

TSX: ONR



## Q1 REPORT FOR THE THREE MONTHS ENDED MARCH 31, 2010

### FINANCIAL AND OPERATING HIGHLIGHTS

(thousands except per share amounts)	Three months ended March 31, 2010	Three months ended March 31, 2009
Petroleum and natural gas revenue <sup>(1)</sup>	\$ 11,504	\$ 7,321
Funds from operations	6,898	3,326
Per basic and diluted share	0.11	0.13
Net earnings (loss)	818	(1,304)
Per basic and diluted share	0.01	(0.05)
Net debt	58,306	37,373
Capital expenditures, net	\$ 27,478	\$ 13,076
Weighted average diluted shares outstanding	60,937	26,576
<b>Production</b>		
Natural gas (mcf per day)	19,695	12,642
Oil and NGL (bbls per day)	316	249
Total (@ 6:1) (boe per day)	3,598	2,356
<b>Realized average sales prices</b>		
Natural gas (\$ per mcf) <sup>(1)</sup>	5.36	5.60
Oil and NGL (\$ per bbl)	70.70	42.57
Combined average (\$ per boe)	35.52	34.53
Royalties (\$ per boe)	(3.94)	(7.23)
Operating costs (\$ per boe)	(5.72)	(6.22)
Transportation costs (\$ per boe)	(0.82)	(0.93)
Operating netback (\$ per boe)	25.04	20.15
G&A costs (\$ per boe)	(2.33)	(3.47)
Net interest expense (\$ per boe)	(1.41)	(0.99)
Corporate netback (\$ per boe)	21.30	15.69

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

## CORPORATE HIGHLIGHTS

During the three months ended March 31, 2010, Open Range:

- Had average production of 3,598 boe per day, a new quarterly record and on-track to achieving the Company's guidance for first-half 2010 average volumes;
- Grew production through the drillbit by nearly 1,000 boe per day from the 2009 year-end exit rate, reaching a new production milestone of 4,000 boe per day in mid-March;
- Drilled six gross (4.2 net) wells, including four gross horizontal Deep Basin wells, one six-zone vertical well at Ansell/Sundance and one Cardium horizontal oil well in west central Alberta, successfully executing the Q1 portion of its \$30 million first-half 2010 capital program;
- Doubled capacity and improved efficiencies at the Company-operated, 61 percent working interest Ansell/Sundance gas plant to 40 mmcf per day;
- Generated funds from operations of \$6.9 million (\$0.11 per basic share), an increase of 10 percent over Q4 2009 cash flow and more than double Q1 2009 cash flow thanks to steady growth in production volumes; and
- Continued as a low-cost producer, with all-in cash costs (operating, transportation, G&A and interest) of \$10.28 per boe of production, including a 25 percent decrease in G&A per boe of production from 2009 levels.

Subsequent to the end of the quarter, Open Range:

- Tested and tied in the second Notikewin horizontal well;
- Tested and brought on-production the Company's first horizontal Cardium oil well, at Pembina in west central Alberta; and
- Received Board of Directors approval to increase 2010 capital expenditures to \$45 million, facilitating an initial \$15 million second-half 2010 capital program that will include Open Range's first Wilrich horizontal well at Ansell/Sundance, as well as two additional Cardium horizontal oil wells and other wells to be announced.

## MESSAGE TO SHAREHOLDERS

The first quarter of 2010 showed the benefits of achieving critical mass in production, cash flow and high working interest with the Company's \$60 million Ansell/Sundance acquisition in November 2009. Our most aggressive and diversified horizontal drilling program to date, along with successful vertical drilling, drove production up by nearly 1,000 boe per day during the quarter, surpassing the milestone of 4,000 boe per day including 22 mmcf per day net of liquids-rich natural gas at our core Ansell/Sundance property.

The six gross (4.2 net) wells drilled during the quarter included strong successes in our Notikewin horizontal program, with both wells testing at over 5 mmcf per day and now on-production. The first quarter program also saw one of our best vertical wells drilled to date, our first Cardium oil well at Pembina and a Glauconitic horizontal well in the Hoadley area. We also acquired some strategic new lands to the west of the Ansell/Sundance core. Open Range continued as a low-cost producer, maintaining low operating costs and reducing G&A costs per boe by nearly 25 percent from the 2009 average, as well as incurring relatively low royalties of 11 percent of revenue.

Capital spending of \$27.5 million represented the large majority of our first-half 2010 capital program. Quarterly cash flow of \$6.9 million was up by 10 percent over the fourth quarter of 2009 thanks to the strong production additions, and was more than double first-quarter 2009 cash flow thanks to the November acquisition plus organic growth.

The only negative dimension was the continued weakness in natural gas prices. Our operating netbacks were still over \$25.00 per boe for the quarter, however, thanks to the high quality of our liquids-rich production and the Company's low operating costs. Open Range's production is well hedged against lower prices and we have already begun to realize gains on our commodities contracts in the second quarter.

## FIRST QUARTER OPERATIONS

### *Notikewin Horizontal Development*

Open Range achieved strong success in its initial horizontal development of the Notikewin zone at Ansell/Sundance. Well performance improved markedly from the first to the second Notikewin well.

Our first Notikewin well came on-stream in mid-February at slightly over 2 mmcf per day and as of early May was producing at 1.5 mmcf per day at wellhead pressure of 450 psi, with 113 mmcf of cumulative production. The well is currently declining at a lower rate than initially, showing early signs of the harmonic production curve characteristic of tight gas horizontal wells.

Our second Notikewin well came on-stream in early April at 2.5 mmcf per day and after one month was producing 2.4 mmcf per day with 900 psi wellhead pressure, very low initial decline and excellent overall well performance.

These are highly encouraging results. The Notikewin at Ansell/Sundance appears to be a true resource-type play and these wells are economic at today's commodity prices. Notikewin wells currently cost approximately \$5.5 million to drill and complete, potentially offset by \$4.0 million in earned royalty credits. We have 26.5 (23.0 net) sections of land prospective in the Notikewin based on substantial well control, and have identified 20 potential horizontal locations at one well per section.

The Company will continue to refine its well completions methodology in order to optimize costs and productivity in the next round of Notikewin wells. Competitors have experienced similarly strong results in the Notikewin immediately offsetting Open Range's land base and a clear technical progression can be observed as additional wells are drilled and completed in the area. We are confident in our goal to continue generating escalating well results, including higher initial productivity and lower costs to drill, complete and tie-in, in order to maximize economic returns from additional Notikewin wells.

### ***Bluesky Horizontal Development***

Our first Bluesky horizontal well continues to produce 1.4 mmcf per day. As of early May the well had generated a cumulative 0.5 bcf of natural gas plus NGL since coming on-stream in August 2009. Over the first nine months the well has shown lower than expected production decline and, with current wellhead pressure of 475 psi, appears to be in a stabilized flow regime.

As previously reported, our second Bluesky horizontal well, drilled in the first quarter, proved difficult to fracture. We are evaluating enhanced completion options and remain confident that the Bluesky is a viable horizontal target at Ansell/Sundance.

### ***Multi-Zone Vertical Drilling***

Ansell/Sundance in the first quarter extended its track record of productive, economic multi-zone vertical wells. The 100 percent working-interest vertical well drilled in the southern Ansell/Sundance lands tested at up to 12.0 mmcf per day from six zones and was brought on-stream in late March at 5.5 mmcf per day. The well is currently delivering 2.5 mmcf per day plus NGL at wellhead pressure of 810 psi. After nearly five years and dozens of successful exploration and development wells at Ansell/Sundance, this is one of our best vertical well results so far. The Company has identified multiple offset locations and recently increased our land position in the immediate area to five 100-percent working interest sections.

The 100 percent working interest multi-zone well drilled in the first quarter demonstrates the continued merits of vertical Deep Basin drilling as a stand-alone program at Ansell/Sundance. Open Range currently has more than 150 vertical locations at Ansell/Sundance at spacing of four to six wells per prospective section. Vertical drilling also adds well control and helps to identify optimum areas for horizontal development, reducing technical risks, and accesses numerous productive zones not suitable to horizontal development. There are now 45 gross vertical multi-zone wells on-production at Ansell/Sundance, some of which continue to produce at more than 1 mmcf per day, plus liquids, after as much as two years on production.

### ***Wilrich Horizontal Program***

One indicator of the Ansell/Sundance asset's true quality is its ability to yield large resource-type play opportunities in multiple zones. Vertical drilling has proved up 17 productive horizons, of which at least four appear suitable to horizontal multi-stage fracture development. This enables the Company to tailor development for capital efficiencies and economic returns under prevailing commodity prices.

The Wilrich is the third horizon we are pursuing as a horizontal development candidate at Ansell/Sundance. Lying at approximately 2,750 metres vertical depth, the Wilrich is a laterally continuous marine sand present on 18.5 gross (15.3 net) sections of Ansell/Sundance lands and on-production from more than

15 vertical wells. We have mapped a large Wilrich area and have identified 15 initial horizontal locations at one well per section. Several competitor Wilrich horizontal wells on offsetting lands to the north have recently tested at better than 5 mmcf per day.

The combination of shallower depth, strong analog results and royalty credits makes the Wilrich a compelling economic case. To complement our Notikewin and Bluesky horizontal and ongoing vertical drilling success, we plan to test the Wilrich horizontal potential at Ansell/Sundance in the second half of 2010.

## **FINANCIAL RESULTS**

First quarter financial results were strong, reflecting the Company's larger size, production additions during the quarter and our continued success at holding down cash costs. Funds from operations of \$6.9 million (\$0.11 per diluted share) was up by 10 percent over the fourth quarter and more than double first-quarter funds from operations in 2009, driven by the Company's larger production base and average realized sales prices of \$5.36 per mcf and \$70.70 per boe of liquids.

Open Range's all-in cash costs averaged \$10.28 per boe in the first quarter. G&A declined to \$2.33 per boe, down by 25 percent from the 2009 average. Operating costs of \$5.72 per boe were up slightly over Q4 2009, reflecting downtime to expand the Company-operated Ansell/Sundance gas plant (61 percent working interest). Its new capacity is 40 mmcf per day and, since its re-start in March, has already increased operating efficiencies at Ansell/Sundance. The Company remains in the most efficient decile of natural gas-weighted producers in cash costs and continues to benefit in the resulting support for netbacks.

The liquids content of our production is having a material positive impact. NGL production of 316 bbls per day represented 9 percent of first quarter volumes but generated \$2 million or 17 percent of overall revenue. The expanded Ansell/Sundance plant now enables Open Range to produce a stabilized condensate stream with separate NGL bullets, creating premium pricing opportunities.

## **SECOND QUARTER OUTLOOK**

With spring breakup underway there will be relatively little field activity during the rest of the second quarter. In early April our first Cardium horizontal oil well (0.375 net) was tied in; it is currently producing approximately 80 bbls per day gross of premium-priced light oil.

Capital spending during the second quarter will be approximately \$3.5 million, meeting our first-half 2010 planned spend of about \$30 million. Cash flow for the quarter is expected to be approximately \$6-7 million, with lower natural gas prices offsetting higher average production. Net debt is forecast at approximately \$54-55 million exiting the second quarter.

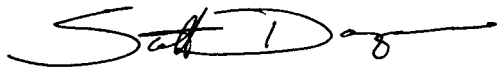
Open Range's current production is approximately 4,000 boe per day. We intend to spud the year's second planned vertical well at Ansell/Sundance, the last well of our first-half program, before the end of the second quarter. We anticipate that the Glauconitic horizontal well (20 percent working interest) in the Hoadley area, which tested in mid-March at up to 3.7 mmcf per day plus natural gas liquids of 40-50 bbls per mmcf (150-160 boe per day net), will be on-stream in the third quarter.

## SECOND HALF 2010 OVERVIEW

We are pleased to announce that Open Range's Board of Directors has approved a \$15 million second-half 2010 capital budget. This will bring the annual capital investment program to approximately \$45 million. Open Range's average production for 2010 is forecast at 3,700 boe per day, increasing from the first-half estimate of 3,600 boe per day. The second-half program will be funded largely out of anticipated funds flow of approximately \$6-7 million per quarter. The program will include:

- Drilling our first Wilrich horizontal well (66 percent working interest) at Ansell/Sundance, as discussed above, to spud in the third quarter;
- Completing and tying in the second Ansell/Sundance vertical well (66 percent working interest) of the first-half program;
- Drilling two gross (approximately 0.3 net) Cardium horizontal oil wells at Pembina; and
- Drilling one other vertical or horizontal Deep Basin well, to be announced.

On behalf of the Board of Directors,

A handwritten signature in black ink, appearing to read "Scott Dawson", with a long horizontal flourish extending to the right.

A. Scott Dawson  
President, Chief Executive Officer and Director  
May 12, 2010

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis (MD&A) is a review of operations, current financial position and outlook for Open Range Energy Corp. ("Open Range" or the "Corporation") for the three-month periods ended March 31, 2010 and 2009. This MD&A should be read in conjunction with the unaudited interim financial statements for the three months ended March 31, 2010 and 2009, and the audited annual financial statements for the year ended December 31, 2009. This MD&A is dated May 12, 2010.

## 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:

(thousands)	Three months ended March 31, 2010	Three months ended March 31, 2009
Cash flow from operating activities (per GAAP)	\$ 6,650	\$ 4,453
Change in non-cash working capital	108	(1,246)
Asset retirement expenditures	140	119
Funds from operations	\$ 6,898	\$ 3,326

## 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 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) anticipated benefits of the Corporation's property acquisitions; (l) commodity prices, exchange rates and interest rates; (m) the utilization and effectiveness of commodity price risk management techniques; (n) Open Range's ability to grow or sustain production and reserves through prudent management; (o) the Corporation's future operating and financial results; and (p) 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; and stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof. 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, 2009. All subsequent forward-looking statements, whether written or oral, attributable to the Corporation or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this MD&A are made as at the date hereof and the Corporation does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

## DETAILED FINANCIAL ANALYSIS

### Production

	Three months ended March 31, 2010	Three months ended March 31, 2009
Production		
Natural gas (mcf per day)	19,695	12,642
Oil and NGL (bbls per day)	316	249
Total (boe per day)	3,598	2,356
Total (mboe)	324	212
Natural gas ratio of production (%)	91	89

Open Range's production for the three months ended March 31, 2010 increased by 53 percent from the comparative period in 2009. The increase was primarily the result of the Corporation's working-interest acquisition at Ansell/Sundance in November 2010 and the tie-in of three new 100 percent working interest horizontal wells in the third quarter of 2009 and the first quarter of 2010. Production in the three months ended March 31, 2010 averaged 3,598 boe per day compared to 2,356 boe per day in the first quarter of 2009. Natural gas production in the three months ended March 31, 2010 increased to 19,695 mcf per day from 12,642 mcf per day for the comparative three-month period in 2009. Oil and natural gas liquids (NGL) production in the three months ended March 31, 2010 increased to 316 barrels per day from 249 barrels per day in the first quarter of 2009. Open Range is forecasting average production of 3,700 boe per day in 2010.

## OIL AND NATURAL GAS REVENUE

(thousands)	<b>Three months ended March 31, 2010</b>	Three months ended March 31, 2009
<b>Revenue</b>		
Natural gas	<b>\$ 9,495</b>	\$ 6,073
Oil and NGL	<b>2,009</b>	954
Realized gain on commodity contracts	–	294
<b>Total</b>	<b>\$ 11,504</b>	<b>\$ 7,321</b>
<b>Average realized price</b>		
Natural gas (\$ per mcf)	<b>5.36</b>	5.34
Oil and NGL (\$ per bbl)	<b>70.70</b>	42.57
Realized gain on commodity contracts (\$ per mcf)	–	0.26
<b>Combined average (\$ per boe)</b>	<b>35.52</b>	<b>34.53</b>
<b>Benchmark pricing</b>		
Alberta Spot (Cdn\$ per mcf)	<b>4.84</b>	4.79
Edmonton Par (Cdn\$ per bbl)	<b>80.32</b>	50.27

Revenue for the three months ended March 31, 2010 increased by 57 percent to \$11.5 million from \$7.3 million in the comparative period in 2009. The increase in revenue was primarily a result of a 53 percent increase in production volumes from the first quarter of 2009. 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 no gains or losses on commodity contracts for the three months ended March 31, 2010.

## 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. During the first quarter, the Corporation recorded an unrealized gain on commodity contracts of \$2.4 million. This amount represented the change in the fair value of the commodity contracts held by the Corporation during the three months ended March 31, 2010.

Natural gas hedging contracts entered into as at March 31, 2010 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 March 31, 2010	Unrealized gain for the three months ended March 31, 2009
Nov. 2008 to Mar. 2009	1,500	Costless Collar	\$ 6.75	\$ 11.09	\$ -	\$ (103)
Jan. to Dec. 2009	1,000	Costless Collar	\$ 6.50	\$ 9.00-13.00	-	388
<b>Apr. 2009 to Mar. 2010</b>	5,000	Costless Collar	\$ 4.00	\$ 5.84	<b>32</b>	(77)
<b>Apr. 2009 to Mar. 2010</b>	1,000	Costless Collar	\$ 4.25	\$ 5.92	<b>4</b>	38
<b>Jan. to Dec. 2010</b>	1,500	Call Option	n/a	\$ 7.75	<b>72</b>	-
<b>Apr. to Oct. 2010</b>	3,000	Put Option	\$ 4.25 <sup>(1)</sup>	n/a	<b>326</b>	-
<b>Apr. to Oct. 2010</b>	1,000	Put Option	\$ 4.50 <sup>(2)</sup>	n/a	<b>139</b>	-
<b>Apr. to Oct. 2010</b>	1,500	Put Option	\$ 4.25 <sup>(3)</sup>	n/a	<b>163</b>	-
<b>Apr. to Oct. 2010</b>	1,000	Put Option	\$ 4.50 <sup>(4)</sup>	n/a	<b>139</b>	-
<b>Jan. to Dec. 2010</b>	1,500	Costless Collar	\$ 4.40	\$ 7.00	<b>324</b>	-
<b>Apr. to Oct. 2010</b>	1,500	Swap	\$ 5.51	\$ 5.51	<b>555</b>	-
<b>Feb. to Dec. 2010</b>	1,500	Costless Collar	\$ 4.00	\$ 6.89	<b>187</b>	-
<b>Feb. to Dec. 2010</b>	1,500	Costless Collar	\$ 4.25	\$ 6.95	<b>264</b>	-
<b>Apr. to Oct. 2010</b>	1,500	Put Option	\$ 4.50 <sup>(5)</sup>	n/a	<b>226</b>	-
					<b>\$ 2,431</b>	<b>\$ 246</b>

<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 each 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 each contract month.

<sup>(3)</sup> Cost of put option to the Corporation is \$0.430 per GJ and payment is due on the fifth business day following each contract month.

<sup>(4)</sup> Cost of put option to the Corporation is \$0.495 per GJ and payment is due on the fifth business day following each contract month.

<sup>(5)</sup> Cost of put option to the Corporation is \$0.235 per GJ and payment is due on the fifth business day following each contract month.

For more details on these contracts refer to note 7, Financial Instruments, in the interim financial statements for the three months ended March 31, 2010.

## ROYALTIES

(thousands except per unit amounts)	Three months ended March 31, 2010	Three months ended March 31, 2009
Royalty expense – natural gas	\$ 730	\$ 1,235
Royalty expense – oil & NGL	547	297
Total	\$ 1,277	\$ 1,532
Per boe (\$)	3.94	7.23
% of revenue <sup>(1)</sup>	11	22

<sup>(1)</sup> Revenue before the realized gains (losses) on commodity contracts.

Royalties totalled \$1.3 million for the three months ended March 31, 2010, compared to \$1.5 million for the comparative period in 2009. Royalties as a percentage of revenue decreased significantly in the three months ended March 31, 2010 as the three new horizontal wells brought on production since the first quarter of 2009 took advantage of the provincial royalty incentive program that began in April 2009. On a per unit of production basis, royalty costs for the three months ended March 31, 2010 were down by 46 percent from the comparative period in 2009, mainly due to the impact of the royalty incentives.

Open Range estimates that royalty rates for the balance of 2010 will amount to an average of 10 percent to 15 percent of revenue. This reflects the impact of current commodity prices resulting in lower royalty rates and the second year of the two-year provincial royalty incentive program.

## OPERATING & TRANSPORTATION COSTS

(thousands except per unit amounts)	Three months ended March 31, 2010	Three months ended March 31, 2009
Operating costs	\$ 1,852	\$ 1,318
Transportation costs	265	198
Total	\$ 2,117	\$ 1,516
Operating costs (\$ per boe)	5.72	6.22
Transportation costs (\$ per boe)	0.82	0.93
Total (\$ per boe)	6.54	7.15

Operating costs were \$1.9 million for the three months ended March 31, 2010 compared to \$1.3 million for the comparative period in 2009. On a per unit of production basis, operating costs for the three months ended March 31, 2010 were \$5.72 per boe. This represented an 8 percent decrease from \$6.22 per boe for the comparative period in 2009. This reduction was due primarily to continued operating efficiencies being realized at Ansell/Sundance where, following the Corporation's working-interest acquisition in November 2010, increasing production volumes are handled at the Corporation-operated plant and facilities. Transportation costs for the three months ended March 31, 2010 were \$0.3 million or \$0.82 per boe compared to \$0.2 million or \$0.93 per boe for the respective period in 2009. The period-over-period increases in operating and transportation costs in dollar terms mainly reflect higher rates of production throughput.

## OPERATING NETBACK

(\$ per boe)	Three months ended March 31, 2010	Three months ended March 31, 2009
Average realized sales price	35.52	34.53
Royalty expenses	(3.94)	(7.23)
Operating costs	(5.72)	(6.22)
Transportation costs	(0.82)	(0.93)
Operating netback	25.04	20.15

The Corporation's operating netback for the first quarter of 2010 increased to \$25.04 per boe from \$20.15 per boe for the comparative quarter in 2009. This 24 percent increase was mainly due to increased operating efficiencies resulting in lower operating costs per unit of production, lower royalties due to royalty holiday credits and the impact of the royalty incentives introduced in April 2009.

## GENERAL AND ADMINISTRATIVE (G&A) COSTS

(thousands except per unit amounts)	Three months ended March 31, 2010	Three months ended March 31, 2009
Gross G&A costs	\$ 1,636	\$ 1,725
Partner recovery	(185)	(194)
Capitalized	(697)	(795)
Net G&A costs	\$ 754	\$ 736
Per boe, net (\$)	2.33	3.47

Net G&A costs for the three months ended March 31, 2010 totalled \$0.8 million after overhead recoveries and capitalization of \$0.9 million. On a per boe basis G&A costs in the first quarter of 2010 decreased by 33 percent to \$2.33 per boe from \$3.47 per boe in the first quarter of 2009. The reduction per boe was mainly due to increased production volumes as net G&A costs remained almost flat. Capitalized G&A costs represented 43 percent of gross G&A costs for the quarter ended March 31, 2010, as the Corporation continued to focus its efforts on future-oriented exploration activities and capitalized its exploration, geological and geophysical expenses. The Corporation's gross G&A costs decreased by 5 percent from the comparative quarter in 2009, reflecting the Corporation's success at limiting overall G&A costs.

## NET INTEREST EXPENSE

	Three months ended March 31, 2010	Three months ended March 31, 2009
Net interest expense (thousands)	\$ 458	\$ 211
Per boe, net (\$)	1.41	0.99

Net interest expense for the three months ended March 31, 2010 was \$0.5 million or \$1.41 per boe. The increase in net interest expense from the first quarter of 2009 was primarily the result of increased borrowings on the Corporation's credit facilities. The Corporation had \$44.4 million drawn on its extendable revolving credit facility at March 31, 2010 compared to \$32.1 million drawn at March 31, 2009. The Corporation continues to manage debt levels prudently and expects net interest expense to remain relatively flat for the remainder of 2010 as its remaining capital program will be funded primarily from cash flow from operations.

## STOCK-BASED COMPENSATION

(thousands)	Three months ended March 31, 2010	Three months ended March 31, 2009
Total stock-based compensation	\$ 519	\$ 220
Capitalized stock-based compensation	(274)	(107)
Stock-based compensation expense	\$ 245	\$ 113

During the first quarter of 2010, stock-based compensation of \$0.2 million was expensed and \$0.3 million was capitalized. This resulted in total stock-based compensation for the three months ended March 31, 2010 of \$0.5 million, compared to \$0.2 million for the first quarter of 2009. The increase in stock-based compensation expense was mainly due to new stock options granted near the end of 2009. At March 31, 2010 there were 5.8 million stock options outstanding compared to 2.5 million outstanding at March 31, 2009.

## DEPLETION, DEPRECIATION AND ACCRETION

(thousands except per unit amounts)	Three months ended March 31, 2010	Three months ended March 31, 2009
Depletion and depreciation	7,714	\$ 5,153
Accretion	54	42
Total	\$ 7,768	\$ 5,195
Depletion and depreciation (\$ per boe)	23.82	24.30
Accretion (\$ per boe)	0.17	0.20
Total (\$ per boe)	23.99	24.50

Depletion and depreciation are calculated based upon cumulative capital expenditures, production rates and reserves. Open Range recorded \$7.7 million or \$23.82 per boe in depletion and depreciation for the three months ended March 31, 2010 compared to \$5.2 million or \$24.30 per boe for the comparative period in 2009. The period-over-period per boe decrease is due to reserve additions from the successful first-quarter 2010 drilling program and the Corporation's working-interest acquisition at its Ansell/Sundance property in the fourth quarter of 2009.

Open Range estimates depletion on a quarterly basis throughout the year using independent inputs such as reserve and land reports when available. Undeveloped land, seismic and salvage value of \$32.5 million have been excluded from the calculation and future development costs of \$64.1 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 in 2010 based on current oil and natural gas prices, existing tax pools, planned capital expenditures and forecast taxable income. For the three months ended March 31, 2010, future income tax expense of \$0.5 million was recorded. The future income tax liability of \$1.8 million associated with the Corporation's \$7.0 million flow-through share issuance in 2009 was recorded in the first quarter of 2010.

The Corporation estimates that at March 31, 2010 tax pools of \$179.9 million are available for deduction against future taxable income.

## NET EARNINGS (LOSS)

	Three months ended March 31, 2010	Three months ended March 31, 2009
Earnings (loss ) (thousands)	\$ 818	\$ (1,304)
Earnings (loss) per basic and diluted share	\$ 0.01	\$ (0.05)

The Corporation recorded net earnings of \$0.8 million or \$0.01 per basic and diluted share for the quarter ended March 31, 2010, compared to a net loss of \$1.3 million or \$0.05 per basic and diluted share for the comparative quarter in 2009. The earnings in the first quarter of 2010 are attributable to increased oil and natural gas revenues as a result of higher production volumes combined with the large unrealized gain on commodity contracts.

## FUNDS FROM OPERATIONS AND CASH FLOW FROM OPERATING ACTIVITIES

	Three months ended March 31, 2010	Three months ended March 31, 2009
Funds from operations (thousands)	\$ 6,898	\$ 3,326
Funds from operations per boe	\$ 21.30	\$ 15.68
Funds from operations per basic and diluted share	\$ 0.11	\$ 0.13
Cash flow from operating activities (per GAAP) (thousands)	\$ 6,650	\$ 4,453

In the three months ended March 31, 2010, Open Range generated funds from operations of \$6.9 million compared to \$3.3 million for the comparative period in 2009. First-quarter funds from operations increased by 107 percent and funds from operations per share decreased by 15 percent from the comparative quarter in 2009. The increases in funds from operations and cash flow from operating activities were primarily due to increased revenues driven by increased production volumes and lower royalties.

## CAPITAL EXPENDITURES

(thousands)	Three months ended March 31, 2010	Three months ended March 31, 2009
Drilling and completions	\$ 18,778	\$ 10,150
Equipment and facilities	5,366	1,866
Land	2,522	56
Property acquisitions	–	–
Capitalized G&A	697	795
Geological and geophysical	115	208
Total capital expenditures	27,478	13,076
Capital items not involving cash:		
Stock-based compensation, including related future tax liability	365	143
Asset retirement obligations	202	134
Total capital expenditures including non-cash items	\$ 28,045	\$ 13,353

Open Range's capital budget during the first quarter of 2010 was heavily focused on the Ansell/Sundance property and included drilling and completing three (2.6 net) horizontal wells and one 100 percent working interest vertical well, expanding the gross capacity of its natural gas plant from 20 mmcf per day to 40 mmcf per day, connecting newly completed wells to existing infrastructure and acquiring additional Crown lands in the area. The Corporation also participated in the drilling and completion of one (0.4 net) horizontal Cardium oil well in west central Alberta and one (0.2 net) horizontal natural gas well at its Ferrier property in the quarter.

	Three months ended March 31, 2010		Three months ended March 31, 2009	
<b>Wells drilled</b>	<b>Gross</b>	<b>Net</b>	Gross	Net
Exploration	2	1.4	2	2
Development	4	2.8	–	–
Total	6	4.2	2	2
Average working interest	70%		100%	
Success rate	100%		50%	

## SHARE CAPITAL

(thousands)	Three months ended March 31, 2010	Three months ended March 31, 2009
Weighted average basic common shares outstanding	60,934	26,576
Stock option dilution	3	–
Weighted average diluted common shares outstanding	60,937	26,576

Options to purchase 5.7 million common shares for the three months ended March 31, 2010 were not included in the computation of weighted average diluted shares outstanding because they were anti-dilutive.

(thousands except percentages)	March 31, 2010	May 12, 2010
Outstanding securities		
Common shares	60,934	60,934
Stock options	5,793	5,793
Total outstanding securities	66,727	66,727
Proportion of outstanding securities held by officers and directors	11%	11%

Equity financings since inception	Date of Issue	Issue price per share	Shares issued (thousands)	Gross Proceeds (thousands)
Common shares <sup>(1)</sup>	November 29, 2005	\$ 3.10	2,000	\$ 6,200
Common shares	January 10, 2006	4.25	1,649	7,008
Flow-through common shares	May 16, 2006	5.70	1,000	5,700
Common shares	November 9, 2006	3.55	2,324	8,251
Flow-through common shares	February 22, 2007	4.00	3,000	12,000
Flow-through common shares	December 20, 2007	3.45	2,029	7,000
Common shares	April 4, 2008	4.20	3,095	13,000
Flow-through common shares	April 4, 2008	5.00	2,400	12,000
Flow-through common shares	November 4, 2009	2.30	3,050	7,015
Common shares	November 16, 2009	1.85	31,350	57,997
Total		\$ 2.62	51,898	\$ 136,171

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

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

During the three months ended March 31, 2010, the Corporation incurred \$23,000 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. The legal costs incurred were in the normal course of operations and were based on the exchange value of the services provided. Of the legal costs incurred in the period, no amounts were included in accounts payable at March 31, 2010.

During the three months ended March 31, 2010, the Corporation received \$72,000 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. 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 rent received in the period, no amounts were included in accounts receivable at March 31, 2010.

Open Range was not involved in any off-balance-sheet transactions during the three months ended March 31, 2010.

## LIQUIDITY AND CAPITAL RESOURCES

Open Range had a working capital deficiency, excluding the fair value of commodity contracts and future income taxes, of \$58.3 million at March 31, 2010. As at March 31, 2010, Open Range had available a \$70 million extendable revolving-credit facility and a \$5 million acquisition and development facility 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 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 March 31, 2010. As at March 31, 2010, \$44.4 million had been drawn on these facilities. The facilities are open for review semi-annually with a review currently in progress as of May 12, 2010.

(thousands)	As at March 31, 2010
Bank lines available	\$ 75,000
Working capital deficiency, excluding fair value of commodity contracts and future income taxes	(58,306)
Capital resources available	\$ 16,694

During periods of commodity market instability, such as throughout 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 March 31, 2010, the Corporation's ratio of net debt to annualized funds from operations was 2.1 to 1, which was slightly above the targeted range established by the Corporation. The Corporation expects the ratio will remain flat or possibly decrease slightly during the remainder of 2010 as the Corporation anticipates utilizing cash flow from operations to fund the balance of its capital program and repay a portion of debt. For more details on the calculation of this ratio refer to note 5, Capital Management, in the interim financial statements for the three months ended March 31, 2010.

The Corporation's capital expenditure budget for 2010 is \$45 million. The details of the 2010 budget are as follows:

(thousands)	2010
Drilling and completions	\$ 32,000
Equipment and facilities	6,000
Land, seismic and capitalized G&A	7,000
<b>Total</b>	<b>\$ 45,000</b>

## SELECTED QUARTERLY INFORMATION

	2010		2009				2008	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<b>Production</b>								
Natural gas (mcf/d)	<b>19,695</b>	15,814	12,612	12,078	12,642	13,164	10,696	10,630
Oil and NGL (bbls/d)	<b>316</b>	282	201	232	249	257	209	225
Total (boe/d)	<b>3,598</b>	2,918	2,303	2,245	2,356	2,451	1,992	1,996
Quarterly total (mboe)	<b>324</b>	268	212	204	212	225	183	182
% natural gas	<b>91</b>	90	91	90	89	90	89	89
<b>Financial</b>								
(\$ thousands except as noted)								
Revenue <sup>(1)</sup>	<b>11,504</b>	9,254	5,901	5,727	7,321	10,238	9,646	11,281
Net earnings (loss)	<b>818</b>	(517)	(2,389)	(1,927)	(1,304)	1,067	3,676	(31)
Per share (\$)								
Basic and diluted	<b>0.01</b>	(0.01)	(0.09)	(0.07)	(0.05)	0.04	0.13	–
Funds from operations	<b>6,898</b>	6,243	3,264	2,508	3,326	6,351	4,757	7,242
Per share (\$)								
Basic	<b>0.11</b>	0.14	0.12	0.09	0.13	0.23	0.17	0.27
Diluted	<b>0.11</b>	0.14	0.12	0.09	0.13	0.23	0.17	0.26
Cash flow from operating activities	<b>6,650</b>	782	4,210	3,920	4,453	6,037	4,583	8,310
Total assets (end of period)	<b>229,800</b>	209,009	140,498	140,086	145,379	151,102	137,117	117,265
Capital expenditures, net	<b>27,478</b>	65,950	5,176	1,576	13,076	9,253	25,804	5,885
Weighted average								
basic shares (thousands)	<b>60,634</b>	44,132	26,534	26,534	26,576	27,111	27,334	27,131
Weighted average								
diluted shares (thousands)	<b>60,934</b>	44,132	26,534	26,534	26,576	27,111	27,557	27,131
<b>Per Unit</b>								
Natural gas revenue (\$ per mcf) <sup>(1)</sup>	<b>5.36</b>	5.29	53.67	48.13	42.57	56.40	101.51	105.18
Oil and NGL revenue (\$ per bbl)	<b>70.70</b>	60.09	4.23	4.29	5.60	7.35	7.82	9.44
Combined revenue (\$ per boe) <sup>(1)</sup>	<b>35.52</b>	34.47	27.85	28.03	34.53	45.41	52.64	62.10
Operating netback (\$ per boe)	<b>25.04</b>	26.91	19.94	18.84	20.15	31.01	31.81	42.64

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

Open Range's steady 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. Production growth in the first quarter of 2010 was the result of the tie-in of two new horizontal wells and one new vertical well drilled in the first quarter at Ansell/Sundance and the Corporation's working-interest acquisition in that property in the fourth quarter of 2009.

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

(thousands) As at March 31, 2010	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Bank indebtedness <sup>(1)</sup>	\$ 44,378	\$ 44,378	\$ –	\$ –	\$ –
Office lease	4,608	754	2,450	1,404	–
Office equipment leases	66	12	38	13	3
Firm natural gas transportation agreements	14,628	1,191	7,104	4,685	1,648
Total	\$ 63,680	\$ 46,335	\$ 9,592	\$ 6,192	\$ 1,648

<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 7, Financial Instruments, in the interim financial statements for the three months ended March 31, 2010.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

### TRANSITION PLAN

Effective January 1, 2011, Canadian publicly traded companies are required to adopt IFRS. In the time leading up to the conversion date, some existing Canadian standards will change to converge with IFRS. Open Range's financial statements up to and including the December 31, 2010 financial statements will continue to be reported in accordance with Canadian GAAP as it exists on each reporting date. Financial statements for the quarter ended March 31, 2011, including comparative amounts, will be prepared on an IFRS basis.

In order to transition to IFRS, Open Range has formed a project team to lead the changeover from Canadian GAAP. A transition plan is in place to convert the financial statements to IFRS. Training has been provided to key employees and the Corporation continues to assess the effect of the transition on information systems, internal controls over financial reporting and disclosure controls and procedures. Systems and controls are being updated as IFRS accounting processes are implemented. Analysis and quantification of differences between IFRS and Open Range's current accounting policies are continuing. Some accounting policies may change on adoption of IFRS even though Open Range's current accounting policies are acceptable under IFRS. Changes in accounting policy may materially impact the financial statements.

There are several significant accounting policy changes anticipated on adoption of IFRS. Changes in IFRS prior to adoption may result in other accounting policy changes which could significantly impact the financial statements. Numerous accounting policy changes will be made under IFRS, with the most significant changes expected to include accounting for petroleum and natural gas assets and equipment, accounting for business combinations and accounting for future income taxes.

### PETROLEUM AND NATURAL GAS ASSETS

IFRS standards require that a corporation choose to report its petroleum and natural gas assets either at the amount which would have been recorded had the Corporation always followed current IFRS standards or at fair value on the date of adoption of IFRS. Alternatively, IFRS standards allow for a conversion exemption whereby petroleum and natural gas corporations can choose to record opening petroleum and natural gas

properties at a deemed cost equal to historic cost as calculated under Canadian GAAP. Open Range currently intends to elect to record petroleum and natural gas assets at either historic cost as calculated under Canadian GAAP on January 1, 2010 or at fair value on that date. Open Range has not yet determined which of these options will be chosen as the opening IFRS deemed cost basis.

Under Canadian GAAP, all petroleum and natural gas assets are accounted for under the full cost accounting guideline. Under IFRS, petroleum and natural gas assets will be divided into exploration and evaluation properties (“exploration assets”) and petroleum and natural gas properties and equipment (“development assets”). Exploration assets will initially be capitalized and accumulated pending determination of technical feasibility and economic viability. Exploration assets will not be depreciated and will be carried at cost less any accumulated impairment losses. Development assets will be measured at cost less accumulated depletion and depreciation and any accumulated impairment losses.

Both exploration assets and development assets will be assessed to determine whether impairment losses exist under IFRS as at January 1, 2010. These impairment tests will differ from the current Canadian GAAP full cost ceiling test in several significant ways. Assets will be allocated to Cash Generating Units (CGU) and a separate impairment test will be completed for each CGU identified. Under current Canadian GAAP the ceiling test is a two-step test conducted over the single full cost pool for Open Range. The carrying value of assets is first compared to the undiscounted future cash flows. If the carrying value of the assets exceeds the undiscounted future cash flows of proved reserves, then the second step of the test is required whereby the assets are written down to the value of the discounted future cash flows of proved and probable reserves. Under IFRS, the impairment test compares the carrying value of the assets to the greater of the fair value of the assets and the value-in-use of the assets, which is a discounted cash flow measure. Future impairment tests will be required when management determines that indicators of impairment exist. Should impairment losses be recorded in accordance with IFRS, certain of those losses can be reversed in the future if facts and circumstances change.

Depreciation under Canadian GAAP is calculated using a unit-of-production method based on total proved reserves for all accumulated costs, excluding unproved properties. Under IFRS, the net carrying value of development assets will still be depleted using a unit of production method; however, significant components with different useful lives will be accounted for as separate items and depreciated separately. In addition, IFRS allows depreciation to be calculated using either proved reserves or proved plus probable reserves. Open Range has not yet chosen whether depreciation will be calculated using proved or proved plus probable reserves.

Under the full cost accounting guideline, gains or losses are not recognized upon the disposition of petroleum and natural gas assets unless the disposition results in a significant change in the depletion rate. Under IFRS, gains and losses are recognized in net income on the disposal of an item of petroleum and natural gas assets. The amount of the gain or loss is determined by comparing the proceeds from disposal with the carrying amount of the item. This will include transactions such as sales of assets, farm-outs, asset swaps and other non-monetary transactions which typically did not result in gains or losses being recorded under Canadian GAAP.

The quantitative impact to Open Range of these changes to accounting for petroleum and natural gas assets has not been determined.

## **OTHER ITEMS**

Under IFRS, asset retirement obligations (referred to as “decommissioning liabilities” under IFRS) are likely to increase as a result of the change from a credit-adjusted risk-free rate to a risk-free rate in the discounting of the liabilities to their present value. In addition, any change in the discount rate would affect the entire liability and not just current period additions.

IFRS standards require stock-based awards that vest in instalments, such as on anniversaries of the grant date, to be accounted for as though each instalment or vesting date were a separate award. This will result in stock-based compensation expense likely increasing in the earlier vesting periods immediately following new grants. Under IFRS, estimates of the number of stock-based awards expected to vest or expected to be forfeited prior to their expiry will have a quantitative impact on the amount of stock-based compensation expense recorded.

## **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 March 31, 2010 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 of its internal controls over financial reporting as at March 31, 2010. 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 March 31, 2010.

No material changes in the Corporation’s internal controls over financial reporting, including identified weaknesses, were identified during the three months ended March 31, 2010 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

(thousands) (Unaudited)	As at March 31, 2010	As at December 31, 2009
<b>ASSETS</b>		
Current assets:		
Accounts receivable	\$ 9,200	\$ 10,501
Prepaid expenses and deposits	1,465	1,575
Fair value of commodity contracts (note 7)	1,997	–
Future income taxes	–	126
	<b>12,662</b>	<b>12,202</b>
Property, plant and equipment (note 1)	<b>217,138</b>	<b>196,807</b>
	<b>\$ 229,800</b>	<b>\$ 209,009</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Bank indebtedness (note 2)	\$ 44,378	\$ 40,065
Accounts payable and accrued liabilities	24,593	9,582
Fair value of commodity contracts (note 7)	–	434
Future income taxes	559	–
	<b>69,530</b>	<b>50,081</b>
Future income taxes	<b>8,400</b>	<b>6,746</b>
Asset retirement obligations (note 3)	<b>3,302</b>	<b>3,186</b>
Shareholders' equity:		
Share capital (note 4)	<b>144,913</b>	<b>146,678</b>
Contributed surplus (note 4)	<b>6,453</b>	<b>5,934</b>
Deficit	<b>(2,798)</b>	<b>(3,616)</b>
	<b>148,568</b>	<b>148,996</b>
Commitments (note 6)		
	<b>\$ 229,800</b>	<b>\$ 209,009</b>

See accompanying notes to financial statements.

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

(thousands except per share amounts) (Unaudited)	Three months ended March 31, 2010	Three months ended March 31, 2009
<b>Revenues:</b>		
Petroleum and natural gas	\$ 11,504	\$ 7,027
Royalties	(1,277)	(1,532)
Interest	3	-
Realized gain on commodity contracts (note 7)	-	294
Unrealized gain on commodity contracts (note 7)	2,431	246
	<b>12,661</b>	<b>6,035</b>
<b>Expenses:</b>		
Operating	2,117	1,516
General and administrative	754	736
Stock-based compensation	245	113
Interest	461	211
Depletion and depreciation	7,714	5,153
Accretion of asset retirement obligations	54	42
	<b>11,345</b>	<b>7,771</b>
Earnings (loss) before income taxes	1,316	(1,736)
Future income tax expense (reduction)	498	(432)
Net earnings (loss) and comprehensive income (loss)	818	(1,304)
Retained earnings (deficit), beginning of period	(3,616)	2,521
Retained earnings (deficit), end of period	\$ (2,798)	\$ 1,217
<b>Earnings (loss) per share (note 4):</b>		
Basic	\$ 0.01	\$ (0.05)
Diluted	\$ 0.01	\$ (0.05)

Cash is defined as cash and cash equivalents.

See accompanying notes to financial statements.

# STATEMENTS OF CASH FLOWS

(thousands) (Unaudited)	Three months ended March 31, 2010	Three months ended March 31, 2009
Cash provided by (used in):		
Operating:		
Net earnings (loss)	\$ 818	\$ (1,304)
Items not involving cash:		
Depletion and depreciation	7,714	5,153
Accretion of asset retirement obligations	54	42
Future income tax expense (reduction)	498	(432)
Stock-based compensation	245	113
Unrealized gain on commodity contracts	(2,431)	(246)
Asset retirement expenditures	(140)	(119)
Change in non-cash working capital	(108)	1,246
	<b>6,650</b>	<b>4,453</b>
Financing:		
Bank indebtedness	4,313	682
Share issue costs	(15)	-
Repurchase of common shares	-	(54)
	<b>4,298</b>	<b>628</b>
Investing:		
Acquisition of property, plant and equipment	(27,478)	(13,076)
Change in non-cash working capital	16,530	7,995
	<b>(10,948)</b>	<b>(5,081)</b>
Change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -
Interest received	\$ 3	\$ -
Interest paid	\$ 225	\$ 194

Cash is defined as cash and cash equivalents.

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

## FOR THE THREE MONTHS ENDED MARCH 31, 2010

(all amounts in text and tabular format are stated in thousands, except per share amounts and other exceptions as noted)  
(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, 2009. 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 financial report for the year ended December 31, 2009. Certain comparative figures have been reclassified to conform to the current period’s presentation.

### 1. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2010	December 31, 2009
Petroleum and natural gas properties	\$ 284,287	\$ 256,245
Other assets	2,439	2,436
	<b>286,726</b>	258,681
Accumulated depletion and depreciation	<b>(69,588)</b>	(61,874)
Net book value	<b>\$ 217,138</b>	\$ 196,807

During the three months ended March 31, 2010 the Corporation capitalized \$972 (March 31, 2009 – \$902) of overhead-related costs to petroleum and natural gas properties, of which \$274 (March 31, 2009 – \$107) related to stock-based compensation. The future tax liability of \$91 (March 31, 2009 – \$36) associated with the capitalized stock-based compensation was also capitalized during the three months ended March 31, 2010.

Costs associated with unproved properties, including undeveloped land and seismic, and salvage value excluded from costs subject to depletion at March 31, 2010 totalled \$32,514 (March 31, 2009 – \$17,943). Future development costs of proved reserves of \$64,099 at March 31, 2010 (March 31, 2009 – \$31,864) have been included in the depletion calculation.

On November 16, 2009 the Corporation acquired certain working interests in petroleum and natural gas properties for cash consideration of \$58,516 and recognized \$519 in associated asset retirement obligations.

## 2. BANK DEBT

The Corporation had available a \$70,000 extendable revolving credit facility and a \$5,000 non-revolving acquisition/development demand facility as at March 31, 2010. These facilities are with a Canadian chartered bank. The interest rate on the extendable revolving credit 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 and a general security agreement. Pursuant to the terms of the credit facilities, the Corporation has provided the covenant that at all times its working capital ratio shall be not less than 1 to 1. The working capital ratio is defined under the terms of the facilities as current assets, including the undrawn portion of the revolving credit facility, to current liabilities, excluding any current bank indebtedness. The Corporation is in compliance with this covenant as at March 31, 2010. The facilities are open for review semi-annually with a review currently in progress. As the available lending limits of the facilities are based on the bank's interpretation of the Corporation's reserves and future commodity prices there can be no assurance as to the amount of available facilities that will be determined at each scheduled review.

As at March 31, 2010, \$44,378 (December 31, 2009 – \$40,065) has been drawn against the revolving credit facility. Letters of credit totalling \$580 (December 31, 2009 – \$580) are held against this facility. No amount (December 31, 2009 – \$nil) has been drawn against the non-revolving demand facility. The revolving facility had an effective interest rate of 4.75 percent at March 31, 2010 (December 31, 2009 – 4.75 percent).

## 3. ASSET RETIREMENT OBLIGATIONS

The Corporation's asset retirement obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Corporation estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations at March 31, 2010 to be approximately \$11,623 (December 31, 2009 – \$10,640), to be incurred between 2010 and 2050. The majority of the costs will be incurred between 2020 and 2040. Credit-adjusted, risk-free rates of 8-10 percent (December 31, 2009 – 8-10 percent) were used to calculate the fair value of the various asset retirement obligations.

A reconciliation of the asset retirement obligations is provided below:

	March 31, 2010	December 31, 2009
Balance, beginning of period	\$ 3,186	\$ 2,475
Liabilities incurred	74	21
Change in estimates	128	468
Liabilities related to property acquisitions (note 1)	–	519
Liabilities settled	(140)	(475)
Accretion expense	54	178
Balance, end of period	\$ 3,302	\$ 3,186

#### 4. SHARE CAPITAL

##### (A) Common Shares Issued and Outstanding

	Number of shares	Amount
Balance, December 31, 2008	26,601	\$ 87,630
Issued pursuant to flow-through share offerings	3,050	7,015
Issued pursuant to common share offerings	31,350	57,997
Share issue costs (net of tax of \$986)	–	(2,745)
Share repurchases	(67)	(219)
Tax effect of flow-through shares issued in 2008	–	(3,000)
Balance, December 31, 2009	60,934	\$ 146,678
Share issue costs (net of tax of \$4)	–	(11)
Tax effect of flow-through shares issued in 2009	–	(1,754)
Balance, March 31, 2010	60,934	\$ 144,913

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 ended 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 1,367 common shares. As of December 31, 2009 the Corporation had purchased and cancelled 800 common shares under the Bid for total consideration of \$1,172. The excess of the average book value over the market price totalling \$1,462 is recorded as contributed surplus as of December 31, 2009.

On November 4, 2009, following filing and obtaining receipt for its short-form prospectus, the Corporation issued 3,050 flow-through common shares upon the deemed exercise of an equivalent number of flow-through special warrants that were previously issued at a price of \$2.30 per special warrant for gross proceeds of \$7,015. Certain officers and directors of Open Range purchased 26 flow-through special warrants for total gross proceeds of \$60 from this issuance.

On November 16, 2009, following receipt of all customary regulatory and shareholder approvals, the Corporation issued 31,350 common shares upon the deemed exercise of an equivalent number of subscription receipts that were previously issued at a price of \$1.85 per subscription receipt for gross proceeds of \$57,997. Certain officers and directors of Open Range purchased 56 subscription receipts for total gross proceeds of \$104 from this issuance.

## (B) Share Option Plan

Under the Corporation's share option plan it may grant options to its employees for up to 6,093 shares, of which 5,793 had been granted as at March 31, 2010 (December 31, 2009 – 5,793). The exercise price of each option equals the market price of the Corporation's stock on the date of grant. Options have terms of five years and vest as to one-third on each of the first, second and third anniversaries of the grant date.

	Three months ended March 31, 2010		Year ended December 31, 2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Granted and outstanding, beginning of period	5,793	\$ 2.92	2,632	\$ 4.33
Granted	–	–	3,455	1.97
Forfeited	–	–	(294)	4.44
Granted and outstanding, end of period	5,793	2.92	5,793	2.92
Exercisable at period-end	1,838	\$ 4.17	1,786	\$ 4.19

The following table summarizes information about the fixed stock options outstanding at March 31, 2010:

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 – \$2.97	3,480	\$ 1.98	4.6	23	\$ 2.62
\$2.98 – \$4.52	880	3.47	1.8	772	3.46
\$4.53 – \$6.06	1,443	4.86	1.7	1,043	4.73
\$1.44 – \$6.06	5,793	\$ 2.92	3.4	1,838	\$ 4.17

## (C) Stock-Based Compensation

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants in the year ended December 31, 2009: zero dividend yield, average expected volatility of 71 percent, average risk-free interest rate of 2.58 percent, and expected life of five years. The average fair value of stock options granted during the year ended December 31, 2009 was \$1.18 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, 2008	\$ 4,685
Stock-based compensation expense	1,084
Excess of book value over market value on share repurchases	165
Balance, December 31, 2009	\$ 5,934
Stock-based compensation expense	519
Balance, March 31, 2010	\$ 6,453

#### (E) Per Share Amounts

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

	Three months ended March 31, 2010	Three months ended March 31, 2009
Weighted average basic common shares outstanding	60,934	26,576
Stock option dilution	3	–
Weighted average diluted common shares outstanding	60,937	26,576

Options to purchase 5,684 common shares for the period ended March 31, 2010 (March 31, 2009 – 2,544) were not included in the computation because they were anti-dilutive.

### 5. CAPITAL MANAGEMENT

The Corporation's objectives when 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, which are shown in the table below. In order to maintain or adjust the capital structure, the Corporation may from time to time issue shares and adjust its capital spending to manage current and forecast debt levels.

	March 31, 2010	December 31, 2009
Shareholders' equity	\$ 148,568	\$ 148,996
Bank debt	44,378	40,065
Working capital (deficiency) excluding bank debt, fair value of commodity contracts and future income taxes	\$ (13,928)	\$ 2,494

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 and excluding the fair value of commodity contracts and the current portion of future income taxes, 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. This ratio is calculated as follows:

	March 31, 2010	December 31, 2009
Current liabilities, excluding fair value of commodity contracts and future income taxes	\$ 68,971	\$ 49,647
Current assets, excluding fair value of commodity contracts and future income taxes	<b>(10,665)</b>	(12,076)
Net debt	<b>58,306</b>	37,571
Quarterly cash flow from operating activities	<b>6,650</b>	782
Change in non-cash working capital	<b>108</b>	5,161
Asset retirement expenditures	<b>140</b>	300
Quarterly funds from operations	<b>6,898</b>	6,243
Annualized funds from operations	\$ 27,592	\$ 24,972
Net debt to annualized funds from operations ratio	<b>2.1:1</b>	1.5:1

As at March 31, 2010, the Corporation's ratio of net debt to annualized funds from operations was slightly above the targeted range established by the Corporation. The increase in the ratio from December 31, 2009 is primarily due to the Corporation funding a portion of its first-half 2010 capital program through borrowings, which was partially offset by the Corporation's larger base of cash flow from operations. The Corporation expects the ratio will remain flat or possibly decrease slightly during the remainder of 2010 as the Corporation anticipates utilizing cash flow from operations to fund the balance of its capital program and repay a portion of debt.

The Corporation's share capital is not subject to external restrictions; however, the bank debt facilities are based on petroleum and natural gas reserves (see note 2) and 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.

## 6. COMMITMENTS

### (A) Future Payments

In the normal course of business, the Corporation is obligated to make future payments. These obligations represent contracts and other commitments that are known to the Corporation as at March 31, 2010:

	Total	2010	2011	2012	2013	2014	Thereafter
Payments for office lease	\$ 4,608	\$ 554	\$ 802	\$ 813	\$ 824	\$ 843	\$ 772
Payments for office equipment leases	66	11	13	13	13	13	3
Firm natural gas transportation agreements	14,628	869	1,644	2,393	2,734	2,759	4,229
Total	\$ 19,302	\$ 1,434	\$ 2,459	\$ 3,219	\$ 3,571	\$ 3,615	\$ 5,004

### (B) FLOW-THROUGH COMMON SHARES

On November 4, 2009 the Corporation issued 3,050 flow-through common shares for gross proceeds of \$7,015. Under the terms of the flow-through share agreements, the Corporation renounced \$7,015 of qualifying oil and natural gas expenditures effective December 31, 2009 under the look-back rule and has until December 31, 2010 to incur the expenditures. As at March 31, 2010 the Corporation had incurred \$5,025 of qualifying expenditures and is required to incur an additional \$1,990 of expenditures in 2010.

## 7. FINANCIAL INSTRUMENTS

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

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

### (A) CREDIT RISK

Credit risk is the risk of financial loss to the Corporation if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables from purchasers of the Corporation's natural gas, crude oil and natural gas liquids and from joint venture partners. As at March 31, 2010 the Corporation's receivables consisted of \$2,139 (December 31, 2009 – \$3,173) from joint venture partners, \$5,122 (December 31, 2009 – \$5,296) from purchasers of the Corporation's natural gas, crude oil and natural gas liquids and \$1,939 (December 31, 2009 – \$2,032) 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 2008, the Corporation experienced a collection issue with one of its purchasers of natural gas, SemCanada Energy Company. The company is a Canadian subsidiary of SemGroup, L.P., which in July 2008 filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy

Code in the United States. As of March 31, 2010, the Corporation is owed \$949 from SemCanada Energy Company (December 31, 2009 – \$949). As a result of a proposed Plan of Compromise filed in the Alberta Court of Queen’s Bench in July 2009 by SemCanada Energy Company, the Corporation has recorded a provision for bad debts of \$949 as of March 31, 2010 (December 31, 2009 – \$949), which represents the entire outstanding amount.

The carrying amount of accounts receivable, cash and cash equivalents, when outstanding, and the fair value of commodity contracts, when outstanding, represent the maximum credit exposure. The Corporation has an allowance for doubtful accounts as at March 31, 2010 in the amount of \$949 (December 31, 2009 – \$949) which represents the entire amount owed to it by SemCanada Energy Company. No uncollectible amounts were written off in the three months ended March 31, 2010 (December 31, 2009 – \$94).

The Corporation considers its receivables to be aged as follows:

	March 31, 2010	December 31, 2009
Not past due (less than 120 days)	\$ 9,178	\$ 10,494
Past due (over 120 days)	22	7
<b>Total</b>	<b>\$ 9,200</b>	<b>\$ 10,501</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 following are the contractual maturities of financial liabilities as at March 31, 2010:

Financial Liability	Less than 1 year	1 to 2 years	Total
Accounts payable and accrued liabilities	\$ 24,593	\$ –	\$ 24,593
Bank indebtedness – principal only <sup>(1)</sup>	\$ 44,378	\$ –	\$ 44,378

<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.

The Corporation utilizes commodity contracts as a risk management technique to mitigate exposure to commodity price volatility. Because the large majority of the Corporation’s production is natural gas, plus the associated natural gas liquids, all of the Corporation’s current commodity contracts are for natural gas.

The following table indicates the fair value of natural gas hedging contracts outstanding as at March 31, 2010 and indicates the unrealized gains or losses and realized gains on natural gas contracts for the year 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 March 31, 2010	Unrealized gain for the three months ended March 31, 2009
Apr. 2009 to Mar. 2010	5,000	Collar	Costless \$ 4.00	\$ 5.84	–	32
Apr. 2009 to Mar. 2010	1,000	Collar	Costless \$ 4.25	\$ 5.92	–	4
Jan. to Dec. 2010	1,500	Call Option	n/a	\$ 7.75	(3)	72
Apr. to Oct. 2010	3,000	Put Option	\$ 4.25 <sup>(1)</sup>	n/a	101	326
Apr. to Oct. 2010	1,000	Put Option	\$ 4.50 <sup>(2)</sup>	n/a	104	139
Apr. to Oct. 2010	1,500	Put Option	\$ 4.25 <sup>(3)</sup>	n/a	94	163
Apr. to Oct. 2010	1,000	Put Option	\$ 4.50 <sup>(4)</sup>	n/a	95	139
Jan. to Dec. 2010	1,500	Costless Collar	\$ 4.40	\$ 7.00	33	324
Apr. to Oct. 2010	1,500	Swap	\$ 5.51	\$ 5.51	616	555
Feb. to Dec. 2010	1,500	Costless Collar	\$ 4.00	\$ 6.89	187	187
Feb. to Dec. 2010	1,500	Costless Collar	\$ 4.25	\$ 6.95	264	264
Apr. to Oct. 2010	1,500	Put Option	\$ 4.50 <sup>(5)</sup>	n/a	226	226
					\$ 1,997	\$2,431

<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 each 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 each contract month.

<sup>(3)</sup> Cost of put option to the Corporation is \$0.430 per GJ and payment is due on the fifth business day following each contract month.

<sup>(4)</sup> Cost of put option to the Corporation is \$0.495 per GJ and payment is due on the fifth business day following each contract month.

<sup>(5)</sup> Cost of put option to the Corporation is \$0.235 per GJ and payment is due on the fifth business day following each contract month.

The Corporation had no forward exchange rate contracts or interest rate swap contracts in place as at or during the periods ended March 31, 2010 and 2009.

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

	Net earnings impact Three months ended March 31, 2010	
	Increase	Decrease
Natural gas price – change of 10%	\$ (585)	\$ 670
Interest rate – change of 10% <sup>(1)</sup>	\$ (33)	\$ 33

<sup>(1)</sup> As at March 31, 2010, a 10 percent change to the Corporation's effective interest rate would be equivalent to a change of 32.5 basis points or 0.325 percent in the rate charged by the Corporation's bank.

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

The Corporation's financial instruments as at March 31, 2010 and December 31, 2009 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.

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

The fair value of derivative contracts is determined by discounting the difference between the contracted price and published forward price curves as at the balance sheet date, using the remaining contracted petroleum and natural gas volumes. As at March 31, 2010, the fair value of commodity contracts was determined using a forward price curve with a range of \$3.63 to \$4.98 per mcf of natural gas.

### 8. RELATED-PARTY TRANSACTIONS

During the three months ended March 31, 2010, the Corporation incurred \$23 in legal costs (March 31, 2009 – \$22) to a law firm in which the Chairman of the Board of Directors and the Corporate Secretary of the Corporation are partners. The legal costs incurred were in the normal course of operations and were based on the exchange value of the services provided. Of the legal costs incurred in the period, no amounts were included in accounts payable at March 31, 2010 (December 31, 2009 – \$10).

During the three months ended March 31, 2010, the Corporation received \$72 in office rent (December 31, 2009 – \$383) 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 rent received in the period, no amounts were included in accounts receivable at March 31, 2010 (December 31, 2009 – \$nil).

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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>GJ</b>	Gigajoule
<b>mboe</b>	thousand barrels of oil equivalent
<b>mcf</b>	thousand cubic feet
<b>mcfe</b>	thousand cubic feet equivalent
<b>mmcf</b>	million cubic feet
<b>NGL</b>	natural gas liquids



[www.openrangeenergy.com](http://www.openrangeenergy.com)