



## 5 Reasons Why Cenovus Energy Inc Is a Solid Investment Choice

### Description

**Cenovus Energy Inc** ([TSX: CVE](#))([NYSE: CVE](#)) has oil sands projects in northern Alberta and established natural gas and oil production in Alberta and Saskatchewan. Here are five reasons why Cenovus belongs in your portfolio of dividend-paying stocks.

#### 1. Product mix

Cenovus Energy develops, produces, and markets crude oil, natural gas, and natural gas liquids. Oil is what drives growth for Cenovus Energy. The company's two producing steam-assisted gravity drainage (SAGD) projects in the oil sands are Foster Creek and Christina Lake.

Cenovus also produces heavy oil at its Pelican Lake operation in Alberta. Cenovus expects that most of its future growth will be in the oil sands with near-term growth in conventional oil production, mainly in Alberta. Cenovus uses its low-cost natural gas operations to provide strong cash flow to help fund its oil growth.

#### 2. Foster Creek and Christina Lake projects

Located in Alberta, Foster Creek is Cenovus' largest project. Owned 50% by **ConocoPhillips**, Foster Creek is considered among the best commercial and technical SAGD projects in the industry. For Q2 2014, Foster Creek production averaged nearly 57,000 barrels per day net. This represents an increase of 3% from Q2 2013.

In Q2 2014, Christina Lake production increased 77% from Q2 2013. For Q2, combined oil sands production at Foster Creek and Christina Lake averaged nearly 125,000 barrels per day net. This represents an increase of 33% from 2013.

#### 3. Cash flow

In Q2 2014, Cenovus Energy generated close to \$1.2 billion in cash flow, up 37% versus Q2 2013. This was record cash flow for the company. Conventional crude oil provides Cenovus near-term cash flow and diversification of its revenue stream. The company's natural gas assets are for the fuel it uses

at its oil sands and refining facilities and for the cash flow it provides to help it finance its capital expenditure programs.

#### **4. U.S. refining operations**

Cenovus Energy participates in the complete value chain — from production to high-quality end products. It has ownership in two refineries in the U.S. This is through its business venture with **Phillips 66**. Cenovus has a 50% interest in Phillips' Wood River and Borger refineries. In Q2 2014, the refineries produced an average of 489,000 barrels per day of refined products, which is a 7% increase from Q2 2013.

The Wood River refinery in Illinois processes crude oil to produce gasoline, diesel and jet fuel, petrochemical feedstocks and asphalt. It has a processing capacity of roughly 314,000 barrels per day.

The Borger refinery in Texas produces gasoline, diesel and jet fuel together with natural gas liquids and solvents. It has a processing capacity of around 146,000 barrels per day of crude oil and around 45,000 barrels per day of natural gas liquids.

#### **5. Dividends**

Cenovus pays dividends quarterly and its current dividend yield is 2.84%. The company's dividend rate is \$1.06. Cenovus recently declared a Q3 dividend of \$0.2662 per share, payable on September 30, 2014.

Quality cash flow, varied products, operations across the oil and gas value chain, strong oil sands projects and consistent dividends make Cenovus Energy a good option for income investors.

#### **CATEGORY**

1. Investing

#### **TICKERS GLOBAL**

1. NYSE:CVE (Cenovus Energy Inc.)
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