

Flash Note

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Oil & Gas Exploration Companies

Discovery of Hydrocarbons in Appraisal Well Mardankhel-3 (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 appraisal well Mardankhel-03(Tal Block) to the tune of 5.6mmcf of gas and 195bopd of condensate.
- Production from well will be priced under Petroleum Policy 2012 (PP12) as Tal block has been converted to PP12.
- 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 0.04/share (0.19% of FY18 earnings) for OGDC, PKR 0.53/share (1.04% of FY18 earnings) for POL and PKR 0.08/share (0.39% of FY18 earnings) for PPL, based on oil price assumption of USD 55/bbl.

Recommendation

We maintain **“BUY”** call on OGDC/PPL/POL/MARI with our Dec-17 target price of PKR 196/share/PKR 218/share/PKR 544/share/PKR 1,539/share, offering +25%/+22%/+11%/15%upside respectively, from its last closing. POL offers healthy dividend yield of 8.6%.

Exhibit:

Mardankhel - 03 EPS Impact (OGDC, PPL and POL)

Company	Development Well	Block	Stake	Discovery	Qty (gas)	Qty (condensate)	Annualized EPS Impact	%age
OGDC	Mardankhel- 03	TAL	27.76%	Gas / Condensate	5.6 mmcf	195 bopd	0.04	0.19%
PPL	Mardankhel- 03	TAL	27.76%	Gas / Condensate	5.6 mmcf	195 bopd	0.53	0.39%
POL	Mardankhel- 03	TAL	21.05%	Gas / Condensate	5.6 mmcf	195 bopd	0.08	1.04%

Source: IGI Research, PSX

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Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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Time Horizon: Dec - 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)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, credit risks, political and geopolitical risks. The performance of company(ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security(ies)/company(ies) in the report will be achieved.

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