The Best Oil Stock You've Never Heard About

Description

Despite the recent rebound in oil, many energy companies aren't experiencing much upside. **Penn West Petroleum Ltd.** (TSX:PWT)(NYSE:PWE) warned it may not survive if it can't renegotiate its debt, **Connacher Oil and Gas Ltd.** declared bankruptcy, and **Lightstream Resources Ltd.** announced that it had 90 days to avoid default. **Parallel Energy Trust** and **Argent Energy Trust** also filed for creditor protection.

In a world of massive energy bankruptcies, one company is bucking the trend as an experienced and highly successful management team guides it through the turmoil.

A dominant force

Over the past five years, shares of **Raging River Exploration Inc.** (TSX:RRX) have dominated the rest of the market, rising over 330% in comparison to the **TSX Oil & Gas Index's** return of negative 12%. This outperformance isn't a fluke either.

Raging River's management team has consistently shown an ability to generate outsized returns for shareholders. Raging River sold two projects (Wild River Resources and Wild Stream Exploration) to **Crescent Point Energy Corp.** for big gains. It wasn't just a matter of lucky timing either. Shareholders of Wild River Resources experienced average annual returns of 36%, despite the company being sold at depressed prices in 2009. Shareholders of Wild Stream Exploration experienced 39% annual returns until the sale of the company in 2012.

Raging River is yet another chance to piggyback off a management team that clearly knows how to create value. Company executives own about 20% of diluted shares, so they've put their own money on the line.

RRX Total Return Price data by YCharts

Taking advantage of struggling competition

Raging River's proven management team has once again brought a conservative approach to an often volatile industry. With this strategy, the company can maintain profitability despite swoons in energy prices, and when conditions deteriorate immensely, they have the firepower to buy up competitors at big discounts.

Since 2012, production has grown every year from 2,277 barrels per day to 13,715 barrels per day in 2015. Meanwhile, total reserves have grown from 4,473 mboe in 2012 to 24,530 mboe today. Thanks to its focus on low-cost assets, profitability remains impressive even with low oil prices. Last year it realized an average selling price of $49 per barrel and still managed to make $35 in profit for every barrel sold. Even if oil prices remain near $30 for the rest of the year, Raging River can still make money.

Recent reports state that the company is eyeing Penn West's Viking light oil development in Saskatchewan, one of its core assets. According to Raging River's CEO Neil Roszell, Penn West will be pushed to divest the properties this year after it revealed that it is in danger of defaulting on some of its debts by the end of June. Penn West would likely hand over the project at a discounted price, magnifying Raging River's returns once markets stabilize.

It's only just begun

Raging River is just now entering its prime given that it foresees opportunities to scoop up attractive properties at historically low prices, abetted by its low debt levels and ample access to credit markets. “We’re seeing that a lot of those bigger, interesting asset opportunities will come on the market in the next three to six months,” the company’s CEO recently said. “We’re excited.”

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