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Dear Alphastox Subscribers,

These are some very exciting times for Madalena Energy (MVN.V). The stock has rallied from its \$0.27 low on July 9th, 2013 to a high of \$0.42 yesterday, August 6th and we feel the ride is just getting started (i.e. recall when MVN seen \$1.30+/share in H1 2012?). With the company in a stronger position today than ever before, there is still huge potential for the stock to grow from here.

Here are comments from **Chevron's** Q2/13 conference call which touched on the Vaca Muerta Shale development right next door to Madalena's acreage. The statement I find most interesting which reinforces my support of this stock is the fact that Chevron continues to not only support its investment in Argentina but are not so concerned with the political risks:

"In mid July, we entered into an arrangement with YPF to facilitate the development of a section of the VacaMuerta shale basin which has a significant potential for both liquids and gas production. This initial program includes 100 wells in a specific portion of a 96,000 acre development area. This development provides a new opportunity that we believe will be competitive with other projects in our portfolio. Above ground risk have largely been mitigated through government decrees and the financial structure. All in all, we're pleased with the deal and the opportunity to participate in the development of this world class resource."

Chevron's comments above highlight the fact that they are fully committed to developing the area, are excited with the resource potential and are not afraid of the political risks that many investors seem to associate with Argentina.

Russian oil giant **Gazprom** even came out with news stating that they are looking to partner with Wintershall for their Argentina assets which would be a huge boost to junior oil companies in the area like Madalena.

Madalena Energy (MVN.V) is steadily moving forward with its plan to *unlock* unconventional oil and gas resources in Argentina. The company announced on July 30th, 2013 a **multi-well drilling program** at the Coiron Amargo block (35% W.I.). MVN is currently drilling the CAS.x-14 well which is targeting the Vaca

Muerta shale. The well will be followed by the CAN.xr-2h well which will be drilled horizontally into one of the six Sierras Blancas conventional light oil pools. The rig will then be moved to the southern portion of the block to drill the CAS.x-15 well. Drilling is expected to last up to four weeks so we should all stay tuned for news to follow.

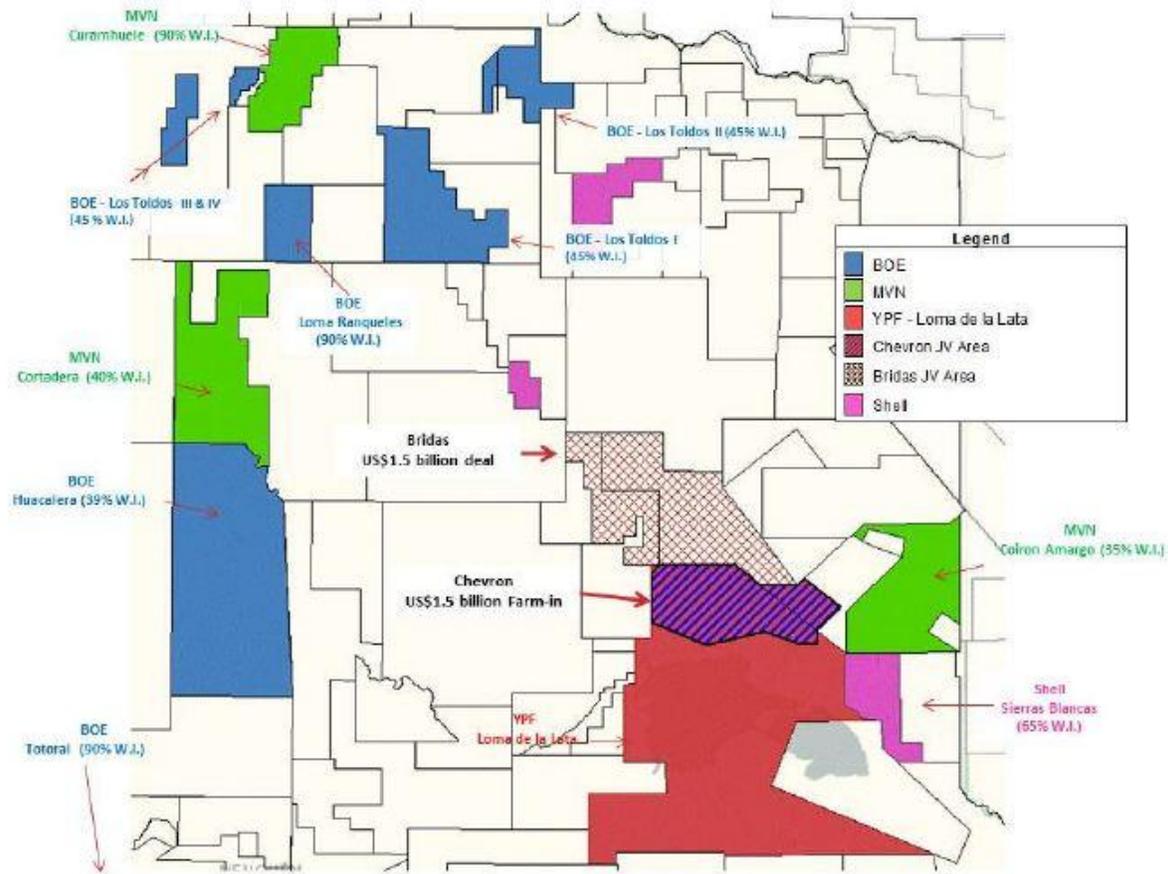
MVN also holds a 40% working interest in the 124,000 acre Cortadera block, located in the western portion of the Neuquen Basin. Two years ago, in 2011, MVN and their partner Apache drilled the CorS X-1 well to a total depth of approximately 4,500 metres. In early Q4 of this year, both partners plan to re-enter, frac and test one or more of these zones. According to Bill Newman, energy analyst at Mackie Research provide analyst coverage for Madalena Energy, he says in his latest report that the Cortadera block has a net prospective resource of **6.1 tcf of natural gas** with **26.8 million barrels of liquids** for a combined potential recoverable of **1.05 billion boe**.

Lastly, the company is driving forward with plans for what could be a transformational **Joint Venture (JV) deal** on its Curamhuele block, where MVN currently has a 90% working interest. MVN is working with its financial advisor RBC Capital Markets to find a JV to accelerate and unlock value from its high impact unconventional shale and conventional plays across the block. Analyst Bill Newman thinks there is a high probability that a joint venture partner / deal will be struck before year end 2013.

As you can tell from the map below, MVN has a great land package in the Neuquen Basin, next to some of the largest oil companies in the world. They are well positioned cash and land wise to make this into a huge success; With steady catalysts and big J.V.'s taking place around Madalena's acreage, we could see MVN's stock to rise dramatically between now and year end:

1. Better news out of Argentina: We saw this earlier this month when the Argentina government announced that they would provide new incentives for large investments into the oil and gas sector with companies investing over US\$1 billion over a five year period. They will be allowed to sell 20% of their production at world prices, without paying any export taxes. Right after this news, Chevron and YPF announced a \$1.24 billion JV deal. According to Bill Newman, in his last report, he writes that *"Oil and natural gas prices are expected to continue to rise in Argentina and we are hopeful that the Government will implement additional investments incentives that could be beneficial to MVN."*
2. Joint Venture deal on the Curamhuele block
3. Steady catalysts include: Positive drill results from MVN's multi-well program at Coiron Amargo next door to the Chevron Vaca Muerta development, the testing of a 200+ meter thick zone in the Mulichinco or 577 meter thick Qunituco from the CorS.X-1 well on the Cortadera block, and additional horizontal development work in Canada and other planned re-entry work.

Figure 2: MVN's Blocks in the Neuquén Basin in Argentina



Source: Company reports, Subsecretaria d'energia Hidrocarburos Neuquén, Mackie Research Capital

The company is active in Argentina and is making progress on all three blocks. Look for MVN to move higher as more positive news begins to flood the market. Bill Newman maintains a BUY rating with a \$2.05 price target.

As always, if you have any questions, please don't hesitate to get in contact with me anytime. I look forward to hearing from my subscribers.

Best,

Etienne