



## Oil Stocks Are Dirt Cheap: Here's 1 Buffett Is Buying

### Description

Oil stocks are rallying hard these days. But that doesn't mean they're expensive. Although energy stocks are up nearly 50% for the year, their earnings are growing far faster than their stock prices. For example, **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) grew its earnings by 260% in its most recent quarter, yet its stock price is only up 42%.

42% in a half year is a great return, but Suncor's business is growing much faster than that. So, there is a strong case to be made that oil stocks are cheap these days. Their earnings multiples are still very low, and many of the biggest energy firms have rock-solid balance sheets.

So, it should come as no surprise that Warren Buffett is [buying oil stocks](#) this year. In 2022, an oil company became Buffett's fourth-biggest holding, and he is buying others, too. In this article, I will explore one oil stock that Buffett's buying and why he likes it so much.

### Occidental Petroleum

**Occidental Petroleum** ([NYSE:OXY](#)) is a U.S. oil stock that produces oil in the [Permian Basin](#). The Permian Basin is one of the most productive oil fields in the world. It appears that this oil field's potential is what has Buffett interested. In a comment on OXY, he said that his investment was a bet on "oil prices, and that the Permian Basin is what it's cracked up to be."

It looks like he thinks that OXY will produce more oil than expected from its Texas and New Mexico properties. It does not look like Buffett is buying the stock primarily because of its price. Trading at four times book value and two times sales, it is more expensive than the likes of Suncor.

### Looking for a Canadian play? Consider this...

If you want to copy Buffett's oil plays but feel a patriotic duty to invest in Canada, you're in luck.

Although Canadian investors are free to invest in Oxy, **Chevron**, and other Buffett oil plays, you can

always stick to your home turf by buying Suncor Energy. While Suncor is not currently owned by Warren Buffett, he has owned it in the past. He sold the position last year. Since then, it has gone to rally 50%.

It could be that Buffett sensed more value elsewhere. Indeed, Occidental Petroleum has risen much more than Suncor has. However, SU stock is much cheaper than OXY today, trading at not even two times book value. So, it would not be surprising at all to see Buffett re-initiate a position in Suncor in the months ahead.

## Foolish takeaway

Buffett is bullish on oil stocks in 2022, and Canadians have good reason to celebrate. Oil companies are some of Canada's best-known enterprises, giving many Canadians the ability to make informed decisions in the oil sector based on personal experience. Whether you choose a U.S. oil stock like Occidental Petroleum or a Canadian oil stock like Suncor, you can do well. Just make sure you keep an eye on where the supply and demand for oil are headed, as integrated energy stocks require strong oil prices in order to make money.

### CATEGORY

1. Energy Stocks
2. Investing

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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:SU (Suncor Energy Inc.)

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