



# Madalena Energy

Aug 26<sup>th</sup> 2015

## Madalena Energy cranks it up in the second quarter

Madalena Energy (CVE:MVN) (OTCMKTS:MDLNF) has been pulling out the stops to capitalize on Argentina's oil incentive program.

The Canada-based junior oil and gas producer, which generates about 95% of its oil output from Argentina, said oil and gas production more than doubled in the second quarter to 3,996 barrels of oil equivalent per day (boe/d) from 1,569 boe/d year-over-year.

Second-quarter oil and gas revenue more than tripled to C\$30.4m from C\$9.1m year-over-year, which had a positive impact on working capital in the second quarter.

Working capital improved to C\$14.2m in the three months ended June 30, from C\$11.2m in the year-earlier period, the Calgary, Alberta-based company said in a statement on Wednesday.

The company's consolidated average sales prices increased to C\$83.50 per barrel of oil equivalent. In Argentina, the average sales price rose to C\$84.97 per boe.

To stimulate production, Argentina has set a US\$3.00 per barrel royalty free bonus payment to be paid on all oil production for each company that increases its oil production or maintains it at greater than 95% of fourth-quarter 2014 volumes. This US\$3.00 per barrel incentive is incremental to the regulated oil price per barrel received in Argentina's domestic oil market.

The company's net loss expanded to C\$6.9m, or a C\$0.01 loss per share, in the April-to-June quarter, from C\$3.7m, or C\$0.01 loss per share, a year earlier.

One analyst had predicted break-even per share and revenue of C\$30m, according to Capital IQ data.

Funds flow from operations was C\$4.3m for the second quarter, including a C\$1.9m one-time charge to royalties pursuant to a 2007-2011 royalty settlement related to historical production from the Puesto Morales area. Without this one-time settlement charge, funds from operations would have been C\$6.2m. The prior-year's funds flow from operations were C\$1.0m.

Subsequent to the quarter, the company was notified by the Argentina Secretary of Energy that Madalena will receive US\$11.1m in government bonds for settlement of past Petroleum Plus incentive credits.

Moving forward, Madalena expects third-quarter corporate sales volumes to average 3,550 boe/d, of which 96% is projected to come from Argentina.

This would be a dip on output levels in the second quarter, as a result of anticipated production declines and no new wells coming on-stream during the third quarter; however, the company projects production will increase in the fourth quarter with the addition of new horizontal wells being drilled in Argentina.

Madalena holds over 950,000 net acres in five provinces of Argentina where it is focused on the delineation of large shale and unconventional resources in the Vaca Muerta shale, Lower Agrio shale, Loma Montosa oil play and the

**Price:** C\$0.25

**Market Cap:** C\$137.963M

### 1 Year Share Price Graph



### Share Information

**Code:** MVN

**Listing:** TSX-V

**Sector:** Oil & Gas Exploration & Production

**Website:** [www.madalenaenergy.com](http://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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Mulichinco liquids-rich gas play.

The company is implementing horizontal drilling and completions technology to develop both its conventional and resource plays.

Shares in Madalena were up 4.0% at 26 cents in early trading on the Canada Venture Exchange.

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