Earn a 7.7% Dividend Yield Starting January 20 With Enerplus Corp.

Description

It's not easy to find a safe dividend stock that yields much better than 3%. But I've found a business that pays more than double the dividend of your average company.

This firm owns hundreds of oil wells across the country. That's how it has been able to pay out so much cash to shareholders. And now you can earn a cut of the profits without having to buy a single acre of land.

However, if you want to collect your oil well dividend, then you have to act fact. The next distribution is scheduled to be mailed out in a few weeks. To be eligible, you must become a shareholder of record before Friday, January 2. Let me explain.

7.7% stock goes ex-dividend in January

Of course, I'm talking about Canadian oil driller **Enerplus** (TSX: ERF)(NYSE: ERF). And if you like collecting globs of dividend income, then there's no better stock to own in the energy patch.

Enerplus is a money machine. After years of declining production, the company is now growing output. By transitioning from natural gas to higher-priced oil and liquids, Enerplus is once again gushing cash flow.

The company has built a great portfolio of low-cost shale properties across North America. No doubt, weaker oil prices will hurt the bottom line. However, Enerplus has the assets and the balance sheet to survive the industry's current doldrums.

The company has a savvy management team, too. Enerplus has a history of buying land, developing fields, and then selling their properties for a profit. In past years they sold some of their Marcellus and oil sands assets for huge mark ups.

You could almost think of them as property flippers. Buy a house. Fix it up. Sell for a big gain. This formula is just as profitable in the oil patch as it is in real estate.

Better yet, Enerplus is as much of a technology business as it is an oil driller. The company has been trying out new drilling techniques. This includes a number of methods such as waterflooding, better fracking procedures, and longer horizontal wells.

Today, Enerplus is sitting on over 400 million barrels of proved plus probable oil equivalent reserves. However, this figure is likely to grow as the technology improves. That's a lot of hidden upside most investors are not aware of.

Of course, the real reason why I love this company is the big dividend. Enerplus pays investors $1.08 per share each year, which comes out to an annual yield of 7.7%. That's one of the highest payouts in the Canadian oil patch.

oilwellyield12334567

Image not found or type unknown

Source: Google Finance

Now after the recent plunge in oil prices, it's only natural to wonder if this big dividend is sustainable. That said, Enerplus's break-even costs are around US$50 per barrel in the best areas of the North Dakota Bakken. A big portion of the company's production has also been hedged at much higher prices.

And as my colleague Matt DiLallo pointed out last week, Enerplus sports a bundle of non-core acreage. Think of these assets like a rainy day fund. The company could easily sell off these properties, providing extra financial wiggle room if needed.

Collect monthly oil well income starting January 20

Best of all, Enerplus pays its investors monthly, so you don't have to wait to start cashing in. The next round of distributions are scheduled to be mailed out in a few weeks. If you become a partner by January 2, you can collect your first dividend cheque on January 20.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ERF (Enerplus Corporation)
2. TSX:ERF (Enerplus)

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/25
Date Created
2014/12/08
Author
rbaillieul