Top Stock Alert: Canada's Best Value Play

Description

MEG Energy (TSX:MEG) is an energy company focused on sustainable in situ thermal oil production in the southern Athabasca oil region of Alberta. 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.

Successful project execution

MEG transports and sells thermal oil to customers throughout North America and internationally. The company owns a 100% working interest in over 450 square miles of mineral leases. MEG has developed oil processing capacity of approximately 100,000 barrels per day (bbls/d) at the company's Christina Lake central plant facility. The company has accomplished this through the phased construction of the Christina Lake Project as well as several low?cost expansion projects and the application of proprietary reservoir technologies.

Technology to optimize production

MEG has been able to realize production growth at the Christina Lake Project while minimizing carbon emissions intensity through the application of the company's proprietary technologies. The company's technology reduces the amount of steam required to produce a barrel of bitumen. Furthermore, MEG continues to test technology at the Christina Lake Project, which involves the targeted injection of light hydrocarbons in replacement of steam.

The company also uses cogeneration to create steam and power from a single heat source. The application of technology and cogeneration have enabled MEG to lower emission intensity more than 20% below the in situ industry volume weighted average.

MEG delivers oil to market via a long?term transportation services agreement on a pipeline, which connects to the Alberta sales hub and via additional pipelines, storage facilities, and rail infrastructureto transport, store, and sell products to customers in high-value markets.

Robust business strategy

MEG has also contracted oil storage capacity of 2.8 million barrels in Alberta and strategic locations in the United States, with marine export capacity at select U.S. Gulf Coast terminals. This combination of pipeline access, storage capacity and marine export capability, along with rail loading capacity at the company's terminals, advances MEG's strategy of having long?term and reliable market access to world oil prices for MEG's production.

As a result of the significant commodity price volatility and unstable global economic atmosphere during 2020, the company reduced capital expenditures by $100 million from the original budget of $250 million. The original planned capital spending was deferred from 2020 to 2021 and consisted mainly of additional well capital to increase production. As a result of the reduced capital spending, the company's 2021 production guidance was reduced by about 13,000 bbls/d.

Reducing carbon emissions

To manage the risk of increasingly stringent carbon regulations, MEG has several strategies in place that align with the overall business objectives, which are built on energy efficiency and technology advancements. Cogeneration has been utilized in facility design to optimize the production of both heat and electricity used in the recovery process from a single source and provides a benefit back to the provincial power grid of stable base load power. Reducing power production below the electricity performance benchmark has enabled MEG to earn emissions performance credits that can further offset compliance burden.

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