

Lock in a 6% Yield With This Top Energy Stock

Description

Regardless of oil's [extreme volatility](#) in recent months, energy stocks remain attractive investments. While the integrated energy majors operating in the oil sands are attracting considerable attention, it is the smaller upstream drillers that offer the most upside. One that stands out is **Bonterra Energy Corp.** ([TSX:BNE](#)), a company that has gained 30% since the start of 2018 or almost triple West Texas Intermediate's (WTI) 11% gain. There are signs that Bonterra is positioned to soar higher because of the quality of its operations as oil rallies further.

Now what?

Notably, in an operating environment in which oil has firmed, Bonterra has been able to report solid growth in its oil and natural gas production, including a healthy 6% increase year over year for the second quarter 2018. That production, like its oil reserves, is 70% weighted to light and medium crude as well as natural gas liquids. This means that the driller's financial performance is not weighed down by the deep-discount applied to Canadian heavy crude or the poor outlook for natural gas.

Despite soaring production and royalty costs, the driller's second quarter netback grew by a healthy clip. Bonterra's field net back for the quarter was \$34.60 per barrel produced, a remarkable 21% greater than a year earlier. While this can be attributed to higher oil, it also underscores the quality and profitability of Bonterra's oil assets. In an operating environment in which crude will remain firm, this should give the company's earnings a solid lift.

These credible results therefore indicate that Bonterra is on track to achieve its 2018 production guidance of up to 13,500 barrels daily, which is a 5% increase over 2017. Amid an operating environment in which crude has firmed significantly, this will give the driller's earnings a solid boost.

If Bonterra reports higher earnings for a sustained period, its share price will undoubtedly soar. This is particularly true given that oil reserves have a value before income tax of around \$40 per share, which is more than double its current market price.

Bonterra's solid balance sheet also endows it with considerable financial flexibility, thereby allowing it to dial up or dial down investment in its operations depending on the price of crude. By the end of the second quarter, net debt had fallen to \$330.5 million, which is a very manageable 2.9 times its trailing 12 months cash flow. The driller also has considerable liquidity, with \$76 million remaining undrawn on an existing credit facility. This can be accessed to boost spending on exploration and development activities or to make up for a sharp drop in cash flow caused by weaker oil.

So what?

Bonterra is an attractively valued intermediate upstream oil producer that is gradually adding production and expanding its profitability in an operating environment in which crude is [moving higher](#). This will give Bonterra's bottom line a solid lift, which, along with the growing value of its oil reserves should boost its market value. Its appeal as a means of paying higher oil is enhanced by its regular

sustainable monthly dividend, which at this time is yielding a very juicy 6%.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:BNE (Bonterra Energy Corp)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/08/16

Date Created

2018/08/10

Author

mattdsmith

default watermark

default watermark