

PRESIDENTIAL DECREE NO. 334

CREATING THE PHILIPPINE NATIONAL OIL COMPANY, DEFINING ITS POWERS AND FUNCTIONS, PROVIDING FUNDS THEREFOR, AND FOR OTHER PURPOSES.

WHEREAS, inspite of the planned accelerated power development program using indigenous resources and the planned institution of conservation measures, the country will still be highly dependent on oil for a considerable length of time;

WHEREAS, it is imperative for the government to take a more active role in assuring adequate supply of oil by reducing the element of uncertainty on sources of crude oil supply;

WHEREAS, international political development in 1973 which led to an oil situation of crisis proportions have emphasized the need for such government activity; and

WHEREAS, there is a compelling need for the government to embark on measures which will help insure a stable supply of petroleum products in order to sustain the growth of the economy and of the social well-being of the nation;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081 dated September 21, 1972 and General Order No. 1 dated September 22, 1972, as amended, do hereby order and decree, as part of the law of the land, the following:

SECTION 1. Short Title. – This decree shall be known as the “Charter of the Philippine National Oil Company.”

SEC 2. Declaration of Policy. – It is the declared policy of the State to promote industrial and over-all economic development through the effective and efficient utilization of energy sources, including oil and oil-based resources. In line with this policy, the establishment of an organized entity is necessary in order to assure adequate supply of oil and oil products to all users and consequently to enable the unimpeded and efficient growth of the economy.

SEC 3. Creation, Name, Domicile and Term. – There is hereby created a body corporate to be known as the Philippine National Oil Company, hereinafter referred to as the “Company,” which shall undertake and transact the corporate business relative primarily to oil or petroleum operations as defined hereunder, and for that purpose, the Company shall have capacity to sue and be sued.

“Oil or Petroleum Operation” shall include actual exploration, production, refining, tankering and/or shipping, storage, transport, marketing, and related activities concerning oil and petroleum products.

The principal office of the Company shall be determined by its Board of Directors. It may establish such offices, agencies, subsidiaries, branches or correspondents in the Philippines or abroad as its business operations would require.

The Company shall have a term of fifty (50) years from the issuance hereof, which shall be deemed renewed for an equal period unless sooner dissolved by law.

SEC 4. Purposes. – The Company shall have the following purposes:

- (a) To provide and maintain an adequate and stable supply of oil and petroleum products for the domestic requirement;
- (b) To promote the exploration, exploitation and development of local oil and petroleum sources; and
- (c) To foster oil or petroleum operation conditions conducive to a balanced and sustainable growth of the economy.

SEC 5. Powers and Functions of the Company. – The Company shall have the following powers and functions:

- (a) To undertake, by itself or otherwise, exploration, exploitation and development of all areas of oil or petroleum deposits in the country, including surveys and activities related thereto;
- (b) To establish, maintain, control and direct in any area within the national territory as it may deem appropriate, a petroleum base territory and construct, install or maintain therein duty-free ports adequate for the use of vessels engaged in offshore oil drilling operations, airports sufficient for direct service flights, telecommunications center and ship-to-shore communications facilities, provide electric power and fresh water supply, and perform such other acts as it may deem necessary and advantageous or convenient to such operations;
- (c) To lease, at reasonable rates, to private domestic entities or persons such portion or portions of the petroleum base, including facilities therein, under its administration, as may be necessary for warehousing, logistical centers for the storage of oil drilling and oil well supplies, fabrication of offshore drilling components and structures, mechanical repair facilities and the like; spaces for the office, habitation and recreational requirements of personnel directly engaged in offshore oil drilling and in manning the various logistical support operations and their immediate dependents;

- (d) To undertake all other forms of petroleum or oil operations;
- (e) To enter into contracts, with or without public bidding, with any person or entity, domestic or foreign, and with governments for the undertaking of the varied aspects of oil or petroleum operation, including the acquisition, by way of purchase, lease or rent or other deferred payment arrangements of equipment and/or raw materials and supplies, as well as for services connected therewith under such terms and conditions as it may deem proper and reasonable;
- (f) To borrow money from local and foreign sources as may be necessary for its operations;
- (g) To invest its funds as it may deem proper and necessary in any activity related to oil or petroleum operations, including in any bonds or securities issued and guaranteed by the Government of the Philippines;
- (h) To purchase, hold, alienate, mortgage, pledge or otherwise dispose of the shares of the capital stock of, or any bond, security of other corporations or associations of this or any other country; and while the owner of said stock, to exercise all the rights of ownership, including the right to veto thereon;
- (i) To hold lands and acquire rights over mineral lands in excess of the areas permitted to private corporations, associations and persons by statute;
- (j) To engage in export and import business of oil or petroleum and its derivatives, as well as in related activities;
- (k) To acquire assets, real or personal, or interests therein, and encumber or otherwise dispose the same as it may deem proper and necessary in the conduct of its business;
- (l) Subject to existing regulations, if it deems necessary, to establish and maintain such communication system, whether by radio, telegraph or any other manner, without the need of a separate franchise therefor;
- (m) To determine its organizational structure, and the number and salaries of its officers and employees;
- (n) To establish and maintain offices, branches, agencies, subsidiaries, correspondents or other units anywhere as may be needed by the Company and reorganize or abolish the same as it may deem proper;
- (o) To exercise the right of eminent domain as may be necessary for the purpose for which the Company is created;

(p) Subject to payment of the proper amount, to enter private lands for the purpose of conducting geological or geophysical studies in connection with petroleum exploration and exploitation;

(q) To acquire easement over public and private lands necessary for the purpose of carrying out any work essential to its petroleum exploration and exploitation, subject to payment or reasonable considerations;

(r) To establish and maintain a technical educational system for the sustained development of the necessary manpower to manage and operate its affairs and business;

(s) To adopt a code of by-laws to complement this charter;

(t) To adopt and use a corporate seal which shall be judicially noticed;

(u) To perform such acts and exercise such functions as may be necessary for the attainment of the purposes and objectives herein specified;

(v) To promulgate such rules and regulations as may be necessary to carry out the purposes of this Decree;

(w) To perform such other functions as may be provided by law.

SEC 6. Governing Body. – The Company shall be governed by a Board of Directors, hereinafter referred to as the “Board” which shall be composed of seven (7) members, to be appointed by the President of the Philippines. The members of the Board shall serve for a term of three (3) years or until their successors shall have been appointed and qualified. In case of any vacancy in the Board, the same shall be filled by the President of the Philippines for the unexpired term.

No person shall be appointed as member of the Board unless he is a natural born citizen of the Philippines, at least thirty-five (35) years of age and of established integrity.

The Chairman of the Board, as well as the President of the Company, shall be appointed by the President of the Philippines. The other officers of the Company shall be appointed by the Board.

SEC 7. Capital Stock. – The Company shall have a capital stock divided into three million no-par shares to be subscribed, paid for and voted as follows:

(a) Two million shares of stock shall be originally subscribed and paid for by the Republic of the Philippines at an original issue value of P50 per share.

(b) The remaining one million shares of stock may be subscribed and paid for by the Republic of the Philippines or by government financial institutions at values to be determined by the Board, but in no case less than the original issued value above stated to the Republic of the Philippines.

The voting power pertaining to shares of stock subscribed by the government of the Republic of the Philippines shall be vested in the President of the Philippines or in such person or persons as he may designate.

The voting power pertaining to shares of stock subscribed by the government financial institutions shall be vested in them.

SEC 8. Duties and Responsibilities of the President. – The President, who shall be the chief executive of the Company, shall have the following duties and responsibilities:

(a) To prepare the agenda for the meetings of the Board, and to submit for the consideration of the Board such policies and measures as he believes necessary to carry out the purposes and objectives of this Decree;

(b) To execute, administer and implement the policies and measures approved by the Board;

(c) To direct and supervise the operations and administration of the Company;

(d) To represent the Company in all dealings with other offices, agencies and instrumentalities of the government and with all persons and other entities, public or private, domestic or foreign; and

(e) To exercise such other powers and perform such other duties provided in the by-laws and as may be vested in him by the Board.

SEC 9. Issuance of Bonds. – The Company, upon the recommendation of the Secretary of Finance and with the approval of the President, is hereby authorized to issue bonds or other securities, whether tax-exempt or not, which may be guaranteed by the government, to finance its oil or petroleum operation.

SEC 10. Legal Counsel. – The Secretary of Justice shall be the ex-officio legal counsel of the Company and he may designate a representative for that purpose.

SEC 11. Auditor. – The Commission on Audit shall appoint, subject to the approval of the Board, a representative who shall be the Auditor of the Company and such personnel as may be necessary to assist said representative, in the performance of his duties. The salaries of the Auditor and his staff shall be approved by the Board. The Auditors of corporations owned or controlled by the Company shall be appointed by their respective boards of directors.

SEC 12. Exemption from Civil Service Law. – The officers and employees of the Company shall not be subject to the Civil Service Law, rules and regulations, and shall likewise be exempt from the regulations of the Wage and Position Classification Office.

SEC 13. Loans. – The Company is hereby authorized to contract loans, credits, any convertible foreign currency or capital goods, and indebtedness from time to time from foreign governments, or any international financial institutions or fund sources, or any other entities, on such terms and conditions it shall deem appropriate for the accomplishment of its purposes and to enter into and execute agreements and other documents specifying such terms and conditions.

The Republic of the Philippines, through the President of the Philippines, or his duly authorized representative, may guarantee, absolutely and unconditionally, as primary obligor and not as surety merely, the payment of the loans, credits and indebtedness issued up to the amount herein authorized, which may be over and above the amount which the President of the Philippines is authorized to guarantee under Republic Act Numbered Sixty One Hundred Forty-Two, as amended, as well as the performance of all or any of the obligations undertaken by the Company in the territory of the Republic of the Philippines pursuant to loan agreements entered into with foreign governments or any international financial institutions or fund sources.

SEC 14. Government Financial Institutions Guarantees. – The provision of any law to the contrary notwithstanding, any financial institution owned or controlled by the Government of the Republic of the Philippines, other than the Central Bank, Government Service and Insurance System and the Social Security System, is hereby empowered to guarantee acceptance credits, loans, transactions, undertakings, or obligations of any kind which may be incurred by the Company, whether directly or indirectly, in favor of any person, association or entity, whether domestic or foreign.

SEC 15. Privileges and Incentives. – The Company shall be entitled to all the incentives and privileges granted by law to private enterprises engaged in petroleum or oil operations.

SEC 16. Appropriations. – For the initial funding requirements of the Company, the sum of Two Hundred Million Pesos is hereby set aside and appropriated from the General Funds, not otherwise appropriated.

SEC 17. Reports. – The Company shall, within three months after the end of every fiscal year, submit its annual report to the President. It shall likewise submit such periodic or other reports as may be required of it from time to time.

SEC 18. Separability Clause. – Should any provision of this Decree be held unconstitutional, no other provision hereof shall be affected thereby.

SEC 19. Repealing Clause. – All laws, decrees, executive orders, administrative orders, rules or regulations inconsistent herewith are hereby repealed, amended or modified accordingly.

SEC 20. Effectivity. – This Decree shall take effect immediately.

Done in the City of Manila, this 9th day of November, in the year of Our Lord, Nineteen Hundred and Seventy-Three.