Why Athabasca Oil Shares Surged

Description

Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.

What: Shares of diversified energy company **Athabasca Oil** (TSX: ATH) popped as high as 10% today on good vibes over its second-quarter results and a looming decision from the Alberta Energy Regulator on its 250,000 barrels-a-day Dover commercial project**.**

So what: The stock has been under heavy pressure on regulatory concerns and general energy malaise, but today's second-quarter results — production averaged 7,258 barrels of oil equivalent per day — coupled with growing optimism that Dover will eventually be approved is forcing analysts to increase their price targets. After all, the approvals trigger Athabasca's right under a put/call agreement to sell its remaining 40% stake in Dover to **PetroChina** for a cool $1.3 billion.

Now what: Athabasca expects to hear from the Alberta Energy Regulator regarding Dover sometime in the third quarter, with a decision possibly coming as early as next week. And on a conference call with analysts, CEO Sveinung Svarte mentioned that he didn't know of any other projects being changed so significantly at such a late stage in the regulatory process. So when you combine that bullishness with the fact that Athabasca's stock is still *way* off its 52-week highs, the risk/reward at this point seems rather appealing.

The Motley Fool's purpose is to help the world invest, better. ***Click here now*** *for your free subscription to* ***Take Stock****, The Motley Fool Canada's free investing newsletter. Packed with stock ideas and investing advice, it is essential reading for anyone looking to build and grow their wealth in the years ahead.*

Follow us on Twitter and Facebook for the latest in Foolish investing.

Fool contributor Brian Pacampara does not own shares in any companies mentioned at this time. The Motley Fool does not own shares of any companies mentioned at this time.

CATEGORY

1. Investing

Category

1. Investing

Date
2025/07/26
Date Created
2013/07/31
Author
bpacampara