



Madalena Energy

Jan 6th 2014

Madalena Energy reveals significant Sierras Blancas test results in Argentina

Madalena Energy (CVE:MVN) has unveiled the results of a multi-rate production test for the first horizontal well drilled on its international assets in the prized Neuquen Basin in Argentina, with analysts calling the the resulting test rates "significant".

The company told investors in an operational update the results of the Sierra Blancas drilling test on its Coiron Amargo block, in which it has a 35% working interest.

It said the CAN.xr-2(h) well was recently re-entered and drilled horizontally in the Sierras Blancas light oil reservoir, with the highest rates achieving a flow rate of 1,791 barrels of oil per day, with 2,683 million cubic feet per day of associated natural gas, for a total of 2,238 barrels of oil equivalent per day (boe/d) over a three hour period.

These rates were achieved with a 12 mm choke setting, Madalena said. The junior oil and gas producer used artificial lift equipment for the well test, testing for about 42 hours at various choke settings ranging from 4 mm to 12 mm.

On an 8 mm choke setting, Madalena noted that the well flowed a total of 1,139 boe/d over a 16-hour period.

Haywood Securities analyst Darrell Bishop, which has a buy rating and a 90 cent price target on the company, said the test is highlighted by the "significant gross peak rate of 2,240 boe/d".

Bishop noted that particularly encouraging is that the well is the first horizontal well drilled into one of the six Sierras Blancas light oil pools discovered so far at Coiron Amargo. A second horizontal well is expected to spud this month, once drilling operations are completed on a Vaca Muerta shale delineation well in the southern portion of the block.

"Additional drilling could further define the play and with six separate pools to work with, an attractive inventory of development locations could emerge," the analyst wrote in a research note emailed to clients on Monday.

Indeed, Mackie Research analyst Bill Newman, who has a price target of \$1.95 on Madalena, said that the success of the second horizontal Sierras Blancas well could result "in material production additions in 2014, and adds an attractive conventional light oil play which can be appraised concurrently with the high impact Vaca Muerta shale oil play."

During the entire test period, the total cumulative amount produced from the first horizontal well came to 3,428 boe/d, 80% of which was oil. No significant flowing pressure declines were seen throughout any of the test rates, and no water was produced throughout the test period, the company added.

Madalena said that it is "very encouraged" by the initial results from the CAN.xr-2(h) well at Coiron Amargo, with ongoing work expected to improve its understanding of the potential in the Sierras Blancas horizontal oil play.

The company is also focused on developing its Vaca Muerta play, the world's second-largest shale gas and the fourth-largest shale oil formation. Madalena holds three blocks in the Nequen Basin, stretching across 135,000 net acres at Coiron Amargo, Curamhuele and Cortadera.

Price: C\$0.7

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.

Author:

Deborah Bacal +44(0)1202770386

action@proactiveinvestors.com



Its blocks hold estimated contingent and prospective resources of 2.9 billion barrels. The Canadian company is seeking joint venture partners for the assets, which of course would be helped by the increasing number of oil majors spending big bucks in the region.

Madalena also recently raised \$12.2 million in funds to accelerate the development of its Ostracod oil play in Alberta, Canada, where it already has existing production.

"We continue to believe Madalena is a sum-of-the-parts story, with both Canada and Argentina offering strong upside potential," Haywood's Bishop concluded.

"Applying \$40,000/boe/d (the lower end of recent junior Canadian liquids-rich transactions) to our 2014 production estimate of ~2,500 boe/d implies ~\$100M (\$0.27/sh) for Canada. This implies ~\$0.43/sh (or ~\$1,150/acre) attributed to Madalena's Neuquén Basin assets where Majors are currently transacting at upwards of \$10,000/acre."

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

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.