



Madalena Energy

Nov 7th 2013

Latest YPF tie-up in Argentina's Nequen Basin highlights potential of Madalena assets

A \$151 million dollar deal announced today in Argentina's Neuquén province supports Madalena Energy's (CVE:MVN) expectation of large resource potential at the Mulichinco tight sand play, according to a note by Mackie Research analyst Bill Newman released Thursday.

This morning, Petrolera Pampa announced a deal to invest a total of \$151 million in two phases to earn a 50% working interest in state energy firm YPF's Rincón del Mangrullo block. The two parties are targeting natural gas in the Mulichinco sands, which is also prospective on Madalena's Cortadera block, in which it holds a 40% weighted interest, and its Curamhuele block, where the company holds a 90% weighted interest.

Mackie, which has a buy recommendation and a \$2.05 price target on Madalena, said that in addition to supporting the resource potential of this zone, it also highlights the "multi-zone" potential the Neuquén basin, where numerous oil majors have been making moves as of late.

The Nequen Basin in Argentina has been witness to a recent 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, Haywood Securities analyst Darrell Bishop recently pointed out in a research report a valuation disconnect, with Madalena's Argentina lands valued at about \$750 per acre, compared to majors who are currently transacting at upwards of \$10,000 an acre.

Madalena is focused on multi-billion barrel potential on three blocks within Argentina's Neuquen basin. It holds 135,000 net acres on the Coiron Amargo, Curamhuele and Cortadera blocks, seeking joint ventures to the appraisal of its shale resources in the Vaca Muerta formation. It has estimated contingent and prospective resources of 2.9 billion barrels in Argentina.

Under the deal announced today with YPF, in phase 1, Petrolera will fund a 3D seismic program and drill 17 wells for a total investment US\$81.5 million. YPF will also fund an additional 17 wells "for an equivalent investment" and construct a 55km pipeline to tie-in the field to YPF's Loma La Lata gas unit.

The state firm plans to build a new gas separation unit on the block in the next seven months, YPF said.

In phase 2, Petrolera will drilling another 15 wells up to a cost of US\$70 million. YPF estimates that the Rincón del Mangrullo block is expected to produce 1.3Mm³/d in its third year of development.

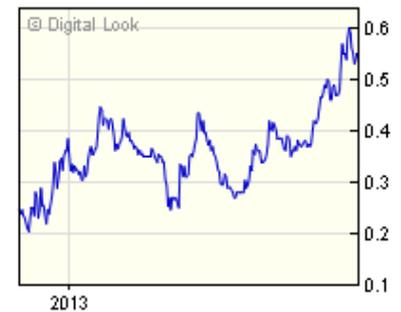
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Price: C\$0.55

Market Cap: C\$186.28M

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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