MEG Energy reports third quarter results: quick ramp-up following planned maintenance turnaround sets pace for strong finish to 2011

CALGARY, ALBERTA (October 26, 2011) – MEG Energy Corp. highlights for the third quarter of 2011 include:

- Successful completion of a planned maintenance turnaround and rapid ramp-up to full capacity at our Christina Lake facilities;
- Completion of connections for two new steam generators, and tie-in of two infill wells and four new well pairs to existing operations; and
- Continued progress on Phase 2B; with detailed engineering 84% complete, construction 22% complete, and tie-in of some components completed during the maintenance turnaround, the project remains on schedule and on budget.

“Planned maintenance and expansion work are both where we expected them to be in the quarter,” said Bill McCaffrey, MEG President and Chief Executive Officer. “Operating and financial results for the quarter are also in line with our expectations, reflecting the impact of the annual plant turnaround on operating costs and production volumes.”

MEG reported a third quarter 2011 net loss of $115.2 million ($0.60 per share, diluted) compared to net earnings of $21.2 million ($0.11 per share, diluted) in the third quarter of 2010. The net loss in the third quarter of 2011 was primarily attributable to unrealized foreign exchange losses of $101.4 million compared to a foreign exchange gain of $28.8 million for the same period in 2010. During the third quarter of 2011, the Canadian dollar weakened in value against the US dollar by approximately $0.07 compared to a strengthening of approximately $0.03 during the third quarter of 2010.

Operating earnings, which are adjusted for items that are not indicative of operating performance, reflected a loss of $5.4 million ($0.03 per share, diluted), compared to a gain of $6.1 million ($0.03 per share, diluted) in the third quarter of 2010. The decline in operating earnings is primarily due to higher interest expenses on increased debt. Increased costs associated with higher staffing levels to advance MEG’s next growth phases and higher maintenance costs related to the planned turnaround were also factors.

Cash flow from operations for the third quarter of 2011 was $26.1 million ($0.13 per share, diluted) compared to $34.0 million ($0.18 per share, diluted) in the same period of 2010. Cash flow from operations was impacted by the same factors that affected operating earnings.

The impact of planned maintenance in late September is reflected in production volumes, which averaged 20,945 barrels of bitumen per day (“bbls/d”) during the third quarter of 2011. Comparative third quarter 2010 production, during which planned maintenance was also undertaken, averaged 19,339 bbls/d. In the first nine months of this year, production averaged 25,450 bbls/d and MEG remains on target to produce 25,000 to 27,000 bbls/d in 2011, meeting or exceeding facility design capacity of 25,000 bbls/d.

The steam to oil ratio ("SOR") in the third quarter of 2011 was 2.5, remaining better than design capacity of 2.8 despite the scheduled turnaround, reflecting a high degree of operational efficiency. MEG reported SORs of 2.4 in the third quarter of 2010 and 2.5 in the second quarter of 2011.

Operating costs for the three months ended September 30, 2011 were $22.25 per barrel, compared to $20.05 per barrel for the same period in 2010. The increase in operating costs is primarily due to planned maintenance costs of $8.5 million in the third quarter of 2011, compared to $4.4 million in the third quarter of 2010. The increase reflects the greater scope of turnaround activities in 2011. After including the contribution from power revenue from our cogeneration facilities, net operating costs decreased to $17.12 per barrel in the third quarter of 2011 from $17.90 per barrel in the third quarter of 2010.

"I'm very pleased with our performance to date in 2011," said McCaffrey. "Comprehensive planning, careful execution and predictable results are our prime focus at MEG. We're proud of what we've achieved through the first nine months, culminating with the successful plant turnaround in September. Following the turnaround, we brought production back quickly and exceeded plant design capacity in just 11 days. With the tie-in of our first infill wells, four new well pairs and preparations in place for additional steam capacity this past month – we're set for a strong finish to the year with a solid foundation going in to 2012."

Capital and growth strategy

Capital investment for 2011 is expected to total approximately $1.0 billion with the majority invested in MEG's strategic plan to increase bitumen production capacity to 260,000 bbls/d by 2020. Capital investment to date in 2011 has totalled $664.7 million.

Work continues at Christina Lake Phase 2B, the next major phase of MEG's growth strategy, which is expected to provide an additional 35,000 bbls/d of design capacity. As at September 30, 2011, detailed engineering was 84% complete and construction 22% complete. Approximately $500 million of the estimated $1.4 billion project cost has been invested to date and approximately 50% of the total budget is locked in with the majority of contingency funding remaining unused. Milestones achieved in the third quarter include the placement of pilings and concrete foundations, and the setting of major vessels, including the full complement of eight heat recovery steam generator modules. Construction of tanks and a hot lime softener, a key component of water management for the expansion, was also advanced in the quarter.

As we look beyond Phase 2B, MEG anticipates a regulatory decision for its Christina Lake Phase 3 expansion project in the first half of 2012. The multi-phased expansion has a total design capacity of 150,000 bbls/d.

	Three months ended September 30		Nine months ended September 30	
($/bbl unless specified)	**2011**	**2010**	**2011**	**2010**
Bitumen production – bbls/d	20,945	19,339	25,450	19,071
Steam to oil ratio	2.5	2.4	2.5	2.7
West Texas Intermediate (WTI) US$/bbl	89.76	76.20	95.48	77.65
Differential – WTI/Blend %	25.2%	23.2%	25.4%	22.2%
Bitumen realization	51.79	51.18	55.02	50.63
Operating costs:				
Energy	5.05	5.29	5.35	7.25
Non-energy	17.20	14.76	11.03	15.56
Operating costs	22.25	20.05	16.38	22.81
Power sales	(5.13)	(2.15)	(4.43)	(4.18)
Net operating costs	17.12	17.90	11.95	18.63
Cash operating netback(1)(2)	29.92	30.07	38.53	28.16
Net income (loss) - $000	(115,196)	21,229	(27,281)	(11,713)
Per share, diluted	(0.60)	0.11	(0.14)	(0.07)
Operating earnings (loss) - $000 (2)	(5,438)	6,104	51,833	4,794
Per share, diluted (2)	(0.03)	0.03	0.26	0.03
Cash flow from operations - $000 (2)	26,113	33,985	183,565	86,766
Per share, diluted (2)	0.13	0.18	0.93	0.48
Cash and short-term investments - $000	1,831,937	1,449,126	1,831,937	1,449,126
Long-term debt - $000	1,791,695	1,004,770	1,791,695	1,004,770
Capital investment - $000	243,218	96,561	664,734	346,232

(1) *Cash operating netbacks are calculated by deducting the related royalty, diluent, transportation and field operating costs from bitumen sales revenues, on a per barrel basis.*

(2) *Please refer to the notice entitled "Non-IFRS Financial Measures" below.*

A full copy of MEG's third quarter financial statements and Management's Discussion and Analysis can be downloaded at www.megenergy.com/financials or www.sedar.com. MEG's most recent investor presentation is available at www.megenergy.com/in_events.php.

MEG will host a conference call today, October 26, 2011, at 7:30 a.m. MT to review its third quarter 2011 operating and financial results. To participate in the conference call, please dial 1 (888) 231-8191 (North American toll-free) or 1 (647) 427-7450. An archived recording of the call will be available from 11:30 a.m. MT on October 26, 2011 until 10:00 p.m. MT on November 23, 2011. To access the recording, please dial toll-free 1 (855) 859-2056 or 1 (416) 849-0833 and enter the conference password 18370420.

Forward-Looking Information

This news release may contain 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 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 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.

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 the MEG's Management's Discussion and Analysis pertaining to the third quarter of 2011.

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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