

# Flash Note

Thursday, 03 November 2016

## Oil & Gas Exploration Companies

### OGDC: Discovery of Gas at Mithri-1, Gundanwari-1 and Khamiso-01

- Oil & Gas Development Company (OGDC) has made a gas discovery of 6.44mmcf from exploratory well Mithri-01 (Khewari Block), gas/condensate discovery of 19.4mmcf/15bopd from exploratory well Gundanwari-01 (Britism Block) and gas discovery of 2.95mmcf from exploratory well Khamiso-01 (Guddu Block).
- OGDC holds 95% stake each in Britism and Khewari Block, while having 70% stake in Guddu Block.
- Mithri-01, Gundanwari-01 and Khamiso-01 wells are expected to qualify for higher price under Petroleum Policy 2012 (PP12) as Khewari, Britism and Guddu block have been converted to PP12.
- Based on our initial estimates, we expect annualized earnings impact of PKR 0.09/share (0.4% of FY18F earnings) from gas discovery at Mithri-01, PKR 0.28/share (1.4% of FY18F earnings) from gas/condensate discovery at Gundanwari-01 and PKR 0.04/share (0.2% of FY18F earnings) from gas discovery at Khamiso-01.

#### Recommendation

We maintain “BUY” call on OGDC with our Jun-17 target price of PKR 167/share, offering +18% upside from its last closing. The scrip is currently trading at a FY17E P/E of 7.7x.

#### Exhibit: EPS Impact (OGDC)

Exploratory Well	Block	Discovery	Qty (gas)	Qty (condensate)	Stake %	EPS* FY18	%age
Mithri-01	Khewari	Gas	6.44mmcf	-	95%	0.09	0.45%
Gundanwari-01	Britism	Gas / Condensate	19.4mmcf	15bopd	95%	0.28	1.39%
Khamiso-01	Guddu	Gas	2.95mmcf	-	70%	0.04	0.20%
<b>Total</b>			<b>28.79mmcf</b>	<b>15bopd</b>		<b>0.41</b>	<b>2.0%</b>

Source: IGI Research, Annualized Impact\*

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**Time Horizon:** Jun - 2017

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(Reserve Based DCF Valuation)

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