

Marginal Fields in Indonesia

by

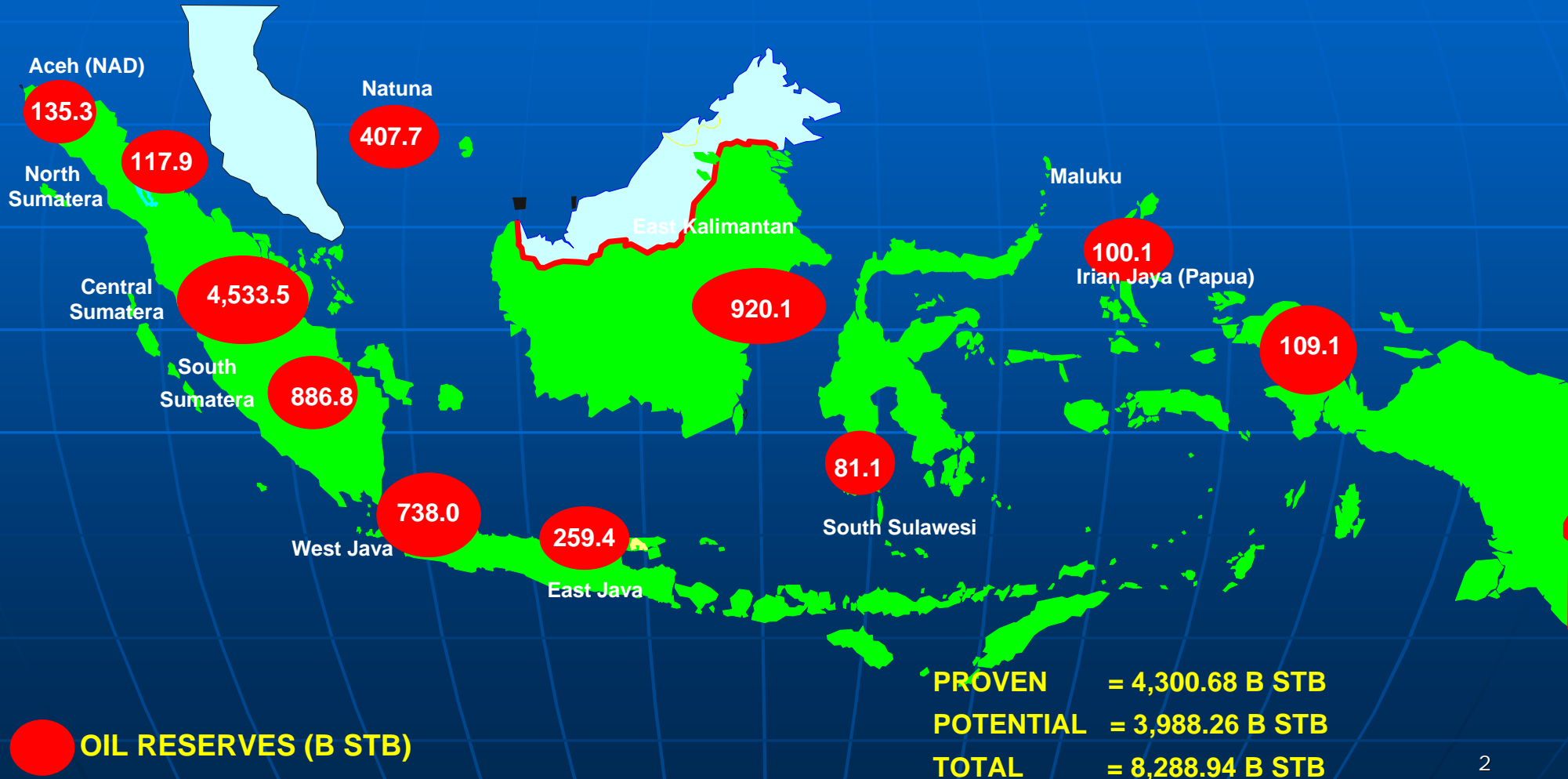
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Indonesia's Oil Reserves (incl. Condensate)

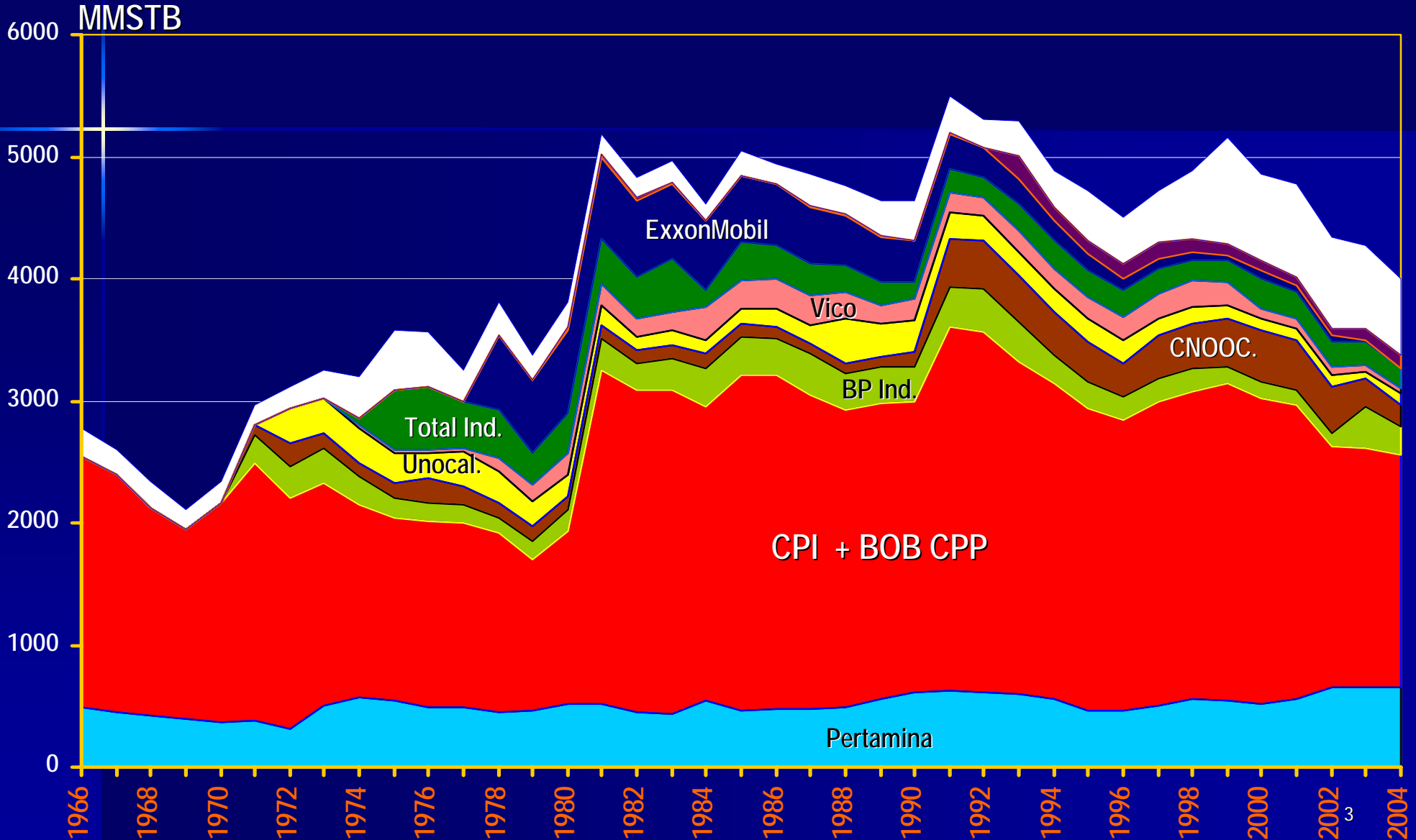
Proven & Potential, (01-01-2004)





Proven Oil Reserves (incl. Condensate)

From Producing Fields, PSCs and Pertamina, (1966 - 2004)





Marginal Fields

Definitions

Marginal field is the first field within a contract area proposed to be developed by the contractor and approved by Pertamina, with projected production capacity in the first two years (24 months) not exceeding 10,000 b/d (PSC. Section VI)



Marginal Fields

Economic Parameter

- **Recoverable Reserves and Production:**
- **Current Economic *Conditions:***
Oil Price Assumption, Productive Life, MARR
- **Operating Methods:** *Fit for Purpose Technology, Infrastructure, Minimum Facilities Concept Design*
- **Government Regulations:** *PSC Terms & Conditions*
“Win-Win” Incentives



Marginal Fields

Approach & Technology Solution

1. *Innovative Development Scenario*
2. *State of the Art Technology to reduce Dev.Costs*
3. *Minimum Facility Design*
4. *Low costs sustainable facilities & infrastructure concept*



Marginal Fields

New Incentive

New Definitions

A marginal field is an oil field located within a producing block that, under the current PSC terms and conditions, is not economics to be developed.



Marginal Fields

Conditions for Marginal Field

- *Located within a producing block.*
- *Its main product is oil.*
- *The exploration costs for that field has been fully recovered, i.e. no more sunk costs considered.*
- *If calculate based on the current PSC terms and conditions and other incentive packages that may be applied for that field in accordance with laws and regulations, the Internal Rate of Return (IRR) is estimated less than 15%.*



Marginal Fields

Conditions for Marginal Field

- *20% Operating Cost*) recovery up-lift.*
- *Other incentive packages that may be applied for that field in accordance with the prevailing PSC, laws and regulations.*

**) Under Definition of the PSC, the Operating Cost consist of:*

- 1. Current Year's Non Capital Costs*
- 2. Current Year's Depreciation for Capital Costs*



Marginal Fields

The Mechanism

- *Incentive is not permanently given and will be evaluated on yearly basis.*
- *The new incentive package is issued in order to improve the economics of the field, after receiving the incentive, the IRR of the field is expected at least 15%. (The Incentive is “ON”)*
- *The Incentive will be removed if the actual cumulative IRR has reached 30% (The Incentive is “OFF”).*
- *The Incentive will be re-applied if the actual cumulative IRR in the following year has dropped below 15%.*



INDONESIA OIL PRODUCTION PROFILE 1994-2015

