



PXP ENERGY CORPORATION
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July 29, 2019

PHILIPPINE STOCK EXCHANGE, INC.

6/F, PSE Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Attention: **MS. JANET A. ENCARNACION**
Head, Disclosure Department

Gentlemen:

We write with respect to your letter dated July 29, 2019, seeking clarification and/or confirmation on the news article entitled "PXP Energy firming up \$6-B investment for Recto Bank gas project" posted in Manila Bulletin (Online Edition) on July 27, 2019. The article reported in part that:

"PXP Energy Corporation is firming up to US\$6.0 billion worth of investments from the time it is finally allowed to resume exploration activities at the Recto Bank and that is up to the extent when the portended gas discovery merits commercial development.

At the estimated scale that could match the size of the Malampaya field, PXP Energy Chairman Manuel V. Pangilinan said the magnitude of investment will be huge and the company itself would not be able to pursue that without deep-pocketed as well as technically equipped partner.

'We're estimating anywhere between US\$4-billion to US\$6-billion investment requirements to develop the gas field,' he stressed. By far, that is anchored on assumptions that there will eventually be commercial gas deposits that can be extracted from the block.

Pangilinan is of course cognizant of present realities that PXP Energy may not still be able to carry out extended seismic survey or drillings at the Recto Bank, because Service Contract 72 had been among those covered by the oil and gas exploration moratorium because of the lingering diplomatic tussle with China.

He thus noted that he agrees with President Rodrigo Duterte's stance that the two governments must first agree on a mutually acceptable joint exploration framework before resumption of drilling activities at the so-called conflict areas.

In the end, he stated that the 'joint deal' with China may be beneficial even to the local players who have been sorting out partnership with Chinese companies in their oil and gas exploration ventures.
. . . ."

We confirm the above statements of our Chairman, Mr. Manuel V. Pangilinan which were made in the context that SC 72 is a very long term project, the development of which remains contingent on many factors which will impact the timing and costs of the project. The Company remains focused on the lifting of the force majeure imposed on Service Contracts ("SC") 72 and 75 by the Department of Energy to allow exploration activities to resume. The Company will update its shareholders in due course when there are material developments with regard to these SCs.

PXP has a direct interest of 50% in SC 75 and a total economic interest of 53.1% in SC 72 through its 79% direct and indirectly owned subsidiary, Forum Energy Limited ("Forum"). Forum has a participating interest of 70% in SC 72.

Very truly yours,

(Signed)
Mark H. Rilles
Finance Controller