



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

April 8, 2011

Raise Range Resources NPV to \$60 from \$50 a Share

<i>Symbol</i>	RRC	<i>Ebitda Next Twelve Months ending 3/31/12 (US\$m)</i>	732
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	58
<i>Price (\$/sh)</i>	57.76	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	4/7/11	<i>Adjusted Reserves/Production NTM</i>	16.5
<i>Shares (mm)</i>	157	<i>EV/Ebitda</i>	15.6
<i>Market Capitalization (\$mm)</i>	9,070	<i>PV/Ebitda</i>	16.1
<i>Debt (\$mm)</i>	2,380	<i>Undeveloped Reserves (%)</i>	49
<i>Enterprise Value (EV) (\$mm)</i>	11,440	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	21.60
<i>Present Value (PV) (\$mm)</i>	11,800	<i>Present Value Proven Reserves(\$/boe)</i>	15.90
<i>Net Present Value (\$/share)</i>	60	<i>Oil and Gas Ebitda Margin (%)</i>	65
<i>Debt/Present Value</i>	0.20	<i>Earnings Next Twelve Months (US\$/sh)</i>	0.65
<i>McDep Ratio - EV/PV</i>	0.97	<i>Price/Earnings Next Twelve Months</i>	90
<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

We raise estimated Net Present Value (NPV) for the stock of buy-recommended **Range Resources (RRC)** to \$60 a share from \$50 to reflect more recognition of unproven natural gas resource potential yet to be developed in the Marcellus Shale. Though the increase can't be justified by currently proven reserves and normal upside, large cap global companies have made Marcellus deals with RRC competitors at values that appear to be as high, or higher, than in our NPV. Moreover, as the driller of the first horizontal well to commercialize the Marcellus Shale natural gas resource in Pennsylvania, RRC may have the premier position in the play, at least for its size. Initial doubts of the viability of shale gas appear to be diminishing with improving drilling economics. Finally, the likely impact of the Japanese nuclear accident is to nearly eliminate any remaining competitive appeal of electricity generated with the heat of nuclear reaction rather than the more economical and safer combustion of natural gas. Having learned how rewarding investment in producers with long-life mature natural gas resources has been over the decades, we see the possibility for RRC to become that type of investment in future years as it will be a long time before the Marcellus is fully exploited. Management's estimate of 30-50 trillion cubic feet of resource for the company point to the upside while a high unlevered cash flow multiple (EV/Ebitda) may be a limiting factor on how fast stock price reflects that upside (see tables Functional Cash and Present Value and table Next Twelve Months Operating and Financial Performance on page 2). We resolve those opposing forces with higher NPV that keeps RRC's McDep Ratio competitive in an industry context (see Tables 1-4 on pages 3-6).

Kurt H. Wulff, CFA



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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	428	17.1	19.9	8,500	72%
Oil	304	14.5	10.8	3,300	28%
	732	16.5	16.1	11,800	100%
Debt (US\$mm)					2,380
Net Present Value (US\$mm)					9,420
Shares (mm)					157
Net Present Value - Standard Estimate (US\$/sh)					60
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					51

Range Resources Corporation									
Next Twelve Months Operating and Financial Estimates									
	Q1	Q4	Year	Q1E	Q2E	Q3E	Q4E	Year	Next
	3/31/10	12/31/10	2010	3/31/11	6/30/11	9/30/11	12/31/11	2011E	Twelve
									Months
									3/31/12
Volume									
Natural Gas (mmcf)	375	410	389	447	377	411	448	421	431
Oil (mbd)	15.0	21.8	17.7	22.7	19.6	20.4	21.2	21.0	20.8
Total (mbd)	77	90	83	97	82	89	96	91	93
Price									
Henry Hub (\$/mmbtu)	5.32	3.80	4.40	4.11	4.42	4.59	4.83	4.49	4.60
Differential (\$/mmbtu)	0.47	0.70	0.64	0.76	0.81	0.32	0.34	0.55	0.42
Company (\$/mcf)	4.85	3.10	3.75	3.35	3.60	4.26	4.49	3.94	4.17
WTI Cushing (\$/bbl)	78.67	85.10	79.43	93.67	103.94	105.25	105.79	102.16	104.95
Differential	25.34	35.33	31.19	38.90	43.16	43.70	43.93	42.52	43.57
Company (\$/bbl)	53.33	49.76	48.23	54.78	60.78	61.55	61.86	59.64	61.38
Total (\$/bbl)	33.78	26.15	28.04	28.22	30.95	33.84	34.67	31.93	33.20
Revenue (\$mm)									
Natural Gas	164	117	533	135	124	161	185	605	658
Oil	72	100	312	112	109	116	121	457	468
Total	235	217	845	247	232	277	306	1,062	1,126
Expense									
Lease operating	31	36	131						-
Production taxes	8	9	34						-
General and administrative	20	28	119						-
Total	59	73	284	86	81	97	107	372	394
Ebitda	176	144	561	160	151	180	199	690	732
Exploration	13	16	58	16	16	16	16	64	64
Deprec., Deplet., & Amort.	89	92	364	92	92	92	92	368	368
Other	5	(46)	(129)					-	-
Ebit	69	82	267	52	43	72	91	258	300
Interest	30	36	131	36	36	36	36	144	144
Ebt	39	46	136	16	7	36	55	114	156
Income Tax	14	16	48	6	2	13	19	40	55
Net Income (\$mm)	26	30	89	11	5	23	36	74	101
Per Share (\$)	0.16	0.19	0.56	0.07	0.03	0.15	0.23	0.47	0.65
Shares (millions)	160	157	158	157	157	157	157	157	157
Ebitda Margin	75%	66%	66%	65%	65%	65%	65%	65%	65%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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Table ISC-1												
McDep Income and Small Cap Energy Portfolio												
Debt, Segments, Cash Flow, Income and McDep Ratio												
	Symbol/Rating	Price (US\$/sh)	EV/ Market	Enterprise Value (\$mm)	PV(%)		EV/ Ebitda	Dist. NTM	Dist. Yield	McDep		
	B = Buy CB (see below)	7-Apr 2011	Cap		Nat Gas	Oil	NTM	(\$/un)	(%)	Ratio		
Small Cap Independent Producers												
	Denbury Resources Inc.	DNR		24.62	1.34	13,310	12	88	9.0	-	-	1.09
	Petrohawk Energy Corporation	HK	B	24.11	1.47	10,680	87	13	10.8	-	-	1.00
	Whiting Petroleum Corporation	WLL		72.84	1.14	9,850	11	89	7.6	-	-	0.97
	Range Resources	RRC	B	57.76	1.26	11,450	72	28	15.6	0.16	0.3	0.97
	Cimarex Energy Company	XEC	B	116.02	1.07	10,600	45	55	7.5	0.30	0.3	0.97
	Berry Petroleum Company	BRY		52.06	1.47	4,050	24	76	8.7	0.30	0.6	0.96
	Peyto Exploration and Developmen	PEYUF		20.90	1.16	3,040	76	24	12.6	0.75	3.6	0.89
	Ultra Petroleum	UPL		49.76	1.19	9,140	92	8	11.5	-	-	0.85
	Birchcliff Energy Ltd.	BIREF	B	12.83	1.23	1,990	62	38	10.9	-	-	0.83
	<i>Total or Median</i>					74,100			10.8			0.97
Top Line Cash Payers												
	Freehold Royalties Ltd.	FRHLF		23.85	1.06	1,480	20	80		1.74	7.3	1.08
	Sabine Royalty Trust	SBR		63.04	1.00	920	38	62		4.64	7.4	1.07
	Cross Timbers Royalty Trust	CRT		46.92	1.00	280	75	25		3.03	6.4	1.04
	Permian Basin RT	PBT		22.16	1.00	1,030	31	69		1.79	8.1	1.01
	Dorchester Minerals, L.P.	DMLP	B	28.79	1.00	880	61	39		1.85	6.4	0.96
	<i>Total or Median</i>					4,600					7.3	1.04
Bottom Line Cash Payers												
	Linn Energy, LLC	LINE		39.18	1.42	8,260	36	64	15.4	2.64	6.7	1.25
	Vanguard Natural Resources, LLC	VNR		32.40	1.59	1,670	28	72	12.7	2.24	6.9	1.12
	Legacy Reserves L.P.	LGCY		32.28	1.30	1,680	13	87	10.9	2.10	6.5	1.11
	Hugoton Royalty Trust	HGT	B	23.77	1.00	950	89	11	15.0	1.36	5.7	1.08
	San Juan Basin Royalty Trust	SJT		27.02	1.00	1,260	100	-	15.3	1.50	5.6	1.08
	Encore Energy Partners, L.P.	ENP		23.79	1.23	1,320	18	82	9.8	1.80	7.6	1.03
	Pengrowth Energy Corporation	PGH		14.36	1.33	5,700	28	72	8.2	0.86	6.0	1.02
	Mesa Royalty Trust	MTR		49.20	1.00	92	75	25	11.6	3.56	7.2	0.93
	Enerplus Corporation	ERF		32.01	1.22	6,900	34	66	7.7	2.22	6.9	0.89
	<i>Total or Median</i>					27,800			11.6		6.7	1.08
Composite												
	<i>Enterprise Value Weighting</i>					106,500	47	53				0.99
	<i>Equal Weighting</i>						49	51				1.01
	<i>Equal Weighted Buys</i>						69	31				0.99

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.



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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		7-Apr 2011	(mm)				
Small Cap Independent Producers								
Denbury Resources Inc.	DNR		24.62	402.0	9,900	22.00	0.28	1.09
Petrohawk Energy Corporation	HK	B	24.11	302.0	7,280	24.00	0.32	1.00
Whiting Petroleum Corporation	WLL		72.84	119.0	8,670	75.00	0.12	0.97
Range Resources	RRC	B	57.76	157.0	9,070	60.00	0.20	0.97
Cimarex Energy Company	XEC	B	116.02	85.8	9,950	120.00	0.06	0.97
Berry Petroleum Company	BRV		52.06	52.8	2,750	55.00	0.31	0.96
Peyto Exploration and Development Cor	PEYUF		20.90	125.7	2,630	24.00	0.12	0.89
Ultra Petroleum	UPL		49.76	154.0	7,660	60.00	0.14	0.85
Birchcliff Energy Ltd.	BIREF	B	12.83	126.0	1,620	16.00	0.15	0.83
<i>Total or Median</i>					59,530		0.15	0.97
Top Line Cash Payers								
Freehold Royalties Ltd.	FRHLF		23.85	58.4	1,390	22.00	0.06	1.08
Sabine Royalty Trust	SBR		63.04	14.6	920	59.00	-	1.07
Cross Timbers Royalty Trust	CRT		46.92	6.0	280	45.00	-	1.04
Permian Basin RT	PBT		22.16	46.6	1,030	22.00	-	1.01
Dorchester Minerals, L.P.	DMLP	B	28.79	30.7	880	30.00	-	0.96
<i>Total or Median</i>					4,500			1.04
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		39.18	148.3	5,810	28.00	0.37	1.25
Vanguard Natural Resources, LLC	VNR		32.40	32.4	1,050	27.00	0.41	1.12
Legacy Reserves L.P.	LGCY		32.28	40.1	1,290	28.00	0.25	1.11
Hugoton Royalty Trust	HGT	B	23.77	40.0	950	22.00	-	1.08
San Juan Basin Royalty Trust	SJT		27.02	46.6	1,260	25.00	-	1.08
Encore Energy Partners, L.P.	ENP		23.79	45.0	1,070	23.00	0.19	1.03
Pengrowth Energy Corporation	PGH		14.36	299.0	4,290	14.00	0.25	1.02
Mesa Royalty Trust	MTR		49.20	1.9	92	53.00	-	0.93
Enerplus Corporation	ERF		32.01	178.0	5,700	37.00	0.16	0.89
<i>Total or Median</i>					21,510			1.08
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.								



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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		7-Apr 2011	Royalty (%)	Ebitda	NTM	NTM	NTM
Small Cap Independent Producers								
Range Resources	RRC	B	57.76		-	16.5	16.1	15.6
Peyto Exploration and Development Corp	PEYUF		20.90		0.44	19.7	14.2	12.6
Ultra Petroleum	UPL		49.76		-	27.1	13.5	11.5
Birchcliff Energy Ltd.	BIREF	B	12.83		-	20.2	13.1	10.9
Petrohawk Energy Corporation	HK	B	24.11		-	8.2	10.8	10.8
Denbury Resources Inc.	DNR		24.62		-	13.1	8.3	9.0
Berry Petroleum Company	BRY		52.06		-	11.9	9.1	8.7
Whiting Petroleum Corporation	WLL		72.84		-	10.7	7.8	7.6
Cimarex Energy Company	XEC	B	116.02		-	7.3	7.8	7.5
	<i>Median</i>					<i>13.1</i>	<i>10.8</i>	<i>10.8</i>
Top Line Cash Payers								
Cross Timbers Royalty Trust	CRT		46.92	80	0.97	13.7	14.4	15.0
Sabine Royalty Trust	SBR		63.04	100	1.00	7.7	12.7	13.6
Dorchester Minerals, L.P.	DMLP	B	28.79	77	0.87	7.6	14.0	13.5
Permian Basin RT	PBT		22.16	32	0.96	13.2	11.8	11.9
Freehold Royalties Ltd.	FRHLF		23.85	71	0.79	8.1	9.9	10.7
	<i>Median</i>					<i>8.1</i>	<i>12.7</i>	<i>13.5</i>
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		39.18		1.16	19.0	12.3	15.4
San Juan Basin Royalty Trust	SJT		27.02		0.85	9.1	14.1	15.3
Hugoton RoyaltyTrust	HGT	B	23.77		0.86	13.3	13.9	15.0
Vanguard Natural Resources, LLC	VNR		32.40		0.95	13.1	11.4	12.7
Mesa RoyaltyTrust	MTR		49.20		0.84	8.8	12.4	11.6
Legacy Reserves L.P.	LGCY		32.28		0.74	11.9	9.8	10.9
Encore Energy Partners, L.P.	ENP		23.79		0.74	13.0	9.5	9.8
Pengrowth Energy Corporation	PGH		14.36		0.49	9.0	8.0	8.2
Enerplus Corporation	ERF		32.01		0.52	8.4	8.7	7.7
	<i>Median</i>					<i>11.9</i>	<i>11.4</i>	<i>11.6</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).								



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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		7-Apr 2011	52Wk High	52Wk Low	50 Day Avg.	200 Day Avg.	McDep Ratio	
Small Cap Independent Producers									
	Cimarex Energy Company	XEC	B	116.02	0.98	1.87	1.05	1.33	0.97
	Whiting Petroleum Corporation	WLL		72.84	0.96	1.82	1.10	1.30	0.97
	Range Resources	RRC	B	57.76	0.97	1.54	1.09	1.26	0.97
	Berry Petroleum Company	BRY		52.06	0.99	1.57	1.06	1.23	0.96
	Denbury Resources Inc.	DNR		24.62	0.96	1.47	1.06	1.23	1.09
	Birchcliff Energy Ltd.	BIREF	B	12.83	0.98	1.49	1.07	1.22	0.83
	Peyto Exploration and Development C	PEYUF		20.90	0.97	1.69	1.05	1.20	0.89
	Petrohawk Energy Corporation	HK	B	24.11	0.97	1.41	1.08	1.19	1.00
	Ultra Petroleum	UPL		49.76	0.94	1.27	1.06	1.09	0.85
	<i>Median</i>				<i>0.97</i>	<i>1.54</i>	<i>1.06</i>	<i>1.23</i>	<i>0.97</i>
Top Line Cash Payers									
	Freehold Royalties Ltd.	FRHLF		23.85	1.00	1.59	1.06	1.24	1.08
	Cross Timbers Royalty Trust	CRT		46.92	0.97	1.52	1.02	1.18	1.04
	Sabine Royalty Trust	SBR		63.04	0.97	1.48	1.01	1.11	1.07
	Dorchester Minerals, L.P.	DMLP	B	28.79	0.96	1.28	1.04	1.08	0.96
	Permian Basin RT	PBT		22.16	0.93	1.54	1.04	1.07	1.01
	<i>Median</i>				<i>0.97</i>	<i>1.52</i>	<i>1.04</i>	<i>1.11</i>	<i>1.04</i>
Bottom Line Cash Payers									
	Pengrowth Energy Corporation	PGH		14.36	0.99	2.14	1.07	1.16	1.02
	Hugoton RoyaltyTrust	HGT	B	23.77	0.96	1.41	1.08	1.15	1.08
	Legacy Reserves L.P.	LGCY		32.28	0.99	1.53	1.05	1.15	1.11
	Enerplus Corporation	ERF		32.01	0.97	1.88	1.01	1.13	0.89
	Encore Energy Partners, L.P.	ENP		23.79	1.00	1.96	1.03	1.13	1.03
	Vanguard Natural Resources, LLC	VNR		32.40	0.98	1.43	1.02	1.11	1.12
	San Juan Basin Royalty Trust	SJT		27.02	0.95	1.30	1.07	1.10	1.08
	Linn Energy, LLC	LINE		39.18	0.99	1.91	1.01	1.10	1.25
	Mesa RoyaltyTrust	MTR		49.20	0.91	1.21	1.04	1.05	0.93
	<i>Median</i>				<i>0.98</i>	<i>1.53</i>	<i>1.04</i>	<i>1.13</i>	<i>1.08</i>

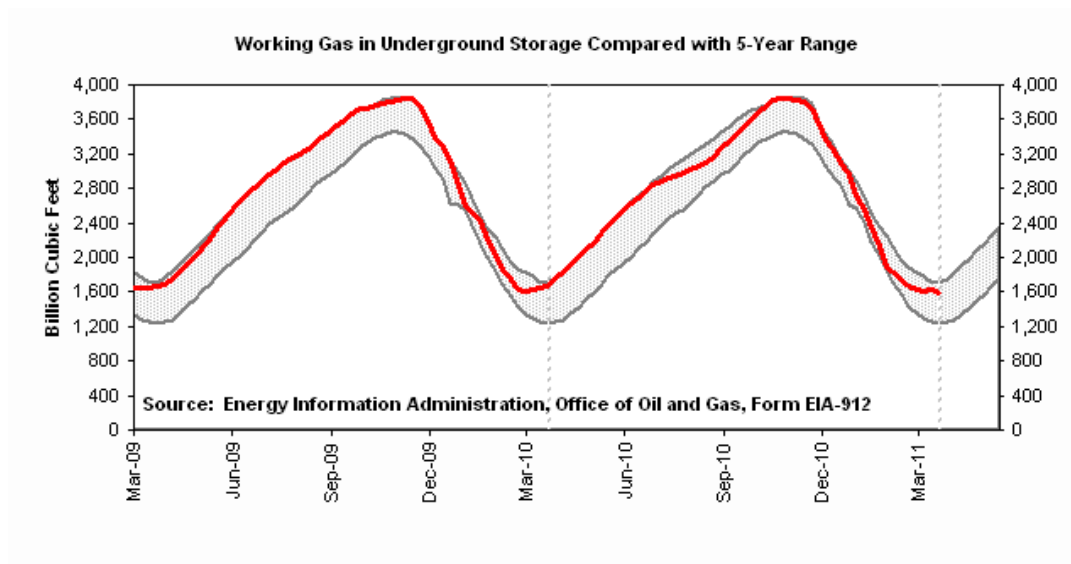
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