner as referred to in paragraph (1) will submit an application for approval of allocation and Price of Natural Gas by SKK Migas to the Minister, as set forth in this Minister Regulation.

#### Part Two

##### Determination of Allocation of Natural Gas for Export

#### Article 15

- (1) Allocation of Natural Gas for export as referred to in Article 3 paragraph (1) shall be set forth under the following provisions:
  - a. demand of Natural Gas for domestic consumers has been fulfilled;
  - b. unavailability of adequate infrastructure in the country; or
  - c. purchase power of domestic consumers cannot meet the Field Economies.
- (2) In the event that purchase power of domestic consumers cannot meet the Field Economies as referred to in paragraph (1) letter c, Allocation of Natural Gas may be determined for domestic consumers and export simultaneously so that it stills meets the Field Economies.

#### Part Three

##### Determination of Price of Natural Gas

#### Article 16

- (1) Determination of Price of Natural Gas shall be implemented by taking into account:
  - a. Field Economies;
  - b. domestic and international Price of Natural Gas;

- c. added value of the utilization of Natural Gas in the country.
- (2) Determination of Price of Natural Gas for domestic demands other than taking into account the provision as referred to in paragraph (1) shall be obliged to take into account:
- a. purchase power of domestic consumers;
  - b. support to Government program for the supply of Natural Gas for transportation and Household and Small Customer; and
  - c. price of fuel or energy substitution.

Part Four  
Allocation and Price of Flare Gas and Impurities Gas

Article 17

- (1) Contractor shall be obliged to propose plan for optimized utilization of Flare Gas to SKK Migas.
- (2) Utilization of Flare Gas may be carried out by Contractor with the following mechanism:
- a. additional gas facilities in the upstream; or
  - b. utilization by enterprise holding Processing and/or Commercialization Business Permit.
- (3) Director General on behalf of the Minister shall determine the allocation and price of Flare Gas as referred to in paragraph (2) by taking into account the proposal of Contractor after being evaluated by SKK Migas.
- (4) Determination of price of Flare Gas as referred to in paragraph (3) shall also consider:
- a. purchase power of domestic consumers; and
  - b. support to Government program for the supply of Natural Gas for transportation and Household and Small Customer.
- (5) In the event that utilization of Flare Gas is carried out by adding facilities in upstream, Determination of Price of Natural Gas shall be based on the calculation of economies limited to additional facilities on utilization of Flare Gas.
- (6) In the event that it is utilized by the enterprise holding Natural Gas Processing and/or Commercialization Business Permit, Determination of Price of Natural Gas shall be based on the economies of facilities built for the utilization of Flare Gas.

Article 18

- (1) Management of Impurities Gas shall be carried out by Contractor based on commercialization of the relevant product of Impurities Gas.

- (2) Proceeds from the sale of Impurities Gas shall be treated as deduction of operating costs.

## CHAPTER IV PROCEDURES FOR SUBMISSION AND DETERMINATION OF ALLOCATION AND UTILIZATION OF NATURAL GAS AS WELL AS PRICE OF NATURAL GAS

### Part One Procedures for the Submission and Determination of Allocation and Utilization of Natural Gas

#### Article 19

- (1) Application for Allocation and Utilization of Natural Gas for domestic and export demands shall be submitted by Contractor through SKK Migas to the Minister.
- (2) Application for Allocation and Utilization of Natural Gas for domestic demands as referred to in paragraph (1) shall be submitted by enclosing:
  - a. copy of document on approval of Plan Of Development along with the supporting data, such as reserve, production profile, Field Economies including estimated profit sharing for Contractor that has obtained approval on Plan Of Development I from the Minister or next Plan Of Development from the Head of SKK Migas; or
  - b. copy of document on resources and estimated production profile, result of production test, document of pattern and number of drilled wells, production facilities (plan and existing), estimated gas deliverability and estimated profit sharing of Natural Gas, for Contractor that will propose the production of Natural Gas prior to the Plan Of Development; and
  - c. other documents describing the prospective Buyer of Natural Gas, volume of Natural Gas, and distribution infrastructure of Natural Gas.
- (3) Application for Allocation of Natural Gas for export as referred to in paragraph (1) shall be submitted by enclosing document that describes the prospective Buyer of Natural Gas, volume of Natural Gas, distribution and/or delivery infrastructure of Natural Gas, proposed time frame of delivery of Natural Gas.
- (4) SKK Migas shall deliver the application for Allocation and Utilization of Natural Gas submitted by Contractor as referred to in paragraph (1) and furnished by consideration to the Minister by no later than 60 (sixty) calendar days prior to the distribution and/or delivery of Natural Gas.

#### Article 20

- (1) Application for Allocation and Utilization of Natural Gas may be submitted by prospective Buyer of Natural Gas to the Minister through the Director General by taking into account the existence of domestic demands for Natural Gas.
- (2) Application for Allocation and Utilization of Natural Gas as referred to in paragraph (1) shall be submitted by enclosing document that describes plan on the use of Natural Gas by prospective Buyer of Natural Gas, volume of Natural Gas, purchase power of Natural Gas, infrastructure on use of Natural Gas.

- (3) Director General shall request to SKK Migas to provide consideration on the application of prospective Buyer of Natural Gas as referred to in paragraph (1).

#### Article 21

- (1) Director General shall carry out assessment of the application for Allocation and Utilization of Natural Gas as referred to in Article 19 and Article 20.
- (2) In the framework of implementing the assessment as referred to in paragraph (1), Director General may coordinate with other relevant agency.

#### Article 22

- (1) Head of SKK Migas shall, in providing consideration to the Minister as referred to in Article 19 paragraph (4) and Article 20 paragraph (3) refer to the provisions as set forth in this Minister Regulation.
- (2) Head of SKK Migas shall stipulate implementing guidelines for the purpose of providing consideration as referred to in paragraph (1) by taking into account principles of fair business, transparency, equity, and accountability.
- (3) In assessing the application for Allocation and Utilization of Natural Gas as referred to in Article 21, Director General shall be based his/her assessment on:
  - a. Indonesian Natural Gas Balance;
  - b. provisions on determination of Allocation and Utilization of Natural Gas as referred to in Article 5, Article 6, Article 7, Article 8, Article 9, Article 10, Article 11, or Article 12;
  - c. status and capacity of prospective Buyer of Natural Gas;
  - d. type and capacity of distribution facility and/or use of Natural Gas that will be, is being, and has been installed or established.
- (4) Based on the result of assessment by the Director General as referred to in paragraph (3), Minister shall stipulate or reject the application for Determination of Allocation and Utilization of Natural Gas.
- (5) In the event that the application for determination of Allocation and Utilization of Natural Gas is rejected, Director General shall deliver notice to Contractor through SKK Migas or Buyer of Natural Gas.

#### Article 23

Contractor through SKK Migas shall be obliged to report to the Minister by no later than 6 (six) months prior to the expiration of Sale and Purchase Agreement of Natural Gas.

#### Article 24

- (1) In the event that Sale and Purchase Agreement of Natural Gas will be renewed, Contractor through SKK Migas or Buyer of Natural Gas must submit an application for Allocation and Utilization of Natural Gas to the Minister by no later

than 6 (six) months prior to the expiration of Sale and Purchase Agreement of Natural Gas.

- (2) In the event that Contractor or Buyer of Natural Gas will increase the volume of Allocation and Utilization of Natural Gas, Contractor through SKK Migas or Buyer of Natural Gas must submit an application for determination of Allocation and Utilization of Natural Gas to the Minister.
- (3) To obtain determination of Allocation and Utilization of Natural Gas from the Minister as referred to in paragraph (1) and paragraph (2), Contractor or Buyer of Natural Gas shall be obliged to comply with the provisions regarding requirements and procedures as referred to in Article 19, Article 20, Article 21, and Article 22.

## Part Two

### Procedures for Application and Determination of Price of Natural Gas

#### Article 25

- (1) Application for determination of Price of Natural Gas shall be submitted by Contractor through SKK Migas to the Minister.
- (2) Application for determination of Price of Natural Gas as referred to in paragraph (1) shall be submitted by enclosing at least:
  - a. proposed sale price of Natural Gas and justification of determination of formula;
  - b. economies of sale of Natural Gas;
  - c. source of Natural Gas, distribution and/or delivery pattern and scheme, total contract volume, delivery point, date of commencement and expiration of distribution, and/or total estimated volume of daily delivery of Natural Gas;
  - d. copy of determination of Allocation of Natural Gas from the Minister;
  - e. copy of document on approval of Plan Of Development as well as the supporting data, such as reserve, production profile, Field Economies including estimated profit sharing for Contractor that has obtained approval for Plan Of Development I from the Minister or next Plan Of Development from the Head of SKK Migas or copy of document on resources and estimated production profile, result of production test, document of pattern and number of drilled wells, production facilities (plan and existing), estimated gas deliverability and estimated profit sharing of Natural Gas, for Contractor that will propose the production of Natural Gas prior to the Plan Of Development;
  - f. statistics of Price of Natural Gas for domestic and export;
  - g. copy of document on negotiation of Price of Natural Gas;
  - h. copy of document on sale and purchase agreement of Natural Gas.

- (3) SKK Migas shall deliver the application for Price of Natural Gas submitted by Contractor as referred to in paragraph (1) and furnished with considerations to the Minister by no later than 30 (thirty) calendar days prior to the distribution and/or delivery of Natural Gas.

#### Article 26

- (1) Director General shall carry out evaluation on the application for Determination of Price of Natural Gas as referred to in Article 25.
- (2) In the framework of implementing evaluation as referred to in paragraph (1), Director General may coordinate with SKK Migas and other relevant agency.
- (3) Based on the result of evaluation as referred to in paragraph (1), Minister shall determine or reject the application for Determination of Price of Natural Gas.
- (4) In the event that application for determination of Price of Natural Gas is rejected, Director General shall submit notice to the Contractor through SKK Migas.

#### Article 27

- (1) In the event that sale and purchase Agreement of Natural Gas will be renewed, Contractor through SKK Migas must submit application for determination of Price of Natural Gas to the Minister by no later than 3 (three) months prior to the expiration of sale and purchase Agreement of Natural Gas.
- (2) In the event that Contractor or Buyer of Natural Gas will increase the volume of Allocation and Utilization of Natural Gas, Contractor through SKK Migas must submit an application for determination of Price of Natural Gas to the Minister.
- (3) To obtain Determination of Price of Natural Gas from the Minister as referred to in paragraph (1) and paragraph (2), Contractor shall be obliged to follow procedures for submission and determination of Price of Natural Gas in accordance with the provisions as referred to in Article 25 and Article 26.

#### Article 28

- (1) Sale and purchase price of Natural Gas that is used as the basis for sale and purchase agreement of Natural Gas shall be the sale and purchase price of Natural Gas that has obtained Determination of Price of Natural Gas from the Minister.
- (2) Period of sale and purchase agreement of Natural Gas as referred to in paragraph (1) shall not exceed the period of production sharing contract.
- (3) Sale and purchase agreement of Natural Gas as referred to in paragraph (1) must include clauses on possible change of price (price review).

#### Article 29

Application for Determination of Allocation and Utilization of Natural Gas as well as Price of Natural Gas may be submitted simultaneously in the event that:

- a. Sale and Purchase Agreement of Natural Gas is proposed to be renewed;

- b. overproduction of Natural Gas field that must be handled within a tight period to maintain the continuity of production operation of Oil and Natural Gas and to avoid production cut.

## CHAPTER V REPORTING

### Article 30

Contractor through SKK Migas shall be obliged to deliver report on the implementation of Sale and Purchase Agreement of Natural Gas to the Minister c.q. Director General once every 6 (six) months and/or at any time if required.

## CHAPTER VI ADMINISTRATIVE SANCTIONS

### Article 31

- (1) Minister shall impose administrative sanctions on Contractor or Buyer of Natural Gas that fails to comply with the provisions as set forth in the approval of Allocation and Utilization of Natural Gas as well as Price of Natural Gas.
- (2) Administrative sanctions as referred to in paragraph (1) shall be in the form of:
  - a. written reprimand; and/or
  - b. cancellation of Determination of Allocation and Utilization of Natural Gas and/or Price of Natural Gas.
- (3) Written reprimand as referred to in paragraph (2) letter a shall be given as many as 2 (two) times each with interval of 1 (one) month.
- (4) In the event that Contractor or Buyer of Natural Gas after obtaining written reprimand as referred to in paragraph (3) still does not correct the errors or comply with the provisions which have been set forth, Director General may propose to the Minister to revoke the Determination of Allocation and Utilization of Natural Gas as well as Price of Natural Gas.
- (5) In the event that Director General proposes to the Minister to revoke the Determination of Allocation and Utilization of Natural Gas as well as Price of Natural Gas as referred to in paragraph (4), Director General shall notify SKK Migas to find prospective Buyer of Natural Gas.
- (6) Minister shall issue Determination of revocation of Allocation and Utilization of Natural Gas as well as Price of Natural Gas and also determine the Allocation and Utilization of Natural Gas as well as Price of Natural Gas to a new Buyer of Natural Gas and to be further followed up by SKK Migas by way of transfer of distribution and/or delivery of Natural Gas.
- (7) Determination of Allocation and Utilization of Natural Gas as well as Price of Natural Gas to a new Buyer of Natural Gas as referred to in paragraph (6) must comply with the procedures as set forth in this Minister Regulation.

## CHAPTER VII MISCELLANEOUS PROVISIONS

### Article 32

Processing business activities of Liquefied Natural Gas and commercial business activities of Compressed Natural Gas shall be treated as industry that uses Natural Gas as fuel as referred to in Article 5 letter f and Article 12.

### Article 33

Business entity that obtains Allocation of Natural Gas shall be required to own or control the pipeline facility infrastructure and/or utilization of Natural Gas.

## CHAPTER VIII TRANSITIONAL PROVISIONS

### Article 34

- (1) Application for Allocation and Utilization of Natural Gas as well as Price of Natural Gas that has been submitted to the Minister prior to the stipulation of this Minister Regulation and prior to the performance of distribution and/or delivery of Natural Gas may be processed to obtain determination or rejection of Allocation and Utilization of Natural Gas as well as Price of Natural Gas.
- (2) Application for Allocation and Utilization of Natural Gas as well as Price of Natural Gas that has been given prior to the issuance of this Minister Regulation, shall be declared to remain valid up to the expiration of period of Allocation and Utilization of Natural Gas as well as Price of Natural Gas.
- (3) With regard to Approval for Allocation of Natural Gas as referred to in paragraph (2) that expires by no later than 3 (three) months following the entry into force of this Minister Regulation, business entity shall be given time to make operational adjustment of distribution and/or commercialization of Natural Gas up to 6 (six) months as from the expiration of approval for allocation and utilization to comply with the provisions as set forth in this Minister Regulation.

### Article 35

- (1) Commercial Business Entity of Natural Gas that has received Allocation of Natural Gas and does not make any sales to end users prior to the entry into force of this Minister Regulation may carry out commercial business activities of Natural Gas up to the expiration of Allocation and Utilization of Natural Gas.
- (2) Implementation of commercial business activities of Natural Gas other than to end users as referred to in paragraph (1) may be implemented for a maximum period of 2 (two) years as from the entry into force of this Minister Regulation.

### Article 36

- (1) Business entity that has obtained allocation and utilization of natural gas as well as owns /controls pipeline infrastructure prior to the entry into force of this



Minister Regulation, shall be declared to remain valid up to the expiration of period of allocation and utilization of natural gas.

- (2) In the event that the period of allocation and utilization of natural gas as referred to in paragraph (1) expires, business entity may submit another application for Allocation and Utilization of Natural Gas in accordance with the provisions of this Minister Regulation.

## CHAPTER IX CLOSING PROVISIONS

### Article 37

At the time this Minister Regulation comes into effect, Minister Regulation of Energy and Mineral Resources Number 37 Year 2015 regarding Provisions and Procedures on Determination of Allocation and Utilization as well as Price of Natural Gas (Official Gazette of the Republic of Indonesia Year 2015 Number 1589) shall be revoked and declared null and void.

### Article 38

This Minister Regulation shall come into effect as from the date of its promulgation.

For public cognizance, ordering that the promulgation of this Minister Regulation is published in the Official Gazette of the Republic of Indonesia.

Stipulated in Jakarta  
on 24 February 2016  
MINISTER OF ENERGY AND MINERAL RESOURCES  
REPUBLIC OF INDONESIA,  
Signed  
SUDIRMAN SAID

Promulgated in Jakarta  
on 25 February 2016  
DIRECTOR GENERAL  
LAWS AND REGULATION  
MINISTRY OF LAW AND HUMAN RIGHTS  
REPUBLIC OF INDONESIA,  
Signed  
WIDODO EKATJAHJANA

OFFICIAL GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2016 NUMBER 316

Issued as a true copy  
MINISTRY OF ENERGY AND MINERAL RESOURCES  
Head of Legal Affairs Bureau,  
Signed and sealed  
Hufron Asrofi

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NOTE

Source: LOOSE LEAF OF REGULATION OF THE MINISTER OF ENERGY AND  
MINERAL RESOURCES YEAR 2016