

INDUSTRIAL ENTERPRISES, INC., PETITIONER, VS. THE HON. COURT OF APPEALS, MARINDUQUE MINING & #038; INDUSTRIAL CORPORATION, THE HON. GERONIMO VELASCO, IN HIS CAPACITY AS MINISTER OF EN...

G.R. NO. 88550. April 18, 1990

Ponente: MELENCIO-HERRERA, J.

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MELENCIO-HERRERA, J.:

This petition seeks the review and reversal of the Decision of respondent Court of Appeals in CA-G.R. CV No. 12660,[1] which ruled adversely against petitioner herein.

Petitioner Industrial Enterprises Inc. (IEI) was granted a coal operating contract by the Government through the Bureau of Energy Development (BED) for the exploration of two coal blocks in Eastern Samar. Subsequently, IEI also applied with the then Ministry of Energy for another coal operating contract for the exploration of three additional coal blocks which, together with the original two blocks, comprised the so-called "Giporlos Area."

IEI was later on advised that in line with the objective of rationalizing the country's over-all coal supply-demand balance x x x the logical coal operator in the area should be the Marinduque Mining and Industrial Corporation (MMIC), which was already developing the coal deposit in another area (Bagacay Area) and that the Bagacay and Giporlos Areas should be awarded to MMIC (Rollo, p. 37). Thus, IEI and MMIC executed a Memorandum of Agreement whereby IEI assigned and transferred to MMIC all its rights and interests in the two coal blocks which are the subject of IEI's coal operating contract.

Subsequently, however, IEI filed an action for rescission of the Memorandum of Agreement with damages against MMIC and the then Minister of Energy Geronimo Velasco before the Regional Trial Court of Makati, Branch 150,[2] alleging that MMIC took possession of the subject coal blocks even before the Memorandum of Agreement was finalized and approved by the BED; that MMIC discontinued work thereon; that MMIC failed to apply for a coal operating contract for the adjacent coal blocks; and that MMIC failed and refused to pay the reimbursements agreed upon and to assume IEI's loan obligation as provided in the Memorandum of Agreement (Rollo, p. 38). IEI also prayed that the Energy Minister be ordered to approve the return of the coal operating contract from MMIC to petitioner, with a written confirmation that said contract is valid and effective, and, in due course, to convert said contract from an exploration agreement to a development/production or exploitation contract in IEI's favor.

Respondent, Philippine National Bank (PNB), was later impleaded as co-defendant in an Amended Complaint when the latter with the Development Bank of the Philippines effected extra-judicial foreclosures on certain mortgages, particularly the Mortgage Trust Agreement, dated 13 July 1981, constituted in its favor by MMIC after the latter defaulted in its obligation totalling around P22 million as of 15 July 1984. The Court of Appeals eventually dismissed the case against the PNB (Resolution, 21 September 1989).

Strangely enough, Mr. Jesus S. Cabarrus is the President of both IEI and MMIC.

In a summary judgment, the Trial Court ordered the rescission of the Memorandum of Agreement, declared the continued efficacy of the coal operating contract in favor of IEI; ordered the reversion of the two coal blocks covered by the coal operating contract; ordered BED to issue its written affirmation of the coal operating contract and to expeditiously cause the conversion thereof from exploration to development in favor of IEI; directed BED to give due course to IEI's application for a coal operating contract; directed BED to give due course to IEI's application for three more coal blocks; and ordered the payment of damages and rehabilitation expenses (Rollo, pp. 9-10).

In reversing the Trial Court, the Court of Appeals held that the rendition of the summary judgment was not proper since there were genuine issues in controversy between the parties, and more importantly, that the Trial Court had no jurisdiction over the action considering that, under Presidential Decree NO. 1206, it is the BED that has the power to decide controversies relative to the exploration, exploitation and development of coal blocks (Rollo, pp. 43-44).

Hence, this petition, to which we resolved to give due course and to decide.

Incidentally, the records disclose that during the pendency of the appeal before the Appellate Court, the suit against the then Minister of Energy was dismissed and that, in the meantime, IEI had applied with the BED for the development of certain coal blocks.

The decisive issue in this case is whether or not the civil court has jurisdiction to hear and decide the suit for rescission of the Memorandum of Agreement concerning a coal operating contract over coal blocks. A corollary question is whether or not respondent Court of Appeals erred in holding that it is the Bureau of Energy Development (BED) which has jurisdiction over said action and not the civil court.

While the action filed by IEI sought the rescission of what appears to be an ordinary civil contract cognizable by a civil court, the fact is that the Memorandum of Agreement sought to be rescinded is derived from a coal-operating contract and is inextricably tied up with the right to develop coal-bearing lands and the determination of whether or not the reversion of the coal operating contract over the subject coal blocks to IEI would be in line with the integrated national program for coal-development and with the objective of rationalizing the country's over-all coal-supply-demand balance. IEI's cause of action was not merely the rescission of a contract but the reversion or return to it of the operation of the coal blocks. Thus it was that in its Decision ordering the rescission of the Agreement, the Trial Court, *inter alia*, declared the continued efficacy of the coal-operating contract in IEI's favor and directed the BED to give due course to IEI's application for three (3) more coal blocks. These are matters properly falling within the domain of the BED.

For the BED, as the successor to the Energy Development Board (abolished by Sec. 11, P.D. No. 1206, dated 6 October 1977) is tasked with the function of establishing a comprehensive and integrated national program for the exploration, exploitation, and development and extraction of fossil fuels, such as the country's coal resources; adopting a coal development program; regulating all activities relative thereto; and undertaking by itself or through service contracts such exploitation and development, all in the interest of an effective and coordinated development of extracted resources.

Thus, the pertinent sections of P.D. No. 1206 provide:

"Sec. 6. Bureau of Energy Development. There is created in the Department a Bureau of Energy Development, hereinafter referred to in this Section as the Bureau, which shall have the following powers and functions, among others:

"a. Administer a national program for the encouragement, guidance, and whenever necessary, regulation of such business activity relative to the exploration, exploitation, development, and extraction of fossil fuels such as petroleum, coal, x x x.

"The decisions, orders, resolutions or actions of the Bureau may be appealed to the Secretary whose decisions are final and executory unless appealed to the President. (Italics supplied.)

That law further provides that the powers and functions of the defunct Energy Development Board relative to the implementation of P.D. No. 972 on coal exploration and development have been transferred to the BED, provided that coal operating contracts including the transfer or assignment of interest in said contracts, shall require the approval of the Secretary (Minister) of Energy (Sec. 12, P.D. No. 1206).

"Sec. 12. x x x the powers and functions transferred to the Bureau of Energy Development are:

xxx xxx xxx

"ii. The following powers and functions of the Energy Development Board under PD No. 910 x x x

"(1) Undertake by itself or through other arrangements, such as service contracts, the active exploration, exploitation, development, and extraction of energy resources xxx.

(2) Regulate all activities relative to the exploration, exploitation, development, and extraction of fossil and nuclear fuels x x x. (P.D. No. 1206) (Underscoring supplied.)

P.D. No. 972 also provides:

"Sec. 8. Each coal operating contract herein authorized shall x x x be executed by the Energy Development Board.

Considering the foregoing statutory provisions, the jurisdiction of the BED, in the first instance, to pass upon any question involving the Memorandum of Agreement between IEI and MMIC, revolving as it does around a coal operating contract, should be sustained.

In recent years, it has been the jurisprudential trend to apply the doctrine of primary jurisdiction in many cases involving matters that demand the special competence of administrative agencies. It may occur that the Court has jurisdiction to take cognizance of a particular case, which means that the matter involved is also judicial in character. However, if the case is such that its determination requires the expertise, specialized skills and knowledge of the proper administrative bodies because technical matters or intricate questions of fact are involved, then relief must first be obtained in an administrative proceeding before a remedy will be supplied by the courts even though the matter is within the proper jurisdiction of court. This is the doctrine of primary jurisdiction. It applies "where a claim is originally cognizable in the courts, and comes into play whenever enforcement of the claim requires the resolution of issues which, under a regulatory scheme, have been placed within the special competence of an administrative body; in such case the judicial process is suspended pending referral of such issues to the administrative body for its view" (United States v. Western Pacific Railroad Co., 352 U.S. 59, underscoring supplied).

Clearly, the doctrine of primary jurisdiction finds application in this case since the question of what coal areas should be exploited and developed and which entity should be granted coal operating contracts over said areas involves a technical determination by the BED as the administrative agency in possession of the specialized expertise to act on the matter. The Trial Court does not have the competence to decide matters concerning activities relative to the exploration, exploitation, development and extraction of mineral resources like coal. These issues preclude an initial judicial determination. It behooves the courts to stand aside even when apparently they have statutory power to proceed in recognition of the primary jurisdiction of an administrative agency.

"One thrust of the multiplication of administrative agencies is that the interpretation of contracts and the determination of private rights thereunder is no longer a uniquely judicial function, exercisable only by our regular courts" (Antipolo Realty Corp. vs. National Housing Authority, 153 SCRA 399, at 407).

The application of the doctrine of primary jurisdiction, however, does not call for the dismissal of the case below. It need only be suspended until after the matters within the competence of the BED are threshed out and determined. Thereby, the principal purpose behind the doctrine of primary jurisdiction is salutarily served.

"Uniformity and consistency in the regulation of business entrusted to an administrative agency are secured, and the limited function of review by the judiciary are more rationally exercised, by preliminary resort, for ascertaining and interpreting the circumstances underlying legal issues to agencies that are better equipped than courts by specialization, by insight gained through experience, and by more flexible procedure" (Far East Conference v. United States, 342 U.S. 570).

With the foregoing conclusion arrived at, the question as to the propriety of the summary judgment rendered by the Trial Court becomes unnecessary to resolve.

WHEREFORE, the Court Resolved to DENY the petition. No costs.

SO ORDERED.

Paras, Padilla, Sarmiento, and Regalado, JJ., concur.

[1] Penned by Justice Nicolas P. Lapena, Jr. and concurred in by Justices Emeterio C. Cui and Justo P. Torres.

[2] Judge Benigno M. Puno, Presiding.

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