

Flash Note

Tuesday, 20 December 2016

Oil & Gas Exploration Companies

Discovery of Hydrocarbons in Development Well Maramzai-04 (Tal Block)

- According to notice issued on PSX by Pakistan Oilfields Limited (POL), MOL Pakistan (operator of TAL Block) has discovered oil and gas reserves in development well Maramzai-04 (Tal Block) to the tune of 15.7mmcf of gas and 438bopd of condensate.
- Production from well is expected to come online from Apr-2017.
- POL holds 21% stake in Tal Block, while Pakistan Petroleum Limited (PPL) and Oil and Gas Development Company Limited (OGDC) hold 27.8% stake each, whereas MOL being the operator holds 8.4% in Tal Block.
- Based on our estimate, we expect annualized earnings impact of PKR 0.09/share (1.1% of FY17 earnings) for OGDC, PKR 1.24/share (2.9% of FY17 earnings) for POL and PKR 0.20/share (2.7% of FY17 earnings) for PPL, based on oil price assumption of USD 50/bbl.

Recommendation

We maintain "BUY" call on OGDC and PPL with our Dec-17 target price of PKR 185/share and PKR 211/share, offering +12% and +10% upside respectively, from its last closing. We maintain a "HOLD" call on POL and MARI with Dec-17 target price of PKR 455/share and PKR 1,388/share, respectively.

Exhibit: Maramzai - 04 EPS Impact (OGDC, PPL and POL)

Company	Development Well	Block	Stake	Discovery	Qty (gas)	Qty (condensate)	Annualized EPS Impact	%age
OGDC	Maramzai- 04	TAL	27.76%	Gas / Condensate	15.7 mmcf	438 bopd	0.09	0.47%
PPL	Maramzai- 04	TAL	27.76%	Gas / Condensate	15.7 mmcf	438 bopd	0.20	1.05%
POL	Maramzai- 04	TAL	21.05%	Gas / Condensate	15.7 mmcf	438 bopd	1.24	2.89%

Source: IGI Research, PSX

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Time Horizon: Jun - 2017

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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