3 Top Canadian Energy Stocks for 2014 and Beyond

Description

We've all seen the headlines. Energy production in the United States is booming. There aren't enough pipelines. There is strong opposition from environmentalists and First Nations.

The good news is that these headlines have created some enticing investment opportunities. Even Warren Buffett has gotten involved with his purchase of **Suncor** (TSX:SU, NYSE:SU) shares. Below are three compelling ideas with plenty of upside and terrific management.

Blackpearl Resources (TSX:PXX)
Nearly all of Blackpearl's production (~10,000 barrels per day) comes from two assets – Onion Lake and Mooney. But the biggest opportunity comes from Blackrod, its 80,000 bbl/d project.

The problem is that Blackrod is unfunded, and the company has not yet found a partner. The good news is that Blackpearl can afford to wait, and get the most out of its producing assets in the meantime.

It doesn't hurt that the stock price is trading below the value of Onion Lake & Mooney, so any upside from Blackrod comes for free. Meanwhile, the company's management has an excellent track record, having previously worked for Blackrock Ventures Inc., which was eventually sold to **Shell** for $2.4 billion.

MEG Energy (TSX:MEG)
An analyst recently characterized MEG as being the "go-to, pure play oil sands stock". That's because all of its production is geared towards heavy oil in Alberta. It has no international assets, refineries, nor any gas stations.

As a nice bonus, MEG has some of the best economics of any company in the oil sands, and will only get better as it expands. This is partly because it sits on an excellent property, Christina Lake, and partly due to a management team that has consistently delivered on its promises.

Like Blackpearl, MEG is also trading at a discount to its reserve value, which is entirely unjustifiedgiven management's track record. For investors who have patience, this represents a compellingopportunity.

Peyto Exploration & Development (TSX:PEY)
Peyto is the most expensive of the three, actually trading at a premium to the value of its reserves. But that is entirely justified.

Peyto is the low-cost natural gas producer in western Canada, and because its production is very liquids-rich, it has remained profitable even as gas prices have slumped badly. This has allowed the company to grow production right as all its competitors are cutting back, which is when capital costs are lowest.

If demand for gas catches up to supply – LNG would be the biggest catalyst – Peyto stands to reap tremendous rewards. Until then, it will remain among the most profitable in the industry while rapidly growing production.

CATEGORY

1. Investing

Category

1. Investing

Date
2025/07/27
Date Created
2014/01/17
Author
bensinclair