4 Canadian Energy Stocks to Buy Now

Description

The price of oil is closing in on $65 again after it dipped to well below $63 in early April from highs of over $65 in March.

The story that is driving up prices again today is a recurring one: Venezuela.

We continue to see sharply dropping Venezuelan oil production, which has already been halved from 2015 to below two million barrels a day, and in March alone it fell by 100,000 barrels per day. Going forward, we will probably see further downside, as Venezuela grapples with an economic crisis that is seeing the country descend deeper into collapse.

So, as expected, supply pressures, coupled with strong demand, are propping up the price of oil. WTI crude oil has risen 23% in the last year.

Let's look at four Canadian energy stocks that have massive upside should oil prices remain firm.

Baytex Energy Corp.'s (TSX:BTE)(NYSE:BTE) stock is trading below 2016 levels, despite the fact that oil has increased significantly since then, and this disconnect represents an opportunity.

In the fourth quarter of 2017, Baytex reported adjusted funds flow of $0.45 per share, an increase of 37%. This was driven by a 7% production increase compared to last year and higher prices, of course.

Let's recall that the company has been hit by the fact that it 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.

And with very high sensitivity to oil prices (i.e., oil at $50 per barrel means Baytex is free cash flow neutral; oil at $55 per barrel means incremental free cash flow of $75 million; and oil at $65 per barrel means incremental free cash flow of $175 million), the company is increasingly well positioned to improve its balance sheet and one day directly return cash to shareholders.

Canadian Natural Resources Ltd. (TSX:CNQ)(NYSE:CNQ)

Canadian Natural currently has a dividend yield of 3.13%, and it is one of many energy companies beating expectations and delivering massive increases in their cash flows and bottom lines. The stocks have been slower to react, so there still exists a major opportunity to buy.

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.

Along with the release of strong fourth-quarter results, the company increased its dividend by 22% — a testament to the confidence that management has in the fundamentals of its business.

On the energy services side, **Precision Drilling Corp**. (TSX:PD)(NYSE:PDS) is almost 50% lower than one year ago, despite increasing activity levels, revenue, and cash flows, and **Enerplus Corp.** (TSX:ERF)(NYSE:ERF) is almost 40% higher, as activity and cash flows are significantly rising.

CATEGORY

1. Energy Stocks
2. Investing

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2. NYSE:ERF (Enerplus Corporation)
3. NYSE:PDS (Precision Drilling Corporation)
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5. TSX:CNQ (Canadian Natural Resources Limited)
6. TSX:ERF (Enerplus)
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