But in the world of finance, all rules remain the same when it comes to solid balance sheets and share value.

Chevron has a perfect balance sheet with a Piotrotski Score of 9. With the F Score, a company receives a point for each balance sheet metrics listed below.
The company recently announced a $75 billion buyback program for its outstanding shares (it gets a point for fewer shares outstanding year-over-year.)

Piotroski F-Score Details Year: 20...

Component	Result
Piotroski F-Score	9
Positive ROA	✓
Positive CFROA	✓
Higher ROA yoy	✓
CFROA > ROA	✓
Lower Leverage yoy	✓
Higher Current Ratio yoy	✓
Less Shares Outstanding yoy	✓
Higher Gross Margin yoy	✓
Higher Asset Turnover yoy	✓

To put that buyback into perspective, the program is larger than the market capitalization of all but 12 U.S. oil producers.

The stock trades within the range of the Graham Number, a defensive stock price that analyzes both the company's earnings per share and its book value.

The Graham price, which investors should be comfortable paying for the shares, is about $185. That represents an attractive upside from current levels.

And since we can anticipate that Chevron will improve both its EPS and book value in the future, this defensive figure should increase every time that we see the company report earnings.

In addition, it hiked its dividend once again by 6%.

Understanding Production

The most interesting part of the company's recent earnings report was the news it had cut production globally.

The company had ended a contract in Thailand and Indonesia that altered its final output figures. But it did increase its output by 4% in the Permian Basin, one of the most capital-efficient regions for drilling in North America.

Even though its production guidance was muted, the company's cash flow remains robust. In Q4, its cash flow came in at $12.5 billion, an increase of nearly $3 billion year-over-year.

Chevron is showing strength in efficiency. And because of rising CAPEX costs, its management is making the right decision.

Instead of testing its margins, the executives are just returning excess capital to shareholders and boosting the price.

The company's balance sheet is in prime condition for whatever comes in the energy markets in the years ahead.

Its net-debt-to-equity ratio sits at a paltry 0.05x, which is better than its peers in **Exxon (XOM)**, **ConocoPhillips (COP)**, **Occidental (OXY)**, and **Marathon (MRO)**. And I'm a fan of all four of these competitors.

My view is that oil prices are heading higher, not lower.

Demand should rise through the reopening of China. Capital investment is falling in the space, complicating the supply picture for the years ahead.

And any event in Russia or the Middle East that increases the geopolitical premium will boost oil prices. I'm content to own one of the premier oil majors, given their strong balance sheet and commitment to shareholder interest.

To your wealth,

Garrett Baldwin

P.S. If you missed my articles on the energy sector earlier this week, you can view them each here:

The Top Investment Trend For 2014 (Part 1)
The Top Investment Trend For 2014 (Part 2)
The Top Investment Trend For 2014 (Part 3)