

**TWENTIETH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES**
First Regular Session

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Senate

Office of the Secretary

25 AUG -7 P 1:19

SENATE

RECEIVED BY:

S.B. No. 1086

Introduced by Senator WIN GATCHALIAN

**AN ACT
FURTHER AMENDING PRESIDENTIAL DECREE NO. 87, OTHERWISE
KNOWN AS THE OIL EXPLORATION AND DEVELOPMENT ACT OF 1972, AS
AMENDED**

EXPLANATORY NOTE

Petroleum exploration and development is a capital-intensive economic activity which plays a significant role in achieving the Philippines' energy security and self-sufficiency. It is rightfully an activity that is highly regulated by the State which owns all the natural resources found within its territory.¹ Under Presidential Decree No. 87 (PD 87), private entities which are legally, financially, and technically qualified are granted the privilege to explore and develop these natural resources through a Service Contract entered with the government.

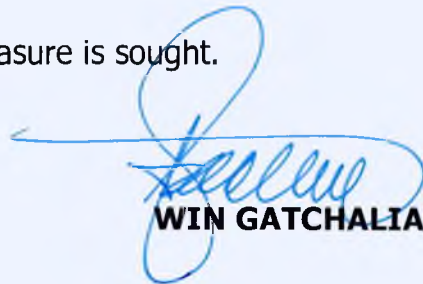
When a service contractor deems it proper to transfer or assign its rights and obligations under a Service Contract to a third party, the State, acting through the Department of Energy (DOE), has the duty to ensure that the transferee or assignee is qualified to assume and fulfill the obligations of the transferor or assignor under the Service Contract by reviewing and approving such transfer. This is mandated under

¹ Section 2, Article XII, 1987 Constitution.

PD 87. However, the said law does not provide for penalties when this requirement is not followed.

As such, this proposed legislation introduces amendments to PD 87 by providing specific penalties for government officials and entities holding participating interests in service contracts who fail to comply with the prior approval requirement. By doing so, this proposed legislation places a safeguard on every transfer or assignment and ensures that the interests of the State and the Filipino people are protected.

For these reasons, the immediate passage of this measure is sought.



WIN GATCHALIAN

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Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

1 Section 1. A new section designated as Section 32-A and Section 32-B of
2 Presidential Decree No. 87, as amended, are hereby added to read as follows:

3
4 **"SECTION 32-A. PROHIBITED ACTS. – WITHOUT**
5 **PREJUDICE TO CIVIL AND CRIMINAL LIABILITY, THE**
6 **FOLLOWING ACTS SHALL BE PROHIBITED:**

7 **(a) FOR ANY PERSON HOLDING A PARTICIPATING**
8 **INTEREST IN A SERVICE CONTRACT: FAILING TO**
9 **COMPLY WITH THE PRIOR APPROVAL**
10 **REQUIREMENT UNDER SECTION 11 OF THIS ACT;**
11 **AND**

12 **(b) FOR ANY GOVERNMENT OFFICIAL: APPROVING A**
13 **TRANSFER OR ASSIGNMENT OF RIGHTS AND**
14 **OBLIGATIONS IN A SERVICE CONTRACT IN FAVOR**
15 **OF AN UNQUALIFIED TRANSFEREE OR ASSIGNEE.**

1
2 **SECTION 32-B. PENALTIES. – WITHOUT PREJUDICE TO**
3 **CIVIL AND CRIMINAL LIABILITY, THE FOLLOWING**
4 **ADMINISTRATIVE PENALTIES SHALL BE IMPOSED UPON**
5 **ANY NATURAL OR JURIDICAL PERSON FOR THE**
6 **COMMISSION OF THE PROHIBITED ACTS ABOVE:**

7 **(a) SECTION 32-A (A): FINE RANGING FROM A**
8 **MINIMUM OF TEN MILLION PESOS (P10,000.00)**
9 **TO A MAXIMUM OF FIFTY MILLION PESOS**
10 **(P50,000,000.00) AND REVOCATION OF THE**
11 **SERVICE CONTRACT,**

12 **(b) SECTION 32-A (B): FINE NOT EXCEEDING THE**
13 **EQUIVALENT OF SIX (6) MONTHS' SALARY AND**
14 **REMOVAL FROM OFFICE."**

15
16 Section 2. Separability Clause. – Should any provision of this Act be held
17 unconstitutional, no other provision hereof shall be affected thereby.

18
19 Section 3. Effectivity. – This Act shall take effect fifteen (15) days after its
20 publication in at least two (2) newspapers of general circulation.

Approved,