



Oil Price Crash 2020: 2 Top Canadian Oil Stocks to Buy Today

Description

Canadian oil stocks have been sharply impacted by the recent [oil price crash](#). The North American West Texas Intermediate (WTI) benchmark price plunged into negative territory, causing energy stocks to plunge. This has created a once-in-a-generation opportunity to acquire quality Canadian oil stocks at extremely attractive valuations.

While the latest events will trigger bankruptcies in the energy patch, many oil stocks are trading at extremely attractive valuations. They also possess solid fundamentals, which will see them emerge from the current crisis in solid shape. Here are two top Canadian oil stocks to buy today and profit from oil's impending recovery.

Debt-free oil producer

Parex ([TSX:PXT](#)) will comfortably survive the latest oil price collapse. After losing 37% since the start of 2020, it appears attractively valued, highlighting why it is time to buy.

Parex is one of the few debt-free upstream Canadian drillers. At the start of April 2020, Parex had US\$390 million of cash and another US\$200 million available from an undrawn credit facility.

The [company's quality](#) Colombian oil assets, low operating costs, and ability to access international Brent pricing give it a considerable advantage over its North American competitors. Parex's predominantly conventional oil assets have a combined industry-low decline rate of around 15-20%. That emphasizes its quality in comparison to other drillers.

This is well below the decline rate of many conventional oil producers and significantly lower than U.S. shale oil companies. That is important to note, because low decline rates mean less capital needs to be invested to sustain production.

Parex expects 2020 operating and transportation expenses to be around US\$13 per barrel. This means in an environment where Brent is selling at around US\$27 a barrel, its oil operations are cashflow positive.

For these reasons, Parex will continue to generate solid earnings, even after the latest oil price collapse. Parex stock will soar once oil rebounds. This is particularly the case when it is considered that it is trading at a deep 123% discount to the net asset value of its proven and probable oil reserves. That underscores the considerable upside available and why you should buy Parex today.

Leading upstream driller

Whitecap ([TSX:WCP](#)), which has lost a stunning 62% since the start of 2020, recently reported some worrying first-quarter 2020 results. This included a net loss of a whopping \$2.1 billion, which can be primarily attributed to a non-cash \$2.9 billion impairment charge to Whitecap's net book value. The difficult operating environment dominated by sharply weaker oil prices is responsible.

Whitecap has cautioned the market that there are further impairment charges ahead, which will impact its 2020 net income.

Nonetheless, there were several positive outcomes from the driller's latest losses, despite the latest oil price collapse. Whitecap reported an operating netback of \$22 per barrel sold, indicating that despite the adverse business environment, it is not pumping crude at a loss.

The driller has been making steady progress with boosting the profitability of its operations and fortifying its balance sheet. Whitecap finished the first quarter with net debt of \$1.3 billion, which is a very manageable 1.7 times EBITDA. It also reported \$500 million of credit capacity, giving Whitecap enough liquidity to survive the current oil crisis.

Whitecap is making further cost reductions. It anticipates reducing operating expenses by 12% compared to its original 2020 guidance. Whitecap will cut another \$20 million of annual capital expenditures and shutter 2,000 barrels of uneconomic production.

The driller can also cut its dividend again or even suspend the payment altogether to preserve cash. This makes sense in the difficult environment which currently exists.

While the short-term outlook is poor, Whitecap will emerge from the current crisis and rally substantially when oil prices recover. Whitecap's attractiveness is underscored by it trading at less than half of the net asset value of its proven and probable oil reserves. This indicates that there is considerable upside ahead, even if the value of those reserves declines because of sustained weaker oil prices.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:PXT (PAREX RESOURCES INC)

2. TSX:WCP (Whitecap Resources Inc.)

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Author

mattsmith

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