



## Value Investors: Check Out These 5 Incredibly Cheap Oil Stocks

### Description

Many Canadian value investors have been loading up on oil producers in the last year, knowing that all they need to make a lot of money is for the price of crude to head higher.

Unfortunately, that hasn't really happened. In the last year, the price of WTI crude oil is virtually unchanged. The commodity has been in a tight range, spending much of that time between US\$45 and US\$55 per barrel.

But there's more to buying oil stocks than just waiting for the commodity to go up. An investor must also make sure the producer has the balance sheet strength to weather the downturn. Ultimately, nobody knows when oil will head higher.

Here are five Canadian producers poised to generously reward shareholders once the price of crude cooperates.

### Spartan Energy

**Spartan Energy Corp.** (TSX:SPE) is taking advantage of the low price of crude to expand. The company spent \$700 million to acquire certain assets in southeastern Saskatchewan from **Arc Energy**. Spartan already knew the area well; most of its assets were already located in the region.

Thanks to that deal, Spartan will be producing close to 20,000 barrels of oil per day in 2017. The company plans to grow production between 10% and 15% a year annually, doing so using only internal cash flow. Management believes this is possible even if crude averages US\$40 per barrel.

Perhaps the most exciting part is Spartan managed to acquire these assets without taking on a lot of debt. As of December 31, the company had \$1.86 billion worth of assets and just \$249 million in debt. It projects to exit 2017 with just \$183 million owing.

### Crew Energy

**Crew Energy Inc.** ([TSX:CR](#)) shares have gotten hammered lately. Thus far in 2017, they're down 46%.

The company has a huge land base in the Montney region in British Columbia which still isn't close to full production. Management projects production will hit 30,000 barrels per day by the end of 2017 with an average of between 25,000 and 27,000. Even if the price of crude remains low, Crew's high netback production will ensure it can stay healthy enough to survive the downturn.

### **Advantage**

**Advantage Oil and Gas Ltd.** ([TSX:AAV](#))(NYSE:AAV) lucked out a little bit. The company struggled immensely in 2011 and 2012, culminating with a series of asset sales. Debt fell from \$352 million at the end of 2012 to \$153 million today.

The company has one huge competitive advantage today, which is an ample supply of low-cost natural gas. The company delivered a netback of \$1.39 per MMBTU in 2016. This will help fund additional production growth; the company's goal is to increase production by 23% this year.

### **Kelt Exploration**

**Kelt Exploration Ltd.** ([TSX:KEL](#)) is aggressively expanding production in northeastern B.C. and northwestern Alberta. The company projects it'll produce 22,600 barrels of oil per day in 2017, 32,200 in 2018, and 42,000 in 2019. Most impressively, all of this production will be fully funded by internal cash flows.

The other main thing investors should like about Kelt is the company's strong insider ownership. Directors and officers of the company own 18% of outstanding shares today and have invested a total of \$101 million into the company's equity offerings.

### **Nuvista Energy**

**Nuvista Energy Ltd.** ([TSX:NVA](#)) has been doing a lot of things right in the last few years. The company projects 2017's production will be double what it was able to do in 2013, all while paying down more than \$100 million worth of debt. With funds from operations projected to exceed \$200 million in 2018, I can see why the company is in no hurry to pay down the additional \$67 million it currently owes.

Despite its low-cost production and strong balance sheet, Nuvista only trades at a slight premium to its stated book value. It also trades at less than six times projected 2018 funds from operations.

### **The bottom line**

Each of these oil producers is poised to survive this downturn. They all have cheap production, good balance sheets, and ambitious growth plans. Now all they need is for crude oil to recover. Will you be waiting on the sidelines when that happens?

### **CATEGORY**

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:AAV (Advantage Oil & Gas Ltd.)
2. TSX:CR (Crew Energy)
3. TSX:KEL (Kelt Exploration Ltd.)
4. TSX:NVA (NuVista Energy Ltd.)

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