



9 October 2008

Philippines Galoc Field Development – First Oil

(Taguig City, Philippines) In a joint press statement, Energy Secretary Angelo T. Reyes and Jeff Davison, Chief Operating Officer (COO) of Galoc Production Company (GPC) announced Galoc Field has commenced production of oil on 9 October 2008. The first well was opened at 10.45am and oil was onboard at 11.20am.

"We embrace this significant development as this will help immensely in our pursuit to be energy self-sufficient. We are expecting to get 20,000 barrels a day in the first 90 days of commercial production. That will provide for 6% of the daily oil demand of the country. We are on the right track in utilizing our indigenous sources," Sec. Reyes said in a statement. "Opening the country for more investment opportunities such as this one will eventually benefit everyone. In a time of uncertainties in oil prices, this will benefit the country and make us less reliant on imported crude oil and save millions of dollars in importation cost," he concluded.

Jeff Davison, COO of GPC, on the other hand, stated that "development of any offshore field presents a unique set of challenges – a small field like Galoc in a remote location particularly so. The GPC team has invested 3 years of committed and concerted effort to bring the Galoc Field into production. Achievement of this milestone is a credit to the Department of Energy which has worked relentlessly to promote oil and gas activity in the Philippines, our joint venture partners and our key contractors. It is a momentous day for us all."

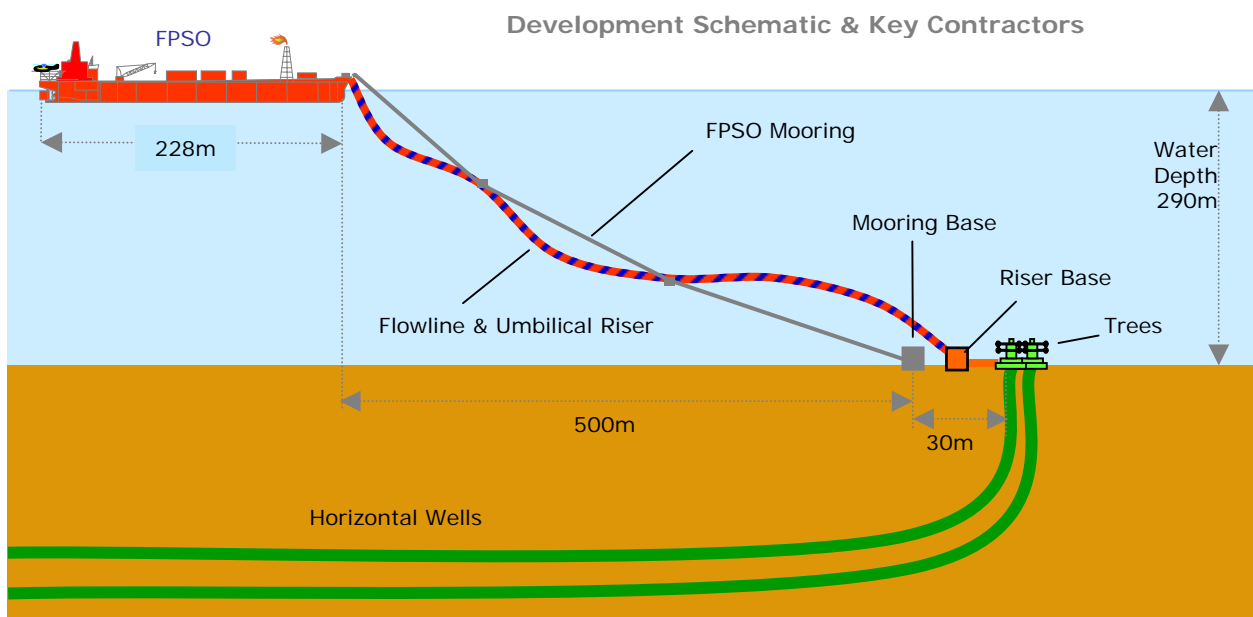
Both Sec. Reyes and Mr. Davison expressed deep satisfaction over the success of achieving oil production from the Galoc Field.

Once production has stabilized following flow testing which will be undertaken over the coming weeks, production is expected to reach about 20,000bopd from the 2 wells with an average of about 17,000bopd over the remainder of 2008. The reserves estimate in Galoc is approximately 10 million barrels based on an assessment in 2006 for a 2 well development. Assessment of the ultimate potential with a view to further development will be undertaken during the initial 6 months of production.

The Galoc Field was discovered in 1981 with further appraisal undertaken in 1988. The field was not developed at that time due to the combination of risks associated with the reservoir and low oil price. Since then advancements in technology have both improved the capability of defining the reservoir and resulted in the need for fewer wells to access the reserves than previously necessary. This has been successfully achieved with the recently drilled horizontal development wells Galoc-3 and Galoc-4. Presently production is from the first well with the second well due to come on-line shortly.



The current development was initiated in mid 2005 when Galoc Production Company WLL (GPC) farmed in to the existing Service Contract SC14-C Galoc Sub-Block. Since that time GPC, which is jointly owned by a subsidiary of the Vitol Group and Otto Energy Limited, has worked in conjunction with its joint venture partners; Nido Petroleum Pty Ltd, Oriental Petroleum and Minerals Corporation, The Philodrill Corporation, Forum Energy Philippines Corporation, Alcorn Gold Resources Corporation and PetroEnergy Resources Corporation to rapidly appraise and bring the Galoc Field into production. Progress has been dependent on availability of the necessary drilling rig, completion of the FPSO, and most recently several typhoons affecting conditions at the offshore field.





Additional Notes

The Galoc field is located in Service Contract SC14-C (Galoc Sub Block) in 290m of water approximately 65km north west of Palawan in the Republic of the Philippines. The development involves the construction of two subsea completed horizontal production wells, with extended reservoir contacts, tied back to a Floating Production Storage and Offloading (“FPSO”) facility via a short seabed pipeline and mid water riser system. Most likely oil reserves as estimated at time of commitment to the development in 2006, is approximately 10 million barrels. The reserves estimate and requirement for additional wells and facility capacity will be reassessed following an analysis of results from initial field production performance.

The participating interests in the Galoc Field are as follows:

Participant	Participating Interest %
Galoc Production Company W.L.L. ¹ (Operator)	58.29
Nido Petroleum Philippines Pty Ltd	22.28
The Philodrill Corporation	7.03
Oriental Petroleum & Minerals Corporation/ Linapacan Oil Gas & Power Corporation	7.57
Forum Energy Philippines Corporation	2.27
Alcorn Gold Resources Corporation	1.53
PetroEnergy Resources Corporation	1.03

1 Galoc Production Company is owned by;
Vitol 68.6%
Otto Energy 31.4%

Further information on GPC and the Galoc Field can be obtained from:

- GPC’s website www.galoc.com
- via email, at enquiry@galoc.com
- or by contacting
 - Jax Mariano
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Frequently Asked Questions

Where is the Galoc Field?

The Galoc Field is located in 290m of water to the west of the northern tip of Palawan, and about 50kms west of Culion Island, Republic of the Philippines.

Who is the Operator of the Galoc Field? What is the relationship between the DOE and the Operator?

Galoc Production Company (GPC) was formed in mid 2005 with the primary objective of developing the Galoc Field.

GPC concluded a Farm-In Agreement with the Service Contract 14C Galoc Sub Block (SC-14C) consortium in August 2005. This was followed by an approval from the DOE of GPC as Operator of SC-14C.

As Operator, GPC is responsible for the operations undertaken on behalf of the joint venture partners of SC14-C. This includes engineering, planning, budgeting and operation of field using internationally accepted industry standards, and reporting to the DOE. GPC is also responsible, in conjunction with the DOE, for liaison with other stakeholders and public announcements.

Who are involved in the SC-14C Galoc Joint Venture?

Involved in the Galoc Joint Venture are 2 foreign companies, Galoc Production Company (58.3%) and Nido Petroleum Philippines Pty Ltd (22.3%), and 5 Filipino companies, Oriental Petroleum and Minerals Corporation (7.6%), The Philodrill Corporation (7.0%), Forum Energy Philippines Corporation (2.3%), Alcorn Gold Resources Corporation (1.5%) and PetroEnergy Resources Corporation (1.0%).

What activities are there at the field?

There is an Extended Production Test being undertaken to establish the quantity of oil that can be recovered from the field in a commercially viable manner, this quantity being termed Reserves.

Operations in the field will be controlled from the FPSO with the seabed equipment remotely operated. Crude oil will be offloaded to a tanker which will connect to the FPSO once there is quantity stored on the FPSO. This will occur on a regular basis, nominally for 30 hours every 15 days.

A support boat will also operate in the field when not engaged in transporting supplies to and from the onshore supply base at Batangas. The 30-man crew for the FPSO will be transferred to and from the FPSO by helicopter operating from Manila.



Is this the first time oil has flowed from the Galoc Field?

Oil has previously flown from the Galoc Field during the 1980's, this was undertaken to assist in establishing the volume of oil that could be commercially produced. The production test produced 380,000 barrels of 37.2° API crude, however, the field was not developed at that time due to the combination of risk associated with the reservoir, low oil price and available technology.

What is an FPSO?

An FPSO is a Floating Production, Storage and Offloading unit used by the offshore oil and gas industry today. It is similar in appearance to an oil tanker but also carries on board all the necessary production and processing facilities normally associated with a fixed oil and gas platform. Fluids from the reservoir are processed with oil transferred to onboard storage tanks. Once sufficient volume has been accumulated, oil is transferred to a tanker for transportation to a refinery.

How is crude oil produced?

Fluids flow from the underground reservoir through 2 wells that are controlled by equipment located on the seabed. This equipment on the sea floor includes valves at the well (a "Christmas tree"), a manifold to connect the two wells together into one flowline (a "Riser Base") that connects to the FPSO. Once at the FPSO, the fluids are processed to separate oil from water and gas.

Where does the oil go?

Once sufficient volume has been accumulated, oil is transferred to a tanker for transportation to a refinery. Offtake tankers will connect to the FPSO using a mooring hawser and a flexible hose through which the oil will be transferred. A support vessel will be in attendance to assist efficient completion of the operation.

Where does the gas go?

Gas recovered from the well fluids is used for generation of power and heat needed in the processing of the fluids; the excess is flared. The quantity produced is not sufficient to enable commercial use, however, production data will be used to continually re-assess the potential for commercial development or re-injection. Gas is flared in order to avoid release of methane gas into the atmosphere. Methane gas is 20 times more potent than carbon dioxide.

Where does the water go?

Water is processed with several sequential treatments to remove traces of oil to a target level of 15ppm, once this has been achieved it is released to the sea. In the event that traces of oil remain, water is retained onboard and reprocessed until an acceptable level is achieved prior to discharge.



What is the oil quality?

Oil from the Galoc Field is a light medium crude oil with API gravity of 36.1o with 1.7% sulphur quantity. It has a high yield of light ends, such as gasoline, and has been named Palawan Light.

What is the production capacity of the FPSO? What are its specifications?

The production capacity of the FPSO, Rubicon Intrepid, is 25,000 barrels per day. It has a capacity to store 400,000 barrels of oil and is located in the field using a combination of dynamic positioning assistance and a mooring system which allow it to disconnect and sail away to safety during bad weather conditions.

What are the estimated reserves?

Predicting reserves in an oil field over a mile underground invariably leads to a wide range in results. Initial estimates by an independent auditor in June 2006 gave a range of 5 to 14mmbbls with 9mmbbls most likely. The reserves will be reassessed once sufficient production data is available; meanwhile data obtained during drilling of the wells indicate that the reserves will be revised upwards. This re-assessment of reserves will be once again undertaken by an independent reserves auditor.

What rate will the wells produce at? What is the expected life of the current development?

The two new development wells were produced for a short time earlier this year to clean up the well bores in anticipation of production. The rates and pressure data collected at this time indicate the wells will produce at an initial rate of about 20,000bopd.

Given current reserves and production rate estimates, the current development is expected to last between 3 to 5 years.

What is the extent of the subsea equipment installed? Will it affect marine life?

Equipment on the seabed includes valves at the wellheads ("Christmas tree"), a manifold to connect the two wells together into one flowline ("Riser Base") and a gravity mooring base. Equipment above the seabed includes the mooring and riser system that connects the seabed equipment to the FPSO. This equipment is all within a 500m radius and will have minimal impact to marine life.

How significant will production from Galoc Field be to oil demand in the Philippines?

Production of 20,000 bbl/day is approximately 6% of Philippine consumption of around 300,000 bbl/day.



DEPARTMENT OF ENERGY
Energy Center, Merritt Rd., Fort Bonifacio,



How much is the Government share from the project?

The Department of Energy will receive 60% of net profit on behalf of the government.

Are there employment opportunities for Filipinos?

Yes - the majority of personnel working on Galoc Field are from the Philippines in addition to service contracts with Philippine companies.

What is the likelihood of an environmental incident resulting from an oil spill?

The likelihood of an oil spill reaching landfall from Galoc Field operations is very low. The Galoc Field is more than 50 km to nearest landfall. Based on the Oil Spill Trajectory Modeling and Oil Spill Risk Assessment conducted by GPC, the probabilities of a significant oil spill occurrence reaching landfall using applicable statistics from the Gulf of Mexico during operations is 1 in 2,000 years.

What preventive measures are in place to avoid the risk of an oil spill?

GPC has designed its activities to minimize the possibility of accidental discharge of crude oil to the environment. These involve 3 aspects:

Technology. Galoc wells and production facilities will be equipped with fail-close valves; these ensure containment of oil should there be any failure in the process system.

Security. Establishment of a restricted zone, an altitude of 500m and a 3-km radius from the location of Galoc Wells, together the Philippine Coast Guard, Air Transport Office and Joint Task Force Malampaya.

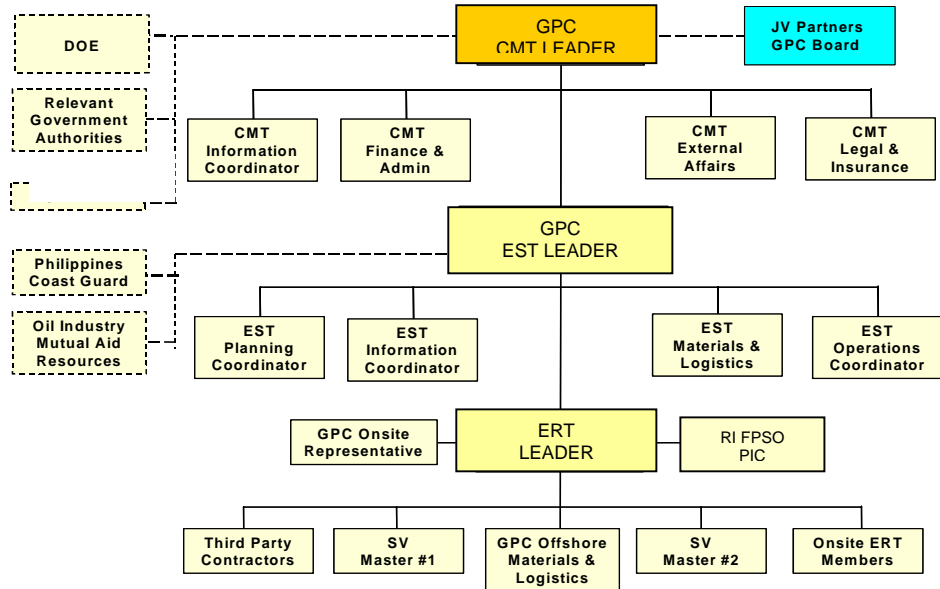
Organization. Development of an Emergency Organization Structure to implement GPC's Oil Spill Contingency Plan and Emergency Plan, and ensure that training and emergency drills will be undertaken on board all vessels and GPC offices.



GPC Emergency Organization Structure

Abbreviations

- DOE – Department of Energy
- CMT – Crisis Management Team
- EST – Emergency Support Team
- ERT – Emergency Response Team
- FPSO – Floating Production Storage and Offloading vessel
- PIC – Person In-Charge
- SV – Supply Vessel



In an event of an oil spill, are there programs in place to ensure continued livelihood for affected communities?

As soon as commercial viability of the Galoc Field is proven, a Social Development Program will be implemented as part of GPC’s corporate social responsibility. This will be developed based on site specific needs of the target communities (i.e. Busuanga, Culion & Linapacan) giving emphasis to alternative livelihood and education, as these are the most common concerns identified during the IEC (Inform, Educate, Communicate) Campaign held in 2006.

Are there measures in place to mitigate an oil spill?

GPC has an Oil Spill Contingency Plan in place. The following diagram summarizes the process that will be involved to ensure that any oil spill incident is properly managed.



Oil Spill Response Pathway

Abbreviations

- OSCP – Oil Spill Contingency Plan
- PCG – Philippine Coast Guard
- DSV – Drilling Supervisor
- ESTL – Emergency Support Team Leader
- JVP – Joint Venture Partners

