



Madalena Energy

Jul 30th 2014

Madalena Energy sets \$36 mln budget for drilling operations designed to bolster output

Madalena Energy (CVE:MVN) (OTC:MDLNF) has approved a C\$36 million budget for the remainder of the year, with the company focused on high impact horizontal development and unconventional shale delineation in Argentina and Canada.

The junior oil and gas producer, following the acquisition of Gran Tierra's Argentinean assets, is positioned with a solid platform for future growth in Argentina, across 14 concessions over 1 million net acres of land. It also has a land base with more than 150 net sections in Western Canada, with a large inventory of horizontal development locations.

Over the next 17 months, it told investors that it plans to invest its cash flow and financial resources on a combination of lower risk, conventional development activities and on unconventional shale and tight sand delineation in the Vaca Muerta and Lower Agrio shales of Argentina's Nequen Basin.

Shares advanced more than 4.3 percent on Wednesday, to trade at 48 cents.

The first priority will be conventional development via horizontal drilling and workover programs, which will see Madalena drill the Coiron Amargo, Puesto Morales and Rinconada South blocks in Argentina, while in Western Canada, it will focus on additional horizontal Ostracod oil wells to boost production.

As part of these efforts, Madalena said a multi-well drilling program in the Loma Montosa oil resource play is being planned for next year at the Puesto Morales field.

Its next priority is to advance its unconventional shale and tight sand resources within the Nequen basin at the Coiron Amargo, Curamhuele and Cortadera blocks. Madalena's acreage is positioned in some of the key areas of the basin where the highest activity levels and development growth offset its blocks.

The Vaca Muerta of the Nequen basin 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.

At its Curamhuele block, it will re-enter two existing wells to conduct drilling, multi-stage frac and testing operations of the Lower Agrio shale and Mulichinco tight sands, while also further evaluating the Vaca Muerta shale across the block.

Madalena will also focus on potential farm-out deals for its blocks to create value for shareholders, it said.

Drilling operations in both Argentina and Western Canada are due to restart in August, beginning with a three-well program on its Coiron Amargo block in the Neuquen basin, followed by two horizontal wells in Alberta.

At the end of the year, the company expects to be in a positive working capital position, with no debt on its balance sheet. It anticipates an exit production rate of approximately 5,200 to 5,400 barrels of oil equivalent per day (boe/d) in 2014.

Price: C\$0.46

Market Cap: C\$249.407M

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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