



Q1 REPORT FOR THE THREE MONTHS ENDED MARCH 31, 2009

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended March 31, 2009	Three months ended March 31, 2008
Petroleum and natural gas revenue ⁽¹⁾	\$ 7,321,057	\$ 9,166,898
Funds from operations	3,325,588	5,599,668
Per basic and diluted share	0.13	0.26
Loss	(1,303,783)	(1,913,618)
Per basic and diluted share	(0.05)	(0.09)
Net debt	37,373,420	29,587,086
Capital expenditures, net	\$ 13,075,993	\$ 19,624,637
Weighted average shares outstanding		
basic and diluted	26,576,458	21,799,095
Production		
Natural gas (mcf per day)	12,642	9,746
Oil and NGL (bbls per day)	249	216
Total (@ 6:1) (boe per day)	2,356	1,840
Realized average sales prices		
Natural gas (\$ per mcf) ⁽¹⁾	5.60	8.58
Oil and NGL (\$ per bbl)	42.57	79.60
Combined average (\$ per boe)	34.53	54.74
Royalties (\$ per boe)	(7.23)	(8.71)
Operating costs (\$ per boe)	(6.22)	(6.88)
Transportation costs (\$ per boe)	(0.93)	(0.57)
Operating netback (\$ per boe)	20.15	38.58
G&A costs (\$ per boe)	(3.47)	(3.98)
Net interest income (expense) (\$ per boe)	(0.99)	(1.17)
Corporate netback (\$ per boe)	15.69	33.43

⁽¹⁾ Includes the realized gain (loss) on commodity contracts

CORPORATE HIGHLIGHTS

During the three months ended March 31, 2009, Open Range:

- Produced an average of 2,356 boe per day (89 percent natural gas), a 28 percent increase from the first quarter 2008 average and down slightly from the fourth quarter of 2008;
- Conducted the majority of its initial planned \$18 million capital investment program for 2009;
- Drilled its first horizontal well at Ansell/Sundance targeting the Bluesky Formation and brought three recently drilled wells on-stream;
- Realized funds from operations of \$3.3 million and funds from operations per diluted share of \$0.13, reflecting reduced revenues driven by lower commodity prices and lower realized sales prices, slightly offset by higher production; and
- Reduced cash costs (operating, G&A, transportation and interest) by 8 percent from the first quarter of 2008, to \$11.61 per boe.

Subsequent to March 31, 2009, Open Range:

- Renewed its \$54 million borrowing base with the National Bank of Canada, attributable to the Corporation nearly doubling its proved plus probable reserves to over 10 million boe at year-end 2008.

MESSAGE TO SHAREHOLDERS

Having reduced our 2009 capital budget in response to commodity price and capital market realities, Open Range's first quarter of 2009 unfolded as planned. As reported in the press release of March 19, 2009 on our 2008 financial and operating results, the first quarter's activities consisted of tying in four (2.1 net) vertical wells drilled in late 2008 at Ansell/Sundance and drilling our first horizontal Deep Basin well at Ansell/Sundance, as well as drilling one minor well at Big Bend, while focusing corporately on balance sheet integrity and cash conservation to weather this period of weakness.

First Quarter Activities

Three of the four wells tied in during the quarter came on-stream before March 31, adding combined natural gas volumes of approximately 2.4 mmcf per day gross (0.9 mmcf per day net), plus natural gas liquids, allowing Open Range to increase quarterly production by 28 percent from the Q1 2008 average, as detailed in the highlights above. The tie-in of the fourth well (100 percent working interest) was deliberately postponed to early April to take advantage of the one-year royalty incentive program announced by the Alberta government on March 3, 2009.

The focus of the quarter was drilling our first horizontal well at Ansell/Sundance, targeting the Bluesky, which in this region lies at about 2,800 metres depth. As previously detailed, our objective is to achieve a bulk shift in the economics of Deep Basin development by drilling horizontally through this thick, extensive reservoir, which includes areas of permeable coarse shoreface sands that can deliver prolific rates of production. With a total measured depth of over 4,000 metres, our Bluesky horizontal test qualified for over \$2.8 million in Alberta deep gas royalty credits. The well spudded in January, was drilled with a 900-metre horizontal leg and was cased in February. As previously reported the well experienced mechanical problems during hydraulic fracturing, and a section of collapsed casing in the well's "build" or curved section has been identified.

Open Range intends to initiate repairs as soon as possible after spring break-up, in late May or early June. We remain optimistic that repairs will be successful and that we can fracture the remaining six of the eight planned fractures and move to well testing. An increasing number of area operators are reporting strong success with multiple-stage fractured horizontal wells in Deep Basin Cretaceous targets, including the Cadomin, Notikewin and Bluesky.

Financial Matters

Open Range exited the first quarter with a total of \$32 million drawn on its bank lines of \$54 million. Our capital program being weighted to the first quarter, we plan to direct a majority of cash flow from operations towards the repayment of debt during the rest of 2009. Important for retaining financial flexibility was the renewal of our bank lines with no reduction in overall borrowing capacity despite weakening commodity prices. This was confirmed subsequent to the end of the quarter, in late April, and reflected Open Range's strong growth in net asset value (\$6.70 per share based on proved plus probable reserves discounted at 10 percent) and reserves in 2008.

Under our current 2009 average natural gas price outlook of \$4.50 per mcf at AECO, we are forecasting funds from operations of approximately \$13-15 million for the year. This means we will borrow only modest net additional amounts to fund this year's capital program, which remains at \$18 million, of which \$13 million was expended during the first quarter.

Having reacted early to last fall's market instability and commodity price declines, Open Range continues to have solid financial and operational positioning to weather the downturn, based on:

- A strong balance sheet with moderate debt;
- New price hedges put in place over the past several months. At present we have 7.4 mmcf per day hedged with a floor price of approximately \$4.63 per mcf and a ceiling of approximately \$6.87 per mcf over the balance of the year, or about 45-50 percent of our estimated production. The floor price is approximately \$1.00 per mcf above current spot prices and provides solid downside protection to our cash flow;
- Low operating costs of approximately \$6-7 per boe of production, reflecting the high quality of our Ansell/Sundance production. Our low cost structure is a major advantage at current commodity prices;
- Continued competitive netbacks on our natural gas and NGL production;
- A conservative capital budget of \$18 million, the majority of which will be funded by cash flow; and
- Continued annual production growth thanks to recent well tie-ins and low declines on established wells, with average volumes currently forecast to grow by approximately 15 percent year-over-year, to 2,400 boe per day.

Second Quarter Outlook

The fourth of the well tie-ins conducted at Ansell/Sundance in the first quarter came on-stream early in the second quarter. This was the 6-25 exploratory well (100 percent working interest) in southern Ansell/Sundance. Its results were very strong, testing at approximately 3 mmcf per day from five zones. It was tied into a third-party facility, brought on-stream in April to take advantage of recently introduced royalty relief, and is currently producing at a restricted rate of approximately 0.7 mmcf per day. This leaves productivity behind-pipe for future tie-in to our own facilities when natural gas prices warrant.

Second quarter capital spending will be targeted at undertaking repairs and subsequent completion operations on the Bluesky horizontal well. We have been notified that the third-party gas plant that processes a portion of our Ansell/Sundance production will be down for two to three weeks, which is expected to affect the Open Range compressor station and shut-in up to 2.9 mmcf per day net for that period. Second quarter production should average in the range of 2,200-2,300 boe per day.

The Way Forward

There is optimism in some quarters over a near-term rebound in natural gas prices. Natural gas bulls cite the steep drop in the number of active rigs throughout North America, continued decline in the number of natural gas wells being drilled in western Canada and falling deliverability from the Western Canada Sedimentary Basin. Having been cautious on natural gas prices for the past year, Open Range's management is of the view that the short-term fundamentals for natural gas remain bearish. As we look longer-term there is significant potential developing for a strong recovery in natural gas prices related to the overdue "fix" associated from reduced North American drilling activity. Ultimately, this will have positive implications towards the rebalancing of natural gas supply and demand.

The short-term imperative for natural gas-weighted producers is to conserve balance sheets, minimize capital expenditures, maximize operating efficiencies and endure the price bottom. During this period we are also continuing to look for potential asset or corporate acquisitions that meet our hurdle rates for quality and upside opportunities and are priced appropriately for the cyclical realities. We have examined a number of potential candidates, but to date have not found the right combination of advantages.

That said, we must re-emphasize the strong economics provided by our repeatable, multi-zone Ansell/Sundance wells, which continue to generate reasonable netbacks and corporate cash flows at today's natural gas prices. Ansell/Sundance's strengths stack up well against the Montney and the Bakken, two plays that continue to receive capital investment due to their strong economics. Under the current reduced field costs and royalty incentive programs, new wells at Ansell/Sundance would generate reasonable returns on capital even at current commodity prices.

Alberta's three recent sets of drilling incentives provide meaningful support to new Deep Basin well economics. The latest measures, announced in early March, include a minimum royalty rate of 5 percent for the first year on new natural gas wells, with a likelihood of 5-10 percent in the second year as a result of natural gas deep drilling credits being utilized at that time. Drilling and completions expenses have declined noticeably over the past months and we believe should fall further, clearly improving our well economics. This opens the possibility of a return to drilling before the end of the year. In the meantime we are waiting for signs of stability in the natural gas price and further rationalization of service costs.

Open Range benefits from a strong line-up of advantages, based on the sustainable long-term business plan we developed at the Corporation's founding, including:

- Low-cost producer with continued top-quartile cash costs within our peer group;
- A clean balance sheet with low interest costs and access to additional borrowings if required;
- A conservative capital budget that will not strain our recently renewed bank lines;
- No flow-through expenditure commitments;
- A large, prospective land base with no expiries for over two years; and
- A high-quality asset base.

With more than 100 seismically defined, high-quality drilling locations in our inventory at Ansell/Sundance, Open Range is positioned to accelerate its growth again as soon as conditions warrant.

On behalf of the Board of Directors,

(signed) "A. Scott Dawson"

A. Scott Dawson
President, Chief Executive Officer and Director
May 12, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis (MD&A) is a review of operations, current financial position and outlook for Open Range Energy Corp. ("Open Range" or the "Corporation") for the three-month periods ended March 31, 2009 and 2008. This MD&A should be read in conjunction with the unaudited interim financial statements for the three months ended March 31, 2009 and 2008, and the audited annual financial statements for the year ended December 31, 2008. This MD&A is dated May 12, 2009.

Boe Presentation

The use of barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and is not intended to represent a value equivalency at the wellhead.

Non-GAAP Measurements

The terms "funds from operations", "funds from operations per share" and "operating netback" in this discussion are not recognized measures under Canadian generally accepted accounting principles (GAAP). Open Range management believes that in addition to net earnings and cash flow from operations as per GAAP, funds from operations and operating netback are useful supplemental measurements. Open Range utilizes funds from operations to evaluate operating performance and assess leverage. The Corporation considers funds from operations to be an important measure of the results generated by its principal business activities before the consideration of how those activities are financed or how the results are taxed and before abandonment expenditures. Operating netback is a benchmark used in the oil and natural gas industry to assess operating profitability by measuring the contribution of oil and natural gas sales following the deduction of royalties, operating expenses and transportation costs. Users are cautioned, however, that these measures should not be construed as an alternative to net earnings determined in accordance with GAAP as an indication of Open Range's performance.

Reconciliation of Cash Flow per GAAP to Funds from Operations

Open Range's method of calculating funds from operations may differ from that of other corporations and, accordingly, may not be comparable to measures used by other corporations. Open Range calculates funds from operations by taking cash flow from operating activities as determined under GAAP before the change in non-cash working capital related to operating activities and asset retirement expenditures incurred. The Corporation uses this method as it believes the uncertainty surrounding the timing of collection, payment or incurrence of these items makes them less useful in evaluating Open Range's operating performance. A summary of this reconciliation is as follows:

	Three months ended March 31, 2009	Three months ended March 31, 2008
Cash flow from operating activities (per GAAP)	\$ 4,453,154	\$ 5,155,971
Change in non-cash working capital	(1,246,109)	321,874
Asset retirement expenditures	118,543	121,823
Funds from operations	\$ 3,325,588	\$ 5,599,668

Forward-Looking Statements

This MD&A contains certain forward-looking statements, which relate to future events or the Corporation's future performance, that include terms such as "will", "intend", "anticipate", "could", "should", "may", "might", "expect", "estimate", "forecast", "plan", "potential", "project", "assume", "contemplate", "believe", "shall" and similar terms. These statements involve known and unknown risks, uncertainties and other factors that are beyond the Corporation's control, which may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Open Range believes the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A or as of the date specified in the documents incorporated by reference into this MD&A.

This MD&A, and the documents incorporated by reference, contain forward-looking statements pertaining to the following: (a) future production volumes; (b) expected levels of royalty rates, operating expenses and G&A costs; (c) future capital expenditures and the method of financing thereof; (d) amount of asset retirement obligations; (e) future liquidity and the ability to raise capital to continually add to reserves through exploration and development; (f) the future tax horizon of the Corporation; (g) the timing and impact of the adoption of International Financial Reporting Standards and other accounting policies and standards; (h) the performance characteristics of the Corporation's oil and natural gas properties; (i) estimates of future cash flows from operations; (j) drilling plans and timing of drilling, completion and tie-in of wells; (k) commodity prices, exchange rates and interest rates; (l) the utilization and effectiveness of commodity price risk management techniques; (m) Open Range's ability to grow or sustain production and reserves through prudent management; (n) the Corporation's future operating and financial results; and (o) treatment under governmental and other regulatory regimes and tax, environmental and other laws.

With respect to forward-looking statements contained in this MD&A, the Corporation has made a number of assumptions. The key assumptions underlying the aforementioned forward-looking statements include assumptions that: (i) future oil and natural gas prices will not deteriorate significantly; (ii) capital, undeveloped lands and skilled personnel will continue to be available at the level Open Range has enjoyed to date; (iii) Open Range will be able to obtain equipment in a timely manner to carry out exploration, development and exploitation activities; (iv) Open Range will be able to obtain financing on acceptable terms; (v) Open Range will be able to continue to add production and reserves through exploration and development activities at a satisfactory rate; and (vi) the current tax and regulatory regimes will remain substantially unchanged. Certain or all of the forgoing assumptions may prove to be untrue.

Open Range's actual results could differ materially from those anticipated in these forward-looking statements as a result of substantial known and unknown risks and uncertainties, certain of which are beyond the Corporation's control. Such risks and uncertainties include, without limitation, risks associated with oil and natural gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, counterparty credit risk, currency fluctuations, imprecision

of reserve estimates, environmental risks, increased competition from other producers, inability to retain drilling rigs and other services, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient debt or capital from internal and external sources, the impact of general economic conditions in Canada, the United States and overseas, industry conditions, changes in laws and regulations (including the adoption of new environmental laws and regulations) and changes in how they are interpreted and enforced, changes in federal and provincial tax laws and legislation (including the adoption of new royalty regimes), the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. Readers are cautioned that the foregoing list of risks to Open Range's performance is not exhaustive and reference is made to the items under "Risk Factors" in the Corporation's Annual Information Form (AIF) for the year ended December 31, 2008. All subsequent forward-looking statements, whether written or oral, attributable to the Corporation or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this MD&A are made as at the date hereof and the Corporation does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

DETAILED FINANCIAL ANALYSIS

Production

	Three months ended March 31, 2009	Three months ended March 31, 2008
Production		
Oil and NGL (bbls/d)	249	216
Natural gas (mcf/d)	12,642	9,746
Total (boe/d)	2,356	1,840
Total (boe)	212,050	167,448
% natural gas	89	88

Open Range's production for the three months ended March 31, 2009 increased significantly from the comparative period in 2008. The increase resulted from continued successful drilling activity in the second half of 2008. Production in the three months ended March 31, 2009 averaged 2,356 boe per day. This represented an increase of 28 percent from the average production of 1,840 boe per day for the comparative period in 2008. Natural gas production in the three months ended March 31, 2009 increased by 30 percent to 12,642 mcf per day from 9,746 mcf per day for the comparative period in 2008. Oil and natural gas liquids (NGL) production in the three months ended March 31, 2009 increased by 15 percent to 249 barrels per day from 216 barrels per day in the first quarter of 2008. Open Range is forecasting average production of 2,400 boe per day in 2009.

Oil and Natural Gas Revenue

	Three months ended March 31, 2009	Three months ended March 31, 2008
Revenue		
Oil and NGL	\$ 954,207	\$ 1,562,670
Natural gas	6,072,358	7,410,881
Realized gain on commodity contracts	294,492	193,347
Total	\$ 7,321,057	\$ 9,166,898
Average realized price		
Oil and NGL (\$/bbl)	42.57	79.60
Natural gas (\$/mcf)	5.34	8.36
Realized gain on commodity contracts (\$/mcf)	0.26	0.22
Combined average (\$/boe)	34.53	54.74
Benchmark pricing		
Edmonton Par (Cdn\$/bbl)	50.27	98.08
Alberta Spot (Cdn\$/mcf)	4.79	7.77

Revenue, including the realized gain on commodity contracts, for the three months ended March 31, 2009 decreased by 20 percent to \$7.3 million from \$9.2 million in the comparative period in 2008. The decrease in revenue was primarily a result of a 37 percent decrease in the combined average sales price partially offset by a 28 percent increase in production volumes from the first quarter of 2008. The changes in average sales prices for crude oil, NGL and natural gas realized by Open Range for the three months ended March 31, 2009 from the comparative period in 2008 are consistent with the fluctuations in benchmark oil and natural gas prices over the same period. Open Range's average sales price for natural gas is at a premium to the Alberta natural gas spot benchmark price due to the high energy content of the Corporation's natural gas production.

Open Range realized a gain on commodity contracts of \$0.3 million for the three months ended March 31, 2009. These realized gains related to natural gas commodity contracts and amounted to additional revenue of \$0.26 per mcf for the first quarter of 2009 on the Corporation's natural gas production.

Unrealized Gain (Loss) on Commodity Contracts

Open Range's management utilizes commodity contracts as a risk management technique to protect exploration and development economics, reduce volatility in cash flows and mitigate the unpredictable commodity price environment. During the first quarter, the Corporation recorded an unrealized gain on commodity contracts of \$0.2 million. This amount represented the change in the fair value of the commodity contracts held by the Corporation during the three months ended March 31, 2009.

Natural gas hedging contracts entered into as at March 31, 2009 are as follows:

Period	Volume (GJ/d)	Type of contract	Average AECO Spot floor (Cdn\$/GJ)	Average AECO Spot ceiling (Cdn\$/GJ)	Unrealized gain (loss) for the three months ended Mar. 31, 2009	Unrealized loss for the three months ended Mar. 31, 2008
Apr. 2007 to Mar. 2008	1,000	Costless Collar	\$ 7.00	\$ 10.16	–	\$ (68,534)
Nov. 2007 to Mar. 2008	1,500	Costless Collar	\$ 7.50	\$ 10.67	–	(164,411)
Jan. to Dec. 2008	3,000	Costless Collar	\$ 6.75	\$ 7.50-9.12	–	(1,634,489)
Apr. to Oct. 2008	1,500	Swap	\$ 6.46	\$ 6.46	–	(787,057)
Nov. to Dec. 2008	1,500	Swap	\$ 7.26	\$ 7.26	–	(191,977)
Apr. to Oct. 2008	1,500	Swap	\$ 6.50	\$ 6.50	–	(783,632)
Nov. 2008 to Mar. 2009	1,500	Costless Collar	\$ 6.75	\$ 11.09	\$ (102,614)	(142,697)
Jan. to Dec. 2009	1,000	Costless Collar	\$ 6.50	\$ 9.00-13.00	388,111	(99,276)
Apr. 2009 to Mar. 2010	5,000	Costless Collar	\$ 4.00	\$ 5.84	(77,242)	–
Apr. 2009 to Mar. 2010	1,000	Costless Collar	\$ 4.25	\$ 5.92	38,228	–
					\$ 246,483	\$ (3,872,073)

For more details on these contracts refer to note 7, Financial Instruments, in the interim financial statements for the three months ended March 31, 2009.

Royalties

	Three months ended March 31, 2009	Three months ended March 31, 2008
Royalty expense – oil & NGL	\$ 297,299	\$ 113,440
Royalty expense – natural gas	1,235,010	1,344,652
Total	\$ 1,532,309	\$ 1,458,092
Per boe (\$)	7.23	8.71
% of revenue ⁽¹⁾	22	16

⁽¹⁾ Revenue before the realized gain on commodity contracts.

Royalties totalled \$1.5 million for the first quarter of 2009 and were nearly flat from the comparative period in 2008. Royalties as a percentage of revenue increased in the three months ended March 31, 2009 from the comparative period in 2008, as Alberta's New Royalty Framework (NRF) came into effect January 1, 2009. On a per unit of production basis, royalty costs for the three months ended March 31, 2009 were down by 17 percent from the comparative period in 2008, mainly due to lower commodity prices leading to lower realized sales prices.

Open Range estimates royalty rates for 2009 will be 20-22 percent of revenue as a result of the NRF. This anticipated increase does not reflect the potential positive impact to the Corporation of the one-year incentive program announced by the Alberta government on March 3, 2009, as any benefits realized from this program would depend on the pace at which Open Range drills and ties-in new wells.

Operating Costs

	Three months ended March 31, 2009	Three months ended March 31, 2008
Operating costs	\$ 1,318,255	\$ 1,152,725
Transportation costs	197,990	94,616
Total	\$ 1,516,245	\$ 1,247,341
Operating costs (\$/boe)	6.22	6.88
Transportation costs (\$/boe)	0.93	0.57
Total (\$/boe)	7.15	7.45

Operating costs were \$1.3 million for the three months ending March 31, 2009 compared to \$1.2 million for the comparative period in 2008. On a per unit of production basis, operating costs for the first quarter of 2009 were \$6.22 per boe. This represented a 10 percent decrease from \$6.88 per boe for the comparative period in 2008. This reduction was due primarily to continued operating efficiencies being realized at Ansell/Sundance as newly drilled wells are tied in to existing infrastructure and facilities. Transportation costs were \$0.2 million or \$0.93 per boe for the first quarter of 2009. The period-over-period increase in dollar terms mainly reflected higher rates of production throughput and the increase on a per unit of production basis reflected changes in the pricing structure of the third party transportation system the Corporation utilizes at Ansell/Sundance.

Operating Netback

(\$ per boe)	Three months ended March 31, 2009	Three months ended March 31, 2008
Average realized sales price	34.53	54.74
Royalty expenses	(7.23)	(8.71)
Operating costs	(6.22)	(6.88)
Transportation costs	(0.93)	(0.57)
Operating netback	20.15	38.58

The Corporation's operating netback for the first quarter of 2009 decreased by 48 percent to \$20.15 per boe from \$38.58 per boe for the comparative quarter of 2008. This decline was mainly due to the period-over-period decrease in commodity prices driving down realized sales prices, and was slightly offset by increased operating efficiencies resulting in lower operating costs per unit of production.

General and Administrative Costs

	Three months ended March 31, 2009	Three months ended March 31, 2008
Gross G&A costs	\$ 1,725,264	\$ 1,363,466
Partner recovery	(193,895)	(121,304)
Capitalized	(794,871)	(575,854)
Net G&A costs	\$ 736,498	\$ 666,308
Per boe, net (\$)	3.47	3.98

G&A costs for the three months ended March 31, 2009 totalled \$0.7 million or \$3.47 per boe after overhead recoveries and capitalization of \$1.0 million. On a per boe basis G&A costs in the first quarter of 2009 declined by 13 percent from \$3.98 per boe in the first quarter of 2008. The reduction per boe was mainly due to increased production in the first quarter of 2009 combined with only a marginal increase in net G&A costs. Capitalized G&A costs represented 46 percent of gross G&A costs for the quarter ended March 31, 2009 as the Corporation continued to focus on exploration activities and capitalized its exploration, geological and geophysical expenses. The Corporation's net G&A costs were nearly flat over the comparative quarter in 2008, reflecting the Corporation having been founded with complete management and technical teams, followed by success at limiting G&A costs.

Interest Expense

	Three months ended March 31, 2009	Three months ended March 31, 2008
Net interest expense	\$ 210,417	\$ 195,489
Per boe net (\$)	0.99	1.17

Net interest expense for the three months ended March 31, 2009 was \$0.2 million or \$0.99 per boe. The Corporation had \$32.1 million drawn on its extendable revolving credit facility at March 31, 2009. The Corporation continues to manage debt levels prudently and expects net interest expense to be relatively flat for the remainder of the year as its capital investment program will be funded from cash flow from operations in 2009.

Stock-Based Compensation

	Three months ended March 31, 2009	Three months ended March 31, 2008
Total stock-based compensation	\$ 220,117	\$ 284,459
Capitalized stock-based compensation	(107,237)	(135,614)
Stock-based compensation expense	\$ 112,880	\$ 148,845

During the first quarter of 2009, stock-based compensation of \$112,880 was expensed and \$107,237 was capitalized. This compared to \$148,845 expensed and \$135,614 capitalized for the first quarter of 2008. The decrease in stock-based compensation expense was due to stock options that were granted at the Corporation's inception in December 2005 being fully expensed as of December 31, 2008 combined with no new stock options being granted in the first quarter of 2009. At March 31, 2009 there were 2,544,499 stock options outstanding compared to 2,061,500 outstanding at March 31, 2008.

Depletion, Depreciation and Accretion

	Three months ended March 31, 2009	Three months ended March 31, 2008
Depletion and depreciation	\$ 5,153,034	\$ 4,247,377
Accretion	42,368	41,423
Total	\$ 5,195,402	\$ 4,288,800
Depletion and depreciation (\$/boe)	24.30	25.36
Accretion (\$/boe)	0.20	0.25
Total (\$/boe)	24.50	25.61

Depletion and depreciation are calculated based upon cumulative capital expenditures, production rates and reserves. Open Range recorded \$5.2 million or \$24.30 per boe in depletion and depreciation for the three months ended March 31, 2009 compared to \$4.2 million or \$25.36 per boe for the comparative period in 2007. The period-over-period per boe decrease in the first quarter is due to significant reserve additions from the Corporation's successful drilling program in 2008.

Open Range estimates depletion on a quarterly basis throughout the year using independent inputs such as reserve and land reports when available. Undeveloped land and seismic and salvage value of \$17.9 million have been excluded from the calculation and future development costs of \$31.9 million have been included in the capital base used in the calculation.

Income Taxes

Open Range did not incur any cash tax expense in 2008, nor does it expect to pay any cash taxes in 2009 based on current oil and natural gas prices, existing tax pools, planned capital expenditures and forecast taxable income. For the quarter ended March 31, 2009, a future income tax reduction of \$0.4 million was recorded. The future income tax liability of \$3.0 million associated with the Corporation's \$12 million flow-through share issuance in 2008 was recorded in the first quarter of 2009.

The Corporation estimates that at March 31, 2009 tax pools of \$101.4 million are available for deduction against future taxable income.

Net Loss

	Three months ended March 31, 2009	Three months ended March 31, 2008
Loss	\$(1,303,783)	\$ (1,913,618)
Loss per boe (\$)	6.15	11.43
Loss per basic and diluted share	\$ (0.05)	\$ (0.09)

The Corporation recorded a net loss of \$1.3 million or \$0.05 per basic and diluted share for the quarter ended March 31, 2009, compared to a net loss of \$1.9 million or \$0.09 per basic and diluted share for the comparative period in 2008.

Funds from Operations and Cash Flow from Operating Activities

	Three months ended March 31, 2009	Three months ended March 31, 2008
Funds from operations	\$ 3,325,588	\$ 5,599,668
Funds from operations per boe (\$)	15.68	33.44
Funds from operations per basic and diluted share (\$)	0.13	0.26
Cash flow from operating activities (per GAAP)	\$ 4,453,154	\$ 5,155,971

In the three months ended March 31, 2009, Open Range generated funds from operations of \$3.3 million compared to \$5.6 million for the comparative period in 2008. First-quarter 2009 funds from operations decreased by 41 percent and funds from operations per share decreased by 50 percent from the comparative quarter in 2008. The decreases in funds from operations and cash flow from operating activities were primarily due to reduced revenues driven by lower commodity prices and lower realized sales prices.

Capital Expenditures

	Three months ended March 31, 2009	Three months ended March 31, 2008
Drilling and completions	\$ 10,224,274	\$ 9,999,264
Equipment and facilities	1,866,399	1,980,192
Land	56,405	6,387,478
Capitalized G&A	721,197	575,854
Geological and geophysical	207,718	681,849
Total capital expenditures	13,075,993	19,624,637
Capital items not involving cash:		
Stock-based compensation	142,983	183,262
Asset retirement obligations	134,076	44,546
Total capital expenditures including non-cash items	\$ 13,353,052	\$ 19,852,445

Open Range's capital budget during the first quarter of 2009 was heavily focused on its core Ansell/Sundance property and included drilling the Corporation's first horizontal natural gas well (100 percent working interest) and completing four wells drilled in the fourth quarter of 2008. The horizontal well was cased in February 2009, with completion operations commencing and being suspended in March (completion operations are expected to resume after spring break-up). Open Range also drilled one gross (100 percent working interest) exploratory well at its Big Bend property, which was dry and abandoned. Facilities and equipment expenditures for the quarter ended March 31, 2009 relate mainly to the costs associated with connecting completed wells to existing infrastructure and the equipment costs related to expanding compression capacity at Ansell/Sundance.

	Three months ended March 31, 2009		Three months ended March 31, 2008	
	Gross	Net	Gross	Net
Wells drilled				
Exploration	2	2	5	2.6
Development	-	-	-	-
Total	2	2	5	2.6
Average working interest	100%		52.0%	
Success rate	50%		100%	

Share Capital

	Three months ended March 31, 2009	Three months ended March 31, 2008
Weighted average basic and diluted common shares outstanding	26,576,458	21,799,095

Options to purchase 2,544,499 common shares for the three months ended March 31, 2009 and options to purchase 2,061,500 common shares for the three months ended March 31, 2008 were not included in the computation of weighted average diluted shares outstanding because they were anti-dilutive.

Outstanding securities	March 31, 2009	May 12, 2009
Common shares	26,534,341	26,534,341
Stock options	2,544,499	2,544,499
Total outstanding securities	29,078,840	29,078,840
Proportion of outstanding securities held by officers and directors	15%	15%

Equity financings since inception	Date of Issue	Issue price per share	Shares issued	Gross proceeds
Common shares ⁽¹⁾	November 29, 2005	\$ 3.10	2,000,000	\$ 6,200,000
Common shares	January 10, 2006	4.25	1,649,000	7,008,250
Flow-through common shares	May 16, 2006	5.70	1,000,000	5,700,000
Common shares	November 9, 2006	3.55	2,324,300	8,251,265
Flow-through common shares	February 22, 2007	4.00	3,000,000	12,000,000
Flow-through common shares	December 20, 2007	3.45	2,029,100	7,000,395
Common shares	April 4, 2008	4.20	3,095,300	13,000,260
Flow-through common Shares	April 4, 2008	5.00	2,400,000	12,000,000
Total		\$ 4.07	17,497,700	\$ 71,160,170

⁽¹⁾ Initial private placement financing.

On October 23, 2008 the Corporation received regulatory approval under Canadian securities laws to purchase common shares under a Normal Course Issuer Bid (the "Bid") which commenced on October 28, 2008 and will terminate on October 27, 2009. Pursuant to the Bid, Open Range is entitled to purchase for cancellation, from time to time, up to a maximum of 1,366,662 common shares. As of March 31, 2009 the Corporation had purchased and cancelled 799,900 common shares under the Bid at an average price of \$1.46 per share.

RELATED-PARTY AND OFF-BALANCE SHEET TRANSACTIONS

Open Range incurred \$22,105 in legal costs to a law firm in which the Chairman of the Board of Directors and the Corporate Secretary of the Corporation are partners. Of the legal costs incurred in the period, no amounts were included in accounts payable at March 31, 2009.

During the three months ended March 31, 2009, the Corporation received \$95,721 in office rent from a private corporation in which the Chairman of the Board of Directors and the President and Chief Executive Officer are directors. Of the office rent received in the year, no amounts were included in accounts receivable at March 31, 2009.

Open Range was not involved in any off-balance-sheet transactions during the three months ended March 31, 2009.

LIQUIDITY AND CAPITAL RESOURCES

Open Range had a working capital deficiency of \$37.4 million at March 31, 2009. As at March 31, 2009, Open Range had available a \$50 million extendable revolving-credit facility and a \$4 million acquisition and development facility with the National Bank of Canada. The interest rate on the extendable revolving facility is calculated using the bank's prime rate plus an applicable facility margin based on the Corporation's net debt-to-cash flow ratio for the previous trailing calendar quarter. The interest rate on the non-revolving facility is calculated using the bank's prime rate plus 50 basis points above an applicable facility margin based on the Corporation's net debt-to-cash flow ratio for the previous trailing calendar quarter. The facilities are borrowing-based facilities that are determined based on, among other things, the Corporation's reserve report, production and operating results, and current and forecast commodity prices. Pursuant to the terms of the credit facilities, the Corporation has provided the covenant that at all times its working capital ratio shall be not less than 1 to 1. The working capital ratio is defined under the terms of the facilities as current assets, including the undrawn portion of the revolving credit facility, to current liabilities, excluding any current bank indebtedness. The Corporation is in compliance with this covenant as at March 31, 2009. As at March 31, 2009, \$32.1 million had been drawn on these facilities. The facilities are open for review semi-annually with the next review occurring in September 2009.

	As at March 31, 2009
Bank lines available	\$ 54,000,000
Working capital deficiency	(37,373,420)
Capital resources available	\$ 16,626,580

During periods of financial and commodity market instability, such as that which continued into the first quarter of 2009, Open Range actively manages its capital structure to ensure it maintains financial flexibility so as to preserve the ability to meet all of its financial obligations and finance the Corporation's future growth. The Corporation manages its capital structure in part by using the non-GAAP financial metric of net debt to annualized funds from operations ratio. The Corporation's strategy is to maintain a ratio of no more than 2 to 1. As at March 31, 2009, the Corporation's ratio of net debt to annualized funds from operations was 2.8 to 1, which was above the acceptable range established by the Corporation. This was a result of reduced cash flow from operations driven by weakening commodity prices combined with the Corporation incurring some debt to fund the remainder of its winter drilling program. The Corporation expects the ratio will decrease during the remainder of 2009 as the Corporation anticipates reduced capital expenditures and utilizing the majority of its cash flow from operations to repay a portion of its debt over the balance of the year. For more details on the calculation of this ratio refer to note 5, Capital Management, in the interim financial statements for the three months ended March 31, 2009.

As a result of the current volatility in the commodity, credit and capital markets, Open Range has limited its capital investment program for 2009 to a level that allows it to be funded entirely from cash flow from operations over the course of the year. In doing so, the Corporation maintains its financial flexibility, avoids issuing new equity on dilutive terms and preserves its extensive drilling inventory at Ansell/Sundance. As the Corporation gains more clarity on the near- to mid-term outlook for the financial and commodity markets, it may adjust its 2009 capital investment program accordingly.

The Corporation's initial capital expenditure budget for 2009 is \$18 million. The details of the initial 2009 budget are provided in the following table:

(millions)	2009
Drilling and completions	\$ 11.8
Equipment and facilities	2.7
Land, seismic and capitalized G&A	3.5
Total	\$ 18.0

SELECTED QUARTERLY INFORMATION

	2009		2008				2007	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Production								
Natural gas (mcf/d)	12,642	13,164	10,696	10,630	9,746	8,862	9,545	7,009
Oil and NGL (bbls/d)	249	257	209	225	216	171	225	156
Total (boe/d)	2,356	2,451	1,992	1,996	1,840	1,648	1,815	1,324
Total (boe)	212,050	225,450	183,242	181,652	167,448	151,660	167,009	120,451
% natural gas	89	90	89	89	88	90	88	88
Financial								
(\$000s except per share amounts and share numbers)								
Revenue ⁽¹⁾	7,321	10,238	9,646	11,281	9,167	7,097	6,823	5,556
Net earnings (loss)	(1,304)	1,067	3,676	(31)	(1,914)	(345)	611	1,277
Per share (\$)								
Basic and diluted	(0.05)	0.04	0.13	–	(0.09)	(0.02)	0.03	0.06
Funds from operations	3,326	6,351	4,757	7,242	5,600	4,583	4,413	3,709
Per share (\$)								
Basic	0.13	0.23	0.17	0.27	0.26	0.23	0.22	0.19
Diluted	0.13	0.23	0.17	0.26	0.26	0.23	0.22	0.19
Cash flow from operating activities	4,453	6,037	4,583	8,310	5,156	2,867	3,728	4,624
Total assets (end of period)	145,379	151,102	137,117	117,265	114,415	97,517	93,289	86,746
Capital expenditures, net	13,076	9,253	25,804	5,885	19,625	9,354	8,780	11,285
Weighted average								
basic shares (000s)	26,576	27,111	27,334	27,131	21,799	20,029	19,764	19,764
Weighted average								
diluted shares (000s)	26,576	27,111	27,557	27,131	21,799	20,029	19,764	19,764
Per Unit								
Oil and NGL (\$/bbl)	42.57	56.40	101.51	105.18	79.60	73.10	61.32	57.68
Natural gas (\$/mcf) ⁽¹⁾	5.60	7.35	7.82	9.44	8.58	7.29	6.33	7.43
Revenue (\$/boe) ⁽¹⁾	34.53	45.41	52.64	62.10	54.74	46.80	40.85	46.13
Operating netback (\$/boe)	20.15	31.01	31.81	42.64	38.58	35.75	30.43	35.58

⁽¹⁾ Includes the realized gain (loss) on commodity contracts.

Open Range's quarterly growth in production and total assets is attributable to the active and successful exploration and development drilling program at the Corporation's Deep Basin properties, particularly the Ansell/Sundance core area.

CONTRACTUAL OBLIGATIONS^{(1), (2), (3)}

As at March 31, 2009	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Bank indebtedness ⁽¹⁾	\$ 32,101,371	\$ 32,101,371	–	–	–
Office lease	1,693,063	1,015,838	\$ 677,225	–	–
Office equipment leases	28,526	14,263	14,263	–	–
Firm natural gas transportation agreements	8,599,258	536,261	4,875,058	\$ 1,897,766	\$ 1,290,173
Total	\$ 42,422,218	\$ 33,667,733	\$ 5,566,546	\$ 1,897,766	\$ 1,290,173

⁽¹⁾ Amount is drawn against the Corporation's extendable revolving demand facility. As the facility is demand in nature amounts outstanding are classified as current liabilities, implying they are due in one year or less. Management fully expects the term of the facility to be extended.

⁽²⁾ The Corporation has entered into farm-in agreements in the normal course of its business which are not included in this table.

⁽³⁾ The Corporation has entered into commodity contracts which are not included in this table. For a complete listing refer to note 7, Financial Instruments, in the interim financial statements for the three months ended March 31, 2009.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In February 2008, the Canadian Institute of Chartered Accountants (CICA) Accounting Standards Board (AcSB) confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011, including comparatives for 2010.

The International Accounting Standards Board (IASB) has also issued an exposure draft relating to certain amendments and exemptions to IFRS 1. It is anticipated that this exposure draft will not result in an amended IFRS 1 standard until late 2009. The amendment, if implemented, will permit the Corporation to apply IFRS prospectively by utilizing its current reserves at the transition date to allocate Open Range's full cost pool, with the provision that a ceiling test, under IFRS standards, be conducted at the transition date.

Although the amended IFRS 1 standard would provide relief, the changeover to IFRS represents a significant change in accounting standards and the transition from current Canadian GAAP to IFRS will be a significant undertaking that may materially affect the Corporation's reported financial position and reported results of operations.

In response, Open Range has completed the development of its IFRS changeover plan and established a preliminary timeline for the execution and completion of the conversion project. The changeover plan was determined following a preliminary assessment of the differences between Canadian GAAP and IFRS and the potential effects of IFRS to accounting and reporting processes, information systems, business processes and external disclosures. This assessment has provided insight into what are anticipated to be the most significant areas of difference applicable to Open Range.

The Corporation is currently performing an in-depth review of the significant areas of difference, identified during the preliminary assessment, in order to identify all specific Canadian GAAP and IFRS differences and select ongoing IFRS policies. Key areas being addressed are also being reviewed to determine any information technology issues, the impact on internal controls over financial reporting and the impact on business activities including the effect, if any, on covenants and compensation arrangements. External advisors have been retained and are assisting management with the project on an as-needed basis. Staff training programs will be ongoing throughout 2009 as the project unfolds.

During the three months ended March 31, 2009 the Corporation worked on performing more detailed analysis of major areas impacted by IFRS, including cash-generating units in property, plant and equipment and stock-based compensation. The Corporation continues to monitor standard changes that may impact timing, nature or disclosure including accounting under IFRS.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Corporation is accumulated and communicated to the Corporation's management as appropriate to allow timely decisions regarding required disclosure. The Corporation's Chief Executive Officer and Chief Financial Officer have concluded based on their evaluation as of the end of the period covered by the annual filings that disclosure controls and procedures are effective, with the exception of the weaknesses in the internal controls over financial reporting noted in the following section, to provide reasonable assurance that material information related to the Corporation is made known to them by others within the Corporation. It should be noted that while the Corporation's Chief Executive Officer and Chief Financial Officer believe that disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures would prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer of the Corporation are responsible for designing and evaluating the effectiveness of the internal controls over financial reporting, or causing them to be designed and evaluated under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Corporation has evaluated the effectiveness of its internal controls over financial reporting and has not identified any weaknesses other than those disclosed in the MD&A for the year ended December 31, 2008. Notwithstanding the weaknesses identified in the MD&A for the year ended December 31, 2008, the Corporation has concluded that all other of its internal controls over financial reporting have been designed properly and are operating effectively at March 31, 2009. No material changes in the Corporation's internal controls over financial reporting were identified during the three months ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal financial reporting processes.

BALANCE SHEETS

(Unaudited)	As at March 31, 2009	As at December 31, 2008
ASSETS		
Current assets:		
Accounts receivable	\$ 4,450,636	\$ 18,463,201
Prepaid expenses and deposits	962,665	1,120,066
Fair value of commodity contracts (note 7)	614,592	368,109
	6,027,893	19,951,376
Property, plant and equipment (note 1)	139,350,871	131,150,853
	\$ 145,378,764	\$ 151,102,229
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness (note 2)	\$ 32,101,371	\$ 31,418,884
Accounts payable and accrued liabilities	11,121,709	16,050,717
Future income taxes	178,233	106,751
	43,401,313	47,576,352
Future income taxes	8,746,876	6,215,040
Asset retirement obligations (note 3)	2,532,587	2,474,686
Shareholders' equity:		
Share capital (note 4)	84,410,646	87,629,713
Contributed surplus (note 4)	5,069,798	4,685,111
Retained earnings	1,217,544	2,521,327
	90,697,988	94,836,151
Commitments (note 6)		
	\$ 145,378,764	\$ 151,102,229

See accompanying notes to financial statements.

STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND RETAINED EARNINGS (DEFICIT)

(Unaudited)	Three months ended March 31, 2009	Three months ended March 31, 2008
Revenues:		
Petroleum and natural gas	\$ 7,026,565	\$ 8,973,551
Royalties	(1,532,309)	(1,458,092)
Interest	111	4,460
Realized gain on commodity contracts (note 7)	294,492	193,347
Unrealized gain (loss) on commodity contracts (note 7)	246,483	(3,872,073)
	6,035,342	3,841,193
Expenses:		
Operating	1,516,245	1,247,341
General and administrative	736,498	666,308
Stock-based compensation	112,880	148,845
Interest	210,528	199,949
Depletion and depreciation	5,153,034	4,247,377
Accretion of asset retirement obligations	42,368	41,423
	7,771,553	6,551,243
Loss before income taxes	(1,736,211)	(2,710,050)
Future income tax reduction	432,428	796,432
Net loss and comprehensive loss	(1,303,783)	(1,913,618)
Retained earnings (deficit), beginning of period	2,521,327	(276,346)
Retained earnings (deficit), end of period	\$ 1,217,544	\$ (2,189,964)
Loss per share (note 4):		
Basic	\$ (0.05)	\$ (0.09)
Diluted	\$ (0.05)	\$ (0.09)

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

(Unaudited)	Three months ended March 31, 2009	Three months ended March 31, 2008
Cash provided by (used in):		
Operating:		
Net loss	\$(1,303,783)	\$ (1,913,618)
Items not involving cash:		
Depletion and depreciation	5,153,034	4,247,377
Accretion of asset retirement obligations	42,368	41,423
Future income tax reduction	(432,428)	(796,432)
Stock-based compensation	112,880	148,845
Unrealized loss (gain) on commodity contracts	(246,483)	3,872,073
Asset retirement expenditures	(118,543)	(121,823)
Change in non-cash working capital	1,246,109	(321,874)
	4,453,154	5,155,971
Financing:		
Bank indebtedness	682,487	9,022,811
Issue of common shares, net of issue costs	-	51,636
Repurchase of common shares	(54,497)	-
	627,990	9,074,447
Investing:		
Acquisition of property, plant and equipment	(13,075,993)	(19,624,637)
Change in non-cash working capital	7,994,849	5,394,219
	(5,081,144)	(14,230,418)
Change in cash	-	-
Cash, beginning of period	-	-
Cash, end of period	\$ -	\$ -
Interest received	\$ 111	\$ 4,460
Interest paid	\$ 194,354	\$ 192,838

Cash is defined as cash and cash equivalents.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

For the three months ended March 31, 2009

(Unaudited)

The interim financial statements of Open Range Energy Corp. (“Open Range” or the “Corporation”) have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). The interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the year ended December 31, 2008. The following disclosure is incremental to the disclosure included with the annual financial statements. These interim financial statements should be read in conjunction with the financial statements and notes thereto in the Corporation’s annual release for the year ended December 31, 2008. Certain comparative figures have been reclassified to conform to the current period’s presentation.

1. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2009	December 31, 2008
Petroleum and natural gas properties	\$ 182,125,015	\$ 168,771,963
Other assets	2,414,217	2,414,217
	184,539,232	171,186,180
Accumulated depletion and depreciation	(45,188,361)	(40,035,327)
Net book value	\$ 139,350,871	\$ 131,150,853

During the three-month period ended March 31, 2009, the Corporation capitalized \$902,108 (March 31, 2008 – \$711,468) of overhead-related costs to petroleum and natural gas properties, of which \$107,237 (March 31, 2008 – \$135,614) related to stock-based compensation. During the three months ended March 31, 2009, the future tax liability of \$35,746 (March 31, 2008 – \$47,648) associated with the capitalized stock-based compensation was also capitalized.

Costs associated with unproved properties excluded from costs subject to depletion for the period ended March 31, 2009 totalled \$17,943,000 (March 31, 2008 – \$17,110,000). Future development costs of proved reserves of \$31,864,000 at March 31, 2009 (March 31, 2008 – \$6,033,000) have been included in the depletion calculation.

During the year ended December 31, 2008, the Corporation disposed of certain interests in petroleum and natural gas properties for proceeds of \$20,000, with associated asset retirement obligations of \$213,230 also eliminated.

2. BANK DEBT

The Corporation has a \$50,000,000 extendable revolving credit facility and a \$4,000,000 non-revolving acquisition/development demand facility. These facilities are with a Canadian chartered bank. The interest rate on the extendable revolving facility is calculated using the bank's prime rate plus an applicable facility margin based on the Corporation's net debt to cash flow ratio for the previous trailing calendar quarter. The interest rate on the non-revolving facility is calculated using the bank's prime rate plus 50 basis points above the applicable facility margin based on the Corporation's net debt to cash flow ratio for the previous trailing calendar quarter. The credit facilities are secured by a first fixed and floating charge debenture in the minimum face amount of \$100,000,000 and a general security agreement. Pursuant to the terms of the credit facilities, the Corporation has provided the covenant that at all times its working capital ratio shall be not less than 1 to 1. The working capital ratio is defined under the terms of the facilities as current assets, including the undrawn portion of the revolving credit facility, to current liabilities, excluding any current bank indebtedness. The Corporation is in compliance with this covenant as at March 31, 2009. The facilities are open for review semi-annually with the next review occurring in September 2009. As the available lending limits of the facilities are based on the bank's interpretation of the Corporation's reserves and future commodity prices there can be no assurance as to the amount of available facilities that will be determined at each scheduled review.

As at March 31, 2009, \$32,101,371 (December 31, 2008 – \$31,418,884) has been drawn against the revolving credit facility. Letters of credit totalling \$580,100 are held against this facility (December 31, 2008 – \$550,000). No amount (December 31, 2008 – \$nil) has been drawn against the non-revolving demand facility. The revolving facility had an effective interest rate of 3 percent at March 31, 2009 (December 31, 2008 – 3.5 percent).

3. ASSET RETIREMENT OBLIGATIONS

The Corporation's asset retirement obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Corporation estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations at March 31, 2009 to be approximately \$7,406,000 (December 31, 2008 – \$7,238,000), to be incurred between 2009 and 2041. The majority of the costs will be incurred between 2020 and 2040. A credit-adjusted, risk-free rate of 10 percent (December 31, 2008 – 8 to 10 percent) was used to calculate the fair value of the asset retirement obligations.

A reconciliation of the asset retirement obligations is provided below:

	March 31, 2009	December 31, 2008
Balance, beginning of period	\$ 2,474,686	\$ 2,342,760
Liabilities incurred	14,177	118,143
Change in estimates	119,899	546,432
Dispositions (note 1)	–	(213,230)
Liabilities settled	(118,543)	(477,955)
Accretion expense	42,368	158,536
Balance, end of period	\$ 2,532,587	\$ 2,474,686

4. SHARE CAPITAL

(A) Common Shares Issued and Outstanding

	Number of shares	Amount
Balance, December 31, 2007	21,792,941	\$70,884,500
Issued pursuant to flow-through share offerings	2,400,000	12,000,000
Issued pursuant to common share offerings	3,095,300	13,000,260
Issued pursuant to private placements	40,000	178,600
Exercise of stock options	6,000	18,250
Stock-based compensation on exercise of stock options	–	7,453
Share issue costs (net of tax of \$414,170)	–	(1,104,437)
Share repurchases	(733,400)	(2,414,810)
Tax effect of flow-through shares issued in 2007	–	(4,940,103)
Balance, December 31, 2008	26,600,841	\$87,629,713
Share repurchases	(66,500)	(219,067)
Tax effect of flow-through shares issued in 2008	–	(3,000,000)
Balance, March 31, 2009	26,534,341	\$84,410,646

On October 23, 2008 the Corporation received regulatory approval under Canadian securities laws to purchase common shares under a Normal Course Issuer Bid (the “Bid”) which commenced on October 28, 2008 and will terminate on October 27, 2009. Pursuant to the Bid, Open Range is entitled to purchase for cancellation, from time to time, up to a maximum of 1,366,662 common shares. As of March 31, 2009 the Corporation has purchased and cancelled 799,900 common shares under the Bid (December 31, 2008 – 733,400) for total consideration of \$1,171,784 (December 31, 2008 – \$1,117,287). The excess of the average book value over the market price totalling \$1,462,094 is recorded as contributed surplus as of March 31, 2009 (December 31, 2008 – \$1,297,523).

(B) Share Option Plan

Under the Corporation’s share option plan it may grant options to its employees for up to 2,653,434 shares, of which 2,544,499 were outstanding as at March 31, 2009 (December 31, 2008 – 2,632,000). The exercise price of each option equals the market price of the Corporation’s stock on the date of grant. Options have terms of five years and vest as to one-third on each of the first, second and third anniversaries of the grant date.

	Three months ended March 31, 2009		Year ended December 31, 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Granted and outstanding, beginning of period	2,632,000	\$ 4.33	1,926,500	\$ 4.08
Granted	–	–	779,500	4.93
Exercised	–	–	(6,000)	3.04
Forfeited	(87,501)	4.46	(13,000)	4.33
Expired	–	–	(55,000)	4.31
Granted and outstanding, end of period	2,544,499	4.33	2,632,000	4.33
Exercisable at period-end	1,542,162	\$ 4.22	1,516,833	\$ 4.22

The following table summarizes information about the fixed stock options outstanding at March 31, 2009:

Range of exercise prices	Options Outstanding			Options Exercisable	
	Number	Weighted average exercise price	Weighted average contractual life (years)	Number	Weighted average exercise Price
\$2.40 – \$3.61	663,166	\$ 3.26	2.8	373,830	\$ 3.21
\$3.62 – \$4.83	1,294,333	4.47	2.0	1,168,332	4.54
\$4.84 – \$6.06	587,000	5.21	4.1	–	–
\$2.40 – \$6.06	2,544,499	\$ 4.33	2.7	1,542,162	\$ 4.22

(C) Stock-Based Compensation

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants in the year ended December 31, 2008: zero dividend yield, average expected volatility of 58 percent, average risk-free interest rate of 3.14 percent, and expected life of five years. The average fair value of stock options granted during the year ended December 31, 2008 was \$2.57 per option. Because the Corporation did not issue any stock options during the three months ended March 31, 2009, the Corporation did not conduct a fair-value estimate for stock options during the period. The Corporation has not re-priced any stock options. The Corporation has not incorporated an estimated forfeiture rate for stock options that will not vest; rather, the Corporation accounts for actual forfeitures as they occur.

(D) Contributed Surplus

Balance, December 31, 2007	\$ 1,875,405
Stock-based compensation expense	1,519,636
Excess of book value over market value on share repurchases	1,297,523
Transfer to share capital on exercise of stock options	(7,453)
Balance, December 31, 2008	\$ 4,685,111
Stock-based compensation expense	220,117
Excess of book value over market value on share repurchases	164,570
Balance, March 31, 2009	\$ 5,069,798

(E) Per Share Amounts

Per share amounts have been calculated using the weighted average number of shares outstanding. The following table summarizes basic and diluted common shares outstanding:

	Three months ended March 31, 2009	Three months ended March 31, 2008
Weighted average		
basic and diluted common shares outstanding	26,576,458	21,799,095

Options to purchase 2,544,499 common shares for the period ended March 31, 2009 (March 31, 2008 – 2,061,500) were not included in the computation because they were anti-dilutive.

5. CAPITAL MANAGEMENT

The Corporation's objectives in managing its capital are: maintain financial flexibility so as to preserve the ability to meet its financial obligations, and finance its growth, which may include accessing capital markets and credit facilities to fund the drilling of exploration and development wells as well as potential property or corporate acquisitions.

The Corporation manages its capital structure and adjusts it as a result of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Corporation considers its capital structure to include shareholders' equity, bank debt and working capital, each of which are depicted in the table below. In order to maintain or adjust the capital structure, the Corporation may from time to time issue shares and adjust its capital spending to manage current and forecast debt levels.

	March 31, 2009	December 31, 2008
Shareholders' equity	\$ 90,697,988	\$ 94,836,151
Bank debt	32,101,371	31,418,884
Working capital (deficiency) excluding bank debt	\$ (5,272,049)	\$ 3,793,908

The Corporation manages its capital and financing requirements using the non-GAAP financial metric of the net debt to annualized funds from operations ratio. This ratio is calculated as net debt, defined as outstanding bank debt plus or minus working capital, divided by annualized funds from operations, defined as the most recent calendar quarter's cash flow from operating activities, before the change in non-cash working capital and asset retirement expenditures incurred, multiplied by four. The Corporation's strategy is to maintain a ratio of no more than 2 to 1. This ratio may increase at certain times as a result of acquisitions or strategic exploration activities. This ratio is calculated as follows:

	March 31, 2009	December 31, 2008
Current liabilities	\$ 43,401,313	\$ 47,576,352
Current assets	(6,027,893)	(19,951,376)
Net debt	37,373,420	27,624,976
Quarterly cash flow from operating activities	4,453,154	6,037,292
Change in non-cash working capital	(1,246,109)	13,232
Asset retirement expenditures	118,543	300,438
Quarterly funds from operations	3,325,588	6,350,962
Annualized funds from operations	\$ 13,302,352	\$ 25,403,848
Net debt to annualized funds from operations ratio	2.8:1	1.1:1

As at March 31, 2009, the Corporation's ratio of net debt to annualized funds from operations was above the acceptable range established by the Corporation. This was a result of reduced cash flow from operations driven by weakening commodity prices combined with the Corporation funding a portion of its winter drilling program through borrowings. The Corporation expects that its net debt as at March 31, 2009 will represent the peak level for 2009, with net debt being reduced by cash flow from operations over the remainder of the year. Accordingly, the Corporation expects the ratio will decrease during the remainder of 2009 as the Corporation anticipates reduced capital expenditures and utilizing cash flow from operations to repay a portion of debt over the balance of the year. As a result of the current volatility in the commodity, credit and capital markets, Open Range has limited its capital investment program for 2009 to a level that allows it to be funded entirely from cash flow from operations.

The Corporation's share capital is not subject to external restrictions; however, the bank debt facilities are based on petroleum and natural gas reserves (see note 2) and are subject to maintain certain financial covenants. The Corporation has not paid or declared any dividends since the date of incorporation.

There were no changes in the Corporation's approach to capital management during the period.

6. COMMITMENTS

In the normal course of business, the Corporation is obligated to make future payments. These obligations represent contracts and other commitments that are known to the Corporation as at March 31, 2009:

	Total	2009	2010	2011	Thereafter
Payments for office lease	\$ 1,693,063	\$ 761,879	\$ 931,184	–	–
Payments for office equipment leases	28,526	10,697	14,263	\$ 3,566	–
Firm natural gas transportation agreements	8,599,258	407,791	1,034,040	1,724,354	\$ 5,433,073
Total	\$ 10,320,847	\$ 1,180,367	\$ 1,979,487	\$ 1,727,920	\$ 5,433,073

7. FINANCIAL INSTRUMENTS

The Corporation has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, and market risk.

This note presents information about the Corporation's exposure to each of the above risks and the Corporation's objectives, policies and processes for measuring and managing risk. Further qualitative disclosures are included throughout these financial statements.

(A) Credit Risk

Credit risk is the risk of financial loss to the Corporation if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables from purchasers of the Corporation's natural gas, crude oil and natural gas liquids and from joint venture partners. As at March 31, 2009 the Corporation's receivables consisted of \$1,490,202 (December 31, 2008 – \$14,352,119) from joint venture partners, \$2,324,180 (December 31, 2008 – \$3,213,683) from purchasers of the Corporation's natural gas, crude oil and natural gas liquids and \$636,254 (December 31, 2008 – \$897,399) of other trade receivables.

Receivables from purchasers of the Corporation's natural gas, crude oil and natural gas liquids are normally collected on the 25th day of the month following production. The Corporation's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers. In the third quarter of 2008, the Corporation experienced a collection issue with one of its purchasers of natural gas, SemCanada Energy Company, and one of its purchasers of crude oil, SemCanada Crude Company. Both companies are Canadian subsidiaries of SemGroup, L.P., which in July 2008 filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code in the United States. As of March 31, 2009, the Corporation is owed \$949,462 and \$97,146 from SemCanada Energy Company and SemCanada Crude Company (December 31, 2008 – \$949,462 and \$97,146), respectively. The Corporation has held general discussions with several arms length parties with regards to the purchase and sale of the receivable from SemCanada Energy Company and SemCanada Crude Company. Based on these discussions and an internal evaluation of what portion, if any, of these

amounts will be collectible, the Corporation has recorded a provision for bad debts of \$784,956 as of March 31, 2009 (December 31, 2008 – \$784,956), which represents 75 percent of the outstanding amounts. The Corporation is continuing to work with its legal counsel to pursue the possible sale of the accounts receivable to a third party and, accordingly, will update its provision for bad debts as circumstances require.

Joint venture receivables are typically collected within one to three months of the joint venture bill being issued to the partner. The Corporation attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to commencement of the joint venture project. However, the receivables are from participants in the petroleum and natural gas sector, and collection of amounts outstanding is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with joint venture partners as disagreements occasionally arise that increase the potential for non-collection. The Corporation does not typically obtain collateral from joint venture partners; however, the Corporation has the ability to withhold production from joint venture partners in the event of non-payment.

Cash and cash equivalents, when outstanding, consist of cash bank balances and short-term deposits maturing in less than 90 days. The Corporation manages the credit risk exposure related to short-term investments by selecting counter-parties based on credit ratings and monitoring all investments to ensure a stable return, and also by avoiding complex investment vehicles with higher risk such as asset-backed commercial paper.

Derivative assets consist of commodity contracts used to manage the Corporation's exposure to fluctuations in commodity prices. The Corporation manages the credit risk exposure related to derivative assets by selecting counter-parties based on credit ratings and financial stability.

The carrying amount of accounts receivable, cash and cash equivalents, when outstanding, and the fair value of commodity contracts represent the maximum credit exposure. The Corporation has an allowance for doubtful accounts as at March 31, 2009 in the amount of \$784,956 (December 31, 2008 – \$784,956) which represents 75 percent of the amounts owed to it by SemCanada Energy Company and SemCanada Crude Company.

The Corporation considers its receivables to be aged as follows:

	March 31, 2009	December 31, 2008
Not past due (less than 120 days)	\$ 4,101,107	\$ 18,040,718
Past due (over 120 days)	349,529	422,483
Total	\$ 4,450,636	\$ 18,463,201

(B) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation utilizes prudent cash and debt management to mitigate the likelihood of encountering difficulties in meeting its financial obligations. As disclosed in note 5, the Corporation targets a net debt to annualized funds from operations ratio of no more than 2 to 1 to manage the Corporation's overall liquidity risk.

The Corporation prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Corporation utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. To facilitate the capital expenditure program, the Corporation has a revolving reserve-based credit facility, disclosed in note 2, that is reviewed semi-annually by the lender. The Corporation also attempts to match its payment cycle with collection of petroleum and natural gas revenues on the 25th of each month.

The following are the contractual maturities of financial liabilities as at March 31, 2009:

Financial Liability	Less than 1 year	1 to 2 years	Total
Accounts payable and accrued liabilities	\$ 11,121,709	\$ –	\$ 11,121,709
Bank indebtedness – principal only ⁽¹⁾	\$ 32,101,371	\$ –	\$ 32,101,371

⁽¹⁾ Amount is drawn against the Corporation's extendable revolving demand facility. As the facility is demand in nature amounts outstanding are classified as current liabilities implying they are due in one year or less. Management fully expects the term of the facility to be extended.

(C) Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates, will affect the Corporation's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted not only by the relationship between the Canadian and United States dollars, but also by continental and worldwide economic events and natural phenomena such as the weather, all of which influence the levels of supply and demand. The Corporation utilizes commodity contracts as a risk management technique to mitigate exposure to commodity price volatility. Because the large majority of the Corporation's production is natural gas, plus the associated natural gas liquids, all of the Corporation's current commodity contracts are for natural gas.

The following table indicates the fair value of natural gas hedging contracts outstanding as at March 31, 2009 and indicates the unrealized gains or losses and realized gains on natural gas contracts for the period then ended:

Period	Volume (GJ/d)	Type of contract	AECO Spot Floor (Cdn\$/GJ)	Average AECO Spot Ceiling (Cdn\$/GJ)	Fair value contract as at Mar. 31, 2009	Unrealized gains (losses) for the three months ended Mar. 31, 2009	Realized gains for the three months ended Mar. 31, 2009
Nov. 2008 to Mar. 2009	1,500	Costless Collar	\$ 6.75	\$ 11.09	–	\$ (102,614)	190,195
Jan. to Dec. 2009	1,000	Costless Collar	\$ 6.50	\$ 9.00-13.00	\$ 653,606	388,111	104,297
Apr. 2009 to Mar. 2010	5,000	Costless Collar	\$ 4.00	\$ 5.84	(77,242)	(77,242)	–
Apr. 2009 to Mar. 2010	1,000	Costless Collar	\$ 4.25	\$ 5.92	38,228	38,228	–
					\$ 614,592	\$ 246,483	\$ 294,492

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Although substantially all of the Corporation's petroleum and natural gas sales are denominated in Canadian dollars, the underlying market prices in Canada for petroleum and natural gas are impacted by changes in the exchange rate between the Canadian and United States currencies.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate fluctuations on its bank debt which bears a floating rate of interest.

The Corporation had no forward exchange rate contracts or interest rate swap contracts in place as at or during the period ended March 31, 2009 and 2008.

The following table summarizes the sensitivity of the fair value of the Corporation's market risk management positions to fluctuations in natural gas prices and interest rates. Both such fluctuations were evaluated independently, with all other variables held constant. In assessing the potential impact of these fluctuations, the Corporation believes that the volatilities presented below are reasonable measures. Fluctuations in natural gas prices, which would impact the mark-to-market calculation of commodity contracts and in interest rates could have had the following impact on the net earnings:

	Net earnings impact Three months ended March 31, 2009	
	Price/rate increase	Price/rate decrease
Natural gas price – change of 10%	\$ (175,196)	\$ 1,069,876
Interest rate – change of 10% ⁽¹⁾	\$ (14,940)	\$ 14,940

⁽¹⁾ As at March 31, 2009, a 10 percent change to the Corporation's effective interest rate would be equivalent to a change of 30 basis points or 0.3 percent in the rate charged by the Corporation's bank.

(D) Fair Value of Financial Instruments

The Corporation's financial instruments as at March 31, 2009 and December 31, 2008 include accounts receivable, derivative contracts, accounts payable and accrued liabilities and bank debt. The fair value of accounts receivable and accounts payable and accrued liabilities approximates their carrying amounts due to their short terms to maturity.

The fair value of derivative contracts is determined by discounting the difference between the contracted price and published forward price curves, including volatility in these price curves, as at the balance sheet date, using the remaining contracted petroleum and natural gas volumes. As at March 31, 2009, the fair value of commodity contracts was determined using a forward price curve with a range of \$3.82 to \$6.22 per mcf of natural gas (December 31, 2008 – \$6.23 to \$7.79 per mcf).

Bank debt bears interest at a floating market rate and accordingly the fair market value approximates the carrying value.

8. RELATED-PARTY TRANSACTIONS

During the three months ended March 31, 2009, the Corporation incurred \$22,105 in legal costs (December 31, 2008 – \$142,211) to a law firm in which the Chairman of the Board of Directors and the Corporate Secretary of the Corporation are partners. The legal costs incurred were in the normal course of operations and were based on the exchange value of the services provided. Of the legal costs incurred in the period, no amounts were included in accounts payable at March 31, 2009 (December 31, 2008 – \$8,857).

During the three months ended March 31, 2009, the Corporation received \$95,721 in office rent (December 31, 2008 – \$359,584) from a private corporation in which the Chairman of the Board of Directors and the President and Chief Executive Officer are directors. The office rent received was in the normal course of operations and was based on the market value of the office space provided. Of the office rent received in the period, no amounts were included in accounts receivable at March 31, 2009 (December 31, 2008 – \$nil).

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ABBREVIATIONS

bbls	barrels of oil inclusive of NGL
bcf	billion cubic feet
boe	barrels of oil equivalent, converting natural gas to oil at a ratio of six mcf of gas to one barrel of oil
boe/d	barrels of oil equivalent per day
G&A	general and administrative
GAAP	generally accepted accounting principles
GJ	Gigajoule
mbbls	thousand barrels
mboe	thousand barrels of oil equivalent
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmcf	million cubic feet
NGL	natural gas liquids
W.I.	working interest