



3 Top Energy Stocks to Buy in April

Description

Oil's sustained rally has put the spotlight firmly back on the energy patch. Many of Canada's beaten-down oil producers and infrastructure stocks have rallied substantially over the last month. According to respected Canadian energy investor Eric Nutall, general investors have yet to start making substantial investment in the energy patch, creating an opportunity for investors to get in early before stocks soar. With growing supply constraints and better-than-expected demand growth, April is the perfect time for investors to bolster their exposure to energy stocks before oil commences its next leg-up.

Debt free and quality assets

Parex Resources ([TSX:PXT](#)) can easily be described as one of the best-in-class upstream drillers. It is debt free, owns and operates high-quality assets in the Andean nation of Colombia, has a long history of growing oil reserves, and its production and management are very focused on unlocking value for investors. The driller has forecast that 2019 oil production will expand by 19% compared to 2018 to 53,000 barrels daily. That — along with low operating expenses and its ability to access premium Brent pricing — will give its netback, operational profitability, and hence earnings a [solid lift](#).

Importantly, Parex expects its 2019 exploration and well-development program to be self-funding if Brent averages US\$60 a barrel during 2019. Given its long history of success, there is every likelihood that its oil reserves will expand once again at the end of 2019 further enhancing its value.

Focus on light and medium crude

Whitecap Resources ([TSX:WCP](#)) is a leading Canadian light to medium oil producer, which owns and operates acreage in Western Canada. Its oil wells have low decline rates that have been estimated to be around 18-19% during 2019. This indicates very little sustaining capital is required, thereby reducing operational costs.

For 2019, production is projected to decrease by up to 6% year over year to 70,000 barrels daily. This

reflects Whitecap taking a more cautious approach to spending, having reduced its capital expenditures for the first half of 2019 because of the uncertainty surrounding the outlook for crude. Whitecap remains one of the most profitable drillers in Canada, reporting a 2018 operating netback before hedges of \$31.69 per barrel produced. Because it is focused on light and medium oil, it isn't subject to the [risks surrounding](#) the oil sands and bitumen production.

At an average assumed price of US\$55 per barrel of West Texas Intermediate (WTI) for 2019, it anticipates a netback of \$23.75 per barrel. Now that WTI is trading at over US\$65 per barrel, the profitability of Whitecap's earnings will expand, boosting its bottom line and share price.

International diversification

Vermilion Energy ([TSX:VET](#))([NYSE:VET](#)) owns a globally diversified portfolio of oil and natural gas assets across North America, Western Europe, and Australia. It was one of the very few upstream oil producers not to eliminate its dividend because of the prolonged slump in crude. The driller pays a monthly dividend yielding a monster 8%, which appears sustainable despite the fears of some market pundits.

Vermilion has a long history of growing its oil production. For 2018, its oil output expanded by 28% year over year to 87,270 barrels daily. The driller has forecast that it will grow by up to 21% for 2019 to an average of 106,000 barrels daily. This coupled with Vermilion's focus on controlling costs, its ability to access Brent pricing, and higher oil will give its earnings a solid lift as well as enhance the sustainability of its dividend.

That should boost its market value, especially if oil moves higher as some analysts are predicting. While investors wait for that to occur, they will be rewarded by Vermilion's very juicy 8% dividend yield.

CATEGORY

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2. Investing

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1. NYSE:VET (Vermilion Energy)
2. TSX:PXT (PAREX RESOURCES INC)
3. TSX:VET (Vermilion Energy Inc.)
4. TSX:WCP (Whitecap Resources Inc.)

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