

BULLETIN # 97 – SEPTEMBER 22, 2011

PORTFOLIO ADDTION - CANADIAN ENERGY SERVICES

This morning I bought 1000 shares of Canadian Energy Services at \$10.75. This sticks with my program of buying yield stocks on bad days. While the world is not going the way we would like, and the powers that be aren't dealing with reality the way we would like, they continue to have the ability—and use it—to kick the can of financial problems the world is in right now—down the road.

CEU has had great success selling their drilling fluids into the Marcellus shale. The Utica shale in Ohio is opening up next door as a huge new play, and CEU is well positioned to continue its stellar growth in revenue, and growth in dividends.

1000 shares is not jumping whole hog into this market, but we just buy a little bit on bad days over time in higher end stocks in these times, preserving capital and getting paid to do so. CEU is one of the best managed companies in the OGIB portfolio and management owns about 30% of the stock.

Now, I did speak with [Eagle Energy Trust](#) CEO Richard Clark this morning on the financing [that was announced yesterday](#)—but it wasn't a financing. It was the vendor of the asset—the group that sold the Saltwater Flats asset to Eagle—that crossed out their shares to the market.

Operationally, he added that they are about one quarter behind on their production estimates, so he said that the payout ratio will be roughly 75% for this year, not the 50% I expected. This would account for the higher yield/lower stock price than I expected. They had hoped to be cash flow positive before now...but it will likely be Q4 now. When a new set of wells comes onstream in November, their cash flow will jump handily—they're hoping from the roughly \$5 million plus per quarter they are experiencing now to close to \$5 million per month--and their payout ratio will be down to 50%. But they are a quarter behind and that's why the stock has come down from mid \$11s down to the low \$10s and high \$9s on a bad day.

This cash flow jump in November should be a catalyst for the stock back up over \$11. But remember, that's the TARGET date—things don't always happen on time.

I am now investigating one of the highest yield stocks I've ever seen...I'll hopefully be able to tell you more early next week.

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