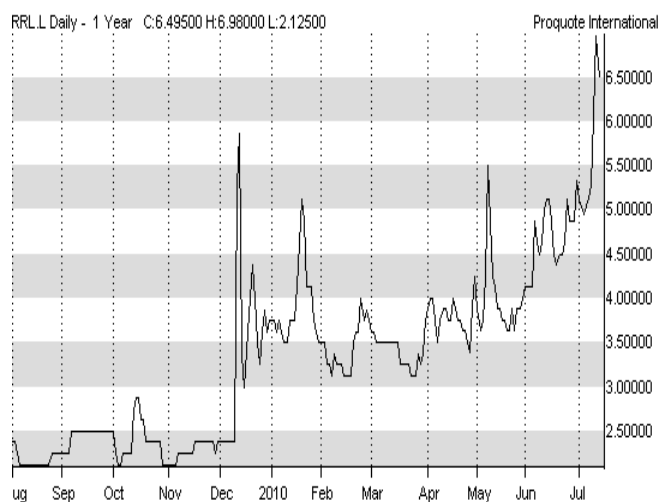


RANGE RESOURCES LTD

6.28p

Trinidad added to Range's portfolio

13 July 2010



Recommendation

BUY

Sector:

Oil & Gas

Exchange & Ticker:

AIM: RRL

ASX: RRS

Shares in issue:

1,027m

Fully diluted shares

1,615m

Market cap:

£64.5m

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Range Resources has acquired a 10% interest in three oil production licences and a local onshore drilling company in Trinidad. This represents further good news for Range as it provides the group portfolio with additional low risk production and reserves to balance the company's exciting higher risk exploration activities in Puntland and Georgia.

- Range has signed a Heads of Agreement to acquire a 10% interest in holding companies whose wholly owned subsidiaries hold three production licences in producing onshore oilfields in Trinidad. The deal also includes a 10% interest in a significant local onshore drilling company and is expected to be concluded by the end of the month.
- Current production from the three licences (South Quarry, Morne Diablo and Beach Marcelle) is 700bopd with a work programme in place to increase output to 3,500bopd. Range will be carried through initial development expenditure, where after it expects that cash flow from production will fund further work.
- Current 2P reserves are modest at 0.48mmbbls net to Range. However, future exploration drilling has the potential to contribute an additional 2.0mmbbls to Range's interest. It should be noted that the planned production increase is not contingent on exploration success at this stage.
- Range's total consideration will be \$4.25m upon formal completion of the deal, a significant proportion of which will be funded from the issue of new shares and the exercise of listed options.

Range's shares have rallied strongly over the past month on the back of positive news flow from Texas. The addition of Trinidad to the group's portfolio will strengthen Range's production and reserve base and additional related news flow is likely to underpin the current share price further until the company commences mobilisation for exploration drilling in Puntland in Q4.

A marketing communication from OPLC, broker to Range Resources Ltd

Range acquires interest in Trinidad

Range has entered into a binding Heads of Agreement (HOA) through SOCA Petroleum to acquire its rights to a 10% interest in companies whose wholly owned subsidiaries hold onshore production licences for three blocks in southern Trinidad.

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
- South Quarry

Current combined production from the fields is approximately 700bopd (gross). However, Range expects that a minimal work programme could increase this to 3,500bopd within 36 months based on known reserves.

The agreement also includes a 10% interest in 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.

Aside from an initial consideration totalling \$4.25m, Range does not expect to require additional working capital as the group will be carried through the initial stage of development expenditure and is planning to use company owned drilling rigs and equipment to complete the primary work programmes. Using cash flow from existing production, the company also expects to be self sufficient in forward programmes which aim to increase production fivefold over the next three years.

Range also anticipates targeting reserves in deeper horizons which, subject to successful exploration drilling, have the potential to increase gross production to 8,000-10,000bopd.

Location of Trinidad licence areas



South Quarry block

Morne Diablo block

Beach Marcelle block

Source: Range Resources

Consideration

Under the terms of the HOA, Range is required to pay two cash instalments. These are:

- \$2.0m upon execution of definitive agreements
- \$2.25m upon formal completion of the acquisition

Simultaneous with this deal, Range will issue 27.5m ordinary shares in a placement to institutional clients and sophisticated investors. In addition, 12.4m shares will be issued upon exercise of listed options (\$0.05, 31 Dec 2011) and 5m shares and 5m listed options will be issued in broker, financing, capital raising and corporate advisory fees. Finally 5.4m unlisted options (30 June 2015 will be issued as capital raising fees.

Following the issue, Range will have 1,072m ordinary fully paid shares in issue and 586.4m outstanding options.

Updated share structure

Securities	Pre-deal	Post deal
Ordinary fully paid shares	1,027,042,442	1,072,019,982
Listed options (A\$1.00, 1 Oct 2010)	64,897,125	64,897,125
Listed attaching options (A\$0.05, 31 Dec 2011)	441,542,742	434,014,667
Unlisted options (A\$0.05, 31 March 2015)	18,845,645	18,845,645
Unlisted options (£0.04, 30 June 2015)	-	5,420,655
Unlisted Directors options (A\$0.10, 31 Dec 2011)	60,000,000	60,000,000
Unlisted options, (A\$0.50, 30 June 2012)	3,177,029	3,177,029
Diluted equity	1,615,414,983	1,658,375,103

Technical overview

Trinidad has produced over 3 billion barrels of oil to date and current production totals 100,000bopd. All locally produced oil is acquired by the Pointe-a-Pierre state refinery, located on the west coast of the country.

The oil fields

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 9.5mmbo from depths ranging from 200 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 production is nearly 200bopd combined.

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 acreage. As stated earlier, Range will be carried through the initial development expenditure.

Reserves and resources

With regards to Range's assets, historical and current production is from the Forest and Cruse Formations which are shallow fluvio-deltaic reservoirs. Total P1 and P2 reserves are 480,000bbls net to Range with P3 upside of a further 221,000bbls. However, prospective resources, estimated by independent consultant Forest A. Garb & Associates, could add a further 2.0mmbbls net to Range on the basis of additional successful exploration drilling.

Reserves and resource estimates

Reserve category	Oil and condensate (mmbbls)	Attributable to Range (10%)
Proved (P1)	2.6	0.26
Probable (P2)	2.2	0.22
Possible (P3)	2.1	0.21
Total reserves	6.9	0.69
<i>Prospective resources</i>	<i>20</i>	<i>2.0</i>

Source: Forest A. Garb & Associates

Significant additional reserve upside exists in the deeper Herrera Formation, which is a Miocene aged deepwater turbidite. Production in this formation is usually found in the northeast to southwest thrust structure to the east and north of Range's prospective acreage. The Penal field in the Herrera Formation has produced more than 60mmboe to date and this formation will be a target of future drilling using company owned rigs which are capable of reaching these depths.

Geological background in Trinidad

Trinidad lies on the South American tectonic plate and is located within the Orinoco Fold Belt; a prolific oil producing zone in Venezuela, only 14km to the southwest. Trinidad is recognised as a mature petroleum province with over 3bn barrels of oil produced to date and current production in the region of 100,000bopd.

Range's three licence areas are all located within a complex thrust belt with the surface expression known as the Southern Range. This contains a number of oil seeps and stretches from west to east, forming the south coast of the island.

Fluvial-deltaic sediments characterise the shallower producing zones in the Morne Diablo and South Quarry fields and due to growth faulting in the Beach Marcelle area, the sands there are thicker and better developed.

Formations

The Pliocene aged Cruse sands can be segmented into three different members. The Lower Cruse is productive but largely unexplored while the Middle Cruse, just above, is widespread and represents the main producing horizon in this area of Trinidad. The Upper Cruse consists of well developed sands and offers the possibility of more localised production.

The Pliocene aged Forest sands are the shallowest production zones and are comprised of two main producing members. The Lower Forest ranges from 250-300 metres deep and the Shallow Forest ranges from 100-150 metres deep. These sands are ubiquitous in the acreage and represent the most accessible targets. In the Beach Marcelle acreage, Range is considering reactivation and expansion of a waterflood to increase production.

The deeper Herrera Formation, located at approximately XXX metres, is a prolific producer in northern Trinidad and is earmarked for future exploration drilling on the existing licences.

Most of the existing fields are simple four way dip structural rollover anticlines with significant closure to create oil entrapment horizons.

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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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