

Brian Hicks' Favorite Oil Dividend Stock

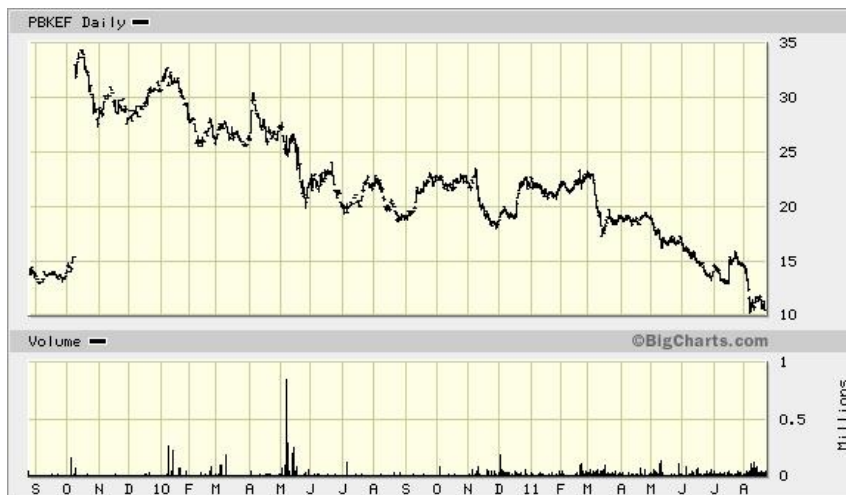
Special Report

On August 9, 2011, I told you to keep your powder dry, because if we got another market sell-off, I'd give you some screaming buys...

So while everyone has been piling into gold and silver — driving up prices to historic levels — I'm going to give you a stock recommendation that's been ignored by investors.

The stock's chart is horrible, but the fundamentals are super sexy.

Take a look:



The stock is Petrobank (TORONTO: PBN).

On advice from Mike Schaefer earlier this month, I purchased 2,000 shares of Petrobank.

A week after I purchased it, I was sitting on a near \$2,500 gain... Not bad.

You see, Petrobank is positioned in the prolific Bakken formation, which stretches over 200,000 square miles through Saskatchewan, Canada, and extends into Montana, South Dakota and North Dakota. (It's one of the reasons North Dakota has the lowest unemployment rate in the United States at 3%.)

The USGS estimates up to 5.3 billion barrels of "undiscovered" oil are in the domestic Bakken region. That is just a fraction of the potential 270-500 billion barrels, notwithstanding the massive reserves in southeastern Saskatchewan.

It is hailed as the largest continuous oil formation ever assessed by the USGS. And as was also recently declared: "Bakken play in the Williston basin could become the world's largest discovery in the last 30 to 40 years."

Petrobank's land base in the Bakken has approximately 510 sections and over 800 net locations, with an estimated 1.8 billion barrels of discovered petroleum initially in-place (DPIIP). If you recall, Petrobank was the result of combining Petrobank's Canadian Business Unit and TriStar Oil and Gas.

The company is also focusing its development on their Cardium assets, which now total about 320 sections of land. Last year, their Cardium production grew to 7,335 boe/d. They're also the most active company currently drilling in the Cardium. We're looking forward to more growth, too. Their exit production for 2011 could more than double to 16,000 boe/d.

Petrobank has the second largest land position in the Bakken, making it a major player.

But the reason I like Petrobank — and the reason I'm recommending it now — is the dividend. As of yesterday's close, the dividend yield was 9%.

The stock pays you \$0.08 per share per month. That's right — every month you get a check in the mail.

With current money market rates near 0% (which means you're losing money by parking cash in the bank), a 9% return is astronomical by comparison.

But that's still not the whole story...

Petrobank has been plagued by management problems, weather problems and execution problems. These issues have put pressure on the stock, with shareholders heading for the exits the past two years.

These same issues are being resolved. And its recent second quarter is evidence of a turnaround.

It posted a net profit of \$84 million for the 2Q11 versus \$3 million for the same quarter last year.

Based on the second quarter release, they posted 39,000 boe per day. For the remainder of the year, the company has 17 rigs going and expects to drill another 124 wells with forecast exit production rates of 46,000 to 49,000 boe.

That is an addition of 18,600 barrels per day, or roughly a **23% increase in production**.

The company still has ten Bakken wells that are in production, but that have not been fracked as the company chose to wait for completion of its new fracking technology Cleantech.

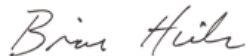
Fracking these wells should pick up another 1,000 barrels per day of production...

Taking into account the current production with the expected new wells to come online in Saskatchewan could equal in excess of 50,000 barrels per day.

In my opinion, Petrobakken is a no-brainer.

The stock is being ignored. Buy it at current levels.

Sincerely,



Brian Hicks
Publisher, *Energy and Capital*

P.S. During the call in which Mike Schaefer recommended Petrobakken to me, he also mentioned several other investments he likes right now... If you're interested in hearing where else Mike is putting his money, [you can check out a clip here — as well as learn how to download the call in its entirety.](#)

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