

**Republic of the Philippines
Congress of the Philippines
Manila**

Republic Act No. 387

An Act To Promote The Exploration, Development, Exploitation, And Utilization Of The Petroleum Resources Of The Philippines; To Encourage The Conservation Of Such Petroleum Resources; To Authorize The Secretary Of Agriculture And Natural Resources To Create An Administration Unit And A Technical Board In The Bureau Of Mines; To Appropriate Funds Therefore; And For Other Purposes

CHAPTER I

GENERAL PROVISIONS

ARTICLE 1. *Short Title of Act.* The short title of this Act shall be "*Petroleum Act of 1949.*"

ARTICLE 2. *Definition of terms.* When used in this Act, the following terms shall, unless the context otherwise indicates, have the following respective meanings:

(a) "*Petroleum*" shall include any mineral oil, hydrocarbon gas, bitumen, asphalt, mineral wax, and all other similar or naturally associated substances; with the exception of coal, peat, bituminous shale, and/or other stratified mineral fuel deposits.

(b) "*Crude oil*" means oil in its natural state before the same has been refined or otherwise treated, but excluding water and foreign substances.

(c) "*Natural gas*" means gas obtained from boreholes and wells and consisting primarily of hydrocarbon.

(d) "*Government*" means the Government of the Philippines.

(e) "*State*" means the Republic of the Philippines.

(f) "*Permittee*," "*concessionaire*" or "*contractor*" means a person to whom a permit, concession, or contract, as the case may be, has been granted or awarded under the provisions of this Act, his successors and assigns.

(g) "*Person*" includes a natural person, corporation, or partnership.

(h) A "*barrel*" is equivalent to 158.98 liters or 42 U.S. gallons.

(i) All measurements of distances, width, length, areas, depth and volume, and weight shall be in the metric system.

(j) Words in singular shall include the plural, and vice versa.

ARTICLE 3. *State ownership.* All natural deposits or occurrences of petroleum or natural gas in public and/or private lands in the Philippines, whether found in, on or under the surface of dry lands, creeks, rivers, lakes, or other submerged lands within the territorial waters or on the continental shelf, or its analogue in an archipelago, seaward from the shores of the Philippines which are not within the territories of other countries, belong to the State, inalienably and imprescriptibly.

ARTICLE 4. *Title to land.* The ownership or the right to the use of lands for agricultural, industrial, commercial, residential, mining, or for any purpose other than for petroleum exploration, development or exploitation does not include the ownership of, nor the right to explore for, exploit, or utilize the petroleum or natural gas deposits in, on or under the surface of such land.

ARTICLE 5. *Granting of petroleum rights.* The right to explore for, develop, exploit or utilize the petroleum resources described in article three hereof may only be granted to duly qualified persons by means of concessions in accordance with the provisions of this Act. The Government, however, reserves the right to undertake such work either by itself or through its instrumentalities, or through competent persons qualified to undertake such work as independent contractor or contractors under a contract of service executed for the Republic of the Philippines by the President and approved by the Congress of the Philippines in accordance with the provisions of article thirteen of this Act.

Exploration or exploitation rights may be exclusive within certain areas; but no exclusive rights may be granted for refining or transportation.

ARTICLE 6. *Granting of concession is discretionary with the Government.* The granting of concession under this Act is discretionary with the Government, except in the cases mentioned in article eleven hereof, where, upon the fulfillment of the formalities and requirements of this Act, the granting thereof is obligatory upon the Government.

ARTICLE 7. *Petroleum operation a public utility.* Everything relating to the exploration for and exploitation of petroleum which may exist naturally or below the

surface of the earth, and everything relating to the manufacture, refining, storage, or transportation by special methods of petroleum as provided for in this Act, is hereby declared to be of public utility.

ARTICLE 8. *Concessionaire assumes risks.* Concessions referred to in this Act shall be granted at the complete risk of the interested party. The Government does not guarantee the existence of petroleum or undertake, in any case, title warranty.

ARTICLE 9. *Ownership not conferred.* Exploration and Exploitation Concessions do not confer upon the concessionaire the ownership over the petroleum lands and petroleum deposits, but only the right to explore for, develop, exploit, and utilize them for the period and under the conditions determined by this Act.

CHAPTER II

CONCESSIONS

ARTICLE 10. *Kinds of concessions.* Concessions may be any of the following kinds and have the following respective objects:

- a. Non-Exclusive Exploration Permit, which grants to the permittee the non-exclusive right to conduct geological or geophysical exploration on specified areas.
- b. Exploration Concession, which grants to the concessionaire the exclusive right to explore for petroleum within specified areas.
- c. Exploitation Concession, which grants to the concessionaire the exclusive right to develop petroleum production within the specified areas.
- d. Refining Concession, which grants to the concessionaire the right to manufacture or refine petroleum, or to extract its derivatives.
- e. Pipe Line Concession, which grants to the concessionaire the right to provide and operate pipe line systems for transporting petroleum.

ARTICLE 11. *Obligatory concessions.* Subject to the fulfillment of the formalities and requirements provided for in this Act, the granting of the following concessions shall be obligatory upon the Government:

- a. Exploitation Concession, to the holder of an Exploration Concession, for such parcels as he may select for exploitation and to the holders of Petroleum Drilling Leases issued under the Petroleum Act Numbered Twenty-nine hundred and thirty-two, or of petroleum mining claims located and held under the Act of Congress of July first,

nineteen hundred and two, which are existing and in force at the time of the enactment of this Act, when said holders shall apply to have the same governed by the provisions of this Act, and be given the privileges granted thereby;

b. Refining Concession and/or Pipe Line Concession, to the holder of an Exploitation Concession, when the manufacturing or transportation is directly related, although not necessarily restricted, to the Exploitation Concession; and

c. Refining Concession, to the holder of a Pipe Line Concession, or Pipe Line Concession to the holder of a Refining Concession, when the two concessions are directly, although not restrictively, related.

The foregoing, however, shall not apply in the case of any concessionaire who is in arrears in any payments due the Government arising out of or in connection with any petroleum concession, lease, or mining claim, until such arrears have been paid, or, if in dispute, until a cash or surety bond has been posted, sufficient to cover all arrears in dispute.

The rights and obligations conferred by concessions which are obligatory under this article are to be regarded as following from the initial concessions which, under the provisions of this Act, include the right to receive such subsequent concessions.

ARTICLE 12. *Designation of petroleum regions.* For purposes of this Act, the Secretary of Agriculture and Natural Resources, after due study of the different prospective petroleum lands of the Philippines, may divide them into a number of prospective petroleum regions, delimiting their extent and boundaries, and issuing the order and notice establishing such regions.

ARTICLE 13. *Petroleum reservation.* Upon the recommendation of the Secretary of Agriculture and Natural Resources, the President of the Philippines may set apart petroleum reservations, and shall, by proclamation, declare the establishment of such reservations and the boundaries thereof.

The Government may explore, develop, and exploit such petroleum reservation either by itself or through its instrumentalities, or through competent persons under a contract of service, in accordance with article five of this Act. Proposals by qualified persons to carry out such work for the Government as independent contractor or contractors shall be filed with the Director of Mines who shall forward the same with his findings and recommendations to the Secretary of Agriculture and Natural Resources who, in turn, shall submit the same with his recommendations to the President of the Philippines. The President is hereby authorized to take such necessary action as he may deem proper on such proposals and for this purpose, may execute the necessary contract or contracts for and in behalf of the Government. In the event such contract is executed, the same shall be submitted to the Congress of the Philippines for its approval.

No petroleum reservation may be established over any areas covered by application for Exploration or Exploitation Concession already filed or granted. If at any time after the establishment of a petroleum reservation, the Secretary of Agriculture and Natural Resources, after due investigation, should find it to the best interest of the Government, that any area within the reservation should be opened to Exploration or Exploitation Concession under the provisions of this Act, such area or areas may be recommended to be released from the reservation and declared open to Exploration or Exploitation Concession under this Act by an executive proclamation of the President concurred in by a joint resolution of the Congress of the Philippines.

ARTICLE 14. *Free areas.* All lands within the territorial limits of the Philippines including those submerged beneath seas, bays, lakes, rivers, lagoons, or the territorial waters, or on the continental shelf, or its analogue in an archipelago, but which are not within the National Reserve Areas, or Petroleum Reservations, or covered by valid and existing Exploration or Exploitation Concession, or Petroleum Drilling Leases acquired under the Petroleum Act (Act No. 2932), or of petroleum mining claims located and held under the Act of Congress of July first, nineteen hundred and two, as amended, are called Free Areas and as such are open to application for Exploration Concession by any duly qualified person. Application for said areas shall be filed with the Director of Mines in accordance with the provisions of article twenty-eight of this Act.

ARTICLE 15. *National Reserve Areas.* Areas which have been included in any Exploration or Exploitation Concession but which have been subsequently given up by the concessionaire voluntarily or in accordance with the requirement of articles fifty and fifty-three of this Act; or areas covered by Exploration or Exploitation Concession which have expired or have been canceled; or areas which have been included within any of the two kinds of concession but which are found to be in excess the maximum areas allowed by this Act for such concessions, are called National Reserve Areas, and as such may be applied either for Exploration or Exploitation Concession by duly qualified persons only after the Secretary of Agriculture and Natural Resources shall have first announced by means of notices published in the Official Gazette and in one daily English newspaper of general circulation published in the City of Manila, at least once a month for three consecutive months, that said lands duly described are ready for disposition and that application therefore may be filed within a certain date fixed in the notice. Application for such areas shall be filed with the Director of Mines in accordance with article twenty-eight of this Act, and the concession may be granted by the Secretary of Agriculture and Natural Resources in favor of the applicant whose offer shall be found best to serve the interest of the Government.

ARTICLE 16. *Lands covered by concessions are subject to public easements.* All lands covered by concessions granted under this Act shall be subject to public easements established or recognized by existing or future laws.

ARTICLE 17. *Operations of concessionaire subject to existing mining rights.* The operations of the concessionaire under the provisions of this Act shall be subject to

existing mining rights, grants, permits, leases, and concessions in respect of substances other than petroleum and to existing petroleum rights, grants, leases, or concessions.

ARTICLE 18. *Right of Government to establish reservations or grant rights.* Concessions granted under this Act are subject to the right of the Government to establish reservations other than petroleum reservations, to grant mining rights, permits, leases, and concessions in respect of substances other than petroleum, and to grant rights other than mining rights in, on, or under any of the lands covered by the concession granted under this Act, provided that the rights of the petroleum concessionaire to search, prospect, and drill for, produce, extract, transport, store, process, and treat petroleum on, under, and from, said lands, and the other rights granted to him under this Act are not impaired or unreasonably interfered with.

ARTICLE 19. *Additional benefits to the Government in certain cases.* In the disposition of the National Reserve Areas and in case of conflicts of applications for concessions, the Secretary of Agriculture and Natural Resources may require additional benefits to the Government over and above the minimum requirements provided for in this Act. These additional benefits may include, but shall not be restricted to, bonuses or cash payments made singly or on installments over a period of time; or increased royalty on the quantity of oil produced; or undertakings in addition to those required by law for the promotion of education, public health, social welfare and amelioration, and other public services; or increased work obligations on the concession.

ARTICLE 20. *Right to enter private land.* Exploration and exploitation concessionaires are granted the right to enter upon private lands covered by their concessions for the purpose of conducting geological or geophysical studies, with the right to use all instruments and apparatus necessary to carry out such studies, subject to the obligations to indemnify the owner or legal occupant of the land for all material damage suffered by the property, its annexes or appurtenances as a result of such studies, provided that in no case shall the occupancy of private buildings, yards or gardens be authorized against the will of their owner.

In the event that the right granted in this article shall be denied by the owner of the private land or by its legal occupant, the concessionaire may apply for and, upon posting such bond as may be fixed and approved by the Court of First Instance of the province where the land is situated, the court shall issue an order allowing such right pending the final determination of the proper amount that shall be paid by the concessionaire to the landowner or legal occupant.

ARTICLE 21. *Easements over private land.* When easements of temporary occupancy over private lands are needed by a concessionaire for the purpose of carrying out any work essential to his operations under the provisions of this Act, he may enter into the necessary agreement with the owner or legal occupant of such private lands. If no agreement could be reached, or if the owner or legal occupant refuses to grant such easement, or in general, when any obstacle of whatever nature exists to the immediate and certain acquisition of the necessary surface area, or of any right indispensable to the

concessionaire for the purpose of the concession, the Court of First Instance of the province where the land is situated shall, upon application of the concessionaire and posting of the necessary bond, grant to the said concessionaire authority to use and occupy the land needed by him in his operations, pending final determination of the case which shall include among others the reasonable value or rental of the land to be occupied and the compensation for any resulting damage that the landowner or legal occupant may suffer as a result of such occupation.

When the occupation of a private land is needed by the concessionaire in connection with his concession, for the purpose of constructing, maintaining, operating, and drilling oil wells, tanks, reservoirs, waterways, pipe lines, roads, railroads, tram lines, telephone and telegraph lines, airfields, radio stations, powerhouses, transmission lines, pumping stations, wharves, piers, and terminals, which are hereby declared to be for public use or benefit, the right of eminent domain may be exercised by the Government through the concessionaire, in accordance with the applicable laws on the matter.

In all cases of voluntary agreement between the concessionaire and a private landowner, as referred to in this article, a copy thereof shall be furnished to the Secretary of Agriculture and Natural Resources.

For the purpose of this article the necessity of the work will be presumed in the cases of well drilling and auxiliary works, construction of pipe lines, tanks, pumping plants, power systems, warehouses, shops, and means of transport and communication.

ARTICLE 22. *Easement over public land.* When easement or right of temporary occupancy over public land is needed by a concessionaire for the purpose of carrying out any work essential to his operations under this Act, such right may be granted by the Secretary of Agriculture and Natural Resources with due regard to prior rights of third parties and subject to applicable laws and regulations.

The presumption of necessity stated in article twenty-one applies likewise in this case.

ARTICLE 23. *Use of water, timber and clay.* Concessionaires under this Act may utilize for any of the work to which his concession relates, timber, water, and clay from any public lands within such concession, all subject to existing prior rights thereto, to the regulations issued under this Act and to other laws and regulations on the matter.

ARTICLE 24. *General obligations.* Work corresponding to concession granted under this Act shall be commenced with reasonable promptness and prosecuted with reasonable diligence in accordance with good oil field practice; provided, that in the case of Exploration or Exploitation Concession, the performances of the corresponding work, in compliance with the provisions of this article, successively in various areas included in the concession, in accordance with an efficient and economic program determined by the concessionaire and submitted to the Secretary of Agriculture and Natural Resources will be construed as reasonable diligence in regard to the total area included in such

concession; conforming with accepted good practices in connection with modern and scientific methods of exploration, drilling, equipping and operating wells to enable maximum economic production of petroleum; avoiding hazards to life, health and property; avoiding the pollution of the air, and of public or private land or waters.

Non-compliance with the provisions of this article may be the cause of the imposition of penalties under the provisions of this or other laws; or of court action to compel compliance therewith; and continued non-compliance shall constitute cause for cancellation of the concession.

ARTICLE 25. *Submission of information and reports by the concessionaires.* Concessionaires shall submit to the Secretary of Agriculture and Natural Resources all information that the latter may require from time to time, particularly but not limited to, reports on the results of geological and geophysical examinations including a complete history of each well formation record; electric logs, and result of all tests; production reports showing all pertinent production data, etc., in the form and manner and at intervals prescribed by the regulations.