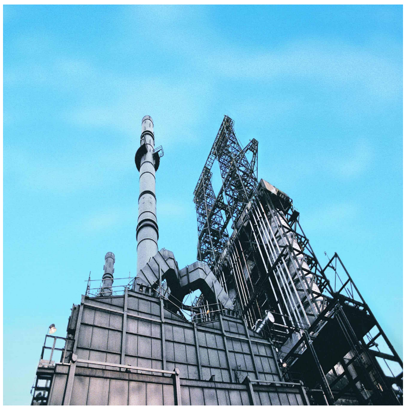

Beat the Market With These 2 Fast-Growing Junior Oil and Gas Stocks

Description

With the TSX trading at record levels, I think it's fair to say that in 2018, it may not bring the kind of returns that we are looking for.

So, while the market as a whole, and certainly many of the larger-cap names, seem to be fairly valued, the following two junior oil and gas companies have seen their stocks head lower, despite the rising oil price and very positive results.

With oil trading above $61 today, almost double what it was trading at two years ago, these stocks have big upside and are great opportunities to beat the market.

Seven Generations Energy Ltd. (TSX:VII)

One of the top gainers today, the stock is trading 4.83% higher than yesterday's close.

In 2016, the stock rose 125%, but in 2017 it fell 43%, as production actually came in below expectations and costs rose to levels that were higher than expected, thereby eroding the economics of the play.

So, where are we today?

Well, because of this setback, the stock now trades at a discount to its peers. But the bullish thesis remains.

The company's assets are in the prolific Montney area, which boasts superior economics, and with 25 years of inventory, Seven Generations is in it for the long haul and has many years of low-risk drilling ahead of it.

Management owns roughly 9% of shares outstanding, and this number is much higher if we include all employees of the company. This serves to gives us comfort, knowing that their interests are aligned with shareholders' interests.

The company's latest results were impressive, with production increasing 50% versus the same period last year, and cash flow from operations increasing 85%, as realized prices increased significantly along with production.

Raging River Exploration Inc. (TSX:RRX)

With more than 90% of its production weighted towards oil, Raging River is another such company. Another one of today's top performers, the stock is trading 4.77% higher than yesterday's close.

The stock has had a lacklustre performance over the last two years, which is inconsistent with the company's performance — so much so that management has initiated a strategic review to enhance shareholder value, the result of which can be a merger, sale, or a number of other possibilities.

The company's management team is experienced with a good track record, and it owns roughly 10% of shares outstanding. So, management is aligned with the results of the firm, which is a definite plus.

Raging River posted a 28% increase in production in 2017 — a 47% increase in cash flow per share and increasing netbacks.

In summary, as oil stays at these levels for a longer time, investors will not only have more confidence that this oil rally is for real, but companies will increasingly be reporting better-than-expected results, thereby driving the stocks higher.

And, on average, the smaller oil and gas stocks have more upside that the bigger ones, with a strong probability of beating the market.

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