



Republic of the Philippines  
DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR NO. DC2017- 12-0017

**ADOPTING THE PHILIPPINE CONVENTIONAL ENERGY CONTRACTING PROGRAM (PCECP) OF AWARDING PETROLEUM SERVICE CONTRACTS (PSCs) AND CREATING THE REVIEW AND EVALUATION COMMITTEE (REC)**

**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**, Section 4 of Presidential Decree No. (PD) 87, as amended, otherwise known as the "*Oil Exploration and Development Act of 1972*", allows the Philippine Government (the "Government") to promote and undertake the exploration, development and production of the country's indigenous petroleum resources through PSCs;

**WHEREAS**, the DOE issued Department Circular No. DC2014-02-0005, or the "*5th Philippine Energy Contracting Round (PECR5) Circular and Guidelines*" reiterating and acknowledging therein the need to adopt a transparent and competitive system for awarding PSCs, among others, for the exploration, development, and production of the country's petroleum resources;

**WHEREAS**, the DOE issued Department Order No. DO2014-08-0017, as amended, otherwise known as "*Prescribing Guidelines and Procedures for the Amendment of Contract Area in Coal Operating Contract (COCs) and Petroleum Services (PSCs)*", to provide legal basis for existing COC and PSC contractors to carry out the exploration and development of petroleum and coal resources in other frontier areas not covered and offered in any energy contracting round;

**WHEREAS**, the DOE is continuously adopting new mechanisms and strategies to effectively carry out its plans and programs as mandated under PD 87, as amended, including its implementing rules and regulations;

**WHEREAS**, Section 5 of PD 87, allows the Government to promote and offer prospective petroleum areas for award through bidding or negotiation;

**WHEREAS**, the DOE desires to implement a simpler and faster public contracting program by nomination thru publication to facilitate the acceptance of applications for PSCs from interested applicants at any given time which is deemed to be more responsive if the development of the country's petroleum resources is to be intensified;

**WHEREAS**, the DOE intends to effectively administer, supervise and regulate the implementation of awarded PSCs to ensure the sustainable development of the country's petroleum resources;



**NOW, THEREFORE,** in consideration of the aforementioned premises, the following policies and procedures in the selection, evaluation, awarding and administration of PSCs are hereby adopted and promulgated for compliance by all concerned:

**Section 1. Scope.** This Circular shall govern the selection process in the awarding of PSCs and the reconstitution of the Review and Evaluation Committee (REC).

**Section 2. Policies in the Conduct of Selection Process in Awarding PSCs.** The selection process in the awarding of PSCs to qualified applicants shall be conducted in a transparent, open, competitive and expeditious manner.

**Section 3. Various Modes in Awarding Petroleum Service Contracts**

3.1 Applicant/s Nomination and Publication of Area/s of Interest

Applicant/s for a PSC shall formally nominate the area/s of their interest for the REC consideration in accordance with the procedures set under Item I of *Annex "A"*.

3.2 Offering of Pre-Determined Areas (OPDA)

The DOE, thru the Review and Evaluation Committee (REC), may publish identified petroleum area/s not covered by any application for nomination for the purpose of inviting interested applicant/s to file application in accordance with the procedures set under Item II of *Annex "A"*.

**Section 4. Reconstitution of the Review and Evaluation Committee(REC).** The REC is hereby reconstituted to carry out the responsibilities set forth in this Circular and shall be composed of the following officials:

Chairperson	- Undersecretary-in-charge of the Energy Resource Development Bureau
Vice Chairman	- Assistant Secretary
Members	Director of the ERDB Director of the Financial Services (FS) Director of the Legal Services Director of the Information Technology and Management Services (ITMS)

**Section 5. REC Technical Working Group (TWG) and Secretariat.** The REC TWG and Secretariat shall assist the REC in all activities related to Philippine Conventional Energy Contracting Program (PCECP) and in the coordination and administration, supervision and regulation of PSCs, and shall be composed of the following:

<b>Head</b>	Assistant Director of the ERDB
<b>TWG Members</b>	Chief, Petroleum Resources Development Division (PRDD) Chief, Conventional Energy Resources Compliance Division (CERCD)

Chief, Upstream Conventional Energy Legal Services Division (UCELSD)  
Chief, Information Services Division (ISD)  
Chief, Information and Data Management Division (IDMD)

The DOE Luzon Field Office (LFO), DOE Visayas Field Office (VFO) and DOE Mindanao Field Office (MFO) shall assist the TWG in the performance of its functions in their respective area/s of jurisdiction.

**Secretariat Members** Supervising Science Research Specialist and Staff of the PRDD's Research and Evaluation Section

### **Section 6. Responsibilities of the REC**

- 6.1 Accept, evaluate and approve or reject the application for nomination of area/s of interest for publication;
- 6.2 Examine, evaluate, and review the legal, technical, and financial capabilities of the applicant/s and their application/s as provided for in PD 87, and existing laws, rules, and regulations;
- 6.3 Recommend to the Secretary the award and issuance of a PSC in favor of the highest-ranked applicant for multiple applications, or legally, technically, and financially qualified in case of sole applicant;
- 6.4 Address any questions and inquiries that may be raised by the Secretary in connection with the PSCs endorsed for award and issuance;
- 6.5 Resolve issues in relation to the legal, technical and financial capabilities of applicants, including motions for reconsideration;
- 6.6 Cause the publication of PDAs and nominated petroleum areas approved by the DOE and open for PSC applications under Section 3 of this Circular;
- 6.7 Institute and implement a system of coordination and administration, supervision and regulation during the implementation and operation of the PSCs such as, but not limited to, the following:
  - a) Extension, amendment, cancellation/termination and relinquishment of PSCs;
  - b) Transfer and assignment of PSCs;
  - c) Disposal of assets; and,
  - d) Recommendation to allocate and utilize all assistance funds generated from the awarded PSCs in accordance with existing rules and regulations.



- 6.8 Other functions of REC that the Secretary may delegate and additional tasks that may be deemed necessary to carry out its responsibilities and objectives.

**Section 7. Qualifications of a PSC Applicant.** Applicant may be any local/foreign individual company or group of companies forming a joint venture/consortium, organized or authorized for the purpose of engaging in petroleum exploration and development.

**Section 8. Evaluation, Selection and Awarding Procedures for the Various Modes of Selection Process.** The evaluation, selection and awarding procedures for the various modes of selection process in awarding PSCs shall be provided for under Annex "A" of this Circular entitled "*Guidelines for Philippine Conventional Energy Contracting Program (PCECP) for Petroleum Operating Contract (PSC) Application*".

**Section 9. Criteria for Selecting the Highest Ranked Applicant.** A PSC applicant under any of the modes mentioned in Section 3 of this Circular shall submit complete documents as provided for under Annex "A" pertaining to the following selection criteria, to wit:

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

In case of two or more applicants over the same area, the highest ranked applicant who meets the legal, technical and financial requirements shall be selected.

**Section 10. Motions for Reconsideration and Appeals.** The REC and/or the Secretary, for sufficient and valid cause, may at any given time reject any or all application/s submitted. Any motion for reconsideration or appeal from the decision of the REC and/or the Secretary shall comply with applicable provisions of Department Circular No. DC2002-07-004 or the "*Rules of Practice and Procedure before the Department of Energy*".

**Section 11. Option for the Philippine National Oil Company (PNOC) or PNOC-Exploration Corporation (PNOC-EC) to participate in Petroleum Service Contracts (PSCs).** For PSCs proposed under this Circular, an option shall be reserved for the PNOC or PNOC-EC for a maximum of ten percent (10%) participating interest in a proposed PSC involving one (1) or more Filipino participant or a maximum of fifteen percent (15%) participating interest in a proposed PSC involving no Filipino participant. DOE shall inform the PNOC and PNOC-EC within thirty (30) calendar days from the award of the PSC, and, PNOC or PNOC-EC shall give proper notice, within thirty (30) calendar days from receipt thereof, to the winning applicant and the DOE whether it shall exercise the said option. All rights, privileges, benefits, costs, expenses, obligations and liabilities of PNOC or PNOC-EC shall be in proportion to its participating interest in the proposed PSC.

**Section 12. Disqualification.** Previous petroleum service contractors with cancelled/terminated PSCs for cause and/or with outstanding work and financial obligations with the DOE, as determined by the REC, are disqualified to participate.

**Section 13. Separability Clause.** If for any reason, any section or provision of this Circular and its Annexes is declared unconstitutional or invalid, such parts not affected shall remain in full force and effect.

**Section 14. Repealing Clause.** All DOE issuances that are inconsistent with the provisions of this Circular are hereby repealed or amended accordingly.

**Section 15. Effectivity.** This Circular shall take into effect fifteen (15) calendar days following its publication in at least two (2) broadsheet newspapers of general circulation and shall remain in effect until otherwise revoked.

Issued this \_\_\_\_\_ 2017 in Bonifacio Global City, Taguig City, Metro Manila.

  
**Alfonso G. Cusi**  
Secretary



DEC 27 2017