



This Stock Is A Smart Way to Play a Rising Oil Price in Canada

Description

With oil prices on the rise, cautious optimism for the future prospects of crude producers is certainly warranted. Of course, not all oil producers are the same, and concerns about Canadian oil producers are likely to remain given the steep discount heavy oil produced out of Canada's oil sands receives relative to oil produced globally.

Lumping all of Canada's oil producers into one bucket is a terrible mistake many investors make, especially considering the discount at which Canadian oil producers are currently trading relative to global counterparts. It appears to me that the discount oil sands producers have been rightfully slapped with by investors extends to other companies engaging in tight oil production, offshore drilling, or operations outside of Canada, which offer higher prices and better profitability for investors in this current climate.

One such company is **Encana Corporation** (TSX:ECA), a producer focused on Canada's large and increasingly important [tight oil](#) formations, primarily the country's Montney formation. Unlike most Canadian oil producers, Encana is one company that's tethered to global oil prices rather than the discounted prices most heavy oil producers receive for their oil relative to their global peers. While this heavy oil discount has dissipated somewhat of late, the consensus among many investors is that such a discount is likely to persist over the long run due to transportation-related issues pertaining to Canada's lack of pipeline capacity, as well as a surplus of lighter oil, which is easier to refine and can be produced closer to the source for major U.S. oil refineries.

This past week, the global prices for oil rose on expectations that increases from major oil producers Iraq and Iran will be muted in the near to medium term. Investors have long been worried that producers from regions with relatively low variable costs of production could boost production significantly in the near-term, thereby impacting the global supply and demand relationship, directly impacted oil producers in North America. Both Iran and Iraq agreed to keep their production increases in the 700,000 barrels per day range, an increase the markets met with a very positive outlook. The Organization of Petroleum Exporting Countries also re-affirmed its intention to maintain a 100% compliance rate – a return to 100% compliance could potentially see prices increase further in the near-term, with global demand strengthening and supply increases remaining modest.

Few Canadian oil producers provide the kind of global exposure to oil commodity prices that Encana does. I will be keeping my eye on this company in the coming quarters to provide updates on the company's performance. In my view, Encana remains one of the few [excellent value plays](#) in the Canadian oil space, and it will be interesting to follow this company's performance.

Stay Foolish, my friends.

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