Could Baytex Energy Corp. or Crescent Point Energy Corp. Double in 2018?

Description

WTI oil is holding its recent gains, and investors are wondering which oil producers could be on the verge of a huge rally.

Let's take a look at **Baytex Energy Corp.** (TSX:BTE)(NYSE:BTE) and **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) to see if one deserves to be in your portfolio.

Baytex

Baytex was a $48 stock when oil traded for US$100 per barrel in the summer of 2014. By December of that year, the shares fell to $15, and things continued to go downhill through 2015.

The stock bottomed out around $2 per share in early 2016 and has been volatile ever since, ranging from $3 to $9.

At the time of writing, investors are paying about $4.50.

Traders have had a field day with Baytex in the past two years, while long-term investors are probably running out of antacids.

Contrarian types, however, see big potential in the stock, as Baytex has managed to hold on to most of its assets through the downturn. In fact, the company estimates its net asset value to be above $9 per share at oil prices that are lower than the current level.

The debt situation is still a big overhang for the stock, but rising oil prices should give management some breathing room to pay down the debt and boost the capital plan.

If you think the oil rally is going to continue into next year, Baytex might be worth a contrarian bet today. A surge in crude prices back above US$60 could trigger a new rush of funds into the producers, and Baytex could easily take a run at $9 again.

Crescent Point

Crescent Point currently trades for less than $10 per share, which would have been unimaginable back in 2014 when the stock sold for $45.

You wouldn't know it by the size of the sell-off, but Crescent Point has actually done a good job of navigating through the oil rout and is even targeting year-end production growth of about 10% on a per-share basis.

Debt is high, but Crescent Point is selling some non-core assets to shore up the balance sheet, and the company is well within its lending covenants.

This stock used to be a top pick among dividend investors, but the company had to cut the monthly payout from $0.23 to $0.10, and then again to the current distribution of $0.03 per share.

That's still good for a yield of 3.7%.

If oil can maintain its gains or even move higher, the dividend should be safe, and investors could be looking at some nice upside in the stock.

A run to $20 would require WTI to move well above US$60, but that's certainly possible. Crescent Point last traded for $20 per share in June 2016. At that time, WTI oil was about US$48 per barrel, far below the US$58 it trades at today, so there is a possibility Crescent Point remains heavily oversold.

Is one a better bet?

Both stocks offer solid upside potential on a continued recovery in the oil market, and a double from the current prices in the next 12 months is certainly possible.

Where you put your money depends on your appetite for volatility.

Baytex probably offers more upside torque, but it also comes with greater risk. Crescent Point currently provides a decent yield while you wait for better days, and it still has the potential to deliver big gains.

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