WARNING: Baytex Energy (TSX:BTE) Stock Could Fall Further in This Market Crash!

Description

On Wednesday, the protracted global market crash continued, as the WHO declared coronavirus a pandemic and U.S. cases topped 1,000. Serious disruptions to the economy became more likely, as entire countries went on lockdown and major events got cancelled. Just recently, **Air Canada** cancelled all flights to Italy, following similar moves by U.S. airlines.

In the midst of all this, Canadian energy stocks are dealing with a double whammy of pain. Faced with sluggish demand for oil and Saudi production increases, they're getting hit on both supply and demand. At this point, basically all Canadian energy stocks are in trouble. One Alberta oil company, however, stands out as particularly likely to crash.

Baytex Energy (TSX:BTE)(NYSE:BTE) is a debt-addled Canadian energy company that has been struggling for a long time. After borrowing heavily in the lead up to the 2014/2015 oil price crash, its stock went into a free fall. Now, faced with crashing oil prices, it's in even more trouble than ever before. In a worst-case scenario, this company could be looking at bankruptcy and de-listing. Here's why.

Difficulty profiting off oil at these prices

Energy companies are going to have a hard time turning profits at today's prices. The average break-even price for tar sands producers isn't clear, but it's known that about a third of U.S. oil companies need WTI at $55 to break even. Currently, WTI is at $32 — nowhere near the level those producers need. As of this writing, the Canadian Crude Index was at $20, far lower than WTI. Although producers that pump cheap, accessible oil can profit at that price, many tar sands companies can't.

This brings us back to Baytex. According to Fool contributor Ryan Vanzo, the company needs prices of about $50 to break even. You don't need me to tell you that $20 is nowhere near that level, but what's more concerning is the possibility that oil prices will stay low long term. **Saudi Aramco** can profit at very low oil prices, as can producers in many other countries, so there's no saying how long the price pressure will continue for.

A mountain of debt

It would be one thing if Baytex were *only* struggling under the weight of collapsing oil prices. That's bad, but it could turn around in the future; say, thanks to technological innovation or a surge in oil prices.

Unfortunately, the oil price crash is just the start of Baytex's woes.

In addition to all of the problems it faces from tanking oil, the company also faces a mountain of debt: about $2 billion in bank loans and bonds combined. That generates a huge, recurring interest burden that Baytex will have a hard time servicing with cheap oil. If the situation gets worse, then the company may have to re-finance just to make interest payments. Not only that, but the company actually *added* to its massive debt load in January, with a $500 million debt offering.

It's a doozy of a situation, and just one of many reasons to sell BTE if, for some reason, you're still holding it today.

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