

# Flash Note

Friday, 09 March 2018



Securities

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## Oil & Gas Exploration Companies

### PPL: Discovery of Hydrocarbons in Exploratory Well Adhi South X-1 (Adhi Block)

- According to notice issued on PSX by Pakistan Petroleum Limited (PPL), the company (operator of Adhi Mining Lease) has discovered hydrocarbons from exploratory well Adhi South x-1 (Adhi Block) to the tune of 2.62 mmcf of gas and 1,550 bopd of condensate.
- PPL as operator holds 39% stake in the block while OGDC and POL hold 50% and 11% working interest in the block, respectively.
- Based on our estimate, we expect annualized earnings impact of PKR 0.66/share, PKR 0.28/share and PKR 0.17/share for POL, PPL and OGDC, respectively based on oil price assumption of USD 60/bbl.

### Recommendation

We maintain PPL and MARI as our top pick with our Dec-18 target prices of PKR 2,094/share and PKR 237/share offering 20% and 48% upside from last close, respectively. We have 'BUY' call on OGDC with our Dec-18 target price of PKR 195/share offering 20% upside from close, while maintaining our 'HOLD' stance on POL with our Dec-18 target price of PKR 617/share.

Exhibit:

### Annualized EPS impact of discovery of Hydrocarbons in Adhi South X-1

Development Well	Block	Oil (bopd)	Gas (mmcf)	Operator	Oil price(USD/bbl)	Company	Stake	EPS Impact
Adhi South X-1	Adhi Block	1550	2.62	PPL	60	PPL	39%	0.28
					60	OGDC	50%	0.17
					60	POL	11%	0.66

Source: IGI Research, PSX

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**Time Horizon:** Dec – 2018

**Valuation Methodology:** The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):

(Reserve Based DCF Valuation)

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