

**[DEPARTMENT CIRCULAR NO. DC 2018-07-0020,
September 06, 2018]**

**PRESCRIBING THE GUIDELINES FOR THE DEVELOPMENT AND
UTILIZATION OF SMALL OR SUB-COMMERCIAL DEPOSITS OF
NATURAL MARSH GAS OR METHANE GAS IN THE PHILIPPINES,
AND GRANTING GRATUITOUS PERMITS THEREFOR**

*Adopted: 18 July 2018
Date Filed: 06 September 2018*

WHEREAS, Section 4 of Presidential Decree No. (P.D.) 87, as amended, otherwise known as the "The Oil Exploration and Development Act of 1972", allow the Philippine Government (the "Government") to promote and undertake the exploration, development and production of the country's indigenous petroleum through service contracts with contractors;

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, Presidential Decree No. (P.D.) 508 provides guidelines for the development and utilization of small or sub-commercial deposits of natural marsh gas or methane gas and the granting of gratuitous permits;

WHEREAS, the development and utilization of these small or sub-commercial deposits of natural marsh gas or methane gas do not require huge capital investments and highly specialized technical knowledge and consequently are easier to develop;

WHEREAS, the landowner of the area where natural marsh gas or methane gas is deposited shall be given priority for a gratuitous permit;

NOW, THEREFORE, in consideration of the aforementioned premises, the following guidelines shall be observed for the development and utilization of small or sub-commercial deposits of natural marsh or methane gas.

Section 1. Scope of Coverage. This Circular shall apply to all small or sub-commercial natural marsh gas or methane gas deposits found in any public or private lands, not exceeding 1000 feet in depth and not associated with crude oil deposit, within the territorial limits of the Philippines which are within free areas, national reserve areas, and any other areas not covered by valid and subsisting petroleum exploration or exploitation concessions, or by service contracts entered with the Government under Presidential Decree No. 87, as provided for in

Section 1 of P.D. 508, including small or sub-commercial natural marsh or methane gas deposits, that may be developed for household use or utilized for small-scale industrial development.

Section 2. Definition of Terms.

- a) Natural Marsh gas/Methane gas - a type of biogas which forms in wetland, whose principal component is methane with hydrogen sulfide and carbon dioxide as minor composition produced naturally within some geographical marshes, swamps and bogs. They are characterized as light, odorless, colorless and inflammable
- b) Proponent - an individual or a corporation willing to engage in the exploration and development of a sub-commercial deposit of natural mash gas or methane gas.
- c) Sub-commercial deposit - degree of commitment is not such that the accumulation is expected to be developed and placed on production within a reasonable time frame, which is limited to around 5 years. (Source: Society of Petroleum Engineers).

Section 3. Who May Apply for Gratuitous Permit. Any citizen of the Philippines, of legal age, having the capacity to contract and not convicted of any offense involving moral turpitude, or any association of individuals in the form of partnership or corporations duly organized and constituted under the laws of the Philippines, and at least sixty percent (60%) of the capital of which is and shall at all times be held and owned by citizens of the Philippines may apply for a gratuitous permit to undertake the development and utilization of small or sub- commercial natural marsh or methane gas deposits.

In no case shall any person be entitled to more than one (1) permit for every petroleum region at any one time.

Section 4. Area Open for Gratuitous Permit. A permit area may be validly covered by a subsequent petroleum service contract entered with the Government under Presidential Decree No. 87 but no gratuitous permit shall be issued by the Department of Energy on any area where natural marsh or methane gas deposits are more than 1000 feet deep. The area to be covered by a gratuitous permit application shall be not more than twenty (20) hectares, in a block rectangular in shape, and as much as possible the larger sides of the rectangle shall not be more than five times the shorter sides.

Section 5. Contents of Applications. An applicant shall submit to the DOE the documents listed below:

- a) Application Letter addressed to:

The Undersecretary
In-charge of Energy Resource Development
Bureau
Department of Energy
Energy Center, Merritt Road, Fort Bonifacio
Taguig, Metro Manila 1201

Contents of a Gratuitous Permit Application:

1. Full name and post office or business address of the applicant;
 2. In case of an individual, applicant citizenship, age, sex and civil status;
 3. In case the applicant is partnership or corporation, the place and the date of organization, registration, and length of authorized organization or corporate life or existence; and location, shape and size in hectares of the area being applied for.
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- b) A copy of the Articles of Incorporation or Articles of Partnership duly registered with the Securities and Exchange Commission, if the applicant is a corporation or partnership;
 - c) Map and technical description of the area desired to be explored or exploited duly signed by a licensed geodetic engineer;
 - d) A work program and budget with timeline to explore and develop natural marsh or methane gas deposit.
 - e) Endorsement from the local Barangay Captain and Municipal Mayor.
 - f) Proof of payment of application fee amounting to One Thousand Pesos (Php1,000.00).
 - g) Proof of minimum operating capital of One Hundred Thousand Pesos (Php100,000.00), whether in cash or in kind. The necessary proof may include financial statements, real property tax declaration, contract of lease of equipment and such other similar proof as would show that applicant has the requisite means and resources to pursue the operations under the gratuitous permit.

Incomplete applications will not be accepted for processing and will not be deemed as filed even if delivered for filing.

Section 6. Obligations of the Proponent. All operations authorized under a gratuitous permit issued pursuant to this Circular shall be undertaken by the