



## 3 Big Dividend Yields From the Patch Set to Get Bigger

### Description

The crisis in the Middle East is pushing the price of crude ever higher, making the short- to medium-term profitability for the majority of the players in the patch appear particularly positive. With growing profitability and stronger bottom lines on the back of this explosion in the price of crude, the sustainability of a number of monster dividends in the patch will continue to grow.

If the significant growth in crude is sustained, it is highly likely that a number of companies operating in the patch will even consider boosting their dividends as operating cash flows and profit grow.

So let's take a closer look at three monster yields from the patch that have the ability to grow as crude prices surge higher.

### **This light oil heavyweight is a long-term favourite among Canadian investors**

Light oil producer **Crescent Point Energy** (TSX: CPG)(NYSE: CPG) remains an eternal favourite among Canadian investors, with a tasty dividend yield of just under 6%. There have been some claims that this yield is unsustainable, but with higher crude prices now set to boost revenue, funds flow from operations, and ultimately, its bottom line, as well as the fact that its dividend payments represent only 52% of its funds flow from operations, it is clearly sustainable.

Earlier this year, Crescent Point acquired CanEra and its assets located in the Torquay formation in southern Saskatchewan. This acquisition has increased Crescent Point's production by an additional 10,000 barrels of crude daily and will cause Crescent Point's funds flow from operations to grow 6% from its original 2014 guidance, to \$2.38 billion from \$2.25 billion.

This news bodes well for the sustainability of Crescent Point's dividend, and with the company having steadily grown funds flow from operations over the last eight quarters, also raises the possibility of a dividend hike.

### **This intermediate producer pays a tasty dividend with a low payout ratio**

Another tasty yield in the patch is **Bonterra Energy** ([TSX: BNE](#)), which operates in the Pembina

Cardium in Alberta. It is currently paying a particularly tasty dividend yield of just under 6%, which appears quite sustainable with dividend payments making up 50% of total funds flow from operations.

Like Crescent Point, Bonterra completed a range of acquisitions through 2012 and 2013 that has significantly boosted its reserves and production as they undergo further development.

The company also has an impressive drilling success rates across its acreage. All of the wells it drilled in the first quarter of 2014 are now in production, which will see second quarter and operational results for the remainder of 2014 continue to improve.

As a result, management has flagged a potential dividend hike if production volumes and funds flow from operations continue to increase. These results, along with higher crude prices, bode well for the sustainability of Bonterra's dividends and a potential dividend hike.

### **A recent acquisition has the potential to transform this heavy oil producer**

Another oil producer located in the patch that has just recently hiked its dividend is **Baytex Energy** ([TSX: BTE](#))(NYSE: BTE). It raised its dividend by 9% to \$0.22 per share after successfully completing the acquisition of light oil producer Aurora Oil and Gas, giving Baytex light oil producing liquid-rich acreage in the heart of the Eagle Ford shale in Texas.

Even after the dividend hike, Baytex has a relatively low payout ratio as a proportion of funds flow from operations of 54%, indicating that the dividend is sustainable.

This acquisition significantly boosts Baytex's light oil production, increasing its weighting in the overall production mix by 10%, allowing Baytex to cash in on the higher prices for light crude. Furthermore, light sweet crude from the Eagle Ford shale trades at a higher price than Canadian light and heavy crude blends, which trade at a significant discount to WTI.

Considering that higher-margin liquids, including both condensates and light and medium crude, contributed around 94% of Aurora's crude revenue, it is easy to see the game-changing nature of this transaction. This bodes well for Baytex to further grow revenue and funds flow from operations, and thus its bottom line, as crude prices continue to appreciate, increasing the sustainability of its dividend.

All three companies offer investors the ability to cash in on rising crude prices as conflict and civil tension escalate in the Middle East. This is because they are located in the stable jurisdiction of Canada and are able to boost production and take advantage of higher crude prices, all while rewarding investors with a sustainable dividend offering a tasty yield.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:VRN (Veren)
2. TSX:BNE (Bonterra Energy Corp)
3. TSX:BTE (Baytex Energy Corp.)
4. TSX:VRN (Veren Inc.)

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Date

2025/08/18

Date Created

2014/06/17

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