MEG Energy announces 2012 capital budget and annual production guidance

Christina Lake expansion on schedule and on budget – further investments support plans to increase production capacity tenfold by 2020

CALGARY, ALBERTA (December 6, 2011) - MEG Energy Corp. released its 2012 capital budget and production guidance today, which includes planned investment of approximately $1.37 billion and a production target of 26,000 to 28,000 barrels per day (bpd). Capital investments are expected to be internally funded from cash on hand and 2012 cash flow from operations.

“This budget is focused squarely on our long-term plans to drive a tenfold increase in production capacity to 260,000 barrels per day by 2020. The key elements of that strategy – building our resource base, advancing the next stages of production growth and improving market access – are all targeted in our investment plans for 2012,” said Bill McCaffrey, President and Chief Executive Officer. “At the same time that we work to advance our growth strategy, we’ll also continue work to ensure the reliability of our current operations.”

Growth-focused investment in 2012 is projected at $930 million, or approximately 70% of the total budget. The majority of these funds will be directed toward advancing construction of Christina Lake Phase 2B. Phase 2B is designed to add 35,000 bpd of bitumen production capacity, an increase of 140% from MEG’s current capacity. In addition, options that may also allow future increases to Phase 2B production capacity are being assessed. Phase 2B is on budget, with more than half of total costs locked-in, and it remains on schedule for start-up in 2013.

Capital funding is also allocated for front-end engineering and initial material orders for MEG’s next planned expansion, the multi-stage 150,000 bpd Christina Lake Phase 3. The application for Phase 3 is currently before regulators with a decision expected in the first half of 2012. We also expect in 2012 to file a regulatory application for the Surmont Project.

As MEG advances its staged growth strategy, we also plan to invest in infrastructure to support increased production and expanded market access. Approximately $220 million is targeted to enhance MEG’s strategic marketing hub in the Edmonton area. This includes regulatory and engineering work related to the proposed expansion of the jointly-owned Access Pipeline, which connects our Christina Lake operations to the Edmonton area. Plans call for the line to be looped, with a new 42” pipe to carry blended product and the existing 24” blend pipe to be reversed to move diluent from Edmonton to the Christina Lake project.

The proposed timing of the expansion is intended to accommodate planned production increases from MEG’s Christina Lake and Surmont projects. Pending regulatory approval, the expanded pipeline is expected to be in operation by 2015.

“Advancing our proprietary pipeline capacity is intended to not only ensure that we have takeaway capacity for planned production – it provides flexibility to potentially advance expansion schedules,” said McCaffrey.

Infrastructure investment also includes completion of the Edmonton-area Stonefell Terminal, currently under construction. When complete in 2013, Stonefell will provide 900,000 barrels of blending and storage capacity, with transportation options to a variety of markets. Options from Edmonton include traditional domestic and U.S. Midwest markets, as well as new markets on the West Coast and U.S. Gulf of Mexico, accessible by proposed or modified third-party pipelines.

“These are long-term, strategic investments that effectively put our wellhead right at the Edmonton hub, providing a variety of market options and the opportunity to add significant value to the barrels we produce,” said McCaffrey.

Investments in seismic and delineation drilling, targeted at approximately $115 million, are planned to support future growth. Approximately 110 core holes are scheduled to be drilled at Christina Lake to determine well placement for near-term expansions. A further 50 core holes are planned for Surmont and MEG’s Growth Properties to further define the resource base in support of future expansions and related regulatory applications.

To support existing operations, MEG is planning $80 million in sustaining and maintenance capital spending in 2012. Funding is planned for new wells to replace potential production declines in Phases 1 and 2, as well as capital for routine maintenance.

MEG is sufficiently funded to support its 2012 capital investment program, with $1.8 billion of cash and short-term investments, and US$500 million of undrawn credit available at the end of September 2011.

Capital Investment Summary

	($ millions)
Growth	
Christina Lake Phase 2B	690
Christina Lake Phase 3	50
Christina Lake enhancement opportunities	60
Drilling and seismic	115
Regulatory	15
Infrastructure	
Access Pipeline	80
Stonefell Terminal	140
Field infrastructure	80
Sustaining and maintenance	80
Other	60
Total	**1,370**

2012 Production Guidance

MEG is targeting 2012 production of 26,000 to 28,000 bpd. Annual production guidance includes the impact of a planned three-week shutdown in September 2012. The shutdown is primarily for the purpose of tying in infrastructure related to Christina Lake Phase 2B, although we will use the opportunity to perform other plant maintenance. Following the shutdown, production is expected to ramp-up toward exit rates of 29,000 to 31,000 bpd at the end of the year.

“Comprehensive planning and careful execution are critical to achieving our goal of operating safely, efficiently and reliably. That focus has delivered production at or above design capacity over the past two years and it’s a trend we continue to expect in 2012,” said McCaffrey.

Operational targets for 2012 are supported by the addition of two steam generators, anticipated production from MEG’s first two infill wells, and the piloting of non-condensable gas co-injection on three wells. These projects are expected to commence operation in the first half of 2012, with production later in the year. Based on the results of infill well drilling and the gas co-injection pilot, we will consider further similar investments to enhance production from Christina Lake Phase 2 and future phases.

With the shutdown and other facility work planned in 2012, we are estimating non-energy operating costs in the range of $10 to $12 per barrel.

Forward-Looking Information

This news release contains forward-looking information including but not limited to: expectations of future production, operating costs and capital investments; the anticipated capital requirements, timing for receipt of regulatory approvals, development plans, timing for completion, production capacities and performance of the future phases and expansions of the Christina Lake project, the Surmont project, the Access Pipeline, the Stonefell Terminal and MEG's other properties and facilities; and the anticipated sources of funding for 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; 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, joint venture 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. The forward-looking information included in this press release is expressly qualified in its entirety by the foregoing cautionary statements. Unless otherwise stated, the forward-looking information included in this press release is made as of the date of this document and MEG assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law. For more information regarding forward-looking information see "Risk Factors" and "Regulatory Matters" within MEG's annual information form dated February 24, 2011 (the "AIF") along with MEG's other public disclosure documents. A copy of the AIF and of MEG's other public disclosure documents are available through the SEDAR website (www.sedar.com) or by contacting MEG's investor relations department.

MEG Energy Corp. is focused on sustainable in situ oil sands development and production in the southern Athabasca 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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