



Madalena Energy

Sep 25th 2013

Dow-YPF, Wintershall deals highlight disconnect with Madalena Energy's valuation

Madalena Energy Inc. (CVE:MVN), which seeks partners to fund the appraisal of its shale resources in Argentina's Vaca Muerta, might benefit from a deal announced today between Dow Chemical Co. (NYSE:DOW) and state-run YPF to invest up to \$120 million in developing 16 shale gas wells in the formation, according to Mackie Research.

The completion on a transaction between Dow, the largest U.S. chemical maker by sales, and YPF would be "a major catalyst" for Madalena, the junior Canadian oil and gas company, analyst Bill Newman wrote in a note emailed to clients today.

Dow and YPF will team up in the area of El Orejano, located in the southern Patagonia province of Neuquen, during an initial time frame of 12 months. YPF will make an additional contribution of up to \$68 million, Reuters reported, citing a statement.

Dow will have the option of converting what is essentially a loan into a 50 percent stake in El Orejano, which comprises a total area of 11,120 acres. The two companies reached a deal to return the loan should Dow pass on its right to exercise the option.

In July, U.S. oil company Chevron Corp. (NYSE:CVX) also signed a deal with YPF to invest \$1.24 billion in the Vaca Muerta formation.

Madalena, whose market value is currently at C\$138.77 million, holds 135,000 net acres on the Coiron Amargo, Curamhuele and Cortadera blocks within the Neuquen basin.

Another deal drawing attention to the region happened on Monday with Germany's Wintershall, the oil and gas arm of chemicals group BASF (OTCMKTS:BASFY), which announced it had signed an agreement to search for oil in the Vaca Muerta shale on the Aguada Federal block, which is just to the northwest of Madalena's Coiron Amargo block.

Dow's transaction cost is \$10,790 per acre, Chevron's deal cost is \$10,245 per acre, while that of Wintershall is \$7,300 per acre, Mackie's Newman wrote.

Madalena Energy's CEO Kevin Shaw wrote in emailed comments that there is a "big disconnect" in Madalena's current market cap of \$138 million versus the implied valuation on Madalena's 35,000 net acres on its Coiron Amargo block alone, adding to that the company's other two blocks for an incremental 100,000 net acres, along with 150 net sections in Canada. This doesn't include cash in the bank, growing existing production in Canada, and zero debt.

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Price: C\$0.43

Market Cap: C\$143.85M

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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