

Foundation Alert

OGDC: Production to commence from Wali Field

Event

- According to the notification issued by Oil and Gas Development Company Limited at PSX, the company has successfully completed the installation of early production facility at Wali Field to commence production of hydrocarbons.

Impact

- Oil and Gas Development Company Limited (OGDC), the operator of the Wali (Bettani) Exploration Block with 100% working interest, commenced production of hydrocarbons from Wali well.
- Wali gas field after installation of production facility is now operationally ready with anticipated production of 10mmcf of gas and 1,000bpd of oil.
- The gas field will be integrated into national grid within next 24 hours to initiate production.
- This would have annualized EPS impact of ~Rs1.1 on profitability of the company.
- The recoverable 2P reserves are estimated to be around 13mn bbl of oil and 219bcf of gas, equivalent to 55 million BOEs.
- Moreover, company will drill two additional wells in Wali Exploration Block to enhance field's gas production to 50mmcd.
- On realization of field's full potential the annualized EPS impact would increase to Rs2.8 on OGDC bottom line, as per our calculation.

Outlook

- Higher oil prices, dollar hedged revenue, debt free balance sheet and improving cash flows amid resolution of gas sector circular debt along with energy sector reforms make a strong investment case for the stock. Expansion into mining business and pricing of newer finds on lucrative rates would further strengthen our conviction. Thus, we have an "Outperform" rating on the stock with Dec'23 TP of Rs137.8/sh.

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If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.