This Top High-Quality Oil and Gas Stock Belongs in Your Portfolio as Oil Prices Heat Up

Description

It is no secret that the Canadian energy industry continues to struggle under the enormous pressure caused by a lack of infrastructure and capacity to move the resource to the desired markets.

While Western Canada Select (WCS) typically trades at a discount to Western Texas Intermediate (WTI) oil, this differential has had moments of being greatly exaggerated in the last year.

While some differential is to be expected, as WCS is a heavy oil, which needs to be refined before it can be used, it had at times risen to historically unprecedented levels. From averages of roughly $20-30, it had risen to $50 per barrel, setting off a painful struggle for many Canadian oil producers.

Let's switch gears now and look beyond the noise, focusing on a Canadian oil and gas company that was never affected by this issue but whose stock price has been under pressure nonetheless, creating an opportunity for investors to buy this stock at bargain prices.

Looking at **Enerplus's** (TSX:ERF)(NYSE:ERF) latest quarterly results illustrate this very important point.

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

That's not so bad at all.

A top-notch balance sheet, operating performance, and cash flow growth profile set Enerplus 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 continue to benefit from strong oil prices.

In 2017, operating cash flow increased 72%, and so far in 2018 operating cash flow has increased

60% to $539 million.

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, and the company is actively buying back shares.

Enerplus is reporting its fourth-quarter and year-end 2018 results on February 22 — a report that I expect will be positive.

We just need investor sentiment toward the Canadian oil and gas industry to improve, and we will have an opportunity for explosive capital gains!

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ERF (Enerplus Corporation)
2. TSX:ERF (Enerplus)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/15
Date Created
2019/02/16
Author
karenjennifer