# The Only 3 Oil Stocks You'll Ever Need for a Diversified Energy Portfolio

## Description

Over recent weeks energy stocks have taken a pasting, with softer crude prices and a poor medium-term outlook for the industry making investors increasingly nervous. While softer oil prices will significantly impact some of the weaker players in the industry, there are still a number of companies that stand out for all the right reasons. Let's take a closer look at three that offer investors diversified exposure across the industry.



**Canadian Natural Resources Ltd.**

Canada's second largest integrated energy major **Canadian Natural Resources Ltd.** (TSX: CNQ)( NYSE: CNQ) remains a sleeping giant holding considerable potential upside for investors. This is despite its share price returning on average 160% annually since debuting on the TSX in 1995.

The company is focused on building a geographically diverse portfolio of high-quality, low decline rate oil assets, while reducing operating costs and efficiently allocating capital, making it one of the best operators in the patch. Its diverse portfolio of assets includes conventional and unconventional oil, which in conjunction with growing crude production and its upstream refining assets allows it to effectively manage production growth, pricing spreads and margins. These are important attributes when operating in an environment dominated by softer crude prices and allow Canadian Natural Resources to maintain its profitability.

Funnily enough despite these strengths, the company remains attractively priced with an enterprise-value of 7 times EBITDA and a forward price-to-earnings ratio of 11, indicating the market has yet to fully appreciate the value Canadian Natural Resources offers.

Finally, let's not forget about that dividend, while its yield of 2% may not be attention grabbing, its compound annual growth rate of 25% since inception certainly is, particularly when with a payout ratio of 30% there is plenty of juice left for further dividend hikes.

These aspects of its operations highlight Canadian Natural Resources underlying strengths, which will allow it to continue unlocking value for shareholders over the long-term, making it a worthy investment.

**Crescent Point Energy**

When talking about attention grabbing dividends in the energy patch, it is **Crescent Point Energy Corp.** (TSX: CPG)(NYSE: CPG) which readily springs to mind. Since 2004 it has consistently paid a dividend which has been among the best yields in the patch, and now at 7% is among the highest.

Its shares since listing in late 2002, have appreciated on average by a massive 97% annually and there are plenty of signs this strong growth will continue despite recent softness in oil prices. This is because Crescent Point has successfully executed its dividend plus growth business model year-over-year, boosting both oil assets and production through high-quality accretive acquisitions, which now see it sitting on reserves of 641 million barrels of oil.

Yet only just over a third of those reserves have been developed, leaving considerable opportunity for the company to further boost oil production while reducing its dependence on acquisitions as a means of growing crude production and cash flow.

When these factors are considered in conjunction with Crescent Point's shares having softened by 17% from its highest point this year, it is certainly a worthwhile addition to any portfolio on recent weakness.



**Parex Resources**

Small-cap **Parex Resources Inc.'s** (TSX: PXT) share price continues to surge despite recent weakness in crude prices, with its shares having shot up an impressive 88% for the year-to-date and there are signs this momentum will continue. Parex is focused on growing crude production across its Colombian acreage through a balanced capital program, exploration drilling and accretive acquisitions. The success of which can already be seen with its oil reserves having grown a massive 80% as at the end of July.

As a result of this success, Parex restated its 2014 guidance, with forecast oil production increased by 40%, which will see all important cash flow grow strongly, highlighting just how effectively it is unlocking vale for investors.

These strengths have also been recognized by several industry analysts, with Parex's outlook being upgraded to a buy over recent months with a consensus price target 24% higher than its current share price. Clearly indicating just how well positioned Parex is, to continue rewarding investors as it further develops its business.

**CATEGORY**

1. Energy Stocks
2. Investing

**TICKERS GLOBAL**

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:VRN (Veren)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:PXT (PAREX RESOURCES INC)

5. TSX:VRN (Veren Inc.)

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