



Madalena Energy

Dec 6th 2013

Madalena Energy up after \$12.2 mln bought deal closed, increasing activity at Vaca Muerta

Madalena Energy (CVE:MVN) shares climbed in early deals Friday after the company closed a \$12.2 million bought deal financing for its winter drill program in Alberta and as Petrobras announced a new oil and gas discovery in the Vaca Muerta formation in Argentina, next door to the Canadian junior's Coiron Amargo block.

On Thursday, Madalena closed a financing that involved 19.6 million common shares issued at a price of 47 cents apiece, and 5.6 million flow through shares at 54 cents. The primary use of these funds is to accelerate the development of its Ostracod oil play in Alberta, Canada, where it already has existing production.

The 1-31-55-7W5M horizontal Ostracod well began production in November. Over 24 days, the well flowed at an average rate of 616 barrels of oil equivalent per day (boe/d), with the company set to begin a multi-well winter drilling program this month that will include several Ostracod wells.

Meanwhile, Petrobras announced a new unconventional oil and gas discovery in the Vaca Muerta formation in Neuquén province, north of Madalena's Coiron Amargo block, where the CAS.x-14 well intersected a 105-metre thick Vaca Muerta zone. The Canadian company has plans to drill a second Vaca Muerta delineation well at this block this month.

Following the news, Mackie Research analyst Bill Newman reiterated his buy recommendation on Madalena, but lowered his price target to \$1.90 from \$2.05 as a result of dilution from the financing, which he says will provide "additional financial flexibility" to develop the Ostracod play.

"If the 1-31 Ostracod well results can be replicated, Madalena could build significant production and cash flow from the current winter drilling program," wrote Newman in his research note published Thursday.

"We also see the potential for significant stock price appreciation upon completion of a transaction on one of its Argentina blocks."

Indeed, the company is seeking joint venture partners for its valuable Vaca Muerta plays in Argentina, where it holds three blocks within the Neuquen basin, stretching across 135,000 net acres at Coiron Amargo, Curamhuele and Cortadera. Its blocks hold estimated contingent and prospective resources of 2.9 billion barrels.

The Nequen Basin in Argentina, where investment sentiment has been improving on the back of recent beneficial government support, has seen a bustle of activity by oil majors, including between state-owned YPF and Dow Chemical, Chevron, and Bidas/CNOOC, as well as the joint venture by GyP and Wintershall.

In fact, YPF just announced that its production at the Vaca Muerta shale oil and gas formation, estimated to be one of the largest unconventional deposits in the world, weighed in at 2,146 cubic metres per day in the third quarter. In the latest period, the company drilled more than 20 wells at Vaca Muerta, with 19 more currently under development. This proves that the state-owned enterprise is indeed boosting activity in the promising region.

Shares of Madalena rose 1.9% to 54 Canadian cents in Toronto on Friday.

Price: C\$0.53

Market Cap: C\$179.51M

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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