



Madalena Ventures

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Madalena Ventures sees boost to production capability as ramp-up continues

Madalena Ventures (CVE: MVN) provided Monday an operational update, saying it continues to ramp up production through its horizontal resource plays in Western Canada, while also driving forward plans to further unlock value across its shale assets within the Neuquen basin in Argentina.

The junior oil and gas company said in a statement today that it has boosted its productive capability to around 2,000 barrels of oil equivalent per day (boe/d) - a 900 percent increase from Madalena's production level last October.

It has a current base production of roughly 1,200 boe/d - 43 percent weighted toward oil and natural gas liquids - with more than 1,200 boe/d of tested volumes behind pipe from the recently completed Ostracod horizontal development wells.

At the Paddle River core area in Western Canada, fracing and testing operations have been wrapped up at Madalena's two recently drilled 100 percent working interest Ostracod horizontal oil wells. The first well reached a total depth of 2,776 metres, including a 1,056 metre horizontal trajectory. The well was production tested for three days during which time it flowed 37 API oil and gas at an average rate of 707 boe/d, with an estimated final sales volume of 719 boe/d.

The second well, which reached a total depth of 2,880 metres, was also production tested for the same amount of time, during which it flowed 33 API oil and gas at an average rate of 566 boe/d, for a final sales volume of 547 boe/d.

Broker Casimir Capital was confident that following tie-ins, the two wells could bring production higher.

"These rates are significantly higher than the original wells from last year, which tested at 100-150 boe/d and 438 boe/d respectively (73% oil & liquids)," wrote Casimir Capital analyst Ryan Galloway in a morning research note on Monday.

"We anticipate these latest wells to have improved economics despite the higher gas weighting. Both wells are expected to be tied in for production during the second quarter of 2013."

Madalena controls about 55 net sections of land and a significant inventory of drill-ready horizontal locations on the Ostracod oil trend in the Paddle River area. It plans to drill additional horizontal wells on this play throughout the remainder of the year, focusing on increasing production and reserves.

Galloway also took note of the fact that in the Wildwood area, Madalena is continuing its evaluation of the recently drilled and completed Nordegg horizontal well, with plans to restart testing operations as soon as road and lease conditions improve following the spring break-up period.

And at yet another of the company's horizontal resource plays, the Notikewin well, which began producing in the first quarter, has stabilized at around 400 boe/d - 14% weighted toward oil and natural gas liquids. Madalena has 133 net sections of land across its regional Mannville channel trends and has a significant inventory of horizontal drilling locations focused on the liquids-rich Notikewin and Wilrich formations.

Price: C\$0.35

Market Cap: C\$112.21M

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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"With only 3 of the original 5 planned wells in these numbers, further success at Nordegg (currently shut-in with test operations to resume post break-up) and Ostracod could rapidly drive production higher in the second half of 2013," said the Casimir analyst, who has a speculative buy rating on the company and a \$1.30 price target.

Meanwhile, at Madalena's Argentina operations, the company said Monday its planned 2013 program involves a combination of workovers, 3D seismic, new development drilling and exploration drilling - focused on its unconventional resources in the Vaca Muerta and Lower Agrio shales.

"While workovers are underway at the Coiron Amargo block (35% W.I.) to increase conventional oil recovery, Madalena also plans to shoot 160km² of 3D seismic immediately adjacent to where Shell saw horizontal success (465 bbls/d) earlier this month to identify additional drilling targets," noted Galloway, adding that the company is also in the process of securing a rig in the second quarter to drill "multiple" Vaca Muerta wells, and the first horizontal Sierras Blancas conventional development well.

Madalena's exposure to multiple, high impact tight sand plays in the Neuquén Basin is key, specifically the Vaca Muerta shale - which the company calls the most tangible shale play outside of North America. Its international assets consist of three large blocks - Coiron Amargo, Curamhuele, and Cortadera.

The Coiron Amargo block, where the company is now working on a drill program with partners, is located within the heart of the Vaca Muerta oil play and is also within kilometres of the recently announced Chevron and Bridas proposed billion dollar farm-in deals on Argentina-based YPF's lands.

Shell also recently announced a Vaca Muerta shale oil discovery in Argentina, which is the first shale discovery in the country. The discovery well tested at 465 barrels per day of 35 degree API oil. The well is located on the Sierra's Blancas block which is located directly south and adjacent to Madalena Ventures' Coiron Amargo block.

"With lots going on both domestically and internationally, Madalena is positioned for steady activity and growth through 2013," said Kevin Shaw, president and CEO of Madalena Ventures, in emailed comments to Proactive Investors.

Mackie Research's Bill Newman also maintained his buy rating and \$2.15 target price on the company after the news, on the junior oil and gas play's production in Canada and "shale resource upside" in Argentina.

"Madalena continues to enjoy success with the appraisal of its Ostracod play in the Greater Paddle River area. We expect production to continue to grow in the second half of 2013, with additional Ostracod drilling and with the well workover and drilling program on the Coiron Amargo block (35% W.I.) in Argentina," Newman wrote.

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