2 Energy Stocks Positioned to Withstand Falling Oil Prices

Description

U.S. crude futures staged a rapid ascent in early June thanks to geopolitical tensions, but these gains quickly faded. Oil has now turned lower, falling below $100 a barrel on July 15, despite continued tensions in oil producing regions.

Typically, seasonal factors should cause a rise in oil prices this time of year, as more drivers hit the roads increasing demand for fuel. However, according to data from the Energy Information Administration, not even America's Independence Day increased energy (gasoline) demand this year, thanks in part to Hurricane Arthur's travel disruptions.

Now, rather than sit fat and happy, oil companies may be concerned about what demand oil will face this summer. Here are two companies well positioned to profit even if oil prices languish.

Encana

Encana's (TSX: ECA)(NYSE: ECA) relatively new CEO Doug Suttles has been hard at work since he took his post in 2013 to cut operating costs and boost the company's profits. His efforts have already paid off. In the most recently released earnings, Encana easily topped expectations on both revenue and profit.

Encana's cost-cutting is adding to its market cap, and increasing the cash and cash equivalents on the company's balance sheet. Having a healthy balance sheet is necessary for a company to survive tough times, and Encana's CEO is taking the steps necessary to better the company's financial position.

Canadian Natural Resources

Canadian Natural Resources Ltd. (TSX: CNQ)(NYSE: CNQ) is the country's largest independent oil and gas producer, and a company widely recognized as a low-cost producer of heavy oil. Thecompany posted some very stellar first quarter 2014 results, with its profit ring nearly three-fold thanksin part to higher oil and natural gas prices. The company's adjusted profit (the figure comparable toanalyst estimates) came in at $921 million or $0.85 per share. Analyst estimates according to *Thomson Reuters* were for a $0.79 per share profit.

Even though Canadian Natural Resources was able to churn out such impressive results thanks to higher gas and oil prices, the company is a savvy cost-cutter and is well positioned to withstand lower energy prices thanks to its assets, which are long-life low-decline assets. Another plus for investors is that Canadian Natural Resources has a very clean balance sheet and has consistently increased its dividend payments.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)

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