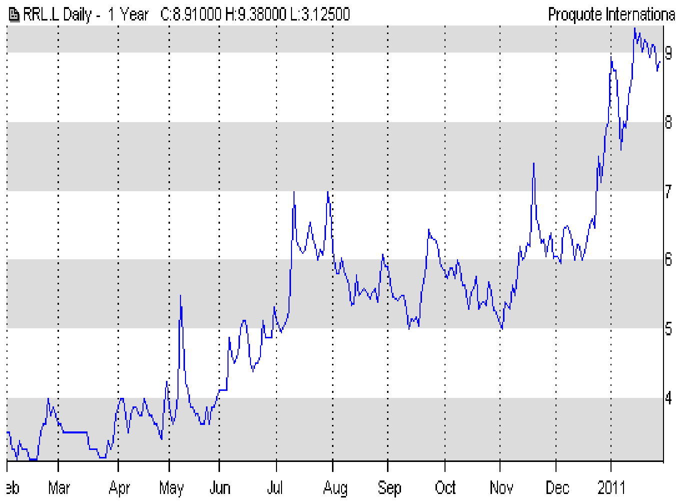
OLD PARK LANE CAPITAL+

RANGE RESOURCES LTD

8.85p

Quarterly report ended 31 December 2010

31 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:	£108.9m
Target price:	14.1p
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Range has made very strong progress over the last four months. In the last quarter, the company commenced activities in Georgia and increased both reserves and production at North Chapman Ranch in Texas. This momentum continued in 2011 with the extension of the company's Puntland PSAs, an increased stake in the East Cotton Valley project in Texas and the farm-in of a new partner in Georgia. To reflect Range's progress over the last twelve months, the company was included in the FTSE AIM All Share Index on 6 January 2011.

- Range has made significant progress in Georgia and we expect mobilisation to commence in Q1. The introduction of Red Emperor as a farm-in partner has reduced Range's financial exposure to initial exploration drilling from 100% to 60% whilst ceding only 10% of its overall interest in both licences.
- In Texas, production from North Chapman Ranch continues to provide Range with modest cash flow. However, fracture stimulation of the Russell Bevly well in February and possibly the Smith #1 well in April has the potential to increase current production levels significantly.
- Range also increased its interest in the East Cotton Valley project in northern Texas for a nominal sum. Although a very small part of the group's portfolio, Range will participate in a horizontal appraisal well in February which could deliver an attractive upgrade to oil reserves.
- In Puntland, Range and its partners have extended the Production Sharing Agreements (PSAs) by a further 12 months and we believe that mobilisation for exploration drilling in Q2 is a strong possibility.

We expect Range will continue to deliver a stream a positive news flow over the next six months as it accelerates activity across its portfolio. The group is well financed with over A$7.5m of cash and access to a £20m Equity Line Facility with which to finance its obligations. We expect that further drilling success will provide an attractive degree of upside to our current valuation.

Quarterly report and cash position

Range reported that production for the quarter ended December 2010 was 53mmcfd of gas and 2,588bbls of oil for the period net to the company. This is equivalent to an average of 124boe per day, up from approximately 109mmboe in the previous quarter. This production was attributable to output from the company's North Chapman Ranch asset in Nueces County, Texas.

Net operating cash outflow before financing activities was over A$3.1m, of which A$2.4m was expenditure on exploration and evaluation with the balance comprised of production and development expenditure and administration costs. During the period, Range raised over A$2.8m through the exercise of approximately 53 million A$0.05 options.

Cash on the balance sheet at the end of December was A$7.5m which will be used to fund future drilling and development activities. This is more or less in line with the group's net cash position at the end of September 2010 (A$7.8m). We believe that the current position has been augmented by over A$0.6m since the period end as a result of the exercise of a total of nearly 12.9m A$0.05 listed options in January 2011.

Subsequent to the period end, Range also secured a three year Equity Line Facility (ELF) with Duchess Capital for up to £20m, announced on 27 January 2011. This is good news for Range given that the ELF, combined with the company's existing funds, will enable Range to accelerate the development of its assets in Puntland, Georgia and Texas.

Operational update

Georgia – making good progress

During the period, Range received the seismic interpretation report on its Georgian acreage, Blocks VIa and VIb, from independent consultant RPS Energy. RPS identified a total of 68 structures across both blocks which could potentially contain stacked reservoirs. The best estimate of gross un-risked oil in place across this portfolio of leads and prospects is 2,045mmbbls. The recovery factor for oil in place has been conservatively estimated at 30%.

RPS has identified and prioritised six structures as ready for drilling. These are estimated to contain up to 728mmbls of gross un-risked resources in place.

Summary of prospects on Block VIA

Prospect	Oil in place (mmbbls)
Kursebi 1 (K1)	123
Kursebi 2 (K2)	160
Kursebi 6 (K6)	42
Vani 1 (V1)	171
Vani 2 (V2)	89
Vani 3 (V1)	145
Total	**728**

Source: RPS Energy (Decimal places have been rounded)

Recent activity – helium study

At the end of November 2010, Range engaged international geochemical company, Actual Geology International Limited (AGI), to carry out a helium study on the three top multi-stacked prospects as identified by RPS. These prospects are estimated to contain over 450mmbbls of gross oil in place. This work was completed in early January and laboratory analysis is almost complete with a view to preparing a final report within the next few weeks.

Red Emperor farm-in

On 10 January 2011, Range and its partner in Georgia, Strait Oil & Gas UK Limited announced that they had signed a Heads of Agreement with Red Emperor Resources (ASX: RMP) to acquire a 20% farm-in interest on both Georgian blocks comprising a 10% interest each from Range and Strait.

This agreement will see Red Emperor contribute 40% of the drilling costs of the planned two well programme, capped at a cost of US$14m (RMP to contribute US5.6m) in order to acquire its 20% interest.

As we started in early January, we believe that this is a very good deal for Range given that it reduces the company's financial exposure to initial exploration drilling from 100% to 60% whilst ceding only 10% of its interest in the licences.

Puntland – extension agreed

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. Additionally, 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.

Trinidad

Subsequent to the end of the last quarter, ASX listed Monitor Energy Limited (ASX: MHL), has entered into a mandate with a UK based broker to raise A$90m with marketing of the offer being conducted in Europe and North America.

Following the completion of this fund raising, Monitor will look to acquire 90% of SOCA Petroleum Limited, of which Range already owns 10%. These new funds will be used to accelerate development across SOCA's three onshore licences in Trinidad with the aim of increasing production from the current level of 700bbls per day to over 4,000bbls per day within three years on the known 2P reserve base. As stated in previous announcements, Range will be carried through this initial development phase.

Texas North Chapman Ranch update

Range's production numbers as outline earlier is derived from just one of three zones on the Smith #1 well and an 11ft perforation on the bottom of four zones on the Russell Bevy well. Both wells are flowing under natural pressure.

The North Chapman Ranch partners have secured a team to fracture stimulate Russell Bevly with the intention of increasing the flow rate. This team is expected on site in early February. It is then planned that the team will return to Smith #1 in April once Range and its partners have had time to assess the performance of Russell Bevly.

Reserves upgrade

During the quarter ended December 2011, we outlined the findings of independent petroleum consultants, Lonquist & Co LLC, which was published following the successful drilling and completion of the Russell Bevly appraisal well. As stated at the time, this well confirmed Range's structural and stratigraphical models and established additional proved oil and gas reserves across the northwest flank of the North Chapman Ranch closure.

The key finding from the new information is that there has been a significant movement of reserves from the probable into the proved category. The table below outlines the update reserves on North Chapman, highlighting the increased level of reserves in the proved category in particular.

North Chapman Ranch recoverable reserves

Reserve category	**Natural gas (BCF)**		**Oil (mmbbls)**		**Condensate (mmbbls)**	
	Oct 2010	***May 2010***	**Oct 2010**	***May 2010***	**Oct 2010**	***May 2010***
Proved (P1)	62.4	*33.3*	4.8	*2.5*	4.5	*2.4*
Probable (P2)	34.6	*31.8*	2.7	*2.4*	2.5	*2.3*
Possible (P3)	142.5	*150.4*	10.9	*11.1*	10.3	*10.8*
Gross reserves	**239.4**	***215.5***	**18.4**	***16.0***	**17.2**	***15.5***
Net to Range						
Proved (P1)	12.7	*8.3*	1.0	*0.6*	0.9	*0.6*
Probable (P2)	6.9	*6.4*	0.5	*0.5*	0.5	*0.5*
Possible (P3)	28.5	*30.1*	2.2	*2.2*	2.1	*2.1*
Net reserves	**48.1**	***44.8***	**3.7**	***3.3***	**3.5**	***3.0***

Source: Lonquist & Co

Valuation of North Chapman reserves

Based on the previous reserve estimates, Lonquist has ascribed a discounted valuation (using a discount rate of 10%) of US$106.2m to Range’s proved and probable reserves. This is based on Nymex forward strip oil and gas prices reported on 31 December 2009 and the deduction of all royalties, opex, capital expenditure and production taxes.

Valuation of reserves net to Range

Reserve category	Undiscounted (US$)	NPV 10 (US$)
Proved (P1)	$99.9m	$69.1m
Probable (P2)	$60.2m	$37.1m
Estimated future cash flow (P1 and P2)	**$159.4m**	**$106.2m**
Possible (P3)	*$252.2m*	*$142.1m*
Estimated future cash flow (P1, P2 and P3)	**$412.3m**	**$248.3m**

Source: Lonquist & Co

East Texas Cotton Valley prospect

Range acquired an additional 8.19% working interest in its East Texas Cotton Valley project for a total of $148,000 in lease acquisition costs and an overriding royalty retained by the seller. Range's participating interest in the shallow oil project now totals 21.75%.

The acquisition represents an opportunistic additional investment in the prospect as Range and its partners prepare to spud the Ross 3H horizontal appraisal well in the coming weeks. Mobilisation of the rig has been delayed slightly and is expected to commence in early February 2011. This well will be the company's first in the project area.

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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