Exploration Opportunities Production Sharing Contract Overview

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Production Sharing Contract Overview

Production Sharing ContractsThrough PSCs, our partner bear exploration, development and production costs in return for an agreed share of production. A variety of PSC terms are designed to encourage an optimal level of investment based on the complexity of petroleum resources

Main Features	R/C**	Deepwater
ROYALTY	10%	10%
EXPORT DUTY (Only leveled on export oil)	10%	10%
PETROLEUM INCOME TAX *	38%	38%
CONTRACT PERIOD (Years)		
Exploration	3	4
Development	4	6
Production	20	25
RESEARCH CESS	0.5%	0.5%
COST CEILING	Sliding scale (up to 70%)	Oil: 70% Gas: 80%
PROFIT SHARING – Sliding scale based on:	R factor (R/C) Oil: Max70% Gas: Max 80%	Production Oil: Max70% Gas: Max 80%
PCSB PARTICIPATION	Min 15%	Min 15%
SUPPLEMENTARY PAYMENT	70%	OIL: Up to 100 mmbbl : 50% 100 – 200 mmbbl: 60% > 200% mmbbl: 70%
	60%	GAS: Up to 2 TSCF: 50% 2 – 4 TSCF: 60% > 4 TSCF: 70%

***note:** for reference only*

*Malaysia Government has recently introduced different tax incentives for marginal fields & capital intensive projects (CO2, HPHT, EOR and deepwater).

**The introduction of “revenue over cost” concept (the R/C) PSC encourages additional investments in Malaysia’s upstream sector. It allows PSC Contractors to accelerate their cost recovery if they perform within certain cost targets. The underlying principle is to allow the PSC Contractor owns a higher share of production when the Contractor's profitability is low and to increase PETRONAS' share of production when the Contractor's profitability improves. The contractor's profitability at any time is measured by the "R/C Index", which is the ratio of the contractor's cumulative revenue (calculated as the sum of the contractor's cost oil and profit oil or cost gas and profit gas, as the case may be) over Contractor's cumulative costs.