



# Madalena Ventures

Jul 29<sup>th</sup> 2013

## Madalena Ventures well positioned to benefit from more "investment-friendly" Argentina: Mackie Research

Mackie Research analyst Bill Newman issued an update on Madalena Ventures (CVE:MVN) stock Monday, in an industry report on Argentina's oil and gas sector, with the research based on a conference call with Daniel Gerold, from G&G Energy Consultants in Argentina.

The call was prompted by recent developments in the country, including a decree earlier this month that provides for new incentives for large investments into the oil and gas sector, with companies that invest over US\$1 billion over a five year period to be allowed to sell 20 per cent of their production at world prices, without paying export taxes. This was followed by Chevron and YPF completing a US\$1.24 billion joint venture deal that should see 100 wells drilled over the next 18 months targeting the Vaca Muerta shale.

This makes emerging companies operating in the region with prime acreage positions in the shales, including Madalena and Americas Petrogas (CVE:BOE), well positioned to benefit "from the start of a more investment-friendly environment in Argentina", concluded the Mackie analyst.

"We asked Daniel to provide an overview of the current political and economic situation in Argentina, and to offer some insight into the short and long term implications of the recent government incentives regarding oil and gas companies operating in Argentina," wrote Newman in his report.

The analyst's key takeaways from the call were the beliefs that Argentina is even more reliant on expensive imports, as reserves and production of both oil and natural gas continue to decline, and that the country is at the bottom of a new energy crisis cycle.

"Argentina has a history of introducing incentive programs in order to increase domestic oil and gas production whenever it is forced to start importing energy. The energy imbalance today is large relative to previous crises, this has begun to prompt modifications in current oil and gas incentives programs in order to boost domestic oil and gas production. The government is aware of the potential impact of the current energy imbalance and in 2013, started to move slowly in a positive direction to promote investment," Newman took note. Indeed, Argentina's energy deficit is expected to reach a record US\$13 billion in 2013.

Newman also cited Argentina's recent decision to increase oil and gas prices, and the "probable scenario for soft improvement, with the country's government recognizing that some of the decisions made in 2012 were negative for the Latin American region's investment climate. "The more likely scenario is a continued improvement of the conditions in the energy sector with more incentives similar to decree 929 which should result in more investment from the major and super major oil and gas companies," Newman wrote.

The analyst believes that Madalena is well positioned to capitalize on the unconventional shale plays in the Neuquén Basin in Argentina, where the company holds three key blocks.

An independent resource estimate, done by Ryder Scott, earlier this year showed 1.3 billion barrels of oil equivalent gross prospective resources of Vaca Muerta shale potential on Madalena's Curamhuele block - for which it is gearing

**Price:** C\$0.34

**Market Cap:** C\$107.47M

### 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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up to start a joint venture process - and 414 million barrels of oil equivalent of Lower Agrio shale potential. According to the Ryder Scott resource assessment, there are a total of 2.86 billion barrels of oil equivalent of recoverable resources (net to Madalena) across its three blocks within the Neuquen basin, of which approximately 2.0 billion boe net hails from the Vaca Muerta shale alone.

"Both companies [Madalena and Americas Petrogas] are in early stage discussions to farm-out an interest in high working interest blocks in return for a significant carried work program," Newman noted. "We believe that the successful completion of a farm-out will be a significant catalyst to the stock price."

With the strengthening commodity prices, and improving investment climate, Newman wrote in his report that he believes there is a higher probability that a farm-out deal will be completed in 2013, reiterating his buy rating on Madalena and \$2.05 target price. Shares of Madalena are currently trading at 33.5 cents on the TSX Venture Exchange.

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