



# CIRCULAR FOR BROKERS NO. 3995-2004

## The Philippine Stock Exchange, Inc.

<input checked="" type="checkbox"/> Disclosures	<input type="checkbox"/> Stockholders' Meeting	Others: _____
<input type="checkbox"/> Dividend Notice	<input type="checkbox"/> SEC / Gov't Issuance	_____
<input type="checkbox"/> Stock Rights Notice	<input type="checkbox"/> Transfer Agent's Notice	_____

Date : **September 8, 2004**  
Company : **BASIC CONSOLIDATED, INC.**

Basic Consolidated, Inc. ("BSC" or the "Company") furnished the Exchange a copy of its letter to the Securities and Exchange Commission ("SEC") dated September 7, 2004, in reply to the SEC's query regarding the Company's Second Quarter Report using SEC Form 17-Q for quarter ended June 30, 2004.

Attached is a copy of the said letter for your reference.

***(Original Signed)***  
**JURISITA M. QUINTOS**  
***Senior Vice President – Operations Group***

Finance / Admin / Membership	Compliance & Surveillance Grp.	Listing & Disclosures Grp.	COO / Automated Trading Grp.	Business Dev't & Info. Group	CEO / Legal
Tel. No.688-7560/7440/7460	Tel. No. 688-7559	Tel. No. 688-7501/7510	Tel. No. 688-7405/819-4400	Tel. No. 688-7590	Tel. No. 688-7400/819-4408



## **CONSOLIDATED, Inc.**

7th Flr. Basic Petroleum Building, 104 Carlos Palanca Jr. Street, Legaspi Village, Makati City 1229, Philippines.  
Tel.: (632) 817-8596 to 98 • Fax: (632) 817-0191 • E-mail: basiccon@planet.net.ph

September 7, 2004

**Securities and Exchange Commission**  
SEC Bldg., EDSA, Greenhills  
Mandaluyong City

Attention: **Dir. Justina F. Callangan**  
Corporation Finance Department

Gentlemen:

With reference to your letter dated August 27, 2004, regarding the company's 2<sup>nd</sup> Quarter Report (Form 17-Q), the discussion on the key performance indicators is contained on pages 1 – 2 of the Financial Information (Attachment "A").

On the projected sales, return on investments and other financial ratios, there was no effective budget for the first two quarters of the year because the said period was in a transition, from the withdrawal of Caltex in September, 2003, as the buyer of our crude oil production, to the entry of Pilipinas Shell in February, 2004, when it contracted to purchase 54,000 barrels of crude. However, unlike Caltex, Shell had more stringent requirements on the quality, safety, and stability of the transporting vessel, which has a capacity of 13,500 barrels. As a result, only one load was delivered in April, 2004, and the remaining three loads were made in the third quarter, after all the "sightings" of Shell on the vessel had been corrected.

Likewise in February, 2004, Alcorn Production Phils. Inc., the Operator of the oil consortium (where Basic is a member, together with Oriental, Philodrill and Nido Petroleum) withdrew as Operator and assigned its participating interest to the remaining consortium members. This fact was disclosed in our 2003 audited financial statements and in our other reports to the SEC. As agreed, the turn-over to the new Lead Operator, Philodrill, was on June 30, 2004. For this reason, the same period was used again as a transition for winding down the operations of Alcorn, preparatory to the entry of Philodrill.

In light of the above, operations for the first two quarters of the year were on a holding pattern, as it were. In our 3<sup>rd</sup> Quarter Report (Form 17Q), after operations will have normalized, we shall cite not only the historical key performance indicators, but also the financial projections, as prepared by the new Lead Operator.

Thank you.

Very truly yours,

**ROMEO T. DONATO**  
VP - Treasurer