

2015 Is The Year For Argentinian Shale And For This Small-Cap

Following an impressive strategic growth plan over the last 12 months, [Madalena Energy](#) (TSXV: MVN , OTC: MDLNF) is quick off the 2015 starting blocks, leading small-cap exploration and production in Argentina--the next hot bet for shale development—and recently reporting significant increases in reserves that are turning investor heads.

Earlier this month, Madalena released an independent report showing a 149% increase in proved reserves and a 155% increase in proved plus probable reserves, driven solely by the Company's conventional, production-backed reserves.

For investors, the real upside here is that not only is the company demonstrating solid growth and progress year-on-year across its assets, but its stock is trading well below the estimated \$200 million NPV10, net present value, of Madalena's conventional reserves alone. What this means is that investors can get in on Madalena's unconventional shale assets and key resource plays for free. That includes Madalena's prime acreage positions in the Vaca Muerta shale and Lower Agrio Shale, driving 34.8 Billion Boe of in-place resources.

Keep in mind that the company will be drilling four strategic unconventional resource plays this year—each of them being a potential game-changer.

Madalena's repositioning and overall growth strategy over the last year in Argentina has been impressive and the company is starting to turn the tide in the market, while focusing on delivering results.

The [independent reserve report](#) shows proved reserves (1P), as of 31 December 2014, as having increased 149% from 2,603 MBoe to 6,490 MBoe. Simultaneously, proved plus probable reserves (2P) have increased 155% from 4,505 MBoe to 11,494 MBoe. Overall, the Company's 1P and 2P conventionally driven reserves per common share have increased 68% and 72%, respectively.

This is a significant defiance of today's energy market trends, and the increased reserve estimates do not even include significant upside across Madalena's more attractive assets in Argentina: strategic positions in the Vaca Muerta shale, Lower Agrio Shale, Loma Montoas oil resource play and Liquids-rich Mulichinco resource play. When drilling starts later this year, all eyes will be on these plays.

This is a multi-bagger win for investors, as Madalena has secured large acreage positions on prolific conventional plays, massive unconventional shale assets and multiple large in-place horizontal resource plays. With two horizontals currently being drilled in the field, USD \$76/Bbl oil prices in Argentina and a solid 2015 plan, Madalena is uniquely positioned in today's energy market.

All told, this high-growth small-cap international company has put together an impressive set of assets and with drilling plans across four unconventional resource plays Madalena is positioned to create significant returns for shareholders and, with success, is likely to attract the attention of the big E&Ps.

In the meantime, with Argentina shaping up to be the next American-style shale revolution, the fact that Madalena is the only junior left with key acreage positions means it is well-positioned for the turn in the Argentina macro market and to reap the benefits of supermajor drilling operations surrounding its prime acreage.

Argentina is home to 27 billion barrels of recoverable oil and 802 trillion cubic feet of natural gas, primarily in and around multiple prolific shale basins in the central Neuquen province, including the prized Vaca Muerta shale. Madalena is positioned with a large portion of this unconventional recoverable resource base with potentially 2.9 Billion Boe of Argentina's resources, driven by the Vaca Muerta.

In addition to prime positions in the Vaca Muerta shale, a [major discovery](#) in August by Argentina's state-owned YPF in the Agrio shale, has raised expectations—particularly for Madalena, which has a 90% working interest in the Curamheule block, right near the YPF discovery. Curamheule is estimated to hold over 1.5 billion barrels of recoverable oil and natural gas liquids. Madalena has put together ambitious plans to drill here this year, and significantly, it has the funding to make it happen.

Adding to the excitement over Argentina is ExxonMobil's (NYSE:XOM) two [major discoveries](#) on its Vaca Muerta acreage, as well as joint ventures between Chevron (NYSE: CVX) and YPF just offset to Madalena's Corion Amargo block.

Additionally, a "sleeper" in the Madalena portfolio of assets could prove to be one of the most exciting plays being advanced by the company in 2015. Success in the Loma Montosa oil resource play, a high-impact play that Madalena has just started to drill, could be a major game-changer.

Madalena's prime acreage is right in the middle of massive unconventional exploration operations being conducted by some of the biggest companies in the world, and its acreage continues to rise in value as the industry de-risks what is becoming the next big unconventional play worldwide.

The Company has a clean balance sheet with positive working capital and a market cap of just \$150 million, yet sits on assets which could prove to be worth 4-10 times this value. We're looking at a company that could see its share price double this year, even if it only strikes oil at one of its strategic unconventional resource plays in Argentina.

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