MEG Energy strategy delivers strong first quarter operating and financial performance

CALGARY, ALBERTA (April 26, 2012) – MEG Energy Corp. today reported first quarter 2012 operational and financial results. Highlights include:

- Cash operating netbacks of $39.20 per barrel, marking MEG's third highest quarterly netback to date, despite volatile markets and wider than usual light-heavy crude oil differentials;
- Production volumes averaging 28,446 barrels per day (bpd), approximately 14% over facility design capacity and 3% over the first quarter of 2011;
- Significant reduction in steam-oil ratios achieved at our Phase 1 project area through the introduction of infill wells and non-condensable gas injection;
- Quarterly record-low net operating costs of $7.95 per barrel;
- Continuing progress on the 35,000 bpd design capacity Christina Lake Phase 2B, with the project remaining on budget and on schedule for completion in 2013;
- Regulatory approval of the 150,000 bpd Christina Lake Phase 3 project and the launch of consultation in advance of the submission of a regulatory application for the 120,000 bpd Surmont project.

MEG's net earnings for the first quarter of 2012 were $53.4 million ($0.27 per share, diluted) compared to $45.4 million ($0.23 per share, diluted) in the first quarter of 2011.

Operating earnings, which are adjusted for items that are not indicative of operating performance, increased in the first quarter of 2012 to $23.5 million ($0.12 per share, diluted) from $20.9 million ($0.11 per share, diluted) in the same period of 2011. Cash flow from operations for the first quarter of 2012 was $72.0 million ($0.36 per share, diluted) compared to $69.3 million ($0.35 per share, diluted) in the first quarter of 2011. The increase in operating earnings and cash flow from operations was primarily due to increased production, as well as higher price realizations and lower operating costs resulting in strong operating netbacks on sales volumes in the quarter.

"The overarching question over the past quarter was how a pure play *in situ* oil sands company like MEG would perform in the recent environment of wider light-heavy crude oil differentials," said Bill McCaffrey, President and Chief Executive Officer. "In fact, by remaining among the industry's lowest cost operators, we were able to achieve our third strongest quarter on record, which indicates how well the company is positioned to handle volatile differentials. In addition to controlling the cost side of the equation, we are also actively developing multiple market options to mitigate volatility and enable us to take advantage of changing market conditions. That's a strategy that we will continue to build on as our production increases and we complete the Stonefell Terminal."

Production in the first quarter of 2012 averaged 28,446 bpd, compared to first quarter 2011 average production of 27,653 bpd. The related steam-oil ratio (SOR) in the first quarter of 2012, was 2.5, consistent with the same period of 2011 and remaining significantly better than the facility design rate of 2.8. Initial results from MEG's first two infill wells and a pilot project using non-condensable gas injection in three well pairs at Christina Lake Phase 1 demonstrated a combined SOR of 1.8 during the first quarter. By reducing SORs in producing wells, freed-up steam can be redirected to new, pre-drilled wells, supporting a further increase in production.

Engineering design work to assess implementation of these technologies at the Christina Lake Phase 2 project area is underway.

"Building on our current performance, the introduction of infill wells and non-condensable gas injection further increases the efficiency of our operations while allowing us to leverage additional production through our existing facilities," said McCaffrey. "In addition to higher production, this enables us to spread fixed costs over higher volumes, reducing our per barrel operating costs."

MEG's net operating costs for the three months ended March 31, 2012 were $7.95 per barrel, compared to $8.63 per barrel for the same period in 2011. Operating costs in the first quarter include the benefit of an average of $3.47 per barrel from power sales from MEG's cogeneration facilities, more than offsetting average natural gas energy costs of $3.18 per barrel. Low operating costs, coupled with relatively high price realizations, contributed to a first quarter cash operating netback of $39.20 per barrel, compared to $36.88 in the same period of 2011.

Capital and growth strategy

Capital investment in the first quarter continued to be directed primarily toward MEG's strategic plan to increase production capacity ten-fold by 2020. Approximately $174 million was invested on detailed engineering, major equipment and material, and construction activities for MEG's Christina Lake Phase 2B project. As at March 31, detailed engineering was 96% complete and all materials and modules had been ordered, with delivery and on-site construction scheduled to continue through 2012 and into 2013. The $1.4 billion, 35,000 bpd design capacity project remains on budget and on schedule for start up in 2013.

"When completed and fully ramped up, Phase 2B will increase MEG's production capacity by 140 per cent," said McCaffrey. "Based on our experience with existing phases and our familiarity with the area's geology, we anticipate a smooth ramp-up over the course of 2013 and into 2014. As we bring the project on-stream, we'll continue to drive efficiency initiatives to push the envelope on production beyond the initial design capacity, similar to what we've achieved in Phases 1 and 2, which are expected to exit the year at 29,000 to 31,000 barrels per day, or about 20 per cent above initial design capacity."

Phase 2B will be followed by the multi-stage Christina Lake Phase 3 project, which received regulatory approval in the first quarter of 2012. Engineering work on the 150,000 bpd project is underway to determine the optimum size and schedule of the planned project phases. Also in the first quarter, MEG began stakeholder consultation for its multi-stage 120,000 bpd Surmont project, located north of the company's Christina Lake assets on the same geological trend. MEG expects to submit a regulatory application for Surmont in the second half of 2012.

While advancing its long-term growth strategy, MEG continues to build a strong financial foundation. In March, MEG expanded its senior secured revolving credit facility from US$500 million to US$1 billion and extended its maturity to March 2017. The amended facility provides greater financial flexibility while reducing associated fees and interest rates. In addition to the undrawn US$1 billion credit facility, MEG's capital resources included $1.4 billion of cash and cash equivalents as at March 31, 2012.

FIRST QUARTER 2012 HIGHLIGHTS

The following table summarizes selected operational and financial information of MEG Energy Corp. for the periods ended:

	Three months ended March 31	
	2012	2011
Bitumen production – bpd	28,446	27,653
Steam to oil ratio	2.5	2.5
West Texas Intermediate (WTI) US$/bbl	102.92	94.10
Differential – WTI/Blend %	31.2%	29.3%
Bitumen realization - $/bbl	50.15	49.57
Net operating costs(1) - $/bbl	7.95	8.63
Cash operating netback(2)(3) - $/bbl	39.20	36.88
Capital cash investment - $000	364,862	210,457
Net income - $000	53,369	45,378
Per share, diluted	0.27	0.23
Operating earnings - $000(3)	23,529	20,865
Per share, diluted(3)	0.12	0.11
Cash flow from operations - $000(3)	71,991	69,337
Per share, diluted(3)	0.36	0.35
Cash and short-term investments - $000	1,402,390	2,034,526
Long-term debt - $000	1,718,474	1,673,194

(1) *Net operating costs include energy and non-energy operating costs, reduced by power sales for the period.*

(2) *Cash operating netbacks are calculated by deducting the related royalties and diluents, transportation, operating costs and realized gains/losses on financial derivatives from bitumen sales revenues, on a per barrel basis.*

(3) *Please refer to "Non-IFRS Financial Measures" below.*

A full version of MEG's First Quarter 2012 Report to Shareholders, including unaudited financial statements, is available online in the Investors section of www.megenergy.com and at www.sedar.com.

A conference call will be held to review the first quarter results and discuss MEG's strategy at 7:30 a.m. Mountain Time (9:30 a.m. Eastern Time) on Thursday, April 26, 2012. The U.S./Canada toll-free conference call number is 1 888-231-8191. The international/local conference call number is 647-427-7450.

Forward-Looking Information

This news release may contain forward-looking information including but not limited to: expectations of future production, SORs, light-heavy crude oil pricing differentials, 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 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; 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 March 28, 2012 (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.

Non-IFRS Financial Measures

This news release includes references to financial measures commonly used in the crude oil and natural gas industry, such as operating earnings, cash flow from operations and cash operating netback. These financial measures are not defined by IFRS as issued by the International Accounting Standards Board and therefore are referred to as non-IFRS measures. The non-IFRS measures used by MEG may not be comparable to similar measures presented by other companies. MEG uses these non-IFRS measures to help evaluate its performance. Management considers operating earnings and cash operating netback to be important measures as they are indicative of profitability relative to current commodity prices. Management uses cash flow from operations to measure MEG's ability to generate funds to finance capital expenditures and repay debt. These non-IFRS measures should not be considered as an alternative to or more meaningful than net income or net cash provided by operating activities, as determined in accordance with IFRS, as an indication of MEG's performance. The non-IFRS operating earnings and cash operating netback measures are reconciled to net income, while cash flow from operations is reconciled to net cash provided by operating activities, as determined in accordance with IFRS, under the heading "Non-IFRS Measurements" in MEG’s Management’s Discussion and Analysis pertaining to the first quarter of 2012.

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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