



Revealed: 5 Great Oil Stocks Trading Under \$5

Description

After a bear market lasting some 30 months, many investors are starting to get bullish on oil again.

The big reason is because it appears OPEC is serious about finally curtailing production. The cartel agreed to cut production in early December. All indications thus far show that members are indeed serious about the cut. Nobody has tried to cheat and produce more than agreed.

Another thing the commodity has going for it is geopolitical risk. Donald Trump's recent actions have likely increased chances of Middle East tensions in the short to medium term. Venezuela is a mess. Terrorist organizations continue to threaten production from Nigeria. And although Russia isn't an official OPEC member, the world's largest nation is always a wildcard.

If oil does shoot up, investors are going to want to own companies with huge operating leverage. These are the kinds of stocks that have the potential to do very well if crude increases 20%.

Here are five different names that could do so, all trading under \$5 per share.

Penn West

Penn West Petroleum Ltd. (TSX:PWT)(NYSE:PWE) has completely transformed itself.

A year ago, the company was teetering close to bankruptcy as its large debt load threatened to crush it. Management desperately searched for buyers for a large chunk of assets. A buyer finally emerged, and the company's debt levels are far more manageable today.

Growth is now the name of the game. Penn West plans to spend \$180 million on capital expenditures in 2017, which will grow production some 15%. Even after selling off many assets over the last couple of years, the company still has a lot of promising areas left to develop.

Gran Tierra

The first thing that stands out about **Gran Tierra Energy Inc.** ([TSX:GTE](#))(NYSE:GTE) is its balance

sheet. The company owes a net US\$250 million versus assets of US\$1.5 billion.

It plans to grow aggressively in 2017, spending between US\$200 and US\$250 million to increase production to between 34,000 and 38,000 barrels of oil per day. That's an increase of up to 40% versus 2016's production.

Plus, thanks to a recent sell-off, investors can pick up Gran Tierra shares at just \$3.20 each — close to a nine month low.

Athabasca Oil

Athabasca Oil Corp. ([TSX:ATH](#)) just announced a huge acquisition of thermal oil production from Statoil ASA. It paid \$435 million and 100 million shares for the asset, which currently produces 24,000 barrels of oil per day. After the acquisition is complete, Athabasca will have production of approximately 40,000 barrels per day.

The company plans to use existing cash flows to invest in new production. If everything goes to plan, and if oil can only maintain today's price, the company will generate more than \$1 per share in cash flow by 2020.

Trican

Like its oil service peers, **Trican Well Service Ltd.** ([TSX:TCW](#)) was forced to cut costs to the bone as business dried up. Revenue shrunk from \$192 million in the third quarter in 2015 to \$78.1 million in the same quarter in 2016.

The good news is, the company is repairing its bloated balance sheet, and additional costs cuts should get it back to producing a little cash flow in 2017. When oil recovers and it can start really ramping up again, look out.

Spartan Energy

Spartan Energy Corp. ([TSX:SPE](#)) is another oil producer with a pristine balance sheet. After spending 2016 making a number of acquisitions, the company only owes \$220 million versus more than \$1.1 billion in assets.

This year will be about managing the production acquired in 2016. The company plans to produce more than 21,000 barrels of oil per day this year. Netbacks are projected to be nearly \$25 per barrel, even based on crude trading at \$50. That's the kind of low-cost production you want in today's world.

If crude oil averages \$60 per barrel for the next two years, management projects the company would earn enough cash flow to pay off all of its debt.

The bottom line

Any investor looking for stocks with big potential upside as oil rises doesn't need to look far. These small- and mid-cap producers have weathered the downturn and are now in great shape. All they need now is for the price of crude to cooperate.

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