



# Madalena Energy

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## Madalena Energy's share valuation should continue to increase as Vaca Muerta activity heats up, says Mackie Research

Madalena Energy's (CVE:MVN) share valuation should continue to increase as the Vaca Muerta play in Argentina continues to be de-risked, says Mackie Research analyst Bill Newman.

Newman's comments were made in a research note Thursday on the back of a continued ramp-up in activity in the Vaca Muerta shale, with Chevron announcing this morning that it signed a second joint venture agreement with state-backed YPF to invest another US\$1.6 billion in the region. The deal will see 170 wells on the Loma Campana block located next to Madalena's Coiron Amargo property.

On the longer term, the partners also plan to drill 1,500 wells and increase oil production from the Loma Campana block from a current rate of 20,000 barrels per day to 50,000 bpd, plus roughly 100 million cubic feet per day of natural gas.

YPF and Chevron are also intending to spend US\$140 million on shale oil and gas exploration on the Narambuena block, which is also located near Madalena's Curamhule block, Newman noted.

Madalena holds over 132,000 acres in the prolific Argentinean basin, stretching across three separate blocks over land in the most active area for unconventional oil and natural gas drilling in the world outside of North America, driven by the Vaca Muerta shale, the Lower Agrio shale and the Mulchinco tight sand play.

Chevron's news of ramping up activity today in the Vaca Muerta follows an announcement in March that the oil major plans to drill four new wells targeting the Argentina shale on its El Trapial block, which is directly west to Madalena's Curamhuele block in this second evolving area of the shale play.

"The second joint venture agreement between YPF and Chevron is another vote of confidence for the developing Vaca Muerta shale play in Argentina," wrote Newman.

"We believe that given the encouraging exploration and development results to date and the extensive available infrastructure, the Vaca Muerta shale could be the first unconventional resource to be developed outside of North America.

"As the play is de-risked in what is the most active shale play outside of North America, the shale valuation of Madalena should continue to increase."

Madalena has been a significant holder of acreage in the Vaca Muerta shale since 2007, back when the whole play was just an engineering pipe dream. Vaca Muerta is believed to be the world's second largest shale gas and fourth largest shale oil formation, with the area containing an estimated 27 billion barrels of shale oil.

In early 2012, Madalena completed its first test of the Vaca Muerta, showing a test rate of 314 barrels a day, increasing this to 1,340 barrels per day just a few months later from a light oil reservoir sourced from the Vaca Muerta. The

**Price:** C\$0.77

**Market Cap:** C\$250.64M

### 1 Year Share Price Graph



### Share Information

**Code:** MVN

**Listing:** TSX-V

**Sector:** Oil & Gas Exploration & Production

**Website:** [www.madalena-ventures.com](http://www.madalena-ventures.com)

### Company Synopsis:

*Madalena is an independent, Canadian-based domestic and international upstream oil and gas company whose main business activities include exploration, development and production of crude oil, natural gas liquids and natural gas.*

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company's learning curve has continued, with recent well results showing even better performance. Two months ago, it drilled its first horizontal well, with rates coming in at 2,238 barrels of oil equivalent per day.

The company's shares, which trade around 74 cents, are going for less than 9 cents per recoverable resource barrel of oil equivalent on its unconventional resources alone.

YPF, the provincial state run company within the Nequen basin, claims the VM shale alone could be worth an estimated \$8,000 an acre as an average blended number for oil, dry gas, and liquids rich gas shales, which would value Madalena's net acreage at approximately \$1.1 billion, or \$2.77 per share.

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