The Philippines awaits you!

The First Philippine Petroleum Public Contracting Round (PCR-1)

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Department of Energy

PRODUCTION

- Malampaya
  - 67.0 BCFG
  - 3.6 MMBC
  - 1.9 MMBO (EPT)
- Galoc
  - 0.4 MMBO (EPT)
- W. Linapacan
  - 11.2 MMBO
- Nido
  - 18.0 MMBO
- Nido complex
  - 11.5 MMBO
- Palawan Is.
- Busuanga Is.
- Cullion Is.
- Linapacan Is.

Petroleum Contracts
- Non-Exclusive Geophysical Permit (NGP)
- Geophysical Survey and Exploration Contract (GSEC)
- Service Contract (SC)
PhilPRA Results

Basin Overview

- 16 sedimentary basins representing an area of over 700,000 sq km
- The study shows hydrocarbon resource potential larger than previously projected
- Total risked recoverable resources of over 8.9 billion BFOE

PhilPRA Results

Resource Overview

- Much of the Philippine hydrocarbon potential remains unexplored
- Natural gas represents the bulk of the resources but significant oil deposits also remain to be found
- The basins were ranked according to their prospectivity

Why Philippines?

- Prospectivity?
- Economics?
- Market?

PCR-1 offers

- high petroleum potential areas
Proximity to proven petroleum provinces

- NW Palawan
- SW Palawan
- E Palawan
- Sulu Sea
- Reed Bank

Located in shallow to ultra deep waters close to producing fields in NW Palawan and in vast frontier areas in Sulu Sea, East Palawan and Reed Bank.

Contract areas

- Total of 46 contract areas being offered (total area ~222,000 sq km)
- Located in shallow to ultra deep waters close to producing fields in NW Palawan and in vast frontier areas in Sulu Sea, East Palawan and Reed Bank.

PCR-1 offers

- high petroleum potential areas
- easy access to data

Also available are new, high quality seismic data in NW Palawan, Sulu Sea and East Palawan basins.
Easy access to data

PGS MC3D SURVEYS — NW Palawan

- MC3D surveys:
  - NW Palawan — 897 km² acquired 1996
  - Malampaya — 1,112 km² acquired 2002
- Total 916 km² 3D over open acreage
- Malampaya High Resolution MC3D — first to be acquired in Asia Pacific

Improved data quality

Original 1991 3D Survey    New 2002 High Density MC3D Survey

Easy access to data

Malampaya HD-MC3D — Open Area Data Example

Malampaya HD-MC3D — Open Area Data Example

NW Palawan 3D, Palawan 2D,
Sulu Sea and East Palawan
2D Surveys by WesternGeco

- ~3,500 sq km 3D in NW Palawan
- ~4,800 line km 2D in Palawan
- > 5,700 line km of 2D data in the Sulu Sea and East Palawan basins
- Covers significant area of Sandakan basin which is analogous to petroleum-rich Baram and Tarakan deltas
Analogue examples

Reservoir: Carbonates?

REEFS

REEF
Malampaya Reef
Buildup
Top Nido limestone
Pagasa sandstones
Possible lead
Possible lead
Top Nido limestone
SC-14
Open
Open
Possible lead
Top Nido limestone
Possible lead
Possible lead
Top Nido limestone
SW
NE
SSW
NNE
NNE
SSW
NW
SE
Easy access to data

**DATA ROOMS**
- Selected data – for viewing only
- Reservation: email to pcr1@doe.gov.ph

<table>
<thead>
<tr>
<th>Rooms</th>
<th>Physical</th>
<th>Virtual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>Manila</td>
<td>Manila, Stavanger, London, Houston, Perth</td>
</tr>
<tr>
<td>Description</td>
<td>Workstation; paper and digital data</td>
<td>Workstation with viewing and interpretation software</td>
</tr>
<tr>
<td>Fee</td>
<td>USD 1000 (creditable to data purchase) for max of 3 days</td>
<td>~USD 800/day</td>
</tr>
</tbody>
</table>

**Why Philippines?**
- Prospectivity?
- Economics?
PCR-1 offers
- high petroleum potential areas
- easy access to data
- excellent contractual terms

SC Profit Sharing

$ 100.00  Gross Proceeds  
7.50   less FPIA (to Contractor)  
70.00   less Cost Recovery (to Contractor)  
22.50   Net Proceeds

$ 13.50  60% Government Share  
$ 9.00   40% Contractor's Share

Highlights of the fiscal terms

<table>
<thead>
<tr>
<th>Contract Area</th>
<th>2,000 - 8,000 sq km</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Term</td>
<td>7 yrs. exploration + 3 yrs. extension + 25 yrs. production + 15 yrs. extension</td>
</tr>
<tr>
<td>Signature Bonus</td>
<td>USD 50,000 - USD 250,000</td>
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<tr>
<td>Royalties</td>
<td>None</td>
</tr>
<tr>
<td>Income Tax</td>
<td>Tax rate: 32% - paid out of Government share</td>
</tr>
<tr>
<td>Cost Oil/Gas</td>
<td>Cost oil limit: 70% of gross income; Capital expenditures depreciated over 5 to 10 yrs.</td>
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<tr>
<td>Profit Oil/Gas</td>
<td>Government share: 60% FPIA up to 7.5% of gross proceeds with at least 15% Filipino participation</td>
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<tr>
<td>State Participation</td>
<td>None</td>
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</tbody>
</table>

Comparison of Fiscal Terms

<table>
<thead>
<tr>
<th>Country</th>
<th>Contractor share of income post gov't cut &amp; taxes (%)</th>
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<tbody>
<tr>
<td>Spain</td>
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<td>Argentina</td>
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<td>Portugal</td>
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<td>G. Mexico</td>
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<td>New Zealand</td>
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<td>Australia</td>
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<td>Peru</td>
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<td>Philippines</td>
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<td>Tunisia</td>
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<td>Thailand</td>
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<td>Colombia</td>
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<td>Congo</td>
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<td>E. Indonesia</td>
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<td>Vietnam</td>
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<td>India</td>
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<td>Ivory Coast</td>
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<td>Myanmar</td>
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<td>Egypt</td>
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<td>Malaysia</td>
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<td>Brunei</td>
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(Modified from Daniel Johnston & Co., Inc.)
Financial Qualifications/Incentives

- Liberalized “viability” of company requirements
- Financial qualifications related to company working interest and work commitment
- Past exploration expenditure can be cost recoverable in new blocks
- Filipino Participation Incentive Allowance (FPIA)

Why Philippines?

- Prospectivity?
- Economics?
- Market?

POWER GENERATION FORECAST

- Total Philippines, in TWh
- Base Case GDP Scenario

Development and Growth
Downstream Infrastructure
Key dates

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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<tbody>
<tr>
<td>Issuance of related circulars</td>
<td>June 2003</td>
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<tr>
<td>Announcement / Round opening</td>
<td>5 August 2003</td>
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<td>Physical data room opening</td>
<td>August 2003 to February 2004</td>
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<tr>
<td>Virtual data room opening</td>
<td>September 2003 to February 2004</td>
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<tr>
<td>Road shows</td>
<td>September 2003 to November 2003</td>
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<tr>
<td>Company evaluation of areas</td>
<td>August 2003 to February 2004</td>
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<tr>
<td>Round closing</td>
<td>2 March 2004</td>
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<tr>
<td>Contract awarding</td>
<td>May 2004</td>
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SUMMARY

- The DOE has introduced a competitive contracting round system to provide a systematic approach to petroleum exploration and development in the Philippines.
- In PCR-1, there are new information, excellent contractual terms and conditions and areas that are highly prospective.

MARAMING SALAMAT PO!