Long-Term Investors, Take Note: This Drop in Oil Prices Might Be a Great Time to Buy These Three Companies

Description

Crude oil prices continue to be in the dumps. While this is great for motorists, it generally irks the average investor, as lower crude prices mean lower revenues for oil companies — and in Canada, oil (and all energy, for that matter) makes up a significant portion of people's portfolios.

So while lower prices can wreak havoc on oil companies' books, it does provide an almost seasonal opportunity for both new investors to jump in and for long term-investors to top up their positions. We appear to be entering another one of those devaluation seasons now, as after hitting $115.00 per barrel in June, the Brent Crude price has trickled back down to $95.59, with WTI not far behind at $91.17.

Now, there are two options here for investors: Do you sell and avoid a few months of pain, or do you look at this as an opportunity for some long-term gains?

Let's take a quick look at three companies that investors should consider during these days of lower crude prices.

The Bakken option

First up is **Crescent Point Energy Corp.** (TSX: CPG)(NYSE: CPG) or, as some people call it, "that oil company with the 6.5% yielding dividend." This is a popular company here at The Motley Fool Canada because it's based in Alberta but mostly focuses its efforts in Saskatchewan, giving it access to the light sweet crude of the Bakken Shale formation.

In the past five years, the stock has been caught in a trading range of $35.00 to $49.00, with a 52-week range of $37.22 to $48.68. Despite impressive quarterly reports, the stock has yet to break the $49.00 mark, and this drop in oil prices won't help in the short term. However, analysts are optimistic that Crescent Point could break the $50.00 mark in the near future, with an average price target of $51.20. These lower crude prices should create a nice window to pick up some relatively cheaper shares.

Gone to the dogs

Next is **Husky Energy Inc.** (TSX: HSE), which not only extracts oil and gas but also has the capabilities to refine its product and sell directly to consumers through its Husky and Mohawk gas stations. It has a pair of primary operations in Canada, with a strong presence in the Alberta oil sands as well as a play off the shores of Newfoundland with the Terra Nova and White Rose oil fields.

The stock has already begun to slump, canceling out all gains since March 2014 and drifting further away from its traditional ceiling of $38.00. The current 52-week range is $28.50 to $37.31 and closed Friday at $32.62. As we can see, the stock is already suffering but there is still an upside expected as the average price target is just above the stock's ceiling coming in at $39.20. Until the stock returns to that level, there is still the $1.20 annual dividend that yields 3.67%, not as high as Crescent Point's but its stock price is less prone to a sudden shift in price.

A more diversified option

Last but certainly not least is a company that rarely gets the attention it deserves from investors: **Gibson Energy Inc.** (TSX: GEI), which manages to diversify beyond crude and natural gas by targeting the propane market including retailing as well as road asphalt, roofing flux, and wellsite fluids. These added products act as an insulator for times such as these when crude takes a pounding.

In turn, the stock hasn't experienced anything more than a minor drop in share price, and is actually performing quite well in the past year — as we see with its 52-week range of $22.63 in Sept. 11, 2013 to $37.53 in Sept. 13, 2014. Some patience is required with this stock as it is tracking quite high and investors should wait for another minor price drop before jumping in since its average price target is only $37.30 and it closed Friday at $36.22.

CATEGORY

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