

VOLUME 2

PETROLEUM INVESTMENT

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PETPROS

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PETROS

VOLUME 2 SUMMARY

Per CSA and Sarawak Onshore Petroleum Agreement, PETRONAS and PETROS has agreed for PETROS to undertake, manage, control and be liable for all petroleum operations related to exploration, exploitation, winning, producing, and obtaining of Petroleum in the Onshore Areas of the State of Sarawak subject to compliance with all relevant laws governing the exploration, exploitation, winning, producing, and obtaining of Petroleum and the use and occupation of land thereto.

PETROS encourages petroleum investments in Sarawak onshore and aspires to provide a conducive and progressive business environment for investors. For selected marginal oil/gas fields, terms for the Petroleum Contract will be streamlined and improved to make the marginal fields more attractive for Investor to develop and commercialise. Its main function is to ensure optimal exploitation of hydrocarbon resources and enhance the prospectivity of Sarawak onshore acreages.

This Volume contains two (2) main sections. Section 1 provides the description for block acquisition and Section 2 provides the description for Farm In/Farm Out exercises.

Section	Guidelines
Section 1	Acreage Acquisition and Asset Acquisition
Section 2	Farm In/Farm Out

2.1 SECTION 1: ACREAGE ACQUISITION AND ASSET ACQUISITION

As the Custodian of Sarawak’s oil and gas resources pursuant to the Oil Mining Ordinance 1958, PETROS strives to advance the Exploration and Production (E&P) activities in the state. PETROS’s aspiration is to provide a conducive and progressive business environment in the Sarawak oil and gas industry.

PETROS acts for and on behalf of Sarawak state government and is responsible for the overall management and regulation of the Sarawak onshore E&P activities. One of PETROS’ main functions is to manage the optimal exploitation of hydrocarbon resources and enhance the prospectivity of Sarawak acreages to attract investment in the Sarawak oil and gas industry as well as protecting the state interest.

PETROS is mandated by Sarawak state government to market and promote Sarawak’s exploration opportunities to sustain foreign investments in Sarawak onshore E&P activities.

2.1.1 Introduction

This section provides the procedures for petroleum contract acquisition. The overall process is shown in Figure 2.1.1 below and detail procedures are explained in the subsequent sections in this Volume.

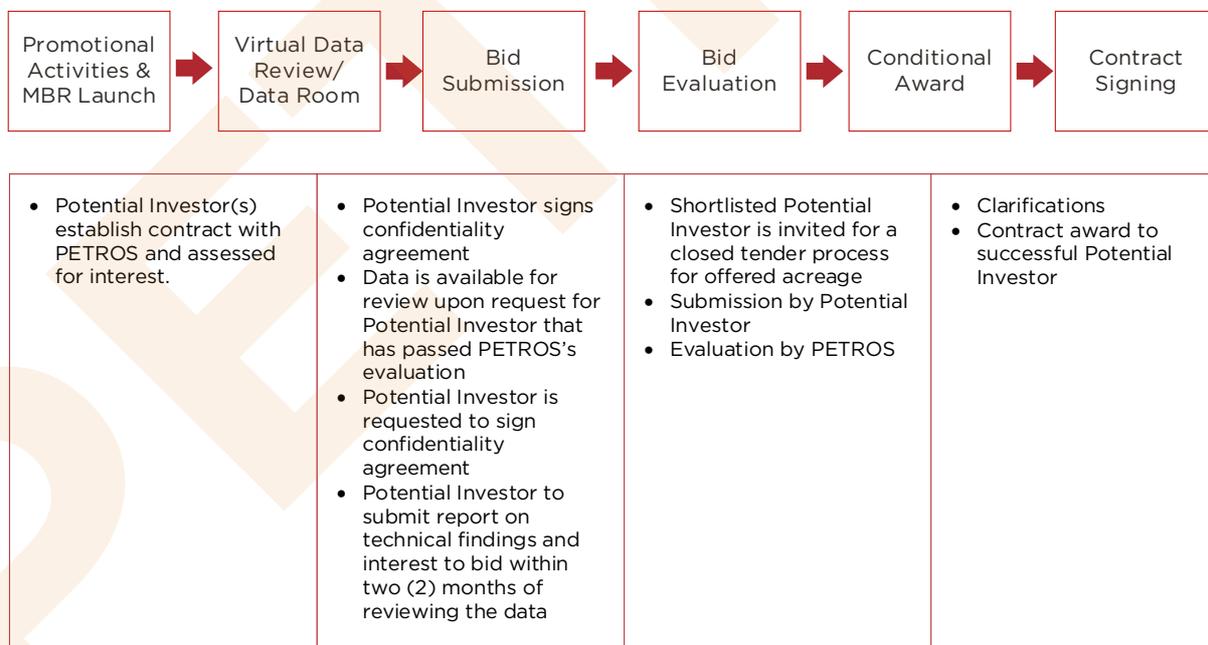


Figure 2.1.1 Data Review, Bidding and Acreage Award Process

2.1.2 Registering an Interest

Potential Investor formally expresses its interest to participate in the Sarawak's onshore exploration blocks. They shall contact the following departments/focal points in PETROS, as follows:

Subject	Contact
General inquiries regarding petroleum investment in the state of Sarawak	Head, Business Opportunity & Development, PETROS

2.1.3 Due Diligence and Data Review

2.1.3.1 Establish Contact

Potential Investor expresses its interest to participate in the Bidding Round.

Potential Investor shall submit its company's profile, management profile, audited financials, and any other necessary information to PETROS for due diligence purposes.

2.1.3.2 Data Review

Only Potential Investor that passes PETROS' screening evaluation is allowed to participate in the review of the Sarawak onshore exploration opportunities.

Potential Investor shall sign and execute the Confidentiality Agreement (CA) prior to the data review. Data review will be conducted via an online platform, accessible twenty-four hours per day. The online data review consists of both technical and bidding information for exploration blocks offered in the bidding round.

Potential Investor is given access to the offered acreage data. The data may be viewed in a virtual data room virtually and remotely via secured access. The virtual data room has a repository of technical data, bid guideline, draft Petroleum Contract documents and other bidding information.

Access of acreage data from selected petro-technical software, for example, PETREL application, is given remotely for the Offered Acreage.

Potential Investor shall submit a technical evaluation report of the reviewed block(s) and acreage(s) within two (2) months from the closing date of the data review period.

2.1.4 Bidding and Award

2.1.4.1 Bidding Process

Potential Investor interested to participate in the Bidding shall submit their Bid Proposal on or before the indicated deadline.

The Bid Proposal shall be submitted in accordance with the Bid Package, which will contain the following:

- Bid information including rules for submission of Bid Proposal.
- Contract area information.
- Bid deliverables.
- Location maps and coordinates.
- Standard Revenue over Cost (R/C) Petroleum Contract.

a. Online Bid Proposal Submission

Potential Investor or Bidder shall submit their Bid Proposal online for exploration blocks and/or acreages on or before the submission deadline.

The online Bid Proposal shall be submitted to PETROS, Attn: Head, Business Opportunity, and Development.

b. Bid Proposal Guidelines

The content of the Bid Proposal shall include, but not limited to the following:

- i. Company profile and background.
- ii. Proposed submission for specific exploration blocks and/or acreages, covering:
 - Geological and geophysical evaluation of the reviewed acreage.
 - Proposed exploration strategy for the reviewed acreage.
 - Proposed minimum work commitment for the reviewed acreage.
 - Proposed minimum financial commitment to undertake the exploration activities for the reviewed acreage.
- iii. Proposed exploration and/or development and/or operations and abandonment strategy.
- iv. Proposed Participating Investor or its subsidiary.
- v. Proposed percentage to be carried by the bidder for PETROS during exploration period.

- vi. Proposed participating interest for each party and the designated operator, in the case of joint bidding by a consortium of companies.
- vii. Proposed appropriate technology or tools to be used for the exploration blocks and/or acreages.
- viii. Other relevant technical information, for example, technical back-ups.
- ix. Available services, such as R&D, drilling, field development technology.
- x. Proposed Health, Safety, Security and Environment management system (HSSE-MS).
- xi. Proposed provision of training and education commitment.

c. Bid Proposal Evaluation

All Bid Proposal submissions will be evaluated by PETROS, based on a set of technical and financial criteria.

d. Bid Proposal Clarification

PETROS shall conduct a clarification meeting with the shortlisted bidder. The shortlisted bidder is required to explain/present their Bid Proposals to PETROS, focusing on the MWC, MFC and exploration, appraisal, and/or development, operations, and abandonment strategy of their bid proposal.

2.1.4.2 Conditional Award

After the clarification/presentation meeting with the shortlisted bidder(s) and the receipt of the revised proposals, if any, PETROS will decide whether a conditional award is to be given to the successful bidder.

2.1.4.3 Petroleum Contract Award and Finalization

PETROS shall notify the successful bidder on the award of the Contract.

PETROS shall finalise all terms and conditions of the Contract together with the successful bidder prior to Contract signing.

From time to time, PETROS will always consider improving the PC terms and make onshore investment more attractive for investor.

2.2 SECTION 2: FARM IN/FARM OUT

2.2.1 Introduction

This sub-section provides the procedures for Farming In/Farming Out exercise of a Potential Investor in a Contract, subject to the final approval of PETROS. The Farm In/Farm Out exercise includes the general expectations that the Potential Investor(s) or an existing Contractor(s) is obliged to perform.

2.2.2 Farm In/Farm Out

2.2.2.1 Farm In/Farm Out Process

A Potential Investor may Farm In, or a Contractor may Farm Out its participating interest in a Contract. Any application or proposal relating to Farm In/Farm Out shall be submitted to Head of Business Opportunity and Development, PETROS and shall include the following documents:

- a. Letter of Intent (LOI).
- b. Proposed Farm In Potential Investor's profile.
- c. Proposed Confidentiality Agreement (CA) details.
- d. List of data and information to be disclosed.
- e. Proposed method of data and information review.
- f. Proposed overall schedule.

Depending on the phase of petroleum operations, the proposal shall be reviewed by the relevant PETROS head of departments. The Farm In/Farm Out exercise can only be carried out upon PETROS' approval.

Figure 2.2.2.1 below illustrates the process of submitting, evaluating, and executing the Farm In/Farm Out exercise.

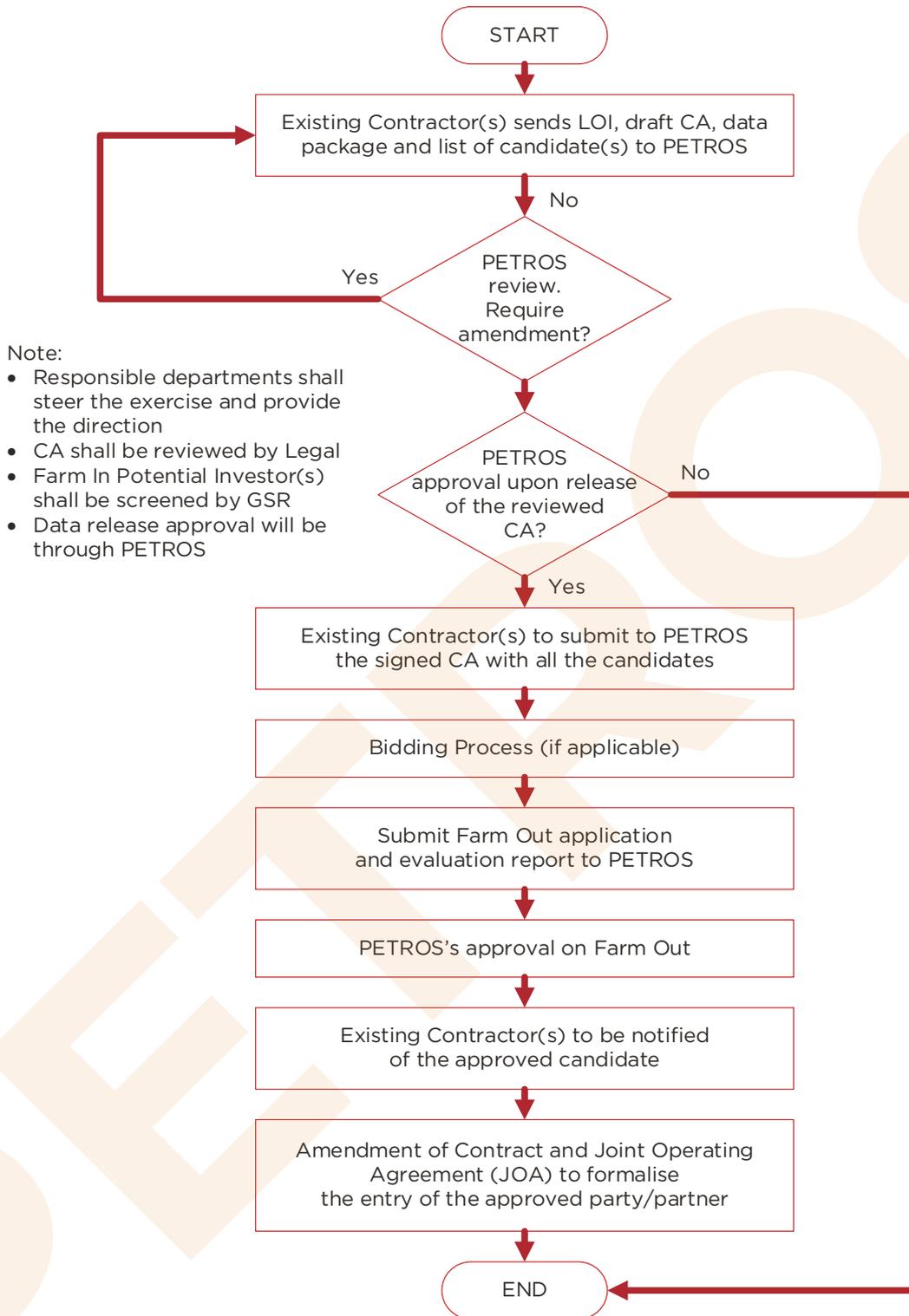


Figure 2.2.2.1 The process of submission, evaluation, and execution of the Farm In/Farm Out proposal

CONTACT INFORMATION

All correspondences related to this Volume shall be addressed to:

Subject	Contact
General inquiries regarding content of this Volume related to Potential Investor	Head, Business Opportunity & Development, PETROS
General inquiries regarding content of this Volume 2 related to data management	Document Controller, PETROS

DEFINITIONS

Term	Definition
Bid Proposal	A proposal to bid on the evaluated exploration block by the Bidder(s).
Conditional Award	An award of a block or field with the requirement for the Contractor to fulfil certain conditions prior to the final award.
Contract	As defined in Volume 1: Preamble and Contractor(s) shall be construed accordingly
Farm In/ Farm Out	The assignment and transfer of a portion or all of a party's participating interest (PI) in a Contract to a party outside the Contract under agreed terms and conditions. This happens whenever a Potential Investor acquires the Participating Interest from an existing Contractor in an existing Contract under agreed terms and conditions.
Offered Acreage	Blocks and/or fields that are available for exploitation by Potential Investor for exploration, development, or production.
Potential Investor	A company that is interested in investing in Sarawak's E&P activities including existing Contractor(s) intending to acquire additional acreages.
Petroleum Contract	A contractual arrangement for exploration and production of petroleum resources, in this case with PETROS, where the Contractor undertakes all the financial, technical and operational risks associated with petroleum operation in return for a share of profit oil after payment of royalty, cost and tax oil.
Reviewed Acreage	Selected offered acreage that is to be reviewed by Potential Investor through a data review

ABBREVIATIONS

Term	Terminology
BG	Bank Guarantee
CA	Confidentiality Agreement
CSA	Commercial Settlement Agreement
DRA	Discovered Resources Arrangement
E&P	Exploration and Production
HSSE-MS	Health, Safety, Security and Environment - Management System
LOI	Letter of Intent
MFC	Minimum Financial Commitment
MWC	Minimum Work Commitment
R/C	Revenue Over Cost