Baytex Energy Corp. Is Among Stocks With Massive Upside as Oil Approaches $60

Description

With the most recent inventory numbers coming out earlier this week and showing an inventory draw of 6.5 million barrels, the fifth draw in a row, oil prices have been strengthening once again.

And as the oil price continues to close in on $60, trading at $58.18 at the time of writing, analysts are increasingly coming forward to increase their projected oil prices for 2018, with some estimates calling for oil prices at the mid-60 level.

Given this, here are the best stocks to own:

Baytex Energy Corp. (TSX:BTE)(NYSE:BTE)

WTI crude oil is still closing in on $60, having risen more than 10% since December 2016 and continuing to be supported by OPEC cuts, strong global demand, and geopolitical tension.

With oil trading above $50 for a good three months now and over $55 for the last month, it is becoming increasingly likely that oil companies, such as 80% oil-weighted Baytex, will be posting very strong, better-than-expected fourth-quarter 2017 results.

Baytex will be reporting on March 6, 2018.

The company has been reducing its debt and has significant sensitivity to the price of oil, with free cash flow generation increasing significantly as oil climbs higher.

Canadian Natural Resources Limited (TSX:CNQ)(NYSE:CNQ) is another energy stock that is poised to do well.

It is special, because it offers a long-life, low-decline portfolio, and oil and gas assets that have given the company a predictable and reliable stream of cash flow with little reserve-replacement risk. This means investors get exposure to the sector’s upside while mitigating the downside risk.

CNQ currently offers a dividend yield of 2.49%, and with strong production increases expected in the coming years as well as increasing efficiencies as a result of the recent acquisition of 70% of the Athabasca Oil Sands project, we can expect a significant ramp up in cash flow going forward.

This cash flow will be used to strengthen the balance sheet, returned to shareholders, and used for organic and acquisition opportunities. All of these uses of cash will act as a catalyst for the stock.

In the latest quarter, the third quarter of 2017, the company reported a 50% increase in cash flow and increased its dividend by 17% to $1.10 per share.

Energy services stocks are a higher-risk way to go. These stocks have big upside when the sector is in an upswing, which we can more confidently say it seems to be.

Precision Drilling Corp. (TSX:PD)(NYSE:PDS) is reporting close to 50% increase in revenue, with more than double the amount of rigs working compared to last year.

The shares got killed in the last two years and fell to approximately $2 from well above $14 in 2014. Today, the stock is rallying 4.4% at the time of writing.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:PDS (Precision Drilling Corporation)
3. TSX:BTE (Baytex Energy Corp.)
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