



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

April 27, 2012

Range Resources (RRC) - Shale Strength

<i>Symbol</i>	RRC	<i>Ebitda Next Twelve Months ending 3/31/13 (US\$m)</i>	821
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	47
<i>Price (\$/sh)</i>	62.64	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	4/26/12	<i>Adjusted Reserves/Production NTM</i>	14.5
<i>Shares (mm)</i>	160	<i>EV/Ebitda</i>	15.5
<i>Market Capitalization (\$mm)</i>	10,020	<i>PV/Ebitda</i>	16.9
<i>Debt (\$mm)</i>	2,690	<i>Undeveloped Reserves (%)</i>	53
<i>Enterprise Value (EV) (\$mm)</i>	12,720	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	19.10
<i>Present Value (PV) (\$mm)</i>	13,890	<i>Present Value Proven Reserves(\$/boe)</i>	16.50
<i>Net Present Value (\$/share)</i>	70	<i>Oil and Gas Ebitda Margin (%)</i>	75
<i>Debt/Present Value</i>	0.19	<i>Earnings Next Twelve Months (US\$/sh)</i>	0.91
<i>McDep Ratio - EV/PV</i>	0.92	<i>Price/Earnings Next Twelve Months</i>	69
<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, \$6 a million btu.			

Summary and Recommendation

Targeting 30% volume growth in 2012, Buy-recommended **Range Resources (RRC)** would accelerate from a 17% a year pace for the past nine years (see slide [Production Growth](#) on page 2). Current production derives from 5 trillion cubic feet equivalent (TCFe) of proven reserves and 44-60 TCFe net unproven resource potential predominantly in the Marcellus Shale. On the quarterly call on April 26, Chief Executive Jeff Ventura and Chief Operating Officer Ray Walker updated the increasing promise of five new areas for the application of shale gas and tight oil technology (see slide [Enhancements to Portfolio](#) on page 2). First, there are concrete signs that a lightly drilled portion of the Marcellus is “Super Rich” in liquid content, which is much more valuable than dry natural gas in today’s market (see slide [Southwest PA Wet Marcellus](#) on page 3). Second, a formation above the Marcellus also appears to have a Super-Rich area that will be tested with two wells in 2012 (see slide [Upper Devonian](#) on page 3). Third, a formation below the Marcellus appears to have rich gas in Ohio that may extend onto Range lands in northwestern Pennsylvania (see slide [Utica/Point Pleasant](#) on page 4). Fourth, the company sees a billion barrel possibility in a core acreage position among the same oil fields near Ponca City, Oklahoma that launched Conoco in the 1920s (see slide [Mississippian](#) on page 4). Fifth, Range has legacy acreage well-positioned in the Cline Oil Shale in the Permian Basin of West Texas (see slide [Cline](#) on page 5). None of the five enhancements and little of the enumerated unproven potential is counted yet in estimated Net Present Value (NPV) of \$70 a share (see tables [Functional Cash Flow and Present Value](#) on page 5 and [Next Twelve Months Operating and Financial Estimates](#) on page 6). Unfolding with shale strength, NPV is up 55% from \$45 a share in December 2010. Looking ahead, we think further gains are likely for the company that discovered the Marcellus Shale (now 9% of U.S. natural gas production) and helped launch an energy revolution that may accelerate economic growth globally.

Kurt H. Wulff, CFA

Nine Years of Double-Digit Production Growth

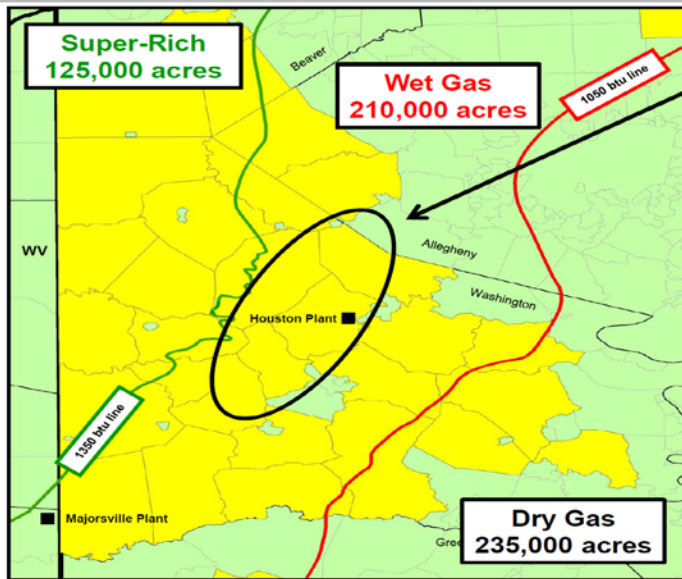


Enhancements to Portfolio

Range has five enhancements to the existing portfolio for 2012

1. Super-rich Marcellus – 1,350 Btu or higher wet gas
2. Super-rich Upper Devonian
3. Wet Utica Shale
4. Horizontal Mississippian oil play
5. Cline Shale oil play

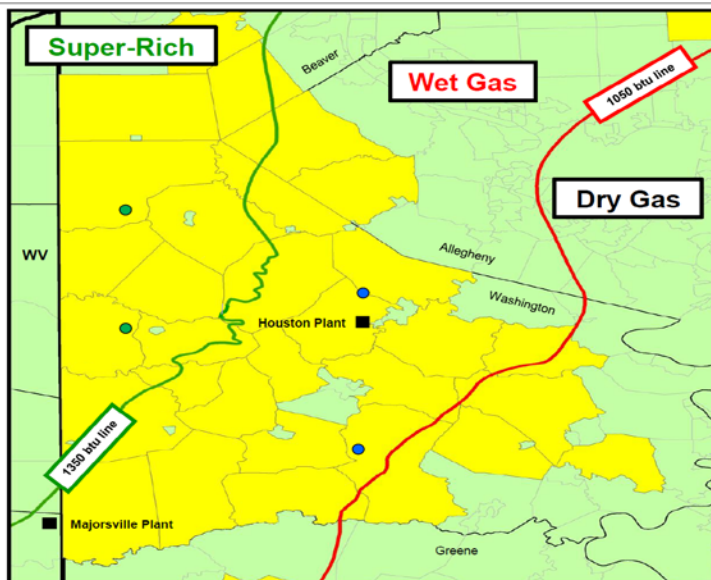
Southwest PA Wet Marcellus



188 wells placed on production in 2009, 2010 and 2011 generally in the circled wet area of the Marcellus Shale:

- Average lateral length of 2,981 feet
- Average of 10 frac stages
- Average 281 Mbbls (24 Mbbls condensate and 257 Mbbls NGLs) and 4.2 Bcf
- With ethane, average 614 Mbbls (24 Mbbls condensate and 590 Mbbls NGLs) and 3.6 Bcf
- Initial development has been near the Houston Plant

Southwest PA – Upper Devonian

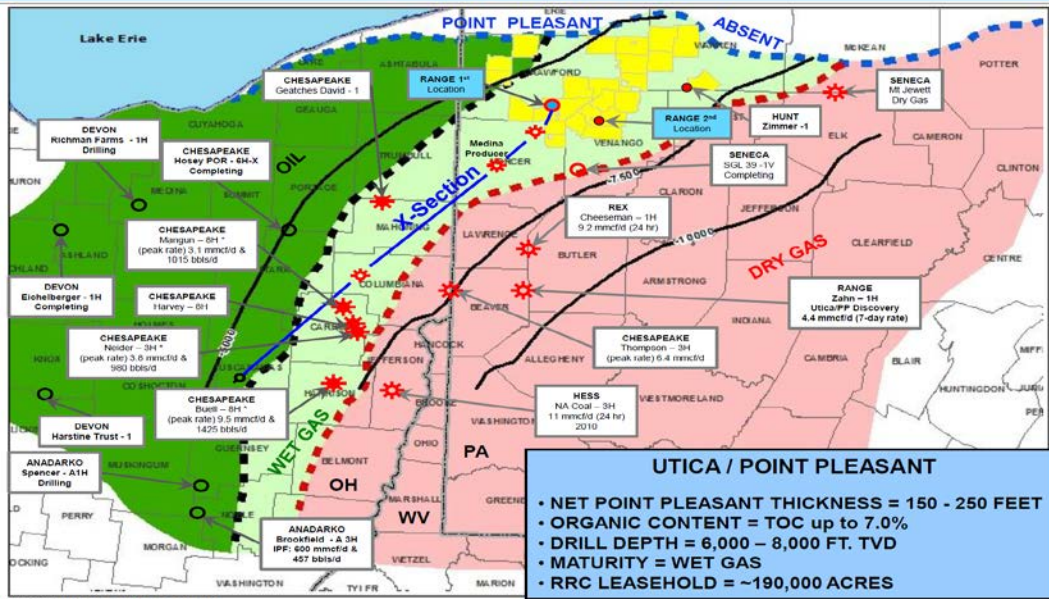


- Upper Devonian prospective in Super-Rich, Wet and Dry areas
- Two wells drilled to date with average IP 3.8 Mmcfe/day
- Best well 4.7 Bcfe EUR
- Two tests scheduled for 2012 in Super-Rich area
- Cores on two new wells encouraging

● Drilled well
● Planned to be drilled in 2012

Note: Townships where Range holds 3,000+ acres are shown in yellow

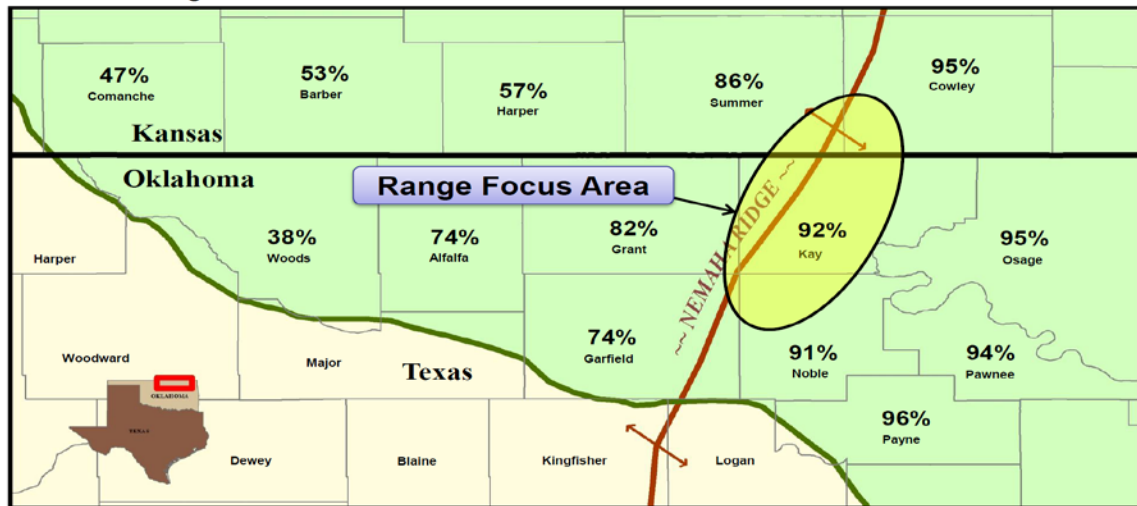
Northwest PA – Utica/Point Pleasant Potential



23

% of Mississippian Wells Classified as Oil

Oil Percentage Increases to the East



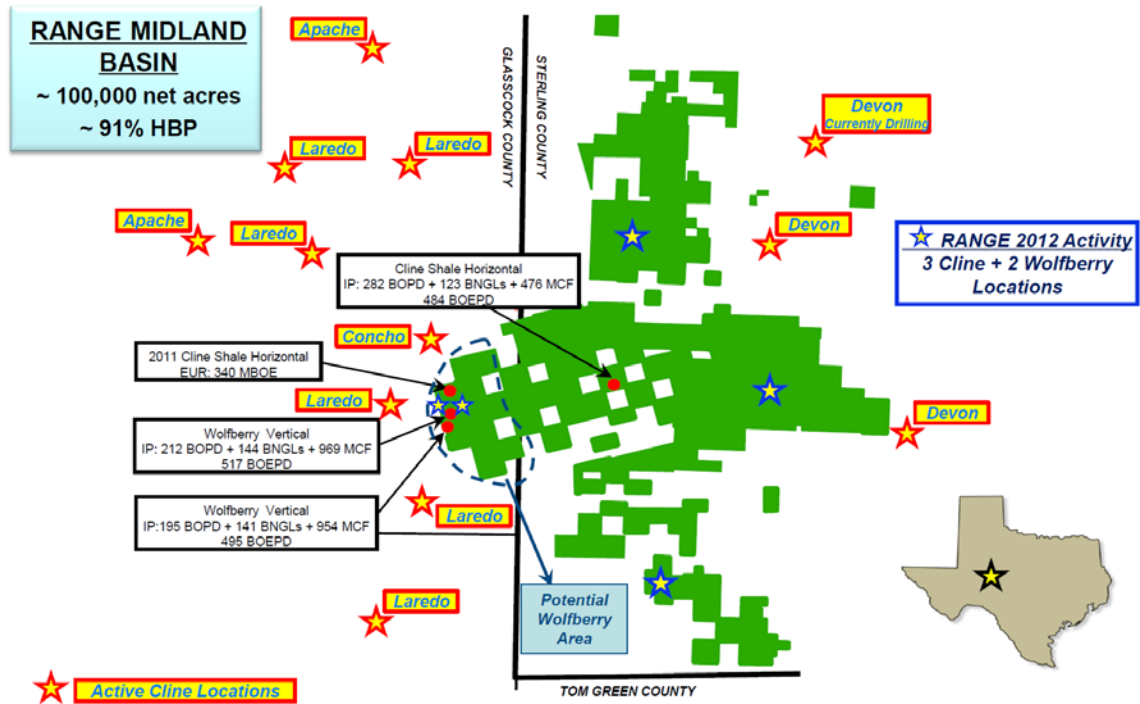
Range Acreage Increased to ~ 145,000 Net Acres

Source: Industry data using active well counts.



26

Midland Basin – Cline Oil Shale & Wolfberry



30

Range Resources Corporation					
Functional Cash Flow and Present Value					
	NTM Ebitda	Adjusted	PV/	Present	
	(US\$mm)	R/P	Ebitda	Value	
				(US\$mm)	
North American Natural Gas	388	14.7	25.0	9,700	70%
Oil	433	13.6	9.7	4,190	30%
	821	14.5	16.9	13,890	100%
Debt (US\$mm)				2,690	
Net Present Value (US\$mm)				11,200	
Shares (mm)				160	
Net Present Value - Standard Estimate (US\$/sh)				70	
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)				52	



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

April 27, 2012

Range Resources Corporation												
Next Twelve Months Operating and Financial Estimates												
	Q1		Q4	Year	Q1			Q2E	Q3E	Year	Q1E	Next Twelve Months
	3/31/11	12/31/11	2011	3/31/12	6/30/12	9/30/12	2012E	3/31/13	3/31/13			
Volume												
Natural Gas (mmcf/d)	331	491	405	512	527	543	536	576	552			
Days	90	92	365	91	91	92	366	90	365			
Oil (mmb)	1.6	2.1	7	2.2	2.2	2.3	9	2.4	9			
Oil (mbd)	17.4	22.3	20.2	23.9	24.6	25.4	25.0	26.9	25.7			
Total (mmcf/d)	436	625	526	655	675	695	686	738	706			
Price												
Henry Hub (\$/mmbtu)	4.11	3.55	4.04	2.73	2.11	2.27	2.44	3.12	2.54			
Differential (\$/mmbtu)	0.01	(0.11)	(0.11)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)			
Company (\$/mcf)	4.10	3.66	4.15	2.75	2.12	2.29	2.46	3.15	2.57			
WTI Cushing (\$/bbl)	94.10	94.06	95.12	102.93	103.03	103.86	103.58	104.65	104.01			
Differential	37.29	33.86	36.27	42.11	42.15	42.49	42.36	42.81	42.54			
Company (\$/bbl)	56.81	60.20	58.85	60.82	60.88	61.37	61.22	61.84	61.47			
Total (\$/bbl)	32.33	30.15	32.74	26.20	23.26	24.15	24.93	28.28	25.50			
Revenue (\$mm)												
Natural Gas	122	165	614	128	102	114	482	163	518			
Oil	89	124	434	132	136	143	560	150	578			
Total	211	289	1,048	260	238	257	1,043	313	1,095			
Expense												
Lease operating	29	25	114	29							-	
Production taxes	7	6	28	13							-	
General and administrative	27	33	113	39							-	
Total	63	64	255	81	60	64	277	78	274			
Ebitda	148	225	793	179	179	193	766	235	821			
Exploration	27	24	100	22	22	22	88	22	88			
Deprec., Deplet., & Amort.	72	97	341	100	100	100	400	100	400			
Other	(29)	(12)	(42)	(17)	(28)	(18)	(66)	10	(39)			
Ebit	78	116	394	74	84	89	344	103	373			
Interest	25	35	125	37	37	37	148	37	148			
Ebt	53	81	269	37	47	52	196	66	225			
Income Tax	19	28	94	13	17	18	68	23	79			
Net Income (\$mm)	35	53	175	24	31	34	127	43	146			
Per Share (\$)	0.22	0.33	1.10	0.15	0.19	0.21	0.80	0.27	0.91			
Shares (millions)	158	160	159	160	160	160	160	160	160			
Ebitda Margin	70%	78%	76%	69%	75%	75%	73%	75%	75%			
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%			



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

April 27, 2012

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	26-Apr	Market	Value	Nat	Ebitda	NTM	Yield	McDep			
CB (see below)	2012	Cap	(\$mm)	Gas	Oil	NTM	(\$/un)	(%)	Ratio		
Small Cap Independent Producers											
Range Resources	RRC	B	62.64	1.27	12,710	70	30	15.5	0.16	0.3	0.92
PDC Energy	PETD		34.21	1.60	1,290	54	46	7.4	-	-	0.91
Berry Petroleum Company	BRY		44.17	1.65	3,980	14	86	5.8	0.32	0.7	0.74
Denbury Resources Inc.	DNR		18.81	1.38	10,160	6	94	5.9	-	-	0.74
Peyto Exploration and Development	PEYUF		16.44	1.22	2,680	75	25	9.2	0.73	4.4	0.73
Whiting Petroleum Corporation	WLL	B	56.11	1.28	8,550	8	92	4.9	-	-	0.69
Cimarex Energy Company	XEC	CB	67.75	1.16	6,750	40	60	5.4	0.36	0.5	0.65
Birchcliff Energy Ltd.	BIREF	CB	6.53	1.39	1,330	60	40	8.7	-	-	0.49
<i>Total or Median</i>					47,500			6.7			0.73
Top Line Cash Payers											
Permian Basin RT	PBT		21.12	1.00	980	37	63		1.43	6.8	1.06
Cross Timbers Royalty Trust	CRT		41.48	1.00	250	70	30		2.51	6.0	0.94
Freehold Royalties Ltd.	FRHLF		19.32	1.04	1,300	16	84		1.69	8.8	0.92
Sabine Royalty Trust	SBR		57.46	1.00	840	55	45		3.77	6.6	0.88
Dorchester Minerals, L.P.	DMLP	CB	23.49	1.00	720	57	43		1.95	8.3	0.87
<i>Total or Median</i>					4,100					6.8	0.92
Bottom Line Cash Payers											
Linn Energy, LLC	LINE		39.53	1.62	12,350	38	62	11.6	2.90	7.3	1.18
Vanguard Natural Resources, LLC	VNR		28.70	1.44	2,150	20	80	10.0	2.35	8.2	1.10
Enduro Royalty Trust (40%)	NDRO		20.86	1.00	280	42	58	7.5	1.75	8.4	0.99
Legacy Reserves L.P.	LGCY		28.50	1.36	1,840	24	76	8.6	2.20	7.7	0.96
Mesa Royalty Trust	MTR		31.35	1.00	58	75	25	10.3	2.58	8.2	0.78
San Juan Basin Royalty Trust	SJT	CB	16.29	1.00	760	100	-	15.0	0.69	4.2	0.78
Enerplus Corporation	ERF	CB	18.30	1.40	5,000	28	72	5.8	2.18	11.9	0.77
Hugoton Royalty Trust	HGT		13.00	1.00	520	88	12	15.9	0.68	5.2	0.76
<i>Total or Median</i>					23,000			10.2		8.0	0.87
Composite											
<i>Enterprise Value Weighting</i>					74,500	36	64				0.82
<i>Equal Weighting</i>						46	54				0.85
<i>Equal Weighted Buys</i>						43	57				0.74

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 \$6 a million btu for natural gas.

Dist. = Income distribution. NTM = Next Twelve Months Ended March 31, 2013. Enterprise Value = Market Cap and Debt.



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

April 27, 2012

Table ISC-2								
McDep Income and Small Cap Energy Portfolio								
Net Present Value and McDep Ratio								
			Price (\$/sh)	Shares	Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio
	Symbol/ Rating		26-Apr 2012	(mm)				
Small Cap Independent Producers								
Range Resources	RRC	B	62.64	160.0	10,020	70.00	0.19	0.92
PDC Energy	PETD		34.21	23.6	810	40.00	0.34	0.91
Berry Petroleum Company	BRY		44.17	54.7	2,420	70.00	0.29	0.74
Denbury Resources Inc.	DNR		18.81	393.0	7,390	28.00	0.20	0.74
Peyto Exploration and Development Cor	PEYUF		16.44	133.9	2,200	24.00	0.13	0.73
Whiting Petroleum Corporation	WLL	B	56.11	119.0	6,680	88.00	0.15	0.69
Cimarex Energy Company	XEC	CB	67.75	86.2	5,840	110.00	0.09	0.65
Birchcliff Energy Ltd.	BIREF	CB	6.53	147.0	960	16.00	0.14	0.49
<i>Total or Median</i>					36,320		0.17	0.73
Top Line Cash Payers								
Permian Basin RT	PBT		21.12	46.6	980	20.00	-	1.06
Cross Timbers Royalty Trust	CRT		41.48	6.0	250	44.00	-	0.94
Freehold Royalties Ltd.	FRHLF		19.32	64.8	1,250	21.00	0.03	0.92
Sabine Royalty Trust	SBR		57.46	14.6	840	65.00	-	0.88
Dorchester Minerals, L.P.	DMLP	CB	23.49	30.7	720	27.00	-	0.87
<i>Total or Median</i>					4,040			0.92
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		39.53	193.0	7,630	30.00	0.45	1.18
Vanguard Natural Resources, LLC	VNR		28.70	52.0	1,490	25.00	0.34	1.10
Enduro Royalty Trust (40%)	NDRO		20.86	13.2	280	21.00	-	0.99
Legacy Reserves L.P.	LGCY		28.50	47.5	1,350	30.00	0.25	0.96
Mesa Royalty Trust	MTR		31.35	1.9	58	40.00	-	0.78
San Juan Basin Royalty Trust	SJT	CB	16.29	46.6	760	21.00	-	0.78
Enerplus Corporation	ERF	CB	18.30	196.0	3,590	26.00	0.22	0.77
Hugoton Royalty Trust	HGT		13.00	40.0	520	17.00	-	0.76
<i>Total or Median</i>					15,680			0.87
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 \$6 a million btu for natural gas.								



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

April 27, 2012

Table ISC-3								
McDep Income and Small Cap Energy Portfolio								
Value Multiples - Rank by EV/Ebitda								
			Price (\$/sh)	Revenue	Dist/ Equity	Adjstd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda
	Symbol/ Rating		26-Apr 2012	Royalty (%)	Ebitda	NTM	NTM	NTM
Small Cap Independent Producers								
Range Resources	RRC	B	62.64		-	14.5	16.9	15.5
Peyto Exploration and Development Corp	PEYUF		16.44		0.38	109.9	12.6	9.2
Birchcliff Energy Ltd.	BIREF	CB	6.53		-	23.7	17.7	8.7
PDC Energy	PETD		34.21		-	8.1	8.2	7.4
Denbury Resources Inc.	DNR		18.81		-	14.1	8.0	5.9
Berry Petroleum Company	BRY		44.17		-	12.2	7.8	5.8
Cimarex Energy Company	XEC	CB	67.75		-	8.2	8.3	5.4
Whiting Petroleum Corporation	WLL	B	56.11		-	9.7	7.1	4.9
	<i>Median</i>					<i>13.1</i>	<i>8.3</i>	<i>6.7</i>
Top Line Cash Payers								
Cross Timbers Royalty Trust	CRT		41.48	78	0.96	16.3	16.9	15.9
Sabine Royalty Trust	SBR		57.46	100	1.00	8.2	17.3	15.3
Permian Basin RT	PBT		21.12	32	0.92	9.7	12.8	13.5
Dorchester Minerals, L.P.	DMLP	CB	23.49	77	1.00	6.1	13.8	12.0
Freehold Royalties Ltd.	FRHLF		19.32	71	0.75	5.9	9.2	8.5
	<i>Median</i>					<i>8.2</i>	<i>13.8</i>	<i>13.5</i>
Bottom Line Cash Payers								
Hugoton Royalty Trust	HGT		13.00		0.83	12.8	20.8	15.9
San Juan Basin Royalty Trust	SJT	CB	16.29		0.64	8.8	19.3	15.0
Linn Energy, LLC	LINE		39.53		0.96	14.5	9.9	11.6
Mesa Royalty Trust	MTR		31.35		0.86	7.5	13.3	10.3
Vanguard Natural Resources, LLC	VNR		28.70		0.86	14.0	9.1	10.0
Legacy Reserves L.P.	LGCY		28.50		0.66	11.9	8.9	8.6
Enduro Royalty Trust (40%)	NDRO		20.86		0.63	5.2	7.5	7.5
Enerplus Corporation	ERF	CB	18.30		0.63	6.5	7.5	5.8
	<i>Median</i>					<i>10.3</i>	<i>9.5</i>	<i>10.2</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, 2013; 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

April 27, 2012

Table ISC-4									
Oil and Gas Income and Small Cap Stocks									
Rank by Enterprise Value to 200 Day Average									
			Price (\$/sh)	Enterprise Value/					
	Symbol/ Rating		26-Apr 2012	52Wk High	52Wk Low	50 Day Avg.	200 Day Avg.	McDep Ratio	
Small Cap Independent Producers									
	Whiting Petroleum Corporation	WLL	B	56.11	0.81	1.61	1.01	1.10	0.69
	Denbury Resources Inc.	DNR		18.81	0.87	1.50	1.00	1.08	0.74
	PDC Energy	PEID		34.21	0.89	1.54	0.98	1.07	0.91
	Range Resources	RRC	B	62.64	0.84	1.18	1.03	1.00	0.92
	Cimarex Energy Company	XEC	CB	67.75	0.64	1.28	0.90	0.99	0.65
	Berry Petroleum Company	BRY		44.17	0.81	1.23	0.93	0.98	0.74
	Peyto Exploration and Development C	PEYUF		16.44	0.68	1.10	0.97	0.82	0.73
	Birchcliff Energy Ltd.	BIREF	CB	6.53	0.50	1.09	0.78	0.62	0.49
	<i>Median</i>				<i>0.81</i>	<i>1.25</i>	<i>0.97</i>	<i>0.99</i>	<i>0.73</i>
Top Line Cash Payers									
	Freehold Royalties Ltd.	FRHLF		19.32	0.82	1.39	0.98	1.01	0.92
	Permian Basin RT	PBT		21.12	0.90	1.17	0.95	1.00	1.06
	Dorchester Minerals, L.P.	DMLP	CB	23.49	0.81	1.13	0.96	0.97	0.87
	Cross Timbers Royalty Trust	CRT		41.48	0.81	1.15	0.95	0.91	0.94
	Sabine Royalty Trust	SBR		57.46	0.81	1.21	0.93	0.91	0.88
	<i>Median</i>				<i>0.81</i>	<i>1.17</i>	<i>0.95</i>	<i>0.97</i>	<i>0.92</i>
Bottom Line Cash Payers									
	Linn Energy, LLC	LINE		39.53	0.98	1.15	1.02	1.03	1.18
	Vanguard Natural Resources, LLC	VNR		28.70	0.89	1.20	1.02	1.03	1.10
	Legacy Reserves L.P.	LGCY		28.50	0.88	1.20	0.99	1.01	0.96
	Enerplus Corporation	ERF	CB	18.30	0.64	1.03	0.87	0.78	0.77
	San Juan Basin Royalty Trust	SJT	CB	16.29	0.64	1.04	0.88	0.74	0.78
	Mesa RoyaltyTrust	MTR		31.35	0.63	1.06	0.78	0.73	0.78
	Hugoton RoyaltyTrust	HGT		13.00	0.54	1.06	0.90	0.68	0.76
	<i>Median</i>				<i>0.64</i>	<i>1.06</i>	<i>0.90</i>	<i>0.78</i>	<i>0.78</i>

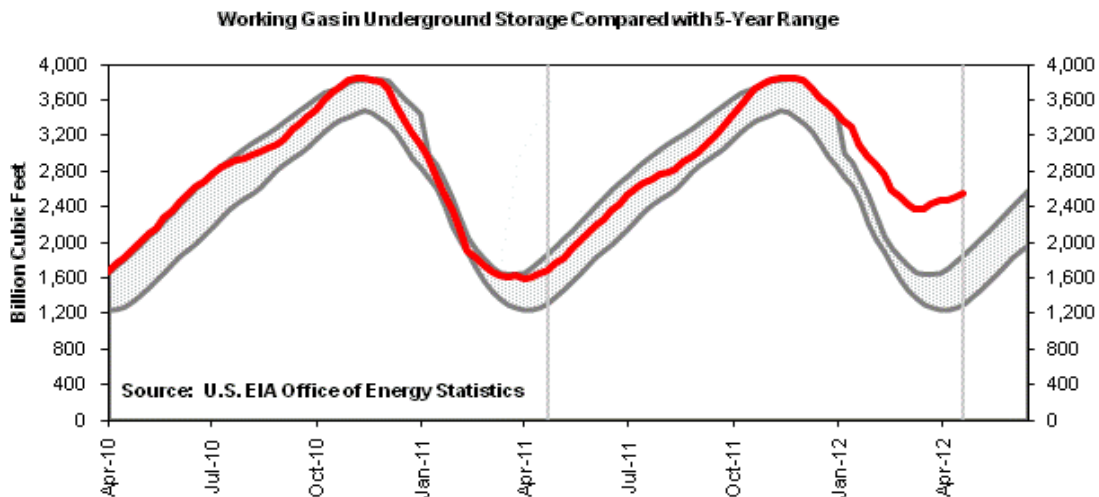
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Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

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