



Republic of the Philippines  
**DEPARTMENT OF ENERGY**  
(Kagawaran ng Enerhiya)

DEPARTMENT CIRCULAR (DC) NO. DC2023-12-0033 ✓

**GUIDELINES ON THE AWARDING OF PETROLEUM SERVICE CONTRACTS  
FOR DEVELOPMENT AND PRODUCTION**

**WHEREAS**, Section 2, Article XII of the 1987 Constitution provides that “xxx The exploration, development, and utilization of natural resources shall be under the full control and supervision of the State” and “(t)he President may enter into agreements with foreign-owned corporations involving either technical or financial assistance for large-scale exploration, development, and utilization of minerals, petroleum, and other mineral oils according to the general terms and conditions provided by law, based on real contributions to the economic growth and general welfare of the country. In such agreements, the State shall promote the development and use of local scientific and technical resources;”

**WHEREAS**, Sections 4 and 5 of Presidential Decree (PD) No. 87, as amended, otherwise known as the “Oil Exploration and Development Act of 1972”, provides that the Government may directly explore for and produce indigenous petroleum or indirectly undertake the same under service contracts, which may be executed subject to the approval of the President, after public notice, pre-qualification and public bidding or concluded through negotiations;

**WHEREAS**, Sections 5(b) and (c) of Republic Act (RA) No. 7638, otherwise known as “The Department of Energy (DOE) Act of 1992,” as amended by Sections 37(b) and (g) of RA 9136, otherwise known as the “Electric Power Industry Reform Act of 2001,” mandate the DOE to “develop and update annually the existing Philippine Energy Plan ... which shall provide for an integrated and comprehensive exploration, development, utilization, distribution and conservation of energy resources, with preferential bias for environment-friendly, indigenous, and low-cost sources of energy” and “establish and administer programs for the exploration, transportation, marketing, distribution, utilization, conservation, stockpiling and storage of energy resources of all forms, whether conventional or non-conventional;”

**WHEREAS**, Section 5(f) of RA 7638, as amended by Section 37(k) of RA 9136, further mandates the DOE to “assess the requirements of, determine priorities for, provide direction to, and disseminate information resulting from energy research and development programs for the optimal development of various forms of energy production and utilization technologies;”

**WHEREAS**, to implement its mandate under PD 87 and to attract private entities which have the capital, the technology and the experience of exploring and developing the country’s petroleum resources, the Government, through the DOE, has adopted various modes of awarding Petroleum Service Contracts (PSCs) – from direct negotiation to public contracting;

**WHEREAS**, on 27 December 2017, the DOE promulgated DOE Department Circular (DC) No. DC2017-12-0017, titled "Adopting the Philippine Conventional Energy Contracting Program (PCECP) of Awarding Petroleum Service Contracts (PSCs) and Creating the Review and Evaluation Committee (REC)";

**WHEREAS**, under the PCECP, PSCs may be awarded through (1) nomination and publication of area/s of interest and (2) offering of pre-determined areas;

**WHEREAS**, as a result of the Government's efforts to attract local and foreign investments for petroleum exploration, there has been a significant increase in explored areas in the country. However, due to legal, contractual, technical and financial constraints, producible petroleum reserves in some explored areas are not fully developed and produced;

**WHEREAS**, there is a need to adopt a new strategy of awarding PSCs that will allow the development and production of producible petroleum reserves taking into consideration the requirements of intensive capital and specialized technical expertise to carry out the work program to fully maximize and exhaust producible petroleum reserves;

**WHEREAS**, there is a need to implement a judicious and cost-effective way to optimize the development and utilization of producible petroleum reserves to avoid stranded petroleum reserves which will result in substantial losses to the Philippine Government;

**WHEREAS**, in consonance with the Philippine Development Plan and Philippine Energy Plan, the country needs to accelerate the exploration, development and utilization of indigenous petroleum resources to contribute to the country's energy security, create jobs, and generate wealth;

**NOW, THEREFORE**, in consideration of the aforementioned premises, the following policies and guidelines are hereby adopted and promulgated:

**Section 1. Scope.** This Circular shall govern the awarding of PSCs for development and production ("Development and Production PSC") to accelerate the development and utilization of areas with producible petroleum reserves as validated by the DOE.

**Section 2. Area Coverage.** The proposed contract area must include the area with DOE-validated producible petroleum reserves and shall cover not less than 50,000 hectares and not more than 93,750 hectares for onshore areas, or not less than 80,000 hectares and not more than 187,500 hectares for offshore areas as provided for in Sections 9 (e) and 18 (b) of PD 87.

**Section 3. Contract Term.** The Development and Production PSC awarded under this Circular shall have an initial term corresponding to the period necessary for the full maximization and exhaustion of the producible petroleum reserves based on the Plan of Development (POD) approved by the DOE in the contract area, and may be

renewed for an additional period under such terms and conditions agreed upon by the parties at the time of renewal.

#### **Section 4. Modes of Award of a Development and Production PSC.**

**4.1. Nomination and Publication of Area/s of Interest** – Interested applicant/s for a Development and Production PSC shall formally nominate the area/s of interest which must comply with Section 2 hereof, in accordance with the procedures in Item I of Annex A of DOE DC No. DC2017-12-0017.

**4.2 Direct Negotiation** – An Operator of a PSC with producible petroleum reserves that would last beyond the Operator's remaining production term, as validated by the DOE, shall have the option to apply for a Development and Production PSC through direct negotiation with the DOE under this Circular, provided, that the application be made prior to the expiration of the remaining production term.

**4.3 Offering of Pre-Determined Areas (PDA)** – The DOE, through the REC, may publish identified petroleum area/s with remaining producible petroleum reserves with an invitation to any interested applicant to file an application in accordance with Item II of Annex A of DOE DC No. DC2017-12-0017.

**Section 5. Criteria for Evaluating Applicant/s for PSCs for Development and Production.** Applicants shall be evaluated based on the following selection criteria:

- i. Legal qualification;
- ii. Technical qualification;
- iii. Financial qualification; and
- iv. Work Program

**Section 6. The REC, REC Technical Working Group (TWG) and Secretariat.** The REC, its TWG and Secretariat, created pursuant to DOE DC No. DC2017-12-0017, are hereby directed to perform the functions and responsibilities provided under this Circular.

The REC shall negotiate the terms and conditions of the Development and Production PSC awarded under this Circular which shall not be less than the minimum terms required under PD 87 and other applicable laws.

**Section 7. Procedures of Awarding PSCs through Direct Negotiation.** Upon the effectivity of this Circular, the REC shall issue supplemental rules and procedures to govern the application process under this Circular, as may be necessary.

**Section 8. Applicability of DC No. DC2017-12-0017.** The provisions of DOE DC No. DC2017-12-0017 shall be applicable in the implementation of this Circular.

**Section 9. Repealing Clause.** All issuances that are inconsistent with the provisions of this Circular are hereby repealed or amended accordingly.

DC No. \_\_\_\_\_

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**Section 10. Separability Clause.** If, for any reason, any section or provision of this Circular is declared unconstitutional or invalid, such parts not affected shall remain in full force and effect.

**Section 11. Effectivity.** This Circular shall be effective fifteen (15) calendar days after its publication in two (2) newspapers of general circulation. A copy of this Circular shall be filed with the University of the Philippines Law Center – Office of the National Administrative Register (UPLC-ONAR).

Issued on \_\_\_ December 2023 at the DOE, Energy Center, Rizal Drive cor. 34<sup>th</sup> Street, Bonifacio Global City, Taguig City, Metro Manila.

  
RAPHAEL P.M. LOTILLA  
Secretary



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