# 3 Top Energy Stocks to Own as Oil and Gas Prices Rebound Fiercely

## Description

As of the time of writing, oil is trading at over $64, up 1%, and natural gas is trading at almost $3.10, up 5.5%.



This is happening as a result of a confluence of events.

On the oil side, continued geopolitical uncertainty along with higher than expected global demand and OPEC's production restrictions have worked to re-balance the supply/demand equation and drive prices higher.

On the natural gas side, the weather has been a big boost for demand, and the supply side has been reduced greatly in recent days and weeks to a level that puts it below the five-year average of gas in storage, which is a big bullish sign.

Given this change in market fundamentals and investor sentiment, investors would be wise to bulk up on the following undervalued, high-quality energy stocks.

**Baytex Energy Corp.** (TSX:BTE)(NYSE:BTE) is very leveraged to the price of oil and has been rallying as of late as oil prices continue to rebound. The stock was up 2.2% yesterday, but it's trading at pretty much at the same level as it did in January 2016, despite the 66% run up in the price of oil.

The company has been performing well operationally and is working on reducing its debt. And with higher oil prices, this will be an easy task to accomplish.

As a reminder, at $50 per barrel, Baytex is free cash flow neutral; at $55 per barrel, Baytex generates incremental free cash flow of $75 million; and oil at $65 per barrel means incremental free cash flow of $175 million.

**Peyto Exploration and Development Corp.** (TSX:PEY) is a $2.3 billion market capitalization oil and gas company with over 90% of its production from natural gas, most of it coming from the Deep Basin of Alberta.

Third-quarter results showed a 93% increase in EPS, a 9% increase in funds from operations per share, and free cash flow of $25 million in the first nine months of the year.

With Peyto, we get the lowest-cost intermediate natural gas producer and an 9.8% dividend yield.

**Precision Drilling Corp**. (TSX:PD)(NYSE:PDS), whose shares are up 9% as of writing, reported a loss per share in its latest quarter (third quarter), but the loss was smaller than expected, and it was 44% better than last year (a loss of $0.07 versus $0.16 last year).

Revenue increased 47%, and the company generated $37 million in cash flow.

The company had more than double the number of rigs working than it had last year, and pricing remained firm, as the sector continued to ramp up.

In summary, 2018 will likely see the undervalued energy sector outperform as fundamentals continue to improve. The aforementioned stocks have big upside and represent slightly different areas of the energy market.

**CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing



**TICKERS GLOBAL**

1. NYSE:PDS (Precision Drilling Corporation)
2. TSX:BTE (Baytex Energy Corp.)
3. TSX:PD (Precision Drilling Corporation)
4. TSX:PEY (Peyto Exploration & Development Corp)

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**Date**
2025/08/23
**Date Created**
2018/01/12
**Author**
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