THE PHILIPPINE ENERGY
CONTRACTING ROUND

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History of Philippine Petroleum Contracting Rounds

- First Philippine Petroleum Public Contracting Round (PCR 1) – 5 August 2003

- Philippine Energy Contracting Round (PECR 2005) – 31 August 2005
History of Philippine Petroleum Contracting Rounds

LEGAL BASIS

Department Circular DC 2003-05-005:
PROCEDURES FOR CONTRACT AREA DEFINITION AND PUBLIC CONTRACTING ROUNDS IN PETROLEUM PROSPECTIVE AREAS

ROUND PREPARATION

Funding – NORAD

- PHILPRA Project
- PHILPRO Project

PCR-1: Areas Offered

AREAS OFFERED

- 46 contract areas
  - NW Palawan
  - SW Palawan
  - E Palawan
  - Sulu Sea
  - Reed Bank
- 222,914 sq km
**PCR-1: Results**

**RESULTS**

- SC 56 – BHP Billiton, *signed 5 August 2005*

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**PECR 2005: Legal Basis**

**LEGAL BASIS**

- **Department Circular DC 2003-05-005:**
  - Procedure for contract area definition and public contracting rounds in petroleum prospective areas

- **Department Circular DC 2005-04-004:**
  - Investment promotion and contracting rounds for geothermal and coal prospective areas
  - Moratorium period – for geothermal / coal / petroleum contract applications
**PECR 2005: Round Preparation**

**ROUND PREPARATION**

- Funding Assistance
  - DOE
  - USAID
- Areas to be offered
- Promotional package
  - Brochure
  - CD
- Mail outs for PECR 2005 Launching
  - Active Service Contractors
  - Other Local Petroleum and Geoservice Companies
- Publication
  - Local newspapers
- Physical data room
- PECR 2005 Webpage

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**PECR 2005: Timetable**

**PECR 2005 TIMETABLE**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Announcement /Opening of Round and Data Room</td>
<td>31 August 2005</td>
</tr>
<tr>
<td>Roadshows</td>
<td>August to September 2005</td>
</tr>
<tr>
<td>Deadline of Submission of Proposals</td>
<td>29 November 2005</td>
</tr>
<tr>
<td>Evaluation of Proposals</td>
<td>1 December 2005 to 31 January 2006</td>
</tr>
<tr>
<td>Negotiation with Winning Proponents</td>
<td>01 February to 31 May 2006</td>
</tr>
<tr>
<td>Awarding of Contracts</td>
<td>From 1 June 2006</td>
</tr>
</tbody>
</table>
PECR 2005: Areas on Offer

AREAS ON OFFER

<table>
<thead>
<tr>
<th>Areas (sq km)</th>
<th>Basin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Area 1</td>
<td>-</td>
</tr>
<tr>
<td>Contract Area 2</td>
<td>-</td>
</tr>
<tr>
<td>Contract Area 3</td>
<td>-</td>
</tr>
<tr>
<td>Contract Area 4</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
</tr>
</tbody>
</table>

PECR 2005: Requirements of the Round

REQUIREMENTS OF THE ROUND

- Work Program / Economic Documentation
  - Resource Potential
  - Work Commitment
  - Development Concepts

- Financial Documentation
  - Minimum working capital is equivalent to 100% of the financial commitment for its First Sub-Phase work commitment

- Legal Documentation
  - By-Laws of Corporation
  - Articles of Incorporation
  - Certificate of Registration with the SEC
  - Company Profile

- Technical Documentation
  - Projects
  - Personnel
CRITERIA FOR EVALUATION

EVALUATION CRITERIA

<table>
<thead>
<tr>
<th>Bid items</th>
<th>Key elements</th>
<th>Weighing factor (indicative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work program</td>
<td>Resource potential and exploration approach</td>
<td>40 %</td>
</tr>
<tr>
<td>Work commitment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial qualifications</td>
<td>Development concepts</td>
<td>20 %</td>
</tr>
<tr>
<td></td>
<td>Evidence of available funds</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Finance track record</td>
<td></td>
</tr>
<tr>
<td>Legal qualifications</td>
<td>Completeness and validity of required legal documents</td>
<td>20%</td>
</tr>
<tr>
<td>Technical qualifications</td>
<td>Experience and track record</td>
<td>20 %</td>
</tr>
</tbody>
</table>

PECR 2005 : Updates – Proposals Received

UPDATES ON PECR 2005

Petroleum Proposals Received

- AREA 1 (SW PW) – 2 proposals
- AREA 2 (NE PW) – 2 proposals
- AREA 3 (SE PW) – 1 proposal
- AREA 4 (Sulu Sea) – 1 proposal
## PECR 2005: Evaluation Results

### Evaluation Results:

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>AREA</th>
<th>MAX. POINTS</th>
<th>TECHNICAL QUALIFICATIONS</th>
<th>BUSINESS QUALIFICATIONS</th>
<th>TOTAL QUALIFICATIONS</th>
<th>FINANCIAL QUALIFICATIONS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>AREA 1</td>
<td>8</td>
<td>12</td>
<td>5</td>
<td>30</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>A</td>
<td>AREA 2</td>
<td>5</td>
<td>10</td>
<td>5</td>
<td>20</td>
<td>20</td>
<td>100</td>
</tr>
<tr>
<td>B</td>
<td>AREA 3</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>AREA 4</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Max. Points Required = 75%*

## PECR 2005: Other Updates

### Other Updates:

- Notices to Proponents – 14 February 2006
- Negotiations with Winning Proponents – 22 to 29 March 2006
PECR 2005: Issues and Challenges Encountered

ISSUES AND CHALLENGES ENCOUNTERED

- Funding
  - PECR2005 has limited budget compared to PCR-1

- Technical Staff
  - Lack of full time technical staff to work on the contracting round

- Areas on offer
  - The technical and management groups have different opinions on which areas to offer

- Project management
  - Difficult to manage a project covering different sectors (coal, geothermal and petroleum)

PECR 2005: CONCLUSION / RECOMMENDATIONS

CONCLUSION / RECOMMENDATIONS:

- Philippine Experience: Contracting rounds offer a good alternative to awarding of contracts

- DOE to evaluate the effectivity of contracting rounds in the Philippines

- DOE to decide soonest on the ff. issues:
  - Mode of awarding contracts
    - Solely through contracting rounds?
    - Mixed contracting round and negotiated contracts?
  - Reasonable timeline / funding source/ areas on offer for the next contracting round, if any
"Daghan Salamat at Masyo nga Hapon"

THANK YOU and GOOD AFTERNOON