

Madalena Announces Q4 - 2017 Results and Operational Update

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BUENOS AIRES, Argentina, April 11, 2018 (GLOBE NEWSWIRE) -- [Madalena Energy Inc.](#) ("Madalena" or the "Company") (TSX-V:MVN) and (OTCQX:MDLNF) announces its operating and financial results for the three and twelve months ended December 31, 2017. Selected information is outlined below and should be read in conjunction with Madalena's audited consolidated financial statements for the three and twelve months ended December 31, 2017, the associated management's discussion and analysis ("MD&A") and the Annual Information Form (the "AIF") for the year ended December 31, 2017, which are available for review under the Company's profile at www.sedar.com and on the Company's website at www.madalenaenergy.com.

SUMMARY FINANCIAL AND OPERATIONAL RESULTS

	Three months ended		Twelve months ended	
	Dec 31 2017	2016	Dec 31 2017	2016
Financial – (\$000s, except per share amounts)				
Oil and gas revenue	8,601	10,543	38,187	50,152
Funds flow from (used in) continuing operations ⁽¹⁾	1,630	(325)	(2,096)	5,494
Per share - basic & diluted ⁽¹⁾	-	-	-	0.01
Net loss from continuing operations	(19,386)	(9,402)	(33,796)	(32,100)
Per share - basic & diluted ⁽¹⁾	(0.03)	(0.02)	(0.06)	(0.06)
Capital expenditures	2,601	331	3,749	6,339
Working capital (deficiency)	(1,043)	(4,413)	(1,043)	(4,413)
Common shares outstanding - 000s	543,860	543,780	543,860	543,780
Operating				
<i>Average Daily Sales</i>				
Crude oil and Ngl's – Bbls/d	1,588	1,947	1,782	2,072
Natural gas – Mcf/d	1,702	2,303	1,894	2,569
Total - Boe /d	1,872	2,330	2,098	2,500
<i>Average Sales Prices</i>				
Crude oil and Ngl's - \$/Bbl	53.41	53.59	52.79	60.09
Natural gas - \$/Mcf	5.09	4.47	5.57	4.87
Total - \$/Boe	49.95	49.18	49.88	54.81
<i>Operating Netbacks</i> ⁽²⁾ - \$/Boe	5.95	11.20	9.77	20.27

(1) This table contains the term "funds flow from continuing 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 continuing operations to analyze operating performance and considers funds flow from continuing 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 continuing operations and cash flows from operating activities can be found in the MD&A. Funds flow from continuing operations per share is calculated using the basic and diluted weighted average number of shares for the period, consistent with the calculations of earnings (loss) 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.

Recent Highlights in 2018

- Madalena announced that Pan American Energy LLC (“PAE”) has successfully commenced completion operations of the second horizontal multi-frac well CAS.x-14 in the Vaca Muerta Shale Formation at the Coiron Amargo Sur Este (“CASE”) block in Argentina. A cement bond log has been run and 60 hydraulic fracs in 25 stages have been performed with approximately 10,300 klb of proppant.
- None core Assets
Vinalar Block: Salta province granted a block extension to file an investment plan, which expired on November 11, 2017. The Company notified the province of Salta that it is not interested in a contract extension. Vinalar facilities and wells have been mothballed.

Recent Highlights in 2017

- *Coirón Amargo Sur-Este (“CASE”)*
Madalena closed the Coirón Amargo-Sur Este (“CASE”) transaction in January 2017, providing the Company with cash payments of \$10 million, \$3 million of which was received in December 2016 and the balance on closing.
Pursuant to the Pan American Energy LLC, Sucursal Argentina (“PAE”) transaction in Q1 2017, the 2017 work program at Coirón Amargo – Sur Este (“CASE”), pursuant to which the Company has a maximum of \$5.6 million carry and has been carried for \$5.1 million in capital costs in the CAS.x-15 and CAS.x-14 wells. The CAS.x-15 well was successfully re-entered and drilled horizontally for approximately 1,000 metres in the Vaca Muerta unconventional oil resource play at a vertical depth of approximately 3,200 metres. The well tested an average of 430 barrels of oil per day through 3mm choke during the first 3 weeks of production. In March 2018 PAE has successfully commenced completion operations of the second horizontal multi-frac well CAS.x-14 in the Vaca Muerta Shale Formation.
- *Argentina Credit facilities repayment*
Madalena repaid its \$1.6 million Argentine debt facility in full in February 2017.
- *Sale of Point Loma shares*
Madalena sold all of the remaining 1.6 million free-trading common shares of [Point Loma Resources Ltd.](#) ("Point Loma") in January 2017 for net proceeds of \$0.5 million; and sold 4.7 million escrowed common shares in Point Loma in April 2017 for gross cash proceeds of \$0.8 million.
- *Changes in board of directors*
On September 13, 2017, Messrs. Ruben Etcheverry, Ralph Gillcrist and Leonardo Madcur have each joined the board of directors of the Company (the "Board") as independent directors. The aforementioned directors have replaced Messrs. Keith MacDonald, Jay Reid and Ving Woo who each elected not to stand for reelection to the Board.
- *Coirón Amargo-Norte (“CA-Norte”)*
On December 28, 2017 Madalena signed with their partners in Coirón Amargo-Norte (“CA-Norte”), Gas y Petroleo de Neuquén S.A. (“GyP”) and Apco Oil & Gas International Inc. Sucursal Argentina (“Apco”), the implementation of “Carry petrolero”. With effective date, September 1, 2017 the contributions to be realized on behalf of GyP will be recognized as higher assets and/or expenses as appropriate by Madalena and Apco. Madalena and Apco acquired the assets and liabilities that GyP had as of September 1, 2017 (10% interest), at 38.89% and 61.11% respectively, in exchange of the GyP receivable, 2 million and 3.1 million respectively. Madalena will carry GyP account receivable out of books since the recovery of contributions is contingent on the existence of oil production in the area.
- *Madalena Ventures International Holding Company Inc. (Barbados) in dissolution process*
Madalena Ventures International Holding Company Inc. (Barbados) sold, assigned and transferred unto [Madalena Energy Inc.](#) 8,329,825 common shares without nominal or par value in the capital of Madalena Ventures International Inc. (Barbados). On December 29, 2017 Madalena filed the certificate of intent to dissolve its subsidiary Madalena Ventures International Holding Company Inc. (Barbados).
- *El Vinalar*
Vinalar facilities and wells have been mothballed.

Summary of 2017 Reserves

The reserve report ("GLJ Report") was prepared in accordance with the definitions, standards and procedures contained in NI 51-101 and the COGE Handbook by GLJ Petroleum Consultants. The GLJ Report contains several cautionary statements that are required by NI 51-101 and the reserves information presented is subject to the contents of the full reports.

Year End 2017 Reserves Highlights:

- Argentina Proved plus Probable ("2P") reserves decreased from 9,899 MBoe to 8,101 MBoe, which include 1,375 Mboe associated with the divestment of the 55% WI unconventional asset in the Vaca Muerta shale;
- Argentina 2P reserve replacement ratio was 82%; and
- 2P BTax NPV 10%, is \$65.7 million.

The following tables provide a summary of the Company's oil and gas working interest reserves before royalties and net present value of future net revenue at December 31, 2017 using forecast prices and costs.

	Reserves									
	Light/Medium Crude Oil		Tight Oil ⁽²⁾		Conventional Natural Gas		Shale Gas ⁽²⁾		Total Rese	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (MMcf)	Net (MMcf)	Gross (Mboe)	Net (Mboe)
Proved										
Developed Producing	1,651	1,380	9	8	2,279	1,850	0	0	2,040	1,6
Developed Non-Producing	479	403	0	0	644	531	0	0	586	49
Undeveloped	878	721	0	0	779	650	0	0	1,008	82
Total Proved	3,008	2,503	9	8	3,702	3,031	0	0	3,634	3,0
Probable	2,631	2,195	1,275	1,084	2,355	1,950	1,010	889	4,467	3,7
Total Proved Plus Probable	5,639	4,698	1,284	1,091	6,057	4,981	1,010	889	8,101	6,7
Possible	2,647	2,216	1,590	1,351	763	645	1,289	1,134	4,579	3,8
Total Proved Plus Probable Plus Possible	8,286	6,915	2,874	2,443	6,820	5,626	2,300	2,024	12,680	10

Reserves Category	Net Present Values of Future Net Revenue USD										Unit Value Before tax Discounted at 10% ⁽¹⁾ \$/BOE
	Before Income Taxes Discounted at (%/year)					After Income Taxes Discounted at (%/year)					
	0%	5%	10%	15%	20%	0%	5%	10%	15%	20%	
Proved											
Developed Producing	5.6	11.0	13.2	13.9	13.9	5.6	11.0	13.2	13.9	13.9	7.80
Developed Non-Producing	9.9	8.1	6.6	5.3	4.2	9.2	7.6	6.1	4.9	3.9	13.39
Undeveloped	7.8	4.2	1.5	(0.4)	(1.9)	5.4	2.2	(0.2)	(1.9)	(3.3)	1.86
Total Proved	23.3	23.3	21.4	18.8	16.2	20.2	20.8	19.1	16.9	14.6	7.08
Probable	82.2	59.7	44.3	33.4	25.5	65.6	46.2	33.1	23.9	17.4	11.81
Total Proved Plus Probable	105.5	83.1	65.7	52.2	41.8	85.8	67.0	52.2	40.8	31.9	9.7
Possible	136.8	98.5	74.2	57.7	46.2	101.6	71.7	52.8	40.2	31.4	19.19
Total Proved Plus Probable Plus Possible	242.3	181.6	139.8	109.9	87.9	187.3	138.7	105.0	81.0	63.3	13.15

Notes:

(1) Unit values are based on Corporation Net Reserves.

(2) These are unconventional Vaca Muerta Shale reserves at CASE and the costs incurred to December 31, 2017 are included in exploration and evaluation assets in the Corporation's consolidated financial statements.

Health, Safety, Environment ("HSE") and Corporate Social Responsibility ("CSR")

Madalena has a comprehensive HSE management plan for its employees and all contractors. In 2017 the Company key performance benchmarking indicators showed: For the 378,476 + person hours worked, there were nine lost time incidents at any of the Company's facilities or operations. Also, in 2017 the Company recorded four reportable spills. The Company takes pride in its CSR initiatives in Argentina. The Company is actively involved in supporting the communities in which it operates, through a number of initiatives including local employment programs, access to health care and improvement in the quality of services, education, water quality and technical assistance on sustainable agricultural production. In 2017 the Company continued with the implementation of its community relations programs in both districts that it operates.

About Madalena Energy

Madalena is an independent, Canadian head-quartered Argentina 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.

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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, production levels, the strategic value and opportunities available to Madalena, operational, business development and financial plans, and opportunities and the ability of Madalena to execute on such plans and opportunities and the Company's ability to meet its commitments and continue as a going concern. 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.

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.

Well Test Results

Well test results should be considered as preliminary and not necessarily indicative of long-term performance or of ultimate recovery. Neither a pressure transient analysis nor a well-test interpretation has been carried out on the well test data contained herein and therefore the data contained herein should be considered to be preliminary until such analysis or interpretation has been done.

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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