



# Madalena Energy

Jun 26<sup>th</sup> 2014

## Madalena Energy embarks on new era as negotiating position improved, says Mackie Research

Madalena Energy (CVE:MVN) (OTC:MDLNF) has now sealed a deal to acquire Gran Tierra's (TSE:GTE) Argentinean business, a positive outcome for the junior oil and gas producer, according to Mackie Research's Bill Newman, who cited a tripling of the company's production.

The company, which already has 132,000 acres of land in Argentina's prolific Nequen Basin, paid US\$63 million for the Argentinean business, comprised of US\$49 million in cash and 29.8 million shares at a price of 51 Canadian cents apiece.

The deal adds proved and probable (2P) reserves of 6,513 Mboe, as well as production of approximately 3,300 barrels of oil equivalent per day (boe/d) and 11 exploration and production blocks. The transaction also includes an experienced technical and operational team based in Argentina, Madalena said.

Mackie analyst Neman noted in a research note released Thursday that Madalena is paying just US\$9.67 per barrel of oil equivalent for 2P reserves and US\$19,000 per flowing barrel of production.

He said the acquisition triples Madalena's production to approximately 4,900 boe/d, which is underpinned by 11.2 million boe of reserves, and is "highly accretive".

"The acquisition for GTE is accretive on a reserves, production and cash flow basis, and because Madalena Energy can now sustain and grow its operations with cash flow, we believe management made the right move," Mackie wrote in the analyst note.

"The GTE acquisition not only allows Madalena to grow its conventional production with cash flow but improves its negotiating position with the major and supermajor oil and gas companies looking to participate in the large shale resource opportunity on Madalena's lands."

Madalena has been a significant holder of acreage in the Vaca Muerta shale since 2007, back when the whole play was just an engineering pipe dream and before the recent bustle of drilling action by industry majors. Vaca Muerta is believed to be the world's second largest shale gas and fourth largest shale oil formation, with the area containing an estimated 27 billion barrels of shale oil.

The company has said that the Gran Tierra deal provides a strong portfolio of assets with exposure to a stable production base, an inventory of low risk development drilling opportunities, and significant unconventional shale potential with its famous Vaca Muerta plays.

Going forward, the new entity will have 14 concessions in Argentina with significant exploration upside, along with 150 plus net sections in Canada.

"This is a very strategic acquisition for Madalena and positions the go-forward entity as a key player in the Argentina energy sector," said Madalena CEO Kevin Shaw in emailed comments.

**Price:** C\$0.5

**Market Cap:** C\$192.49M

### 1 Year Share Price Graph



### Share Information

**Code:** MVN

**Listing:** TSX-V

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

**Website:** [www.madalenaenergy.com](http://www.madalenaenergy.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.*

### Author:

**Deborah Bacal** +44(0)1202770386

action@proactiveinvestors.com



"The combined entity has a solid production and cashflow platform for growth, over 1 million net acres across 14 concessions, a significant portfolio of conventional assets, multiple horizontal development plays, and world class unconventional shale assets in the Vaca Muerta and Lower Agrio shales."

In the statement announcing the closing of the Gran Tierra deal, Madalena also provided results on its Proa-3 well, which tested up to 1,540 barrels per day with a stable water cut of 3%. The well was placed on production last week at an initial rate of 600 to 700 barrels per day, with the results coming in line with Mackie's expectations, said Newman.

"The results of the Proa-3 oil well show the first of what we hope will be many successful wells on Madalena's new blocks," the analyst wrote.

The company says it has enough cash flow from operations to provide for a US\$50 to US\$60 million capital program over the next 12 to 18 months while maintaining a strong balance sheet.

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us ■ +44 (0)1202 770386 ■ [action@proactiveinvestors.com](mailto:action@proactiveinvestors.com)

## No investment advice

Proactive Investors UK Limited, trading as "Proactiveinvestors United Kingdom", is authorised and regulated by the Financial Services Authority. Registered in England with Company Registration number 05639690. Group VAT registration number 872070825 FSA Registration number 559082. You understand and agree that no content published constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value or suitability of any particular security, portfolio of securities, transaction, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including company related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.