



3 Oil And Gas Monthly Dividend Payers With Significant Upside

Description

If you think the stock market has been crazy in recent weeks, compared to the oil market it has been calm. Trying to invest in oil-related companies has been depressing for years now. The one thing you can say about the pathetic investment climate, though, is that most of the borderline investors have been shaken out, leaving quite a few deals on the table for people who are willing to take a chance on this somewhat frustrating sector.

The problem is, anyone with a value-oriented mindset is going to be drawn to this sector. It has been thoroughly beaten up, so much so that many energy-related stocks are still trading at or near their book values. Investors looking for bargains who have plenty of patience may be rewarded if, or when, the sector finally turns around. Judging from past cycles and all-time highs, there could be a significant amount of upside.

If you are going to invest in the sector, it might be a good idea to pick stocks that represent different aspects of the oil industry so that you decide whether you want to benefit from the upside a smaller company may bring or focus on getting slow, stable income from a more secure play. Each of the stocks listed here pays a monthly dividend.

Whitecap Resources Inc. ([TSX:WCP](#)) is an [excellent smaller name](#) to own if you want exposure to a pure oil producer. The western Canadian oil company reported its third quarter results on November 3 and the results were quite good. Production increased 30% year-over-year, which led to a 72% increase in fund flows. The payout ratio on its monthly 4.73% dividend is a stable 73% of fund flows. The potential upside on this smaller producer could be substantial if the Canadian oil takes off.

If you don't want to own a producer, then **Prairie Sky Royalty Ltd.** ([TSX:PSK](#)) might be a good way to play a recovery in the oil market. This stock has had a bit of a rough ride since it was spun out of **Encana Inc.** (TSX:ECA)(NYSE:ECA) a few years ago. Prairie Sky owns parcels of land and receives royalties from oil companies who produce on its land.

The company does not have any production costs of its own, but can be negatively affected if oil prices are low, as companies may stop producing on its land. The company pays a monthly dividend that is currently around 3.77%.

Interpipeline Corp. (TSX:IPL) might be one of the best ways to [gain monthly income](#) and get exposure to the oil and gas market. While it is primarily a western Canadian operator, IPL has foreign exposure as well, adding seven new storage terminals to its business in the U.K. and the Netherlands.

As far as pipelines go, deals such as this have added to its debt, so there is some risk in this respect. But the company has sold off significantly over the years and now pays a monthly dividend of around 8%, a dividend that it continues to raise over time.

Bring it home

As any investor in oil and gas knows, these are not low-risk companies. But these companies do give investors exposure to the sector, a sector that appears to be due for a turnaround. All three of these businesses offer pretty significant monthly income and different levels of exposure to the market that should ease your discomfort as you wait for a turnaround.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:PSK (PrairieSky Royalty Ltd.)
2. TSX:WCP (Whitecap Resources Inc.)

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