



## Should You Buy Canadian Natural Resources Ltd. or Cenovus Energy Inc.?

### Description

Investors are wading through the carnage in the Canadian oil patch in search of oversold stocks that could deliver big gains in the next few years. It's difficult to be an oil bull with so much negative sentiment sloshing around, but these are the times that smart investors are able to pick up top companies at very attractive prices.

Let's take a look at **Canadian Natural Resources Ltd.** ([TSX:CNQ](#))([NYSE:CNQ](#)) and **Cenovus Energy Inc.** ([TSX:CVE](#))([NYSE:CVE](#)) to see if one is a better option right now.

#### Canadian Natural Resources

Canadian Natural has a nice mix of oil and gas assets. This diversity gives the company a balanced exposure to energy prices and provides some protection against extreme volatility in one specific product.

Canadian Natural owns a massive land portfolio in the natural gas liquids play in Northeastern British Columbia and Northwestern Alberta. The company invested early in this region and now has a strong competitive advantage over its peers.

Canadian Natural also owns first-class natural gas, conventional oil, and oil sands properties.

The company recently announced a 28% cut in its 2015 capital expenditure budget. At the same time, Canadian Natural is still expecting 7% production growth.

The company has a rock-solid balance sheet and investors should expect Canadian Natural to take advantage of the rout in the energy market to add strategic assets at fire-sale prices.

Canadian Natural's dividend of \$0.90 per share should be very safe. The current yield is about 2.5%.

#### Cenovus Energy

Cenovus is primarily known for its highly efficient oil sands properties. The company operates two large

facilities in a 50% joint venture with **ConocoPhillips**.

The partnership helps spread out development costs and provides Cenovus with important financial flexibility.

Cenovus is a low-cost oil sands producer. The company's third quarter 2014 operating costs were less than \$15 per barrel. This gives Cenovus lots of room to withstand the current weakness in the market.

The company's flagship facility continues to deliver record production. Christina Lake increased output by 30% in the third quarter of 2014. Production of 68,000 barrels per day is still way below the 300,000 barrels per day target capacity.

Cenovus also has a large refining operation that provides a nice hedge against volatile oil prices.

The company pays a dividend of \$1.06 per share that yields about 4.3%.

### **Which is the better bet?**

Both Cenovus and Canadian Natural Resources will survive the current oil rout. Cenovus offers a higher yield and an integrated business model. Canadian Natural probably offers greater upside once a recovery takes hold in the energy markets.

Energy isn't the only sector where investors can benefit from a great turnaround story.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:CVE (Cenovus Energy Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:CVE (Cenovus Energy Inc.)

### **Category**

1. Energy Stocks
2. Investing

### **Date**

2025/08/07

### **Date Created**

2015/01/27

### **Author**

aswalker

default watermark