

# Company Update

Wednesday, 24 January 2018

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## Oil & Gas Exploration Companies

### OGDC: Another zone 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 from another zone in exploratory well Dhok Hussain-01 (Baratai Block) to the tune of 13.56 mmcf of gas and 317 bopd of condensate.
- This leads to total flows of 28.96mmcf of gas and 677bopd of condensate, respectively from the well which is in addition to previously announced discovery of 15.40mmcf of gas and 360bopd of condensate from Dhok Hussain-01 (Baratai Block).
- Production from well will be priced under Petroleum Policy 2012 (PP12).
- OGDC holds 97.5% stake in the block, while Khyber Pakhtunkhwa Oil & Gas Company Limited (KPOGCL) holds 2.5% stake.
- Based on our estimate, we expect cumulative annualized earnings impact of PKR 0.48/share for OGDC based on oil price assumption of USD 60/bbl.
- We maintain **"BUY"** call on OGDC with our Dec-18 target price of PKR 195/share, offering +14% upside from its last closing. The company is currently trading at FY18E P/E of 9.1x and offers a dividend yield of 3.8%.

Exhibit:

#### Annualized EPS impact on OGDC

Well	Block	Oil price(USD/bbl)	Operator	Stake	Zone	Oil (bopd)	Gas (mmcf)	EPS Impact	% of FY19F EPS
Dhok Hussain-01	Baratai Block	60	OGDC	97.50%	1	360	15.4	0.26	1.10%
					2	317	13.56	0.22	0.93%
					<b>Total</b>	<b>677</b>	<b>28.96</b>	<b>0.48</b>	<b>2.03%</b>

Source: IGI Research, PSX

## Analyst

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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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