



MALACAÑAN PALACE  
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 80

**RATIONALIZING THE RULES FOR THE ENGAGEMENT OF  
THIRD PARTY PARTICIPANTS UNDER PETROLEUM SERVICE  
CONTRACTS, REPEALING FOR THE PURPOSE EXECUTIVE  
ORDER NO. 556 (s. 2006)**

**WHEREAS**, Section 2, Article XII of the Constitution declares that all minerals, petroleum and other mineral oils, and other natural resources are owned by the State, and that the exploration, development, and utilization of these resources shall be under the full control and supervision of the State;

**WHEREAS**, Section 4, Presidential Decree No. (PD) 87, as amended, otherwise known as the "Oil Exploration and Development Act of 1972," allows the Government to promote and undertake the exploration, development, and production of the country's indigenous petroleum resources by engaging technically competent and financially capable contractors through service contracts;

**WHEREAS**, Section 11 of PD 87 allows holders of service contracts to assign or transfer their rights thereto by way of farm-in/farm-out contracts upon the prior approval of the Department of Energy (DOE);

**WHEREAS**, the exploration, development, and utilization of energy resources such as oil and gas are capital-intensive activities, and farm-in/farm-out agreements, by distributing the risks and financial burden among several industry players, facilitate the undertaking of such activities;

**WHEREAS**, the PNOC Exploration Corporation (PNOC EC), being the upstream oil and gas subsidiary of the Philippine National Oil Company (PNOC), participates in a number of petroleum service contracts, either as operator or non-operating partner; and

**WHEREAS**, it is the aim of the Government to achieve energy independence for the Filipino people by, among others, enhancing the country's competitiveness as an oil and gas investment destination through the adoption of industry practices;

**NOW, THEREFORE I, RODRIGO ROA DUTERTE**, President of the Philippines, by virtue of the powers vested in me by the Constitution and existing laws, do hereby order:

**SECTION 1. Engagement of Third Parties.** The PNOC EC is hereby permitted to enter into farm-in/farm-out agreements through which: (a) third parties can participate in the service contracts awarded by the Government to PNOC EC; and (b) PNOC EC can participate in the service contracts awarded by the

THE PRESIDENT OF THE PHILIPPINES

Government to third parties. In all cases, PNOEC shall enter into farm-in/farm-out agreements only with reputable, technically competent and financially capable entities.

Farm-in/farm-out refers to a practice, recognized and accepted in the oil and gas industry, of allowing third party participation to spread the risks inherent in oil and gas exploration, development, and production. The entity acquiring the participating interest considers the transaction as a "farm-in", while the entity transferring such interest considers the transaction as a "farm-out".

**SECTION 2. Selection, Review and Approval Procedures.** The third party selection process to be undertaken by PNOEC shall conform to best practices widely adopted in the international petroleum industry, as may be determined by the DOE.

For this purpose, the DOE, in consultation with the Governance Commission for Government-Owned or -Controlled Corporations (GCG), shall issue rules and regulations specifying the selection process to be observed by PNOEC. The DOE shall take into consideration provisions of existing government selection procedures that enhance transparency and objectivity in the selection process, including GCG issuances requiring that contracts to be entered into by government-owned and/or -controlled corporations (GOCCs) undergo review by the Office of the Government Corporate Counsel. Such provisions shall be incorporated in the aforementioned rules and regulations insofar as may be consistent with the best practices in the industry.

Compliance with the selection process shall be closely monitored by both the DOE and the GCG. Every farm-in/farm-out agreement of PNOEC shall only take effect upon approval of the DOE, which approval shall be granted after the Department finds that all aspects of the agreement, including the qualifications of the relevant third party and the selection process that was undertaken, all comply with PD 87, this Order, and other applicable laws and issuances.

**SECTION 3. Business Judgment.** PNOEC shall observe sound business judgment and exercise extraordinary diligence, with paramount consideration to the national interest, in entering into the commercial contracts and arrangements contemplated herein.

**SECTION 4. Reportorial Requirement.** The DOE shall submit regular reports to the President on the implementation of this Order, copy furnished the GCG.

**SECTION 5. Duty to Extend Assistance.** The departments, bureaus, offices, agencies or instrumentalities of the Government, including GOCCs and government financial institutions, are hereby directed to extend such assistance and support as may be necessary for the successful implementation of this Order.

**SECTION 6. Repealing Clause.** Executive Order No. 556 (s. 2006) and all other executive issuances, rules and regulations or parts thereof which are inconsistent with the provisions of this Order are hereby repealed, amended or modified accordingly.

**SECTION 7. Separability Clause.** If any provision of this Order is declared invalid or unconstitutional, the other provisions unaffected shall remain valid and subsisting.

**SECTION 8. Effectivity.** This Order shall take effect immediately upon publication in the Official Gazette or a newspaper of general circulation.

**DONE** in the City of Manila, this **28<sup>th</sup>** day of **May**, in the year of our Lord, Two Thousand and Nineteen.



A handwritten signature in black ink, appearing to read "Rodrigo Duterte".

By the President:

A handwritten signature in black ink, appearing to read "Salvador C. Medialdea".

**SALVADOR C. MEDIALDEA**  
Executive Secretary

