

# Madalena enters into agreements to increase its ownership at Coirón Amargo Sur and reduce near-term work commitments

12.07.2016 | [CNW](#)

CALGARY, July 11, 2016 - [Madalena Energy Inc.](#) ("Madalena" or the "Company") (TSXV: MVN and OTCQX: MDLNF) is pleased to announce that it has entered into definitive agreements to effect positive ownership changes to the Company's Coirón Amargo block, which will result in Madalena achieving two of the Company's important goals in Argentina &#8211; securing increased ownership and operatorship over one of the Company's key assets and reducing near-term work commitments.

Highlights of the transactions, which were accomplished without any cash consideration being paid by Madalena to any of the counterparties, are as follows:

- increases Madalena's working interest ("WI") to 90% and provides for the Company's operatorship of a large portion of the evaluation concession in the south ("Coirón Amargo Sur");
- reduces the Company's near-term work commitments at Coirón Amargo Sur; and
- Madalena's 35% WI is retained in the exploitation concession in the north ("Coirón Amargo Norte").

## Summary of the Ownership Changes

Madalena currently holds a 35% WI in the entire Coirón Amargo block. The block consists of an aggregate of approximately 100,000 gross acres (35,000 net) of Vaca Muerta and Sierras Blancas prospective acreage. The Coirón Amargo Norte exploitation concession consists of 26,598 gross acres (9,309 net) and the Coirón Amargo Sur evaluation concession consists of 72,738 acres (25,458 net).

Pursuant to a series of agreements dated July 11, 2016 involving Madalena, a subsidiary of Royal Dutch Shell plc ("Shell"), O&G Developments Ltd S.A. ("O&G"), ROCH S.A. ("Roch"), Apco Oil & Gas International Inc. (Sucursal Argentina) ("Apco"), which is a subsidiary of Pluspetrol Resources Corp. and Gas y Petróleo del Neuquén S.A. ("G&P"), the parties have agreed, subject to government approvals and an Executive Decree, to divide Coirón Amargo Sur into two evaluation lots &#8211; Coirón Amargo Sur Este and Coirón Amargo Sur Oeste. Madalena will assign its interest in Coirón Amargo Sur Oeste (5,754 net acres) to its counterparties. In return, Madalena will increase its WI to 90% at Coirón Amargo Sur Este, increasing its net acreage by 30,964 to 50,668 acres and become operator on this parcel. G&P will retain its 10% WI.

At Coirón Amargo Norte, Madalena will retain its 35% WI (9,309 net acres) and Apco will become the operator.

## Benefits

These transactions will enable the Company to control future operations at Coirón Amargo Sur Este, reduce near-term work commitments and provide more flexibility in managing future commitments, all of which have been accomplished without any cash consideration being paid by Madalena to any of the counterparties. The previous work commitments at Coirón Amargo Sur were \$17.5 million, which were required to be incurred by November 8, 2017. Pursuant to the new arrangements, Madalena will have the following work commitments at Coirón Amargo Sur Este:

- (1) \$5 million before November 8, 2017 to evaluate either the Vaca Muerta or tight gas commerciality; and
- (2) an additional \$5 million, subject to the results in (1) above, before November 8, 2019.

The new evaluation permit for Coirón Amargo Sur Este will expire on November 8, 2019, following which Madalena will be eligible to enter into an exploitation (development) concession.

Prior to this transaction, Madalena participated in the drilling of the following wells on what is now the Coirón Amargo Sur Este concession.

- The CAS.x-16 well was drilled and rig released in December 2014. It encountered 125 metres of Vaca Muerta shale. The well was opened to flow unstimulated (no acidization or fracture treatments) on a 2 mm choke at a pressure of approximately 570 psi with an initial rate of 60 bopd light oil. The well produced approximately 3,800 bbls over a 290 day test period. The well has 7" casing set to the top of the Vaca Muerta, making it suitable for a horizontal re-entry.
- The CAS.x-15 well was drilled in 2014 and encountered 114 metres of Vaca Muerta. The well had continuous oil flows during the drilling operations. This well has 9 5/8" casing set to the top of the Vaca Muerta and the Company is in the planning stages for a horizontal re-entry with 10-15 hydraulic fractures.
- The CAS.x-14 well was drilled in 2013 and encountered 105 metres of Vaca Muerta. This well was never completed but has 7" casing set to the top of the Vaca Muerta and is also suitable for a horizontal re-entry.

## **About Madalena Energy**

Madalena is an independent, Canadian-based, Argentina focused upstream oil and gas company with operations in four provinces of Argentina where it is focused on the delineation of unconventional resources in the Vaca Muerta shale, Lower Agrio shale and Loma Montosa oil plays. 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 OTCQX under the symbol MDLNF.

An updated corporate presentation is available on the Company's website.

## **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, but not limited to, with respect to the characteristics of the properties held by the Company, matters related to the ownership changes referred to herein and the expected results and benefits therefrom. 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).*

## **Boes**

*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.*

*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.*

*(All dollar figures are expressed in United States dollars unless otherwise stated)*

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/236413--Madalena-enters-into-agreements-to-increase-its-ownership-at-Coirn-Amargo-Sur-and-reduce-near-term-work-com>

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