



## **2008 / 2009 Operations Review**

In 2008 and 2009 Madalena has focused its full attention on developing its international exploration assets in Tunisia and Argentina.

In Tunisia Madalena completed evaluation of seismic surveys, drilled, tested and completed its first exploration well on the Remada Sud concession during 2008. The well is flowing from the Ordovician zone at a depth of 1,422 meters (4,666 feet). At the present time the well is flowing approximately 230 barrels per day of 43 degree API at well head pressure of 100 psi with the water cut averaging less than 1%. An ongoing appraisal plan is underway which currently includes a 3D seismic survey, a minimum of one step out well and six month production test which will be used to prepare a phased development plan for submission to the Tunisian authorities late in 2009. The discovery of light oil in a large structure at relatively shallow depths on the eastern side of the 1.2 million acre block confirms the presence of a mature source rock and effective hydrocarbon migration route increasing the chance of success for several other prospects identified on the block. The TT2 well was drilled on a large Ordovician structure which has an aerial extent of approximately 70 square kilometers (43 square miles) and a hydrocarbon column of approximately 57 gross meters (187 feet). Madalena has earned a 15% working interest in the TT2 test well and in approximately 600,000 acres on the Remada Sud Permit and is entitled to participate as to a 15% working interest in all ongoing drilling and operations on the earned acreage. Madalena also retains the option to drill a second earning well on the unearned lands by paying 30% of the well costs to earn an additional 15% working interest in an additional 600,000 acres on the Remada Sud Permit.

In Argentina, the Company focused its efforts on seismic surveys, testing, and preparations to drill its first exploration well. The Company completed 3D seismic exploration programs on the Curamhuele and Cortadera blocks in the fourth quarter of 2008 and acquired an additional 20% working interest in Cortadera, giving Madalena a 90% interest and operatorship of the block. The seismic data is currently being processed and the exploration potential of these blocks will be evaluated in 2009.

In the fourth quarter of 2008, Madalena was also able to secure a drilling rig to commence drilling the initial well on the Coiron Amargo block. Drilling of the CAN X-2 well was completed in February 2009 and the company has identified commercially viable quantities of light crude oil from the Sierras Blancas formation.

The Sierras Blancas formation is successfully produced from offsetting fields which have been extensively developed by horizontal drilling. The initial discovery well was drilled vertically as the first well into the pool, in order to establish the precise oil water contact. The CAN X-2 well has been placed on production and equipped with a pumping unit for the initial test period. The Sierras Blancas formation is a prolific producer when drilled horizontally, and the Corporation has identified approximately 40 horizontal drilling locations on the block based on 3D seismic interpretation and the drilling of the CAN X-2 discovery well.

The existing CAN X-2 discovery well was drilled and completed in a manner that will enable the Corporation to re-enter the well and drill it out horizontally at such times as production rates merit horizontal re-entry. The Vaca Muerta formation is also identified as potentially productive in the CAN X-2 wellbore and the Corporation has identified significant potential for the Vaca Muerta on the Coiron Amargo block for future drilling operations. Madalena has elected to not fracture stimulate the Vaca Muerta at this time in the CAN X-2 wellbore in order to maximize the evaluation of the Sierras Blancas Formation.

The drilling of the CAN X-2 well satisfies 100% of the work commitments for the Coiron Amargo block. The 3D seismic programs shot on Curamhuele and Cortadera, and associated expenditures for geological and geophysical studies generated by Madalena should largely satisfy the remaining work commitments on those blocks as well.