

PAKISTAN OIL & GAS

MARKET VISTA

Improving liquidity to set stage for E&P activity revival

- The government has provisionally allocated 13 new onshore exploration blocks under the DGPC Bid Round 2025.
- Recent bouts of gas price rationalization has finally enabled local E&P companies to pursue long-delayed development strategies.
- Improvement in security measures are anticipated to aid in E&P sector growth, backed by initiation of SIFC-led mining activities and CPEC Phase-II.

Govt' fast-tracks exploration block awards: The government has provisionally allocated 13 new onshore exploration blocks under the DGPC Bid Round 2025, with operatorship awarded as follows: OGDC (3), PPL (1), MARI (7), and POL (1). Notably, 9 of the blocks lie within the highly prospective zones of Balochistan, while 3 and 1 blocks reside in Sindh and Punjab, respectively. Moreover, record 33 blocks have been awarded during past 34 months (vs. only 23 awards between FY15-22), with most being in prospective areas (and risky) regions of Baluchistan which is already home to significant gas reserves i.e. Sui, Uch, Gambat and Zin Block etc., in order to tackle fast depleting resources and reduce reliance on import-intensive energy molecules. Notably, OGDC and MARI have captured a significant portion of the auctioned blocks, securing over half of the total exploration awards granted during the past three years.

Fresh E&P activity to drive sector growth: Domestic E&P firms have scaled up capital expenditure into E&P activities, with notable increases in both drilling and G&G pursuits. Notably, industry participants have struck 20 discoveries during 10MFY25, up 33% over FY24 (15 discoveries), and 84% in FY23 (11 discoveries). Furthermore, drilling activity has remained consistent, with total 40 wells drilled (exploration/development: 17/23) during 10MFY25, compared to 46 in 10MFY24. Finally, capex in E&P activities by the listed players has surged as well, estimated at US\$362mn during 9MFY25, up 51%/49% from US\$240mn/US\$243mn in 9MFY24/9MFY23, however, still paltry to average of US\$500mn+ between FY15-20.

Baluchistan basin deserves another look: Country's exploration and development efforts have primarily centered around the Indus basin, however, the Baluchistan basin continues to stand as the country's second-largest sedimentary basin. A significant portion of the province remains unexplored, with estimated reserves of gas and oil of 78TCF/8.6bn bbl as per the PPIS, respectively. It is worth noting that the province currently accounts for only 7.6% of total D&P acreage (14.1k sq km) held by companies. However, DGPC has been actively engaged in the process of awarding blocks in Balochistan, with the largest exploration acreage of 22k sq. km (of total 27.5k sq. km) awarded alone during 10MFY25, compared to 8.5k/13.8k sq. km in FY23/24.

Improving liquidity and GoP support to renew confidence: Recent bouts of gas price rationalization by the authorities, raising consumer gas prices by 3x since FY23 has enabled local E&P companies to pursue long-delayed development strategies of their existing resources, while also tapping into aggressive plays to unlock new finds. Notably, cash-receipts for OGDC and PPL have averaged at 105%/93% during 9MFY25 (vs. avg. of 75%/64% between FY19-24), where we anticipate this trend to sustain near 100% moving forward, with potential recoveries of past-accumulated stock post-FY27E. Subsequently, we expect companies to push towards increasing E&P activities, specially onto wards riskier plays (reverting to levels seen in 2011-2015), amid improving security situation. Moreover, SIFC leads in promoting investments in natural resources in Balochistan and KPK alongside the initiation of phase-II of CPEC (focuses towards eastern corridor), which provides strength to our call of improving law and order situation.

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Symbol	TP (Dec'25)	P/Ex	DY%	Stance
OGDC	371.0	4.7	9.5%	BUY
PPL	281.0	4.4	9.0%	BUY
MARI	670.0	9.9	4.2%	HOLD
POL	800.0	5.2	15.0%	BUY

Source: PSX and AKD Research

Oil & Gas Sector vs KSE100 Index



Source: PSX & AKD Research



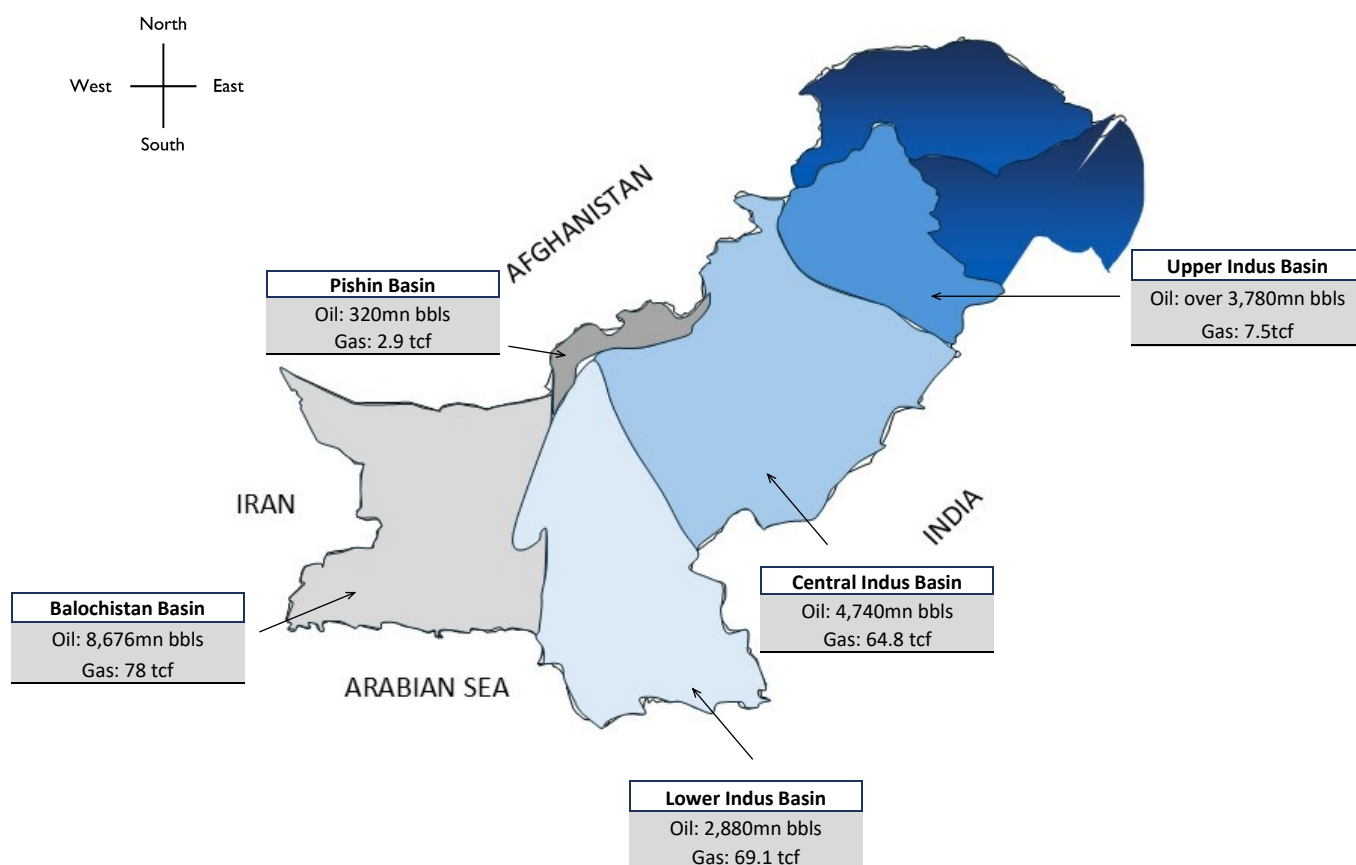
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Onshore Bidding Round Results (May'25)

Block	Area (sq. km)	Operator	Grant date	Working Interests	Province	Zone
Khiu-II (3171-4)	2,225	OGDC	13-May-25	OGDC 60%, MARI 40%	Punjab	II
Naing Sharif (2667-20)	206	OGDC	13-May-25	OGDC 70%, POGC 30%	Sindh	III
Sukhpur-II (2568-23)	2,488	POGC	13-May-25	POGC 25%, OGDC 30%, MARI 30%, TPOC 15%	Sindh	III
Jherruck (2468-13)	733	POL	13-May-25	POL 100%	Sindh	III
Kalat North (2966-4)	2,500	OGDC	13-May-25	OGDC 100%	Balochistan	I
Ziarat North (2966-3)	2,121	MARI	13-May-25	MARI 33.16%, OGDC 24.87%, PPL 24.87%, TPOC 10% GHPL 7.1%	Balochistan	I
Ahmad Wal (2965-1)	2,268	MARI	13-May-25	MARI 60%, OGDC 40%	Balochistan	I
Padag (2864-3)	2,477	MARI	13-May-25	MARI 100%	Balochistan	I
Chagai (2864-4)	2,474	MARI	13-May-25	MARI 100%	Balochistan	I
Dalbandin (2864-5)	2,498	MARI	13-May-25	MARI 100%	Balochistan	I
Merui (2864-6)	2,479	MARI	13-May-25	MARI 100%	Balochistan	I
Merui west (2863-1)	2,491	MARI	13-May-25	MARI 100%	Balochistan	I
Kalat South (2865-5)	2,488	PPL	13-May-25	PPL 40%, OGDC 30%, MARI 30%	Balochistan	II

Source: PPIS & AKD Research

Pakistan Geological Basin Map *(estimated resources)*

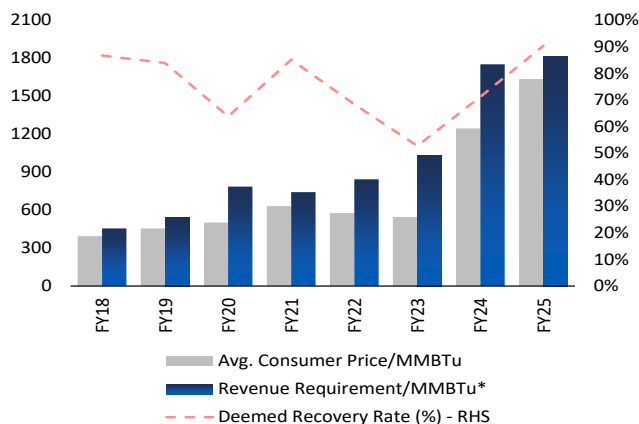


Source: PPIS, Oil & Gas Journal, News reports & AKD Research

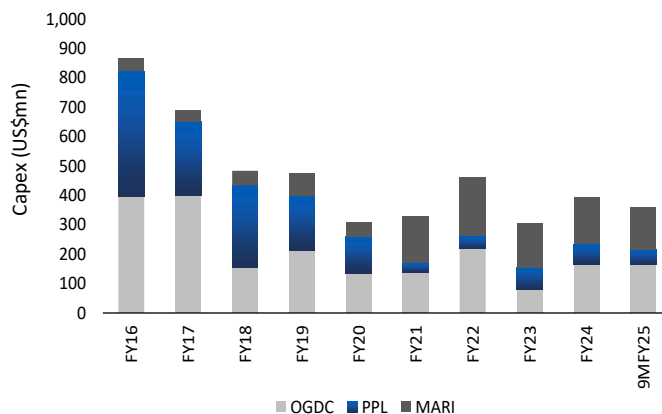


Fundamental reforms under way in the upstream oil and gas sector

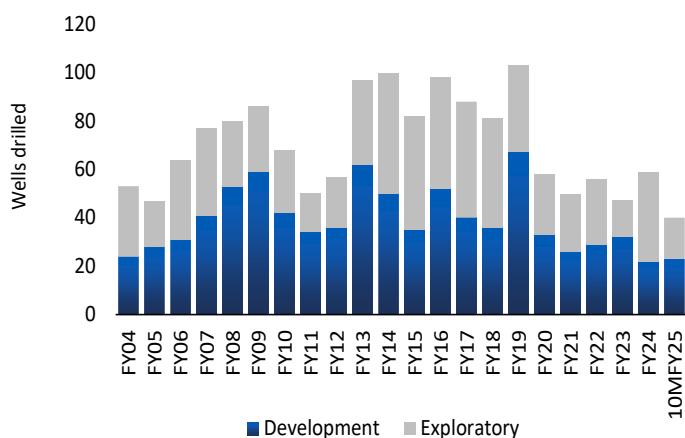
Rationalization of gas prices has led to improvements in liquidity



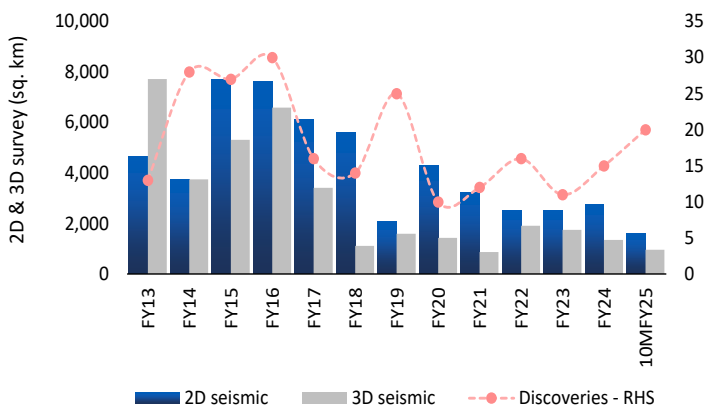
Listed E&P companies have reignited their capex cycles



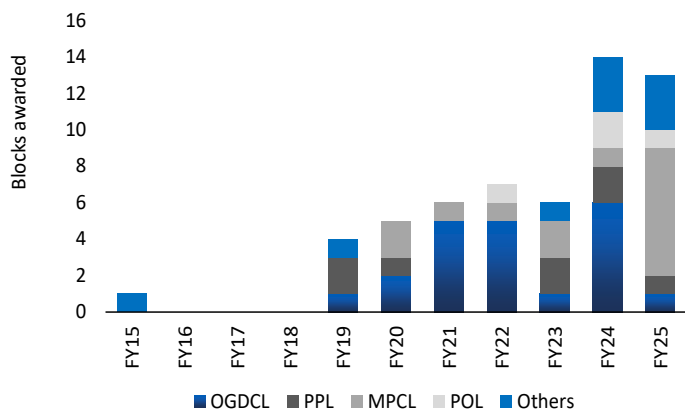
Drilling activity showing signs of recovery



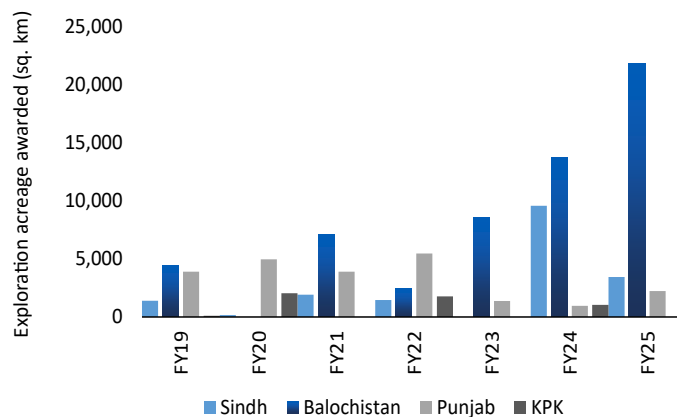
Discoveries count climb as companies accelerate E&P activity



Surge in award of exploration licenses; OGDC & MARI taking the lead



Companies have shown interest in Balochistan to explore new reserves



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Buy > 15% expected total return

Neutral > 0% to < 15% expected total return

Sell < 0% expected total return



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