

TSXV Trading Symbol: MVN
OTC Trading Symbol: MDLNF

CALGARY, Aug. 26, 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 and six months ended June 30, 2015. Selected financial and operational information is outlined below and should be read in conjunction with Madalena's unaudited interim financial statements as at and for the three months ended June 30, 2015 and the related management's discussion and analysis, which are available for review under the Company's profile at www.sedar.com and on the Company's website at www.madalenaenergy.com.

HIGHLIGHTS

(\$CDN unless otherwise specified)

Highlights for the three and six months ended June 30, 2015 included:

- Realized Q2-2015 crude oil and NGL price in Argentina of \$96.33/bbl and \$6.28/mcf for natural gas. The Government of Argentina sets the benchmark price for crude oil, which averaged averaged US\$76.33/bbl in Q2-2015 and has been set at US\$76.00/bbl for Q3-2015;
- Oil and gas production increased to 3,996 boe/d, up 155% from Q2-2014 and 11% from Q1 - 2015;
- Realized a 30% increase in oil and gas revenue per boe to \$83.50/boe compared to \$64.08/boe in Q2-2014;
- Corporate operating netbacks were \$34.18/boe (Argentina \$37.39/boe);
- Funds flow from operations was \$4.3 million for Q2-2015 including a \$1.9 million 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 \$6.2 million;
- Extended Rinconada Puesto Morales exploitation concession for 10 additional years; and
- Subsequent to the quarter, the Company was notified by the Argentina Secretary of Energy that Madalena will receive US\$11.1 million in government bonds for settlement of past Petroleum Plus incentive credits.

SUMMARY FINANCIAL AND OPERATIONAL RESULTS

Three months ended Six months ended

June 30 June 30
2015 2014 2015 2014

Financial - Canadian \$000s, except per share amounts

Oil and gas revenue	30,365	9,144	54,500	15,450
Funds flow from operations ⁽¹⁾	4,271	1,047	10,275	4,616
Per share - basic & diluted ⁽¹⁾	0.01	0.00	0.02	0.01
Net income (loss)	(6,870)	(3,732)	(8,642)	(3,434)
Per share – basic and diluted	(0.01)	(0.01)	(0.02)	(0.01)
Capital expenditures	3,046	2,164	17,615	14,712
Working capital	14,208	11,234	14,208	11,234

Equity outstanding – 000s

Common shares	541,033	525,042	541,033	525,042
Stock options	23,082	19,305	23,082	19,305

Operating

Average Daily Sales

Crude oil and Ngl&s – Bbls/d	3,224	960	3,014	803
Natural gas – Mcf/d	4,635	3,654	4,673	3,318
Total - boe /d	3,996	1,569	3,792	1,356

Average Sales Prices

Argentina

Crude oil and NGLs – \$/bbl	96.33	86.20	93.62	85.86
Natural gas – \$/mcf	6.28	5.75	5.83	5.62
Total - \$/boe	84.97	75.01	82.18	77.65

Canada

Crude oil and NGLs – \$/bbl	56.96	84.55	45.85	82.09
Natural gas – \$/mcf	2.12	4.92	2.68	5.40
Total - \$/boe	48.74	57.36	34.80	55.56

Consolidated

Crude oil and NGLs – \$/bbl	94.72	85.36	91.40	83.88
Natural gas – \$/mcf	6.11	5.09	5.49	5.42
Total - \$/boe	83.50	64.08	79.40	62.95

Consolidated Operating Netbacks⁽²⁾

34.17

35.13

33.71

32.82

(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 OIL PRICE INCENTIVES

US\$3.00 per barrel oil incentive

On February 2, 2015 the Government of Argentina announced a new oil incentive program, effective January 1, 2015, to replace the Petroleum Plus Incentive Program. This new program is effective for all of 2015 and may be extended. To stimulate production, the Government of 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 Q4-2014 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 has included \$1.9 million in crude oil revenue for the three and six months ended June 30, 2015 pursuant to this incentive program, all of which has been received since June 30, 2015.

Petroleum Plus Program

Subsequent to June 30, 2015, the Company was notified by the Argentina Secretary of Energy that Madalena will receive US\$11.1 million in publicly traded government bonds for settlement of past Petroleum Plus incentive credits.

Revenue recognition will occur upon receipt of the bonds. Madalena cautions that it is currently assessing the terms and conditions of the bonds, including the marketability of the bonds. Although the bonds are publicly traded, no assurance can be given as to the cash proceeds that Madalena would receive if and when the bonds are monetized. The Company expects to receive the bonds prior to September 30, 2015 and if and when Madalena sells the bonds, it intends to use the net proceeds for general working capital purposes.

ARGENTINA OPERATIONS UPDATE & 2015 OUTLOOK

Madalena is focused on a balance between the delineation of its 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.

Corporate production for the three months ended June 30, 2015 was approximately 4,000 boe/d, of which approximately 95% was from Argentina. Madalena expects Q3-2015 corporate sales volumes to average approximately 3,550 boe/d (96% from

Argentina) as a result of anticipated production declines and no new wells expected to be brought on-stream during the third quarter. Production is expected to increase in Q4-2015 with the addition of new horizontal wells being drilled in Argentina.

As a result of the recent Riconada Puesto Morales block contract extension (as discussed further below), approximately 86% of the Company's production is continued for at least ten years with options to renew and extend even further.

Coiron Amargo Block (35% WI) ‐ Sierras Blancas Horizontal Exploitation & Vaca Muerta Shale Update

- At Coiron Amargo (35% WI), Madalena is currently drilling the first well of a three-well horizontal program on its Sierras Blancas light oil development project. The Company expects that incremental oil production volumes resulting from this drilling campaign will be realized in Q4-2015 and early 2016. To date, the Company has drilled, completed and placed on production four successful horizontal oil wells in the Sierras Blancas. Madalena and its partners are currently in the planning stages for the drilling of a horizontal Vaca Muerta oil well in the first quarter of 2016. An intensive petrophysical evaluation including 3D seismic reprocessing over virtually the entire Coiron Amargo block is underway. The Company is also working closely with and sharing detailed technical information with an offsetting Vaca Muerta horizontal operator. This collaborative effort is expected to accelerate the Company's technical understanding of this developing resource play.

Curamhuele Block (90% WI) ‐ Re-entry Operations Commencing in September 2015

- At Curamhuele (90% WI), the Company is also preparing to commence re-entry drilling operations on the block. Drilling operations will target oil in the Lower Agrio shale and liquids-rich natural gas in the Mulichinco tight sandstone.
- The Lower Agrio is approximately 450 meters thick at Curamhuele. Concurrently with the Lower Agrio re-entry operation, the Company intends to complete and further evaluate the Mulichinco, which is a liquids-rich gas play.
- North American based multi-stage frac technology is being imported into Argentina to delineate these unconventional targets. It is anticipated that equipment and crews will mobilize to Curamhuele in late August or early September 2015.

Puesto Morales Block (100% WI) ‐ Horizontal Drilling of Loma Montosa Light 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 flowed the first 30 days of production averaging 302 bopd of oil and 1600 mcf/d of gas for a total of 570 boe/d at a 42% water cut.
- The well continues to perform ahead of management's expectations, with an average 90-day rate (IP90) of 412 Boe/d consisting of 200 bopd and 1,280 Mcf/d at a 44% water cut.
- The well continues to flow naturally, however the Company is proceeding with plans to install a pumping unit to enhance the flow.
- Madalena has eight proved and probable undeveloped horizontal locations in its independent reserve report as at December 31, 2014. Based on internal mapping and pending the continuing performance of the PMS-1135 well, management estimates there may be up to 40 additional un-booked horizontal locations.

ARGENTINA BLOCK CONTRACT RENEWALS UPDATE

Rinconada Puesto Morales Block (100% working interest) ‐ New 10 Year Block Contract Passed by Parliament

- The Corporation acquired its interest in the 31,254 acre block in the Neuquén Basin as part of the acquisition of the Gran Tierra Argentine business unit. The block produces oil and natural gas from the Sierras Blancas and Loma Montosa formations.
- In June 2015, Madalena signed a new 10 year exploitation concession for the Puesto Morales area after reaching an agreement with the Province of Rio Negro. Further to the signing of this agreement, the 10-year extension agreement was subject to receiving an official decree followed by Madalena proceeding through a formal public hearing and a Parliamentary vote. Since reaching an agreement on the block, Madalena has received an official decree from the Province of Rio Negro formalizing the agreement which was signed subject to Parliamentary ratification. On August 21, 2015, Parliament ratified the 10-year exploitation agreement.
- As part of the terms and conditions of the extension, the Company has agreed to firm commitments of US\$49.3 million in activities on the block over the next 10-year period. As of June 30, 2015, Madalena estimates that approximately US\$5.5 million of the Company's capital spending has already qualified towards this firm commitment.
- Under the New National Hydrocarbon Law, the Company has the right for another 10-year extension past 2026 should it desire to further extend the block.
- The Puesto Morales block is the Company's largest producing concession representing approximately 44% of Madalena's Q2-2015 production and is a core area of focus for Madalena. The drilling and completion activities which are included in the US\$49.3 million commitment on the block will be largely focused on horizontal development wells in the Loma Montosa over the new 10 year exploitation term.

Coiron Amargo (35% WI) ‐ Strategic Vaca Muerta Shale Block Secured

- 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 commitments remaining on this portion of the block.

- 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. Coiron Amargo Sur is a key unconventional 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 Vaca Muerta shale at Coiron Amargo Sur. 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 may be eligible for an exploitation (development) concession and/or enter into additional evaluation phase periods to further evaluate the block.

SUMMARY

As a result of the strong commodity price environment in Argentina and the Company's ability to capitalize on Argentina's oil incentive programs, Madalena ended Q2-2015 with positive working capital and a solid balance sheet. With a strong portfolio of assets in Argentina including an attractive mix of conventional, unconventional shales and resource plays, Madalena continues to drill and execute its focused business plan through 2015 and into 2016.

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 Madalena's participation in Government of Argentina incentive programs and the timing and expected cash proceeds therefrom, the details and timing of future operations and 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 marketability of the bonds to be received by the Company from the Petroleum Plus Program and the ability of the Company to and the timing associated with, the monetization of such bonds; 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.

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.

SOURCE [Madalena Energy Inc.](#)

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