

## RANGE RESOURCES

2.615p A\$0.045

Guatemala update

29 July 2013



### Recommendation

**Sector:**  
**Exchange & Ticker:**  
**Shares in issue:**  
**Fully diluted equity:**  
**Market cap:**  
**Target price:**  
**ANALYST:**

### BUY

**Oil & Gas**  
**AIM: RRL, ASX: RRS**  
**2,874.0m**  
**3,163.5m**  
**£75.3m/A\$129.3m**  
**11.5p/A\$0.175\***  
**Barney Gray**  
**+44(0)20 7518 2607**  
[bg@oldplc.com](mailto:bg@oldplc.com)

### CORPORATE BROKING:

**Michael Parnes**  
**+44(0)20 7518 2590**  
[mp@oldplc.com](mailto:mp@oldplc.com)

**Maisie Rose Atkinson**  
**+44(0)20 7518 2597**  
[ma@oldplc.com](mailto:ma@oldplc.com)

\*Reduced from 13p/0.20c as a function of an increased number of shares in issue as of 11 July 2013

**The Atzam #4 well continues to produce up to 140 bopd on a restricted choke and has produced nearly 5,000 barrels of oil to date. While the operator, Latin America Resources (LAR) is in advanced negotiations for off-take agreements for future production, plans are underway to complete two further well re-entries on the Tortugas Salt Dome structure which could increase future production by a further 400-500 bopd.**

- Atzam #4 continues to produce 38° API oil at a rate of 130-140 bopd on a restricted 8/64ths choke. This rate has the potential to be increased to 1,000 bopd on an open choke based on flow rates to date and production is expected to be increased once onsite tank storage capacity, which is currently 7,000 bbls, can be expanded.
- Upgrading of oil storage facilities is currently underway and Latin America Resources is currently in advanced negotiations with a number of parties with regards to short and long term off-take agreements.
- LAR is also planning to complete two well re-entries on the Tortugas Salt Dome structure on Block 1-2005. The two wells, 63-4 and 63-5, are expected to flow 200-300 bopd of 34° API oil based on historical rates.
- Range awaits an updated independent reserve report for Atzam #4 based on the flow testing programme to date. Atzam #4 currently has attributed probable reserves of 2.3 mmbbls. However, we are confident that the recent successful testing of the Upper C17 zone on Atzam #4 will lead to a reserves upgrade.
- Plans are underway to drill the Atzam #5 development well within the next three months. As such, Range has executed a debt conversion agreement with Citation under which loans and interest owed to Range will be converted into equity in Citation and a 10% interest in LAR will be transferred to Range.
- The conversion of the loans will be completed in a two stage process after which Range will hold a 19.9% interest in Citation (which holds a 70% interest in LAR) and a direct 20% holding in LAR funded to the next stage of development. This is likely to increase our valuation of Range's indirect interest in Guatemala from 0.13p to 0.20p per share on a fully diluted basis.

**The ongoing testing programme on Atzam #4 is expected to lead to a reserves upgrade and the drilling of three additional producers over the next few months is likely to boost production significantly. With the momentum in Guatemala set to continue, Range is justified in increasing its commitment to the project.**

## 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 within 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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