Is Penn West Petroleum Ltd. the Top Energy Stock Under $5 to Buy Today?

Description

Penn West Petroleum Ltd. (TSX:PWT)(NYSE:PWE), one of the largest conventional oil and natural gas producers in Canada, announced fourth-quarter earnings results on the morning of March 12, and its stock has responded by falling over 8% in the trading sessions since. Let's break down the quarterly results to determine if we should consider using this weakness as a long-term buying opportunity.

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The results that ignited the sell-off

In the fourth quarter of fiscal 2014, Penn West reported a net loss of $1.77 billion, or $3.57 per share, compared to a net loss of $675 million, or $1.38 per share, in the same quarter a year ago, as its gross revenues decreased 24% to $473 million. These very weak results can be attributed to lower commodity prices and the company's total production decreasing 22.1% to 97,143 barrels of oil equivalents per day.

Here's a quick breakdown of eight other notable statistics from the report compared to the year-ago period:

1. Daily production of light oil and natural gas liquids decreased 19.7% to 51,624 barrels per day
2. Daily production of heavy oil decreased 14.4% to 12,500 barrels per day
3. Daily production of natural gas decreased 28% to 198 million cubic feet per day
4. Net sales price per barrel of oil equivalent decreased 5.2% to $52.77
5. Funds flow decreased 32.5% to $137 million
6. Funds flow decreased 33.3% to $0.28 per share
7. Development capital expenditures increased 40.3% to $247 million
8. Long-term debt decreased 12.6% to $2.15 billion

Penn West also announced a first quarter dividend of $0.01 per share and it will be paid out on April 15 to shareholders of record at the close of business on March 31. This quarterly dividend payment is down 92.9% from the $0.14 per share payment made in the fourth quarter. The company noted that the reduction was a result of the current commodity price environment.

Should you buy shares of Penn West on the dip?

Penn West Petroleum is one of Canada's largest producers of conventional oil and natural gas, but lower commodity prices, decreased production, and increased capital expenditures led it to a disappointing fourth-quarter performance, and its stock has responded accordingly by falling over 8% in the days since the release.

I think the post-earnings sell-off in Penn West's stock is warranted, and I think it could continue lower from here because its quarterly results were so weak and because the steep reduction in its dividend took away one of the primary reasons for owning the stock.

With all of the information provided above in mind, I think Foolish investors should avoid establishing new positions in Penn West Petroleum.

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