4 Top Energy Stocks Gushing Dividends

Description

Dividend investors in Canada's energy patch should be feeling good about themselves. Not only are a number of players attractively priced after years of neglect from investors, but many are also gushing dividends with yields more than triple the risk-free rate and well over 6%.

These juicy dividend yields are being fueled by stronger industry-wide fundamentals including higher crude prices along with significantly higher investment in the patch. They are also attracting increased attention from income-hungry investors seeking to cash in on these stronger fundamentals.

Many of these companies have adopted the dividend plus growth model pioneered by **Crescent Point Energy Corp** (TSX: CPG)(NYSE: CPG). The model essentially operates by rewarding investors by generating a regular income stream through the payment of monthly dividends and a solid underlying growth potential. The dividend and capital growth is sustained by boosting oil production through regular accretive acquisitions of oil assets and the development of existing oil assets.

Let's take a closer look at four players in the patch offering considerable value to investors with monster yields in excess of 6%.

1. Surge Energy Inc.

Intermediate oil producer **Surge Energy Inc.** (TSX: SGY) continues to report solid results, much of which is on the back of recently completed accretive transactions. It has successfully grown oil production and reserves since commencing operations in 2010, boosting funds flow and unlocking value for investors in the process.

For Q2 2014, production jumped a healthy 9% compared to Q1 2014 and a massive 75% compared to the equivalent quarter in 2013. Impressively, Surge maintains a production mix, which is predominantly weighted to higher margin oil and liquids. For the same period they made up 87% of total production and have exceeded 80% of total petroleum production for the last four consecutive quarters.

A key driver of this solid performance was Surge closing the acquisition of **Longview Oil Corp** during the quarter and I expect this acquisition to further boost Surge's results.

This success has translated into a very tasty dividend yield for investors of 7% and a payout ratio of 45% of funds flow from operations.

2. Crescent Point Energy Corp

Light oil heavyweight Crescent Point continues to remain a firm favourite among income-hungry investors with a dividend yield of 6.4%. But there are some market pundits expressing concerns over its sustainability, though the company's Q2 results were impressive with earnings per share tripling quarter-over-quarter and jumping a healthy 26% year-over-year.

More impressively, the company retains a production mix where crude and natural gas liquids make up over 90% of its total production, while maintaining a solid profit margin or netback per barrel of $54.75. Dividend payments represent a mere 46% of the funds flow from operations, which bodes well for the sustainability of that tasty yield.

3. Lightstream Resources Ltd

Less than a year ago investors were selling **Lightstream Resources Ltd** (TSX: LTS) off in droves as the company slashed its dividend by 50% and took a knife to capital expenditure. But these measures plus a range of asset dispositions formed a key part of the company's turnaround strategy.

Since then the company has come a long way while continuing to pay a juicy dividend yield of a whopping 8%.

For Q2 2014, funds flow from operations grew 1% quarter-over-quarter and 2% year-over-year, while its netback spiked 2.5% quarter-over-quarter and a healthy 15% year-over-year, despite the company continuing to dispose of its non-core assets. All of this highlights the growing profitability of Lightstream's operations since embarking on the turnaround strategy.

When these factors are considered in conjunction with a total average payout ratio of 21%, Lightstream's dividend appears safe from any further cuts, making it an attractive acquisition for income-hungry investors willing to bet on the success of its turnaround strategy.

4. Twin Butte Energy Ltd.

One of the juiciest dividend yields in the patch is paid by **Twin Butte Energy Ltd.** (TSX: TBE), which at 11% is also among the highest and has a sustainable total payout ratio of 75%. More impressively, despite Twin Butte revising its 2014 guidance downwards earlier this year, it has grown crude production during Q2 up a healthy 25% year-over-year. The company also cut operating costs while maintaining a production mix weighted to 90% higher margin oil and liquids.

Twin Butte's Q2 netback per barrel, a key measure of profitability, shot up a healthy 4% quarter-over-quarter and a massive 19% year-over-year. This bodes well for Twin Butte's profitability and the sustainability of that monster dividend yield.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:VRN (Veren)
2. TSX:SGY (Surge Energy Inc.)
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