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**Time was it seemed like a very good idea for ASX and London AIM Listed Range Resources to diversify into low risk assets in the US. It had some “frontier exploration” in Puntland (an autonomous state within Somalia). Yes it was, in theory, highly prospective but it also ticked all the boxes in terms of high risk projects.**

On top of inhospitable terrain and the tyranny of distance to infrastructure and markets, there was scant previous drilling to know what oil and gas might be discovered. There was political instability in Puntland and also feuding warlords, and banditry in Somalia proper. To add to the excitement there is a pronounced piracy problem in the seas off Somalia. Moreover there was uncertainty over whether license extensions would be agreed.

Accordingly, at a very low price, Range acquired a 25 per cent interest in the North Chapman Ranch field in Texas. Later it bought into the East Valley Prospect. Two wells, the Russell Bevly -1 and the Smith #1 well on Chapman Ranch came good. This gave Range output which, in time -- that is to say the end of the fourth quarter 2010 -- came to amount to around 124 barrels a day of oil and something like 5 million cubic feet of gas a day. This was enough to underpin the share price at about 5p, according to Barney Gray, analyst at house broker Old Park Lane Capital.

Barney reckons there are many more prospects to drill and there has been an upgrading in reserves and he feels output could be pumped up to 500 boepd, which would add value. But there have been other diversifications which have also helped stir the share price.

Last summer Range signed a Heads of Agreement to acquire a 10 per cent ownership of companies that hold three production licenses in Trinidad. Gross production on the licenses is currently 700 bopd but there are plans to lift this to 4000 bopd within 36 months. As with the US production this will help to offset the risks of wildcatting in Puntland and elsewhere.

In Georgia, Range has acquired a 50 per cent interest in Blocks VIa and VIb which cover about 7,000 sq km where RPS Energy has identified 68 prospects with a combined gross oil-in-place estimate of 2 billion barrels. Of the 68, six have been prioritised as drill-ready with a gross unrisksed oil-in-place estimate of 728 million barrels.

After the results for the fourth quarter 2010 were released Range and its Georgian partner, Strait Oil and Gas, announced they had entered into a Heads of Agreement with Red Emperor Resources to acquire a 20 per cent farm-in interest (10 per cent from Range and 10 per cent from Strait) in Block Via and Block VIb in Georgia.

The key terms of the HOA will see Red Emperor contribute 40 per cent of the drilling costs for the planned two well programme (capped at total gross costs of US\$14 million) with Red Emperor contributing US\$5.6 million. It seems that drilling will take place quite soon. Barney Gray reckons these are high risk projects although not as high risk as Puntland; but not as prospective either. He gives a one in ten chance of success to the two wells, which means you are looking for discoveries of between 10 million to 100 barrels.

In Puntland you are ideally looking for rather more than this. Moreover, certain new developments have thrust Somalia back to the fore for Range. In Puntland Range holds a 20 per cent working interest in two licenses encompassing the highly prospective Dharoor and Nugaal Valleys.

Following the fourth quarter 2010 end Range together with its joint venture partners, Africa Oil Corp and Lion Energy entered into amending agreements with the government of Puntland in respect of the of the production sharing agreements (PSAs) for the Dharoor and Nugaal concessions which sees the First Exploration Agreement extended for a further 12 months, from January 17, 2011 to January 17, 2012.

Under the amended PSAs, a minimum of one exploratory well must be spudded in the Dharoor Valley Exploration Area by July 27, 2011. A second exploratory well is required to be spudded in the Nugaal Valley Exploration Area or, at the option of Africa Oil (as operator), in the Dharoor Valley Exploration Area by September 27, 2011.

Earlier this month Range secured a three year Equity Line Facility (ELF) with Duchess Capital for up to £20 million. So something is at last happening in Puntland where the partners are hoping the acreage is a replica of the multi-billion barrel basins across the Gulf of Aden. The new facility, together with option exercise cash which could amount to £14 million outstanding and cash flow from production means that the company is now well funded to progress the development of its assets in Puntland, Georgia and Texas. The shares have ticked up from 5p to around 9.5p on all this news. Old Park Lane has set a target price of 14p, but this could start looking conservative.