2 Cheap Oil Stocks That Could Soar Into the Stratosphere

Description

Many pundits are overly bearish on Canada's oil patch, including Kevin O'Leary, who's not a fan of the uncertainty surrounding the sector. Even though oil prices have stabilized around $50 levels, many operators in Alberta's oil patch are still struggling to rebound. The oil sands are a tough place to be as an investor. Not only are oil sand projects ridiculously expensive, but they wreak havoc on the environment, which would mean additional bills and cleanup costs are likely to haunt operators in the oil sands.

There are many reasons to be bearish on the oil sands. Some of the more bearish analysts out there believe that the oil sands may be shut down completely. While many large oil sand projects were built to last for 50 years or more, mounting headwinds and rising costs could be just too much for many operators, especially since it's become a struggle to attract investors, both foreign and domestic.

It's clear that the general public is fearful right now, so if you've got the stomach to take a contrarian stance, it might be time to get greedy with many oil stocks trading at rock-bottom valuations. If you've got the patience to ride it out for the long haul, gigantic rewards could be on the horizon, especially if oil prices can sustain another upward movement.

Here are two of the most attractive contrarian plays in Alberta's oil patch today:

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG)

Crescent Point recently delivered a solid Q2 to go with a slight increase to the company's 2017 guidance. Despite the positive report, shares of CPG fell back into single-digit territory. The management team has been focusing on risk management to prevent another catastrophic downfall should another oil rout happen.

Crescent Point currently trades at a 0.5 price-to-book multiple, a 1.7 price-to-sales multiple, and a 3.3 price-to-cash flow multiple, all of which are lower than the company's five-year historical average multiples of 1.5, 3.9, and 5.6, respectively.

Shares of Crescent Point are dirt cheap, and although shares could continue to get hit, it may be a wise move to scale in to a position over time while shares are still cheap. Crescent Point is on the right track, but it’s going to take a tonne of patience to realize a great payoff.

Cenovus Energy Inc. (TSX:CVE)(NYSE:CVE)

Many investors scratched Cenovus off their radars following the company’s decision to purchase oil sand assets from **ConocoPhillips** for $17.7 billion. There’s no question that Cenovus was unprepared for the drop in oil prices, and the company’s balance sheet took a potentially unnecessary hit to finance the ConocoPhillips deal during a really harsh environment.

The general public was not a fan of Cenovus’s moves; however, it’s important to note that all the disgust from investors is already baked in to the stock price at current levels. Shares of Cenovus currently trade at a 0.8 price-to-book multiple, a 0.7 price-to-sales multiple, and a 5.3 price-to-cash flow multiple, all of which are lower than the company’s five-year historical average multiples of two, 1.2, and eight, respectively.

The stock is dirt cheap, and despite the company’s poor decisions in the past, I believe it is very well positioned to skyrocket if oil prices can break above the $50 levels.

Bottom line

Crescent Point and Cenvous were caught with their pants down when oil prices unexpectedly took a plunge. But since the oil price rout, both companies have taken steps to become more robust operators for the long run.

If you think oil is on its way up, then both Crescent Point and Cenovus are must-owns today, as they’ll soar in sync with oil prices.

Stay smart. Stay hungry. Stay Foolish.

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