2 Energy Stocks That Can Go Much Higher

Description

With energy prices rising, energy stocks experienced a nice rally on July 25. The shares of both **Torc Oil and Gas Ltd.** (TSX:TOG) and **Enerplus Corp.** (TSX:ERF)(NYSE:ERF) popped more than 5% on the day.

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It's nice to see that the WTI oil price is now hovering around the US$48-per-barrel level, which is the average sustaining capital-reinvestment breakeven price needed by the industry.

In that perspective, both Torc Oil and Gas and Enerplus are above average; they have lower breakeven prices. Torc's is about US$45, and Enerplus's is below US$40.

That said, if exploration capex were included in the calculation as well, it'd require a much higher WTI price for energy companies to break even.

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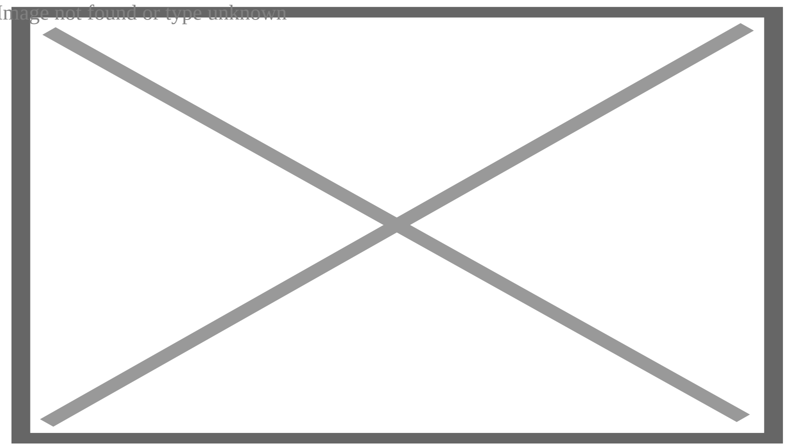

Torc Oil and Gas

Torc Oil and Gas estimates that its full-year average production will be 20,400 barrels of oil equivalent per day.

The company focuses on per-share growth and maintains a strong balance sheet.

The fact that the Canadian Pension Plan Investment Board has a significant stake of ~25% in the company and is reinvesting the monthly dividends back into the business should be a vote of confidence and an indication that the company is worthy of a long-term investment. Insiders also own about a ~4% stake in the company.

Enerplus

Enerplus expects production growth of roughly 30% through 2019. Additionally, the company is in the top 25% when it comes to capital efficiencies, and it expects continual improvement through this year.

Enerplus maintains a strong balance sheet and has been disciplined in reducing its debt levels. Since the end of 2015, it has cut down its net debt by roughly 70%, which is very impressive. Another positive is that it has no major debt maturities until 2020.

Near-term returns potential of both companies

Thomson Reuters's recent report has a 12-month mean price target of $8.54 per share on Torc Oil and Gas. This represents upside potential of almost 52% from the recent quotation of $5.62 per share. Moreover, the oil and gas producer offers a yield of ~4.3%, which implies it can deliver near-term total returns potential of ~56%.

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Reuters's 12-month mean price target on Enerplus is $14.80 per share. This implies the shares can appreciate nearly 31% from the recent trading price of $11.30 per share. Furthermore, the company offers a yield of ~1%, which implies an investment today can achieve near-term total returns of ~32%.

Investors should beware that these estimates can fluctuate quite a bit because the underlying commodity prices are quite volatile.

Investor takeaway

Investors with an above-average appetite for risk and volatility can consider these shares for strong upside potential.

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