5 Reasons EnCana's a Good Play

Description

EnCana (TSX:ECA)(NYSE:ECA) is an independent oil and gas company and a top North American energy producer. The *Globe and Mail* recently noted that EnCana's stock is ranked seventh among "energy stocks with strong growth potential." Here are five reasons to take a look at EnCana as a possible stock holding.

1. Its new strategy

EnCana's new strategy is to focus its capital on key liquids rich plays. This is to diversify its portfolio and generate higher returns. In Q1 2014, the company announced the $3.1 billion purchase of approximately 45,500 net acres in the core of the Eagle Ford resource play. This purchase will foster the production of higher-margin oil and natural-gas liquids (NGLs) production.

2. Its strong balance sheet

It can't be stated any more clearly than it was by EnCana President and CEO, Doug Suttles, who said in May, "The strength of our balance sheet and our more agile organizational structure give us a competitive advantage by allowing us to be proactive and capture high-value opportunities when they emerge. This was apparent with our recent agreement to acquire a position in the prolific Eagle Ford resource play, where we were able to quickly and confidently execute a major transaction which we plan to close and fund with *cash on hand*" (emphasis mine).

3. Its core assets

EnCana produces natural gas, oil, and NGLs from various resource plays. The company's core assets include Montney (northwest Alberta and into northeast British Columbia); Duvernay (west central Alberta); and the DJ Basin light oil play (northeast Colorado extending into Wyoming and Nebraska). Core assets also include the San Juan light sweet oil play (northwest New Mexico) and the Tuscaloosa Marine Shale oil play (across portions of Mississippi and Louisiana).

4. Its robust cash flow

For 2013, EnCana had cash flow of roughly 2.6 billion. For Q1 2014, the company generated cash flow of approximately $1.1 billion ($1.48 per share). This represents an 87% increase on a per share basis versus Q1 2013.

5. It pays a dividend

Last month, EnCana's board of directors declared a dividend of $0.07 per share. Its annualized rate is $0.28. The company's current dividend yield is 1.15% and its 5-year average dividend yield is 3.00%.

2 more energy stocks with strong growth potential

Crescent Point Energy (TSX:CPG)(NYSE:CPG) saw Q1 2014 crude oil and natural gas liquids sales rise 29%, to $992.8 from $770.2 million in 2013. It had a 15% increase in realized prices and a 12% increase in its production. Its natural gas sales increased chiefly because of a 62% increase in realized natural gas prices and a 4% increase in natural gas production. Crescent Point's natural gas sales grew 68% in Q1 2014 to $36.2 million from $21.5 million in 2013.

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) has the largest undeveloped land base in the Western Canadian Sedimentary Basin. Its asset base also includes its North Sea and Offshore Africa operations. The company's 2013 production mix was 40% heavy crude oil and bitumen, 30% natural gas, and 30% light crude oil, NGLs, and synthetic crude oil.

For Q1 2014, it attained record quarterly production in primary heavy crude oil, Pelican Lake heavy crude oil, as well as North America light crude oil and NGLs. Pelican Lake is a large, shallow crude oil pool in the company's Northern Plains core region. The estimation is that it contains 4.1 billion barrels of original oil in place on company land. Canadian Natural Resources' cash flow increased 20% over 4Q 2013.

CATEGORY

1. Investing

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