3 Top Oil and Gas Stocks to Buy Right Now

Description

Oil and gas stocks are in the doldrums, with volatile commodity prices, uncertain demand/supply, and skyrocketing production only a few of the variables moving the markets further and further into bearish territory.

But, as history shows, the best times to invest in cyclical industries is at times of cyclical lows.

Times like these.

Investing in the leaders can ensure preservation of capital and staying power.

So in this context, we should look for energy companies with strong balance sheets, low costs, and other "defensive" characteristics.

Here are the three top energy stocks to buy right now, for massive gains tomorrow:

Enerplus Corporation (TSX:ERF)(NYSE:ERF)

Enerplus has been a beacon of strength in the oil and gas sector.

A top notch balance sheet, operating performance, and cash flow growth profile sets it apart from its peers.

With slightly less than half of its production coming from conventional crude oil, and 90% of production coming from crude oil in general, this $3 billion oil and gas giant is set up to benefit greatly from rising oil prices.

In 2017, operating cash flow increased 72%, and so far in 2018 operating cash flow has increased 40% to $329 million.

In the third quarter of 2018, Enerplus reported a 4% increase in production, a 2% to 3% increase in oil and gas realized prices, and a 21% increase in funds from operations. The realized oil price was$83.98 per barrel in the quarter, reflecting its quality.

The company's capital plans, which are fully funded, are expected to result in strong production and cash flow growth over the next few years, and management believes, as I do, that this is not reflected in its stock price.

While the dividend yield is low, at 1%, this dividend is extremely well covered by cash flows.

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

Canadian Natural is a cash machine that continues to generate strong cash flows and returns for shareholders, yet CNQ stock is down 26% year-to-date.

In the first nine months of 2018, Canadian Natural has seen a 50% increase in funds from operations, free cash flow after dividends of approximately $3.1 billion, and a sharp improvement in oil sands mining operating costs to $22.90 per barrel.

With a 3.86% dividend yield, a predictable and reliable stream of cash flows with little reserve replacement risk, CNQ stock remains a top pick for energy exposure into 2019.

Cenovus Energy Inc. (TSX:CVE)(NYSE:CVE)

The $17.7 billion acquisition of assets from ConocoPhillips in 2017 has served to dramatically increase Cenovus' production profile, and drive strong cash flow growth.

As free cash flow ramps up in 2018 and 2019, we can expect to see increasing dividends, debt reduction, and more share buybacks, all catalysts for strong performance for Cenovus Energy stock.

Final thoughts

Recent production cutbacks in Canada have served to lessen the discount on Canadian oil and drive home the value proposition of Canadian energy stocks such as the ones I have discussed in this article.

Long term investors should consider that these are stocks to buy now when the energy industry is at cyclical lows.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:CVE (Cenovus Energy Inc.)
3. NYSE:ERF (Enerplus Corporation)

4. TSX:CNQ (Canadian Natural Resources Limited)
5. TSX:CVE (Cenovus Energy Inc.)
6. TSX:ERF (Enerplus)

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