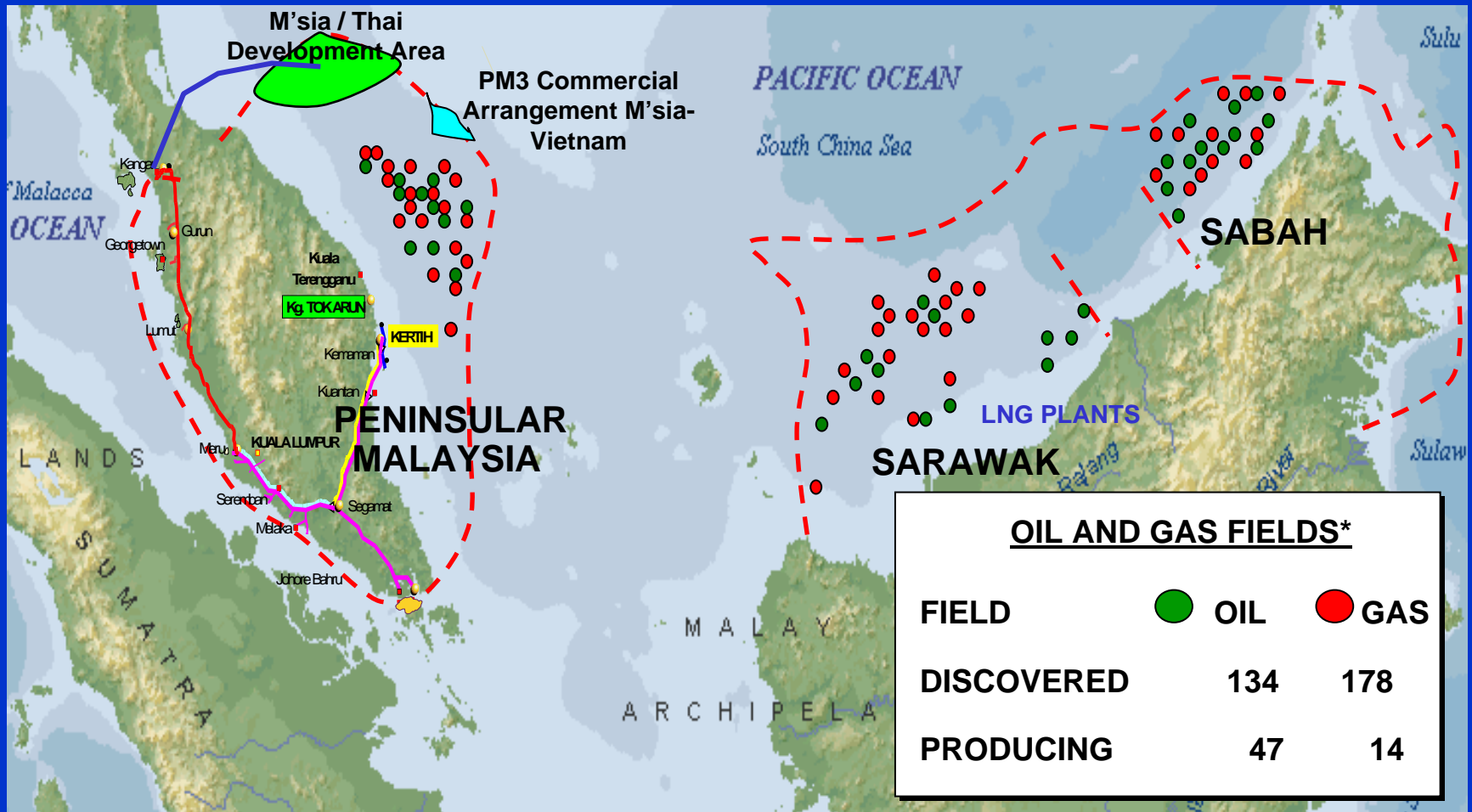


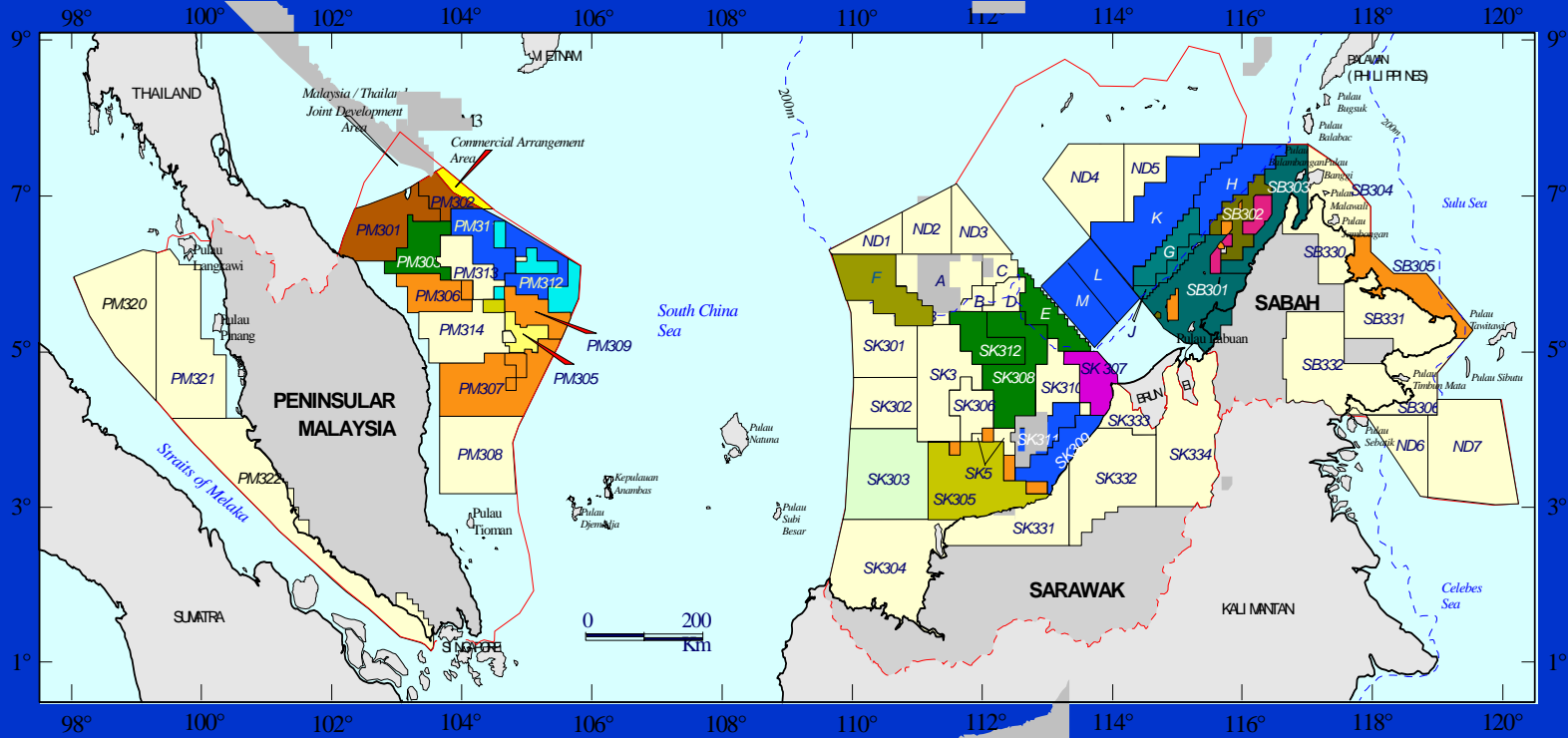
Overview of Malaysian PSC



FIELD LOCATION MALAYSIA

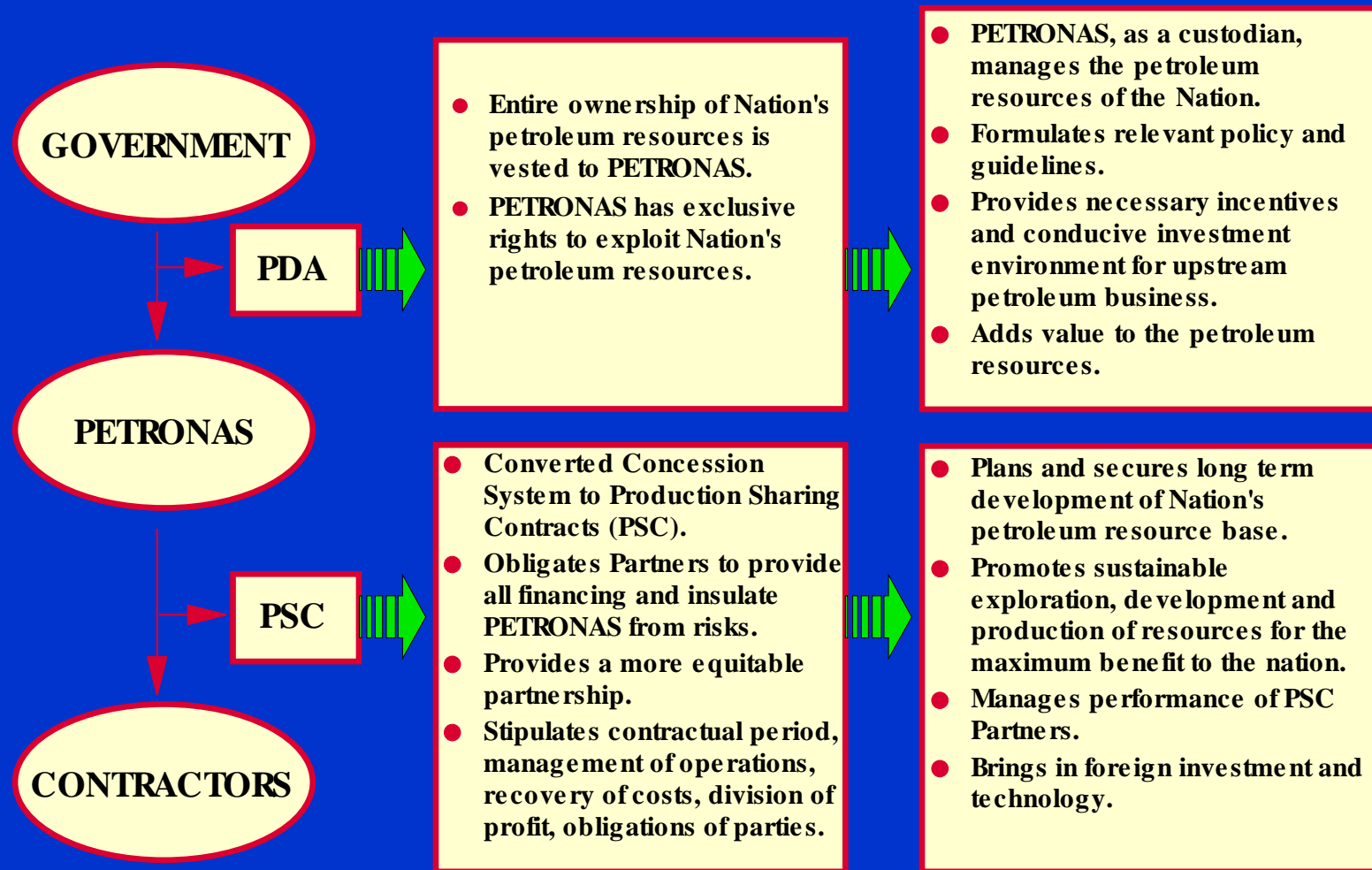


MALAYSIA EXPLORATION AND PRODUCTION BLOCKS

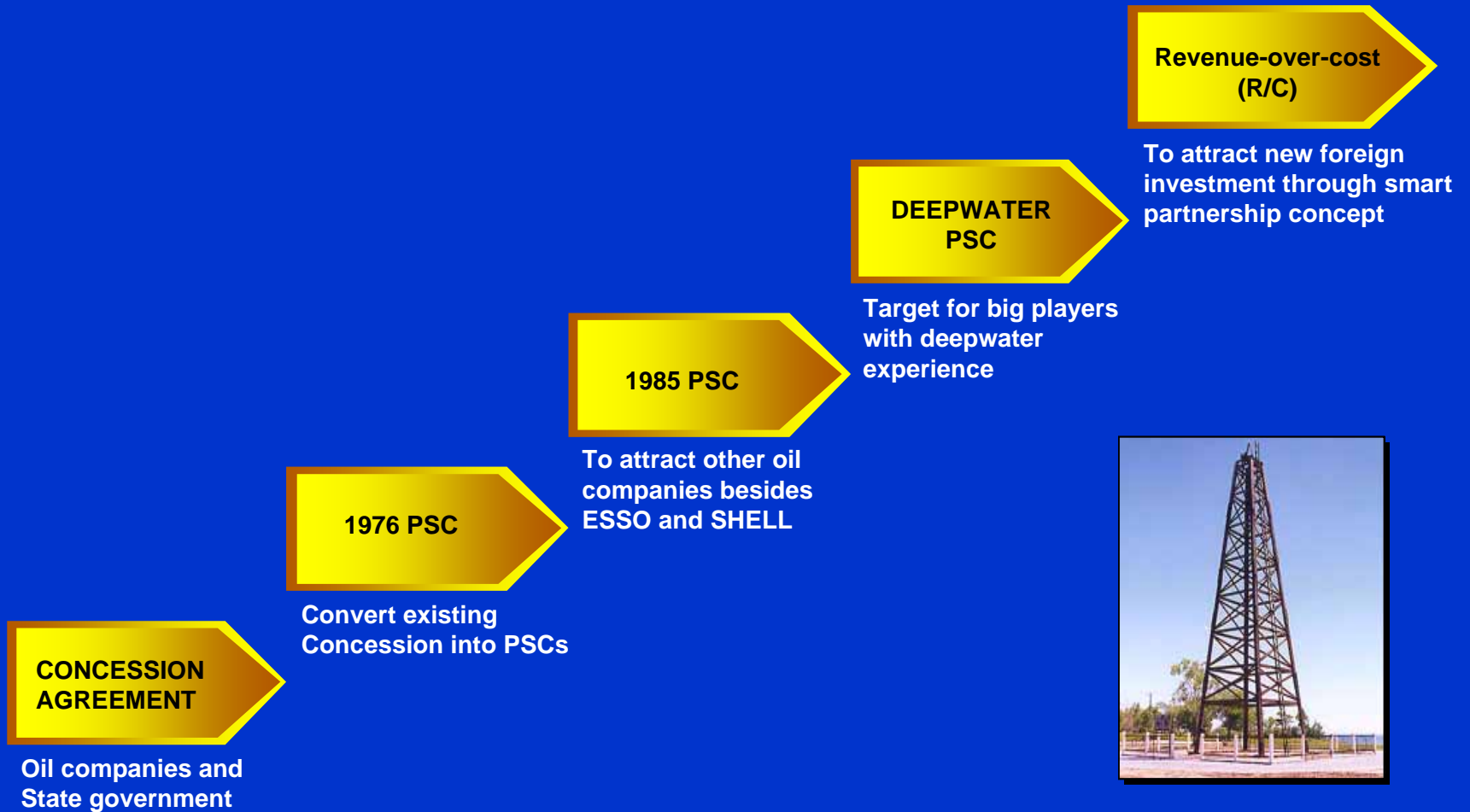


Development & Producing PSCs : 24

CONCEPT OF PRODUCTION SHARING CONTRACT (PSC)

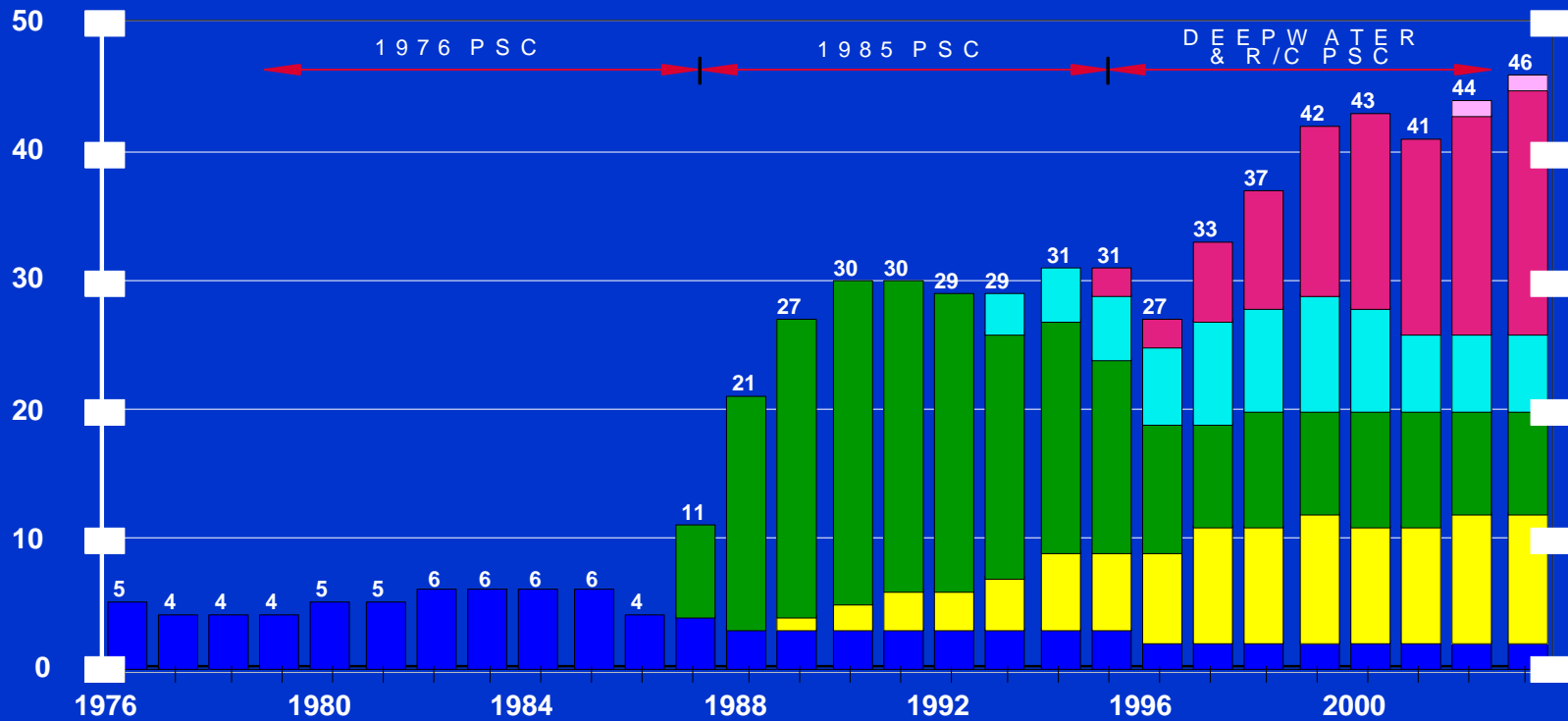


EVOLUTION OF PSC INLINE WITH CHANGING ENVIRONMENT

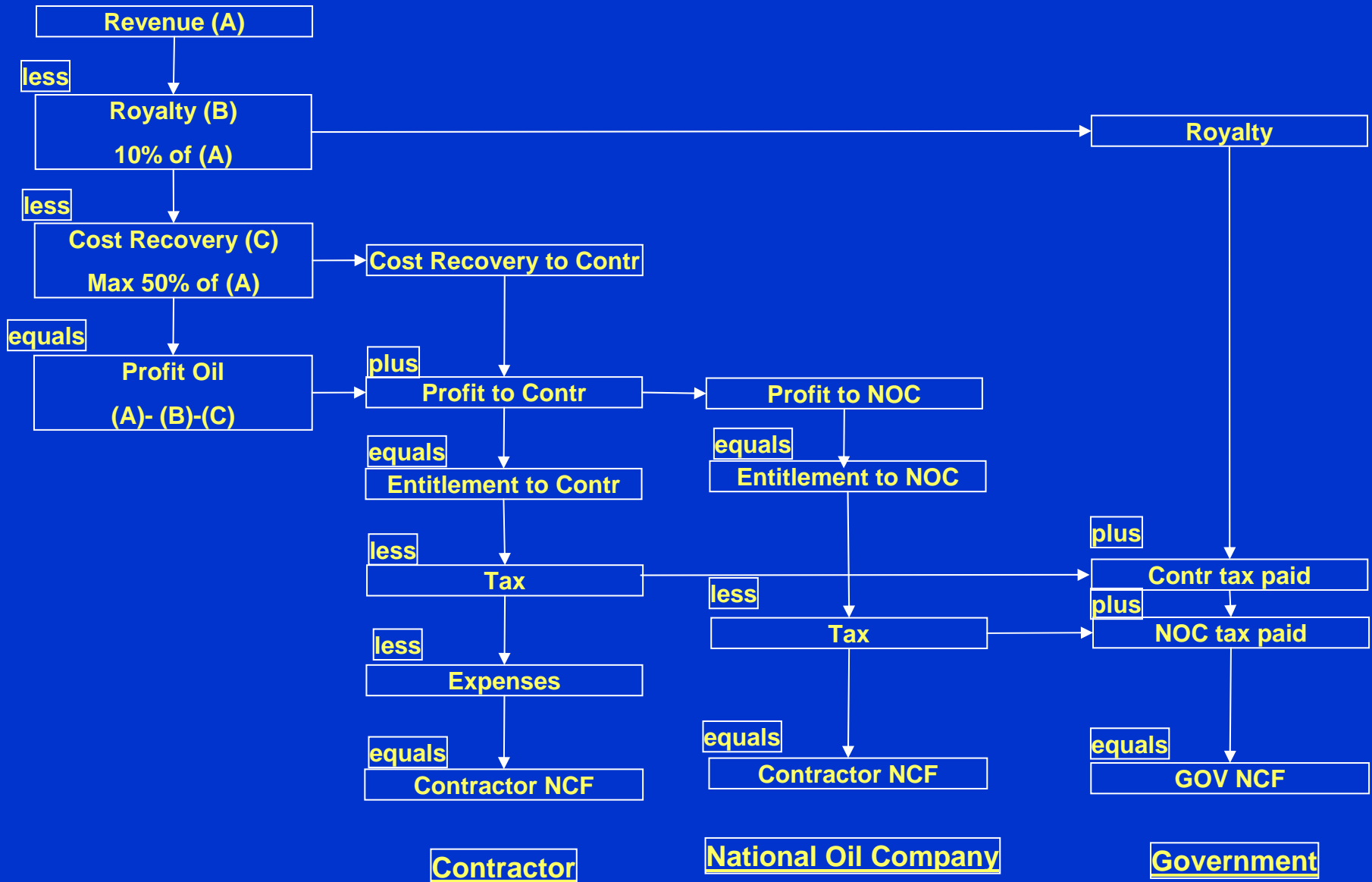


PSCs IN OPERATION IN MALAYSIA

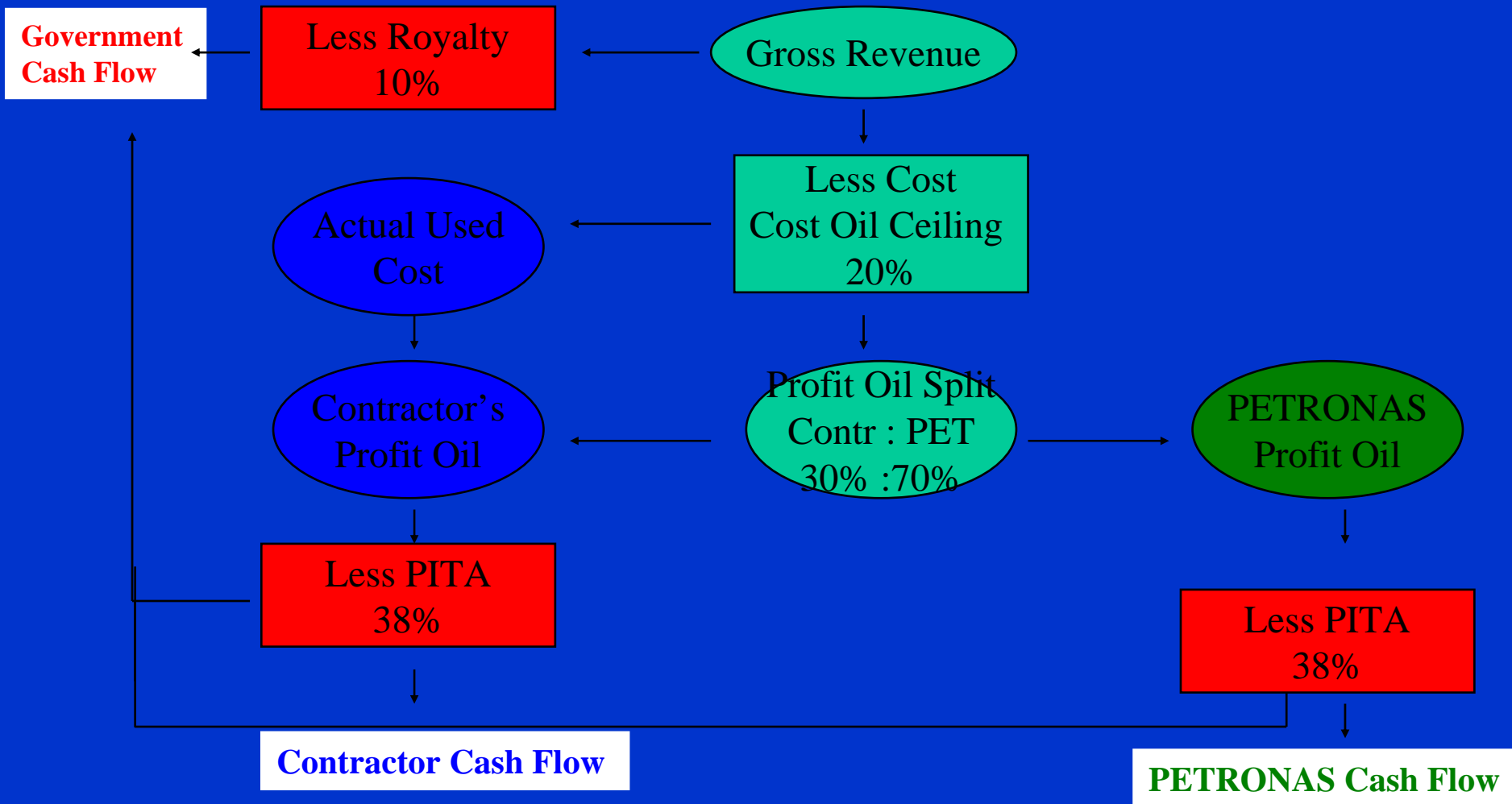
(As at January 2004)



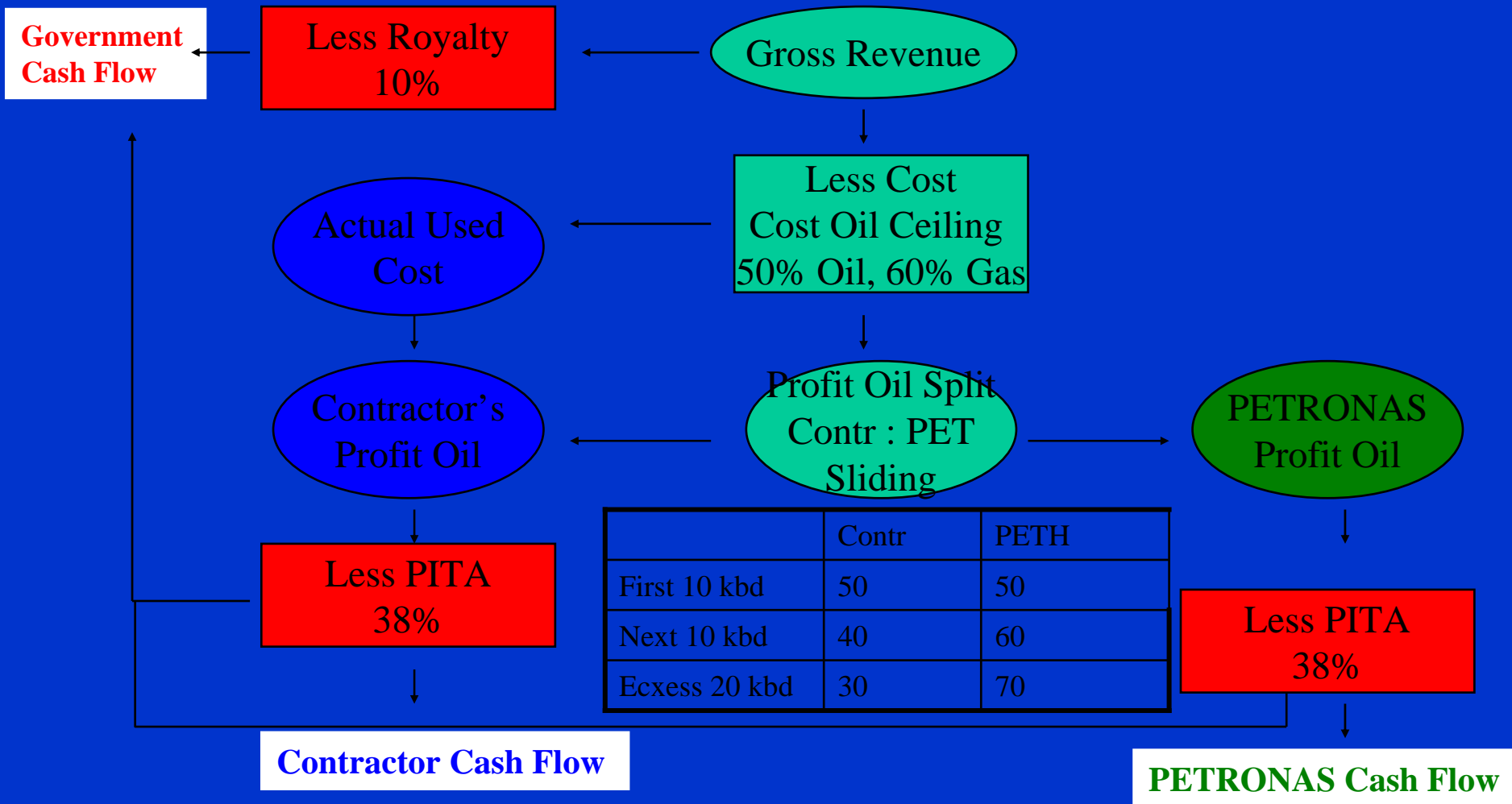
SPLIT OF THE BARREL UNDER PSC



76 PSC



85 PSC



Government Cash Flow

Less Royalty
10%

Gross Revenue

Less Cost
Cost Oil Ceiling
50% Oil, 60% Gas

Actual Used
Cost

Contractor's
Profit Oil

Profit Oil Split
Contr : PET
Sliding

PETRONAS
Profit Oil

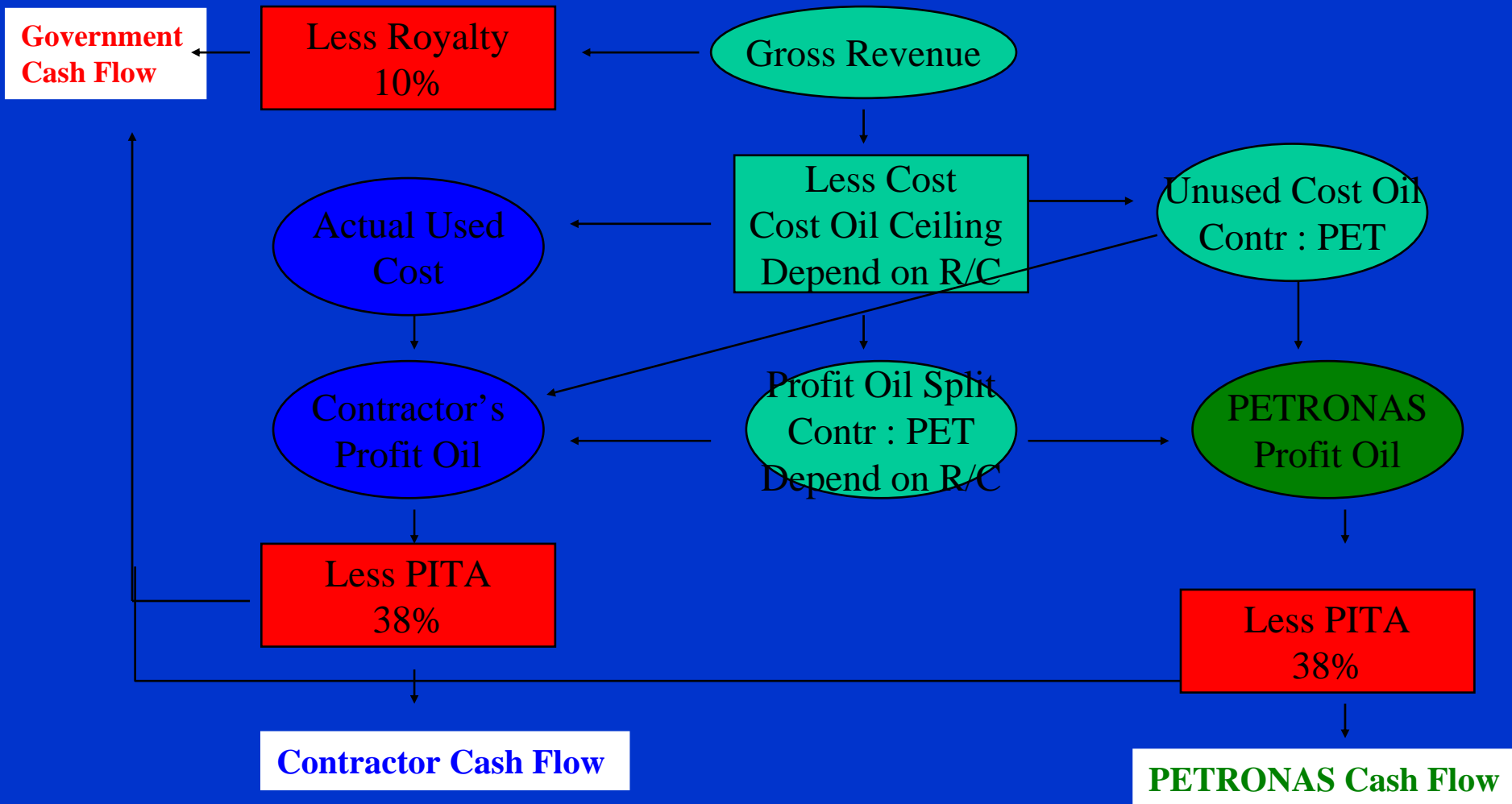
Less PITA
38%

Less PITA
38%

Contractor Cash Flow

PETRONAS Cash Flow

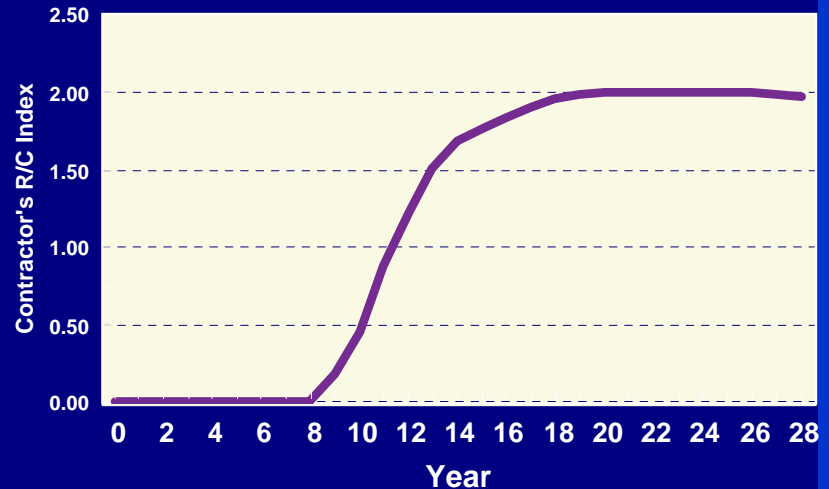
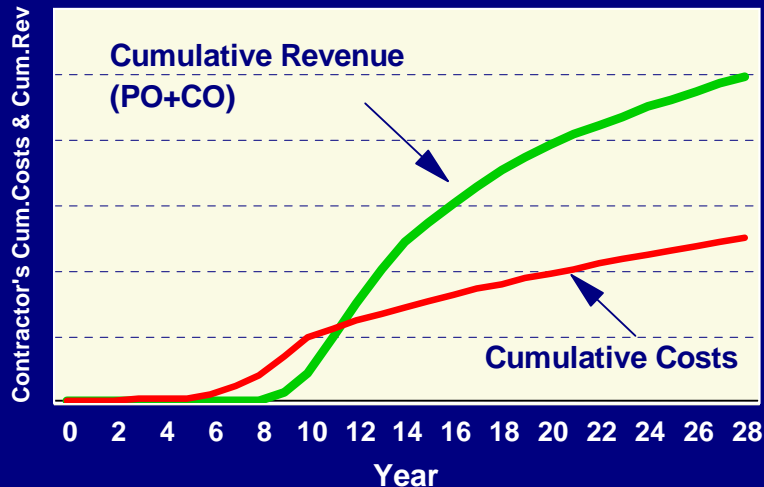
ROC (Revenue Over Cost) PSC



APPROACH : REVENUE-OVER-COST (R/C) INDEX

- One of the "yardsticks" to gauge Contractors' profitability at any time is by the **RATIO** of Contractors' **Cumulative REVENUE** over **Cumulative COSTS**. We define the above yardstick as Contractors' R/C Index

$$\text{R/C Index} = \frac{\text{Contractors' Cumulative Cost Oil + Profit Oil From The Effective Date}}{\text{Contractors' Cumulative Petroleum Costs From The Effective Date}}$$



- **R/C = 1**; Represents **PAYOUT** (undiscounted), but true Payout (considering time value of money, tax payment, etc.) occurs when R/C is around 1.4

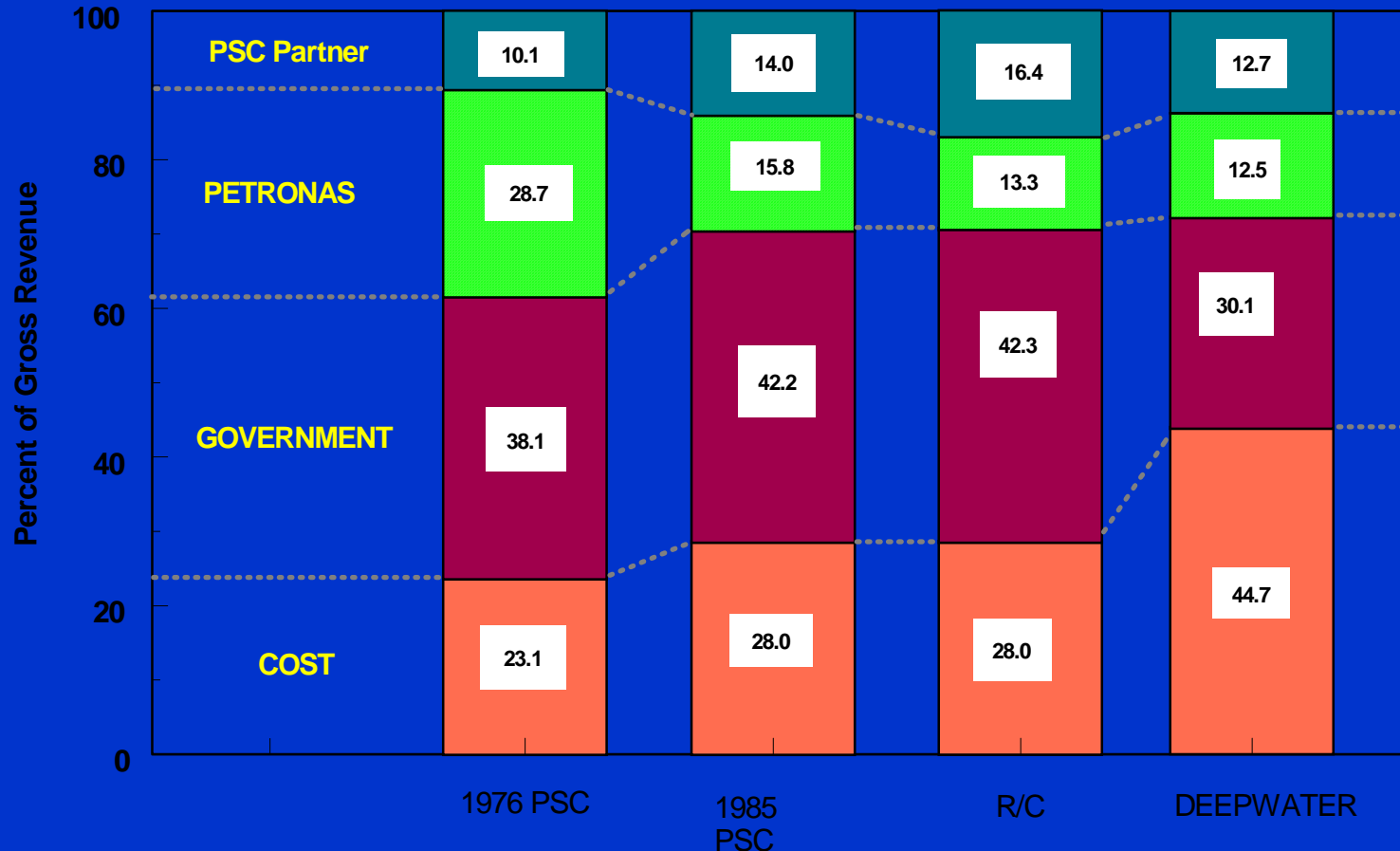
R/C TABLE

Contractor's R/C Ratio	COST OIL	PROFIT OIL	
	Cost Oil Ceiling	Unused Cost Oil PET : Cont	Profit Oil PET : Cont
$0.0 < R/C \leq 1.0$	70%	N.A.	20 : 80
$1.0 < R/C \leq 1.4$	60%	20 : 80	30 : 70
$1.4 < R/C \leq 2.0$	50%	30 : 70	40 : 60
$2.0 < R/C \leq 2.5$	30%	40 : 60	50 : 50
$2.5 < R/C \leq 3.0$	30%	50 : 50	60 : 40
$R/C > 3.0$	30%	60 : 40	70:30

FISCAL IMPROVEMENT

- **Fiscal terms are tied to rate/volume level, NOT related to PROFITABILITY**
 - ▶ **Fixed Cost Oil/Gas is NOT sensitive to investment level especially in the early of the project life** →
- **Fiscal terms applied to Contract Area (rather than field basis)**
 - ▶ **Higher profit split benefits accrue to First field. Subsequent development does not enjoy higher profit split.** →
- **NO fiscal incentives to save costs**
 - ▶ **Any Unused Cost Oil/Gas becomes profit and share in a bigger proportion to PETRONAS** →
- **NO fiscal incentives for re-investment**
 - ▶ **Additional investment will not enjoy the same benefit as in earlier investment** →

COMPARISON OF PSC - OIL

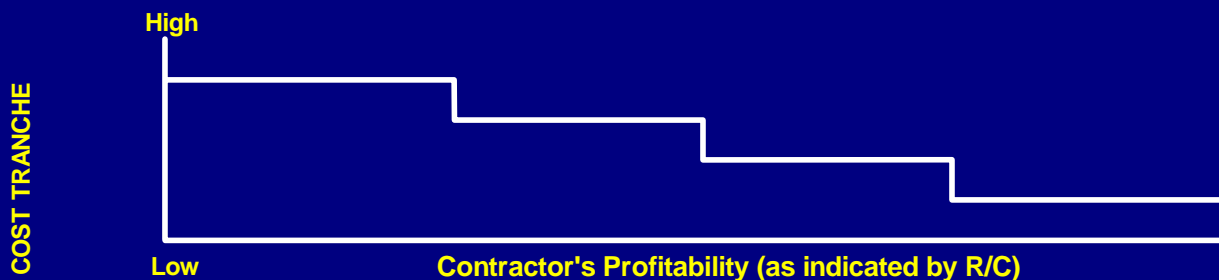


Note : The 1976, 1985 and R/C PSCs are based on 40 million bbls crude oil reserve volume. The Deepwater PSC assumes a large oil discovery in excess of 1 billion bbls.

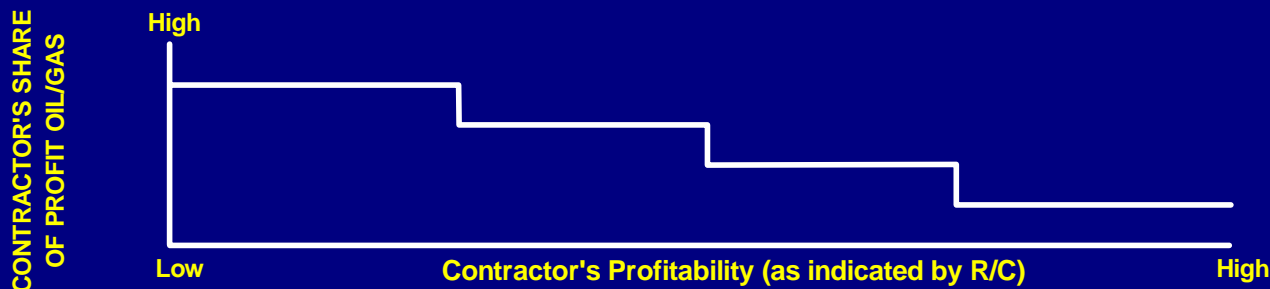
VARIABLE COST SHARING LEVELS AND PROFIT SPLITS

It allows Contractor to take more when its profitability is low and PETRONAS' take progressively increases when Contractor's profitability improves:

1. Higher Cost Tranche is given when Contractors' Profitability is low and decreases as Contractor's Profitability increases.

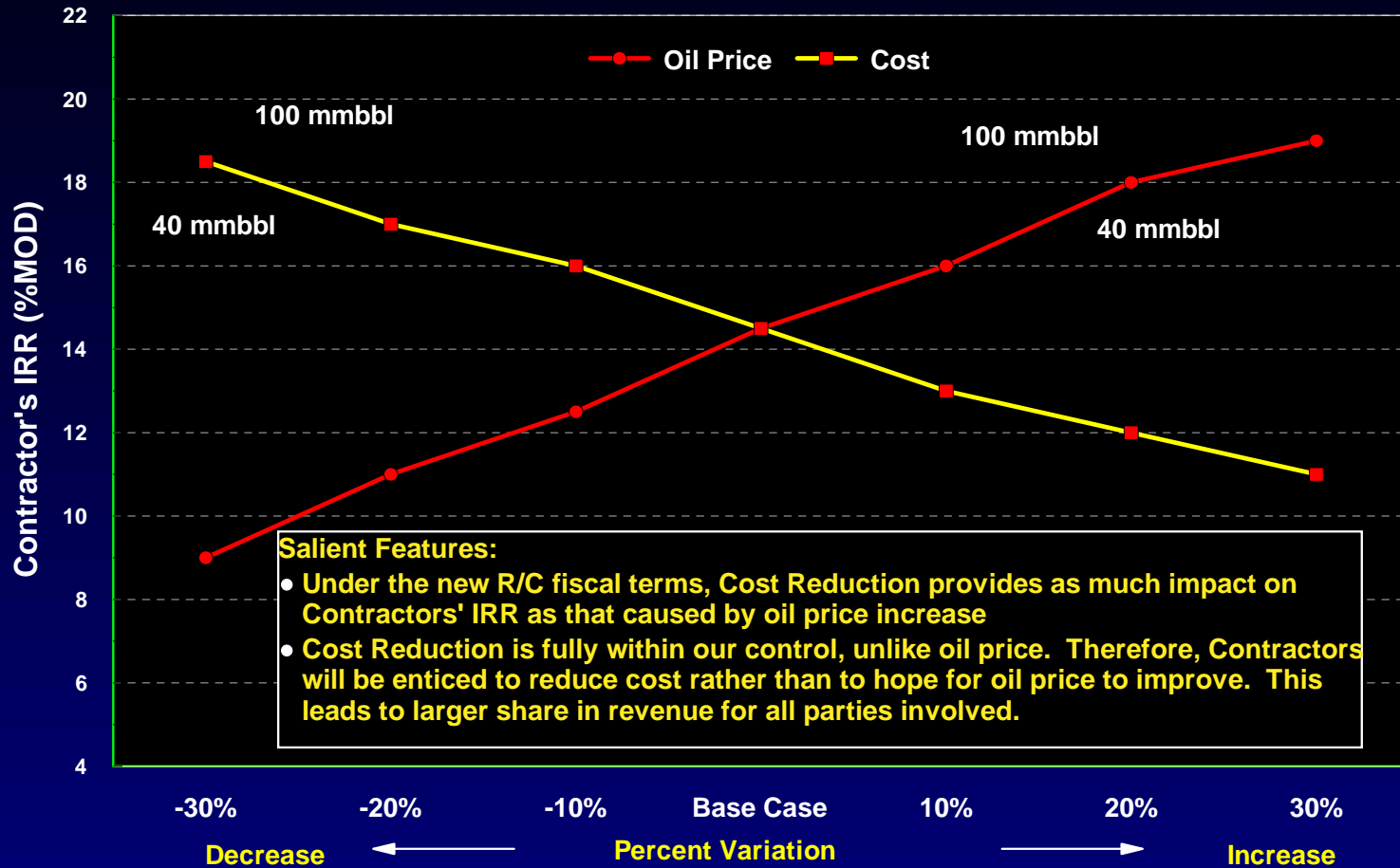


2. Higher Contractor's share of Profit Oil/Gas is given when Contractor's Profitability is low and decreases as Contractor's Profitability increases.



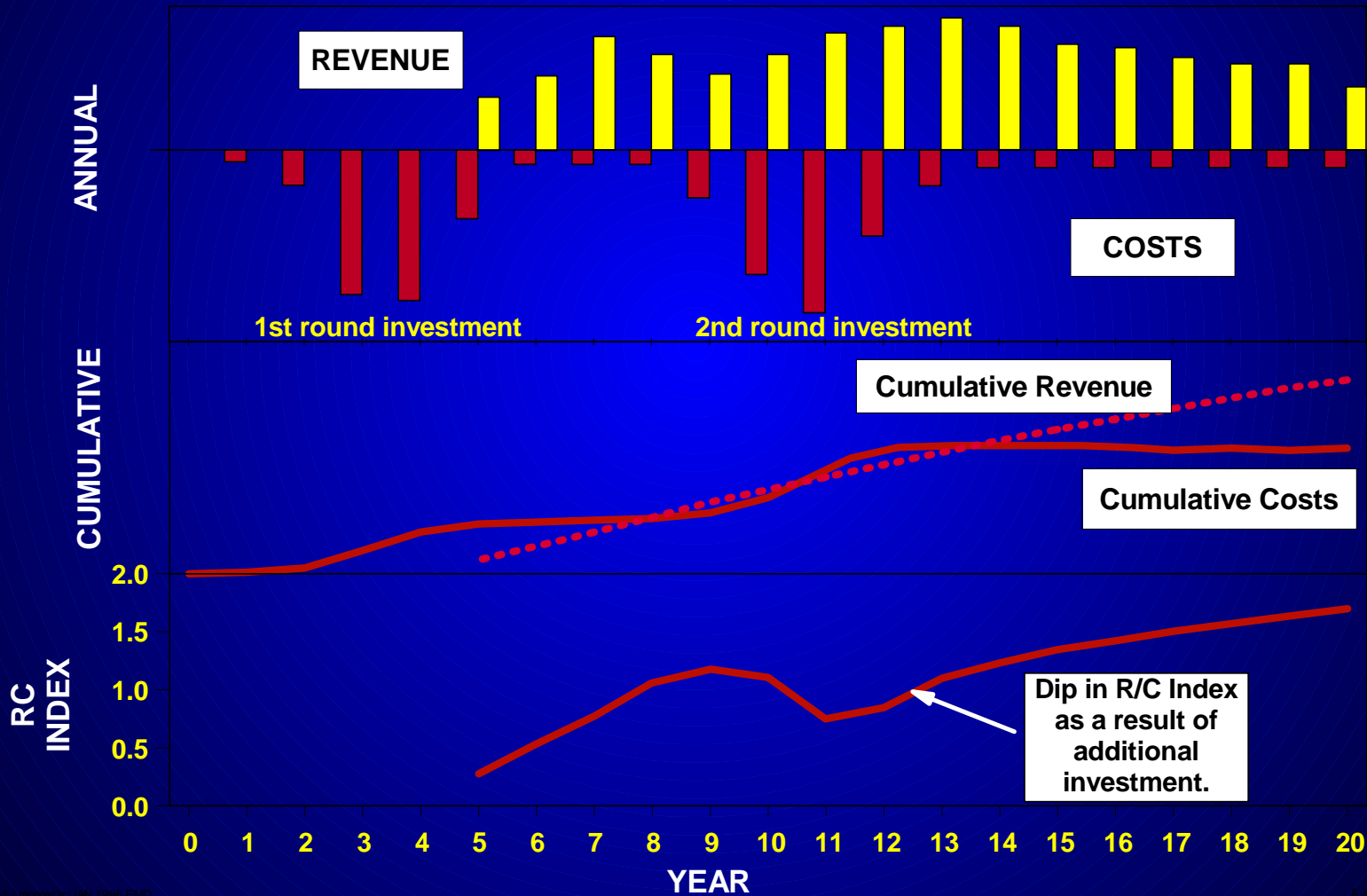
Salient Features of ROC PSC

- Sensitivity of IRR on Oil Price and Cost



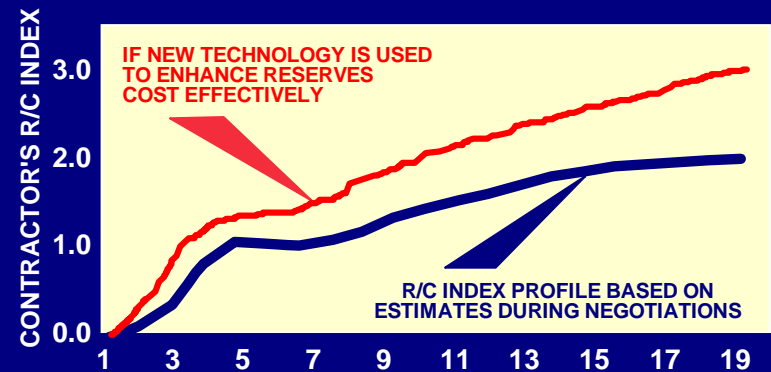
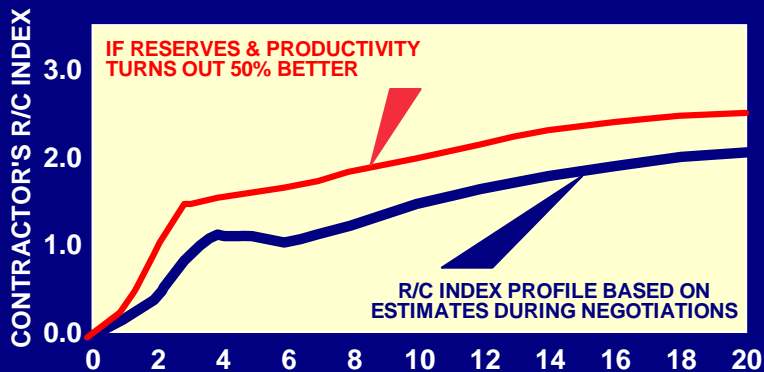
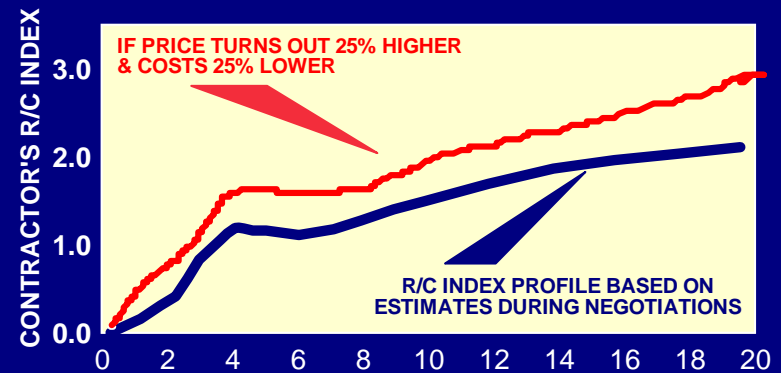
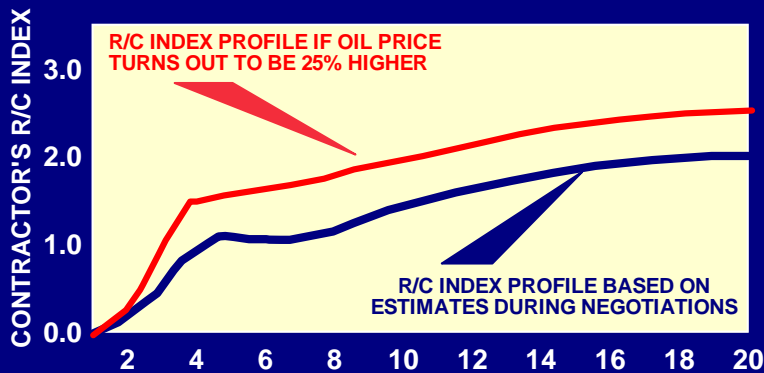


PROFITABILITY BASED FISCAL REGIME : Sensitive to Re-investment



R/C IS SELF-ADJUSTING

- Costs, Reserves & Oil Price are estimated based on current conditions and current Technology when a Contract is negotiated and agreed.
- Estimates likely to change, New technologies may evolve over time.



Sliding Scale 85 PSC

