



Madalena Energy

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Madalena Energy provides direct access to a play with more potential than the Bakken: Keith Schaefer

Madalena Energy (CVE:MVN) (OTC:MDLNF) is "really the only way" to make a direct investment in Argentina's Vaca Muerta shale, according to Keith Schaefer, editor/publisher of Oil and Gas Investments Bulletin, with the company having the foresight to stick with the play since day one.

The junior oil and gas company, which is a significant holder of acreage in the Argentina shale, has been invested in the area since 2007, back when the "whole play was just an engineering pipe dream," wrote Schaefer in a recent article titled "How to Win Bigger than the Bakken".

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.

Madalena is the owner of over 132,000 net acres in the prolific Nequen Basin of Argentina, stretching across three separate blocks. Over the past few years, the company has been busy developing wells in the Vaca Muerta play, which is believed to be the world's second largest shale gas and fourth largest shale oil formation.

Schaefer believes that Argentina's Vaca Muerta is the only international play -- thus far -- that "looks like it could be bigger than the Bakken."

And according to the Oil and Gas Investments Bulletin editor, while many oil majors are hot and heavy in the region, such as Shell, ExxonMobil, Total and EOG Resources, these stocks are not the kind of pure plays that will give investors "serious upside from a big discovery."

Since the YPF well was drilled in 2010 in the Loma La Lata field, work kicked off that showed the Vaca Muerta formation to have "some of the best petroleum geology on the planet."

"As operators learned more, they realized the Vaca Muerta could be much more productive than first thought. They pushed to understand the rocks and optimize completion (fracking) techniques.

"The result has been steadily increasing flow rates from new wells and that's evident in Madalena's results over the past two years," Schaefer wrote in his piece.

Indeed, 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. Schaefer points out that the company's learning curve has continued, with recent well results showing even better performance.

Two months ago, Madalena drilled its first horizontal well, with rates coming in at 2,238 barrels of oil equivalent per day. The company has its work cut out for it: initial vertical test wells have already identified six separate light oil pools across its acreage in a light oil reservoir sourced from the Vaca Muerta shale.

The junior oil explorer could pay off big. The company, which has a best-case estimate of 34.8 billion barrels of oil equivalent in place across its three Nequen blocks, is currently trading at 65 cents -- below the deemed worth of just

Price: C\$0.65

Market Cap: C\$220.15M

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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one of its prized blocks, according to Mackie Research oil and gas analyst Bill Newman.

In a recent analyst report, he wrote: "If one applies the \$8,000/acre value to MVN's three blocks (135,000 net acres) it equals \$1.1 billion. MVN's Curamhuele and Cortadera blocks might not attract this valuation given the relatively earlier stage of appraisal.

"However, given the drilling and acquisition activity on and around the Coiron Amargo block, we believe that \$8,000/acre for this block is a fair value, which equates to \$280 million or ~ \$0.77/sh."

The \$8,000 an acre price is derived from recent comments by GYP's chairman, who said that he will get this price for a valuation when going public sometime this year. GYP, the provincial Nequen oil company, holds a 10% interest in all three of Madalena's blocks.

Schaefer also cited other attractive factors about Madalena as a potential investment, including experienced management, the Argentina government's improving fiscal regime, increased natural gas prices, and drilling costs, which are sure to be lower than other shales due to the Nequen basin's existing infrastructure.

"It all creates some exciting blue sky numbers and an obvious exit strategy with all the Petro-Majors involved in the Vaca Muerta for investors to think about," the oil and gas specialist concluded.

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