



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 4, 2011

Long-Life Resource for Range (RRC)

<i>Symbol</i>	RRC	<i>Ebitda Next Twelve Months ending 3/31/12 (US\$m)</i>	681
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	55
<i>Price (\$/sh)</i>	50.58	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	3/4/11	<i>Adjusted Reserves/Production NTM</i>	16.9
<i>Shares (mm)</i>	157	<i>EV/Ebitda</i>	15.1
<i>Market Capitalization (\$mm)</i>	7,940	<i>PV/Ebitda</i>	15.0
<i>Debt (\$mm)</i>	2,380	<i>Undeveloped Reserves (%)</i>	49
<i>Enterprise Value (EV) (\$mm)</i>	10,320	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	20.60
<i>Present Value (PV) (\$mm)</i>	10,230	<i>Present Value Proven Reserves(\$/boe)</i>	13.80
<i>Net Present Value (\$/share)</i>	50	<i>Oil and Gas Ebitda Margin (%)</i>	65
<i>Debt/Present Value</i>	0.23	<i>Earnings Next Twelve Months (US\$/sh)</i>	0.44
<i>McDep Ratio - EV/PV</i>	1.01	<i>Price/Earnings Next Twelve Months</i>	116
<i>Dividend Yield (%/year)</i>	0.3	<i>Indicated Annual Dividend (US\$/sh)</i>	0.16
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$100 a barrel and natural gas, \$8 a million btu.			

Summary and Recommendation

Management of buy recommended **Range Resources (RRC)** believes the company has unproven potential of ten times currently proven reserves of 4.4 trillion cubic feet of natural gas equivalent, mostly in Marcellus shale in Pennsylvania. Though that sounds too good to be true, more of it does look real with every billion dollars committed by global large cap companies to joint ventures with, or acquisitions of, independent shale gas innovators. The company that launched the shale gas boom in the East with the industry's first commercial Marcellus well in 2004, RRC doubled its Marcellus production in 2010 to 200 million cubic feet equivalent daily (mmcfed) at year-end. Chairman John Pinkerton promises to double that again in 2011 to 400 and grow it further to 600 at year-end 2012. While rapid growth in shale gas has restrained natural gas price an eventual uptrend in price seems likely. Not all producers have the lowest cost opportunities and much of the current drilling is economic only because it secures valuable long-term lease rights. Meanwhile, RRC stock is valued in the stock market at a McDep Ratio of 1.0, mostly justified by currently proven reserves. A high unlevered cash flow multiple (PV/Ebitda) restrains us from raising our estimate of present value further until we can include more cash flow in the next twelve months projection (see Tables 1-3 on pages 2-4). Mitigating natural gas price risk, RRC has 23% of value concentrated on oil. Financial position will be strengthened with \$900 million from a sale of properties in Texas expected to close in late April. Neither the rapid growth in Marcellus volume nor a reduction of 113 mmcfed associated with the sale is explicitly recognized in our cash flow projection (see table Next Twelve Months Operating and Financial Performance on page 6). We think the timing is good for patient investors to commit to a powerful long-term resource opportunity in Range stock.

Kurt H. Wulff, CFA



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 4, 2011

Table ISC-1											
McDep Income and Small Cap Energy Portfolio											
Debt, Segments, Cash Flow, Income and McDep Ratio											
			Price								
Symbol/Rating	(US\$/sh)	EV/	Enterprise	PV(%)	EV/	Dist.	Dist.				
B = Buy	4-Mar	Market	Value	Nat	Ebitda	NTM	Yield	McDep			
CB (see below)	2011	Cap	(\$mm)	Gas	Oil	NTM	(\$/un)	(%)	Ratio		
Small Cap Independent Producers											
Denbury Resources Inc.	DNR		24.12	1.35	13,110	12	88	9.3	-	-	1.07
Range Resources	RRC	B	50.58	1.30	10,320	70	30	15.1	0.16	0.3	1.01
Cimarex Energy Company	XEC	B	114.01	1.07	10,430	45	55	7.8	0.30	0.3	0.95
Berry Petroleum Company	BRY		50.32	1.49	3,950	24	76	9.0	0.30	0.6	0.94
Petrohawk Energy Corporation	HK	B	21.49	1.52	9,890	87	13	10.7	-	-	0.93
Whiting Petroleum Corporation	WLL		68.62	1.14	9,350	11	89	7.6	-	-	0.93
Peyto Exploration and Development	PEYUF		20.48	1.18	2,950	77	23	12.8	0.74	3.6	0.87
Ultra Petroleum	UPL		44.18	1.22	8,280	92	8	11.2	-	-	0.77
Birchcliff Energy Ltd.	BIREF	B	11.54	1.23	1,810	62	38	11.4	-	-	0.76
<i>Total or Median</i>					70,100			10.7		-	0.93
Top Line Cash Payers											
Cross Timbers Royalty Trust	CRT		46.30	1.00	280	69	31		2.80	6.1	1.25
Sabine Royalty Trust	SBR		63.28	1.00	920	38	62		4.41	7.0	1.07
Freehold Royalties Ltd.	FRHLF		23.39	1.06	1,450	20	80		1.72	7.3	1.06
Permian Basin RT	PBT		21.44	1.00	1,000	31	69		1.66	7.7	0.97
Dorchester Minerals, L.P.	DMLP	B	27.77	1.00	850	61	39		1.72	6.2	0.93
<i>Total or Median</i>					4,500					7.0	1.06
Bottom Line Cash Payers											
Linn Energy, LLC	LINE		38.44	1.43	8,160	36	64	16.0	2.64	6.9	1.23
Vanguard Natural Resources, LLC	VNR		31.83	1.60	1,650	28	72	13.3	2.24	7.0	1.10
Legacy Reserves L.P.	LGCY		31.91	1.30	1,660	13	87	11.4	2.10	6.6	1.10
Encore Energy Partners, L.P.	ENP		23.20	1.24	1,290	18	82	10.1	1.80	7.8	1.01
San Juan Basin Royalty Trust	SJT	B	25.10	1.00	1,170	100	-	14.4	1.48	5.9	1.00
Hugoton Royalty Trust	HGT	B	21.77	1.00	870	86	14	14.2	1.31	6.0	0.99
Pengrowth Energy Corporation	PGH		13.17	1.36	5,300	29	71	8.0	0.86	6.5	0.96
Enerplus Corporation	ERF		32.45	1.21	7,000	34	66	8.2	2.21	6.8	0.90
Mesa Royalty Trust	MTR		46.58	1.00	87	75	25	11.8	3.27	7.0	0.88
<i>Total or Median</i>					27,200			11.8		6.8	1.00
Composite											
<i>Enterprise Value Weighting</i>					101,800	46	54				0.96
<i>Equal Weighting</i>						49	51				0.99
<i>Equal Weighted Buys</i>						68	32				0.94

CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses.

Present Value (PV) presumes long-term prices of \$100 a barrel for oil and \$8 a million btu for natural gas.

Dist. = Income distribution. NTM = Next Twelve Months Ended March 31, 2012. Enterprise Value = Market Cap and Debt.



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 4, 2011

Table ISC-2								
McDep Income and Small Cap Energy Portfolio								
Net Present Value and McDep Ratio								
			Price			Net		
			(\$/sh)		Market	Present	Debt/	
	Symbol/		4-Mar	Shares	Cap	Value	Present	McDep
	Rating		2011	(mm)	(\$mm)	(\$/un)	Value	Ratio
Small Cap Independent Producers								
Denbury Resources Inc.	DNR		24.12	402.0	9,700	22.00	0.28	1.07
Range Resources	RRC	B	50.58	157.0	7,940	50.00	0.23	1.01
Cimarex Energy Company	XEC	B	114.01	85.8	9,780	120.00	0.06	0.95
Berry Petroleum Company	BRY		50.32	52.8	2,650	55.00	0.31	0.94
Petrohawk Energy Corporation	HK	B	21.49	302.0	6,490	24.00	0.32	0.93
Whiting Petroleum Corporation	WLL		68.62	119.0	8,170	75.00	0.12	0.93
Peyto Exploration and Development Corp	PEYUF		20.48	121.8	2,490	24.00	0.13	0.87
Ultra Petroleum	UPL		44.18	154.0	6,800	60.00	0.14	0.77
Birchcliff Energy Ltd.	BIREF	B	11.54	127.3	1,470	16.00	0.14	0.76
<i>Total or Median</i>					55,490		0.14	0.93
Top Line Cash Payers								
Cross Timbers Royalty Trust	CRT		46.30	6.0	280	37.00	-	1.25
Sabine Royalty Trust	SBR		63.28	14.6	920	59.00	-	1.07
Freehold Royalties Ltd.	FRHLF		23.39	58.4	1,370	22.00	0.06	1.06
Permian Basin RT	PBT		21.44	46.6	1,000	22.00	-	0.97
Dorchester Minerals, L.P.	DMLP	B	27.77	30.7	850	30.00	-	0.93
<i>Total or Median</i>					4,420			1.06
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		38.44	148.3	5,700	28.00	0.37	1.23
Vanguard Natural Resources, LLC	VNR		31.83	32.4	1,030	27.00	0.41	1.10
Legacy Reserves L.P.	LGCY		31.91	40.1	1,280	28.00	0.25	1.10
Encore Energy Partners, L.P.	ENP		23.20	45.0	1,040	23.00	0.19	1.01
San Juan Basin Royalty Trust	SJT	B	25.10	46.6	1,170	25.00	-	1.00
Hugoton Royalty Trust	HGT	B	21.77	40.0	870	22.00	-	0.99
Pengrowth Energy Corporation	PGH		13.17	299.0	3,940	14.00	0.25	0.96
Enerplus Corporation	ERF		32.45	178.0	5,780	37.00	0.16	0.90
Mesa Royalty Trust	MTR		46.58	1.9	87	53.00	-	0.88
<i>Total or Median</i>					20,900			1.00
B=Buy; CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								
Present Value presumes long-term prices of \$100 a barrel for oil and \$8 a million btu for natural gas.								



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 4, 2011

Table ISC-3

McDep Income and Small Cap Energy Portfolio

Value Multiples - Rank by EV/Ebitda

			<i>Price (\$/sh)</i>	<i>Revenue</i>	<i>Dist/ Equity</i>	<i>Adjstd Resrvs/ Prod</i>	<i>PV/ Ebitda</i>	<i>EV/ Ebitda</i>
	<i>Symbol/ Rating</i>		<i>4-Mar 2011</i>	<i>Royalty (%)</i>	<i>Ebitda</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>
Small Cap Independent Producers								
Range Resources	RRC	B	50.58		-	16.9	15.0	15.1
Peyto Exploration and Development Corp	PEYUF		20.48		0.45	19.8	14.7	12.8
Birchcliff Energy Ltd.	BIREF	B	11.54		-	20.7	14.9	11.4
Ultra Petroleum	UPL		44.18		-	27.1	14.5	11.2
Petrohawk Energy Corporation	HK	B	21.49		-	8.2	11.5	10.7
Denbury Resources Inc.	DNR		24.12		-	13.1	8.7	9.3
Berry Petroleum Company	BRY		50.32		-	11.9	9.5	9.0
Cimarex Energy Company	XEC	B	114.01		-	7.3	8.2	7.8
Whiting Petroleum Corporation	WLL		68.62		-	10.7	8.2	7.6
	<i>Median</i>					<i>13.1</i>	<i>11.5</i>	<i>10.7</i>
Top Line Cash Payers								
Cross Timbers Royalty Trust	CRT		46.30	84	0.97	13.2	12.7	16.0
Sabine Royalty Trust	SBR		63.28	100	1.00	7.7	13.4	14.3
Dorchester Minerals, L.P.	DMLP	B	27.77	77	0.87	7.6	15.1	14.0
Permian Basin RT	PBT		21.44	32	0.96	13.2	12.7	12.4
Freehold Royalties Ltd.	FRHLF		23.39	71	0.81	8.1	10.4	11.1
	<i>Median</i>					<i>8.1</i>	<i>12.7</i>	<i>14.0</i>
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		38.44		1.22	19.0	13.0	16.0
San Juan Basin Royalty Trust	SJT	B	25.10		0.85	8.7	14.3	14.4
Hugoton Royalty Trust	HGT	B	21.77		0.85	12.6	14.3	14.2
Vanguard Natural Resources, LLC	VNR		31.83		1.00	13.1	12.0	13.3
Mesa Royalty Trust	MTR		46.58		0.82	8.8	13.4	11.8
Legacy Reserves L.P.	LGCY		31.91		0.77	11.9	10.3	11.4
Encore Energy Partners, L.P.	ENP		23.20		0.78	13.0	10.0	10.1
Enerplus Corporation	ERF		32.45		0.55	8.4	9.2	8.2
Pengrowth Energy Corporation	PGH		13.17		0.52	9.0	8.4	8.0
	<i>Median</i>					<i>11.9</i>	<i>12.0</i>	<i>11.8</i>

B=Buy; CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2012; P/E = Stock Price to

Earnings; PV = Present Value of oil and gas and other businesses

Top Line Cash Payers defined as those having Revenue Royalty (see fifth column from right).



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 4, 2011

Table ISC-4

Oil and Gas Income and Small Cap Stocks Rank by Enterprise Value to 200 Day Average

	Symbol/	Rating	Price	Enterprise Value/				McDep
			(\$/sh)	4-Mar	52Wk	52Wk	50 Day	
			2011	High	Low	Avg.	Avg.	Ratio
Small Cap Independent Producers								
Cimarex Energy Company	XEC	B	114.01	0.97	1.90	1.12	1.37	0.95
Whiting Petroleum Corporation	WLL		68.62	1.00	1.73	1.11	1.30	0.93
Denbury Resources Inc.	DNR		24.12	0.98	1.45	1.12	1.25	1.07
Berry Petroleum Company	BRY		50.32	0.97	1.53	1.06	1.24	0.94
Peyto Exploration and Development Co	PEYUF		20.48	0.99	1.63	1.06	1.22	0.87
Birchcliff Energy Ltd.	BIREF	B	11.54	0.95	1.37	1.05	1.16	0.76
Range Resources	RRC	B	50.58	0.93	1.39	1.04	1.15	1.01
Petrohawk Energy Corporation	HK	B	21.49	0.93	1.30	1.06	1.12	0.93
Ultra Petroleum	UPL		44.18	0.85	1.15	0.95	0.99	0.77
	<i>Median</i>			<i>0.97</i>	<i>1.45</i>	<i>1.06</i>	<i>1.22</i>	<i>0.93</i>
Top Line Cash Payers								
Freehold Royalties Ltd.	FRHLF		23.39	1.00	1.56	1.09	1.27	1.06
Cross Timbers Royalty Trust	CRT		46.30	0.96	1.64	1.05	1.20	1.25
Sabine Royalty Trust	SBR		63.28	0.97	1.49	1.03	1.15	1.07
Permian Basin RT	PBT		21.44	0.90	1.49	0.98	1.05	0.97
Dorchester Minerals, L.P.	DMLP	B	27.77	0.94	1.35	1.02	1.05	0.93
	<i>Median</i>			<i>0.96</i>	<i>1.49</i>	<i>1.03</i>	<i>1.15</i>	<i>1.06</i>
Bottom Line Cash Payers								
Enerplus Corporation	ERF		32.45	0.98	1.91	1.02	1.18	0.90
Legacy Reserves L.P.	LGCY		31.91	1.00	1.51	1.07	1.18	1.10
Encore Energy Partners, L.P.	ENP		23.20	0.98	1.92	1.03	1.14	1.01
Vanguard Natural Resources, LLC	VNR		31.83	0.97	1.41	1.03	1.13	1.10
Pengrowth Energy Corporation	PGH		13.17	0.98	2.01	1.02	1.12	0.96
Linn Energy, LLC	LINE		38.44	0.97	1.89	1.00	1.12	1.23
Hugoton Royalty Trust	HGT	B	21.77	0.98	1.45	1.03	1.07	0.99
San Juan Basin Royalty Trust	SJT	B	25.10	0.88	1.27	1.04	1.03	1.00
Mesa Royalty Trust	MTR		46.58	0.86	1.28	0.97	0.99	0.88
	<i>Median</i>			<i>0.98</i>	<i>1.51</i>	<i>1.03</i>	<i>1.12</i>	<i>1.00</i>

CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 4, 2011

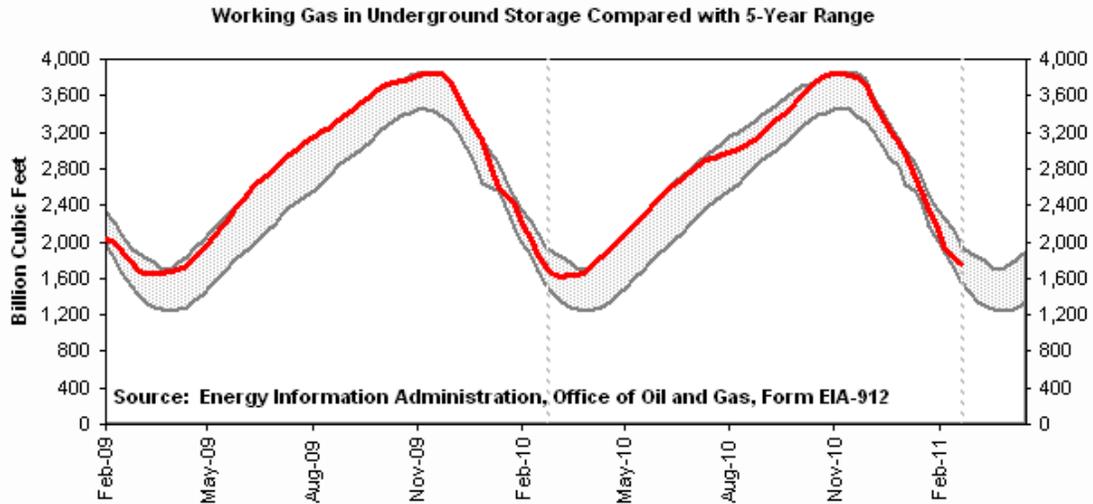
Range Resources Corporation									
Next Twelve Months Operating and Financial Estimates									
	Q4	Q3	Q4	Year	Q1E	Q2E	Q3E	Year	Next Twelve Months
	12/31/09	9/30/10	12/31/10	2010	3/31/11	6/30/11	9/30/11	2011E	3/31/12
Volume									
Natural Gas (mmcf)	374	389	410	389	410	410	410	410	410
Days	92	92	92	365	90	91	92	365	366
Oil (mmb)	1.3	1.7	2.0	6	2.0	2.0	2.0	8	8
Oil (mbd)	13.7	18.9	21.8	17.7	21.8	21.8	21.8	21.8	21.8
Total (mb)	7.0	7.7	8.3	30	8.1	8.2	8.3	33	33
Total (mbd)	76	84	90	83	90	90	90	90	90
Price									
Henry Hub (\$/mmbtu)	4.16	4.38	3.80	4.40	4.11	4.11	4.26	4.25	4.28
Differential (\$/mmbtu)	0.32	0.76	0.70	0.64	0.76	0.76	0.30	0.53	0.42
Company (\$/mcf)	3.84	3.62	3.10	3.75	3.35	3.35	3.96	3.72	3.87
WTI Cushing (\$/bbl)	76.09	76.08	85.10	79.43	92.06	98.54	100.58	98.12	100.14
Differential	24.11	33.41	35.33	31.19	38.22	40.92	41.77	40.72	41.58
Company (\$/bbl)	51.98	42.67	49.76	48.23	53.83	57.62	58.82	57.39	58.56
Total (\$/bbl)	28.26	26.45	26.15	28.04	28.29	29.20	32.25	30.84	31.77
Revenue (\$mm)									
Natural Gas	132	130	117	533	124	125	149	557	580
Oil	66	74	100	312	106	115	118	458	468
Total	198	204	217	845	230	240	268	1,015	1,048
Expense									
Lease operating	32	34	36						-
Production taxes	9	9	9						-
General and administrative	32	37	28						-
Total	73	80	73	284	80	84	94	355	367
Ebitda	125	124	144	561	149	156	174	660	681
Exploration	11	15	16	58	16	16	16	64	64
Deprec., Deplet., & Amort.	93	92	92	364	92	92	92	368	368
Other	(89)	(46)	(46)	(129)				-	-
Ebit	110	63	82	267	41	48	66	228	249
Interest	31	34	36	131	36	36	36	144	144
Ebt	79	29	46	136	5	12	30	84	105
Income Tax	28	10	16	48	2	4	10	29	37
Net Income (\$mm)	51	19	30	89	3	8	19	54	69
Per Share (\$)	0.32	0.12	0.19	0.56	0.02	0.05	0.12	0.35	0.44
Shares (millions)	160	157	157	158	157	157	157	157	157
Ebitda Margin	63%	61%	66%	66%	65%	65%	65%	65%	65%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

March 4, 2011



Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

Research Methodology/Ratings Description: McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.