

# Flash Note

Monday, 12 June 2017

## Oil & Gas Exploration Companies

### OGDC: Discovery of Hydrocarbons in Exploratory Well Chabaro-1 (Khewari Block)

- According to notice issued on PSX by Oil & Gas Development Company Limited (OGDC), the company (operator of Khewari Block) has discovered oil and gas reserves in exploratory well Chabaro-1 (Khewari Block) to the tune of 15.1 mmcf of gas and 20 bopd of condensate.
- Production from well will be priced under Petroleum Policy 2012 (PP12) as Khewari block has been converted to PP12.
- OGDC holds 75% stake in the block, while Government Holdings Private Limited (GHPL) holds 25% stake.
- Based on our estimate, we expect annualized earnings impact of PKR 0.17/share (0.8% of FY18F earnings) for OGDC based on oil price assumption of USD 50/bbl.

#### Recommendation

We maintain "BUY" call on OGDC with our Dec-17 target price of PKR 196/share, offering +22% upside from its last closing. The company is currently trading at FY18F P/E of 7.8x and offers a dividend yield of 4.4%.

Exhibit:

#### Aqeeq-1 Annualized EPS Impact

Company	Exploratory Well	Block	Stake	Discovery	Qty (gas)	Qty (condensate)	Annualized EPS Impact (PKR)	% age of FY18F Earnings
OGDC	Chabaro-1	Khewari	75%	Gas / Condensate	15.1 mmcf	20 bopd	0.17	0.83%

Source: IGI Research, PSX

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**Time Horizon:** Dec - 2017

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(Reserve Based DCF Valuation)

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