



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 21, 2013

Range Resources (RRC)

Superlatives

<i>Symbol</i>	RRC	<i>Ebitda Next Twelve Months ending 6/30/14 (US\$m)</i>	1,188
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	63
<i>Price (\$/sh)</i>	77.52	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	6/20/13	<i>Adjusted Reserves/Production NTM</i>	13.6
<i>Shares (mm)</i>	161	<i>EV/Ebitda</i>	13.5
<i>Market Capitalization (\$mm)</i>	12,500	<i>PV/Ebitda</i>	15.2
<i>Debt (\$mm)</i>	3,600	<i>Undeveloped Reserves (%)</i>	47
<i>Enterprise Value (EV) (\$mm)</i>	16,100	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	19.50
<i>Present Value (PV) (\$mm)</i>	18,100	<i>Present Value Proven Reserves(\$/boe)</i>	16.70
<i>Net Present Value (\$/share)</i>	90	<i>Oil and Gas Ebitda Margin (%)</i>	62
<i>Debt/Present Value</i>	0.20	<i>Earnings Next Twelve Months (US\$/sh)</i>	1.61
<i>McDep Ratio - EV/PV</i>	0.89	<i>Price/Earnings Next Twelve Months</i>	48
<i>Dividend Yield (%/year)</i>	0.2	<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.

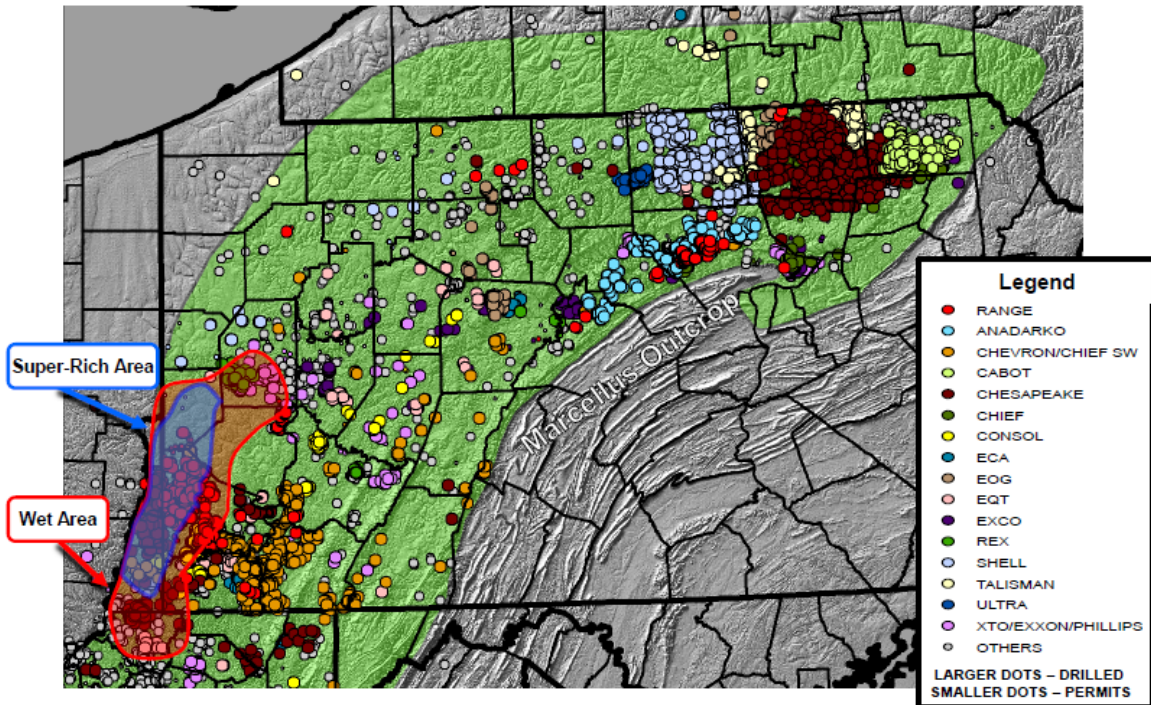
Estimated present value presumes a long-term price for oil of US\$100 a barrel and natural gas, \$6 a million btu.

Summary and Recommendation

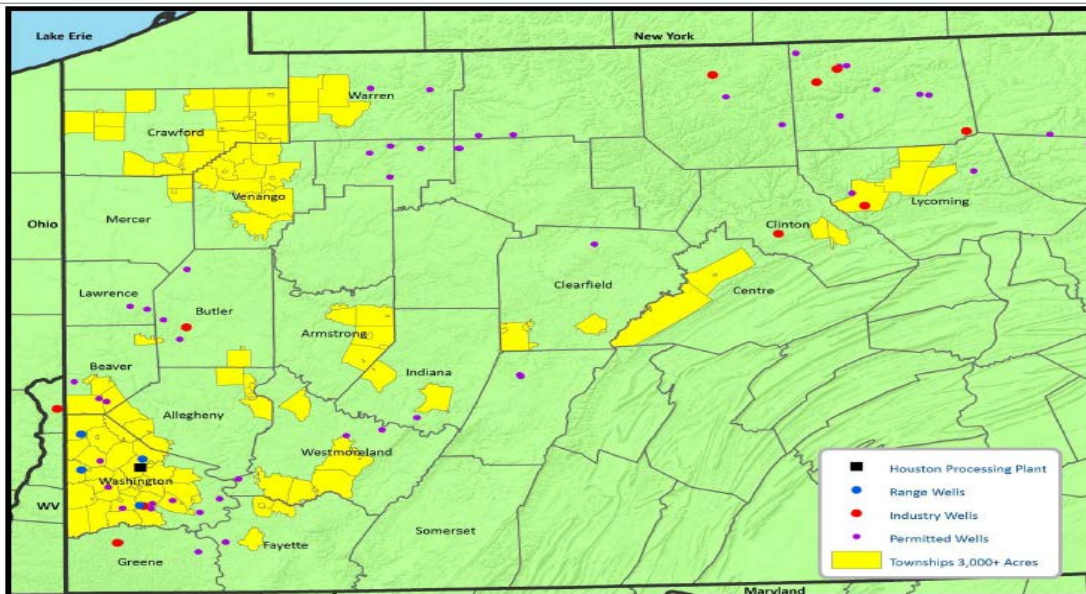
Well-earned superlatives suggest further gains ahead for Buy-recommended **Range Resources (RRC)**, the discoverer of the Marcellus Shale natural gas field in 2004, now the largest in the U.S. at 15% of national production (see slide [Shale Wells](#) on page 2). Upon achieving a 30% gain in the first quarter over the previous year, management boosted its long-term volume growth expectation to 20-25% a year, a rate that would result in a doubling every three to four years. There is probably room for RRC to increase its share of field production from its current 7% because the company's leases in liquids-rich Southwest Pennsylvania are among the most profitable. Just 6% of potential well locations are producing today. In another formation, activity is still in the early stages in the Upper Devonian that overlays the Marcellus and offers similar promise (see slide [Upper Devonian](#) on page 2). Nearby to the northwest on a third play, Range's first well demonstrates that the Wet Gas Utica trend in Ohio extends to the company's acreage in Pennsylvania (see slide [Wet Utica](#) on page 3). Pennsylvania contributes most to unproven resource potential throughout the company that may be 7-10 times proven reserves. In other words, the unusual upside for a shale pioneer appears more than enough to justify buy interest in Range stock. Though stock price may be approaching estimated Net Present Value (NPV) of \$90 a share, we may see upward revisions with unfolding growth (see tables [Present Value](#), [Operating and Financial Estimates](#), [ISC-1](#) to [ISC-4](#)) on pages 3-8).

Kurt H. Wulff, CFA

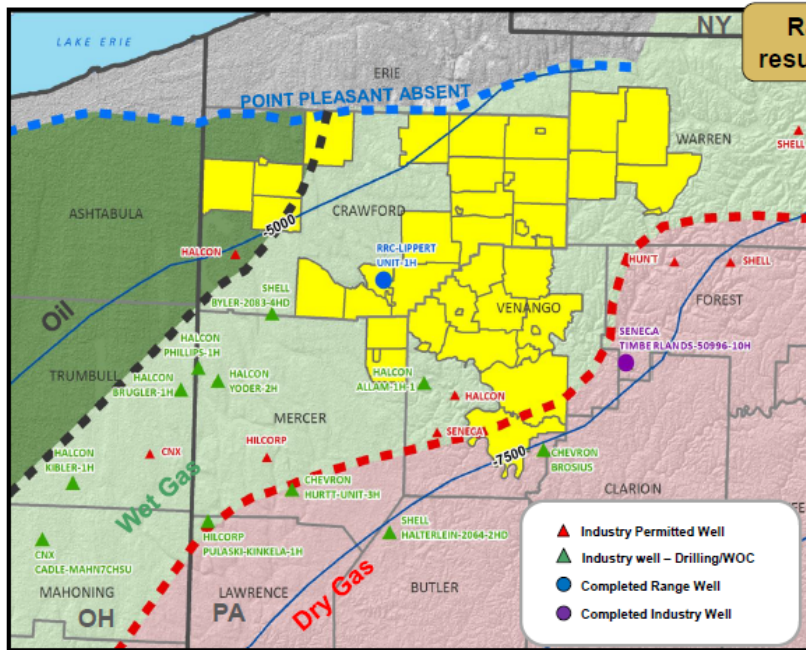
Shale Wells Drilled and Permitted



Industry Well Activity in the Upper Devonian is Increasing



Northwest PA – Wet Utica/Point Pleasant



Range Lippert Unit 1H test results for Utica/Point Pleasant

- Net Utica/Point Pleasant Thickness = 285 feet at a depth of approx. 7,000 ft
- Gas Btu of 1200 to 1250 with 63 gravity condensate
- Reservoir pressure gradient of approx. 0.55 psi/ft
- Initial flow test of 1.4 Mmcf/d
- Well not effectively stimulated. Will spud a second test

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



48

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	747	12.6	16.9	12,600	70%
Oil	441	17.3	12.4	5,490	30%
	1,188	13.6	15.2	18,090	100%
Debt (US\$mm)					3,600
Net Present Value (US\$mm)					14,490
Shares (mm)					161
Net Present Value - Standard Estimate (US\$/sh)					90
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					74



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 21, 2013

Range Resources Corporation										
Next Twelve Months Operating and Financial Estimates										
	Q2	Year	Q1	Q2E	Q3E	Q4E	Year	Q1E	Q2E	Next
	6/30/12	2012	3/31/13	6/30/13	9/30/13	12/31/13	2013E	3/31/14	6/30/14	Twelve
										Months
										6/30/14
Volume										
Natural Gas (mmcf/d)	575	592	689	714	740	766	727	794	822	780
Oil (mbd)	24.1	26.8	31.1	32.7	34.3	36.0	33.6	37.8	39.7	37.0
Total (mb)	10.9	46	13.1	13.8	14.5	15.1	56	15.3	16.1	61
Total (mmcf/d)	720	752	876	910	945	982	929	1,021	1,061	1,002
Price										
Henry Hub (\$/mmbtu)	2.21	2.79	3.34	4.10	3.90	4.01	3.84	4.19	4.00	4.03
Differential (\$/mmbtu)	0.08	(0.04)	(0.16)	(0.20)	(0.19)	(0.20)	(0.20)	(0.21)	(0.20)	(0.20)
Company (\$/mcf)	2.13	2.83	3.50	4.30	4.09	4.21	4.03	4.39	4.20	4.22
WTI Cushing (\$/bbl)	93.32	94.16	94.41	94.53	98.00	97.36	96.07	95.65	94.16	96.29
Differential	44.02	42.95	42.79	42.85	44.42	44.13	43.50	43.35	42.68	43.68
Company (\$/bbl)	49.30	51.21	51.62	51.69	53.58	53.23	52.58	52.30	51.48	52.61
Total (\$/bbl)	20.12	24.29	27.53	31.37	30.87	31.41	30.36	32.13	31.11	31.38
Revenue (\$mm)										
Natural Gas	111	612	217	279	278	297	1,071	314	314	1,203
Oil	108	503	145	154	169	176	644	178	186	710
Total	220	1,115	362	433	448	473	1,715	492	500	1,913
Expense										
Transportation	45	193	62							
Production	37	156	40							
General and administrative	31	134	35							
Total	113	483	137	164	170	179	650	186	190	725
Ebitda	107	632	225	269	278	294	1,066	306	311	1,188
Exploration	60	114	16	16	16	16	64	16	16	64
Deprec., Deplet., & Amort.	109	445	115	122	128	133	497	135	142	538
Other	(132)	(323)	(30)	(9)	(4)	3	(40)	9	12	20
Ebit	70	395	124	140	138	142	544	146	141	567
Interest	43	169	42	42	42	42	168	42	42	168
Ebt	27	226	82	98	96	100	376	104	99	399
Income Tax	9	79	29	34	34	35	132	36	35	140
Net Income (\$mm)	18	147	53	64	63	65	244	67	65	259
Per Share (\$)	0.11	0.92	0.33	0.40	0.39	0.40	1.52	0.42	0.40	1.61
Shares (millions)	160	160	161	161	161	161	161	161	161	161
Ebitda Margin	49%	57%	62%	62%	62%	62%	62%	62%	62%	62%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 21, 2013

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	20-Jun	Market	Value	Nat	Ebitda	NTM	Yield	McDep			
CB (see below)	2013	Cap	(\$mm)	Gas	Oil	NTM	(\$/un)	(%)	Ratio		
Small Cap Independent Producers											
PDC Energy	PDCE		52.11	1.49	2,410	26	74	11.2	-	-	1.03
Range Resources	RRC	B	77.52	1.29	16,080	70	30	13.5	0.16	0.2	0.89
Peyto Exploration and Development Corp	PEYUF		28.82	1.18	5,070	68	32	9.5	0.81	2.8	0.85
Halcón Resources	HK		5.58	2.24	5,230	8	92	6.7	-	-	0.84
Continental Resources (32%)	CLR	B	84.50	1.27	6,330	18	82	6.2	-	-	0.81
Birchcliff Energy Ltd.	BIREF	B	8.00	1.41	1,850	68	32	9.1	-	-	0.74
Berry Petroleum Company	BRY		42.91	1.77	4,200	12	88	6.5	0.32	0.7	0.74
Denbury Resources Inc.	DNR		17.38	1.53	9,890	5	95	5.9	-	-	0.71
Cimarex Energy Company	XEC	B	66.94	1.24	7,210	40	60	5.1	0.56	0.8	0.66
Whiting Petroleum Corporation	WLL	CB	46.21	1.47	8,070	7	93	4.0	-	-	0.62
<i>Total or Median</i>				1.44	66,300	22	78	6.6			0.77
Leveraged Cash Payers											
Vanguard Natural Resources, LLC	VNR		27.49	1.60	2,840	37	63	10.7	2.46	8.9	1.06
Linn Energy, LLC	LINE		33.31	1.80	13,980	42	58	12.4	2.90	8.7	1.06
Legacy Reserves L.P.	LGCY		25.92	1.63	2,410	19	81	9.8	2.30	8.9	0.91
Enerplus Corporation	ERF		14.53	1.62	4,600	31	69	6.2	1.04	7.2	0.78
<i>Total or Median</i>				1.62	23,800	34	66	10.3		8.8	0.99
RTF Cash Payers											
Freehold Royalties Ltd.	FRHLF		22.46	TL	1,570	15	85	12.7	1.62	7.2	0.98
Dorchester Minerals, L.P.	DMLP	B	23.77	TL	730	61	39	13.4	1.68	7.1	0.88
Enduro Royalty Trust (40%)	NDRO		15.95	BL	210	41	59	8.5	1.50	9.4	0.84
Sabine Royalty Trust	SBR		50.82	TL	740	45	55	11.9	4.27	8.4	0.78
Hugoton Royalty Trust	HGT		9.05	BL	360	85	15	8.3	0.97	10.8	0.75
San Juan Basin Royalty Trust	SJT	B	15.40	BL	720	100	-	10.3	0.96	6.2	0.73
Mesa Royalty Trust	MTR		21.82	BL	41	75	25	8.8	2.05	9.4	0.69
Permian Basin RT	PBT		12.96	TL	600	16	84	8.6	0.85	6.6	0.65
Cross Timbers Royalty Trust	CRT		25.62	TL	150	80	20	10.4	2.22	8.6	0.58
<i>Total or Median</i>					5,100	61	39	10.3		8.4	0.75
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 June 30, 2014. Enterprise Value = Market Cap and Debt.											
TL = Top Line income sources, BL = Bottom Line income sources											



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

June 21, 2013

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		20-Jun 2013	(mm)				
Small Cap Independent Producers								
PDC Energy	PDCE		52.11	31.0	1,620	50.00	0.34	1.03
Range Resources	RRC	B	77.52	161.0	12,480	90.00	0.20	0.89
Peyto Exploration and Development Corp.	PEYUF		28.82	149.0	4,290	35.00	0.13	0.85
Halcón Resources	HK		5.58	420.0	2,340	8.00	0.46	0.84
Continental Resources (32%)	CLR	B	84.50	59.2	5,000	110.00	0.17	0.81
Birchcliff Energy Ltd.	BIREF	B	8.00	164.0	1,310	12.00	0.21	0.74
Berry Petroleum Company	BRY		42.91	55.3	2,370	70.00	0.32	0.74
Denbury Resources Inc.	DNR		17.38	373.0	6,480	28.00	0.25	0.71
Cimarex Energy Company	XEC	B	66.94	86.6	5,800	110.00	0.13	0.66
Whiting Petroleum Corporation	WLL	CB	46.21	119.0	5,500	88.00	0.20	0.62
<i>Total or Median</i>					47,190		0.21	0.77
Leveraged Cash Payers								
Vanguard Natural Resources, LLC	VNR		27.49	64.8	1,780	25.00	0.40	1.06
Linn Energy, LLC	LINE		33.31	233.0	7,760	30.00	0.47	1.06
Legacy Reserves L.P.	LGCY		25.92	57.1	1,480	30.00	0.35	0.91
Enerplus Corporation	ERF		14.53	196.0	2,850	21.00	0.30	0.78
<i>Total or Median</i>					13,870		0.37	0.99
RTF Cash Payers								
Freehold Royalties Ltd.	FRHLF		22.46	66.5	1,490	23.00	0.05	0.98
Dorchester Minerals, L.P.	DMLP	B	23.77	30.7	730	27.00	-	0.88
Enduro Royalty Trust (40%)	NDRO		15.95	13.2	210	19.00	-	0.84
Sabine Royalty Trust	SBR		50.82	14.6	740	65.00	-	0.78
Hugoton Royalty Trust	HGT		9.05	40.0	360	12.00	-	0.75
San Juan Basin Royalty Trust	SJT	B	15.40	46.6	720	21.00	-	0.73
Mesa Royalty Trust	MTR		21.82	1.9	41	32.00	-	0.69
Permian Basin RT	PBT		12.96	46.6	600	20.00	-	0.65
Cross Timbers Royalty Trust	CRT		25.62	6.0	150	44.00	-	0.58
<i>Total or Median</i>					5,040			0.75
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

June 21, 2013

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		20-Jun 2013	Royalty (%)	Ebitda	NTM	NTM	NTM
Small Cap Independent Producers								
Range Resources	RRC	B	77.52		-	13.6	15.2	13.5
PDC Energy	PDCE		52.11		-	15.0	10.8	11.2
Peyto Exploration and Development Corp	PEYUF		28.82		0.26	9.3	11.2	9.5
Birchcliff Energy Ltd.	BIREF	B	8.00		-	18.8	12.3	9.1
Halcón Resources	HK		5.58		-	5.0	8.0	6.7
Berry Petroleum Company	BRY		42.91		-	12.1	8.8	6.5
Continental Resources (32%)	CLR	B	84.50		-	9.8	7.7	6.2
Denbury Resources Inc.	DNR		17.38		-	13.9	8.3	5.9
Cimarex Energy Company	XEC	B	66.94		-	7.6	7.8	5.1
Whiting Petroleum Corporation	WLL	CB	46.21		-	8.4	6.5	4.0
	<i>Median</i>					10.9	8.5	6.6
Leveraged Cash Payers								
Linn Energy, LLC	LINE		33.31		1.13	14.0	11.7	12.4
Vanguard Natural Resources, LLC	VNR		27.49		0.99	11.0	10.1	10.7
Legacy Reserves L.P.	LGCY		25.92		0.83	11.0	10.8	9.8
Enerplus Corporation	ERF		14.53		0.39	6.5	7.9	6.2
	<i>Median</i>					11.0	10.4	10.3
RTF Cash Payers								
Dorchester Minerals, L.P.	DMLP	B	23.77	77	0.94	7.0	15.2	13.4
Freehold Royalties Ltd.	FRHLF		22.46	88	0.91	4.9	13.0	12.7
Sabine Royalty Trust	SBR		50.82	100	1.00	8.9	15.2	11.9
Cross Timbers Royalty Trust	CRT		25.62	97	0.90	13.0	17.8	10.4
San Juan Basin Royalty Trust	SJT	B	15.40		0.64	10.2	14.0	10.3
Mesa RoyaltyTrust	MTR		21.82		0.82	5.2	12.8	8.8
Permian Basin RT	PBT		12.96	40	0.57	12.7	13.3	8.6
Enduro Royalty Trust (40%)	NDRO		15.95		0.80	6.1	10.2	8.5
Hugoton RoyaltyTrust	HGT		9.05		0.89	13.0	11.0	8.3
	<i>Median</i>					8.9	13.3	10.3
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, 2014; 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

June 21, 2013

Table ISC-4									
McDep Income and Small Cap Energy Portfolio									
Total Return and Enterprise Value Momentum									
			Price (\$/sh)	Equity Total	Enterprise Value/				
	Symbol/ Rating		20-Jun 2013	Return YTD (%)	52Wk High	52Wk Low	50 Day Avg.	200 Day Avg.	McDep Ratio
Small Cap Independent Producers									
PDC Energy	PDCE		52.11	57	0.96	1.73	1.06	1.19	1.03
Peyto Exploration and Development C	PEYUF		28.82	25	0.92	1.54	0.99	1.11	0.85
Range Resources	RRC	B	77.52	24	0.95	1.27	1.02	1.07	0.89
Continental Resources (32%)	CLR	B	84.50	15	0.92	1.28	1.02	1.05	0.81
Berry Petroleum Company	BRY		42.91	28	0.93	1.20	0.96	1.04	0.74
Birchcliff Energy Ltd.	BIREF	B	8.00	6	0.93	1.37	0.99	1.03	0.74
Cimarex Energy Company	XEC	B	66.94	16	0.87	1.33	0.95	1.02	0.66
Denbury Resources Inc.	DNR		17.38	7	0.92	1.19	0.97	1.01	0.71
Whiting Petroleum Corporation	WLL	CB	46.21	7	0.89	1.18	1.00	0.99	0.62
Halcón Resources	HK		5.58	(19)	0.69	1.16	0.96	0.91	0.84
	<i>Median</i>			16	0.92	1.27	0.99	1.03	0.77
Leveraged Cash Payers									
Enerplus Corporation	ERF		14.53	16	0.89	1.16	0.99	1.00	0.78
Legacy Reserves L.P.	LGCY		25.92	14	0.91	1.09	0.97	0.99	0.91
Vanguard Natural Resources, LLC	VNR		27.49	10	0.94	1.08	0.98	0.98	1.06
Linn Energy, LLC	LINE		33.31	(2)	0.87	1.08	0.96	0.93	1.06
	<i>Median</i>			12	0.90	1.09	0.97	0.98	0.99
RTF Cash Payers									
Hugoton RoyaltyTrust	HGT		9.05	29	0.91	1.58	0.99	1.13	0.75
Sabine Royalty Trust	SBR		50.82	33	0.91	1.31	0.98	1.05	0.78
Dorchester Minerals, L.P.	DMLP	B	23.77	22	0.93	1.19	0.98	1.05	0.88
San Juan Basin Royalty Trust	SJT	B	15.40	16	0.86	1.25	0.99	1.04	0.73
Freehold Royalties Ltd.	FRHLF		22.46	5	0.92	1.31	0.96	1.02	0.98
Permian Basin RT	PBT		12.96	8	0.67	1.08	1.00	0.96	0.65
Enduro Royalty Trust (40%)	NDRO		15.95	(2)	0.81	1.06	0.98	0.94	0.84
Mesa RoyaltyTrust	MTR		21.82	17	0.62	1.17	0.91	0.93	0.69
Cross Timbers Royalty Trust	CRT		25.62	(2)	0.64	1.09	0.90	0.89	0.58
	<i>Median</i>			16	0.86	1.19	0.98	1.02	0.75

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

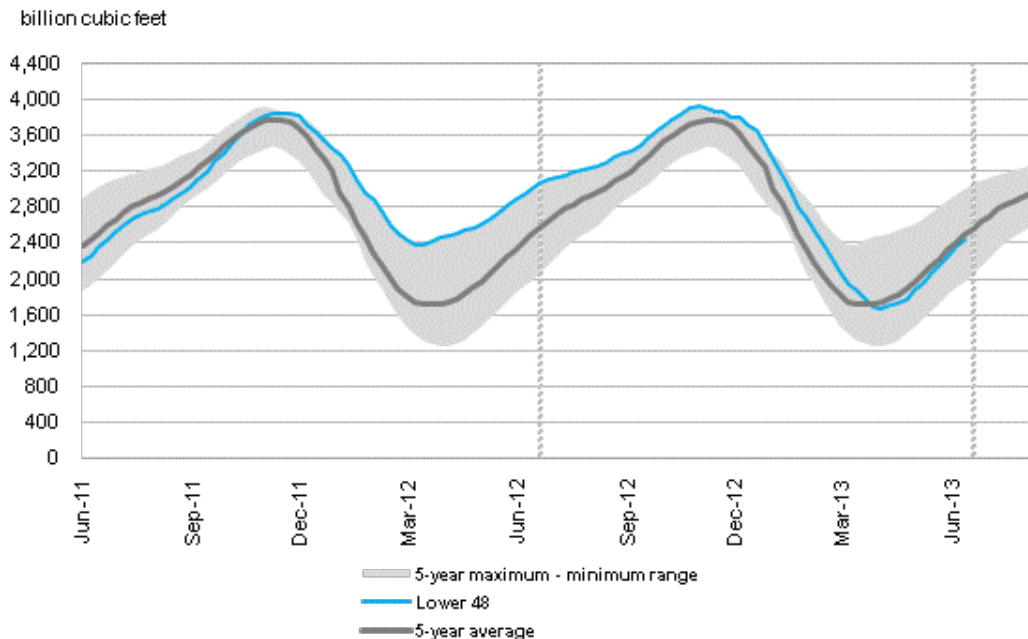


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June 21, 2013

Working gas in underground storage compared with the 5-year maximum and minimum



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