



## 2 Top Oil and Gas Stocks for Value Investors

### Description

It's been tough for value investors to make money by trading oil stocks. If you look at the oil price chart for the past year, the price is stuck at the same point where it started.

The commodity has been trading in a tight range between US\$45 and US\$55 per barrel. Nobody knows when the oil market will see its next bull run, but there's more to buying oil stocks than just waiting for the commodity to go up.

During downturns, smart investors focus on the balance-sheet quality, debt levels, and operational efficiency. Companies that are on top of these things are the first to reward their investors when oil prices head higher.

Here are two Canadian producers that are positioned well to benefit when the next oil rally comes.

**Canadian Natural Resources Limited** ([TSX:CNQ](#))([NYSE:CNQ](#)) stock is down ~7% this year as oil prices remain volatile.

But if you analyze the company's balance sheet, you'll realize that this producer has done a good job in this weak price environment.

It recently acquired oil sands assets from **Royal Dutch Shell** — a move which is likely provide a great boost to its cash flows as oil prices recover. The company is on track to add 3,000 barrels of oil equivalent production along with an \$180 million capital spending cut in 2017.

Its stock pays a \$0.28-a-share quarterly dividend which the company has been increasing regularly. Trading at \$40 a share, this stock is one of the best upside bets for the long-term oil bulls.

Alberta-based **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) is a stock in the Canadian oil sands patch that I've started to like.

The reason why I'm upbeat about Suncor's future prospects is that the company has been able to drastically cut its production cost. According to its most recent estimates, the company can break even

with WTI price of US\$37 per barrel.

The company forecasts its oil production will hit ~800 million barrels per day in 2019 from ~580 million barrels in 2015.

For dividend investors, Suncor's 3% yield may not be a too exciting when you compare it with the top names offering much juicier payouts. But when it comes to reliability and sustainability of payouts, Suncor is probably ahead of the pack.

The company has been increasing dividends for the past 15 years. The latest was in the first quarter of 2017, when the quarterly payout was increased by 10% to \$0.32 a share.

### **The bottom line**

If you want to include some top energy names in your portfolio, the timing isn't bad. Oil prices have found their floor, and they're trading in a range.

There is no doubt that these oil producers will not only survive this downturn, but they'll also emerge stronger. With much better balance sheets and operational efficiency, value investors can take advantage of these opportunities now.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

### **TICKERS GLOBAL**

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:SU (Suncor Energy Inc.)

### **PARTNER-FEEDS**

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