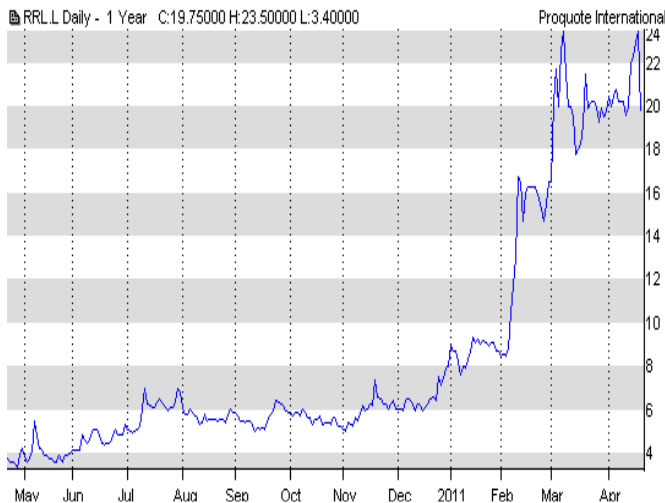


## RANGE RESOURCES LTD

20.38p

Trinidad acquisition triggers major upgrade

20 April 2011



### Recommendation

Sector:  
Exchange & Ticker:

Shares in issue:  
Fully diluted shares:  
Market cap:

**Target price:**

**ANALYST:**

**CHIEF EXECUTIVE &  
CORPORATE BROKING:**

### BUY

Oil & Gas  
AIM: RRL  
ASX: RRS

1,604.9m\*  
1,911.9m\*  
£327m\*

**28.6p**

**Barney Gray**

+44(0)20 7518 2607

[bg@oldplc.com](mailto:bg@oldplc.com)

**Michael Parnes**

+44(0)20 7518 2608

[mp@oldplc.com](mailto:mp@oldplc.com)

Range announced that it will acquire 100% of three producing onshore oilfields in Trinidad. This represents a significant strategic progression for the company given that Range's exciting exploration portfolio will now be complemented by a substantially augmented production base over the next three years. We have valued Range's interest in Trinidad at \$147m or 4.8p per fully diluted share based on conservative criteria.

- Range will pay a consideration of \$52m in cash and 34.8m shares for the 90% it does not already own upon completion of the deal. The transaction also includes a drilling company with nine production and drilling rigs and associated facilities. Range conservatively values the replacement cost of its drilling company at \$20m.
- Simultaneous with this transaction, Old Park Lane Capital has completed a placing of £20m of new Range shares to fund the initial acquisition costs. We estimate that Range also has in excess of \$25m of cash excluding the placing proceeds with which to fund existing commitments.
- Following the completion of the deal, Range will engage in a development drilling programme which is expected to increase production from 600bopd to 4,000bopd over the next 36 months. This target excludes any success from exploration drilling in the deeper but potentially more productive Herrera formation. Nevertheless, we anticipate that Range will spud an exploration well in the Herrera in 2011.
- Elsewhere, Range expects to spud the first of two exploration wells in Georgia in June and participate in the first of two high impact exploration wells in Puntland in July. In Texas, Range is currently drilling a horizontal appraisal well on East Cotton Valley, the result of which will be known within two weeks. The company will also drill two further appraisal wells on North Chapman Ranch in 2011 with the potential to substantially boost its Texan 2P reserve base.

We have increased our fully diluted valuation of Range from 14.1p to 28.6p as the management is making huge progress de-risking the business while maintaining exposure to highly attractive exploration upside. We are aware that exploration mobilisation has the potential to push the shares higher than our core valuation in the short term. However, such rallies will be justified by success with the drill bit and propel Range into the next tier of E&P companies. (\*Note that all share related numbers are on a pro forma basis).

A marketing communication from OPLC, broker to Range Resources Ltd

# Executive summary

Range has entered into an Option Agreement to acquire 100% of SOCA Petroleum's interest in three producing oil fields in Trinidad assets. Range will pay a consideration of \$52m in cash and 34.8m shares upon formal completion of the deal. The agreement includes two additional production milestones, where Range will issue a further 17.4m shares upon the satisfaction of each milestone.

The agreement also includes ownership of a major local drilling company which owns five onshore rigs, three production rigs and a swab rig in addition to a full workshop, pipe yard, storage tanks and facilities. Range conservatively values the replacement cost of its drilling company at \$20m.

Simultaneous with this transaction, Old Park Lane Capital has completed a placing of £20m of new shares at 17p per share in order to fund the initial acquisition costs. We estimate that Range also has in excess of \$25m of cash on the balance sheet excluding the recent placing proceeds with which to fund existing commitments.

Aggregate production from the Trinidad assets is currently 600bopd. However, Range expects that a development drilling programme will increase this to 4,000bopd over the next 36 months based on known reserves.

This output target excludes specifically the results of higher risk/reward exploration drilling in the considerably deeper but potentially more productive Herrera formation at this stage. Nevertheless, we anticipate that Range will spud an exploration well in the Herrera towards the end of 2011.

We have attributed a valuation of \$147m (NPV 10) to Range's Trinidad assets based on a raft of conservative criteria. This valuation specifically excludes the replacement cost of the drilling company although Range's exclusive use of the rigs will mitigate drilling costs significantly over the course of its work programme.

Aside from Trinidad, activity across Range's existing portfolio of assets is also accelerating. The company will participate in the first of two exploration wells in the Republic of Georgia in June. Both wells are targeting highly attractive prospects, each with pre-drill estimates of over 120mmbo in place.

We also anticipate mobilisation in Puntland to commence in the latter part of Q2 as Range intends to participate in the first of two high impact exploration wells in Puntland by the end of July. Both wells will target prospects in excess of one billion barrels in place and success from either well is likely to propel Range into a new league of oil explorers.

Texas represents the lower risk arm of Range's business. Nevertheless, recent fracture stimulation of the group's production wells on the North Chapman Ranch project has delivered a significant uplift in output. While this activity is likely to continue over the course of 2011, we anticipate that Range will participate in further appraisal and development drilling.

The next well to spud on North Chapman is likely to be Albrecht #1. This well will be instrumental in confirming additional reserves in the southeast portion of the field, moving substantial volumes of P3 reserves into the P1 and P2 categories. With the value uplift associated with such an event, we believe that Range may look to crystallise the value of its interest in the asset. Range intends to participate in an additional well, back to back with Albecht, before the year-end in order to accelerate this process.

In northeast Texas, Range is currently participating in horizontal appraisal drilling on the East Cotton Valley property, the results of which are expected within the next two weeks. This well represents the start of a 20 well development plan that has the potential to enhance significantly the value of the project. We are confident that Range will look to dispose of its interest upon the demonstration of an optimised P2 reserve at East Cotton Valley.

## Range - valuation summary

Asset	Estimated value	Value per share	Fully diluted
<b>Trinidad</b>	\$147m	5.7p	4.8p
<b>Puntland</b>			
Nugaal PSA	\$333m	13.0p	10.9p
Dharoor PSA	\$103m	4.0p	3.4p
<b>Georgia</b>	\$126m	4.9p	4.1p
<b>Texas</b>			
North Chapman Ranch	\$106m	4.1p	3.5p
East Cotton Valley	\$16m	0.6p	0.5p
Options	\$19m	-	0.6p
Cash	\$25m (est.)	1.0p	0.8p
<b>Net asset value</b>	<b>\$875m</b>	<b>33.3p</b>	<b>28.6p</b>

Source: OPLC estimates

### Details of OPLC's increased valuation of Range

Our latest valuation of Range Resources represents a significant upgrade from our last published valuation. We have upgraded our fully diluted valuation of the company from 14.1p to 28.6p. The major constituents of this upgrade are as a result of a number of factors. These include:

- The inclusion of the company's 100% interest in the Trinidad asset package
- A conservative de-risking of elements of Range's Georgian and Puntland exploration acreage as mobilisation approaches in both regions
- Moderately increased oil price assumptions within our valuations of Puntland and Georgia
- Inclusion of Range's current cash resources and cash payments for options given the strong likelihood of exercise within the next six months

Within our fully diluted valuation we have included all the shares issued in association with the deal to acquire the Trinidad assets combined with the shares issued in conjunction with the latest placing of £20m. We have not included the cash from the recent placing within our current asset base given that it will be used to facilitate directly the Trinidad acquisition.

# Range acquires interest in Trinidad

## The acquisition terms

Range has entered into an Option Agreement to acquire 100% ownership in holding companies (SOCA Petroleum), whose wholly owned subsidiaries hold three production licences in onshore oilfields in Trinidad.

Under the terms of the agreement with SOCA Petroleum, Range will pay the following vendor and facilitation fees to acquire the remaining 90% that it doesn't already own. (The initial option to acquire a 10% interest was entered into in July 2010).

- \$52m upon formal completion of the acquisition. (Scheduled to happen imminently upon all necessary closing actions being completed).
- 35.8m shares upon completion
- 17.9m shares upon production reaching 1,250bopd
- 17.9m shares upon production reaching 2,500bopd

Assuming that all equity is converted at the share price at close on 18 April and the current US dollar/Sterling exchange rate, we believe that the aggregate notional consideration could be worth up to \$77.5m today assuming that both production milestones are met.

## The licences

The production acreage covers a total of 16,253 gross acres on the southern coast onshore Trinidad and operating wells cover three oilfields. These are Morne Diablo, Beach Marcelle and South Quarry, the locations of which are outlined below.

### Location of Range's Trinidad licence areas



South Quarry block

Morne Diablo block

Beach Marcelle block

Source: Range Resources

## The proposition

Gross production from the fields is currently approximately 600bopd. However, Range expects that a development drilling work programme will increase this to 4,000bopd within 36 months based on known reserves. We expect that the project will concentrate on the Morne Diablo field which constitutes the largest asset by some degree, representing approximately 85% of total P3 reserves attributed to the asset package.

It should be noted that the current output target excludes the results of higher exploration risk drilling in the considerably deeper but potentially more productive Herrera formation at this stage.

The acquisition agreement also includes ownership of a major local drilling company which owns five onshore rigs, three production rigs and a swab rig in addition to a full workshop, pipe yard, storage tanks and facilities. This drilling company is one of only five on the island of Trinidad and Range conservatively values the replacement cost of the company at \$20m.

Outlined below are pictures and specifications of the drilling rigs and the swab rig associated with the deal. This equipment will enable Range to conduct comprehensive drilling operations in all the shallow horizons and up to depths of 10,000 feet, which is sufficient to probe the Herrera formations.

### A selection of rigs acquired with the deal



Source: Range Resources

## The development programme

We expect that Range will invest development capital of up to \$24m as the group embarks on a sustained development drilling programme over the next three years. Up to half of this consideration will be funded from internally generated cash flow derived from production with the balance funded from Range's own cash resources. The cost of drilling will be mitigated significantly given that Range will use company owned drilling rigs and equipment to complete the work programme.

Within the drilling programme Range also anticipates targeting reserves in deeper Herrera horizon which, subject to successful exploration drilling, have the potential to increase gross production to 8,000-10,000bopd. Although this is not currently factored into our base assumptions, Range is keen to spud at least one exploration well, targeting the Herrera formation, in 2011.

## Trinidad overview

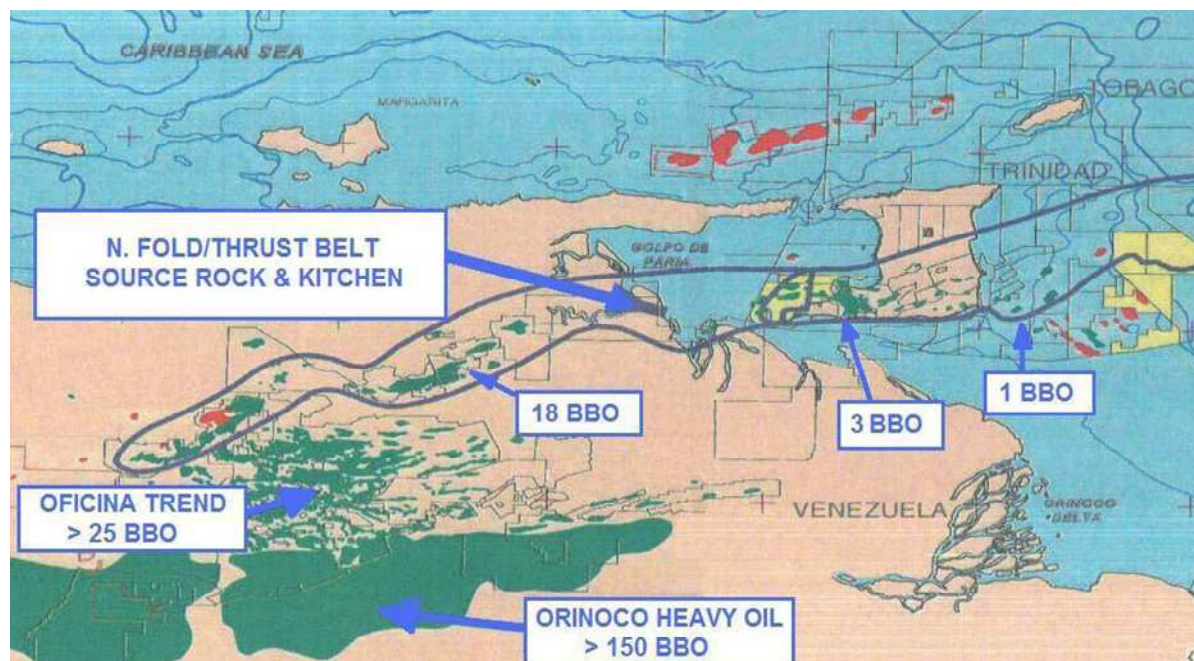
### Geological background

Trinidad is located on the South American tectonic plate and lies within the Orinoco Fold Belt which is a prolific oil producer in nearby Venezuela, only 14km from Range's licences. Trinidad is recognised as a significant oil province and the country has produced over 3 billion barrels of oil to date with current production totalling 100,000bopd. All locally produced oil is acquired by the Pointe-a-Pierre state refinery, owned by state oil company, Petrotrin and located on the west coast of the country.

All three of Range's licences are located within a complex thrust belt with surface expression known as the Southern Range. This region, which contains numerous oil seeps, stretches from west to east forming the south coast of the island of the island of Trinidad.

Fluvial deltaic sediments ranging to tidal and wave dominated characterise the shallower producing zones in the Morne Diablo and South Quarry fields in the south west of the island. Due to growth faulting in south east of Trinidad, the sands on the Beach Marcelle licence are thicker and better developed.

### Location of Trinidad in the Orinoco fold belt

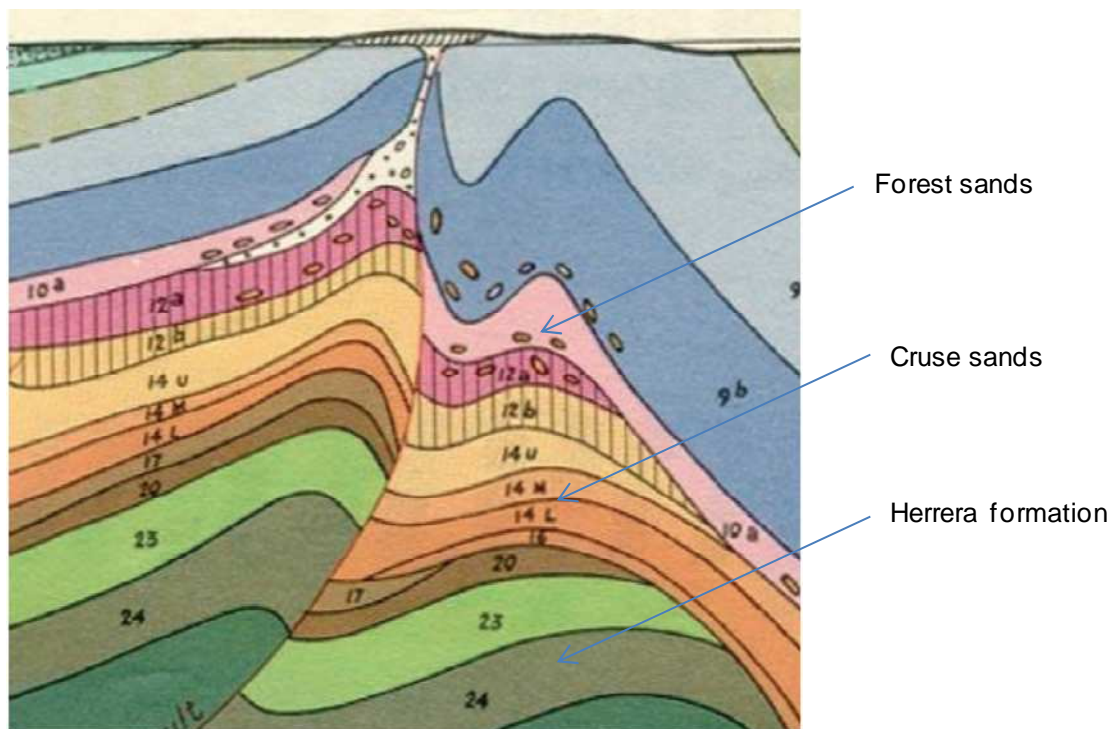


Source: Range Resources

## Oil prone formations

Most of the oil fields in Trinidad are four-way dip structural rollover anticlines with significant closure to create multiple entrapment horizons as seen in the graphic below.

### Structural cross section of the Morne Diablo field



Source: Range Resources

### The Cruse sands

The Pliocene aged Cruse sands (orange layers in picture above) can be segmented into three distinct members. Primarily, the Middle Cruse formation is widespread in Trinidad and is the main producer in the region. This horizon is typically located at depths of approximately 3,000 – 4,000ft.

The Lower Cruse horizon is productive but largely unexplored in Trinidad. Lastly, the Upper Cruse is also widespread, consisting of well developed sands that offer the prospect of steady production.

### The Forest sands

The Pliocene aged Forest sands (pink layers in picture above) represent the shallowest horizons on Monitors acreage and comprise two main oil producing members. The Lower Forest sands range from 800 – 1,000ft deep and the Shallow Forest ranges from 300 – 500ft. These formations are ubiquitous in the south west of Trinidad and the shallowest of all the most accessible oil producing horizons.

In the Beach Marcelle area of Trinidad, the shallow Forest sands equivalent is the Gros Marne formation where Monitor is considering a water flood project to increase current production rates.

### The Herrera formation – significant upside

The deepwater Miocene aged turbidite Herrera Formation (green layers in picture above) is a prolific producer in Trinidad and represents significant prospective resource upside to Monitor. Production in this formation is usually found in the northeast to southwest thrust structure to the east and north of Monitor's prospective acreage. The comparatively large Penal field in the Herrera Formation has produced more than 60mmboe to date from depths of up to 9,000ft.

Producing fields in the Herrera formations in Trinidad produce at rates of 500 - 2,000bopd on blocks adjacent to Range's acreage positions.

## Reserves attributable to Range

The Morne Diablo field was discovered in 1938 and has had 320 wells drilled on it of which more than half are currently producing. Total production to date has been 9.5mbo from depths ranging from 200 feet to 4,800 feet. Current production from the field is approximately 500bopd. Over 220 wells have been drilled on South Quarry and Beach Marcelle to date and current combined production is nearly 200bopd.

Range's forward development plan will comprise replacement, infill and step out wells on the existing acreage given that the current fields exploit only 5% of the available proven reserve acreage.

### Reserve data

With regards to Range's core assets, reserve data relates to the shallower Forest and Cruse formations only. Gross P1, P2 reserves are 6.6mmbbls with P3 upside of a further 2.9mmbbls as estimated by independent consultant Forrest A. Garb & Associates (FGA).

Prospective reserves are significantly higher and relate predominantly to the deeper Herrera formation. However, to bring them into production would require a significantly larger capital expenditure programme which is not being considered for the purposes of this report.

### Oil and condensate reserves estimates

Reserve category	Gross reserves (mmbbls)	Net reserves* (mmbbls)
Proved (P1)	3.6	2.6
Probable (P2)	3.0	2.2
Possible (P3)	2.9	2.1
<b>Total reserves</b>	<b>9.5</b>	<b>6.9</b>
<i>Prospective resources</i>	27.4	19.9

Source: Forrest A. Garb & Associates (FGA)

\*The net reserve is calculated as approximately 72.5% of the gross after the payment of a Trinidad government royalty and overriding revenue interests.

## Valuation assumptions

We have attributed a valuation of \$147m (NPV 10) to Range's three field development in Trinidad. This implies a net margin of \$25-\$30 per barrel of production on an undiscounted cash flow basis from 2013 onwards. On a fully discounted basis, we estimate that the value of Range's interest in Trinidad is worth approximately \$15.50 per barrel of reserves (P3) at an oil price of \$85/bbl oil price after all royalties, capex, opex and tax.

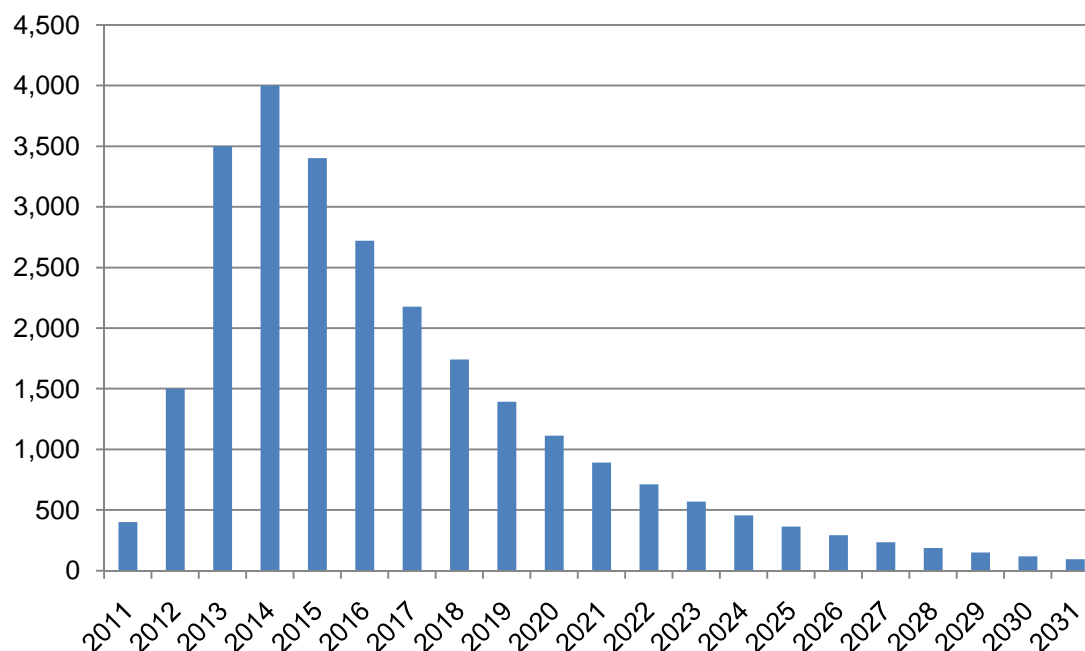
Assuming approximately 1,912m shares on a fully diluted basis and an average exchange rate of \$1.60: £1.00, we ascribe a valuation of 4.8p per share to Range's interests in Trinidad.

## Production assumptions

On a gross basis, current production from the three fields is approximately 600bopd, with the majority derived from the Morne Diablo field. However, Range expects that a development programme will increase this to 4,000bopd within 36 months based on known reserves.

It is highly pertinent to note that we have driven our theoretical production profile off known reserves only on the assumption that a sustained drilling programme will bring the majority of the P3 reserves into production. We have not factored any prospective resources into our assumptions at this stage although a proportion of these would be likely to be produced from an extensive development programme, providing significant upside to the project. Consequently, our valuation is based on the production profile outlined below.

### Trinidad gross oil production, (bopd)



Source: Range and OPLC estimates

## Cost assumptions

### Capital expenditure assumptions

For our valuation, we have assumed that Range instigates a \$24m capital expenditure programme over the next three years involving the drilling of over 150 exploration and development wells in order to increase production to a peak of 4,000bopd in three years.

This is based on the assumption that the average well cost will be \$150,000 - \$175,000 per well. In practise, the shallowest wells will cost less than \$50,000 to complete given that many will be completed at depths of less than 1,000 feet within a few days. Deeper wells into the Herrera formation, up to a maximum of 8,500 feet, will cost over \$1m. Nevertheless, reserves and production potential in the deeper Herrera formation are considerably higher than shallower horizons.

Range estimates that the project will be largely self funding after the first \$10m-\$15m of development expenditure as cash flow from production increases sharply over the first twelve months. Drilling and operating costs will be mitigated significantly given that Range will have the exclusive use of five drilling rigs, three production rigs and a swab rig. This also gives Range complete discretion over long term drilling schedules and target selection.

### Production and reserve dynamics

Initial production from new wells has the potential to be 50 - 80bopd from shallow horizons and over 200bopd from deeper formations. This production tails off rapidly as reservoir pressure falls. However, produced water can be re-injected and the aggressive roll out of additional development wells, with the added potential for water flooding will ensure that aggregate production increases rapidly over the first three years of the project.

Within our production assumptions, we have factored in an average production decline rate of 20% post peak production assuming negligible additional capital expenditure. In our conservative calculations, we have assumed that there is negligible drilling after the initial \$24m programme and production begins to decline after 2014.

To date, total production from the three fields has been approximately 9.5mmbbls of oil and FGA suggests that the three fields contain remaining P3 reserves of a further 9.5mmbbls. Prospective resources are estimated to be over 27mmbbls, however, the development cost alone for these resources would be in excess of \$80m and we are not considering this in our valuation at present.

In our valuation, we have assumed that the partners produce approximately 9.5mmbbls over 20 years, based on the assumption that all P1 and P2 reserves are recovered and the majority of P3 reserves are produced as a result of the scope of the continuous drilling programme.

### Oil prices

All onshore production is purchased by the state oil company, Petrotrin. However, as a result of transportation costs to the Petrotrin refinery and given that the oil produced in this region of Trinidad, which is on trend with Venezuela, is reasonably heavy with an average gravity of 25° API, it commands a \$10 discount to WTI. As such, we have assumed an average realised flat net oil price of \$75/bbl from 2011 onwards.

**Royalties and taxation**

In line with FGA's assumptions, we have assumed a Trinidad government royalty of 12.5% and an overriding royalty interest (ORRI) of 15% of the gross production stream. The net revenue interest used in our evaluation is therefore 72.5%.

The ORRI component would be considerably higher on production rates below 13,000bbls per month (c.427bpd) on the Morne Diablo field (35%+). However, we have not factored this into our valuation as we expect production to be significantly higher than 13,000bbls per month going forward.

Our assumptions also include a Special Petroleum Tax of 18% on production net of royalties and ORRI, all exploration costs and 40% of development costs as outlined by FGA. This rate declines on oil prices below \$50 per barrel. However, this is not factored into our assumptions as we do not expect oil prices to weaken by such a magnitude in the foreseeable future.

**Operating costs**

We have assumed a lifting cost of \$15/bbl flat over the life of the project. We expect this to be a conservative assumption during the peak production years in particular given the likely economies of scale gained from an intensive development and production programme.

# High impact exploration activities

The next six to eight months represents a very exciting period for Range as it expects to participate in up to four high impact exploration wells in Georgia and Puntland.

## Republic of Georgia

Range has made strong progress in Georgia over the last six months. The company has received the seismic interpretation report on Blocks VIa and VIb, from independent consultant RPS Energy which has identified 68 structures across both blocks which could potentially contain 2,045mmbbls of oil in place. 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 728mmbbls of gross un-risked resources in place. Range has since confirmed that Vani 3 and Kursebi 2 are most likely to be drilled in the first phase of the upcoming exploration programme. These wells will target over 300mmbbls of oil place. (See table below).

### 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 (V3)	145
<b>Total</b>	<b>728</b>

Source: RPS Energy (Decimal places have been rounded)

### Upcoming activity

Range and its partners have procured a drilling rig from Edec Petroleum Services Limited in the UK which is being readied for mobilisation. Range expects that Vani 3 is likely to be spudded in June 2011. The first well is anticipated to take 45 days with the second well on Kursebi 2 expected to be drilled back to back.

### Drilling costs

The total cost of the Georgian drilling programme is expected to cost \$14m. In January 2011, Red Emperor Resources (ASX: RMP) acquired a 20% farm-in interest on both Georgian blocks in a deal which will see Red Emperor contribute 40% of the drilling costs of the planned two well programme, capped at a cost of US\$14m.

Given that Red Emperor will contribute up to \$5.6m in order to acquire its 20% interest, we expect that Range's exposure to exploration drilling is \$8.4m, assuming a \$14m programme. (NB. Range is finance carrying Strait through the exploration phase). Prior to the recent placing, Range was fully funded for all of its Georgian exploration commitments.

### Valuation of Range's Georgian interests

On a fully diluted basis, we ascribe an adjusted valuation of 4.1p per share for Range's Georgian assets. This assessment represents an upgrade to our previously stated valuation of approximately 2.9p per fully diluted share given that we have reduced our market risk discount from 50% to 33% to reflect the imminent commencement of mobilisation.

In addition, on the basis of positive helium study results on Range's two primary drill targets we have upgraded our geological chance of success from a highly conservative 8.3% (1 in 12) to 10% (1 in 10), an assumption that we believe to be consistent with industry norms for an underexplored region.

On the back of the rally in global oil prices since the beginning of the year, we have also upgraded our notional valuation of a discovered barrel of oil in the ground from \$6.60 to \$7.35 per barrel to reflect an oil price of \$85 per barrel used within our assumptions.

### Georgia valuation summary

Variable	Blocks VIA & VIB
Undiscovered oil in place	2,045 mmbbls
Range interest	40%
Net to Range	818 mmbbls
Recovery factor	30%
Unrisked recoverable resource	245 mmbbls
Chance of success	10% (1 in 10)
Risked resource	25 mmbbls
Implied value per bbl of discovered oil	\$7.35/bbl
Risked value	\$180m
Market/political risk discount	33%
Value of Red Emperor farm in	\$5.6m
<b>Expected Monetary Value (EMV)</b>	<b>\$126m</b>
Diluted equity	1,911.9m
<b>Diluted EMV per share</b>	<b>4.1p</b>

Source: RPS and OPLC estimates

### Puntland – huge potential upside

Range expects to participate in an exploration well in Puntland in late July 2011 in line with the terms of the Production Sharing Agreement (PSA) with the Puntland government.

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. Consequently, 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, the operator.

### Range's Puntland partners

Partner	Ticker	Interest	Notes
Africa Oil	TSX: AOI	60%	Operator
Range Resources	AIM: RRL, ASX: RRS	20%	-
Red Emperor	ASX: RMP	20%	Paying 1.5 for 1

### Well programme and costs

For the purposes of our estimates, we currently assume that one exploration well is likely to cost approximately US\$25m on a 100% basis. Range will have a contributing interest in the well on Dharoor which we estimate to be up to \$5m. However, we estimate that Africa Oil has only spent approximately \$7.5m on Nugaal to date and consequently, Range will be carried on any further activity up to \$22.5m on Nugaal after which, the company will participate in its 20% working interest.

The farm-out of a 20% interest in each PSA to Red Emperor Resources provides upside for Range as Red Emperor will be required to pay a disproportionate share of the costs relating to the outlined drilling commitments. Red Emperor has an option but not an obligation to participate in the second exploration well on Nugaal so the total mitigation of Range's exploration costs is not yet known.

Africa Oil has now appointed a rig manager and has identified a drilling contractor for the first well of the two well programme. We anticipate further updates regarding full mobilisation over the course of the next quarter. As with Georgia, Range was fully funded to meet its commitments in Puntland prior to the recent placing.

### Valuation of Range's Puntland interests

We ascribe an adjusted diluted valuation of 14.3p per share for Range's Puntland acreage. This assessment represents a significant upgrade to our last stated valuation of 6.7p given that, as in the case of Georgia, we have reduced our market risk discount albeit on a more conservative basis, from 75% to 50% to reflect the increased likelihood of mobilisation.

In addition, we have upgraded our notional valuation of a discovered barrel of oil in the ground from \$7.21 to \$7.93 per barrel to reflect a higher oil price of \$85 per barrel used within our assumptions.

### Puntland valuation summary

Variable	Nugaal PSA	Dharoor PSA
Undiscovered oil in place	12,405mmbbls	5,804mmbbls
Range interest	20%	20%
Net to Range	2,481mmbbls	1,161mmbbls
Recovery factor	30%	30%
<b>Unrisked recoverable resource</b>	<b>744mmbbls</b>	<b>348mmbbls</b>
Chance of success	11.3%	7.4%
<b>Risked resource</b>	<b>84mmbbls</b>	<b>26mmbbls</b>
Implied value per bbl of discovered oil	US\$7.93/bbl	US\$7.93/bbl
Risked value	US\$666m	US\$205m
Market/political risk discount	50%	50%
<b>Expected Monetary Value (EMV)</b>	<b>US\$333m</b>	<b>US\$103m</b>
Diluted equity	1,911.9m	1,911.9m
<b>Diluted EMV per share (p)</b>	<b>10.9p</b>	<b>3.4p</b>

Source: RPS and OPLC estimates

# Texas – continued progress

## North Chapman Ranch update

Range has continued to make excellent progress on the North Chapman Ranch project in southern Texas. The company commenced fracture stimulation activities on the Smith (Range 25%) and Russell Bevly (Range 20%) wells in March 2010 and combined test rates reached 9.2mmcf of gas and 769bbls of oil per day (gross production) in late March. This compares very favourably with the previous peak production of 3.3mmcf and 247bbls per day in September 2010.

Range believes that the full potential of both wells is yet to be seen given that there is at least one additional zone to be fraced on Russell Bevly.

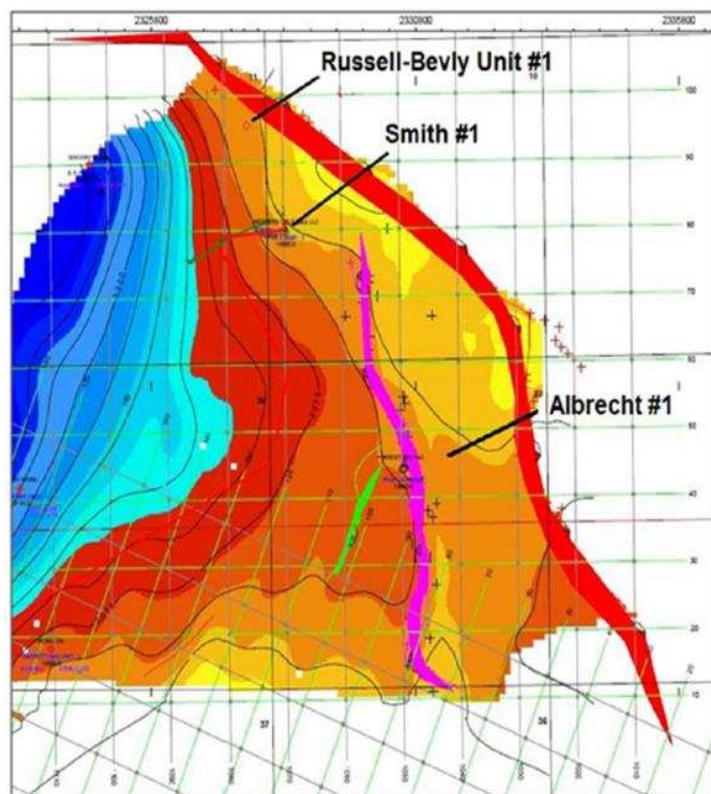
### Work programme

While Range will continue to participate in fracing operations on both the existing producing wells on North Chapman Ranch, the company will also participate in two further appraisal wells in the current year.

The next well scheduled to be spudded will be the Albrecht #1 well, located approximately one mile southeast of Smith. The picture below outlines the location of Albrecht in relation to the existing wells in addition to providing detail of the entire North Chapman Ranch structure.

Albrecht, in which Range has a 20% interest, represents a very important well to the company as it is likely to be instrumental in confirming reserves in the southeast region of the field. This well will not only add production but Range estimates that it has the potential to move more than half of the existing P3 reserves into the P2 category, significantly enhancing the potential value of the asset.

### North Chapman Ranch – structure and well locations



Source: Range Resources

### Well timing and costs

We anticipate that Albrecht will spud in July 2011 and negotiations are also underway to drill a second well back to back after Albrecht. Range's share of drilling costs is estimated to be \$0.9m - \$1.1m per well, all of which can be funded from existing cash.

Range is confident that each production well on North Chapman has the potential to yield rates of 5-6mmcf of gas and 450bbls of oil on a gross basis. On a reserves basis, a single well has the potential to produce 5.2BCF of gas, 400,000 bbls of oil and 377,000 of NGLs over the entire life of well net to Range. Although gas prices are currently subdued in US, the high condensate constituent of the gas is generating prices in excess of \$7.00/mcf for the partners.

## Valuation of North Chapman

Within our aggregate valuation of Range, the independent valuation of North Chapman remains unchanged at \$106m net to the company based on the existing P1 and P2 reserves. Our current valuation is 3.5p per fully diluted share adjusted for the post placing number of shares.

### Valuation of North Chapman Ranch reserves net to Range

Reserve category	Gas (BCF)	Liquids (mmbbls)	NPV 10 (US\$)
Proved (P1)	12.7	1.9	\$69.1m
Probable (P2)	6.9	1.0	\$37.1m
<b>Sub total</b>	<b>19.6</b>	<b>2.9</b>	<b>\$106.3m</b>
<i>Possible (P3)</i>	28.5	4.3	\$142.1m
<b>Total (P1, P2, P3)</b>	<b>48.1</b>	<b>7.2</b>	<b>\$248.3m</b>

Source: Lonquist & Co

### Potential valuation upside

We believe that success on Albrecht has the potential to enhance the valuation of North Chapman by over \$70m in the event that half the P3 reserves are moved into the P2 category. Success with an additional well in 2011 will further augment this valuation.

Although the Lonquist valuation is based on a 20-25 well rolling development programme in order to produce the available reserves over the long term, we are confident that Range will look to crystallise the value of North Chapman through a disposal of the asset in 2012.

## East Texas Cotton Valley

Range increased its interest in East Cotton Valley from 13.56% to 21.75% in January 2011. Drilling operations are ongoing with a horizontal appraisal well on the property. This well has a planned target depth of 2,500m with a 760m horizontal section and is currently less than two weeks away from completion.

If the latest well is successful, Range has plans to participate in a 20 well development programme at a cost of \$0.3m per well net to Range. The company estimates that a vertical well has the potential to produce approximately 200,000bbls of oil over its life. However, a horizontal well could produce between 500,000bbls and 800,000bbls over the same time period significantly enhancing the economics of the project.

### Valuation of East Cotton Valley reserves net to Range

Reserve category	Oil (mmbbls)	NPV 10 (US\$)
Proved (P1)	0.33	\$8.6m
Probable (P2)	0.26	\$7.0m
<b>Sub total</b>	<b>0.59</b>	<b>\$15.6m</b>
<i>Possible (P3)</i>	<i>0.59</i>	<i>\$13.0m</i>
<b>Total (P1, P2, P3)</b>	<b>1.17</b>	<b>\$28.6m</b>

Source: Lonquist & Co

In the same fashion that continued drilling on North Chapman is likely to enhance the value of the project, we are confident that successful appraisal drilling at East Cotton Valley will enable Range to upgrade a significant proportion of P3 reserves into the P2 category, enhancing the value of the field significantly. At this point, we expect that Range would consider a sale of its interest.

## **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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