



Madalena Energy

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Madalena Energy gets further boon from Exxon discovery nearby

Activity is continually heating up in Argentina's prized Nequen Basin, where oil majors are gathering just steps from Madalena Energy's assets --- a boon for the junior oil producer that is seeking joint venture partners for its plays.

According to a research note from Haywood Securities, ExxonMobil has reported its first operated discovery in Argentina's Vaca Muerta shale, with the well reportedly flowing at an average rate of 770 barrels per day on a small 12/64 inch choke.

Haywood's energy research analyst Darrell Bishop said this is a positive read-through for Madalena. "This is a nice horizontal well / discovery in the central part of the Neuquén basin between Madalena's Curamhuele and Coiron Amargo blocks."

Madalena 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.

In total, Exxon holds about 900,000 net acres in the Nequen province, and has participated in seven wells so far, recently deciding to ramp up an operated drilling program in the Bajo del Choique and La Invernada blocks. The oil giant's VP of exploration was recently quoted as saying that its first operated discovery in the Vaca Muerta play is a "very positive sign" that the shale in this area of Nequen province holds "great promise."

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.

Indeed, ExxonMobil is not the only major in the Vaca Muerta business, with Chevron saying Thursday that it is ramping up investments in the country. The company and state-owned oil firm YPF announced plans last month to invest an additional \$1.6 billion to develop Vaca Muerta.

A Chevron spokesman told Reuters on Thursday during a trip to Buenos Aires that the shale play in Argentina is unique because of the rock and its thickness, and could secure the South American country's energy self-sufficiency for decades.

He also said drilling costs are coming down in the area, and the well results so far were sufficient to warrant additional investment. Chevron is not only scaling up development and production offset to Madalena's Coiron Amargo block, but also to the junior's Curamhuele block.

"Argentina's Vaca Muerta shale is clearly the hot play from all the supermajors and eventually the big blocks of land in the quality areas will be gone," said Haywood's Bishop, emphasizing that Madalena is one of the best positioned to benefit from the industry wave of interest in the play given the proximity of its assets to the sweet spots of the basin and large joint ventures.

Madalena just recently drilled two Vaca Muerta exploration wells on the Coiron Amargo block, which will be fracture

Price: C\$0.63

Market Cap: C\$246.07M

1 Year Share Price Graph



Share Information

Code: MVN

Listing: TSX-V

Sector: Oil & Gas Exploration & Production

Website: 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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stimulated and tested starting in the second quarter. The junior oil and gas producer is also 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.

Madalena has been a significant holder of acreage in the Vaca Muerta shale since 2007, back when the whole play was just an engineering pipe dream and before the recent bustle of drilling action by industry majors.

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