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Madalena seeks partner for Argentina shale block by early 2014

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Canadian independent Madalena Energy is seeking a partner to help develop its Curamhuele block in Argentina for unconventional oil and natural gas resources, a country where it sees large potential.

"We are looking for a key player to move forward and accelerate the development and exploration potential of the block," Kevin Shaw, president and chief executive of the Calgary-based company, said on the sidelines of a shale gas conference in Buenos Aires.

Madalena hired RBC Capital Markets in June to help find a partner for Curamhuele, in which Madalena has a 90% interest.

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Shaw said a partner could be brought on as soon as "this year or early next year."

The partner will likely be a bigger oil company with the capital for the large investments required to develop shale resources, he said.

"All the players are big players that are focused on the shale developments [in Argentina]," he said. "Partnering with the big guys is a way to properly capitalize the asset, progress the exploration and get the work done on some of these key plays."

Curamhuele is part of the Neuquen Basin, which since 2010 has emerged as a hotspot for shale investment as estimates show it holds most of the country's estimated 27 billion barrels of shale oil and 800 Tcf of shale gas. Apache, ExxonMobil, Shell and others have taken positions, and Chevron has entered a partnership with YPF, Argentina's state-run energy company, to invest \$1.5 billion in the first mass shale development in Vaca Muerta.

"We are one of the few small players left with three key blocks and a significant acreage position in the shales," Shaw said.

Madalena has three blocks in the basin, where it is targeting shale resources in the Vaca Muerta and Lower Agrio plays as well as tight sand plays in the Mulichinco and Quintuco formations and select conventional zones.

Curamhuele and its other blocks -- a 30% stake in Coiron Amargo and a 40% stake in Cortadera -- hold an estimated 2.9 billion barrels of oil equivalent of recoverable resources (45% crude oil and natural gas liquids), according to a recent Ryder Scott evaluation of Madalena's acreage. Curamhuele is estimated to hold more than 1.5 billion boe, of which 65% is oil.

Shaw said companies are drilling into Vaca Muerta and the other shale plays in blocks neighboring Curamhuele, a sign of the potential. He added that Madalena is focused on finding the potential of its assets, the best completion techniques and the most productive drilling sites.

"We want to crack that recipe and then drive forward more aggressively," he said.

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