

# Flash Note

Wednesday, 30 November 2016

## Oil & Gas Exploration Companies

### Commencement of Production from Mardankhel-1, Tal Block

- According to notice issued on PSX by Pakistan Oilfield Limited (POL), production from Mardankhel-1 (Tal Block) has commenced which was discovered back in Apr/May-15.
- Current production flows from the well stand at 3,200bopd of crude/condensate and 40mmcf of gas.
- Production from well was expected to come online by the end of 4QFY16, but was being delayed earlier due to security reasons.
- POL holds 21% stake in Tal Block, while Pakistan Petroleum Limited (PPL) and Oil and Gas Development Company (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 0.21/share (1.1% of FY17 Earnings) for OGDC, PKR 3.09/share (8.0% of FY17 earnings) for POL and PKR 0.47/share (2.7% of FY17 earnings) for PPL based on oil price assumption of USD 45/bbl.

#### Recommendation

We maintain “**BUY**” call on OGDC/PPL/MARI with our Jun-17 target price of PKR 172/194/1,294 per share, offering +21/25/25% upside respectively, from its last closing. We maintain a hold call on POL with Jun-17 target price of PKR 429/share.

#### Exhibit: Mardankhel EPS Impact (OGDC, PPL and POL)

Company	Block	Discovery	Qty (gas)	Qty (condensate)	EPS* FY17	Stake%	%age
OGDC	TAL	Gas / Condensate	40 mmcf	3,200 bopd	0.21	27.76%	1.10%
PPL	TAL	Gas / Condensate	40 mmcf	3,200 bopd	0.47	27.76%	2.70%
POL	TAL	Gas / Condensate	40 mmcf	3,200 bopd	3.09	21.05%	8.00%

Source: IGI Research, Annualized Impact\*

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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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