



PXP ENERGY CORPORATION
(formerly Philex Petroleum Corporation)
2nd Floor LaunchPad
Reliance corner Sheridan Streets
Mandaluyong City 1550 Philippines
Tel.: (632) 8631-1381 to 88
Fax: (632) 8570-0686

December 3, 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 provide the following information in response to the PSE's request for clarification/confirmation regarding newspaper articles published on December 3, 2019 involving PXP Energy Corporation ("PXP"), including the online news article entitled "DOE says no to PXP's integrated gas proposal" posted on Inquirer.net on December 3, 2019. The article reported in part that:

....

"THE Department of Energy has turned down an unsolicited proposal from the MVP group, in which PXP Energy Corp. intends to combine its natural gas prospect at the Recto Bank and the existing Malampaya project to build an integrated gas hub."

DOE officials, in a briefing on Monday, said this was mainly due to Chevron Philippines having already made a deal with Davao-based businessman Dennis Uy's Udenna Corp.

We advised PXP that [we cannot entertain] their proposal, 'Energy Undersecretary Leonido J. Pulido III said.

'The reason is very basic, 'Pulido said. 'We have PCECP and under that legal framework, we only have two ways to award service contracts and oil exploration permits – one is through pre-determined areas and nomination.'

....

'However, what they (PXP) did is they submitted an unsolicited proposal over an area with an existing service contract so we had to deny that, 'Pulido said

....

We confirm that on November 25, 2019 PXP received the response of the Philippine Department of Energy (the "DOE"), through a Letter dated November 18, 2019, which stated that the unsolicited proposal (the "Unsolicited Proposal") submitted by PXP for the strategic development and utilization of an Integrated Gas Hub in Malampaya upon the expiration of

Service Contract No. 38 (“SC38”) in 2024 (the “Project”) cannot be accepted because the service area covered by SC 38 is still subject to a valid and existing contract.

As Previously disclosed to the PSE, PXP submitted the Unsolicited Proposal to the DOE on November 11, 2019. Under the Unsolicited Proposal, the Malampaya infrastructure and distribution network (the “Malampaya Facilities”), which is strategically positioned in the West Philippine Sea, is envisioned to support the continued development of the Malampaya resources, as well as the economic development of the Sampaguita Field and other nearby prospects under Service Contract No. 72, which is operated by PXP through Forum (GSEC 101) Limited. The Project intends to ensure energy security in the country from indigenous natural gas resources for the next 25 years and beyond, while bringing in significant revenues to the Philippine Government. The use of the Malampaya Facilities as an Integrated Gas Hub will also support the development of a robust indigenous gas industry. These benefits of the Project are (a) consistent with the DOE’s commitment to pursue national development through the two-fold agenda of attaining energy independence and implementing power market reforms as contained in the Philippine Energy Plan, and (b) aligned with the DOE’s clean fuel strategy, including the reduction of dependence on coal. The Unsolicited Proposal is also seen to yield substantial foreign exchange savings resulting from the reduced importation of coal and other fuel supply.

At this time, PXP is considering other options in pursuing the Project including the submission of a letter to the DOE for a reconsideration of the Unsolicited Proposal given the expected benefits of the Project to the country.

We trust that you will find the foregoing response in order. We will provide other relevant information in case there are developments.

About PXP Energy Corporation

PXP is an upstream oil and gas company incorporated in the Philippines whose shares are listed on the Philippine Stock Exchange. The Company directly and indirectly owns oil and gas exploration and production assets located in the Philippines, and indirectly owns an exploration asset located in offshore Peru.

For further information, please contact:

Mark H. Rilles

Finance Controller

PXP Energy Corporation

Telephone: (632) 8 631 1381

Email: mhrilles@pxpenergy.com.ph