2 Cheap Energy Stocks I'd Buy in July

Description

Oil's surge past $70 was a shocker to many, and while it may seem like you've missed the chance to catch severely battered energy stocks on the way up, some of the extremely battered names like **Cenovus Energy Inc.** (TSX:CVE)(NYSE:CVE) and **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) are still treading water in spite of a more favourable environment that will allow for more economical operations.

Both Cenovus and Crescent Point stock are still down 62% and 80% from their respective highs prior to the 2014 oil price crash. So for those bullish on oil prices, the "black gold rush" may be far from over as the stocks of many firms still have plenty of room to run to catch up to oil's recent rally.

The main concern, however, is whether oil prices can remain at these heights (or higher) for a longer period. As such, there's a degree of lag between the stocks of riskier (non-integrated) oil firms and firms that are less equipped to deal with lower oil prices.

The risk is that oil prices could begin reversing, and if that's the case, the massive "double-up" rallies in battered stocks like Cenovus and Crescent Point may happen. As long as oil remains above the break-even operating costs (with sufficient wiggle room), the better off the non-integrated oil producers will be. Thus, as long as oil prices fall below $50 again, there's a significant opportunity among Canada's hardest hit oil names.

Cenovus

Cenovus remains my favourite oil sands bet, and Crescent Point appears to be a shale play with an attractive risk/reward trade-off for long-term investors who don't mind taking on a bit of risk.

Cenovus looks like it could become a pioneer in the oil sands space as it continues to leverage new extraction solutions such as the solvent-assisted process (SAP). Should advances in the SAP continue to show promise, it's not too far-fetched to expect to see break-even costs fall to a level such that notoriously expensive oil sands operations will become somewhat more competitive compared to their conventional counterparts.

Crescent Point

Former CEO Scott Saxberg has stepped down after 15 years of service following pressures from activist investors who have commented on management's ineffectiveness at unlocking shareholder value.

As it stands, the company is continuing to offload non-core assets in the Williston basin to trim away at debt as the company looks to improve the health of its balance sheet whilst allocating capital in an efficient manner while cutting costs in order to improve overall operational efficiency.

If oil prices continue to show signs of strength, Crescent Point could correct to the upside in a huge way as management gradually turns the taps back on.

Bottom line

Both Cenovus and Crescent Point are dirt-cheap names with plenty of upside if you're bullish on oil. And if the rally in oil prices were to stop or even pull back to the $60 levels, both names would still be profitable bets over the next few years, assuming that oil prices don't nosedive to the levels witnessed following the 2014 plunge.

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