



# Madalena Ventures

Jun 12<sup>th</sup> 2013

## New EIA report turns spotlight on Madalena's Neuquen basin shale assets

A recent report from the U.S. Energy Information Administration on global shale oil and gas potential that ranks Argentina as the fourth largest shale oil resource has shone a light on Madalena Ventures' (CVE:MVN) assets in the region.

According to the EIA report, released Monday, Argentina ranked fourth for its shale oil potential after Russia, the U.S. and China, and the third largest for shale gas.

The report considers 137 shale formations in 41 countries outside the United States, expanding on the 69 shale formations within 32 countries considered in the prior EIA report issued in 2011.

Nationwide shale oil resources in Argentina have been estimated at 27 billion barrels, while shale gas resources have increased to 802 trillion cubic feet (tcf), up from the 774 tcf estimate in 2011, mainly in the Vaca Muerta and Los Molles formations in the Neuquen Basin, where Madalena Ventures holds three blocks.

Argentina's potential has caught the eye of many major oil producers on the hunt for new resources, with Madalena's blocks only one aspect of the blossoming activity in the region. Several oil giants operate nearby the company's three land blocks.

Indeed, it was recently reported that ExxonMobil (NYSE:XOM) is investing \$250 million to explore Argentina's unconventional Vaca Muerta shale. Another mega cap producer, Chevron (NYSE:CVX), also recently said it is driving toward signing an agreement in July for an initial US\$1.5 billion deal with YPF for Vaca Muerta shale development, which could grow up to an estimated \$15 billion investment over time, while Bidas is looking to ink a \$1.5 billion deal in the same area. Madalena has key acreage at Coiron Amargo offsetting these billion dollar deals, within the oil window of the Vaca Muerta shales, and also has acreage offsetting ExxonMobil's area of activity at its Curamhuele block.

Adding to this action, Apache Corporation (NYSE:APA) also plans to invest \$200 million and drill wells in Vaca Muerta this year. Madalena is partnered with Apache on one of its blocks at Cortadera.

The latest report takes account of all this progress made, with more than 50 wells drilled in the basin by these notable majors, some in partnership with Americas Petrogas (CVE:BOE) and adjacent to Madalena Ventures' acreage, noted RBC Capital Markets analyst Nathan Piper in a research note Wednesday.

Specifically, he takes note of the fact that the Vaca Muerta formation in the Neuquén basin has technically recoverable shale gas and shale oil resources of 308 tcf gas and 16 billion barrels of oil and condensate. In Los Molles, EIA estimates technically recoverable shale resources at 275 trillion cubic feet of gas and 3.7 billion barrels of shale oil.

Madalena recently stated, according to a Ryder Scott resource assessment, that there are a total of 2.86 billion barrels of oil equivalent (net to Madalena) across its three blocks within the Neuquen basin, of which approximately 2.0 billion boe net hails from Vaca Muerta alone.

There is no question that Madalena has plenty of upside as an emerging player in the oil and gas sector, as it moves

**Price:** C\$0.3

**Market Cap:** C\$93.88M

### 1 Year Share Price Graph



### Share Information

**Code:** MVN

**Listing:** TSX-V

**Sector:** Oil & Gas Exploration & Production

**Website:** [www.madalena-ventures.com](http://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.*

### Author:

**Deborah Bacal** +44(0)1202770386

action@proactiveinvestors.com



forward with its asset base in an area that is clearly attracting major industry names. This could potentially unlock significant value from its shale oil and gas assets through 2013 and 2014.

Earlier this week, Madalena said that the exploration period for its Curamhuele block - one of its three key blocks in Argentina - has been extended for a year, giving the company the financial flexibility to satisfy the remaining work commitments on the asset in 2014, and the time to find a strategic partner in 2013 to accelerate exploration and development activities. A farm-out for this block is targeted for sometime later this year, which is expected to be a major catalyst for Madalena's stock.

"Note that Chevron, Total, Exxon and Apache hold blocks that are adjacent to the Curamhuele block," said Mackie Research's Bill Newman in a research report that considered the impact of the extension announced on Tuesday.

"The block has potential for oil and liquids within the Vaca Muerta and Agrio shale horizons. Rider Scott commented that the Agrio looks as good as the Vaca Muerta. According to the Rider Scott report, the block has a net prospective recoverable resource of 1.5 billion boe."

Mackie Research holds a buy rating and a \$2.15 price target on Madalena, while National Bank Financial has an outperform rating and a \$1.20 price target.

National Bank analyst, Darrell Bishop, wrote in a separate report: "We continue to see an attractive risk reward proposition at current levels with sentiment moving in the right direction in Argentina and a line of sight for production growth in Canada."

Aside from the shale assets in Argentina, Madalena also has more than 150 net sections across light oil and liquids-rich horizontal development plays in the Greater Paddle river area of Western Canada. Additional drilling is planned for the area this year, with some potentially significant results awaited from the Canadian Nordegg well this summer.

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