5 High Yielding Energy Stocks Trading Near 52-Week Lows

Description

Financial missteps, dividend cuts and production issues may be presenting high yield opportunities for the aggressive income investor. However, whenever a dividend reaches oversized levels, an investor must be wary of the sustainability of the continued payout.

In some cases large dividends can signal a temporary value in a stock that helps protect the investor from further downside and pay them for the additional risk. On the other hand, it can also signal deeper issues that may plague the company for years to come.

Just Energy Group Inc.

While it is certainly not unusual for utility stocks to pay handsome dividends, the current yield of 11.75% for the shares of **Just Energy Group Inc.** (TSX: JE) stands out as rich. Just Energy is primarily engaged in the sale of electricity and natural gas to both residential and commercial customers in the United States and Canada in deregulated markets. Additionally, the company recently began marketing to commercial customers in the United Kingdom.

It has been a tough year so far for Just Energy. The company slashed its dividend by 32% in February 2013 and investors dumped the stock sending shares over 13% lower the day after the announcement, starting a decline that ultimately sent shares lower by nearly 40%. To make matters worse, Report on Business Magazine published a scathing article on its current Executive Chair, Rebecca MacDonald, and cast a shadow on the company's ability to manage its crushing debt load. The company's board responded basically by trying to discredit one of the articles primary sources as opposed to discussing the positives of the business which did not exactly instill much confidence in investors.

In the company's most recently reported quarter ended March 31, gross margins and base EBITDA declined 8% and 7%, respectively. The dividend payout on funds from operations reached 95%. For the fiscal year ended March 31, the payout ratio reached 184% under the old dividend rate and would still be 125% at the new rate announced in February.

Canadian Oil Sands Limited

In early 2011, shares of **Canadian Oil Sands Limited** (TSX: COS) were on a tear rising nearly 30% in just three months. However, shortly thereafter the shares peaked and slid by more than 40% in the subsequent six months.

Fast forward to today will reveal a stock that trades only 10% higher than the closing lows reached over two years ago. Canadian Oil Sands represents a pure play in, you guessed it, the oil sands located in Alberta near Fort McMurray through its 36.74% ownership of the Syncrude Project.

The company's latest quarter showed cash flow from operations increased to $0.71 per share from $0.51 per share during the same period in 2012 easily covering the current dividend of $0.35 per share and sporting a yield of 6.8%. The 2013 cash flow guidance of $2.60 per share using a price of $90 per barrel of oil make this dividend look safe for now given recent oil prices.

Lightstream Resources Ltd.

Formerly known as Petrobakken Energy Ltd. the company changed its name to **Lightstream Resources Ltd.** (TSX: LTS) to better reflect its diverse portfolio of light oil plays and to further separate it from its former parent company Petrobank Energy and Resources Ltd. Lightstream is an oil and gas exploration and production company with operations primarily in Saskatchewan and Alberta targeting the Bakken and Cardium formations as well as conventional Mississippian reservoirs.

Shares of Lightstream have been sliding since September of last year and have been bumping along near their 52-week low of $7.51 since February of this year giving the stock a yield of roughly 11%.

In the first quarter of this year, the company generated funds flow from operations of $177 million which represented a 5% decrease compared the same period in 2012. The company paid out cash dividends of $33 million which equated to only 19% of funds flow from operations excluding capital expenditures.

Twin Butte Energy Ltd.

Paying an attractive dividend yielding nearly 11% at the current share price, **Twin Butte Energy Ltd.** (TSX: TBE) could not be left off of the list. The company is involved in the development and production of oil and gas with oil and natural gas liquids making up 88% of production and 73% of reserves.

The stock of Twin Butte has been weak most of 2013. Its first hit came early when the company announced in late January it had experienced various production issues that would reduce 2013 cash flows and capital expenditures. Then just last month, the company announced that June production fell short of expectations by approximately 500 – 700 barrels of oil equivalent.

During the first quarter of 2013, funds flow from operations increased 23% to $32.4 million which supported dividend payments during the quarter of $12 million and capital expenditures of $19.6 million with a combined payout ratio of 94%.

Petrominerales Ltd.

Latin America focused **Petrominerales Ltd.** (TSX: PMG) is an oil and gas exploration and production company with large acreage positions in Columbia, Peru and Brazil. The company seeks to take large positions in unexplored areas and maintain a high working interest in order to control the pace of development.

Shares of Petrominerales took a spill after the company reported an adjusted net loss of $0.63 in for its fourth quarter ended December 31, 2012 compared to a net profit of $0.72 during the same period in the prior year. The company currently maintains a quarterly dividend implying an annual yield of 8.8% at currently prices.

Earlier this month the company released its second quarter results revealing a 50% decrease in funds flow from operations to $86.9 million. During the period the company declared $10.1 million in dividends represent a payout ratio of 11.6%.

Final thoughts

Right from the beginning, I would want to let the stories continue to unfold at Just Energy and Petrominerales before committing capital. The 6.8% yield offered by Canadian Oil Sands would appear to represent the least amount of risk given the health and size of its balance sheet. However, for the investor with a stronger stomach, the yield of nearly 11% offered by Twin Butte and Lightstream may be worth a closer look.

Lightstream is currently projecting funds flow from operations of between $645 – $680 million for 2013 and capital expenditures and dividends of approximately $861.7 million giving it an all in payout ratio of between 127% and 134% potentially putting the dividend at risk. The more conservatively managed Twin Butte is currently projecting an all in payout ratio of 100% which is part of the corporate strategy to not allow capital expenditures and dividends exceed cash flow. Both operations are highly leveraged to the higher priced oil and natural gas liquids providing an additional margin of safety with the recent run up in oil prices.

Canada's energy patch is a proven place to find yield in our market. If you're looking to diversify your income stream however, **click here now** and download our special **FREE** report "**13 High-Yielding Stocks to Buy Today**". This report will have you rolling in dividend cheques from a variety of sources in no time!

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