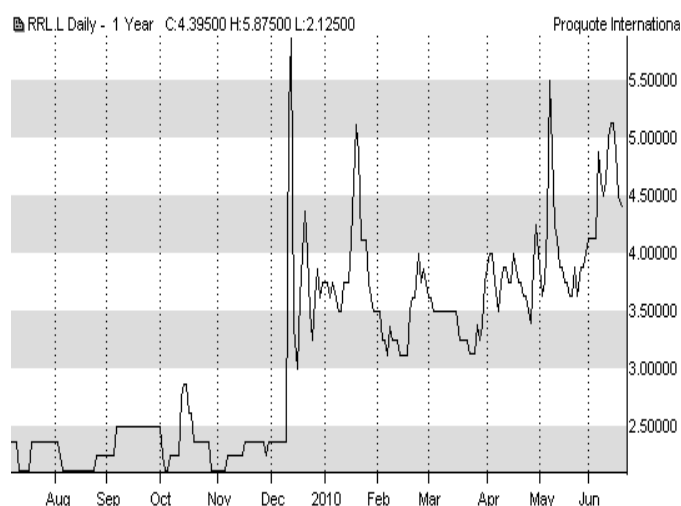


RANGE RESOURCES LTD

4.38p

Operational update and placing

21 June 2010



Recommendation

BUY

Sector:

Oil & Gas

Exchange & Ticker:

AIM: RRL

Shares in issue:

1,027m

Fully diluted shares

1,615m

Market cap:

£45.0m

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Range continues to de-risk its portfolio with the acquisition of an interest in a second Texas oil field. We expect that news flow regarding all Range's US assets will provide strong support to the shares over the next few weeks. However, with high impact exploration drilling set to commence in Puntland in Q4, we believe that Range has the potential to provide investors with significant upside over the longer term.

- Range has acquired a 13.56% interest in the Cotton Valley oil discovery in northeast Texas for only \$0.25m. Initial gross recoverable reserve estimates, which will be subject to independent review, could be up to 6.0mmbbls.
- Horizontal appraisal drilling will commence in Q3 and if successful, Range will participate in a 20 well drilling programme over the next five years. We expect that Range's share of total drilling costs will be \$4.5m spread over the life of the project.
- With finding and development costs of less than \$7.15 per barrel based on the lower end of reserve expectations, we believe that the economics of Cotton Valley look very attractive for Range.
- Elsewhere in Texas, the Russell Bevely (Range: 20%) appraisal well is approaching target depth and we expect a definitive announcement by the end of the month. Additionally, the Smith #1 discovery (Range: 25%) is currently being fracture stimulated with work expected to conclude within two weeks. This activity will stimulate two additional producing zones and has the potential to treble peak production rates.

Range has received commitments for a placing of A\$10m. This cash will be used to fund the group's activities in Puntland, Texas and Georgia and will also enable Range to complete a further acquisition in the US. Our valuation of \$276m for the current portfolio remains in place although the issue of 142.9m new shares temporarily dilutes our per share valuation from 12.8p to 11.5p. However, investors should note that this number does not factor in the new cash raised or the likely inclusion of additional reserves in Texas.

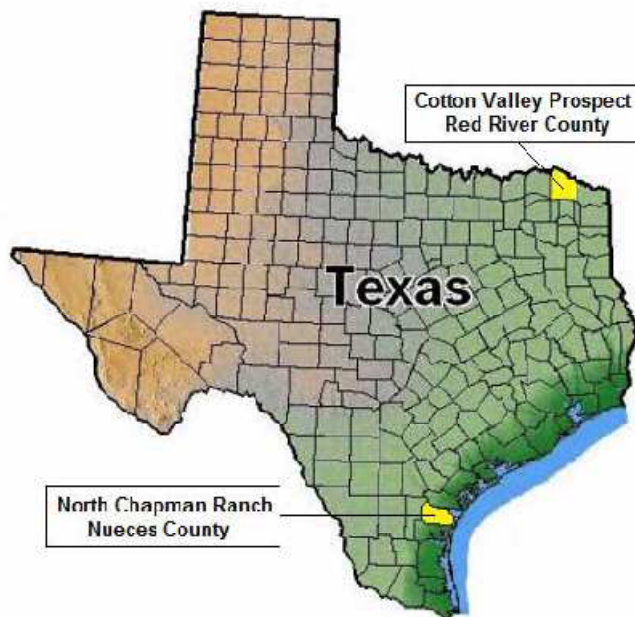
A marketing communication from OPLC, broker to Range Resources Ltd

Texas – activity update

Cotton Valley acquisition

Range has acquired a 13.56% interest in approximately 1,570 gross acres located in Red River County in northeast Texas. The company's acquisition cost of the acreage, which encompasses the recent Cotton Valley oil discovery, was \$254,000. Initial recoverable reserve estimates, which will be subject to independent review shortly, are estimated to be between 4.0mmbbls and 6.0mmbbls.

Location of Red River County



Source: Range Resources

Cotton Valley oil discovery

The East Texas Cotton Valley oil accumulation was discovered in March 2008. The discovery is located in the relatively shallow Cotton Valley formation which was probed by a 5,500ft vertical well. This well encountered more than 100ft of gross oil pay at approximately 5,300ft and was placed on production immediately.

A horizontal appraisal well was spudded in December 2008 and encountered good quality reservoir in a 1,500ft lateral section. However, this section was badly damaged during completion. As such, Range expects that a second horizontal appraisal well will be drilled in the third quarter of the current year.

If this well is successful, this will trigger additional development work on the Cotton Valley oil field that could require more than 20 additional wells over the long term. With each well targeted to recover over 220,000 barrels of oil over the life of the project, the entire programme is capable of recovering at least 4.5mmbbls of gross reserves over the duration of the development.

Range estimates that horizontal well costs are \$1.57m per well, indicating a gross drilling cost of almost \$33m assuming 21 additional wells. On a contributing basis, Range's share of this cost would be approximately \$4.5m. However, this contribution would be spread over the next five years as drilling activity is rolled out.

With gross finding and development costs of no more than \$7.15 per barrel, we believe that the economics of the Cotton Valley project look particularly attractive at this stage given Range's low entry cost.

Independent review

At present, recoverable reserve estimates of 4.0mmbbls to 6.0mmbbls are indicative, based on initial drilling results and production to date. This estimate has been reviewed by Range's technical consultant and advisor, Texas Energy Advisors LLC, which has over 30 years of experience in the oil and gas sector.

However, current estimates have not yet been signed off as being consistent with the SAPE reserve and resource guidelines. As such, Range has commissioned independent petroleum consultants, Lonquist & Co LLC, to certify the recoverable reserves of the Cotton Valley formation. This report will be compiled and published shortly, enabling us to ascribe a definitive valuation to Range's interest.

North Chapman Ranch activity update

Russell Bevly

The Russell Bevly appraisal well (Range: 20%) on the North Chapman Range project in southeast Texas is nearing its target depth of approximately 14,000ft. Casing of 9 5/8" has been set and cemented to 11,400ft and open hole logs have been acquired. Drilling has also re-commenced and is currently at 12,671ft. Range will continue to provide updates on the progress over Russell Bevly and we expect a definitive result by the end of the current month.

Precision #37 drilling rig on Russell Bevly well



Source: Range Resources

Smith #1 well

The Smith #1 well (Range: 25%) on the North Chapman Ranch property is currently being fracture stimulated. This process is expected to be completed within a fortnight, with the results anticipated to be reported thereafter.

We believe this is very good news for Range given that this work is being conducted earlier than we initially anticipated. The stimulation process is expected to hydraulically fracture the existing producing zone in addition to two shallower zones, bringing all three zones into co-mingled production. This process is likely to significantly enhance production and improve reserve recovery over the life of the project. We estimate that Range's share of the cost of this work programme is \$0.125m

Prior to the current stimulation work on Smith #1, gross production averaged almost 450boe per day over the first six weeks of 2010. However, we believe that upon recompletion, Smith #1 has the potential to produce at a level three or four times greater. This will provide very attractive cash flow to Range, particularly in the early months of production when flow rates peak.

Puntland – New farm in partner

On 15 June, Africa Oil Corp (TSX: AOI) signed a Letter of Intent with Red Emperor Resources NL (ASX: RMP) pursuant to which Red Emperor will acquire a participating interest in the Dharoor and Nugaal Valley Blocks. Prior to this agreement, Africa Oil was operator with a 65% interest, Range held 20% and Lion Energy (TSX: LEO) held the remaining 15%.

Under the terms of the Letter of Intent, Red Emperor will earn a 10% interest in both the Dharoor and Nugaal Valley Blocks and is committed to paying a disproportionate share of costs related to the one well drilling commitment included in the first exploration period of both the Dharoor and Nugaal Valley Production Sharing Agreements.

Red Emperor may, at its own discretion, exercise a right to increase its participating interest by an additional 10% in each of the Dharoor and Nugaal Blocks. Red Emperor must advise Africa Oil on or before 31 August 2010 if they wish to exercise this option.

The transaction is conditional on both parties finalising a formal farm in agreement and the satisfaction of certain conditions including due diligence and ministerial approval. Red Emperor must also raise not less than A\$2.8m, of which A\$2.0m is to be deposited into escrow no later than 30 July 2010. Range's 20% interest will remain unaffected as a result of Red Emperor's agreement with Africa Oil.

Current Puntland activity

Although this news has minimal bearing on Range at this stage, we believe that it represents a very positive indication that additional parties are keen to gain exposure to Puntland.

At this stage, the first exploration well is scheduled to spud on the Dharoor Block in Q4. Africa Oil is currently making efforts to identify international drilling and drilling related contractors willing to participate in operations in Puntland on commercially acceptable terms. We would expect an announcement regarding these efforts before the end of Q3.

Placing of new shares

Range has received commitments for a placing of A\$10m (c.US\$8.7m) from UK and Australian investors at a price of 4p and 7c respectively. This represents 142.9m new shares which will begin trading on 22 June 2010. Following the issue, Range will have a total of 1,027m shares in issue and 588.4m outstanding options, 441.45m of which are priced at 5c.

As outlined in our note dated 1 June 2010, Range has a number of expenditure commitments over the next twelve months and these new funds will contribute to the company's ability to fulfil its obligations. Given that this cash is earmarked for expenditure, over this period, we have maintained our conservative stance and not factored these funds into our current valuation.

In addition, Range is in the final stages of securing an option over an additional oil play with significant exploration upside in the Americas, the details of which it expects to announce shortly.

Appendix

Major shareholders

Shareholder	Holding (%)*
Computershare Clearing Pty Ltd (AIM Register)	48.15%
ANZ Nominees Limited <Cash Income A/C>	3.75%
Mr David Scanlen	2.24%
Consort Private Limited	2.24%
Citicorp Nominees Pty Ltd	1.83%
Erine International Ltd	1.73%

*Pre placing

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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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