Revealed: These 3 Energy Stocks Have Huge Upside Potential

Description

As oil continued its downward path in 2015, many investors responded in an interesting way.

Companies such as **Suncor Energy**, **Imperial Oil**, and **Canadian Natural Resources** did rather well compared to their smaller competitors, ending 2015 relatively unchanged from the beginning of the year. Add in the returns from dividends and investors who held were likely pretty happy.

There were a few reasons why these giants did well. Investors retreated to the safety of the largest producers. These companies have stellar balance sheets that are designed to weather storms just like this one. And perhaps most importantly, investors liked that each of these companies have significant earnings from downstream operations.

These downstream earnings helped to subsidize losses from producing. Smaller oil producers don't have that luxury. Hence, these stocks performed poorly.

The good news for these producers is that the exact opposite should happen as crude recovers. As long as the company has the balance sheet strength to survive low prices, the act of crude recovering alone should propel these stocks up 100% … 200% … or perhaps even more.

Here are three oil producers that are particularly well poised to take advantage of this trend, whenever it might come.

Crescent Point

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) used to be one of the dividend darlings of the oil patch, paying investors a monthly dividend of $0.23 per share. After two dividend cuts, the payout is only $0.03 per share.

Crescent Point has all sorts of interesting assets, boasting some 7,700 different potential drilling locations and nearly a billion barrels of proved and probable reserves. These assets alone are enough to keep the company busy for the next 15 years.

These are good assets, too. Crescent Point has consistently posted some of the best netbacks in the entire industry, numbers buoyed by its great assets and commitment to keeping costs down.

Crescent Point is well positioned to survive this downturn. The company has approximately 40% of production hedged at higher prices. It also has $1.3 billion in unused debt capacity put aside for acquisitions, and there's no major debt due until 2018.

Baytex Energy

It seems like **Baytex Energy Corp.** (TSX:BTE)(NYSE:BTE) has become the go-to name for traders looking for energy exposure. It has served as a levered play on crude for months now.

This relationship is also good for long-term investors. A few months ago, when crude was below $30 per barrel, Baytex shares were similarly depressed, trading for under $2 per share on the TSX. These days, with oil trading about 50% higher, Baytex shares are some 250% higher.

Assuming you can handle the volatility, that's a beautiful long-term trend.

The nice thing about Baytex is the company is poised to survive even if crude remains weak for years. It has low-cost operations in Texas. It doesn't have any debt due until 2021. And, like Crescent Point, it is internally funding any new drilling. These are all good things.

And remember, Baytex shares traded hands at $20 each a year ago, back when crude was $60 per barrel. There's no guarantee this will happen again, of course, but I am fairly certain once oil hits that level again shares will be substantially higher than they are today.

Gran Tierra

Gran Tierra Energy Inc. (TSX:GTE)(NYSE:GTE) is an oil producer operating primarily in Colombia. Colombia is an attractive place to be because of its massive reserves, low-cost workforce, and royalties that are among the lowest in the whole world.

The company's balance sheet is one of envy among its peers. The company is currently sitting on US$180 million in cash with zero debt. The company also has a credit facility of US$185 million to finance future production growth.

Even if crude averages $50 per barrel over the next few years, Gran Tierra's upcoming production will still be profitable. Additionally, the company has some US$540 million in tax pools in Colombia, which should help maximize profits over the next few years.

Gran Tierra also has nice upside potential. Back in 2014, before crude hit the skids, shares were approximately double what they trade at today. Gran Tierra is bigger than it was back then, which implies even more upside when oil normalizes.

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