



Dividend Investors: Collect Steady Income Payments While You Wait for This Top “Black Gold” King to Take Off

Description

There's a lot of pessimism over Alberta's troubled oil patch of late. The gap between Western Canadian Select (WCS) and West Texas Intermediate (WTI) continues to widen thanks to a wide range of issues, including pipeline bottlenecks and lowered capacity at key refineries.

While it's tempting to throw in the towel on anything related to heavy oil, as many foreign investors have since the 2014 oil rout, I think patient income investors have the opportunity to enrich their portfolios with enhanced dividends, as they wait for the pressures that have negatively impacted WCS prices to work themselves out.

The WCS discount to WTI will probably exist indefinitely, but at this juncture, with the WCS-WTI discount being the widest it's been in recent memory, I think there's an opportunity to achieve ample upside should WCS prices revert towards the mean discount gap. And even if it doesn't, income investors will still collect fat dividend payouts for their patience, assuming they've stuck with a quality oil sands operator that's on sound financial footing.

Consider **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)), an oil sands king with a strong balance sheet, a wealth of potential growth opportunities, and a reliable dividend that may have room for further growth in spite of the harsh industry environment that lies ahead.

In a [previous piece](#), I'd suggested that investors should keep CNQ on their radars as they watched for the stock's yield to approach the 4% mark. With recent pressures and U.S. refineries slated to go offline for maintenance reasons, I believe income investors will soon have an opportunity to pounce on one of the safest and most rewarding oil sands plays on the entire TSX.

With a healthy and bountiful dividend, investors will have more than enough incentive to stick around for the long haul, as the company navigates rough waters that I believe will be temporary. Once the harsh times are in the rear-view mirror, CNQ has the potential to skyrocket given the gold mine of oil sands assets that are just waiting to be transformed into cold, hard cash.

Tonnes of untapped growth potential will remain landlocked

CNQ has enough oil-rich properties to sustain decades' worth of production growth, but until the macro environment shows signs of meaningful improvement, a majority of this untapped oil is going to remain landlocked, and that's going to keep CNQ shares hovering in limbo.

In the meantime, CNQ continues to use its cash to repurchase shares and acquire further assets at a discount. Most recently, CNQ bought a 70% working interest in the Athabasca Oil Sands Project at a considerable discount. Given the incredible bargain that CNQ realized with Athabasca, many analysts became overly optimistic over the long-term value creation that the deal entailed and have forgotten that in the meantime, industry-wide headwinds will continue to prevail.

Foolish takeaway

CNQ's portfolio of assets keeps getting better, but until WCS can see some relief, CNQ's massive backlog of oil sands assets aren't going to reap as much fruit over the near to medium term.

As the WCS-WTI discount narrows along with continued strength in WTI prices, I think CNQ could [easily soar](#) in price as if it were a riskier small-cap oil sands play.

Unlike many of CNQ's smaller competitors though, investors aren't taking as much risk, as CNQ's cost structure is top-notch and its midstream pipeline assets will keep the company covered should the tides go out even further.

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