

OIL

A matter of time

Four oil strikes in Sulu, Mindanao proper, Cebu and Northern Luzon and the discovery of the highest gas pressure ever encountered in local exploration for crude oil augur well for the renewed government efforts to hasten the discovery of the elusive "black gold" in the Philippines.

The series of oil strikes is a fitting climax to the rationalized oil search program recently implemented by the government through a Presidential Decree providing for incentives and government support for indigenous oil exploration.

Government experts are now conducting tests at the four sites where oil has been discovered. It was pointed out that the outcome of the tests and analyses of the samples will provide data that will guide any future program of exploration and development.

Excitement swept through the stock markets when news of the oil discoveries was announced. Speculative oil issues registered price increases of 3 to 4 points over their stock market price both in the Manila and the Makati Stock Exchanges.

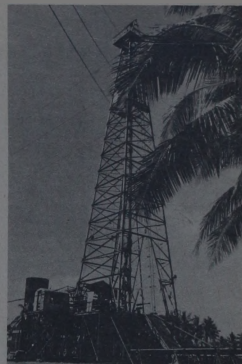
The Philippine oil strikes came on the heels of a series of oil strikes off the east coast of Sabah. The oil and gas deposits discovered by Esso in Sabah adjoin Philippine overseas territory and are only 17 kilometers south of the Philippine border and southwest of the Turtle Islands.

Secretary Arturo Tanco, Jr. of the Department of Agriculture and Natural Resources in a report to the President said that the offshore oil discovery was of special interest to the Philippines for two reasons:

- Its proximity to the present exploration sites at Sulu Sea; and
- Its reported gravity of 42 degrees American Petroleum Institute (API) standard, which makes it



Oil exploration and development: a partnership of Filipino and alien consortia.



in this respect characteristically close to Philippine crudes discovered in Cebu and Luzon.

The specific gravity of oil discovered in Cebu was placed by the Bureau of Mines at around 40 degrees (API) while oil found at the Bondoc Peninsula, Quezon province, is close to 40 degrees (API).

Esso's Nympe Nord No. 1 offshore well near Sabah, according to reports, is yielding some 500 barrels of oil and 3.9 million cubic feet of gas per day at approximately 6,000 ft. depth.

Sabah Oil Petroleum, one of the subsidiaries of the Royal Dutch Shell Group, also announced oil strikes in two wells in the same area. The first well, some 35 miles offshore northwest of Kota Kinabalu, has produced some 1,800 barrels a day. The second well is still undergoing production tests.

Although very little activity in oil exploration was conducted in the Philippines during Spanish times, oil was known to be present in the Philippines even then. Two wells, 800 and 1,300 feet deep, were drilled by Smith Bell and Co., in 1896. The two wells, located in Cebu, still yield about two barrels each of oil per day.

In 1938 the government through President Manuel L. Quezon in collaboration with the private sector hired the services of Grant W. Corby with a group of geologists to survey the Philippines for oil possibilities. The war, however, temporarily closed an era of unsteady oil exploration in 1941.

To attract foreign investments to come into the Philippines to assist in the oil exploration efforts the Petroleum Law was passed by Congress in 1949.

With the new law, oil exploration activity picked up considerably with the coming of several foreign oil companies. A total of 27 locally registered oil companies with a large foreign participation and with a total of P192 million starting capital operated from 1949 to 1968.

Offshore concessions in the Visayan shelf, Lingayen, Aparri and southern Palawan-NE Borneo shelf as well as onshore concessions were awarded to American Asiatic Oil Corporation, Mobil and Visayan Exploration, White Eagle, Amoreas and others.

The lack of commercial discovery and the depletion of financial resour-

ces of the local oil companies in the Philippines due to the approaching expiration of the Laurel-Langley Agreement resulted in the reduction of local oil exploration in a mere trickle.

World-wide offshore discoveries in 1969 heralded a new phase in oil exploration with emphasis on offshore areas. The Philippines started the staking of several offshore oil concessions in the Borneo-Palawan continental shelf.

The first nine concessions were filed by Philex Mining, Sabena Mining and Baguio Gold Mining Co., in offshore Borneo. Additional concessions were filed by the same three companies over the Cuyo shelf and the northeastern Palawan in 1970. Philippine Overseas Drilling and Oil Development Corporation also applied for oil exploration concessions on northwestern Palawan.

Several other applications were approved for oil exploration in the Cebu and Mindanao offshore areas.

Since 1949, when oil exploration started, until the declaration of martial law, it is estimated that more than P1 billion in risk capital had been invested in the Philippines.

A new era in oil exploration began when President Marcos through an amendatory decree spelled out the rules and regulations covering the exploration and production of crude oil in the Philippines. The decree paved way for the coming of foreign investment and foreign technology.

Presidential Decree No. 37, which amends Presidential Decree No. 8, authorizes the government to directly undertake petroleum exploration subject to existing private rights.

According to the decree the government may also indirectly undertake under service contracts. These contracts may cover free areas, national reserve areas or petroleum reservations whether onshore or offshore. In every case, however, the contractor must be technically competent and financially capable as determined by the Petroleum Board to undertake the operations required in the contract.

Just before 1972 ended the first service contract was signed between the Philippine government and a consortium of two foreign and two local oil exploration companies. The President, who witnessed the signing of the contract, said the event "marks a milestone in our efforts to explore oil and develop the natural resources of

the country. The President also said he was elated by the signing of the contract, which had been delayed by the inability of Congress to act on a deal designed to speed up oil exploration in the country, thus, compelling him to issue Presidential Decree No. 8 after the proclamation of martial law.

The two foreign companies composing the consortium are Chevron Overseas Petroleum Inc. and Texaco International Petroleum. The two local companies are Astros Mineral and Oil Corp. and Abstract Mining and Industrial Corp.

The consortium will explore for oil in an offshore concession located in southern Palawan and the Sulu Sea.

Under the contract the consortium will bring in \$8 million in new investments and undertake drilling operations for five years. The contract is good for seven years, renewable for another three years. If the oil discovery is considered of commercial quantity, the contract may be renewed for 25 years renewable for another 15 years.

The government will get 40 percent of whatever production is realized under the contract.

Chevron Oil Co., in an announcement after the contract signing, said that it would undertake the seismic work and would drill at least one well during 1973.

Eastern European oil exploration companies have also signified their intention to join the oil exploration program being undertaken by the government.

Offers had been received from Russia, to drill oil in the Philippines with their own equipment and technical experts and leave once oil is discovered.

These offers from the Socialist bloc nations are under serious study by Filipino economic planners.

Three more independent foreign firms have also offered to invest in oil exploration under the service contract system decreed by President Marcos. The proposal of the three companies — Broken Hill Pty. Ltd. of Australia, Marathon Oil and Union Oil, both of the United States — is still being discussed by the Petroleum Board.

With the renewed interest in oil possibilities in the Philippines, self-sufficiency in crude oil to serve the steadily increasing needs of industries and the citizens may not be far off. ALVIN CAPINO

Quest for oil under the sea.