1 Triple-Bagger Energy Stock to Buy Today

Description

Editor's Note: A previous version of this article referenced, "The substantial exploration upside is underscored by its natural gas prospective resources that have a mean estimate of over 10 billion cubic feet with a 51% chance of being commercially viable to recover."

This has since been updated to read, "…over 10 **trillion** ***cubic feet…"***

Ever since the price of crude collapsed in late 2014, investors eyes have been fixated on Canada's energy patch, as they seek to buy oil and natural gas stocks trading at deep discounts to their intrinsic fair value. This fixation has seen investors ignore opportunities that exist outside Canada. One such opportunity that is showing signs that it could triple in coming years is oil and gas driller **Valeura Energy** (TSX:VLE), which has lost 37% over the last year, creating an opportunity for risk-tolerant investors seeking outsized returns.

Compelling opportunity

While oil and gas exploration is a risky business with a long history of drillers failing to deliver as promised, the risk/reward equation in the case of Valeura appears weighted toward investors. The driller owns a portfolio of oil concessions in Turkey, where it has 528,506 gross acres holding proven and probable reserves of 7.8 million barrels of oil equivalent. Those reserves are almost entirely weighted to natural gas and have an after-tax net present value (NPV) of $50 million.

It isn't Valeura's reported proven and probable reserves that make it a compelling buy and potential triple bagger; it is the tremendous exploration upside of its mineral concessions combined with unique market factors that do so. The substantial exploration upside is underscored by its natural gas prospective resources that have a mean estimate of over 10 trillion cubic feet with a 51% chance of being commercially viable to recover.

Valeura recently announced that it is on the cusp of unlocking the potential held by its concessions located in the onshore Thrace Basin in the European side of Turkey. The driller has announced some impressive results for the Inanli-1 appraisal well that indicate it is only a matter of time until Valeura unlocks the estimated 10 trillion cubic feet of natural gas held by its leases in the basin.

The importance of developing the asset and bringing it to full commercial production can't be emphasized enough. Not only will it boost Turkey's ailing economy, which desperately needs to bolster exports and fiscal income, but it will give a Western Europe, which is highly dependent on Russian natural gas, an alternate source of the fuel.

It is that final point which underscores the considerable potential Valeura holds.

You see, Russian president Putin has shown no reluctance to use Western Europe's dependence on the nation's natural gas exports as a foreign policy tool. The Eurozone's reliance on Russian natural gas undermines its security and reduces many countries' ability to counteract Moscow's aggressive moves to re-establish Russian dominance in Eastern Europe.

Over 40% of natural gas imported by the European Union is sourced from Russia and consumption of the fuel continues to rise. Germany, the European Union's economic powerhouse, gets half of its natural gas supplies from Russia, and for some smaller members it makes up 100% of the natural gas they consume.

Putin's willingness to use this dependence as a political tool to advance the Russian national interest was highlighted by threats to cut off gas supplies to various European nations in 2014 and 2015. Moscow threatened to cut off natural gas supplies to European countries when they objected to Russia's open involvement in Ukraine's separatist conflict and moves to annex the Crimean Peninsula.

Solid financial position

To financially support the work required to develop the massive natural gas deposit, Valeura is planning to list it on the London Stock Exchange, which will give it access to additional capital-raising opportunities and boost liquidity. Valeura finished 2018 in a solid financial position with $62 million in cash and no long-term debt. According to CEO Sean Guest, the driller has enough funds to conduct the required development work until 2020, but obviously an additional listing will bolster Valeura's financial flexibility while reducing uncertainty around the ability to raise capital.

Is it time to buy Valeura?

The company has an average analyst target price of $7.94, which is almost three times greater than its current market value. Valeura holds considerable potential. If it can successfully develop its acreage in the Thrace Basin, its stock will soar, potentially tripling from current levels. That makes it a very appealing speculative investment for risk-tolerant investors.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

1. Editor's Choice

PARTNER-FEEDS

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

Category

1. Energy Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/07/21
Date Created
2019/04/10
Author
mattdsmith