

**Republic of the Philippines
DEPARTMENT OF ENERGY**
Energy Center, Rizal Drive corner 34th Street
Bonifacio Global City, Taguig City
Metro Manila

**GUIDELINES FOR PHILIPPINE CONVENTIONAL ENERGY
CONTRACTING PROGRAM (PCECP) FOR PETROLEUM
SERVICE CONTRACT (PSC) APPLICATIONS**

I. Procedure for Nomination and Publication

A. Applicant/s for PSC shall formally nominate through written communication the area/s of their interest addressed to the Review and Evaluation Committee (REC) for consideration. Before the nomination is accepted for publication, the following shall be submitted:

1. Technical Description of the nominated area which shall be in accordance with the prescribed Petroleum Blocking and Monitoring System that divides the entire Philippine archipelago into meridional blocks of four (4) latitudinal arc-minutes by three (3) longitudinal arc-minutes (4' x 3') with WGS'84 Geographic Coordinates with each block covering an area of approximately 4,000 hectares (40 square kilometers), as verified by the DOE-Information Technology and Management Services (DOE-ITMS);

The size of the nominated area, pursuant to Section 18 (b) of Presidential Decree (PD) No. 87, shall be within the range of 50,000 hectares (500 square kilometers) to 750,000 hectares (7,500 square kilometers) for onshore areas, and 80,000 hectares (800 square kilometers) to 1,500,000 hectares (15,000 square kilometers) for offshore areas; and

2. Area Clearance of nominated area/s from the DOE-ITMS.
- B. The REC shall, within fifteen (15) working days from receipt of the nomination with complete documents, inform the nominating applicant through written notice on the approval / rejection for the publication on the existence of an application for the nominated area/s for public contracting program.
- C. In case the nomination is approved, the REC shall direct the nominating applicant to comply and submit, within fifteen (15) days from receipt of the notice from the REC, the following:

1. Publish, at its own expense, the existence of an application for the nominated area/s with an invitation for challenge in two (2) broadsheet of general circulation;

2. Pay a non-refundable application fee of Php 200,000.00 per area; and

3. Submit the complete application documents under Item IV hereof and the checklist attached as Annex "B".

The nominating applicant shall submit a proof of publication within seven (7) calendar days from the date of publication.

The REC shall likewise post the existence of an application for the nominated area/s with an invitation for challenge in the DOE website from the publication date until the deadline for submission of documents.

In the event the nominating-applicant fail to publish the nominated area within the required period, the nomination shall be nullified and the area shall be open for new nomination

D. The nominating applicant shall follow the template layout of the items for publication shown in *Annex "C"* which include, among others, the following:

a. Timeline for the contracting program by publication:

i. Publication Date - Day 1

ii. Pre-submission Conference – Day 1 plus twenty (20) calendar days, 0900H at the DOE AVR

iii. Deadline for the Submission of documents by Applicants – Day 1 plus sixty (60) calendar days (*2 months*) on or before 1100H at the DOE Records Section

iv. Opening of Documents – Day 1 plus sixty (60) calendar days (*same day as Deadline of Submission of Documents*) 1300H at the DOE AVR

b. Location Map and Technical Description of the area/s:

a. Area/s to be nominated shall comply with Item I. A hereof;

b. Technical Description as certified by DOE-ITMS

c. Other information that the REC deems appropriate.

E. Upon publication of the nominated area, interested parties may submit their respective applications for the said area, within a period of sixty (60) days from date of publication, in accordance with Item III hereof on the submission of applications.

The REC shall open the applications at exactly 1330H on the last day of submission.

II. Procedure for Offering of Pre-Determined Area (PDA) by the DOE

A. PSC Applications. Interested parties may apply for PSCs on Pre-Determined Areas (PDAs) offered by the DOE during a prescribed period which shall be announced by the REC. (Annex "D")

1. **Selection of PDAs.** The ERDB shall identify and submit a list of PDAs for petroleum exploration, with the respective Location Maps and Technical Descriptions thereof, to the REC for approval. PDAs shall refer to areas with petroleum potential through sufficient available technical data as may be determined by the PRDD and approved by the REC.
2. **Launch and Publication.** PDAs approved by the REC shall be scheduled for launch and shall be publicly announced by the REC for applications. PDAs for offer shall be published in at least two (2) broadsheet newspapers of general circulation and shall likewise be posted at the DOE website.
3. **Data Packages and Promotional Activities.** The REC shall arrange for the availability of data packages for the approved PDAs that can be purchased by interested parties in support to their applications. The REC shall conduct promotional activities, both locally and abroad, to promote the OPDA and the corresponding data packages so as to ensure maximum participation and awareness of prospective investors and stakeholders.
4. **PDA Application.** Applications may be submitted a day after the publication date until the last day of submission which shall be one hundred and eighty (180) calendar days from the date of publication in accordance with the procedures hereunder.
5. **Opening of Applications.** The REC shall open the applications at exactly 1330H on the last day of submission of applications.

III. Requirements for Submission of all PSC Application/s

A. Qualifications of PSC Applicant.

1. Applicant may be any local/foreign individual company or group of companies forming a joint venture/consortium, organized or authorized for the purpose of engaging in petroleum exploration and development.
2. If an applicant is a joint venture/consortium, it shall submit a copy of the joint venture agreement. The Operator must meet all legal, technical and financial requirements, and submit the application on behalf of the joint venture/consortium.
3. Members (Non-Operator) of the joint venture/consortium, on the other hand, shall be legally and financially qualified. The working capital of each member of the joint venture/consortium shall be *pro-rata* based on its participating interest in the proposed work program and budget.

- B. Applicant/s shall submit a letter of intent and three (3) complete sets of legal, technical, and financial documents in accordance with Item IV (Documentation Requirements) of this Annex for evaluation by the REC.

Each application shall cover only one predefined area of interest as published.

- C. Submitted Application/s must be in both paper and digital (USB Drive in Microsoft Word or *.pdf format) copies. Times New Roman 12 font and single line spacing are recommended. Figures shall be submitted in an appropriate format, no smaller than A3 size. For legibility, figures and maps shall be submitted at a larger scale (1:10,000) as appendices.
- D. An application fee shall be paid by each area applicant, along with the submission of complete application documents, as follows:
1. For nominated areas, applicants over the nominated area (also referred to as "Challenger") shall pay a non-refundable fee of Php 1,000,000.00 per area;
 2. For PDA applications, a non-refundable application fee of Php 200,000.00 per area shall be paid by the applicant.

All payments may be made in cash, manager/company cheque, payable to "*Department of Energy*" or wire/bank transfer. All wire/bank transfer should be net of all applicable bank and financial charges.

- E. Both the original paper copy and the digital copy of the any application/s shall be addressed to:

The Chair

Review and Evaluation Committee
Department of Energy
Energy Center, Rizal Drive
Bonifacio Global City (BGC), Taguig City
Metro Manila, 1632 Philippines

The application may be sent by courier, registered mail, or hand delivered and must be stamped received by the DOE Records Division not later than 1100H of the deadline for submission of documents as prescribed in this Annex and the REC shall open the submitted applications at 1300H on the same day.

IV. Documentation Requirements

A. Legal Documentation

1. Duly filled-out covering information sheet showing a brief summary of the application:

COVERING INFORMATION SHEET
(Petroleum)

| Company Name | Participating Interest % | Country of Registration | Parent Company |
|---|--------------------------|-------------------------|----------------|
| Operator: | | | |
| JV/Consortium Member: | | | |
| Address of Operator: | | | |
| Telephone No.: | Fax No.: | Mobile Phone No.: | |
| Email Address: | Website: | | |
| Address of JV / Consortium Member: | | | |
| Telephone No.: | Fax No.: | Mobile Phone No.: | |
| Email Address: | Website: | | |
| PCECP Area Applied for: | | | |
| Proposed Signature Bonus: | | | |
| Proposed Development Assistance Fund: | | | |
| Training Assistance Fund | | | |
| <p>It is certified that the foregoing information are true and correct. It is understood that any omission or misrepresentation of the required information shall be sufficient cause for the rejection of this application.</p> <p style="text-align: center; margin-top: 20px;">_____ Authorized Representative and Signature:</p> | | | |

2. Certified true copies of the Securities and Exchange Commission (SEC) Certificate of Registration, Articles of Incorporation and By-Laws. The corporate purpose of the applicant shall include the exploration, development and utilization of petroleum resources;
3. Certified true copy of the General Information Sheet (GIS) stamped-received by the Securities and Exchange Commission (SEC) not more than twelve (12) months old at the time of filing of application;
4. Original Copy of the Certificate of Authority from the Board of Directors of the applicant authorizing a designated representative/s to apply, negotiate, sign any documents and execute the PSC. The said Certificate of Authority shall be executed under oath by the Corporate Secretary.

5. Any interested party, acting singly or forming part of a joint venture, that is organized in a foreign country shall submit legal and financial documents, or its equivalent, as required hereunder, issued by the appropriate governing body and duly authenticated by the Philippine consulate having appropriate jurisdiction.

B. Work Program Documentation

1. Pre-Determined Areas (PDAs) / Nominated Areas

- a. Proposed work program (discussion of the exploration strategies and methodologies to be employed in delineating petroleum resources with subsequent manpower complement should be in detailed narrative format including the Schedule of Activities in a Gantt Chart) and minimum expenditure for each proposed activity with respect to the area or areas specified in the proposal.

- b. Work program and minimum expenditure with respect to the proposal:

- b.1 Plan for exploration and work commitment. A description of the exploration strategy for the Contract Area applied for. This shall include:

- Geologic interpretation;
- Exploration or appraisal wells; and
- Seismic data acquisition as appropriate; and
- other geological and geophysical studies.

- b.2 A proposed minimum exploration commitment including:

- Seismic program, size, and timing (2D/3D)
- Well program, number, and timing
- Other geological and geophysical work
- Others

- b.3 Each item in the minimum exploration commitment shall be given a stipulated cost figure, the sum of which will constitute the minimum cost of the work program.

- c. Geological and geophysical evaluation of the Contract Area applied for:

- c.1 Database

Seismic and well data on which the geological evaluation is based must be listed, and the location must be illustrated on a base map (seismic coverage with wells) in appropriate scale (1:250,000). Coordinate reference system (CRS) should be specified in all geographically referenced data and maps.

Applicants shall state the following information for verification, cross-referencing and authentication purposes:

- i. Sources of all data/information/reports used (possibly in tabulated format), including whether these were acquired from the DOE or its contractors;
- ii. Copies of reports/literature if data/information are not from DOE.

c.2 Petroleum Potential Analysis

The following aspects for each Contract Area applied for must be described briefly:

- *stratigraphic and sedimentologic framework including reservoir development and reservoir quality;*
- *structural framework including trap development and evaluation of seal/retention characteristics;*
- *petroleum development including source rocks, maturity and migration; and*
- *description of play types.*

The analysis must focus on aspects that are considered critical in the evaluation of the prospectivity of the Contract Area applied for.

c.3 Prospect/Lead evaluation

The following documentation is required for potential area for further exploration:

- *overview map with coordinates of leads and/or prospect;*
- *seismic and geological cross-section(s);*
- *seismic line showing well ties, where relevant reservoir horizon time-and-depth maps presented at identical scales; and*
- *seismic attribute maps.*

The following shall be evaluated for each potential prospect:

- *depositional environment/reservoir type(s);*
- *trap and seal; and*
- *hydrocarbon type, source, migration and trap fill.*

c.4 Resources

Brief comments may be submitted on the following:

- *estimated resource (in-situ volume)*
- *method of resource volume calculation;*
- *hydrocarbon type;*
- *choice of GOR and expansion/shrinkage factors;*

- choice of reservoir parameters; and
- recovery factor.

d. Probability of Discovery (Whenever applicable)

Component probability factors and the probability of discovery must be explained and documented. The methods of risk analysis must also be briefly described.

e. Economics and development concepts of possible petroleum discoveries:

e.1 Plan of Development

e.2 Project Economics

C. Technical Documentation

1. Overview of all Upstream Petroleum-related Projects.

2. Technical Personnel

- a. Relevant Experience
- b. Educational Attainment
- c. Employment Status

Particulars of the technical and industrial qualifications, eligibilities and work-related experiences of the applicant and its employees. Particulars on the experiences, achievements, and track records of the applicant and its employees related to technical and industrial undertakings. Operational organization, including expertise, and experience.

D. Financial Documentation

1. For corporations existing for more than two (2) years at the time of filing of application:

- a. Original Copy of the Annual Report or Audited Financial Statements (FS) for the last two (2) years from the filing date and Original Copy of the latest Unaudited FS duly signed by the responsible official such as the President and/or Chief Finance Officer if the Audited FS is more than six (6) months old at the time of filing;
- b. Original Copy of the Bank Certification to substantiate the cash balance as of the latest unaudited FS;
- c. Original Copy of the Projected Cash Flow Statement for three (3) years covering fund sources and uses for the particular PCECP area applied for, other PCECP areas, renewable energy service contract applications, existing service/ operating contracts with DOE and other existing business, if applicable; and

- d. For domestic corporations, certified true copy of the latest income tax return filed with the Bureau of Internal Revenue, and duly validated with the tax payments made thereon.
2. For newly-organized corporations existing for less than two (2) years at the time of filing of application:
 - a. Original Copy of the Audited Financial Statements (FS) or unaudited FS duly signed by the responsible official such as the President and/or Chief Finance Officer;
 - b. Original Copy of the Bank Certification to substantiate the cash balance as of the latest unaudited FS; and
 - c. Original Copy of the Projected Cash Flow Statement for three (3) years covering fund sources and uses for the particular PCECP area, other applied PCECP areas, renewable energy service contract applications, existing service/operating contracts with DOE and other existing business, if applicable.
3. For Parent Company that guarantees for corporations with insufficient working capital, the Parent Company's fund guarantee shall be limited to the corresponding participating interest and shall submit the following:
 - a. Original Copy of the Parent Company's financial documents per D.1.a and D.1.b hereof; and
 - b. Original Copy of duly notarized Letter of Undertaking / Support from the Parent Company to fund the Work Program.
4. Minimum working capital (Liquid Assets less Current Liabilities) is 100% of the financial commitment for the first contract year of the proposed work program and budget. Liquid Assets shall consist only of cash, trade accounts receivables and short term investments/placements. Credit line is not a Liquid Asset.
5. The applicant shall have available working capital for each PCECP application separate from other applied PCECP areas, renewable energy service contract applications and existing energy service/operating contracts, if applicable.

V. Evaluation and Awarding Procedures

- A. Applications with incomplete documents based on the checklist attached as *Annex "B"* shall be automatically disqualified during the opening of the applications. No additional documents shall be accepted after the deadline for submission of applications.

Applicants will be duly informed by the REC whether its application passed the completeness check and shall be subjected to further legal, technical and financial evaluations. Disqualified applicants with incomplete documents shall also be duly informed by the REC citing its lacking documents.

- B. After the opening of application documents, the REC shall immediately convene and shall conduct evaluation of the submitted applications for all PDAs or individual Nominated Areas based on the following criteria:
- | | | |
|----------------------------|---|--------------|
| 1. Legal qualification | - | Pass or Fail |
| 2. Work Program | - | 40% |
| 3. Technical qualification | - | 20% |
| 4. Financial qualification | - | 40% |
- C. The highest ranked applicant who meets the legal, technical and financial requirements shall be selected.
- D. After complete review and evaluation of the legal, technical, and financial qualifications of the applicant/s, the REC shall transmit to the Secretary a written endorsement of the winning applicant.
- E. Based on the written endorsement of the REC, the Secretary may approve the application for PSC. The Secretary may convene the REC for any questions or inquiries pertaining to the review and evaluation undertaken.
- F. The Secretary shall endorse the Awardees and the corresponding PSC Areas to the President for final approval.
- G. Within seven (7) calendar days from receipt of the Notice of Approval of the PSC, the respective Awardees shall pay a processing fee of Php 0.48 per hectare based on DOE's Schedule of Fees and Charges in compliance with Executive Order (EO) No. 197, series of 2000.
- H. The REC TWG and Secretariat shall prepare the final PSC using the Model Contract and its Accounting Procedures. No deviation from the Model Contract and its Accounting Procedures shall be allowed.
- I. The DOE will award one PSC for each PCECP area.

----Nothing Follows----