



One Energy Company on the Brink of a Massive Secular Wave

Description

Take Stock is the Motley Fool Canada's **free** investing newsletter and is distributed weekly. This edition was sent to our followers yesterday. To have future editions delivered directly to you, simply [click here now](#).

Dear Fellow Fools,

If you thought the closing months of 2014 were bad for commodities, should 2015 continue to play out as it has, we ain't seen nothing yet.

It's getting downright ugly out there.

Consider our once beloved Canadian energy industry as Exhibit A.

The headlines in the Globe and Mail this week have been nothing short of chilling (and not because it's currently -18C outside my window).

Leading the Globe's *Report on Business* earlier this week was a notice that **Suncor** ([TSX:SU](#)) had announced that it plans on cutting 1,000 jobs and shaving \$1 billion from its 2015 budget. The company has delayed its Mackay River 2 expansion plans, as well as pulled back on its White Rose expansion off the coast of Newfoundland and Labrador. These projects were expected to begin producing in 2017 and 2018, respectively, but are now on the shelf for at least another year.

Last week it was another Canadian energy giant, **Canadian Natural Resources** ([TSX:CNQ](#)), that announced similarly unsettling news. The company announced that it has delayed its Kirby North oil sands project, where production was set to begin in 2016, and cut a whopping \$2.4 billion from its 2015 capital spending plan.

Both prudent moves from the company's standpoint, but, a hard pill to swallow, to say the least, if you rely on the oil sands to make a living.

More to come

The really scary part is this is just the beginning, provided oil remains at current levels for any length of time.

These big producers are at the top of the food chain in Canada's energy patch. Underneath them is a vast collection of companies that do much of the dirty work involved in bringing the resources to market. I'm talking about the companies that do the fracking, perform ongoing well maintenance, or are relied upon to haul the masses of equipment from point A to B.

Collectively, this group is known as the energy service sector, and it includes the likes of **Precision Drilling** ([TSX:PD](#)), **Calfrac** ([TSX:CFW](#)), **Ensign** ([TSX:ESI](#)), and **Trican** ([TSX:TCW](#)) to name but a few. Pull up a 6-month stock price chart for any one of these companies and you'll see they've been absolutely decimated, down an average of 58% over this period. Ouch!

As the reality of the sizeable spending cuts sinks in, these service firms are going to feel a tremendous amount of pain, and are likely to generate a significant wave of layoffs as well.

Given these mass layoffs and spending cutbacks, it's no secret that Alberta's economy, which had been the crown jewel of the Canadian economy, is in for a rocky ride.

Not all bad

On the bright side, whenever a sell-off as dramatic as this occurs, there's bound to be the odd company that's been unjustifiably punished. And we think we've found just the company. In fact, we're so confident that we made it our December recommendation for our members-only *Stock Advisor Canada* service.

You see, this company, which, out of respect to our members we can't name, is exclusively tied to the *natural gas* industry and plays a critical role in building the infrastructure that gets the gas out of the ground and on its way to where it needs to go. Even though it has nothing to do with oil, in sympathy with its service company peers, it's still down by almost 22% over the past 6-months. (Though, it's in the green on our scorecard.)

While the company has operations around the world, some of its best opportunities lie right here on its home turf. Unlike oil, at the moment anyway, the rest of the world wants our natural gas.

For example, also in recent Globe article that wasn't far from the doom and gloom, oil-related articles was an indication that a consortium led by **CNOOC** (NYSE:CEO), the Chinese energy juggernaut, had settled on Digby Island, off the coast of BC near Prince Rupert, as the possible site for its \$20 billion LNG project.

This news was preceded by a report earlier this week that **Exxon Mobil** ([NYSE:XOM](#)), through its Canadian subsidiary **Imperial Oil** ([TSX:IMO](#)), plans to spend \$25 billion on its West Coast Canada LNG project located in Tuck Inlet, also close to Prince Rupert.

Malaysian state-owned energy giant Petronas also has an \$11.4 billion LNG project in the works, however, the company has put off making a final decision on whether or not it will go forward.

In total, there are 18 potential LNG projects at various stages of development (all preliminary, to be clear) that are eyeing the vast natural gas reserves of the Canadian west and seeing them as a natural fit for energy starved areas of the world.

With open arms

Should even just one or two of these mega-projects come to fruition, we expect that our relatively small, underfollowed company will be a prime beneficiary.

You see, although it's known that there is loads of gas out there, the industry is still relatively undeveloped. Therefore, to extract this gas and get it to the coast, a build out of significant infrastructure is required. This plays directly into our recommended company's hand, as it is one of the leading, pure-play providers of natural gas compression and processing systems in not just the Canadian west, but the world.

Given its global presence, which was recently bolstered by an attractive acquisition, this is not a "put all of your eggs in one basket" type investment either. While the Canadian opportunity is huge, so too is the potential for opportunities in other prolific regions for natural gas.

Essentially, every natural gas well that is drilled requires what our company builds, and that spells big opportunity for our members who have chosen to believe in the future of this energy source.

Final thoughts

Now, like I said, because it is a members-only service, I can't provide the name of this gem via this forum. What I can do however, is direct you to our [sign-up page](#) where you will find that right now is one of the best times ever to sign on to *Stock Advisor Canada* and take advantage of our "5-in-1 Investor Mega-Bundle" offer.

On top of uncovering this way to play the burgeoning liquefied natural gas industry, as well as being granted instant access to all 29 of our other recommendations, you get a whole pile (to use a highly technical term) of other very valuable information. All for one of the lowest prices we've ever offered!

And if, after signing on, you're not 100% satisfied, no problem. We'll gladly provide you with 100% of your money-back if you choose to cancel within the first 30 days (prorated thereafter). Essentially, this natural gas-related recommendation, and all of the others, can be yours for free, if indeed you choose to cancel.

We're confident however, that after you spend some time familiarizing yourself with the site, checking out our Discussion Boards, learning from your fellow Fools, and seeing all that we have to offer, you'll gladly choose otherwise!

Our "5-in-1 Investor Mega-Bundle" offer is only available for a limited time – [sign on](#) today and we'll see you on the inside!

Your “off to turn up the (nat gas) furnace” analyst,

Iain Butler, CFA

Chief Investment Adviser, Motley Fool Canada

CATEGORY

1. Energy Stocks

TICKERS GLOBAL

1. NYSE:XOM (Exxon Mobil Corporation)
2. TSX:CFW (Calfrac Well Services Ltd.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:ESI (Ensign Energy Services Inc.)
5. TSX:IMO (Imperial Oil Limited)
6. TSX:PD (Precision Drilling Corporation)
7. TSX:SU (Suncor Energy Inc.)
8. TSX:TCW (Trican Well Service Ltd.)

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Date

2025/06/27

Date Created

2015/01/16

Author

tmfohcanada

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