



5 Energy Stocks That Could Spell Opportunity

Description

With oil closing at \$63.82 yesterday, down roughly 40% from this summer's high of over \$100, it is no surprise to see energy sector stocks being decimated. By and large, this is a warranted reaction by investors.

But looking more closely for opportunity in the carnage, I have come across a few names that have been hit along with the rest of the energy sector, but that do not have as much sensitivity to the price of oil. In other words, these stocks have been unjustly and overly punished for being in the "energy" sector, and now represent good buying opportunities.

Let's have a look at five possible opportunities.

EnCana Corporation (TSX: ECA)(NYSE: ECA) has seen its stock price decline 40% in the last three months. But at the end of the third quarter of 2014, natural gas production still accounted for 78% of total production, so the company is still more exposed to natural gas prices than any other commodity. And one bullish sign for the commodity lies in the most recent report from the U.S. Energy Information Administration (EIA), which reported that natural gas storage stood at 3.410 trillion cubic feet as of last week, 6.2% below year ago levels and 9.8% below the five-year average.

Tourmaline Oil Corp (TSX: TOU) has seen its stock decline 28% in the last three months, and considering that its production is 87% weighted toward natural gas, this decline is even more unwarranted. Especially considering the fact that in the first nine months of 2014, cash flow increased 90%, production increased 51%, and operating netbacks increased 23%.

Nuvista Energy Ltd (TSX: NVA) is another name that is weighted toward natural gas (72% natural gas) and therefore, not as vulnerable to the oil price decline. Yet, its stock has declined a whopping 36% in the last three months. 2015 production is expected to be 35% higher than 2014 levels, and operating netbacks are on the rise. In the first nine months of 2014, the company's operating netback increased 35% to \$21/58 per boe.

Birchcliff Energy Ltd (TSX: BIR) is another natural gas weighted company (84% of total production) that has seen its share price tumble 35% in the last three months. Again, given that the company has

limited exposure to the price of oil due to oil production making up 16% of total production, this type of a decline is unwarranted. Especially given the fact that production increased more than 34% in the first nine months of 2014, netbacks have increased 37% to \$30.47 per boe, and cash flow per share increased 84% to \$1.58.

Finally, I would like to talk about **Northland Power Inc.** ([TSX: NPI](#)) as a longer term alternative energy name that has good potential. While the stock has declined a less severe 13% in the last three months, it is nevertheless a good entry point for an interesting company that is involved in wind energy, solar energy and thermal energy.

In the first nine months of 2014, cash provided by operating activities increased 65% to \$291 million and free cash flow per share increased 11% to \$0.85. The company has a dividend yield of 7.2%, with management confident that the dividend can be maintained through this period of capital investment in Project Gemini, which is an offshore wind farm in the North Sea, Netherlands that is expected to be operational in 2017, and Nordsee One, another off shore wind farm in the North Sea, Germany, which is expected to be completed at the end of 2017. Northland Power is a 60% owner of Project Gemini and an 85% owner of the Nordsee One project.

With the steep decline in oil prices, the stocks listed in this article have been hit in tandem with energy stocks in general despite the fact that they are not as sensitive to changes in the oil price as many of the other names in the sector. This represents a buying opportunity for the investor that is willing to jump in when most others are selling.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BIR (Birchcliff Energy Ltd.)
2. TSX:NPI (Northland Power Inc.)
3. TSX:NVA (NuVista Energy Ltd.)
4. TSX:TOU (Tourmaline Oil Corp.)

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