



Madalena Energy

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Madalena Energy: a junior operating in the heart of the Argentina action

Madalena Energy (CVE:MVN) has seen a rush of news lately that can only benefit the junior oil and gas producer in the long run, with two of its assets in Argentina offset from properties receiving significant investment from oil majors.

Argentina has become an oil and gas destination, with the country estimated to hold 27 billion barrels of technically recoverable oil and 802 trillion feet of technically recoverable shale gas, much of it attributed to the famous Vaca Muerta shale formation in the Neuquen basin, the fourth largest shale oil deposit in the world.

Legendary investor George Soros recently upped his investment in Argentina's shale oil and gas industry, doubling his stake in Argentina's state-owned oil company YPF, which last month announced the discovery of a second key shale play known as the Agrio shale.

The recent YPF Agrio shale discovery, which was announced August 14, offsets Madalena's own Curamhuele block. The show of confidence by Soros is no doubt a huge boost to smaller players like Madalena that are operating in the heart of new discovery areas.

According to reports, some estimates suggest that the Vaca Muerta and Agrio shales' reserves could be worth as much as \$3 trillion.

Adding to the recent YPF discovery, YPF and Petronas signed a US\$550 million deal last week to develop the Vaca Muerta shale on the La Amarga Chica block, which is also adjacent to Madalena's Coiron Amargo block. The initial plans are to drill 30 wells in three years in a pilot project in the region, but depending on the results, the program could be expanded to a five-year \$1 billion investment, YPF said. YPF is investing \$75 million, while Petronas is contributing \$475 million to the deal.

La Amarga Chica is also northwest of Loma Campana, the 290-square-kilometre area in the Vaca Muerta shale formation where Chevron is working with YPF. Chevron's initial Vaca Muerta investment in Loma Campana of \$1.24 billion, announced in August 2012, was later expanded to \$16 billion.

Despite Argentina's defaulting on its debt earlier this summer, the country doesn't seem to be slowing down in terms of oil and gas investment, with analysts believing that the development of Vaca Muerta shouldn't be hurt significantly by the default. YPF has said it has managed its finances carefully, and has a cash position of some \$1.5 billion to help combat challenges over the next year, with the default potentially making it more difficult for Argentinean companies to obtain financing in global markets.

Madalena, following its acquisition of Gran Tierra's Argentinean assets in June, now has 14 concessions across Argentina over 1 million net acres of land, compared with 3 blocks over 132,000 acres previously. It also has a land base with more than 150 net sections in Western Canada, with a large inventory of horizontal development locations.

Over the next 17 months, the company is planning to invest its cash flow and financial resources on a combination of lower risk, conventional development drilling and on unconventional shale and tight sand delineation in the Vaca Muerta

Price: C\$0.51

Market Cap: C\$267.784M

1 Year Share Price Graph



Share Information

Code: MVN

Listing: TSX-V

Sector: Oil & Gas Exploration & Production

Website: 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.

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and Lower Agrio shales of Argentina's well-known Nequen Basin.

It will also continue to seek potential partners on its multiple blocks to deliver on its farm-out strategy, with the recent discoveries and investments boding well for the company from this perspective.

From July to December of this year, Madalena has approved a capital budget of C\$36 million, with the aim of ending the year with an exit production rate of between 5,200 and 5,400 barrels of oil equivalent per day (boe/d).

One of its main priorities this year will be to advance its unconventional shale and tight sand resources within the Nequen basin at the Coiron Amargo, Curamhuele and Cortadera blocks. Its acreage is positioned in some of the key areas of the basin where the highest activity levels in terms of dollars spent offset its blocks.

According to a Mackie Research note, the recent YPF-Petronas deal values Madalena's Coiron Amargo block alone at \$819.7 million, versus the company's market cap of \$268 million as of early Thursday.

Madalena's Vaca Muerta shale is oil prone at its Coiron Amargo block, gas prone around its Cortadera block and oil, and liquids and gas prone at its Curamhuele block. The company is planning to focus on executing a horizontal program at its Coiron Amargo block, beginning with a multi well program at its Sierras Blancas high impact horizontal play, which has exceeded expectations thus far. Earlier this year, a horizontal well in this area tested rates of up to 1,943 boe/d.

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