3 Natural Gas Stocks That Are Rallying Big Time in the Last Month

Description

The consistent theme in the natural gas industry in Canada has been the lack of pipeline access, which has resulted in increasing storage, driving down prices.

Furthermore, while the demand market got a boost from cold weather, it was not as dramatic as investors were hoping for, and on the flip side, supply has kept rising quickly. These issues have led to weak regional pricing and the general underperformance of natural gas stocks.

We know that stocks in the natural gas space are reflecting nothing but bad news.

But with increasing talks of an LNG terminal in British Columbia and the continued solid performance of the following three companies, I think we have a good investment case.

So, against this backdrop, we have **Tourmaline Oil Corp.** (TSX:TOU).

The stock has done poorly in the last few years, consistent with natural gas stocks in general, but in the last month the stock has risen 14%, as investors may be warming up to the company and the natural gas space in general.

Tourmaline just reported a 31% increase in 2017 production, a 65% increase in cash flow to $1.2 billion, and significant reductions in costs.

The company even just instituted a dividend, and while the yield is below 2%, it is supported by free cash flows.

With a strong and flexible balance sheet, a large land position, and management/directors’ ownership of 21% of the shares, Tourmaline is a contrarian play that has massive upside to rising natural gas prices.

This is also a great time to snatch up industry-leading **Peyto Exploration and Development Corp.** (TSX:PEY).

The stock has rallied 11% in the last month, as investors may be drawn to the name because of its low valuation and because of its potential as a high-quality contrarian play.

The company just posted its 18th consecutive year of profits, with a 55% increase in EPS and a 12% increase in funds from operations.

The stock is down big, while cash flow from operations increased 10% in 2017, and returns have been industry leading.

And with Peyto, we get the lowest-cost intermediate natural gas producer and a 6.24% dividend yield.

For 2018, the effective payout ratio will be well below 100%, as management has decided to cut back on capital expenditures in response to persistently low natural gas prices.

Birchcliff Energy Ltd. (TSX:BIR), an $874 million natural gas producer, whose share price has increased 38% in the last month, has seen its stock react to the processing agreement it entered with **Altagas Ltd.**, and to the fact that it was already undervalued.

The gas-processing deal replaces the existing one that was set to expire in 2020 and will result in lower operating costs going forward for Birchcliff. Operating cost guidance was reduced by 10% to $3.40-3.60 per barrel of equivalent oil.

Birchcliff offers investors a large undeveloped land base and access to a considerable amount of low-risk drilling locations.

So, there you have it: three of the best contrarian plays available in the market today.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:BIR (Birchcliff Energy Ltd.)
2. TSX:PEY (Peyto Exploration & Development Corp)
3. TSX:TOU (Tourmaline Oil Corp.)

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