



3 Oil and Gas Stocks to Own as Oil Climbs Higher

Description

Oil prices are rallying once again, trading at over \$53, or 15%, higher than a month ago. The rally was brought on by continued geopolitical turmoil in countries such as Venezuela, the real and perceived risk to the supply side are real.

Despite falling [economic growth](#) projections, this is a big deal.

Venezuelan production has fallen from close to 2.1 million barrels a day in January 2017 to 1.2 million barrels a day today. And while the boom in U.S. drilling has more than offset this, this is a significant event, as Venezuela is still an important exporter to the U.S.

Here are three [oil and gas](#) stocks to own as oil climbs higher.

Canadian Natural Resources ([TSX:CNQ](#))([NYSE:CNQ](#))

Canadian Natural has been on a long, consistent road of shareholder value creation, with dividend increases and stock price outperformance being the norms.

It is the safe bet in a volatile energy market.

Canadian Natural is a cash machine that continues to generate strong cash flows and income for investors, yet CNQ stock is down approximately 18% versus last year.

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 3.84% dividend yield, a predictable and reliable stream of cash flows with little reserve-replacement risk, CNQ stock remains a secure pick for energy exposure.

Cenovus Energy ([TSX:CVE](#))([NYSE:CVE](#))

The \$17.7 billion acquisition of assets from ConocoPhillips in 2017 has served to dramatically increase Cenovus's 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.

Enerplus ([TSX:ERF](#))([NYSE:ERF](#))

Enerplus's top-notch balance sheet, operating performance, and cash flow growth profile sets it apart from its peers.

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 2-3% increase in oil and gas realized prices and a 21% increase in funds from operations.

And 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.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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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