



Why Twin Butte Energy Shares Got Crushed

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 oil and gas explorer **Twin Butte Energy** (TSX: TBE) plunged 20% today after its full-year outlook disappointed Bay Street.

So what: Twin Butte posted strong Q1 results — production jumped 31% to 22,529 boe/d while funds flow surged 58% — but downbeat guidance for 2014 is forcing Mr. Market to recalibrate their growth expectations. In fact, CIBC dropped its price target on Twin Butte from \$2.50 to \$2.25 in response to the production warning, suggesting that the analyst sees limited upside to the stock going forward.

Now what: Management now sees average production of approximately 22,000 boe per day in 2014, representing a decrease of 6-8% from previous estimates. “Although the transition away from vertical heavy oil well concentration is ongoing and is showing early success, Twin Butte continues to experience higher than anticipated production declines on a number of its higher productivity vertically drilled heavy oil wells,” said the Company. “Ultimate recovery factors in these pools are still anticipated to be on forecast and consistent with other similar pools in the area.”

More important, with Twin Butte shares now off more than 25% from their 52-week highs and boasting a seemingly [sustainable monster dividend](#), the *downside* might finally be limited enough to bet on that bullishness.

CATEGORY

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