MEG Energy announces 2014 capital budget and guidance

Annual production targeted to nearly double; planned capital investment sets the foundation for further growth with focus on lower-cost 'brownfield' expansion

CALGARY, ALBERTA (December 6, 2013) – MEG Energy Corp. released its 2014 capital budget and guidance today. The company's plans include a capital program of $1.8 billion, including $200 million available on a discretionary basis subject to the timing of current and future projects. MEG has set a 2014 production target of 60,000 to 65,000 barrels per day (bpd), with a related non-energy operating cost target of $8 to $10 per barrel.

Highlights include:

- Targeted 2014 annual production volumes nearly double 2013 guidance, supporting MEG's early 2015 goal of 80,000 bpd driven by the implementation of the RISER 2 initiative and the ramp-up of Christina Lake Phase 2B;
- Investment in a major 'brownfield' expansion within Phase 2B, which the company anticipates will raise its overall production to a level of 115,000 to 125,000 bpd by early 2017, resulting in approximately a 45 per cent compounded annual growth over the next three years;
- Investing in technology and infrastructure which will enable the corporation to access the highest-priced markets in the most cost-effective manner.

2014 Operations Guidance

"Strong results from the implementation of RISER in Christina Lake Phase 2, combined with achieving first oil from our recently commissioned Phase 2B, have set the foundation for a significant increase in production and cash flow," said Bill McCaffrey, President and Chief Executive Officer.

	2014 Budget	**2013 Guidance**	**% Change**
Production (bpd)	60,000 – 65,000	32,000 - 35,000	+87%
Non-energy operating costs (/bbl)	$8.00 - $10.00	$9.00 - $11.00	-11%

MEG's production targets from 2014 to 2017 result in a compounded annual growth rate of approximately 45 per cent. As production levels increase, MEG will continue its focus on putting downward pressure on its already industry-leading non-energy operating costs.

"During 2014, we are working to significantly increase our production levels. We have already invested the capital required to reach our production target of 80,000 barrels per day by early 2015. The company is now focusing its capital investment on the next stage of growth, laying the groundwork for a major brownfield expansion of Phase 2B," McCaffrey said.

2014 Capital Investment

MEG’s 2014 base capital program includes $920 million in growth capital (58%), $445 million focused on marketing initiatives (28%) and $235 million in sustaining and other capital (approximately 14%).

“We believe our capital allocation plans represent the right balance between our key strategies of lower-cost intraphase production growth, greenfield expansion, value-added infrastructure and the necessary sustaining capital to ensure steady and efficient operations,” said McCaffrey.

The capital investment for RISER at Christina Lake Phases 1 and 2 (RISER 2) is now complete, with a resulting increase in production capacity of 60 per cent at a capital intensity of approximately $20,000 per barrel per day. With the demonstrated success of RISER 2, the company is now advancing its RISER 2B program, which will include MEG’s proprietary eMSAGP technology and a major brownfield expansion of MEG’s Phase 2B facilities. This project is effectively a ‘phase within a phase’ that is anticipated to result in ultimate production levels from Phase 2B of 75,000 to 85,000 bpd, an increase of nearly 130% over its initial design.

“Brownfield expansions provide production growth similar to what we would expect from a ‘greenfield’ expansion at about two-thirds of the capital cost, while also helping to accelerate the timing of incremental production,” said McCaffrey. “In addition to lower capital costs and accelerated production, we also anticipate benefits in terms of lower operating costs, reduced greenhouse gas intensities and higher resource recovery rates. With these targeted benefits, our goal will be to optimize existing assets through our RISER 2B initiative, before we launch the next greenfield project.”

In addition to the intermediate growth capital directed to RISER 2B, MEG will allocate $580 million to position itself for longer term growth. This investment includes $275 million towards engineering and long lead-time items for Phase 3A, in order to prepare for the next growth platform in the company’s portfolio once Phase 2B is fully optimized.

MEG is also planning a facility which will remove diluent from a significant portion of the company’s bitumen blend that is to be shipped by rail. The diluent would then be recycled back to the Christina Lake project site. The resulting product would be transported by rail to refining markets at substantially reduced shipping and blending costs. Capital investment of $75 million in 2014 is planned for the project, with completion targeted for late 2015.

On a longer-term strategic basis, MEG has also committed $125 million in 2014 for the construction of a Field Demonstration Pilot project of the company’s proprietary HI-Q™ technology. This technology, which has been successfully demonstrated over a number of years on a smaller scale, is designed to modify MEG’s bitumen production to a HI-Q™ product suitable for shipping by pipeline without diluent.

As previously announced, MEG is also supporting its marketing strategy with the investment of approximately $210 million in 2014 for the continuing expansion of the jointly-owned Access Pipeline.

“The diluent recovery facility will have the dual effect of reducing MEG’s requirement for diluent supply, while effectively increasing our rail shipping capacity,” said McCaffrey. “Additionally, our HI-Q™ technology has the potential to offer tremendous benefits as MEG’s production grows.

The benefits of shipping HI-Q™ include substantially reduced diluent supply requirements, freeing-up pipeline capacity through the removal of diluent, and expanded market access."

2014 Capital Budget **($ millions)**	
Intraphase growth – RISER 2B	340
Portfolio growth	
Christina Lake Phase 3A	275
Resource development	115
Growth infrastructure	85
Enhancements and other	105
Marketing initiatives	
Access expansion	210
Diluent Removal Facility	75
HI-Q Field Demonstration Project	125
Other	35
Sustaining and maintenance	135
Other	100
Base capital program	**1,600**
Discretionary capital	200
Base plus discretionary capital	**1,800**

Forward-looking information

This news release may contain forward-looking information including but not limited to: expectations of future production, SORs, operating costs and capital investments; the commissioning and start-up of the completed Stonefell terminal; the expansion of the Access pipeline; the impact of MEG's hub-and-spoke strategy on netbacks and on its exposure to differentials and pipeline restrictions; the anticipated capital requirements, development plans, timing for completion, production declines, accelerated production growth, cashflows, production capacities and performance of the future phases and expansions of the Christina Lake project (including the RISER initiative) and the Surmont project; and the potential financings for MEG's operations and capital investments. All such forward-looking information is based on management's expectations and assumptions regarding future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), plans for and results of drilling activity, environmental matters, business prospects and opportunities. By its nature, such forward-looking information involves significant known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to: risks and delays in the development of or in the production associated with MEG's projects; the securing of adequate supplies and access to markets and transportation infrastructure; the uncertainty of estimates and projections relating to production, costs and revenues; the availability of take away capacity on the electric transmission grid; health, safety and environmental risks; risks of legislative and regulatory changes to, amongst other things, tax, land use, royalty and environmental laws; changes in commodity prices and foreign exchange rates; and risks and uncertainties associated with securing and maintaining the necessary regulatory approvals and financing to proceed with the development of MEG's projects and facilities. Although MEG believes that the assumptions supporting such forward-looking information are reasonable, there can be no assurance that such assumptions will be correct. Accordingly, readers are cautioned that the actual results achieved may vary from the forward-looking information provided herein and that the variations may be material. Readers are also cautioned that the foregoing list of assumptions, risks and factors is not exhaustive. For more information regarding forward-looking information see "Risk Factors" and "Regulatory Matters" within MEG's annual information form dated February 27, 2013 (the "AIF") along with MEG's other public disclosure documents. A copy of the AIF and of MEG's other public disclosure documents is available through the SEDAR website or by contacting MEG's investor relations department. Guidance regarding capital expenditures may constitute a "financial outlook" as contemplated by National Instrument 51-102 of the Canadian Securities Administrators entitled Continuous Disclosure Obligations. The purpose of such guidance is to forecast the anticipated capital expenditures by MEG in 2014 and such information may not be appropriate for other purposes.

This press release shall not constitute an offer to sell, or the solicitation of an offer to buy, any securities in any jurisdiction. The common shares being offered have not been and will not be registered under the U.S. Securities Act of 1933 and state securities laws.

MEG Energy Corp. is focused on sustainable in situ oil sands development and production in the southern Athabasca oil sands region of Alberta, Canada. MEG is actively developing enhanced oil recovery projects that utilize SAGD extraction methods. MEG's common shares are listed on the Toronto Stock Exchange under the symbol "MEG."

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