



Madalena Energy

Apr 17th 2015

Argentina focused Madalena increases 2014 production by 165%, adds significant conventional reserves

Madalena Energy (CVE:MVN) (OTC:MDLNF), which is an Argentina focused oil and gas energy company, increased its conventional oil and gas reserves on its conventional assets alone by 297% in 2014 through a highly accretive acquisition and successful horizontal drilling in Argentina.

While progressing the conventional reserves and production fronts, the Company is also strategically moving forward on its unconventional assets in Argentina working to unlock approximately 35 Billion Boe of in-place resources and over 2.9 Billion boe of recoverable resources to Madalena.

On the Coiron Amargo block, the company cut an attractive deal on one of its prime acreage position in the Vaca Muerta shale and has secured this core unconventional shale block offset Chevron, YPF, Shell, Petronas, and Wintershall (all of which are scaling up drill programs in the Vaca Muerta).

The junior oil and gas company, which is focused on delineating its key positions in the unconventional shale assets in Argentina while implementing horizontal technology into its Loma Montosa oil resource play and Sierras Blancas light oil developments, ended 2014 with C\$11.8 million in positive working capital and no debt.

Madalena has a current production is approximately 4,000 boe/d (79% oil and NGL's) with 3,800 boe/d (80 % oil and NGL's) in Argentina and 200 boe/d (55% oil & NGL's) in Canada. Revenues from operations were C\$4.4 million (Q4-2013 - \$1.5 million) and C\$17.7 million (2013 -\$3.9 million) for the fourth quarter and year, respectively.

In 2015, the company is pursuing operational plans to drill four strategic resource plays including the Loma Montosa oil resource play, the famous Vaca Muerta shale, emerging Lower Agrio shale and liquids-rich Mulichinco gas resource play in Argentina. It will also continue horizontal development of its Sierras Blancas light oil assets.

As Madalena announced on April 8, it has completed a horizontal well on its Puesto Morales block (over 30,000 net acres) in a strategic Loma Montosa oil resource play.

This horizontal well was completed with a 12 stage ball drop frac operation, the first ever executed in Argentina by an energy company, using a hybrid slickwater/gel frac that pumped a total of 10,900 bbls of water and 360 tonnes of sand.

As an update in the year end results, this Loma Montosa horizontal continues to flow impressively up 5.5 inch casing at an average rate over the first 12 days of approximately 681 boe/d. The Loma Montosa is a widespread resource play and Madalena has a significant inventory of horizontal locations on this 100% controlled block and asset.

Madalena also noted that the Sierras Blancas horizontal well (CAN-16(h)) at Coiron Amargo, in the Sierras Blancas light oil zone, sourced from the Vaca Muerta shale on the block and surrounded by the likes of Shell, Chevron, YPF, Petronas, Wintershall and others, making significant investments in this focus area.

This Sierras blancas horizontal has been on production for three weeks, after having been tied into productive facilities

Price: C\$0.39

Market Cap: C\$205.117M

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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on March 27, at a rate of 590 boe/d (206 boe/d net) with a 15% water cut. Madalena is four for four with this well-being the company's fourth successful horizontal which has been put into production at Coiron Amargo. Madalena has a multi-year inventory of development locations in the Sierras Blancas.

The Vaca Muerta shale 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.

Unique to this size of company, Madalena holds a significant percentage of the country's Vaca Merta resources in Argentina and has been a significant holder of acreage in the Vaca Muerta shale and Lower Agrio shale since 2007, and has started progressing these assets over the last couple of year.

Oil and gas production averaged 4,075 boe/d (Q4-2013 - 1,271 boe/d) and 2,883 boe/d (2013 - 1,087 boe/d) for the fourth quarter and year, respectively with an increase in proved plus probable reserves ("P+P") to 11.5 MMboe, largely thanks to conventional assets.

The net present value of these P+P conventional reserves before tax, discounted at 10% ("NPV@10%"), increased 297% to \$199.4 million while P+P Reserves and P+P NPV@10% per common share have increased 72% and P+168% respectively.

With no value for the Company's unconventional shale assets in this approximate \$200 million conventional value, investors get Madalena's prime unconventional shale assets in the Vaca Muerta shale and Lower Agrio Shales for free.

Madalena, unlike many oil and gas juniors, has been able to weather the current downturn in oil prices, as oil prices in the regulated domestic market in Argentina continue to remain well above the Brent oil benchmark price. Indeed, the Medanito posted price for its Argentina oil production in February, March and April is US\$76.00 per barrel.

Madalena applies North American based horizontal technology to unlock significant upside across more than 950,000 net acres in Argentina, the most active area for unconventional oil and natural gas drilling in the world outside of North America.

Shares of Madalena have risen almost 20 percent year-to-date, and are currently trading around 38 cents on the TSX Venture Exchange in Toronto.



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