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### MADALENA PROVIDES OPERATIONAL AND FINANCIAL UPDATE

Madalena Energy Inc. ("**Madalena**" or the "**Company**") (TSXV: **MVN** and OTC: **MDLNF**) is pleased to announce the initial results of recent drilling operations on the Company's core properties in Argentina. The Company has made progress on the Lower Agrio shale oil play and the Mulichinco tight sand gas play, which are two strategic resource plays that are complementary to the Company's Vaca Muerta and Loma Montosa resource plays. In addition, Madalena began liquidating its holdings of par value US\$ 11.1 million Argentina issued government bonds from the Petroleo Plus incentive program to enhance its financial flexibility.

#### **HIGHLIGHTS**

- Successfully deepened the Yapai.x-1001 on the Curamhuele block to 3,802 metres, drilling through 550 metres of the Lower Agrio formation, with the bottom 270 metres encountering continuous oil and gas shows in the significantly over pressured target zone;
- After safely controlling the Yapai.x-1001 well through the drilling of the Lower Agrio shale, drilling operations continued down to the second zone of interest where, as anticipated, the well encountered the Mulichinco tight gas sand;
- Drilled two more (0.7 net) conventional horizontal wells at Coiron Amargo in the Sierras Blancas formation; and
- Received par value US\$ 11.1 million in United States dollar indexed bonds as settlement of past Petroleo Plus incentive credits. The receipt of these bonds will be recognized in the Company's September 30, 2015 financial statements. The fair market value was estimated at September 30, 2015 to be approximately US\$ 13.9 million.

#### **Curamhuele (90% Working Interest ("WI") Neuquen Basin, Argentina)**

On November 9, 2015, Madalena successfully deepened the Yapai.x-1001 well to evaluate the Lower Agrio shale and the Mulichinco tight sand. The Company drilled approximately 550 metres of the Lower Agrio formation with the bottom 270 metres having strong and steady oil and gas shows. The well required heavy weight mud (40% over normal) to control the flow while drilling. The high mud weight and strong flow indication, in management's view, suggests an over-pressured hydrocarbon zone. The preliminary wireline log analysis of the Lower Agrio shale estimates a zone of interest of greater than 164 metres with an average porosity of 8% and confirmation of brittle shale with minimal clay content (approximately 27%). These results are encouraging when compared to the independent resource report for the Lower Agrio shale effective September 30, 2015 prepared by GLJ Petroleum Consultants Ltd. (the "Resource Report"), which provided a Best Estimate (P50) net pay of 88 metres and average porosity of 6.9%. The Best Estimate Risked Prospective Resource was 99.4 MMBOE (365.4 MMBOE Unrisked). Readers are referred to the November 4, 2015 press release entitled "Madalena announces 374% increase to discovered risked contingent resources estimate for its Vaca Muerta shale acreage at Coiron Amargo in Argentina" for detailed disclosure on the Resource Report.

In addition, Madalena drilled approximately 24 metres into the underlying Mulichinco formation, which the Company believes is sufficient to initiate a hydraulic fracture treatment in this tight sand horizon. The mud logging over this interval continued to yield good gas shows. Due to downhole complexities, it was not possible to get a full set of wireline log measurements across the Mulichinco formation. Based on the data acquired while drilling and including data from offsetting wells, management believes that the Yapai.x-1001 well has encountered an over-pressured gas bearing sand at the top of the Mulichinco formation.

Based on these favourable results, Madalena is designing a completion program to test and commingle production from the Mulichinco with the Lower Agrio shale through a four stage unconventional hydraulic fracture treatment. It is expected that the natural gas from the Mulichinco will add an element of gas lift and improve flow characteristics of the Lower Agrio oil. Due to the complexities and logistics with these types of completions, the Company anticipates it will complete the well early in 2016.

#### **Coiron Amargo (35% WI, Neuquen Basin, Argentina)**

Madalena and its partners have successfully drilled their fifth and sixth horizontal wells in the conventional Sierras Blancas formation on the Coiron Amargo block. The fifth well was completed with approximately 755 metres of horizontal Sierras Blancas sand open to the wellbore and placed on production on October 8, 2015. Based on field estimates, the Initial 30 day (IP 30) production was 135 Bbls/d of oil and 140 Mcf/d (160 boe/d) of gas at a 45% water cut. The well was flowing on a 6 mm choke. On November 9, 2015, the choke was opened to 8 mm and the well tested over a 24 hour period, 296 Bbls/d oil and 424 Mcf/d (366 boe/d) at 500 psi flowing pressure with a 48% water cut. The partners will review the production performance and may decide to open the choke to increase production.

The sixth conventional horizontal well was cased on November 8, 2015 after drilling approximately 670 metres of horizontal section. Based on the information gathered while drilling (logs, oil and gas shows), Madalena expects that this well may perform better than the performance of the average well drilled by Madalena in the Sierras Blancas formation on the Coiron Amargo block to date.

The well is anticipated to be equipped for production by December 1, 2015.

The drilling rig is currently being moved to drill a seventh Sierras Blancas horizontal well at Coiron Amargo.

#### **Coiron Amargo Vaca Muerta Update**

Madalena and its partners are in the planning stages for the first Vaca Muerta horizontal multi-frac well. A detailed third party review of Geophysical and Geological data on the Coiron Amargo block has been completed. The results of this study, combined with knowledge gained after a data exchange for several horizontal multi frac wells directly offsetting Coiron Amargo, will be used to finalize the location and drilling plan. The Company anticipates commencing operations in the first half of 2016 and will update the project status accordingly.

#### **Update on Argentina Government Bonds Received by Madalena**

On November 25, 2008, the government of Argentina introduced the Petroleo Plus Program to reward producers who materially increase oil reserves and production through drilling and development by issuing export tax incentive credits. These credits were transferable and could be sold for cash to other domestic oil exporters. Madalena has not previously recognized the credits as revenue due to the uncertainty of the ability to sell the credits. On July 13, 2015, the government terminated the Petroleo Plus Program and granted eligible companies the right to receive Argentina issued government bonds, subject to certain conditions.

In September 2015, the Company received par value US\$ 11.1 million Argentina issued government bonds for settlement of these past credits. Two publicly traded bonds were received in equal amounts – the BONAD 2018 and the BONAR 2024. Both bonds are linked to the US\$ and settled in Argentina Pesos. As of September 30, 2015 the fair market value was estimated at US\$ 13.9 million.

As no receivable or revenue recognition had previously been recorded in the Company's financial statements, the benefits from the settlement of past Petroleo Plus Program incentive credits will be included in the September 30,

2015 financial results. Subsequent to September 30, 2015, the Company liquidated approximately 16% of the bonds for cash proceeds of US\$ 2.2 million. Madalena intends to continue to liquidate the bonds as required to fund its ongoing exploration and development program.

On February 2, 2015 the Government of Argentina announced a new oil incentive program which replaced the Petroleo Plus program. The program runs from January 1, 2015 to December 31, 2015 but could be extended into future years. To stimulate production and to provide an additional incentive to Argentina producers to further invest, the Government has set a US\$ 3.00/Bbl royalty free bonus payment on all production for companies who are able to keep their quarterly production above 95% of the Q4-2014 base production levels. The Company has received funds for the first two quarters of 2015 and has applied for the quarter ending September 30, 2015. The average bonus amount has been US\$ 700,000 per quarter.

### **About Madalena Energy**

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

Madalena holds over 950,000 net acres in four 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.

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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, with respect to the characteristics of the properties held by the Company, production levels, 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.*

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