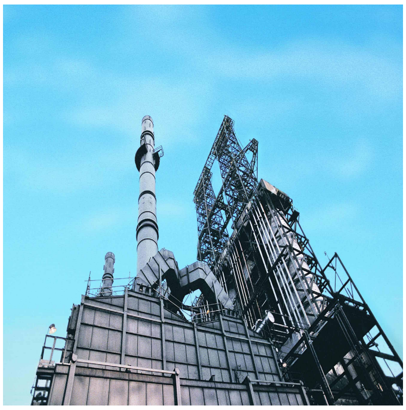

2 Top Oil Stocks for Dividend Growth

Description

It's tough to ignore oil companies if you want to pick some bargains from the Canadian market.

Many top oil producers have been able to successfully restructure their businesses to counter a prolonged downturn in commodity prices.

Though their share prices are still trading below where they were during the boom times, these producers are ready to take off due to their cost cutting, innovation, and judicious asset allocations.

Who knows when we will see a next bull run in oil markets? But if you are looking to invest in the Canadian energy patch, you should try to find companies that are ready operationally to take the full advantage of a future price recovery.

Here are two Canadian companies for investors seeking stable dividend income and great potential for capital gains when oil markets embark on a recovery path.

Canadian Natural Resources Limited (TSX:CNQ)(NYSE:CNQ), or CNRL, is a producer I particularly like.

Oil and gas exploration and production is a very expensive proposition. It requires a lot of capital to keep the well production from declining, especially at a time when you're facing a cyclical downturn. Many companies fail in this process and become acquisition targets by larger players.

Canadian Natural Resources is an exception. Its management team has been able to allocate its resources very efficiently during the past five years.

With major operations in western Canada, the U.K., the North Sea, and offshore Africa, CNRL is one of the few energy producers which has continued to reward its investors with regular dividend hikes, even during the most difficult pricing environment.

The company pays a quarterly dividend of $0.275 a share, which translates to a 2.6% annual dividend yield. After announcing a 10% dividend hike this March, CNRL is on track to achieve 17 consecutive annual payout increases.

As oil prices firm up around $50 a barrel, CNRL stock has also shown some strength, surging ~13% in the past three months to $41.67 at the time of writing.

Alberta-based **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) is another one of the best dividend-growth stocks in the league of top energy producers.

During the past four quarters, Suncor has beat analysts' earnings estimate three times, showing how this oil sands producer has been able to turn the corner through cost controls and better management of its cash.

Those who don't know much about this company will be surprised to learn that Suncor was the first company to develop the oil sands, creating an industry that is now a key contributor to Canada's prosperity.

Suncor holds one of the largest positions in the oil sands, making up 6.9 of the 7.7 billion barrels of Suncor reserves. Suncor also owns and operates four refineries, Canada's largest ethanol plant, wind farms, and 1,500 retail outlets.

Just like Canadian Natural Resources, Suncor also has an impressive dividend-growth history. The company has been increasing payouts for the past 15 years. The latest was in the first quarter of 2017, when the quarterly payout was increased by 10% to $0.32 a share.

With a annual dividend yield of 2.94%, Suncor is a producer which offers great value for long-term dividend investors.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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