

The Most Promising Growth Player In Argentinian Shale

Argentina Home to First Shale Boom Outside North America and Next Big Hotbed for Energy Investment in a 2015 Election Year

Uniquely Positioned International Small Cap Sitting on 3 Billion Boe of Net Recoverable Resources, Drilling Four Strategic Resource Plays in 2015 and Trading at Less Than 3 Cents Per Recoverable Resource Barrel

The shale revolution has been the biggest energy story of the past half century. Huge volumes of oil and gas that had previously been inaccessible have come online in the past several years and have totally upended energy markets. But up until now that revolution has been an American one.

With that said, there is only one place that is on the cusp of repeating the shale revolution: Argentina.

Argentina is home to 27 billion barrels of recoverable oil and 802 trillion cubic feet of natural gas. Much of that is located in and around Neuquen province in central Argentina, which sits atop multiple prolific shale basins, including the increasingly sought after Vaca Muerta shale.

Sitting in the middle of all of this action is an emerging company based out of Canada: [Madalena Energy \(TSXV: MVN; OTC:MDLNF\)](#), an Argentina-focused oil and gas exploration company with operations in multiple basins and prime acreage next to some of the world's biggest companies which are developing Argentina's unconventional resources.

Madalena was extraordinarily prescient to have grabbed this acreage well before bigger players recognized the opportunity and are now one of the only smaller companies left in Argentina with prime acreage across large scale unconventional plays and with a big piece of the action. With oil majors now surrounding Madalena's acreage and increasing their drilling activity, Madalena's acreage continues to rise in value as the industry quickly de-risks what is becoming the next big unconventional shale play worldwide.

Argentina's state-owned **YPF** made headlines over the last 12 months making significant progress in their Vaca Muerta shale development and in August 2014 with a [major discovery](#) in the Agrio shale formation, raising expectations for all operators in the region for both the Agrio and Vaca Muerta shales. Madalena has a 90% working interest in its Curamheule block, which is located near to YPF's latest discovery. With over 200 meters of thickness in the Agrio shale, Madalena's [Curamheule](#) is estimated to hold **over 1.5 billion barrels of recoverable oil and natural gas liquids**. Madalena has put together ambitious plans to drill this acreage in 2015 and is fully funded to do so.

Madalena has also stitched together significant acreage positions that are surrounded by other oil majors. **ExxonMobil (NYSE: XOM)**, **Royal Dutch Shell (NYSE: RDS.A)**, **Total (NYSE: TOT)**, **Petronas** and **Wintershall** are some of the other conspicuous players operating just around Madalena's [Corion Amargo](#) block. Joint ventures between **Chevron (NYSE: CVX)** and YPF just offset to Madalena's Corion Amargo block, are seeing investments

in the order of USD \$1.2 billion and USD \$1.6 Billion in the Vaca Muerta shale, underscoring the incredible position that such a small company has found itself in.

At their Loma Campana development, YPF and **Chevron (NYSE:CVX)** have 200 wells now in production from the Vaca Muerta shale and are driving ahead investing significant dollars in Argentina's unconventional shale plays with plans to drill an additional 160 wells (120 vertical and 40 horizontals) in 2015 in this area alone, which sits **offset to Madalena's acreage**.

Adding fuel to the Argentina shale fire, ExxonMobil made a groundbreaking [discovery](#) on its acreage in the Vaca Muerta. Its second discovery is a mere 20 kilometers from its first successfully drilled well, highlighting the enormous potential for the region. The initial flow rate for the most recent well showed 448 barrels of oil per day plus 1 million cubic feet of natural gas.

"Our second well is flowing at levels which position it as one of the best in the (Vaca Muerta) formation," Exxon Mobil Exploration Company's President, Stephen Greenlee, said in a [statement](#) in late December 2014.

Each successive discovery ups the certainty that Argentina's shale will prove to be the next big hotbed for the energy sector and perhaps even more valuable than the American shale plays given the sheer magnitude of the resource in place and given that it is 3X to 10X thicker than comparable U.S. shale plays.

As the industry players continue to invest in Argentina's shales, it increases the value of acreage held by companies in the region, including the acreage held by **Madalena Energy which today is just above a \$100 million market cap, yet sits on assets which could prove to be worth 4X to 10X this value. Madalena is drilling four strategic resource plays in 2015 to unlock its nearly 3 Billion Boe of net recoverable resources in Argentina and is one of the best positioned small-caps in the international sector...**

A few key **highlights of Madalena Energy** are:

- Strong balance sheet with no debt and \$18 million in positive working capital
- Sustainable cash flow stream in Argentina with a regulated oil price environment of USD \$77/bbl in January 2015 and up to USD \$7.50/mmBtu gas
- Critical mass production size in and around 3,600 boe/d (76% oil & NGL's) in Argentina and an additional ~1,000 Boe/d behind pipe in Canada
- Over 950,000 net acres in Argentina; 150 net section in Canada
- Over 2.9 Billion Boe of net recoverable resources in Argentina's Unconventional shales
- Prime acreage positions in the Vaca Muerta shale and Agrio shale
- Large position in the Loma Montosa oil Resource Play (being drilled horizontally in Q1 2015)
- Large position in the Mulichinco liquids-rich resource play
- Portfolio of blocks across prolific conventional plays in Argentina
- Implementing horizontal multi-stage frac technology in Argentina focused on both conventional and unconventional resource plays
- Multiple rigs to run in 2015 with a \$44 million capital budget
- Drilling currently underway in Argentina with an active drill program through 2015
- **Four Unconventional Resource Plays and "Company Makers" Being Drilled in 2015**

Madalena's management, led by President & CEO Kevin Shaw (ex-**ExxonMobil**), has strategically positioned the company in 2014 to unlock its unique set of unconventional assets in

Argentina by first establishing a sustainable critical mass production base in Argentina which can now be used to fund its strategic drilling on the Company's large-in-place resources. Over the last year Madalena has exploded on the revenues side of the business, achieving an astounding [538 percent increase](#) in its production revenues in 2014 from a year earlier. The company reported over \$30 million in revenue for the third quarter, a dramatic jump from just \$4.8 million in the third quarter of 2013.

Is This The Most Lucrative Investment In Modern History?

A new type of investment just recently became available to individual oil & gas investors. Because of the recent crash in oil and the timing of a new law, it could be the most lucrative investment in modern history. I want to give you a step-by-step guide (at no cost) on how you can get started and potentially retire from it.

[Click here to get the free guide now.](#)

Not only that, but land values are rising in concert with optimism. Land is now attracting between \$5,000 and \$15,000 per acre in oil-rich areas of the Vaca Muerta shale and emerging Agrio shale plays, and as much as \$5,000 in natural gas-rich locations. Given these market rates, **Madalena's acreage in the Vaca Muerta alone could prove to be worth as much as US\$600 million to \$1 billion.** After ExxonMobil's recent success in the Vaca Muerta, no doubt land values received an additional boost

Layer in potential company makers on Madalena's Loma Montoso oil resource play being drilled in H1 2015, a Montney like play in the liquids-rich Mulichinco and a number of conventional assets within the portfolio, and Madalena is highly undervalued in the marketplace with significant upside for investors.

The best is yet to come for Madalena in 2015, with this well-managed company positioning itself through 2014 to **drill a series of high impact wells across four unconventional resource plays. Hitting just one of them could cause Madalena's share price to double in the next 12 months** and the company is looking to deliver results on more than just one of these strategic resource plays.

Although the current state of the oil market has been tough for oil and gas producers, Madalena has laid out an up to CDN\$44 million [capital expenditure program](#) for 2015 and is positioned to still end 2015 with positive working capital. Madalena will focus on drilling and delineating the extent of its resources in the Vaca Muerta shale, Sierras Blancas light oil, Agrio shale, as well as the liquids-rich Mulichinco and the Loma Montosa oil resource play.

Madalena is also actively pursuing the potential for **non-core asset sales** and **joint venture partnerships** with a number of different parties which could create additional shareholder value for investors in 2015. **With high oil prices in Argentina, world class unconventional shale opportunities, and an election year in 2015, Argentina is the place to be for the globe's leading oil & gas majors. Madalena Energy is positioned to unlock significant value over the next 12 to 18 months and is a prime takeover target given the company's attractive positions within both the unconventional and conventional fairways of Argentina.**

Furthermore, Madalena trades at less than 3 cents a recoverable resource barrel on its shale assets alone making it an even more attractive takeover target amid

the current energy market downturn, especially when the company is sitting on high quality assets alongside much larger neighbors.

Said a different way, Madalena currently trades in the marketplace **far below the company's conventional only reserves value backing up its current production in Argentina, meaning that investors get Madalena's *unconventional resources for FREE at the current trading price.***

In fact, Madalena is positioning itself to become a very attractive acquisition given that it is one of the only small companies in the region with significant unconventional resources and acreage positions. With oil prices remaining high in Argentina compared to the rest of the world, existing companies seeking to expand contiguous territory offset to Madalena blocks, and new entrants seeking exposure to the next big shale hotbed globally, it will be interesting to watch Madalena as it moves through 2015.

With a series of large scale resource plays being drilled by Madalena in 2015, potential for joint ventures or asset sales, and the company being a takeover target.....all taken together, there are a variety of avenues for Madalena to seriously boost its share price. The stock has been hit hard from falling oil prices, but the market is severely undervaluing a company that is sitting on valuable land, has positioned itself to drill forward through 2015 and continues to have a decent production base for reinvestment into its strategic resource plays.

Madalena is making history with its plans to tap the Vaca Muerta and Agrio shales alongside the Loma Montosa oil resource play and Montney like Mulichinco. The Vaca Muerta itself is approximately 3X the size of the Eagle Ford shale in South Texas, a shale formation that has underwritten the original shale revolution in the United States. With impressive thickness that could allow for greater recovery of oil and gas per well, the Vaca Muerta is well on its way to becoming the next big shale play to be developed large scale by the oil industry.

Argentina has long been better known for its exports of succulent beef and red wine rather than oil and gas. In reality, Argentina has produced hydrocarbons for quite some time, but up until now, the prodigious volumes of oil and gas trapped in shale have been out of reach.

But Madalena, surrounded by the world's largest oil companies, is on the verge of setting off another unconventional shale revolution, this time with a *gaucho* twist.

By James Burgess of Oilprice.com