



One Great Canadian Oil Growth Story

Description

In a world with a voracious appetite for oil, those providing an increasing supply of it will be very well rewarded. That really puts **Cenovus Energy** ([TSX: CVE](#)) ([NYSE: CVE](#)) in the sweet spot. It has a plan in place to grow its production by 11% annually through 2023, a trajectory that'll come in handy as oil demand is projected to grow about 1.5% per year through 2030 according to the International Energy Agency.

Fueled by the oil sands

Cenovus, along with its 50% joint venture partner **ConocoPhillips** ([NYSE: COP](#)), has three projects currently being developed to fuel much of this growth. Foster Creek and Christina Lake are both online with additional phases expected in the future. Furthermore, the Narrows Lake project is expected to begin production in 2017.

[cenovus facility](#) no image found, type unknown

Photo Courtesy Cenovus Energy Inc.

Looking out even further, Cenovus has two wholly owned emerging oil sands projects in Grand Rapids and Telephone Lake that could provide growth by the end of the decade.

However, this isn't oil production growth for the sake of growth. That's because the most important characteristic of Cenovus' oil sands projects is that these are among the lowest cost oil projects in the industry. While the global average cost is about \$70 per barrel, the Cenovus/ConocoPhillips partnership is able to produce oil in the range of \$35 to \$55 per barrel. Such a relatively low cost of production will help the duo achieve solid profits and cash flow that can be reinvested into the next phase of oil sands growth. Not only that, but there should be enough cash left over for Cenovus to pay a growing dividend.

More than just oil sands

In addition to its oil sands assets, Cenovus has a number of important legacy conventional oil and gas

assets that **Encana** (TSX: ECA) (NYSE: ECA) didn't take when it spun Cenovus out. It also holds the interests in the two U.S. based refining assets that Encana had received from ConocoPhillips in the deal that made ConocoPhillips a partner in Foster Creek and Christina Lake.

Cenovus uses its legacy natural gas assets as a cash cow. It's letting its production decline so that it can harvest the cash flow for its higher margin oil projects. However, it is planning to grow its conventional oil and natural gas liquids assets by about 6% annually through 2015. These assets are expected to begin to deliver operating cash flow starting next year, with Pelican Lake being the most noteworthy project. Cenovus is using enhanced oil recovery techniques such as water and polymer flooding on this heavy oil project to produce more oil. Bottom line here, Cenovus has solid conventional assets to complement its oil sands growth platform.

Final Foolish thoughts

When you add it all up, Cenovus has a diverse set of oil projects that are expected to deliver steady double digit oil production growth for the next decade. These are characteristics that few in this space can make, including ConocoPhillips which only expects to deliver 3%-5% production growth through 2017. With its growth focused on high-margin oil, Cenovus has all the pieces in place to deliver solid returns to investors as it fuels the world's thirst for oil.

Canadian energy is more than just oil and gas

Canada has been fueling the global shift to energy. But the big money *isn't* in natural gas and it might not be in the oil sands either. Instead, your portfolio could be best served by uranium – the key ingredient for nuclear power. And with the global nuclear market ramping up in places like China, it could be a big winner.

This is why the Motley Fool has prepared a Special **FREE** Report that will clue you into the two best uranium companies in Canada. It's called "[Fuel Your Portfolio With This Energetic Commodity](#)," and you can receive a copy at [no charge](#) by simply [clicking here now](#)!

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Fool contributor Matt Dilallo owns shares of ConocoPhillips. The Motley Fool does not own shares in any of the companies mentioned above.

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