

Flash Note

Friday, 29 December 2017

Oil & Gas Exploration Companies

OGDC: Discovery of Hydrocarbons in Exploratory Well Dhok Hussain-01 (Baratai Block)

- According to notice issued on PSX by Oil & Gas Development Company Limited (OGDC), the company (operator of Baratai Block) has discovered oil and gas reserves in exploratory well Dhok Hussain-01 (Baratai Block) to the tune of 15.4 mmcf of gas and 360 bopd of condensate.
- Production from well will be priced under Petroleum Policy 2012 (PP12).
- OGDC holds 97.5% stake in the block, while Khyber Pakhtoonkhawa Oil & Gas Company Limited (KPOGCL) holds 2.5% stake.
- Based on our estimate, we expect annualized earnings impact of PKR 0.26/share (1.1% of FY19F earnings) for OGDC based on oil price assumption of USD 60/bbl.
- To note, Baratai block is located in KPK which holds key significance for OGDC as it is situated next to Nashpa and Tal Block which accounts for nearly 40% and 13% of Pakistan's total oil reserves, respectively. Thus, further drilling in Baratai block is likely to have high significance for the company and holds high probability of further discoveries.
- To highlight, recent discovery of sizeable reserves by POL in Ikhlas block (Jhandial-01) is also located nearby.

Recommendation

We maintain **"BUY"** call on OGDC with our Dec-18 target price of PKR 195/share, offering +20% upside from its last closing. The company is currently trading at FY18E P/E of 8.6x and offers a dividend yield of 4.0%.

Exhibit:

Annualized EPS impact on OGDC

Development Well	Block	Oil (bopd)	Gas (mmcf)	Operator	Stake	Oil price(USD/bbl)	EPS Impact	% of FY19F EPS
Dhok Hussain-01	Baratai Block	360	15.4	OGDC	97.5%	60	0.26	1.1%

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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