Why You Should Snap Up Suncor Energy Inc. and Cenovus Energy Inc. Before It's Too Late

Description

In the latest market sell-off, energy stocks have been hit particularly hard. This should surprise no one, since concerns about the global economy — combined with rising energy output in the United States — has caused energy prices to tumble.

But there are reasons to believe that this sell-off is overdone. And as a result, you can find some nice bargains in the energy sector. Two in particular are worth mentioning, and are discussed in greater detail below.

1. Suncor Energy Inc.

In June, it seemed that everything was going right for **Suncor Energy Inc.** (TSX: SU)(NYSE: SU). Energy prices had risen, transportation bottlenecks were easing, and investors were growing more enthusiastic about Canadian energy stocks. Even Warren Buffett had jumped on board. The company's stock price had jumped by over 60% in just a little over a year.

More recently, the news has been much worse, and falling energy prices have taken a 20% bite out of Suncor's stock. Clearly, the company's shares have resembled a roller-coaster ride. But this volatility obscures some of the wonderful things the company has been up to.

Most notably, Suncor has been dialing back investment spending — by $1 billion this year alone — and is showing signs of greater discipline. Last year, the massive Voyageur upgrader project was canceled. And the company is spending its money instead on incremental operational improvements, which ideally will increase production by 100,000 barrels per day.

Meanwhile, down in the United States, there are fewer signs of financial discipline. Energy companies are drilling without hesitation and building up massive debt positions. This strategy may not last for long.

2. Cenovus Energy Inc.

Unlike Suncor, **Cenovus Energy Inc.** (TSX: CVE)(NYSE: CVE) has lagged for quite a while. In fact, its shares have been essentially flat since December 2009, when it became an independent company.

But don't be fooled; Cenovus has made plenty of progress. The company's total reserves increased by roughly 65% from 2009 to 2013, and oil production jumped by nearly 50% over the same time period. And energy prices rose as well — Canadian heavy oil prices averaged barely $50 in 2009 and by 2013 had leapt to well over $70.

Even more importantly, Cenovus has made important progress on its Foster Creek and Christina Lake heavy-oil operations. These projects are some of the lowest cost in the entire oil sands, and should be economic even under the direst of scenarios. Again from 2009 to 2013, production at Foster Creek has jumped by 40%, and over 600% at Christina Lake.

At the end of the day, this is a great test for any long-term investor. If you're the type who panics when the market turns against you, then you'll likely sell your energy stocks at a discount. But if you're able to be greedy when others are fearful, you can pick up some really nice bargains.

There's another energy company you should strongly consider for your portfolio, and it's also The Motley Fool Canada's top stock pick for 2014. You can read all about it in the free report below.

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