

CALGARY, May 28, 2015 /CNW/ - [Madalena Energy Inc.](#) ("Madalena" or the "Company") (TSXV: MVN and OTC: MDLNF) is pleased to announce its financial and operating results for the three months ended March 31, 2015. Selected financial and operational information is outlined below and should be read in conjunction with Madalena's unaudited interim financial statements for the three months ended March 31, 2015 and the associated management's discussion and analysis, which are available for review under the Company's profile at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.madalenaenergy.com](http://www.madalenaenergy.com).

## HIGHLIGHTS

(\$CDN unless otherwise specified)

Highlights for the three months ended March 31, 2015 included:

- In Q1-2015, Madalena's average realized prices in Argentina for crude oil and NGLs was \$90.43/bbl and for natural gas was \$5.30/mcf;
- Oil and gas production increased 215% to 3,586 boe/d compared to 1,141 boe/d in Q1-2014;
- Current production is approximately 4,000 boe/d (79% oil and NGLs);
- Realized a 22% increase in oil and gas revenue per boe to \$74.78/boe compared to \$61.38/boe in Q1-2014;
- Corporate operating netbacks increased 12% to \$33.18/boe compared to \$29.62/boe in Q1-2014;
- Argentina operating netbacks averaged \$37.16/boe in Q1-2015;
- Funds flow from operations increased 68% and 27% to \$6.0 million compared to \$3.6 million and \$4.4 million in Q1-2014 and Q4-2014, respectively;
- Drilled, completed and placed on production Madalena's fourth Sierras Blancas horizontal well at Coiron Amargo (35% WI);
- Successfully drilled a Loma Montosa light oil horizontal well (100% WI) and completed with a 12 stage frac setting up a scaleable resource play for development; and
- Entered into a three year evaluation phase contract at Coiron Amargo Sur (southern portion of the Coiron Amargo block), securing key unconventional Vaca Muerta shale acreage.

## SUMMARY FINANCIAL AND OPERATIONAL RESULTS

	Three months ended March 31	
	2015	2014
Financial - Canadian \$000s, except per share amounts		
Oil and gas revenue	24,135	6,306
Funds flow from operations <sup>(1)</sup>	6,006	3,569
Per share - basic & diluted <sup>(1)</sup>	0.01	0.01
Net income (loss)	(1,771)	297
Per share - basic and diluted	(0.00)	0.00
Capital expenditures	14,568	12,548
Working capital	3,187	19,463
Equity outstanding - 000s		
Common shares	540,316	396,886
Stock options	24,165	19,530

## Operating

### Average Daily Sales

Crude oil and NGLs &#8211; Bbls/d	2,801	644
Natural gas &#8211; Mcf/d	4,711	2,979
Total - boe /d	3,586	1,141

### Average Sales Prices

#### Argentina

Crude oil and NGLs &#8211; \$/bbl	90.43	85.31
Natural gas &#8211; \$/mcf	5.30	4.60
Total - \$/boe	78.91	82.82

#### Canada

Crude oil and NGLs &#8211; \$/bbl	35.87	78.59
Natural gas &#8211; \$/mcf	2.81	5.87
Total - \$/boe	26.78	53.44

#### Corporate

Crude oil and NGLs &#8211; \$/bbl	87.54	81.66
Natural gas &#8211; \$/mcf	4.87	5.84
Total - \$/boe	74.78	61.38

Corporate Operating Netbacks <sup>(2)</sup>	33.18	29.62
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(1) This table contains the term "funds flow from operations", which is a non-GAAP measure and should not be considered an alternative to, or more meaningful than "cash flows from operating activities" as determined in accordance with International Financial Reporting Standards ("IFRS") as an indicator of the Company's performance. Funds flow from operations and funds flow from operations per share (basic and diluted) do not have any standardized meanings prescribed by IFRS and may not be comparable with the calculation of similar measures for other entities. Management uses funds flow from operations to analyze operating performance and considers funds flow from operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investment. The reconciliation between funds flow from operations and cash flows from operating activities can be found in "Management's Discussion and Analysis". Funds flow from operations per share is calculated using the basic and diluted weighted average number of shares for the period, consistent with the calculations of earnings per share.

(2) Operating netback is a non-GAAP measure calculated as the average per boe of the Company's oil and gas sales, less royalties and operating costs.

## ARGENTINA OPERATIONS UPDATE

Puesto Morales (100% WI) Field &#8211; Horizontal Drilling of Loma Montosa Oil Resource Play

- As disclosed in a news release dated April 8, 2015, Madalena successfully drilled and completed a Loma Montosa horizontal well (PMS-1135(h)) with a 12 stage frac. The well tested 860 boe/d and was tied into existing facilities on April 10, 2015. The well is still flowing up 5.5" casing with the first 30 days of production averaging 302 bopd of oil and an estimated 1,600 mcf/d of gas for a total of 570 boe/d.
- Production results continue to exceed the Company's type curve for the Loma Montosa resource play.
- The Company is in the process of installing a production string (tubing) to optimize the flow and to allow for future pumping operations on the well.
- Madalena has a large inventory of horizontal development locations on the Puesto Morales block and the Company is currently taking steps to survey and prepare environmental permit applications for follow-up locations to the recent PMS-1135(h) horizontal success.

#### Coiron Amargo (35% WI) Block & Block Contract Update & Sierras Blancas Horizontal Exploitation

- The Coiron Amargo block (34,951 net acres) is divided into two regions called Coiron Amargo Norte (northern portion of the block) and Coiron Amargo Sur (southern portion of the block). Coiron Amargo Norte is currently held under a 25 year exploitation (development) concession until 2038 with no further firm commitments remaining on this portion of the block.
- Following a successful block renegotiation process the Company received approval on April 16, 2015, by way of an official decree signed by the Province of Neuquén, for a three year evaluation phase contract on Coiron Amargo Sur (south portion of the block). Coiron Amargo Sur is a key unconventional shale block located in the heart of the oil window for the Vaca Muerta shale and is a core asset within the Company's portfolio. Madalena and its partners have until November 8, 2017 to further evaluate the southern portion of the block. The Company's share of the work commitment is US\$17.5 million which is to be incurred by November 8, 2017. Following this three year evaluation phase, Madalena is eligible to enter into a further exploitation (development) concession and/or enter into additional evaluation phase periods to further evaluate Coiron Amargo Sur.
- As disclosed in a news release dated April 8, 2015, the Company's fourth Sierras Blancas horizontal well at Coiron Amargo Norte CAN-16h is now on production. The average production over the first 60 days was 450 bopd of oil (158 bopd WI) and 675 mcf/d (236 mcf/d WI) for a total of 489 boe/d (171 boe/d WI). In early May the choke was opened to 7 mm and production increased to 480 bopd (168 bopd WI) and 1,000 mcf/d (350 mcf/d WI) for a total of 650 boe/d (227 boe/d WI) at a flowing pressure of 1,225 psi.

#### Regulated Argentina Oil AND GAS Price Market

- In Argentina, oil prices are regulated and set by the Government for product sold into the domestic oil market, which is where Madalena sells the oil from its Argentine operations. When world prices fell sharply in the latter half of 2014 and into 2015, Argentina prices continued to remain relatively stable. The Medanito oil price posting for April and May 2015 has been set at US\$76.00/bbl compared to a Q1 2015 average of US\$76.30/bbl. Madalena's average discount to this posting for quality and transportation is approximately US\$4.00/bbl.
- On February 2, 2015 the Government of Argentina announced a new oil incentive program. The program runs from January 1, 2015 to December 31, 2015 and could be extended for one year. To stimulate production and to provide an additional incentive to producers to invest further, the Government of Argentina has set a US\$3.00/bbl royalty free bonus payment on all production for companies of Madalena's size which are able to keep their quarterly production above 95% of its Q4-2014 production levels. For the first quarter of 2015 Madalena believes it has qualified for this incentive and is making the appropriate application to receive this bonus payment on its Argentina production.
- Natural gas prices in Argentina are fixed by the regulator in US\$/mmbtu. For Madalena's current producing fields, the Company has recently entered into a contract in Argentina for the winter period between May to September 2015 setting gas prices at US\$5.30/mmbtu compared to last winter (2014) at US\$5.20/mmbtu during the same period.

#### CANADA OPERATIONS UPDATE

- As disclosed in a news release dated January 30, 2015, Madalena was advised by Keyera Corp. ("Keyera") that Keyera's Paddle River gas plant would be shut down for a minimum period of two months commencing February 1, 2015 due to current economic conditions and recent commodity price declines in North America. As a result of the gas plant shut-down, Madalena temporarily suspended production of approximately 660 boe/d in Western Canada (40% oil) on February 1, 2015.
- As of March 10, 2015, the Company was successful in restoring 140 boe/d (100% oil) of the suspended production.
- The Company along with Keyera has been evaluating various alternatives to bring the remaining shut-in volumes (estimated 400 boe/d) in the Paddle River area back on-stream. Madalena expects to restore the remainder of the Company's Western Canadian production in the coming months.

#### CREDIT FACILITIES UPDATE

##### Argentine Debt Facility

As at March 31, 2015, there were no credit facilities in place in Argentina. With 90% of the Company's conventional oil and gas assets in Argentina and a solid cash flow platform from its operations, Madalena has sufficient assets to leverage its balance sheet. On May 28, 2015, as an initial step in its anticipated broader debt financing strategy, Madalena closed an AR\$90 million (ninety million Argentine Pesos or \$12.5 million Canadian dollars) loan with Industrial and Commercial Bank of China (Argentina) S.A.

#### Canadian Debt Facility

Subsequent to the year end, in conjunction with the annual review, Madalena's Canadian credit facility was reduced from \$10 million to \$7 million, of which the maximum draw is currently limited to \$3.5 million. In addition to this credit facility, the Company's acquisition/development demand loan credit facility remains available to a maximum of \$3 million. As of March 31, 2015, the Company had utilized \$2.5 million of the operating demand loan credit facility and had cash on hand in Canada in the amount of US\$2.1 million. The acquisition/development demand loan credit facility was unutilized at March 31, 2015. Both the credit and acquisition/development facilities are subject to a periodic review by the bank and the next review is scheduled on or before June 30, 2015.

#### 2015 OUTLOOK

Madalena's current production is approximately 4,000 boe/d (79% oil and NGLs) with 3,800 boe/d (80 % oil and NGLs) in Argentina and 200 boe/d (55% oil & NGLs) in Canada.

Over the last several months, Madalena has commenced operational planning related to the drilling of four strategic resource plays in Argentina and continued horizontal development of its light oil assets. The four strategic resource plays include the Loma Montosa oil resource play, Vaca Muerta shale, Lower Agrio shale and Mulichinco liquids-rich gas resource play.

At Coiron Amargo Madalena and its partners plan to drill additional horizontal wells into the Sierras Blancas light oil formation later in 2015 and in 2016. To date the Company has drilled, completed and placed on production four successful horizontals in the Sierras Blancas and has an inventory of horizontal development wells identified on four main pools on the northern portion of the block. Madalena and its partners are also planning to execute the first horizontal multi stage frac on the block in the Vaca Muerta shale (oil) and expect this to commence in Q1 2016.

At Curamhuele, Madalena is planning its re-entry and testing program of the Lower Agrio oil resource play. The Lower Agrio is approximately 450 meters thick at Curamhuele the Yapia re-entry location. Concurrently with the Lower Agrio re-entry operation, the Company intends to complete and further evaluate the Mulichinco at Curamhuele. The Mulichinco is a liquids-rich gas resource play (approximately 200 meters thick) comprising the fourth strategic resource the Company intends to evaluate in 2015.

The Company is well positioned to achieve its stated goals and objectives to advance four scalable resource plays in Argentina in 2015. With early success on the Loma Montosa, activity commencing on the Lower Agrio shale and Mulichinco over the next two quarters, and a continued focus on the Company's horizontal development plays, 2015 will be the Company's most active year in Argentina.

#### About Madalena Energy

Madalena is an independent, Canadian-based Argentina focused, upstream oil and gas company.

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 Mulichinco liquids-rich gas play. The Company is implementing horizontal drilling and completions technology to develop both its conventional and resource plays.

Madalena trades on the TSX Venture Exchange under the symbol MVN and on the OTC under the symbol MDLNF.

#### Reader Advisories

#### Forward Looking Information

The information in this news release contains certain forward-looking statements. These statements relate to future events or our future performance, in particular, with respect to the characteristics of the properties held by the Company, current and production levels, the strategic value and opportunities available to Madalena and operational, business development and financial plans, and opportunities and the ability of Madalena to execute on such plans and opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "approximate", "expect", "may", "will",

"project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "would" and similar expressions. These statements involve substantial known and unknown risks and uncertainties, certain of which are beyond the Company's control, including: the impact of general economic conditions; industry conditions; changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; fluctuations in commodity prices and foreign exchange and interest rates; stock market volatility and market valuations; volatility in market prices for oil and natural gas; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; competition for, among other things, capital, acquisitions, of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; geological, technical, drilling and processing problems and other difficulties in producing petroleum reserves; and obtaining required approvals of regulatory authorities. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits the Company will derive from them. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. The forward-looking statements in this news release are expressly qualified in their entirety by this cautionary statement. Except as required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements. Investors are encouraged to review and consider the additional risk factors set forth in the Company's Annual Information Form, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## Meaning of Boe

The term "boe" or barrels of oil equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (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. Additionally, given that the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1; utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

## Analogous Information

Certain information in this news release may constitute "analogous information" as defined in National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101"), including, but not limited to, information relating to areas, assets, wells and/or operations that are in geographical proximity to or believed to be on-trend with lands held by Madalena. Such information has been obtained from public sources, government sources, regulatory agencies or other industry participants. Management of Madalena believes the information may be relevant to help define the reservoir characteristics within lands on which Madalena holds an interest and such information has been presented to help demonstrate the basis for Madalena's business plans and strategies. However, management cannot confirm whether such analogous information has been prepared in accordance with NI 51-101 and the Canadian Oil and Gas Evaluation Handbook and Madalena is unable to confirm that the analogous information was prepared by a qualified reserves evaluator or auditor. Madalena has no way of verifying the accuracy of such information. There is no certainty that the results of the analogous information or inferred thereby will be achieved by Madalena and such information should not be construed as an estimate of future production levels or the actual characteristics and quality Madalena's assets. Such information is also not an estimate of the reserves or resources attributable to lands held or to be held by Madalena and there is no certainty that such information will prove to be analogous in the future. The reader is cautioned that the data relied upon by Madalena may be in error and/or may not be analogous to such lands to be held by Madalena.

## Initial Production Rates

Any references in this document to test rates, flow rates, initial and/or final raw test or production rates, early production, and/or "flush" production rates are useful in confirming the presence of hydrocarbons, however, such rates are not necessarily indicative of long-term performance or of ultimate recovery. Such rates may also include recovered "load" fluids used in well completion stimulation. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for Madalena. In addition, certain Madalena properties are unconventional resource plays which may be subject to high initial decline rates. Such rates may be estimated based on other third party estimates or limited data available at this time and are not determinative of the rates at which such wells will continue production and decline thereafter.

## Drilling Locations

This press release refers to unbooked drilling locations. Unbooked locations are internal estimates based on Madalena's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves. Unbooked locations have been identified by management as an estimation of our future drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Madalena will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, access restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, some of other unbooked drilling locations are farther away from existing wells where management has less

information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves or production.

Neither the TSX Venture Exchange nor its Regulation Service Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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