# MEG Energy announces $1.2 billion 2015 capital budget

05.12.2014 | Marketwired

## 2015 capital program is anticipated to be internally funded and enables the company to maintain medium-term growth targets averaging 10% to 15% per year

CALGARY, ALBERTA--(Marketwired - Dec 4, 2014) -

All dollar figures are in $Cdn unless otherwise noted.

MEG Energy (TSX:MEG) today provided an update to its 2014 capital program and outlined its 2015 capital investment plan and production guidance. Highlights include:

- A reduction in planned 2014 capital investment to approximately $1.2 billion from an original budget of $1.8 billion;
- Planned 2015 capital investment of $1.2 billion that is intended to be internally-funded from 2014 year-end cash-on-hand and projected 2015 cash flow from operations,
- 80% of the 2015 capital budget is directed towards growth and netback enhancement projects;
- Targeted 2015 production of 78,000 to 82,000 barrels per day (bpd) at a non-energy operating cost of $8 to $10 per barrel.

**2014 Capital Investment Update**

MEG expects to invest approximately $1.2 billion in 2014, a reduction of 31% from its original 2014 budget of $1.8 billion, which included $200 million in discretionary spending. The lower level of 2014 capital spending was driven primarily through cost savings captured due to a change in emphasis from major greenfield projects to incremental brownfield expansions of existing facilities, as well as a shift in timing associated with longer-term projects.

**2015 Capital Investment**

"Our 2015 capital program is illustrative of MEG's ability to adapt to the current market conditions while still delivering meaningful growth," said Bill McCaffrey, President and Chief Executive Officer. "With only twenty per cent of our budget required to maintain our current level of production, we have significant flexibility within our plans should we need to further respond to the market environment."

MEG's Board of Directors today approved a 2015 capital program of $1.2 billion. The program includes $235 million in sustaining and maintenance capital directed towards maintaining current production levels and $965 million of growth capital that would support the company's medium-term average growth of 10% to 15% per year.

**Medium-Term Growth Capital**

During the planned turnarounds of Christina Lake Phases 1 and 2 in 2014, MEG utilized the interconnections between processing plants to redirect barrels to the Phase 2B plant to test its overall throughput capability. As a result of the successful testing, it has been determined that the Phase 2B plant is capable of processing in excess of 55,000 bpd of bitumen, significantly higher than its initial design capacity of 35,000 bpd.

Based on this testing, the first of a series of brownfield expansions of Phase 2B, to which the company is allocating $355 million, will consist of the addition of incremental steam generation and water treating facilities to take advantage of proven oil treating capacity. MEG has also allocated $160 million to the drilling of infill wells and SAGD well pairs to expand the implementation of eMSAGP, supporting the company's medium-term growth profile. The combination of brownfield expansion of Phase 2B and implementation of eMSAGP will form the basis of MEG's RISER 2B initiative.

The company is also allocating $85 million for follow-up brownfield expansions of Phase 2B, which are in the early stages of engineering.

**Longer-Term Growth Capital and Netback Enhancement Initiatives**

MEG plans to invest $345 million in portfolio growth to advance its longer-term production growth objectives and selectively move forward other initiatives to enhance netbacks and continue to reduce the volatility of its cash flow.

| Capital Investment Summary | $ millions |
|---|---|
| Medium-term growth capital | 600 |
| Longer-term growth capital and netback enhancement initiatives | 345 |
| Sustaining and maintenance | 235 |
| Other | 20 |
| 2015 capital budget | 1,200 |

**Production Guidance**

MEG is targeting 2015 average production of 78,000 to 82,000 bpd, approximately 19% higher than the company's upwardly revised 2014 production guidance. Non-energy operating costs for 2015 are anticipated to be in the range of $8 to $10 per barrel.

The 2015 production volume and non-energy operating cost guidance takes into account routine maintenance turnarounds on each of MEG's Phase 2 and 2B plants over the course of the year.

| | 2015 guidance | 2014 guidance |
|---|---|---|
| Production | 78,000 to 82,000 | 65,000 to 70,000 (revised) |
| | | 60,000 to 65,000 (initial) |
| Non-energy costs | $8 to $10 per barrel | $8 to $10 per barrel |

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."

**Forward-Looking Information**

This document may contain forward-looking information including but not limited to: expectations of future production, revenues, expenses, cash flow, operating costs, steam-oil ratios, pricing differentials, reliability, profitability and capital investments; estimates of reserves and resources; the anticipated reductions in operating costs as a result of optimization and scalability of certain operations; and the anticipated sources of funding for operations and capital investments. Such forward-looking information is based on management's expectations and assumptions regarding future growth, results of operations, production, future capital and other expenditures, 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 associated with the oil and gas industry, for example, the securing of adequate supplies and access to markets and transportation infrastructure; the availability of capacity on the electrical 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; assumptions regarding and the volatility of commodity prices and foreign exchange 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 the timing of completion, commissioning, and start-up, of MEG's future phases, expansions and projects; and the operational risks and delays in the development, exploration, production, and capacities and performance associated with MEG's projects.

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 annual information form ("AIF") dated March 5, 2014, along with MEG's other public disclosure documents. Copies of the AIF and MEG's other public disclosure documents are available through the SEDAR website which is available at www.sedar.com.

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

**Contact**

Investors: [MEG Energy Corp.]
Helen Kelly
Director, Investor Relations
403-767-6206
helen.kelly@megenergy.com
Media: [MEG Energy Corp.]
Brad Bellows
Director, External Communications
403-212-8705
brad.bellows@megenergy.com
www.megenergy.com