



# Madalena Energy

May 14<sup>th</sup> 2014

## Madalena Energy could add "a lot of value" this year: Mackie Research

Madalena Energy (CVE:MVN) shares were rising Wednesday after analyst Bill Newman at Mackie Research said he believes the company could add a lot of value in 2014.

The stock climbed over 3% in early deals, rising to 68 cents in Toronto.

Newman took note of the fact that the junior oil and gas producer has been a very active driller in the Nequen Basin in Argentina, where the company holds over 132,000 acres across three separate blocks, over land in the most active area for unconventional oil and natural gas drilling in the world outside of North America.

The area's value is driven by the Vaca Muerta shale, the Lower Agrio shale and the Mulchinco tight sand play. Vaca Muerta is believed to be the world's second largest shale gas and fourth largest shale oil formation, with the area containing an estimated 27 billion barrels of shale oil.

"The company recently drilled two Vaca Muerta exploration wells on the Coiron Amargo block, which will be fracture stimulated and tested starting in Q2/14. The Coiron Amargo block is located within the prime Vaca Muerta shale oil window and just to the east of the Loma Campana / Loma Lata blocks, where Chevron and YPF are drilling," Newman wrote in the research note.

He said that Madalena is also having "a lot of success" by drilling horizontal wells to achieve high flow rates from the conventional Sierras Blancas formation.

"So far the company has discovered six Sierras Blancas light oil pools on the Coiron Amargo block. But Madalena has shown the best way to develop the play is with unstimulated horizontal wells."

In January, the company announced results from the first horizontal well targeting the largest Sierras Blancas structure, with the CAN.xr-2(h) well testing up to 2,235 barrels of oil equivalent. This was followed by news in April of the second horizontal well targeting this structure testing at 1,945 boe/d from only a portion of the horizontal leg.

Madalena is planning to drill two to three more horizontal Sierras Blancas wells this year, which should boost its production in Argentina, giving the company two high-impact plays to appraise on the Coiron Amargo block.

In addition, near this block, the company holds a 90% working interest in the Curamhuele block, which Newman says could be "the next hot area for shale exploration." Indeed, Chevron is beginning to drill there, with plans for four wells targeting the Vaca Muerta shale on its El Trapial block, which is directly adjacent to Madalena's Curamhuele.

"Madalena also sees a lot of potential in the Lower Agrio formation, which is another shale play on the Curamhuele block and is being drilled to the north by YPF.

"With the success of the Sierras Blancas horizontal wells, all the shale wells that are scheduled to be tested, and with Madalena being in the heart of two evolving & active areas in the Neuquen basin, we think Madalena could add a lot of value in 2014," Mackie's Newman said.

**Price:** C\$0.67

**Market Cap:** C\$265.91M

### 1 Year Share Price Graph



### Share Information

**Code:** MVN

**Listing:** TSX-V

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

**Website:** [www.madalenaenergy.com](http://www.madalenaenergy.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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