Cenovus Energy Inc. Set to Experience Major Gains in 2017

Description

Cenovus Energy Inc. (TSX:CVE)(NYSE:CVE) has become the subject of much debate due to the uncertainty of its future following a difficult two years.

The downturn in oil prices has hurt industry leaders across the board. Cenovus Energy had no choice but to cut down its workforce and halt several projects, such as its Christina Lakes oil sands project in northeastern Alberta. The stock fell drastically since reaching its high in 2014, but it has bounced back slightly with a 12.5% surge over its last 12 months.

The Christina Lakes project is one of the places in which the company is expecting to perform better following the economic downturn that hampered the oil sands sector. Cenovus Energy recently announced plans to ramp up investing to $1.2-1.4 billion in the current year, marking a 24% increase year over year.

Oil output will also be higher, hiking 14% over the same span to about 230,000 barrels per day. The resurgence of oil prices is to thank for Cenovus Energy's newfound expansion potential that has paved the way for lower costs of production. In fact, the company expects to save $500 million in costs compared to the original budget it planned for the Christina Lakes asset back in 2014.

The project will soon result in 50,000 barrels per day. Construction will resume in the spring with the first oil production to occur in the second half of 2019. Another Albertan project that suggests Cenovus Energy is headed down the right path is in the southeastern part of the province where the oil company will drill 50 horizontal wells in the area, aiding the local economy.

Medicine Hat mayor Ted Clugston praised the initiative, citing great potential for the area to experience a financial boom thanks to Cenovus Energy's involvement in a project that is in line with what the province is attempting to fulfill at the moment. Medicine Hat owns and develops its own natural gas, oil, and electricity properties.

It could be a strong year for Cenovus Energy as the company is also working on a Foster Creek location that could help increase its oil sands production by 20% compared to 2016. This fact combined with lower oil costs and higher prices should help position the company for a year of strong gains if you're willing to invest in it.

The company's fiscal fourth-quarter report will come out on February 16; it may not show profitability for Cenovus Energy, but it could indicate a momentum shift. The driller last reported earnings on October 27 when it reported a loss of 22 cents per share. CVE stock has an average rating of a "Buy" with eight analysts rating it as such, while eight others rate it a "Hold."

The average price target for the company is $21.30. Watch out for Cenovus Energy in the coming months. The company will be expanding, while simultaneously reaping the benefits of a strong oil market for producers if prices remain consistent for the upcoming fiscal year.

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