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Believe it or not, I see today's trading as good news for junior oil stocks. I have been saying for weeks now that the juniors are not going to have a big move again until oil gets under $90. It's one of the craziest times in the market where the junior stocks have an INVERSE relationship to the underlying commodity.

If oil goes well over $100/barrel, the world starts to price recession into the world's equities, which means sell the juniors. Yet the supply/demand fundamentals of oil in the world are tight and bullish, so the closer oil gets to the lower end of its trading range – which I see in the low-mid $80s – the keener the market will be to buy junior oil stocks.

So today I am a buyer of several stocks, though in a small way as I may get an even better opportunity to buy them later this month!

I'm buying because I believe very strongly in this credo (which I made up myself): ***Never underestimate the ability of The System to sustain itself.***

My first purchase was 5000 shares of Second Wave Petroleum (SCS-TSX) at $2.95. I have bought this stock before, and the original report is in the Members Centre dated May 10 2010.

I originally bought the stock because of its very large landholding in the Pekisko formation on its Judy Creek property a couple hours northwest of Edmonton Alberta. They have a large land position there, and were successfully able to outline and develop an oil/gas play in this formation.

But the stock got some real juice mid-2010 when neighbouring Arcan (ARN-TSX) successfully developed the Beaverhill Lake formation (BHL) about 1000 m below the Pekisko. They were hitting 600 bopd IP rates for oil – fantastic results for a Western Canadian Sedimentary Basin (WCSB) play where good Bakken results in Canada average 220 bopd. Seismic showed the BHL over 50,000 acres of Second Wave's ground.

I sold the stock last year in September when their first BHL well didn't meet expectations. (It was actually successful, producing 590 boe/d but from a different formation than BHL; the Gilwood – when the market saw there was NOT going to be a fast development of the BHL a la Arcan, the stock sold off for several months.)

I have watched the stock daily since then. The recent big news came as Second Wave joint ventured their BHL formation rights to Crescent Point (CPG-TSX), the big Bakken producer in SE Saskatchewan. CPG is the most highly respected team in the intermediate oil and gas space in Canada (with apologies to Celtic) and that deal brought a lot of attention to SCS. And then their first BHL well hit 2145 boe/d of 86% light oil. Second Wave gets 40% of this production under the terms of the JV, and only has to pay 15% for the first 8 wells before going to 40%. There is also no payout provision, which means SCS gets their 40% from the first day the well flows, not after CPG recovers its costs.

Drilling has progressed to the point now where several wells have been drilled (reports I'm reading on the company suggest up to 9 wells so far, with several fracked already but some yet to be fracked) with new drilling results coming soon.

These wells are large enough to have a material impact on SCS production numbers, and could provide enough of a lift to find a new, higher trading level. The last reported production for April was 1927 boe/d. Current net debt is $44 million, and there is 83 million shares out.

I bought another 5000 shares of Wavefront Technology Solutions (WEE-TSXv) at 73 cents. It's made a 100% retracement from its big run that started two years ago. Their recent quarterly showed a cash burn of just over $500,000 on operations. They have $25 million cash, or 12 years working capital. Stock chart sucks. But this product works. It has a compelling value proposition for clients – a return of anywhere from 8:1 – 30:1, as recent press releases have shown.

The stock might be 73 cents four months from now. But I'm certain it will be 50% higher in 12 months. Of course, I could be wrong. But that's where I'm putting my money and that's what you pay for.

I also bought another token 1000 shares of Open Range, (ONR-TSX) which makes frack fluid handling systems (and has some 10,000 boe/d of gas). This highly profitable company is growing its services side (the important one) like crazy and I see cash flow multiples warranting a double digit stock price within 6-12 months. Their recent update while I was away showed the number of Poseidon handling systems is now at 125, up from 100 and is mostly in the US now (60%).

For value oriented subscribers, I would point out that Iona Energy is trading below cash and is about to spud the Orlando well, which, IMHO, is as close to 100% Chance of Success as they're just twinning a previous vertical well which hit over 2000 bopd. I see almost zero downside in the stock from here but you may have to be patient for upside – even if they hit.

I may also be a buyer of Ithaca Energy (IAE-TSX) at any time. My only hesitation is that anybody who wants to own it probably already owns it, and it may make sense to buy it in September once I see the stock chart turn around.

I have been calling management teams and my next update will be not be on the Dogs of the OGIB but rather on those teams that have been active and have had news. The story of Why When and How to Shoot Your Dogs will have to wait.

- Keith