

## Drilling For Dividends With EV Energy – Oct. 3,2009

If you're searching for strong dividend paying stocks, take a look at our new [High Dividend Stocks by Sector tables](#), where you'll find some of the best dividend stocks in each industry sector.

EV Energy, which currently tops our Energy Sector table, is one of the best stocks on this list, in terms of their industry comparisons. Not only do they have the highest dividend in the Oil & Gas Drilling/Exploration group, they outshine their peers by many other important metrics:

	EVEP	Oil&Gas Drilling- Exploration Industry
Dividend Yield	13.01%	2.24%
Price/Earnings	1.33	13.45
Price/Book	0.77	2.85
Current Ratio	8.43	1.3
Price/Cash Flow/Share	1.26	8.23
Operating Margin	20%	10.08%
ROE	81.64%	12.58%
ROI	63.00%	6.86%
ROA	45.64%	4.97%

In addition, their **Dividend Payout Ratio** is very conservative, just over 19%, so the dividend seems secure. They recently announced an acquisition of oil and natural gas properties in the Appalachian Basin from EXCO Resources, Inc. EVEP will acquire a 17.2% interest in these assets for \$25 million.

The acquisition consists of approximately 3,000 wells producing primarily from the Clinton, Knox, Medina, Bradford and Oriskany formations in Ohio and Northwestern Pennsylvania. In addition, there is significant upside potential for drilling in the Knox group formation, where EnerVest has over six years of experience. With over 335,000 gross acres as part of the acquisition, EVEP has identified over 100 potential Knox drilling opportunities it plans to pursue over the next five years.

EVEP just made a secondary IPO of 2.8 million units at \$22.83/unit. They have 20 million units outstanding. They'll use the proceeds to pay down debt and to pay for this acquisition.

There are also **option trading strategies** available for EVEP, such as selling covered calls, and selling puts. However, at this point, selling a put option looks more attractive than selling call options, as the put premiums are much higher. In addition, EVEP has made quite a run up from its 52-week low, so selling puts may be a safer way to go.

If you're looking for dividend income, and you believe in the future of natural gas, EV Energy LP may be the best stock in the Oil & Gas Drilling & Exploration group.

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