Is Encana (TSX:ECA) About to Be Dethroned?

Description

Monday's news of oil output disruption in Saudi Arabia sounds as if it may have been another hyped-up media story. **Reuters** consulted with two sources who both confirmed that it would only take two to three weeks to restore Saudi Arabian oil production capacity fully.

Despite the quick turnaround, the energy sector maintained above-average momentum on the Toronto Stock Exchange on Tuesday. Over the weekend, Yemen rebels attacked Saudi Arabia's oil infrastructure, knocking out 5% of the world's oil supply. Many of Canada's oil stocks jumped 10% in value on the news.

Encana (TSX:ECA)(NYSE:ECA), **Baytex Energy** (TSX:BTE)(NYSE:BTE), and **Crescent Point Energy** (TSX:CPG)(NYSE:CPG) were the most active energy stocks on the TSX on Tuesday. Trading volume for each of these stocks rose to over eight million shares — above the approximate average of five million.

Oil is certainly not the most profitable industry in Canada today. Shares in high-dividend oil stocks are undoubtedly inappropriate for Tax-Free Savings Account (TFSA) and Registered Retirement Savings (RRSP) investors. For those risk-loving investors who like to live on the edge, however, here's a breakdown of how these three oil stocks are faring.

Encana

Founded in 1971, Encana has a vast professional network throughout huge energy markets, including south Texas — where **Exxon** is building a new facility in partnership with Saudi Arabia. Encana boasts the highest diluted earnings per share (EPS) out of the three at $1.03. The company also has the highest profit margin at 18.3%.

For these reasons, perhaps the company's extensive connections and profitability explain why the stock is the more expensive out of the trio. Encana's share price closed at $6.32 on Friday. Monday, the stock opened at nearly $7 per share and quickly rose to a high of $7.61. The excitement wore down on Tuesday, but not completely. The stock only corrected downward by 3.74% to $7.08 per share.

Baytex Energy

Baytex Energy reported the highest EBITDA of these three active oil players at $966 million last year. Like Encana, Baytex also has substantial business interests in Texas — particularly in Eagle Ford, a once actively drilled sedimentary rock formation and source for oil. These investments might be part of the reason why Baytex is valued so cheaply; the Eagle Ford site has been relatively inactive since 2010.

Baytex Energy saw similar movements on the TSX as Encana. On Friday, Baytex stock closed at $1.93 per share. On Monday, the stock opened at $2.19 and closed at $2.25 due to the oil price volatility brought on by the Saudi infrastructure attacks. Baytex maintained its price gain from Monday's trading session and even rose further to over $2.30 on Tuesday.

Crescent Point Energy

Crescent Point Energy focuses on oil exploitation in North Dakota, Montana, and Utah — areas with a high population of Native Americans. Thus, the political backlash from indigenous communities is quite for sites in the northwest/central United States. Last year, Crescent Point reported a negative EPS of nearly $4 and the worst profit margin of these three stocks at negative 68%.

Remarkably, the stock is still listed on the exchange as many Canadian oil stocks are being delisted. Crescent Point Energy reached a high of $6.30 on Monday, up to $0.70 from Friday's closing price of $5.60. Although the stock dropped 1.75% on Tuesday to $6.16, the stock still maintained a 10% gain over last week.

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