Why Crescent Point Energy Corp. Is Poised to Hit $50

Description

The market mayhem has clobbered equity prices, and no stock has felt the pain more than **Crescent Point Energy Corp** (TSX: CPG)(NYSE: CPG). Since June, shares of the Bakken oil driller have plunged nearly 30%.

Time to panic? Hardly. If you believe in buying wonderful businesses when they're on sale, then now's a great time to buy. Here are three reasons why this stock could return to its all-time highs.

1. growth… Growth… GROWTH

In April, Crescent Point announced the discovery a big oil find in southern Saskatchewan — the Torquay. The field is located near the U.S. border and is actually an extension of the prolific Three Forks play in North Dakota. Early numbers suggest the Torquay could be as large as the nearby Bayview Bakken.

Management thinks they can drill at least 400 wells on the company's 140,000 acres of land in the area. And depending on the location, Torquay wells deliver returns between 90% and 300%. Needless to say, you can make a lot of money drilling wells that generate those kinds of profits.

2. Technology upside

In a way, Crescent Point is as much a tech company as it is an oil driller. What's exciting about this stock is that the firm can leverage new drilling techniques to create a huge amount of value for shareholders. Let me show you what I mean…

Consider the fact that Crescent Point's auditors only expect the firm to recover 664 million barrels, or only about 3.6% of the firm's total oil in place. However, the company could add 180 million barrels to its reserves with each 1% bump in the recovery factor. It doesn't take a big hike in the recovery factor to more than double the firm's reserves.

That would create a lot of value for investors. There're many ways this could be done, such as infill drilling, better fracking techniques, and longer horizontal wells. And there's the potential to do a lot better than double reserves over time.

3. Big, fat yield

You’re being well paid while this growth story pans out. Crescent Point has hiked its dividend 35% over the past 10 years. Today, the stock yields 7.3%. That`s one of the biggest payouts in the oil patch.

Of course, it’s only natural to wonder if this payout is sustainable (especially after the recent plunge in oil prices). That said, Crescent Point pays out less than 50% of its fund flows from operations. Management has also hedged most of its oil production at higher prices.

The bottom line: Crescent Point offers a tempting mix of growth and yield. If you’ve been waiting for an opportunity to buy this stock, now is your chance.

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