



## Billionaire Buffett Is Buying Oil: Should You?

### Description

Warren Buffett is going all-in on oil. Over the last few weeks, SEC filings have shown him buying **Occidental Petroleum** ([NYSE:OXY](#)) stock day in and day out. Oil prices have been volatile over the last few weeks, but Buffett thinks that the bull market in oil is a secular one. Calling his OXY investment a *“bet on long-term oil prices and the Permian Basin,”* Buffett is investing so heavily that some think he’s going to offer to buy OXY outright.

This investment could work out very well for Buffett. The Saudis are running out of spare capacity, and Russia, which is under sanctions, is not selling much oil and gas to Europe these days. The world is in a supply crunch that looks like it will last an awfully long time.

However, you may want to take a breather before you copy Warren Buffett. Buffett is known for his extreme patience and total disregard for short-term price fluctuations. The fact that he is in a stock will not save you from “scary” stock price fluctuations should you buy it. In this article, I will explore Buffett’s oil and gas investments and try to gauge whether they are suitable for the average investor.

## Why Buffett is buying oil

[Warren Buffett](#) is buying oil stocks for two reasons:

1. He thinks prices will stay high long term.
2. He thinks the Permian Basin has a lot of oil and will keep producing it for a long time.

Buffett explained why he liked OXY earlier this year when he started buying it, and the two points above basically summarize what he said. He’s probably right, too. Nobody can guarantee that oil prices will climb back to this year’s highs, but even \$100 oil will produce great earnings. Over time, that could cause oil stocks to rise.

## One Canadian oil stock Buffett used to own

If you're looking for a Canadian oil stock that Buffett might like, there is only one name worth mentioning: **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)).

It is a Canadian oil stock that Buffett has owned many times in the past. He most recently exited the stock in 2021, likely at a loss. He had begun accumulating shares in 2018, before the COVID-19 market crash. His average price was above \$40. When the COVID-19 market crash occurred, Buffett averaged down, but not enough to offset his earlier losses. He [sold SU stock](#) a few months after buying the dip.

Buffett's 2018 Suncor buy was a loser, but that doesn't mean the stock is a bad value today. This year, Suncor is up, like most oil & gas stocks are. Its most recent quarter was a huge beat, with revenue up 55% and earnings up 259%. The company also paid off about \$700 million worth of debt. With oil prices rising and interest expenses declining, Suncor has a great setup for the second quarter. So, it's quite possible that this stock will continue to rally in the second half of the year.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:OXY (Occidental Petroleum Corporation)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:SU (Suncor Energy Inc.)

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