

*The 2nd PPM Seminar: "Overcoming the Challenges of the Case Studies"
22-25 September 2003, Pattaya, Thailand*

Presentation of the Non Case Study Host Countries : MALAYSIA

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The 2nd PPM Seminar, Sept. 22 – 25, 2003, Pattaya, Thailand

Outline

- Introduction**
- Involvement in CCOP/PPM**
 - Previous participation in CCOP
 - Experiences from PPM workshops/seminar
 - Disseminations of PPM case studies
- Malaysia's Fiscal Regime**
- Conclusion**

Introduction

- **PPM participation**
 - team member of Philippines case study
 - resource person for Cambodia case study
- **Attended PPM seminar/workshops ;**
 - **1st PPM Seminar** (Sept 11- 13, 2002, Bangkok)
 - Mr Ali M Shariff
 - Mr Badrul Hisam Ismail
 - **1st Philippines Case Study Workshop** (13 – 18 March 2003, Manila)
 - Mr Badrul Hisam Ismail
 - **2nd Cambodia Case Study Workshop** (25 – 29 Aug 2003, Sihanoukville)
 - Mr Mansor Ahmad
 - Mr Aidil Shabudin

Previous participations in CCOP

- **Previous projects – as active member**
 - *WGRA (Working Group Resource Assessment, 1985 - 1991)*
 - *OGRM (Oil and Gas Resource Management, 1992 - 1994)*
 - *REP (Resource Evaluation and Planning, 1995 - 1999)*
- **One of the earlier participants is still active in PPM**
 - Mr Badrul Hisam Ismail
- **Difficult to maintain active participation due to:**
 - staff's tight job commitments
 - staff movement/transfer
 - staff involved in specific projects
- **Distribution of PPM case studies' information**
 - E-mail
 - Library
 - Unstructured Data Repository System (UDRS)

Experiences from PPM workshops/seminar

- **Overall**
 - Well organised and met objectives
 - Enable to exchange ideas, experience and sharing knowledge
 - Establish contact and foster relationship amongst member
- **Key technical benefits**
 - Comprehensive mastery and utilization of GeoX and other system for petroleum resource assessment work (*PhilPRA*)
 - Possibility to relate some G&G understanding of Sulu Sea-East Palawan Basin to North East Sabah Basin. Currently promoting the nearby block, SB304
 - Variety of basin categories in the case studies – frontier, semi-matured and matured basins which are relevant to Malaysia
 - Good example of developing thin gas reservoirs in highly faulted structures in Pattani Basin – potential to be adopted in some Malay Basin gas fields.

Disseminations of PPM Case Studies

(how do you apply or plan to apply the knowledge gained)

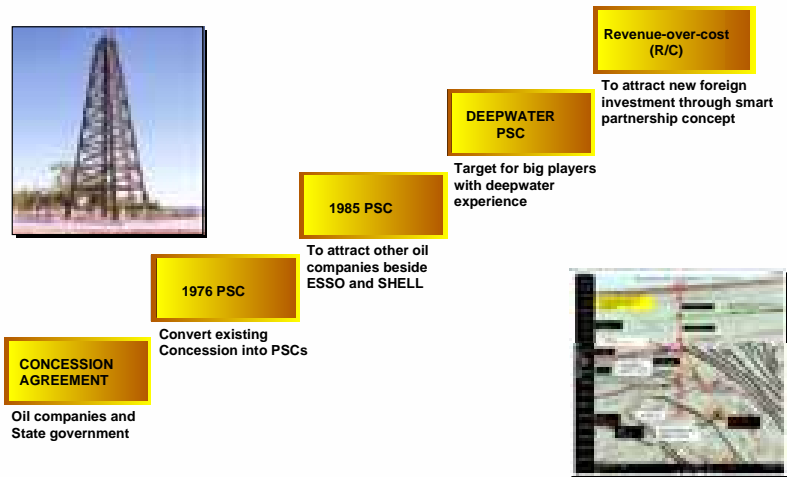
- Possible to adopt some concepts learned from the case studies in developing ultra-deepwater block areas and SE Sabah Basin in Malaysia.
- Planned to use GeoX together with our own resource assessment tool called PETRA in order to fully utilize GeoX and further enhance our resource assessment work quality.

Malaysia's Fiscal Regime

Concept of Production Sharing Contract (PSC)

- ✓ Ensure fair return/rewards to successful investors based on prospectivity/level of risk.
- ✓ Allow recovery of all cost in exploration and development upon success.
- ✓ Encourage reinvestment to sustain production profile of discovered fields.
- ✓ Adopt partnership approach in dealing with foreign investors.
- ✓ Create conducive work environment to facilitate business activities.

EVOLUTION OF MALAYSIA'S PETROLEUM ARRANGEMENT



Definition of Revenue Over Cost (ROC) PSC

R (Revenue) = Contractors' Cumulative Value of Cost Oil and Profit Oil less Supplementary Payment

C (Cost) = Contractors' Cumulative Petroleum Costs less Non Recoverable Expenditure & Disputed Costs

Threshold Volume (THV)

For Oil : 30 MMSTB or FDP estimated Proved Ultimate Recovery (whichever is smaller) per field

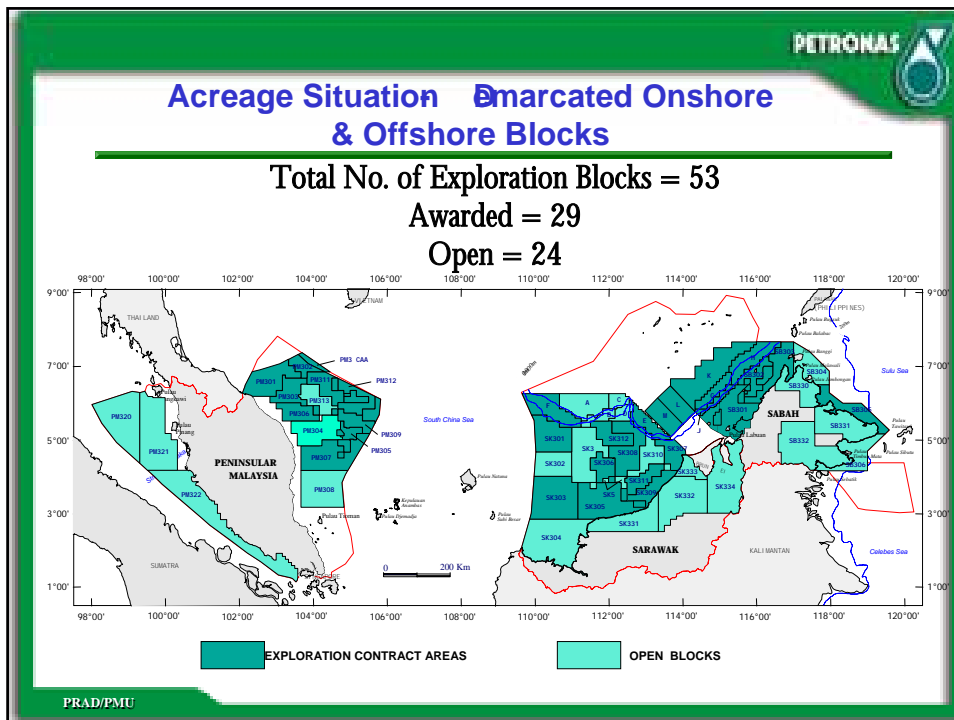
For Gas : 0.75 TSCF or FDP estimated Proved Ultimate Recovery (whichever is smaller) per field

Objective of the Revenue Over Cost (R/C) PSC

- Maximise Exploration and Production of Petroleum Resources.
- Provide Fair Economic Returns to Oil Companies.
- Facilitate development of various size of fields.

Main Features of Revenue Over Cost PSC

- Profitability Based Fiscal Regime
- Cost Tranche & Profit Split varies with R/C Index
- Promote Cost Effectiveness
- Sensitive to Reinvestment
- Individual Field Threshold
- Geared towards Small / Marginal Discoveries



PETRONAS

R/C PSC Commitments

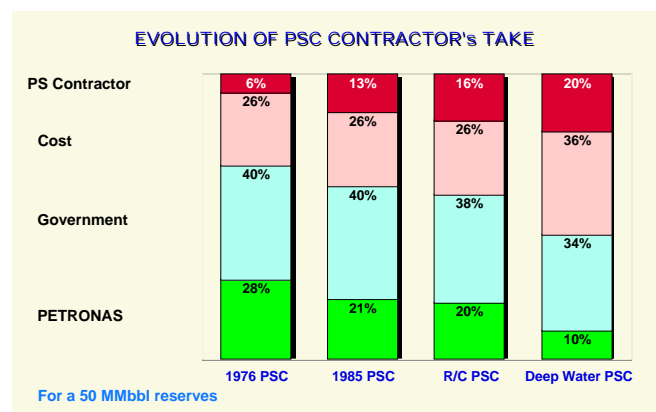
No. of PSC signed	19
Exploration wells commitment (As of 1 Feb. 2003)	68
Seismic commitment (2D and 3D seismic)	218,000 line-km
Total Expenditure	US\$ 189 million

PRAD/PMU

PSC Duration (Years)

	1976	1985	DEEPWATER	"R/C"
Total Duration	24	24	38	29
Exploration	3+2 Gas Holding - 5	5 Gas Holding - 5	7 Gas Holding - 5	5 Gas Holding - 5
Development	2+2	4	6	4
Production	15	15	25	20

Evolution of Contractor's Take



◆ PSCs have been modified to increase PS Contractor's take

Flexibility and other incentives

- **Petroleum income tax (PITA) and export duty reduction**
- **Inclusion of marginal fields as “incentives”**
- **Provision for addition of acreages & extension of exploration period**
- **Sharing and optimisation of existing infrastructures**
- **Transparent management of operations through partnership concept**

Deepwater PSC Terms

MAIN FEATURES	BEYOND 1000 M WATER DEPTH	BETWEEN 200 M TO 1000 M WATER DEPTH
ROYALTY	10%	10%
COST RECOVERY		
a) Oil	75%	70%
b) Gas	60%	60%
PROFIT SPLIT		
a) Oil	PETRONAS : Contractor First 50,000 BOPD 14:86 Next 50,000 BOPD 18:82 Above 100,000 BOPD 37:63 Above 300,000 MMBLS 50:50	PETRONAS : Contractor First 50,000 BOPD 30:70 Next 50,000 BOPD 45:55 Above 100,000 BOPD 50:50 Above 300,000 MMBLS 50:50
b) Gas	Cumulative Production Up to 2.1 TSCF 40:60 Above 2.1 TSCF 60:40	Cumulative Production Up to 2.1 TSCF 40:60 Above 2.1 TSCF 60:40
CONTRACT PERIOD (YEARS)		
a) Exploration	7	7
b) Development	6	6
c) Production	25	25
a) Signed Bonus	Waived	Waived
b) Discovery Bonus	Waived	Waived
c) Production Bonus	Waived	Waived
RESEARCH CESS	0.5%	0.5%
CARIGALI'S PARTICIPATION	Minimum 15%	Minimum 15%

Conclusions

1. **PPM project has benefited all member countries through :**
 - ✓ Sharing of experiences and knowledge in petroleum operation in the respective countries.
 - ✓ A good forum of building closer relationship and cooperation among CCOP member countries.
2. **Malaysia has benefitted new ideas from this forum and has partly applied it in promoting our exploration acreages.**
3. **The cooperation among CCOP member countries may be broaden to other projects e.g FDP approval process and joint operation such as the Tripartite Team.**

Thank You