A Cheap Dividend Stock for Oil Bulls

Description

Canadians looking for wide-moat energy stocks should consider **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) with its stable position as one of the country's largest oil and natural gas producers bolstered by North Sea and offshore African operations. Amid a volatile oil backdrop, the producer has an estimated 11.5 billion barrels of oil equivalent in reserve and is attractively priced at $36.20 a share at the time of writing.

A company with an ace up its sleeve

Takeaway capacity has long been an issue for oil producers in the west of Canada, which is why some recent news makes Canadian Natural Resources such a strong play at the moment. The oil company is currently negotiating to buy crude-by-rail contracts held by the Alberta government — an initiative that would ease the backlog of oil in the region held up by ongoing holdup in pipeline developments.

Pundits eyeing the move may conclude that there's a likelihood of its successful conclusion, particularly in light of Canadian Natural Resources multi-billion **Devon Energy** buyout back in May of this year, which gives it further incentive to clear the oil it's producing. The contracts will clear 120,000 barrels a day by rail — a significant boon to any company that can secure them, and a potential kingmaker in the oil patch.

Low oil prices and the ongoing stumbling blocks in pipeline projects have seen industry investors staying away from oil of late. However, if the blockage can be cleared, and the Western Canadian oil patch can at last be drained, there are clear economic benefits to be had as well as significant returns for energy investors. That's why fairly valued oil stocks offering a dividend are such a tempting option at the moment.

A nimble business with a tasty yield

The 4.17% yield offered by Canadian Natural Resources is reason enough to buy and hold, backed up by impressive cash flows and the diversified hydrocarbon asset base mentioned earlier. Not only that, but by having fewer partnerships, it can out-maneuver other companies that don't have sole ownership of their sites, making it possible to make swift market decisions when commodities are suitably valued.

There are two main reasons why Canadian Natural Resources is such a clear buy, though, and it has less to do with market share and the potential to heroically drain the Western Canadian oil patch. It has to do with value and income. First, the share price is about $15 less than it was this time last year, and second, its dividend rose 12.5% this year. In short, despite a volatile sector, Canadian Natural Resources could emerge a buy-and-hold hero.

With the potential for an oil renaissance later in the year, getting in early on an attractively valued dividend stock like Canadian Natural Resources makes a lot of sense. Looking at the jump in oil prices ahead of tropical storm Barry when top U.S. producers including **BP**, **Royal Dutch Shell**, and **Chevron** evacuated their Gulf of Mexico rigs, the sector is on a hair trigger. Meanwhile, the situation in Iran continues to worry investors.

The bottom line

Snapping up shares in Canadian Natural Resources ahead of oil tailwinds later in 2019 could reward capital gains investors seeking upside in the oil patch. Meanwhile, long-range income investors with a broader financial horizon should seek out this stock as a source of stable dividends for years to come.

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