

[PRESIDENTIAL DECREE NO. 334, November 09, 1973]

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

WHEREAS, in spite 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 in me vested 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 overall 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, tankage 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 off shore 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 vote 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; and
- (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 (3) million no-par shares to be subscribed, paid for and be voted as follows: