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**Madalena Ramps Up Domestic Drilling Operations with Two Rigs Focused on Three Horizontal Resource Plays & Production Growth; Internationally, Drilling Moves Ahead to Delineate the Vaca Muerta Shale as One of Three Shale Plays Across its Blocks**

Madalena Ventures Inc. ("**Madalena**") (TSX-V: MVN), an international and Canadian ("domestic") focused upstream oil and gas company is pleased to provide the following operational update.

**Canadian Operations Update – *Greater Paddle River Core Area:***

Madalena has moved two drilling rigs into its core area of operations located in the *Greater Paddle River Area* of Central Alberta, where the company holds a significant acreage position of 197 gross (153 net) sections of land (78% average working interest and largely operated by Madalena) across multiple light oil and liquids-rich gas resource plays. Madalena's focus domestically is to exploit its large inventory of horizontal development locations with the expectation to increase production and cash flow year over year.

The plan between now and spring break-up is to drill, multi-stage frac, equip and place on production four to five gross (4.0 to 4.2 net) horizontals focused across three key resource plays. To increase production and reserves, the focus throughout 2013 will be to drill horizontals targeting: 1.) *Ostracod oil*, 2.) *Notikewin / Falher / Wilrich liquids-rich gas* stacked development plays, and 3.) *Nordegg oil & liquids-rich gas*

**Horizontal Resource Play #1** focuses on *Ostracod light oil* and is highlighted by a 54 net section position on the play and over 50 already identified, drill ready, horizontal locations. Madalena's most recent Ostracod horizontal (Paddle River 01-05) which was put on-stream in mid-October 2012 is currently exceeding the company's expectations with this horizontal continuing to flow without the assistance of pumping equipment. In July 2012 the well tested at an average rate of 438 boe/d (73% oil & liquids) over a three-day period following a fourteen stage frac completion. The IP 30 day average rate on this horizontal was 307 boe/d (65% oil & liquids).

**Horizontal Resource Play #2** focuses on the low-risk development of Madalana's regionally stacked Mannville channel trend highlighted by 133 net sections with *liquids-rich Notikewin / Falher / Wilrich stacked development plays*, vertical well production or control throughout, already in place underutilized pipeline & infrastructure in the area, with liquid contents in the range of 28 to 35 bbls/mmcf, and significant running room for horizontal development.

**Horizontal Resource Play #3** which is expected to be drilled, multi-stage frac'd and tested in the near-term involves an emerging *oil & liquids-rich Nordegg play*. Madalena has 144 net sections of Nordegg rights, containing or proximal to vertical well production which produces oil, and/or high liquids-rich content gas of over 100 bbls/mmcf. Madalena plans to utilize North American horizontal technology to test this emerging resource play which is widespread across its sizeable land position.

## **International Operations Update – Neuquén Basin**

Madalena, which holds three large blocks (or concessions) within the prolific Neuquén basin in Argentina, continues to move forward to delineate its large in-place oil & gas unconventional resources with shale positions in the *Vaca Muerta*, *Agrio* and *Los Molles* shales. Madalena holds 135,000 net acres across the Coiron Amargo (35,027 net acres), Curamhuele (50,400 net acres) and Cortadera (49,600 net acres) blocks.

On the Coiron Amargo Block (35% working interest), the CAN 8 development well located 800 meters south east of the CAN 7 well is drilling ahead at approximately 7,824 feet to a planned target depth of approximately 10,430 feet. The objectives for the CAN 8 well are both the conventional light oil in the Sierras Blancas formation as well as to further delineate and assess the Vaca Muerta shale on the block. Offset to CAN 8, production from the CAN-7 Sierras Blancas alone has now reached over 60,000 bbls since coming on stream in July this year and continues to flow at over 300 bopd gross with associated gas.

At the end of November, Argentina announced plans to increase gas prices to \$7.50/mmbtu for new gas developments. With import prices significantly above this, gas related drilling activity in the country will contribute to reduced gas imports while receiving a substantially higher price than obtained previously. All three of Madalena's Blocks have the potential to benefit in the future from this recent announcement via the contribution of new gas production from both conventional zones of interest and the large-in-place unconventional shale resources.

## **Corporate Update – Newly Focused Team, Production Update and Balance Sheet Strength**

With a full cycle corporate, technical and operational team now in place, Madalena is well positioned with expertise to operate assets both domestically & internationally and is focused on delivering results in 2013 onward. Madalena's current corporate production is approximately 950 boe/d net (60 % oil and liquids) including an estimated 650 boe/d net (51% oil and liquids) from its domestic assets and 300 boe/d net (81 % oil and liquids) from its international assets. Madalena continues to have a strong balance sheet for go-forward growth, with approximately \$36 million in positive working capital, zero debt and an undrawn initial \$4.75 million bank facility with a major Canadian bank.

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### **Reader Advisories**

The information in this news release contains certain forward-looking statements. These statements relate to future events or our future performance. 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. In particular, this news release contains forward-looking statements pertaining to operational activities to be conducted by the Company. 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).

Any references in this news release 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, the Vaca Muerta shale is an unconventional resource play which may be subject to high initial decline rates.

All calculations converting natural gas to barrels of oil equivalent ("boe") have been made using a conversion ratio of six thousand cubic feet (six "Mcf") of natural gas to one barrel of oil, unless otherwise stated. The use of boe may be misleading, particularly if used in isolation, as the conversion ratio of six Mcf of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. 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 on a 6:1 basis may be misleading as an indication of value.

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