

\$49.00

# Three Oil Stocks With Big 2015 Profit Potential!



## The Crude Oil Downturn Is Nearly OVER!

Anyone who watches the energy markets religiously can tell you the price of crude oil is down BIG in the past year. In fact, West Texas Intermediate (WTI) crude is down nearly 50% in the past twelve months.

Of course, the underlying reason for the enormous oil downturn is the historic decision by the Organization of Oil Exporting Countries (OPEC) to keep their production steady.

**No doubt about it, OPEC's November 2014 announcement shocked energy market experts...**

And not surprisingly, it sent the price of crude tumbling to \$42 a barrel earlier this year- a price not seen since the depths of the US financial crisis in early 2009.

With OPEC production remaining at 30 million barrels a day in 2015, the global marketplace is woefully oversupplied.

Adding further complexity to the situation is the fact US oil production is still sitting near multi-decade highs. As a matter of fact, US production surged to 3.1 billion barrels in 2014- the highest since the early 1980s.

But here's the deal...

***Oil market fundamentals are slowly but surely shifting back in favor of the bulls.***

First of all, the 2015 capital spending budgets of nearly every US oil producer has been slashed due the dramatic downturn in oil prices.

In some cases the cuts are dramatic- 30% to 50% percent spending cutbacks are not uncommon, especially in the small- and mid-cap exploration space.

Of course, these spending cutbacks mean fewer holes drilled in the ground.

Supporting this idea is the fact the Baker Hughes oil directed rig count has fallen precipitously over the past year. As a matter of fact, rigs drilling for oil are **down 46%** year-over-year.

And while this phenomenon hasn't yet led to falling US oil production, it most certainly will.

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You see, when wells put into production before the collapse in crude start producing less oil (which is inevitable due to the natural decline rate of each well), US oil production will start slowing meaningfully.

Remember, drilling activity has been nearly cut in half the past year. It's just a matter of time before production slows!

The real question on every energy investor's mind is, "When will this widely anticipated slowdown happen?"

Most energy analysts I consult with believe US production will turn over sometime in **mid- 2015**.

That's not far away!

*And that means now is the perfect time to establish bullish positions in beaten down energy names.*

Once the price of oil starts rising, well-positioned companies have the potential to give astute investors fantastic returns.

That's why I've put together a few companies that I believe will be at the top of energy investors' buy lists when the price of oil turns higher later this year!

Let's get to it...

## **Best Oil Stocks For 2015**

As you're likely aware, there are hundreds of publically traded oil companies vying for investors' attention. Some are mega- and large-cap international players, while others are of the small- and mid-cap variety.

While there's no question investing in well-established oil companies like **ExxonMobil** \$XOM and **Chevron** \$CVX are the safest way to go, these companies won't give investors the strongest capital gains when the price of oil starts jumping higher.

If you want exceptional gains, *I'm talking 50% to 100%*, you must look to the small- and mid-cap oil explorers. The industry is so beaten up that even the top-tier producers are trading at a steep discount.

**Of course, this is no easy task...**

Investing in small- and mid-cap oil exploration industry is akin to walking through a minefield right now. With oil prices at their lowest levels in years, a large swath of the industry is financially stressed.

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Pick the wrong company and your portfolio could be wiped out by an unexpected bankruptcy.

That's why I've put together a short list of oil companies offering compelling profit potential *along with a stable balance sheet*. In other words, there's little chance the companies I'm about to show you wind up in bankruptcy.

Let's not waste any more time.

Here are three oil companies with big profit potential as 2015 progresses...

## **Company #1 – Oasis Petroleum \$OAS**

Oasis Petroleum is a top tier mid-cap Bakken oil producer. Of course, the Bakken is the prolific North Dakota oil field that pretty much kicked off the US oil revolution in 2009. Oasis holds just over 506,000 net acres right in the heart of it.

Here's the deal...

The company has 272 million barrels oil equivalent (boe) in proved reserves with a PV-10 value of \$5.5 billion- all for a current market cap of \$2.3 billion. Even though the company is decreasing exploration spending in 2015 they expect average annual production to remain steady with 2014 at around 45,000 boe/d.

Perhaps the most promising thing about Oasis is they have ample liquidity and a reasonable debt load. Speaking of debt, the company doesn't have any due until 2018.

To top it all off, Oasis has their oil production well hedged through the end of 2015.

### **Action Recommendation:**

**Buy Oasis Petroleum \$OAS**

## **Company #2 – Sanchez Energy \$SN**

Here's a mid-cap oil explorer that has slipped into small-cap territory due to the downturn in the price of oil.

Sanchez has 226,000 net acres in the Eagle Ford Shale of South Texas. This \$955 million market cap company has 130 million boe of proved reserves with a \$1.9 billion PV-10 value.

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While Sanchez has decreased their 2015 capital spending plan dramatically, they're still expecting average yearly production of at least 40,000 boe/d, which is inline with last year.

But the best part about Sanchez is they have plenty of liquidity and debt that doesn't come due until 2021.

And like Oasis above, Sanchez has a robust hedging program that will help protect cash flows through 2015.

**Action Recommendation:**

**Sanchez Energy \$SN**

### **Company #3 – Bonanza Creek Energy \$BCEI**

Here's another very promising opportunity for investors looking to capitalize on a WTI price rebound.

Bonanza has 70,000 net acres and 90 million boe of proved reserves in Colorado and Arkansas. What's more, the \$1.3 billion market cap company has a PV-10 of just over \$2 billion.

And listen to this...

Despite a reduced 2015 drilling plan Bonanza's average daily production is expected to increase by around 15% over the entire year. What's more, the company has a significant amount (60%) of 2015 oil production hedged at much higher prices.

And the most important thing to consider in today's uncertain energy pricing environment is the fact Bonanza has ample liquidity and no term debt due until 2021!

**Action Recommendation:**

**Buy Bonanza Creek Energy \$BCEI**

Now that we've covered the best bullish bets in the oil exploration space, let's take a look at a few companies you should avoid.

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## A Few Oil Stocks To Avoid...

One of the unfortunate side effects of the steep oil price downturn of the past 8 months is the stress it puts on producers' balance sheets. And that's especially the case if a company is operating in a high-cost shale basin and doesn't have an adequate hedging program.

Let's face it...

While I believe the price of oil is going to rise meaningfully in the second half of 2015, there's a slight chance it remains stuck in the mid-\$50 range. If it does, the companies below will become even more financially stressed.

In other words, they could wind up in bankruptcy if the price of oil doesn't rise meaningfully- and soon.

So without further ado, here are a few oil companies to avoid...

- SandRidge Energy \$SD
- Comstock Resources \$CRK
- Swift Energy \$SFY
- Halcon Resources \$HK
- American Eagle Energy \$AMZG

## A Final Word

Folks, there's no question the plummeting price of crude threw the entire oil exploration industry into turmoil in late 2014 and early 2015.

*But the downturn is also giving astute investors a remarkable opportunity to profit!*

With supply/demand fundamentals slowly but surely shifting back in favor of the bulls, there's a very good chance WTI rebounds above \$70 a barrel in the very near future.

If you pick up the right oil company at the right time, I believe you'll be sitting very pretty when 2016 rolls around!

Until next time,

Justin Bennett, Editor  
*Commodity Trading Research.com*

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