Which of These 2 Energy Stocks Is Right for You?

Description

Shares of oil and gas marketing and refining companies appear to offer investors pretty solid value right across the board these days. And there's good reason for that.

Thanks to major advancements in hydraulic fracturing over the past decade, the U.S. (the world's largest consumer of energy, including oil and gas products) has gone from being a net importer to a net exporter today.

While environmentalists may be quick to point to the dangers of hydraulic fracturing and the risks that it presents for our natural environment, the one thing we do know is that the widespread acceptance and adoption of "fracking" technology among oil and gas exploration companies in recent years has played a major role in reducing the financial burden of energy for consumers and businesses alike. Well, maybe for some out there more than others.

Because while the price of a barrel of crude oil has fallen from north of US$100 a few years ago to frequently below US$50 in recent years, prices for refined crude products like gasoline and diesel haven't fallen by nearly the same amount.

Sure, the cost to fill up your fuel tank at the local gas station might be a little cheaper than at its peak, but in most major Canadian markets, drivers today are paying roughly what they did back at the start of the decade when the price of oil was still above the US$80 mark.

That isn't great news for the average Canadian commuter, but it is pretty good news for the oil and gas refining and marketing companies that buy crude stock from producers at cheap prices and pass it along to consumers along with a hefty mark-up.

Down to brass tacks

There are two companies on the Canadian side of things in this space that I really like right now.

One of them is **Cenovus Energy** (TSX:CVE)(NYSE:CVE) and the other is **Husky Energy** (TSX:HSE).

Both stocks have been punished in recent years (in my opinion, not quite fairly).

CVE lost the faith of markets after it took on mountains of debt to pay for the **ConocoPhillips** assets that it did not already own in a massive, multi-billion-dollar deal.

Husky, meanwhile, is a more highly levered operation, and as gas prices have come off their highs over the past 12 months or so, HSE stock has suffered an outsized punch to the throat (so to speak).

Still, the HSE shares pay a 5.52% dividend, trades at less than 0.5 time its reported book value, and has a price-to-earnings ratio of just 6.5 times.

The fact that its shares are now in a deeply oversold condition and trading at their lowest point in the past 52 weeks only serves to make this a more appetizing value play for contrarian-minded investors.

CVE is generating hoards of cash at the moment, and while it still has a way to go before it gets its books completely back in order and sufficiently raises its dividend payout to the point where it can truly be on par with a company like Husky, investing is very much a forward-looking endeavour. In this respect, I have to believe that with CVE, it's more a matter of being patient with the market's disposition to this company than anything else.

Foolish bottom line

Long term, I'm a Cenovus bull for the reasons outlined above, but if you were to ask me which stock I thought would outperform over the next few weeks or so, I would probably have to put my money on the side of HSE stock.

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