

Madalena Energy

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Vaca Muerta shale joint ventures positive for Madalena, says Mackie

Two joint venture deals between Argentina's state-run oil group YPF and American Energy Partners (AEP) to invest more than US\$500mln in the Vaca Muerta shale in Argentina is a boon for junior Madalena Energy (CVE:MVN), which has land nearby, says Mackie Research.

The deal, announced last week, is the latest international venture struck by the Argentine firm, and is a big vote of confidence for the country's new government and the potential held within these unconventional oil and gas shale plays, suggests Mackie analyst Bill Newman.

Mackie repeats a 'buy' on Toronto-listed Madalena and targets C\$0.70 a share - over three times the current price of C\$0.23.

AEP was founded in 2013 by Aubrey McClendon, who headed up US giant Chesapeake Energy, which was one of the first companies to successfully apply fracking technology to shale plays in the USA.

The Bajada de Anelo joint venture concerns a 50,400 acre block, which lies west of Madalena's Coiron Amargo block, and northwest of the YPF/Chevron joint venture. The total investment commitment of the pilot JV project is US\$447 million, to be completed by June 30, 2018. AEP will initially fund 39.4% of the JV pilot project to earn a 25% interest.

The second venture concerns the Cerro Arena Bajada de Anelo block directly adjacent to Madalena's Cortadera block. AEP will fund 100% of the US\$60 million JV to earn a 45% interest in the 92,665 acre block.

"The new centre right president Mauricio Macri, who took office in December 2015, has moved quickly to implement policies that have improved the investment climate of Argentina. As a result, we believe investment in 2016 will be robust as existing and new E&P companies look to exploit Argentina's world class shale plays," says Newman.

Madalena holds more than 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.

In the first quarter this year, Madalena chief executive Kevin Shaw said investors can expect a testing program at the Yapai.x-1001 well on the unconventional shale block at Curamhuele, in which the group has a 90% working interest.

Previously, the well drilled through 550 metres of the Lower Agrio shale, with the bottom 270m encountering continuous oil and gas shows.

The Curamhuele block is home to over 1bn barrels of oil equivalent of potential recoverable resource in the Vaca

Price: C\$0.265

Market Cap: C\$135.521M

1 Year Share Price Graph



Share Information

Code: MVN

Listing: TSX-V

52 week	High	Low
	0.425p	0.225p

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.

Author:

Giles Gwinnett

+44(0)1202770386

action@proactiveinvestors.com

Muerta shale, Madalena notes.

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Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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