



Republic of the Philippines
DEPARTMENT OF ENERGY

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DEPARTMENT ORDER NO. DO2014-08-0017

**PRESCRIBING GUIDELINES AND PROCEDURES FOR THE AMENDMENT OF
CONTRACT AREAS IN COAL OPERATING CONTRACTS (COCs) AND
PETROLEUM SERVICE CONTRACTS (SCs)**

WHEREAS, Section 4 of Presidential Decree No. (PD) 87, as amended, otherwise known as the "Oil Exploration and Development Act of 1972" and Section 4 of PD 972, as amended, otherwise known as "The Coal Development Act of 1976", allow the Philippine Government (the "Government") to promote and undertake the exploration, development, and production of the country's indigenous petroleum and coal resources through service/operating contracts respectively;

WHEREAS, Republic Act No. 7638, as amended, otherwise known as "The Department of Energy (DOE) Act of 1992", mandates the DOE to prepare, integrate, coordinate, supervise and control all plans, programs, projects and activities of the Government relative to energy exploration, development, utilization, distribution, and conservation;

WHEREAS, the DOE issued Department Circular No. 2011-12-0010 adopting the effective strategy for promoting exploration, development and utilization of petroleum and coal resources in the Philippines and the streamlining of the service contract process through the Philippine Energy Contracting Round;

WHEREAS, the awarded 30 COCs and SCs under Philippine Energy Contracting Round underwent financial, technical and legal evaluation prior to awarding and subject to the monitoring of the Energy Resources Development Bureau (ERDB);

WHEREAS, the DOE has received requests for amendments of Contract Areas under existing COCs and SCs for further exploration and development activities due to among others mining ban of local government units (LGU), strong opposition from the community, or absence of commercial reserves in the contract area or other analogous circumstances;

WHEREAS, under the terms and conditions of duly executed COCs and SCs, it cannot be amended or modified in any respect except by the mutual consent in writing;

WHEREAS, the DOE recognizes that proponents of existing COC and SC have the technical and financial capability to undertake the exploration and development of the petroleum and coal resources but are hindered by the above-mentioned factors;

WHEREAS, upon their written request and subject to such reasonable terms and conditions, existing COC and SC contractors may be permitted to carry out the exploration and development of petroleum and coal resources in other frontier areas not covered and offered in any energy contracting round; and

WHEREAS, in order to facilitate and rationalize the amendments of COCs and SCs, there is a need to prescribe the guidelines and procedures for Contract Area amendments; and

WHEREAS, there is a need to adopt for transparent and standard guidelines for the amendment of existing COCs and SCs to enable the optimal exploration and development of the country's petroleum and coal resources.

NOW, THEREFORE, for and in consideration of the foregoing premises, the DOE hereby orders the following:

Section 1. Requirements in the Amendment of Contract Area in COCs and SCs. The DOE shall process requests for amendment of Contract Area in COCs and SCs upon compliance with the following mandatory requirements, to wit:

1.1 Documentary Requirements

- a. The COC holder or SC operator shall submit a formal request in writing addressed to the Secretary of the DOE with appropriate supporting documents. The holder/operator shall ensure that the request and the appropriate supporting documents show that it qualifies with the requirements as provided for by the other provisions of this Department Order;
- b. The COC holder or SC operator shall submit the technical description (geographic coordinates) covering the proposed amendment to the Contract Area;
- c. The COC holder or SC operator submits an acceptable work program and budget for the proposed amended Contract Area: *Provided*, That in case of frontier areas, the COC holder or SC operator shall be allowed to submit an acceptable exploration work program and budget within one (1) year from the execution of the amendatory contract.
- d. The COC holder or SC operator submits an acceptable abandonment and rehabilitation plan on the relinquished contract area if applicable.

1.2 Mandatory Conditions

- a. The reasons and justifications for the amendment of Contract Area are limited to the following cases which can be availed during and/or after exploration period:
 1. When upon completion of the initial exploration activities under the approved work program (within seven years for SC and two years for COC) the interpretation report as verified by the ERDB results to an absence of an actual reserve in commercial quantity, the remaining balance of the initial exploration period and the extension maybe used for this purpose;

2. When the SC or COC contract area is subject of a mining ban by the LGU or watershed/forest reservation during and/ or after the exploration period ;
 3. Upon the existence of *force majeure* or analogous cases of permanent nature as may be approved by the Secretary.
- b. In case of a.1, the proposed amendment to the Contract Area shall be either adjacent to, contiguous with, or proximate to the existing Contract Area under the COC or an open area for exploration or development activities as certified by the Information and Technology Management Services (ITMS).
 - c. In case of a.2, the proposed amendment to the Contract Area shall be an open area for exploration or development activities as certified by the ITMS;
 - d. In case of a.3, the proposed amendment to the Contract Area shall be dependent on the DOE and Contractor's mutually agreed most advantageous area which shall be an open area for exploration or development activities as certified by the ITMS;
 - e. The COC holder or SC operator is not in default of its legal, technical and financial obligations under the COC or SC;
 - f. The COC holder or SC operator shall with respect to a particular contract able to avail only once and shall have only the remaining balance of his initial exploration period and the extension to develop the new contract area;
 - g. In case the ERDB recommends and the Secretary approves the amendment of the Contract Area, the existing contract area shall be automatically surrendered and the contractor shall now be entitled to the new contract area which shall not exceed the size of his existing contract area: *Provided*, That when the replacement contract area covers frontier areas, the contractor shall be entitled to a replacement area of not more than fifteen (15) blocks and subject to the applicable provisions of PD 87, PD 972, SC/COC and other applicable rules and regulations.

1.3 Review of Submissions

The DOE Legal Service and Financial Service shall ensure that all proposals for Contract Area amendment shall comply with the foregoing requirements. Additional information/documents maybe required in support or clarification of the submitted documents under this Section.

Section 2. Non-Impairment Clause. This Department Order shall not in any way modify, alter or diminish the rights, obligations and commitments under existing COC or SC.

Section 3. Repealing Clause. All circulars, orders, issuances and the like which are inconsistent with any part/s of this Department Order are hereby amended or repealed accordingly: *Provided*, That the provisions of those circulars or issuances and the like which are not affected hereof shall remain in full force and effect.

Section 4. Separability Clause. If for any valid reason, any provision of this Department Order is declared unconstitutional or invalid, such part/s which is/are not affected shall remain in full force and effect.

Section 5. Effectivity. This Department Order shall take into effect immediately.

Issued at Energy Center, Bonifacio Global City, Taguig City on **AUG 08 2014**.


CARLOS JERICO L. PETILLA
Secretary



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IN REPLYING PLS CITE:

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