



The 3 Dividend Kings of the Canadian Oil Patch

Description

Suncor Energy Inc. ([TSX: SU](#))([NYSE:SU](#)), **Canadian Natural Resources Limited** ([TSX: CNQ](#))([NYSE: CNQ](#)), and **Baytex Energy Corp.** ([TSX: BTE](#))(NYSE: BTE) are pumping out a serious amount of free cash flow and returning it to their loyal shareholders.

Here are the reasons why I think the dividend bonanza is set to continue at these three companies.

Suncor Energy Inc.

Suncor Energy is Canada's largest integrated oil company. At its operations near Fort McMurray, the oil giant mines near-surface oil sands and uses in situ technology to extract deeper resources.

The company owns 6.9 billion barrels of reserves and 23.5 billion barrels of contingent resources.

Besides being a producer, Suncor also refines the oil. Its facilities in Edmonton, Sarnia, Montreal, and Colorado have a combined refining capacity of 460,000 barrels per day and are dedicated to producing a variety of petroleum products such as gasoline and asphalts.

The third part of Suncor's integrated model is its network of more than 1,500 retail and wholesale Petro-Canada gas stations.

Suncor has been producing impressive gains in free cash flow as all parts of the business continue to bring in strong results.

In its Q2 2014 earnings report, the company hiked its quarterly dividend by 22% to \$0.28 per share, yielding about 2.5%. The dividend has increased a whopping 560% in the past five years.

The good times should continue to roll as Suncor benefits from upgrades at its refineries, reduced capital expenditures on low-margin projects, increased shipments of crude-by-rail to higher priced markets, and the reversal of the Line 9 pipeline that will allow Suncor to send low-cost crude oil to its Montreal refinery.

Canadian Natural Resources Limited

Canadian Natural Resources is Canada's largest producer of heavy oil and is one of the country's biggest producers of natural gas.

The company's operations are firing on all pistons. CNQ reported record results in its Q2 2014 earning period with all of its major assets contributing to a staggering combined total production of 817,500 barrels of oil equivalent per day.

Canadian Natural pays a quarterly dividend of \$0.225, yielding about 2%. The dividend has been increased by more than 400% in the past five years.

The company is well positioned to continue increasing its levels of free cash flow for decades to come.

Canadian Natural holds the largest undeveloped natural gas land base in Western Canada, has 6 billion barrels of oil sands mining resource potential, and is continually improving its production efficiency with the implementation of state-of-the-art extraction methods at its in situ oil sands properties.

Baytex Energy Corp.

Baytex Energy produces crude oil and natural gas in the Western Canadian Sedimentary Basin as well as in the Eagle Ford and Williston Basin in the United States.

Roughly 86% of Baytex's production now consists of high-margin crude oil and natural gas liquids.

The company recently closed its \$2.8 billion acquisition of Aurora Oil and Gas Limited adding 22,350 net contiguous acres of property in the liquids-rich Eagle Ford shale region.

In the most recent earnings report, Baytex announced a 9% increase to its already-juicy dividend. The new monthly payout of \$0.24 yields about 6%. The dividend has doubled in the past five years.

Baytex should have no trouble maintaining or even increasing the dividend. The current payout ratio is only 47% before accounting for the dividend reinvestment plan (DRIP). The payout drops to 37% when the DRIP is included. This means Baytex has ample cash flow for further acquisitions and capital spending on new developments.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:BTE (Baytex Energy Corp.)
4. TSX:CNQ (Canadian Natural Resources Limited)
5. TSX:SU (Suncor Energy Inc.)

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