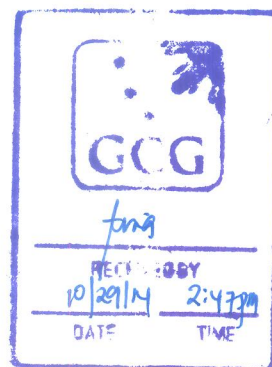


PHILIPPINE NATIONAL OIL COMPANY

ANTONIO M. CAILAO
President & CEO

October 27, 2014



HON. CESAR L. VILLANUEVA
Chairman
Office of the President of the Philippines
Governance Commission for GOCCs
3rd Floor Citibank Center, 8741 Paseo de Roxas
Makati City, Philippines 1226

Dear Chairman Villanueva:

We are transmitting herewith PNOC's "Monitoring Report of Performance Targets" for the 3rd Quarter of this year.

If you need anything, please let me know.

Very truly yours,



Performance Measures				Baseline Data (if available)	Agreed Targets	1st Quarter		2nd Quarter		3rd Quarter	
	Weight 2014	Formula	2013 Targets	2014	Target	Actual	Target	Actual	Target	Actual	
PI 3: Implementation of the Memorandum of Understanding (MOU) between PNOC and PetroleumBRUNEI											
Quality	3	Decision by the PetroleumBRUNEI to invest		100%		During the March 19, 2014 meeting of PetroleumBRUNEI (PB) with the DOE Secretary, PB presented their target final investment decision which is end 2015. We are moving the target on PB's decision to invest from end 2014 to end 2015. PNOC is preparing the GCG request and Board approval to move this target. PB finished their initial Site Selection Study and singled out the decommissioned Aplaya Power Plant as a possible project site, which is owned by PSALM and is outside PHIVIDEC. The challenge now is to come up with an acceptable framework on how to make the site available for PB given the constraints i.e, 54 titles unregistered, public bidding as PSALM is in privatization mode, etc. Note that the original target was based on PB's plan to locate inside PHIVIDEC. With all the options in PHIVIDEC failed, we are now looking into the second alternative described above.		This target is being requested to be moved to end 2015.		The target is being requested to be moved to end 2015. Petroleum Brunei (PB) represented in March 2014, that their investment decision on the planned LNG Receiving Terminal Project in Mindanao will be in December 2015. As a replacement, PNOC also requested to submit instead an acceptable framework by which Petroleum Brunei can acquire the property with target completion date of 31 August 2014. Attached is a copy of PNOC's letter-request to GCG dated April 21, 2014 received by the latter on same date. This framework/report to the DOE Secretary was submitted on 15 August 2014. Attached is the Certification issued by the DOE.	
Timeliness	2	Started in July 2013 with target completion date in 31 December 2014		100%							
5											
PI 4: Sale/ Monetization of Banked Gas											
Quality	8	Scenario 1 - If joint sale: completion of signed agreement between SC38 and PNOC Scenario 2 – If not joint sale: determination of need for Transaction Advisor, certified by the DOE	N/A	100%		We are also proposing to move this target from June to August 2014 for the following reasons: 1) It is taking PSALM a long while to decide on the condition by which we are granting them access to the banked gas. This decision is a pre-condition for SC 38 consortium to have their head office approve the joint sale. Only then can we start drafting and finalizing the joint sale agreement. We have discussed this with PSALM in numerous meetings as early as February, in March 11 and the last one early April. But to date, PSALM has yet to decide. 2) We were also given indication by the SC38 consortium members that it will take months to secure both their HO approval and drafting and finalizing the joint sale agreement. These are circumstances that are not only beyond our control but also unforeseen until now.		During the recent meeting of PNOC with GCG, this performance indicator was requested to be moved by end September 2014.		On 27 August 2014, PNOC wrote GCG after the GCG-PNOC meeting on 04 June 2014, requesting re-extension of this Performance Indicator from September 2014 to December 2014. Attached is a copy of that letter received by the GCG on September 2, 2014. To date, there is no joint sale agreement being worked out, instead, a letter of intent to jointly sell the banked gas was sent to the 3 members of the SC38 Consortium wherein the latter agreed with and signed. PNOC and the SC38 Consortium are currently crafting the Offtake Framework Agreement (OFA) and Terms of Reference (TOR) for the joint sale. For PNOC and the Consortium to jointly sell, the 2 parties should both agree first on the OFA and TOR. The OFA, on the other hand, is contingent on the agreement of PSALM and Napocor to carve-out the Banked Gas.	

Performance Measures			Baseline Data (if available)	Agreed Targets	1st Quarter	2nd Quarter	3rd Quarter	
	Weight 2014	Formula	2013 Targets	2014	Target	Actual	Target	Actual
Timeliness	5	Start in January 2014 with target completion date in 30 June 2014	0%- completion after 30 June 2014 90% -completion on 30 June 2014 95%- completion 1-15 days before 30 June 2014 100% - completion >15 days before 30 June 2014	N/A	100%			
Quality 2	12	Certification by the DOE of the acceptability of the Terms of Reference of the Sale or TA engagement	Pass or fail	N/A	100%			
Timeliness 2	5	Start in June 2014 with target completion date in 31 December 2014	0%- completion after 31 December 2014 90% -completion on 31 December 2014 95%- completion 1-15 days before 31 December 2014 100% - completion >15 days before 31 December 2014	N/A	100%			
	30							

MFO 2- Funding Support for Energy Projects

PI 1: Ability to Fund Projects

Quantity	Amount of funding support appropriated for energy projects	4	Pass or fail	P106.687 million for PNOC-RC	P195.3 million for PNOC-RC	No drawdown request from PNOC RC for the first quarter	No drawdown request from PNOC RC for the second quarter	No drawdown request from PNOC RC for the third quarter
				P146.821 million for BATMAN	P97.3 million for BATMAN	Release of operating expenses amounting to P18,261.00 for the first quarter	Release of operating expenses amounting to P42,759.79 for the second quarter	Release of operating expenses amounting to P27,469.05 for the third quarter
					P15 million Banked Gas	No release of funds for the first quarter	No release of funds for the second quarter	No release of funds for the third quarter
Timeliness	Percentage of funding drawn within 7 banking days from the receipt of complete documents	5	Pass or fail	100%	100%	Funds released within 2 days upon receipt of complete documents	Funds released within 2 days upon receipt of complete documents	Funds released within 2 days upon receipt of complete documents
Quality	Funds will be made available as and when needed. Certification of drawdown or non-drawdown (not needed) by Subsidiary or Treasurer	1	Pass or fail	100%	100%			
Subtotal of Weights:		10						
Weights:		100						

Noted by:

RAINIER B. BUTALID
Commissioner, GCG

ANTONIO M. CAILAO
President, PNOC

CARLOS JERICO L. PETILLA
Secretary, DOE