



MEG Energy Corp.

Alberta Royalty Review

June 4, 2007

Fort McMurray

MEG Energy Corp.

MEG is a private Alberta corporation solely focused on in situ development in the southern Athabasca oil sands

Pure-play Oil Sands Company

- Incorporated in 1999 by Albertans; managed by Albertans
- 100% working interest in 555 square miles of oil sands leases
- 50% interest in Access Pipeline, which provides transportation to the refining, marketing and transportation hub in Edmonton

Initial Project: Christina Lake

- 100% interest in 80 sections of oil sands leases containing in excess of 6 billion barrels of bitumen in place
- Production potential of over 200,000 barrels per day (“bpd”); over 30 year reserve life

Future Growth Potential

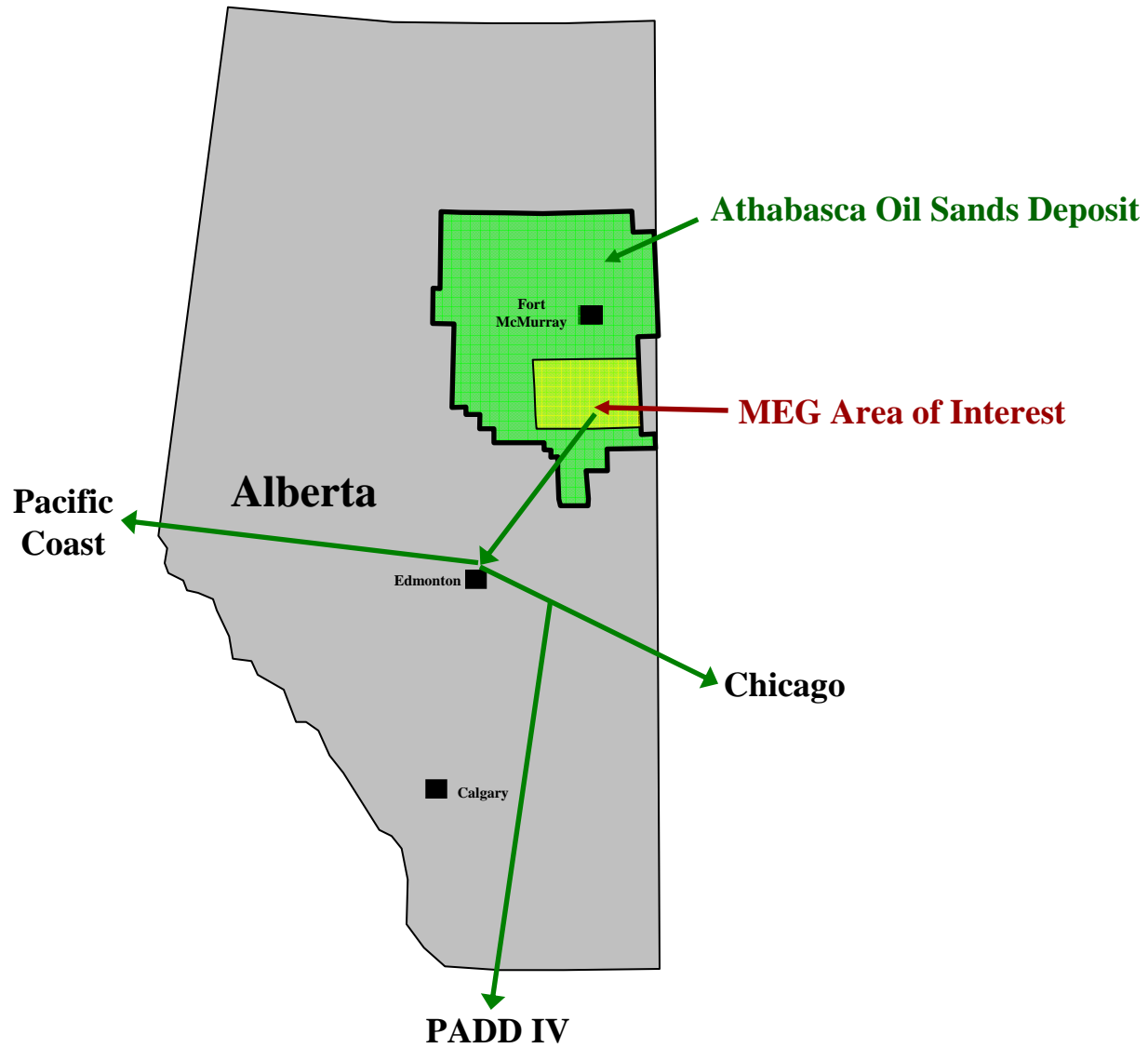
- Other potential projects on recently acquired oil sands leases provide a large portfolio of opportunities to generate returns for Albertans through skilled employment, income taxes, property taxes and royalties

Current Ownership

- Financial investors (pension funds, university endowments, private equity) 70%
- Energy industry 15%
- Directors, management & other 15%

MEG's Focus Area

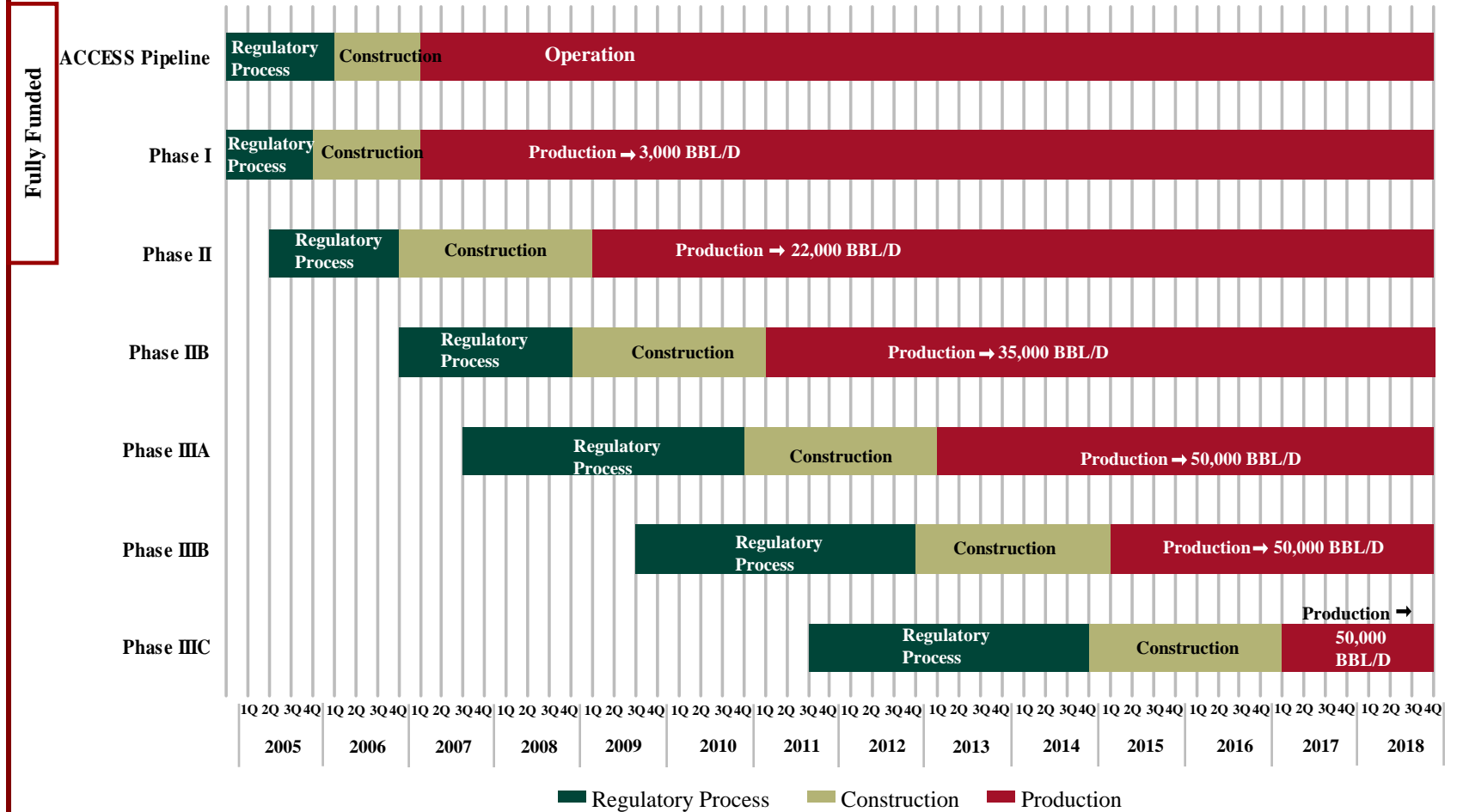
Focus area defined by SAGD resource quality and synergies with Access Pipeline.



Christina Lake Development Plan

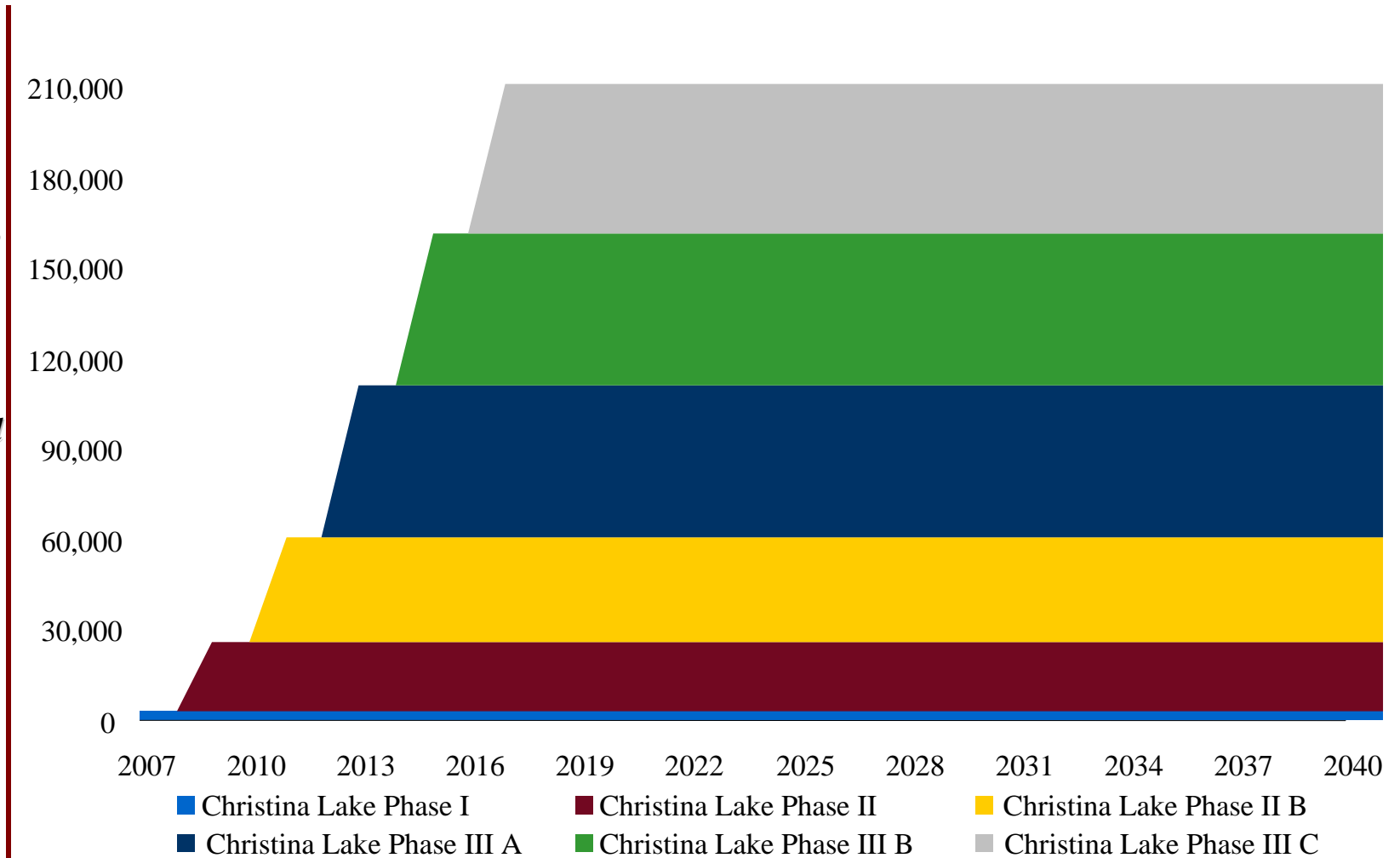
MEG is developing its project in phases to facilitate orderly development and to control costs

Phases I and II expected to have production of 25,000 bpd. Additional phases expected to bring total production to over 200,000 bpd.



Christina Lake Production Profile

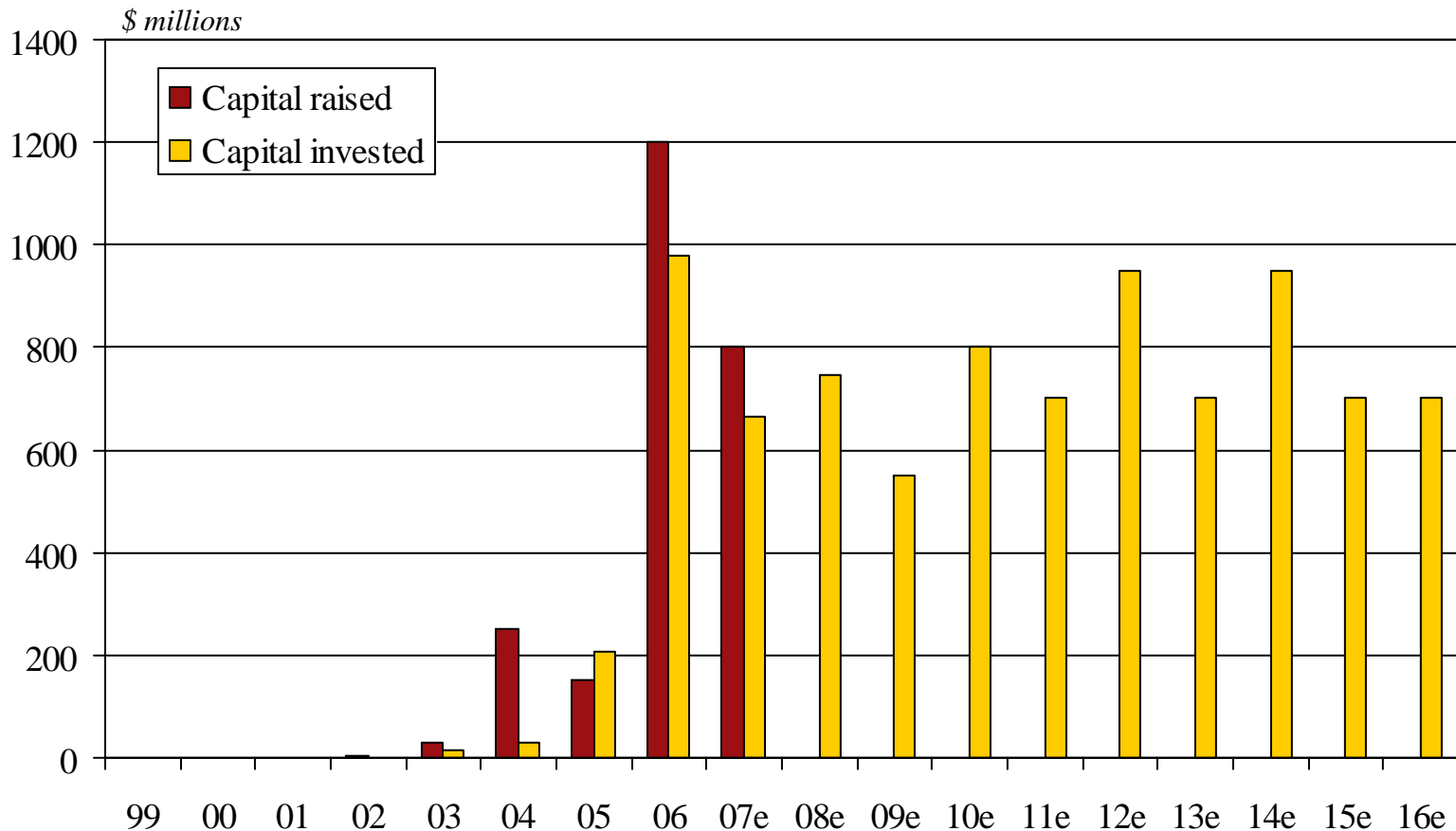
Following ten years of development, stable production rates generate royalties and taxes for decades



Capital Requirements

MEG has invested substantial amounts of capital in Alberta.

Significant additional investments are required for the resource to realize its potential.



Assumptions:

1. Capital investment for 1999 – 2006 is actual; 2007 per budget
2. Capital investment for 2008 – 2016 is estimated based on a capital cost of \$25,000 per daily barrel of production for future phases (in constant dollars) invested 20% three years prior to first production, and 40% in each of the two years prior to first production, plus \$200 million per year of sustaining capital for Crown bonus payments for ongoing oil sands lease acquisition, exploration, and horizontal well replacement.

Sources of Capital

*MEG
requires
access to
international
capital
markets to
fund
development*

- As a start-up company, MEG does not have cash flow from existing operations, so is completely reliant on external sources of capital
- In the early years (through mid-2003) when equity capital needs were relatively modest, the Canadian domestic market satisfied capital requirements
- As capital requirements grew, the sources of capital expanded to include equity investors from the United States and Asia, and lenders from around the world
- Ongoing capital requirements are being met almost exclusively by international debt and equity investors.
- Without access to international debt and equity markets, MEG would not be able to develop its oil sands assets
- An undeveloped barrel of bitumen does not generate any benefit to the resource owner

Investors View of Alberta's Oil Sands

Alberta is a high-cost jurisdiction, but the risks are balanced by a stable political and regulatory regime

- Investors compare opportunities in Alberta to other world class investment opportunities:
 - Alberta is a mature energy basin
 - Conventional oil and gas opportunities are small in volume and high in cost
 - The non-conventional resource is meaningful in size, but low in quality
 - The lower quality resource takes a longer time to develop, and is more capital intensive
 - Once in operation, margins per unit of production are low due to higher operating costs and/or lower selling prices (due to quality differentials)
 - Alberta is a good place to do business
 - The royalty, regulatory and tax regimes are stringent, but stable and less subject to retroactive / arbitrary change than other parts of the world

Benefits to Stakeholders

Benefits to the resource owner commence upon lease acquisition and continue through project life.

Benefits to investors are contingent upon success and commence many years later.

- MEG's capital investment benefits Albertans through:
 - Crown lease bonus payments
 - Skilled employment opportunities - both in the corporate office and in the field
 - Federal, provincial and municipal taxes
 - Crown royalties
- The benefits to Albertans commence upon the initial acquisition of Crown leases, and grow throughout the exploration and development phases from income taxes on employment earnings. Upon commencement of production, benefits continue to accrue through Crown royalties, and corporate income and property taxes. The employment, tax and royalty benefits continue for the entire 40-year project life.
- The benefits to equity investors, in terms of the Corporation's ability to pay dividends **if** the project is successful, don't commence until full project development is complete. In MEG's case, this is more than 15 years following the first investment in 1999.



Conclusions

The existing oil sands royalty regime is achieving its objectives, for the benefit of Albertans.

- Alberta's conventional oil and natural gas resources are in decline
- There remains a tremendous opportunity to develop non-conventional resources, such as the oil sands
- Our non-conventional resources are lower quality, requiring longer project lead times, and higher capital and operating costs than conventional resources
- Alberta needs to attract large amounts of capital to fund resource development. A stable investment climate, reflecting the long project lead times and project life, is necessary
- The oil sands royalty regime needs to, and currently does, reflect lower resource quality and longer project development time. *A change to the royalty regime, after substantial investment premised on that regime, may be viewed as changing the rules in the middle of the game.*
- The existing oil sands royalty regime is accomplishing its objectives. *The benefits to Albertans are being realized now, and will grow for the benefit of current and future generations of Albertans for many decades to come.*