3 Oil Stocks for the 2nd Half of 2022

Description

Looking for oil stocks to buy in the second half of 2022?

If so, there are plenty of good options to choose from. Many Canadian oil companies have high earnings growth, pristine balance sheets, and strong cash flows. Even if oil prices go down, many of them will do well.

With that being said, not all energy companies are created equal. Some are better prepared to handle low oil prices than others. The companies that can survive low oil prices are less risky than their peers. You could have made a lot of money by buying **Baytex Energy** at the start of this year, but you wouldn't want to be caught holding it if oil goes below $60. In this article, I'll explore three oil and gas stocks that offer upside and also an acceptable margin of safety.

Cenovus Energy

Cenovus Energy (TSX:CVE)(NYSE:CVE) is a Canadian oil company that just put a fantastic quarter behind it. In the first quarter, Cenovus delivered the following:

- $1.365 billion in cash from operations, up 499%
- $2.5 billion in adjusted funds flow, up 126%
- $1.8 billion in free funds flow, up 209%
- $1.6 billion in net income, up 639%
- $4.9 billion in net debt reduction

It was an incredibly strong showing. And oil prices were high enough in the second quarter for earnings to be similarly strong this time around. In fact, the debt reduction implies that interest expenses will be lower, so maybe earnings will rise sequentially in the upcoming quarter. Be that as it may, CVE stock is still very cheap relative to its fundamentals, trading at just 0.9 times sales and 6.6 times operating cash flow.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is another Canadian oil company. It is known for its high dividend yield, which is currently 6.33%. ENB is a pipeline, which means that it transports crude oil and natural gas for profit. It also functions as a natural gas utility.

ENB's business model doesn't depend on high oil prices as much as CVE's does. As long as there is demand for oil and gas, Enbridge can make money charging customers fees in exchange for transportation. ENB isn't as affected by issues on the supply side of the equation as CVE is. For this reason, it could be seen as a more "stable" oil play than CVE — one that can thrive in good times as well as bad.

Suncor Energy

Last but not least, we have **Suncor Energy** (TSX:SU)(NYSE:SU), a dirt-cheap Canadian oil stock with spectacular growth. In its most recent quarter, SU delivered $4 billion in funds from operations (up nearly 100%), and $2.7 billion in adjusted operating earnings, up 269%. The growth in Suncor's case wasn't as extreme as in CVE's, but on the flip side, Suncor is even cheaper and has a much higher dividend yield.

At today's prices, SU trades at a shockingly low 4.9 times operating cash flow. That's so cheap that it's kind of hard to believe. With that kind of multiple, the company earns its entire market cap back in cash flows in just five years. It's not very often you see a bargain like that, which makes Suncor Energy one oil stock worth researching.

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2. NYSE:ENB (Enbridge Inc.)
3. NYSE:SU (Suncor Energy Inc.)
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