



As Oil and Gas Prices Rally Again, Energy Stocks Soar

Description

At the time of writing, oil is closing in on \$63, as the [bullish scenario](#) continues to play out.

Among today's biggest movers is **Crew Energy Inc.** ([TSX:CR](#)), which soared 17% yesterday.

Crew Energy, which is 70% weighted toward natural gas and 30% weighted toward oil, is active in the prolific Montney region of northeastern British Columbia, and it stands to benefit greatly from rising oil and gas prices.

The company reported a 16% and 33% increase in funds from operations in the fourth quarter and full year 2017, respectively, reflecting increased production and higher oil and gas prices.

For the investor that is aiming for more exposure to oil as opposed to natural gas, **Baytex Energy Corp.** ([TSX:BTE](#))(NYSE:BTE) is also rallying off strong commodity prices, with the stock being up approximately 10% yesterday.

Baytex will be reporting fourth-quarter results today, and investors can expect a strong showing.

The stock is still trading below 2016 levels, despite the 60% run up in the price of oil.

This signals a [big opportunity](#), because the market is not believing oil prices, but if they at least hold above \$55 or \$60, which they have for a while now, energy companies will be beating market expectations, and this will send their stocks higher.

Baytex has been hit by the fact that the company was and is still carrying too much debt. But, while at sub-\$30 oil this is a huge problem, one that puts the company as a going concern at risk, at \$60 oil, the story is totally different.

Baytex has big leverage to the oil price, and accordingly, the stock has big upside.

It has been slowly reducing its debt and has taken it down from \$2.1 billion to the current \$1.7 billion.

The company's asset-disposition plan, which is expected to bring in much-needed proceeds from the

sale of non-core assets, will go a long way to deleverage the balance sheet and reduce the risk of investing in these shares.

And the company has been performing better operationally, with management producing in the upper end of its guidance and reducing its 2017 operating cost guidance by 10%.

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.

Another way to go here is investing in energy services companies like **Precision Drilling Corp.** ([TSX:PD](#))([NYSE:PDS](#)), which is seeing rising activity levels, soaring revenue, and a recovery in earnings.

In summary, it looks like with oil holding above \$60, and with the supply/demand environment having improved dramatically over the last while, energy stocks are still a good bet.

CATEGORY

1. Energy Stocks
2. Investing

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1. Editor's Choice

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2. TSX:BTE (Baytex Energy Corp.)
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