



Madalena Ventures

May 28th 2013

Madalena Ventures progresses plan to boost production as revenues rise sharply

Madalena Ventures (CVE:MVN), a Calgary-based oil and gas producer, has reported a surge in first quarter revenues as the company furthers its efforts to expand production.

For the three months to March 31, oil and gas revenue climbed to \$3.61 million from \$0.40 million a year earlier.

Net loss, meanwhile, widened to \$2.32 million, or a loss of 1 cent per share as capital expenditures grew, from a net loss of \$1.17 million, or breakeven per share, in the year-ago period.

Capital expenditures rose to nearly \$17.0 million from \$6.70 million a year earlier, as 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.

The company, with working capital of \$12.36 million at quarter-end and no bank debt, said average daily production in the first quarter was 872 barrels of oil equivalent per day (boe/d), compared to 62 boe/d in the equivalent period a year ago. Of this latest figure, 316 boe/d was crude oil and condensate output.

Operating netbacks, a key measure in the oil and gas industry, climbed to \$15.37 per barrel of oil equivalent, versus a loss of 62 cents per boe in the first quarter of 2012.

At the company's operations in the Greater Paddle River Area of Alberta, it said Tuesday that it drilled and completed two additional Ostracod horizontal oil wells in the first quarter, which were tied into existing Madalena facilities this month and are producing at restricted rates pending completion of a pipeline twinning project and third party compression upgrades.

Once onstream, these two wells are expected to boost production. Currently, Madalena has base production of roughly 1,200 boe/d, with additional volumes behind pipe from the recently completed horizontal development wells its Greater Paddle River area.

The company is planning to restart its drilling program in his area after the spring break-up period, and in preparation, has so far conducted surveying, permitting as well as road and lease preparation work.

Investors also have an eye on the Canadian junior for its assets in Argentina, where there is tremendous potential upside. There is currently a bustle of activity by major oil giants near the company's three land blocks within the Neuquen basin, where it is drilling for discoveries to bring in additional volumes.

Just last week, it was reported that ExxonMobil (NYSE:XOM) is investing \$250 million to explore Argentina's unconventional Vaca Muerta shale, where Madalena Ventures (CVE:MVN) has interests in two blocks. Another mega cap producer, Chevron (NYSE: CVX), also recently said it hopes to invest up to \$15 billion, along with partner YPF, in Vaca Muerta. The final YPF-Chevron agreement should be signed in July, once outstanding trade and tax issues are hammered out.

Price: C\$0.4

Market Cap: C\$126.44M

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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Adding to this action, Apache Corporation (NYSE: APA) also plans to invest \$200 million and drill wells in Vaca Muerta this year.

Madalena recently stated it has a total of 2.86 billion barrels of oil in its three blocks in Argentina. The potential recoverable resource in the Cortadera block, where Madalena is partnered with Apache, is 1.05 billion barrels of oil.

The main zones of interest for the independent resource evaluation focused on the Vaca Muerta shale, the Lower Agrio shale and Basal Quintuco, the company said, with the report based on data from 19 delineation and discovery wells on the blocks, as well as 3D or 2D seismic coverage.

At a \$125 million market cap versus \$1.5 billion dollar transactions in the Vaca Muerta shale, Madalena has a significant value proposition for investors. In the last six months, the company's stock has shot up almost 60 per cent.

For this year, the company has approved a \$34 million capital budget, with which it expects to drill between 6 to 7 additional wells for the remainder of 2013.

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