

Prospects in the Philippine Oil and Gas Sector



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Department of Energy

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Outline of Presentation

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- **Developments in the Philippine Oil & Gas Sector**
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 - ◆ **Downstream**
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 - Pandacan Oil Depot
- **Prospects**
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- **Steps Forward**



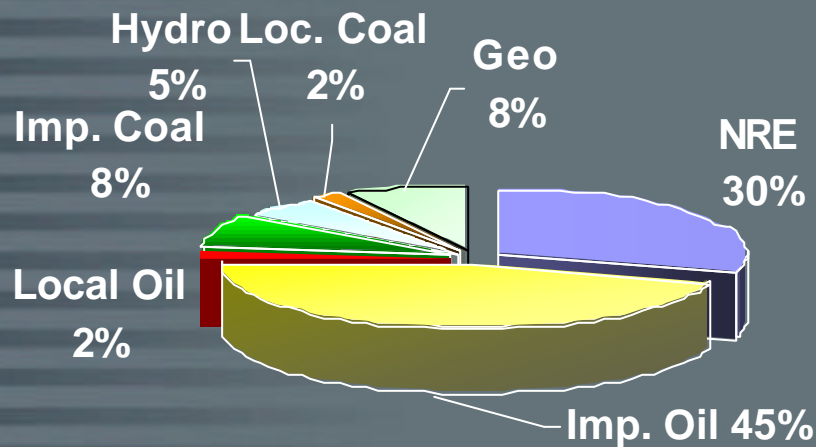
Overview of the Oil & Gas Sector in the Philippines



Industry Background

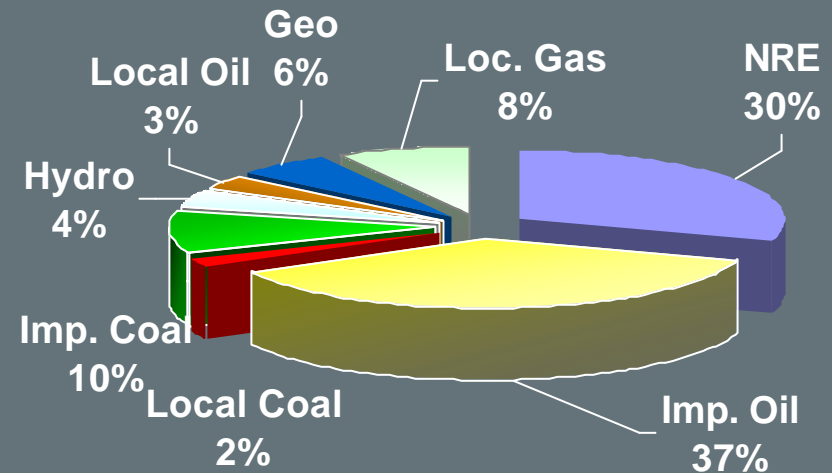
Overview of Philippine Energy Sector

Primary Energy Mix Y2000



Total Energy: 243.4 MMBFOE
Indigenous Energy Level: 45%

Primary Energy Mix Y2002



Total Energy: 266.9 MMBFOE
Indigenous Energy Level: 52%



Upstream Oil

Highlights in the Oil Sector

Oil Sector Highlights, 1999-2001

	1999	2000	2001
Oil Production (Bbls)	313,417	417,866	474,758
Fuel Oil Displacement (MMBFOE)	0.3	0.4	0.45
Foreign Exchange Savings (Million US\$)	5.1	10.7	10.57



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Developments in the Oil & Gas Sector



Developments in the Upstream Oil & Gas Sector

Malampaya Developments

- **Malampaya Deep Water-Gas-to-Power Project** **now operational** supplying fuel to:
 - ◆ Ilijan (1,200 MW)
 - ◆ Sta. Rita (1,000 MW)
 - ◆ San Lorenzo (500 MW to commence 1st Q2002)

- **Malampaya Oil Rim Find**
 - ◆ Initially yield estimated at 8,000 barrels/day
 - ◆ After further testing yield estimate increased to **23,000 barrels/day**

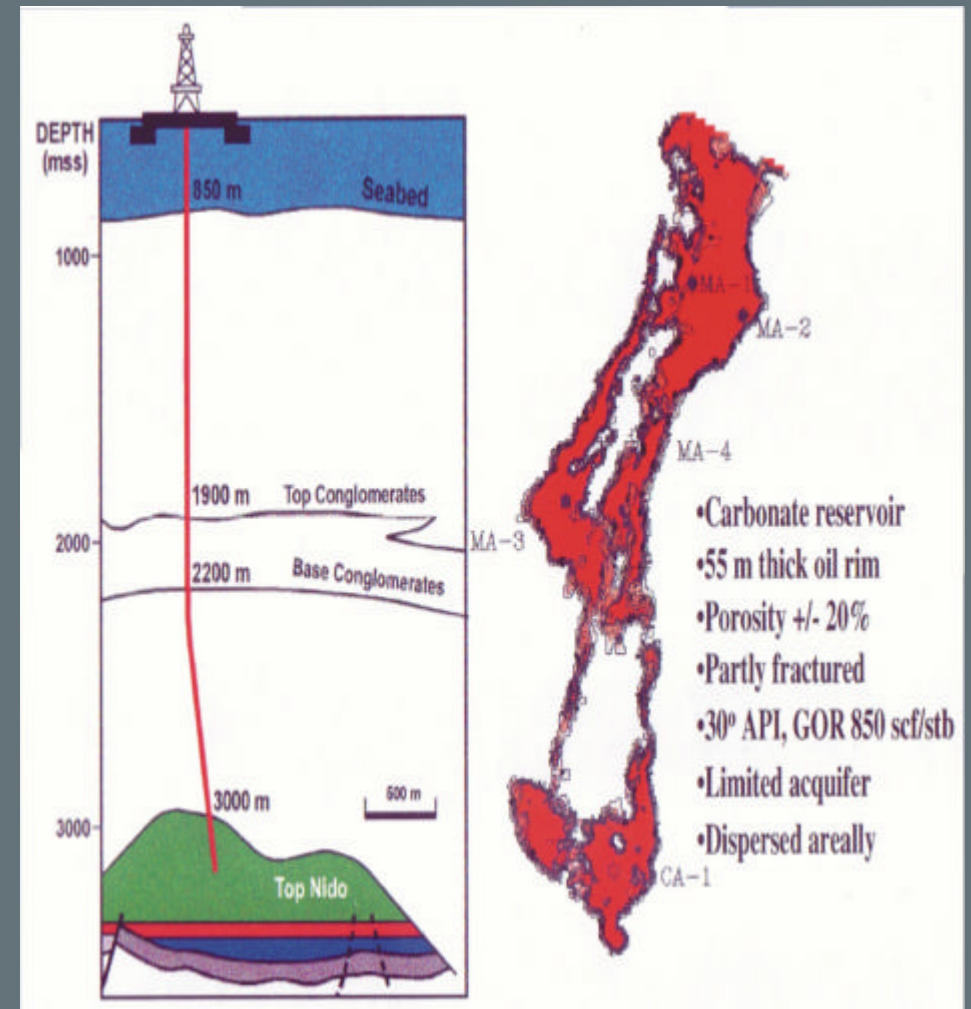




Developments in the Upstream Oil & Gas Sector

Malampaya Oil Rim Find

- Drilled MA-10 well down to 4,860 meters
- EWT at an average rate of **~19,000 barrels per day**
- Cumulative production = **1.9 million barrels**
(December 2001-April 2002)

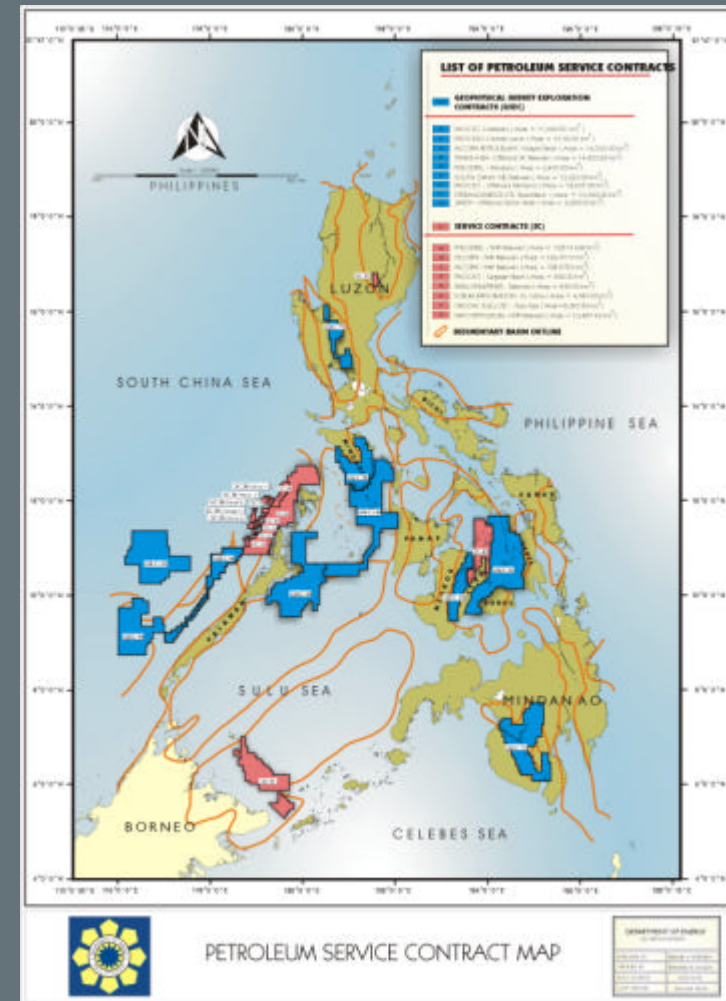




Developments in the Upstream Oil & Gas Sector

Petroleum Contracts

- Total Service Contracts awarded, 7
- Geophysical Survey and Exploration Contracts (GSEC) – 9
- Farm-in of Shell into South China Resources, Inc. for an offshore oil exploration project in Northeast Palawan covered by GSEC-99
- Awarded GSEC 101 in June '02 to Sterling Energy Limited Partnership
 - ◆ Covers 1,036,00 ha. near Reed Bank offshore Philippines
 - ◆ First foreign exploration in the last 4 years
- Recently awarded GSEC to Japan Petroleum Exploration Co., Ltd. (JAPEX)
 - ◆ Covers 328,000 ha. Offshore of Tañon Strait





Developments in the Downstream Oil & Gas Sector

Proposed Natural Gas Pipeline

- Bataan-Manila 1 (BatMan 1)
- Pipeline to connect Manila with the Malampaya Nat Gas Reserve
- Multiple parties interested
- PNOC-EC applied for permit
- FS conducted by JETRO
- Consortium still being eyed

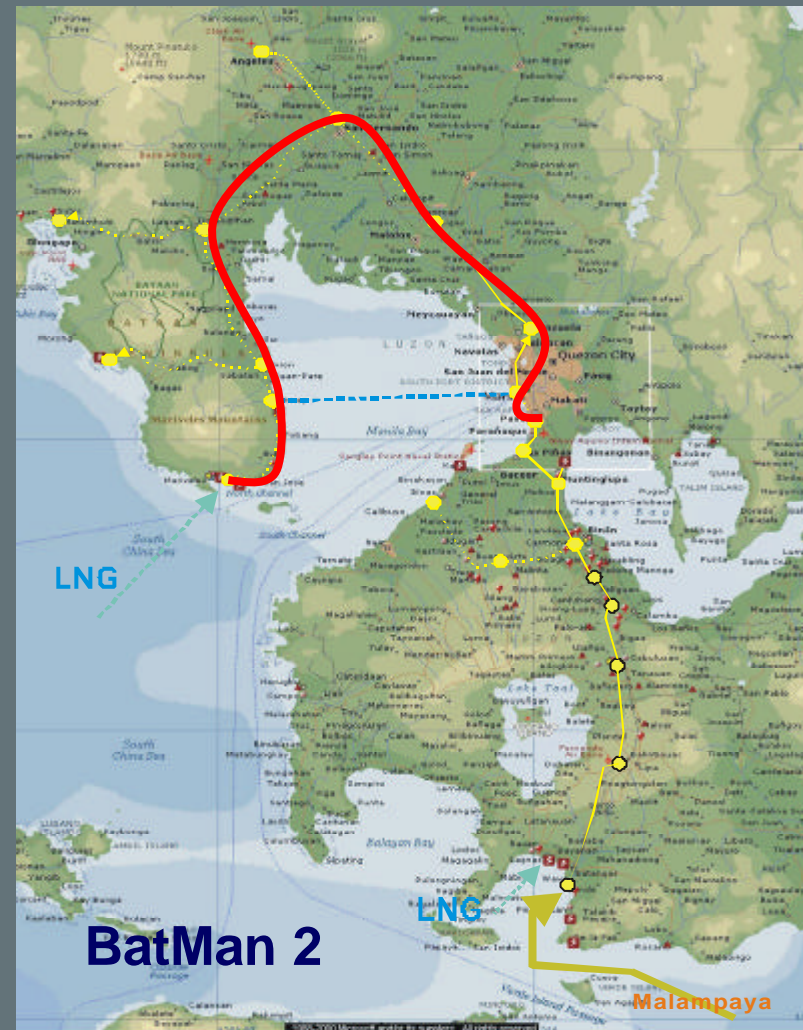




Developments in the Downstream Oil & Gas Sector

Proposed Natural Gas Pipeline

- **Bataan-Manila 2 (BatMan 2)**
- **To receive LNG importation and supply industrial ecozones in Subic & Clark**
- **Potentially to supply fuel in Central Luzon and petrochemical plants located in the area**
- **Proposed site for LNG Terminal**

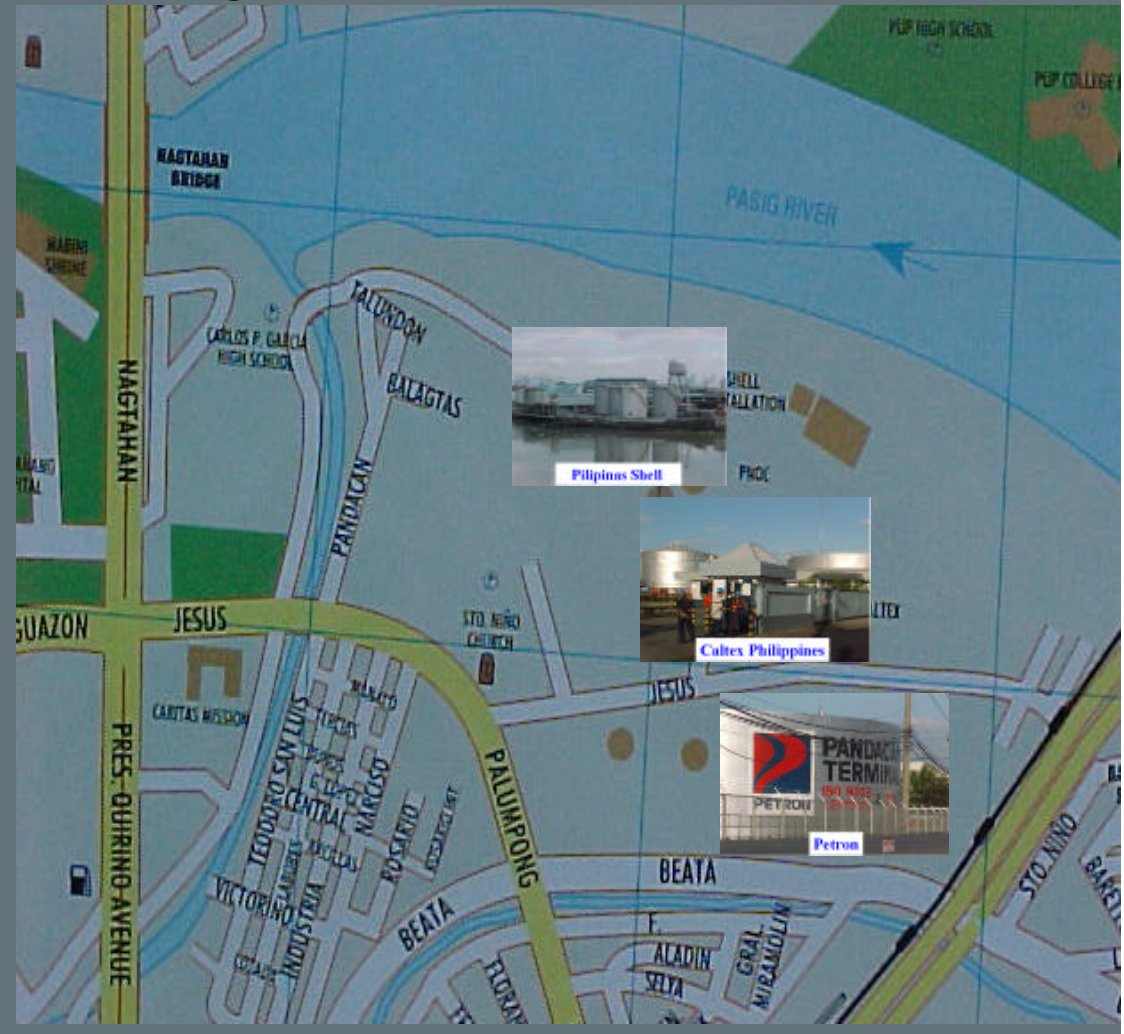




Downstream Oil Industry

Pandacan Oil Depot

- MOU among the City Government of Manila, Caltex, Petron, Shell and the DOE signed last 26 June 2002
- Big 3 agreed to scale down area of operation to widen buffer zone to the surrounding residential community
- Joint operation of integrated facilities
- Creation of a *Green Buffer Zone*





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Prospects in the Philippine Oil & Gas Sector



Prospects

Hydrocarbon Potential

- World Bank-funded study (1986) provides **qualitative** assessment of the sedimentary basins' petroleum potential
 - ◆ **13 sedimentary basins** representing an area of **over 500,000 sq km**
- Norwegian Agency for Development Co-operation (NORAD) funded study (Feb. 2002) to develop and update Philippines' petroleum resource classification system
 - ◆ **Philippine Petroleum Resource Development Assessment Project (PhilPRA)**
 - ◆ **16 sedimentary basins** representing an area of over **700,000 sq km** which show hydrocarbon resource potentials larger than previously projected



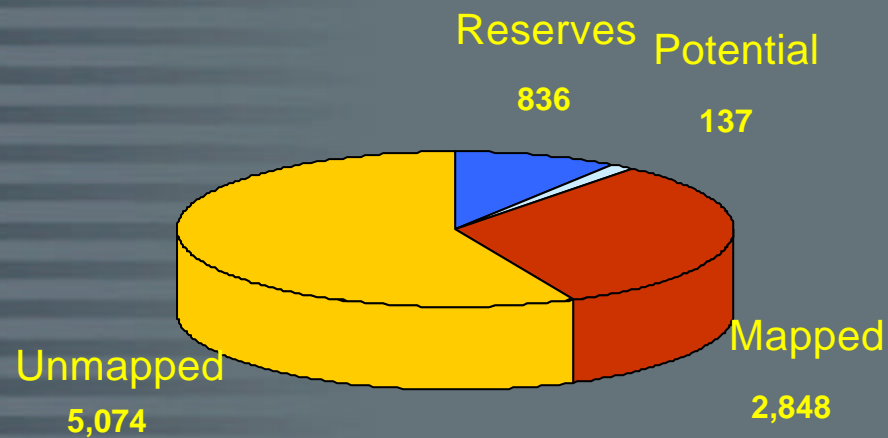
PhiIPRA Results

Vast Potential in Hydrocarbons

■ Petroleum Resource Distribution

- ◆ Gas: 57%
- ◆ Oil: 41%
- ◆ Condensate: 2%

Total risked resources (8,895 million bbl o.e.)



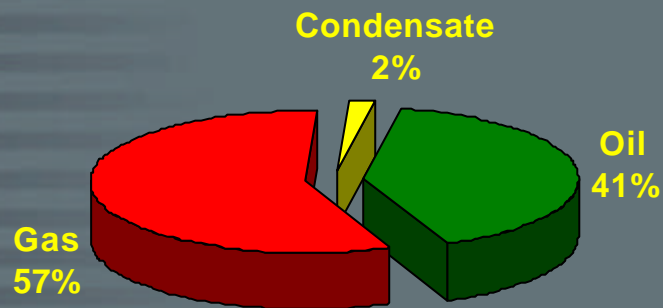
Sedimentary Basins





PhiIPRA Results

Vast Potential in Hydrocarbons



	Total	Oil	Gas	Condensate
	Million bbloe (Mean)	Million bbl (Mean)	Billion cf (Mean)	Million bbl (Mean)
Total Resources	8,895	3,629	28,531	165
Discovered Resources	973	168	3,841	109
Reserves	836	43	3,772	109
Potential Recoverable Resources	137	125	68	0
Undiscovered Resources	7,922	3,461	24,690	56
Hypothetical (Mapped) Resources	2,848	1,341	8,112	55
Speculative (Unmapped) Resources	5,074	2,120	16,578	0



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Investment Incentives

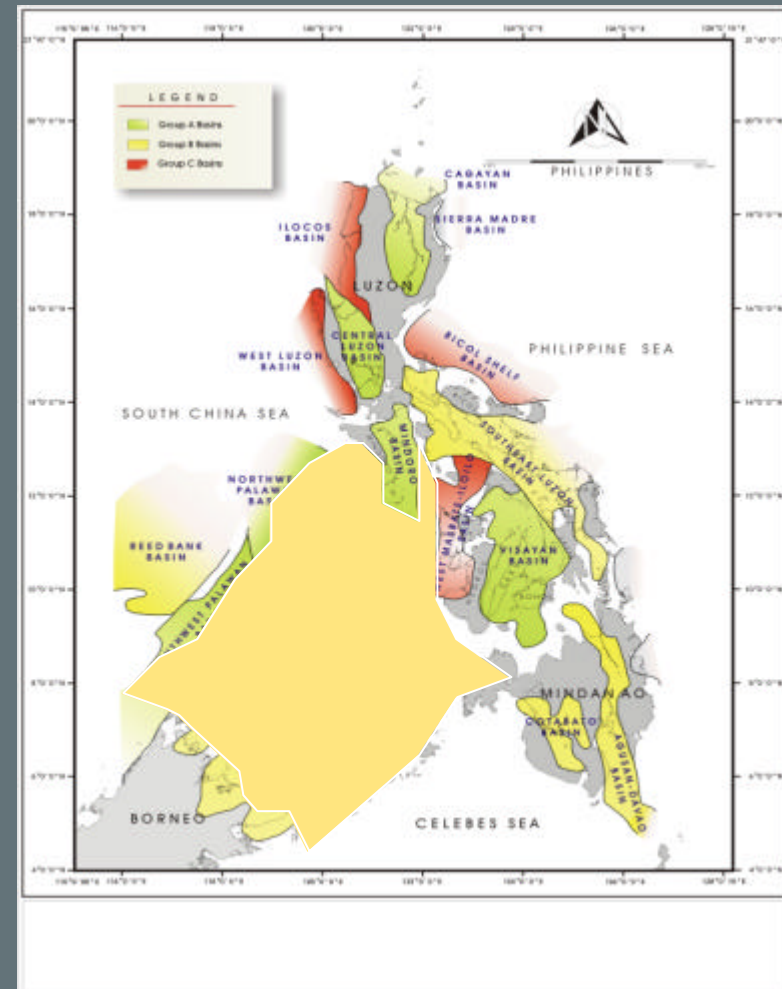


Investment Incentives

Corridor of Focus

To cover the period June '00 – June '03

- Service fee of up to 40% of net proceeds
- Cost reimbursement
- Filipino Participation Incentive Allowance
- Exemption from all taxes except income taxes
- Duty-free importation of materials & equipment
- Accelerated depreciation





Steps Forward



Steps Forward

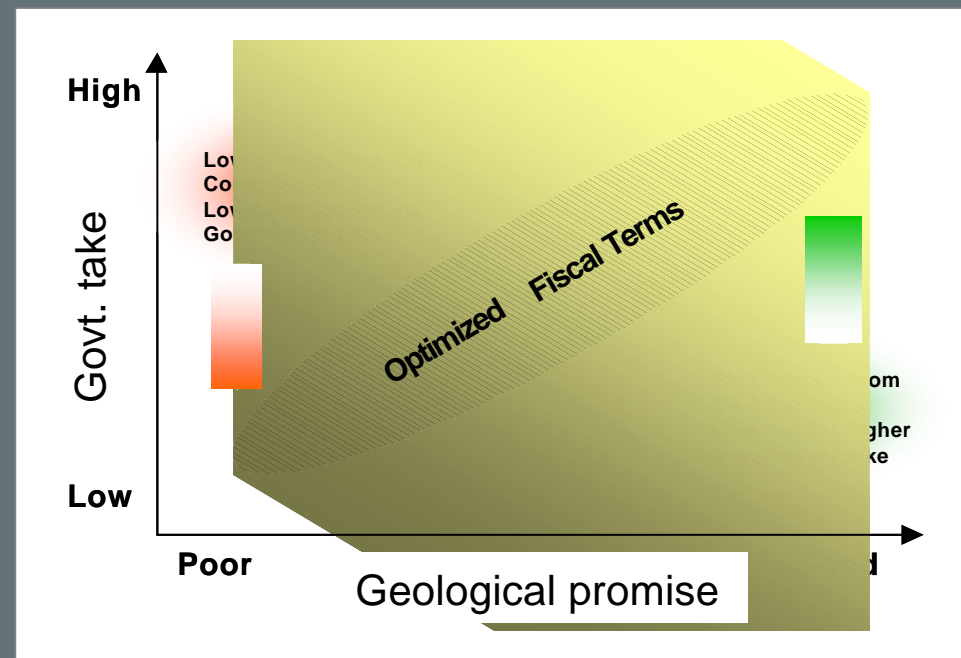
- **Establish Philippine Petroleum Exploration Investment Promotion Project (PhilPRO) and formulate Promotion Strategy**
- **Begin building digital National Petroleum Databank – accessible to the private sector**
- **Prepare overall Industry strategy**
 - ◆ **Prepare Legislative Agenda**
 - ◆ **Identify exploration areas and formulate appropriate licensing procedures**
- **Promotional Roadshow tentatively slated in UK, USA, Canada, Singapore**



Steps Forward

Determining factors for investments

- Geological promise
- Legal and fiscal regime
- Infrastructure
- Political risk





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THANK YOU!

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