



Madalena Energy

Jan 15th 2014

Madalena Energy moving to second horizontal Sierras Blancas well, more catalysts ahead

Madalena Energy (CVE:MVN) (OTC:MDLNF), a junior oil and gas producer with assets in Canada and Argentina, is now moving its drilling rig to the second horizontal well to be drilled in the Sierras Blancas light oil reservoir at its Coiron Amargo block, after some stellar results from the first horizontal well at this play late last year.

The company is busy drilling both the Sierras Blancas and prolific Vaca Muerta plays on the Coiron Amargo block, which sits in the Nequen Basin in Argentina, home of Madalena's other two blocks in the country.

The Canadian junior, which has received recent upgrades by analysts lately on the back of improving sentiment in Argentina, said it has reached a total depth of 3,163 metres on the CAS. x-15 vertical well targeting the Vaca Muerta shale at Coiron Amargo. This well is located in the southern portion of the block, and has been cased with roughly 114 metres of Vaca Muerta shale logs, with completion and testing operations now planned for this quarter.

The drilling rig will therefore now move to the CAN-15(h) lease site, to start the drilling on its second Sierras Blancas horizontal well, which will be drilled into one of the largest Sierras Blancas pools on the block.

The company, in an update Wednesday, said it will target a separate pool than was drilled by CAN.xr-2(h), the first horizontal well, the results of which were released late in December. At the time, the company reported results of a multi-rate production test, with the highest rates, on a 12 mm choke setting, flowing at a rate of 2,238 barrels of oil equivalent per day (boe/d) over a three hour period.

According to Madalena's statement, in the 10-day period to January 7, the first well flowed on a restricted 6 mm choke, and produced a total of 7,815 boe/d, with no significant flowing pressure declines observed and no water produced. The well will continue to be produced at restricted flow rates until permanent facilities are in place, expected next month.

The company has a total of six Sierras Blancas conventional light oil pools discovered so far at Coiron Amargo. Madalena is planning to continue its technical work to improve its understanding of the potential for the horizontal oil play.

Meanwhile, at its Cortadera block in Argentina, where it signed a decree to extend the initial exploration period last September, Madalena and its partner, Gas y Petroleo del Neuquen SA, plan to re-enter the previously drilled CorS.x-1 Vaca Muerta test well this quarter to evaluate an up-hole zone of interest in the wellbore. The first exploration period for the block has been extended until October 26, 2014, with the option to enter further exploration periods.

And at Madalena's assets in West-Central Alberta, Canada, the company said Wednesday it is focused on development of its Ostracod horizontal oil wells, drilling two additional wells last month, which both successfully hit their targeted oil zones. These two wells are expected to be placed on production this quarter.

Before quarter-end, it is also planning to drill an additional Ostracod oil well, following the five completed last year. The oil and gas junior has about 58 net sections of land on the Ostracod oil trend, with a significant inventory of drill-ready locations.

Price: C\$0.81

Market Cap: C\$264.18M

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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Madalena also said Wednesday that testing at its Nordegg horizontal well in Alberta yielded no meaningful hydrocarbon production, with the wellbore suspended.

On Tuesday, Madalena got a boost from Gas y Petróleo del Neuquén's (GyP) resurrected plans to launch an IPO on the Buenos Aires stock exchange later this year. Haywood Securities analyst Darrell Bishop raised his price target by 20 cents on Madalena, after recent commentary from GyP about the upcoming public listing suggests the company is targeting an IPO valuation of \$8,000 an acre.

"We view this latest macro announcement as another data point supporting our call that Argentina is on the verge of sentiment turning the corner and that industry (and investors) would come back to the space," wrote Bishop in his note, which bumped up Madalena's price target to \$1.10, with a buy rating.

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