



Independent Stock Idea

May 2, 2017

Range Resources (RRC) Growth Accelerating

<i>Symbol</i>	RRC	<i>Ebitda Next Twelve Months ending 3/31/18 (US\$m)</i>	1,357
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	65
<i>Price (\$/sh)</i>	26.53	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	5/1/17	<i>Adjusted Reserves/Production NTM</i>	11.9
<i>Shares (mm)</i>	245	<i>EV/Ebitda</i>	8.0
<i>Market Capitalization (\$mm)</i>	6,500	<i>PV/Ebitda</i>	13.3
<i>Debt (\$mm)</i>	4,300	<i>Undeveloped Reserves (%)</i>	44
<i>Enterprise Value (EV) (\$mm)</i>	10,800	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	10.30
<i>Present Value (PV) (\$mm)</i>	18,100	<i>Present Value Proven Reserves(\$/boe)</i>	9.00
<i>Net Present Value (\$/share)</i>	56	<i>Oil and Gas Ebitda Margin (%)</i>	56
<i>Debt/Present Value</i>	0.24	<i>Earnings Next Twelve Months (US\$/sh)</i>	1.28
<i>McDep Ratio - EV/PV</i>	0.60	<i>Price/Earnings Next Twelve Months</i>	21
<i>Dividend Yield (%/year)</i>	0.3	<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\$70 a barrel and natural gas, \$4.00 a million bt			
For historical analysis of Range since 2010 see www.mcdep.com/4rrc.htm			

Summary and Recommendation

Accelerating growth in the third and fourth quarter of 2017 may help the stock price of buy-recommended **Range Resources (RRC)** move up toward estimated Net Present Value (NPV) of \$56 a share (see table [Present Value](#) on page 2). When discussing latest quarterly results on April 25, management emphasized that volume growth would be strong in the second half of 2017. Volume in the second quarter would be held back during an upgrade of a third party processing plant in Pennsylvania. The company's historical trend in volume per share has been faster than that of three of four peers until the industry dip in 2016 and now appears to be speeding up again (see chart [Volume Per Share](#) on page 2). We model a flat second quarter in line with new guidance and keep a one third gain for the year before adjusting for increased shares (see table [Operating and Financial Estimates](#) on page 3). Recall that shares increased when RRC acquired Memorial Resource Development Corp. in a transaction that closed on September 16, 2016. Among five stocks in our Small Independent producer group, RRC has the lowest McDep Ratio at 0.60 and the highest concentration on natural gas at 69% (31% oil) (see [Table 1](#) on page 4). Financial leverage is no higher than the median of peers at EV/Market Cap ratio of 1.67. Operating leverage at 1.78 times is higher than the median (see [Table 2](#) on page 5). Median financial leverage times higher operating leverage implies higher combined risk. That is not surprising considering that RRC stock peaked at \$95 and is now \$27 a share. An enormous resource base exceeding 100 trillion cubic feet equivalent (TCFe) tells us the upside is still there. Just 12 TCFe included in proven reserves implies a longer adjusted life index among peers (see [Table 3](#) on page 6). Finally, a declining stock price in 2017 that may keep momentum investors away looks like opportunity to patient value investors, we believe (see [Table 4](#) on page 7).

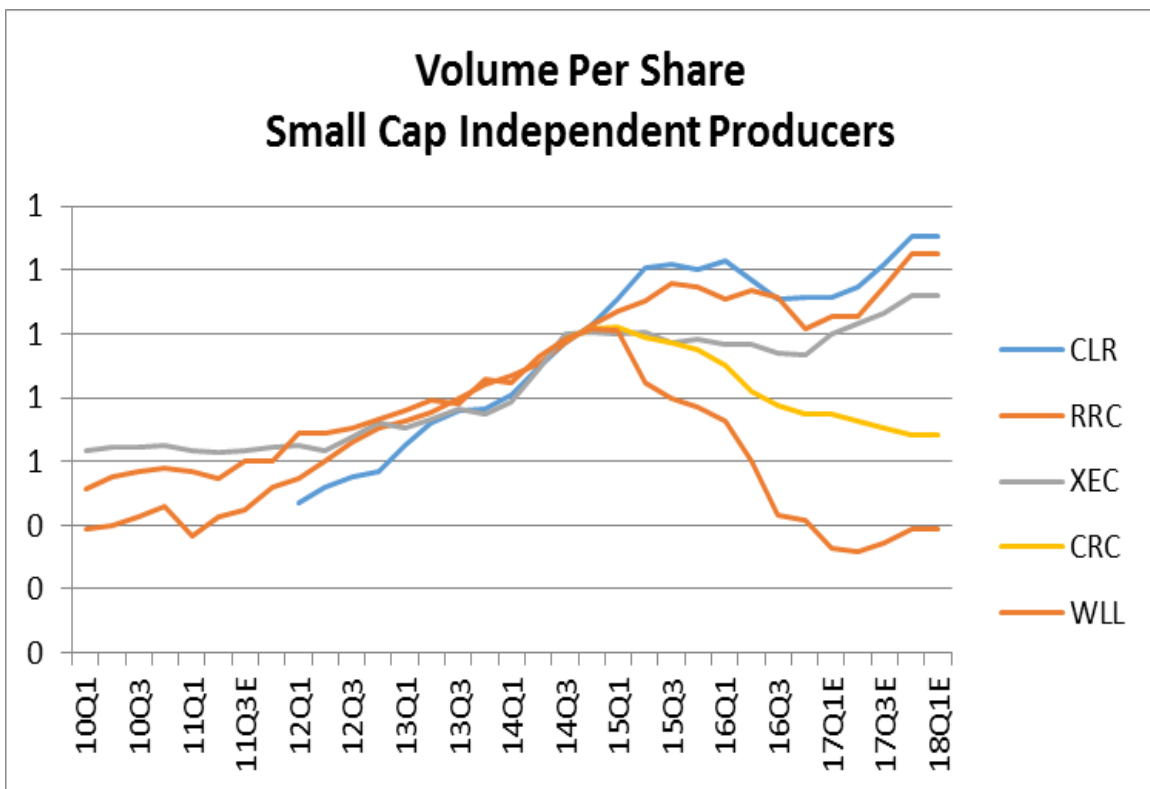
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Range Resources Corporation					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	887	11.6	14.1	12,500	69%
Oil	470	12.5	11.7	5,500	31%
	1,357	11.9	13.3	18,000	100%
Debt (US\$mm)					4,300
Net Present Value (US\$mm)					13,700
Shares (mm)					245
Net Present Value - Standard Estimate (US\$/sh)					56
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					60





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Range Resources Corporation										
Next Twelve Months Operating and Financial Estimates										
	Q1	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Q1E	Next Twelve Months
	3/31/16	12/31/16	2016	3/31/17	6/30/17	9/30/17	12/13/17	2017	3/31/18	3/31/18
Volume										
Natural Gas (bcf)	84.9	114.4	376	117.6	118.9	128.8	139.7	505	138.2	526
Natural Gas (mmcf)	933	1,244	1,027	1,292	1,292	1,401	1,518	1,376	1,518	1,432
Days	91	92	366	91	92	92	92	367	91	367
Oil (mmb)	6.8	9.3	31	9.7	9.8	10.8	11.9	42	11.7	44
Oil (mbd)	75.0	101.6	85.9	106.7	106.7	117.4	129.1	115.0	129.1	120.5
Total (mmb)	21.0	28.4	94	29.3	29.6	32.3	35.2	126	34.8	132
Total (mmcf)	1,383	1,854	1,542	1,932	1,932	2,105	2,293	2,066	2,293	2,155
Price										
Henry Hub (\$/mmbtu)	2.09	2.98	2.46	3.32	3.20	3.37	3.46	3.33	3.58	3.40
Differential (\$/mmbtu)	0.41	0.45	0.45	0.13	0.40	0.40	0.40	0.33	0.40	0.39
Company (\$/mcf)	1.68	2.53	2.01	3.19	2.80	2.97	3.06	3.00	3.18	3.01
WTI Cushing (\$/bbl)	33.47	49.21	43.31	51.92	49.91	49.85	50.45	50.53	50.73	50.23
Differential	23.63	31.15	29.21	32.34	31.09	31.05	31.43	31.49	31.60	31.28
Company (\$/bbl)	9.84	18.06	14.10	19.58	18.82	18.80	19.02	19.04	19.13	18.95
Total (\$/bbl)	10.00	16.13	12.73	19.28	17.45	18.13	18.58	18.36	19.09	18.35
Revenue (\$mm)										
Natural Gas	143	290	754	375	332	382	427	1,517	439	1,580
Oil	67	169	443	190	185	203	226	804	225	838
Total	210	458	1,197	565	517	585	653	2,320	664	2,419
Expense										
Transportation	125	164	565	178	188	185	181	732	181	396
Production	29	37	121	36	41	41	42	160	43	167
General and administrative	28	44	131	36	39	40	40	155	41	136
Total	182	245	817	250	268	266	263	1,047	265	1,062
Ebitda	28	213	380	315	249	320	390	1,274	398	1,357
Exploration	15	13	48	12	17	17	17	63	17	68
Deprec., Deplet., & Amort.	121	150	524	150	156	170	186	662	202	715
Other	(121)	(83)	(369)	12	(50)	(30)	(9)	(77)	(6)	(95)
Ebit	12	133	177	141	125	162	197	625	185	669
Interest	38	47	169	47	47	47	47	188	47	188
Ebt	(26)	86	8	94	78	115	150	437	138	481
Income Tax	(9)	30	3	33	27	40	52	153	48	168
Net Income (\$mm)	(17)	56	5	61	51	75	97	284	90	313
Per Share (\$)	(0.10)	0.23	0.03	0.25	0.21	0.30	0.40	1.16	0.37	1.28
Shares (millions)	167	244	190	245	245	245	245	245	245	245
Ebitda Margin	13%	47%	32%	56%	48%	55%	60%	55%	60%	56%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%



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			Price (US\$/sh)	Market Cap (US\$mm)	Enterprise Value (\$mm)	EV/ Market Cap	EV/ Ebitda NTM	PV/ Ebitda NTM	Oil Prod'n/ PV (%)	Dist. Yield NTM (%)	McDep Ratio (EV/PV)
	Symbol/Rating		1-May 2017								
Global Integrated											
	XOM		82.06	347,000	438,000	1.26	9.9	11.6	49	3.8	0.85
	CVX		105.92	201,000	271,000	1.35	9.1	10.9	60	4.1	0.83
	RDS-A	B	52.00	206,000	340,000	1.65	6.8	9.0	50	7.2	0.75
	TOT	B	51.11	126,000	181,000	1.44	6.0	9.2	53	5.3	0.65
	<i>Total or Median</i>			880,000	1,230,000	1.40	7.9	10.1	51	4.7	0.79
Large Independent											
	PXD		172.43	29,300	31,200	1.06	13.8	12.2	88	0.0	1.14
	EOG		92.03	52,200	59,300	1.14	11.8	13.0	87	0.7	1.07
	DVN		39.31	20,700	29,000	1.40	12.6	11.8	63	0.6	0.91
	OXY		60.82	46,500	59,200	1.27	10.4	12.3	85	5.0	0.85
	MRO	B	14.82	12,550	20,400	1.62	10.1	12.2	90	1.3	0.82
	COP	B	47.48	59,000	96,000	1.61	9.7	12.5	73	2.2	0.77
	<i>Total or Median</i>			220,300	295,000	1.34	11.1	12.3	86	1.0	0.88
Small Independent											
	XEC		116.33	11,100	12,400	1.12	10.5	13.0	63	0.3	0.97
	CLR	B	41.78	5,000	7,000	1.42	11.0	11.3	74	-	0.81
	CRC		11.71	500	6,700	13.65	8.0	13.3	88	-	0.81
	WLL		8.54	3,100	6,600	2.13	7.2	10.9	92	-	0.66
	RRC	B	26.53	6,500	10,800	1.67	9.5	11.8	31	0.3	0.60
	<i>Total or Median</i>			26,000	44,000	1.67	9.5	11.8	74	-	0.81
Income											
	SJT		7.06	330	330	1.00	14.9	23.7	-	9.8	0.88
	PBT		9.58	450	450	1.00	8.5	15.4	78	7.2	0.87
	DMLP		17.25	530	530	1.00	12.7	17.6	76	7.2	0.72
	SBR	B	37.70	550	550	1.00	10.0	11.3	59	6.7	0.63
	CRT	B	15.95	100	100	1.00	13.2	15.2	28	9.7	0.55
	<i>Total or Median</i>			2,000	2,000	1.00	12.7	15.4	59	7.2	0.72
Canada											
	ECA		10.66	10,400	17,000	1.64	10.7	10.3	56	0.6	1.04
	IMO		28.93	7,400	9,400	1.27	8.5	10.6	63	1.5	0.80
	SU	B	31.36	52,300	68,500	1.31	8.5	11.1	85	3.0	0.76
	BIREF	B	5.00	1,400	1,900	1.42	6.8	11.6	32	1.1	0.59
	CVE		9.86	8,200	10,800	1.32	5.6	9.9	83	1.5	0.56
	<i>Total or Median</i>			80,000	108,000	1.32	8.5	10.6	63	1.5	0.76

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation, amort.
 Estimated Ebitda (cash flow) tied to NTM futures prices for oil and natural gas. NTM = Next Twelve Months ending 3/31/18.
 Estimated Present Value (PV) presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.00 a million btu.
 McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses. For historical research see www.mcdep.com



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Table 2											
McDep Energy Stocks											
Production Operating Leverage											
Ranked by McDep Ratio											
			Price		Oil	Operating					
			(US\$/sh)		Equiv.	Expense	Ebitda	Ebitda	Oper Lev		
	Symbol/Rating		1-May	Volume	Price	Fixed	Var.	NTM	NTM	Ebitda chg/	McDep
	B = Buy		2017	(mmboe)	(\$/boe)	(\$/boe)	(%)	(\$/boe)	(\$mm)	Price chg	Ratio
Global Integrated (excl. Downstream)											
	XOM		82.06	1,483	38.61	7	35	18.10	26,842	1.39	0.85
	CVX		105.92	837	37.64	8	22	21.40	17,917	1.37	0.83
	RDS-A	B	52.00	1,356	35.27	2	25	24.30	32,953	1.08	0.75
	TOT	B	51.11	924	36.97	0	40	22.00	20,324	1.00	0.65
	<i>Total or Median</i>									<i>1.23</i>	<i>0.79</i>
Large Independent											
	PXD		172.43	99	35.99	9	12	22.80	2,254	1.39	1.14
	EOG		92.03	217	33.72	10	6	21.60	4,688	1.46	1.07
	DEVN		39.31	162	24.96	9	3	15.20	2,469	1.59	0.91
	OXY		60.82	281	34.06	8	17	20.30	5,696	1.39	0.85
	MRO	B	14.82	147	29.50	13	9	13.80	2,022	1.94	0.82
	COP	B	47.48	566	31.34	6	25	17.50	9,898	1.34	0.77
	<i>Total or Median</i>									<i>1.43</i>	<i>0.88</i>
Small Independent											
	XEC		116.33	67	26.92	6	15	16.80	1,128	1.36	0.97
	CLR	B	41.78	27	31.95	3	14	24.50	669	1.12	0.81
	CRC		11.71	46	38.67	15	22	15.30	702	1.98	0.81
	WLL		8.54	47	33.92	9	16	19.50	924	1.46	0.66
	RRC	B	26.53	132	18.35	8	0	10.30	1,357	1.78	0.60
	<i>Total or Median</i>									<i>1.46</i>	<i>0.81</i>
Income											
	SJT		7.06	3	17.83	5	13	10.43	33	1.48	0.88
	PBT		9.58	1	33.20	10	2	22.52	34	1.44	0.87
	DMLP		17.25	2	30.58	7	9	20.70	42	1.34	0.72
	SBR	B	37.70	1	29.57	2	9	24.83	37	1.08	0.63
	CRT	B	15.95	0	35.56	8	10	24.09	11	1.33	0.55
	<i>Total or Median</i>									<i>1.34</i>	<i>0.72</i>
Canada (excl. Downstream)											
	ECA		10.66	119	26.31	11	8	13.31	1,587	1.83	1.04
	IMO		28.93	70	33.35	14	11	15.80	1,102	1.89	0.80
	SU	B	31.36	340	45.64	18	9	23.68	8,050	1.76	0.76
	BIREF	B	5.00	22	19.42	1	29	12.70	280	1.08	0.59
	CVE		9.86	114	28.38	11	1	17.13	1,951	1.64	0.56
	<i>Total or Median</i>									<i>1.76</i>	<i>0.76</i>
For historical research see www.mcdep.com											



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Table 3											
McDep Energy Stocks											
Net Present Value Per Share											
Ranked by Reserve Life (Adjustd Resrvs/Prod NTM)											
			<i>Price</i>					<i>Down-</i>	<i>Proven</i>	<i>Adjustd</i>	<i>Net</i>
	<i>Symbol/Rating</i>		<i>(US\$/sh)</i>	<i>Shares</i>	<i>Debt</i>	<i>Dividend</i>	<i>P/E</i>	<i>stream/</i>	<i>Undev.</i>	<i>Resrvs/</i>	<i>Present</i>
	<i>B = Buy</i>	<i>2017</i>		<i>(mm)</i>	<i>(\$mm)</i>	<i>(\$/sh)</i>	<i>NTM</i>	<i>PV</i>	<i>Resrvs</i>	<i>Prod</i>	<i>Value</i>
								<i>(%)</i>	<i>(%)</i>	<i>NTM</i>	<i>(US\$/sh)</i>
Global Integrated											
	Exxon Mobil Corporation	XOM	82.06	4,223	91,439	3.08	22	27	31	11.4	100.00
	Total S.A.	TOT B	51.11	2,457	55,616	2.70	11	23	42	9.3	90.00
	Chevron Corporation	CVX	105.92	1,895	69,941	4.32	26	19	32	9.3	135.00
	Royal Dutch Shell	RDS-A B	52.00	3,965	133,961	3.76	16	24	25	8.4	80.00
	<i>Median</i>									9.3	
Large Independent											
	Marathon Oil Corporation	MRO B	14.82	847	7,811	0.20		-	24	12.2	20.00
	ConocoPhillips	COP B	47.48	1,246	36,350	1.06		-	25	9.2	70.00
	Devon Energy Corporation	DVN	39.31	527	8,317	0.24	82	9	20	9.2	45.00
	Occidental Petroleum Corp.	OXY	60.82	764	12,700	3.04	65	9	23	8.9	75.00
	EOG Resources, Inc.	EOG	92.03	567	7,107	0.67	241	-	30	7.5	85.00
	Pioneer Natural Resources	PXD	172.43	170	1,900	0.08	69	-	7	7.1	150.00
	<i>Median</i>									9.0	
Small Independent											
	Range Resources	RRC B	26.53	245	4,345	0.08	21	-	44	11.9	56.00
	Continental Resources (32%)	CLR B	41.78	118	2,097	-		-	59	11.4	56.00
	California Resources	CRC	11.71	42	6,200	-		-	29	10.6	50.00
	Whiting Petroleum Corporation	WLL	8.54	363	3,517	-		-	53	9.6	18.00
	Cimarex Energy Company	XEC	116.33	95	1,321	0.32	31	-	21	6.4	120.00
	<i>Median</i>									10.6	
Income											
	Sabine Royalty Trust	SBR B	37.70	15	-	2.54	15	-	4	11.2	60.00
	San Juan Basin Royalty Trust	SJT	7.06	47	-	0.69	10	-	-	9.9	8.00
	Permian Basin RT	PBT	9.58	47	-	0.69	14	-	13	9.4	11.00
	Cross Timbers Royalty Trust	CRT B	15.95	6	-	1.55	10	-	-	7.5	29.00
	Dorchester Minerals, L.P.	DMLP	17.25	31	-	1.24	17	-	-	6.9	24.00
	<i>Median</i>									9.4	
Canada											
	Cenovus Energy Inc.	CVE	9.86	833	2,622	0.15		8	76	15.1	20.00
	Suncor Energy	SU B	31.36	1,667	16,234	0.94	21	15	44	15.2	44.00
	Birchcliff Energy Ltd.	BIREF B	5.00	269	560	0.05	18	-	69	13.1	10.00
	Imperial Oil Limited (30%)	IMO	28.93	255	1,992	0.44	14	36	23	10.1	38.00
	EnCana Corporation	ECA	10.66	973	6,629	0.06		-	43	5.2	10.00
	<i>Median</i>									13.1	

P/E = Stock Price to Earnings. For historical research see www.mcdep.com.



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Table 4										
McDep Energy Stocks										
Total Return Year-to-Date 2017										
Ranked by Unlevered Total Return										
			Price	Price	Price	Cash	Equity	Unlevered		
	Symbol/Rati		(\$/sh)	(\$/sh)	Change	Distrib.	Total	Debt	Return	McDep
			1-May	30-Dec	(%)	(%)	(%)	(\$/sh)	(%)	Ratio
			2017	2016	(%)	(%)	(%)	(%)	(%)	(%)
Global Integrated										
Total S.A.	TOT	B	51.11	50.97	0	1	2	23	1	0.65
Royal Dutch Shell	RDS-A	B	52.00	54.38	(4)	2	(3)	34	(2)	0.75
Chevron Corporation	CVX		105.92	117.70	(10)	1	(9)	37	(7)	0.83
Exxon Mobil Corporation	XOM		82.06	90.26	(9)	1	(8)	22	(7)	0.85
	<i>Median</i>				(7)		(5)		(4)	0.79
Large Independent										
ConocoPhillips	COP	B	47.48	50.14	(5)	1	(5)	29	(3)	0.77
Pioneer Natural Resources	PXD		172.43	180.00	(4)	0	(4)	11	(4)	1.14
EOG Resources, Inc.	EOG		92.03	101.10	(9)	0.2	(9)	13	(8)	1.07
Marathon Oil Corporation	MRO	B	14.82	17.31	(14)	0	(14)	9	(9)	0.82
Devon Energy Corporation	DVN		39.31	45.67	(14)	0	(14)	16	(10)	0.91
Occidental Petroleum Corp.	OXY		60.82	71.23	(15)	1	(14)	17	(11)	0.85
	<i>Median</i>				(11)		(11)		(9)	0.88
Small Independent										
California Resources	CRC		11.71	21.29	(45)	-	(45)	147	(6)	0.81
Cimarex Energy Company	XEC		116.33	135.90	(14)	0	(14)	14	(13)	0.97
Continental Resources (32%)	CLR	B	41.78	51.54	(19)	-	(19)	18	(14)	0.81
Range Resources	RRC	B	26.53	34.36	(23)	0	(23)	18	(15)	0.60
Whiting Petroleum Corporation	WLL		8.54	12.02	(29)	-	(29)	10	(16)	0.66
	<i>Median</i>				(23)		(23)		(14)	0.81
Income										
Permian Basin RT	PBT		9.58	7.71	24	2.7	27	-	27	0.87
San Juan Basin Royalty Trust	SJT		7.06	6.62	7	2.4	9	-	9	0.88
Sabine Royalty Trust	SBR	B	37.70	35.15	7	1.5	9	-	9	0.63
Dorchester Minerals, L.P.	DMLP		17.25	17.55	(2)	1.4	(0)	-	(0)	0.72
Cross Timbers Royalty Trust	CRT	B	15.95	17.97	(11)	1.3	(10)	-	(10)	0.55
	<i>Median</i>				7		9		9	0.72
Canada										
EnCana Corporation	ECA		10.66	11.74	(9)	0	(9)	7	(6)	1.04
Suncor Energy	SU	B	31.36	32.69	(4)	1	(3)	10	(3)	0.76
Imperial Oil Limited (30%)	IMO		28.93	34.76	(17)	0	(16)	8	(13)	0.80
Birchcliff Energy Ltd.	BIREF	B	5.00	7.01	(29)	0	(28)	2	(22)	0.59
Cenovus Energy Inc.	CVE		9.86	15.13	(35)	0	(35)	3	(29)	0.56
	<i>Median</i>				(17)		(16)		(13)	0.76
	<i>Grand Median</i>				(10)		(9)		(7)	0.81
Natural Gas (\$/mmbtu)			3.23	3.74	(14)					
Oil - West Texas Intermediate (\$/bbl)			48.74	53.72	(9)					
Total Stock Market - U.S.	VTI		122.93	115.32	7					
Developed Markets - ex US	VEA		40.28	36.54	10					
Emerging Markets	VVO		40.50	35.78	13					
Source: McDep LLC, Yahoo, CME Group, Bloomberg					For historical research see www.mcdep.com					



Independent Stock Idea

May 2, 2017

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