MEG Energy announces revised $200 million internally funded 2020 capital program

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All financial figures are in Canadian dollars ($ or C$) and all references to barrels are per barrel of bitumen sales unless otherwise noted

CALGARY, March 10, 2020 - MEG Energy Corp. (TSX:MEG, "MEG" or the "Corporation") announced today a 20% reduction in its 2020 capital program to $200 million from the original $250 million budget announced November 2019.

Capital Program Reduction and Guidance Update

Due to the recent significant degradation in global oil prices, MEG is reducing its 2020 full year capital budget by 20% from $250 million to $200 million.

The majority of the $50 million capital reduction is a result of reducing planned turnaround scope in the third quarter and deferring costs associated with well pairs that were previously targeted to come on stream in 2020 to bring post-turnaround production to approximately 100,000 bbls/d. Given this reduction in capital, MEG is revising its full year 2020 production guidance range to 93,000 – 95,000 bbls/d from the Corporation's previously announced guidance of 94,000 – 97,000 bbls/d. The Corporation's 2020 non-energy operating costs and general and administrative expense are targeted to remain within the original guidance ranges of $4.50 - $4.90 per barrel and $1.75 - $1.85 per barrel, respectively.

At current strip pricing, MEG expects to fully fund its revised 2020 capital program with internally generated adjusted funds flow.

Financial Liquidity

The Corporation's earliest maturing long-term debt is 4 years out, represented by US$600 million of senior unsecured notes due March 2024. None of the Corporation's outstanding long-term debt contain financial maintenance covenants. Additionally, MEG's $800 million revolving credit facility remains undrawn and has no financial maintenance covenants unless drawn in excess of $400 million.

2020 Commodity Hedges

For the first half of 2020, MEG has entered into benchmark WTI fixed price swaps for approximately 70% of forecast first half 2020 production volumes at an average price of US$59.15 per barrel. On a full year basis, MEG has hedged approximately 55% of forecast 2020 production via benchmark WTI fixed price swaps and WTI fixed price swaps with sold put options. Additionally, the Corporation has hedged approximately 30% of its WTI:WCS differential exposure at an average price of (US$19.39) per barrel and approximately 50% of condensate exposure at an average price of 101% of WTI. The table below reflects MEG's current 2020 financial and physical hedge positions.

Forecast Period					
	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020
WTI Hedges					
WTI Fixed Price Hedges					
Volume (bbls/d)	72,899	62,395	19,043	16,887	42,806
Weighted average fixed WTI price (US$/bbl)	$58.67	$59.68	$59.38	$59.36	$59.19
Enhanced WTI Fixed Price Hedges with Sold Put Options(1)					
Volume (bbls/d)	-	-	16,870	24,500	10,342
Weighted average fixed WTI price (US$/bbl) / Put option strike price (US$/bbl)	-	-	$59.38 / $52.00	$59.11 / $52.00	$59.22 / $52.00
Total WTI hedge volume (bbls/d)	72,899	62,395	35,913	41,387	53,148
WTI:WCS Differential Hedges					
Volume(2) (bbls/d)	30,150	45,150	32,150	39,150	36,650
Weighted average fixed WTI:WCS differential at Edmonton (US$/bbl)	($20.14)	($18.50)	($19.79)	($19.49)	($19.39)
Condensate Hedges					
Volume(3) (bbls/d)	19,149	23,298	23,208	23,208	22,216
Average % of WTI landed in Edmonton (%)	103%	101%	100%	100%	101%

(1) Includes fixed price swaps and sold put options entered into for the second half of 2020. At an average 2H20 WTI price of US$52.00 per barrel or higher, MEG's effective WTI hedge price for 2H20 is US$59.30 per barrel. Illustratively, at an average 2H20 WTI price of US$45.00 and US$35.00 per barrel, MEG's effective WTI hedged price for 2H20 is US$55.55 and US$50.20 per barrel, respectively.

(2) 2020 includes approximately 13,200 bbls/d of physical forward rail blend sales at a fixed WTI:AWB differential.

(3) 2020 includes approximately 7,250 bbls/d (annual average) of physical forward condensate purchases. Where applicable, the average % of WTI landed in Edmonton includes estimated net transportation costs to Edmonton.

ADVISORY

Basis of Presentation

MEG prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") and presents financial results in Canadian dollars ($ or C$), which is the Corporation's functional currency.

Forward-Looking Information

Certain statements contained in this news release may constitute forward-looking statements within the meaning of applicable Canadian securities laws. These statements relate to future events or MEG's future performance. All statements other than statements of historical fact may be forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "plan", "intend", "target", "potential" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are often, but not always, identified by such words. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. In particular, and without limiting the foregoing, this press release contains forward looking statements with respect to our focus and strategy, forecast 2020 capital budget and its allocation, full year 2020 production guidance, non-energy operating costs, general and administrative expenses, adjusted funds flow and our hedging program.

Forward-looking information contained in this press release is based on management's expectations and assumptions regarding, among other things: future crude oil, bitumen blend, natural gas, electricity, condensate and other diluent prices, foreign exchange rates and interest rates; the recoverability of MEG's reserves and contingent resources; MEG's ability to produce and market production of bitumen blend successfully to customers; extent and timelines of the Alberta Government's mandatory production curtailment program, future growth, results of operations and production levels; future capital and other expenditures; revenues, expenses and cash flow; operating costs; reliability; anticipated reductions in operating costs as a result of optimization and scalability of certain operations; anticipated sources of funding for operations and capital investments; plans for and results of drilling activity; the regulatory framework governing royalties, land use, taxes and environmental matters, including the timing and level of government production curtailment and federal and provincial climate change policies, in which MEG conducts and will conduct its business; and 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 associated with the oil and gas industry, for example, the securing of adequate access to markets and transportation infrastructure; the availability of capacity on the electricity transmission grid; the uncertainty of reserve and resource estimates; 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 and production curtailment; assumptions regarding and the volatility of commodity prices, interest rates and foreign exchange rates, and, risks and uncertainties related to commodity price, interest rate and foreign exchange rate swap contracts and/or derivative financial instruments that MEG may enter into from time to time to manage its risk related to such prices and rates; risks and uncertainties associated with securing and maintaining the necessary regulatory approvals and financing to proceed with MEG's future phases and the expansion and/or operation of MEG's projects; risks and uncertainties related to access to pipeline and rail transportation; risks and uncertainties related to the timing of completion, commissioning, and start-up, of MEG's turnarounds, and of future phases, expansions and projects; the operational risks and delays in the development, exploration, production, and the capacities and performance associated with MEG's projects; uncertainties arising in connection with acquisitions and/or dispositions of assets; and the potential costs associated with ongoing litigation cases.

Although MEG believes that the assumptions used in 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.

Further information regarding the assumptions and risks inherent in the making of forward-looking statements can be found in MEG's most recently filed Annual Information Form ("AIF"), along with MEG's other public disclosure documents. Copies of the AIF and MEG's other public disclosure documents are available through the Company's website at www.megenergy.com/investors and through the SEDAR website at www.sedar.com.

The forward-looking information included in this news release is expressly qualified in its entirety by the foregoing cautionary statements. Unless otherwise stated, the forward-looking information included in this news release is made as of the date of this news release and MEG assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law.

This news release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about MEG's prospective results of operations including, without limitation, adjusted funds flow, capital expenditures, production, operating costs, general and administrative expenses, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI. MEG's actual results, performance or achievement could differ materially from those expressed in, or implied by, these FOFI, or if any of them do so, what benefits MEG will derive therefrom. MEG has included the FOFI in order to provide readers with a more complete perspective on MEG's future operations and such information may not be appropriate for other purposes. MEG disclaims any intention or obligation to update or revise any FOFI statements, whether as a result of new information, future events or otherwise, except as required by law. MEG's 2019 Annual Management's Discussion and Analysis ("MD&A") and 2019 Annual Consolidated Financial Statements are available at www.megenergy.com/investors and at www.sedar.com.

About MEG

MEG is an energy company focused on sustainable in situ thermal oil production in the southern Athabasca region of Alberta, Canada. MEG is actively developing innovative enhanced oil recovery projects that utilize steam- assisted gravity drainage ("SAGD") extraction methods to improve the responsible economic recovery of oil as well as lower carbon emissions. MEG transports and sells Access Western Blend ("AWB" or "blend") to refiners throughout North America and internationally.

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