Forget Suncor Energy (TSX:SU): This Company Is an Even Better Way to Play Rising Oil Prices

Description

Suncor Energy (TSX:SU)(NYSE:SU) may be the "king of Canada's oil sands" but here's why I happen to think rival **Canadian Natural Resources Ltd** (TSX:CNQ)(NYSE:CNQ) is an even better way for investors to take advantage of the recent trend in rising oil prices.

Make no mistake: Suncor is still the dominant player operating within Canada's oil sands.

Valued at a market capitalization of $66.6 billion currently, Suncor is a much larger company than CNQ, currently valued at a market capitalization of a still very respectable $43.1 billion.

And in terms of their balance sheets, SU owns assets valued at north of $93 billion while CNQ has a smaller, but still very respectable $73 billion of assets to its name.

But where the two companies really start to mark their differences is in the value of SU's refining and marketing (R&M) segment.

In the first quarter, Suncor's R&M division was responsible for generating over $1 billion of the company's $1.2 billion total operating earnings, or more than 80%.

Canadian Natural Resources on the other hand, doesn't have any R&M business to speak of at all, instead selling its crude product to third-party agents.

But before anyone starts jumping to conclusions, that's not actually such a terrible thing.

However, it does represent a significant difference between the two companies in that Suncor's R&M segment tends to outperform when oil prices are lower, helping to balance out or offset any weakness in its upstream business, the business responsible for exploring, drilling, and taking crude product out of the ground.

Meanwhile, CNQ is much more reliant on the level of oil and gas prices and where they're expected to be heading next. If you're looking for a more steady, stable track record of operating (and share price) performance, you're probably going to feel more comfortable investing in a company like SU knowing that if oil prices start heading in the opposite direction, its R&M business is going to help to cushion some of that blow.

On the other hand, if you're willing to take a little added risk in the effort of trying to make a few extra bucks and you're looking to speculate on where you happen to think oil and gas prices may be headed down the road, you may be more inclined to initiate a position in CNQ.

It's also important to keep in mind that in addition to being more directly exposed to the level and direction of oil prices, the fact that CNQ is also a smaller company than SU (albeit not by much) could also contribute to larger fluctuations in the value of its share price, which is equally true in good times and bad.

Foolish bottom line

Both companies are coming off announcements of double-digit increases to their dividend payouts this year, along with the announcement of what are some fairly substantial share buyback programs.

Both are not without their own merits, but for those looking for an added punch when it comes to speculating on the direction of where energy prices are headed next, CNQ may be your better bet.

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