

## Energy



20 October 2008 –  
31 October 2008

### In the News

**Nido Petroleum, Kairiki Energy joint venture strikes oil in second RP field**

**Biofuel production plant secures fiscal incentives**

**Petron to buy Galoc's initial cargo of crude oil**

**Ethanol plant to rise in Isabela**

**Dutch firm to evaluate West Palawan prospects**

**SMC eyes Ashmore's 50.57% stake in Petron**

**Ethanol plant to start production soon**

This industry update from KPMG Manabat Sanagustin & Co. is a bi-weekly collection of the latest news and developments from the country's Industrial Markets - Energy sector. We hope that you will find this service, which the Firm provides its clients for the different Lines of Business, interesting and useful.

If you wish to unsubscribe or discontinue from receiving these updates, simply notify us by replying to this e-mail.

If you want us to send this to any other member of your company, please contact Mitzel M. Ladia, KPMG Markets Communications Officer, at +632 8857000 loc 269 or at [mladia@kpmg.com](mailto:mladia@kpmg.com).

### IN THE NEWS:

#### **Nido Petroleum, Kairiki Energy joint venture strikes oil in second RP field**

Barely two months after striking oil in the Philippines, the joint venture of Nido Petroleum Ltd. and Kairiki Energy Ltd. confirmed another discovery in an exploration well in offshore northwest Palawan basin. The joint venture announced that its initial find at the Tindalo-1 well that yielded traces of oil has been confirmed through further tests. Analysis conducted by the two Australian firms on initial tests on the well indicated an oil column of at least 134 meters, comparing favorably with the 78 meter to 93 meter oil column discovered in the previous Yakal-1 well in service contract (SC) 54. SC 54 is operated by Nido with a 60-percent stake. Kairiki through its local unit Yilgarn Petroleum Philippines controls the remaining 40 percent. The first well in the SC 54 drilling program, Yakal-1, resulted in an encouraging oil discovery in the Nido Formation and was immediately followed by the second at the Tindalo-1 about 5.5 kilometers away, resulting in over 200 meters of combined oil column intersected between the two wells.

<http://www.manilatimes.net/national/2008/oct/24/yehey/business/20081024bus13.html>

#### **Biofuel production plant secures fiscal incentives**

ROXOL Bioenergy Corp. secured pioneer status, allowing it to enjoy a number of fiscal incentives, for its planned bioethanol production facility, the Board of Investments (BOI) said. In a statement, the BOI said the company's P1.138-billion anhydrous ethanol project in La Carlota City, Negros Occidental, was given pioneer status because bioethanol is one of the biofuels the government is promoting. This bioethanol plant would require around 365 tons of molasses a day, or 131,400 tons per year, to generate around 100,000 liters a day of anhydrous ethanol, or 36 million liters a year. Roxol Bioenergy invested in large-scale bioethanol production because of the growing market for renewable fuels with the implementation of the Biofuels Act of 2006. The company's bioethanol yields would be distributed to various oil companies in the country. The company's P292-million potable ethanol-production plant also in La Carlota City also secured non-pioneer status, as it falls under the listing of agriculture/agribusiness agricultural byproduct (molasses) of the 2008 Investment Priorities Plan. This investment would produce around 6 million liters of spirit blend ethanol per year. Potable ethanol has many industrial applications and would be readily sold to manufacturers as such.

<http://www.manilatimes.net/national/2008/oct/31/yehey/business/20081031bus14.html>



## KPMG LOB Contacts

**Jose P. Javier**  
**Audit Services**  
[jpjavier@kpmg.com](mailto:jpjavier@kpmg.com)

**Gina J. Soberano**  
**Tax & Corporate Services**  
[gsoberano@kpmg.com](mailto:gsoberano@kpmg.com)

**Reginald C. Nery**  
**Risk Advisory Services**  
[rcnery@kpmg.com](mailto:rcnery@kpmg.com)

**Michael H. Guarin**  
**Business and Financial  
Advisory Services**  
[mguarin@kpmg.com](mailto:mguarin@kpmg.com)

### **Petron to buy Galoc's initial cargo of crude oil**

The Philippines' largest oil refiner said it would buy the initial cargo of crude from the Galoc oil field. In a statement, Petron Corp. said that it has reached an agreement with Galoc Production Co. (GPC) for the purchase of the first cargo of Palawan light crude oil produced from the said field in offshore Northwest Palawan at internationally benchmarked prices. The cargo shipment of 300,000 barrels of Palawan light crude is expected to arrive at Petron's Bataan refinery in the second week of November. The next cargo from Galoc is expected by late November. The Bataan refinery has a capacity of 180,000 barrel a day. GPC had earlier offered Palawan light to Petron and Pilipinas Shell Petroleum Corp. after the government called on the company to prioritize the domestic market. Shell officials, however, said that its refinery is incapable of processing the crude, leaving Petron as the lone possible local buyer. The GPC-operated Galoc field is the country's first oil development project in over a decade and a half. GPC is jointly owned by a subsidiary of the Vitol Group and Otto Energy Ltd. The Galoc field has been producing for over 20 days, during which the average output stood at about 15,000 barrels a day, including approximately one week of commissioning and production testing. <http://www.manilatimes.net/national/2008/oct/31/yehey/business/20081031bus11.html>

### **Ethanol plant to rise in Isabela**

ILAGAN, Isabela – All is set for the establishment of a P3.5-billion biofuel farm and ethanol plant capable of producing 125,000 liters of ethanol per day in a former logging town in this province. San Mariano Mayor Edgar Go said the Japanese investors have visited the 300-hectare site and have given the go-signal for the project. "It's all systems go for the project. The contractor and Japanese investors have seen and inspected the site. Besides, nobody has raised any protest against the project since our constituents know this would be an additional livelihood for them," Go said. A former logging area and hotbed of communist insurgency, San Mariano, one of Cagayan Valley's biggest municipalities in terms of area, lies on the foothills of the Sierra Madre mountain range. Aside from the ethanol processing plant, the project will consist of a 90-hectare nursery, part of a 300-hectare farm to be planted with sugarcane, the project's main raw material for ethanol production. "The construction of the plant will (be in) several phases. When it is completed, the processing plant will be able to produce some 125,000 liters of ethanol per day from sugarcane," he said. <http://www.philstar.com/archives.php?aid=2008102648&type=2>

### **Dutch firm to evaluate West Palawan prospects**

Dutch firm Fugro NV is expected to enter into an agreement with the Department of Energy (DOE) for a "multi-client" seismic acquisition program in the West Palawan area. The DOE has considered West Palawan as one of the potential areas for oil reserves. The area is composed of Northwest Palawan, Southwest Palawan and the Reed Bank. Based on initial data, about nine billion barrels of oil can be extracted from the West Palawan and the Sulu Sea. There have been several oil and gas exploration programs in the West Palawan area since the 1960s. In 1976, Philippine Cities Service drilled Nido-1, which became the first oil discovery in the Northwest Palawan basin. Fugro's data collection equipment includes around 50 vessels, hundreds of CPT (cone penetration test) and drilling units, 50 aircraft and helicopters, more than 100 ROVs (remotely operated vehicles), and four AUVs (autonomous underwater vehicles), as well as advanced (satellite) positioning systems. <http://www.philstar.com/archives.php?aid=2008102685&type=2>

### SMC eyes Ashmore's 50.57% stake in Petron

Southeast Asia's largest conglomerate San Miguel Corp. (SMC) is believed to be casting a moist eye on the London-based Ashmore Group's 50.57-percent interest in Petron Corp., according to reliable sources. One source said foreign investment fund Ashmore, struggling in the growing global financial crisis, is reportedly in talks over the sale of its entire stake in Petron to San Miguel. However, San Miguel president Ramon S. Ang confirmed that the company is interested in acquiring the remaining 40-percent government stake in Petron and might partner with a foreign company to support its bid. San Miguel's Ang earlier said the company would only pay the right and reasonable price for an acquisition. San Miguel earlier said it would not buy businesses where it would not own a controlling stake. San Miguel remains on the lookout for opportunities in the power sector in spite of failed attempts to enter the highly-lucrative industry as part of a major diversification plan aimed at further spurring growth. Ashmore, on the other hand, has received a lot of flak from its critics after acquiring Saudi Aramco's 40 percent stake in Petron last March. Critics said Ashmore was not the type that would hold on to its shares in Petron and would turn around and sell its investment. In the third quarter, Ashmore's assets under management lost 14.7 percent to \$32 billion. <http://www.philstar.com/archives.php?aid=2008101925&type=2>

### Ethanol plant to start production soon

The full commercial operations of an integrated cane-based ethanol and power co-generation plant partly funded by DTI's National Development Company would begin soon, the Department of Trade and Industry said in a statement. According to NDC, construction of San Carlos Bio-energy Inc.'s plant is at present 94-percent complete and the facility is scheduled to be commissioned next month. The plant, which is located within the San Carlos Agro-Industrial Economic Zone in San Carlos City, Negros Occidental, would have a cane mill capable of milling 450,000 metric tons a year, a carbon dioxide recovery plant, an integrated wastewater treatment plant and a bio-composting facility for organic fertilizer. It is the first of its kind in Asia, said. San Carlos Bio-energy Inc.'s plant is expected to generate about 40 million liters of fuel-grade ethanol and about 60 million kilowatt-hours of renewable electricity annually. San Carlos Bio-energy Inc. already has an off-take agreement with oil firm Petron Corp., and also a supply agreement with Negros' sugar planters. NDC's P211.75-million investment in San Carlos Bio-energy Inc. represents a 25-percent share in the company, while the venture's bulk of funding came from investors in the private sector. <http://www.manilatimes.net/national/2008/oct/23/yehey/business/20081023bus11.html>

### Philippine Stock Exchange Weekly Top Gainers

#### Last Trade Price, Comparative Price Change & Total Value

Rank	Stock	Last Traded Price (in P)	Comparative Price Change (%)		Total Value (in P'000)
			1 Week	4 Weeks	
1	Phoenix Petroleum Philippines, Inc.	3.35	39.58	(17.28)	1,337
2	DMCI Holdings, Inc.	2.65	36.60	(28.38)	46,772
3	First Philippine Holdings Corporation	18.00	30.91	(10.00)	192,226
4	Wellex Industries, Inc.	0.1500	25.00	(14.29)	2,550
5	Pacifica, Inc. "A"	0.0775	24.00	(18.42)	3,827
6	Abra Mining & Industrial Corporation	0.0042	23.53	(30.00)	1,119
7	Sta. Lucia Land, Inc.	0.61	22.00	(23.75)	6



8	Manila Electric Company	58.50	21.88	-	514,565
9	Crown Equities, Inc.	0.0340	21.43	(43.33)	5,092
10	Abacus Consolidated Resources and Holdings, Inc. "A"	0.0060	20.00	(14.29)	251
10	Benguet Corporation "B"	13.50	20.00	(15.63)	4
10	Basic Energy Corporation	0.1800	20.00	-	28
10	Fil-Estate Land, Inc.	0.2400	20.00	(31.43)	2,947
10	Music Semiconductors Corporation	0.1800	20.00	(37.93)	19,161
10	Oriental Petroleum and Mineral Corporation "A"	0.0120	20.00	(42.86)	6,475

### Philippine Stock Exchange Weekly Top Gainers PER, EPS & BPV

Rank	Stock	PER	EPS	PBV
1	Phoenix Petroleum Philippines, Inc.	5.79	0.58	1.04
2	DMCI Holdings, Inc.	4.51	0.59	0.38
3	First Philippine Holdings Corporation	7.45	2.42	0.27
4	Wellex Industries, Inc.	(7.54)	(0.02)	0.36
5	Pacifica, Inc. "A"	(265.52)	(0.0003)	23.38
6	Abra Mining & Industrial Corporation	(132.56)	(0.00003)	0.43
7	Sta. Lucia Land, Inc.	(8.62)	(0.07)	0.05
8	Manila Electric Company	18.03	3.25	1.21
9	Crown Equities, Inc.	25.18	0.001	0.31
10	Abacus Consolidated Resources and Holdings, Inc. "A"	3.60	0.002	0.80
10	Benguet Corporation "B"	12.83	1.05	(1.40)
10	Basic Energy Corporation	(2.61)	(0.07)	0.56
10	Fil-Estate Land, Inc.	7.46	0.03	0.09
10	Music Semiconductors Corporation	8.82	0.02	1.13
10	Oriental Petroleum and Mineral Corporation "A"	15.29	0.001	1.12

Source: Philippine Stock Exchange, Weekly Market Watch, VOL. II NO. 44

### Philippine Stock Exchange Index Composition for Mining and Oil As of Nov. 3, 2008

SECURITY NAME	PRICES	OUTSTANDING SHARES	FREE FLOAT LEVEL	FREE FLOAT - ADJUSTED MARKET CAPITALIZATION	% WEIGHT
APEX MINING COMPANY, INC. "A"	1.80	458,981,818	26.0%	214,803,490.82	0.73
APEX MINING COMPANY, INC. "B"	1.86	295,731,885	28.0%	154,017,165.71	11.54
ABRA MINING & INDUSTRIAL CORP.	0.0044	108,046,882,574	53.0%	251,965,330.16	0.08



### Feedback

Please contact Jose T. Valencia (+632 885 7000 ext: 208 or [jvalencia@kpmg.com.ph](mailto:jvalencia@kpmg.com.ph)) or Mitzel Ladia (+632 885 7000 ext: 269 or [mladia@kpmg.com.ph](mailto:mladia@kpmg.com.ph)) to discuss your views/suggestions.

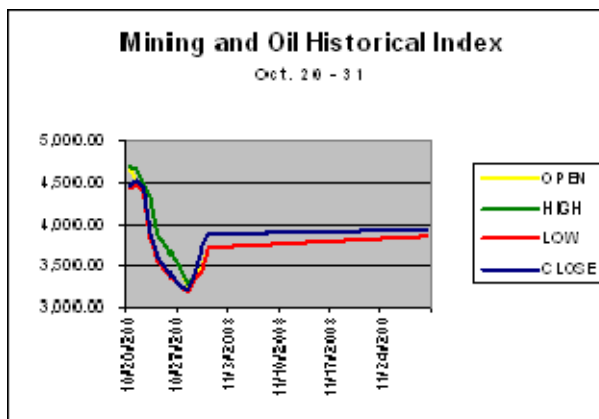
### Subscribe | Unsubscribe | Privacy & Disclaimer

Privacy & Disclaimer

This publication is a summary of publicly reported information, the accuracy of which has not been verified by KPMG. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2008 KPMG Manabat Sanagustin & Co., certified public accountants, a professional partnership established under Philippine law, is a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. All rights reserved.

ATLAS CONSOLIDATING MINING & DEVELOPMENT CORP.	4.95	1,036,631,196	45.0%	2,309,095,989.09	32.94
BENGUET CORPORATION "A"	7.00	93,755,452	40.0%	262,515,265.60	10.05
BENGUET CORPORATION "B"	13.75	57,049,272	74.0%	580,476,342.60	0.40
BASIC ENERGY CORP.	0.18	2,289,373,907	99.0%	407,966,430.23	0.26
GEOGRACE RESOURCES PHILIPPINES, INC.	0.53	2,522,105,615	98.0%	1,309,981,656.43	12.30
LEPANTO CONSOLIDATING MINING "A"	0.0875	20,030,102,627	85.0%	1,489,738,882.88	10.35
LEPANTO CONSOLIDATING MINING "B"	0.0925	133,353,383,886	84.0%	1,037,557,927.94	1.42



Source: Philippine Stock Exchange, PSE Composite and Sectoral Indices