3 Oil Stocks for Under $5

Description

It's been a tough ride investing in the Canadian oil and gas industry. Since 2014, the **S&P/TSX Equal Weight Oil & Gas Index** has fallen by nearly 50%.

During intense bear markets, however, smaller stocks can be heavily discounted.

While other investors are stuck looking at large-cap companies like **Canadian Natural Resources** and **Suncor Energy**, here are a few smaller companies that may offer a much better value.

Storm Resources (TSX:SRX)

With a market capitalization of just $300 million, Storm Resources is the smallest company on this list. Given its size, shares have fallen by 54% in the past 12 months. Rampant selling may have created a great buying opportunity.

This is actually the fourth company with the name "Storm." The last three iterations were sold after a few years of operation, so this management team clearly knows how to monetize assets quickly through a buyout, often at premium prices. Storm, in its current form, has been in operation since 2010.

Executives and insiders still of 13% of the company, so their incentives still align well with shareholders. Production is set to hit all-time highs in 2019, so if energy prices improve, Storm has the potential to swing back strongly, potentially resulting in an outright sale of the company.

Africa Oil (TSX:AOI)

Africa Oil is a unique company as it owns interests in a variety of businesses. It currently has a 35% interest in Africa Energy, a 25% interest in Impact Oil & Gas, and a 19% interest in Eco-Atlantic Oil & Gas, including the right to take a 20% ground floor interest on all future deals.

Most of its projects are led by major oil companies, including **Exxon Mobil** and **CNOOC**, so the company gets to outsource its operations to the best teams in the business.

In total, buying Africa Oil shares gives you access a large number of opportunities at a low cost. Because the company has limited future capital commitments, there's significant upside if conditions improve.

Athabasca Oil (TSX:ATH)

With shares hovering around $1 apiece, Athabasca looks like it's on life support. Upon closer inspection, however, there could be immense upside.

On January 11, Fool contributor Matt Smith offered a compelling case for buying shares. His conclusion was that if oil prices spike, investors in Athabasca could double their investment or more.

"Athabasca's stock should rally higher as the price of crude rises," he wrote. "Because it is a highly levered play on crude … its price will soar if WTI continues to appreciate."

Recently, the company sold its Leismer pipeline and storage infrastructure for $265 million. Now, with enough dry capital to survive 2019, investors could hit the lottery with Athabasca shares, just as long as oil prices climb higher.

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