



## Buy These 2 Top Energy Stocks As the Tide Turns for Canadian Oil and Gas

### Description

The Canadian [oil and gas](#) sector has been all the talk in the last few years, and while it has usually been talk about problems and setbacks, it looks like the tide is now turning. We can see this shift if we look at recent developments, which taken together, point to a sector on the verge of surging higher.

First, we've a multitude of project approvals in the last year or so. The most recent approval was the Trans Mountain approval, which was a necessary condition for the revival of the energy sector. We also had the approval of LNG Canada's \$40 billion liquefied natural gas project last year. But also, and just as important, it certainly feels like the tide is turning, as sentiment toward the oil and gas sector seems to be shifting.

Also key here is that [pipeline companies](#) and the industry in general have built and continue to build long-term relationships with First Nations communities, with a focus on good old compromise and respect. Hence, many First Nations groups are onboard and vying for ownership of these massive projects.

In this new world, with increased takeaway capacity, we can expect increased drilling in the medium to longer term. This, coupled with strong oil prices (currently trading at \$57.41 at writing), has me looking for oil and gas stocks with the most leverage, and consequently, the most upside.

Trading at deep cyclical low levels, here are two energy stocks with big upside. They are in the energy services segment of the energy world, and are notoriously volatile. But if we catch them on the way up, there's tons of money to be made. If we buy these stocks, we are buying them for the significant earnings recovery potential when the industry recovers.

Trading at a mere \$1.24 at the time of writing, **Trican Well Services Ltd.** ([TSX:TCW](#)) stock has clearly taken a real beating. And while revenue is still declining, the company has managed to remain free cash flow positive in the last two years as it struggles to survive this deep and painful downturn.

But Trican remains the largest Canadian pressure pumping company that continues to focus on returns and capital discipline. To illustrate this, we can see that Trican has stepped up its share repurchases and has repurchased approximately 16% of shares outstanding from October 2017 to the present time.

**Precision Drilling Corp.** ([TSX:PD](#))([NYSE:PDS](#)) is another leader in the Canadian energy services industry, with a long history of operational excellence, and a diversified business that includes operations in the U.S. and various international areas. Precision has been upgrading its rigs for some time now, and is now also stepping up its efforts to add technology to its offerings by deploying land drilling software, algorithms, and automation technology.

When the tide turns, Precision will therefore be well-positioned with its superior fleet of rigs and its long-standing relationships in the oil and gas industry. The company is also free cash flow positive and continues to use this cash flow to work down its debt and strengthen its balance sheet.

Keep in mind that these energy services stocks are not for everyone, and they should not compose a big percentage of your portfolio. But these stocks are trading at dirt cheap, historically low valuations with the potential to add some real torque to your portfolio.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:PDS (Precision Drilling Corporation)
2. TSX:PD (Precision Drilling Corporation)
3. TSX:TCW (Trican Well Service Ltd.)

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