

[DOE DEPARTMENT CIRCULAR NO. DC2006-12-0014, December 22, 2006]

**REITERATING A TRANSPARENT AND COMPETITIVE SYSTEM OF
AWARDING SERVICE/OPERATING CONTRACTS FOR COAL,
GEOTHERMAL AND PETROLEUM PROSPECTIVE AREAS,
REPEALING FOR THIS PURPOSE DEPARTMENT CIRCULAR NO.
2003-05-005 AND DEPARTMENT CIRCULAR NO. 2005-04-004**

WHEREAS, Section 1 of Presidential Decree No. 1442, otherwise known as "An act to Promote the Exploration and Development of Geothermal Resources," Section 4 of Presidential Decree No. 972, as amended, otherwise known as "The Coal Development Act of 1976," and Section 4 of Presidential Decree No. 87, as amended, otherwise known as the "Oil Exploration and Development Act of 1972," allow the Philippine Government to promote and undertake the exploration, development and production of the country's indigenous coal, geothermal and petroleum 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, on 19 May 2003 and 20 April 2005, the DOE issued Department Circular No. 2003-05-005 and 2005-04-004, respectively, both providing for investment promotion and public contracting rounds for awarding coal, geothermal and petroleum service/operating contracts;

WHEREAS, the DOE desires to adopt the most effective strategy for promoting and attracting local and foreign investment to further increase the exploration, development and production of prospective coal, geothermal and petroleum areas;

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

WHEREAS, consistent with national interest, the DOE has, after consultation with stakeholders, resolved to enhance government participation, through the government corporate sector, in the exploration, development and production of indigenous oil and gas resources through the grant of option to PNOC to participate in petroleum service contracts.

NOW, THEREFORE, in consideration of the aforementioned premises, the following procedures shall govern the transparent and competitive system of awarding

service/ operating contracts for coal, geothermal and petroleum exploration, development and production.

1. Contracting Rounds

1.1 The Energy Resource Development Bureau (ERDB) shall determine prospective coal, or geothermal, or petroleum areas found in the Philippine territory and its maritime zones including the continental shelf for inclusion in the competitive public contracting rounds. The DOE Secretary, upon the recommendation of the ERDB Director and the Undersecretary exercising supervision over ERDB, shall declare such areas open for competitive public contracting round. The DOE shall not accept any application or proposals for exploration, development and production service/operating contracts except during the competitive public contracting rounds. No applications for small-scale mining permit for coal operations shall likewise be entertained in the offered areas until after service/operating contacts have been awarded.

1.2 The ERDB shall prepare the contracting round documents with a description of available data and the prospect of geothermal/coal/petroleum resources in each area. The DOE Contract Negotiating Panel (DOE-CNP per Department Order No. 2003-05-005) shall then disseminate information of the contracting round which shall include, among others, the following.

- a. Location Map and Technical Descriptions (TDs) of the area/s being offered during the contracting round;
- b. Schedule of activities for the contracting round; and
- c. Such other information as the DOE-CNP may deem appropriate

1.3 Interested parties for the contracting rounds on petroleum may access data available at DOE after payment of a Data Viewing Fee of Five Hundred United States Dollars (US\$500.00) for a two (2) day maximum visit. If the interested party decides to purchase the DOE data, the Data Viewing Fee will be credited to the total price of the purchased data.

1.4 Interested parties for the contracting rounds on petroleum, coal and geothermal areas shall submit complete set of documents for evaluation by the DOE-CNP. The DOE-CNP may require submission of additional information/documents, as may be necessary, during evaluation of the proposals for clarification purposes only. A non-refundable application fee based on DOE's Schedule of Fees and Charges in compliance with EO 197 shall be paid by the applicant upon submission of the application/proposal which should include the following documents:

- a. *Work Program*
 - a.1 Proposed oil/gas service contract, geothermal service contract or coal operating contract based on existing DOE Model Contracts;