



Madalena Energy

Oct 1st 2013

Madalena Energy gets several analyst nods on "best Ostracod" well so far, Argentina acreage

Madalena Energy (CVE:MVN), a junior Canadian oil and gas company, maintained an "outperform" recommendation at National Bank and a "buy" recommendation at Mackie Research in the wake of a positive three-day test rate from its latest Canadian Ostracod oil well and on its multi-billion barrel resource potential in Argentina.

National Bank analyst Amy Chang kept her target price on the stock at 80 Canadian cents, while Mackie's Bill Newman retained his target price at C\$2.05.

A three-day production test from Madalena's most recent horizontal Ostracod oil well in the Paddle River area of west-central Alberta showed oil flow of 1,045 barrels of oil equivalent a day, or boe/d, the Calgary-based company said in a statement yesterday. Madalena anticipates this horizontal well will be brought on-stream next month.

Mackie's Newman described the production test as the "best Ostracod test so far." National Bank's Chang, for her part, said: "This test rate is above [the company's] two previous Ostracod oil wells that were drilled in the first quarter and tested at 719 boe/d and 547 (both 24 hours rates) boe/d respectively."

A third analyst note, from Jin Yan of Casimir Capital, pointed out that the well is expected to significantly boost Madalena's exit production and oil weighting going into next year.

On the Argentina update, the analysts cited a big disconnect between the company's current market capital, which stands at C\$159 million, and the prospective value of just one of the company's blocks in the south American country.

A recent bustle of activity by oil majors in Argentina has recently drawn much attention to Madalena, which seeks joint ventures to fund the appraisal of its shale resources in the region.

Last week, a joint venture was announced between Dow Chemical Co. (NYSE:DOW) and state-run YPF to invest up to \$120 million in developing 16 shale gas wells in the Vaca Muerta formation. YPF also signed a separate deal with Germany's Wintershall last week.

The two JVs value prospective acreage at \$21,600 per acre and \$12,500 per acre respectively, according to Casimir Capital. "On average transaction metrics of \$19,800 per acre including the Chevron deal in July, Madalena's 35 percent interest in the Coiron Amargo block alone should be worth \$694 million," Casimir's Yan wrote.

National Bank's Chang agrees: "In terms of valuation, we believe Madalena's acreage in Argentina is not being fully reflected in the current share price, which would represent significant share price upside should the company secure a joint venture deal."

Madalena is currently in negotiations to secure a potential joint venture partner on any of its three Argentina blocks by year-end or early next year, wrote Chang.

Price: C\$0.47

Market Cap: C\$157.49M

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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Madalena holds 135,000 net acres on the Coiron Amargo, Curamhuele and Cortadera blocks within the Neuquen basin.

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