Crescent Point Energy Corp. Reloads and Accelerates Growth

Description

Oil companies in Canada seem to be signaling the all clear that the oil downturn is in the rear-view mirror. That is certainly what **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) did last week when it tapped the capital market to raise about $650 million in cash to drill more wells over the next two years. In doing so, it joined a growing list of producers in the country that are gearing back up to grow.

Selling stock to drill more wells

Crescent Point plans to put the cash to work right away. It's investing $150 million to accelerate drilling this year, bringing its budget up to $1.1 billion. Meanwhile, it plans to boost its budget to $1.4 billion next year. That incremental spending should add roughly 2,000 barrels of oil equivalent per day (BOE/d) to the company's production by the end of this year, bringing it up to 167,000 BOE/d. Meanwhile, its initial spending plan for 2017 will increase production from 175,000 to 177,000 BOE/d, which is 5-8% growth.

That decision to boost spending reverses two straight years of budget cuts. This year the company initially expected to spend between $950 million and $1.3 billion, before revising it down to the lower end of that range, which was 39% below what it spent last year. Meanwhile, spending in 2015 fell roughly 25% from what the company invested the prior year. However, with commodity prices improving, Crescent Point believes that it is time to accelerate production growth.

Small steps, big implications

Crescent Point's decision to boost its capex budget is just the latest in a string of similar announcements from Canadian producers.

None were as striking as **Penn West Petroleum Ltd.'s** (TSX:PWT)(NYSE:PWE) announcement. The company's perilous financial situation forced it to cut spending by a stunning 90% to just $50 million at the start of the year. However, after selling assets to fix its financial problem, the company is back on solid ground. As a result, it boosted its capex budget by 80% to $90 million and plans to increase it up to $150 million next year. This puts it on pace to deliver double-digit production growth in the year ahead.

Meanwhile, **Enerplus Corp.** (TSX:ERF)(NYSE:ERF) recently added $15 million to its capex budget, increasing it up to $215 million. That incremental capital will enable the company to complete three more wells this year and pre-order equipment for its 2017 drilling plan to put it in a better position to grow next year.

Whitecap Resources Inc. (TSX:WCP), meanwhile, already announced that it intends to boost its 2017 capex budget by 46% to $300 million. That puts it on pace to grow production by 26% next year.

Investor takeaway

Oil producers in Canada are much more confident than they were at the start of the year. That is evident by the growing number of companies that are boosting spending after two years of declines. It is a welcome sign that the industry is finally starting to heal after two very brutal years.

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