



## Q3 REPORT FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009

### FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Petroleum and natural gas revenue <sup>(1)</sup>	\$ 5,901,318	\$ 9,645,502	\$ 18,949,307	\$ 30,093,229
Funds from operations <sup>(2)</sup>	3,263,796	4,756,720	9,359,275	17,598,481
Per diluted share	0.12	0.17	0.35	0.69
Net earnings (loss)	(2,389,118)	3,675,840	(5,620,218)	1,730,783
Per basic and diluted share	(0.09)	0.13	(0.21)	0.07
Net debt	38,844,945	23,256,428	38,844,945	23,256,428
Capital expenditures, net	\$ 5,175,715	\$ 25,804,243	\$ 19,827,796	\$ 51,313,833
Weighted average shares outstanding				
– basic	26,534,341	27,334,241	26,548,226	25,428,474
Weighted average shares outstanding				
– diluted	26,534,341	27,557,113	26,548,226	25,540,076
Production				
Natural gas (mcf per day)	12,612	10,696	12,444	10,358
Oil and NGL (bbls per day)	201	209	227	216
Total (@ 6:1) (boe per day)	2,303	1,992	2,301	1,943
Realized average sales prices				
Natural gas (\$ per mcf) <sup>(1)</sup>	4.23	8.47	4.71	9.20
Oil and NGL (\$ per bbl)	53.67	101.51	47.77	95.52
Combined average (\$ per boe)	27.85	52.64	30.16	56.53
Royalties (\$ per boe)	(0.74)	(13.90)	(3.73)	(11.84)
Operating costs (\$ per boe)	(6.03)	(6.18)	(5.72)	(6.30)
Transportation costs (\$ per boe)	(1.14)	(0.75)	(1.05)	(0.75)
Operating netback (\$ per boe)	19.94	31.81	19.66	37.64
G&A costs (\$ per boe)	(3.11)	(3.14)	(3.59)	(3.26)
Net interest expense (\$ per boe)	(1.43)	0.15	(1.16)	(0.34)
Corporate netback (\$ per boe)	15.40	28.82	14.91	34.04

<sup>(1)</sup> Includes the realized gain or loss on commodity contracts.

<sup>(2)</sup> Calculated using cash flow from operations before non-cash working capital, asset retirement expenditures and bad debts expense.

## **CORPORATE HIGHLIGHTS**

During the three months ended September 30, 2009, Open Range:

- Produced an average of 2,303 boe per day (91 percent natural gas), a 16 percent increase from the third quarter 2008 average;
- Realized funds from operations of \$3.3 million (\$0.12 per diluted share), reflecting reduced revenues driven by lower commodity prices, partially offset by the Corporation's low cost structure and natural gas price hedges;
- Realized strong benefits from its hedging program, increasing the realized average sales price by \$1.10 per mcf and gaining \$1.3 million in incremental quarterly cash flow;
- Maintained its record of low cash costs, with third quarter cash costs (operating, transportation, G&A and interest) of \$11.71 per boe, up slightly from the second quarter of 2009;
- Achieved an operating netback of \$3.32 per mcfe on an average realized sales price of \$4.23 per mcf of natural gas production, including the effects of realized hedging gains; and
- Completed multi-stage hydraulic fracturing, undertook well testing, tied in and brought on-production its 100 percent working interest Bluesky horizontal well at Ansell/Sundance, which accounted for over half of third quarter capital spending of \$5.2 million. The well has maintained steady production since being brought on and is currently producing at a rate of approximately 2 mmcf per day plus natural gas liquids.

Subsequent to the end of the quarter, Open Range:

- Announced and closed a purchase and sale agreement to substantially increase the Corporation's working interests at its core Ansell/Sundance Deep Basin property in west central Alberta, adding immediate production of 1,150 boe per day and subsequent quarterly cash flow of approximately \$2 million (at current commodity prices), and greatly augmenting the drilling inventory;
- Completed a bought-deal financing totalling \$65 million gross in common shares and flow-through common shares with a syndicate of underwriters;
- Increased the Corporation's bank lines to \$75 million as a consequence of enlarging the asset base; and
- Approved a \$30 million first-half 2010 capital expenditure program that includes a planned three horizontal and two vertical Deep Basin wells at Ansell/Sundance and a forecast average first-half production rate of 3,600 boe per day.

## **MESSAGE TO SHAREHOLDERS**

The past month has included events of significant strategic importance to Open Range. In mid-October we announced signing of a purchase and sale agreement to substantially increase our working interests at our core Ansell/Sundance property. This increases our production, cash flow, reserves and borrowing capacity all by approximately 50 percent, significantly reduces debt ratios and greatly adds to our drilling inventory. Accompanying our acquisition announcement was the announcement of a bought-deal equity financing for gross proceeds of \$65 million. The financing closed November 3.

On November 16, Open Range shareholders voted to approve the equity financing, enabling this key strategic initiative to proceed. We are very pleased by this result, as it is crucial to Open Range's current positioning and ability to execute its growth plans in one of the highest-quality, multi-zone sweet natural gas resource plays in western Canada.

## **THIRD QUARTER ACTIVITIES AND RESULTS**

Early in the third quarter we completed multi-stage hydraulic fracturing of our 100 percent working interest horizontal Bluesky well at Ansell/Sundance, our first horizontal well drilled at this play, following which we tied-in the well and brought it on production in early August. The well stabilized at a rate of approximately 2 mmcf per day, plus natural gas liquids, for total production of about 350 boe per day net. This solid productivity and the compelling advantages of deep horizontal gas drilling, which currently include substantial deep drilling and royalty incentives, provide economic returns even at \$4 per mcf natural gas.

Completing and tying in the Bluesky well accounted for over half of our third quarter capital expenditures of \$5.2 million. We expended a further \$0.5 million on advance purchases of equipment for the planned expansion of the Open Range Ansell/Sundance gas plant, as well as \$0.7 million on Crown land acquisitions at Ansell/Sundance.

Along with the continued Deep Basin horizontal drilling successes announced by competitors in the lands surrounding Ansell/Sundance, the Bluesky well's performance increased our confidence in our core property's suitability to horizontal development. In October we announced plans to drill two additional horizontal Deep Basin wells at Ansell/Sundance, one targeting the Bluesky and one the Wilrich, commencing in the first quarter of 2010.

Financially, the quarter was also positive. Cash flow of \$3.3 million was \$0.5 million above the second quarter's level, thanks to continued discipline in our cash costs, much lower royalties and the benefits of our hedging program. Third quarter royalties were only 3 percent of sales revenue, due to better than anticipated benefits from existing provincial deep drilling programs and incentives. Average production of 2,303 boe per day was also up over the second quarter, reflecting the Bluesky well coming on production at mid-quarter.

Open Range maintained its track record of low cash costs. Operating costs were \$6.03 per boe, up slightly from the second quarter reflecting a plant turnaround and maintenance, and transportation costs were \$1.14 per boe. Year-to-date operating costs are \$5.72 per boe with transportation at \$1.05 per boe. On a natural gas-equivalent basis, Open Range's field costs are averaging \$0.80-\$1.00 per mcf. General and administrative expenses were down by more than \$1.00 per boe quarter-over-quarter, reflecting the

Corporation's success at limiting G&A costs through the industry cycles. Open Range continues to be in the most efficient quartile for all-in cash costs among junior exploration and development companies.

Hedging has become of increasing significance and realized gains in the first nine months of the year have provided \$2.2 million in incremental cash flow. In the third quarter hedging increased our realized average sales price by \$1.10 per mcf. Combined with the high energy content of our Deep Basin natural gas production, Open Range outperformed the average AECO spot price by \$1.40 per mcf. This provided strong support to our operating netback of \$19.94 per boe (\$3.32 per mcfe) for the quarter, which exceeded the average AECO spot price over the same period.

The hedging program remains a focal point of our disciplined financial strategy, with our near-term hedging strategy oriented increasingly on purchasing put options to provide downside protection without limiting upside. The costs of the put options are easily justifiable when viewed with the strategic benefits in the near- to mid-term anticipated pricing environment. To date we have purchased additional puts for summer 2010, providing a base of cash flow to support the planned first-half 2010 capital program.

### **THE ANSELL/SUNDANCE ACQUISITION AND RELATED FINANCING**

Our Bluesky horizontal well's productivity and competitors' repeated horizontal Deep Basin drilling successes on offsetting lands strengthened our motivation to acquire more of Ansell/Sundance from our former working interest partner. This strategic consolidation strengthens Open Range immediately and provides a critical mass of production, cash flow and borrowing capacity to drive our medium- and longer-term growth. After closing, our current production rate is approximately 3,500 boe per day and with this sharply increased production over the remaining 45 days of the year we are now forecasting 2009 average production of 2,450 boe per day, up from 2,400 boe per day.

Increasing our working interests at Ansell/Sundance rather than acquiring a new asset offered unique advantages. The new production was already over 95 percent operated by Open Range, and instantly reduces our operating and G&A expenses on a per boe basis. Because we know the asset intimately, we can achieve seamless integration.

One of our major goals for the transaction was to deleverage the Corporation, which supported our decision to utilize 100 percent equity financing. Open Range's anticipated year-end debt to pro forma annualized cash flow ratio declines to approximately 2:1 (assuming an average AECO spot price of \$4.25 per mcf in the fourth quarter). The accompanying increase in our bank lines to \$75 million and strong boost to cash flow from the acquired production provide substantial running room for an enlarged capital program going forward. After closing we have gained approximately \$2.5-3 million from surplus equity proceeds plus six weeks of cash flow from the new working interests. This reduced net debt to about \$36 million or less than half of our available credit facilities.

We now have 85 percent average working interest in gross proved plus probable reserves totalling 76 bcf at Ansell/Sundance, based on the most recent independent evaluation performed as at December 31, 2008. The reserves support a high-quality production base that includes a number of more mature Deep Basin wells that have turned the corner in their production curve to a decline rate of barely 10 percent per year. One strong indicator of Ansell/Sundance's high quality is that we grew our net production in the third quarter having tied-in only one net well. The 61-gross-section land base holds a large discovered resource-in-place that will support many years of exploration and development drilling.

The new working interests increase our net undeveloped lands at Ansell/Sundance by over 60 percent to 32,988 acres, and raise our net inventory of firm drilling locations to 36 from 21 horizontal locations and to 133 from 87 vertical locations. All have been thoroughly mapped and are 3D-seismic supported. We also increase our ownership over the main Ansell/Sundance gas plant and field compressors. Ansell/Sundance offers tremendous upside to Open Range, enabling us to more than offset short-term dilution to metrics calculated on a per share basis as a result of the acquisition by drilling a moderate number of additional wells in the near future.

## **OPERATIONAL OUTLOOK AND PLANS**

The Ansell/Sundance acquisition creates the platform for Open Range to resume more rapid growth. Open Range proved it has what it takes to execute a multi-zone vertical well program with consistent success and improving results over multiple seasons. Our near-term goal is to demonstrate the same level of technical effectiveness in horizontal drilling. Our first horizontal Bluesky well showed that multiple-stage fractured Deep Basin wells have a place at Ansell/Sundance. We want to build on that, replicating the success of our vertical program in horizontal drilling. There will no doubt be further learning over multiple drilling seasons, with continuous refinements aimed at enhancing results, reducing costs and improving metrics.

We have mapped three zones that are prospective for horizontal development: the Bluesky, Wilrich and Notikewin. To date we have identified over 40 gross horizontal locations, all supported by 3D seismic, with drilling locations and lateral leg orientations selected. We see vertical wells continuing to play a role given the 17 separate geological reservoirs we have discovered at Ansell/Sundance to date. We believe this combined inventory is highly scalable.

The next two horizontal wells are budgeted at \$6-\$7 million each. The Bluesky well is located about one mile from the current producer, and will be drilled from a new location. The Wilrich location is to the north, in the heart of our land base, and will be drilled from an existing pad. In the Bluesky we will use a different completions approach than on the first well, cementing in a liner, perforating the casing and aiming for greater fracturing tonnage.

Concurrently we intend to expand the 20 mmcf per day Ansell/Sundance gas plant, which is operating near capacity, to 40 mmcf per day in the first half of 2010. Control of facilities is a strategic benefit that allows us to bring new horizontal volumes on-stream immediately. In addition, success in the Wilrich will require converting the area compressor to a gas plant, further improving area operating costs.

The financial outlook is improving for renewed drilling. Drilling and completions costs remain well down from their 2008 peak, and high-quality equipment is available. This improves future well economics and creates opportunity to lock in high-quality rigs at good pricing. We also intend to enlarge our hedging program, primarily using puts, to a magnitude that enables us to continue drilling and taking advantage of drilling incentives and lower service costs while protecting our cash flows – creating certainty in our well economics.

The targeted growth plan to get to 5,000 boe per day over the medium term has never been more visible for the new, larger Open Range. The timeline to achieving our foundational goal of 10,000 boe per day – and perhaps to exceed this level – is also much shorter and lower in risk today than it was two months ago. Thanks to Ansell/Sundance, Open Range remains a unique company. The size of the asset and the scale of

the upside are parts of the uniqueness, as is the fact that all of its Deep Basin targets lie at or below 2,500 metres depth – where every new well can take advantage of drilling and royalty incentives.

Open Range continues to benefit from a number of advantages, all of which are strengthened by the Ansell/Sundance acquisition:

- Low cash cost and capital cost structure;
- Full control of operations, including the timing of drilling and tie-ins;
- A strong financial position, including lower leverage and ample borrowing capacity; and
- Economic netbacks and cash flow at today's natural gas prices.

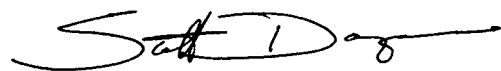
We will continue to evaluate opportunities for further acquisitions of complementary, high-quality assets where Open Range can lever advantages in financial capacity or valuations.

#### **FIRST-HALF 2010 CAPITAL PROGRAM**

We are pleased to announce our first-half 2010 capital program. It is initially budgeted at \$30 million and will include drilling three (2.6 net) horizontal and two 100 percent working interest vertical Deep Basin wells at Ansell/Sundance. The two previously announced horizontal wells targeting the Bluesky and Wilrich formations will be advanced to commence drilling in January 2010. The third horizontal well will target the Notikewin Formation and is planned for drilling before spring break-up. One vertical well is planned in each of the first and second quarters. Open Range's average production for the first half of 2010 is forecast at 3,600 boe per day.

We're pleased and grateful for the enthusiastic response from investors to the Ansell/Sundance acquisition and financing. We would like to thank our existing shareholders for their ongoing support, for persevering through the period of commodity price weakness and continuing to believe in our growth model. We welcome our numerous new shareholders and thank them for their part in the recent financing.

On behalf of the Board of Directors,



A. Scott Dawson  
President, Chief Executive Officer and Director  
November 16, 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- and nine-month periods ended September 30, 2009 and 2008. This MD&A should be read in conjunction with the unaudited interim financial statements for the three and nine months ended September 30, 2009 and 2008, and the audited annual financial statements for the year ended December 31, 2008. This MD&A is dated November 16, 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 Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Cash flow from operating activities (per GAAP)	\$ 4,210,359	\$ 4,583,228	\$ 12,583,370	\$ 18,049,560
Change in non-cash working capital	(997,112)	164,940	(3,659,688)	(628,596)
Asset retirement expenditures	50,549	8,552	173,941	177,517
Funds from operations	\$ 3,263,796	\$ 4,756,720	\$ 9,097,623	\$ 17,598,481

## 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 are 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 incorrect.

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 Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Production				
Oil and NGL (bbls/d)	201	209	227	216
Natural gas (mcf/d)	12,612	10,696	12,444	10,358
Total (boe/d)	2,303	1,992	2,301	1,943
Total (boe)	211,915	183,242	628,247	532,343
% natural gas	91	89	90	89

Open Range's production for the three and nine months ended September 30, 2009 increased from the comparative periods in 2008. The increase for each reporting period was primarily the result of the tie-in of new wells drilled in the fourth quarter of 2008 and the Corporation's first horizontal well being brought on production in the third quarter of 2009. Production in the three and nine months ended September 30, 2009 averaged 2,303 boe per day and 2,301 boe per day, respectively. This represented an increase of 16 percent and 18 percent, respectively, from the average production of 1,992 boe per day and 1,943 boe per day for the respective three and nine months ended September 30, 2008. Natural gas production in the three and nine months ended September 30, 2009 increased to 12,612 mcf per day and 12,444 mcf per day, respectively, from 10,696 mcf per day and 10,358 mcf per day, respectively, for the three and nine months ended September 30, 2008. Oil and natural gas liquids (NGL) production in the three months ended September 30, 2009 decreased slightly to 201 barrels per day from 209 barrels per day in the third quarter of 2008. For the nine months ended September 30, 2009 oil and NGL production increased to 227 barrels per day from 216 barrels per day for the respective nine-month period in 2008.

## Oil and Natural Gas Revenue

	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Revenue				
Oil and NGL	\$ 994,273	\$ 1,953,087	\$ 2,963,850	\$ 5,665,437
Natural gas	3,631,398	8,329,744	13,824,614	26,118,162
Realized gain (loss) on commodity contracts	1,275,647	(637,329)	2,160,843	(1,690,370)
<b>Total</b>	<b>\$ 5,901,318</b>	<b>\$ 9,645,502</b>	<b>\$ 18,949,307</b>	<b>\$ 30,093,229</b>
Average realized price				
Oil and NGL (\$/bbl)	53.67	101.51	47.77	95.52
Natural gas (\$/mcf)	3.13	8.47	4.07	9.20
Realized gain (loss) on commodity contracts (\$/mcf)	1.10	(0.65)	0.64	(0.60)
<b>Combined average (\$/boe)</b>	<b>27.85</b>	<b>52.64</b>	<b>30.16</b>	<b>56.53</b>
Benchmark pricing				
Edmonton Par (Cdn\$/bbl)	71.74	122.74	62.82	115.83
Alberta Spot (Cdn\$/mcf)	2.83	7.69	3.64	8.52

Revenue, including realized gains or losses on commodity contracts, for the three months ended September 30, 2009 decreased by 39 percent to \$5.9 million from \$9.6 million in the comparative period in 2008. The decrease in revenue was primarily a result of a 47 percent decrease in the combined average sales price partially offset by a 16 percent increase in production volumes from the third quarter of 2008. In the nine months ended September 30, 2009, revenue, including realized gains or losses on commodity contracts, decreased by 37 percent to \$18.9 million from \$30.1 million in the comparative period in 2008. The decrease was due to a 47 percent decrease in the combined average sales price partially offset by an 18 percent increase in production volumes. The period-over-period changes in average sales prices for crude oil, NGL and natural gas realized by Open Range were consistent with the fluctuations in benchmark oil and natural gas prices over the same periods. Open Range's average sales price for natural gas continued to be 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 gains on commodity contracts of \$1.3 million for the three months ended September 30, 2009. These realized gains related to natural gas commodity contracts and amounted to additional revenue of \$1.10 per mcf on the Corporation's natural gas production for the third quarter of 2009. For the nine months ended September 30, 2009, the Corporation realized gains on commodity contracts of \$2.2 million, which amounted to additional revenue of \$0.64 per mcf on the Corporation's natural gas production for the first nine months of 2009.

### Unrealized Gain (Loss) on Commodity Contracts

Open Range's management utilizes commodity contracts as a risk management technique to reduce volatility in cash flows and mitigate the unpredictable commodity price environment. For the three and nine months ended September 30, 2009, the Corporation recorded an unrealized loss on commodity contracts of \$1.0 million and \$0.5 million, respectively. These amounts represented the change in the fair value of the commodity contracts held by the Corporation during the three- and nine-month periods ended September 30, 2009.

Natural gas hedging contracts entered into as at September 30, 2009 and expired contracts presented for comparative purposes 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 Sept. 30, 2009	Unrealized gain for the three months ended Sept. 30, 2008	Unrealized gain (loss) for the nine months ended Sept. 30, 2009	Unrealized gain (loss) for the nine months ended Sept. 30, 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. 2008 to Dec. 2008	3,000	Costless Collar	\$ 6.75	\$ 7.50-9.12	–	\$2,124,195	–	(341,146)
Apr. 2008 to Oct. 2008	1,500	Swap	\$ 6.46	\$ 6.46	–	925,852	–	(24,499)
Nov. 2008 to Dec. 2008	1,500	Swap	\$ 7.26	\$ 7.26	–	486,800	–	62,664
Apr. 2008 to Oct. 2008	1,500	Swap	\$ 6.50	\$ 6.50	–	920,381	–	22,087
Nov. 2008 to Mar. 2009	1,500	Costless Collar	\$ 6.75	\$ 11.09	–	584,091	\$ (102,614)	98,616
Jan. 2009 to Dec. 2009	1,000	Costless Collar	\$ 6.50	\$ 9.00-13.00	\$ (292,471)	685,620	(66,446)	85,001
Apr. 2009 to Mar. 2010	5,000	Costless Collar	\$ 4.00	\$ 5.84	(249,609)	–	(60,991)	–
Apr. 2009 to Mar. 2010	1,000	Costless Collar	\$ 4.25	\$ 5.92	(73,544)	–	5,150	–
Jul. 2009 to Dec. 2009	1,500	Swap	\$ 5.00	\$ 5.00	(212,551)	–	85,535	–
Jan. 2009 to Dec. 2010	1,500	Call Option	n/a	\$ 7.75	42,014	–	(148,110)	–
Apr. 2010 to Oct. 2010	3,000	Put Option	\$ 4.25 <sup>(1)</sup>	n/a	(202,864)	–	(202,864)	–
Apr. 2010 to Oct. 2010	1,000	Put Option	\$ 4.50 <sup>(2)</sup>	n/a	(27,836)	–	(27,836)	–
					\$ (1,016,861)	\$ (5,726,939)	\$ (518,176)	\$ (276,224)

<sup>(1)</sup> Cost of put option to the Corporation is \$0.565 per GJ and payment is due on the fifth business day following the applicable contract month.

<sup>(2)</sup> Cost of put option to the Corporation is \$0.455 per GJ and payment is due on the fifth business day following the applicable contract month.

For more details on these contracts refer to note 8, Financial Instruments, in the interim financial statements for the three and nine months ended September 30, 2009.

## Royalties

	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Royalty expense – oil & NGL	\$ 250,754	\$ 346,838	\$ 796,030	\$ 827,787
Royalty expense – natural gas	(94,880)	2,200,851	1,549,738	5,475,053
Total	\$ 155,874	\$ 2,547,689	\$ 2,345,768	\$ 6,302,840
Per boe (\$)	0.74	13.90	3.73	11.84
% of revenue <sup>(1)</sup>	3	25	14	20

<sup>(1)</sup> Revenue before the realized gain (loss) on commodity contracts.

Royalties totalled \$0.2 million and \$2.3 million for the third quarter and the first nine months of 2009, respectively, compared to \$2.5 million and \$6.3 million, respectively, for the comparative periods in 2008. Royalties as a percentage of revenue decreased significantly in the three months ended September 30, 2009 as actual royalty holiday credits previously earned by the Corporation were higher than originally estimated, lower commodity prices resulted in lower royalty rates and the horizontal well was brought on production in the quarter taking advantage of the royalty incentive program announced by the Alberta government that began in April 2009. On a per unit of production basis, royalty costs for the three and nine months ended September 30, 2009 were down by 95 percent and 68 percent, respectively, from the comparative periods in 2008, mainly due to larger than anticipated royalty holiday credits, lower commodity prices and the impact of the newly introduced royalty incentives on the Corporation.

Open Range estimates that royalty rates for 2009 will amount to an average of 10 to 15 percent of revenue. This anticipated decrease from the comparative period in 2008 reflects the impact of lower commodity prices resulting in lower royalty rates and the two-year incentive program announced by the Alberta government.

## Operating Costs

	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Operating costs	\$ 1,278,845	\$ 1,132,815	\$ 3,595,963	\$ 3,353,419
Transportation costs	240,868	136,777	659,895	400,298
Total	\$ 1,519,713	\$ 1,269,592	\$ 4,255,858	\$ 3,753,717
Operating costs (\$/boe)	6.03	6.18	5.72	6.30
Transportation costs (\$/boe)	1.14	0.75	1.05	0.75
Total (\$/boe)	7.17	6.93	6.77	7.05

Operating costs were \$1.3 million and \$3.6 million, respectively, for the three and nine months ending September 30, 2009 compared to \$1.1 million and \$3.4 million, respectively, for the comparative periods in 2008. On a per unit of production basis, operating costs for the three and nine months ending September 30, 2009 were \$6.03 per boe and \$5.72 per boe, respectively. This represented a 2 percent and a 9 percent decrease, respectively, from \$6.18 per boe and \$6.30 per boe for the comparative periods in 2008. This reduction was due primarily to continued operating efficiencies being realized at Ansell/Sundance, where a majority of production is handled at the Corporation-operated plant and facilities. Transportation costs for the three and nine months ending September 30, 2009 were \$0.2 million or \$1.14 per boe and

\$0.7 million or \$1.05 per boe, respectively, compared to \$0.1 million or \$0.75 per boe and \$0.4 million or \$0.75 per boe for the respective periods in 2008. The period-over-period increases in dollar terms mainly reflect higher rates of production throughput and the increase on a per unit of production basis reflects changes in the pricing structure of the third-party transportation system the Corporation utilizes at Ansell/Sundance.

### Operating Netback

(\$/boe)	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Average realized sales price	27.85	52.64	30.16	56.53
Royalty expenses	(0.74)	(13.90)	(3.73)	(11.84)
Operating costs	(6.03)	(6.18)	(5.72)	(6.30)
Transportation costs	(1.14)	(0.75)	(1.05)	(0.75)
<b>Operating netback</b>	<b>19.94</b>	<b>31.81</b>	<b>19.66</b>	<b>37.64</b>

The Corporation's operating netback for the three and nine months ending September 30, 2009 decreased to \$19.94 per boe and \$19.66 per boe, respectively, from \$31.81 per boe and \$37.64 per boe for the respective periods in 2008. The operating netback decreased by 37 percent and 48 percent for the third quarter and first nine months of 2009, respectively, from the comparative periods in 2008. This decline was mainly due to the period-over-period decrease in commodity prices driving down the Corporation's average realized sales prices, slightly mitigated by increased operating efficiencies resulting in lower operating costs per unit of production, lower royalties due to decreased commodity prices and realized gains from the Corporation's commodity price contracts.

### General and Administrative Costs

	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Gross G&A costs	\$ 1,388,249	\$ 1,486,965	\$ 4,717,743	\$ 4,381,995
Partner recovery	(148,565)	(286,038)	(469,388)	(794,958)
Capitalized	(579,953)	(625,350)	(1,989,896)	(1,851,481)
Net G&A costs	\$ 659,731	\$ 575,577	\$ 2,258,459	\$ 1,735,556
Per boe, net (\$)	3.11	3.14	3.59	3.26

Net G&A costs for the three months ended September 30, 2009 totalled \$0.7 million or \$3.11 per boe after overhead recoveries and capitalization of \$0.7 million. On a per boe basis G&A costs in the third quarter of 2009 decreased slightly to \$3.11 per boe from \$3.14 per boe in the third quarter of 2008. For the first nine months of 2009, net G&A costs per boe increased by 10 percent to \$3.59 per boe from \$3.26 per boe in the first nine months of 2008. The slight increase on a unit of production basis in the first nine months of 2009 was mainly due to reduced exploration and development activity with partners resulting in decreased partner overhead recoveries. Capitalized G&A costs represented 42 percent of gross G&A costs for both the three- and nine-month periods ended September 30, 2009, as the Corporation continued to focus its efforts on future exploration activities and capitalized its exploration, geological and geophysical expenses. The Corporation's gross G&A costs for the three and nine months ended September 30, 2009 fluctuated only slightly from the comparative periods in 2008, reflecting the Corporation's success at limiting G&A costs through the industry cycles.

## Net Interest Expense

	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Net interest expense	\$ 302,204	\$ (27,380)	\$ 729,947	\$ 179,331
Per boe, net (\$)	1.43	(0.15)	1.16	0.34

Net interest expense for the three and nine months ended September 30, 2009 was \$0.3 million or \$1.43 per boe and \$0.7 million or \$1.16 per boe, respectively. The Corporation had \$39.5 million drawn on its extendable revolving credit facility at September 30, 2009 compared to \$31.4 million drawn at September 30, 2008. The Corporation continues to manage debt levels prudently and expects net interest expense to be relatively flat for the remainder of the year as nearly all of its planned capital investment program has been executed as of September 30, 2009.

## Stock-Based Compensation

	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Total stock-based compensation	\$ 244,548	\$ 510,595	\$ 709,411	\$ 1,150,249
Capitalized stock-based compensation	(116,571)	(237,798)	(341,876)	(543,831)
Stock-based compensation expense	\$ 127,977	\$ 272,797	\$ 367,535	\$ 606,418

During the third quarter of 2009, stock-based compensation of \$0.1 million was expensed and \$0.1 million was capitalized. This resulted in total stock-based compensation for the three months ended September 30, 2009 of \$0.2 million, compared to \$0.5 million for the third quarter of 2008. For the first nine months of 2009 stock-based compensation of \$0.4 million was expensed and \$0.3 million was capitalized, compared to \$0.6 million expensed and \$0.5 million capitalized for the comparative period in 2008. The decrease in stock-based compensation expense was mainly due to stock options that were granted in the Corporation's first year of operations being fully expensed as of December 31, 2008 partially offset by new stock options being granted near the end of the first half of 2009. At September 30, 2009 there were 2,598,500 stock options outstanding compared to 2,700,000 outstanding at September 30, 2008.

## Depletion, Depreciation and Accretion

	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Depletion and depreciation	\$ 5,259,188	\$ 4,609,373	\$ 15,513,429	\$ 13,712,692
Accretion	42,957	36,191	127,535	117,525
Total	\$ 5,302,145	\$ 4,645,564	\$ 15,640,964	\$ 13,830,217
Depletion and depreciation (\$/boe)	24.82	25.15	24.70	25.76
Accretion (\$/boe)	0.20	0.20	0.20	0.22
Total (\$/boe)	25.02	25.35	24.90	25.98

Depletion and depreciation are calculated based upon cumulative capital expenditures, production rates and reserves. Open Range recorded \$5.3 million or \$24.82 per boe in depletion and depreciation for the three months ended September 30, 2009, compared to \$4.6 million or \$25.15 per boe for the comparative period in 2008. Depletion and depreciation for the first nine months of 2009 increased on a total dollar basis to \$15.5 million from \$13.7 million but decreased on a per unit of production basis to \$24.70 per boe from \$25.76 per boe. The period-over-period per boe decreases in depletion and depreciation for the three- and nine-month periods ended September 30, 2009 are due to significant reserve additions from the Corporation's successful drilling program recognized in the Corporation's independent reserve evaluation as at December 31, 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 \$28.1 million have been excluded from the calculation and future development costs of \$27.9 million have been included in the capital base used in the calculation.

### Income Taxes

Open Range did not incur any cash tax expense in 2009, nor does it expect to pay any cash taxes for the balance of the year based on current oil and natural gas prices, existing tax pools, planned capital expenditures and forecast taxable income. For the quarter ended September 30, 2009, a future income tax reduction of \$0.8 million was recorded. In the nine-month period ended September 30, 2009, a future income tax reduction of \$1.8 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 nine months of 2009.

The Corporation estimates that at September 30, 2009 tax pools of \$102.5 million are available for deduction against future taxable income.

### Net Earnings (Loss)

	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Earnings (loss )	\$ (2,389,118)	\$ 3,675,840	\$ (5,620,218)	\$ 1,730,783
Earnings (loss) per basic and diluted share	\$ (0.09)	\$ 0.13	\$ (0.21)	\$ 0.07

The Corporation recorded a net loss of \$5.6 million or \$0.21 per basic and diluted share for the nine months ended September 30, 2009, compared to net earnings of \$1.7 million or \$0.07 per basic and diluted share for the comparative period in 2008. The loss in the first nine months of 2009 is mainly attributable to sharply reduced commodity prices. The pattern of earnings and loss, and the reasons attributable, were similar for the respective three-month reporting periods.

### Funds from Operations and Cash Flow from Operating Activities

	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Funds from operations	\$ 3,263,796	\$ 4,756,720	\$ 9,097,623	\$ 17,598,481
Funds from operations per boe	15.40	25.96	14.48	33.06
Funds from operations per basic and diluted share	\$ 0.12	\$ 0.17	\$ 0.34	\$ 0.69
Cash flow from operating activities (per GAAP)	\$ 4,210,359	\$ 4,583,228	\$ 12,583,370	\$ 18,049,560

In the three months ended September 30, 2009, Open Range generated funds from operations of \$3.3 million or \$0.12 per diluted share compared to \$4.8 million or \$0.17 per diluted share for the comparative period in 2008. For the first nine months of 2009 funds from operations decreased by 48 percent to \$9.1 million from \$17.6 million for the comparative period in 2008. The decreases in funds from operations and cash flow from operating activities were primarily due to reduced revenues driven by much lower commodity prices, partially offset by lower royalties.

## Capital Expenditures

	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Drilling and completions	\$ 3,260,298	\$ 15,412,357	\$ 14,587,722	\$ 30,342,796
Equipment and facilities	524,973	3,326,557	2,243,001	5,721,074
Land	740,932	6,545,104	826,010	12,952,192
Capitalized G&A	520,816	408,360	1,821,116	1,493,391
Geological and geophysical	128,696	111,865	349,947	804,380
Total capital expenditures	5,175,715	25,804,243	19,827,796	51,313,833
Capital items not involving cash:				
Stock-based compensation, including related future tax liability	155,428	329,323	455,834	742,881
Asset retirement obligations	51,296	(161,096)	190,062	(116,550)
Total capital expenditures including non-cash items	\$ 5,382,439	\$ 25,972,470	\$ 20,473,692	\$ 51,940,164

Open Range's capital budget during the first nine months of 2009 was primarily focused on the Ansell/Sundance property and included drilling and completing the Corporation's first horizontal natural gas well (100 percent working interest) and completing four wells that were drilled in the fourth quarter of 2008. Third quarter activities focused on finalizing completion operations on the horizontal well, bringing that well on productions and expanding the Corporation's land position at Ansell/Sundance.

	Three months ended Sept. 30, 2009		Three months ended Sept. 30, 2008		Nine months ended Sept. 30, 2009		Nine months ended Sept. 30, 2008	
Wells drilled	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploration	–	–	6.0	2.7	2	1.5	11	5.3
Development	–	–	–	–	–	–	–	–
Total	–	–	6.0	2.7	2	1.5	11	5.3
Average working interest	–	–	–	45%	–	75%	–	48.2%
Success rate	–	–	–	100%	–	50%	–	100%

## Share Capital

	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Weighted average basic common shares outstanding	26,534,341	27,334,241	26,548,226	25,428,474
Stock option dilution	–	222,872	–	111,602
Weighted average diluted common shares outstanding	26,534,341	27,557,113	26,548,226	25,540,076

Options to purchase 2,598,500 common shares for the three and nine months ended September 30, 2009 were not included in the computation of weighted average diluted shares outstanding because they were anti-dilutive.

Outstanding securities	September 30, 2009	November 16, 2009
Common shares	26,534,341	60,934,341
Stock options	2,598,500	2,598,500
<b>Total outstanding securities</b>	<b>29,132,841</b>	<b>63,532,841</b>
Proportion of outstanding securities held by officers and directors	16%	8%

Equity financings since inception	Date of issue	Issue price per share	Shares issued	Gross proceeds
Common shares <sup>(1)</sup>	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
Flow-through common shares <sup>(2)</sup>	November 4, 2009	2.30	3,050,000	7,015,000
Common shares <sup>(2)</sup>	November 16, 2009	1.85	31,350,000	57,997,500
<b>Total</b>		<b>\$ 2.62</b>	<b>51,897,700</b>	<b>\$ 136,172,670</b>

<sup>(1)</sup> Initial private placement financing.

<sup>(2)</sup> For more details on this equity financing refer to the Subsequent Events section included herein.

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 terminated on October 27, 2009. Pursuant to the Bid, Open Range was entitled to purchase for cancellation, from time to time, up to a maximum of 1,366,662 common shares. As of September 30, 2009 the Corporation had purchased and cancelled 799,900 common shares under the Bid at an average price of \$1.46 per share and for total consideration of \$1.2 million.

See also the section entitled Subsequent Events for discussion of changes to the Corporation's share capital following the end of the reporting period ended September 30, 2009.

## **RELATED-PARTY AND OFF-BALANCE SHEET TRANSACTIONS**

During the nine months ended September 30, 2009, the Corporation incurred \$46,208 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 September 30, 2009.

During the nine months ended September 30, 2009, the Corporation received \$287,163 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 period, no amounts were included in accounts receivable at September 30, 2009.

Open Range was not involved in any off-balance-sheet transactions during the three and nine months ended September 30, 2009.

## LIQUIDITY AND CAPITAL RESOURCES

Open Range had a working capital deficiency of \$39 million at September 30, 2009. As at September 30, 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-base 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 was in compliance with this covenant as at September 30, 2009. As at September 30, 2009, \$39.5 million had been drawn on these facilities. The facilities are open for review semi-annually with the next review occurring in April 2010.

	As at September 30, 2009
Bank lines available	\$ 54,000,000
Working capital deficiency	(38,951,494)
Capital resources available	\$ 15,048,506

During periods of commodity market instability, such as throughout the first nine months 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 while continuing to 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 September 30, 2009, the Corporation's ratio of net debt to annualized funds from operations was 3 to 1, which was above the acceptable range established by the Corporation. This was a result of reduced cash flow from operations driven by weak commodity prices combined with the Corporation incurring some debt to fund a portion of its 2009 capital program. The Corporation expects the ratio will decrease during the remainder of 2009 as the Corporation anticipates repaying a portion of its debt over the balance of the year. For more details on the calculation of this ratio refer to note 6, Capital Management, in the interim financial statements for the three and nine months ended September 30, 2009.

As a result of the current volatility in the commodity markets, Open Range has limited its capital investment program for 2009 to a level that allows it to be funded largely from cash flow from operations over the course of the year. In doing so, the Corporation maintains its financial flexibility 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 pace of capital investment accordingly.

See also the section entitled Subsequent Events for discussion of changes to the Corporation's borrowing capacity following the end of the reporting period ended September 30, 2009.

The Corporation's revised capital expenditure budget for 2009 is \$82 million, of which \$19.8 million had been expended to September 30, 2009. The details of the 2009 budget are as follows:

(millions)	2009
Working interest acquisition at Ansell/Sundance	\$ 60.0
Drilling and completions	14.6
Equipment and facilities	2.7
Land, seismic and capitalized G&A	4.7
Total	\$ 82.0

### **SUBSEQUENT EVENTS**

On October 13, 2009 the Corporation entered into a purchase and sale agreement to acquire the position of a working-interest partner at the Ansell/Sundance property in west central Alberta for a cash purchase price of \$60 million, subject to standard closing adjustments. The acquisition is effective October 1, 2009 and closed on November 16, 2009.

In conjunction with the acquisition, the Corporation sold, to a syndicate of underwriters, 31,350,000 subscription receipts at a price of \$1.85 per subscription receipt for gross proceeds of \$58 million and 3,050,000 flow-through special warrants at a price of \$2.30 per flow-through warrant for gross proceeds of \$7 million. On November 4, 2009 following filing and obtaining receipt for its short form prospectus, the Corporation issued 3,050,000 common shares upon the exercise of the flow-through special warrants. On November 16, 2009 following receipt of all customary regulatory and shareholder approvals, the Corporation issued 31,350,000 common shares upon the satisfaction of certain conditions pertaining to the subscription receipts.

Subsequent to the closing of the acquisition, the Corporation has increased its credit facilities to \$75 million with a Canadian chartered bank. The interest rates and financial covenants under the increased facilities remain unchanged from those under the Corporation's previous facilities.

## SELECTED QUARTERLY INFORMATION

	2009				2008			2007
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<b>Production</b>								
Natural gas (mcf/d)	<b>12,612</b>	12,078	12,642	13,164	10,696	10,630	9,746	8,862
Oil and NGL (bbls/d)	<b>201</b>	232	249	257	209	225	216	171
Total (boe/d)	<b>2,303</b>	2,245	2,356	2,451	1,992	1,996	1,840	1,648
Total (boe)	<b>211,915</b>	204,282	212,050	225,450	183,242	181,652	167,448	151,660
% natural gas	<b>91</b>	90	89	90	89	89	88	90
<b>Financial</b>								
(\$000s except per share amounts and share numbers)								
Revenue <sup>(1)</sup>	<b>5,901</b>	5,727	7,321	10,238	9,646	11,281	9,167	7,097
Net earnings (loss)	<b>(2,389)</b>	(1,927)	(1,304)	1,067	3,676	(31)	(1,914)	(345)
Per share (\$)								
Basic and diluted	<b>(0.09)</b>	(0.07)	(0.05)	0.04	0.13	–	(0.09)	(0.02)
Funds from operations	<b>3,264</b>	2,508	3,326	6,351	4,757	7,242	5,600	4,583
Per share (\$)								
Basic	<b>0.12</b>	0.09	0.13	0.23	0.17	0.27	0.26	0.23
Diluted	<b>0.12</b>	0.09	0.13	0.23	0.17	0.26	0.26	0.23
Cash flow from operating activities	<b>4,210</b>	3,920	4,453	6,037	4,583	8,310	5,156	2,867
Total assets (end of period)	<b>140,498</b>	140,086	145,379	151,102	137,117	117,265	114,415	97,517
Capital expenditures, net	<b>5,176</b>	1,576	13,076	9,253	25,804	5,885	19,625	9,354
Weighted average								
basic shares (000s)	<b>26,534</b>	26,534	26,576	27,111	27,334	27,131	21,799	20,029
Weighted average								
diluted shares (000s)	<b>26,534</b>	26,534	26,576	27,111	27,557	27,131	21,799	20,029
<b>Per Unit</b>								
Oil and NGL (\$/bbl)	<b>53.67</b>	48.13	42.57	56.40	101.51	105.18	79.60	73.10
Natural gas (\$/mcf) <sup>(1)</sup>	<b>4.23</b>	4.29	5.60	7.35	7.82	9.44	8.58	7.29
Revenue (\$/boe) <sup>(1)</sup>	<b>27.85</b>	28.03	34.53	45.41	52.64	62.10	54.74	46.80
Operating netback (\$/boe)	<b>19.94</b>	18.84	20.15	31.01	31.81	42.64	38.58	35.75

<sup>(1)</sup> Includes the realized gain (loss) on commodity contracts.

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

## CONTRACTUAL OBLIGATIONS<sup>(2), (3)</sup>

As at September 30, 2009	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Bank indebtedness <sup>(1)</sup>	\$ 39,544,412	\$ 39,544,412	–	–	–
Office lease	1,185,144	1,015,838	\$ 169,306	–	–
Office equipment leases	21,395	14,263	7,132	–	–
Firm natural gas transportation agreements	6,005,775	482,141	2,974,578	\$ 1,465,479	\$ 1,083,577
<b>Total</b>	<b>\$ 46,756,726</b>	<b>\$ 41,056,654</b>	<b>\$ 3,151,016</b>	<b>\$ 1,465,479</b>	<b>\$ 1,083,577</b>

<sup>(1)</sup> 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.

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

<sup>(3)</sup> The Corporation has entered into commodity contracts which are not included in this table. For a complete listing refer to note 8, Financial Instruments, in the interim financial statements for the three and nine months ended September 30, 2009.

## ACCOUNTING POLICY UPDATES

In May 2009, the Canadian Institute of Chartered Accountants (CICA) amended its Handbook Section 3862, "Financial Instruments – Disclosures," to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level One are determined by reference to quoted prices in active markets for identical assets and liabilities. Fair values of assets and liabilities in Level Two include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Fair values in Level Three are based on inputs that are unobservable and significant to the overall fair value measurement. These amendments will be effective for the Corporation's interim and annual financial statements beginning December 31, 2009.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In February 2008, the 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 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 have been ongoing throughout 2009 as the project unfolds.

During the three and nine months ended September 30, 2009 the Corporation performed 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 concluded based on their evaluation as at December 31, 2008 that disclosure controls and procedures were 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 internal controls over financial reporting, or causing them to be designed 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 evaluated the design effectiveness of its internal controls over financial reporting as at December 31, 2008. During this evaluation the Corporation identified weaknesses over segregation of duties. Specifically, due to the limited number of finance and accounting personnel at the Corporation it is not feasible to achieve complete segregation of incompatible duties with regards to any complex and non-routine accounting transactions that may arise. Notwithstanding the weaknesses identified with regards to segregation of incompatible duties, the Corporation concluded that all other of its internal controls over financial reporting have been designed properly at December 31, 2008.

No material changes in the Corporation's internal controls over financial reporting, including identified weaknesses, were identified during the three months ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal financial reporting processes.

The Board of Directors and the Audit Committee have reviewed and approved the financial statements and the MD&A.

# BALANCE SHEETS

(Unaudited)	As at September 30, 2009	As at December 31, 2008
<b>ASSETS</b>		
Current assets:		
Accounts receivable	\$ 2,992,385	\$ 18,463,201
Prepaid expenses and deposits	1,350,873	1,120,066
Fair value of commodity contracts (note 8)	–	368,109
Future income taxes	43,518	–
	4,386,776	19,951,376
Property, plant and equipment (note 2)	136,111,116	131,150,853
	<b>\$ 140,497,892</b>	<b>\$ 151,102,229</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Bank indebtedness (note 3)	\$ 39,544,412	\$ 31,418,884
Accounts payable and accrued liabilities	3,643,791	16,050,717
Fair value of commodity contracts (note 8)	150,067	–
Future income taxes	–	106,751
	43,338,270	47,576,352
Future income taxes	7,670,433	6,215,040
Asset retirement obligations (note 4)	2,618,342	2,474,686
Shareholders' equity:		
Share capital (note 5)	84,410,646	87,629,713
Contributed surplus (note 5)	5,559,092	4,685,111
Retained earnings (deficit)	(3,098,891)	2,521,327
	86,870,847	94,836,151
Commitments (note 7)		
Subsequent events (note 10)		
	<b>\$ 140,497,892</b>	<b>\$ 151,102,229</b>

See accompanying notes to financial statements.

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

(Unaudited)	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
<b>Revenues:</b>				
Petroleum and natural gas	\$ 4,625,671	\$ 10,282,831	\$ 16,788,464	\$ 31,783,599
Royalties	(155,874)	(2,547,689)	(2,345,768)	(6,302,840)
Interest	–	31,942	120	75,452
Realized gain (loss) on commodity contracts (note 8)	1,275,647	(637,329)	2,160,843	(1,690,370)
Unrealized gain (loss) on commodity contracts (note 8)	(1,016,861)	5,726,939	(518,176)	(276,224)
	<b>4,728,583</b>	<b>12,856,694</b>	<b>16,085,483</b>	<b>23,589,617</b>
<b>Expenses:</b>				
Operating	1,519,713	1,269,592	4,255,858	3,753,717
General and administrative	659,731	575,577	2,258,459	1,735,556
Bad debts (note 8)	–	523,304	261,652	523,304
Stock-based compensation	127,977	272,797	367,535	606,418
Interest	302,204	4,562	730,067	254,783
Depletion and depreciation	5,259,188	4,609,373	15,513,429	13,712,692
Accretion of asset retirement obligations	42,957	36,191	127,535	117,525
	<b>7,911,770</b>	<b>7,291,396</b>	<b>23,514,535</b>	<b>20,703,995</b>
Earnings (loss) before income taxes	(3,183,187)	5,565,298	(7,429,052)	2,885,622
Future income tax expense (reduction)	(794,069)	1,889,458	(1,808,834)	1,154,839
Net earnings (loss) and comprehensive income (loss)	(2,389,118)	3,675,840	(5,620,218)	1,730,783
Retained earnings (deficit), beginning of period	(709,773)	(2,221,403)	2,521,327	(276,346)
Retained earnings (deficit), end of period	\$ (3,098,891)	\$ 1,454,437	\$ (3,098,891)	\$ 1,454,437
<b>Earnings (loss) per share (note 5):</b>				
Basic	\$ (0.09)	\$ 0.13	\$ (0.21)	\$ 0.07
Diluted	\$ (0.09)	\$ 0.13	\$ (0.21)	\$ 0.07

See accompanying notes to financial statements.

# STATEMENTS OF CASH FLOWS

(Unaudited)	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Cash provided by (used in):				
Operating:				
Net earnings (loss)	\$ (2,389,118)	\$ 3,675,840	\$ (5,620,218)	\$ 1,730,783
Items not involving cash:				
Depletion and depreciation	5,259,188	4,609,373	15,513,429	13,712,692
Accretion of asset retirement obligations	42,957	36,191	127,535	117,525
Future income tax expense (reduction)	(794,069)	1,889,458	(1,808,834)	1,154,839
Stock-based compensation	127,977	272,797	367,535	606,418
Unrealized loss (gain) on commodity contracts	1,016,861	(5,726,939)	518,176	276,224
Asset retirement expenditures	(50,549)	(8,552)	(173,941)	(177,517)
Change in non-cash working capital	997,112	(164,940)	3,659,688	628,596
	4,210,359	4,583,228	12,583,370	18,049,560
Financing:				
Bank indebtedness	3,334,430	7,087,800	8,125,528	(5,767,823)
Issue of common shares, net of issue costs	–	(7,700)	–	23,661,103
Repurchase of common shares	–	–	(54,497)	–
	3,334,430	7,080,100	8,071,031	17,893,280
Investing:				
Acquisition of property, plant and equipment	(5,175,715)	(25,804,243)	(19,827,796)	(51,313,833)
Change in non-cash working capital	(2,369,074)	11,425,388	(826,605)	15,370,993
	(7,544,789)	(14,378,855)	(20,654,401)	(35,942,840)
Change in cash	–	(2,715,527)	–	–
Cash, beginning of period	–	2,715,527	–	–
Cash, end of period	\$ –	\$ –	\$ –	\$ –
Interest received				
	\$ –	\$ 31,942	\$ 120	\$ 75,542
Interest paid				
	\$ 302,560	\$ 4,562	\$ 794,337	\$ 254,783

Cash is defined as cash and cash equivalents.

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

## FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 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. CHANGE IN ACCOUNTING POLICIES

In May 2009, the Canadian Institute of Chartered Accountants amended Section 3862, “Financial Instruments – Disclosures,” to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level One are determined by reference to quoted prices in active markets for identical assets and liabilities. Fair values of assets and liabilities in Level Two include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Fair values in Level Three are based on inputs that are unobservable and significant to the overall fair value measurement. These amendments will be effective for the Corporation’s interim and annual financial statements beginning December 31, 2009.

### 2. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2009	December 31, 2008
Petroleum and natural gas properties	\$ 189,242,045	\$ 168,771,963
Other assets	2,417,827	2,414,217
	<b>191,659,872</b>	171,186,180
Accumulated depletion and depreciation	<b>(55,548,756)</b>	(40,035,327)
Net book value	<b>\$ 136,111,116</b>	\$ 131,150,853

During the three and nine months ended September 30, 2009, the Corporation capitalized \$641,703 and \$2,276,950 (September 30, 2008 – \$863,148 and \$2,395,312), respectively, of overhead-related costs to petroleum and natural gas properties, of which \$116,571 and \$341,876 (September 30, 2008 – \$237,798 and \$543,831), respectively, related to stock-based compensation. During the three and nine months ended September 30, 2009, the future tax liability of \$38,857 and \$113,958 (September 30, 2008 – \$91,525 and \$199,050), respectively, 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 September 30, 2009 totalled \$15,909,000 (September 30, 2008 – \$21,183,000). Future development costs of proved reserves of \$27,913,000 at September 30, 2009 (September 30, 2008 – \$2,268,000) 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.

### **3. 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 September 30, 2009. The facilities are open for review semi-annually with the next review occurring in April 2010. 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 credit that will be made available at each scheduled review.

As at September 30, 2009, \$39,544,412 (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 4.75 percent at September 30, 2009 (December 31, 2008 – 3.5 percent).

See also Note 10, Subsequent Events, for discussion of changes to the Corporation's borrowing capacity following the end of the reporting period ended September 30, 2009.

### **4. 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 September 30, 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 8 to 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:

	September 30, 2009	December 31, 2008
Balance, beginning of period	\$ 2,474,686	\$ 2,342,760
Liabilities incurred	14,177	118,143
Change in estimates	175,885	546,432
Dispositions (note 2)	–	(213,230)
Liabilities settled	(173,941)	(477,955)
Accretion expense	127,535	158,536
Balance, end of period	<b>\$ 2,618,342</b>	<b>\$ 2,474,686</b>

## 5. 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, September 30, 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 terminated on October 27, 2009. Pursuant to the Bid, Open Range was entitled to purchase for cancellation, from time to time, up to a maximum of 1,366,662 common shares. As of September 30, 2009 the Corporation had 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 \$1,462,093 is recorded as contributed surplus as of September 30, 2009 (December 31, 2008 – \$1,297,523).

See also Note 10, Subsequent Events, for discussion of changes to the Corporation’s share capital following the end of the reporting period ended September 30, 2009.

## (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 2,598,500 were outstanding as at September 30, 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.

	Nine months ended September 30, 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	261,000	1.71	779,500	4.93
Exercised	–	–	(6,000)	3.04
Forfeited	(294,500)	4.44	(13,000)	4.33
Expired	–	–	(55,000)	4.31
Granted and outstanding, end of period	2,598,500	4.05	2,632,000	4.33
Exercisable at period-end	1,694,997	\$ 4.25	1,516,833	\$ 4.22

The following table summarizes information about the fixed stock options outstanding at September 30, 2009:

Range of exercise prices	Options Outstanding			Options Exercisable	
	Number	Weighted average exercise price	Weighted average contractual life (years)	Number	Weighted average exercise price
\$1.44 – \$2.98	285,000	\$ 1.78	4.5	14,666	\$ 2.63
\$2.99 – \$4.52	880,500	3.47	2.3	637,332	3.50
\$4.53 – \$6.06	1,443,000	4.86	2.2	1,042,999	4.73
\$1.44 – \$6.06	2,598,500	\$ 4.05	2.5	1,694,997	\$ 4.25

## (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 nine-month period ended September 30, 2009: zero dividend yield, average expected volatility of 71 percent (December 31, 2008 – 58 percent), average risk-free interest rate of 2.57 percent (December 31, 2008 – 3.14 percent), and expected life of five years (December 31, 2008 – five years). The average fair value of stock options granted during the period was \$1.03 (December 31, 2008 – \$2.57) per option. 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)
<hr/>	
Balance, December 31, 2008	\$ 4,685,111
Stock-based compensation expense	709,411
Excess of book value over market value on share repurchases	164,570
<hr/>	
Balance, September 30, 2009	\$ 5,559,092

**(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:

(Unaudited)	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Weighted average basic and diluted common shares outstanding	<b>26,534,341</b>	27,334,241	<b>26,548,226</b>	25,428,474
Stock option dilution	–	222,872	–	111,602
<hr/>				
Weighted average diluted common shares outstanding	<b>26,534,341</b>	27,557,113	<b>26,548,226</b>	25,540,076

Options to purchase 2,598,500 common shares for the three and nine months ended September 30, 2009 (September 30, 2008 – 749,500 and 1,797,500) were not included in the computation of weighted average diluted common shares outstanding because they were anti-dilutive.

**6. 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.

	September 30, 2009	December 31, 2008
Shareholders' equity	<b>\$ 86,870,847</b>	\$ 94,836,151
Bank debt	<b>39,544,412</b>	31,418,884
Working capital (deficiency) excluding bank debt	<b>\$ 592,918</b>	\$ 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:

	September 30, 2009	December 31, 2008
Current liabilities	\$ 43,338,270	\$ 47,576,352
Current assets	(4,386,776)	(19,951,376)
Net debt	38,951,494	27,624,976
Quarterly cash flow from operating activities	4,210,359	6,037,292
Change in non-cash working capital	(997,112)	13,232
Asset retirement expenditures	50,549	300,438
Quarterly funds from operations	3,263,796	6,350,962
Annualized funds from operations	\$ 13,055,184	\$ 25,403,848
Net debt to annualized funds from operations ratio	3.0:1	1.1:1

As at September 30, 2009, the Corporation's ratio of net debt to annualized funds from operations was above the targeted 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 capital program through borrowings. The Corporation expects net debt to be reduced by a portion of cash flow from operations during the fourth quarter. Accordingly, the Corporation expects the ratio will decrease over the same period. 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 with minimal additional borrowings.

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 3) and the Corporation is required to meet certain financial covenants to maintain the facilities. 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.

## 7. 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 September 30, 2009:

	Total	2009	2010	2011	Thereafter
Payments for office lease	\$ 1,185,144	\$ 253,960	\$ 931,184	–	–
Payments for office equipment leases	21,395	3,566	14,263	\$ 3,566	–
Firm natural gas transportation agreements	6,005,775	101,117	525,018	872,768	\$ 4,506,872
Total	\$ 7,212,314	\$ 358,643	\$ 1,470,465	\$ 876,334	\$ 4,506,872

## 8. 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 September 30, 2009 the Corporation's receivables consisted of \$752,236 (December 31, 2008 – \$14,352,119) from joint venture partners, \$1,880,965 (December 31, 2008 – \$3,213,683) from purchasers of the Corporation's natural gas, crude oil and natural gas liquids and \$359,184 (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 September 30, 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. As a result of proposed Plans of Compromise filed in the Alberta Court of Queen's Bench in July 2009 by SemCanada Energy Company and SemCanada Crude Company, the Corporation has recorded a provision for bad debts of \$1,046,608 as of September 30, 2009 (December 31, 2008 – \$784,956), which represents all of the outstanding amounts.

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 September 30, 2009 in the amount of \$1,046,608 (December 31, 2008 – \$784,956) which represents all of the amounts owed it by SemCanada Energy Company and SemCanada Crude Company.

The Corporation considers its receivables to be aged as follows:

	September 30, 2009	December 31, 2008
Not past due (less than 120 days)	<b>\$ 2,908,840</b>	\$ 18,040,718
Past due (over 120 days)	<b>83,545</b>	422,483
<b>Total</b>	<b>\$ 2,992,385</b>	<b>\$ 18,463,201</b>

## (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 6, 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 3 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 September 30, 2009:

Financial Liability	Less than 1 year	1 to 2 years	Total
Accounts payable and accrued liabilities	\$ 3,643,791	\$ –	\$ 3,643,791
Commodity contracts	150,067	\$ –	150,067
Bank indebtedness – principal only <sup>(1)</sup>	\$ 39,544,412	\$ –	\$ 39,544,412

<sup>(1)</sup> 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 of 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 September 30, 2009 and indicates the unrealized gains or losses and realized gains on natural gas contracts for the nine-month period then ended:

Period	Volume (GJ/d)	Type of contract	Average AECO Spot floor (Cdn\$/GJ)	Average AECO Spot ceiling (Cdn\$/GJ)	Fair value of contract as at Sept. 30, 2009	Unrealized gains (losses) for the nine months ended Sept. 30, 2009	Realized gains for the nine months ended Sept. 30, 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	\$ 199,049	(66,446)	714,509
Apr. 2009 to Mar. 2010	5,000	Costless Collar	\$ 4.00	\$ 5.84	(60,991)	(60,991)	763,563
Apr. 2009 to Mar. 2010	1,000	Costless Collar	\$ 4.25	\$ 5.92	5,150	5,150	198,462
Jul. to Dec. 2009	1,500	Swap	\$ 5.00	\$ 5.00	85,535	85,535	294,114
Jan. to Dec. 2010	1,500	Call Option	n/a	\$ 7.75	(148,110)	(148,110)	–
Apr. to Oct. 2010	3,000	Put Option	\$ 4.25 <sup>(1)</sup>	n/a	(202,864)	(202,864)	–
Apr. to Oct. 2010	1,000	Put Option	\$ 4.50 <sup>(2)</sup>	n/a	(27,836)	(27,836)	–
					\$ (150,067)	\$ (518,176)	\$ 2,160,843

<sup>(1)</sup> Cost of put option to the Corporation is \$0.565 per GJ and payment is due on the fifth business day following the applicable contract month.

<sup>(2)</sup> Cost of put option to the Corporation is \$0.455 per GJ and payment is due on the fifth business day following the applicable contract month.

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 September 30, 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 Nine months ended September 30, 2009	
	Price/rate increase	Price/rate decrease
Natural gas price – change of 10%	\$ (493,044)	\$ 257,374
Interest rate – change of 10% <sup>(1)</sup>	\$ (21,456)	\$ 21,456

<sup>(1)</sup> As at September 30, 2009, a 10 percent change to the Corporation's effective interest rate would be equivalent to a change of 48 basis points or 0.48 percent in the rate charged by the Corporation's bank.

#### (D) Fair Value of Financial Instruments

The Corporation's financial instruments as at September 30, 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 September 30, 2009, the fair value of commodity contracts was determined using a forward price curve with a range of \$3.29 to \$7.18 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.

#### 9. RELATED-PARTY TRANSACTIONS

During the three and nine months ended September 30, 2009, the Corporation incurred \$10,755 and \$46,208, respectively, 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 nine months ended September 30, 2009, no amounts were included in accounts payable at September 30, 2009 (December 31, 2008 – \$8,857).

During the three and nine months ended September 30, 2009, the Corporation received \$95,721 and \$287,163, respectively, 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 September 30, 2009 (December 31, 2008 – \$nil).

## **10. SUBSEQUENT EVENTS**

On October 13, 2009 the Corporation entered into a purchase and sale agreement to acquire certain interests in natural gas-weighted properties at the Ansell/Sundance property in west central Alberta (the Corporation's principal operating asset) for a cash purchase price of \$60,000,000, subject to standard closing adjustments. The acquisition is effective October 1, 2009 and closed on November 16, 2009.

In conjunction with the acquisition, the Corporation sold, to a syndicate of underwriters, 31,350,000 subscription receipts at a price of \$1.85 per subscription receipt for gross proceeds of \$57,997,500 and 3,050,000 flow-through special warrants at a price of \$2.30 per flow-through warrant for gross proceeds of \$7,015,000. On November 4, 2009 following filing and obtaining receipt for its short form prospectus, the Corporation issued 3,050,000 common shares upon the exercise of the flow-through special warrants. On November 16, 2009 following receipt of all customary regulatory and shareholder approvals, the Corporation issued 31,350,000 common shares upon the satisfaction of certain conditions pertaining to the subscription receipts.

Subsequent to the closing of the acquisition, the Corporation has increased its credit facilities to \$75,000,000 with a Canadian chartered bank. The interest rates and financial covenants under the increased facilities remain unchanged from those under the Corporation's previous facilities.

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## ABBREVIATIONS

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



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