



Madalena Ventures

Jun 11th 2013

Madalena Ventures funded to meet remaining work commitments in Argentina; gets block extension

Madalena Ventures (CVE:MVN) says that the exploration period for one of its three blocks in Argentina has been extended for a year, giving the company the flexibility to satisfy the remaining work commitments on the asset.

The period for exploration on its Curamhuele block, in which the Canadian junior oil and gas producer has an 90 per cent weighted interest, has been extended through an official decree by the Province of Neuquén until November 8, 2014. The previous deadline was November 7, this year.

The extension, said the company in a statement on Tuesday, provides Madalena with the opportunity to find a strategic partner to accelerate exploration and development activities on the block. It has remaining work commitments on the block of around US\$13.8 million, plus VAT.

"This extension grants Madalena significantly improved financial flexibility in Argentina, easing some pressure to shoot seismic or drill additional exploration wells in the near term," wrote Casimir Capital analyst Ryan Galloway in an emailed research note this morning.

At Curamhuele, according to a recent evaluation by Ryder Scott, the company has exposure to more than 1.5 billion barrels of oil equivalent (boe) of best estimate contingent plus prospective recoverable resources.

Madalena holds three large blocks within the Neuquen Basin, with the Curamhuele block extension making the company even more well positioned to capitalize on the unconventional plays. The company says it is now funded and budgeted to meet its remaining commitments across all of its three blocks, where the company is focused on exploring the Vaca Muerta shale.

"Total remaining 2013 commitments in Argentina are now just \$4.1mm on the Coiron Amargo block. An extension on Cortadera (40% W.I. Partnered with Apache) is also expected, but given the terms seen on Curamhuele, we are optimistic on both receiving the extension, and also seeing reasonable new commitments there as well," noted Galloway, who reaffirmed his speculative buy rating and \$3.50 price target on Madalena Tuesday.

He added that with the Curamhuele extension in hand providing a stronger bargaining position, he sees Madalena in "a much better position to potentially farm-down this block later this year".

After steering revenue sharply higher in the first quarter, analysts see several catalysts for Madalena in the near-term, according to a research note released by Mackie Research last month.

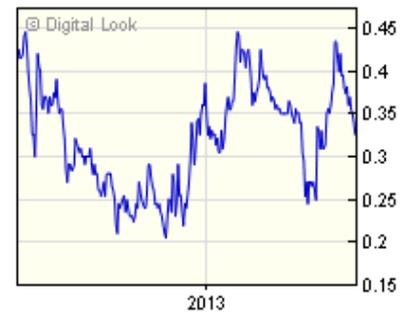
Madalena plans to begin a six-well drilling program on the Coiron Amargo Block in Argentina, with analysts at Mackie Research saying they believe Chevron's \$1.5 billion joint venture plan with Argentina's state-owned YPF on nearby properties will have a residual impact on Madalena. That deal is expected to close in July of 2013.

The second of three primary catalysts that Mackie says will drive the stock is the farm-out of its Curamhuele block to a "major or supermajor." Indeed, Argentina's shale play has attracted the interest of many oil and gas producers searching for new resources. Amongst them is Chevron (NYSE: CVX), which says Argentina has the second largest unconventional oil resource after the United States.

Price: C\$0.32

Market Cap: C\$101.15M

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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With regard to Madelena's Canadian assets, in the Paddle River area in western Canada, Mackie says investors should keep an eye on test results, expected in July, from the Nordegg well. The junior oil and gas company continues to ramp up production through its horizontal resource plays in Western Canada, while also driving forward plans to further unlock value across its shale assets within the Neuquen basin in Argentina.

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