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## **AlphaStox Provides an Update on Madalena Energy (TSXV:MVN)**

Dear AlphaStox Subscribers,

Madalena Energy Inc (MVN-V) is stepping up its international activities with a balanced approach between high deliverability/quick payback horizontals targeting up to 25 mmbbl pools for light oil, upcoming Vaca Muerta shale fracs and other high impact re-entry work, while working to unlock value across prime unconventional shale acreage within the Neuquen basin.

In my opinion, the **market is missing FOUR key ingredients** on Madalena Energy currently and the stock in my opinion is a prime candidate for a potential re-rate:

- 1.) Madalena's implementation of horizontal technology internationally is achieving top tier results with their first two horizontals testing in and around the ~2,000 Boe/d gross level (restricted and only representative of approximately half of the horizontal section being tested - by design and as planned). Extrapolated capabilities across the entire horizontal section could see larger rates. Paybacks on this horizontals are likely in the 7 month to 12 month range.
- 2.) With this horizontal play coming from light oil which is sourced from the Vaca Muerta source rock these results again highlight the quality of the Coiron Amargo acreage and this horizontal play is evolving as a "company maker" by itself and are similar to what many successful international companies in other areas of Latin America build entire companies around.....never mind Madalena's world class shale and unconventional assets which is an even bigger prize!
- 3.) Madalena's strategic land position in Argentina has the company's first "gem" in the Greater Loma la Lata / **Corion Amargo** area where drilling activity and production has seen a step change from a few exploration & appraisal wells to over 150 development producers in ~14 months, but now a **second "gem" is in the works** at **Curamhuele** with now Chevron drilling on the direct adjacent acreage (at El Trapia) as a second key focus

area in the Vaca Muerta shale and YPF drilling on the adjacent block to the north for the Vaca Muerta and Lower Agrio shale. **If the El Trapia / Curamhuele area begins to evolve like the Loma le Lata / Coiron Amargo area** has (with per acreage values rising to the \$10,000/acre to \$11,000/acre implied value range, Madalena is well positioned to re-rate and be a potential multiple bagger from the current **\$0.69/share level** with over 50,000 net acres at Curamhuele alone and over 132,000 net acres across three blocks. Note: Two of Madalena's blocks (both Coiron Amargo and Curamhuele) are in the center of the two most active areas in the basin for unconventional shale activity.

- 4.) The street is **not** giving Madalena credit for its prime acreage positions in what is the most active shale play outside of North America and the company's uniquely positioned high quality, 2.9 Billion Boe (45% oil and NGL's) recoverable resource assessment net to the company; Today the stock is **trading at less than \$0.08/recoverable resource barrel on its shale assets** alone and as an example, big players could potentially put in and around **\$0.50/ recoverable resource barrel** on high quality shale acreage and maybe even numbers which are much higher..... **As an investor, the stock has been de-risked with great potential upside in my opinion... and remember the company has a strong cash position, Canadian assets & production and NOW a very nice horizontal play internationally which is quickly evolving.**

Overall, Madalena has a solid board and management team, grown its production base ~10X in approximately a year, recut three new block contracts to hold key unconventional acreage, drilled a number of nice horizontals in two jurisdictions, recapitalized the company with a strong balance sheet for 2014 and is looking to further unlock value across its large acreage positions.

Between cash in the bank and cashflow from production thru 2014 (which should grow in Q2 thru Q4 based on the solid horizontal results internationally and more wells to come), the company is well funded for its 2014 budget and should still have ZERO debt heading into 2015!

*Below is a summary of Madalena's recent press release which was in my opinion overlooked and missed by the market:*

Madalena has announced the results for its CAN-15(h) well; the company's second horizontal well drilled within the Neuquén Basin in Argentina. The company provided a production update and drilling program update on its assets:

#### **International Update: Neuquén Basin, Argentina -Coiron Amargo Block**

The CAN-15(h) well was recently drilled horizontally in the Sierras Blancas to a total measured depth of 3,750 metres. This is the second well drilled into the Sierras Blancas light oil reservoir in the Coiron Amargo block. Madalena has a 35% working interest in the CAN-15(h) well.

With the production test only being carried out on a portion of the horizontal lateral section as planned, the highest rates were achieved on a 12 mm choke setting, when the CAN-15(h) well

was flowed at a rate of 1,393 bbls/d of oil with 3,301 mcf/d of associated natural gas for a total of 1,943 Boe/d (72% oil). Extrapolation across the entire horizontal section could see

### **Production Update at CAN.xr-2(h): First International Horizontal Well Exceeding Expectations**

The CAN.xr-2(h) well, was re-entered and drilled horizontally in the Sierras Blancas light oil reservoir to a total measured depth of 3,751 meters. Its success has exceeded management's expectations by producing oil at restricted rates for most of Q1-2014: The average daily production was approximately 700 bbls/d and 1,560 mcf/d of associated solution gas for a total of 978 boe/d (72% oil). Madalena has a 35% working interest in the CAN.xr-2(h) well.

### **International Drilling Program Update**

Madalena has an inventory of high impact horizontal locations across the Coiron Amargo block, and based on their horizontal success is moving forward with its planned multi-well horizontal program in 2014. A third horizontal well is expected to be drilled in Q2, followed by one or two additional horizontal wells, all targeting the same Sierras Blancas reservoir as the CAN-15(h)

*Disclosure: Etienne Moshevich personally owns shares in Madalena Energy. Transcend Resource Group has also been paid a consulting fee for conducting an independent report on the company.*