



Madalena Energy

Mar 6th 2014

Madalena Energy gets another lift from YPF activity in Vaca Muerta

Drilling activity is ramping up in an aggressive form in the Vaca Muerta shale of Argentina, with YPF --- Argentina's largest shale oil producer --- just announcing two contracts valued at a total of \$1.2 billion to lease another 15 drilling rigs to develop the formation, a boon to smaller companies like Madalena Energy (CVE:MVN) (OTC:MDLNF) that have properties in the region.

YPF's five-year accords, which add rigs to the company's existing 65, were signed with Norwegian Archer Ltd.'s DLS Argentina Ltd. unit, and Helmerich & Payne Inc. Helmerich & Payne, based in Tulsa, Oklahoma, will provide 10 rigs, while Hamilton, Bermuda-based Archer will provide the rest. The contracts have an option for a three-year extension, YPF said.

State-backed YPF is pledging to invest \$37 billion through 2018 and is seeking to develop Vaca Muerta, which is believed to be the world's second largest shale gas and fourth largest shale oil formation. The area contains an estimated 27 billion barrels of shale oil.

Madalena also has a rig running in this area, and is currently drilling a second high impact horizontal on its Coiron Amargo block, which offsets the Loma de Lata area where YPF is drilling. It also plans to drill another three to four horizontal wells this year, alongside a multi-well vertical program in the Vaca Muerta shale.

The Canadian junior oil and gas play is the owner of over 132,000 net acres in the prolific Neuquen Basin of Argentina, stretching across three separate blocks. Coiron Amargo is Madalena's prized block, where drilling and acquisition activity has been rampant.

Rig levels in this area are likely to approach upwards of 40 within 12 months with the latest YPF deals. The Argentina-based producer is also expected to have an impressive 20,000 barrels of oil per day on production from the Vaca Muerta shale via vertical development, just west of Madalena's Coiron Amargo block, where it signed a \$1.25 billion deal with Chevron.

Another similar billion plus dollar deal is set to be inked with Petronas, with a recent memorandum of understanding signed by YPF and Petronas in the area right next to Coiron Amargo. This key region is quickly emerging as the "North Dakota" of the Neuquen Basin, with hundreds of wells expected to be drilled over the next 15 to 24 months and rig counts looking to double by year-end.

The Vaca Muerta play has been likened by industry experts to the Bakken, with the belief that Vaca Muerta has the potential to be bigger than the formation on the subsurface of the Williston Basin.

Madalena has been a significant holder of acreage in the Argentina shale since 2007, back when the whole play was just an engineering pipe dream. It wasn't until three years later, in November 2010, when Argentine state-owned major oil player YPF brought the country's first shale oil well online that activities began to get heated in the Vaca Muerta.

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 company's learning curve has continued, with recent well results showing even better performance.

Price: C\$0.63

Market Cap: C\$213.38M

1 Year Share Price Graph



Share Information

Code: MVN

Listing: TSX-V

Sector: Oil & Gas Exploration & Production

Website: 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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