

AHL Brief Note: E&P

Pakistan Oilfields Limited

Corporate Briefing Takeaways

The management of Pakistan Oilfields Limited held a corporate briefing session on 7th Nov'24 to discuss the FY24 financial result and future outlook.

Brief Takeaways

- To recall, the company posted profit after tax of PKR 39,152mn (EPS: PKR 137.93) during FY24 compared to PKR 36,453mn (EPS: PKR 128.42) in FY23, up by 7% YoY. The jump in earnings came amid i) which is primarily due to reversal of tax provisions amid favourable judgement from the court related to depletion allowance in 2QFY24, and ii) Pak Rupee depreciation against the greenback by 12% YoY. Meanwhile, in 1QFY24, the bottom-line arrived at PKR 2,569mn (EPS: PKR 9.05) during 1QFY25,, significantly down 74% YoY owed to higher exploration costs.
- For FY25, the company has allocated PKR 12bn for exploration and development activities and plans to drill one exploratory and one development well. Management also indicated that the drilling plans may change based on ongoing seismic activity results.
- In response to a question on the elevated exploration costs, management explained that this increase was due to the costly dry well expense associated with Balkassar Deep-1.
- The newly discovered Razgir well is expected to come online in Apr'25. The company is currently evaluating the situation to negotiate the most favourable price with the government.
- Subsequent to the FY24, oil and gas were discovered at the appraisal well Jhandial-3, which yielded an average production of 715bopd and 9mmcf of gas. This well is currently undergoing Extended Well Testing, and another well, Jhandial-4, is planned. After the results of both these activities, the company will re-evaluate the reserves of the field.
- The management noted that persistent low oil and gas production from the TAL block is due to production curtailment by SNGP, attributed to higher RLNG availability in the system.
- Regarding TAL block lease the management shared that the fields in this block have a 30yr lease. Meanwhile, the company is yet to apply lease for Jhandial (which is expected to be for 30yrs).
- The company is assessing whether to participate in upcoming offshore bidding rounds and may consider a partnership with another E&P company as a partner in the offered blocks.
- For Mamikhel South, production is currently being supplied to a private customer at PP12 + USD 0.60/mmbtu, with the company incurring a 40% windfall levy. Related to windfall levy case, the management shared the case is still ongoing with company anticipating the decision to come its favour.

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