AUTORIDADE NACIONAL DO PETRÓLEO

2010 ANNUAL REPORT

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1. Message from the President and the Chairman of the Board of Directors

To Whom It May Concern,

It is with great pleasure that I present to you, on behalf of our Board of Directors and staff, the 2010 Annual Report of the Autoridade Nacional do Petróleo (ANP) Timor-Leste.

The ANP, which is also mandated to administer the JPDA, passes through immense experiences in exercising its role as the nation's only petroleum regulatory authority. In that, the young institution has come across with a great mixture of fascinating yet challenging experiences. Enlightened by its institutional strategic plan, the ANP in 2010 concentrated its efforts to maximize its role as a fully functional petroleum regulatory authority, whilst also continuously refining itself as a model institution in the young nation of Timor-Leste.

Amongst various milestones achieved in 2010 outlined in this report, the year was also marked by the great cooperation between all parties in ensuring the approval and smooth operation of the first deep water drilling ever hosted by the nation. It is evident that despite the various limitations in the country's early development, all parties; government departments, agencies, and civil societies, demonstrated great commitment to have efficiently hosted such a high-tech and complex operation from our only functional and busy port of Timor-Leste.

Whilst petroleum development and production have taken place in the JPDA over a decade, the overall areas under the ANP's jurisdiction, which are proven to be petroliferous zone, remain underexplored. For that, it is obvious that Timor-Leste will continue to be a target for great petroleum explorers for some time. The ANP will continue to be proactively engaging all stakeholders, both domestic and foreign, to be hand-in-hand facing future petroleum exploration and development for the economic development of Timor-Leste, and Australia in the case of the JPDA.

I hope this report provides all stakeholders a better understanding on the administration of petroleum resources and its activities in Timor Leste Exclusive Areas and in the JPDA in the Timor-Sea. The ANP welcomes all stakeholders' constructive criticism to ensure better annual reporting in the future.

Faithfully Yours,

Gualdino da Silva
2. 2010 Highlights

2.1 Kitan Field Development Project

Following the submission of the Kitan Field Development Plan (FDP) on the 18th May 2009, precisely 12 months after the declaration of commercial discovery of the Kitan field, the ANP conducted an in-house assessment workshop with the support of NPD and further sought external views from independent consultants.

Giving due regard to Legal and Technical Compliance, Commercial, HSE and Local Content, the ANP presented its assessment results and recommendation to the JPDA Joint Commissioners for their collective consent prior to granting approval to the Kitan FDP. The Kitan FDP, the first development plan to be assessed since the ANP’s inception, was finally approved in April 2010. The approved Kitan FDP foresees the development of the field utilizing a FPSO facility to process, store and further off-load oil gathered from three subsea producing wells.

The Kitan field development will contribute additional revenues for both Timor-Leste and Australia.

![Kitan Development Celebration Night](image)

**Figure 1** Kitan Development Celebration Night

In the pictures from left to right:

- Vice Prime Minister, H.E. Dr. Jose Luis Guterres delivering a message at the Kitan Development Celebration Night
- Elders performing Timorese traditional ritual seeking the blessings of ancestors and
- The Stakeholders toast for successful project

2.1.1 Kitan Development Drilling Workshops

In 2010, ANP in cooperation with Eni JPDA 06-105 hosted two local supplier workshops in Dili, Timor-Leste. Eni also hosted similar events in Singapore and Darwin, Australia. These workshops were intended to create local industry networks and provide opportunities to the local suppliers to participate in the upcoming KITAN Development and Production.

The workshop in Dili helped to develop an understanding of the Timor-Leste local supplier capacity, strengthening links between major contractors and local suppliers through the Timor-Leste Chamber of Commerce and Industry (CCITL), and seeking ways to further develop capacity of local suppliers in Timor-Leste. The attendees of the workshops were from various business representatives in Timor-Leste, civil societies and NGOs, representatives from relevant government ministries and agencies, Peace Dividend Trust (PDT) Timor-Leste, business representatives from Darwin, Singapore, Malaysia, and Indonesia. Beside the above mentioned attendees, Eni and the main subcontractors for the KITAN Project, such as Transocean, FMC Technology, Technip and Bluewater were also present as both participants and members of the speaker panels.
The first workshop in Timor-Leste was organized in June 2010. This was intended to introduce the Kitan Development Project, the importance of the local content, and the approach to procurement of local goods and services as well as training and employment.

Following this, a second workshop was held in September 2010 focused on prequalification, contractors tendering and supply requirements, whereby participants identified local constraints, opportunities, solutions and potential participants.

2.2 Drilling Campaign in the Timor-Leste Exclusive Area (TLEA)

Timor-Leste, for the first time in its history, hosted deep water exploration drillings within Timor-Leste waters in 2010. To ensure a better coordination between the government agencies and the Operators, ANP hosted a workshop on 23rd March 2010. It was aimed to bring all stakeholders in Timor-Leste together for a better understanding on the deep water drilling planned for by Eni and Reliance. An important benefit of this meeting was seen later in the year with Reliance successfully supporting the drilling of the SERA-1 well out of the Dili port.
3 About Autoridade Nacional do Petróleo

3.1 General overview
Autoridade Nacional do Petróleo Timor-Leste also known as ANP is a public institution of the Government of Timor-Leste established under decree law no. 20/2008 to administer and regulate upstream petroleum activities within the Joint Petroleum Development Area and upstream and downstream petroleum activities within TLEA. ANP is an institution under the tutelage of the Secretariat of State of Natural Resources for Timor-Leste, administratively and financially independent.

3.2 Our Vision, Mission, Goals, and Values

Vision
To be a leading petroleum regulatory authority in the region and a model for institutional development in Timor-Leste

Mission
To maximize revenue and multiply economic benefits;
To maximize the participation of Timor-Leste in the development of its petroleum sector;
To promote best Health, Safety and Environmental practices;
To develop the institutional capacity of the Timor-Leste petroleum sector

Goals
Ensure that petroleum resources are effectively explored, developed, managed and regulated;
Ensure that economic benefits are delivered to the contracting states;
Maximize employment opportunities for Timor-Leste nationals;
Develop organizational excellence;
Promote and ensure best HSE practices;
Regulate all downstream petroleum activities in Timor-Leste;
Maximize economic activities of petroleum sector in Timor-Leste
Values

The ANP Values are embedded in the word "COURAGE", reflecting what the organisation views and upholds as important.

<table>
<thead>
<tr>
<th>Collaboration</th>
<th>To conduct efficient and effective collaboration among (i) ANP’s internal Directorates, and (ii) with its key stakeholders.</th>
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<tr>
<td>Openness</td>
<td>Openness, honesty and transparency — underpinned by a culture of trust and respect.</td>
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<td>Unity</td>
<td>ANP promotes and displays a high degree of teamwork and integration amongst its employees and Directorates. Whilst appreciating and respecting the cultural and intellectual diversity of the individuals that works within it, the ANP is united in its ambition to become a world class organisation in Timor-Leste.</td>
</tr>
<tr>
<td>Responsibility</td>
<td>As true leaders, ANP team members take full responsibility for the results of their actions.</td>
</tr>
<tr>
<td>Accountability</td>
<td>ANP and its team members are fully accountable for their ethical standards, behaviour and performance — at all times. Furthermore, the ANP is accountable to the Governments of Timor-Leste. In performing the task in the JPDA ANP is accountable for Timor-Leste and Australia, acting on behalf of both countries.</td>
</tr>
<tr>
<td>Global View</td>
<td>Whilst operations for the ANP reside in Timor-Leste, its view is a global one. It works with and coordinates activities with operators that are multi-national in nature, size and scope.</td>
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<tr>
<td>Excellence</td>
<td>In line with developing a world class organisation, the ANP believes in excellence — in everything that it does.</td>
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3.3 Organizations Structures
The ANP structure has been revised and approved by the Board of Directors towards the end of 2010. Major change noted in the new ANP structure is the separation of Exploration from Development and Production directorate, and its merger into Acreage Release and Promotion Directorate.

The new structure takes effect from January 2011.

3.4 Commissioners and Alternate Commissioners
Article 6 (c) of the Timor Sea Treaty foresees the appointment of the Joint Commissioners representing both Timor-Leste and Australia. Detail roles and functions of the Joint Commissioners are outlined under Annex D of the Timor Sea Treaty.

2010 JPDA Commissioners and their alternates are:
Francisco da Costa Monteiro – Timor-Leste
Antonio Jose Loyola De Sousa – Timor-Leste
John Hartwell – Australia

The alternate commissioners:
Vicente Lacerda – Timor-Leste
Domingos Lequi Siga – Timor-Leste
Martin Squire – Australia

In performing its function as the Designated Authority for the JPDA, the ANP continue to present its work through quarterly reports and meetings with the Joint Commissioners. The quarterly reports included the progress updates to the approved work program and budget expenditures and progress of petroleum activities in the JPDA.

In addition to the JPDA Joint Commissioners, the ANP also deals with the Sunrise Commission in conjunction with the Greater Sunrise project.
Article 9 of the IUA (International Unitisation Agreement) for the Greater Sunrise fields sets out the clear roles, functions and membership of the Commission.

2010 Sunrise Committee members are:

- Mr. John Hartwell – Australia
- Mr. Hugh Borrowman – Australia
- Mr. Francisco da Costa Monteiro – Timor-Leste

The alternate commissioners:

- Mr. Vicente Lacerda – Timor-Leste
- Mr. Martin Squire – Australia

3.5 Board of Directors

The ANP BoD is the highest hierarchy in the ANP organizational structure composed of the collective organ in the organization responsible for defining general directions and policies and regulations approvals. The BoD members consist of the President of ANP as the chairman, two members appointed by the government, and the other two members representing executives from the ANP Directorates.

ANP 2010 Board of Directors

Figure 5 ANP Board of Directors 2010
3.6 Achievements
Apart from the 2010 highlights in section 2 of this Annual report, the ANP has also several remarkable achievements throughout various directorates which can be summarized below.

3.6.1 Metering Inspection
Metering & Calibration inspection within the Bayu Undan production facility had never been undertaken. In 2010 the ANP, for the first time undertook two inspections on metering and calibration, at the Darwin LNG site and the Bayu-Undan FSO Liberdade in the JPDA.

3.6.2 Lafaek data base
H.E. Secretary of State for Natural Resources, Mr. Alfredo Pires launched the online Lafaek database. The database supplied information on resources in the jurisdictional areas of the ANP and published online at the ANP Official Website. Interested parties or potential investors can now easily obtain all administrative data related to resources from the ANP website.

3.6.3 Asset Registry and Disposal
ANP marked another milestone as a corporate citizen as it finalized for the first times its assets register. As a result an asset database was established and hence the first asset disposal was also conducted in 2010. This achievement creates the template for future ANP asset disposals.

3.6.4 ERP Blue Print
Timor-Leste as a country has never had a nationwide integrated Emergency Response Unit for any incident that may occur in the petroleum operations facilities. Taking into consideration the growing activities in the country and in the JPDA, the ANP in 2010 initiated discussion with all relevant stakeholders in the country to prepare an Emergency Response Plan “Blue Print”. It is expected that the Blue Print can serve as a base for the establishment of an Emergency Response Unit for the country. The Blue Print was submitted to H.E. Secretary of State for Natural Resources for further discussion and decision making at the Council of Ministries.

3.7 Institutional Development

3.7.1 Policies established
It has always been in the interest of the ANP since its inception to ensure that all administration aspects are well based on written policies. Hence, in 2010 the ANP completed another corporate policy, specifically the Finance Policy. To ensure that the policy is appropriately implemented, several procedures were also established. The referred corporate finance procedures are outlined in section 8.4 of this report.

3.7.2 Human Resources Development
In December 2010, the ANP has a total of 64 staffs across all directorates. Out of these 64 staffs, 6 were international staffs.

3.7.2.1 Staff Recruitments
As activities increased, vacant positions were filled with new recruitments. In 2010, through the ANP Training and Human Resources department, 7 new staff members including 1 international staff member were recruited. A list of the positions filled in 2010 is given under section 8.3 of this report.
3.7.2.2 Trainings, Workshops and Professional Development for the Staff

The ANP is committed to developing the competency of its staff through various means such as training, conferences, workshop and professional development. Throughout 2010, ANP staff had been exposed to different trainings, workshops and professional developments in their respective areas of expertise to better perform at workplace. A detail of trainings, workshops and professional developments is provided in section 8.2 of this report.

3.7.2.3 Internship Programs

In addition to the training, workshops and international conferences, ANP also promotes its human resources development through internship programs, also known as secondment, with a number of operators in the JPDA or TLEA, relevant government institutions as well as third parties through bilateral cooperation established by the government of Timor-Leste.

A real example is the Internship of the ANP legal team with lawyers from the Simonsen law firm through the Norwegian Petroleum Assistance Program (NPAP) in Timor-Leste. This includes cyclical visits of the Simonsen Lawyers to ANP on which the ANP legal team can work hand in hand with their counterparts addressing various operational issues arise whilst also undertaking some in class activities. Additionally the team was sent to Oslo, Norway for a two weeks period to have exposure to the various stakeholders in the administration of petroleum sector at the government level, whilst also having some in class activities on regulation writing. Both the cyclical visits of the Simonsen lawyers to ANP office and short visit of the ANP legal team to Norway will be continued in 2011.

Comparative studies on the Norwegian Continental Shelf Licensing Round and concession round systems as part of ANP’s preparation for the next acreage release. The ANP’s Acreage Release and Promotion Directorate were sent to Stavanger, Norway to understand better the mechanism involved in the preparation for an acreage release, witnessing Norwegian practice. The trip was done in cooperation and coordination with the NPAP in Timor-Leste.

Attending PETRAD Course, in 2010 the ANP, with the assistance from HE Secretary of State for Natural Resources, sent two of its Executive Directors to attend the intensive 8 weeks course in Stavanger, focusing on natural resource management and policies.

The technical and commercial teams undertake internships at the offices of the PSC Operators and other clients. This includes the deployment of the ANP staff to gain hands on experience in the areas of revenue estimate and marketing, auditing, subsurface and geological modeling, and drilling. The ANP appreciated the assistance of the secondment for the development of their staff and will continue to plan for similar internships in 2011.

The HSE team conducted in-house training in Environment Management Awareness, Environment Impact Assessment, Environmental Management Plan, Environmental Monitoring Offshore, Oil Spill Contingency Plan Assessment and Environmental Inspection Orientation Program for DNMA under the MOU between SERN and SEMA.

The ANP also realizes the importance of “the hands on experience” in acquiring skill and knowledge and have deployed one HSE staff member to Melbourne Australia as part of secondment training on Environment Management Systems. The secondment program covered petroleum unit procedure, assessment, enforcement, investigation, inspection, environment protection, and community engagement. HSE team members also attended Oil Spill Conference and H₂S &CO₂ Workshop in Melbourne and China, respectively.
3.7.3 Organisational Performance Management
The ANP is committed to continuously improve the organisation's performance in order to achieve its strategic plan. In line with such a commitment, the ANP also conducted annual internal reviews prior to planning for the subsequent Annual Work Program and Budget. In the areas of staff performance, the ANP also undertakes annual individual performance reviews for every staff member.

3.7.4 Single Auditor
The setting up of the internal audit function has been completed in 2010. Following this progress has been made, including the approval of ANP internal audit standards and ANP internal audit policy by the Board of Directors, completion of the ANP risk management and 3 year risk based internal audit strategic plan for the 2010-2012 period.

Additionally, the Single Auditor had been continuing to provide advisory services to the Board of Directors, Management and particularly to corporate finance which included advice on internal control systems, processes, procedures and policies.

3.8 Petroleum Regulatory Framework
The diagram below represents the legal framework in place to regulate petroleum activities in the JPDA and TLEA.

![Figure 6 Legal Framework](image-url)
4 Petroleum Activities

4.1 Exploration and Production Activities

4.1.1 The ANP 2011 – 2012 Acreage Release Preparation
To sustain the petroleum activities within its jurisdictional area, the ANP is to conduct a new exploration licensing round within the period of 2011 – 2012. As part of this preparation the Acreage Release team has been working on bidding protocol, the pre-qualifications guidelines and cooperating with the legal and commercial directorate in reviewing the PSC model and technical regulations for TLEA and JPDA.

Figure 7 Map showing current PSCs in JPDA and TLEA Jurisdictions

The ANP has also undertaken a thorough review of all prospects and leads within both the TLEA and the JPDA areas. As part of this review, the ANP in late November 2010, after a thorough tender process, engaged a Perth based G&G Consultancy Company and the project commenced in mid December 2010 and is currently still ongoing. The consultants are reviewing the over 29,000 kms of 2D and 1,200 kms of 3D seismic data, and data from more than 55 wells in the region to assess the possible prospects and leads inventories within the respective areas.

PSC holders within the JPDA and TLEA moved into their 4th year of work program obligations in 2010. These Operators continued to work towards their agreed WP&B targets with the main activity planned for 2010 being to undertake well drilling commitments to prove the hydrocarbon potential of their respective blocks.

4.1.2 Exploration Activities within the Timor-Leste Exclusive Area
The petroleum activities within TLEA were mainly focused on Exploration and G&G studies, leading to drilling of the commitment wells. There are six different PSCs within the area, out of which five are held by Eni and its Joint Venture (JV) partners. Reliance Industries and its JV Partners hold the remaining PSC.

4.1.2.1 PSCs S06-01, S06-02, S06-03, S06-04, S06-05 (Blocks A, B, C, E, H)
Eni Timor-Leste SpA (80% share) holds substantial acreage in the TLEA with JV partners GALP (10% share) and KOGAS (10% share).

The blocks held by Eni within the TLEA cover a total area of 12,183 Km². The results of a 3D and 2D seismic survey carried out in 2008 were compiled and interpreted for delineating prospects for the drilling of two wells planned for 2010. Eni Timor-Leste relinquished 25% of the blocks PSC S06-03, 04 and 05 as required at the end of their 3rd year of their PSC.
Eni TL drilled their first exploration well in the TLEA area. The well was spudded on the 23rd of December 2010 using Transocean Legend drill rig.

4.1.2.2 S06-06 (Block-K)
Reliance is an India based company, participating in Block PSC through its wholly owned subsidiary REP DMCC (75% share) as Operator along with its JV partners Indian Oil Corporation Limited (12.5% share) and Oil India Limited (12.5% share).

Exploration works undertaken by Reliance in the Initial Period of the PSC included:

Reprocessing and interpretation of existing 2D seismic data (440 line kilometers), acquisition, processing and interpretation of new 2D seismic survey (325 line kilometers), and acquisition, processing and interpretation of new 3D seismic survey (1,300km2) with the aim of assessing prospectively of the Block and identifying suitable prospects for drilling.

Reliance relinquished 25% of the PSC area at the end of Initial Period, and currently is in the Second Period of the PSC.

Reliance drilled Sera TLK-A1 exploration well in the TLEA area. The well was spudded on the 5th of December 2010 using the Deepwater Frontier drillship. The objective was to explore the Jurassic reservoir as the first target and Mid Triassic clastic reservoir as the second target. For the first time, Dili was used as the shorebase support centre for this drilling campaign and all activities were carried out from Timor-Leste. The coordination between the various Government agencies, Operator and subcontractors was handled very well, with the coordination and support of ANP.
4.1.3 Exploration and Production Activities within the Joint Petroleum Development Area

4.1.3.1 JPDA 06-101(A)
Minza Oil and Gas Limited is the operator of this block with 100% equity. This block is located at the south east of the JPDA with an area covering approximately 2,150km² of the JPDA. The Chuditch gas discovery and the adjoining structures are covered by the recent Anita 2D survey. The survey was completed on 7th of September 2009. Approximately 937 line km of data were acquired, resulting in over 800 km of full fold data, in comparison to Minza’s minimum PSC commitment of 500 line km. The aim of the survey was to enhance the understanding of the Chuditch field and adjacent prospects in preparation for drilling a well in 2011 (Contract year 5).

The first phase of TWT Mapping and initial depth conversion has been completed in 2010.

4.1.3.2 JPDA 06-102
Petronas (Operator) and JV partners, Korea Gas Corporation, Samsung Corporation and LG Corporation had commenced their drilling campaign in 2009, with a 3 Well commitment which was part of their minimum work program. This block covers an area of 4,125km² and is located in the southern part of the JPDA. The drilling campaign was aimed at drilling the three wells back to back. Makikit-1 was drilled in the last quarter of 2009 and Kurita-1 well was the second. Kurita-1 was spudded on the 7th of December 2009 using the Ocean Shield jack-up rig. The well penetrated the Elang/Plover formation, which was the target and encountered Gas shows.
The third commitment well, Baleia-1 was spudded on 9th of March 2010 using the same rig. The final total depth for this well was reached on the 9th of April 2010. Based on the formation evaluation results, the Elang/Plover formation was water bearing. Post Drill studies are now underway and remaining prospectivity of the PSC is being evaluated.

### 4.1.3.3 JPDA 06 -103
JPDA 06-103 is located in the northwest part of the JPDA and it covers approximately 3,741 km$^2$. Oilex (JPDA 06-103) and JV partners Videocon, GSPC, Bharat Petro Resources and Japan Energy completed drilling two out of the four commitment wells in 2009. Both these Wells were drilled in the southern area of the PSC, targeting the Laminaria/Plover formations and did not encounter any commercial hydrocarbons discovery. The wells tested valid structures and the Operator and JV decided to carry out detailed Post-Drill analysis before moving on to drill the remaining 2 commitment wells. Evaluation of the other prospects is ongoing and the JV has requested for an extension to their primary phase. The ANP has approved an extension of the primary phase, such that it ends in January 2012. In the meantime, the operator and JV partners have proposed further 3D Seismic Acquisition over one of their main prospects, which could be drilled as the next commitment well. Preparations for the Seismic Acquisition Program are underway and the survey will commence in early 2011.
4.1.3.4 JPDA 03-19 & 03-20 (Sunrise)

Blocks JPDA 03-19 and 03-20 are located on the North Eastern part of the JPDA and both blocks cover an area of approximately 1,179 km². The JV partners are Woodside Petroleum (33.44% share, Operator), Shell Development (26.56% share), ConocoPhillips (30%), and Osaka Gas (10% share).

Troubadour-1 was drilled by Shell in 1974 and was a gas discovery. Six wells have penetrated the Sunrise Field and two wells have been drilled on the Troubadour Field. The gas fields are referred to as the Greater Sunrise Field and are awaiting development.

In 2010 ANP engaged a third party conducting reviews to the subsurface report submitted by Woodside and its JVs in late 2009. Discussion on the ways of engaging the third party and other associated issues were presented to the Sunrise Commissioners in December 2010.

Further discussion on the subject will be carried out in 2011. Woodside and its JV partners have resubmitted reports on three alternative concepts for the development of the Greater Sunrise fields in the Timor Sea. The three concepts were two onshore based options of Timor LNG (TLNG) and Darwin LNG (DLNG), and the floating LNG (FLNG) option. ANP completed its preliminary assessment and presented to the Sunrise Commissioners at the 7th Sunrise Commission meeting at Brisbane in mid December 2010.

![Figure 13 Greater Sunrise Field with Well Locations](image)

4.1.3.5 JPDA 06-105

Eni JPDA 06-105 Pty Ltd INPEX Timor Sea, Ltd. and Talisman Resources (JPDA 06-105) Pty Ltd are the JV partners for contract area JPDA 06-105.

Eni JPDA 06-105 and JV partners had drilled two exploration wells in 2010. The two wells were drilled using the Transocean Legend drilling rig. Kasareta1 well was drilled in August 2010, targeting the Laminaria/Plover Formations. The preliminary result of the wells shows that the target formations of Laminaria and Plover formation encounter good reservoir sand properties. Though there were no significant commercial discoveries, the well encountered a paleo-oil column which was confirmed by fluid inclusion analysis. The well was successfully plugged and abandoned on 2nd of September 2010. The second well, Karongo-1, penetrated the Laminaria /Plover formations and intersected a gross oil column. The Operator and JV partners are evaluating the options of developing this discovery which is currently considered to be sub-commercial. The well was plugged and abandoned on 23rd September 2010.
4.1.3.6 **JPDA 03-12 and JPDA 03-13**

4.1.3.6.1 **Bayu Undan Production 2010**

The Bayu-Undan field is a 25 x 12 square kilometers large gas – condensate field; with a raw gas-initially-in-place (GIIP) of approximately 8 Tcf including propane plus (C3+) in-place of 683 MMstb. The production from this field is supported by a very strong aquifer and partial recycling of lean gas. Total raw gas production is approximately 1.2MMscf/day that yields about 103,000 bbl/day of Condensate and LPG.

Approximately 500 MMscf/day of natural gases is transported to the LNG plant in Darwin and the remaining gas is re-injected. The field was initially produced with 9 producing wells, however after the completion of the Phase two drilling in 2010 the producing wells has now being increased to 12. Cumulative production was affected during April and May of 2010 due to planned production shut down to conduct major maintenance activities. After this shut down, the liquid production was increased slightly up to approximately 103,000bbl/day. Within the last few months of 2010 the average liquid production has reduced to around 98,000 bbl/day due to extensive problems with cold process heat exchangers.
<table>
<thead>
<tr>
<th></th>
<th>Year to Date – 2010</th>
<th>Cumulative From Feb 2004 to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sm³</td>
<td>Stb</td>
</tr>
<tr>
<td>Propane</td>
<td></td>
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<tr>
<td>Total Production</td>
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<td>6,689,391</td>
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<td>Total Sale</td>
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<td>Stb</td>
</tr>
<tr>
<td>Total Production</td>
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<tr>
<td>Total Sale</td>
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<tr>
<td>Condensate</td>
<td>Sm³</td>
<td>Stb</td>
</tr>
<tr>
<td>Total Production</td>
<td>3,175,986</td>
<td>19,989,655</td>
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<td>Total Sale</td>
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<td>Raw Gas Produced</td>
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<td>Gas Injected</td>
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<td>Export</td>
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<td>Fuel Gas</td>
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<tr>
<td>Produced Water</td>
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<td>Stb</td>
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<tr>
<td>Water Injected</td>
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<td>Water to Caisson</td>
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<tr>
<td>Total Produced Water</td>
<td>351,751</td>
<td>2,212,450</td>
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</table>

Table 1: Initial Gas In Place (IGIP) and recovery factors

The graph below shows that 11 producing wells were online during 2010 however well D11 was shut in towards end of 2010 due to lean gas ingress.

The new producing wells post phase II drilling are; D13, W06, W09 and W13.

![Figure 16 Bayu Undan Production figures for 2010 and Cumulative production](image)

Liquids and Gas production performance as demonstrated in the below graphs were as expected. The actual production was on target or slightly above the forecasted figure in each of the producing months.
Figure 17 Bayu Undan Gas Production in 2010 (in Msm³)

Figure 18 Bayu Undan Liquid Production 2010 (in Msm³)

<table>
<thead>
<tr>
<th>Unit Participants</th>
<th>Condensate</th>
<th>Export Gas</th>
<th>Propane</th>
<th>Butane</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENI</td>
<td>11.43</td>
<td>Equal Shares</td>
<td>11.43</td>
<td>11.43</td>
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<tr>
<td>EMET</td>
<td>0.82</td>
<td>0.83</td>
<td>0.83</td>
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<tr>
<td>INPEX</td>
<td>10</td>
<td>10.1</td>
<td>10.1</td>
<td></td>
</tr>
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<td>PETROZ</td>
<td>7.01</td>
<td>7.08</td>
<td>7.08</td>
<td></td>
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<tr>
<td>CoP 03-12</td>
<td>24.49</td>
<td>24.75</td>
<td>24.75</td>
<td></td>
</tr>
<tr>
<td>TOKYO TIMOR</td>
<td>9.57</td>
<td>9.67</td>
<td>9.67</td>
<td></td>
</tr>
<tr>
<td>CoP IPDA</td>
<td>15.95</td>
<td>16.12</td>
<td>16.12</td>
<td></td>
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<tr>
<td>CoP 03-13</td>
<td>5.58</td>
<td>5.64</td>
<td>5.64</td>
<td></td>
</tr>
<tr>
<td>SANTOS</td>
<td>10.1</td>
<td>10.2</td>
<td>10.2</td>
<td></td>
</tr>
<tr>
<td>TSDA</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

Table 2. Distribution of the resources amongst Unit Participants in percentages

4.1.3.6.2 Power and Water Corporation (PWC)- Northern Territory, Australia

PWC commenced receiving gas from Bayu Undan on 23rd July 2009. The cumulative total of 1,395.49 MMscf has been received up to end of 2010. PWC takes a total amount of 268.08 MMscf gas in January 2010, followed by June off-take for 43.17 MMscf and 0.14 MMscf in July 2010. There was no off-take during other months.
4.1.3.6.3 2010 Planned Shutdown Maintenance Activities
The Bayu Undan shutdown was planned from 16 April to 21 May however all critical work scopes were completed three days earlier. Facility was back to full operation in line with shut down schedule. The plant was started up on 18 May and came back to full production on 21 May 2010.

All wells were successfully brought on line except well W02. It was attempted to flow at 50 MMscf/d but unable to lift due to critical water loading. For this reason, the well was shut-in until future intervention can be performed.

4.1.3.6.4 Bayu-Undan Phase II Update

<table>
<thead>
<tr>
<th>Phase 2</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sept</th>
<th>Oct</th>
<th>Nov</th>
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<tbody>
<tr>
<td>W09-ST3</td>
<td>W13-ST1</td>
<td>W09-ST1, ST2, ST3</td>
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</table>

![Figure 19 Drilling Schedule for BU phase II campaign](image1)

ConocoPhillips as the Operator for the BU project had successfully performed the field’s second phase drilling campaign in 2010 with drilling the last well in Well Head Platform 1 (WP1) which was W09-ST3 in October 2010.

W09-ST3 was completed and Ensco 104 drilling rig departed from WP1 on 19 October 2010. The drilling operations were performed safely in a challenging simultaneous operations environment combining drilling and operations. All drilling targets were reached resulting in 12,000 BPD of incremental oil production at year-end 2010.

![Figure 20 Structural Map with Existing and Proposed Well Locations](image2)

Other Operational Issues
Bayu Undan major shut down is planned every 3 years. Rate reduction is performed every 6 months for minor maintenance.
Pipeline
For emergency pipeline repair system, ConocoPhillips (CoP) had engaged with Oceaneering to review quality control process for later incorporation in the manufacturing process for the smart flanges and connectors.

The side scan sonar survey of the pipeline was successfully carried out by Neptune Geometrics from the 05th to 18th March 2010. The survey identified 24 critical spans and 20 spans that need further investigation. CoP sent this survey report to the ANP on 20 May 2010.

Action was then taken by CoP by employing ROV inspection and rectification from 14 April to 27 May 2010 at the location of 24 critical spans and 20 non critical spans. The complete report of Gas Export Pipeline (GEP) rectification was received by ANP on 1st November 2010.

4.1.3.6.5 Metering
4.1.3.6.5.1 General
In oil and gas facilities, accurate measurement is of utmost importance in determining the amount of product which is produced and sold. In these applications, very accurate flow measurement is required to make the difference between making profit and incurring a loss.

High accuracy measurement can be obtained by ensuring all the Custody Transfer Metering System instruments are maintained and calibrated according to relevant international standards for hydrocarbon flow measurement and manufacturer’s recommendations.

To ensure that the operator of oil and gas facilities are maintaining their Metering system according to the PSC, sales and purchase agreement and the applicable laws and regulations, ANP had expanded its Production Department within Exploration and Production Directorate to include a Metering Section. The section was effectively functioning since the commencement of Metering Officer from 10th of May 2010.

With the assistance of a Gas Measurement Consultant, ANP internal procedures for Metering and a Metering Manual were drafted in preparation to obtain a NATA accreditation.

4.1.3.6.5.2 Inspection of Custody Transfer Metering System (CTMS)
The metering department closely monitors metering system at BU-CPP, BU-FSO, Darwin LNG and export gas to PWC Darwin by 6 monthly witnessing the calibration checks for the meters and auditing the metering system at each facility once a year.

The Metering team had witnessed the calibration of meters on the BU FSO from the 5-9 June 2010 and BU-CUQ on 10-11 June 2010. Any failed instruments were replaced accordingly. The meter readings were within the acceptable tolerance limit.

The audit for product measurement and quality at the Darwin LNG have been performed from 24th August – 7th September and 6th – 10th December 2010. It is confirmed that all the meter readings are within the acceptable limits. The audit report and recommendation have been issued and submitted to the ANP management and CoP.

A response from CoP in respect of the audit report has been received and accepted by the ANP.

For BU-FSO, the audit for product measurement and quality was conducted from 27th October to 3rd November 2010. The audit report and recommendation have been issued and submitted to the ANP management and CoP.

A response from CoP in respect of the audit report has been received and accepted by the ANP.

ANP has planned for one yearly audit to be carried out for BU-FSO and DLNG product measurement and quality.
4.1.3.6.6 EKKN Well Abandonment
Rigid Turret Mooring (RTM) system was removed and disposed on 25 April 2010 at 395 meters deep
Australian waters 24 Km West of the EKKN field. Arrangement is being made for NORM disposal.

4.1.3.6.7 Kitan Development Update

<table>
<thead>
<tr>
<th>2010</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sept</th>
<th>Oct</th>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Kitan-3</td>
<td>Kitan-2ST1 &amp; Completion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TO Legend Rig</td>
<td>Kitan-4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

Figure 21 The Drilling Schedule for Kitan Development Campaign

Eni is the operator of JFDA 06-105 where the KITAN oil field is located. The ANP granted approval for
Kitan Field Development Plan (FDP) in April 2010. The Kitan development drilling campaign started
when the Transocean Legend drilling rig arrived on location on 6th of June 2010. Kitan-4 was the first
development well. There were BOP issues encountered with the Transocean Legend, and the final total
depth (TD) at 3546m was finally reached on 5th of August 2010. Based on wireline logging shown there is
no significant hydrocarbon presence as the location is compartmentalised.

Kitan-3 was drilled to final TD at 3549m on 19th of October 2010 and the well was suspended prior to
completion. The TO Legend moved to drill sidetrack Kitan-2 and performed completion the well for
testing on 12th of December 2010. After completion of Kitan-2ST1, Eni conducted completion of Kitan-3
on 16th of December 2010. The well was completed then performed well testing on 4th of January 2011.

As Kitan-4 was not deemed as producing well, Eni propose to drill Kitan-5 to the west of Kitan-3 well. Log
results indicate significant column of hydrocarbon and therefore it will undergo completion as the third
producing well.

Figure 22 Kitan Field Top Reservoir Depth Map and Well Locations
4.2 Health, Safety and Environment

4.2.1 HSE Directorate Function

The HSE Directorate aims is the protection of people, environment & assets in the oil & gas industry in Timor-Leste. The operators’ comply with legal requirements, have good industry practice and follow International Standards within the JPDA and TLEA.

The Directorate is responsible for assessing, reviewing, approving documents submitted by Oil Field Operators (Safety Case, Bridging documents, HSE Plan, Risk Assessment, EP, EIS/EIA, PER, EMP, Environment Monitoring Program, and Oil Spill Contingency Plan) for carrying out any petroleum activity.

The Directorate monitors HSE performance of Operators and carried out inspection of offshore facilities, reviews monitoring reports and incident investigation reports.

The Directorate liaison, assist and exchange information with DNMA (Diresun Nasional do Meio Ambiente) on Offshore Petroleum activities within TLEA related to Environment.

4.2.2 Inspections

In complying with our core responsibilities as a Regulatory Authority, the HSE Directorate continues to perform inspections on permanent facilities in the TLEA and JPDA and ancillary units like drill ships, MODU’s and jack-up drilling units.

In 2010 with an increase in offshore activities within both TLEA and JPDA, the HSE Directorate significantly increased the number of inspections. The increased activities consisted of drilling two exploratory wells in TLEA, and the Kitan project in the JPDA which included development well drilling and construction of subsea equipment. Additionally the HSE team also took part in the investigation carried out to the Suai Loro-2 well fire in mid 2010, for which an integrated technical and HSE report has been submitted to SERN.

HSE performed two inspections and one corrective action plan (CAP) on the Bayu-Undan facility in 2010. The first inspection was in March 2010 two months before ConocoPhillips executed the bi-annual maintenance shutdown of the facility. This inspection focused on areas that were critical for the maintenance shutdown preparations including the BU shore base in Darwin. Part of the scope of this inspection was also carried out at the Supply Base in Darwin. The CAP was performed in September on the CPP facility. The second inspection for the Bayu-Undan facility was performed in November 2010. ConocoPhillips had prepared a Corrective Action Plan (CAP) in response to our inspection.

Figure 23. Onshore & Darwin Supply Base Inspection
recommendations. This CAP forms the basis for our next visit to BU to verify the action taken to close out the findings from the inspection. The Joint Commissioners were also updated on the findings of the Inspections. In general, there is evidence to indicate that the Operator places great attention to HSE.

Three other Inspections were performed on two Drill Ships and a Semi Submersible MODU used in the drilling campaign in the TLEA and JPDA. For the first exploratory well ever drilled in Timor-Leste waters by Reliance Ltd in block S-06-06 and prior to the Drill Ship Deep Water Frontier (DWF) arriving at the location, the HSE team performed an inspection on board the vessel in August in Kakinada, India, as part of the Drilling Safety Case assessment process.

Eni also carried out exploratory drilling in Block S-06-03 of the TLEA using the SAIPEM 10000 Drill Ship. In September 2010, prior to entering the exclusive waters, HSE performed an inspection on the Drill Ship whilst it was stationed in Balikpapan, Indonesia.

HSE also performed an inspection on board the MODU TOL that was drilling in JPDA for ENI 06-105 in the Kitan field.
HSE team also conducted an Inspection at the Reliance Shore Base Drilling Mud Mixing Operations at Dili Port.

The HSE team also assisted DNMA in preparing an Environmental Inspection Check-List, carrying out Inspection at shore base, Dili Port facilities and on drilling rig for ENI TLEA and REPDMCC exploratory drilling campaign.

During the year the HSE team also undertook inspections of Helicopter Operations at Dili Airport for Reliance's Drilling Campaign and CoP for the BU facility.

<table>
<thead>
<tr>
<th>Year</th>
<th>Planned Inspections</th>
<th>Actual Inspection</th>
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<td>1</td>
<td>1</td>
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<tr>
<td>2009</td>
<td>2</td>
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<tr>
<td>2010</td>
<td>2</td>
<td>7</td>
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</table>

Table 3  Table of planned Inspection to Actual Inspections 2010

The HSE team, as part of its assessment of the relative safety case, also conducted an inspection of the Skandi 7 vessel which is to be used for the mooring installation of the KITAN FPSO.
4.2.3 Emergency Response Plan
With major disasters occurring within the Oil and Gas Industry worldwide, and with particular emphasis following the recent Montara Oil Blow Out off northern coast of Australia and the Macondo blowout in Gulf of Mexico, the HSE Directorate have taken initiative to understand the question "how prepared is Timor - Leste in handling an emergency situation?" by conducting a workshop on Emergency Response Planning with other relevant Government Ministries and Departments. The draft report from the Emergency Response Plan Workshop (ERP) was distributed to each of the participating Ministries and Departments for comment. The HSE Directorate had then consolidated all the comments which were then provided to the Consultant to formulate the final report for the ANP and the participants of the ERP Workshop. The final version of the report was presented to the Board of Director of ANP and Secretary of State for Natural Resources.
4.2.4 Safety Cases reviewed and approval

Below is a list of safety cases reviewed and approved by the HSE team of the ANP in 2010:

- Saipem 10000 Drill Ship Vessel Safety Case.
- Ocean Shield Jack up Drilling Safety Case.

4.2.5 Vessel entry review and approval:

To support the petroleum activities within both the JPDA and the TLEA, there are numerous supply vessels, infield support vessels and also off-take tankers that require clearances from HSE directorate. The HSE Directorate reviewed and approved 25 entries of supply and support vessels, and 47 off-take tankers during 2010.

![Safety Statistic of the BU Offshore Operations in 2010](image)

**Figure 30** Safety Statistic of the BU Offshore Operations in 2010

4.2.6 Environmental Assessment

There was one seismic activity for Controlled Source Electro-Magnetic (CSEM) Survey in block JPDA 06-105 by Karoon Energy International and the Environmental Plan was reviewed.

There were the following exploratory drilling activities where the Environmental Impact Assessment, Environmental Management Plan, Environmental Monitoring Plan, Oil Spill Contingency plan for drilling campaigns were all reviewed: PETRONAS JPDA 06-102 (3 wells), Oilex JPDA 06–103 (3 wells), Eni JPDA 06–105 (2 wells).
Environmental Impact Assessment for Kitan Field Development Plan (Eni JPDA 06-105) was also processing through public consultations in both TL and Australia. The Environmental Management Plan and Oil Spill Contingency Plan for the development drilling, construction and installation activities for Kitan Development Phase 1, and Phase II mooring, subsea and hook up with FPSO were also thoroughly reviewed by ANP.

Also reviewed by the HSE team were the BU Phase II Development Drilling Environmental Management Plan, Annual Flaring and Venting allowance for 1st January 2010 to 31st December 2010, the Bayu_Undan Field Operations Environmental Performance Report for 1st January 2009 to 31st December 2009 and the 5 yearly Environmental Management Plan for BU Operations.

Participated as stakeholder concerns to DNMA (Diresaun Nasional do Meio Ambiento) on the Environment Impact Statement for Exploratory Drilling campaign and participated in Public consultation meetings for Eni Timor-Leste and REPDMCC in the TLEA. Implementing Joint Ministerial Order dated on 24/11/2010 for incident pollution for exploratory drilling activity in TLEA.

4.2.7 Environmental Monitoring Plan
The Environmental Monitoring program is an important activity of the regulator to understand the health of the receiving marine environment where the Oil and Gas activity is carried out over a period of time.

The BU Production facilities consist of a Floating Storage and Offloading Vessel, four in-field pipelines, and three platforms: a Central Production and Processing Complex which comprises a Drilling Production and Processing Platform (DPP) and a Compression, Utilities and Quarters Platform; and an unmanned Wellhead Platform (WP1). Liquids production (condensate, propane and butane) commenced 2004. The Environmental baseline study was undertaken in 2000. (The seawater, marine sediment and benthic survey were undertaken). Environmental Monitoring survey was undertaken after commissioning of BU facilities in 2004. Environmental Monitoring Survey was undertaken in 2009 after 5 years of BU operation. The specific aims of the 2009 environmental survey were to undertake a marine environmental survey to compare the current condition with the results from the baseline and operational phase monitoring surveys, in order to determine and quantify any operational activity impacts that may be currently detectable. The 2009 environmental monitoring survey was the first undertaken by ConocoPhillips Pty Ltd during the operation phase of the facility. The survey indicated that since the inception of BU operations, there has been no significant impact in the marine environment around the BU facilities.

A similar Environmental Monitoring Program is planned for Kitan Development Project. The objectives of the Marine Environmental Quality Monitoring Program are to: provide baseline data for preparation of the Environmental Impact Assessment, record and document the pre-existing environmental conditions within the JPDA06-105 permit, and provide baseline conditions against which to compare results from future monitoring program. The scope of this program covers the sampling and analysis of: water quality, plankton, sediment quality and benthic fauna. The Environmental baseline study was conducted in May 2010 prior to development drilling and installation of Subsea facilities.
4.2.8 Flaring and Venting

Figure 31 Flaring and Venting Statistics of the BU operations in 2010

4.2.9 Decommissioning Activity

Within the EKKN abandonment work undertaken, Rigid Turret Mooring (RTM) system were removed and disposed on 25 April 2010 at 395 meters deep Australian waters 24 Km West of the EKKN field. A H&S team member was on board the MV Sea Supporter, which was mobilised from Singapore to prepare and execute the abandonment of the Riser Turret Mooring, to monitor this activity.

4.2.10 Exchange Information and other activities

- Followed up with Australia Authorities on the status and actions taken regarding Montana Wellhead Platform oil spill from the West Atlas MODU off the NW Australian Coast
- Participated in Environment Assessors Forum in Australia and attend meetings
- Participated in drafting TLEA Directives & JPDA Technical Regulations
- Mentored 2 Timorese trainees graduate from UPN Jogja Indonesia for Internship study in ANP for 6 weeks on environment management.
- ANP participated in Safety Assessors Forum in Australia including NOPSA
4.3 Local Content Programs

Joint Petroleum Development Area (JPDA)

**JPDA 06-105 (KITAN)**

Kitan local content program under the KITAN Development project is governed by the approved KITAN Development Plan. This includes giving preference to the training and employment of Timorese nationals for all petroleum related activities, and to ensure participation of Timor-Leste companies in providing goods and services to all KITAN and production related activities. Kitan local content plan for 2010 was targeted for 10% of total budget to be spent on goods and services in Timor-Leste. Eni local content expenditure totaled US$ 9,669,431 (4.24% of total Kitan expenditure), and sub-contractor expenditure on Timor-Leste goods and services US$3,577,644 and make up 1.56%. This local content expenditure included employment costs, training costs, office expenses, Timor-Leste taxes and fees and expenditure on goods and services within Timor-Leste.

### Table 4

Eni expenditure for goods and services for the Timor-Leste suppliers during 2010

During 2010, a total of 40 Timor-Leste nationals were employed and trained by Eni and its main subcontractors like Bluewater, Transocean, FMC Technology, Technip and others, representing 10.5% of total employees during the production drilling campaign for PSC 06—105. Table 4 provides a summary of the actual Timor-Leste employees of Eni and its main subcontractors during the period of 2010 in relation to the Kitan development project.
Eni also increased its focus to further develop its understanding on the local supplier’s capacity as well as developing the capacity of local Timor-Leste suppliers, and to strengthen links between its major subcontractors and the local commercial community. Eni did this by hosting a series of local supplier workshops in Dili, Darwin and Singapore, designed to support further development of the local economy participation in the Oil and Gas exploration and production in both the JPDA and TLEA.

Figure 32  Numbers for services contracts using by Eni JPDA 06-105 its E&P activities

Eni also engaged with SERN, ANP and the Ministry of Education to establish the National Library Complex Project. After approval of the FDP in April, the working group reconvened in May to review the project phases and existing Terms of Reference for the library and building/architectural specialist functions. Within this group, discussions were held to integrate some of the phases and adopt a ‘design –to-build’ business model. At present have employed one international library specialist to assist the Ministry of Education in developing policy for the National Library and the tender for the Building/Architectural
Design function was issued in early December 2010 aiming to receive offers in January 2011 for the design-to-build.

**BAYU UNDAN PROJECT**

Bayu-Undan local content projects include the employment and training of Timor-Leste Nationals and some Corporate Social Responsibility programs.

The recruitment of Timorese nationals has been undertaken since the commencement of the project in 2003, and by 2010 a total of 138 Timorese were recruited both directly and indirectly. Out the 138 Timorese recruited 14 are directly employed by Conoco-Philips and the remaining are hired directly by Bayu Undan subcontractors located both in offshore and onshore Timor-Leste.

In addition to the employment and training program there have also been other corporate social programs undertaken in Timor-Leste. These program activities executed under this category covered Literacy and Teaching, program, Maternal and Child Health program implemented by Fundasaun Alola, the First Lady Cup by Rotary Club, Celebrations of 4th of July by US Embassy, Gala Dinner Dance by New Zealand Embassy, Tour de Timor by Tour de Timor Team, Scholarship and Higher Education program by DIT, District Education and Community Building by Francisca Sisters in Maubisse, Geology exhibition by Monash University, Children Music Festival by FCJ, School for the Blind by International Fundraiser, Tais exhibition by Timor Aid, SD 3 Bidau School by Bidau SD3, Darwin Festival by Eco de Lemos Forum, Motorcross Event and reforestation project by Santalum NGO. The overall summary of the Bayu Undan project Timor Leste local content expenditure in year 2010 is shown in figure 34 below.

![Figure 34 Bayu Undan 2010 Local content expenditure](image)
**Timor Leste Exclusive Area (TLEA)**

**ENI TIMOR-LESTE**

There were several program activities implemented by Eni during 2010. These programs included the use of local goods and services, employment of Timor-Leste nationals, and social development programs. Out of the total budget approved for the year 14.62% was spent for local content. Excluding taxes, approximately 12.74% was spent with Timor-Leste suppliers, for goods and services, labor hire and social development projects. Figure 35 below shows the summary of the 2010 local content expenditure.

Eni also seek to fulfill its Local Expenditure commitment through investment in sustainable social development initiatives and petroleum infrastructure projects consistent with Government Policy. During 2010, Eni Timor-Leste, in partnership with local and international NGO’s continued development of the following social programs: National Civic Education Curriculum Development implemented by Timor Aid, Petroleum Prospectivity training by University of Western Australia, Master Medea program by Eni Corporate University, Expansion of Micro Matchmaking Services by PDT, evidencing of project activities, beneficiaries and testimonies by Arte Moris, Upgrading of Hera Laboratory by University of Western Australia in Cooperation with SERN and Data Tape Core storage facility still under development.

![Figure 35 TLEA Local Content Summary 2010](image-url)
4.4 Commercial Activities

Production from Bayu Undan (BU) was slightly impacted from two maintenance shutdowns carried out in 2010. The impact from the shutdown was the slightly decreased number of cargoes sold across the three products produced from BU compared to 2009. However, total revenue generated from the project was actually higher than the previous year due to higher oil prices throughout the 2010 year.

Darwin LNG price was renegotiated between Darwin LNG as "seller" and Japanese LNG buyers "Tokyo Electric and Tokyo Gas" for the price to apply as 2010 provisional price. This provisional price is not the final price and both parties will continue to discuss until the final price is agreed. The provisional price apply in 2010 was considered reasonable and it brought incremental revenue to states compared to the previous pricing formula.

The supply of gas from BU via pipeline to Power Water Corporation is on emergency basis or during peak shaving time only. In June 2010, PWC did request feed gas from BU for pressure reduction maintenance testing for two days. Since the Blacktip field in Australia has now been able to provide normal contract volume to PWC there has been no request to supply gas from BU.

The ANP engaged the Sydney based Consultancy Company "Clayton UTZ" to review the insurance issue relating to Contractors undertaking petroleum activities in both Jurisdictions. The aim of the review was to determine the types of risks, liabilities, types of insurance, the scope of insurance provision, and how the insurance issue should be considered by contractors. The outcome of the review has been useful for the ANP when drafting the regulations for its exclusive area.

Kitan Marketing strategy meeting was held in Nov 2010 in Dili between the Eni JPDA and the ANP. It was agreed as of the outcome from the meeting that there shall be a joint marketing meeting at ANP office early 2011, where JV partners will be part of the meeting to discuss way forward regarding the marketing arrangements for Kitan oil. This meeting will be crucial on how Kitan oil shall be marketed having regard to the quality of the Kitan oil.

4.4.1 Bayu – Undan Marketing

BU product marketing in 2010 continued with the existing arrangement in place, where condensate was sold on the mixture of term cargoes and some spot sales. In addition, LPG continued to be sold under term contract. For LPG term contract, Astomos continued to be the term buyer in 2010. For the natural gas, DLNG continued its existing arrangement as per agreed Sales Purchase Agreement.

The marketing of BU products in 2010 was considered more stable than 2009. Despite the shutdown for maintenance in April, overall marketing performance was considered satisfactory. This is shown with the revenue received in 2010 was actually higher than previous years, mainly due to relative stable high oil price throughout the year, although with some volatility in June as a reaction to debt issue in Europe.

4.4.2 Sales of Products from Bayu-Undan

4.4.2.1 Condensate

As can be seen from the graph below in 2010, GS Caltex purchased almost half of condensate cargoes and continued to be the dominant term buyer since the inception of BU condensate in 2004 and very possible for next contract year as well. BU condensate continued to be attractive to petrochemical company like PTT Thailand, Petrodiamond (Singapore) and others. The ANP continues to encourage ConocoPhillips and Inpex, as the marketers, to explore for new market end users.
4.4.2.2 Liquefied Petroleum Gas (LPG)

In the year of 2010, the Bayu-Undan LPG has achieved another successful lifting program with the supports from all parties involved, including the term buyer Astomos Japan. The 2010 total lifting volumes appeared to be a slightly lower than 2009, which was recorded at 1 million metric tones. Despite the reduction in volumes lifted, revenue received in 2010 was actually higher than 2009. It was recorded at 28% higher compared to the previous year’s receipt. The increased of revenue collected from LPG sold in 2010 was again driven by high LPG price.

![Revenue received from BU LPG during the year of 2010](image)

**Figure 37** Shows the revenue received from BU LPG in 2010

4.4.2.3 Liquefied Natural Gas (LNG)

Due to the planned shut down for maintenance last year, production of DLNG was slightly lower than the previous year. Despite the impact from the shut down, all produced volumes were lifted by term buyers. There were only 49 cargoes sold in 2010 compared to 59 cargoes sold in 2009. In terms of volume in mmbtu, there was 8% decrease in 2010 compared to 2009.

In 2010, DLNG and the buyers managed to agree on a new LNG price formula. This price formula was considered as a provisional price, until both parties agree on final price. In addition, the provisional price for 2010 was actually considered within market benchmark and expected to bring significant incremental revenue to the upstream partners including the ANP. Revenue generated from natural gas continues to play a significant role in the BU revenue stream eventually.
No additional gas was nominated to PWC in 2010 since Blacktip operation meeting its contract volume to PWC. As outline under the existing GSA, feed gas from BU to PWC is only for emergency purpose.

![Total BU LNG revenue during the year of 2010](image_url)

**Figure 38** Shows the summary of total actual receipt of FTP and profit gas from LNG sold under the long term contract in 2010

### 4.4.3 Revenues Distributed to Contracting States

2009 EITI report was completed last year with no discrepancy between payments reported by oil companies and revenues reported from the ANP. ANP have been providing its support to the Secretariat of EITI through various events in the joint effort to disseminate information in relation to proceeds from petroleum activities and enhance public understanding in regard to the petroleum sector. Total revenue received in 2010 was considered higher than the year before. FTP received was recorded at $164.6m compared to last year was about $141.7m. Similarly, total profit oil/gas was also higher than 2009, from 969.4m in 2009 to 1,076.6m recorded in 2010. In overall, total revenue for 2010 increased by 12% compared to previous year.

The pie chart below shows that about 45% of revenue is generated from condensate, where natural gas come second with 37%, whilst LPG accounted for 18% or total revenue.

![Total Revenue Received in 2010 from BU various products](image_url)

**Figure 39** Shows the total JPDA revenue during 2010

There is a timing difference between payment of FTP and profit oil/gas from Contractors to the ANP and revenues distributed from ANP to contracting states. Once all three products proceeds are received by the ANP then payment is made to the states in the following month.
### 4.4.4 Summary report of the PSC budget versus actual expenditures

<table>
<thead>
<tr>
<th>Expenditure by PSC</th>
<th>TL Exclusive Area PSC</th>
<th>S-06-01</th>
<th>S-06-02</th>
<th>S-06-03</th>
<th>S-06-04</th>
<th>S-06-05</th>
<th>S-06-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration Costs</td>
<td>550,000</td>
<td>606,387</td>
<td>1,550,000</td>
<td>1,593,190</td>
<td>60,150,000</td>
<td>13,681,229</td>
<td>150,000</td>
</tr>
<tr>
<td>Non Capital Costs</td>
<td>304,000</td>
<td>269,306</td>
<td>407,000</td>
<td>292,602</td>
<td>8,799,860</td>
<td>2,849,041</td>
<td>466,700</td>
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<tr>
<td>Operating &amp; Administration</td>
<td>-</td>
<td>20,000</td>
<td>45,675</td>
<td>85,140</td>
<td>21,000</td>
<td>69,300</td>
<td>42,510</td>
</tr>
<tr>
<td>Other</td>
<td>15,000</td>
<td>-</td>
<td>20,000</td>
<td>85,140</td>
<td>21,000</td>
<td>42,510</td>
<td></td>
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<tr>
<td>Capital Costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other Costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous Receipts</td>
<td>15,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Net Expenditure</td>
<td>869,000</td>
<td>875,693</td>
<td>1,977,000</td>
<td>1,931,467</td>
<td>69,035,000</td>
<td>16,615,410</td>
<td>686,000</td>
</tr>
</tbody>
</table>

**Table 5** Summarize the total expenditure by PSCs for TLEA in 2010

<table>
<thead>
<tr>
<th>Expenditure by PSC</th>
<th>JPDA PSC</th>
<th>06-101A</th>
<th>06-102</th>
<th>06-103</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration Costs</td>
<td>65,310,132.00</td>
<td>-</td>
<td>-</td>
<td>161,000</td>
</tr>
<tr>
<td>Non Capital Costs</td>
<td>12,172,753.00</td>
<td>355,859,242</td>
<td>376,830,461</td>
<td>8,504,266</td>
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<tr>
<td>Operating &amp; Administration</td>
<td>160,000.00</td>
<td>160,000</td>
<td>160,000</td>
<td>160,000</td>
</tr>
<tr>
<td>Other</td>
<td>326,200,000.00</td>
<td>355,727,075</td>
<td>4,993,286</td>
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<tr>
<td>Capital Costs</td>
<td>4,168,785.00</td>
<td>304,318,594</td>
<td>24,975,091</td>
<td></td>
</tr>
<tr>
<td>Other Costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous Receipts</td>
<td>1,572,113</td>
<td>1,338,586</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Expenditure</td>
<td>403,842,885</td>
<td>304,641,372</td>
<td>360,377,976</td>
<td>5,946,980</td>
</tr>
</tbody>
</table>

**Table 6** Summarize the total expenditures by PSCs for JPDA area in 2010

### 4.4.5 Operator Audits and Summary of Audit Findings

Under the PSC’s entered into by Operators, there is a requirement for the Operator to provide an Independent Audit Statement on the Annual Reports provided to the ANP.

The PSC’s list various reports that the Operator has to present to the ANP on a quarterly basis. The ANP only requires the Annual Report to be audited.

The ANP in agreement with Operators and their appointed independent auditors have, where possible, provided staff to attend these audits. This initiative is integral in the ANP’s commitment to capacity building of the Timorese staff.

Within the JPDA, all Operators will be audited within the early months of 2011, with the exception of Minza Oil & Gas Limited for JPDA 06-101A and Petronas for JPDA 06-102. Minza has not been audited since the PSC was awarded, mainly due to the limited expenditure that was expected to be incurred under this PSC.
Petronas had in late 2010 advised the ANP that they would not be continuing with the PSC following the completion of their initial work requirements under the PSC, and therefore an audit of 2010 expenditure would be of no benefit.

Additionally the ANP has scheduled audits for the PSC’s in the TLEA for the early to middle part of 2011. The TLEA Operators had during 2010 complied with the ANP’s request to provide audit reports covering the first three years of operation (2006-2009).

The following operator audits were undertaken within the 2010 year.
Conoco Phillips – for Bayu Undan
Woodside – for Sunrise
Petronas – for JPDA06-102
Oilex – for JPDA06-103
Eni – for JPDA06-105 (includes Kitan development)
Eni – for TLEA areas, S06-01, 02, 03, 04 and 06
Reliance – for TLEA area S06-06

The ANP staff members were in attendance for all audits except the Reliance audit.

The basis for the audits and what is covered within the audits is contained within the Interim Directions. Only the Bayu Undan field is producing revenue, and revenue receipt processes do form part of the audit process that is undertaken.

The major thrust of the audit procedure is to check expenditure items that the Operator claims under the PSC. There were no major issues uncovered by the audit process in the 2010 year.

5 Downstream

5.1 General

Decree-Law no. 20/2008, of 19 June 2008 created the National Petroleum Authority (ANP), entrusting it, amongst other duties with the responsibility for regulating and supervising downstream activities in the country, including the use of petroleum infrastructure such as pipelines, terminals and transport infrastructure, as well as refining and processing activities. To achieve these goals, the ANP may approve regulations on technical aspects related to downstream activities, on the granting of authorizations to private entities and individuals and legal entities to carry out same activities, administrative procedures and duties, and sanctions applicable in case of non-compliance with same regulations. The Directorate of Downstream in 2010 concluded the draft Decree-law and most of its regulation.

5.2 Legal Framework

The ANP through its directorate has initiated the establishment of the legal framework for the downstream sector. Draft Decree-Law for the Downstream Sector and most of its regulations have been concluded successfully. The Decree-Law has yet to socialize by the ANP, due to the delayed appreciation and approval by the Council of Ministers of RDTL.

Further reviews will be carried out once the Downstream Decree Law is approved by the Council of Ministers. Socialization of Decree-Law and approval of downstream activities regulations would be one of the first priorities for downstream directorate activities in 2011.

Below is a list of initial draft regulations has been initiated:

- Regulation on Petroleum Products’ Specifications
- Regulation on Administrative Procedures Requirement and Fees of Downstream Activities Licenses
- Regulation on Downstream Activities Inspection Division
- Regulation on Installation and Operation of Filling Stations and Sale of Liquid Fuels, including Check-list for Verification of the Application of Installation and Operation of Filling Stations and Sale of Liquid Fuels
- Regulation on Installation and Operation of Storage Facilities for Fuels
- Regulation on Importing, Exporting, and Trading of Fuels.

5.3. Petroleum Retailers District Campaign
In the first quarter of 2010 the Downstream Directorate conducted the first collection of Petroleum retailer’s activities across the district namely district campaign from 3 to 11 February 2010 as part of 2010 downstream work program. The programs intended aim is to establish a data base on petroleum retailer’s activities which will in turn be used as the base for the technical requirements.
6. Future Plans and Projects
As for the future actions and plans the ANP, there will be several major undertakings during the 2011 year including the following:

- Supervising the commissioning of process and metering facilities of Glass Dowr FPSO for Kitan Field
- Administering and regulating the finalisation of the Kitan Field development project and the expected first oil production of Kitan field
- Finalization of both TLEA and JPDA PSC reviews
- Finalizations of the Technical Regulations for both JPDA and TLEA
- Conducting a new Acreage Release through a bidding round, expected to start within the last quarter of 2011 and into the early quarters of 2012.
- Continue to administer current existing explorations and productions activities
- The ANP will also continue to encourage human resource and capacity buildings through various training and staff recruitment throughout various directorates.
7. **ANP Financial Performance**

Overall, the ANP performed well financially in 2010. The actual total expenditure was USD 5,425,519.00, which represents a total of 89.13 percent of the budget figure. The 89.13 percent of expenditure is calculated from ANP 2010 budget versus ANP 2010 Actual Expenditure.

Note: the ANP 2010 Budget $6,086,939.68 was budgeted more than the ANP 2010 annual income however the deficit amount was covered by ANP reserves.

### 7.2. **ANP 2010 Financial Year**

**Financial Statement Per 31 December 2010 (Audited)**

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development Fees</td>
<td>$ 3,064,000.00</td>
<td>$ 3,064,000.00</td>
</tr>
<tr>
<td>Contract Services Fees</td>
<td>$ 1,039,342.00</td>
<td>$ 1,040,000.00</td>
</tr>
<tr>
<td>Income from Timor - Leste Government</td>
<td>$ 1,800,000.00</td>
<td>$ 1,800,000.00</td>
</tr>
<tr>
<td>Interest</td>
<td>$ 2,872.00</td>
<td></td>
</tr>
<tr>
<td>Net Gain in Foreign Exchange</td>
<td>$ 3,096.00</td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td>$ 383.00</td>
<td></td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>$ 5,909,693.00</strong></td>
<td><strong>$ 5,904,000.00</strong></td>
</tr>
</tbody>
</table>

**EXPENSES**

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Cost</td>
<td>$ 2,358,585.00</td>
<td>$ 2,657,370.17</td>
</tr>
<tr>
<td>General and Administration</td>
<td>$ 2,622,186.00</td>
<td>$ 2,848,414.90</td>
</tr>
<tr>
<td>Depreciation and Amortisation</td>
<td>$ 244,796.00</td>
<td></td>
</tr>
<tr>
<td>Contingency</td>
<td>$ 161,574.00</td>
<td>$ 581,154.61</td>
</tr>
<tr>
<td>Net Loss on Disposal of Plan &amp; Equipment</td>
<td>$ 38,378.00</td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenditure/Budget</strong></td>
<td><strong>$ 5,425,519.00</strong></td>
<td><strong>$ 6,086,939.68</strong></td>
</tr>
</tbody>
</table>

**Surplus**

|                      | $ 484,174.00 | **($ 182,939.68)** |

*Table 7 ANP financial statement 2010 (Audited)*
8. Social Activities and Social Engagement

8.2. 2010 ANP Annual retreat in Maliana

As part of the ANP retreat traditions, this year ANP retreat was a 3 day session in Maliana sub district. The aim of this year annual retreat was to enable and encourage the team building among the big organisation of the ANP family.

During this retreat, the ANP also engage with local communities and students through various social events, sporting events and site visits.

Figure 40 Friendly footballs Match between ANP staff and Students of Maliana High School College

Figure 41 Visit to Maubara Orphanage, at Liquica district

Figure 42 Bond fire is one of ANP annual retreat traditions
8.3. Asset disposal

In 2010 the ANP disposed the ANP zero value assets. The original value of the zero value assets was $839,183.75. The assets disposed/donated comprised of computers equipment, office equipment and office furniture. Other zero value assets such as vehicle were auctioned to achieve best market value. The ANP donated some of the non-commercial value assets to various non-profit organisations in Timor-Leste. Some of these non-profit organizations were East Timor Petroleum Engineering Forum (ETPEF), Timor Women's Self Help Group (TWSHG), Sister Lurdes – Missaun Dare, Maubara orphanage.

Figure 43 The ANP President, symbolically handed over some of the office equipments to one of the NGO

Figure 44 The ANP President, symbolically handed over some of the office equipments to the NGO TWSHG

Figure 45 The ANP President, symbolically handed over some of the office equipments to the Carmelite sisters at the Maubara Orphanage.
8.4. ANP engagement with intern students

Students are the potential future work forces and leaders of the Timor-Leste nation. Hence, their engagement in the real working world through internship programs at the ANP may provide a significant contribution to their self development.

In year 2010, ANP engaged with several students coming from various academic and education backgrounds ranging from high school graduates in their final year studies and tertiary graduate students seeking to gain some workings experiences in the oil industry environment. The internship programs ranged from periods of four weeks to several months. During the internship programs ANP staff members were assigned to provide mentoring to the intern students.
9. Attachments

AUTORIDADE NACIONAL DO PETRÔLEO
YEAR ENDED 31 DECEMBER 2010

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STATEMENT OF FINANCIAL POSITION 5
STATEMENT OF CHANGES IN EQUITY 6
STATEMENT OF CASH FLOWS 7
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Autoridade Nacional do Petróleo ("the Authority"), in the opinion of the directors:

(a) the financial statements of the Authority are drawn up so as to present fairly, in all material respects, the financial performance and cash flows of the Authority for the year ended 31 December 2010, and the financial position of the Authority as at 31 December 2010.

(b) the financial statements have been prepared in accordance with International Financial Reporting Standards.

For and on behalf of Management

[Signature]

Guilcino da Silva
President

[Signature]

Mateus da Costa
Acting Director - Corporate Services

DILI
Date: 6/5/2011
INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of Autoridade Nacional do Petróleo

We have audited the accompanying financial statements of Autoridade Nacional do Petróleo which comprise the balance sheet as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Autoridade Nacional do Petróleo as at 31 December 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Merit Partners

Matthew Kenyon
Director

Darwin, Australia
Date: 6/5/2011
# Statement of Comprehensive Income

For the year ended 31 December 2010

(Expressed in United States Dollars)

<table>
<thead>
<tr>
<th>Note</th>
<th>2010 $</th>
<th>2009 $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development fees</td>
<td>3,064,000</td>
<td>3,064,000</td>
</tr>
<tr>
<td>Contract service fees</td>
<td>1,039,342</td>
<td>1,040,000</td>
</tr>
<tr>
<td>Income from Timor-Leste government</td>
<td>1,800,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Interest</td>
<td>2,872</td>
<td>1,661</td>
</tr>
<tr>
<td>Net gain in foreign exchange</td>
<td>3,096</td>
<td>19,871</td>
</tr>
<tr>
<td>Other income</td>
<td>383</td>
<td>17,821</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>5,909,693</td>
<td>5,143,353</td>
</tr>
</tbody>
</table>

| **Expenses** | | |
| Employee benefits | (2,358,585) | (2,010,537) |
| General and administration | (2,622,186) | (2,046,886) |
| Depreciation and amortisation | (244,796) | (180,141) |
| Contingency | (161,574) | (63,605) |
| Net loss on disposal of plant & equipment | (38,378) | - |
| **Total Expenses** | (5,425,519) | (4,301,171) |

| **Surplus for the Year** | 484,174 | 842,182 |

Other Comprehensive Income

| **Total Comprehensive Income for the Year** | 484,174 | 842,182 |
AUTORIDADE NACIONAL DO PETRÓLEO

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010
(Expressed in United States Dollars)

<table>
<thead>
<tr>
<th>Note</th>
<th>2010 $</th>
<th>2009 $</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>4,731,408</td>
<td>4,071,615</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>13,420</td>
<td>34,235</td>
</tr>
<tr>
<td>Other non financial assets</td>
<td>15,484</td>
<td>7,915</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>4,760,312</td>
<td>4,113,765</td>
</tr>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>453,565</td>
<td>400,330</td>
</tr>
<tr>
<td>Intangibles</td>
<td>30,033</td>
<td>95,399</td>
</tr>
<tr>
<td>Total Non-Current Assets</td>
<td>483,588</td>
<td>495,729</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5,243,900</td>
<td>4,609,494</td>
</tr>
</tbody>
</table>

| **LIABILITIES AND EQUITY** |       |       |
| **CURRENT LIABILITIES** |       |       |
| Trade and other payables | 351,579 | 179,764 |
| Provision for annual leave | 109,904 | 52,235 |
| Prepaid contract service fees | 563,507 | 642,849 |
| Total Current Liabilities | 1,025,080 | 874,848 |
| **TOTAL LIABILITIES** |       |       |
| | 1,025,080 | 874,848 |

| **EQUITY** |       |       |
| Initial contribution | 2,153,170 | 2,153,170 |
| Accumulated funds | 2,065,650 | 1,581,476 |
| Total Equity | 4,218,820 | 3,734,646 |
| **TOTAL EQUITY AND LIABILITIES** |       |       |
| | 5,243,900 | 4,609,494 |
## STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010
(Expressed in United States Dollars)

<table>
<thead>
<tr>
<th></th>
<th>Capital Contributions</th>
<th>Accumulated Funds</th>
<th>Total Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 1 January 2009</strong></td>
<td>2,153,170</td>
<td>739,234</td>
<td>2,892,464</td>
</tr>
<tr>
<td>Capital Contributions</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Surplus for the year</td>
<td>-</td>
<td>842,182</td>
<td>842,182</td>
</tr>
<tr>
<td><strong>At 31 December 2009</strong></td>
<td>2,153,179</td>
<td>1,581,476</td>
<td>3,734,646</td>
</tr>
<tr>
<td>Capital Contributions</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Surplus for the year</td>
<td>-</td>
<td>484,174</td>
<td>484,174</td>
</tr>
<tr>
<td><strong>At 31 December 2010</strong></td>
<td>2,153,170</td>
<td>2,065,650</td>
<td>4,218,820</td>
</tr>
</tbody>
</table>
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Expressed in United States Dollars)

<table>
<thead>
<tr>
<th>CASH FLOW FROM OPERATING ACTIVITIES</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees from operators</td>
<td>4,024,000</td>
<td>4,104,000</td>
</tr>
<tr>
<td>Income from Timor-Leste government</td>
<td>1,800,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Interest received</td>
<td>2,872</td>
<td>1,661</td>
</tr>
<tr>
<td>Less: Personnel costs</td>
<td>(2,300,231)</td>
<td>(1,938,444)</td>
</tr>
<tr>
<td>Less: Other operating expenses</td>
<td>(2,501,264)</td>
<td>(2,079,220)</td>
</tr>
<tr>
<td>Less: Contingency expenses</td>
<td>(124,764)</td>
<td>(63,605)</td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>900,613</td>
<td>1,025,362</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOW FROM INVESTMENT ACTIVITIES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds on disposal of property, plant &amp; equipment</td>
<td>383</td>
<td>12,531</td>
</tr>
<tr>
<td>Proceeds from investments</td>
<td>-</td>
<td>5,260</td>
</tr>
<tr>
<td>Purchase of intangibles</td>
<td>(247)</td>
<td>(119,888)</td>
</tr>
<tr>
<td>Purchase of property, plant &amp; equipment</td>
<td>(240,956)</td>
<td>(297,036)</td>
</tr>
<tr>
<td>Net cash flow (used in) investment activities</td>
<td>(240,820)</td>
<td>(399,113)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOW FROM FINANCE ACTIVITIES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash flow from finance activities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>659,793</td>
<td>626,279</td>
</tr>
<tr>
<td>Add opening balance carried forward</td>
<td>4,071,615</td>
<td>3,445,336</td>
</tr>
<tr>
<td>Cash and cash equivalents ending balance</td>
<td>4,731,408</td>
<td>4,071,615</td>
</tr>
</tbody>
</table>

**Comprising:**
Cash on hand and at banks

4,731,408
4,071,615
9.3. Training and Conferences attended
Quality Management and Auditor System,
Quality Management System,
Secondment with NPD Norway,
Cultural Transformation Tools,
MySQL Database Basic Training,
Customer Skills and Office Administration,
Accounting for Non-Accountants,
Introduction to Budgeting,
LNG Transportation by SEA,
Computer Hacker and Forensic Investigation,
Essential Business Writing,
Accounting for Non-Accountant.
Environment Impact Assessment and Environmental Management Plan,
Environmental Monitoring Offshore and Oil Spill Contingency Plan Assessment
ACCPAC System training
Using risk assessment to build audit programmes and Building an ERM-base annual audit plan
Advance auditing for in-charge auditors
Quality management auditor system / Lead auditor
Tools and techniques for the beginner auditor and risk based auditing
9.4. Employment record 2010
IT Officer (replacement position)

Internal Audit Officer (new position)

Human Resources Assistant (new position)

Mapping and Data Management Officer (new position)

Metering Officer (new position)

Manager – Exploration and Geosciences (new position – International)

Director - Acreage Release and Promotion (new position)

9.5. Approved Policies and Procedures
ANP/14/01/001 Rev 0 ANP Finance Policy

ANP/07/03/004 Rev 0 ANP Financial Month End & Validation

ANP/05/06/001 Rev 0 Training Request and Evaluation

ANP/05/06/003 Rev 0 Individual Development

ANP/14/03/002 Rev 0 ANP Vehicle Usage

ANP/07/06/010 Rev 0 ANP Visitor Procedure
9.6. List of Abbreviations

2D : Two Dimension
3D : Three Dimension
ANP : Autoridade Nacional do Petróleo
bbls : Barrels
Bpd : Barrels per day
BU : Bayu Undan
CPP : Central Processing Platform
CSR : Corporate Social Responsibility
CUQ : Central Utilities and Quarters
DA : Designated Authority
DLNG : Darwin LNG
DPP : Drilling Production Platform
EITI : Extractive Industry Transparency Initiative
EKKN : Elang Kakatua and Kakatua North
ETE : Extend The Edge
FDP : Field Development Plan
FSO : Floating Storage Offloading
FTP : First Tranche Petroleum
HSE : Health Safety and Environment
IPMC : Interim Petroleum Mining Code
JC : Joint Commission (ers)
JPDA : Joint Petroleum Development Area
JVs : Joint Ventures
LABEH : Lalenok ba Ema Hotu
LNG : Liquefied Natural Gas
LPG : Liquid Petroleum Gas
m : meter
M : Million
m³ : Meter Cubic
MDDF : Meter Drill Floor
MMscf/day : Million Standard Cubic Feet per Day
MMstb : Million Standard Barrels
Msm³ : Million Standard Meter Cubic
NGO : Non Governmental Organisation
PSC : Production Sharing Contract
PSTM : Pre Stack Time Migration
PWC : Power Water Corporation
REPDMCC/REP dmcc : Reliance Exploration and Production Dubai Multi Commodity Centre
RTM : Riser Turret Mooring
SERN : Secretaria de Estado dos Recursos Naturais
Sm³ : Standard cubic meters
Stb : Standard Barrels
Tcf : Trillion Cubic Feet
TD : Target Depth
TL : Timor-Leste
TLEA : Timor-Leste Exclusive Area
TSDA : Timor Sea Designated Authority
UNTL : Universidade Nacional Timor - Leste
YTD : Year To Date