Why Penn West Petroleum Shares Plunged

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 **Penn West Petroleum Ltd** (TSX:PWT, NYSE:PWE) sank 10% today after the oil and natural producer's Q4 update disappointed Bay Street.

So what: The stock has plunged in recent months on skepticism over management's turnaround initiatives, and today's Q4 update only reinforces those worries. While Penn West announced yet another "non-core" asset disposition for expected proceeds of $175 million, downbeat production guidance for 2014 suggests that a return to profitable *growth* will take much longer than expected.

Now what: Management now sees 2014 production of 101,000-106,000 boe per day, down from its prior view of 105,000-110,000 boe per day. "With a solid fourth quarter 2013 development program completed, Penn West is actively executing on its first quarter 2014 development programs with a total of $230 million of capital expenditures expected," the company reassured investors.

"In the first quarter, 2014 Penn West has 3 rigs operating in the Cardium forecast to drill 15 (13 net) wells, 4 rigs operating in the Slave Point area forecast to drill 9 (9 net) wells, and 1 rig operating in the Viking forecast to drill 9 (9 net) wells." Given Penn West's worrisome production trend and asset sale-uncertainty, however, I'll take fellow Fool Matt DiLallo's suggestion to just watch from the sidelines.

CATEGORY

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