2 Energy Stocks to Buy Today That Are Trading at Massive Discounts

Description

With the resumption of **TC Energy's** Keystone Pipeline this week, crisis has been averted for Canadian oil companies. The pipeline, which carries nearly 600,000 barrels of oil a day from Albertan to American refineries, represents nearly 15% of all takeaway capacity in Canada, which is extremely significant.

Now that the biggest risk to Canadian companies' operations is in the rear-view, we can start to look for some value again in the industry, and not have to worry about the potential for a prolonged shut down, which would have wreaked havoc throughout Western Canada.

Two of the top oil stocks that are trading well below their fair value today and are great pickups for long-term investors are **Crescent Point Energy** (TSX:CPG)(NYSE:CPG) an **Surge Energy** (TSX:SGY).

Crescent Point

Crescent Point is one of the most popular oil and gas producers on the TSX. It will produce roughly 160,000 barrels of oil equivalent per day (BOEPD) this year, roughly 90% of which will be liquids.

The company has operations in both Alberta and Saskatchewan and has been focusing its asset base, selling non-core assets, which this year has already totalled roughly $950 million.

Crescent Point was caught off-guard when the oil market crashed and its heavy debt load threatened the long-term stability of the company. Despite that, it has done an incredible job handling its issues, reducing its debt, and lowering its operating costs to drive netback growth.

It now has some of the lowest netbacks out of all its peers and is focused on reducing its decline rate going forward.

Couple that with its work to reduce debt to cash flow and its sustaining capital to cash flow, and Crescent Point is positioning itself to be one of the most profitable and stable companies in Western

Canada.

Due to its large reach and scale, plus its renewed financial stability, Crescent Point has the flexibility to turn on the taps when oil prices start to rise and become more economical, giving it huge growth potential.

This growth is not fully reflected in the share price though, which is what makes Crescent Point one of the most undervalued stocks on the TSX today.

Surge

Surge is quite a bit smaller than Crescent Point with a market cap of roughly $330 million compared to Crescent Point's nearly $3 billion market cap.

Its production rate is quite a bit less too, closer to 20,000 BOEPD and 85% of it is liquids.

What's interesting about Surge is it has been so well positioned that while almost every company in the industry has been cutting production, Surge has been increasing it.

Through acquisitions and organic growth, Surge has now reported more than 70% growth in production in the last 13 quarters.

Its netbacks so far this year have come in below its guidance, which is positive, and it's been able to reduce its debt significantly by nearly 20%, while also paying out its dividend, which yields a whopping 9.8% today.

This may seem like a ticking time bomb, but Surge has assured investors through its hedging and with its low netbacks that as long as WTI can stay above $55, the dividend will be sustainable.

Although that's not a guarantee by any stretch, a 9.8% dividend is huge, and investors with the risk tolerance should certainly consider gaining some exposure.

At just roughly $1 a share, the company is extremely cheap and presents a huge opportunity for those investors willing to buy and hold for the long term.

Bottom line

The Canadian energy sector is full of high-quality value opportunities for long-term investors. Whether it's growth you are looking for or high-yield companies, there are a number of prime opportunities to consider investing in.

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