



## What Investors Need to Know About Crescent Point Energy's Newest Acquisition

### Description

Last month, light oil producer **Crescent Point Energy** (TSX: CPG)(NYSE: CPG) closed a \$1.1 billion deal with CanEra. In the deal, Crescent Point acquired 260 sections of land in the Torquay formation, adding 10,000 barrels of oil equivalent per day of production. Now Crescent Point has once again opened up its cheque book and acquired another Saskatchewan oil play.

In this newest deal, Crescent Point will be acquiring the Saskatchewan oil assets of Polar Star Canadian Oil and Gas in the Viking oil play. The \$334 million deal, composed of \$2 million in cash and 7.6 million shares, will give Crescent Point Energy an additional 10,000 hectares of land in Dodsland, Saskatchewan. This will bring Crescent Point's total land position to 37,500 hectares in the Dodsland area, located east of Saskatoon.

### Increased production

The newly acquired land is currently producing 2,800 BOE per day and has been rated a high-quality, long-life light crude reserve. Within the 10,000 hectares of Viking land, 258 drilling locations have already been earmarked; this increases Crescent Point's drilling inventory in the area by 70%.

The Viking region of western Saskatchewan is a great one for Crescent Point to invest in as the area tends to carry a higher netback on production. The newly added land is estimated to have a netback of \$85 per barrel, with a projected cash flow of \$87 million and annual maintenance of \$35 million. The region is estimated to have as much as 13 million BOE, with 8.7 million BOE already proven.

### Updated guidance

Following the announcement, Crescent Point revised its annual guidance, raising daily production from 134,000 BOE to 135,500, and its exit production rate increased to 148,000 per day from 145,000 per day. These higher numbers also pushed expected operations revenue to \$2.45 billion from \$2.4 billion. The company also raised its capital budget for 2014 to \$1.8 billion, an increase of \$25 million.

Some analysts see this \$334 million deal as a drop in the bucket compared to Crescent Point's

enterprise value of \$21 billion. However, this land holds great promise and has been producing since the 1950s. The region offers a cheaper alternative to neighboring Alberta's heavy sand-locked oil reserves.

Crescent Point's stock closed Friday at \$46.96 and is trading in a 52-week range of \$35.25 to \$47.04. The stock has a rating of outperform and an average price target of \$53.00, with some analysts going as high as \$56.00. The stock also offers investors an annual dividend of \$2.76 with a yield of 5.8%.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:VRN (Veren)
2. TSX:VRN (Veren Inc.)

## Category

1. Investing

## Date

2025/08/25

## Date Created

2014/06/16

## Author

cameronconway

default watermark

default watermark