



This Energy Company Could Triple Your Money

Description

When investing, it's usually a better idea to choose safety over adventure. After all, if you lose 33% from an investment, you need a 50% gain just to make your money back. It's no wonder that Warren Buffett said the first rule of investing is "don't lose money." The second rule is, of course, "don't forget rule number one."

However, there are certain instances where there is so much potential upside that it's worth taking a risk. As long as you don't commit too much money, these situations can help boost your portfolio's returns.

On that note, below we look at a perfect example.

BlackPearl Resources

BlackPearl Resources (TSX: PXX) is made up of three core properties: Onion Lake, which has the highest production and the lowest reserves, Mooney, and Blackrod, which has the lowest production and the highest reserves. The real key to BlackPearl's future is Blackrod, which could eventually produce up to 80,000 barrels per day, far above the company's current production of 10,000 per day.

The problem is that Blackrod is not yet funded, and is too big a project for BlackPearl to attempt on its own. The company will attempt to find a joint venture partner once all permits are obtained, but this is far from a guarantee, mainly because Canada's largest oil companies already have plenty to spend their money on.

For example, **Cenovus** ([TSX: CVE](#))([NYSE: CVE](#)) is spending money on expanding production at Christina Lake and Foster Creek. **Suncor** ([TSX: SU](#))([NYSE: SU](#)) just approved the \$13.5 billion Fort Hills oil sands mining project. In addition, **Canadian Natural Resources** ([TSX: CNQ](#))([NYSE: CNQ](#)) already plans to increase capital spending by more than 40% this year thanks to some newly acquired projects.

Still too good to pass up

That said, if BlackPearl is ever able to develop Blackrod, the upside is enormous. Based on an independent analysis, the total net present value of BlackPearl's reserves is nearly \$7 per share. The company has another \$6 per share worth of contingent resources. Such figures make a mockery of the company's \$2.23 share price.

This kind of thesis exists for many small oil producers, and plenty of miners too. What separates BlackPearl is its management team, led by CEO John Festival. Mr. Festival previously ran Blackrock Ventures, which was eventually sold to **Shell** (NYSE: RDS.B) for \$2.4 billion, resulting in outstanding gains for investors. He is intent on doing the same thing again.

Of course, there is risk involved. For example, if the Keystone XL pipeline is not approved, BlackPearl may have difficulty finding a joint venture partner — but with such upside, why not devote a small piece of your portfolio to this company?

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:CVE (Cenovus Energy Inc.)
5. TSX:SU (Suncor Energy Inc.)

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