



## 2 Top Oil Stocks for Big Gains and Dividends

### Description

If there's one industry continuing to suffer even during a market rally, it's oil stocks. Energy companies have been battered within an inch of destruction thanks to a number of factors. About two years ago, we saw the start of the oil and gas glut in the Canadian oil patch.

This led to a decrease in oil and gas prices for Canada's already discounted oil. Here at the Fool, we thought that period was the best time to get in on these massive dividend producers before prices climbed back up.

However, 2020 hit and so did a market crash. This crash started with Russia announcing it wouldn't be cutting back on production of its oil, and Saudi Arabia announcing it would actually increase its production. Then, of course, came the COVID-19 pandemic, which brought the market to a crashing halt. Oil stocks slumped to lows not seen in years.

But now the market is starting to rally. Russia and Saudi Arabia agreed to cut back on production, and more cuts could be coming in the future. So does this mean it's time to buy up oil stocks and reap the rewards of strong dividends?

### Stick with pipelines

There are ways to get in on oil stocks with at least a little less risk, and that's by looking at pipelines. These stocks are the solution to the current gas glut, as pipelines would finally be able to bring crude oil across the country and throughout North America.

As of now, gas prices are at an all-time low, with West Texas Intermediate selling for an incredible US\$13.75 per barrel as of writing. That's a drop of over 75% since January, when the market crash hit.

With pipelines, as soon as even one opens up, oil stocks should begin to rebound again. So if you're looking for one stock to buy up in the hopes of a sooner rebound rather than later, it's **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)). What Enbridge has going for it — on top of its dividends — is the company is already supported by multiple secured long-term contracts.

This will keep cash rolling in and earnings reports steady even during this downturn, thus keeping its dividend safe. This includes the Canadian Mainline system, which represents about 70% of Canada's pipeline capacity. But the company is looking beyond the next few years.

On top of current projects, Enbridge has billions set aside for secured growth projects. Once all is said and done, not only will Mainline be running at full capacity, but so will the company's new pipelines. This oil stock has analysts bullish for decades over the potential growth of Enbridge, yet it still trades at about 40% potential upside just to reach fair value.

That leaves investors with a whopping 7.87% in [dividends each year](#) as of writing, with the company promising even more years of continued growth. Right now, a \$10,000 investment would bring in \$790.56 while you wait for a rebound.

## The dividend oil stock king

While Enbridge might be a great stock you're familiar with, **Pembina Pipeline Ltd.** ([TSX:PPL](#))([NYSE:PBA](#)) is so undervalued it's almost painful, especially because of this oil stocks excellent dividends the company has distributed monthly for years.

Pembina is similar to Enbridge in that it has a solid portfolio that it is currently in the [process of expanding](#). Like Enbridge, Pembina is supported by secured long-term contracts with a growth portfolio of \$5.6 billion as of writing. The company will expand its Peace Pipeline Expansion, with phases 6, 7, and 8 after the success of its earlier expansions.

With these expansion projects underway, this and other oil stocks should see a significant rebound, and would clearly also see a growth in its dividends. As of writing, the stock offers an incredible 8.87% dividend yield with a strong history of quarterly growth.

Yet again, the stock is highly undervalued. While other oil stocks might need some time to rebound, analysts are bullish about this stock coming up sooner as opposed to later.

Right now, there is a potential upside of 21% to reach fair value, but some analysts believe the stock will double within a year. As for dividends, a \$10,000 investment would bring in \$899.64 as of writing.

### CATEGORY

1. Coronavirus
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)

2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:ENB (Enbridge Inc.)
4. TSX:PPL (Pembina Pipeline Corporation)

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