

Regulating Production Sharing Contract in Act on Oil and Gas

Topan Meiza Romadhon
Mahasiswa Pascasarjana FH UII Yogyakarta
topan-mezro@yahoo.co.id

Abstract

The concept of production sharing contract in Indonesia has experienced various changes or amendments. However, the implementation of such concept in acts pertinent to petrol and natural gases remain unclear. The detailed regulation on this aspect do not deliver sufficient elucidation, including in some significant clauses. It is considered therefore that in the near future, the legal framework pertaining to this matter shall encompass clear and detailed provisions.

Keywords: *Production Sharing Contract, Act on Petroleum and Natural Gases.*

Introduction

The Constitution of Republic of Indonesia entrusts the management of natural resources or treasures inside to State to be used for the greatest benefit for people's prosperity.¹ Natural resources inside including gas and oil are unrenovable resources. Oil and gas itself has strategic value for the life of Indonesia as the significant energy source and revenue source.

Upper business activity (*kegiatan usaha hulu*) in the sector of oil and gas is a business activity which needs huge capital and high risk.² The characteristic of oil and gas industry is different from other industry. The oil and gas exploration is a gambling activity, because even though the exploration has been prepared carefully with the huge expense, there is no guarantee that the activity will end up with the discovery of oil source. Oil and gas industry is a business which needs high technology huge capital and high risk. As an example between 1985-1993 the exploration success ratio in Indonesia ranged between 40,2% to 52,1%. In 1993, from 114 explorations, the result is 27 oil sources and 27 gas sources were found and other 60 are dry. Therefore the success ratio in 1993 is 47,3.³ Exploration expense is often rises from the expected calculated expense. In 2005, exploration expense spent by all production sharing contract (exploration spend) in Indonesia increased about US\$ 1 billion from 2004 became approximately

¹ Article 33 (2) 1945 Constitution.

² "Ketidakpastian Hukum Cegah Investor Migas Masuk", <http://www.hukumonline.com/detail.asp?id=16293&cl=Berita>, March 1 2007.

³ "Industri Migas Mirip Perjudian", <http://www.swa.co.id/96/04/SAJ03.006.html>, April 6 1996.

US\$ 7,5 to US\$ 7,8 billions.⁴ Oil mining exploration in Cepu Block is estimated will spend Rp 35 trillion. The increasing of the cost is because of a lot of work that must be done before and during the production such as supporting infrastructure needs which are airport, employee settlement, indirect transfer of title, and pipe installment.⁵

How the concept of production sharing contract in Indonesia developed and how the production sharing contract in Oil and Gas Act regulated?

The Development of Production Sharing Contract Concept in Indonesia

The first concept of production sharing contract or also known as production sharing agreement which becomes the reference in the world for the first time was used in Bolivia in early 1950's. Since that time, production sharing agreement was used in a lot of state in transition period of economy. Production sharing agreement as a form of cooperation between investor and state in the process of discovering the mineral in the soil layer is actively used in 40 states including Angola, Vietnam, Libya, Egypt, Malaysia, Peru, Syria, Philippine, Papua New Guinea, and etc. In the next development, production sharing agreement was begun to be used in C.I.S which are Russia, Azerbaijan, and Kazakhstan. In 1995, Russia adopted federal law about "consent of sharing." At this moment some investors has performed their activity in Russia under production sharing agreement, although this regulation has not been granted further approval yet, because the legislation process is not yet final.⁶

The concept of production sharing agreement which is followed by many states in this world are:⁷ 1. Production sharing agreement as a form of special agreement related to soil layer using relation based on private contract principles for the relationship between state and investor to predict, explore, and distillate or digging the mineral natural resources; 2. Production sharing agreement as a contract which is subjected to government policy when government is entrusting to the investor to predict, explore, and distillate or digging the mineral natural resources in the limitation area of soil layer determined based on compensation and time decided by government to

⁴ "Sejumlah Proyek Migas Terealisasikan, Biaya Eksplorasi Naik", <http://www.kapanlagi.com/h/0000062037.html>, May 5 2005.

⁵ "Biaya Blok Cepu Membengkak Akibat Biaya-Biaya Operasi Pengeboran Naik", http://www.radarcirebon.com/index.php?option=com_content&task=view&id=2837&Itemid=1.

⁶ Irina Palishvili, The President of The Russian-Ukrainian Legal Group, Outlines of Presentation at the seminar on the legislation on production sharing agreements, September 14 1998, http://www.rulg.com/documents/The_Concept_of_Production.htm.

⁷ *Ibid.*

investor where investor is obliged to perform the duty which is performed by funding and self-carry risk.

Production sharing contract in Indonesia began to be popular since it was introduced in 1960 in Venezuela by Ibnu Sutowo. Ibnu Sutowo introduced production sharing contract based on the thinking that Indonesia at that time is a State which has a lot of oil and gas resources, but Indonesia had no financial ability to do infestation in the oil and gas industry. Besides that, Indonesia at that time has no sufficient technology to hold oil and gas business activity, and Indonesia has no competent human resources to do this upper business activity.⁸

In 1966 Ibnu Sutowo offered the substance of production sharing contract to foreign contractor in the form of:⁹ (1) The management control is in the hand of State Enterprise; (2) Contract is based on production sharing; (3) Contractor bears pre-production risk and when the oil source is found, the cost compensation is limited into 40% maximal per year from the produced oil; (4) The residue of the produced oil after subtracted by cost compensation, it is divided by 65% composition for state enterprise and 35% for contractor; (5) Rights of all equipment bought by contractor will be owned by state enterprise when the equipment arrived in Indonesia and the cost will be covered by 40% formula mentioned in butir 3; (6) Pertamina pays income tax of the contractor to government; (7) Contractor is obliged to employ Indonesian labor; (8) Contractor must fulfill the needs of national gasoline proportionally with 25% maximum of the part.

Indonesia through its State Enterprise, PT Pertamina, which was established in 1971 operates the business activity independently, so the whole natural resources produced goes to state treasury and to be used for the greatest benefit for people's prosperity. In the development what is expected by Ibnu Sutowo could not be realized well, because Pertamina placed itself in government side in signing production sharing contract with contractor other than perform its function as State Enterprise which develops and exerts oil and gas as a upper & lower (*hulu dan hilir*) business activity. Pertamina in exerting business activity is never fulfilled. This is became the ratio of Oil and Gas Act to give the mining authority to government.¹⁰ The further implication is that Pertamina has no rights to become the government side in production sharing contract with contractor, because government as the Mining Trustee (*Pemegang Kuasa Pertambangan*) formed

⁸ Rudi M. Simamora, *Hukum Minyak dan Gas Bumi*, Jambatan, Jakarta, 2000, page 93.

⁹ Salim H. S, *Hukum Pertambangan di Indonesia*, Raja Grafindo Persada, Jakarta, 2006, page 266, 267, and 273.

¹⁰ Before that, Article 11 (2) Act No. 8 1971 about Pertamina stated that the mining trustee is given from State to Pertamina.

Badan Pelaksana as the organizer of the business activity which one of the authority is to sign the same working contract.¹¹

Since 1964 until now production sharing contract has been through some step of change. Generally, production sharing contract can be divided into 4 generations, which are:¹²

First generation of production sharing contract (1964-1977)

In this generation the substance of production sharing contract was the same as what Ibnu Sutowo stated. However, because of the significant increase of world oil price in 1973 or 1974, government issued policy which was obliged contractor to perform the additional payment to government.

The second generation of production sharing contract (1978-1987)

The change of production sharing contract in this generation is most likely to be caused by foreign influence. The foreign influence is when the government of United State of America issued IRS Ruling which decided that the payment of production sharing contract is considered as royalty payment to government.¹³ Because the tax payment of Pertamina and contractor is paid by Pertamina, contractor was suggested to pay the tax directly to government. Therefore, contractor paid 56% of tax directly to government. Besides that, Generally Accepted Accounting Procedure (GAAP),¹⁴ is needed to be applied such as limitation of cost recovery ceiling as much as 40% per year was abolished.

Third Generation of Production Sharing Contract (1988 – 2002)

In this generation, the change was most likely caused by the enactment of new law of taxation in 1984, but this new taxation law was applied in 1988.

Fourth Generation of Production Sharing Contract

The changed in fourth generation was an implication from the enactment of Oil and Gas Act which is the change of parties' position in this contract. In the previous generation the involved

¹¹ Salim H. S., *Loc. Cit.*

¹² *Ibid.*

¹³ Internal Revenue Service or IRS is a bureau of the Treasury Department which responsible for tax collection. See wordnet.princeton.edu/perl/webn. IRS was actually introduced in 1862 which responsible for administration and enforcement of federal tax legislation. IRS collects almost all federal, including personal and company income tax, social guarantee, tobacco tax, land tax, and gift tax. See www.historycentral.com/Civics/1.html

¹⁴ Generally Accepted Accounting Principles (GAAP) is a same minimum standard for all document and financial accounting, including customs, regulations, and procedures decided to be accepted as accounting principles. See www.cityofmacon.net/Business/budgetGlossary2.htm.

parties are Pertamina and contractor, while in this new generation changed into Badan Pelaksana and company.

Government of Indonesia in its capacity as the Mining Trustee formed Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas (BP MIGAS) to control and to manage Kegiatan Usaha Hulu di Bidang Minyak dan Gas Bumi. If government had not performed or can not perform exploration and exploitation on its own, the Minister of Energy and Natural Resources can appoint other party as the contractor.¹⁵ Contractor can be classified into two categories, which are: a. Legal Entity, a legal entity which runs permanent, continuous, and established in accordance with law business activity, and domiciled in Republic of Indonesia which does its activity in the Republic of Indonesia;¹⁶ b. Company, a legal entity established outside Republic of Indonesia territory which does its activity in the territory of Republic of Indonesia and to be obliged to obey the Indonesian Law.¹⁷

The Implementation of Production Sharing Contract Concept in the Oil and Gas Act

In the production sharing contract there are some clause which became the important points in the cooperation contract determined by Oil and Gas Act, which are:¹⁸

State Revenue

Legal Entity or badan usaha tetap operates usaha hulu activity must pay state revenue in the form of tax or Non-Tax State Revenue.¹⁹

State revenue in the form of tax consists of:

(a) Taxes. In the cooperation contract, company has an obligation to pay tax. However company still can choose the alternative of taxation regulation will be applied in the cooperation contract, whether it is to be applied based on the active Acts on taxation at the time the working contract signed or the active Acts in taxation; (b) bea masuk, and pungutan lain of Import and Cukai; (c) Regional Tax and Local *Retribusi*.

Meanwhile, the non-tax state revenue consists of: (a) State portion, which is production sector granted by company to state as the owner of gas and oil natural resources; (b) Pungutan

¹⁵ Analisis Perhitungan Pajak Penghasilan Pada Perusahaan Minyak dan Gas Bumi yang Melakukan Kontrak Production Sharing Studi Kasus pada But "X", [http://www.jurnalskripsi.com/10/24/analisis-perhitungan-pajak-penghasilan-pada-perusahaan -minyak-dan-gas-bumi-yang-melakukan-kontrak-production-sharing%E2%80%9d-studi-kasus-pada-but-%E2%80%9c%E2%80%9d.htm](http://www.jurnalskripsi.com/10/24/analisis-perhitungan-pajak-penghasilan-pada-perusahaan-minyak-dan-gas-bumi-yang-melakukan-kontrak-production-sharing%E2%80%9d-studi-kasus-pada-but-%E2%80%9c%E2%80%9d.htm), October 24 2007

¹⁶ Article 1 No. 17 Act on Oil and Gas.

¹⁷ Article 1 No. 18 Act on Oil and Gas.

¹⁸ Article 11 (3) Act on Oil and Gas.

¹⁹ Article 31 (1) until (4) Act on Oil and Gas and its elucidation.

Negara in the form of fixed contribution and exploration and exploitation contribution. The fixed contribution is paid based on the territory width as the repayment of "chance" to do exploitation and exploration activity. Exploitation and exploration contribution is targeted to legal entity and company as the compensation of gas and oil natural resources exploitation which is unrenovable (c) bonuses, which are data bonuse, signature bonus, and production bonus based on certain production level achievement.

Working Area and the Repayment

Working area can be defined as a certain area in the area of Indonesian mining law for exploration and exploitation activity.²⁰ Company must return some part of its working area on the whole or on stages to the minister.²¹ The purpose of this arrangement is to make the whole part or some parts of the non-exploited working area can be offered to other party as a new working area. Therefore, government can gain optimal result from the exploration of the natural resources from an area.²²

If the legal entity or badan usaha tetap which already granted first field development approval in a working area does not perform its activity in at least 5 years period from the end of the exploration period, it must return all the working area to the minister.²³

The Obligation of Expense

In the Oil and Gas Act there is no explanation about the obligation of expense. Therefore the explanation of expense obligation is taken from Production Sharing Agreement between BP MIGAS, PT Pertamina, and PT Bumi Siak Pusako. Expense obligation in the contract is defined as obligation for one of the parties to expend fund related to the production needs or risk that may rise, stated by one of the parties because the contract in oil and gas sector there is clause stated if investor as the contractor produced beneficial mineral when exploring and exploiting working area.

²⁰ Article 16 No. 16 Act on Oil and Gas. Article 1 No. 8 Act on Oil and Gas defines that exploration is an activity purposed to gain information about geology condition to find and obtain the approximate gas and oil source in a certain working area. Article 1 No. 9 Act on Oil and Gas defines that exploration is a series of activity purposed to produce oil and gas from the certain working area, which consists of drilling and well finishing, creating transporrtation facilities, storage, and the process to separate and distillate the oil and gas in the field and other supporting activities.

²¹ Article 16 Act on Oil and Gas. Minister is the minister whose duty and responsibility is in the scope of oil and gas business activity. See Article 1 No. 25 Act on Oil and Gas.

²² Elucidation of Article 16 Act on Oil and Gas.

²³ Article 17 Act on Oil and Gas.

Therefore the cost is under the liability of government, and when it happens on the contrary all the cost became the risk of the investor as the contractor.²⁴

Transfer of Oil and Gas Production Ownership

In the Oil and Gas Act there is no further explanation about the transfer of oil and gas production ownership. Thus the explanation related to this point is taken from the Production Sharing Agreement between BP MIGAS, PT Pertamina and PT Bumi Siak Pusako. The transfer of oil and gas production ownership is performed when the production result has been separated to cost recovery, so the residue is distributed of production result of oil and gas between government and investor as the contractor.²⁵

The Period and the Contract Extension

The period of cooperation contract is performed maximum 30 years. Company can still propose contract period extension maximum 20 years.²⁶ Cooperation contract period consist of exploration period and exploitation period. Exploration period is performed in 6 years and can be extended only 1 period which will be performed maximum 4 years.²⁷

Dispute Settlement

Oil and Gas Act does not clearly mention the choice of law and choice of forum for dispute settlement between the parties of production sharing contract. However, usually dispute settlement between the parties can be done through litigation (court) or non litigation. Based on Act No. 30 1999 about Arbitration and Alternative Dispute Settlement, dispute settlement can be done through arbitration or other alternative dispute settlement. Arbitration is a way to solve private dispute outside general court which is based on arbitration agreement made in written by the disputing parties. Meanwhile Alternative Dispute Settlement is dispute settlement institution or difference in opinion based on agreed procedure by the parties, which is settlement outside court by consultation, negotiation, mediation, conciliation, or expert testimony.²⁸

The Obligation of Oil and or Gas Supplier for National Needs

²⁴ *Production Sharing Agreement between Badan Pelaksana Minyak dan Gas and PT Pertamina (Persero) and PT Bumi Siak Pusako*, Section I, Scope and Definitions, paragraph 1.1.

²⁵ *Production Sharing Agreement between Badan Pelaksana Minyak dan Gas and PT Pertamina (Persero) and PT Bumi Siak Pusako*, Section I, Scope and Definitions, paragraph 1.1.

²⁶ Article 14 Act on Oil and Gas.

²⁷ Article 15 Act on Oil and Gas.

²⁸ See Article 1 No. 1 Act No. 30 1999 about Arbitration and Dispute Settlement.

Government is responsible to keep the gasoline needs in entire of the state including remote area is fulfilled and to keep the availability and national supply in sufficient number for certain period.²⁹

The Termination of Contract

Cooperation contract has to mentioned when the contract between investor as a contractor and BP MIGAS end.

The Post-Mining Operation Obligation

Legal entity and company is the parties which guarantee the safety and health work and environment management, and adhere to the provision of the Acts applies in Oil and Gas activity.

Related to the environmental management, company have the obligation to prevent and handle pollution and recover the environmental destruction, including post-mining operation obligation.³⁰

In Governmental Decree No 35 2004 about Usaha Hulu Minyak dan Gas stated that contractor is obliged to allocate the fund for Post-Kegiatan Usaha Hulu operation. The obligation is performed since the exploration period started and performed in working plan and budget. Fun allocation placement is agreed by the contractor and Badan Pelaksana and performs its function as special reserved fund of post-Kegiatan Usaha Hulu operation in the related working area. The procedure of reserved fund usage for this post-operation is determined in cooperation contract.³¹

Work Safety and Health

Production sharing contract must guarantee the safety and the health of its employee and creates safe, sufficient, and sufficient working environment.³²

Environmental Management

Contractor must fulfilled Analysis of Environmental Impact (AMDAL) first before performing the activity in oil and gas sector,³³ while generally the environmental management in the form of obligation to prevent and to handle pollution and to recover the environmental destruction, including post-mining operation.³⁴

²⁹ Article 8 (1) Act on Oil and Gas.

³⁰ Article 40 clause (2) and (3) Act on Oil and Gas.

³¹ Article 36 Government Decree No. 35 2004 about Oil and Gas Upper Business Activity.

³² Act No. 1 1970 about Working Safety and Article 72 Government Decree No. 35 about Oil and Gas Upper Business Activity.

³³ Regulation about AMDAL can be found in Government Decree No. 51 1993 about AMDAL.

³⁴ Article 40 clause (2) and (3) Act on Oil and Gas, and Article 73 Government Decree No. 35 2004 about Oil and Gas Upper Business Activity.

The Definition of Rights and Obligation

Contractor can divert, give, and transfer some parts or all of its rights and obligation (participating interest) to other party after granted approval of the Minister based on Badan Pelaksana consideration. In the diverting, giving, and transferring some part or all of the rights and obligation of contractor to Non-affiliation Company or to companies other than working partner in the same working field, the Minister can ask contractor to offer to national company first. The data disclosing in diverting, giving, and transfer some part or all of the rights and obligation of contractor to other parties must be granted permission from the Minister through Badan Pelaksana. Contractor can not divert the majority of some parts of its rights and obligation to other parties which are not its affiliation in the first 3 years in Exploration period.³⁵

Since the plan of pengembangan lapangan has been approved for the first time which will be produced from a working area, contractor is obliged to offer 10% participating interest to Regional Enterprise.³⁶

The interest and ability statement to take participating interest as stated in Article 34 states by Local Enterprise in a period maximum 60 days from the offer date from contractor. If Regional Enterprise did not give ability statement in the period, contractor would have to offer to national company. If the national company did not give interest and ability statement in the period maximum 60 days since the offer date from contractor towards national company, the offer would be stated closed.³⁷

The Needed Report

Contractor must submit a written report periodically to the minister about things related to the supervision.³⁸ Supervision of the work and the operation of usaha hulu activity responsibility to obey the regulation are in the hand of the Minister.³⁹ The supervision is in the form of:⁴⁰ conservation of natural resources and Oil and Gas reservation; oil and gas data management; good technical principle; safety and health o work; environmental management; the using of national goods, service, and building and engineering ability; foreign labor employment; national

³⁵ Article 33 Government Decree No. 35 2004 about Oil and Gas Upper Business Activity.

³⁶ Article 34 Government Decree No. 35 2004 about Oil and Gas Upper Business Activity.

³⁷ Article 35 Government Decree No. 35 2004 about Oil and Gas Upper Business Activity.

³⁸ Article 93 clause (1) Government Decree No. 35 2004 about Oil and Gas Upper Business Activity.

³⁹ Article 86 clause (3) Government Decree No. 35 2004 about Oil and Gas Upper Business Activity.

⁴⁰ Article 88 Government Decree No. 35 2004 about Oil and Gas Upper Business Activity.

labor improvement; environment and surrounding society development; controlling, developing, and applying oil and gas technology; other activities in the oil and gas sector as far as it concerns public interest.

Contractor must submit a written report periodically to the Badan Pelaksana about things related to supervision.⁴¹ Badan Pelaksana performs control and supervision of the application of the cooperation contract provision.⁴² In supervising and controlling, Badan Pelaksana has some duties: (a) to give consideration to the minister for the policy in the preparation and offer of working area and cooperation contract; (b) signing the cooperation contract; (c) observe and submit the pengembangan lapangan plan which will be first produced in a working area to the minister in order to be granted approval; (d) grant pengembangan lapangan approval other than; (e) give consent of working and budget plan; (f) perform monitoring and reporting to the minister about the performance of the cooperation contract; (g) to appoint the seller for national oil and gas portion who can give the biggest benefit for state.⁴³

Field Development Plan

Field development plan is an obligation for contractor related to the activity of the contractor in the working area whom the contractor has granted the rights to run usaha hulu, which has to be considered by BP MIGAS first and consulted to the local government, then submitted to the Minister of Energy and Natural Resources to be granted operation approval.⁴⁴

Priority of National Goods and Service

All the stuff and equipment which is directly used in the upper business activity (*usaha hulu*) operation bought by contractor become state property whose care is done by government and managed by Badan Pelaksana. If the stuff and the equipment came from abroad, the import procedure and the goods itself will be decided by the minister, Minister of Finance and minister whose responsibility and duty in the scope of trade. Goods and equipment of contractor must fulfill standard based on the active Acts and regulations. Contractor can use the goods and the equipment in the period of Cooperation Contract.⁴⁵

⁴¹ Article 93 clause (2) Government Decree No. 35 2004 about Oil and Gas Upper Business Activity.

⁴² Article 86 clause (5) and 91 Government Decree No. 35 2004 about Oil and Gas Upper Business Activity.

⁴³ Article 90 Government Decree No. 35 2004 about Oil and Gas Upper Business Activity.

⁴⁴ Article 21 Act on Oil and Gas.

⁴⁵ Article 78 Government Decree No. 35 2004 about Oil and Gas Upper Business Activity.

Contractor must prioritize the national goods, service, and technology, and engineering and building transparently and competitively. Prioritization of national goods, service, and technology, and engineering and building ability is performed when the goods, service, and technology, and engineering and building ability when those have been produced and available in the state and fulfill the quality and qualification, submission time, and the price must be in accordance with the provision about providing goods and service.⁴⁶

Goods, service, and technology, and engineering and building ability can be imported as long as it is not yet produced in national and as long as the imported goods, service, and technology, and engineering and building ability fulfill the qualification of standard or quality, operation cost efficiency, guarantee of the submission time and can give guarantee of post-sale service.⁴⁷

The management of the goods and equipment used in the upper business activity company is done by Badan Pelaksana. The use of the goods and equipment supply surplus can be diverted to the other contractor in the area of Indonesian mining law by the approval of Badan Pelaksana and reported regularly to the minister of finance to decide the usage policy. If the goods and equipment is given as a gift, sold, put as equity, destroyed, or lent by another party to be used, leased, or usage agreement, has to be granted approval from the Minister of Finance as the suggestion of Badan Pelaksana through minister. If the cooperation contract has ended, the goods and equipment of the contractor must be returned to government to decide its usage in accordance with the active Acts and regulation.⁴⁸

Surrounding Society Development and the Guarantee of the Local Community's Rights

Company does oil and gas business activity is responsible for the development of environment and surrounding society.⁴⁹ Related to the rights of local communities is also regulated, which is the operation of oil and gas business activity can not be operated in the land under the ownership of local communities.⁵⁰

Indonesian Labor Employment Prioritization

In fulfilling the needs of human resources, contractor must prioritize the employment of Indonesian labor by paying attention of the usage of the local labor based on the competence

⁴⁶ Article 79 Government Decree No. 35 2004 about Oil and Gas Upper Business Activity.

⁴⁷ Article 80 Government Decree No. 35 2004 about Oil and Gas Upper Business Activity.

⁴⁸ Article 81 Government Decree No. 35 2004 about Oil and Gas Upper Business Activity.

⁴⁹ Article 40 clause (5) Act on Oil and Gas.

⁵⁰ Article 33 clause (3) letter a Act on Oil and Gas.

standard required. Contractor can employ the foreign labor for special position and special specialization which could not be fulfilled by Indonesian labor in accordance with the position competence required.⁵¹ The procedure of foreign labor is done through the active Acts and regulations in the matter of labor.⁵²

To improve the ability of Indonesian labor to fulfill the working standard competence and position qualification, Contractor must perform guidance, education program, and training for Indonesian labor.⁵³

Conclusion

The concept of production sharing contract in Indonesia has been through significant changes from the first concept introduced by Ibnu Sutowo. Meanwhile, the implementation of production sharing contract in Oil and Gas Act is still too brief. The elucidation is also still does not give detailed explanation of some important clauses which should be given detailed limitations in the Oil and Gas Act. Therefore, the renewal of oil and gas Acts and regulations in the future must accommodate things which its rule now still unclear, such as in the matter related to cost recovery.

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⁵¹ Article 82 Government Decree No. 35 2004 about Oil and Gas Upper Business Activity.

⁵² Article 83 Government Decree No. 35 2004 about Oil and Gas Upper Business Activity.

⁵³ Article 84 Government Decree No. 35 2004 about Oil and Gas Upper Business Activity.

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