

# PetroMagdalena announces shares for debt issuance

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TORONTO, May 14, 2012 /CNW/ - [PetroMagdalena Energy Corp.](#) (TSXV: PMD) announced today that it has entered into an agreement to issue shares to settle certain debt owed to [Pacific Rubiales Energy Corp.](#) in connection with the exploration programs at the Topoyaco, Arrendajo and Las Quinchas blocks.

Luciano Biondi, Chief Executive Officer of the Company stated: "This debt settlement transaction preserves our working capital and cash balance, and improves our capital structure. Existing cash balances are being used for our ongoing exploration and development program and represent an effective use of cash for shareholders, to support the growth potential of our core oil assets."

The Company owes Pacific Rubiales U.S.\$5,281,455.07 in connection with cash calls due in respect of the Topoyaco, Arrendajo and Las Quinchas blocks.

The shares for debt agreement was negotiated at arms-length between the two parties and concluded on May 10, 2012. The parties agreed to use the 30-day volume weighted average price (VWAP) for the 30 days prior to May 10, 2012. As a result, the shares for debt transaction would be completed using a deemed share price of CA\$1.29 per share. As such, the Company will be issuing 4,097,839 common shares in settlement of the above-noted debt. The issuance of these common shares is subject to approval from the TSXV.

[PetroMagdalena](#) is a Canadian-based oil and gas exploration and production company, with working interests in 19 properties in five basins in Colombia. Further information can be obtained by visiting our website at [www.petromagdalena.com](http://www.petromagdalena.com)

*All monetary amounts in U.S. dollars unless otherwise stated. This news release contains certain "forward-looking statements" and "forward-looking information" under applicable Canadian securities laws concerning the business, operations and financial performance and condition of PetroMagdalena. Forward-looking statements and forward-looking information include, but are not limited to, statements with respect to estimated production and reserve life of the various oil and gas projects of PetroMagdalena; the estimation of oil and gas reserves; the realization of oil and gas reserve estimates; the timing and amount of estimated future production; costs of production; success of exploration activities; and currency exchange rate fluctuations. Except for statements of historical fact relating to the company, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan," "expect," "project," "intend," "believe," "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are based on a number of assumptions and subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Many of these assumptions are based on factors and events that are not within the control of PetroMagdalena and there is no assurance they will prove to be correct. Factors that could cause actual results to vary materially from results anticipated by such forward-looking statements include changes in market conditions, risks relating to international operations, fluctuating oil and gas prices and currency exchange rates, changes in project parameters, the possibility of project cost overruns or unanticipated costs and expenses, labour disputes and other risks of the oil and gas industry, failure of plant, equipment or processes to operate as anticipated. Although PetroMagdalena has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. PetroMagdalena undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.*

*Statements concerning oil and gas reserve estimates may also be deemed to constitute forward-looking statements to the extent they involve estimates of the oil and gas that will be encountered if the property is developed. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is*

*based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Estimated values of future net revenue disclosed do not represent fair market value.*

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