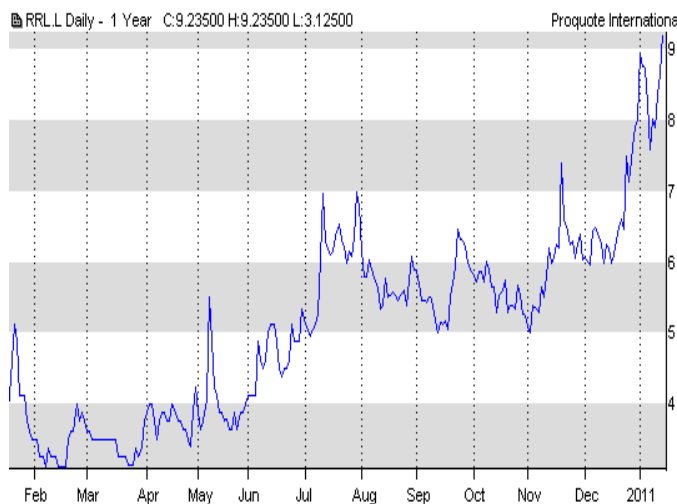


## RANGE RESOURCES LTD

9.27p

Puntland firmly on track

18 January 2011



### Recommendation

**BUY**

Sector:

Oil & Gas

Exchange & Ticker:

AIM All Share: RRL

ASX: RRS

Shares in issue:

1,230.6m

Fully diluted shares

1,609.5m

Market cap:

£114.1m

Target price:

14.1p

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Range and its joint venture partners in Puntland have entered into amending agreements with the Government of Puntland in respect of their two production sharing agreements (PSAs). Under new amendments, the first exploration well must be spudded by 27 July 2011 with a second scheduled to commence by 27 September 2011. This is very good news for Range as it implies that full mobilisation is likely in Q2, providing the company with exposure to multi-billion barrel upside potential.

- Range, in tandem with its joint venture partners, Africa Oil (operator with 65%) and Lion Energy (15%), has amended its agreements with the Government of Puntland in respect of its PSAs for the Dharoor Valley Exploration Area and the Nugaal Valley Exploration Area.
- Under the terms of the amended PSAs, the First Exploration Agreement has been extended for a further 12 months from 17 January 2011 to 17 January 2012.
- Range and its partners must spud a minimum of one exploration well by 27 July 2011 in the Dharoor Valley. A second well is also required to be spudded in the Nugaal Valley before 27 September 2011, at the option of Africa Oil.
- Range will have a contributing interest in an exploration well on Dharoor. However, we estimate that Africa Oil has only spent approximately \$7.5m on Nugaal and consequently, Range will be carried on any further activity up to \$22.5m. After which, Range will participate in its 20% working interest.
- The proposed farm-out of a 20% interest in each PSA to Red Emperor, as announced on 15 June 2010, has also been approved by the Puntland Government. This is further good news for Range as Red Emperor will be required to pay a disproportionate share of the costs relating to the outlined drilling commitments.

In November 2010 we increased our risk parameters to reflect the longer lead times for mobilisation in Puntland. However, with the extension of the PSAs and renewed visibility on mobilisation ahead of a July spud, we are confident that success in Puntland will transform Range into a major player in the E&P sector.

## DISCLOSURES AND RISK WARNING

The recommendation system used for this research is as follows. We expect the indicated target price relative to the FT All Share Index to be achieved with 12 months on the date of this publication. A 'Hold' indicates expected performance relative to this index of +/-10%, a 'Buy' indicates expected outperformance of >10% and a 'Sell' indicates underperformance of >10%.

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