



## Winter Price Slump: Buy Crescent Point Energy Corp., Pacific Rubiales Energy Corp., and Baytex Energy Corp.

### Description

Growing investor concerns over the southerly direction of crude prices — with West Texas Intermediate hitting its lowest point in months coupled with the seasonal winter price slump — are creating investment opportunities in the patch. Many of the big names and strongest performers are seeing their share prices pummeled in recent weeks.

Let's take a closer look at three players in the patch that I believe represent solid investment opportunities on recent share price weakness.

#### Crescent Point Energy Corp.

Light oil heavyweight **Crescent Point Energy Corp.** (TSX: CPG)(NYSE: CPG) has seen its share price slump 10% over the last three months as investors flee the patch amid growing concerns about the drop in the prices of crude. I [recently examined the impact](#) this could have on its monster dividend yield. But despite some concerns, Crescent Point still shapes up as one of the best dividend-yielding investments in the patch.

The company has a solid asset base composed of over 614 million net barrels of crude. This gives it the ability to develop its own assets without any need to continue making accretive acquisitions in order to boost oil production and cash flow so as to sustain its dividend.

It is also generating a healthy margin, or netback, per barrel of crude produced, which for the second quarter was \$54.75, indicating there is considerable room to absorb lower crude prices.

More importantly, in a difficult operating environment is Crescent Point's low degree of leverage, with net debt being a mere 1.2 times funds flow from operations. This indicates that it can comfortably raise debt to continue to fund accretive acquisitions, thereby boosting production and funds flow or direct the funds raised to meet financial obligations.

All of this, in conjunction with the company's juicy 6.5% dividend yield, makes it a worthwhile addition to any investor's portfolio on recent weakness.

### **Pacific Rubiales Energy Corp.**

Colombia's largest independent oil producer, TSX-listed **Pacific Rubiales Energy Corp.** (TSX: PRE), has seen its share price pull back 8% over the last three months as crude prices have continued to soften. This, I believe, makes it appear an attractive buy for investors, with the company reporting record crude production for the second quarter of 2014 in addition to a stunning netback of \$62.76 per barrel of crude sold.

It also has a substantial asset base with over 500 million barrels of crude in Colombia and Peru, with a range of programs under development that are assets to boost oil production further. These factors in conjunction with its low degree of leverage, with net debt being a mere 2.2 times funds flow leaves it well positioned to weather any sustained downturn in crude prices and grow profitability through increasing production.

In addition to its steadily increasing and sustainable dividend yield of 3.6%, the shares appear attractively priced on recent weakness.

### **Baytex Energy Corp.**

Intermediate oil producer **Baytex Energy Corp.** ([TSX: BTE](#))(NYSE: BTE), has seen its share price slide 9% over the last three months as oil prices have softened. Yet after closing its transformational acquisition of **Aurora Oil and Gas**, which includes that company's light oil acreage in the sweet spot of the Eagle Ford Shale, it has built a solid operational foundation.

This in conjunction with its now credible netback of \$40.74 per barrel leaves it well positioned to weather any sustained downturn in crude prices. Meanwhile, its juicy yet sustainable dividend yield of 5.6% makes it an attractive acquisition for investors, seeing them rewarded for their patience until industry fundamentals improve.

All three companies are well positioned to weather any sustained downturn in crude prices while still retaining solid growth prospects, which, coupled with tasty dividend yields, makes them an attractive investment on any pullback.

## **CATEGORY**

1. Energy Stocks
2. Investing

## **TICKERS GLOBAL**

1. NYSE:VRN (Veren)
2. TSX:BTE (Baytex Energy Corp.)
3. TSX:FEC (Frontera Energy Corporation)
4. TSX:VRN (Veren Inc.)

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