



# Madalena Ventures

Jun 18<sup>th</sup> 2013

## Madalena Ventures' hiring of financial advisor for Argentina farmout process sets good pace, says analyst

Madalena Ventures' (CVE:MVN) announcement late Monday that it has hired a financial advisor for a farmout process on its Curamhuele block in Argentina's Neuquén Basin has set a good pace for future deals, wrote Casimir Capital analyst Ryan Galloway in an emailed research note this morning.

"With RBC hired as a financial advisor for a farmout process on the Curamhuele block, Madalena has taken another step toward crystallizing some value on the block with a farmout partner. We speculate that given the pace of other deals in country, we could see an update on the process in late Q3 to early Q4."

The Curamhuele block earlier this month received an extension to its exploration period to November 8, 2014, giving the company the time to satisfy the \$13.8 million of remaining drilling and seismic commitments.

An independent resource estimate, done by Ryder Scott, earlier this year showed 1.3 billion barrels of oil equivalent gross prospective resources of Vaca Muerta shale potential on the block, and 414 million barrels of oil equivalent of Lower Agrio shale potential. Galloway says this brings potential to get a large "international partner" involved.

Madalena Ventures holds three blocks in the Neuquén Basin, which has lately caught the eye of many major oil producers on the hunt for new resources. Indeed, it was recently reported that ExxonMobil (NYSE:XOM) is investing \$250 million to explore Argentina's unconventional Vaca Muerta shale, while another mega cap producer, Chevron (NYSE:CVX), also recently said it is driving toward signing an agreement in July for an initial US\$1.5 billion deal with YPF for Vaca Muerta shale development.

According to the Ryder Scott resource assessment, there are a total of 2.86 billion barrels of oil equivalent net to Madalena across its three blocks within the Neuquen basin, of which approximately 2.0 billion boe net hails from the Vaca Muerta shale alone.

Also late Monday, Madalena boosted its bank line with the National Bank of Canada to a \$10 million revolving facility and a \$3 million acquisition line, supporting its capital program this year. The credit facilities are subject to a periodic review by the bank, with the next review scheduled on or before September 1, 2013.

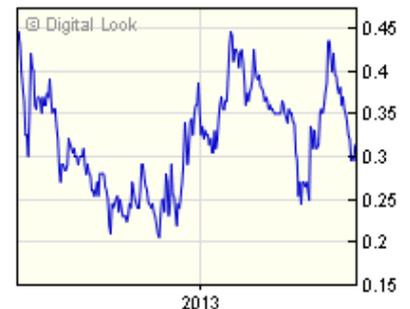
Galloway took note: "With yesterday's boost to the company's credit facilities, Madalena should see ample room to maneuver in the second half of the year. With >\$10mm in current net working capital, the \$10mm revolver and an estimated 1,000 boe/d of production, the remaining \$17mm of previously planned capex should be manageable. Both the revolver and acquisition line are fully un-drawn."

Aside from the shale assets in Argentina, Madalena is in production in Western Canada, where it holds more than 150 net sections across light oil and liquids-rich horizontal development plays in the Greater Paddle river area. Additional drilling is planned for the area this year, with some potentially significant results awaited from the Canadian Nordegg well this summer.

**Price:** C\$0.32

**Market Cap:** C\$97.99M

### 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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Casimir's Galloway left his speculative buy rating and \$3.50 target price on Madalena Ventures unchanged Tuesday. Shares of the company were trading at 32 cents this morning, up 1.6 per cent.

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