



Madalena Energy

Apr 28th 2014

Madalena Energy reports results of second horizontal well from Neuquen Basin, with more slated for this year

Madalena Energy (CVE:MVN) (OTC:MDLNF) has reported results from its second horizontal well on its prized Neuquén Basin assets in Argentina, with over 1,900 barrels of oil equivalent flowing over a five hour period. The news follows better-than-expected results from the first horizontal well, with the junior oil and gas producer saying more horizontal wells will be added beginning this quarter.

The second horizontal well was drilled on the Coiron Amargo block, one of Madalena's three Argentinean blocks, and tested the Sierras Blancas light oil reservoir. The well was drilled to a total measured depth of 3,750 metres, with a horizontal lateral section of about 692 metres in length.

The company said it performed a multi-rate production test, with the CAN-15(h) well flowing without artificial lift equipment for approximately 75 hours at various choke settings ranging from 6 to 12 mm in size. The highest rates were achieved on a 12 mm choke setting, Madalena said, with the well flowing at a rate of 1,393 barrels of oil and 3,301 million cubic feet of gas per day, for a total of 1,943 barrels of oil equivalent over a 5-hour period.

The test was only carried out on a portion of the horizontal lateral section as planned, the company's statement noted. The Sierras Blancas is a conventional light oil reservoir sourced from the famous Vaca Muerta shale across the Coiron Amargo block.

Vaca Muerta 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. Madalena has been a significant holder of acreage in the Vaca Muerta shale since 2007, back when the whole play was just an engineering pipe dream.

The company said Monday that during the test period of 75 hours, the second horizontal well produced a total 2,553 barrels of oil and 7,210 million cubic feet of natural gas, for a total of 3,754 barrels of oil equivalent. No significant flowing pressure declines were seen, and water cuts ranged from 0% to 3%, it said.

"The news today represents a second significant horizontal of a multi-well horizontal program in 2014 within the Neuquen Basin (for Vaca Muerta shale sourced oil in the Sierras Blancas)," said president and CEO of Madalena, Kevin Shaw, in emailed comments sent this morning.

"This is Madalena's second use of North American horizontal technology internationally and we will be drilling additional horizontals in Q2 onward, while working to unlock key upside across our 2.9 billion barrel unconventional shale prize."

Madalena holds over 132,000 acres in the prolific Argentinean basin, stretching across three separate blocks over land in the most active area for unconventional oil and natural gas drilling in the world outside of North America, driven by the Vaca Muerta shale, the Lower Agrio shale and the Mulchinco tight sand play.

The Canadian junior oil and gas play also said Monday that its first horizontal well is exceeding expectations. The

Price: C\$0.75

Market Cap: C\$243.86M

1 Year Share Price Graph



Share Information

Code: MVN

Listing: TSX-V

Sector: Oil & Gas Exploration & Production

Website: www.madalena-ventures.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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CAN.xr2(h) well has now been producing since late last year, with cumulative production for the first quarter, based on field estimates, coming in at approximately 63,000 barrels of oil plus associated solution gas. Average daily production was a total of 978 barrels of oil equivalent over the three month period.

The well has recently been tied into a permanent pipeline system to the central plant and gas dehydration and compressor facility, and as a result, associated solution gas volumes will be realized as sales in future quarters, Madalena said.

Several oil and gas majors, including Chevron, have recently announced ramped up exploration activities in the region where Madalena is drilling, with the Vaca Muerta quickly emerging as the "North Dakota" of the Neuquen Basin.

The junior company said it has an inventory of high impact horizontal locations across the Coiron Amargo block, and based on results to date, it is moving forward with its multi-well program planned for this year. The third horizontal well targeting Sierras Blancas is expected to be drilled in the second quarter, in the same pool as that developed with the second well, which is one of the largest Sierras Blancas pools identified on the block to date.

After the third well is drilled, one to two more horizontal wells are anticipated to be drilled and tied in to production facilities by the end of this year, according to Madalena's statement.

The company also has plans to focus on unlocking the unconventional resources across Coiron Amargo, which is strategically positioned in the shallower portion of the Vaca Muerta oil window, in an area where more than 150 Vaca Muerta shale wells have been drilled over the last 12-14 months.

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