



Madalena Energy

Jan 13th 2014

Madalena Energy's shares climb on much higher suggested valuation, says Mackie

Madalena Energy's (CVE:MVN) (OTC:MDLNF) stock was rising on Monday after Mackie Research analyst Bill Newman pointed out the substantial discount on the current value of the junior company's oil and gas blocks in Argentina, on the back of news that Gas & Petroleo del Neuquen SA (GYP) plans to complete an IPO late this year and expects a value of roughly \$8,000 an acre.

GYP is a provincial owner of oil licenses to develop Vaca Muerta shale deposits in the Neuquen Basin, the location of Madalena's three blocks which stretch across 135,000 net acres at Coiron Amargo, Curamhuele and Cortadera.

Shares of Madalena rose 4% in morning trades on Monday, to 79 Canadian cents.

In an interview in a small town in the Andes near the Chilean border with Bloomberg last week, GYP's chairman Guillermo Coco said it has hired an international consulting firm to value its assets before its proposed IPO, in what would be Argentina's first public listing in more than two years.

The western Argentina-based company, which also holds a 10% interest in all three of Madalena Energy's blocks, will sell the shares on the Buenos Aires stock exchange, according to the Bloomberg report, with the chairman anticipating a value of approximately \$8,000 an acre.

"If one applies the \$8,000/acre value to MVN's three blocks (135,000 net acres) it equals \$1.1 billion," wrote Mackie's Newman in emailed comments.

"MVN's Curamhuele and Cortadera blocks might not attract this valuation given the relatively earlier stage of appraisal. However, given the drilling and acquisition activity on and around the Coiron Amargo block, we believe that \$8,000/acre for this block is a fair value, which equates to \$280 million or ~\$0.77/sh."

This \$8,000 per acre valuation for just one of Madalena's blocks compares to the company's current \$267.6 million market cap, and does not include its Canadian assets in Alberta, as well as its cash in the bank and the evolving Sierras Blancas horizontal oil play in Argentina.

At the end of December, Madalena announced the results of the CAN.xr-2(h) horizontal well on the Coiron Amargo Block in Argentina, unlocking the potential of the Sierras Blancas reservoir. Newman, in an earlier research report, said this well could potentially double Madalena's production from the country.

The well drilled a 530-metre horizontal leg into the Sierras Blancas light oil reservoir, and through a 12 mm choke, it naturally flowed a total of 2,238 barrels of oil equivalent per day (boe/d).

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Price: C\$0.76

Market Cap: C\$260.8M

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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