



These 2 Gas Producers Have Had a Great Run

Description

While most Canadians have suffered through freezing temperatures this winter, the weather has provided some much-needed relief to Canada's natural gas producers. The Henry Hub gas price even reached \$6 at one point this year, something that would have been unthinkable two years ago. Canada's largest natural gas producer, **Encana** (TSX:ECA)(NYSE:ECA) has seen its share price increase by over 11% this year (although the gas giant has still seen its shares decrease by 40% over the past four years).

Two gas producers have done particularly well over the past two years, and with gas prices up sharply, one question remains: does the news get even better from here?

Peyto: Investing against the cycle

There are very few companies in the Canadian energy sector, or any other sector, that have a better track record than **Peyto Exploration & Development** ([TSX:PEY](#)). Over the course of its history, Peyto has invested heavily while gas prices are depressed. This has allowed the company to take advantage of low equipment and labour costs while expanding, and enjoy the fruits of its labour once gas prices recover.

So the recent price run-up isn't necessarily great news for Peyto. Other producers may be inspired to boost production, which would increase capital costs for Peyto. Furthermore, Peyto hedges much of its future sales, meaning it won't get to take advantage of temporarily high gas prices as much as its peers.

Furthermore, Peyto's share price has already increased by about 140% since April 2012. Arguably, the best time to buy the shares has already passed.

Tourmaline: Strong growth in production and share price

Tourmaline Oil ([TSX:TOU](#)) has been one of Canada's fastest-growing energy companies. Daily production last November was almost double the average daily production in 2012. More importantly, the company has expanded responsibly, and remained very profitable.

Like Peyto, Tourmaline's share price has responded accordingly, with the shares appreciating by 150% since April 2012. Tourmaline has taken advantage of this recently, raising equity twice in the past six months.

Foolish bottom line

Peyto and Tourmaline have certainly been on a great run, but the best time to buy these shares has likely passed. They remain great companies with excellent track records. Investors who place a premium on those attributes should continue to hold the shares. But for those looking to bet on continued high natural gas prices, it's likely best to look elsewhere.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:PEY (Peyto Exploration & Development Corp)
2. TSX:TOU (Tourmaline Oil Corp.)

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