

**[ DOE DEPARTMENT CIRCULAR NO. DC2014-02-0005, February 24, 2014 ]**

**REITERATING A TRANSPARENT AND COMPETITIVE SYSTEM OF  
AWARDING SERVICE AND OPERATING CONTRACTS FOR  
PETROLEUM AND COAL PROSPECTIVE AREAS, REPEALING FOR  
THIS PURPOSE DEPARTMENT CIRCULAR NOS. DC2011-12-0010  
AND DC2012-02-0003**

**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 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**, the DOE through **Department Circular No. DC2011-12-0010** (the "*4<sup>th</sup> Philippine Energy Contracting Round [PECR4] Guidelines*") desires to adopt the most effective strategy of promoting exploration, development and utilization of petroleum and coal resources in the Philippines and streamline the service contracting process;

**WHEREAS**, the DOE issued **Department Circular No. DC2012-02-0003** guaranteed greater participation of interested applicants and ensured the transparent and competitive nature of submission and evaluation of proposals, extended the timelines for submission, subdivided the previous offered areas, provided additional guidelines and clarified certain provisions in the PECR4 Guidelines;

**WHEREAS**, the DOE reiterates and acknowledges the need to continue adopting a transparent and competitive system for awarding service and operating contracts for the exploration, development, and production of the country's petroleum and coal resources.

**NOW, THEREFORE**, in consideration of the aforementioned premises, the following procedures shall govern the transparent and competitive system of awarding service and operating contracts for petroleum and coal exploration, development and production.

**Section 1. Scope of Coverage.** This Circular shall apply to the determination of the legal, technical and financial qualifications of applicants, the evaluation of their

applications, and the award of corresponding service and operating contracts for petroleum and coal resources.

**Section 2. Creation of the Review and Evaluation Committee (REC).** The REC is hereby constituted to carry out the responsibilities set forth in this Circular and shall be composed of the following officials:

- Chair : Undersecretary-in-charge of Energy Resource Development Bureau (ERDB)
- Vice Chair : Assistant Secretary-in-charge of ERDB
- Members : Director of the Legal Services (LS)  
Director of the Financial Services (FS)  
Director of the ERDB

**Section 3. Responsibilities of the REC.** The REC shall perform the following responsibilities:

- 3.1 Identify prospective petroleum and coal areas found in the Philippine territory including its maritime zones and continental shelf for inclusion in the PECR. In this regard, the REC shall notify the local government units (LGUs) of the offered areas within their territorial jurisdiction, prior to the inclusion to the PECR;
- 3.2 Examine, evaluate, and review the legal, technical, and financial capabilities of the project applicants and their applications as provided for in PD Nos. 87 and 972, the pertinent constitutional provisions and existing rules, and regulations thereon;
- 3.3 Recommend to the Secretary the award of the service and operating contracts after a successful evaluation of the legal, technical, and financial capabilities of the winning applicant;
- 3.4 Address any questions and inquiries that may be raised by the Secretary in connection with the petroleum service and coal operating contracts endorsed for execution and approval; and
- 3.5 Resolve issues in relation to the legal, technical and financial capabilities of applicants, including motions for reconsideration.

**Section 4. Procedure for Awarding Petroleum Service and Coal Operating Contracts.**

#### 4.1 Preparation for PECR Applications

- a. The REC shall submit to the Secretary for approval the prospective petroleum and coal areas for inclusion in the PECR. The Secretary, based on reports submitted by REC, and if he deems fit, shall declare such areas open for application for the PECR.

The REC shall not accept any application for exploration, development, and production of petroleum service and coal operating contracts except through the PECR.

No application for small-scale mining permits for coal operations shall be entertained in the offered areas until after the coal operating contracts for the PECR have been awarded.