



# Madalena Energy

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## Madalena Energy's Argentina production could double from Sierras Blancas first well, says Mackie Research

Madalena Energy's (CVE:MVN) (OTC:MDLNF) high rate Sierras Blancas well in Argentina was missed by the market, Mackie Research analyst Bill Newman reckons, with the well able to potentially double its production from the country.

At the end of December, the junior oil and gas producer unlocked the potential of the Sierras Blancas reservoir using horizontal technology. It announced the results of the CAN.xr-2(h) horizontal well on the Coiron Amargo Block in Argentina, in which it holds a 35% working interest.

The well drilled a 530-metre horizontal leg into the Sierras Blancas light oil reservoir, and through a 12 mm choke, the well naturally flowed at a maximum rate of 1,791 barrels per day of 38 degree API oil, with 2.7 million cubic feet per day of natural gas, for a total of 2,238 barrels of oil equivalent per day (boe/d).

At a 12mm choke, Newman noted that the well flowed at a relatively high pressure of about 1,304 psi, with no significant declines and no water, indicating that "substantially higher" rates could be achieved by opening up the choke.

The well is the first horizontal well drilled into one of the six Sierras Blancas light oil pools discovered so far at Coiron Amargo, providing a large inventory of potential drilling locations. A second horizontal well is expected to spud this month, once drilling operations are completed on a Vaca Muerta shale delineation well in the southern portion of the block.

The first well is expected to be placed on permanent production sometime in February, wrote Mackie's Newman. "Assuming an initial gross production rate of 1,000 boe/d (350 boe/d net), this one well could more than double Madalena Energy's Argentina production," he said.

"We believe the better than expected drilling result has not been fully accounted for by the market and we expect significant stock price appreciation in the event that the second horizontal Sierras Blancas well targeting a separate structure achieves similar flow rates."

The company's stock has risen almost 3% in the first few trading sessions of the year so far, after more than doubling in 2013.

Newman also noted that he sees "substantial stock price appreciation" if Madalena completes the farmout of its Curamhuele block in Argentina, or a transaction on one of its other blocks in the region.

Madalena holds three blocks in the Nequen Basin of Argentina, stretching across 135,000 net acres at Coiron Amargo, Curamhuele and Cortadera. Its blocks hold estimated contingent and prospective resources of 2.9 billion barrels. The Canadian company is seeking joint venture partners for the assets, which of course would be helped by the increasing number of oil majors spending big bucks in the region.

The company is also waiting on results from its winter drilling program in Canada that is targeting the high rate Ostracod horizontal wells, providing more near-term catalysts to its stock price.

**Price:** C\$0.71

**Market Cap:** C\$240.48M

### 1 Year Share Price Graph



### Share Information

**Code:** MVN

**Listing:** TSX-V

**Sector:** Oil & Gas Exploration & Production

**Website:** [www.madalena-ventures.com](http://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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The Mackie Research analyst reiterated his buy recommendation on Madalena and his \$1.90 target price. The stock is currently trading at 71 Canadian cents.

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