



## Which Is the Better Buy: Baytex Energy Corp. or Crescent Point Energy Corp.?

### Description

Oil prices are on the rise again with West Texas Intermediate Crude (WTIC) closing at US\$57.94 in Tuesday's trading and fast closing in on the US\$60 mark.

The price of crude has risen nearly 20% since early October, as previously agreed to production cuts by the Organization of the Petroleum Exporting Countries (OPEC) appear to be paying off with inventories having been drawn down since the start of the year.

Now, it will be interesting to see if OPEC and non-member countries such as Russia stick to the game plan and keep production levels muted, or if they will be unable, or perhaps unwilling, to leap at the opportunity to turn the pumps back on.

Notwithstanding, the recent surge in energy prices have reignited a sense of optimism in the sector, casting Canadian oil sands producers **Baytex Energy Corp.** ([TSX:BTE](#))(NYSE:BTE) and **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) in a more favourable light.

Both Baytex and Crescent Point have seen the value of their shares decimated in recent years, as widespread overinvestment across the energy sector over the past decade led to an undeniable glut in the supply of crude.

Oversupply coupled with a stronger U.S. dollar sent the price of WTIC into a tailspin, falling from US\$100 to US\$30 in less than 18 months and catching many exploration and production companies in its wake.

Baytex and Crescent Point, both mostly concentrated in the oil sands, are considered to be high-cost producers, meaning they both require a higher cost of oil, relative to their peers to break even.

This year, Baytex requires essentially a US\$55 price of crude to keep the lights on and maintain production levels into 2018.

Baytex was forced to cut its dividend back in 2015, when oil prices started to slide; meanwhile, up to this point, at least, Crescent Point has been able to maintain its \$0.36 annual payout, which currently

yields 3.96%.

While it will likely be a while before Baytex's board of directors feels comfortable enough to reinstate its dividend, [Crescent Point's dividend is particularly attractive](#) in light of the company's long-term growth prospects.

If Crescent Point can maintain its current distribution for the time being and grow the payout over the long term, investors may be looking back longingly at the opportunity presented today.

Baytex is more of a ["binary" call option](#) on the direction of crude oil prices.

Part of the reason for Baytex's currently depressed share price, which closed at \$3.89 on the Toronto Stock Exchange Tuesday, is owing to the market's current doubts about the long-run prospects of the company's future.

### Bottom line

Markets often work themselves out through cycles, and sometimes the longer and deeper the cycle, as is currently the case with energy prices, the more predictable the outcome appears to be when looking through the rear-view mirror.

Despite the recent turnaround in oil prices, Crescent Point shares have lagged the recovery, and a recent pullback offers an ample time to initiate a position.

Meanwhile, those looking to act more Foolishly may delight in the asymmetrical risk/reward opportunity provided in Baytex shares provided the recovery in energy prices doesn't suffer any missteps along the way.

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1. Dividend Stocks
2. Energy Stocks
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1. NYSE:VRN (Veren)
2. TSX:BTE (Baytex Energy Corp.)
3. TSX:VRN (Veren Inc.)

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