

Madalena Energy

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Madalena Energy boosted by well success and Argentine incentives, analyst says

Drilling success and Argentine petroleum incentives are boosting Toronto quoted Madalena Energy (CVE:MVN), according to broker Mackie Capital.

The broker today repeated a 'buy' recommendation, which with a C\$0.70 target implies the oil junior could more than double in value.

Analyst Bill Newman, in a note, highlights that Madalena Energy is growing its conventional oil production operation in Argentina whilst at the same time is positioned for "massive upside" potential in the unconventional Vaca Muerta, Loma Montosa, Mulichinco, and Lower Agrio resource plays.

Madalena is also benefitting from Argentina's Petroleo Plus Bonds. It was issued a payment of US\$11.1mln, in September, paid in bonds and Newman says the bonds have a fair market value of US\$13.9mln

He also highlighted that the company liquidated 16% of the bonds at the end of September for US\$2.2mln of cash.

An operations update from the company on Thursday revealed Madalena and its partners plan the first horizontal multi-frac well on the Coiron Amargo block, in the Vaca Muerta shale, where operations are expected to begin in the first half of next year.

Madalena also told investors it had made progress on the Lower Agrio shale oil play and the Mulichinco tight sand gas play.

The company holds over 950,000 net acres in four provinces of the South American country and is focused on the large shale and unconventional resources in the Vaca Muerta shale, Lower Agrio shale, Loma Montosa oil play and the Mulichinco liquids-rich gas play.

This month, Madalena has successfully deepened the Yapai.x-1001 well, drilling through 550 metres of the Lower Agrio formation, with the bottom 270 metres encountering continuous oil and gas shows, it said.

The firm then drilled around 24 metres into the underlying Mulichinco formation, which it believes is sufficient to initiate a hydraulic fracture treatment in this tight sand horizon. The mud logging over this interval continued to yield good gas shows.

"The initial results of MVN's unconventional drilling program are encouraging and the onetime US\$13.9 million Petroleum Plus credits payment improves MVN's financial flexibility," Newman summarised.

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Price: C\$0.325

Market Cap: C\$176.177M

1 Year Share Price Graph



Share Information

Code: MVN

Listing: TSX-V

52 week	High	Low
	0.425p	0.21p

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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