



Madalena Energy

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Chevron activity in Argentina builds attractive proposition for Madalena Energy

Chevron's (NYSE:CVX) news that it is planning to drill four more wells targeting the Vaca Muerta shale in Argentina after reports of a successful well in the region is encouraging for junior companies like Madalena Energy (CVE:MVN) (OTC:MDLNF), which has a block adjacent to the oil major's play.

On an investor day conference call yesterday, Mackie Research analyst Bill Newman said Chevron made some positive comments on the shale potential in Argentina, announcing plans to drill four wells targeting the Vaca Muerta shale on its El Trapial block, which is directly east of Madalena's prized Curamhuele block.

There are also reports in Buenos Aires that Chevron has already drilled a "very nice well" adjacent to the Curamhuele block in the Vaca Muerta, and that it is producing at significant rates, said Newman.

Vaca Muerta 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, and Chevron isn't the only major that is seeking to develop the shale. State-backed YPF is pledging to invest \$37 billion through 2018 in the region.

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.

Indeed, roughly 140 gross wells will be drilled in the Vaca Muerta shale in 2014, with 80,000 barrels per day of production anticipated by 2017, half of which will be Chevron's share. Chevron said that all of its plays in the area have exploration and development opportunities, and will contribute valuable growth throughout the decade, with the oil giant also signing a \$1.25 billion deal with YPF to develop just west of Madalena's Coiron Amargo block.

Madalena is the owner of over 132,000 net acres in the prolific Nequen Basin of Argentina, stretching across three separate blocks.

"Successful production tests of the VM shale and other shales by Chevron on its El Trapial block could increase interest in Madalena's Curamhuele block (90% W.I.)," said Newman in his analyst note on the Chevron call.

Madalena has high impact plays in the Vaca Muerta shale, Lower Agrio shale and Mulichinco tight sand play on the Curamhuele block, and has had two discoveries on the block to date, with a well that flowed around 150 barrels per day, with no stimulation or frac from a 225 metre thick Lower Agrio shale section.

Catalysts on the block this year involve a potential partnership arrangement with a major company and "go-forward high impact drilling on its high impact multi-stacked plays", wrote the Mackie analyst.

Price: C\$0.68

Market Cap: C\$230.31M

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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