Crescent Point Energy Corp. Sees Big Things Ahead in 2017

Description

The oil industry is starting to split into two categories: companies that are still struggling under the weight of low oil prices, and those that can thrive in the current environment. **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) is firmly in that latter group. It's planning to boost spending and output in 2017. Because of that, it is starting to rise above its struggling peers, making it an oil company investors will want on their radar as the oil industry begins to recover.

Ramping up and ready to rise

On Crescent Point's third-quarter conference call, CEO Scott Saxberg took some time to highlight the progress the company made in 2016. He started off his prepared remarks by saying that it has been an "excellent year operationally" and that the company remains "on track to meet or exceed our 2016 average production guidance of the 167,000 BOEs per day."

One of the reasons for this is that the company cut its costs by 12% year over year, which, along with improving oil prices, enabled it to resume drilling activity during the third quarter. Meanwhile, the new wells drilled during the quarter were "some of the biggest wells in our history," according to Saxberg, enabling the company to deliver guidance-beating production. These strong results will provide the company with momentum as it heads into 2017.

Speaking of what lies ahead, Saxberg said,

> Given the success of our new play development, we recently increased our company's fourth quarter 2016 capital program by $150 million. We also increased the 2017 preliminary guidance from $950 billion to $1.4 billion. Our increased fourth quarter 2016 capital expected to drive first quarter 2017 production of more than 170,000 BOEs a day or approximately 10,000 barrels a day over third quarter 2016. Our preliminary 2017 budget is expected to result — in exit to exit growth of up to 8%.

As Saxberg noted, the company recently boosted its 2016 drilling plan by $150 million, bringing it up to $1.1 billion. Further, it plans to boost spending by an incremental $450 million next year to drive healthy production growth.

The flexibility to do more

One reason why Crescent Point can spend more money in 2017 is that it recently raised $650 million in capital via an equity offering. That cash, along with $1.9 billion of unutilized credit capacity, gives the company flexibility invest in wells that will boost production next year, as well as the capital to potentially accelerate its growth plan if commodity prices rise above current expectations.

That access to capital is one factor that's separating the haves from the have-nots, allowing some to resume growing next year. For example, **Encana Corp.** (TSX:ECA)(NYSE:ECA) recently raised $1 billion in equity capital, which gives it plenty of financial flexibility as it heads into 2017, enhancing its ability to aim for double-digit annual production growth through 2021.

On the other hand, **Baytex Energy Corp.** (TSX:BTE)(NYSE:BTE) isn't generating enough capital to maintain its output right now, let alone grow it. That is why Baytex remains pretty cautious on 2017, while rivals are much more optimistic.

Investor takeaway

Crescent Point has successfully navigated the downturn by cutting costs to increase the amount of production it can extract from each capital dollar. When those factors are added to an improving oil-price environment and the company's capital, it is no surprise it's expecting 2017 to be a strong year. In fact, if commodity prices improve more than anticipated, next year could be an exceptional one for Crescent Point because it has the flexibility to boost its output further to match pricing.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:VRN (Veren)
2. TSX:BTE (Baytex Energy Corp.)
3. TSX:VRN (Veren Inc.)

PARTNER-FEEDS

1. Yahoo CA

Category

1. Energy Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/08/15
Date Created
2016/11/15
Author
mdilallo