

[DOE DEPARTMENT CIRCULAR NO. DC 2003-05-006, May 19, 2003]

AMENDING CERTAIN PROVISIONS OF PETROLEUM BOARD CIRCULAR NOS. 15 AND 2, SERIES OF 1975 AND 1976, RESPECTIVELY, PROVIDING GUIDELINES TO THE FINANCIAL AND TECHNICAL CAPABILITIES OF A VIABLE PETROLEUM EXPLORATION AND PRODUCTION COMPANY

WHEREAS, the former Petroleum Board now Department of Energy issued Circular Nos. 15 and 2, Series of 1975 and 1976, respectively, providing guidelines related primarily to the financial and technical capabilities of a viable petroleum exploration and production company.

WHEREAS, it is necessary to amend certain provisions of the said Circular to make it attuned to the conditions under which it is being implemented and considering that petroleum exploration and production is highly capital intensive.

NOW, THEREFORE, the DEPARTMENT hereby adopts and promulgates the following amendments to certain provisions of Petroleum Board Circular Nos. 15 and 2, Series of 1975 and 1976, respectively:

SECTION 1. 3rd and 5th Paragraphs of Circular No. 15 is hereby amended to read as follows:

Considering that establishing the capitalized value of a company differs in different countries, a company who will engage in onshore exploration and offshore exploration ventures **may be considered as a viable exploration company if the DEPARTMENT is satisfied in the adequacy of its financial resources. Likewise, the exploration company should show that it has sufficient resources to meet future requirements.**

SECTION 2. Paragraph a. of Circular No. 2 on the Financial Qualification is hereby amended to read as follows:

a) Financial Qualification

A company to be financially qualified to **enter** into a service contract must have a minimum working capital **equivalent to one hundred percent (100%) of the cost of the firm Work Obligation on the area being applied for.** In case of consortium, **to qualify, each member's working capital shall be pro-rata based on its participating interest in the service contract.** "Working Capital," in the concept of the guidelines, refers to the company's net liquid assets (Liquid Assets less Current Liabilities) consisting primarily of cash, temporary investments (marketable securities), short-term receivables and deposits **which are free for investment in petroleum operation.**