



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

July 1, 2010

Range Resources First in Marcellus

<i>Symbol</i>	RRC	<i>Ebitda Next Twelve Months ending 6/30/11 (US\$m)</i>	737
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	69
<i>Price (\$/sh)</i>	40.15	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	6/30/10	<i>Adjusted Reserves/Production NTM</i>	12.4
<i>Shares (mm)</i>	160	<i>EV/Ebitda</i>	11.2
<i>Market Capitalization (\$mm)</i>	6,420	<i>PV/Ebitda</i>	11.2
<i>Debt (\$mm)</i>	1,830	<i>Undeveloped Reserves (%)</i>	45
<i>Enterprise Value (EV) (\$mm)</i>	8,260	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	22.70
<i>Present Value (PV) (\$mm)</i>	8,230	<i>Present Value Proven Reserves(\$/boe)</i>	15.80
<i>Net Present Value (\$/share)</i>	40	<i>Oil and Gas Ebitda Margin (%)</i>	68
<i>Debt/Present Value</i>	0.22	<i>Earnings Next Twelve Months (US\$/sh)</i>	0.85
<i>McDep Ratio - EV/PV</i>	1.00	<i>Price/Earnings Next Twelve Months</i>	47
<i>Dividend Yield (%/year)</i>	0.2	<i>Indicated Annual Dividend (US\$/sh)</i>	0.08

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.

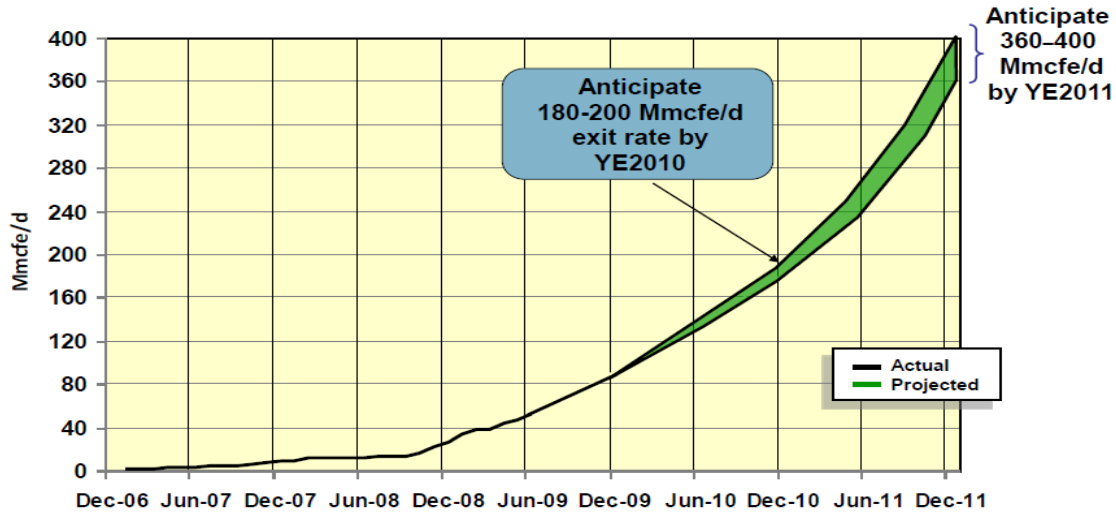
Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$8 a million btu.

Summary and Recommendation

Small (mid) cap independent producer **Range Resources (RRC)** offers a concentrated investment in the new Marcellus Shale natural gas field in Pennsylvania at a McDep Ratio of 1.00, down from 1.28 when we began coverage in April. The stock's indicated potential has improved with a decline in price and an increase in our estimate of Net Present Value (NPV) to \$40 a share from \$35. Trading below its 200-day average, indicating a downtrend, stock price may be setting up a second chance for investors to take a position in RRC's rapid growth. Marcellus production is doubling in 2010 and may double again in 2011 (see slide [Marcellus Shale Net Production](#) on page 2). Suggesting another double after 2011, RRC eventually may drill more than 4000 wells to tap some 20 trillion cubic feet of potential (see slide [20-27 Tcfe](#) on page 2). Pennsylvania boosts the outlook for all of RRC in production and potential reserves (see slides [7 Years of Production Growth](#) and [Reserve Base](#) on page 3). The participation of other companies in the Appalachian boom, including ExxonMobil, lends credibility to RRC's enthusiasm (see slide [Drilling Permits](#) on page 4). With current stock price near NPV, investors are paying just for currently proven reserves and the near-term level of operations (see table [Functional Cash Flow and Present Value](#) on page 4). Increases in volume contribute to increases in cash flow (see table [Next Twelve Months Operating and Financial Estimates](#) on page 5). Expecting growth to continue, we see favorable prospects for Range and its peers in our Income and Small Cap coverage (see [Tables 1-3](#) on pages 6-8). Of course, we worry about existing investments when stock prices go down. Yet, we like to buy good ideas at prices we believe will be rewarding before long.

Kurt H. Wulff, CFA

Range's Marcellus Shale Net Production



Marcellus Shale – 20 to 27 Tcfe Potential



- Range discovered the Marcellus Shale
 - Completed the first commercial Marcellus Shale well in 2004
- 1.3 million acres prospective for Marcellus
- ~900,000 net acres in the “Fairway” (Equates to 20-27 Tcfe potential)
- Range’s best horizontal well to date- IP of 26.0 Mmcfe/d – averaged 10.8 Mmcfe/d for 30 days
- Range’s best vertical well to date- IP of 6.3 Mmcfe/d
- Currently 13 rigs in operation

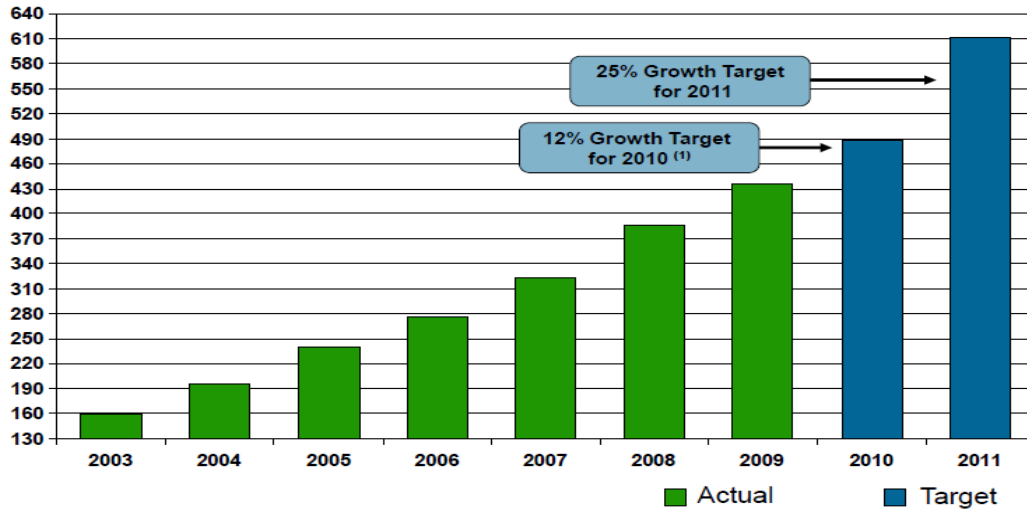


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7 Consecutive Years of Production Growth



(1) The 2010 growth target includes the impact of asset sales.



Range Resources Corporation Company Presentation | June 2010

Range's Reserve Base and Upside are Growing

(Tcfe)	YE 2005	YE 2006	YE 2007	YE 2008	YE 2009
Proved Reserves	1.4	1.8	2.2	2.7	3.1
Resource Potential ⁽¹⁾	3.4 - 4.6	6.7 - 9.2	16.2 - 21.9	20.5 - 28.2	24.0 - 31.7

- Proved reserves have increased by 22% per year on a compounded basis
- Resource potential is 8-10 times proved reserves
- Resource potential primarily focused in Marcellus Shale, Huron Shale and Barnett Shale

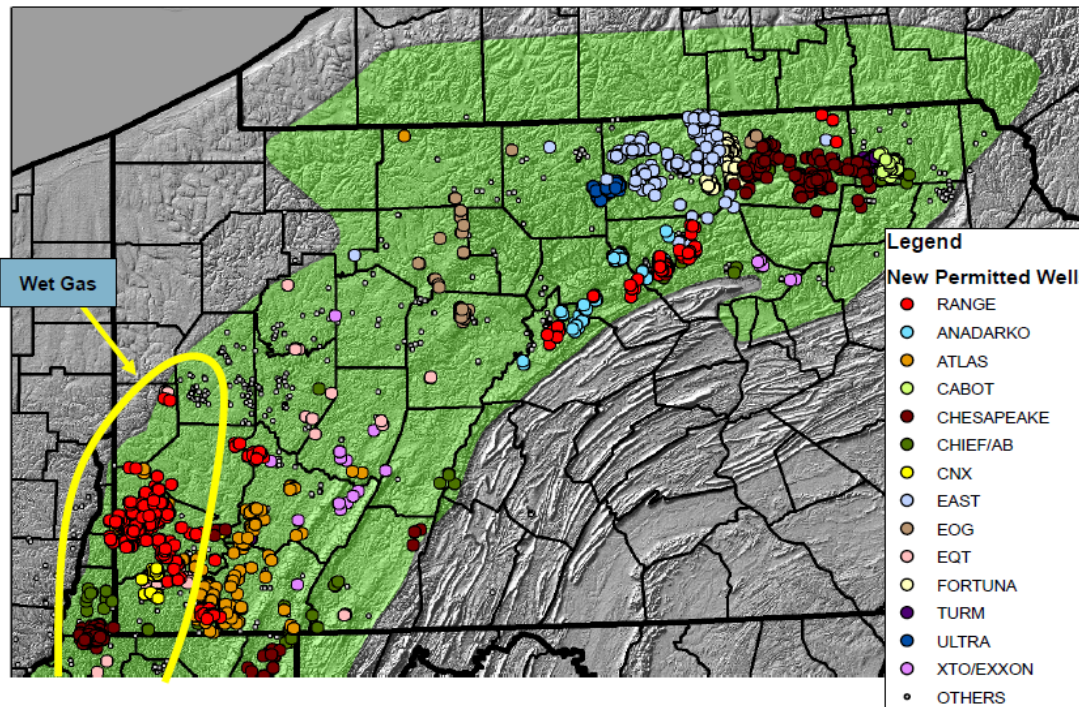
(1) Net unproved resource potential

(2) Resource potential prior to 2009 was referred to as "Emerging Plays." Resource potential in 2009 is entirely from acreage in recognized shale plays, primarily the Marcellus, Barnett and Nora shales. Emerging plays are not quantified in 2009.



Range Resources Corporation Company Presentation | June 2010 | 10

Marcellus Drilling Permits



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	506	12.9	11.9	6,000	73%
Oil	231	10.7	9.6	2,230	27%
	737	12.4	11.2	8,230	100%
Debt (US\$mm)					1,830
Net Present Value (US\$mm)					6,400
Shares (mm)					160
Net Present Value - Standard Estimate (US\$/sh)					40
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					39



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Range Resources Corporation									
Next Twelve Months Operating and Financial Estimates									
									<i>Next</i>
	<i>Q4</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Twelve</i>
	<i>12/31/09</i>	<i>3/31/10</i>	<i>6/30/10</i>	<i>9/30/10</i>	<i>12/31/10</i>	<i>2010</i>	<i>3/31/11</i>	<i>6/30/11</i>	<i>Months</i>
									<i>6/30/11</i>
Volume									
Natural Gas (mmcf)	374	375	400	415	415	401	450	450	432
Oil (mbd)	13.7	15.0	15.0	15.0	15.0	15.0	19.0	19.0	17.0
Total (mb)	7.0	7.0	7.4	7.7	7.7	30	8.5	8.6	32
Total (mbd)	76	77	82	84	84	81.9	94	94	89.0
Price									
Henry Hub (\$/mmbtu)	4.16	5.32	4.09	4.74	5.13	4.82	5.43	5.22	5.13
Differential (\$/mmbtu)	0.32	0.47	0.36	0.42	0.45	(1.31)	0.48	0.46	0.45
Company (\$/mcf)	3.84	4.85	3.73	4.32	4.68	6.13	4.95	4.76	4.68
WTI Cushing (\$/bbl)	76.09	78.67	78.70	78.46	80.00	78.96	81.02	82.22	80.42
Differential	24.11	25.34	25.35	25.27	25.77	16.38	26.10	26.48	25.82
Company (\$/bbl)	51.98	53.33	53.35	53.18	54.23	62.58	54.92	55.73	54.61
Total (\$/bbl)	28.26	33.78	28.05	30.78	32.72	31.30	34.81	34.06	33.15
Revenue (\$mm)									
Natural Gas	132	164	136	165	179	643	201	195	739
Oil	66	72	73	73	75	292	94	96	338
Total	198	235	208	238	253	935	294	291	1,077
Expense									
Lease operating	32	31							-
Production taxes	9	8							-
General and administrative	32	20							-
Total	73	59	69	74	78	280	91	96	340
Ebitda									
Exploration	11	13	13	13	13	52	13	13	52
Deprec., Deplet., & Amort.	93	89	89	89	89	356	89	89	356
Other	(89)	5				5			-
Ebit	110	69	38	62	73	242	101	93	329
Interest	31	30	30	30	30	120	30	30	120
Ebt	79	39	8	32	43	122	71	63	209
Income Tax	28	14	3	11	15	43	25	22	73
Net Income (\$mm)									
Per Share (\$)	0.32	0.16	0.03	0.13	0.17	0.50	0.29	0.26	0.85
Shares (millions)									
Ebitda Margin	63%	75%	67%	69%	69%	70%	69%	67%	68%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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Table 1									
McDep Income and Small Cap Energy Portfolio									
Debt, Business Segments and Income Yield									
						Present Value			
		Price	EV/	Enterprise	by Segment (%)				
Symbol/Rating	(US\$/sh)	30-Jun	Market	Value	N.Amer.	Oil	Dist.	Dist.	
B = Buy	2010	Cap	(\$mm)	Natural	Gas	Prod'n	NTM	Yield	McDep
CB (see below)							(\$/un)	(%)	Ratio
Canadian Income Trusts (US\$)									
Peyto Energy Trust	PEYUF	13.62	1.26	2,070	76	24	1.39	10.2	0.93
Pengrowth Energy Trust	PGH	9.16	1.49	4,000	39	61	0.81	8.9	0.88
Penn West Energy Trust	PWE	19.02	1.41	11,500	23	77	1.74	9.1	0.87
Enerplus Resources Fund	ERF	21.57	1.23	4,700	42	58	2.09	9.7	0.76
Canadian Oil Sands Trust	COSWF CB	25.30	1.11	13,600		100	1.93	7.6	0.69
<i>Total or Median</i>				35,900					0.87
Small Cap Independent Producers									
Petro-Hawk	HK	16.97	1.50	8,260	97	3	-	-	1.09
Range Resources	RRC	40.15	1.29	8,260	73	27	0.08	0.2	1.00
Denbury Resources Inc.	DNR	14.64	1.59	9,080	16	84	-	-	0.98
Cinmarex Energy Company	XEC B	71.58	1.10	6,730	66	34	0.32	0.4	0.96
Ultra Petroleum	UPL	44.25	1.16	8,240	94	6	-	-	0.93
Whiting Petroleum Corporation	WLL	78.42	1.23	6,080	13	87	-	-	0.90
Berry Petroleum Company	BRY	25.72	1.81	2,380	31	69	0.30	1.2	0.83
Birchcliff Energy Ltd. (US\$)	BIREF B	9.13	1.21	1,410	66	34	-	-	0.69
<i>Total or Median</i>				49,000					0.96
Top Line Cash Payers									
Sabine Royalty Trust	SBR	47.14	1.00	690	50	50	3.45	7.3	1.05
Cross Timbers Royalty Trust	CRT	34.75	1.00	210	75	25	2.39	6.9	1.02
Permian Basin RT	PBT	18.29	1.00	850	38	62	1.23	6.7	1.02
Dorchester Minerals, L.P.	DMLP B	25.53	1.02	780	71	29	1.77	6.9	0.95
Freehold Royalty Trust (US\$)	FRHLF	14.90	1.09	950	25	75	1.62	10.9	0.89
<i>Total or Median</i>				3,500					1.02
Bottom Line Cash Payers									
Linn Energy, LLC	LINE	26.55	1.45	5,530	42	58	2.52	9.5	1.17
Legacy Reserves LP.	LGCY	22.52	1.39	1,230	16	84	2.08	9.2	1.09
San Juan Basin Royalty Trust	SJT B	24.41	1.00	1,140	100	-	1.38	5.7	1.06
Encore Energy Partners, L.P. (52%)	ENP	17.14	1.34	540	23	77	2.00	11.7	1.01
Mesa Royalty Trust	MTR	45.90	1.00	86	75	25	3.77	8.2	0.96
Hugoton Royalty Trust	HGT B	18.98	1.00	760	90	10	1.60	8.4	0.90
<i>Total or Median</i>				9,300					1.03
Composite (excl COSWF)									
<i>Enterprise Value Weighting</i>				85,500	51	49			0.94
<i>Equal Weighting</i>					54	46			0.95
<i>Equal Weighted Buys</i>					66	34			0.91

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 \$75 a barrel for oil and \$8 a million btu for natural gas.

Dist. = Income distribution. NTM = Next Twelve Months Ended March 31, 2011. Enterprise Value = Market Cap and Debt.



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Table 2

**McDep Income and Small Cap Energy Portfolio
Net Present Value and McDep Ratio**

			<i>Price</i>			<i>Net</i>		
			<i>(\$/sh)</i>		<i>Market</i>	<i>Present</i>	<i>Debt/</i>	
	<i>Symbol/</i>		<i>30-Jun</i>	<i>Shares</i>	<i>Cap</i>	<i>Value</i>	<i>Present</i>	
	<i>Rating</i>		<i>2010</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>(\$/un)</i>	<i>Value</i>	
							<i>McDep</i>	
							<i>Ratio</i>	
Canadian Income Trusts (US\$)								
Peyto Energy Trust	PEYUF		13.62	120.5	1,640	15.00	0.93	
Pengrowth Energy Trust	PGH		9.16	290.0	2,660	11.00	0.88	
Penn West Energy Trust	PWE		19.02	428.3	8,150	23.00	0.87	
Enerplus Resources Fund	ERF		21.57	178.0	3,840	30.00	0.76	
Canadian Oil Sands Trust	COSWF	CB	25.30	484.0	12,250	38.00	0.69	
<i>Total or Median</i>					28,500		0.19	0.87
Small Cap Independent Producers								
Petro-Hawk	HK		16.97	303.0	5,510	16.00	1.09	
Range Resources	RRC		40.15	160.0	6,420	40.00	1.00	
Denbury Resources Inc.	DNR		14.64	390.0	5,710	15.00	0.98	
Cimarex Energy Company	XEC	B	71.58	85.4	6,110	75.00	0.96	
Ultra Petroleum	UPL		44.25	154.0	7,070	50.00	0.93	
Whiting Petroleum Corporation	WLL		78.42	59.2	4,950	95.00	0.90	
Berry Petroleum Company	BRY		25.72	51.0	1,310	35.00	0.83	
Birchcliff Energy Ltd. (US\$)	BIREF	B	9.13	127.0	1,160	14.00	0.69	
<i>Total or Median</i>					38,240		0.20	0.94
Top Line Cash Payers								
Sabine Royalty Trust	SBR		47.14	14.6	690	45.00	1.05	
Cross Timbers Royalty Trust	CRT		34.75	6.0	210	34.00	1.02	
Permian Basin RT	PBT		18.29	46.6	850	18.00	1.02	
Dorchester Minerals, L.P.	DMLP	B	25.53	29.8	760	27.00	0.95	
Freehold Royalty Trust (US\$)	FRHLF		14.90	58.4	870	17.00	0.89	
<i>Total or Median</i>					3,380		1.02	
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		26.55	144.0	3,820	21.00	1.17	
Legacy Reserves L.P.	LGCY		22.52	39.2	880	20.00	1.09	
San Juan Basin Royalty Trust	SJT	B	24.41	46.6	1,140	23.00	1.06	
Encore Energy Partners, L.P. (52%)	ENP		17.14	23.4	400	17.00	1.01	
Mesa Royalty Trust	MTR		45.90	1.9	86	48.00	0.96	
Hugoton Royalty Trust	HGT	B	18.98	40.0	760	21.00	0.90	
<i>Total or Median</i>					7,090		1.03	

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 \$75 a barrel for oil and \$8 a million btu for natural gas.



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			<i>Price</i> <i>(\$/sh)</i>	<i>Revenue</i>	<i>Dist/</i>	<i>Adjstd</i>		
	<i>Symbol/</i>		<i>30-Jun</i>	<i>Royalty</i>	<i>Equity</i>	<i>Resrvs/</i>	<i>PV/</i>	<i>EV/</i>
	<i>Rating</i>		<i>2010</i>	<i>(%)</i>	<i>Ebitda</i>	<i>Prod</i>	<i>Ebitda</i>	<i>Ebitda</i>
						<i>NTM</i>	<i>NTM</i>	<i>NTM</i>
Canadian Income Trusts (US\$)								
Peyto Energy Trust	PEYUF		13.62		1.05	23.1	11.3	10.5
Canadian Oil Sands Trust	COSWF	CB	25.30		0.61	31.0	12.1	8.3
Penn West Energy Trust	PWE		19.02		0.65	9.9	8.6	7.5
Pengrowth Energy Trust	PGH		9.16		0.57	9.9	7.8	6.8
Enerplus Resources Fund	ERF		21.57		0.59	9.7	8.5	6.4
	<i>Median</i>					9.9	8.6	7.5
Small Cap Independent Producers								
Range Resources	RRC		40.15		-	12.4	11.2	11.2
Ultra Petroleum	UPL		44.25		-	14.1	11.7	10.9
Birchcliff Energy Ltd. (US\$)	BIREF	B	9.13		-	22.4	14.3	9.9
Petro-Hawk	HK		16.97		-	7.1	8.4	9.1
Denbury Resources Inc.	DNR		14.64		-	11.3	8.7	8.6
Whiting Petroleum Corporation	WLL		78.42		-	10.3	7.2	6.5
Berry Petroleum Company	BRY		25.72		-	13.1	7.7	6.4
Cimarex Energy Company	XEC	B	71.58		-	6.4	5.5	5.2
	<i>Median</i>					11.9	8.5	8.8
Top Line Cash Payers								
Cross Timbers Royalty Trust	CRT		34.75	84	0.96	13.6	13.7	14.0
Sabine Royalty Trust	SBR		47.14	100	1.00	9.1	13.1	13.7
Permian Basin RT	PBT		18.29	42	0.90	13.3	13.1	13.3
Dorchester Minerals, L.P.	DMLP	B	25.53	77	0.91	7.5	14.0	13.2
Freehold Royalty Trust (US\$)	FRHLF		14.90	71	0.85	8.6	8.9	7.9
	<i>Median</i>					9.1	13.1	13.3
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		26.55		1.54	20.0	12.8	15.0
San Juan Basin Royalty Trust	SJT	B	24.41		0.79	14.8	13.1	13.9
Mesa RoyaltyTrust	MTR		45.90		0.91	9.2	11.6	11.1
Hugoton RoyaltyTrust	HGT	B	18.98		0.90	12.3	11.8	10.7
Encore Energy Partners, L.P.	ENP		17.14		1.07	12.9	9.1	9.1
Legacy Reserves L.P.	LGCY		22.52		0.86	12.0	8.3	9.0
	<i>Median</i>					12.6	11.7	10.9
<p>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 June 30, 2011; 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).</p>								

Please see disclosures on the final page.

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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.