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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark one)

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Commission File Number 0-9592

RANGE RESOURCES CORPORATION

(Exact name of registrant as specified in its charter)

{x} ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED) For the fiscal year ended December 31, 1999

For the fiscal year ended December 31, 1999

{ } TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

{ } For the transaction period from _______ to _______

Registrant's telephone number, including area code:

(817) 870-2601

Securities registered pursuant to Section 12(b) of the Act:

None

Common Stock, $.01 par value

(Title of class)

Delaware (State of incorporation)	**34-1312571** (I.R.S. Employer Identification No.)
500 Throckmorton Street, Ft. Worth, Texas (Address of principal executive offices)	**76102** (Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such

filing requirements for the past 90 days. Yes __X__ No____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. {X}

The aggregate market value of voting stock of the registrant held by non-affiliates (excluding voting shares held by officers and directors) was $75.6 million on March 13, 2000.
Indicate the number of shares outstanding of each of the registrant's classes of stock on March 13, 2000: Common Stock $.01 par value: 39,847,179; Preferred Stock $1 par value: 1,025,140.

DOCUMENTS INCORPORATED BY REFERENCE:

Part III of this report incorporates by reference the Proxy Statement relating to the Registrant's 2000

Annual Meeting of Stockholders.

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RANGE RESOURCES CORPORATION

Annual Report on Form 10-K

Year Ended December 31, 1999

PART I

ITEM 1. BUSINESS

General

Range Resources Corporation ("Range") is engaged in the acquisition, development and financing of oil and gas properties primarily in the Southwest (Permian and Midcontinent), Gulf Coast and Appalachian regions of the United States. The Company seeks to build value primarily through lower-risk development drilling and acquisitions while to a lesser degree pursuing higher risk exploitation and exploration projects on its extensive inventory of undeveloped acreage. Through its wholly owned subsidiary, Independent Producer Finance ("IPF"), the Company also provides financing to small oil and gas producers by purchasing term overriding royalty interests in their properties. The Company concentrates its activities in geographic areas in which it seeks to establish operating, engineering, geological, land and acquisition expertise. At December 31, 1999, the Company had 616.7 Bcfe of proved reserves, having a pre-tax present value of $555.6 million at constant prices of $23.48 per barrel and $2.34 per Mcf. On volumetric basis, the reserves were 72% natural gas and 80% operated by the Company. As of December 31, 1999, the Company's properties had a reserve life index of over 11 years.

Due to the adverse impact of two sizeable acquisitions consummated in 1997 and 1998, the Company has been forced to retrench over the past 18 months. Subsequent to these purchases, production has fallen and further development of each property has generally proved disappointing. In combination with the steep fall in oil and gas prices between late 1997 and early 1999, the substantial debt incurred by the Company in the acquisition transactions and the decline in stock prices of independent oil companies during the same period, the impact on the Company's results, balance sheet and market value has been severe. Sharp reductions in staff and capital budgets, a series of divestitures, the formation of the Great Lakes joint venture, the write-off of a significant portion of the book value of the Company's properties and the exchange of common equity for some of the Company's convertible securities have stabilized the situation. The Company has set an internally funded capital budget for the coming year designed to provide modest production growth while permitting excess cash flow to reduce the Company's debt. However, additional progress, particularly in reducing debt and associated fixed charges, will be necessary before the Company is in the position to return to its historical posture of consistent profitability and growth.

In September 1999, Range and FirstEnergy Corp. ("FirstEnergy") contributed their Appalachian oil and gas properties and associated gas pipeline systems to a joint venture, Great Lakes Energy Partners L.L.C. ("Great Lakes"). To achieve equal ownership in the venture, Range contributed $188.3 million of indebtedness and FirstEnergy contributed $2.0 million of cash. Great Lakes expects to increase its production and reserves through development of existing fields, exploitation of deeper formations underlying its properties and the pursuit of acquisition opportunities in Appalachia.

Description of the Business

Strategy

The Company primarily pursues lower risk development drilling and acquisitions while, to a lesser degree, engages in higher risk exploitation and exploration of its properties. Over the past ten years, total assets have grown from $6 million to $752 million at year end 1999. During this same period of time, stockholders' equity increased from $1 million to $127 million. In 1997 through 1999, the Company incurred losses totaling $206 million, which materially reduced total assets and stockholders' equity. In 2000, the

Company's goal is to reduce debt as a percentage of capitalization by cutting costs, selling non-strategic assets and limiting exploration and development expenditures. The Company currently expects to use any proceeds from asset sales to reduce outstanding bank debt. While the current 2000 capital budget is anticipated to provide modest growth in production, management believes that the cost reductions, the sale of assets, and the capital restructuring should position Range to pursue growth initiatives in 2001.

The Company currently has over 2,100 proven recompletion and development drilling projects in inventory. Given the recent rebound in oil and gas prices and its extensive inventory of development projects, the Company believes it can achieve growth in reserves, production, cash flow and earnings over the next several years if it can reduce its debt burden. The Company currently anticipates spending approximately $45.0 million during 2000 on development and exploration activities. The Company's leasehold position currently approximates 1.8 million gross acres (0.9 million net), providing significant long-term development and exploration potential.

To effectively implement its operating strategy, the Company has concentrated its activities in selected geographic areas. In these areas, the Company has established separate business units, each with operating, engineering, geological, land and acquisition expertise. The Company believes this focus provides a competitive advantage in sourcing and evaluating new opportunities, as well as providing economies of scale in operating and developing existing properties.

Development. The Company's development activities include recompletions of existing wells, infill drilling and installation of secondary recovery projects. Development prospects are generated within core areas where the Company has significant operational and technical experience. At December 31, 1999, 1,750 proven undeveloped locations and 376 recompletion opportunities were in inventory. The Company currently plans to perform 56 recompletions and drill 177 development wells in 2000.

Exploration. Beginning in 1996, the Company began to explore on or near its existing properties. Range currently has domestic onshore exploration projects covering 573,500 gross (110,100 net) acres. The Company's onshore exploration program targets deeper horizons within existing fields, as well as establishing new fields in trend areas in which its technical staff has experience. Range's offshore exploration program focuses on the shallow waters of the Gulf of Mexico where it holds 3D seismic data covering 3.5 million contiguous acres. Range has offshore leases covering 50,500 gross acres on which it has to date identified 15 projects. Range's strategy is based upon limiting its risk by allocating no more than 10% to 20% of its capital budget to exploration, allowing other companies to pay for the Company's costs in order to earn an interest in our exploratory projects, and by participating in a variety of projects. The Company currently anticipates participating in drilling 22 exploratory wells in 2000.

Acquisitions. The Company's acquisition strategy has historically been based on: (i) Locale: focusing in core areas where the Company has operating and technical expertise; (ii) Efficiency: targeting acquisitions which the Company believes offer the possibility of operating and cost efficiencies, (iii) Reserve Potential: pursuing properties which the Company believes have the potential for reserve increases through recompletions and drilling; (iv) Incremental Purchases: seeking acquisitions where opportunities may exist for purchasing additional interests in the same or adjoining properties; and (v) Complexity: pursuing more complex but less competitive corporate acquisitions. In an effort to reduce debt, the Company expects to limit itself to pursuing incremental purchases during 2000.

Development and Exploration Activities

During 1999, the Company spent $37.4 million on oil and gas related capital expenditures. This represented a sharp reduction from the $81.5 million expended in 1998. Of this total, $9.4 million was expended in the Southwest, $3.9 million in Appalachia and $24.1 million in the Gulf Coast. The expenditures in 1999 were primarily focused on converting proved but non-producing reserves into producing reserves. These expenditures funded 41 recompletions, 45 development wells and 11 exploratory wells, as well as a minor amount spent to acquire leases and seismic data. Exploration and

development spending converted 34.9 Bcfe of non-producing reserves to the producing category production and added 12.9 Bcfe of new reserves. Reserves added during the year replaced 19% of production.

Development Activities

The Company's development activities include recompletions, infill drilling and to a lesser extent, installation of secondary recovery projects. As described below, the Company currently has 2,126 proven recompletion opportunities and drilling locations in inventory. Those wells are geographically diverse and target a mix of oil and gas in formations generally at depths of less than 8,000 feet. Approximately 95% of the development wells are concentrated in 12 fields covering 687,900 gross (528,605 net) acres. The Company believes that such large acreage blocks and concentration of wells will provide economies of scale, access to competitively priced oil field services and focused operating and technical expertise. The following table sets forth information pertaining to the Company's proven development inventory at December 31, 1999.

Securities registered pursuant to Section 12(g) of the Act: None

Exploration Activities

Domestic Onshore. Range currently has fifteen onshore exploration projects covering 573,500 gross (110,100 net) acres. Each project has multiple drilling prospects, some with multiple targets. Given the Company's current capital constraints, only a limited amount of work will be done on these projects in the coming year.

Gulf of Mexico. Range has a 3D seismic database covering 700 contiguous blocks in the shallow waters of the Gulf of Mexico, primarily offshore Louisiana. This database has been used to map geological trends within this 3.5 million acre area, identifying specific targets for further exploration. The Company's current offshore leasehold inventory totals 50,500 gross (15,155 net) acres and to fully exploit the 3D seismic data base it will be necessary for the Company to farm-in or lease significant additional acreage. To date, 14 prospects have been identified. These prospects target the Miocene formation at depths of 8,000 to 18,000 feet. Due to the Company's current financial position, exploitation of the exploratory potential of these properties has been largely deferred. As a result, the Company did not participate in any offshore exploratory wells in 1999.

Production

Production revenue is generated through the sale of oil, natural gas liquids and gas from properties owned directly or through partnerships and joint ventures. The Company receives additional revenue from royalties on oil and gas production properties the Company leases to third parties. While production is sold to a limited number of purchasers, only two account for more than 10% of oil and gas revenues. Management believes that the loss of any one customer would not have a material adverse effect on the business. Proximity to local markets, availability of competitive fuels and overall supply and demand are factors affecting the prices at which production can be marketed. Factors outside the Company's control such as political developments in the Middle East, overall energy supply and demand, weather conditions and economic growth rates and other economic factors in the United States and world economies have had, and will continue to have, a significant effect on energy prices.

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The following table sets forth historical production volumes, revenue and expense information for the past five years (in thousands, except average sales price and operating cost data).

	Number of Development Projects		
	Recompletion Opportunities	Drilling Locations	Total
Southwest	263	241	504
Gulf Coast	66	31	97
Appalachia	47	1,478	1,525
Total	376	1,750	2,126

	Year Ended December 31,				
	1995	1996	1997	1998	1999
Production					
Crude oil (Bbl)	913	1,018	1,371	2,175	2,247
Natural gas liquids (Bbl)	—	50	423	480	412
Gas (Mcf)	12,471	21,231	38,409	45,193	50,808
Total (Mcfe) (a)	17,949	27,641	49,170	61,120	66,763
Revenues					
Crude oil (Bbl)	$15,133	$19,912	$ 24,967	$ 26,119	$ 33,075
Natural gas liquids (Bbl)	—	513	3,833	3,965	4,302
Gas	22,284	47,629	101,217	105,509	108,115
Total	$37,417	$68,054	$130,017	$135,593	$145,492
Average Sales Price					
Crude oil (Bbl)	$ 16.57	$ 19.56	$ 18.22	$ 12.01	$ 14.72
Natural gas liquids (Bbl)	—	$ 10.22	$ 9.06	$ 8.26	$ 10.43
Gas (Mcf)	$ 1.79	$ 2.24	$ 2.64	$ 2.33	$ 2.13
Mcfe (a)	$ 2.08	$ 2.46	$ 2.64	$ 2.22	$ 2.18
Average Operating Cost					
Per Mcfe (a)	$ 0.63	$ 0.75	$ 0.64	$ 0.64	$ 0.65

On a Mcfe basis, approximately 76% of 1999 production was natural gas. Gas production was sold to utilities, marketing companies or directly to industrial users. Gas sales are made pursuant to various arrangements ranging from month-to-month contracts, one to three year contracts at fixed or variable prices and contracts at fixed prices for the life of the well. All contracts other than the fixed price contracts contain provisions for price adjustment, termination and other terms customary in the industry. A number of the Appalachian gas contracts are at prices that compare favorably to the current spot market, although this may change over time. Oil is sold on a basis such that the contract can be terminated on 30 days notice. The price received is generally equal to a posted price at which major purchasers in the area are willing to pay for oil. Oil purchasers are selected on the basis of price and service. In 1999, revenues from gas sales totaled $108 million or 74% of total oil and gas revenues while revenues from oil and natural gas liquids production amounted to $37 million, representing 26% of the total. Oil and gas revenues in 1999 increased 7% over the prior year level.

Gas Transportation, Processing and Marketing

Gas transportation, processing and marketing revenues are comprised of fees for the transportation of production through gathering lines and fees from gas processing as well as income from marketing of oil and gas. Transportation, processing and marketing revenues increased 16% in 1999 to $7.8

million versus $6.7 million in 1998.

The Company's natural gas transportation and processing assets are comprised of (i) 50% ownership in approximately 4,700 miles of gas transportation and gathering pipelines in Appalachia held through the Great Lakes joint venture, (ii) nearly 300 miles of gathering lines and a gas processing plant in the Sterling area of the Permian Basin and (iii) a number of smaller transportation and gathering systems associated with existing producing properties. The Appalachian gathering systems transport a majority of Great Lakes' gas production as well as third party gas to major trunklines and directly to industrial end-users. Third parties who transport their gas through the systems are charged a fee based on throughput. In its Southwest and Gulf Coast areas, the Company transports its gas production through a combination of Company-owned and third party gathering systems. The Company is typically charged a fixed fee per volume of production to transport

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its gas through third party systems. The Company's Sterling gas processing plant is a refrigerated turbo-expander cryogenic gas plant that was placed in service in 1995. In September 1999, the Sterling gas processing plant was put up for sale. The Company anticipates completing the sale of the plant in the second quarter of 2000, with proceeds going to reduce debt.

To maximize the value of its production, the Company began marketing its own gas production in 1993. The Company has managed the impact of potential price declines by developing a balanced portfolio of fixed price and market sensitive contracts and commodity hedging. Approximately 12% of its gas production is currently sold pursuant to fixed price sales contracts. These contracts are at prices ranging from $1.50 to $3.85 per Mcf. Contracts with terms of less than one year and greater than five years constitute approximately 99% and 1%, respectively, of the volume sold under fixed price contracts.

Periodically, the Company enters into option and swap contracts to reduce the effects of fluctuations in crude oil and natural gas prices. At December 31, 1999, the Company had open hedges covering 24.8 Bcf of natural gas and 0.8 million barrels of oil. While these transactions have no carrying value, the fair value of these transactions (represented by the estimated amount that would be required to terminate the contracts), was a net gain of approximately $0.3 million at December 31, 1999. The gas contracts were at prices ranging from $2.00 to $3.17 per Mmbtu and the oil contracts range from $19.01 to $25.00 per Bbl. Gains or losses on hedging transactions are determined as the difference between the contract price and a reference price, generally closing prices on NYMEX. Resulting gains or losses are determined monthly and included in the revenues in the period the hedged production is sold. Net gains (losses) relating to these derivative transactions for the year ended December 31, 1998 and 1999, approximated $3.1 million and $(10.6) million, respectively. In the future, the Company may hedge a larger percentage of its production, however, it currently anticipates that such percentage would not exceed 80% during any rolling twelve month period. Although hedging provides the Company some protection against falling prices, these activities also reduce the potential benefits of price increases.

Independent Producer Finance ("IPF")

IPF provides capital to small oil and gas producers to finance acquisition and development projects. IPF advances money in exchange for a term overriding royalty interest in the projects being financed. The overrides are dollar-denominated and are calculated to provide IPF with a contractually specified rate of return that typically ranges between 15% and 25%. Most of IPF's advances are for less than $5 million. IPF funds its business through a combination of internal cash flow and bank borrowings. At December 31, 1999, IPF's portfolio included 61 transactions having an aggregate book value of $65.4 million (net of $17.3 million of allowances). The reserves and present value of the reserves underlying IPF advances are not included in Range's consolidated oil and gas reserve disclosure. IPF provides allowances for advances, which may be unrecoverable. These allowances reduce IPF's reported revenues. During 1999, IPF provided $3.3 million in allowances, which reduced its reported revenues from $11.2 million to $7.9 million. IPF expenses in 1999 included $1.5 million of general and administrative costs and $4.3 million of interest expense At current commodity prices, the Company believes that IPF's bad debt reserves are adequate.

IPF has three petroleum engineers and geologists who identify and evaluate projects. These personnel all hold degrees in petroleum engineering or geology. The staff averages 17 years of experience in operations, strategic planning, analysis and production engineering. The professionals are responsible for defining transaction risk, establishing reserve coverage and negotiating the contractual rate of return. IPF structures the transactions with a goal to minimize risk by focusing on asset coverage ratios and taking direct title to the overriding royalty interests. As dollar-denominated term overriding royalties, the transactions leave much of the commodity price risk with the producer.

IPF provides capital to small oil and gas producers who are generally ignored by traditional financial institutions. These producers typically are denied access to traditional financing arrangements because: (i) they are too small to access public debt and equity markets; (ii) private equity and debt financing is too restrictive and expensive; and (iii) few commercial banks are interested in small energy

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loans; as consolidation in the banking industry has raised the size threshold for lending. IPF's portfolio decreased in 1999 as a limited number of fundings were more than offset by principal repayments. The Company expects demand for IPF funding to rise, as oil and gas acquisition and divestiture activities continue and consolidation of the banking industry reduces the supply of traditional bank financing for small transactions. IPF's bank debt is recourse only to the assets of IPF. In December 1999, IPF established a new revolving credit facility. The $100 million facility had an initial borrowing base of $56 million. On March 13, 2000, $42.4 million was borrowed under the facility.

IPF investments involve an up-front cash payment for the purchase of a term overriding royalty interest pursuant to which IPF receives an agreed upon share of revenues from specific properties. The producer's obligation to IPF is non-recourse. The producer generally is only liable if he fails to operate prudently, there is a title failure or certain other events occur which are within the producer's control. Consequently, IPF's ability to successfully invest is based on its ability to accurately estimate the volumes of recoverable reserves from which the applicable production payment is dedicated, the price at which the production will be sold, and the operator's ability to recover the reserves on a time schedule with the projected production rates. Because IPF's interest constitutes a property interest, if a producer is declared bankrupt or insolvent, our interest should be outside of the reach of the producer's creditors. However, if a creditor, the producer as debtor-in-possession or a trustee for the producer in a bankruptcy proceeding were to argue successfully that the transaction should be characterized as a loan, we may have only a creditor's claim for repayment of the amounts advanced. Our ownership in these production payments is a non-operating interest. As a result, our ownership of these production payments are likely to not expose us to liability resulting from the ownership of direct working interests, such as environmental liabilities and liabilities for personal injury or death or property damage. Finally, the producer's obligation to deliver a specified share of revenues to us is subject to the ability of the burdened reserves to produce such revenues. As a result, IPF bears the risk that revenues received will be insufficient to amortize the purchase price IPF paid for the property interest or to provide IPF an acceptable return.

IPF was acquired effective August 1998 with the Merger. The following table summarizes IPF's historical investments:

(a) Oil and NGL are converted to Mcfe at a rate of 6 Mcf per barrel.

Interest and Other

The Company earns interest on its cash and investment accounts, as well as on various receivables. Other income in 1999 was comprised principally of gains on sales of marketable equity securities and gains on sales of non-strategic properties. The Company expects to continue to sell properties that are not strategic. Interest and other income in 1999 amounted to $40.2 million, representing 20% of total revenues. Interest and other income included a $39.8 million proportional gain recognized on the Great Lakes transaction (See Note (17) – Gain on Sale).

Competition

The Company encounters substantial competition in acquiring oil and gas leases and properties, marketing oil and gas, securing personnel and conducting its drilling and field operations. Many competitors have financial and other resources, which substantially exceed those of the Company. The competitors in development, exploration, acquisitions and production include the major oil companies in addition to numerous independents, individual proprietors and others. Therefore, competitors may be able to pay more for desirable leases and to evaluate, bid for and purchase a greater number of properties or prospects than the financial or personnel resources of the Company permit. The ability of the Company to replace and expand its reserve base in the future will depend on its ability to select and acquire suitable producing properties and prospects for future drilling.

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The Company's acquisitions have been largely financed through issuances of debt and equity securities and internally generated cash flow. There is competition for capital to finance oil and gas acquisitions and drilling. The ability of the Company to obtain such financing on satisfactory terms is uncertain and can be affected by numerous factors beyond its control. The inability of the Company to raise external capital in the future could have a material adverse effect on its business.

Governmental Regulation

The Company's operations are affected in varying degrees by federal, state and local laws and regulations. In particular, oil and natural gas production and related operations are or have been subject to price controls, taxes and other laws and regulations relating to the oil and gas industry. Failure to comply with such laws and regulations can result in substantial penalties. The regulatory burden on the oil and natural gas industry increases the Company's cost of doing business and affects its profitability. Although the Company believes it is in substantial compliance with all applicable laws and regulations, because such laws and regulations are frequently amended or reinterpreted, the Company is unable to precisely predict the future cost or impact of complying with such laws and regulations.

Capital Restructuring Program

As a result of two significant acquisitions completed in 1997 and 1998 financed principally with debt and fixed rate convertible securities and due to the poor performance of the acquired properties as well as the significant drop in oil and gas prices between late 1997 and 1999, the Company undertook a number of initiatives. These include a reduction in workforce, a significant decrease in capital expenditures, the sale of assets, the formation of the Great Lakes joint venture and the exchange of Common Stock for fixed rate securities. These initiatives resulted in the Company reducing its parent

company bank debt in 1999 by over 60% to $140 million at year end. Total debt was reduced 24% during 1999 to $459 million. While management believes these actions have stabilized the Company's financial position, debt to total capitalization at December 31, 1999 remained high at 65%. For the Company to return to its historical posture of consistent profitability and growth, management believes it is necessary for the Company to further reduce debt and associated fixed financing costs. In addition to further asset sales, the Company currently anticipates it will significantly increase its efforts to exchange Common Stock or other equity linked securities for its existing fixed rate securities or reduce debt and associated financing costs through some other substantial restructuring initiative. While the Company expects to exchange the fixed rate securities at a substantial discount to their face value, the Company's existing common stockholders will be materially diluted if a material portion of the fixed rate securities are exchanged. The dilutive effect to the common stockholders will depend upon a number of factors, the primary ones being the number of shares and the price at which additional Common Stock is issued or the price which newly issued securities are convertible into Common Stock. While a restructuring would reduce the existing stockholders' proportional ownership of the Company, management believes that a restructuring would substantially increase its ability to enhance the value of the Company as well as the market value of the Common Stock. Any substantial restructuring will require mutually satisfactory agreements with a large majority of the parties holding the Company's existing convertible securities. Additionally, to insure that a sufficient number of shares of Common Stock are available, it is likely that the Company's stockholders would need to approve increasing the number of authorized shares of Common Stock. While the Company currently projects that it has sufficient liquidity and cash flow to meet its obligations, a drop in oil and gas prices or further reduction in production and reserves will reduce the Company's ability to fund capital expenditures and meets its obligations. This could have a detrimental effect on the Company's ability to complete its capital restructuring program in a timely manner.

Environmental Matters

The Company's oil and natural gas exploration, development, production and pipeline gathering operations are subject to stringent federal, state and local laws governing the discharge of materials into the environment or otherwise relating to environmental protection.

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Numerous governmental departments such as the Environmental Protection Agency ("EPA") issue regulations to implement and enforce such laws, which are often difficult and costly to comply with and which carry substantial civil and criminal penalties for failure to comply. These laws and regulations may require the acquisition of a permit before drilling commences, restrict the types, quantities and concentrations of various substances that can be released into the environment in connection with drilling, production and pipeline gathering activities, limit or prohibit drilling activities on certain lands lying within wilderness, wetlands, frontier and other protected areas, require some form of remedial action to prevent pollution from former operations such as plugging abandoned wells, and impose substantial liabilities for pollution resulting from the Company's operations. In addition, these laws, rules and regulations may restrict the rate of oil and natural gas production below the rate that would otherwise exist. The regulatory burden on the oil and gas industry increases the cost of doing business and consequently affects its profitability. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly waste handling, disposal or clean-up requirements could adversely affect the Company's operations and financial position, as well as the oil and gas industry in general. While management believes that the Company is in substantial compliance with current applicable environmental laws and regulations and the Company has not experienced any material adverse effect from compliance with these environmental requirements, there is no assurance that this will continue in the future. The Company did not have any material capital expenditures in connection with environment regulation in 1999, nor does it anticipate any material such expenditures in 2000.

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as the "Superfund" law, imposes liability, without regard to fault or the legality of the original conduct, on certain classes of persons who are considered to be responsible for the release of a "hazardous substance" into the environment. These persons include the owner or operator of the disposal site or sites where the release occurred and companies that disposed of or arranged for the disposal of the hazardous substances at the site where the release occurred. Under CERCLA, such persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies and it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damages allegedly caused by the release of hazardous substances or other pollutants into the environment. Furthermore, although petroleum, including crude oil and natural gas, is exempt from CERCLA, at least two courts have ruled that certain wastes associated with the production of crude oil may be classified as "hazardous substances" under CERCLA and thus such wastes may become subject to liability and regulation under CERCLA. State initiatives to further regulate the disposal of oil and natural gas wastes are also pending in certain states, and these various initiatives could have a significant impact on the Company.

Stricter standards in environmental legislation may be imposed in the oil and gas industry in the future. For instance, legislation has been proposed in Congress from time to time that would reclassify certain oil and natural gas exploration and production wastes as "hazardous wastes" and make the reclassified wastes subject to more stringent handling, disposal and clean-up restrictions. If such legislation were to be enacted, it could have a significant impact on the operating costs of the Company, as well as the oil and gas industry in general. Compliance with environmental requirements generally could have a material adverse effect upon the capital expenditures, earnings or competitive position of the Company. Although the Company has not experienced any material adverse effect from compliance with environmental requirements, no assurance may be given that this will continue in the future.

The Federal Water Pollution Control Act ("FWPCA") imposes restrictions and strict controls regarding the discharge of produced waters and other oil and gas wastes into navigable waters. Permits must be obtained to discharge

pollutants into state and federal waters. The FWPCA and analogous state laws provide for civil, criminal and administrative penalties for any unauthorized discharges of oil and other hazardous substances in reportable quantities and may impose substantial potential liability for the costs of removal, remediation and damages. State water discharge regulations and the federal (NPDES) permits prohibit or are expected to prohibit within the next year the discharge of produced water and sand, and some other substances related to the oil and gas industry, to coastal waters. Although the costs to

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comply with zero discharge mandated under federal or state law may be significant, the entire industry will experience similar costs and the Company believes that these costs will not have a material adverse impact on the Company's financial condition and results of operations. Some oil and gas exploration and production facilities are required to obtain permits for their storm water discharges. Costs may be incurred in connection with treatment of wastewater or developing storm water pollution prevention plans.

The Resources Conservation and Recovery Act ("RCRA"), as amended, generally does not regulate most wastes generated by the exploration and production of oil and natural gas. RCRA specifically excludes from the definition of hazardous waste "drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil, natural gas or geothermal energy." However, these wastes may be regulated by the EPA or state agencies as solid waste. Moreover, ordinary industrial wastes, such as paint wastes, waste solvents, laboratory wastes and waste compressor oils, are regulated as hazardous wastes. Although the costs of managing solid hazardous waste may be significant, the Company does not expect to experience more burdensome costs than similarly situated companies involved in oil and gas exploration and production.

In addition, the U.S. Oil Pollution Act ("OPA") requires owners and operators of facilities that could be the source of an oil spill into "waters of the United States" (a term defined to include rivers, creeks, wetlands and coastal waters) to adopt and implement plans and procedures to prevent any spill of oil into any waters of the United States. OPA also requires affected facility owners and operators to demonstrate that they have at least $35 million in financial resources to pay for the costs of cleaning up an oil spill and compensating any parties damaged by an oil spill. Substantial civil and criminal fines and penalties can be imposed for violations of OPA and other environmental statutes.

Risk Factors and Cautionary Statement for purposes of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995

Certain information included in this report, other materials filed or to be filed by the Company with the SEC, as well as information included in oral statements or other written statements made or to be made by the Company contain or incorporate by reference certain statements (other than statements of historical fact) that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used herein, the words "budget," "budgeted," "assumes," "should," "goal," "anticipates," "expects," "believes," "seeks," "plans," "estimates," "intends," " or "projects" and similar expressions that convey the uncertainty of future events or outcomes are intended to identify forward-looking statements. Where any forward-looking statement includes a statement of the assumptions or bases underlying such forward-looking statement, we caution that while we believe these assumptions or bases to be reasonable and to be made in good faith, assumed facts or bases almost always vary from actual results and the difference between assumed facts or bases and the actual results could be material, depending on the circumstances. It is important to note that our actual results could differ materially from those projected by such forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable and such forward-looking statements are based upon the best data available at the date of this report is filed with the Securities and Exchange Commission, we cannot assure you that such expectations will prove correct. Factors that could cause our results to differ materially from the results discussed in such forward looking statements include, but are not limited to, the following: production variance from expectations, volatility of oil and gas prices, hedging results, the need to develop and replace reserves, the substantial capital expenditures required to fund operations, exploration risks, environmental risks, uncertainties about estimates of reserves, competition, litigation, government regulation, political risks, and our ability to implement our business strategy. All such forward-looking statements in this document are expressly qualified in their entirety by the cautionary statements in this paragraph.

With the previous paragraph in mind, you should consider the following important factors that could cause actual results to differ materially from those expressed in any forward-looking statement made by us or on our behalf.

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Current common shareholders will be diluted as more common shares are issued.

The Company has filed a shelf registration statement to allow the Company to issue additional common stock. The Company in 1999 and in early 2000 has exchanged its common stock for its 5.75% trust convertible preferred securities, 6% convertible debentures, and $2.03 convertible exchangeable preferred stock. Such exchanges have been made based upon the relative market value of common stock and the market value of convertible security at the time

of the exchange with a five to eight percent premium. The convertible securities were acquired at 35% to 68% discounts to the face value of such securities. The exchanges will reduce interest expense, dividends and the Company's future repayment obligations. However, the larger number of common shares outstanding and any additional shares issued in the future will have a dilutive effect on the existing shareholders of the Company.

The Company has announced that the Company is actively reviewing alternatives to restructure the Company's balance sheet to reduce the amount of future obligations under the Company's convertible securities. The Company expects under any alternative selected that a large number of the Company's common stock will have to be issued to retire or purchase such securities. Therefore, the actual number of shares issued for such securities less the face value of the securities retired will dilute the current shareholders.

The Company intends to change the capital structure

The Company currently anticipates it will significantly increase its efforts to exchange common stock or other equity linked securities for its existing fixed income securities. While the Company expects to exchange the fixed rate securities at a substantial discount to their face value, the Company's existing common stockholders will be materially diluted if a material portion of the fixed income securities are exchanged.

The dilutive effect to the common shareholders will depend upon a number of factors. The primary ones are (a) the number of shares issued, and (b) the price of the additional common stock issued or the price that newly issued securities are convertible into common stock. Any significant restructuring would reduce the existing stockholders' proportional ownership of the Company. However, management believes that a restructuring could substantially increase management's ability to enhance the value of the Company as well as the market value of the common stock. It is expected that any significant restructuring will require both the agreement of the existing stockholders and those parties holding the existing convertible securities. Additionally, the Company's stockholders would need to approve increasing the number of authorized shares of common stock to insure that a sufficient number of shares of common stock are available under a restructuring plan.

While the Company currently projects that it has sufficient liquidity and cash flow to meet its obligations, a drop in oil and gas prices or further reduction in production and reserves will reduce the Company's ability to fund capital expenditures and meets its obligations. Any of these occurrences could have a detrimental effect on the Company's ability to complete its capital restructuring program in a timely manner.

The Company's ability to change its capital structure and the terms which we are able to make any changes is dependent on a variety of factors beyond our control such as the level and differentials of various interest rates, the willingness of other parties to engage in transactions, state and federal regulations covering such transactions, and the overall economic conditions in the capital markets assessable by the Company.

Payment of dividends are restricted

Restrictions on the payment of dividends on the Company's $2.03 convertible exchangeable preferred stock and common stock are contained in the Company's senior secured bank debt and the 8.75% senior subordinated notes.

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Under terms of the 8.75% Senior Subordinated Notes, the Company may pay restrictive payments, which includes dividends. The restrictive payments may equal the higher of $20 million or a formula, which include earnings and losses since the issuance of the senior subordinated notes. Given the Company's losses since 1997, the Company can not pay dividends under the formula and, therefore, must rely on the initial $20 million basket amount. At December 31, 1999, $12.7 million of the $20 million basket had been used thus leaving $7.3 million available under the basket for payment of dividends.

Oil and gas prices are volatile, which can adversely affect cash flow available for reinvestment.

Prices for oil and gas are volatile. The oil and gas industry can be highly cyclical and historically has experienced severe downturns characterized by oversupply and weak demand. Many factors affect the prices for our oil and gas production including general economic conditions, consumer preferences, discretionary spending levels, interest rates and the availability of credit and capital to provide new production. During the latter part of 1998 and early 1999, oil and gas prices were significantly lower than the prices that we are currently receiving. This was a factor in those periods when we reported substantial losses. Decreases in oil and gas prices from current levels will adversely affect our revenues, results of operations, cash flows and proved reserves. If the industry experiences significant and prolonged price decreases in the future, this could have a materially adverse effect on our operations and could result in our inability to fund planned capital expenditures.

Our hedging activities expose us to certain risks.

We enter into hedging arrangements relating to a portion of our oil and gas production to achieve more predictable cash flow, insure a level of cash flow to fund our capital spending plans, as well as to reduce our exposure to adverse price fluctuations of oil and gas. Hedging instruments used include fixed price swaps, collars, calls, and options. While the use of these types of hedging instruments limits our exposure to adverse price movements, they are subject to a number of risks, including limiting the benefit of commodity price increases and the nonperformance financial risks of the other party accepting our hedge.

Estimates of our oil and gas reserves may change; we may not be able to replace reserves

The calculations of our proved oil and gas reserves included in this document are only estimates. The accuracy of any reserve estimate is a function of the quality of available data; engineering and geological interpretation and judgment; the assumptions used regarding quantities of recoverable oil and gas reserves; and prices for oil and gas. Actual prices, production, development expenditures, operating expenses and quantities of recoverable oil and gas reserves will vary from those assumed in our estimates, and such variances may be significant. If the assumptions used to estimate our reserves later prove to be incorrect in any way, the actual quantity of our reserves and future net cash flow could be materially different from the estimates in our reserve reports. In addition, results of drilling, testing, and producing with changes in oil and gas prices after the date of the estimate may result in substantial upward or downward revisions.

Without successful exploration, development or acquisition activities, our reserves and revenues will decline over time. Exploration, the continuing development of our reserves and acquisition activities will require significant expenditures. If our cash flow from operations is not sufficient for this purpose, we may not be able to obtain the funds from other sources necessary to continue such exploration, development and acquisition activities.

We may have write downs of oil and gas properties' carrying value

Accounting rules require that we periodically review the carrying value of our oil and gas properties for possible impairment. An "impairment" is recognized when the unamortized cost of a property included on the Company's balance sheet is greater than the expected undiscounted future cash

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flows from the property. We may be required to write down the carrying value of our oil and gas properties based on specific market factors and circumstances at the time of the prospective impairment review, and the continuing evaluation of development plans, production data, economics and other factors. A write down constitutes a current non-cash charge to earnings generally associated with costs spent in prior years. An impairment charge does not impact our cash flow from operating activities.

Based primarily on our long-term outlook for future commodities prices and the production performance of certain properties, we recorded impairment charges of $197 million in 1998 and $27 million in 1999. For a further discussion of our accounting policies with respect to oil and gas properties, see Note 1 to the Consolidated Financial Statements.

We could incur substantial environmental liabilities

Our industry is subject to numerous federal, state and local laws and regulations relating to environmental protection. We may incur significant costs and liabilities in complying with existing or future environmental laws and regulations. It is also possible that other developments, such as increasingly strict environmental laws, regulations and enforcement policies thereunder, and claim for damages to property, employees, other persons and the environment resulting from current or discontinued operations, could result in substantial costs and liabilities in the future. For additional information concerning environmental matters, see the "Environmental Matters" section included in this report.

Our activities involve operating hazards and uninsured risks

While we maintain insurance against certain of the risks normally associated with our operations, including, but not limited to explosion, pollution and fires, the occurrence of a significant event against which we are not fully insured could have a significant negative effect on our business. Such occurrences could include title defects on properties owned or acquired from others, lost equipment in drilling operations which our drilling contractor is not responsible for such loss, costs to redrill wells due to down hole equipment and casing failures, and property damage caused over a period of time not covered by standard industry insurance policies.

We maintain insurance policies covering our operations in amounts and areas of coverage normal for a company of our size in the oil industry. These include, but are not limited to, workers' compensation, employers' liability, automotive liability and general liability. In addition, umbrella liability and operator's extra expense policies are maintained. All such insurance is subject to normal deductible levels. We do not insure against all risks associated with our business either because insurance is not available or because we have elected not to insure due to prohibitive premium costs or other considerations.

In today's legal climate, a number of individuals or companies may feel that the Company or those acting on behalf of the Company damaged or harmed such parties either physically or financially. Such parties have the right under the law to seek recovery of those damages in court. Since the likelihood of the results of the verdict or judgment of the courts are uncertain, the Company may elect to settle such claims outside the judicial system. Those settlements may not be covered by insurance and such payments might have to be borne solely by the Company. The Company may elect to contest such claims but still be held liable by the courts. Many times the cost of defending oneself or the costs incurred defending the rights of the Company cannot be recovered from the other parties. Such legal and out of pocket costs must be borne solely by the Company and included in its general and administrative expenses. Such costs and settlements could have a material effect on our earnings. See Item 3 "Legal Proceedings" included in this report and Note 8 to Consolidated Financial Statements as to certain proceedings and contingencies of the Company.

We are subject to financing and interest rate exposure risks

Our business and operating results can be harmed by factors such as the availability or cost of capital, changes in interest rates, changes in the tax rates due to new tax laws, market perceptions of the oil

and gas industry or the Company, or any reduction in our credit ratings. These changes could cause our cost of doing business to increase or limit our ability to exploit opportunities in the market place.

We face stiff competition

We face competition in all aspects of our business, including, but not limited to, acquiring reserves, leases, obtaining goods, services, and labor needed to conduct operations and manage the Company, and marketing oil and gas. Our competitors include multinational energy companies, other independent producers and individual producers and operators. Many of our competitors have greater financial and other resources than the Company.

Crude oil and natural gas are subject to extensive regulation

The petroleum industry is subject to various types of regulations in the United States by local, state and federal agencies. Domestic legislation affecting the oil and gas industry is under constant review for amendment or expansion, frequently increasing the regulatory burden. Also, numerous departments and agencies, both state and federal, are authorized by statute to issue and have issued rules and regulations binding on the oil and gas industry and its individual members. Compliance with such rules and regulations is often difficult and costly and may carry substantial penalties for non-compliance. As the regulatory burden on the oil and gas industry increases, the cost of doing business affects profitability. Generally these burdens do not appear to affect the Company any differently or to any greater or lesser extent than other companies in the industry with similar types, quantities and location of production. While we are a party to several regulatory proceedings before governmental agencies arising in the ordinary course of business, we do not believe that the outcome of such proceedings will have a material adverse effect on our operations or financial condition.

Our level of fixed charges could have important consequences to our liquidity, profitability and cash flow

The Company has a significant amount of annual fixed charges associated with senior secured bank debt, 8.75% senior subordinated notes, 6% convertible debentures, non-recourse bank debt of subsidiaries, 5.75% trust convertible preferred securities and $2.03 convertible exchangeable preferred stock. As of December 31, 1999, the aggregate face values of such obligations were $605 million and the associated fixed charges at the rates in effect at December 31, 1999 were $47.3 million per year. Such obligations have certain requirements that the Company must comply with in order for such obligations to remain due and payable as disclosed in Note 6 to the Consolidated Financial Statements. Violations to such requirements could accelerate the maturity of such obligations and have a material adverse effect on the financial viability of the Company.

The significant indebtedness of the Company could have other important consequences to the Company’s intended business plan and financial viability such as, but not limited to, the required sale of assets at unfavorable prices to reduce debt, increase in interest rates which would require more of the Company’s cash flow and result in less capital spent on developing and acquiring new oil and gas properties, limit the Company’s ability to raise capital both in the equity and debt markets, limit or prohibit certain financing options available to less leveraged companies, and make the Company more vulnerable during periods of low oil and gas prices.

Risks associated with our IPF program may affect our revenues

Our Independent Producer Finance (“IPF”) program involves an up-front cash payment for the purchase of a term overriding royalty interest through which we receive an agreed upon share of revenues from identified properties. The producer’s obligation to deliver these revenues to us is non-recourse to the producer meaning that IPF can only recover its investment and return through revenues generated by the identified properties. The producer generally is not liable to us for any failure to meet its payment obligation unless the producer fails to operate prudently, there is a title failure or certain other events within the producer’s control occur. Consequently, our ability to realize returns and advances on our IPF

investments is subject to our ability to accurately estimate the volumes of recoverable reserves from which the applicable production payment is to be discharged and the operator’s ability to recover these reserves. Because our interest constitutes a property interest, if a producer is declared bankrupt or insolvent, our interest may be outside of the reach of the producer’s creditors. However, if a creditor, the producer as debtor-in-possession or a trustee for the producer in a bankruptcy proceeding were to argue successfully that the transaction should be characterized as a loan, we may have only a creditor’s claim for repayment of the amounts advanced. Our ownership in these production payments is a non-operating interest. As a result, our ownership of these production payments should not expose us to liability resulting from the ownership of direct working

interests, such as environmental liabilities and liabilities for personal injury or death or property damage. Finally, the producer's obligation to deliver a specified share of revenues to us is subject to the ability of the burdened reserves to produce such revenues. As a result, IPF bears the risk that future revenues we receive will be insufficient to amortize the purchase price we paid for the interest or to provide any investment return to us.

Our past and future acquisitions may be subject to risks arising from ownership of real property

We intend to continue acquiring oil and gas properties. It generally is not feasible for us to review in detail every individual property we acquire. Ordinarily, our review efforts are focused on the higher-valued properties. However, even a detailed review of all properties and records may not reveal existing or potential problems nor will it permit us to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. We do not always inspect every well we acquire, and environmental problems, such as groundwater contamination, are not necessarily observable even when we do perform an inspection.

Our Chairman has a business interest in another oil and gas company that could compete with our business

Our Chairman, Thomas J. Edelman, is also the Chairman and Chief Executive Officer and a significant shareholder of Patina Oil & Gas Corporation ("Patina"), a publicly traded oil and gas company and is an officer or significant investor in several other public and private companies engaged in various aspects of the energy industry. We currently have no business relationships with these companies, and none of them own any of our securities. However, as a result of Mr. Edelman's positions, conflicts of interests may arise. We have board policies that require Mr. Edelman to give us notification of any potential conflicts that may arise. However, we cannot assure you that we will not compete with one or more of these companies for the same acquisition or encounter other conflicts of interest.

Our success depends on key members of our management

The Company's success and failure will be highly dependent on a limited number of senior management personnel, none of which are subject to employment contracts. Loss of services of one or more of these individuals could have a material adverse effect on the Company's operations.

Employees

As of January 1, 2000, the Company had 136 full time employees, 58 of whom were field personnel. None are covered by a collective bargaining agreement and management believes that its relationship with its employees is good.

ITEM 2. PROPERTIES

On December 31, 1999, the Company held working interests in 9,893 gross (5,025 net) productive oil and gas wells and royalty interests in 587 additional wells. The properties contained, net to the Company's interest, estimated proved reserves of 443.8 Bcf of gas and 28.8 million barrels of oil and natural gas liquids or a total of 616.7 Bcfe. Included herein is the Company's fifty percent share of the reserves of the Great Lakes joint venture.

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Proved Reserves

The following table sets forth estimated year-end proved reserves for each of the past five years.

	Periods ended December 31,				
	1995	1996	1997	1998	1999
Total dollars of advances	$5,489	$19,100	$40,150	$45,822	$4,259
Number of advances made	10	27	39	75	30
Average size of advance	$ 549	$ 707	$ 1,029	$ 611	$ 142

	December 31,				
	1995	1996	1997	1998	1999
Natural gas (Mmcf)					
Developed	174,958	207,601	369,786	436,062	299,436
Undeveloped	57,929	87,993	204,632	197,255	144,345
Total	232,887	295,594	574,418	633,317	443,783
Oil and NGL (Mbbls)					
Developed	8,880	10,703	14,971	19,649	17,884
Undeveloped	1,983	3,972	14,803	7,480	10,933
Total	10,863	14,675	29,774	27,129	28,817
Total (Mmcfe) (a)	298,065	383,644	753,062	796,091	616,685

In connection with the evaluation of its reserves, the Company engaged the following independent petroleum consultants: H.J. Gruy and Associates, Inc. (Southwest and Gulf Coast), DeGoyler and MacNaughton (Gulf Coast), and Wright and Company, Inc. (Appalachia). These engineers have been employed primarily based on geographic expertise as well as their history in engineering certain of the acquired properties. At December 31, 1999, independent petroleum consultants evaluated approximately 89% of the proved reserves set forth above. The remainder were evaluated by the Company's engineering staff. All

estimates of oil and gas reserves are subject to significant uncertainty.

The following table sets forth for each of the past five years, the estimated future net cash flow from and the Present Value of the proved reserves in millions.

(a) Oil and NGL are converted to Mcfe at a rate of 6 Mcf per barrel.

Future net cash flow represents future gross cash flow from the production and sale of proved reserves, net of production costs (including production taxes, ad valorem taxes and operating expenses) and future development costs. Such calculations, which are prepared in accordance with the Statement of Financial Accounting Standards No. 69 “Disclosures about Oil and Gas Producing Activities” are based on cost and price factors at December 31, 1999. Average product prices in effect at December 31, 1999 were $23.48 per barrel of oil, $15.69 per barrel for natural gas liquids, and $2.34 per Mcf of gas using the benchmark NYMEX price of $25.60 per barrel and $2.33 per Mmbtu. There can be no assurance that the proved reserves will be developed within the periods indicated or that prices and costs will remain constant. There are numerous uncertainties inherent in estimating reserves and related information and different reservoir engineers often arrive at different estimates for the same properties. No estimates of reserves have been filed with or included in reports to another federal authority or agency since December 31, 1999.

Significant Properties

The Company’s reserves at December 31, 1999 were concentrated in three regions, Southwest, Gulf Coast and Appalachia. Properties in the Southwest region are divided into two divisions, Permian and

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Midcontinent. The Appalachia properties represent the Company’s 50% ownership in Great Lakes. At December 31, 1999, the Company’s properties included working interests in 9,893 gross (5,025 net) productive oil and gas wells and royalty interests in 587 additional wells. The Company also held interests in 627,600 gross (239,626 net) undeveloped acres. The following table sets forth summary information with respect to the Company’s estimated proved oil and gas reserves at December 31, 1999.

	December 31,				
	1995	**1996**	**1997**	**1998**	**1999**
Future net cash flow	$413	$941	$1,276	$1,020	$1,013
Present Value					
Pre-tax	229	492	632	555	556
After tax	174	351	511	517	503

Southwest Region

The Company’s Southwestern properties are situated in the Permian and Val Verde Basins of west Texas, the Texas panhandle, the East Texas Basin and the Anadarko Basin of western Oklahoma. Reserves in these basins represent 46% of total Present Value at December 31, 1999. Southwestern proved reserves totaled 263 Bcfe, of which approximately 53% were natural gas. At December 31, 1999, the Southwest Region properties had a development inventory of 504 recompletions and drilling locations.

Permian. The Permian division properties, located in the Permian and Val Verde Basins of west Texas, contained 205 Bcfe of proved reserves. These reserves, representing 37% of total Present Value, were 57% oil and natural gas liquids. In the fourth quarter of 1999, the Permian properties produced an average of 4,434 barrels of oil and NGL and 23.8 Mmcf of gas per day. Producing wells total 1,394 (655 net), of which the Company operates 88% on a total reserve basis. Major producing areas include the Sonora, Sterling, the Big Lake and Fuhrman-Mascho area, and Powell Ranch. The Oakridge and Frances Hill fields in the Sonora area produce from multiple deltaic channel Canyon sandstones at depths of 2,600 to 6,000 feet. At Sterling, gas production is derived from Canyon/Cisco sub-marine sand deposits at 4,000 to 8,000 foot depths, while oil production comes from Silurian Fusselman carbonates. Sterling area gas production is liquids-rich and is transported to the Company’s 25,000 Mcf/d gas plant, which processes gas from the Company’s operated properties, as well as gas produced by third parties. The Company is currently in negotiations to sell the Sterling Gas processing plant. It is anticipated that a sale will be closed in the second quarter of 2000. The Big Lake and Fuhrman-Mascho area produces primarily oil from the San Andres/Grayburg formations at depths ranging from 2,500 feet to 4,600 feet. The Powell Ranch area produces primarily oil from the Wolfcamp formation at a depth of 8,000 to 9,000 feet. At December 31, 1999, the Permian properties contained a development inventory of 227 recompletions and 207 infill drilling locations.

Midcontinent. The Midcontinent business division properties, located in the Anadarko Basin of western Oklahoma and the Texas panhandle, held proved reserves of 58 Bcfe at December 31, 1999. These reserves, representing 9% of the total Present Value, were 91% natural gas. Of 301 gross (190 net) wells, the Company operates 89%. The division’s largest property is the Okeene Field, which includes 180 operated wells. In the fourth of quarter 1999 the Midcontinent properties produced an average of 156 barrels of oil and 16.1 Mmcf of gas per day. The properties produce from a variety of sands and carbonates in both structural and stratigraphic traps on the Hunton, Red Fork, Mississippi, Spring, and Morrow formations at 6,000 to 12,000 foot depths. The Midcontinent development inventory includes 36 recompletions and 34 drilling locations.

Gulf Coast Region

The Company's Gulf Coast properties include onshore reserves in south Texas, Louisiana and Mississippi, as well as, offshore reserves in the shallow waters of the Gulf of Mexico. The Gulf Coast business unit properties contained 133 Bcfe of proved reserves at December 31, 1999, or 25% of the total Present Value. The reserves were 89% natural gas. In the fourth quarter of 1999, daily production from the Gulf Coast properties averaged 1,294 barrels of oil and 43.0 Mmcf of gas per day. Major fields onshore include Alta Mesa and Oakvale. These fields produce from the Frio, Vicksburg, and Hosston formations at depths ranging from 1,000 to 16,000 feet. In total, the onshore properties include 87 wells (52 net), of which 89% are Company operated. The properties in the Gulf of Mexico include offshore interests in 51 platforms in water depths ranging from 20 to 400 feet. The Company does not operate any offshore wells. The entire Gulf Coast region is characterized by relatively complex geology, multiple producing horizons and substantial exploitation and exploration potential. At December 31, 1999, the Gulf Coast properties had a development inventory of 66 recompletions and 31 drilling locations.

Appalachian Region

At December 31, 1999, the Company's 50% ownership in Great Lakes represented a net 221 Bcfe of proved reserves, or 29% of the Company's total Present Value. The reserves are attributable to 7,999 gross wells (6,610 net wells) located in Pennsylvania, Ohio, West Virginia, New York, and Michigan. Great Lakes operates 93% of these wells. The reserves, which on an Mcfe basis, are 84% natural gas, produce principally from the Upper-Devonian, Medina, Clinton, Knox and Oriskany formations at depths ranging from 2,500 to 7,000 feet. In the fourth quarter of 1999, the Company's share of daily production averaged 29.1 Mmcf of gas and 697 barrels of oil. After initial flush production, these properties are characterized by gradual decline rates. Gas production is transported through over 4,700 miles of Company owned gas gathering systems and is sold primarily to FirstEnergy and, to lesser the extent, other third parties. Under the arrangement with FirstEnergy, Great Lakes' sells gas to FirstEnergy on a negotiated basis. Great Lakes may sell gas to third parties, however such arrangements are contracted through FirstEnergy, and FirstEnergy may elect to match any such arrangements. At December 31, 1999, Great Lakes had a development inventory of 47 recompletions and 1,478 drilling locations.

The management of the joint venture is directed by a committee of three representatives each from the Company and FirstEnergy. Any disagreements among the committee are resolved through arbitration.

Production

The following table sets forth production information for the preceding five years (in thousands, except average sales price and operating cost data).

	Pre-tax Present Value				
	Amount (In thousands)	**%**	**Oil & NGL (Mbbls)**	**Natural Gas (Mmcf)**	**Total (Mmcfe)**
Southwest					
Permian	$204,853	37	19,585	87,211	204,715
Midcontinent	50,877	9	862	52,932	58,110
Subtotal	255,730	46	20,447	140,143	262,825
Gulf Coast	138,918	25	2,380	118,872	133,152
Appalachia	160,962	29	5,990	184,768	220,708
Total	$555,610	100	28,817	443,783	616,685

	Year Ended December 31,				
	1995	**1996**	**1997**	**1998**	**1999**
Production					
Crude oil (Mbbl)	913	1,018	1,371	2,175	2,247
Natural gas liquids (Mbbl)	—	50	423	480	412
Gas (Mmcf)	12,471	21,231	38,409	45,193	50,808
Total (Mmcfe) (a)	17,949	27,641	49,170	61,120	66,763
Revenues					
Crude oil	$15,133	$19,912	$ 24,967	$ 26,119	$ 33,075
Natural gas liquids	—	513	3,833	3,965	4,302
Gas	22,284	47,629	101,217	105,509	108,115
Total	37,417	68,054	130,017	135,593	145,492
Direct operating expenses (b)	11,302	20,676	31,481	39,001	43,074
Gross Margin	$26,115	$47,378	$ 98,536	$ 96,592	$102,418
Average Sales Price					
Crude oil (Bbl)	$ 16.57	$ 19.56	$ 18.22	$ 12.01	$ 14.72
Natural gas liquids (Bbl)	—	$ 10.22	$ 9.06	$ 8.26	$ 10.43
Gas (Mcf)	$ 1.79	$ 2.24	$ 2.64	$ 2.33	$ 2.13
Mcfe (a)	$ 2.08	$ 2.46	$ 2.64	$ 2.22	$ 2.18
Average Operating Cost					
Per Mcfe (a)	$ 0.63	$ 0.75	$ 0.64	$ 0.64	$ 0.65

Producing Wells

The following table sets forth information relating to productive wells at December 31, 1999. The Company owns royalty interests in an additional 587 wells. Wells are classified as oil or gas according to their predominant production stream.

(a) Oil and NGL are converted to Mcfe at a rate of 6 Mcf per barrel.
(b) Includes severance and production taxes.

Acreage

The following table sets forth developed and undeveloped acreage held at December 31, 1999.

	Gross Wells	Net Wells	Average Working Interest
Crude oil	2,049	1,518	74%
Natural gas	7,844	3,507	45%
Total	9,893	5,025	51%

Drilling Results

The following table summarizes drilling activities for the three years ended December 31, 1999.

	Gross	Net	Average Working Interest
Developed	1,185,126	631,789	53%
Undeveloped	627,607	239,626	38%
Total	1,812,733	871,415	48%

Real Property

The Company owns a 24,000 square foot facility located on seven acres in Ohio, which it leases to Great Lakes under a standard office lease arrangement, the term of which ends on September 30, 2000. Great Lakes has an option to purchase the facility during the lease term for $1.2 million. At the end of the lease term, the Company currently plans to sell the facility to either Great Lakes or a third party purchaser. The Company leases approximately 56,000 square feet in Texas and Oklahoma under standard office lease arrangements that expire at various times through March 2004. All facilities are adequate to meet the Company’s current needs and existing space could be expanded or additional space could be leased.

The Company owns various vehicles and other equipment that is used in its field operations. Such equipment is believed to be in good repair and, while such equipment is important to its operations, it can be readily replaced as necessary.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various legal actions and claims arising in the ordinary course of business. In the opinion of management, such litigation and claims will be resolved without a material adverse effect on the Company’s financial position.

In May 1998, a Domain stockholder filed an action in the Delaware Court of Chancery, alleging that the terms of the merger with Range were unfair to a purported class of Domain stockholders and that the defendants (except Range) violated their legal duties to the class in connection with the merger. Range is alleged to have aided and abetted the breaches of fiduciary duty allegedly committed by the other defendants. The action sought an injunction enjoining the merger as well as a claim for money damages. In 1998, the parties executed a Memorandum of Understanding (the “MOU”), which represents a settlement in principle of the litigation. Under the terms of the MOU, appraisal rights (subject to certain conditions) were offered to all holders of Domain common stock (excluding the defendants and their affiliates). Domain also agreed to pay any court-awarded attorneys’ fees and expenses of the plaintiffs’ counsel in an amount not to exceed $0.3 million. The settlement in principle is subject to court approval and certain other conditions.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

	Year Ended December 31,					
	1997		1998		1999	
	Gross	Net	Gross	Net	Gross	Net
Development wells:						
Productive	186.0	164.1	222.0	182.0	43.0	20.6
Dry	7.0	5.4	12.0	8.8	3.0	1.7
Exploratory wells:						
Productive	12.0	2.8	9.0	3.9	1.0	0.5
Dry	8.0	2.0	5.0	2.9	3.0	0.8
Total Wells:						
Productive	198.0	166.9	231.0	185.9	44.0	21.1
Dry	15.0	7.4	17.0	11.7	6.0	2.5

Total	213.0	174.3	248.0	197.6	50.0	23.6

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PART II

ITEM 5. MARKET FOR THE COMMON STOCK AND RELATED MATTERS

The Company’s common stock is listed on New York Stock Exchange (“NYSE”) under the symbol “RRC”. Prior to August 25, 1998, the stock was listed under the symbol “LOM”. During 1999, trading volume averaged 199,400 shares per day. On March 13, 2000, the closing price of the Common Stock was $2.00. The following table sets forth the high and low sales prices as reported on the NYSE Composite transaction tape on a quarterly basis for the periods indicated.

None.

The Company’s $2.03 convertible exchangeable preferred stock 5.75% trust convertible preferred securities, and 6% convertible debentures and 8.75% senior subordinated notes are not listed on any exchange, but trade over the counter.

Holders of Record

At March 13, 2000 the number of holders of record of the common stock and $2.03 convertible exchangeable preferred stock were approximately 2,543 and 1, respectively.

Dividends

Dividends on the common stock were initiated in late 1995, were paid in each quarter through 1998, reduced and paid through the third quarter of 1999. In the fourth quarter of 1999, common dividends were suspended as the Company focused on reducing debt. The Convertible Preferred Stock is entitled to receive cumulative quarterly dividends at the annual rate of $2.03 per share. If there is any arrearage in dividends on preferred stock, the Company may not pay dividends on the common stock. The Company has never been in arrears in the payment of preferred dividends.

The payment of dividends is subject to declaration by the Board of Directors and depends on earnings, capital expenditures and market factors existing from time to time. The bank credit facility and the indenture for the 8.75% Senior Subordinated Notes contain restrictions on the Company’s ability to pay dividends on capital stock. Under the most restrictive of these provisions, the Company could pay $7.3 million of additional dividends as of December 31, 1999.

Under terms of the 8.75% Senior Subordinated Notes, the Company may pay restrictive payments, which includes dividends. The restrictive payments may equal the higher of $20 million or a formula that include earnings and losses since the issuance of the senior subordinated notes. Given the Company’s losses since 1997, the Company can not pay dividends under the formula and, therefore, must rely on the initial $20 million basket amount. At December 31, 1999, $12.7 million of the $20 million basket had been used thus leaving $7.3 million available under the basket for payment of dividends.

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ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected financial information covering the preceding five years.

	High	Low	Common Dividends
1998			
First Quarter	$17 1/2	$13 1/4	$.03
Second Quarter	16 11/16	9 3/4	.03
Third Quarter	10 7/16	6 1/16	.03
Fourth Quarter	6 13/16	2 15/16	.03
1999			
First Quarter	$3 3/4	$1 7/8	$.01
Second Quarter	7	2 9/16	.01
Third Quarter	6 1/2	4 1/8	.01
Fourth Quarter	4 5/8	2 9/16	.00

The following table sets forth summary unaudited financial information on a quarterly basis for the past two years (in thousands, except per share data).

As of or for the Year Ended December 31,

	1995	1996	1997	1998	1999
	(In thousands, except per share data)				
Operations					
Revenues	$ 41,169	$ 75,341	$145,417	$ 148,929	$201,364
Net income (loss)	4,390	12,615	(23,332)	(175,150)	(7,793)
Earnings (loss) per share before extraordinary items — basic	.31	.71	(1.31)	(6.82)	(0.34)
Earnings (loss) per share before extraordinary items — dilutive	.31	.69	(1.31)	(6.82)	(0.34)
Earnings (loss) per share – basic	.31	.71	(1.31)	(6.82)	(0.27)
Earnings (loss) per share – dilutive	.31	.69	(1.31)	(6.82)	(0.27)
Dividends per common share	0.01	0.06	0.10	0.12	0.03
Balance Sheet					
Working capital	$ 4,563	$ 12,896	$ (2,051)	$ (9,484)	$ 19,291
Oil and gas properties, net	176,702	229,417	623,807	662,099	595,297
Total assets	214,788	282,547	758,833	921,612	752,368
Senior debt	83,035	61,780	186,712	367,062	140,000
Non-recourse debt	—	—	—	60,100	142,520
Subordinated debt	—	55,000	180,000	180,000	176,360
Trust convertible preferred securities	—	—	120,000	120,000	117,669
Stockholders’ equity	99,367	117,529	196,950	133,222	127,171

	1998			
	Mar. 31	June 30	Sept. 30	Dec. 31
Revenues	$ 36,010	$ 32,273	$ 35,431	$ 45,215
Net income (loss) (a)	2,769	(944)	(66,907)	(110,068)
Earnings (loss) per share – basic (a)	.10	(.07)	(2.57)	(3.13)
Earnings (loss) per share – dilutive (a)	.10	(.07)	(2.57)	(3.13)
Total assets (a)	800,252	822,984	1,036,111	921,612
Senior debt	234,905	252,200	368,176	367,062
Non-recourse debt	—	—	53,795	60,100
Subordinated notes	180,000	180,000	180,000	180,000
Trust convertible preferred securities	120,000	120,000	120,000	120,000
Stockholders’ equity(a)	199,058	195,747	234,575	133,222

	1999			
	Mar. 31	June 30	Sept. 30	Dec. 31
Revenues (c)	$ 37,953	$ 42,196	$ 81,095	$ 40,121
Net income (loss) (b)(c)	(8,981)	(2,087)	12,722	(9,446)
Earnings (loss) per share – basic (b)(c)	(0.26)	(0.07)	0.33	(0.27)
Earnings (loss) per share – dilutive (b)(c)	(0.26)	(0.07)	0.33	(0.27)
Total assets (b)	905,522	895,677	775,785	752,368
Senior debt	317,451	317,085	146,650	140,000
Non-recourse debt	60,100	54,200	146,755	142,520
Subordinated debt	180,000	176,360	176,360	176,360
Trust convertible preferred securities	120,000	117,669	117,669	117,669
Stockholders’ equity(b)(c)	124,886	125,970	137,090	127,171

The total of the earnings per share for each quarter does not equal the earnings per share for the full year, either because the calculations are based on the weighted average shares outstanding during each of the individual periods, or due to rounding.

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ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Factors Effecting Financial Condition and Liquidity

Liquidity and Capital Resources

The following discussion compares the Company’s financial condition at December 31, 1999 to its financial condition at December 31, 1998. During 1999, the Company spent approximately $38.3 million on acquisition, development and exploration activities. At December 31, 1999, the Company had $12.9 million in cash and total assets of $752.4 million. During 1999, debt decreased from $607.2 million to $458.9 million. At December 31, 1999, debt to total book capitalization was 65%.

Long-term debt at December 31, 1999 included $140 million of borrowings under the Credit Facility, $95.0 million under the non-recourse Great Lakes Facility, $47.5 million under the non-recourse IPF Facility, $125.0 million of 8.75% Senior Subordinated Notes and $51.4 million of 6% Convertible Subordinated Debentures. The Company’s balance on its Credit Facility was reduced 62% from $365.2 million at December 31, 1998 to $140.0 million at December 31, 1999. Including the debt exchanges noted below, total debt fell from $607.2 million at December 31, 1998 to $458.9 million at December 31, 1999.

In September 1999, Range and FirstEnergy each contributed all of their Appalachia oil and gas properties and associated gas gathering and transportation systems to form Great Lakes. In addition, Range contributed $188.3 million of indebtedness and FirstEnergy contributed $2.0 million in cash. Great Lakes expects to increase production by active development of existing fields and exploitation of deeper formations. Great Lakes also intends to pursue acquisition opportunities in Appalachia. Range and FirstEnergy each retained a 50% ownership interest in Great Lakes. The Company pro rata consolidates 50% of the assets and liabilities of Great Lakes.

During 1999, Range exchanged $2.3 million of Convertible Preferred Securities and $3.6 million of Debentures for approximately 699,000 shares of Common Stock. In connection with the exchanges, a $2.4 million extraordinary gain was recorded as the securities were retired at a discount to their face value. See Capital Restructuring Program below.

In September 1999, the Company elected to pursue the sale of its gas processing plant and associated assets located in the Permian Basin. In connection with the plan of disposal, the Company determined that the carrying value of the plant exceeded its fair value. Accordingly, an impairment loss of $21.0 million was recorded which represented the excess of the carrying value over the estimated fair value. Fair value of the gas processing plant was estimated by reference to the present value of the estimated future cash inflows of the gas processing plant. The impairment estimate on the gas processing plant recorded in the third quarter 1999 was based on estimates of future cash flows for the property. Future cash flows include revenues from residue gas, plant liquids and by-products derived from both equity and third party proved natural gas reserves, which are estimated to pass through the plant, direct operating costs and capitalized costs. The Company estimated

future gas prices by referencing ten year futures strip prices in the calculation of the plant revenues estimated over the anticipated life of the property. These prices are adjusted for the effect of the estimated throughput production, subject to existing sales contracts, and are not necessarily indicative of actual prices received by the Company at the date of the impairment charge. Based upon discussions with potential acquirers of the gas processing plant, the Company believes that the carrying value of the plant does not exceed its fair market value. The Company's Credit Facility provides that the borrowing base will be reduced by 67% of the net proceeds of the sale of the Sterling gas plant.

The Company currently estimates that its capital resources are adequate to meet the requirements of its business. However, future cash flows are subject to a number of variables including the level of production and oil and gas prices and other world economic conditions that have historically affected the oil and gas production and exploration business. There can be no assurance that operations and other capital resources

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will provide cash in sufficient amounts to maintain planned levels of capital expenditures. See Capital Restructuring Program below.

Cash Flow

The Company's principal operating sources of cash include sales of oil and gas, revenues from transportation and processing and IPF revenues. The Company's cash flow is highly dependent upon oil and gas prices. Decreases in the price of oil and gas and lower production attributable to certain properties during 1999 reduced cash flow and resulted in the reduction of the borrowing base under the Credit Facility. As a result, the Company reduced its development and exploration spending to $37.4 million in 1999. The 1999 expenditures were entirely funded by internally generated cash flow.

The Company's net cash provided by operations for the years ended December 31, 1997, 1998 and 1999 was $77.1 million, $45.0 million and $52.6 million, respectively. The decrease in the Company's cash flow from operations is attributed primarily to lower energy prices, and increased interest expense for amounts outstanding under the Credit Facility.

The Company's net cash used in (provided by) investing for the years ended December 31, 1997, 1998 and 1999 was $501.1 million, $172.3 million and $(95.8) million, respectively. Investing activities for these periods are comprised primarily of additions to oil and gas properties through the Company's investment in Great Lakes, acquisitions and development, proceeds of sale of assets, IPF investments and, to a lesser extent, exploration and additions of field service assets. The Company's activities have been financed through a combination of operating cash flow, bank borrowings and capital raised through equity and debt offerings.

The Company's net cash provided by (used in) financing for the years ended December 31, 1997, 1998 and 1999 was $425.2 million, $128.5 million and $(146.4) million, respectively. Sources of financing used by the Company have been primarily borrowings under its Credit Facility and capital raised through equity and debt offerings. During 1999, the Company decreased its parent company recourse debt by $231 million and total debt by $148.3 million. The reduction in debt was accomplished by the formation of Great Lakes, property sales and applying excess cash flow to debt repayment.

Capital Requirements

In 1999, $37.4 million of capital was expended on development and exploration activities. In an effort to reduce debt the Company significantly reduced its 1999 exploration and development capital budget from the $81.5 million expended in 1998. The budgeted 2000 development and exploration expenditures of $45 million are currently expected to be funded entirely by internally generated cash flow. The development and exploration activities are highly discretionary and are expected to be maintained at levels below internally generated cash flow. The remaining cash flow will be available for debt repayment. See "Business—Development and Exploration Activities."

Bank Facilities

The Company maintains a $225 million revolving bank facility (the "Credit Facility"). The Credit Facility provides for a borrowing base, which is subject to semi-annual redeterminations. The Credit Facility is secured by the Company's oil and gas properties. At March 13, 2000, the borrowing base on the Credit Facility was $160 million of which $16 million was available. The borrowing base is subject to semi-annual determination and certain other redeterminations based upon a variety of factors, including the discounted present value of estimated future net cash flow from oil and gas production. At the Company's option, loans may be prepaid and the revolving credit commitment may be reduced, in whole or in part at anytime in certain minimum amounts. The next redetermination occurs on April 1, 2000. If amounts outstanding at April 1, 2000 exceed the redetermined borrowing base, one-half of the excess, if any, must be repaid within 90 days and the remaining excess, if any, must be repaid within 180 days. Any borrowing base in excess of $135 million requires the approval of all lenders. There can be no assurance that a redetermined borrowing base will be in excess of $135 million. Therefore, the Company has classified as

current the difference between the amount outstanding on December 31, 1999, and $135 million. A similar appropriate amount will be included in current portion of long term debt at March 31, 2000, unless an amended or replacement credit facility is entered into. Interest is payable quarterly or as LIBOR notes mature and the loan matures in February 2003. A commitment fee is paid quarterly on the undrawn balance at a rate of 0.25% to 0.50% depending upon the percentage of the borrowing base drawn. The interest rate on the Credit Facility is LIBOR plus between 1.50% and 2.25%, depending upon amounts outstanding. The weighted average interest rates on these borrowings were 6.7% and 7.1% for the years ended December 31, 1998 and 1999, respectively.

The Company pro rata consolidates 50% of amounts outstanding under the $275 million revolving bank facility (the "Great Lakes Facility") through its ownership in Great Lakes. The Great Lakes Facility is non-recourse to Range. The Great Lakes Facility provides for a borrowing base, which is subject to semi-annual redeterminations. The Great Lakes Facility is secured by Great Lake's oil and gas properties. At March 13, 2000, the borrowing base on the Great Lakes Facility was $191 million of which $9 million was available. On April 1, 2000, the borrowing base reduces to $190 million. The borrowing base is subject to a semi-annual borrowing review on April 1, 2000. Borrowing base redeterminations require the approval of all lenders. Interest is payable quarterly or as LIBOR notes mature and the loan matures in September 2002. The interest rate on the Great Lakes Facility is LIBOR plus between 1.50% and 2.00%, depending upon amounts outstanding. A commitment fee is paid quarterly on the undrawn balance at a rate of 0.25% to 0.50% depending upon the percentage of the borrowing base drawn. The weighted interest rate on this borrowing was 7.68% for the quarter ended December 31, 1999.

IPF has a $100 million revolving credit facility (the "IPF Facility") through which it finances its activities. The IPF Facility is non-recourse to Range and matures in December 2002. The IPF Facility is secured by substantially all of IPF's assets. The borrowing base under the IPF Facility is subject to a semi-annual redetermination on April 1, 2000. On March 13, 2000, the borrowing base on the IPF Facility was $56 million of which $13.6 million was available. The IPF Facility bears interest at prime rate or interest at LIBOR plus between 1.75% and 2.25%, depending on amounts outstanding. Interest expense on the IPF Facility is included in IPF expenses on the Consolidated Statements of Operations and amounted to $1.5 million and $ 4.3 million for the years ended December 31, 1998 and 1999, respectively. A commitment fee is paid quarterly on the average undrawn balance at a rate of 0.375% to 0.50%. The weighted average interest rate on these borrowings was 7.79% and 6.99% for the years ended December 31, 1998 and 1999, respectively.

The Company plans to reduce outstanding amounts under the Credit Facility through operating cash flow and the sale of assets. The Company classified $19.7 million of assets as held for sale at December 1999. These assets represent a gas processing plant and associated assets located in the Permian Basin, which are expected to be sold in the second quarter of 2000. The Company will use all of the proceeds from the sale of this plant, if consummated, to reduce amounts outstanding under the Credit Facility. Under terms of the Credit Facility, the borrowing base will be reduced by 67% of the proceeds from a sale. The Company is also considering the sale of other non-strategic assets whose proceeds would be used to reduce the Credit Facility. The Company's goal is to sharply reduce debt as a percentage of total capitalization with the next twelve months. Additional asset sales may be necessary to reduce outstanding amounts under the Credit Facility to meet future borrowing base requirements, however, at this time, the Company has no agreements to sell any material assets other than those noted above.

Hedging Activities

Periodically, the Company enters into futures, option and swap contracts to reduce the effects of fluctuations in crude oil and natural gas prices. All futures, option and swap contracts entered into by the Company are solely to hedge the price volatility of oil and natural gas and not to speculate in the commodity markets. It is the Company's policy to have no more than 80% of its production hedged in a twelve month period. At December 31, 1999, the Company had open hedges for natural gas of 24.8 Bcf and 0.8 million barrels of oil. The gas contracts are at average prices ranging from $2.00 to $3.17 per Mmbtu and the oil contracts range from $19.01 to $25.00 per Bbl. While these transactions have no carrying value, the

Company's mark-to-market exposure under these contracts at December 31, 1999 was a net gain of approximately $0.3 million. These contracts expire monthly through December 2000. The gains or losses on the Company's hedging transactions are determined as the difference between the contract price and a reference price, generally closing prices on the NYMEX. The resulting transaction gains and losses are determined monthly and are included in oil and gas revenues in the period the hedged production is sold. Net gains or (losses) relating to these derivatives for the years ended December 31, 1997, 1998 and 1999 approximated $(.9) million, $3.1 million and $(10.6) million, respectively.

Interest Rate Risk

At December 31, 1999, Range had debt outstanding of $458.9 million. Of this amount, $176.4 million, or 38% bears interest at fixed rates averaging 7.9%. The remaining $282.5 million of debt outstanding at the end of 1999 bears interest at floating rates which averaged 8.5% at the end of 1999. At December 31, 1999, the Company had $80 million of borrowings subject to four interest rate swap agreements at rates of 5.35%, 4.82%, 5.64% and 5.59% through January 2000, September 2000, October 2000 and October 2000, respectively. The interest rate swaps may be extended at the counterparties' option for two years. The interest rate swap with a rate of 5.35% was not extended. The agreements require that the Company pay the counterparty interest at the above fixed swap rates and require the counterparty to pay the Company interest at the 30-day LIBOR rate. The closing 30-day LIBOR rate on December 31, 1999 was

6.49%. A 10% increase in short-term interest rates on the floating-rate debt outstanding at the end of 1999 would equal to approximately 85 basis points. Such an increase in interest rates would increase Range's 2000 interest expense by approximately $2.4 million, assuming borrowed amounts remain constant throughout 2000. The above sensitivity analysis for interest rate risk excludes accounts receivable, accounts payable and accrued liabilities because of the short-term maturity of such instruments.

Capital Restructuring Program

As a result of two significant acquisitions completed in 1997 and 1998 financed principally with debt and fixed rate convertible securities and due to the poor performance of the acquired properties as well as the significant drop in oil and gas prices between late 1997 and 1999, the Company undertook a number of initiatives. These include a reduction in workforce, a significant decrease in capital expenditures, the sale of assets, the formation of the Great Lakes joint venture and the exchange of Common Stock for fixed rate securities. These initiatives resulted in the Company reducing its parent company bank debt in 1999 by over 60% to $140 million at year end. Total debt was reduced 24% during 1999 to $459 million. While management believes these actions have stabilized the Company's financial position, debt to total capitalization at December 31, 1999 remained high at 65%. For the Company to return to its historical posture of consistent profitability and growth, management believes it is necessary for the Company to further reduce debt and associated fixed financing costs. In addition to further asset sales, the Company currently anticipates it will significantly increase its efforts to exchange Common Stock or other equity linked securities for its existing fixed income securities or reduce debt and associated financing costs through some other substantial restructuring initiative. While the Company expects to exchange the fixed income securities at a substantial discount to their face value, the Company's existing common stockholders will be materially diluted if a material portion of the fixed rate securities are exchanged. The dilutive effect to the common stockholders will depend upon a number of factors, the primary ones being the number of shares and the price at which additional Common Stock is issued or the price which newly issued securities are convertible into Common Stock. While a restructuring would reduce the existing stockholders' proportional ownership of the Company, management believes that a restructuring would substantially increase its ability to enhance the value of the Company as well as the market value of the Common Stock. Any substantial restructuring will require mutually satisfactory agreements with a large majority of the parties holding the Company's existing convertible securities. Additionally, to insure that a sufficient number of shares of Common Stock are available, it is likely that the Company's stockholders would need to approve increasing the number of authorized shares of Common Stock. While the Company currently projects that it has sufficient liquidity and cash flow to meet its obligations, a drop in oil and gas prices or further reduction in production and reserves will reduce

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the Company's ability to fund capital expenditures and meets its obligations. This could have a detrimental effect on the Company's ability to complete its capital restructuring program in a timely manner.

Inflation and Changes in Prices

The Company's revenues and the value of its oil and gas properties have been and will be affected by changes in oil and gas prices. The Company's ability to maintain current borrowing capacity and to obtain additional capital on attractive terms is also dependent on oil and gas prices. Oil and gas prices are subject to significant seasonal and other fluctuations that are beyond the Company's ability to control or predict. During 1999, the Company received an average of $14.72 per barrel of oil and $2.13 per Mcf of gas. Although certain of the Company's costs and expenses are affected by the level of inflation, inflation did not have a significant effect in 1999. Should conditions in the industry improve, inflationary cost pressures may resume.

Results of Operations

Comparison of 1999 to 1998

The Company reported a net loss for the year ended December 31, 1999 of $7.8 million, as compared to a net loss of $175.2 million for 1998. Net income in 1999 includes a $2.4 million extraordinary gain on Convertible Preferred Securities and Debentures retired at a discount to their face value. Additionally, the Company recognized a $39.8 million proportional gain on the Great Lakes transaction (See Note 17- Gain on Sale).

Oil and gas revenues increased 7% to $145.5 million. During the year, oil and gas production volumes increased 9% to 66.8 Bcfe, an average of 182,900 Mcfe per day. The increased revenues recognized from production volumes were impacted by a 2% decrease in the average price received per Mcfe to $2.18. The average oil price increased 23% to $14.72 per barrel and average gas prices decreased 9% to $2.13 per Mcf. During 1999, the Company recorded gas revenues related to an above market gas contract with a utility company representing 2.8 Bcf of gas production at an average price of $3.81 per Mcf (approximately $10.6 million of gas revenue). Had this gas been sold on the same terms as other production was sold in the same geographical region (approximately $2.32 per Mcf), it would have resulted in a reduction in gas revenues of approximately $3.9 million. This gas contract expires June 30, 2000. If gas contracts cannot be found to replace the pricing received from this above-market contract, the Company will sell such gas at current market prices. Depending upon the market for natural gas at that time, this could have an adverse effect on the Company's future revenues and liquidity. As a result of the Company's larger base of producing properties and production, oil and gas production expenses increased 10% to $43.1 million in 1999 versus $39.0 million in 1998. The average operating cost per Mcfe produced was $0.64 during 1998 and $0.65 during 1999.

Transportation, processing and marketing revenues increased by $1.0 million to $7.8 million due to higher production levels. IPF income of $7.8 million consists of the interest portion of the term overriding royalty

interest and is net of a $3.3 million allowance for possible uncollectible accounts. During 1999, IPF income expenses included $1.5 million of administrative expenses and $4.3 million of interest expense.

Exploration expense decreased $8.9 million to $2.4 million in 1999. During 1999 the Company significantly reduced exploration expenditures in an effort to reduce indebtedness and capital risk.

General and administrative expenses decreased 13% from $9.2 million in 1998 to $8.0 million in 1999. As a percentage of revenues, general and administrative expenses were 4.0% in 1999 as compared to 6.2% in 1998. The decrease was due to an overhead reduction program implemented late in 1998 and the sharing of services with Great Lakes.

Interest and other income increased $38.0 million to $40.2 million due to proportional gain recognized on the Great Lakes transaction (See Note (17) - Gain on Sale). Interest expense increased 16% to $47.1 million as compared to $40.6 million in 1998. This was primarily a result of the higher average

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outstanding debt balance during the year and a higher average cost of borrowing on the Credit Facility. The average outstanding balances on the Credit Facility were $272 million and $308 million for 1998 and 1999, respectively. The weighted average interest rate on these borrowings were 6.7% and 7.1% for the years ended December 31, 1998 and 1999, respectively.

Depletion, depreciation and amortization (“DD&A”) increased 27% compared to 1998 as a result of increased production volumes and lower proved reserves. The Company-wide depletion rate was $.89 per Mcfe in 1998 and $1.04 per Mcfe in 1999. In the third quarter of 1999, the Company recognized a $21 million impairment on a gas processing plant located in the Permian Basin. The book value of the plant was impaired to managements expectations of expected proceeds from the sale based upon preliminary discussions with potential buyers. The Company has decided to sell the plant and related assets and the net book value of these assets is classified as a current asset at December 31, 1999 on the Consolidated Balance Sheets (See Note (5) — Assets held for Sale). During 1999, the Company recorded $3.1 million of depreciation expense for the first nine months on its gas plant held for sale. In the fourth quarter of 1999, the Company recognized an impairment of $6.1 million on its unproved acreage value. Unproved properties are assessed periodically to determine whether there has been a decline in value. If such decline is indicated, a loss is recognized. The Company compares the carrying value of its unproved properties to the estimated present value of the future cash flows of unproved properties discounted at 10% or considers such other information the Company believes is relevant in evaluating the properties’ fair value. Such other information may include the Company’s geological assessment of the area, other acreage purchases in the area, or the properties’ uniqueness. The present value of future cash flows from such properties has been adjusted for the Company’s assessment of risk related to the unproved properties. In assessing the risk associated with unproved properties, the Company considers the recoverability of unproved reserves that have been classified as probable and possible reserves. Probable reserves are reserves not reasonably certain or proved, yet are “more likely to be recovered than not.” Additionally, in the fourth quarter, the Company adjusted the DD&A rate for changes in reserves and associated costs to $1.33 per Mcfe. Reserves were revised downward in 1999 due to sharper decline rates in production and reservoir pressures than previously estimated and after in-depth field evaluations. The Company currently estimates that its DD&A rate for 2000 will be approximately $1.25 per Mcfe. The higher DD&A rate makes it difficult for the Company to be consistently profitable.

Comparison of 1998 to 1997

The Company reported a net loss for the year ended December 31, 1998 of $175.2 million, as compared to a net loss of $23.3 million for 1997. Due to downward revisions on certain of its properties and the depressed energy price environment, the Company recorded a provision for impairment of $207.1 million ($156.2 million after tax) and $5.9 million ($5.0 million after tax) of valuation allowances on IPF receivables. The Company initiated a restructuring plan to reduce costs and improve operating efficiencies. In connection with the cost reduction program the Company recorded a charge of $3.1 million ($2.7 million after tax).

Oil and gas revenues increased 4% to $135.6 million. During the year, oil and gas production volumes increased 24% to 61.1 Bcfe, an average of 167.5 Mmcfe per day. The increased revenues recognized from production volumes were negatively impacted by a 16% decrease in the average price received per Mcfe of production to $2.22. The average oil price decreased 34% to $12.01 per barrel and average gas prices decreased 12% to $2.33 per Mcf. During 1998, the Company recorded gas revenues related to an above market gas contract with a utility company representing 4.0 Bcf of gas production at an average price of $3.77 per Mcf (approximately $15.1 million of gas revenue). Had this gas been sold on the same terms as other production was sold in the same geographical region ($3.16 per Mcf), it would have resulted in a reduction in gas revenues of approximately $2.4 million. This gas contract expires June 30, 2000. If gas contracts cannot be found to replace the pricing received from this above-market contract, the Company will sell such gas at current market prices. Depending upon the market for natural gas at that time, this could have an effect on the Company’s future revenues and liquidity. As a result of the Company’s larger base of producing properties and production, oil and gas production expenses increased 24% to $39.0 million in 1998 versus $31.5 million in 1997. The average operating cost per Mcfe produced was $0.64 during both periods.

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Transportation, processing and marketing revenues decreased 14% to $6.7 million versus $7.8 million in 1997, the decrease was principally due to the sale of a gas processing plant in the San Juan Basin and a drop in natural gas liquid prices which lowered gas processing revenues. IPF income has been recorded for periods following the merger. IPF income consists of the interest portion of the term overriding royalty interests. During 1998, IPF expenses included $.5 million of administrative expenses, $1.6 million of interest expense and a $5.9 million valuation allowance.

Exploration expense increased 346% to $11.3 million due to the Company’s higher levels of seismic and exploratory drilling activity. During 1998 the Company spent $4.3 million on 5 exploratory dry holes compared to $0.3 million of dry hole costs in 1997.

General and administrative expenses increased 74% from $5.3 million in 1997 to $9.2 million in 1998. As a percentage of revenues, general and administrative expenses were 6.2% in 1998 as compared to 4% in 1997. The increase was due to higher personnel costs associated with the Company’s growth, as well as, increased legal expenditures during 1998. In December 1998, the Company implemented an overhead reduction program in response to the depressed energy price environment. The cuts included the termination of 54 employees, representing 27% of non-field staff.

Interest and other income decreased 70% to $2.3 million primarily due to lower levels of non-strategic assets sales. Interest expense increased 50% to $40.6 million as compared to $27.2 million in 1997. This was primarily a result of the higher average outstanding debt balance during the year due to the financing of acquisitions and drilling activities. The average outstanding balances on the Credit Facility were $192.1 million and $271.6 million for 1997 and 1998, respectively. The weighted average interest rate on these borrowings were 7.3% and 6.7% for the years ended December 31, 1997 and 1998, respectively.

Depletion, depreciation and amortization increased 9% compared to 1997 as a result of increased production volumes. This increase was partially offset by a decrease in the average depletion rate per Mcfe. The Company-wide depletion rate was $1.03 per Mcfe in 1997 and $.89 per Mcfe in 1998. During 1998, the Company recorded $5.5 million of depletion expense on properties classified as assets held for sale at year end.

The Company recorded a provision for impairment due to the effect that reserve revisions due to drilling results and depressed oil and gas prices had on its proved and unproved reserves during 1998. The following are the properties impaired during 1998 (in thousands):

(a) Includes a $97.9 million provision for impairment ($63.6 million after tax) recorded in the third quarter and a $109.2 million provision for impairment ($92.6 million after tax) recorded in the fourth quarter.
(b) Includes a $20.9 million provision for impairment that was recorded in the third quarter and $6.1 million in the fourth quarter.
(c) Includes a proportional gain associated with the Great Lakes Energy Partners, see Note 17 to the financial statements.

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Of the total impairment of $207.1 million, 45% was due to downward reserve revisions due to poor performance and drilling results and 55% was due to the decline in oil and gas prices. The impairment of oil and gas properties recorded in 1998 was based on estimates of future cash flows for each property in the two categories evaluated for impairment: proved properties and unproved properties. The impairment evaluation for proved properties utilized only proved reserves and the impairment evaluation for unproved properties utilized only unproved reserves. Future cash flows include revenues from anticipated oil and natural gas production, severance taxes, direct operating costs and capitalized costs. Unproved properties are assessed periodically to determine whether there has been a decline in value. If such decline is indicated, a loss is recognized. The Company compares the carrying value of its unproved properties to the present value of the future cash flows of unproved properties discounted at 10% or considers such other information the Company believes is relevant in evaluating the properties’ fair value. Such other information may include the Company’s geological assessment of the area, other acreage purchases in the area, or the properties’ uniqueness. The present value of future cash flows from such properties has been adjusted for the Company’s assessment of risk related to the unproved properties. In assessing the risk associated with unproved properties, the Company considers the recoverability of unproved reserves that have been classified as probable and possible reserves. Probable reserves are reserves not reasonably certain or proved, yet are “more likely to be recovered than not.” Possible reserves are reasonably possible but “less likely to be recovered than not.” The following is a table of index prices used in the calculation of the revenues estimated from oil and natural gas production over the anticipated life of the properties. These prices were then adjusted for the effect of the Company’s production subject to existing sales contracts, and are not necessarily indicative of actual prices received by the Company at the dates of the impairment charges.

Property	Impairment Amount
Sonora properties	$ 65,712
Sonora unproved acreage	20,089
Permian properties	1,018
West Texas properties	1,506
Gulf Coast properties	16,117
Michigan properties	14,644
East Texas properties	2,323
Matagorda Island	15,643
Mobile Bay	10,735
East & West Cameron	19,905
Offshore unproved acreage	9,177
South Texas unproved acreage	19,922
Marketable securities	10,337
	$207,128

Severance taxes, direct operating costs and capitalized costs were estimated based on the Company's historical operating experience. These costs and expenses were escalated at 3% per year for 10 years and held constant thereafter. These prices were applied to production profiles developed by the Company's engineers using estimates of proved reserves and unproved reserves. The impairment estimates were determined based on the difference between the carrying value of the assets and the present value of future cash flows discounted at 10%. It is reasonably possible that a change in reserve or price estimates could occur in the near term and impact management's estimate of future cash flows and consequently the carrying value of properties.

At December 31, 1998, the Company compared the fair value of its available-for-sale marketable securities to their historical cost. Due to the fact that the fair values on certain individual securities were below their historical cost and the Company determined that these declines in value were other than temporary, it charged a $10.3 million impairment against these assets.

Comparison of 1997 to 1996

The Company reported a net loss for the year ended December 31, 1997 of $23.3 million, as compared to $12.6 million net income for 1996. During the fourth quarter of 1997, the Company recorded a provision for impairment with regard to certain of its oil and gas properties amounting to $58.7 million ($38.7 million after tax). Excluding the effects of the non-cash impairment charge, net income would have risen 22%

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to $15.4 million. The increase is principally the result of (i) higher production volumes, (ii) lower per unit operating and overhead costs and (iii) higher average product prices. During the year, oil and gas production volumes increased 78% to 49.2 Bcfe, an average of 134.7 Mmcfe per day. The increased revenues recognized from production volumes were aided by an 7% increase in the average price received per Mcfe of production to $2.64. The average oil price decreased 7% to $18.22 per barrel while average gas prices increased 18% to $2.64 per Mcf. During 1997, the Company recorded gas revenues related to an above market gas contract with a utility company representing 6.0 Bcf of gas production at an average price of $3.73 per Mcf ($22.4 million of gas revenue). Had this gas been sold on the same terms as other production that was sold in the same geographical region, it would have resulted in a reduction in gas revenues of $8.1 million. This gas contract expires June 30, 2000. Depending upon the market for natural gas at that time, the possibility exists that the expiration of this contract could have a material effect on the Company's future results of operations. As a result of the Company's larger base of producing properties and production, oil and gas production expenses increased 52% to $31.5 million in 1997 versus $20.7 million in 1996. The average operating cost per Mcfe produced decreased 15% from $0.75 in 1996 to $0.64 in 1997.

Transportation, processing and marketing revenues increased 100% to $7.8 million versus $3.9 million in 1996 principally due to production growth. Exploration expense increased 73% to $2.5 million due to the Company's increased involvement in seismic and exploratory drilling activity.

General and administrative expenses increased 33% from $4.0 million in 1996 to $5.3 million in 1997. As a percentage of revenues, general and administrative expenses were 4% in 1997 as compared to 5% in 1996. This decreasing trend reflects the spreading of administrative costs over a growing asset base.

Interest and other income rose 124% to $7.6 million primarily due to $3.2 million on gains from sale of marketable securities (which were not related to hedging activities), and $4.1 million from the gain on the sale of non-strategic assets. Interest expense increased 263% to $27.2 million as compared to $7.5 million in 1996. This was primarily as a result of the higher average outstanding debt balance during the year due to the financing of acquisitions and drilling activities. The average outstanding balances on the Credit Facility were $107.2 million and $192.1 million for 1996 and 1997, respectively. The weighted average interest rate on these borrowings were 6.7% and 7.3% for the years ended December 31, 1996 and 1997, respectively.

Depletion, depreciation and amortization increased 148% compared to 1996 as a result of increased production volumes and increased depletion rates per volume. The Company-wide depletion rate was $0.73 per Mcfe in 1996 and $1.03 per Mcfe in 1997.

The Company recorded a provision for impairment due to the effect that depressed oil and gas prices had on its proved reserves during 1997. The following are the properties impaired during 1997 (in thousands):

Year	Oil prices	Gas prices
1999	$ 12.62–13.25	$ 1.94-2.25
2000	14.50 – 16.00	2.23 - 2.30
2001	15.60 – 16.50	2.30 - 2.37
2002	16.44 – 17.10	2.35 - 2.44
2003	17.00 – 17.61	2.40 - 2.51
2004	17.50 – 18.14	2.45 - 2.59
2005	17.90 – 18.69	2.50 - 2.67
2006	18.35 – 19.25	2.58 - 2.75
2007	18.81 – 19.82	2.63 - 2.83
2008	19.28 – 20.42	2.69 - 2.91
2009	19.76 – 21.03	2.75 - 3.00

Of the total impairment of $58.7 million, 24% was due to reserve revisions due to poor performance and drilling results and 76% was due to the decline in oil and gas prices. The impairment estimate recorded in 1997 was based on estimates of future cash flows for each property in the two categories evaluated for impairment: proved properties and unproved properties. The impairment evaluation for proved properties utilized only proved reserves and the impairment evaluation for unproved properties utilized only unproved reserves. Future cash flows include revenues from anticipated oil and

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natural gas production, severance taxes, direct operating costs and capitalized costs. Based on management's estimates, crude oil price estimates used to calculate these future net cash flows were based upon West Texas Intermediate posted price that was $16.00 per barrel for 1998 and was held constant thereafter. Natural gas price estimates were based upon NYMEX future price that was $2.15 per Mcf for 1998 and was held constant thereafter. These prices were then adjusted for the effect of the Company's production subject to existing sales contracts, and are not necessarily indicative of actual prices received by the Company at the dates of the impairment charges.

Severance taxes, direct operating costs and capitalized costs were estimated based on the Company's historical experience in its areas of operations. The impairment estimates were determined based on the difference between the carrying value of the assets and the present value of future cash flows discounted at 10%. It is reasonably possible that a change in reserve or price estimates could occur in the near term and adversely impact management's estimate of future cash flows and consequently the carrying value of properties.

Year 2000

Range has not experienced significant operational problems due to the Year 2000 issues. Range's significant suppliers, customers and service providers have been able to transact business on a normal basis in 2000 and there are no future problems anticipated that would materially impact Range's operations. The total cost for the Year 2000 Project did not exceed $0.2 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the Index to Financial Statements on page 40 for a listing of the Company's financial statements and notes thereto and for supplementary schedules. Schedules I, III, IV, V, VI, VII, VIII, IX, X, XI, XII and XIII have been omitted as not required or not applicable or because the information required to be presented is included in the financial statements and related notes.

Management Responsibility for Financial Statements

The financial statements have been prepared by management in conformity with generally accepted accounting principles. Management is responsible for the fairness and reliability of the financial statements and other financial data included in this report. In the preparation of the financial statements, it is necessary to make informed estimates and judgments based on currently available information on the effects of certain events and transactions.

The Company maintains accounting and other controls which management believes provide reasonable assurance that financial records are reliable, assets are safeguarded, and that transactions are properly recorded. However, limitations exist in any system of internal control based upon the recognition that the cost of the system should not exceed benefits derived.

The Company's independent auditors, Arthur Andersen LLP, are engaged to audit the financial statements and to express an opinion thereon. Their audit is conducted in accordance with generally accepted auditing standards to enable them to report whether the financial statements present fairly, in all material respects, the financial position and results of operations in accordance with generally accepted accounting principles.

ITEM 9. CHANGE IN ACCOUNTANTS AND DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Property	Impairment Amount
Midcontinent properties	$16,538
Offshore properties	5,354
South Texas properties	10,022
Permian properties	26,786
	$58,700

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The executive officers and directors of the Company are listed below, together with a description of their experience and certain other information. Each of the directors was elected for a one-year term at the Company's 1999 annual meeting of stockholders. Executive officers are appointed by the Board

of Directors.

None.

Thomas J. Edelman, Chairman and Chairman of the Board of Directors, joined the Company in 1988. He served as its Chief Executive Officer until 1992. From 1981 to 1997, Mr. Edelman served as a director and President of Snyder Oil Corporation ("SOCO"), an independent, publicly traded oil and gas company. In 1996, Mr. Edelman was appointed Chairman and Chief Executive Officer of Patina Oil & Gas Corporation. Prior to 1981, Mr. Edelman was a Vice President of The First Boston Corporation. From 1975 through 1980, Mr. Edelman was with Lehman Brothers Kuhn Loeb Incorporated. Mr. Edelman received his Bachelor of Arts Degree from Princeton University and his Masters Degree in Finance from Harvard University's Graduate School of Business Administration. Mr. Edelman serves as a director of Paradise Music & Entertainment, Inc. and a director of the general partner of Star Gas Partners, L.P., a publicly-traded master limited partnership, which distributes fuel oil and propane gas.

John H. Pinkerton, President, Chief Executive Officer and a Director, joined the Company in 1988 as a Director. He was appointed President in 1990 and Chief Executive Officer in 1992. Previously, Mr. Pinkerton was Senior Vice President-Acquisitions of SOCO. Prior to joining SOCO in 1980, Mr. Pinkerton was with Arthur Andersen & Co. Mr. Pinkerton received his Bachelor of Arts Degree in Business Administration from Texas Christian University and his Master of Arts Degree in Business Administration from the University of Texas. Mr. Pinkerton is also director of Venus Exploration, Inc., a publicly traded exploration and production company in which Range owned 19% at December 31, 1999.

Robert E. Aikman, a Director, joined the Company in 1990. Mr. Aikman has more than 40 years experience in petroleum and natural gas exploration and production throughout the United States and Canada. From 1984 to 1994 he was Chairman of the Board of Energy Resources Corporation. From 1979 through 1984, he was the President and principal shareholder of Aikman Petroleum, Inc. From 1971 to 1977, he was President of Dorchester Exploration Inc. and from 1971 to 1980, he was a Director and a member of the Executive Committee of Dorchester Gas Corporation. Mr. Aikman is also Chairman of Provident Communications, Inc., President of OGP Technologies, Inc., and President of The Hawthorne Company, an

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entity which organizes joint ventures and provides advisory services for the acquisition of oil and gas properties, including the financial restructuring, reorganization and sale of companies. He was President of Enertec Corporation that was reorganized under Chapter 11 of the Bankruptcy Code in December 1994. In addition, Mr. Aikman is a director of the Panhandle Producers and Royalty Owners Association and a member of the Independent Petroleum Association of America, Texas Independent Producers and Royalty Owners Association and American Association of Petroleum Landmen. Mr. Aikman graduated from the University of Oklahoma in 1952.

Anthony V. Dub was elected to serve as a Director of the Company in 1995. Mr. Dub is Chairman of Indigo Capital, LLC, a financial advisory firm based in New York City. Prior to forming Indigo Capital in 1997, he served as an officer of Credit Suisse First Boston, an investment banking firm. Mr. Dub joined Credit Suisse First Boston in 1971 and was named a Managing Director in 1981. Mr. Dub received his Bachelor of Arts Degree from Princeton University in 1971.

Allen Finkelson, was appointed a Director in 1994. Mr. Finkelson has been a partner at Cravath, Swaine & Moore since 1977, with the exception of the period from September 1983 through August 1985, when he was a managing director of Lehman Brothers Kuhn Loeb Incorporated. Mr. Finkelson was first employed by Cravath, Swaine & Moore as an associate in 1971. Mr. Finkelson received his Bachelor of Arts Degree from St. Lawrence University and his Doctor of Laws Degree from Columbia University School of Law.

Ben A. Guill, was elected to serve as a Director of the Company in 1995. In September 1998 Mr. Guill joined First Reserve Corporation as President of its Houston office. First Reserve is a private equity firm, dedicated to the energy industry. Prior to joining First Reserve, Mr. Guill was a Partner and Managing Director of Simmons & Company International, an investment banking firm located in Houston, Texas, which focuses on the oil service and equipment industry. Mr. Guill had been with Simmons & Company since 1980. Prior to that Mr. Guill was with Blyth Eastman Dillon & Company from 1978 to 1980. Mr. Guill received his Bachelor of Arts Degree from Princeton University and his Masters Degree in Finance from the Wharton Graduate School of Business at the University of Pennsylvania.

Jonathan S. Linker has served as a Director of the Company since the Merger in August 1998. Mr. Linker has been a Managing Director of First Reserve since 1996, the President and a director of IDC Energy Corporation since 1987, and a Vice President and Director of Sunset Production Corporation since 1991. Mr. Linker earned a Bachelor of Arts degree in Geology from Amherst College, a Master of Arts degree in Geology from Harvard University and a Master of Business Administration degree from the Harvard Business School.

Eddie M. LeBlanc III, Senior Vice President and Chief Financial Officer joined the Company in January 2000. Previously Mr. LeBlanc was a founder of Interstate Natural Gas Company, which merged into Coho Energy in 1994. At Coho Energy Mr. LeBlanc served as Senior Vice President and Chief Financial Officer. Mr. LeBlanc's twenty-five years of experience include assignments in the oil and gas subsidiaries of Celeron Corporation and Goodyear Tire and Rubber. Prior to his industry experience, Mr. LeBlanc was with a national accounting firm, he is a certified public accountant, a chartered financial analyst, and holds a Bachelor's degree from University of Southwest Louisiana.

Herbert A. Newhouse, Senior Vice President – Gulf Coast, joined the Company in 1998. Prior to joining Range, Mr. Newhouse served as Executive Vice President of Domain Energy Corporation. He was a former Vice President of Tenneco Ventures Corporation. Mr. Newhouse was an employee of Tenneco for over 17 years and has 30 years of operational and managerial experience in oil and

gas exploration and production. Mr. Newhouse received his Bachelor's degree in Chemical Engineering from Ohio State University.

Chad L. Stephens, Senior Vice President – Southwest, joined the Company in 1990. Previously, Mr. Stephens was with Duer Wagner & Co., an independent oil and gas producer, since 1988. Prior thereto, Mr. Stephens was an independent oil operator in Midland, Texas for four years. From 1979 to 1984,

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Mr. Stephens was with Cities Service Company and HNG Oil Company. Mr. Stephens received his Bachelor of Arts Degree in Finance and Land Management from the University of Texas.

Rodney L. Waller, Senior Vice President and Corporate Secretary joined Range in September 1999. Previously, Mr. Waller had been with Snyder Oil Corporation, now Santa Fe Snyder Corporation since 1977, where he served as a senior vice president. Before joining Snyder, Mr. Waller was employed by Arthur Andersen. Mr. Waller received his Bachelor of Arts degree from Harding University, and holds a certified public accountant designation.

Michael V. Ronca, Chief Operating Officer and a Director, joined the Company in 1998. Prior thereto, Mr. Ronca served as the President of Domain Energy Corporation. Mr. Ronca left the Company in February 2000.

Catherine L. Sliva, Senior Vice President – Independent Producer Finance, joined the Company in connection with the Merger in August 1998. Prior to joining Range, Ms. Sliva served as Executive Vice President of Domain Energy Corporation. Ms. Sliva resigned her position with the Company in January 2000.

The Range Board has established three committees to assist in the discharge of its responsibilities.

Audit Committee. The Audit Committee reviews the professional services provided by Range's independent public accountants and the independence of such accountants from management of Range. This Committee also reviews the scope of the audit coverage, the annual financial statements of Range and such other matters with respect to the accounting, auditing and financial reporting practices and procedures of Range as it may find appropriate or as have been brought to its attention. Messrs. Aikman, Dub and Guill are the members of the Audit Committee.

Compensation Committee. The Compensation Committee reviews and approves executive salaries and administers bonus, incentive compensation and stock option plans of Range. This Committee advises and consults with management regarding pensions and other benefits and significant compensation policies and practices of Range. This Committee also considers nominations of candidates for corporate officer positions. The members of the Compensation committee are Messrs. Aikman, Finkelson and Guill.

Executive Committee. The Executive Committee reviews and authorizes actions required in the management of the business and affairs of Range, which would otherwise be determined by the Board, where it is not practicable to convene the full Board. One of the principal responsibilities of the Executive Committee will be to review and approve smaller acquisitions. The members of the Executive Committee are Messrs. Edelman, Finkelson and Pinkerton.

ITEM 11. COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Information with respect to executive compensation is incorporated herein by reference to the Company's Proxy Statement for its 2000 annual meeting of stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information with respect to security ownership of certain beneficial owners and management is incorporated herein by reference to the Company's Proxy Statement for its 2000 annual meeting of stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information with respect to certain relationships and related transactions is incorporated herein by reference to the Company's Proxy Statement for its 2000 annual meeting of stockholders.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

Name	Age	Held Office Since	Position With Company
Thomas J. Edelman	49	1988	Chairman and Chairman of the Board
John H. Pinkerton	45	1988	President, Chief Executive Officer and Director
Robert E. Aikman	67	1990	Director
Anthony V. Dub	50	1995	Director
Allen Finkelson	53	1994	Director
Ben A. Guill	49	1995	Director
Jonathan S. Linker	50	1998	Director
Eddie M. LeBlanc III	51	2000	Senior Vice President and Chief Financial Officer
Herbert A. Newhouse	54	1998	Senior Vice President – Gulf Coast
Chad L. Stephens	44	1990	Senior Vice President – Southwest
Rodney L. Waller	50	1999	Senior Vice President and Corporate Secretary
Michael V. Ronca	46	1998	Chief Operating Officer and Director (left the Company in February 2000)
Catherine L. Sliva	40	1998	Senior Vice President – Independent Producer Finance (resigned in January 2000)

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 20, 2000

(a) 1. and 2. Financial Statements and Financial Statement Schedules.
The items listed in the accompanying index to financial statements are filed as part of this Annual Report on Form 10-K.

3. Exhibits.
The items listed on the accompanying index to exhibits are filed as part of this Annual Report on Form 10-K.

(b) Reports on Form 8-K.

The Company's Current Report on Form 8-K, dated October 15, 1999.

(c) Exhibits required by Item 601 of Regulation S-K.
Exhibits required to be filed by the Company pursuant to Item 601 of Regulation S-K are contained in Exhibits listed in response to Item 14 (a)3, and are incorporated herein by reference.

(d) Financial Statement Schedules Required by Regulation S-X.
The items listed in the accompanying index to financial statements are filed as part of this Annual Report on Form 10-K.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the persons on behalf of the Company and in the capacities and on the dates indicated.

RANGE RESOURCES CORPORATION

By: /s/ John H. Pinkerton

John H. Pinkerton
President

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GLOSSARY

The terms defined in this glossary are used throughout this report.

Bbl. One stock tank barrel, or 42 U.S. gallons liquid volume, used herein in reference to crude oil or other liquid hydrocarbons.

Bcf. One billion cubic feet.

Bcfe. One billion cubic feet of natural gas equivalents, based on a ratio of 6 Mcf for each barrel of oil, which reflects the relative energy content.

Credit Facility. The Range Resources Corporation $225 million revolving bank facility.

Development well. A well drilled within the proved area of an oil or natural gas reservoir to the depth of a stratigraphic horizon known to be productive.

Dry hole. A well found to be incapable of producing either oil or natural gas in sufficient quantities to justify completion as an oil or gas well.

Exploratory well. A well drilled to find and produce oil or gas in an unproved area, to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir, or to extend a known reservoir.

Gross acres or gross wells. The total acres or wells, as the case may be, in which a working interest is owned.

Infill well. A well drilled between known producing wells to better exploit the reservoir.

Mbbl. One thousand barrels of crude oil or other liquid hydrocarbons.

Mcf. One thousand cubic feet.

Mcf/d. One thousand cubic feet per day.

Mcfe. One thousand cubic feet of natural gas equivalents, based on a ratio of 6 Mcf for each barrel of oil, which reflects the relative energy content.

Merger. The acquisition via merger of Domain Energy Corporation by Lomak Petrolum, Inc. in August 1998. Simultaneously, Lomak's name was change to Range Resources

Mmbbl. One million barrels of crude oil or other liquid hydrocarbons.

Mmbtu. One million British thermal units. One British thermal unit is the heat required to raise the temperature of a one-pound mass of water from 58.5 to 59.5 degrees Fahrenheit.

Mmcf. One million cubic feet.

Mmcfe. One million cubic feet of natural gas equivalents.

Net acres or net wells. The sum of the fractional working interests owned in gross acres or gross wells.

Net oil and gas sales. Oil and natural gas sales less oil and natural gas production expenses.

Oil and gas royalty trust. An arrangement whereby typically, the creating company conveys a net profits interest in certain of its oil and gas properties to the newly created trust and then distributes ownership units in the trust to its unitholders. The function of the trust is to serve as agent to distribute income from the net profits interest to its unitholders.

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Present Value. The pre-tax present value, discounted at 10%, of future net cash flows from estimated proved reserves, calculated holding prices and costs constant at amounts in effect on the date of the report (unless such prices or costs are subject to change pursuant to contractual provisions) and otherwise in accordance with the Commission’s rules for inclusion of oil and gas reserve information in financial statements filed with the Commission.

Productive well. A well that is producing oil or gas or that is capable of production.

Proved developed non-producing reserves. Reserves that consist of (i) proved reserves from wells which have been completed and tested but are not producing due to lack of market or minor completion problems which are expected to be corrected and (ii) proved reserves currently behind the pipe in existing wells and which are expected to be productive due to both the well log characteristics and analogous production in the immediate vicinity of the wells.

Proved developed producing reserves. Proved reserves that can be expected to be recovered from currently producing zones under the continuation of present operating methods.

Proved developed reserves. Proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Proved reserves. The estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

Proved undeveloped reserves. Proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

Recompletion. The completion for production of an existing wellbore in another formation from that in which the well has previously been completed.

Reserve life index. The presentation of proved reserves defined in number of years of annual production.

Royalty interest. An interest in an oil and gas property entitling the owner to a share of oil and natural gas production free of costs of production.

Standardized Measure. The present value, discounted at 10%, of future net cash flows from estimated proved reserves after income taxes calculated holding prices and costs constant at amounts in effect on the date of the report (unless such prices or costs are subject to change pursuant to contractual provisions) and otherwise in accordance with the Commission’s rules for inclusion of oil and gas reserve information in financial statements filed with the Commission.

Term overriding royalty. A royalty interest that is carved out of the operating or working interest in a well. Its term does not extend to the economic life of the property and is of shorter duration than the underlying working interest. The term overriding royalties in which the Company participates through its Independent Producer Finance subsidiary typically extend until amounts financed and a designated rate of return have been achieved. At such point in time, the override interest reverts back to the

working interest owner.

Working interest. The operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and a share of production, subject to all royalties, overriding royalties and other burdens and to all costs of exploration, development and operations and all risks in connection therewith.

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RANGE RESOURCES CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

(Item 14[a], [d])

/s/ Thomas J. Edelman	Thomas J. Edelman,
March 20, 2000	Chairman and Chairman of the Board
/s/ John H. Pinkerton	John H. Pinkerton,
March 20, 2000	Chief Executive Officer, President and Director
/s/ Eddie M. LeBlanc III	Eddie M. LeBlanc III
March 20, 2000	Chief Financial and Accounting Officer
/s/ Robert E. Aikman	Robert E. Aikman, Director
March 20, 2000	
/s/ Allen Finkelson	Allen Finkelson, Director
March 20, 2000	
/s/ Anthony V. Dub	Anthony V. Dub, Director
March 20, 2000	
/s/ Ben A. Guill	Ben A. Guill, Director
March 20, 2000	
/s/ Jonathan S. Linker	Jonathan S. Linker, Director
March 20, 2000	

All other schedules have been omitted since the required information is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the financial statements or footnotes.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The Board of Directors and Stockholders
Range Resources Corporation

We have audited the accompanying consolidated balance sheets of Range Resources Corporation (a Delaware corporation) as of December 31, 1998 and 1999, and the related consolidated statements of income, stockholders’ equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Range Resources Corporation as of December 31, 1998 and 1999, and the results of its operations and its cash flows for the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Cleveland, Ohio

February 18, 2000

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RANGE RESOURCES CORPORATION

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

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Exhibits

See accompanying notes.

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RANGE RESOURCES CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	December 31,	
	1998	1999
Assets		
Current assets		
Cash and equivalents	$ 10,954	$ 12,937
Accounts receivable	30,384	21,646
IPF receivables (Note 4)	7,140	12,500
Marketable securities	3,258	2,145
Assets held for sale (Note 5)	51,822	19,660
Inventory and other	3,373	4,051
	106,931	72,939
IPF receivables, net (Note 4)	70,032	52,913
Oil and gas properties, successful efforts method	935,822	978,919
Accumulated depletion and impairment	(273,723)	(383,622)
	662,099	595,297
Transportation, processing and field assets	89,471	33,777
Accumulated depreciation	(15,146)	(10,572)
	74,325	23,205
Other	8,225	8,015
	$ 921,612	$ 752,368
Liabilities and Stockholders’ Equity		
Current liabilities		
Accounts payable	$ 28,163	$ 23,925
Accrued liabilities	15,773	12,305
Accrued payroll and benefit costs	5,156	3,769
Accrued interest	9,439	8,635
Accrued business restructuring costs (Note 13)	2,697	—
Current portion of debt (Note 6)	55,187	5,014
	116,415	53,648
Senior debt (Note 6)	311,875	135,000
Non-recourse debt (Note 6)	60,100	142,520
Subordinated notes (Note 6)	180,000	176,360
Commitments and contingencies (Note 8)		
Company-obligated preferred securities of subsidiary trust (Note 9)	120,000	117,669
Stockholders’ equity (Notes 9 and 10)		
Preferred stock, $1 Par, 10,000,000 shares authorized, $2.03 convertible preferred, 1,149,840 issued and outstanding (liquidation preference $28,746,000)	1,150	1,150
Common stock, $.01 par, 50,000,000 shares authorized, 35,933,523 and 37,901,789 issued	359	379
Capital in excess of par value	334,817	340,279
Retained deficit	(203,396)	(214,630)
Other comprehensive income (loss)	292	(7)
	133,222	127,171
	$ 921,612	$ 752,368

See accompanying notes.

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RANGE RESOURCES CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Year Ended December 31,		
	1997	1998	1999
Revenues			
Oil and gas sales	$130,017	$ 135,593	$145,492
Transportation, processing and marketing	7,806	6,711	7,770
IPF income, net of allowances	—	4,370	7,872
Interest and other	7,594	2,255	40,230
	145,417	148,929	201,364
Expenses			
Direct operating	31,481	39,001	43,074
IPF expense	—	7,996	5,825
Exploration	2,527	11,265	2,409
General and administrative	5,290	9,215	8,028
Interest	27,175	40,642	47,085
Depletion, depreciation and amortization	55,407	60,153	76,447
Provision for impairment (amounts include $37.7 million and $21.0 million related to assets held for sale in 1998 and 1999, respectively)	58,700	207,128	27,118
Business restructuring costs (Note 13)	—	3,147	—
	180,580	378,547	209,986
Income (loss) before taxes	(35,163)	(229,618)	(8,622)
Income taxes			
Current	684	278	1,601
Deferred	(12,515)	(54,746)	—
	(11,831)	(54,468)	1,601
Income (loss) before extraordinary item	(23,332)	(175,150)	(10,223)
Extraordinary item			
Gain on retirement of securities (Note 18)	—	—	2,430
Net income (loss)	$(23,332)	$(175,150)	$ (7,793)
Comprehensive income (loss) (Note 2)	$(24,524)	$(175,260)	$ (8,566)
Earnings (loss) per common share before extraordinary item: (Note 14)			
Basic	$ (1.31)	$ (6.82)	$ (0.34)
Dilutive	$ (1.31)	$ (6.82)	$ (0.34)
Earnings (loss) per common share after extraordinary item: (Note 14)			
Basic	$ (1.31)	$ (6.82)	$ (0.27)
Dilutive	$ (1.31)	$ (6.82)	$ (0.27)

See accompanying notes.

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RANGE RESOURCES CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Preferred Stock		Common Stock				
	Shares	Par Value	Shares	Par Value	Capital in Excess of Par Value	Retained Earnings (Deficit)	Other Comprehensive Income (loss)
Balance, December 31, 1996	1,150	$1,150	14,751	$148	$110,248	$ 5,291	$ 692
Preferred dividends	—	—	—	—	—	(2,334)	—
Common dividends at $.10 per share	—	—	—	—	—	(2,037)	—
Common issued	—	—	6,307	63	107,293	—	—
Common repurchased	—	—	—	—	(107)	—	—
Compensation in connection with stock options	—	—	—	—	197	—	—
Unrealized loss on investments	—	—	—	—	—	—	(322)
Net loss	—	—	—	—	—	(23,332)	—
Balance, December 31, 1997	1,150	1,150	21,058	211	217,631	(22,412)	370
Preferred dividends	—	—	—	—	—	(2,334)	—
Common dividends at $.12 per share	—	—	—	—	—	(3,500)	—
Common issued	—	—	15,276	152	120,188	—	—
Common repurchased	—	—	(401)	(4)	(3,002)	—	—
Unrealized loss on investments	—	—	—	—	—	—	(78)
Net loss	—	—	—	—	—	(175,150)	—
Balance, December 31, 1998	1,150	1,150	35,933	359	334,817	(203,396)	292
Preferred dividends	—	—	—	—	—	(2,334)	—
Common dividends at $.03 per share	—	—	—	—	—	(1,107)	—
Common issued	—	—	1,270	13	2,113	—	—
Convertible securities conversion	—	—	699	7	3,349	—	—
Unrealized loss on investments	—	—	—	—	—	—	(299)
Net loss	—	—	—	—	—	(7,793)	—
Balance, December 31, 1999	1,150	$1,150	37,902	$379	$340,279	$(214,630)	$ (7)

See accompanying notes.

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RANGE RESOURCES CORPORATION

(1) ORGANIZATION AND NATURE OF BUSINESS

Range Resources Corporation ("Range" or the "Company") is an independent oil and gas company engaged in development, exploration and acquisition primarily in three core areas: Southwest, Gulf Coast and Appalachia. In addition, through its IPF subsidiary, the Company provides financing to smaller independent oil and gas producers by purchasing term overriding royalty interests in oil and gas properties. Historically, the Company has increased its reserves and production through acquisitions, development and exploration. In pursuing this strategy, the Company has concentrated its activities in selected geographic areas. In each core area, the Company has established operating, engineering, geoscience, marketing and acquisition expertise.

In August 1998, the stockholders of the Company approved the acquisition via merger (the "Merger") of Domain Energy Corporation ("Domain"). Pursuant to the Merger, stockholders of Domain received approximately 13.6 million shares of the Company's Common Stock. The Company also purchased 3.8 million Domain shares for $50.5 million in cash. As a result of the Merger, Domain became a wholly-owned subsidiary of Range.

In September 1999, Range and FirstEnergy Corp. ("FirstEnergy") each contributed all of their Appalachia oil and gas properties and associated gas gathering and transportation systems to Great Lakes Energy Partners ("Great Lakes"). In addition, Range contributed $188.3 million of indebtedness and FirstEnergy contributed $2.0 million in cash. Great Lakes expects to increase production by active development of existing fields and exploitation of deeper formations. In addition, Great Lakes intends to pursue acquisition opportunities in Appalachia. Range and FirstEnergy each retained a 50% ownership interest in Great Lakes and share management responsibilities.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements include the accounts of the Company, all majority owned subsidiaries and its pro rata share of the assets, liabilities, income and expenses of certain oil and gas partnerships and joint ventures. Highly liquid temporary investments with an initial maturity of ninety days or less are considered cash equivalents.

Revenue Recognition

The Company recognizes revenues from the sale of its respective products in the period delivered. Revenues for services are recognized in the period the services are provided. Revenues for IPF are recognized in the period collected.

Marketable Securities

The Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Under Statement No. 115, debt and marketable equity securities are required to be classified in one of three categories: trading, available-for-sale, or held to maturity. The Company's equity securities qualify under the provisions of Statement No. 115 as available-for-sale. Such securities are recorded at fair value, and unrealized holding gains and losses, net of the related tax effect, are reflected in Stockholders' Equity as a separate component of comprehensive income. A decline in the market value of an available-for-sale security below cost that is deemed other than temporary is charged to earnings and results in the establishment of a new cost basis for the security. Realized gains and losses are determined on the specific identification method and are reflected in income.

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Great Lakes

As described in Note 1, the Company contributed all of its Appalachia oil and gas properties and gas gathering and transportation systems to Great Lakes in September 1999. Great Lakes' reserves include proved reserves of approximately 440 Bcfe as of December 31, 1999, of which 84% is natural gas, 4,700 miles of gas gathering and transportation lines and a leasehold position of nearly one million gross acres. The joint venture owns interest in over 1,400 proved drilling locations within existing fields and has a reserve life index of 17.8 years. The Company consolidates its pro rata interest in the joint venture's assets and liabilities based upon its 50% ownership in Great Lakes.

Independent Producer Finance

Through IPF, Range acquires dollar denominated term overriding royalty interests in oil and gas properties owned by independent oil and gas producers. The Company accounts for the acquired term overriding royalty interests as receivables because the funds advanced to a producer for these interests are repaid from an agreed upon share of cash proceeds from the sale of production until the amount advanced plus a specified rate of return is paid. Only the rate of return portion of payments received from a producer is recognized as IPF income on the statement of income. The remaining cash receipts are recorded as a reduction in receivables on the balance sheet and as a return of capital on the statement of cash flows. The portion of the term overriding royalty interests classified as a current asset are those expected to be received as repayments over the next twelve month period. Periodically, the Company performs a review for possible uncollectible accounts receivable and provides for unrecoverable amounts in its allowance for uncollectible receivables. At December 31, 1999 the Company's allowance for uncollectible receivables totaled $17.3 million. During 1999, IPF expenses were comprised of $1.5 million of general and administrative expenses and $4.3 million of interest expense. During 1998, IPF expenses were comprised of $.5 million general and

administrative expenses, $1.6 million of interest expense and a $5.9 million allowance against its portfolio of receivables.

Oil and Gas Properties

The Company follows the successful efforts method of accounting for oil and gas properties. Exploratory costs are capitalized pending determination of whether the well has found proved reserves. Exploratory costs which result in the discovery of proved reserves and the cost of development wells are capitalized. In the absence of a determination as to whether the reserves found from an exploratory well can be classified as proved, the costs of drilling such an exploratory well are not carried as an asset for more than one year following the completion of drilling. Geological and geophysical costs, delay rentals and costs to drill unsuccessful exploratory wells are expensed. Depletion is provided on the unit-of-production method. Oil is converted to Mcfe at the rate of 6 Mcf per barrel. The depletion rates per Mcfe were $1.03, $.89 and $1.04 in 1997, 1998 and 1999, respectively. Approximately $111.2 million, $75.9 million and $61.8 million of oil and gas properties were unproved as of December 31, 1997, 1998 and 1999, respectively.

The Company has adopted SFAS No. 121 “Accounting for the Impairment of Long-Lived Assets”, which establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill. SFAS No. 121 requires a review for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability during 1997, 1998 and 1999, the Company recorded provisions for impairment of $58.7 million, $196.8 million and $6.1 million respectively, which reduced the carrying value of certain oil and gas properties to what the Company estimates to have been their fair value at that time. The provisions for impairment on the oil and gas properties were due to reserve revisions as a result of drilling results and declines in oil and gas prices in 1998 and 1999 and due to declines in oil and gas prices in 1997. The proved impairment was estimated determined based on the difference between the carrying amount of the assets and the present value of the future cash flows from proved properties discounted at 10%. Impairment is recognized only if the carrying amount of a property is greater than its expected undiscounted future cash flows. It is reasonably possible that a change in reserve or price estimates could

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occur in the near term and adversely impact management’s estimate of future cash flows and consequently the carrying value of the properties. The following are the proved properties impaired during 1998 (in thousands):

	Year Ended December 31,		
	1997	1998	1999
Cash flows from operations:			
Net (loss)	$ (23,332)	$(175,150)	$ (7,793)
Adjustments to reconcile net (loss) to net cash provided by operations:			
Depletion, depreciation and amortization	55,407	60,153	76,447
Provision for impairment	58,700	207,128	27,118
Valuation reserve of IPF receivables	—	5,918	3,962
Amortization of deferred offering costs	999	1,293	1,333
Deferred income taxes	(12,541)	(54,746)	—
Changes in working capital net of effects of acquired businesses:			
Accounts receivable	(11,079)	2,842	8,738
Marketable securities	(7,964)	(253)	(35)
Inventory and other	(1,981)	6,996	(1,958)
Accounts payable	17,825	(4,274)	(7,560)
Accrued liabilities	9,186	(3,068)	(8,355)
Gain on sale of assets and other	(8,154)	(1,817)	(39,280)
Net cash provided by operations	77,066	45,022	52,617
Cash flows from investing:			
Acquisition of businesses, net of cash	—	(41,170)	—
Investment in Great Lakes	—	—	96,285
Oil and gas properties	(492,259)	(135,399)	(25,093)
Additions to property and equipment	(64,945)	(3,732)	(656)
IPF investments of capital	—	(12,649)	(5,362)
IPF repayments of capital	—	3,556	13,160
Proceeds on sale of assets	56,070	17,081	17,476
Net cash provided by (used in) investing	(501,134)	(172,313)	95,810
Cash flows from financing:			
Proceeds from indebtedness	246,025	135,788	—
Repayments of indebtedness	(26)	(413)	(145,129)
Preferred stock dividends	(2,334)	(2,334)	(2,334)
Common stock dividends	(2,037)	(3,500)	(1,107)
Proceeds from trust preferred securities issuance, net	115,999	—	—
Proceeds from common stock issuance, net	67,648	1,985	2,152
Repurchase of common stock	(107)	(3,006)	(26)
Net cash provided by (used in) financing	425,168	128,520	(146,444)
Change in cash	1,100	1,229	1,983
Cash and equivalents at beginning of period	8,625	9,725	10,954
Cash and equivalents at end of period	$ 9,725	$ 10,954	$ 12,937
Supplemental disclosures of non-cash investing and financing activities:			
Purchase of property and equipment financed with common stock	$ 39,537	$ 116,469	$ —
Common stock issued in connection with benefit plans	398	1,887	1,783
Common stock exchanged for convertible securities	—	—	2,978

Unproved properties are assessed periodically to determine whether there has been a decline in value. If such decline is indicated, a loss is recognized. The Company compares the carrying value of its unproved properties to the present value of the future cash flows of unproved properties discounted at 10% or considers such other information the Company believes is relevant in evaluating the properties’ fair value. Such other information may include the Company’s geological assessment of the area, other acreage purchases in the area, or the properties’ uniqueness. The present value of future cash flows from such properties has been adjusted for the Company’s assessment of risk related to the unproved properties. In assessing the risk associated with unproved properties, the Company considers the recoverability of unproved reserves that have been classified as probable and possible reserves. Probable reserves are reserves not reasonably certain or proved, yet are “more likely to be recovered than not.” Possible reserves are reasonably possible but “less likely to be recovered than not.” The following are the unproved properties impaired during 1998 (in thousands):

Property	Impairment Amount

Sonora properties	$ 65,712
Permian properties	1,018
West Texas properties	1,506
West Delta	16,117
Michigan properties	14,644
East Texas properties	2,323
Matagorda Island	15,643
Mobile Bay	10,735
East & West Cameron	19,905
	$147,603

Of the total impairment of $196.8 million, 55% was due to downward reserve revisions due to poor performance and drilling results and 45% was due to the decline in oil and gas prices. The impairment of oil and gas properties recorded in 1998 was based on estimates of future cash flows for each property in the two categories evaluated for impairment: proved properties and unproved properties. The impairment evaluation for proved properties utilized only proved reserves and the impairment evaluation for unproved properties utilized only unproved reserves. Future cash flows include revenues from anticipated oil and natural gas production, severance taxes, direct operating costs and capitalized costs.

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The following is a table of index prices used in the calculation of the revenues estimated from oil and natural gas production over the anticipated life of the properties. These prices were then adjusted for the effect of the Company's production subject to existing sales contracts, and are not necessarily indicative of actual prices received by the Company at the dates of the impairment charges.

Property	Impairment Amount
Sonora unproved acreage	$20,089
Offshore unproved acreage	9,177
South Texas unproved acreage	19,922
	$49,188

During 1999, the Company recorded a $6.1 million impairment of unproved acreage in the Gulf of Mexico, due to further evaluations based on updated production and technical data indicating a reduction in the number of economic drilling locations. The amount of impairment was calculated by determining fair value at December 31, 1999 using management's best estimate of discounted future net cash flows, as described above.

Transportation, Processing and Field Assets

The Company's gas gathering systems and gas processing plant are in proximity to its principal gas properties. Depreciation is calculated on the straight-line method based on estimated useful lives ranging from four to fifteen years. In September 1999, the Company decided to sell its gas processing plant and certain related assets.

See Note 5 — Assets Held For Sale.

The Company receives fees for providing field related services. These fees are recognized as earned. Depreciation is calculated on the straight-line method based on estimated useful lives ranging from one to five years, except buildings which are being depreciated over seven to twenty-five year periods.

Security Issuance Costs

Expenses associated with the issuance of the 6% Convertible Subordinated Debentures due 2007, the 8.75% Senior Subordinated Notes due 2007 and the 5 3/4% Trust Convertible Preferred Securities and the Company's recourse and non-recourse debt are included in Other Assets on the accompanying balance sheets and are being amortized on the interest method over the term of the securities.

Gas Imbalances

The Company uses the sales method to account for gas imbalances. Under the sales method, revenue is recognized based on cash received rather than the proportionate share of gas produced. Gas imbalances at year end 1997, 1998 and 1999 were not material.

Comprehensive Income

The Company has adopted SFAS No. 130 "Reporting Comprehensive Income" which requires disclosure of comprehensive income and its components. Comprehensive income is defined as changes in stockholders' equity from nonowner sources and, for the Company, includes net income and changes in the fair value of marketable securities. The following is a calculation of the Company's comprehensive income for the years ended December 31, 1997, 1998 and 1999.

Year	Oil prices	Gas prices
1999	$ 12.62–13.25	$ 1.94-2.25
2000	14.50 – 16.00	2.23 - 2.30
2001	15.60 – 16.50	2.30 - 2.37
2002	16.44 – 17.10	2.35 - 2.44
2003	17.00 – 17.61	2.40 - 2.51
2004	17.50 – 18.14	2.45 - 2.59
2005	17.90 – 18.69	2.50 - 2.67
2006	18.35 – 19.25	2.58 - 2.75

2007	18.81 – 19.82	2.63 - 2.83
2008	19.28 – 20.42	2.69 - 2.91
2009	19.76 – 21.03	2.75 - 3.00

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Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Nature of Business

The Company operates in an environment with many financial and operating risks, including, but not limited to, the ability to acquire additional economically recoverable oil and gas reserves, the inherent risks of the search for, development of and production of oil and gas, the ability to sell oil and gas at prices which will provide attractive rates of return, and the highly competitive nature of the industry and worldwide economic conditions. The Company’s ability to expand its reserve base and diversify its operations is also dependent upon obtaining the necessary capital through operating cash flow, borrowings or the issuance of additional equity.

Recent Accounting Pronouncements

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards (“SFAS”) No. 133, Accounting for Derivative Instruments and Hedging Activities, which is effective for fiscal years beginning after June 15, 2000.

SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It also requires that an entity recognize all derivatives as either assets or liabilities on the balance sheet and measure those items at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to change in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security, or a foreign-currency-denominated forecasted transaction. The Company plans to adopt SFAS No. 133 during the first quarter of the year ended December 31, 2001 and is currently evaluating the effects of this pronouncement.

Reclassifications

Certain reclassifications have been made to prior periods presentation to conform with current period classifications.

(3) ACQUISITIONS

All acquisitions have been accounted for as purchases. The purchase prices were allocated to the assets acquired based on the estimated fair value of such assets and liabilities at the respective acquisition dates. The acquisitions were funded by working capital, advances under a revolving credit facility and the issuance of debt and equity securities.

In March 1998, oil and gas properties in the Powell Ranch Field in West Texas (the “Powell Ranch Properties”) were acquired for a purchase price of $60 million, comprised of $54.6 million in cash and $5.4 million of Common Stock.

As described in Note 1, the Company completed the Merger for a purchase price of $161.6 million, comprised of $50.5 million in cash and $111.1 million of Common Stock. Domain’s principal assets included oil and gas operations primarily onshore in the Gulf Coast and in the Gulf of Mexico, as well as, IPF.

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In addition to the above mentioned acquisitions, the Company purchased various other properties for consideration of $2.7 million and $0.8 million during the years ended December 31, 1998 and 1999, respectively.

Unaudited Pro Forma Financial Information

The following table presents unaudited pro forma operating results as if certain transactions had occurred at the beginning of each period presented. The pro forma operating results include the acquisition of the Powell Ranch properties, the Domain merger and the Great Lakes transaction.

Year Ended December 31,

	1997	1998	1999
Net income (loss)	$(23,332)	$(175,150)	$(7,793)
Add: Change in unrealized gain/(loss)			
Gross	(322)	(78)	(299)
Tax effect	109	19	—
Less: Realized gain/(loss)			
Gross	(1,473)	(66)	(474)
Tax effect	494	15	—
Comprehensive income (loss)	$(24,524)	$(175,260)	$(8,566)

The pro forma operating results have been prepared for comparative purposes only. They do not purport to present actual operating results that would have been achieved had the acquisitions and financings been made at the beginning of each period presented or to necessarily be indicative of future results of operations.

(4) IPF RECEIVABLES

At December 31, 1998 and 1999, IPF had net receivables of $77.2 million and $65.4 million, respectively. The receivables result from the Company's purchase of production payments in the form of term overriding royalty interests in exchange for an agreed upon share of revenues from identified properties until the amount invested and a specified rate of return on investment is paid in full. IPF's overriding royalty interest constitutes a property interest that serves as security for the receivables. The Company has estimated that $12.5 million of receivables at December 31, 1999 will be repaid in the next twelve months and has classified such receivables as current assets. The net outstanding receivables include an allowance for uncollectible receivables of $14.0 million and $17.3 million at December 31, 1998 and 1999, respectively.

(5) ASSETS HELD FOR SALE

At December 31, 1999, assets held for sale consisted of the Company's gas processing plant and associated assets located in the Permian Basin. In connection with the 1999 plan of disposal, the Company determined that the carrying value of the gas processing plant exceeded its fair value. Accordingly, an impairment loss of $21.0 million representing the excess of the carrying value over the fair value was recognized in 1999.

Fair value was determined by reference to the present value of the estimated future cash inflows of the gas processing plant. The impairment estimate on the gas processing plant recorded in the third quarter 1999 was based on estimates of future cash flows for the property. Future cash flows include revenues from residue gas, plant liquids and by-products derived from both equity and third party proved natural gas reserves, which are estimated to pass through the plant, direct operating costs and capitalized costs. The Company used estimated future gas prices by referencing ten year future strip prices in the calculation of the plant revenues estimated over the anticipated life of the property. These prices were then adjusted for the effect of the estimated throughput production, subject to existing sales contracts, and are not necessarily indicative of actual prices received by the Company at the date of the impairment charge.

Operating costs and capital costs were estimated based on the Company's historical operating experience. These costs and expenses were adjusted for changes in variable costs attributable to changes in

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estimated throughput volumes. The impairment estimate was determined based on the difference between the carrying value of the plant and the present value of future cash flows discounted at 10%. It is reasonably possible that a change in reserve or price estimates could occur in the near term and adversely impact management's estimate of future cash flows and consequently the carrying value of property.

At December 31, 1998, assets held for sale primarily consisted of oil and gas properties located in South Texas and in the Gulf of Mexico. The Company entered into agreements with an independent firm to assist it in selling these assets. The assets were recorded at the lower of cost or estimated market value of the properties as assets held for sale in the current asset section of the Consolidated Balance Sheets. Of the $51.8 million of assets held for sale at December 31, 1998, $10.0 million of properties were sold for $9.2 million, with the remainder transferred back to oil and gas properties with depletion reinstated.

(6) INDEBTEDNESS

The Company had the following debt outstanding as of the dates shown. Interest rates at December 31, 1999 are shown parenthetically (in thousands):

	Year ended December 31,	
	1998	1999
Revenues	$ 175,313	$194,615
Net income (loss)	(170,064)	(5,602)
Earnings (loss) per share — basic	(4.89)	(0.21)
Earnings (loss) per share — dilutive	(4.89)	(0.21)
Total assets	822,101	752,368
Stockholders' equity	133,220	127,171

The Company maintains a $225 million revolving bank facility (the "Credit Facility"). The Credit Facility provides for a borrowing base, which is subject to semi-annual redeterminations. The Credit Facility is secured by the

Company's oil and gas properties. On March 13, 2000, the borrowing base on the Credit Facility was $160 million of which $16 million was available. The borrowing base is subject to semi-annual redetermination and certain other redeterminations based upon a variety of factors, including the discounted present value of estimated future net cash flow from oil and gas production. At the Company's option, loans may be prepaid and the revolving credit commitment may be reduced, in whole or in part at anytime in certain minimum amounts. The next redetermination occurs on April 1, 2000. If amounts outstanding at April 1, 2000 exceed the redetermined borrowing base, one-half of the excess, if any, must be repaid within 90 days and the remaining excess, if any, must be repaid within 180 days. Any borrowing base in excess of $135 million requires the approval of all lenders. There can be no assurance that a redetermined borrowing base will be in excess of $135 million. Therefore, the Company has classified as current the difference between the amount outstanding on December 31, 1999, and $135 million. A similar appropriate amount will be included in current portion of long term debt at March 31, 2000, unless an amended or replacement credit facility is entered into. Interest is payable quarterly or as

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LIBOR notes mature and the loan matures in February 2003. Upon selling the Sterling gas plant, the Company currently plans to use all the net proceeds to reduce the balance outstanding under the Credit Facility. The Credit Facility provides that the borrowing base will be reduced by 67% of the net proceeds of the sale of the Sterling gas plant. A commitment fee is paid quarterly on the undrawn balance at a rate of 0.25% to 0.50% depending upon the percentage of the borrowing base drawn. The interest rate on the Credit Facility is LIBOR plus between 1.50% and 2.25%, depending upon amounts outstanding. The weighted average interest rates on these borrowings were 6.7% and 7.1% for the years ended December 31, 1998 and 1999, respectively.

The Company pro rata consolidates 50% of amounts outstanding under the $275 million revolving bank facility (the "Great Lakes Facility") through its participation in Great Lakes. The Great Lakes Facility is non-recourse to Range. The Great Lakes Facility provides for a borrowing base, which is subject to semi-annual redeterminations. The Great Lakes Facility is secured by the Great Lakes oil and gas properties. On March 13, 2000, the borrowing base on the Great Lakes Facility was $191 million of which $9 million was available. The borrowing base reduces to $190 million at April 1, 2000. The borrowing base is subject to a semi-annual borrowing review on April 1, 2000. The redetermined borrowing base on April 1, 2000 requires the approval of all lenders. Interest is payable quarterly or as LIBOR notes mature and the loan matures in September 2002. The interest rate on the Great Lakes Facility is LIBOR plus between 1.50% and 2.00%, depending upon amounts outstanding. A commitment fee is paid quarterly on the undrawn balance at a rate of 0.25% to 0.50% depending upon the percentage of the borrowing base drawn. The weighted interest rate on this borrowing was 7.68% for the year ended December 31, 1999.

IPF has a $100 million revolving credit facility (the "IPF Facility") through which it finances its activities. The IPF Facility is non-recourse to Range. The IPF Facility matures in December 2002 at which time all amounts owed thereunder are due and payable. The IPF Facility is secured by substantially all of IPF's assets. The borrowing base under the IPF Facility is subject to semi-annual redeterminations. On March 13, 2000, the borrowing base on the IPF Facility was $56 million of which $13.6 million was available. The IPF Facility bears interest at prime rate or interest at LIBOR plus between 1.75% to 2.25% depending upon the total amounts outstanding. Interest expense on the IPF Facility is included in IPF expenses on the Consolidated Statements of Operations and amounted to $1.5 million and $4.3 million for the years ended December 31, 1998 and 1999, respectively. A commitment fee is paid quarterly on the average undrawn balance at a rate of 0.375% to 0.50%. The weighted average interest rate on these borrowings was 7.79% and 6.99% for the years ended December 31, 1998 and 1999, respectively.

The 8.75% Senior Subordinated Notes due 2007 (the "8.75% Notes") are not redeemable prior to January 15, 2002. Thereafter, the 8.75% Notes are subject to redemption at the option of the Company, in whole or in part, at redemption prices beginning at 104.375% of the principal amount and declining to 100% in 2005. The 8.75% Notes are unsecured general obligations of the Company and are subordinated to all senior debt (as defined) including borrowings under the Credit Facility. The 8.75% Notes are guaranteed on a senior subordinated basis by the Company's subsidiaries.

The 6% Convertible Subordinated Debentures Due 2007 (the "Debentures") are convertible into shares of Common Stock at the option of the holder at any time prior to maturity. The Debentures are convertible at a conversion price of $19.25 per share, subject to adjustment in certain events. Interest is payable semi-annually in January and June. The Debentures mature in 2007 and are redeemable beginning on February 1, 2000 at a price of 104% of the face amount and declining 0.5% annually though 2007. The Debentures are unsecured general obligations and are subordinated to all senior indebtedness (as defined), which includes the 8.75% Notes and the Credit Facility. During 1999, $3.6 million of Debentures were retired at the election of the holders in exchange for approximately 496,000 shares of Common Stock. An extraordinary gain of $1.2 million was recorded as the Debentures were retired at a discount to their face value.

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The debt agreements contain various covenants relating to net worth, working capital maintenance and financial ratio requirements. The Company is in compliance with these various covenants as of December 31, 1999. Interest paid on senior debt and subordinated notes during the year ended December 31, 1998 and 1999 totaled $39.6 million and $47.1 million, respectively. The Company does not

capitalized any interest expense.

(7) FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES:

The Company’s financial instruments include cash and equivalents, accounts receivable, accounts payable, debt obligations, commodity and interest rate futures, options, and swaps. The book value of cash and equivalents, accounts receivable and payable and short term debt are considered to be representative of fair value because of the short maturity of these instruments. The Company believes that the carrying value of its borrowings under the Credit and IPF Facilities (collectively “the Bank Facilities”) approximate their fair value as they bear interest at rates indexed to LIBOR. In connection with the Merger, the IPF receivables were adjusted to what the Company estimates to have been their fair value at that time. The Company’s receivables are concentrated in the oil and gas industry. The Company does not view such a concentration as an unusual credit risk. Excluding IPF’s valuation allowances, the Company had recorded an allowance for doubtful accounts of $0.8 million and $1.5 million at December 31, 1998 and 1999, respectively.

A portion of the Company’s crude oil and natural gas sales are periodically hedged against price risks through the use of futures, option or swap contracts. The gains and losses on these instruments are included in the valuation of the production being hedged in the contract month and are included as an adjustment to oil and gas revenue. The Company also manages interest rate risk on its credit facility through the use of interest rate swap agreements. Gains and losses on interest rate swap agreements are included as an adjustment to interest expense.

The following table sets forth the book value and estimated fair values of the Company’s financial instruments:

	December 31,	
	1998	1999
Senior debt		
Credit Facility (8.7%)	$365,175	$140,000
Other (6.2%)	1,887	14
	367,062	140,014
Less amounts due within one year	55,187	5,014
Senior debt, net	$311,875	$135,000
Non-recourse debt		
Great Lakes (8.2%)	$ —	$ 95,020
IPF (8.7%)	60,100	47,500
Non-recourse debt	$ 60,100	$142,520
Subordinated notes		
8.75% Senior Subordinated Notes due 2007	$125,000	$125,000
6% Convertible Subordinated Debentures due 2007	55,000	51,360
Subordinated notes	$180,000	$176,360

At December 31, 1999, the Company had open hedges contracts for natural gas of 24.8 Bcf and 0.8 million barrels of oil. The swap contracts are at average prices ranging from $2.00 to $3.17 per Mcf and the oil contracts range from $19.01 to $25.00 per Bbl. While these transactions have no carrying value, their fair value, represented by the estimated amount that would be required to terminate the contracts, was a net gain of approximately $0.3 million at December 31, 1999. These contracts expire monthly through December 2000. The gains or losses on the Company’s hedging transactions are determined as the difference between the contract price and the reference price, generally closing prices on the NYMEX. The resulting transaction gains and losses are determined monthly and are included in oil and gas revenues in the period the hedged production is sold. Net gains or (losses) relating to these derivatives for the years ended December 31, 1997, 1998 and 1999 approximated $(.9) million, $3.1 million and $(10.6) million, respectively.

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Interest rate swap agreements, which are used by the Company in the management of interest rate exposure, are accounted for on the accrual basis. Income and expense resulting from these agreements are recorded in the same category as interest expense arising from the related liability. Amounts to be paid or received under interest rate swap agreements are recognized as an adjustment to expense in the periods in which they accrue. At December 31, 1999, the Company had $80 million of borrowings subject to four interest rate swap agreements at rates of 5.35%, 4.82%, 5.64% and 5.59% through January 2000, September 2000, October 2000 and October 2000, respectively. The interest rate swaps may be extended at the counterparties’ option for two years. The interest rate swap in effect through January 2000 was not extended at the option of the counterparty. The agreements require that the Company pay the counterparty interest at the above fixed swap rates and requires the counterparty to pay the Company interest at the 30-day LIBOR rate. The closing 30-day LIBOR rate on December 31, 1999 was 6.49%. The fair value of the interest rate swap agreements at December 31, 1999, is based upon current quotes for equivalent agreements. As discussed in Note 6, the Company’s Bank Facilities are based on LIBOR plus Applicable Margin (as defined).

These hedging activities are conducted with major financial or commodities trading institutions which management believes entail acceptable levels of market and credit risks. At times such risks may be concentrated with certain counterparties or groups of counterparties. The credit worthiness of counterparties is subject to continuing review and full performance is anticipated.

(8) COMMITMENTS AND CONTINGENCIES

The Company is involved in various legal actions and claims arising in the ordinary course of business. In the opinion of management, such litigation and

claims are likely to be resolved without material adverse effect on the Company's financial position or results of operations.

In May 1998, a Domain stockholder filed an action in the Delaware Court of Chancery, alleging that the terms of the Merger were unfair to a purported class of Domain stockholders and that the defendants (except Range) violated their legal duties to the class in connection with the Merger. Range is alleged to have aided and abetted the breaches of fiduciary duty allegedly committed by the other defendants. The action sought an injunction enjoining the Merger as well as a claim for money damages. In September 1998, the parties executed a Memorandum of Understanding (the "MOU"), which represents a settlement in principle of the litigation. Under the terms of the MOU, appraisal rights (subject to certain conditions) were offered to all holders of Domain common stock (excluding the defendants and their affiliates). Domain also agreed to pay any court-awarded attorneys' fees and expenses of the plaintiffs' counsel in an amount not to exceed $.3 million. The settlement in principle is subject to court approval and certain other conditions that have not been satisfied.

The Company leases certain office space and equipment under cancelable and non-cancelable leases, most of which expire within 10 years and may be renewed by the Company. Rent expense under such arrangements totaled $0.6 million, $0.6 million and $1.1 million in 1997, 1998 and 1999, respectively. Future minimum rental commitments under non-cancelable leases are as follows (in thousands):

	December 31, 1998		December 31, 1999	
	(In thousands)			
	Book Value	Fair Value	Book Value	Fair Value
Cash and equivalents	$ 10,954	$ 10,954	$ 12,937	$ 12,937
Marketable securities	2,966	3,258	2,152	2,145
Long-term debt	(607,162)	(607,162)	(458,894)	(458,894)
Commodity swaps	—	45	—	339
Interest rate swaps	—	(361)	—	704

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(9) EQUITY AND TRUST SECURITIES

In October 1997, the Company, through a newly-formed affiliate Lomak Financing Trust (the "Trust") completed the issuance of $120 million of 5 3/4% trust convertible preferred securities (the "Convertible Preferred Securities"). The Trust issued 2,400,000 shares of the Convertible Preferred Securities at $50 per share. Each Convertible Preferred Security is convertible at the holder's option into 2.1277 shares of Common Stock, representing a conversion price of $23.50 per share. During 1999, $2.3 million of Convertible Preferred Securities were exchanged at the election of the holders for approximately 202,000 shares of Common Stock. An extraordinary gain of $1.2 million was recorded as the Convertible Preferred Securities were retired at a discount to their face value.

The Trust invested the $120 million of proceeds in 5 3/4% convertible junior subordinated debentures issued by Range (the "Junior Debentures"). In turn, Range used the net proceeds from the issuance of the Junior Convertible Debentures to repay a portion of its Credit Facility. The sole assets of the Trust are the Junior Debentures. The Junior Debentures and the related Convertible Preferred Securities mature on November 1, 2027. Range and the Trust may redeem the Junior Debentures and the Convertible Preferred Securities, respectively, in whole or in part, on or after November 4, 2000. For the first twelve months thereafter, redemptions may be made at 104.025% of the principal amount. This premium declines proportionally every twelve months until November 1, 2007, when the redemption price becomes fixed at 100% of the principal amount. If the Company redeems any Junior Debentures prior to the scheduled maturity date, the Trust must redeem Convertible Preferred Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Junior Debentures so redeemed.

The Company has guaranteed the payments of distributions and other payments on the Convertible Preferred Securities only if and to the extent that the Trust has funds available. Such guarantee, when taken together with Range's obligations under the Junior Debentures and related indenture and declaration of trust, provide a full and unconditional guarantee of amounts due on the Convertible Preferred Securities.

The Company owns all the common securities of the Trust. As such, the accounts of the Trust will be included in Range's consolidated financial statements after appropriate eliminations of intercompany balances. The distributions on the Convertible Preferred Securities will be recorded as a charge to interest expense on Range's Consolidated Statements of Operations, and such distributions are deductible by Range for income tax purposes.

In November 1995, the Company issued 1,150,000 shares of $2.03 convertible exchangeable preferred stock (the "$2.03 Preferred Stock") for $28.8 million. The $2.03 Preferred Stock is convertible into the Company's common stock at a conversion price of $9.50 per share, subject to adjustment in certain events. The $2.03 Preferred Stock is redeemable, at the option of the Company, at a price of $26.25 per share beginning November 1, 1998, declining $0.25 per share annually through 2003. At the option of the Company, the $2.03 Preferred Stock is exchangeable for the Company's 8-1/8% Convertible Subordinated Notes due 2005. The notes would be subject to the same redemption and conversion terms as the $2.03 Preferred Stock.

(10) STOCK OPTION AND PURCHASE PLAN

The Company has four stock option plans, one stock incentive plan, as well as a stock purchase plan. Two of the stock option plans were adopted as a result of the Merger. Information with respect to these stock option plans is summarized as follows:

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2000	$ 756
2001	695
2002	553
2003	195
2004	65
2005 and thereafter	—
	$2,264

In May 1999, the shareholders approved the Company's 1999 Stock Incentive Plan (the "Incentive Plan") providing for the issuance of up to 1.4 million shares of common stock. The Incentive Plan is administered by the Compensation Committee of the Board. All options issued under the Incentive Plan vest 25% per year beginning one year after the grant date and expire 10 years from date of grant. During the year ended December 31, 1999, 60,000 options were granted at a price of $5.63 per share, none of which were exercisable.

Range maintains the 1989 stock option plan ("Option Plan") which authorized the grant of options of up to 3.0 million shares of Common Stock, however, no new options will be granted under this plan. Under the Option Plan, incentive and non-qualified options have been issued to officers, employees and consultants. The Option Plan is administered by the Compensation Committee of the Board. All options issued under the Option Plan before September 1998 vest 30% after one year, 60% after two years and 100% after three years and expire 5 years from date of grant. Options issued after September 30, 1999 vest 25% per year beginning one year after the grant date and expire 10 years from date of grant. During the year ended December 31, 1999, 70,000 options were exercised and 380,425 were cancelled or expired. At December 31, 1999, 1,540,796 options were exercisable at prices ranging from $6.75 to $18.00 per share.

In 1994, the stockholders approved the 1994 Outside Directors Stock Option Plan (the "Directors Plan"). Only Directors who are not employees of the Company are eligible under the Directors Plan. The Directors Plan covers a maximum of 200,000 shares. During 1999, 40,000 options were granted at $4.81 and 12,000 were cancelled or expired. At December 31, 1999, 92,800 options were exercisable at prices ranging from $8.00 to $16.875 per share.

In connection with the merger, Range adopted the Second Amended and Restated 1996 Stock Purchase and Option Plan for Key Employees of Domain Energy Corporation and Affiliates (the "Domain Option Plan") and the Domain Energy Corporation 1997 Stock Option Plan for Nonemployee Directors (the "Domain Director Plan"). Subsequent to the Merger, no new options will be granted under the Domain Option and Director Plans and existing options are exercisable into shares of Range Common Stock. During the year ended December 31, 1999 options covering 356,812 shares were exercised at $0.01 per share and 17,452 shares were exercised at $3.46 per share. At December 31, 1999, 451,562 options were currently exercisable under the Domain Option Plan at $3.46 per share. The remaining 111,705 options have an exercise price of $0.01 per share and are currently exercisable. At December 31, 1999, options totaling 19,340 shares were outstanding and exercisable under the Domain Director Plan at $11.17 per share.

In June 1997, the stockholders approved the 1997 Stock Purchase Plan (the "1997 Plan") which authorizes the sale of up to 900,000 shares of common stock to officers, directors, key employees and consultants. Under the 1997 Plan, the right to purchase shares at prices ranging from 50% to 85% of market value may be granted. Through December 31, 1999, no rights had been granted for less than 75% of market value. The Company previously had stock purchase plans which covered 833,333 shares. The previous stock purchase plans have been terminated. The 1997 Plan is administered by the Compensation Committee of the Board. From inception through December 31, 1999, a total of 516,897 registered shares had been sold through stock purchase plans, for a total consideration of approximately $2.9 million.

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The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation." Accordingly, no compensation cost has been recognized for the stock option plans. Had compensation cost for the Corporation's stock option plans been determined based on the fair value at the grant date for awards in 1997, 1998 and 1999 consistent with the provisions of SFAS No. 123, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below:

				Plans Adopted Via the Merger		
	1999 Incentive Plan	Option Plan	Director's Plan	Option Plan	Director's Plan	Total
Outstanding at December 31, 1998	—	2,042,757	140,000	938,976	19,340	3,141,073
Granted	60,000	904,150	40,000	—	—	1,004,150
Exercised	—	(70,000)	—	(374,264)	—	(444,264)
Expired/Cancelled	—	(380,425)	(12,000)	(1,445)	—	(393,870)
Outstanding at December 31, 1999	60,000	2,496,482	168,000	563,267	19,340	3,307,089

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for 1997, 1998 and 1999, respectively: fair value of $1.15, $1.24 and $1.37 per share; dividend yields of $.10, $.12 and $.03 per share; expected volatility factors of .46, .79 and 3.55 risk-free interest rates of 6.5%; 4.75% and 5.1%; and a average expected life of 4 to 6 years.

(11) BENEFIT PLAN

The Company maintains a 401(K) Plan for the benefit of its employees. The Plan permits employees to make contributions on a pre-tax salary reduction basis. The Company makes discretionary contributions to the Plan. Company contributions for 1997, 1998 and 1999 were $0.7 million, $0.7 million and $0.9 million, respectively. The contributions were made with Range common stock, which was valued at market value on the date of the contribution.

(12) INCOME TAXES

Federal income tax provision (benefit) was $(11.8) million, $(54.7) million and $0 million for the years 1997, 1998 and 1999, respectively. The current portion of the income tax provision for 1999 represents state income tax currently payable. A reconciliation between the statutory federal income tax rate and the Company's effective federal income tax rate is as follows:

	1997	1998	1999
		(in thousands, except per share data)	
Net earnings (loss) — as reported	$(23,332)	$(175,150)	$(7,793)
Earnings (loss) per share — as reported	$ (1.31)	$ (6.82)	$ (0.27)
Earnings (loss) per share dilutive — as reported	$ (1.31)	$ (6.82)	$ (0.27)
Net earnings (loss) — pro forma	$(24,717)	$(176,569)	$(8,858)
Earnings (loss) per share —pro forma	$ (1.38)	$ (6.88)	$ (0.30)
Earnings (loss) per share dilutive—pro forma	$ (1.38)	$ (6.88)	$ (0.30)

The Company follows FASB Statement No. 109, "Accounting for Income Taxes". Under Statement 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

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Significant components of the Company's deferred tax liabilities and assets are as follows (in thousands):

	1997	1998	1999
Statutory tax rate	(34)%	(34)%	(34)%
Valuation allowance	—	10	34
State income tax	—	—	19
Effective tax rate	(34)%	(24)%	19%
Income taxes paid	$1,216,000	$36,000	$388,000

Utilization of the deferred tax asset of $25.8 million is dependent on future taxable profits being in excess of profits arising from existing taxable temporary differences. The Company has established a $25.8 million valuation allowance and has written down to zero its net deferred tax assets at December 31, 1999. Management believes sufficient uncertainty exists regarding its net deferred tax assets that a valuation allowance is required. Upon future realization of the deferred tax asset, $25.8 million of the valuation allowance will reduce the Company's future income tax expense.

The Company has entered into several business combinations accounted for as purchases. In connection with these transactions, deferred tax assets and liabilities of $7.7 million and $38.3 million respectively, were recorded. In 1998 the Company acquired Domain Energy Corporation in a taxable business combination accounted for as a purchase. A net deferred tax liability of $29 million was recorded in the transaction.

As a result of the Company's issuance of equity and convertible debt securities, it experienced a change in control during 1988 as defined by Section 382 of the Internal Revenue Code. The change in control and the Merger have placed limitations to the utilization of net operating loss carryovers. At December 31, 1999, the Company had available for federal income tax reporting purposes net operating loss carryovers of approximately $127 million which are subject to annual limitations as to their utilization and otherwise expire between 2000 and 2014, if unused. The Company has alternative minimum tax net operating loss carryovers of $113 million which are subject to annual limitations as to their utilization and otherwise expire from 2000 to 2014 if unused. The Company has statutory depletion carryover of approximately $4.9 million and an alternative minimum tax credit carryover of approximately $0.7 million. The statutory depletion carryover and alternative minimum tax credit carryover are not subject to limitation or expiration.

(13) BUSINESS RESTRUCTURING COSTS

In the fourth quarter of 1998, the Company initiated a restructuring plan to reduce costs and improve operating efficiencies. The restructuring plan included actions by the Company to close its Midland, Texas field office, eliminate certain geological and exploration positions, cancel certain exploration and drilling obligations, as well as consolidate certain administrative functions at the remaining locations. In connection with the restructuring plan, 54 employees were terminated. The terminated employees were comprised as follows: 33 in operations; 11 in exploration; 3 in Midland office; 3 in gas marketing; 2 in IPF; and 2 in investor relations. These employees were associated with operations that

were consolidated or eliminated in response to the depressed energy price environment. Estimated employee termination costs of $2.1 million were accrued in 1998. Of the total number of employees affected, 42 were terminated in 1998.

In addition to the costs of terminating employees, the principal costs of the restructuring plan include the writedown of the carrying value of assets impaired due to the restructuring and lease and contract termination costs. The charge included $.6 million for estimated costs to exit lease and other contractual commitments and an additional $.4 million relating to costs associated with the closing of the Midland, Texas office, which was deemed to be uneconomical. The $.4 million of associated costs consisted of $.1 million of costs to exit the office lease and $.3 million of costs to exit two exploration agreements. The Midland office was responsible primarily for the operation of a portion of the Company's Permian assets. The operation of these assets were consolidated in the Company's Fort Worth, Texas office. At December 31, 1998 $2.7 million was accrued in connection with the restructuring plan. The plan was completed during 1999.

(14) EARNINGS PER COMMON SHARE

The following table sets forth the computation of earnings per common share and earnings per common share – assuming dilution (in thousands):

	December 31,	
	1998	1999
Deferred tax liabilities:		
Depreciation	$ 30,232	$ 25,406
Deferred tax assets:		
Net operating loss carryforward	$ 51,810	$ 47,433
Percentage depletion carryforward	2,753	3,126
AMT credits and other	685	660
Total deferred tax assets	55,248	51,219
Valuation allowance for deferred tax assets	(25,016)	(25,813)
Net deferred tax assets	$ 30,232	$ 25,406
Net deferred tax liabilities	$ —	$ —

For additional disclosure regarding the Company's Debentures, and the $2.03 Preferred Stock, see Notes 6, and 9 respectively. The Debentures were outstanding during 1997, 1998 and 1999 but were not included in the computation of diluted earnings per share because the stated conversion price was greater than the average market price of common shares and, therefore, the effect would be antidilutive. The $2.03

Preferred Stock was outstanding during 1997, 1998 and 1999 and was convertible into 3,026,316 of additional shares of common stock. The 3,026,316 additional shares were not included in the computation of diluted earnings per share because the conversion price was greater than the average market price of common shares and, therefore, the effect would be antidilutive. There were stock options outstanding during 1997, 1998 and 1999 which were exercisable, resulting in 642,720, 718,279 and 504,643 additional shares for common stock equivalents, respectively. These additional shares were not included in the 1997, 1998 or 1999 computations of diluted earnings per share because the effect was antidilutive.

In addition to further asset sales, the Company currently anticipates it will significantly increase its efforts to exchange Common Stock or other equity linked securities for its existing fixed rate securities or reduce debt and associated financing costs through some other substantial restructuring initiative. While the Company expects to exchange the fixed rate securities at a substantial discount to their face value, the Company's existing common stockholders will be materially diluted if a material portion of the fixed rate securities are exchanged. The dilutive effect to the common stockholders will depend upon a number of factors, the primary ones being the number of shares and the price at which additional Common Stock is issued or the price which newly issued securities are convertible into Common Stock.

(15) MAJOR CUSTOMERS

The Company markets its oil and gas production on a competitive basis. The type of contract under which gas production is sold varies but can generally be grouped into three categories: (a) life-of-the-well; (b) long-term (1 year or longer); and (c) short-term contracts which may have a primary term of one year, but which are cancelable at either party's discretion in 30-120 days. Approximately 22% of the Company's gas production is currently sold under market sensitive contracts which do not contain floor price provisions. For the year ended December 31, 1999, no one customer accounted for 10% or more of the Company's total oil and gas revenues. Management believes that the loss of any one customer would not have a material adverse effect on the operations of the Company. Oil is sold on a basis such that the purchaser can be changed on 30 days notice. The price received is generally equal to a posted price set by the major purchasers in the area. The Company sells to oil purchasers on a basis of price and service.

Under an agreement with FirstEnergy, Great Lakes' sells gas to FirstEnergy on a negotiated basis. Great Lakes may sell gas to third parties, however such arrangements are contracted through FirstEnergy, and FirstEnergy may elect to match any such arrangements.

(16) OIL AND GAS ACTIVITIES

The following summarizes selected information with respect to oil and gas producing activities:

	1997	1998	1999
Numerator:			
Net (loss)	$(23,332)	$(175,150)	$ (7,793)
Preferred stock dividends	(2,334)	(2,334)	(2,334)
Numerator for earnings per common share	(25,666)	(177,484)	(10,127)
Effect of dilutive securities:			
Preferred stock dividends	—	—	—
Numerator for earnings per common Share – assuming dilution	$(25,666)	$(177,484)	$(10,127)
Denominator:			
Denominator for earnings per common Share – weighted average shares	19,641	26,008	36,933
Effect of dilutive securities:			
Employee stock options	—	—	—
Warrants	—	—	—
Dilutive potential common shares	—	—	—
Denominator for diluted earnings per share Adjusted weighted-average shares and Assumed conversions	19,641	26,008	36,933
(Loss) per common share	$ (1.31)	$ (6.82)	$ (0.27)
(Loss) per common share – assuming dilution	$ (1.31)	$ (6.82)	$ (0.27)

The amount for costs incurred for acquisitions in 1999 does not reflect $68 million recorded as an equity interest in the Great Lakes joint venture associated with the Company's 50% interest in the reserves

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contributed by FirstEnergy upon formation of the joint venture. The Company's share of the contributed reserves from FirstEnergy was 81.6 Bcfe.

(17) GAIN ON SALE

In September 1999, Range transferred all of its Appalachian oil and gas properties and associated gas gathering and transportation systems to Great Lakes in exchange for a non-controlling ownership interest. Additionally, the Company contributed $188.3 million of indebtedness to Great Lakes. The Great Lakes partners have no commitment to support the operations or related obligations of Great Lakes. In connection with the transfer, Range recognized a gain of $39.8 million, which was attributable to the portion of the net assets conveyed to Great Lakes in excess of the Company's 50% ownership interest. The gain was calculated by comparing the Company's estimate of the fair market value of the assets and liabilities conveyed to their net book value.

The estimated fair market value of oil and gas properties was based upon future net cash flows from the assets discounted 10% at September 30, 1999. The present value of future cash flows from such properties has been adjusted for the Company's assessment of risk related to the properties. For purposes of determining the fair market value of oil and gas properties, risk factors ranging from 20% to 60% were used depending on the nature of the reserve category. The Company assumed NYMEX prices of $19.00 per barrel of oil and $2.65 per mcf of gas for purposes of calculating future net cash flows. Prices were escalated 2.5% annually, with oil capped at the price of $30.00 per barrel and gas capped at the price of $5.00 per mcf. These prices were then adjusted for the effect of the Company's production subject to existing sales contracts, and are not necessarily indicative of actual prices received by the Company at the dates of the impairment charges. Severance taxes, direct operating costs and capitalized costs were estimated based on the Company's historical operating experience. These costs and expenses were escalated at 2.5% per year. These prices and costs were applied to production profiles developed by the Company's engineers using estimates of proved reserves and unproved reserves. The estimated fair market value of other assets contributed to Great Lakes was determined by an internally generated cash flow model which was developed to determine the future revenues and costs associated with these activities, discounted 10% annually. These discounted cash flows were risked individually at rates ranging between 30% and 60%.

During the year ended December 31, 1999, the Company sold various non-strategic properties. A net loss in the amount of $1.3 million was recognized on the sale of these properties due to their net book value being greater than proceeds received upon their sale.

(18) EXTRAORDINARY ITEM

During 1999, Range exchanged $2.3 million of Convertible Preferred Securities and $3.6 million of Debentures for approximately 699,000 shares of Common Stock. In connection with the exchange a $2.4 million extraordinary gain was recorded because the Convertible Preferred Securities and Debentures were retired at a discount to their face value.

(19) UNAUDITED SUPPLEMENTAL RESERVE INFORMATION

The Company’s proved oil and gas reserves are located in the United States. Proved reserves are those quantities of crude oil and natural gas which, upon analysis of geological and engineering data, can with reasonable certainty be recovered in the future from known oil and gas reservoirs. Proved developed reserves are those proved reserves, which can be expected to be recovered from existing wells with existing equipment and operating methods. Proved undeveloped oil and gas reserves are proved reserves that are expected to be recovered from new wells on undrilled acreage.

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Quantities of Proved Reserves

	Year Ended December 31,		
	1997	1998	1999
		(in thousands)	
Oil and gas properties:			
Subject to depletion	$ 674,067	$ 859,911	$ 917,107
Unproved	111,156	75,911	61,812
Total	785,223	935,822	978,919
Accumulated depletion	(161,416)	(273,723)	(383,622)
Net oil and gas properties	$ 623,807	$ 662,099	$ 595,297
Costs incurred:			
Acquisition	$ 448,822	$ 286,974	$ 846
Development	56,430	71,793	33,808
Exploration	2,375	9,756	3,604
Total costs incurred	$ 507,627	$ 368,523	$ 38,258

Proved developed reserves

	Crude Oil	Natural Gas
	(Bbls)	(Mcf)
	(in thousands)	
Balance, December 31, 1996	14,675	295,594
Revisions	(2,603)	(70,763)
Extensions, discoveries and additions	1,664	55,324
Purchases	18,541	339,447
Sales	(709)	(6,775)
Production	(1,794)	(38,409)
Balance, December 31, 1997	29,774	574,418
Revisions	(14,195)	(76,728)
Extensions, discoveries and additions	2,121	57,261
Purchases	15,332	140,120
Sales	(3,248)	(16,561)
Production	(2,655)	(45,193)
Balance, December 31, 1998	27,129	633,317
Revisions	1,294	(39,298)
Extensions, discoveries and additions	307	11,066
Purchases	5,241	51,751
Sales	(2,495)	(162,245)
Production	(2,659)	(50,808)
Balance, December 31, 1999	28,817	443,783

The revisions which occurred during 1998 include 13,126 Mbbl of oil and 49,004 Mmcf of gas which became uneconomic due to lower commodity prices at December 31, 1998 as compared to December 31, 1997. The revisions which occurred during 1999 were based primarily on reservoir performance measures partially offset by some revisions upward for positive changes in commodity prices. The average prices used at December 31, 1999 to estimate the reserve information were $23.48 per barrel for oil, $15.69 per barrel for natural gas liquids and $2.34 per Mcf for gas using the benchmark NYMEX price of $25.60 per barrel and $2.33 per Mmbtu. The average prices at December 31, 1998 were $10.25 per barrel for oil, $6.61 per barrel for natural gas liquids and $2.34 per Mcf for gas using the benchmark NYMEX price of $12.38 per barrel and $2.25 per Mmbtu.

The “Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves” (Standardized Measure) is a disclosure requirement under Statement of Financial Accounting Standards No. 69 “Disclosures about Oil and Gas Producing Activities”. The Standardized Measure does not purport to present the fair market value of proved oil and gas reserves. This would require consideration of expected future economic and operating conditions, which are not taken into account in calculating the Standardized Measure.

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Future cash inflows were estimated by applying year end prices to the estimated future production less estimated future production costs based on year end costs. Future net cash inflows were discounted using a 10% annual discount rate to arrive at the Standardized Measure.

Standardized Measure

	Crude Oil	Natural Gas
	(Bbls)	(Mcf)
	(in thousands)	
December 31, 1997	14,971	369,786

December 31, 1998	19,649	436,062
December 31, 1999	17,884	299,436

Changes in Standardized Measure

	As of December 31,		
	1997	1998	1999
		(in thousands)	
Future cash inflows	$2,037,357	$1,744,653	$1,689,541
Future costs:			
Production	(512,657)	(513,119)	(486,618)
Development	(248,553)	(211,236)	(189,784)
Future net cash flows	1,276,147	1,020,298	1,013,139
Income Taxes	(280,189)	(104,500)	(131,529)
Total undiscounted future net cash flows	995,958	915,798	881,610
10% discount factor	(485,258)	(398,703)	(378,459)
Standardized measure	$ 510,700	$ 517,095	$ 503,151

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RANGE RESOURCES CORPORATION

INDEX TO EXHIBITS

(Item 14[a 3])

	As of December 31,		
	1997	1998	1999
		(in thousands)	
Standardized measure, beginning of year	$ 350,889	$ 510,700	$ 517,095
Revisions:			
Prices	(210,429)	(138,985)	128,799
Quantities	(29,409)	(112,012)	(37,911)
Estimated future development cost	(37,788)	26,465	8,941
Accretion of discount	49,217	63,233	45,420
Income taxes	10,360	88,222	(14,307)
Net Revisions	(218,049)	(73,007)	130,942
Purchases	460,753	134,186	71,022
Extensions, discoveries and additions	55,751	35,169	16,354
Production	(93,865)	(87,668)	(77,884)
Sales	(14,406)	(26,197)	(136,491)
Changes in timing and other	(30,373)	23,982	(17,887)
Standardized measure, end of year	$ 510,700	$ 517,095	$ 503,151

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Exhibit No.	Description
3.1(a)	Certificate of Incorporation of Lomak dated March 24, 1980 (incorporated by reference to the Company’s Registration Statement (No. 33-31558)).
3.1(b)	Certificate of Amendment of Certificate of Incorporation dated July 22, 1981 (incorporated by reference to the Company’s Registration Statement (No. 33-31558)).
3.1(c)	Certificate of Amendment of Certificate of Incorporation dated September 8, 1982 (incorporated by reference to the Company’s Registration Statement (No. 33-31558)).
3.1(d)	Certificate of Amendment of Certificate of Incorporation dated December 28, 1988 (incorporated by reference to the Company’s Registration Statement (No. 33-31558)).
3.1(e)	Certificate of Amendment of Certificate of Incorporation dated August 31, 1989 (incorporated by reference to the Company’s Registration Statement (No. 33-31558)).
3.1(f)	Certificate of Amendment of Certificate of Incorporation dated May 30, 1991 (incorporated by reference to the Company’s Registration Statement (No. 333-20259)).
3.1(g)	Certificate of Amendment of Certificate of Incorporation dated November 20, 1992 (incorporated by reference to the Company’s Registration Statement (No. 333-20257)).
3.1(h)	Certificate of Amendment of Certificate of Incorporation dated May 24, 1996 (incorporated by reference to the Company’s Registration Statement (No. 333-20257)).
3.1(i)	Certificate of Amendment of Certificate of Incorporation dated October 2, 1996 (incorporated by reference to the Company’s Registration Statement (No. 333-20257)).
3.1(j)	Restated Certificate of Incorporation as required by Item 102 of Regulation S-T (incorporated by reference to the Company’s Registration Statement (No. 333-20257)).
3.1(k)	Certificate of Amendment of Certificate of Incorporation dated August 25, 1998 (incorporated by reference to the Company’s Registration Statement (No. 333-62439)).
3.2	By-Laws of the Company (incorporated by reference to the Company’s Registration Statement (No. 33-31558)).
4	Specimen certificate of Lomak Petroleum, Inc. (incorporated by reference to the Company’s Registration Statement (No. 333-20257)).
4.4	Certificate of Trust of Lomak Financing Trust (incorporated by reference to the Company’s Registration Statement (No. 333-43823)).
4.5	Amended and Restated Declaration of Trust of Lomak Financing Trust dated as of October 22, 1997 by The Bank of New York (Delaware) and the Bank of New York as Trustees and Lomak Petroleum, Inc. as Sponsor (incorporated by reference to the Company’s Registration Statement (No. 333-43823)).
4.6	Indenture dated as of October 22, 1997, between Lomak Petroleum, Inc. and The Bank of New York (incorporated by reference to the Company’s Registration Statement (No. 333-43823)).

4.7	First Supplemental Indenture dated as of October 22, 1997, between Lomak Petroleum, Inc. and The Bank of New York (incorporated by reference to the Company's Registration Statement (No. 333-43823)).

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4.8	Form of 5 3/4% Preferred Convertible Securities (included in Exhibit 4.5 above).
4.9	Form of 5 3/4% Convertible Junior Subordinated Debentures (included in Exhibit 4.7 above).
4.10	Convertible Preferred Securities Guarantee Agreement dated October 22, 1997, between Lomak Petroleum, Inc., as Guarantor, and The Bank of New York as Preferred Guarantee Trustee (incorporated by reference to the Company's Registration Statement (No. 333-43823)).
4.11	Common Securities Guarantee Agreement dated October 22, 1997, between Lomak Petroleum, Inc., as Guarantor, and The Bank of New York as Common Guarantee Trustee. (incorporated by reference to the Company's Registration Statement No. 333-43823)).
4.12	Purchase and Sale Agreement between Cometra Energy, L.P. and Cometra Production Company, L.P., as seller, and Lomak Petroleum, Inc., as buyer, dated December 31, 1996, including First Amendment to Purchase and Sale Agreement, dated January 10, 1997 (incorporated by reference to the Company's Registration Statement (No. 333-20257)).
4.13	Purchase and Sale Agreement between Rockland, L.P., as seller, and Lomak Petroleum, Inc., as buyer, dated December 31, 1996 (incorporated by reference on the Company's Registration Statement (No. 333-20257)).
4.14	Form of Trust Indenture relating to the Senior Subordinated Notes due 2007 between Lomak Petroleum, Inc., and Fleet National Bank as trustee (incorporated on the Company' s Registration Statement (No. 333-20257)).
4.15	Purchase and Sale Agreement dated as of September 8, 1997 by and among Cabot Oil & Gas Corporation, Cranberry Pipeline Corporation, Big Sandy Gas Company, and Lomak Petroleum, Inc. (incorporated by reference to the Company's Form 10-K dated March 20, 1998).
4.16	Agreement and Plan of Reorganization dated December 5, 1997 between Arrow Operating Company, Kelly W. Hoffman and L .S. Decker and Lomak Petroleum, Inc. (incorporated by reference to the Company's Registration Statement (No. 333-43823))
4.17	Credit Agreement, dated as of June 7, 1996, between Domain Finance Corporation and Compass Bank —Houston (including the First and the Second Amendment thereto) (incorporated by reference to Exhibit 10.3 of Domain Energy Corporation's Registration Statement on Form S-1 filed with the Commission on April 4, 1997 and Exhibit 10.3 of Amendment No. 1 to Domain Energy Corporation's Registration Statement on Form S-1 filed with the Commission on May 21, 1997) (File No. 333-24641).
10.1(a)	Incentive and Non-Qualified Stock Option Plan dated March 13, 1989 (incorporated by reference to the Company's Registration Statement (No. 33-31558)).
10.1(b)	Advisory Agreement dated September 29, 1988 between Lomak and SOCO (incorporated by reference to the Company's Registration Statement (No. 33-31558)).
10.1(c)	401(k) Plan Document and Trust Agreement effective January 1, 1989 (incorporated by reference to the Company's Registration Statement (No. 33-31558)).
10.1(d)	1989 Stock Purchase Plan (incorporated by reference to the Company's Registration Statement (No. 33-31558)).
10.1(e)	Form of Directors Indemnification Agreement (incorporated by reference to the Company's Registration Statement (No. 333-47544)).
10.1(f)	1994 Outside Directors Stock Option Plan (incorporated by reference to the Company's Registration Statement (No. 33-47544)).
10.1(g)	1994 Stock Option Plan (incorporated by reference to the Company's Registration Statement (No. 33-47544)).
10.1(h)	$400,000,000 Credit Agreement Among Lomak Petroleum, Inc., as Borrower, and the Several Lenders from Time to Time parties Hereto, including Bank One, Texas, N.A. as Administrative Agent, The Chase Manhattan Bank, as Syndication Agent, and Nationsbank of Texas, N.A., as Documentation Agent (incorporated by reference to the Company's Form 10-K dated February 7, 1997).
10.1(i)	Registration Rights Agreement dated October 22, 1997, by and among Lomak Petroleum, Inc., Lomak Financing Trust, Morgan Stanley & Co. Incorporated, Credit Suisse First Boston, Forum Capital markets L.P. and McDonald Company Securities, Inc., (incorporated by reference to the Company's Registration Statement (No. 333-43823)).
10.1(j)	Amendment to the Lomak Petroleum, Inc., 1989 Stock Purchase Plan, as amended (incorporated by reference to the Company's Registration Statement (No. 333-44821)).
10.1(k)	1997 Stock Purchase Plan (incorporated by reference to the Company's Registration Statement (No. 333-44821)).
10.1(l)	1997 Stock Purchase Plan, as amended (incorporated by reference to the Company's Registration Statement (No. 333-44821)).
10.1(m)	Fourth Amendment to $400,000,000 Credit Agreement dated January 27, 1999
10.1(n)	Second Amended and Restated 1996 Stock Purchase and Option Plan for Key Employees of Domain Energy Corporation and Affiliates (incorporated by reference to the Company's Registration Statement (No. 333-62439)).
10.1(o)	Domain Energy Corporation 1997 Stock Option Plan for Nonemployee Directors (incorporated by reference to the Company's Registration Statement (No. 333-62439)).
10.1(p)	Employment Agreement, dated August 25, 1998, between the Company and Michael V. Ronca.
10.1(q)*	$100,000,000 Credit Agreement between Range Energy Finance Corporation, as Borrower, and Credit Lyonnais New York Branch, as Administrative Agent and Certain Lenders dated December 14, 1999.
21*	Subsidiaries of the Registrant.
23.1*	Consent of Independent Public Accountants.
23.2*	Consent of H.J. Gruy and Associates, Inc., independent consulting petroleum engineers.
23.3*	Consent of DeGoyler and MacNaughton, independent consulting petroleum engineers.
23.4*	Consent of Wright and Company, independent consulting engineers.
27*	Financial Data Schedule.

Exhibit 10.1(q)

HAYNES AND BOONE, LLP

CREDIT AGREEMENT

between

RANGE ENERGY FINANCE CORPORATION
Borrower

CREDIT LYONNAIS NEW YORK BRANCH
Administrative Agent

and

CERTAIN LENDERS
Lenders

December 14, 1999

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Exhibit A - Revolving Note
Exhibit B - [RESERVED]
Exhibit C - [RESERVED]
Exhibit D-1 - Borrowing Request
Exhibit D-2 - Conversion Notice
Exhibit D-3 - [RESERVED]
Exhibit D-4 - Compliance Certificate
Exhibit E-1 - Opinion of Counsel to Companies
Exhibit F - Assignment and Assumption Agreement

CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this "Agreement") is entered into as of December 14, 1999, between RANGE ENERGY FINANCE CORPORATION, a Delaware corporation ("BORROWER"), Lenders (defined below), COMPASS BANK, an Alabama state chartered Bank as Collateral Agent for the Lenders, and CREDIT LYONNAIS NEW YORK BRANCH, a duly licensed branch under the New York Banking Law of a foreign banking corporation organized under the laws of the Republic of France, as Administrative Agent for the Lenders.

The Borrower, certain lenders (the "Prior Lenders") and Compass Bank, as agent for the Prior Lenders (the "Prior Agent") have previously entered into that certain Amended and Restated Credit Agreement dated December 22, 1997, (such Amended and Restated Credit Agreement, as the same may have been heretofore amended, is herein referred to as the "Prior Credit Agreement"). The Borrower desires to obtain refinancing of its existing obligations and indebtedness (the "Existing Indebtedness") under the Prior Credit Agreement and the other Loan Documents (as defined in the Prior Credit Agreement) and certain additional financing from the Lenders. The Administrative Agent and the Lenders have agreed to provide such refinancing of the Existing Indebtedness and additional financing in the maximum principal amount not to exceed the lesser of the aggregate Commitments or the Borrowing Base (hereinafter defined) on the terms and conditions provided herein. The Prior Agent and the Prior Lenders have executed and delivered, contemporaneously herewith, the Compass Assignment (hereinafter defined) in favor of the Administrative Agent, for the benefit of the Lenders, resulting in the Lenders being the current owners and holders of the Existing Indebtedness. The Borrower, the Lenders, the Collateral Agent and the Administrative Agent have agreed to amend and restate the Prior Credit Agreement, in its entirety, as set forth below.

ACCORDINGLY, for adequate and sufficient consideration, Borrower, Lenders, Collateral Agent and Administrative Agent agree that the Prior Credit Agreement is hereby amended and restated, in its entirety, as follows:

SECTION 1. DEFINITIONS AND TERMS.

1.1 DEFINITIONS. As used in the Loan Documents:

ACQUISITION COMMITMENT means, at any time and for any Lender its Commitment Percentage of the amount, if any, available to be borrowed by the Borrower pursuant to Section 2.1(b) (which amount is subject to reduction and cancellation as provided in this agreement).

ACQUISITION FACILITY means, the revolving credit facility in the amount of the total Acquisition Commitments of the Lenders to make advances pursuant to Section 2.1(b).

AFFILIATE of a Person means, any other individual or entity who directly or indirectly controls, is controlled by, or is under common control with that Person. For purposes of this definition (a) "control," "controlled by," and "under common control with" mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of voting securities or other interests, by contract, or otherwise), and (b) the Companies are "Affiliates" of each other.

ADMINISTRATIVE AGENT means, at any time, Credit Lyonnais New York Branch, a duly licensed branch under the New York Banking Law of a foreign banking corporation organized under the laws of the Republic of France -- or its successor appointed under SECTION 13 -- acting as " administrative agent" for Lenders under the Loan Documents.

AGENTS means a collective reference to the Administrative Agent and the Collateral Agent.

APPLICABLE MARGIN means, for any day, a margin of interest over the Base Rate or the LIBOR Rate, as the case may be, that is applicable when the Base Rate or LIBOR Rate, as applicable, is determined under this agreement.

(a) The Applicable Margin for Revolving Facility Borrowings is subject to adjustment (upwards or downwards, as appropriate) based on the ratio of the outstanding Principal Debt to the Borrowing Base, as stated in the table below. The Applicable Margin for any Acquisition Facility Borrowings shall be (i) 1.00% for Base-Rate Borrowings and (ii) 2.50% for LIBOR - Rate Borrowings.

(b) From the Closing Date through the end of the fiscal quarter ending December 31, 1999, the Applicable Margin for Revolving Facility Borrowings shall be calculated assuming that the ratio of the outstanding Principal Debt to the Borrowing Base is greater than 75%.

(c) For purposes of the definition of APPLICABLE MARGIN and APPLICABLE PERCENTAGE, the ratio of the outstanding Principal Debt to the Borrowing Base used for each fiscal quarter is determined as of the last day of the previous fiscal quarter by dividing the average outstanding Principal Debt for each day during such quarter by the Borrowing Base in effect as of the last day of such quarter.

(d) If Borrower fails to timely furnish to Administrative Agent any Financials and related Compliance Certificate as required by this agreement, then the maximum Applicable Margin and Applicable Percentage apply from the date those Financials and related Compliance Certificate are required to be delivered and remain in effect until Borrower furnishes them to Administrative Agent.

For all Revolving Facility Borrowings:

RATIO OF OUTSTANDING PRINCIPAL DEBT TO THE BORROWING BASE	APPLICABLE MARGIN FOR BASE-RATE BORROWINGS	APPLICABLE MARGIN FOR LIBOR-RATE BORROWINGS
less than or equal to 50%	0.50%	1.75%
greater than 50% but less than or equal to 75%	0.75%	2.00%
greater than 75%	1.00%	2.25%

APPLICABLE PERCENTAGE means, for any day, a commitment fee percentage applicable under SECTION 4.4, based on the ratio of the outstanding Principal Debt to the Borrowing Base (calculated in accordance with clause (c) of the definition of Applicable Margin) equal to the following:

RATIO OF OUTSTANDING PRINCIPAL DEBT TO THE BORROWING BASE	APPLICABLE PERCENTAGE
less than or equal to 50%	0.375%
greater than 50%	0.500%

ASSET COVERAGE RATIO means, as of the date a determination thereof is to be made, the ratio of (i) the SEC Value of the proved, developed producing reserves attributable to the Mineral Interests as reflected in the most recent Reserve Report delivered to the Lenders (with such adjustments as Administrative Agent deems necessary in the exercise of its sole discretion and in accordance with its standard engineering and lending policies and practices as of such date similar to those used for a redetermination of the Borrowing Base) minus the value of the hydrocarbons estimated to be produced from such Mineral Interests from the date of such Reserve Report through the date of the next scheduled semi-annual redetermination of the Borrowing Base, to (ii) Funded Debt of the Borrower as of such date.

ASSIGNEE is defined in SECTION 14.10(c).

ASSIGNMENTS is defined in SECTION 14.10(c).

BASE RATE means, for any day, the greater of either (a) the annual interest rate most recently announced by Administrative Agent as its reference rate of interest for short-term commercial loans in U.S. dollars to domestic borrowers (which may not necessarily represent the lowest or best rate actually charged to any customer) in effect at its principal office in New York, New York, automatically fluctuating upward and downward as specified in each announcement without special notice to Borrower or any other Person, or (b) the sum of the Federal-Funds Rate plus 0.5%.

BASE-RATE BORROWING means a Borrowing bearing interest at the sum of the Base Rate plus the Applicable Margin.

BORROWER is defined in the preamble to this agreement.

BORROWING means any amount disbursed under the Loan Documents by one or more Lenders to or on behalf of Borrower under the Loan Documents, either as an original disbursement of funds or a renewal, extension, or continuation of an amount outstanding.

BORROWING BASE shall mean the loan value of the Mortgaged Properties as Lenders determine, in their sole discretion, from time to time pursuant to SECTION 2.6 hereof.

BORROWING-BASE DEFICIENCY means any amount by which the limitation in SECTION 2.1(a)(iii) is exceeded (including, without limitation, as a result of any Borrowings under the Acquisition Facility being deemed to be Borrowings under the Revolving Facility pursuant to SECTION 2.1(b)(v)), whether because the

Commitments have been fully or partially terminated or canceled, the Borrowing Base has been reduced, or for any other reason.

BORROWING DATE is defined in SECTION 2.2(a).

BORROWING REQUEST means a request, subject to SECTION 2.2(a), substantially in the form of EXHIBIT D-1.

BUSINESS DAY means any day, other than a Saturday or Sunday or legal holiday, on which (i) commercial banks generally are open for business in New York, New York and Houston, Texas and (ii) in the case of LIBOR Rate Borrowings, dealings in eurodollar deposits are generally carried out in the London interbank eurodollar market.

CAPITAL LEASE means any capital lease or sublease that is required by GAAP to be capitalized on a balance sheet.

CERCLA means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C.ss.ss.9601 et seq.

CLOSING DATE means the date agreed to by Borrower and Administrative Agent for the initial Borrowing (or the deemed Borrowing of the Existing Indebtedness under SECTION 2.1(a)(iv)), which must be a Business Day occurring no later than December 14, 1999.

CODE means the Internal Revenue Code of 1986.

COLLATERAL is defined in SECTION 5.2.

COLLATERAL AGENT means, Compass Bank, an Alabama state chartered bank - -- or its successors appointed under Section 13 - - acting as "collateral agent" for Lenders under the Loan Documents.

COLLATERAL DOCUMENTS is defined in SECTION 5.2.

COMMITMENT means, at any time and for any Lender, the amounts stated beside that Lender's name on the most-recently amended SCHEDULE 2 (which amount is subject to reduction and cancellation as provided in this agreement).

COMMITMENT PERCENTAGE means, for any Lender, the proportion (stated as a percentage) that its Commitment bears to the total Commitments of all Lenders.

COMPANIES means, at any time, Borrower and each of its Subsidiaries.

COMPASS ASSIGNMENT shall mean, that certain Resignation of Agent, Appointment of Agents and Master Assignment Agreement of even date herewith, executed by Borrower, the Prior Lenders and the Prior Agent, Administrative Agent, Collateral Agent and the Lenders, as the same may be from time to time modified, amended or supplemented.

COMPLIANCE CERTIFICATE means a certificate substantially in the form of EXHIBIT D-4 and signed by a Responsible Officer.

CONVERSION NOTICE means a request, subject to SECTION 3.10, substantially in the form of EXHIBIT D-2.

CURRENT FINANCIALS, unless otherwise specified means either (i) the Companies' consolidated Financials for the year ended December 31, 1998, together with the Companies' Financials for the nine months ended on September 30, 1999, or (ii) at any time after annual Financials are first delivered under Section 8.1, the Companies' annual Financials then most recently delivered to Lenders under SECTION 8.1(a), together with the Companies' quarterly Financials then most recently delivered to Lenders under SECTION 8.1(b).

DEBT means -- for any person, at any time, and without duplication -- the sum of (a) all obligations required by GAAP to be classified upon that Person's balance sheet as liabilities, (b) liabilities secured (or for which the holder of the Debt has an existing Right, contingent or otherwise, to be so secured) by any Lien existing on property owned or acquired by that Person, (c) obligations that have been (or under GAAP should be) capitalized for financial reporting purposes, plus (d) all guaranties, endorsements, and other contingent obligations for Debt of others.

DEBTOR LAWS means the Bankruptcy Code of the United States of America and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments, or similar Laws affecting creditors' Rights.

DEFAULT is defined in SECTION 11.

DEFAULT RATE means, for any day, an annual interest rate equal from day to day to the lesser of either (a) the then-existing Base Rate plus 3.0% or (b) the Maximum Rate.

DETERMINING LENDERS means, at any time, the Administrative Agent and any combination of Lenders holding (directly or indirectly) at least either (a) 85% of the total Commitments while there is no Principal Debt or (b) 85% of the Principal Debt while there is any Principal Debt.

DISTRIBUTION means, with respect to any shares of any capital stock or other equity securities issued by a Person (a) the retirement, redemption, purchase, or other acquisition for value of those securities, (b) the declaration or payment of any dividend on or with respect to those securities, (c) any loan or advance by that Person to, or other investment by that Person in, the holder of any of those securities, and (d) any other payment by that Person with respect to those securities.

EMPLOYEE PLAN means an employee-pension-benefit plan covered by Title IV of ERISA and established or maintained by any Company.

ENVIRONMENTAL INDEMNITY AGREEMENT means any agreement (including, without limitation, insurance policies), in form and substance satisfactory to Administrative Agent, by which a Restricted Company or Predecessor is entitled to receive reimbursement or other payment on account of any Environmental Liability other than any agreements (a) in the nature of environmental consulting or engineering agreements for professional services or (b) the terms of which preclude that Company or

Predecessor from asserting a claim for reimbursement or other payment on account of any Environmental Liability.

ENVIRONMENTAL INVESTIGATION means any health, safety, or environmental site assessment, investigation, study, review, audit, compliance audit, or compliance review conducted at any time or from time to time -- whether at the request of Administrative Agent or any Lender, upon the order or request of any Tribunal, or at the voluntary instigation of any Company -- concerning any Real Property or the business operations or activities of any Company, including, without limitation (a) air, soil, groundwater, or surface-water sampling and monitoring, (b) repair, cleanup, remediation, or detoxification, (c) preparation and implementation of any closure, remedial, spill, emergency, or other plans, and (d) any health, safety, or environmental compliance audit or review.

ENVIRONMENTAL LAW means any applicable Law that relates to (a) the condition of air, ground or surface water, soil, or other environmental media, (b) the environment or natural resources, (c) safety or health, or (d) the regulation of any contaminants, wastes, and Hazardous Substances, including, without limitation, CERCLA, OSHA, the Hazardous Materials Transportation Act (49 U.S.C. Section 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.), the Clean Water Act (33 U.S.C. Section 1251 et seq.), the Clean Air Act (42 U.S.C. Section 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. Section 136 et seq.), the Emergency Planning and Community Right-to-Know Act (42 U.S.C. Section 11001 et seq.), the Safe Drinking Water Act (42 U.S.C. Section 201 and Section 300f et seq.), the Rivers and Harbors Act (33 U.S.C. Section 401 et seq.), the Oil Pollution Act (33 U.S.C. Section 2701 et seq.), analogous state and local Laws, and any analogous future enacted or adopted Law, or (c) to the Release or threatened Release of Hazardous Substances.

ENVIRONMENTAL LIABILITY means any liability, loss, fine, penalty, charge, lien, damage, cost, or expense of any kind that results directly or indirectly, in whole or in part (a) from the violation of any Environmental Law, (b) from the Release or threatened Release of any Hazardous Substance, (c) from removal, remediation, or other actions in response to the Release or threatened Release of any Hazardous Substance, (d) from actual or threatened damages to natural resources, (e) from the imposition of injunctive relief or other orders, (f) from personal injury, death, or property damage which occurs as a result of any Company's use, storage, handling, or the Release or threatened Release of a Hazardous Substance, or (g) from any Environmental Investigation performed at, on, or for any Real Property (including without limitation, the Leases and the Mineral Interests).

ENVIRONMENTAL PERMIT means any permit, license, or other authorization from any Tribunal that is required under any Environmental Law for the lawful conduct of any business, process, or other activity.

ENVIRONMENTAL REPORT means any written or verbal report memorializing any Environmental Investigation.

ERISA means the Employee Retirement Income Security Act of 1974.

FEDERAL-FUNDS RATE means, for any day, the annual rate (rounded upwards, if necessary, to the nearest 0.01%) determined (which determination is conclusive and binding, absent manifest error) by Administrative Agent to be equal to (a) the weighted average of the rates on overnight federal-funds transactions with member banks of the Federal Reserve System arranged by federal-funds brokers on that day, as published by the Federal Reserve Bank of New York on the next Business Day, or (b) if those rates

are not published for any day, the average of the quotations at approximately 10:00 a.m. received by Administrative Agent from three federal-funds brokers of recognized standing selected by Administrative Agent in its sole discretion.

FINANCIALS of a Person means balance sheets, profit and loss statements, reconciliations of capital and surplus, and statements of cash flow prepared (a) according to GAAP (subject to year end audit adjustments with respect to interim Financials) and (b) except as stated in SECTION 1.4, in comparative form to prior year-end figures or corresponding periods of the preceding fiscal year or other relevant period, as applicable.

FUNDED DEBT means -- for any Person, at any time, and without duplication -- the sum of (a) the balance of any obligation for borrowed money, plus (b) the total amount capitalized on the balance sheet of that Person with respect to Capital Leases.

FUNDING LOSS means any loss, expense, or reduction in yield that any Lender reasonably incurs because (a) Borrower fails or refuses (for any reason whatsoever other than a default by Administrative Agent or that Lender claiming that loss, expense, or reduction in yield) to take any LIBOR-Rate Borrowing that it has requested under this agreement, or (b) Borrower prepays or pays any LIBOR-Rate Borrowing or converts any LIBOR-Rate Borrowing to a Borrowing of another Type, in each case, other than on the last day of the applicable Interest Period.

GAAP means generally accepted accounting principles of the Accounting Principles Board of the American Institute of Certified Public Accountants and the Financial Accounting Standards Board that are applicable from time to time.

HAZARDOUS SUBSTANCE means (a) any substance that is reasonably expected to require, removal, remediation, or other response under any Environmental Law, (b) any substance that is designated, defined or classified as a hazardous waste, hazardous material, pollutant, contaminant, explosive, corrosive, flammable, infectious, carcinogenic, mutagenic, radioactive, dangerous, or toxic or hazardous substance under any Environmental Law, including, without limitation, any hazardous substance within the meaning of ss. 101(14) of CERCLA, (c) petroleum, oil, gasoline, natural gas, fuel oil, motor oil, waste oil, diesel fuel, jet fuel, and other petroleum hydrocarbons, (d) asbestos and asbestos-containing materials in any form, (e) polychlorinated biphenyls, (f) urea formaldehyde foam, or (g) any substance the presence of which on any Real Property (including, without limitation, the Leases and the Mineral Interests) either (i) poses or threatens to pose a hazard to the health or safety of persons or to the environment or (ii) could constitute a health or safety hazard to persons or the environment if it emanated or migrated from the Real Property (including, without limitation, the Leases and the Mineral Interests).

INTEREST EXPENSE means -- for any Person, for any period, and without duplication -- all interest on Debt, whether paid in cash or accrued as a liability and payable in cash during that period, including, without limitation, the interest component of Capital Leases and any premium or penalty for repayment, redemption, or repurchase of Debt, but excluding any accrued and unpaid interest on the Subordinated Debt.

INTEREST PERIOD is determined under SECTION 3.9.

LAWS means all applicable statutes, laws, treaties, ordinances, rules, regulations, orders, writs, injunctions, decrees, judgments, opinions, and interpretations of any Tribunal.

LEASES shall have the meaning assigned to it in SECTION 7.17 hereof.

LENDER LIEN means any present or future first-priority Lien (subject only to any applicable Permitted Lien) securing the Obligation and assigned, conveyed, or granted to or created in favor of Collateral Agent for the benefit of Lenders.

LENDERS means the financial institutions -- including, without limitation, any Agent in respect of its share of Borrowings -- named on SCHEDULE 2 or on the most-recently-amended SCHEDULE 2, if any, delivered by Administrative Agent under this agreement, and, subject to this agreement, their respective successors and permitted assigns (but not any Participant who is not otherwise a party to this agreement).

LIBOR RATE means, for a LIBOR-Rate Borrowing and for the relevant Interest Period, the annual interest rate (rounded upward, if necessary, to the nearest 0.01%) equal to the quotient obtained by dividing (a) the rate displayed on page 3750 on the Teleratesystem Incorporated Service (or such other page as may replace such page on such service) at approximately 11:00 a.m. London time two Business Days before the first day of that Interest Period in an amount comparable to that LIBOR-Rate Borrowing and having a maturity approximately equal to that Interest Period, by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to the relevant Interest Period.

LIBOR-RATE BORROWING means a Borrowing bearing interest at the sum of the LIBOR Rate plus the Applicable Margin.

LIEN means any lien, mortgage, security interest, pledge, assignment, charge, title retention agreement, or encumbrance of any kind and any other arrangement for a creditor's claim to be satisfied from assets or proceeds prior to the claims of other creditors or the owners.

LITIGATION means any action by or before any Tribunal.

LOAN DOCUMENTS means (a) this agreement, certificates and reports delivered under this agreement, and exhibits and schedules to this agreement, (b) the Notes, Collateral Documents, all Loan Documents (as defined in the Prior Credit Agreement), and all other agreements, documents, and instruments in favor of Administrative Agent or Lenders (or Administrative Agent on behalf of Lenders) ever delivered under this agreement or otherwise delivered in connection with all or any part of the Obligation (other than Assignments but including the Compass Assignment), (c) the letter agreement described in SECTION 4.2, and (d) all renewals, extensions, and restatements of, and amendments and supplements to, any of the foregoing.

LOCKBOX shall mean, P.O. Box 4585, Houston, Texas 77210, established by the Borrower with the Collateral Agent, to which each purchaser of production and disburser of the proceeds of production from or attributable to the Mortgaged Properties shall be directed to make remittance.

LOCKBOX ACCOUNT shall mean, Account No. 2171232158 of the Borrower established with the Collateral Agent, in association with the Lockbox and to which the Borrower and the Collateral Agent, shall have access by way of draft, check, wire transfer or funds, or otherwise to the extent specified in Section 5.3.

LOCKBOX AGREEMENT shall mean, the lockbox agreement between the Borrower and the Collateral Agent, relating to the Lockbox and being in form and substance acceptable to the Agents, as the same may be amended, related, or supplemented from time to time.

MATERIAL ADVERSE EVENT means any circumstance or event that, individually or collectively, is reasonably expected to result in any (a) material impairment of (i) the ability of Borrower to perform any of its payment or other material obligations under any Loan Document, (ii) the Restricted Companies as a whole to perform any of their payment or other material obligations under any Loan Document, or (iii) the ability of Administrative Agent, Collateral Agent or any Lender to enforce any of those obligations or any of their respective Rights under the Loan Documents, (b) material and adverse effect on the financial condition of the Companies as a whole as represented to Lenders in the Current Financials most recently delivered before the date of this agreement or (c) Default or Potential Default.

MAXIMUM AMOUNT and MAXIMUM RATE respectively mean, for a Lender, the maximum non-usurious amount and the maximum non-usurious rate of interest that, under applicable Law, that Lender is permitted to contract for, charge, take, reserve, or receive on the Obligation.

MINERAL INTERESTS shall mean all present and future rights, titles and interests that Borrower or any other Company may now have or hereafter acquire in and to all (i) oil, gas and/or mineral leases, royalty and overriding royalty interests, production payments, farm-out agreements, net profit interests and mineral fee interests, including, without limitation, Production Payments, (ii) present and future unitization, communication and pooling arrangements (and all properties covered and units created thereby), whether arising by contract or operation of law, which now or hereafter include all or any part of the foregoing; and (iii) lands now or hereafter subject to any of the foregoing.

MORTGAGED PROPERTIES shall mean all of Mineral Interests described in the Collateral Documents and all related personal property and rights to payments or proceeds thereon or therefrom, and all collateral security therefor and all other properties in which Borrower or any other Company has heretofore granted or purported to grant or hereinafter grants or purports to grant to Collateral Agent, for the benefit of the Lenders, a Lender Lien (including, without limitation, those assigned to Collateral Agent pursuant to, among other things, the Compass Assignment) in accordance with SECTION 5.2 hereof, in order to secure the Notes and the Obligation.

MULTIEMPLOYER PLAN means a multiemployer plan as defined in Sections 3(37) or 4001(a)(3) of ERISA or Section 414(f) of the Code to which any Company (or any Person that, for purposes of Title IV of ERISA, is a member of Borrower's controlled group or is under common control with Borrower within the meaning of Section 414 of the Code) is making, or has made, or is accruing, or has accrued, an obligation to make contributions.

NET INCOME of any Person means that Person's profit or loss after deducting its Tax expense.

NOTES means the promissory notes payable to the Lenders substantially in the form of Exhibit A.

OBLIGATION means all present and future (a) Debts, liabilities, and obligations of any Company to Administrative Agent, Collateral Agent or any Lender and related to any Loan Document, whether principal, interest, fees, costs, attorneys' fees, or otherwise, (b) any Debts, liabilities, or obligations owed by any Company to any Lender or its one or more Affiliates under any Swap Agreement, and (c) renewals, extensions, and modifications of any of the foregoing.

OSHA means the Occupational Safety and Health Act of 1970, 29 U.S.C.Section 651 et seq.

PARTICIPANT is defined in SECTION 14.10(b).

PBGC means the Pension Benefit Guaranty Corporation.

PERMITTED DEBT means Debt described on SCHEDULE 9.2.

PERMITTED LIENS means the Liens described on SCHEDULE 9.4.

PERSON means any individual, entity, or Tribunal.

PORTFOLIO CASH FLOW means, for any Person, for any period, and without duplication -- the sum of (a) Net Income, plus (b) Portfolio Cash Repayments (excluding any Portfolio Principal Prepayments), plus (c) to the extent actually deducted in calculating Net Income, Interest Expense and income Taxes, plus (d) to the extent actually deducted in calculating Net Income, depreciation, depletion, amortization and any other non-cash charges.

PORTFOLIO CASH REPAYMENTS shall mean, all cash payments received by any Company with respect to any Production Payment.

PORTFOLIO PRINCIPAL PREPAYMENTS shall mean a whole or partial prepayment received by any Company with respect to any Production Payment that is applied or should be applied to reduce the outstanding principal balance of such Production Payment.

POTENTIAL DEFAULT means any event's occurrence or any circumstance's existence that would -- upon any required notice, time lapse, or both -- become a Default.

PREDECESSOR means any Person for whose obligations and liabilities any Company is reasonably expected to be liable as the result of any merger, de facto merger, stock purchase, asset purchase or divestiture, combination, joint venture, investment, reclassification, or other similar business transaction.

PRINCIPAL DEBT means, at any time, the unpaid principal balance of all Borrowings.

PRO FORMA BASIS shall mean, in connection with any calculation of compliance with any financial covenant or financial term, the calculation thereof after giving effect on a pro forma basis to (x) the incurrence of any Debt after the first day of the relevant calculation period as if such Debt had been incurred (and the proceeds thereof applied)on the first day of the relevant calculation period, (y) the permanent repayment of any Debt after the first day of the relevant calculation period and (z) the Production Payment then being acquired as if same had been acquired on the first day of such calculation period, as well as any other Production Payment acquired after the first day of the relevant calculation period and on or prior to the date of the respective Production Payment then being acquired with all Debt assumed to be outstanding pursuant to the foregoing being deemed to have borne interest at (x) the rate applicable thereto, in the case of fixed rate indebtedness or (y) the rates which would have been applicable thereto during the respective period when same was deemed outstanding, in the case of floating rate Debt although interest expense with respect to any Debt for periods while same was actually outstanding during the respective period shall be calculated using the actual rates applicable thereto while same was actually outstanding.

PRODUCTION PAYMENT means, a term overriding royalty interest in oil, gas and/or mineral leases or mineral fee interests which has been duly assigned, transferred and conveyed of record to Borrower or another Restricted Company and which entitles the Borrower or such other Restricted Company, as applicable, to receive a certain percentage of any oil, gas or other minerals produced and saved from the lands covered by such leases or fee interests without regard to, or any obligation for, any costs or expenses incurred in connection therewith, until the proceeds attributable to the sale thereof equals the purchase price paid for such term overriding royalty interest plus a specified rate of return thereon, and all other rights, titles, interests, estates, remedies, powers and privileges appurtenant or incident to such term overriding royalty interest created or arising under the documents, instruments and agreements evidencing such interest or applicable laws, and under which the obligations of the grantor thereof are required to be recorded as liabilities on the books and records of such grantor in accordance with GAAP.

PRO RATA and PRO RATA PART mean, at any time and for any Lender, the proportion (stated as a percentage) that the Principal Debt owed to it bears to the total Principal Debt owed to all Lenders.

REAL PROPERTY means any land, buildings, fixtures, and other improvements to land now or in the future directly or indirectly owned by any Restricted Company, leased to or otherwise operated by any Restricted Company, or subleased by any Restricted Company to any other Person.

RELEASE means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposal, migrating, or other movement into the air, ground or surface water, or soil.

REPRESENTATIVES means representatives, officers, directors, employees, accountants, attorneys, consulting engineers and agents.

RESERVE REPORT means each report delivered to the Administrative Agent by the Borrower pursuant to SECTION 8.1(c).

RESERVE REQUIREMENT means, for any LIBOR-Rate Borrowing and for the relevant Interest Period, the total reserve requirements (including all basic, supplemental, emergency, special, marginal, and other reserves required by applicable Law) applicable to eurocurrency fundings or liabilities as of the first day of that Interest Period.

RESPONSIBLE OFFICER means Borrower's chairman, president, chief executive officer, chief financial officer, or treasurer.

RESTRICTED COMPANY means Borrower and each Subsidiary of Borrower other than any Subsidiary that has no assets except its corporate name and conducts no operations.

REVOLVING FACILITY means the revolving credit facility in the amount of the total Commitments of the Lenders to make advances pursuant to Section 2.1(a).

RIGHTS means rights, remedies, powers, privileges, and benefits.

SEC shall mean the Securities and Exchange Commission or any successor Tribunal.

SEC VALUE shall mean, as of any date a determination thereof is to be made, the future net revenues before income taxes from proved reserves, estimated assuming that oil and natural gas prices and production costs remain constant at those in effect on such date, then discounted at the rate of ten percent (10%) per year to obtain the present value.

SOLVENT means, as to any Person, that (a) the aggregate fair market value of its assets exceeds its liabilities, (b) it has sufficient cash flow to enable it to pay its Debts as they mature, and (c) it does not have unreasonably small capital to conduct its businesses.

STATED-TERMINATION DATE means December 14, 2002.

SUBORDINATED DEBT mean, the obligations and indebtedness of Borrower under that certain Restated Intercompany Revolving Credit Note dated as of December 14, 1999 executed by Borrower and payable to the order of Range Energy Ventures Corporation in the original principal amount of $15,000,000 and containing terms and provisions, in form and substance satisfactory to Administrative Agent, expressly subordinating the payment thereof to the Obligation.

SUBSIDIARY of any Person means any entity of which more than 50% (in number of votes) of the stock (or equivalent interests) is owned of record or beneficially, directly or indirectly, by that Person.

SWAP AGREEMENT means any present or future, whether master or single, agreement, document, or instrument providing for -- or constituting an agreement to enter into -- an interest-rate, basis, or commodity swap; forward-rate arrangement; commodity option; equity or equity-index swap or option; bond or interest-rate option; forward-foreign-exchange arrangement; rate-cap, -collar, or -floor arrangement; currency- or cross-currency-swap arrangement; swaption; currency-option; or any similar arrangement.

TANGIBLE-NET WORTH means -- at any time and for any Person -- the sum of (i) its stockholders' equity, plus (ii) amounts excluded from stockholders' equity under GAAP relating to the establishment of an employee stock ownership plan, minus (iii) the total (without duplication of deductions already made in arriving at stockholders' equity) of the book value of all assets that would be treated as intangible assets under GAAP, including, without limitation, goodwill, trademarks, trade names, copyrights, patents, and unamortized debt discount and expense.

TAXES means, for any Person, taxes, assessments, or other governmental charges or levies imposed upon it, its income, or any of its properties, franchises, or assets.

TERMINATION DATE means the earlier of either (a) the Stated-Termination Date or (b) the effective date that Lenders' commitments to lend under this agreement are fully canceled or terminated.

TRIBUNAL means any (a) local, state, territorial, federal, or foreign judicial, executive, regulatory, administrative, legislative, or governmental agency, board, bureau, commission, department, or other instrumentality, (b) private arbitration board or panel, or (c) central bank.

TYPE means any type of Borrowing determined with respect to the applicable interest option.

UNUSED AVAILABILITY shall mean, at any time a determination thereof is to be made, the difference of (i) the lesser of the total Commitments or the Borrowing Base, minus (ii) the Principal Debt; provided that if such difference is less than zero, the Unused Availability shall be and be deemed to be equal to zero.

1.2 TIME REFERENCES. Unless otherwise specified, in the Loan Documents (a) time references (e.g., 11:00 a.m.) are to time in New York, New York, and (b) in calculating a period from one date to another, the word "from" means "from and including" and the word "to" or "until" means "to but excluding."

1.3 OTHER REFERENCES. Unless otherwise specified, in the Loan Documents (a) where appropriate, the singular includes the plural and vice versa, and words of any gender include each other gender, (b) heading and caption references may not be construed in interpreting provisions, (c) monetary references are to currency of the United States of America, (d) section, paragraph, annex, schedule, exhibit, and similar references are to the particular Loan Document in which they are used, (e) references to "telecopy," "facsimile," "fax," or similar terms are to facsimile or telecopy transmissions, (f) references to "including" mean including without limiting the generality of any description preceding that word, (g) the rule of construction that references to general items that follow references to specific items are limited to the same type or character of those specific items is not applicable in the Loan Documents, (h) references to any Person include that Person's heirs, personal representatives, successors, trustees, receivers, and permitted assigns, (i) references to any Law include every amendment or supplement to it, rule and regulation adopted under it, and successor or replacement for it, and (j) references to any Loan Document or other document include every renewal and extension of it, amendment and supplement to it, and replacement or substitution for it.

1.4 ACCOUNTING PRINCIPLES. Unless otherwise specified, in the Loan Documents (a) GAAP determines all accounting and financial terms and compliance with financial covenants, (b) GAAP in effect on the date of this agreement determines compliance with financial covenants, (c) otherwise, all accounting principles applied in a current period must be comparable in all material respects to those applied during the preceding comparable period, and (d) while Borrower has any consolidated Subsidiaries (i) all accounting and financial terms and compliance with reporting covenants must be on a consolidating and consolidated basis, as applicable, and (ii) compliance with financial covenants must be on a consolidated basis.

SECTION 2. COMMITMENT. Subject to the other terms and conditions herein and in the other Loan Documents, each Lender severally but not jointly agrees to extend credit to Borrower in accordance with the following provisions.

2.1 (a) REVOLVING FACILITY. Each Lender severally but not jointly agrees to lend to Borrower that Lender's Commitment Percentage of requested Borrowings under the Revolving Facility which Borrower may borrow, repay, and reborrow under this agreement subject to the following conditions:

(i) Each Borrowing may only occur on a Business Day on or after the Closing Date and before the Termination Date;

(ii) Each Borrowing may only be $100,000 or a greater integral multiple of $100,000 if a Base-Rate Borrowing or $500,000 or a greater integral multiple of $100,000 if a LIBOR-Rate Borrowing;

(iii) The Principal Debt under the Revolving Facility may never exceed at any time, the lesser of EITHER the total Commitments OR the Borrowing Base; and

(iv) Subject to the other terms and conditions of this Agreement, that portion of the Existing Indebtedness consisting of advances outstanding under the Prior Credit Agreement shall be and be deemed to constitute a Base-Rate Borrowing hereunder effective as of the Closing Date.

(b) ACQUISITION FACILITY. Unless the Termination Date shall have occurred, Borrower may, from time to time, request the Lenders, by written notice to the Administrative Agent, at least thirty (30) but not more than sixty (60) days prior to the proposed date of any Borrowing requested under this Section 2.1(b), to consent to the making of additional advances to the Borrower in excess of the then effective Borrowing Base in accordance with the terms and provisions of this Section 2.1(b) and the other applicable terms and provisions of this agreement. Each Lender shall, in its sole discretion, determine whether to consent to such request and shall notify the Administrative Agent of its determination within twenty-five (25) days of such Lender's receipt of notice of such request. If such request shall have been consented to by all of the Lenders, the Administrative Agent shall notify Borrower in writing thereof consent, and effective on and after the date of such notice (the "Activation Date"), if any, each Lender severally but not jointly agrees to lend to Borrower that Lender's Commitment Percentage of such requested Borrowings, which Borrower may borrow, repay and reborrow under this agreement subject to the following conditions:

(i) Each such Borrowing may only occur on a Business Day on or after the Activation Date and before the Termination Date;

(ii) Each such Borrowing may only be $100,000 or a greater integral multiple of $100,000, if a Base-Rate Borrowing or $500,000 or a greater integral multiple of $100,000 if a LIBOR-Rate Borrowing;

(iii) The Principal Debt, after giving effect to such requested Borrowing would not exceed the lesser of either (a) the total Commitments or (b) an amount equal to the product of 1.15 multiplied by the Borrowing Base;

(iv) The proceeds of such requested Borrowing must be used solely to finance the purchase price of Production Payments and the amount of each such requested Borrowing may not exceed (a) sixty-five percent (65%) of the total purchase price paid for such Production Payments being acquired with the proceeds thereof, and (b) five percent (5%) of the Borrowing Base then in effect;

(v) As of the effective date of any redetermination of the Borrowing Base pursuant to Section 2.6, any outstanding Borrowings under this Section 2.1(b) shall be and be deemed, without any further notice or action, to be Borrowings made under Section 2.1(a), and if as a result thereof, a Borrowing-Base Deficiency occurs, such Borrowing-Base Deficiency shall be eliminated in accordance with the provisions of Section 3.2(c); and

(vi) Borrower shall have delivered to the Administrative Agent, at least ten (10) days prior to such requested Borrowing (with sufficient copies for each Lender), all of which shall be in form and substance acceptable to Administrative Agent (a) a certificate of a Responsible Officer of Borrower, certifying as to the calculations demonstrating that on a Pro Forma Basis and after giving effect to such Borrowing, and any equity contribution to, or Subordinated Debt incurred by, Borrower related

to the purchase of such Production Payments to be financed with the proceeds thereof, Borrower would be in compliance with the covenants contained in Section 10 of this agreement as of the last day of the fiscal quarter most recently ended, (b) copies of all material documents and agreements relating to the purchase of such Production Payments, certified by a Responsible Officer of Borrower as being true, correct and complete, (c) an agreement, duly authorized, executed and delivered by a Responsible Officer of Range Resources Corporation pursuant to which Range Resources Corporation agrees to indemnify and hold harmless Administrative Agent, Collateral Agent and the Lenders from and against all losses and damages incurred as a result of any of the representations and warranties made or deemed pursuant to the first two sentences of SECTION 7.13 with respect to such Production Payments unless and until Administrative Agent notifies Borrower and Range Resources Corporation that it has completed its title due diligence review of such Production Payments (which shall occur within thirty (30) days of the purchase thereof) and the results of such review are satisfactory to Administrative Agent, in the exercise of its sole discretion, and (d) such other information, reports, agreements and documents relating to any of the foregoing as Administrative Agent may reasonably request.

Borrower understands, acknowledges and agrees that nothing contained herein or in the other Loan Documents shall be construed to create any obligation or commitment on the part of any Lender to make any advances in excess of, in the aggregate, the lesser of such Lender's Commitment or the Borrowing Base; the foregoing provisions being applicable only in the event that the Lenders may hereafter agree, in writing, to make additional advances pursuant to this Section 2.1(b) upon the request of Borrower and in accordance with such terms and conditions as the Lenders may then require after receipt of new and independent credit approvals by each Lender, based upon such financial and engineering information, industry trends and other economic conditions as each Lender, in the exercise of its sole discretion, may deem appropriate at the time to evaluate such request.

2.2 BORROWING PROCEDURE. The following procedures apply to all Borrowings:

(a) BORROWING REQUEST. Borrower may request a Borrowing by making or delivering a Borrowing Request (that may be telephonic if confirmed immediately in writing by 2:00 p.m. on the same Business Day) to Administrative Agent, which is irrevocable and binding on Borrower, stating the Type, amount, and Interest Period for each Borrowing and which must be received by Administrative Agent no later than 11:00 a.m. on the (i) third Business Day before the date on which funds are requested (the "BORROWING DATE") for any LIBOR-Rate Borrowing, or (ii) Borrowing Date for any Base-Rate Borrowing. Administrative Agent shall promptly notify each Lender of any Borrowing Request.

(b) FUNDING. Each Lender shall remit its Commitment Percentage of each requested Borrowing to Administrative Agent's principal office in New York, New York, in funds that are available for immediate use by Administrative Agent by 1:00 p.m. on the applicable Borrowing Date. Subject to receipt of those funds, Administrative Agent shall (unless to its actual knowledge any of the applicable conditions precedent have not been satisfied by Borrower or waived by the requisite Lenders under SECTION 14.8) make those funds available to Borrower by (at Borrower's option) (i) wiring the funds to or for the account of Borrower at the direction of Borrower or (ii) depositing the funds in Borrower's account with Administrative Agent.

(c) FUNDING ASSUMED. Absent contrary written notice from a Lender, Administrative Agent may assume that each Lender has made its Commitment Percentage of the requested Borrowing available to Administrative Agent on the applicable Borrowing Date, and Administrative Agent may, in reliance upon such assumption (but shall not be required to), make available to Borrower a corresponding amount. If a Lender fails to make its Commitment Percentage of any requested Borrowing available to Administrative Agent on the applicable Borrowing Date, Administrative Agent may recover the applicable amount on demand, (i) from that Lender together with interest, commencing on the Borrowing Date and ending on (but excluding) the date Administrative Agent recovers the amount from that Lender, at an annual interest rate equal to the Federal-Funds Rate, or (ii) if that Lender fails to pay its amount upon demand, then from Borrower. No Lender is responsible for the failure of any other Lender to make its Commitment Percentage of any Borrowing available as required by SECTION 2.2(b); however, failure of any Lender to make its Commitment Percentage of any Borrowing so available does not excuse any other Lender from making its Commitment Percentage of any Borrowing so available.

2.3 [RESERVED]

2.4 BORROWING NOTICES. Each Borrowing Request (whether telephonic or written) constitutes a representation and warranty by Borrower that as of the Borrowing Date all of the conditions precedent in SECTION 6 have been satisfied.

2.5 TERMINATION. Borrower may -- upon giving at least five Business Days prior written and irrevocable notice to Administrative Agent -- terminate all or part of the Commitments. Each partial termination must be in an amount of not less than $1,000,000 or a greater integral multiple of $1,000,000 and must be ratable in accordance with each Lender's Commitment Percentage. At the time of any termination, Borrower shall pay to Administrative Agent, for the account of each Lender, as applicable, the amount of any Borrowing Base Deficiency (or the amount, if any, by which the limitation in Section 2.1(b)(iii) is exceeded) then existing or which would result after giving effect to such termination, all accrued and unpaid fees under this agreement and, the interest attributable to the amount of that reduction, and any related Funding Loss. Any part of the Commitments that are terminated may not be reinstated.

2.6 BORROWING BASE DETERMINATIONS.

(a) The Borrowing Base as of the Closing Date is acknowledged by the Borrower, the Agents and the Lenders to be $56,000,000.00.

(b) The Borrowing Base shall be redetermined by the Lenders semi-annually through the Termination Date, within ninety (90) days after each December 31 and each June 30, with the first such Borrowing Base redetermination under this Agreement to be made on or before March 31, 2000 for the Mortgaged Properties as of December 31, 1999, in accordance with the standard engineering and lending policies and practices customary for loans of this nature and on the basis of information supplied by the Borrower in compliance with the provisions of this Agreement, including, without limitation, the Reserve Reports, and all other information available to the Lenders. Within thirty (30) days after receipt by Administrative Agent of the applicable Reserve Report and other related information, Administrative Agent shall notify the Lenders of its recommended, redetermined Borrowing Base. Within ten (10) days thereafter, each of the Lenders shall notify the Administrative Agent, in writing, of either its ratification of the redetermined Borrowing Base recommended by the Administrative Agent or such other amount determined

by such Lender as the redetermined Borrowing Base. If the Lenders cannot unanimously agree on the amount of the redetermined Borrowing Base, such redetermined Borrowing Base shall be equal to the lowest Borrowing Base calculated by any Lender. In addition to the semi-annual redeterminations of the Borrowing Base required pursuant to this SECTION 2.6(b) hereof, special determinations thereof may at any time (but not more often than once during each period of time occurring between such semi-annual redeterminations) be requested by either the Determining Lenders or the Borrower. In addition, the Lenders may redetermine the Borrowing Base in the event that the aggregate Portfolio Principal Prepayments, together with the proceeds from any Mineral Interests sold or conveyed as otherwise permitted under the terms of this agreement, received by the Companies since the date of the most recent semi-annual redetermination of the Borrowing Base shall have exceeded ten percent (10%) of the current Borrowing Base. Upon any such special redetermination of the Borrowing Base, if requested by Administrative Agent, Borrower shall submit both (i) a current Reserve Report dated within thirty (30) days of such requested redetermination, and (ii) title opinions, environmental reports and other information reasonably requested by, and in form and substance acceptable to, Administrative Agent for those additional Mineral Interests which Borrower desires to be considered within the Borrowing Base. Adjustments to the Borrowing Base based upon the addition of Mineral Interests shall not be effective prior to the date of filing and recording of such Collateral Documents as required by Administrative Agent.

(c) Upon each borrowing base redetermination, the Administrative Agent shall notify the Borrower verbally (confirming such notice promptly in writing) of such determination, and the Borrowing Base so communicated to the Borrower shall become effective upon such verbal notification and shall remain in effect until the next subsequent Borrowing Base redetermination in accordance with the terms hereof.

(d) The Borrowing Base shall represent the determination by all of the Lenders, in their sole discretion and in accordance with their standard engineering and lending policies and practices customary for loans of this nature, of the value, for loan purposes, of the Mineral Interests, subject, in the case of any increase in the Borrowing Base, to the credit approval process of the Lenders. Furthermore, the Borrower acknowledges that the determination of the Borrowing Base contains an equity cushion (market value in excess of loan value), which is acknowledged by the Borrower to be essential for the adequate protection of the Lenders.

SECTION 3. TERMS OF PAYMENT.

3.1 NOTES AND PAYMENTS.

(a) NOTES. Principal Debt is evidenced by the Notes, one payable to each Lender in amount equal to its Commitment.

(b) PAYMENT. Borrower must make each payment and prepayment on the Obligation to Administrative Agent's principal office in New York, New York in immediately available funds by 1:00 p.m. on the day due; otherwise, but subject to SECTION 3.8, those funds continue to accrue interest as if they were received on the next Business Day. Administrative Agent shall promptly pay to each Lender the part of any payment or prepayment to which that Lender is entitled under this agreement.

(c) PAYMENT ASSUMED. Unless Administrative Agent has received notice from Borrower prior to the date on which any payment is due under this agreement that Borrower will not make that payment in full, Administrative Agent may assume that Borrower has made the full payment due and Administrative Agent may, in reliance upon that assumption, cause to be distributed to each Lender on that date the amount then due to each Lender. If and to the extent Borrower does not make the full payment due to Administrative Agent, each Lender shall repay to Administrative Agent on demand the amount distributed to that Lender by Administrative Agent together with interest for each day from the date that Lender received payment from Administrative Agent until the date that Lender repays Administrative Agent (unless such repayment is made on the same day as such distribution), at an interest rate equal to the Federal-Funds Rate.

3.2 INTEREST AND PRINCIPAL PAYMENTS.

(a) INTEREST. Accrued interest on each LIBOR-Rate Borrowing is due and payable on the last day of its respective Interest Period. Accrued interest on each Base-Rate Borrowing is due and payable on the last day of each month -- commencing on the last day of the month in which the Closing Date occurs -- and on the Termination Date.

(b) PRINCIPAL. The Principal Debt is due and payable on the Termination Date. Before that date, Borrower may at any time prepay, without penalty and in whole or in part, the Principal Debt so long as (i) each voluntary partial prepayment is in a principal amount not less than $100,000 or a greater integral multiple of $100,000 and (ii) Borrower shall pay any related Funding Loss upon demand. Conversions under SECTION 3.10 are not prepayments.

(c) MANDATORY PREPAYMENTS. At any time a Borrowing-Base Deficiency exists, Borrower shall either (1) grant Lender Liens on such additional Mineral Interests not currently included in the determination of the Borrowing Base of character and value satisfactory to the Determining Lenders, in the exercise of their sole discretion, as is necessary, (2) make prepayments of the Principal Debt to Administrative Agent (together with any related Funding Loss), or (3) effect any combination of the foregoing, so that (i) such Borrowing Base Deficiency has been reduced by at least 50% within forty-five (45) days after notice from Administrative Agent of the existence of such Borrowing Base Deficiency, and (ii) such Borrowing-Base Deficiency no longer exists by the ninetieth (90th) day after notice from the Administrative Agent of the existence of such Borrowing Base Deficiency. At any time that the limitation in SECTION 2.1(b)(iii) is exceeded, Borrower shall immediately make prepayments of the Principal Debt to Administrative Agent (together with any related Funding Loss) in the amount of such excess. In addition, in the event that any Portfolio Principal Prepayment is received by Borrower under any Production Payment, the Borrower shall, within five (5) Business Days of receipt thereof, make a prepayment of the Principal Debt to Administrative Agent in the amount of such Portfolio Principal Prepayment (together with any related Funding Loss). Any prepayment of the Principal Debt as a result of a Borrowing Base Deficiency shall be applied first to reduce Acquisition Facility Borrowings and then to reduce Revolving Facility Borrowings. Any prepayment of the Principal Debt as a result of the receipt of a Portfolio Principal Prepayment shall be applied (i) to the extent, if any, that the purchase price of such Production Payment was financed with an Acquisition Facility Borrowing and all or any portion of such Acquisition Facility Borrowing remains outstanding, to repay such Acquisition Facility Borrowing, and (ii) thereafter, to repay Principal Debt under the Revolving Facility.

3.3 INTEREST OPTIONS. Except that the LIBOR Rate may not be selected when a Default or Potential Default exists and except as otherwise provided in this agreement, Borrowings bear interest at an annual rate equal to the lesser of either (a) the Base Rate plus the Applicable Margin or the LIBOR Rate plus the Applicable Margin (in each case as designated or deemed designated by Borrower), as the case may be, or (b) the Maximum Rate. Each change in the Base Rate and Maximum Rate is effective, without notice to Borrower or any other Person, upon the effective date of change.

3.4 QUOTATION OF RATES. Borrower may call Administrative Agent before delivering a Borrowing Request to receive an indication of the interest rates then in effect, but the indicated rates do not bind Administrative Agent or Lenders or affect the interest rate that is actually in effect when Borrower makes a Borrowing request or on the Borrowing Date.

3.5 DEFAULT RATE. If permitted by Law, all past-due Principal Debt, and past-due interest accruing on any of the foregoing bears interest from the date due (stated or by acceleration) at the Default Rate until paid, regardless whether payment is made before or after entry of a judgment.

3.6 INTEREST RECAPTURE. If the designated interest rate applicable to any Borrowing exceeds the Maximum Rate, the interest rate on that Borrowing is limited to the Maximum Rate, but any subsequent reductions in the designated rate shall not reduce the interest rate thereon below the Maximum Rate until the total amount of accrued interest equals the amount of interest that would have accrued if that designated rate had always been in effect. If at maturity (stated or by acceleration), or at final payment of the Notes, the total interest paid or accrued is less than the interest that would have accrued if the designated rates had always been in effect, then, at that time and to the extent permitted by Law, Borrower shall pay an amount equal to the difference between (a) the lesser of the amount of interest that would have accrued if the designated rates had always been in effect and the amount of interest that would have accrued if the Maximum Rate had always been in effect, and (b) the amount of interest actually paid or accrued on the Notes.

3.7 INTEREST CALCULATIONS. Interest will be calculated on the basis of actual number of days (including the first day but excluding the last day) elapsed but computed as if each calendar year consisted of 360 days (unless the calculation would result in an interest rate greater than the Maximum Rate or in the case of interest on Base-Rate Borrowings in which event interest will be calculated on the basis of a year of 365 or 366 days, as the case may be). All interest rate determinations and calculations by Administrative Agent are conclusive and binding absent manifest error.

3.8 MAXIMUM RATE. Regardless of any provision contained in any Loan Document, no Lender is entitled to contract for, charge, take, reserve, receive, or apply, as interest on all or any part of the Obligation, any amount in excess of the Maximum Rate, and, if Lenders ever do so, then any excess shall be treated as a partial prepayment of principal and any remaining excess shall be refunded to Borrower. In determining if the interest paid or payable exceeds the Maximum Rate, Borrower and Lenders shall, to the maximum extent permitted under applicable Law, (a) treat all Borrowings as but a single extension of credit (and Lenders and Borrower agree that is the case and that provision in this agreement for multiple Borrowings is for convenience only), (b) characterize any nonprincipal payment as an expense, fee, or premium rather than as interest, (c) exclude voluntary prepayments and their effects, and (d) amortize, prorate, allocate, and spread the total amount of interest throughout the entire contemplated term of the Obligation. However, if the Obligation is paid in full before the end of its full contemplated term, and if the interest received for its actual period of existence exceeds the Maximum Amount, Lenders shall refund any excess (and Lenders may not, to the extent permitted by Law, be subject to any penalties provided by any

Laws for contracting for, charging, taking, reserving, or receiving interest in excess of the Maximum Amount). If the Laws of the State of Texas are applicable for purposes of determining the "Maximum Rate" or the "Maximum Amount," then those terms mean the "indicated rate ceiling" from time to time in effect under Article 5069-1.04, Title 79, Revised Civil Statutes of Texas, as amended. Borrower agrees that Chapter 15, Subtitle 79, Revised Civil Statutes of Texas, 1925, as amended (which regulates certain revolving credit loan accounts and revolving triparty accounts), does not apply to the Obligation.

3.9 INTEREST PERIODS. When Borrower requests any LIBOR-Rate Borrowing, Borrower may elect the applicable interest period (each an "INTEREST PERIOD"), which may be, at Borrower's option, one, two, or three months for LIBOR-Rate Borrowings, subject to SECTION 14.1 and the following conditions: (a) the initial Interest Period for a LIBOR-Rate Borrowing commences on the applicable Borrowing Date or conversion date, and each subsequent Interest Period applicable to any Borrowing commences on the day when the next preceding applicable Interest Period expires; (b) if any Interest Period for a LIBOR-Rate Borrowing begins on a day for which no numerically corresponding Business Day in the calendar month at the end of the Interest Period exists, then the Interest Period ends on the last Business Day of that calendar month; (c) if Borrower is required to pay any of a LIBOR-Rate Borrowing before the end of its Interest Period in order to comply with the payment provisions of the Loan Documents, Borrower shall also pay any related Funding Loss; and (d) no more than five Interest Periods may be in effect at one time.

3.10 CONVERSIONS. Subject to the dollar limits of SECTION 2.1(b) and provided that Borrower may not convert to or select a new Interest Period for a LIBOR-Rate Borrowing at any time when a Default or Potential Default exists, Borrower may (a) convert a LIBOR-Rate Borrowing on the last day of the applicable Interest Period to a Base-Rate Borrowing, (b) convert a Base-Rate Borrowing at any time to a LIBOR-Rate Borrowing, and (c) elect a new Interest Period for a LIBOR-Rate Borrowing. That election may be made by telephonic request to Administrative Agent no later than 10:00 a.m. on the third Business Day before the conversion date or the last day of the Interest Period, as the case may be (for conversion to a LIBOR-Rate Borrowing or election of a new Interest Period), and no later than 10:00 a.m. on the last day of the Interest Period (for conversion to a Base-Rate Borrowing). Borrower shall provide a Conversion Notice to Administrative Agent no later than two days after the date of the conversion or election. Absent Borrower's telephonic request for conversion or election of a new Interest Period or if a Default or Potential Default exists, then, a LIBOR-Rate Borrowing shall be deemed converted to a Base-Rate Borrowing effective when the applicable Interest Period expires.

3.11 ORDER OF APPLICATION.

(a) NO DEFAULT. If no Default or Potential Default exists, any payment shall be applied to the Obligation -- except as otherwise specifically provided herein and in the other Loan Documents -- in the order and manner as Borrower directs.

(b) DEFAULT. If a Default or Potential Default exists or if Borrower fails to give direction, any payment (including proceeds from the exercise of any Rights) shall be applied in the following order: (i) To all fees and expenses for which Administrative Agent, Collateral Agent or Lenders have not been paid or reimbursed in accordance with the Loan Documents (and if such payment is less than all unpaid or unreimbursed fees and expenses, then the payment shall be paid against unpaid and unreimbursed fees and expenses in the order of incurrence or due date); (ii) to accrued interest on the Principal Debt; (iii) to the remaining Principal Debt in the order as Determining Lenders may elect (but Determining Lenders agree to apply proceeds in an order that

will minimize any Funding Loss); and (iv) to the remaining Obligation in the order and manner Determining Lenders deem appropriate.

(c) PRO RATA. Each payment or prepayment shall be distributed to each Lender in accordance with its Pro Rata Part of that payment or prepayment.

3.12 SHARING OF PAYMENTS, ETC.. If any Lender obtains any payment or prepayment with respect to the Obligation (whether voluntary, involuntary, or otherwise, including, without limitation, as a result of exercising its Rights under SECTION 3.13) that exceeds the part of that payment or prepayment that it is then entitled to receive under the Loan Documents, then that Lender shall purchase from the other Lenders participations that will cause the purchasing Lender to share the excess payment or prepayment ratably with each other Lender. If all or any portion of any excess payment or prepayment is subsequently recovered from the purchasing Lender, then the purchase shall be rescinded and the purchase price restored to the extent of the recovery. Borrower agrees that any Lender purchasing a participation from another Lender under this section may, to the fullest extent permitted by Law, exercise all of its Rights of payment (including the Right of offset) with respect to that participation as fully as if that Lender were the direct creditor of Borrower in the amount of that participation.

3.13 OFFSET. If a Default exists, each Lender is entitled to exercise (for the benefit of all Lenders in accordance with SECTION 3.12) the Rights of offset and banker's Lien against each and every account and other property, or any interest therein, that any Company may now or hereafter have with, or which is now or hereafter in the possession of, that Lender to the extent of the full amount of the Obligation owed (directly or participated) to it.

3.14 BOOKING BORROWINGS. To the extent permitted by Law, any Lender may make, carry, or transfer its Borrowings at, to, or for the account of any of its branch offices or the office or branch of any of its Affiliates. However, no Affiliate or branch is entitled to receive any greater payment under SECTION 3.16 than the transferor Lender would have been entitled to receive with respect to those Borrowings, and a transfer may not be made if, as a direct result of it, SECTION 3.15 or 3.17 would apply to any of the Obligation. If any of the conditions of SECTIONS 3.16 or 3.17 ever apply to a Lender, that Lender shall carry or transfer its Borrowings at, to, or for the account of any of its branch offices or the office or branch of any of its Affiliates so long as the transfer is consistent with the other provisions of this section, does not create any burden or adverse circumstance for that Lender that would not otherwise exist, and eliminates the conditions of SECTIONS 3.16 or 3.17 as applicable.

3.15 BASIS UNAVAILABLE OR INADEQUATE FOR LIBOR RATE. If, on or before any date when a LIBOR Rate is to be determined for a Borrowing, Administrative Agent reasonably determines that the basis for determining the applicable rate is not available or any Lender reasonably determines that the resulting rate does not accurately reflect the cost to that Lender of making or converting Borrowings at that rate for the applicable Interest Period, then Administrative Agent shall promptly notify Borrower and Lenders of that determination (which is conclusive and binding on Borrower absent manifest error) and the applicable Borrowing shall bear interest at the sum of the Base Rate plus the Applicable Margin. Until Administrative Agent notifies Borrower that those circumstances no longer exist, Lenders' commitments under this agreement to make, or to convert to, LIBOR-Rate Borrowings, as the case may be, are suspended.

3.16 ADDITIONAL COSTS. Each Lender severally and not jointly agrees to notify Administrative Agent, the other Lenders, and Borrower within 180 days after it has actual knowledge that any circumstances

exist that would give rise to any payment obligation by Borrower under CLAUSES (a) through (c) below. Although no Lender shall have any liability to Administrative Agent, any other Lender, or any Company for its failure to give that notice, Borrower is not obligated to pay any amounts under those clauses that arise, accrue, or are imposed more than 180 days before that notice to the extent it is applicable to those amounts. Any Lender demanding payment of any additional costs under this section must generally be making similar demand for similar additional costs under credit agreements to which it is party that contain similar provisions to this section.

(a) RESERVES. With respect to any or LIBOR-Rate Borrowing (i) if any present or future Law imposes, modifies, or deems applicable (or if compliance by any Lender with any requirement of any Tribunal results in) any requirement that any reserves (including, without limitation, any marginal, emergency, supplemental, or special reserves) be maintained (other than any reserve included in the Reserve Requirement), and if (ii) those reserves reduce any sums receivable by that Lender under this agreement or increase the costs incurred by that Lender in advancing or maintaining any portion of any LIBOR-Rate Borrowing, then (iii) that Lender (through Administrative Agent) shall deliver to Borrower a certificate setting forth in reasonable detail the calculation of the amount necessary to compensate it for its reduction or increase (which certificate is conclusive and binding absent manifest error), and (iv) Borrower shall pay that amount to that Lender within five Business Days after demand. The provisions of and undertakings and indemnification in this CLAUSE (a) survive the satisfaction and payment of the Obligation and termination of this agreement.

(b) CAPITAL ADEQUACY. With respect to any Commitment or Borrowing if any present or future Law regarding capital adequacy or compliance by Administrative Agent, Collateral Agent or any Lender with any request, directive, or requirement now existing or hereafter imposed by any Tribunal regarding capital adequacy, or any change in its written policies or in the risk category of this transaction, reduces the rate of return on its capital as a consequence of its obligations under this agreement to a level below that which it otherwise could have achieved (taking into consideration its policies with respect to capital adequacy) by an amount deemed by it to be material (and it may, in determining the amount, utilize reasonable assumptions and allocations of costs and expenses and use any reasonable averaging or attribution method in apportioning such costs to its customers generally), then (unless the effect is already reflected in the rate of interest then applicable under this agreement) Administrative Agent, Collateral Agent, or that Lender (through Administrative Agent) shall notify Borrower and deliver to Borrower a certificate setting forth in reasonable detail the calculation of the amount necessary to compensate it (which certificate is conclusive and binding absent manifest error), and Borrower shall pay that amount to Administrative Agent, Collateral Agent or that Lender within five Business Days after demand. The provisions of and undertakings and indemnification in this CLAUSE (b) shall survive the satisfaction and payment of the Obligation and termination of this agreement.

(c) TAXES. Subject to SECTION 3.19, any Taxes payable by Administrative Agent, Collateral Agent or any Lender or ruled (by a Tribunal) payable by Administrative Agent, Collateral Agent or any Lender in respect of this agreement or any other Loan Document shall, if permitted by Law, be paid by Borrower, together with interest and penalties, if any except for Taxes payable on or measured by the overall net income of Administrative Agent, Collateral Agent or that Lender (or Administrative Agent, Collateral Agent or that Lender, as the case may be, together with any other Person with whom Administrative Agent, Collateral Agent or that Lender files a consolidated,

combined, unitary, or similar Tax return) and except for interest and penalties incurred as a result of the gross negligence or willful misconduct of Administrative Agent, Collateral Agent or any Lender). Administrative Agent, Collateral Agent or Lender (through Administrative Agent) shall notify Borrower and deliver to Borrower a certificate setting forth in reasonable detail the calculation of the amount of payable Taxes, which certificate is conclusive and binding (absent manifest error), and Borrower shall pay that amount to Administrative Agent for its account or the account of Collateral Agent or that Lender, as the case may be within five Business Days after demand. If Administrative Agent, Collateral Agent or that Lender subsequently receives a refund of the Taxes paid to it by Borrower, then the recipient shall promptly pay the refund to Borrower.

3.17 CHANGE IN LAWS. If any Law makes it unlawful for any Lender to make or maintain LIBOR-Rate Borrowings, then that Lender shall promptly notify Borrower and Administrative Agent, and (a) as to undisbursed funds, that requested Borrowing shall be made as a Base-Rate Borrowing, and (b) as to any outstanding Borrowing (i) if maintaining the Borrowing until the last day of the applicable Interest Period is unlawful, the Borrowing shall be converted to a Base-Rate Borrowing as of the date of notice, in which event Borrower will not be required to pay any related Funding Loss, or (ii) if not prohibited by Law, the Borrowing shall be converted to a Base-Rate Borrowing as of the last day of the applicable Interest Period, or (iii) if any conversion will not resolve the unlawfulness, Borrower shall promptly prepay the Borrowing, without penalty but with related Funding Loss.

3.18 FUNDING LOSS. BORROWER SHALL INDEMNIFY EACH LENDER AGAINST, AND PAY TO IT UPON DEMAND, ANY FUNDING LOSS OF THAT LENDER. WHEN ANY LENDER DEMANDS THAT BORROWER PAY ANY FUNDING LOSS, THAT LENDER SHALL DELIVER TO BORROWER AND ADMINISTRATIVE AGENT A CERTIFICATE SETTING FORTH IN REASONABLE DETAIL THE BASIS FOR IMPOSING FUNDING LOSS AND THE CALCULATION OF THE AMOUNT, WHICH CALCULATION IS CONCLUSIVE AND BINDING ABSENT MANIFEST ERROR. THE PROVISIONS OF AND UNDERTAKINGS AND INDEMNIFICATION IN THIS SECTION SURVIVE THE SATISFACTION AND PAYMENT OF THE OBLIGATION AND TERMINATION OF THIS AGREEMENT.

3.19 FOREIGN LENDERS, PARTICIPANTS, AND ASSIGNEES. Each Lender, Participant (by accepting a participation interest under this agreement), and Assignee (by executing an Assignment) that is not organized under the Laws of the United States of America or one of its states (a) represents to Administrative Agent and Borrower that (i) no Taxes are required to be withheld by Administrative Agent or Borrower with respect to any payments to be made to it in respect of the Obligation and (ii) it has furnished to Administrative Agent and Borrower two duly completed copies of either U.S. Internal Revenue Service Form 4224, Form 1001, Form W-8, or any other form acceptable to Administrative Agent and Borrower that entitles it to a complete exemption from U.S. federal withholding Tax on all interest payments under the Loan Documents, and (b) covenants to (i) provide Administrative Agent and Borrower a new Form 4224, Form 1001, Form W-8, or other form acceptable to Administrative Agent upon the expiration or obsolescence according to Law of any previously delivered form, duly executed and completed by it, entitling it to a complete exemption from U.S. federal withholding Tax on all interest and fee payments under the Loan Documents, and (ii) comply from time to time with all Laws with regard to the withholding Tax exemption. If any of the foregoing is not true at any time or the applicable forms are not provided, then Borrower and Administrative Agent (without duplication) may deduct and withhold from interest and fee payments under the Loan Documents any Tax at the maximum rate under the Code or other applicable Law, and amounts so deducted and withheld shall be treated as paid to that Lender for all purposes under the Loan Documents.

SECTION 4. FEES.

4.1 TREATMENT OF FEES. The fees described in this SECTION 4 (a) are not compensation for the use, detention, or forbearance of money, (b) are in addition to, and not in lieu of, interest and expenses otherwise described in this agreement, (c) are payable in accordance with SECTION 3.1, (d) are non-refundable, and (e) to the fullest extent permitted by Law, bear interest, if not paid when due, at the Default Rate.

4.2 FEES TO ADMINISTRATIVE AGENT AND AFFILIATES. Borrower shall pay to Administrative Agent, and its Affiliates as Administrative Agent may designate, the fees described in the letter agreement (as it may be renewed, extended, or modified) of even date herewith between Borrower and Administrative Agent. Those fees are solely for the account of Administrative Agent and its Affiliates except to the extent that Administrative Agent may unilaterally agree in writing with any Lender in respect of the sharing of such fees.

4.3 [RESERVED].

4.4 COMMITMENT FEE. From and after the Closing Date, Borrower shall pay to Administrative Agent a commitment fee for Lenders according to each Lender's Commitment Percentage. The fee is payable as it accrues on the last day of each March, June, September, and December -- commencing on the first of those dates that follows the date of this agreement -- and on the Termination Date. Each payment of the fee is equal to the following, determined for the calendar quarter (or portion of a calendar quarter commencing on the date of this agreement or ending on the Termination Date) preceding and including the date it is due:

$$\text{Commitment Fee} = \sum_{n=1}^{D} A \times \frac{[B - C]}{360}$$

Where: A = the Applicable Percentage

B = the lesser of the total Commitments or the Borrowing Base (unless the Activation Date shall have occurred, in which case B = the lesser of the total Commitments or an amount equal to 115% of the Borrowing Base).

C = Principal Debt

D = The number of days in the applicable quarter or portion thereof.

SECTION 5. SECURITY.

5.1 GUARANTY. Borrower shall cause all of its present and future Subsidiaries -- whether now existing or in the future formed or acquired as permitted by the Loan Documents -- that are Restricted Companies to unconditionally guarantee the full payment and performance of the Obligation by execution of a written guaranty agreement in form and substance satisfactory to Administrative Agent.

5.2 COLLATERAL. Borrower shall cause full payment and performance of the Obligation to be secured by Lender Liens on all of the items and types of property -- (together with the additional collateral described in SECTION 5.3, if any, and the cash and non-cash proceeds of all of the foregoing, the "COLLATERAL") -- described in the present and future Loan Documents creating Lender Liens (said documents

and any documents and instruments from time to time amending or supplementing the same are herein sometimes collectively called the "COLLATERAL DOCUMENTS"), including, without limitation:

(a) all of the Mineral Interests described in the Security Instruments (as defined in the Prior Credit Agreement) and the oil, gas and mineral production therefrom or attributable thereto, and in all operating agreements and oil or gas purchase contracts (now existing or hereafter arising) relating to the Mineral Interests and in related personal properties, fixtures and other properties, pursuant to such Security Instruments and such other mortgages, deeds of trust, assignments of production, security agreements, financing statements and other documents satisfactory to the Agents; and

(b) all of the present and future issued and outstanding capital stock or other equity securities issued by all of its present and future Subsidiaries who are required to guarantee the payment and performance of the Obligation pursuant to SECTION 5.1.

5.3 LOCKBOX ACCOUNT. In order to secure further the performance by Borrower of the Obligation and to effect and facilitate Collateral Agent's right of offset, Borrower shall, and shall cause the other Companies to, execute such forms, authorizations, documents and instruments, and do such other things, as the Agents shall request, in order to require that pipeline companies, operators of the Mortgaged Properties and others (collectively, the "Purchasers") purchasing (or acting as agents for, or making payments on behalf of, those purchasing) the oil, gas and other minerals produced or to be produced from, or relating to, the Mineral Interests deliver to the Lockbox all royalties, production payments, checks, cash, proceeds and monies now or hereafter payable by the Purchasers (or any of them) on account of oil, gas or other minerals produced from or relating to the Mineral Interests or otherwise with respect to the Mineral Interests. Borrower agrees that all such royalties, payments and monies delivered to the Lockbox shall be deposited by Collateral Agent in the Lockbox Account. After the occurrence of a Default, Borrower shall, upon receipt, deposit in the Lockbox Account all such royalties, payments and monies which Borrower receives directly from the Purchasers. Borrower hereby irrevocably authorizes and directs the Agents and the Lenders to charge from time to time after the occurrence of a Default, any other accounts of Borrower at Administrative Agent, Collateral Agent or any Lender for amounts due to the Lenders hereunder and under the Notes. After the occurrence of a Default, Collateral Agent is hereby authorized, in its own name or the name of the Borrower, to notify any or all parties obligated to Borrower with respect to the Mineral Interests to make all payments due or to become due thereon directly to the Collateral Agent, or such other person or officer as Collateral Agent may require whereupon the power and authority of the Borrower to collect the same in the ordinary course of its business shall be deemed to be immediately revoked and terminated. With or without such general notification, after the occurrence of a Default, Collateral Agent may take or bring in Borrower' s name or that of the Collateral Agent all steps, actions, suits or proceedings deemed by the Collateral Agent necessary or desirable to effect possession or collection of payments, may complete any contract or agreement of the Borrower in any way related to any of the Mineral Interests, may make allowances or adjustments related to the Mineral Interests, may compromise any claims related to the Mineral Interests or may issue credit in its own name or the name of the Borrower. Regardless of any provision hereof, however, Collateral Agent shall never be liable for its failure to collect or for its failure to exercise diligence in the collection, possession, or any transaction concerning, all or part of the Mineral Interests or sums due or paid thereon, nor shall it or they be under any obligation whatsoever to anyone by virtue of its security interests and liens relating to the Mortgaged Properties.

The Collateral Agent is hereby authorized and empowered on behalf of the Borrower to endorse the name of the Borrower upon any check, draft, instrument, receipt, instruction or other document or items,

including, but not limited to, all items evidencing payment upon any indebtedness of any Person to the Borrower coming into the Collateral Agent's possession, and to receive and apply the proceeds therefrom in accordance with the terms hereof. The Collateral Agent is hereby granted an irrevocable power of attorney, which is coupled with an interest, to execute all checks, drafts, receipts, instruments, instructions or other documents, agreements or items on behalf of the Borrower, either before or after demand of payment on the Notes, as shall be deemed by the Collateral Agent to be necessary or advisable, in the sole discretion of the Collateral Agent, to protect its security interests and liens in the Mineral Interests or the repayment of the Obligation, and the Collateral Agent shall not incur any liability in connection with or arising from its exercise of such power of attorney.

Borrower acknowledges that all funds so transferred into the Lockbox Account shall be the property of Borrower only (except for certain funds belonging to Persons other than the Companies which are deposited into the Lockbox Account for administrative convenience and which are distributed to such Persons promptly from the Lockbox Account) and not subject to any claim by any party other than Collateral Agent, for the benefit of the Lenders.

5.4 FURTHER ASSURANCES. Borrower covenants and agrees that the Lender Liens otherwise described in SECTION 5.2 and, when required, SECTIONS 5.3 and 8.16 must be created and perfected as a condition to funding any Borrowings. Furthermore, Borrower shall -- and shall cause each other appropriate Company to - -- perform the acts, duly authorize, execute, acknowledge, deliver, file, and record any additional writings, and pay all filings fees and costs as Administrative Agent or Determining Lenders may reasonably deem appropriate or necessary to perfect and maintain the Lender Liens and preserve and protect the Rights of Administrative Agent, Collateral Agent and Lenders under any Loan Document.

5.5 RELEASE OF COLLATERAL.

(a) Whenever no Lender has any commitment to extend credit under any Loan Document and the Obligation has been fully paid and performed, Collateral Agent shall, upon Borrower's written request and at Borrower's cost and expense, cause the Lender Liens on all Collateral to be released.

(b) In connection with any sale or other disposition of assets permitted by SECTION 9.10, Collateral Agent shall, upon Borrower's request and at Borrower's cost and expense, release the Lender Liens on the assets sold or disposed of.

SECTION 6. CONDITIONS PRECEDENT. No Lender is obligated to fund the initial Borrowing (including, without limitation, the deemed Borrowing of the Existing Indebtedness pursuant to SECTION 2.1(a)(iv)) unless Administrative Agent has received all of the items described in PART A on SCHEDULE 6. In addition, no Lender is obligated to fund (as opposed to continue or convert) any Borrowing unless on the applicable Borrowing Date, (and after giving effect to the requested Borrowing): (a) Administrative Agent timely receives a Borrowing Request; (b) all of the representations and warranties of the Companies in the Loan Documents are true and correct in all material respects (unless they speak to a specific date or are based on facts which have changed by transactions contemplated or expressly permitted by this agreement); (c) no Material Adverse Event, Default, or Potential Default exists; (d) no Borrowing-Base Deficiency will exist after giving effect to the Borrowing; and (e) no limitation in SECTION 2.1 (a) or (b) is exceeded. Each Borrowing Request, however delivered, constitutes Borrower's representation and warranty that the conditions in CLAUSES (b) through (e) above are satisfied. Upon Administrative Agent's or any Lender's

reasonable request, Borrower shall deliver to Administrative Agent or such Lender evidence substantiating any of the matters in the Loan Documents that are necessary to enable Borrower to qualify for the Borrowing. Each condition precedent in this agreement (including, without limitation, those on SCHEDULE 6) is material to the transactions contemplated by this agreement, and time is of the essence with respect to each condition precedent.

SECTION 7. REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants to Administrative Agent and Lenders as follows:

7.1 PURPOSE AND REGULATION U.

(a) Borrower will use the proceeds of the Revolving Facility solely for (i) refinancing the Existing Indebtedness, (ii) to finance the acquisition of Production Payments acquired after the Closing Date, and (iii) to repay the Subordinated Debt to the extent permitted under SECTION 9.2(b). Borrower will use the proceeds, if any, of the Acquisition Facility solely to fund a portion (not to exceed sixty-five percent (65%)) of the purchase price of Production Payments acquired on or after the Activation Date.

(b) No Company is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended. No part of the proceeds of any Borrowing will be used, directly or indirectly, for a purpose that violates any Law, including, without limitation, Regulation U.

7.2 CORPORATE EXISTENCE, GOOD STANDING, AND AUTHORITY. Each Restricted Company is duly organized, validly existing, and in good standing under the Laws of its jurisdiction of incorporation. Each Restricted Company is duly qualified to transact business and is in good standing as a foreign corporation in each jurisdiction where the nature and extent of its business and properties require due qualification and good standing (each of which jurisdictions is identified on SCHEDULE 6). Each Restricted Company possesses all requisite authority and power to conduct its business as is now being conducted and as proposed under the Loan Documents to be conducted and to own and operate its assets as now owned and operated and as proposed to be owned and operated under the Loan Documents.

7.3 SUBSIDIARIES AND NAMES. SCHEDULE 7.3 -- as supplemented from time to time by written notice from Borrower to Administrative Agent, Collateral Agent and Lenders specifically referring to that schedule and this section and reflecting changes to that schedule as a result of transactions permitted by the Loan Documents -- describes (a) all of Borrower's direct and indirect Subsidiaries, (b) all Restricted Companies, (c) every name or trade name used by each Restricted Company during the five-year period before the date of this agreement, and (d) every change of each Subsidiary's name during the four-month period before the date of this agreement. All of the outstanding shares of capital stock (or similar voting interests) of Borrower's Subsidiaries are (a) duly authorized, validly issued, fully paid, and nonassessable, (b) owned of record and beneficially as described in that schedule or those writings, free and clear of any Liens, except Permitted Liens, and (c) not subject to any warrant, option, or other acquisition Right of any Person or subject to any transfer restriction except restrictions imposed by securities Laws and general corporate Laws.

7.4 AUTHORIZATION AND CONTRAVENTION. The execution and delivery by each Restricted Company of each Loan Document to which it is a party and the performance by it of its obligations under those Loan Documents (a) are within its corporate power, (b) have been duly authorized by all necessary corporate action, (c) require no action by or filing with any Tribunal (except any action or filing that has been taken or made on or before the Closing Date), (d) do not violate any provision of its charter or bylaws, and (e) do not violate any provision of Law applicable to it or any material agreement to which it is a party except violations that individually or collectively are not a Material Adverse Event.

7.5 BINDING EFFECT. Upon execution and delivery by all parties to it, each Loan Document will constitute a legal and binding obligation of each Restricted Company party to it, enforceable against it in accordance with that Loan Document's terms except as that enforceability may be limited by Debtor Laws and general principles of equity.

7.6 FINANCIALS AND EXISTING DEBT. The Current Financials were prepared in accordance with GAAP and present fairly, in all material respects, the Companies' consolidated financial condition, results of operations, and cash flows as of, and for the portion of the fiscal year ending on their dates (subject only to normal year-end adjustments for interim statements). All material liabilities of the Companies as of those dates are reflected in those Current Financials or in the notes to them or have otherwise been disclosed to Lenders in writing. Except for transactions directly related to, specifically contemplated by, or expressly permitted by the Loan Documents (a) no material adverse changes have occurred in the Companies' consolidated financial condition from that shown in the Current Financials, and (b) no Company has incurred any material liability except Debt that is not prohibited by the Loan Documents.

7.7 [RESERVED].

7.8 SOLVENCY. On each Borrowing Date, each Restricted Company is -- and after giving effect to the requested Borrowing will be -- Solvent.

7.9 LITIGATION. Except as disclosed on SCHEDULE 7.9 and matters covered (subject to reasonable and customary deductible and retention) by insurance (a) no Restricted Company is subject to, or aware of the threat of, any Litigation that is reasonably likely to be determined adversely to any Restricted Company and, if so adversely determined, is a Material Adverse Event, and (b) no outstanding and unpaid judgments against any Restricted Company exist in excess of $500,000, in the aggregate and which is not covered in full by adequate insurance pursuant to policies acceptable to Administrative Agent.

7.10 TAXES. Except where not a Material Adverse Event (a) all Tax returns of each Restricted Company required to be filed have been filed (or extensions have been granted) before delinquency, and (b) all Taxes imposed upon each Restricted Company that are due and payable have been paid before delinquency except as being contested as permitted by SECTION 8.5.

7.11 ENVIRONMENTAL MATTERS. Except as disclosed on SCHEDULE 7.11:

(a) No consent or other approval of -- or declaration or other filing with -- any Tribunal is required under any Environmental Law in connection with any transaction contemplated by the Loan Documents.

(b) Except where adequately covered by an Environmental Indemnity Agreement or where not a Material Adverse Event, none of the following are present at any Real Property (including, without limitation, the Leases and the Mineral Interests) of any Restricted Company in violation of any Environmental Law: (i) Any asbestos or asbestos-containing material; (ii) any underground or aboveground storage tank or tank system subject to regulation under any Environmental Law; or (iii) any electrical or other fixtures or equipment containing polychlorinated biphenyls.

(c) Except where adequately covered by an Environmental Indemnity Agreement or where not a Material Adverse Event, no unreported Release of any Hazardous Substance has occurred at or in the vicinity to any Real Property (including, without limitation, the Leases and the Mineral Interests) (i) in a quantity that requires any report or other notice to any Tribunal under any Environmental Law or (ii) that has resulted or that threatens to result in the presence of any Hazardous Substance in the environment in a quantity, concentration, state, or other condition that exceeds any applicable standard for the protection of human health or the environment under any Environmental Law.

(d) Except where not a Material Adverse Event, no Real Property (including, without limitation, the Leases and the Mineral Interests) has been used for the storage (other than short-term storage not requiring an Environmental Permit), treatment, or disposal of any Hazardous Substance in any amounts that are reasonably likely to result in any Environmental Liabilities or violation of any Environmental Law while owned or operated by any Company or any Predecessor.

(e) Except where adequately covered by an Environmental Indemnity Agreement or where not a Material Adverse Event, no Restricted Company or Predecessor is -- or has received any notice from any Tribunal during the last five years that it is -- potentially liable for any removal, remediation, or other response costs under any Environmental Law as the result of the Release or threatened Release of any Hazardous Substance.

(f) No Company knows of any material error or omission in any Environmental Report delivered to Administrative Agent, Collateral Agent or any Lender.

7.12 EMPLOYEE PLANS. Except where not a Material Adverse Event (a) no Employee Plan has incurred an "accumulated funding deficiency" (as defined in Section 302 of ERISA or Section 412 of the Code), (b) no Company has incurred liability -- except for liabilities for premiums that have been paid or that are not past due -- under ERISA to the PBGC in connection with any Employee Plan, (c) no Company has withdrawn in whole or in part from participation in a Multiemployer Plan, (d) no Company has engaged in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code), (e) no "reportable event" (as defined in Section 4043 of ERISA) has occurred, excluding events for which the notice requirement is waived under applicable PBGC regulations, (f) no Company or Affiliate of any Company has any liability under or is subject to any Lien under ERISA or the Code to or on account of any employee benefit plan, program, scheme, or arrangement established or maintained by any Company or Affiliate of any Company or to which any Company or any Affiliate of any Company contributes or had an obligation to contribute, (g) each Employee Plan complies in all material respects, both in form and operation, with ERISA and the Code, and (h) no Multiemployer Plan is in reorganization within the meaning of Section 418 of the Code.

7.13 PROPERTIES; LIENS. Each Restricted Company has indefeasible title to the Mortgaged Properties and all of its other property reflected on the Current Financials as being owned by it except for property that is obsolete or that has been disposed of in the ordinary course of business between the date of the Current Financials and the date of this agreement or, with respect to its property (other than the Mortgaged Properties), failure of such Restricted Company to have such title would not constitute a Material Adverse Event, or, after the date of this agreement, as permitted by SECTION 9.10 or SECTION 9.11. No Lien exists on any property (including, without limitation, the Mortgaged Properties) of any Company except Permitted Liens. No Restricted Company is party or subject to any agreement, instrument, or order which in any way restricts any Restricted Company's ability to allow Liens to exist upon any of its assets except relating to Permitted Liens. The provisions of each Collateral Document are effective to create in favor of the Collateral Agent for the ratable benefit of the Lenders, a legal, valid and enforceable Lender Lien in all right, title and interest of the Restricted Companies in the Collateral described therein, which Lender Liens shall constitute fully perfected first-priority Liens on all right, title and interest of the Restricted Companies in the Collateral described therein, subject only to Permitted Liens. No orders of, proceedings pending before, or other requirements of, the Federal Energy Regulatory Commission or any other Tribunal exist which could result in the Restricted Companies being required to refund any material portion of the proceeds received or to be received from the sale of hydrocarbons constituting part of the Mortgaged Properties. No Restricted Company (a) is obligated in any material respect by virtue of any prepayment made under any contract containing a "take-or-pay" or "prepayment" provision or under any similar agreement to deliver hydrocarbons produced from or allocated to any of the Mortgaged Properties at some future date without receiving full payment therefor at the time of delivery, and (b) has produced gas, in any material amount, subject to, and is, nor is any of the Mortgaged Properties, subject to balancing rights of third parties or subject to balancing duties under governmental requirements, except as to such matters for which such Restricted Company has established monetary reserves adequate in an amount to satisfy such obligations and has segregated such reserves from other accounts.

7.14 GOVERNMENT REGULATIONS. No Restricted Company is subject to regulation under the Investment Company Act of 1940, as amended, or the Public Utility Holding Company Act of 1935, as amended.

7.15 TRANSACTIONS WITH AFFILIATES. Except for transactions with other Restricted Companies and as otherwise disclosed on SCHEDULE 7.15, no Restricted Company is a party to a material transaction with any of its Affiliates except transactions in the ordinary course of business and upon fair and reasonable terms not materially less favorable than it could obtain or could become entitled to in an arm's-length transaction with a Person that was not its Affiliate.

7.16 DEBT. No Restricted Company has any Debt except Permitted Debt.

7.17 LEASES; PRODUCTION PAYMENTS. Except where not a Material Adverse Event (a) each Restricted Company enjoys peaceful and undisturbed possession of all Production Payments and all leases, if any, necessary for the operation of its properties and assets, none of which contains any unusual or burdensome provisions which might materially affect or impair the operation of those properties and assets, (b) all material leases, if any, under which any Restricted Company is a lessee and all Production Payments are in full force and effect, and no default -- or event that, with notice, time lapse, or both, would become a default -- exists with respect thereto, and (c) the Production Payments and all leases which underlie or constitute part of the Mineral Interests (the "LEASES") are in full force and effect, and no Restricted Company

nor any other person has defaulted on any of its obligations thereunder so as to impair the value of any of such Production Payments or Leases.

7.18 LABOR MATTERS. Except where not a Material Adverse Event (a) no actual or threatened strikes, labor disputes, slow downs, walkouts, work stoppages, or other concerted interruptions of operations that involve any employees employed at any time in connection with the business activities or operations at the Real Property exist, (b) hours worked by and payment made to the employees of any Restricted Company or any Predecessor have not been in violation of the Fair Labor Standards Act or any other applicable Laws pertaining to labor matters, (c) all payments due from any Restricted Company for employee health and welfare insurance, including, without limitation, workers compensation insurance, have been paid or accrued as a liability on its books, (d) the business activities and operations of each Company are in compliance with OSHA and other applicable health and safety Laws.

7.19 INTELLECTUAL PROPERTY. Except where not a Material Adverse Event (a) each Restricted Company owns or has the right to use all material licenses, patents, patent applications, copyrights, service marks, trademarks, trademark applications and trade names necessary to continue to conduct its businesses as presently conducted by it and proposed to be conducted by it immediately after the date of this agreement, (b) each Restricted Company is conducting its business without infringement or claim of infringement of any license, patent, copyright, service mark, trademark, trade name, trade secret or other intellectual property right of others, and (c) no infringement or claim of infringement by others of any material license, patent, copyright, service mark, trademark, trade name, trade secret or other intellectual property of any Restricted Company exists.

7.20 FULL DISCLOSURE. Each fact or condition relating to the Loan Documents or any Restricted Company's financial condition, business, or property that is a Material Adverse Event has been disclosed in writing to Administrative Agent. All information previously furnished to Prior Agent, Administrative Agent and the Collateral Agent by or at the direction of a Responsible Officer or the General Counsel of or the attorneys for Borrower in connection with the Loan Documents was -- and all information furnished to the Agent in the future by or at the direction of a Responsible Officer or the General Counsel of or the attorneys for Borrower will be -- true and accurate in all material respects or based on reasonable estimates on the date the information is stated or certified.

7.21 ESTIMATED OIL AND GAS RESERVES. Borrower has heretofore delivered to Administrative Agent copies of all requested reports, which have been obtained or generated by the Restricted Companies and concern the estimated oil and gas reserves and future net revenues attributable to the Mineral Interests. The statements of fact contained in said reports with respect to the character and ownership of the Mineral Interests (including, without limitation, the ownership interest of the Restricted Companies stated therein), the remaining amounts to be recouped under Production Payments and the other factual data furnished by the Restricted Companies as a basis for the estimates set forth therein are true and correct and do not omit any material fact necessary to make said statements not misleading.

7.22 [RESERVED]

7.23 OWNERSHIP INTEREST. The Restricted Companies own an interest in each of the Mortgaged Properties which is not less than the interest specified in the description of such property in the Collateral Documents and such interest is the same as that specified in the description for such property in the most recent Reserve Report delivered to the Lenders with the term "interest", as used herein, meaning the

proportionate share of the production of oil, gas or other minerals to which the Restricted Companies are entitled under the Production Payments or otherwise.

7.24 BURDENSOME CONTRACTS. No Restricted Company is a party to, or bound by, nor are any of the Mineral Interests or other Mortgaged Properties subject to, any contract which could reasonably result in a Material Adverse Event.

7.25 REGULATORY DEFECTS. As of the date hereof, Borrower has advised Administrative Agent, in writing, of all regulatory defects of which the Restricted Companies have been advised or have actual knowledge with respect to the ownership or operation of the Mortgaged Properties. No such regulatory defect results in a Material Adverse Event.

7.26 AGREEMENTS AFFECTING MINERAL INTERESTS. Borrower has advised Administrative Agent of, and delivered (to the extent requested by Administrative Agent) true and correct copies to Administrative Agent of, all material documents, agreements, notices and reports relating to the Production Payments and all material operating agreements, pooling or unitization agreements, sales or processing contracts, restrictions, preferential purchase right agreements, farm-out, drilling and/or development agreements, pipeline transportation agreements, gas purchase or other marketing agreements, Swap Agreements and other material agreements which pertain to the Mineral Interests, the operation thereof or the disposition of production attributable thereto.

7.27 LOCATIONS OF BUSINESS, OFFICES. The principal place of business and chief executive office of the each Restricted Companies is located at the address of the Borrower, set forth next to its name on the signature pages hereof or at such other location as the Borrower may have, by proper written notice hereunder, advised the Administrative Agent, Collateral Agent and the Lenders, PROVIDED that such other location of the Borrower or other Restricted Company is within a state in which appropriate financing statements from the Borrower or other Restricted Company in favor of the Collateral Agent have been filed.

7.28 YEAR 2000 COMPLIANCE. The Borrower has (i) initiated a review and assessment of all areas within its and each of its Subsidiaries' business and operations (including those affected by suppliers and vendors) that could be adversely affected by the "Year 2000 Problem" (that is, the risk that computer applications used by the Borrower or any of its Subsidiaries (or its suppliers and vendors) may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999), (ii) developed a plan and timeline for addressing the Year 2000 Problem on a timely basis, and (iii) to date, implemented that plan in accordance with that timetable. The Borrower reasonably believes that all computer applications (including those of its suppliers and vendors) that are material to its or any of its Subsidiaries' business and operations will on a timely basis be able to perform properly date-sensitive functions for all dates before and after January 1, 2000 (that is, be "Year 2000 compliant"), except to the extent that a failure to do so could not reasonably be expected to result in a Material Adverse Event.

SECTION 8. AFFIRMATIVE COVENANTS. For so long as any Lender is committed to lend under this agreement and until the Obligation has been fully paid and performed, Borrower covenants and agrees with Administrative Agent and Lenders that, without first obtaining Administrative Agent's written notice of Determining Lenders' consent to the contrary:

8.1 CERTAIN ITEMS FURNISHED. Borrower shall furnish or cause to be furnished, the following to each Lender:

(a) ANNUAL FINANCIALS, ETC. Promptly after preparation but no later than ninety (90) days after the last day of each fiscal year of Borrower, Financials showing the Companies' consolidated financial condition and results of operations as of, and for the year ended on, that last day, accompanied by (i) the opinion, without material qualification, of Arthur Andersen, L.L.P., or other firm of nationally-recognized independent certified public accountants reasonably acceptable to Determining Lenders, based on an audit using generally accepted auditing standards, that the consolidated portion of those Financials were prepared in accordance with GAAP and present fairly, in all material respects, the Companies' consolidated financial condition and results of operations, and (ii) a Compliance Certificate.

(b) QUARTERLY FINANCIALS, ETC. Promptly after preparation but no later than forty-five (45) days after the last day of each of the first three fiscal quarters of Borrower each year, Financials showing the Companies' consolidated financial condition and results of operations for that fiscal quarter and for the period from the beginning of the current fiscal year to the last day of that fiscal quarter, accompanied by (i) a Compliance Certificate.

(c) RESERVE REPORT(S).

(1) No later than each February 10th and August 10th of each year during the term of this agreement, engineering reports in form and substance acceptable to the Lenders prepared by or under the supervision of, and certified by the chief petroleum engineer of the Borrower or such nationally-recognized or regionally-recognized independent consulting petroleum engineers acceptable to the Lenders setting forth (i) the proven producing, non-producing and undeveloped oil and gas reserves (separately classified as such) attributable to the Mineral Interests as of December 31 or June 30, as applicable, of the year for which such reserve reports are furnished, (ii) the aggregate present value determined on the basis of stated pricing assumptions, of the future net income with respect to such Mineral Interests, discounted at a stated per annum discount rate, (iii) projections of the annual rate of production, gross income and net income with respect to such reserves, and (iv) information with respect to any "take or pay," "prepayment" and gas balancing liabilities of the Borrower.

(2) No later than thirty (30) days after notice of special redetermination of the Borrowing Base is to be made pursuant to Section 2.6 during the term of this Agreement, a supplement to the most recent Reserve Report delivered pursuant to Section 8.1(c)(1), satisfactory to the Administrative Agent, prepared by or under the supervision of the chief petroleum engineer of the Borrower or such nationally-recognized or regionally-recognized independent consulting petroleum engineers acceptable to the Lenders and containing an update (through a date which is not more than thirty (30) days prior to the date of the notice of such special redetermination of the Borrowing Base) of the information described in Subsection 8.1(c)(1)(i)-(iv) to reflect changes from the most recent Reserve Report delivered pursuant to Subsection 8.1(c)(1).

(3) Each of the reports provided pursuant to this Section shall be submitted to the Administrative Agent and each Lender together a certificate of a Responsible Officer certifying that such report is true and correct in all material respects and stating the value of the Mortgaged Properties as a percentage of all Mineral Interests based on the information contained therein, and with additional data as the Administrative Agent or any Lender may reasonably request concerning pricing, quantities of production from the Mortgaged Properties, the grantors (together with their

successors and assigns) of the Production Payments, purchasers of production and engineering and geological data.

(d) PRODUCTION PAYMENT REPORTS. Within (i) five (5) days after the purchase of any Production Payment, copies of all conveyances, assignments and other documents and agreements entered into in connection with such Production Payment (provided that this information need only be furnished to the Agents), and (ii) sixty (60) days after each January 1 and July 1 of each year, a report with respect to the Production Payments, certified by a Responsible Officer of Borrower and setting forth, for each Production Payment, the beginning balance thereof as of the first day of each such applicable six (6) month period, the amount and application of all payments on such Production Payment during such period, the ending balance thereof, all in reasonable detail and otherwise in form and substance satisfactory to Administrative Agent.

(e) [RESERVED].

(f) OTHER REPORTS. Promptly after preparation and distribution, accurate and complete copies of all reports and other material communications about material financial matters or material corporate plans or projections by or for any Company for distribution to any Tribunal or any existing or potential creditor (i) including, without limitation, each Form 10-K, 10-Q, and S-8, if any, filed with the Securities and Exchange Commission but (ii) excluding (a) credit, trade, and other reports prepared and distributed in the ordinary course of business, and (b) information otherwise furnished to Administrative Agent and Lenders under this agreement. Promptly upon Administrative Agent's request therefor, copies of any material documents, agreements, notices or reports relating to the Production Payments and any material operating agreements, pooling or unitization agreements, sales or processing contracts, restrictions, preferential purchase right agreements, drilling and/or development agreements, pipeline transportation agreements and other material agreements which pertain to the Mineral Interests, the operation thereof or the disposition of production attributable thereto.

(g) EMPLOYEE PLANS. As soon as possible and within 30 days after Borrower knows that any event which would constitute a reportable event under Section 4043(b) of Title IV of ERISA with respect to any Company's employee pension or other benefit plan subject to ERISA has occurred, or that the PBGC has instituted or will institute proceedings under ERISA to terminate that plan, deliver a certificate of a Responsible Officer of Borrower setting forth details as to that reportable event and the action which the Companies propose to take with respect to it, together with a copy of any notice of that reportable event which may be required to be filed with the PBGC, or any notice delivered by the PBGC evidencing its intent to institute those proceedings or any notice to the PBGC that the plan is to be terminated, as the case may be. For all purposes of this section, Borrower is deemed to have all knowledge or knowledge of all facts attributable to the plan administrator under ERISA.

(h) OTHER NOTICES. Promptly after Borrower has knowledge of, but in any event prior to five days after the occurrence of any of the following events, notice of (i) the existence and status of any Litigation that is reasonably likely to be adversely determined and, if determined adversely to any Company, would be a Material Adverse Event, (ii) any change in any material fact or circumstance represented or warranted by any Company in any Loan Document, (iii) a Default or Potential Default, specifying the nature thereof and what action the Companies have taken, are

taking, or propose to take, (iv) claims made against any Restricted Company by any Person in excess of $100,000, other than for accounts payable in the ordinary course of business, or (v) any change in the senior management personnel of Borrower (including, without limitation, any change in the Responsible Officers of Borrower) from that in place on the Closing Date.

(i) PART B ON SCHEDULE 6. Promptly as they become available (subject to the other requirements of this agreement), the items, if any, described in PART B on SCHEDULE 6.

(j) OTHER INFORMATION. Promptly when reasonably requested by Administrative Agent or any Lender, such information (not otherwise required to be furnished under this agreement) about any Company's business affairs, assets, and liabilities.

8.2 USE OF CREDIT. Borrower shall use the proceeds of Borrowings only for the purposes represented in this agreement.

8.3 BOOKS AND RECORDS. Each Company shall maintain books, records, and accounts necessary to prepare Financials in accordance with GAAP.

8.4 INSPECTIONS. Upon reasonable request and prior notice, each Company shall allow any Agent or any Lender (or their respective Representatives) to inspect any of its properties, to review reports, files, and other records and to make and take away copies, to conduct tests or investigations, and to discuss any of its affairs, conditions, and finances with its directors, officers, employees, or representatives from time to time, during reasonable business hours.

8.5 TAXES. Each Restricted Company shall promptly pay or cause to be paid when due any and all Taxes except Taxes that are being contested in good faith by lawful proceedings diligently conducted, against which reserve or other provision required by GAAP has been made, and in respect of which levy and execution of any Lien has been and continues to be stayed.

8.6 PAYMENT OF OBLIGATION. Each Restricted Company shall promptly pay (or renew and extend) all of its material obligations as they become due (unless the obligations are being contested in good faith by appropriate proceedings).

8.7 EXPENSES. Within five Business Days of demand by Administrative Agent, Borrower shall pay (a) all costs, fees, and expenses paid or incurred by Administrative Agent or the Collateral Agent incident to any Loan Document (including, without limitation, the reasonable fees and expenses of any Agent's counsel in connection with the negotiation, preparation, delivery, and execution of the Loan Documents and any related amendment, waiver, or consent), (b) all out-of-pocket costs paid or incurred by the Agents in connection with any redetermination of the Borrowing Base pursuant to Section 2.6, (c) all other costs and expenses paid or incurred by the Agents in connection with the normal, ongoing administration, of this agreement and the other Loan Documents, including, without limitation, independent insurance reviews or third party engineering support, including, without limitation, the reasonable fees and expenses of Pressler Petroleum Consultants, Inc. or such other independent petroleum engineers retained by Administrative Agent incurred in connection with any redetermination of the Borrowing Base, and (d) all reasonable costs and expenses incurred by any Agent or any Lender in connection with the enforcement of the obligations of any Restricted Company under the Loan Documents or the exercise of any Rights under the Loan Documents (including, without limitation, reasonable allocated costs of in-house counsel, other

reasonable attorneys' fees, and court costs), all of which are part of the Obligation, bearing interest, if not paid when due at the Default Rate until paid.

8.8 MAINTENANCE OF EXISTENCE, ASSETS, AND BUSINESS. Each Restricted Company shall (a) except in connection with dispositions permitted under SECTION 9.10 and mergers and consolidations permitted under SECTION 9.11, maintain its corporate existence and good standing in its state of incorporation, and (b) (i) maintain its authority to transact business and good standing in all other states where required or necessary for its business, (ii) maintain all licenses, permits, and franchises (including, without limitation, Environmental Permits) necessary for its business, and (iii) keep all of its assets that are useful in and necessary to its business in good working order and condition (ordinary wear and tear excepted) and make all necessary repairs and replacements.

8.9 INSURANCE. Each Restricted Company shall, at its cost and expense, maintain with financially sound, responsible, and reputable insurance companies or associations -- or, as to workers' compensation or similar insurance, with an insurance fund or by self-insurance authorized by the jurisdictions in which it operates -- insurance concerning its properties and businesses against casualties, risks and contingencies and of types and in amounts (and with co-insurance and deductibles) as is customary in the case of similar businesses.

8.10 ENVIRONMENTAL MATTERS. Each Restricted Company shall (a) operate and manage its businesses, processes, and other activities in compliance with all Environmental Laws, Environmental Permits, and Environmental Indemnity Agreements and in a manner to avoid incurring Environmental Liabilities, to prevent any Release of Hazardous Substances, and to minimize the risk of loss or damage in the event of any Release of Hazardous Substances, (b) keep each Environmental Indemnity Agreement in full force and effect according to its terms, take all steps that may be necessary or appropriate to timely assert and receive payment or all claims under it, and (to the extent that the material remediation or indemnity protections or benefits provided by it would be jeopardized) not consent to any modification or amendment of any Environmental Indemnity Agreement or waive, compromise, settle, or otherwise release or discharge any obligation or indemnity of any indemnitor or other obligor under it, and (c) continuously and diligently carry out such removal, remedial, or other response actions as may be necessary or appropriate (a) in respect of each matter (whether or not disclosed on SCHEDULE 7.11) that constitutes non-compliance with any Environmental Law and (b) to prevent or minimize potential Environmental Liabilities from any of those matters (whether or not disclosed on SCHEDULE 7.11) or any Release of Hazardous Substances.

8.11 SUBSIDIARIES. In respect of each applicable present and future Subsidiary (whether as a result of acquisition, creation, or otherwise), Borrower shall cause such Subsidiary to promptly and fully comply with SECTION 5 and its capital stock or other equity securities and Mineral Interests to become subject to Lender Liens as required by SECTIONS 5.2 and 8.16.

8.12 INDEMNIFICATION.

(a) BORROWER AND (PURSUANT TO ITS GUARANTY) EACH OTHER RESTRICTED COMPANY SHALL, JOINTLY AND SEVERALLY INDEMNIFY ADMINISTRATIVE AGENT, COLLATERAL AGENT AND LENDERS AND THEIR RESPECTIVE PARENTS, SUBSIDIARIES, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, ADMINISTRATIVE AGENTS, SUCCESSORS, ASSIGNS, AND ATTORNEYS (COLLECTIVELY, THE "INDEMNIFIED PARTIES"), PROTECT AND DEFEND (WITH COUNSEL ACCEPTABLE TO DETERMINING LENDERS) AGAINST,

HOLD THEM HARMLESS FROM AND AGAINST, AND ON DEMAND PAY OR REIMBURSE THEM FOR ANY AND ALL LIABILITIES, OBLIGATION, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, CLAIMS, AND PROCEEDINGS AND ALL COSTS, EXPENSES (INCLUDING, WITHOUT LIMITATION, ALL REASONABLE ATTORNEYS' FEES AND LEGAL EXPENSES WHETHER OR NOT SUIT IS BROUGHT), AND DISBURSEMENTS OF ANY KIND OR NATURE (THE "INDEMNIFIED LIABILITIES") THAT MAY AT ANY TIME BE IMPOSED ON, INCURRED BY, OR ASSERTED AGAINST THE INDEMNIFIED PARTIES, IN ANY WAY RELATING TO OR ARISING OUT OF (i) ANY LOAN DOCUMENT, (ii) ANY TRANSACTION CONTEMPLATED BY ANY LOAN DOCUMENT, (iii) ANY COLLATERAL, (iv) ANY REAL PROPERTY (INCLUDING, WITHOUT LIMITATION, THE LEASES AND MINERAL INTERESTS) OR OIL AND GAS PROPERTY, (v) ANY ENVIRONMENTAL LIABILITY IN ANY WAY RELATED TO ANY COMPANY, PREDECESSOR, COLLATERAL, REAL PROPERTY (INCLUDING, WITHOUT LIMITATION, THE LEASES AND MINERAL INTERESTS) OIL AND GAS PROPERTY, OR ANY ACT, OMISSION, STATUS, OWNERSHIP, OR OTHER RELATIONSHIP, CONDITION, OR CIRCUMSTANCE CONTEMPLATED BY, CREATED UNDER, OR ARISING PURSUANT TO OR IN CONNECTION WITH ANY LOAN DOCUMENT, OR (vi) ANY INDEMNIFIED PARTY'S SOLE OR CONCURRENT ORDINARY NEGLIGENCE.

(b) THE FOREGOING PROVISIONS (i) ARE NOT LIMITED IN AMOUNT, EVEN IF THAT AMOUNT EXCEEDS THE AMOUNT OF THE OBLIGATION, (ii) INCLUDE, WITHOUT LIMITATION, REASONABLE FEES AND EXPENSES OF ATTORNEYS AND OTHER COSTS OR EXPENSES OF LITIGATION OR OF PREPARING FOR LITIGATION, DAMAGES OR INJURY TO PERSONS, PROPERTY, OR NATURAL RESOURCES ARISING UNDER ANY STATUTORY OR COMMON LAW, PUNITIVE DAMAGES, FINES, AND OTHER PENALTIES, AND LOSS OF VALUE OF ANY REAL PROPERTY OR COLLATERAL, (iii) ARE NOT AFFECTED BY ANY ACT OR OMISSION OF ANY TRIBUNAL OR OTHER THIRD PARTY, OR THE SOURCE OR ORIGIN OF ANY HAZARDOUS SUBSTANCE, AND (iv) ARE NOT AFFECTED BY ANY INDEMNIFIED PARTY'S INVESTIGATION, ACTUAL OR CONSTRUCTIVE KNOWLEDGE, COURSE OF DEALING, OR WAIVER.

(c) However, no indemnified party has the right to be indemnified under the Loan Documents for its own fraud, gross negligence, or willful misconduct.

(d) The provisions of and undertakings and indemnification in this section survive the foreclosure of any Lender Lien or any transfer in lieu of that foreclosure, the sale or other transfer of any Collateral or real property to any Person, the satisfaction of the obligation, the termination of the Loan Documents, and the release of any or all Lender Liens.

8.13 OPERATIONS AND PROPERTIES. Each Company will act prudently and in accordance with customary industry standards in managing or operating its assets, properties, business and investments. Each Company will keep in good working order and condition, ordinary wear and tear excepted, all of its assets and properties which are necessary to the conduct of its business. Each Company shall enforce the terms of any contract or agreement governing or relating to any Production Payment, including, without limitation, any provisions thereof that require (a) that the operator or grantor develops, maintains, and operates the Mineral Interests in a prudent and workmanlike manner in accordance with industry standards, and (b) that the operator or grantor maintains insurance with respect to the Mineral Interests against such liabilities, casualties, risks and contingencies as is customary in the oil and gas industry.

8.14 LEASES. Each Company will pay and discharge promptly, or cause to be paid and discharged promptly, all rentals, delay rentals, royalties, overriding royalties, payments out of production and other indebtedness or obligations accruing under, and perform or cause to be performed each and every act, matter or thing required by each and all of, the Leases and all other agreements and contracts constituting or affecting the Mineral Interests, and do all other things necessary to keep unimpaired its rights thereunder and prevent any forfeiture thereof or default thereunder, and operate or cause to be operated such properties in a diligent, careful and efficient manner and in compliance with all applicable proration and conservation laws and all applicable rules and regulations of every Tribunal, whether state, federal, municipal or other jurisdiction, from time to time constituted to regulate the development and operations of oil and gas properties and the production and sale of oil, gas and other hydrocarbons therefrom. With respect to any obligation in this SECTION 8.14 relating to any Mineral Interests comprised of Production Payments, the Companies shall only be required to use its reasonable best efforts to cause such obligation to be satisfied through the enforcement of its rights and remedies under the documents, instruments and agreements evidencing or governing such Production Payments.

8.15 DEVELOPMENT AND MAINTENANCE. Each Company will explore, develop and maintain (or cause to be explored, developed and maintained) the Leases, Production Payments, wells, units and acreage to which the Mineral Interests pertain in a prudent manner, and as may be reasonably necessary for the prudent and economical operation of (and in an effort to maximize the production capacity of) such Leases, Production Payments, wells, units and acreage. Each company shall perform reasonable and prudent due diligence in accordance with industry standards on all grantors under Production Payments, and any other Person providing credit support for the obligations of such grantors and the operator of any wells or Leases subject to such Production Payments, including, without limitation, reasonable due diligence review of information regarding the financial condition, taxes, operations, creditworthiness and risk management policies of such Persons and the nature and quality (including environmental and title matters) of their assets, including, without limitation, any properties subject to or proposed to be subject to Production Payments. With respect to any obligation in this SECTION 8.15 relating to any Mineral Interests comprised of Production Payments, the Companies shall only be required to use its reasonable best efforts to cause such obligation to be satisfied through the enforcement of its rights and remedies under the documents, instruments and agreements evidencing or governing such Production Payments.

8.16 MAINTENANCE OF LIENS. Each Company shall perform all such acts and execute all such documents as Administrative Agent may reasonably request in order to enable Administrative Agent and Collateral Agent to report, file and record every instrument that Administrative Agent or Collateral Agent may deem necessary in order to perfect and maintain the Lender Liens in the Mortgaged Properties and otherwise to preserve and protect the rights of the Administrative Agent, the Collateral Agent and the Lenders in and to the Collateral. Promptly upon request by the Administrative Agent at any time and from time to time, and without limitation on the rights of the Lenders pursuant to Section 5.3, execute such letters in lieu of transfer orders, in addition to the letters signed by the Borrower and delivered to the Administrative Agent in satisfaction of the condition set forth in Schedule 6 and/or division and/or transfer orders as are necessary or appropriate to transfer and deliver to the Collateral Agent proceeds f rom or attributable to any Mortgaged Property. The Borrower shall maintain no less than eighty percent (80%) of the economic value of the Mineral Interests attributable to existing Production Payments as Mortgaged Properties. Notwithstanding the above, Borrower shall cause all Mineral Interests related to any additional Production Payment purchased subsequent to the Closing Date for a purchase price in excess of $1,000,000 to become subject to Lender Liens within forty-five (45) days of its purchase.

8.17 YEAR 2000 COMPLIANCE. The Borrower will promptly notify the Administrative Agent in the event the Borrower discovers or determines that any computer application (including those of its suppliers and vendors) that is material to its or any of its Subsidiaries' business and operations will not be Year 2000 compliant on a timely basis, except to the extent that such failure could not reasonably be expected to result in a Material Adverse Event.

SECTION 9. NEGATIVE COVENANTS. For so long as any Lender is committed to lend under this agreement and until the Obligation has been fully paid and performed, Borrower covenants and agrees with Administrative Agent and Lenders that, without first obtaining Administrative Agent's written notice of Determining Lenders' consent to the contrary:

9.1 PAYROLL TAXES. No Company may use any proceeds of any Borrowing to pay the wages of employees unless a timely payment to or deposit with the United States of America of all amounts of Tax required to be deducted and withheld with respect to such wages is also made.

9.2 DEBT. No Restricted Company may:

(a) Have any Debt except Permitted Debt.

(b) Pay or cause to be paid any principal of, or any interest on, any of its Debt except (i) the Obligation,(ii) any of its other Permitted Debt (other than Subordinated Debt) if no Default or Potential Default exists, and (iii) so long as no Default or Potential Default or Borrowing-Base Deficiency exists or would result therefrom, payments on the Subordinated Debt (x) not to exceed $1,500,000 during any six (6) month period between semi-annual Borrowing Base redeterminations pursuant to SECTION 2.6(b), provided that at the time of any such payment no Acquisition Facility Borrowings are outstanding, the Unused Availability is at least $1,500,000, and the Asset Coverage Ratio is not less than 1.5 to 1.0, and (y) in an amount equal to the amount of such Subordinated Debt incurred after the Closing Date to finance the acquisition of any Production Payment not then included in the determination of the Borrowing Base and which subsequently is included in the next redetermination of the Borrowing Base pursuant to SECTION 2.6, provided that any such payment on the Subordinated Debt shall not exceed the increase, if any, in the Borrowing Base occurring from such redetermination and any such payment on the Subordinated Debt must be made within thirty (30) days after the date that such redetermined Borrowing Base becomes effective.

9.3 LETTERS OF CREDIT. No Restricted Company may have issued for its account -- or otherwise become obligated for any reimbursement obligations for - -- any letter of credit.

9.4 LIENS. No Restricted Company may (a) create, incur, or suffer or permit to be created or incurred or to exist any Lien upon any of its assets except Permitted Liens or (b) enter into or permit to exist any arrangement or agreement that directly or indirectly prohibits any Restricted Company from creating or incurring any Lien on any of its assets except the Loan Documents.

9.5 EMPLOYEE PLANS. No Restricted Company may permit any of the events or circumstances described in SECTION 7.12 to exist or occur.

9.6 TRANSACTIONS WITH AFFILIATES. No Restricted Company may enter into any material transaction with any of its Affiliates except (a) those described on SCHEDULE 7.15, (b) transactions between

one or more Restricted Companies, (c) transactions permitted under SECTION 9.8, and (d) transactions in the ordinary course of business and upon fair and reasonable terms not materially less favorable than it could obtain or could become entitled to in an arm's-length transaction with a Person that was not its Affiliate.

9.7 COMPLIANCE WITH LAWS AND DOCUMENTS. No Restricted Company may (a) violate the provisions of any Laws (including, without limitation, Environmental Laws) applicable to it or of any material agreement to which it is a party if that violation alone, or when aggregated with all other violations, would be a Material Adverse Event, (b) violate in any material respect any provision of its charter or bylaws, or (c) repeal, replace, or amend any provision of its charter or bylaws if that action would be a Material Adverse Event.

9.8 LOANS, ADVANCES, AND INVESTMENTS. No Restricted Company may make any loan, advance, extension of credit, or capital contribution to, make any investment in, or purchase or commit to purchase any stocks or other securities or evidences of Debt of, or interests in, any other Person except for Production Payments and those described on SCHEDULE 9.8.

9.9 DISTRIBUTIONS. No Restricted Company may declare, make, or pay any Distribution except Distributions paid in the form of additional common stock, and distributions to any other Restricted Company.

9.10 DISPOSITION OF ASSETS. No Restricted Company may sell, assign, lease, transfer, or otherwise dispose of any of its assets except (a) sales and dispositions of oil and gas production in the ordinary course of business for a fair and adequate consideration, (b) sales of assets which are obsolete or are no longer in use and which are not significant to the continuation of that Restricted Company's business, (c) sales and dispositions from any Restricted Company to any other Restricted Company, (d) dispositions of equipment where substantially similar equipment has been or is being acquired, (e) dispositions of other assets (other than Mortgaged Properties) for fair consideration not to exceed, in the aggregate for any fiscal year, $500,000.

9.11 MERGERS, CONSOLIDATIONS, AND DISSOLUTIONS. No Restricted Company may merge or consolidate with any other Person or dissolve except:

(a) if no Default or Potential Default exists or will exist as a result of it, any merger or consolidation between Restricted Companies (so long as, if Borrower is involved, it is the survivor); and

(b) dissolution of any Subsidiary if substantially all of its assets have been conveyed to any Restricted Company.

9.12 ASSIGNMENT. No Restricted Company may assign or transfer any of its Rights, duties, or obligations under any of the Loan Documents.

9.13 FISCAL YEAR AND ACCOUNTING METHODS. No Restricted Company may change its fiscal year for accounting purposes or any material aspect of its method of accounting except (i) for changes which do not affect, change or alter the calculation of any of the financial or accounting terms (or any component thereof) described in any of the financial covenants provided in Section 10 of this agreement, or (ii) to conform any new Subsidiary's accounting methods to Borrower's accounting methods.

9.14 NEW BUSINESSES. No Restricted Company may engage in any business except the businesses in which it is presently engaged and any other reasonably related business.

9.15 GOVERNMENT REGULATIONS. No Restricted Company may conduct its business in a way that it becomes regulated under the Investment Company Act of 1940, as amended, or the Public Utility Holding Company Act of 1935, as amended.

9.16 STRICT COMPLIANCE. No Restricted Company may indirectly do anything that it may not directly do under any covenant in any Loan Document.

9.17 ALTERATION OF MATERIAL AGREEMENTS. No Restricted Company will consent to or permit any material alterations, amendments, modifications, releases, waivers or terminations of (i) the Subordinated Debt, (ii) any Production Payment, or (iii) any other material agreement to which it is a party.

9.18 OPERATING AGREEMENTS. No Restricted Company shall enter into any operating agreement or material amendment of an existing operating agreement after the date hereof covering any of the Mortgaged Properties.

9.19 BURDENSOME CONTRACTS. No Restricted Company shall enter into, become bound by, or subject the Mortgaged Properties to any contract or agreement which is burdensome on any Restricted Company or materially and adversely affects the operation of the Mortgaged Properties.

9.20 MARKETING CONTRACTS. No Restricted Company shall (without the prior written consent of the Determining Lenders, which consent shall not be unreasonably withheld) enter into any contract relating to the marketing of hydrocarbons or gas production from the Mortgaged Properties, or terminate or amend any existing such contracts, except upon market terms and provisions consistent with those required under the Production Payments in existence on the Closing Date and which in any event shall not be a term in excess of within one (1) year.

SECTION 10. FINANCIAL COVENANTS. For so long as any Lender is committed to lend under this agreement and until the Obligation has been fully paid and performed, Borrower covenants and agrees with Administrative Agent and Lenders that, without first obtaining Administrative Agent's written notice of Determining Lenders' consent to the contrary, it may not directly or indirectly permit:

10.1 CURRENT RATIO. The ratio -- determined at the end of each fiscal quarter of Borrower (commencing with the quarter ending December 31, 1999) -- of the Companies' (i) consolidated current assets (excluding, however, the current portion of any notes receivable to the extent included therein), plus Unused Availability, to (ii) to current liabilities to ever be less than 1.00 to 1.00.

10.2 FIXED-CHARGE COVERAGE. The ratio -- determined as of the last day of each fiscal quarter (commencing with the quarter ending December 31, 1999) of Borrower for the four (4) consecutive fiscal quarters then ended -- of the Companies' Portfolio Cash Flow to Interest Expense to ever be less than 3.00 to 1.00:

10.3 TANGIBLE-NET WORTH. The Companies' Tangible-Net Worth -- determined on the last day of each fiscal quarter (commencing with the quarter ending December 31, 1999) -- to ever be less than the sum of (a) $14,850,000, plus (b) 50% of the Companies' cumulative Net Income (without deduction for losses)

after September 30, 1999, plus (c) 50% of the net (i.e., gross less usual and customary underwriting, placement, and other related costs and expenses) proceeds of the issuance of any equity securities by Borrower after September 30, 1999, plus (d) the outstanding principal amount of Subordinated Debt, plus (e) to the extent deducted in calculating Tangible Net Worth, the cumulative amount (not to exceed, however, the sum of $5,000,000) of any non-cash write-downs of the book value of Production Payments occurring subsequent to September 30, 1999.

SECTION 11. DEFAULT. The term "DEFAULT" means the occurrence of any one or more of the following:

11.1 PAYMENT OF OBLIGATION. Borrower's failure or refusal to pay (a) principal of any Note or any part thereof on or before the date due or (b) any other part of the Obligation on or before one Business Day after the date due.

11.2 COVENANTS. Any Company's failure or refusal to punctually and properly perform, observe, and comply with any covenant (other than covenants to pay the Obligation) applicable to it:

(a) In SECTIONS 8.1(g), 8.2 OR 9; or

(b) In any other provision of any Loan Document, and that failure or refusal continues for 15 days after the earlier of either any Company knowing of it or any Company is notified of it by Administrative Agent or any Lender.

11.3 DEBTOR RELIEF. Any Restricted Company (a) is not Solvent, (b) fails to pay its Debts generally as they become due, (c) voluntarily seeks, consents to, or acquiesces in the benefit of any Debtor Relief Law, or (d) becomes a party to or is made the subject of any proceeding provided for by any Debtor Relief Law -- except as a creditor or claimant -- that could suspend or otherwise adversely affect the Rights of Administrative Agent or any Lender granted in the Loan Documents (unless, if the proceeding is involuntary, the applicable petition is dismissed within 60 days after its filing).

11.4 JUDGMENTS AND ATTACHMENTS. Where the amounts in controversy or of any judgments, as the case may be, not covered in full by adequate insurance pursuant to policies acceptable to Administrative Agent, exceed -- from and after the Closing Date and individually or collectively for all of the Restricted Companies -- $500,000, the Restricted Companies fail (a) to have discharged, within 60 days after its commencement, any attachment, sequestration, or similar proceeding against any assets of any Restricted Company or (b) to pay any money judgment against any Restricted Company within ten days before the date on which any Restricted Company's assets may be lawfully sold to satisfy that judgment.

11.5 GOVERNMENT ACTION. Where the fair value of the assets involved exceed -- from and after the Closing Date and individually or collectively for all of the Restricted Companies -- $500,000, (a) a final non-appealable order is issued by any Tribunal (including, but not limited to, the United States Justice Department) seeking to cause any Company to divest a significant portion of its assets under any antitrust, restraint of trade, unfair competition, industry regulation, or similar Laws, or (b) any Tribunal condemns, seizes, or otherwise appropriates, or takes custody or control of all or any substantial portion of any Restricted Company's assets.

11.6 MISREPRESENTATION. Any material representation or warranty made by any Company in any Loan Document at any time proves to have been materially incorrect when made.

11.7 OWNERSHIP OF COMPANIES. Except as a result of transactions permitted by this agreement, one or more Restricted Companies fail to own, beneficially and of record, with power to vote, 100% of the issued and outstanding shares of capital stock of each other Restricted Company other than Borrower.

11.8 CHANGE OF CONTROL OF BORROWER. Range Resources Corporation shall fail to own of record, with power to vote, directly or indirectly through one of its wholly-owned Subsidiaries, at least fifty percent (50%) of the issued and outstanding shares of capital stock or other equity interests of the Borrower.

11.9 OTHER FUNDED DEBT. In respect of any Funded Debt (other than the Obligation) (a) any Restricted Company fails to make any payment when due beyond any applicable grace or cure period, or (b) any default or other event or condition occurs or exists beyond the applicable grace or cure period, the effect of which is to cause or to permit any holder of that Funded Debt to cause - -- whether or not it elects to cause -- any of that Funded Debt to become due before its stated maturity or regularly scheduled payment dates, or (c) any of that Funded Debt is declared to be due and payable or required to be prepaid by any Restricted Company before its stated maturity.

11.10 SEC REPORTING REQUIREMENTS. Any Restricted Company fails to comply with any applicable reporting requirements of the Securities Exchange Act of 1934, as amended, for which the failure to report would constitute a Material Adverse Event.

11.11 VALIDITY AND ENFORCEABILITY. Once executed, this agreement, any Note, any Guaranty, any Collateral Document ceases to be in full force and effect in any material respect or is declared to be null and void or its validity or enforceability is contested in writing by any Restricted Company party to it or any Restricted Company party to it denies in writing that it has any further liability or obligations under it except in accordance with that document's express provisions or as the appropriate parties under SECTION 14.8 below may otherwise agree in writing.

SECTION 12. RIGHTS AND REMEDIES.

12.1 REMEDIES UPON DEFAULT.

(a) DEBTOR RELIEF. If a Default exists under SECTION 11.3, the commitment to extend credit under this agreement automatically terminates, the entire unpaid balance of the Obligation automatically becomes due and payable without any action of any kind whatsoever.

(b) OTHER DEFAULTS. If any Default exists, subject to the terms of SECTION 13.5(b), Administrative Agent may (with the consent of, and must, upon the request of, Determining Lenders), do any one or more of the following: (i) If the maturity of the Obligation has not already been accelerated under SECTION 12.1(a), declare the entire unpaid balance of all or any part of the Obligation immediately due and payable, whereupon it is due and payable; (ii) terminate the commitments of Lenders to extend credit under this agreement; (iii) reduce any claim to judgment; and (iv) exercise any and all other legal or equitable Rights afforded by the Loan Documents, by applicable Laws, or in equity.

(c) OFFSET. If a Default exists, to the extent permitted by applicable Law, each Lender may exercise the Rights of offset and banker's lien against each and every account and other property, or any interest therein, which any Restricted Company may now or hereafter have with,

or which is now or hereafter in the possession of, that Lender to the extent of the full amount of the Obligation owed to that Lender.

(d) PRODUCTION PROCEEDS. If a Default exists, the Agents may notify any and all purchasers of production and take all other actions specified in SECTION 5.3 of this agreement.

12.2 COMPANY WAIVERS. To the extent permitted by Law, Borrower and (pursuant to its Guaranty) each other Restricted Company waives presentment and demand for payment, protest, notice of intention to accelerate, notice of acceleration, and notice of protest and nonpayment, and agrees that its liability with respect to all or any part of the Obligation is not affected by any renewal or extension in the time of payment of all or any part of the Obligation, by any indulgence, or by any release or change in any security for the payment of all or any part of the Obligation.

12.3 PERFORMANCE BY ADMINISTRATIVE AGENT. If any Company's covenant, duty, or agreement is not performed in accordance with the terms of the Loan Documents, Administrative Agent may, while a Default exists, at its option (but subject to the approval of Determining Lenders), perform or attempt to perform that covenant, duty, or agreement on behalf of that Company (and any amount expended by Administrative Agent in its performance or attempted performance is payable by the Companies, jointly and severally, to Administrative Agent on demand, becomes part of the Obligation, and bears interest at the Default Rate from the date of Administrative Agent's expenditure until paid). However, Administrative Agent does not assume and shall never have, except by its express written consent, any liability or responsibility for the performance of any Company's covenants, duties, or agreements.

12.4 NOT IN CONTROL. Nothing in any Loan Documents gives or may be deemed to give to Administrative Agent or any Lender the Right to exercise control over any Company's Real Property (including, without limitation, the Leases, Production Payments and the Mineral Interests), other assets, affairs, or management or to preclude or interfere with any Company's compliance with any Law or require any act or omission by any Company that may be harmful to Persons or property. Any "Material Adverse Event" or other materiality or substantiality qualifier of any representation, warranty, covenant, agreement, or other provision of any Loan Document is included for credit documentation purposes only and does not imply or be deemed to mean that Administrative Agent, Collateral Agent, or any Lender acquiesces in any non-compliance by any Company with any Law, document, or otherwise or does not expect the Companies to promptly, diligently, and continuously carry out all appropriate removal, remediation, compliance, closure, or other activities required or appropriate in accordance with all Environmental Laws. Administrative Agent's, Collateral Agent's and Lenders' power is limited to the Rights provided in the Loan Documents. All of those Rights exist solely -- and may be exercised in the manner calculated by Administrative Agent, Collateral Agent or Lenders in their respective good faith business judgment -- to preserve and protect the Collateral and to assure payment and performance of the Obligation.

12.5 COURSE OF DEALING. The acceptance by Administrative Agent or Lenders of any partial payment on the Obligation is not a waiver of any Default then existing. No waiver by Administrative Agent, Determining Lenders, or Lenders of any Default is a waiver of any other then-existing or subsequent Default. No delay or omission by Administrative Agent, Collateral Agent, Determining Lenders, or Lenders in exercising any Right under the Loan Documents impairs that Right or is a waiver thereof or any acquiescence therein, nor will any single or partial exercise of any Right preclude other or further exercise thereof or the exercise of any other Right under the Loan Documents or otherwise.

12.6 CUMULATIVE RIGHTS. All Rights available to Administrative Agent, Collateral Agent, Determining Lenders, and Lenders under the Loan Documents are cumulative of and in addition to all other Rights granted to Administrative Agent, Collateral Agent, Determining Lenders, and Lenders at law or in equity, whether or not the Obligation are due and payable and whether or not Administrative Agent, Collateral Agent, Determining Lenders, or Lenders have instituted any suit for collection, foreclosure, or other action in connection with the Loan Documents.

12.7 APPLICATION OF PROCEEDS. Any and all proceeds ever received by Administrative Agent, Collateral Agent or Lenders from the exercise of any Rights pertaining to the Obligation shall be applied to the Obligation according to SECTION 3.

12.8 CERTAIN PROCEEDINGS. Borrower shall promptly execute and deliver, or cause the execution and delivery of, all applications, certificates, instruments, registration statements, and all other documents and papers Administrative Agent or Determining Lenders reasonably request in connection with the obtaining of any consent, approval, registration (other than securities Law registrations), qualification, permit, license, or authorization of any Tribunal or other Person necessary or appropriate for the effective exercise of any Rights under the Loan Documents. Because Borrower agrees that Administrative Agent's and Determining Lenders' remedies at Law for failure of Borrower to comply with the provisions of this section would be inadequate and that failure would not be adequately compensable in damages, Borrower agrees that the covenants of this section may be specifically enforced.

12.9 EXPENDITURES BY LENDERS. Any sums spent by any Agent or any Lender in the exercise of any Right under any Loan Document is payable by the Companies to Administrative Agent within five Business Days after demand, becomes part of the Obligation, and bears interest at the Default Rate from the date spent until the date repaid.

12.10 DIMINUTION IN VALUE OF COLLATERAL. Neither Administrative Agent nor any Lender has any liability or responsibility whatsoever for any diminution in or loss of value of any collateral now or in the future securing payment or performance of any of the Obligation (other than diminution in or loss of value caused by its own gross negligence or willful misconduct).

SECTION 13. ADMINISTRATIVE AGENT, COLLATERAL AGENT AND LENDERS.

13.1 AGENTS.

(a) APPOINTMENT. Each Lender appoints each Agent (and each Agent accepts appointment) as its nominee and each agent, in its name and on its behalf: (i) To act as its nominee and on its behalf in and under all Loan Documents; (ii) with respect to Administrative Agent, to arrange the means whereby its funds are to be made available to Borrower under the Loan Documents; (iii) to take any action that it properly requests under the Loan Documents (subject to the concurrence of other Lenders as may be required under the Loan Documents); (iv) to receive all documents and items to be furnished to it under the Loan Documents; (v) with respect to Collateral Agent, to be the secured party, mortgagee, beneficiary, recipient, and similar party in respect of any collateral for the benefit of Lenders; (vi) to promptly distribute to it all material information, requests, documents, and items received from Borrower under the Loan Documents; (vii) to promptly distribute to it its ratable part of each payment or prepayment (whether voluntary, as proceeds of collateral upon or after foreclosure, as proceeds of insurance thereon, or otherwise) in

accordance with the terms of the Loan Documents; and (viii) to deliver to the appropriate Persons requests, demands, approvals, and consents received from it. However, no Agent may be required to take any action that exposes it to personal liability or that is contrary to any Loan Document or applicable Law.

(b) SUCCESSOR. Any Agent may voluntarily resign and shall resign upon the request of Determining Lenders for cause (i.e., such Agent is continuing to fail to perform its responsibilities under the Loan Documents). If any initial or any successor Agent ever ceases to be a party to this agreement or if any initial or any successor Agent ever resigns (whether voluntarily or at the request of Determining Lenders), then Determining Lenders shall (which, if no Default or Potential Default exists, is subject to Borrower's approval that may not be unreasonably withheld) appoint the successor Agent from among Lenders (other than the resigning Agent). If Determining Lenders fail to appoint a successor Agent within 30 days after the resigning Agent has given notice of resignation or Determining Lenders have removed the resigning Agent, then the resigning Agent may, on behalf of Lenders, appoint a successor Agent, which must be a commercial bank having a combined capital and surplus of at least $1,000,000,000 (as shown on its most recently published statement of condition). Upon its acceptance of appointment as successor Agent, the successor Agent succeeds to and becomes vested with all of the Rights of the prior Agent, and the prior Agent is discharged from its duties and obligations of Agent under the Loan Documents and each Lender shall execute the documents that any Lender, the resigning or removed Agent, or the successor Agent reasonably request to reflect the change. After any Agent's resignation or removal under the Loan Documents, the provisions of this section inure to its benefit as to any actions taken or not taken by it while it was an Agent under the Loan Documents.

(c) RIGHTS AS LENDER. Each Agent, in its capacity as a Lender, has the same Rights under the Loan Documents as any other Lender and may exercise those Rights as if it were not acting as an Agent. The term "Lender", unless the context otherwise indicates, includes the Agents. Any Agent's resignation or removal does not impair or otherwise affect any Rights that it has or may have in its capacity as an individual Lender. Each Lender and Borrower agree that no Agent is a fiduciary for Lenders or for Borrower but is simply acting in the capacity described in this agreement to alleviate administrative burdens for Borrower and Lenders, that no Agent has any duties or responsibilities to Lenders or Borrower except those expressly set forth in the Loan Documents, and that each Agent in its capacity as a Lender has the same Rights as any other Lender.

(d) OTHER ACTIVITIES. Each Agent or any Lender may now or in the future be engaged in one or more loan, letter of credit, leasing, or other financing transactions with Borrower, act as trustee or depositary for Borrower, or otherwise be engaged in other transactions with Borrower (collectively, the "OTHER ACTIVITIES") not the subject of the Loan Documents. Without limiting the Rights of Lenders specifically set forth in the Loan Documents, neither any Agent nor any Lender is responsible to account to the other Lenders for those other activities, and no Lender shall have any interest in any other Lender's activities, any present or future guaranties by or for the account of Borrower that are not contemplated by or included in the Loan Documents, any present or future offset exercised by any Agent or any Lender in respect of those other activities, any present or future property taken as security for any of those other activities, or any property now or hereafter in any Agent's or any other Lender's possession or control that may be or become security for the obligations of Borrower arising under the Loan Documents by reason of the general description of indebtedness secured or of property contained in any other agreements, documents, or instruments

related to any of those other activities (but, if any payments in respect of those guaranties or that property or the proceeds thereof is applied by any Agent or any Lender to reduce the Obligation, then each Lender is entitled to share ratably in the application as provided in the Loan Documents).

13.2 EXPENSES. Each Lender shall pay its Pro Rata Part of any reasonable expenses (including, without limitation, court costs, reasonable attorneys' fees and other costs of collection) incurred by any Agent (while acting in such capacity) in connection with any of the Loan Documents if such Agent is not reimbursed from other sources within 30 days after incurrence. Each Lender is entitled to receive its Pro Rata Part of any reimbursement that it makes to any Agent if such Agent is subsequently reimbursed from other sources.

13.3 PROPORTIONATE ABSORPTION OF LOSSES. Except as otherwise provided in the Loan Documents, nothing in the Loan Documents gives any Lender any advantage over any other Lender insofar as the Obligation is concerned or relieves any Lender from ratably absorbing any losses sustained with respect to the Obligation (except to the extent unilateral actions or inactions by any Lender result in Borrower or any other obligor on the Obligation having any credit, allowance, setoff, defense, or counterclaim solely with respect to all or any part of that Lender's Pro Rata Part of the Obligation).

13.4 DELEGATION OF DUTIES; RELIANCE. Lenders may perform any of their duties or exercise any of their Rights under the Loan Documents by or through the Agents, and Lenders and the Agents may perform any of their duties or exercise any of their Rights under the Loan Documents by or through their respective Representatives. Each Agent, Lenders, and their respective Representatives (a) are entitled to rely upon (and shall be protected in relying upon) any written or oral statement believed by it or them to be genuine and correct and to have been signed or made by the proper Person and, with respect to legal matters, upon opinion of counsel selected by such Agent or that Lender (but nothing in this CLAUSE (a) permits such Agent to rely on (i) oral statements if a writing is required by this agreement or (ii) any other writing if a specific writing is required by this agreement), (b) are entitled to deem and treat each Lender as the owner and holder of its portion of the Obligation for all purposes until, written notice of the assignment or transfer is given to and received by such Agent (and any request, authorization, consent, or approval of any Lender is conclusive and binding on each subsequent holder, assignee, or transferee of or Participant in that Lender's portion of the Obligation until that notice is given and received), (c) are not deemed to have notice of the occurrence of a Default unless a responsible officer of such Agent, who handles matters associated with the Loan Documents and transactions thereunder, has actual knowledge or such Agent has been notified by a Lender or Borrower, and (d) are entitled to consult with legal counsel (including counsel for Borrower), independent accountants, and other experts selected by such Agent and are not liable for any action taken or not taken in good faith by it in accordance with the advice of counsel, accountants, or experts.

13.5 LIMITATION OF AGENTS' LIABILITY.

(a) EXCULPATION. Neither Agent nor any of their respective Representatives will be liable for any action taken or omitted to be taken by it or them under the Loan Documents in good faith and believed by it or them to be within the discretion or power conferred upon it or them by the Loan Documents or be responsible for the consequences of any error of judgment (except for fraud, gross negligence, or willful misconduct), and neither Agent nor any of their respective representatives has a fiduciary relationship with any Lender by virtue of the Loan Documents (but nothing in this

agreement negates the obligation of any Agent to account for funds received by it for the account of any Lender).

(b) INDEMNITY. Unless indemnified to its satisfaction against loss, cost, liability, and expense, no Agent may be compelled to do any act under the Loan Documents or to take any action toward the execution or enforcement of the powers thereby created or to prosecute or defend any suit in respect of the Loan Documents. If any Agent requests instructions from Lenders, or Determining Lenders, as the case may be, with respect to any act or action in connection with any Loan Document, such Agent is entitled to refrain (without incurring any liability to any Person by so refraining) from that act or action unless and until it has received instructions. In no event, however, may any Agent or any of its Representatives be required to take any action that it or they determine could incur for it or them criminal or onerous civil liability. Without limiting the generality of the foregoing, no Lender has any right of action against any Agent as a result of such Agent's acting or refraining from acting under this agreement in accordance with instructions of Determining Lenders.

(c) RELIANCE. No Agent is responsible to any Lender or any Participant for, and each Lender represents and warrants that it has not relied upon any Agent in respect of, (i) the creditworthiness of any Company and the risks involved to that Lender, (ii) the effectiveness, enforceability, genuineness, validity, or the due execution of any Loan Document (except by each Agent), (iii) any representation, warranty, document, certificate, report, or statement made therein (except by each Agent) or furnished thereunder or in connection therewith, (iv) the adequacy of any collateral now or hereafter securing the Obligation or the existence, priority, or perfection of any Lien now or hereafter granted or purported to be granted on the collateral under any Loan Document, or (v) observation of or compliance with any of the terms, covenants, or conditions of any Loan Document on the part of any Company. EACH LENDER AGREES TO INDEMNIFY EACH AGENT AND ITS REPRESENTATIVES AND HOLD THEM HARMLESS FROM AND AGAINST (BUT LIMITED TO SUCH LENDER'S COMMITMENT PERCENTAGE OF) ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, REASONABLE EXPENSES, AND REASONABLE DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER THAT MAY BE IMPOSED ON, ASSERTED AGAINST, OR INCURRED BY THEM IN ANY WAY RELATING TO OR ARISING OUT OF THE LOAN DOCUMENTS OR ANY ACTION TAKEN OR OMITTED BY THEM UNDER THE LOAN DOCUMENTS IF SUCH AGENT AND ITS REPRESENTATIVES ARE NOT REIMBURSED FOR SUCH AMOUNTS BY ANY COMPANY. ALTHOUGH EACH AGENT AND ITS REPRESENTATIVES HAVE THE RIGHT TO BE INDEMNIFIED UNDER THIS AGREEMENT FOR ITS OR THEIR OWN ORDINARY NEGLIGENCE, SUCH AGENT AND ITS REPRESENTATIVES DO NOT HAVE THE RIGHT TO BE INDEMNIFIED UNDER THIS AGREEMENT FOR ITS OR THEIR OWN FRAUD, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT.

13.6 DEFAULT. While a Default exists, Lenders agree to promptly confer in order that Determining Lenders or Lenders, as the case may be, may agree upon a course of action for the enforcement of the Rights of Lenders. Each Agent is entitled to act or refrain from taking any action (without incurring any liability to any Person for so acting or refraining) unless and until it has received instructions from Determining Lenders. In actions with respect to any Company's property, the Agents are acting for the ratable benefit of each Lender.

13.7 COLLATERAL MATTERS.

(a) Each Lender authorizes and directs Collateral Agent to enter into the Loan Documents for the Lender Liens and agrees that any action taken by Collateral Agent concerning any Collateral (with the consent or at the request of Determining Lenders) in accordance with any Loan Document, that Collateral Agent's exercise (with the consent or at the request of Determining Lenders) of powers concerning the Collateral in any Loan Document, and that all other reasonably incidental powers are authorized and binding upon all Lenders.

(b) Collateral Agent is authorized on behalf of all Lenders, without the necessity of any notice to or further consent from any Lender, from time to time before a Default or Potential Default, to take any action with respect to any Collateral or Loan Documents related to Collateral that may be necessary to perfect and maintain perfected the Lender Liens upon the Collateral.

(c) Except to use the same standard of care that it ordinarily uses for collateral for its sole benefit, Collateral Agent has no obligation whatsoever to any Lender or to any other Person to assure that the Collateral exists or is owned by any Company or is cared for, protected, or insured or has been encumbered or that the Lender Liens have been properly or sufficiently or lawfully created, perfected, protected, or enforced or are entitled to any particular priority.

(d) Collateral Agent shall exercise the same care and prudent judgment with respect to the Collateral and the Loan Documents as it normally and customarily exercises in respect of similar collateral and security documents.

(e) Lenders irrevocably authorize Collateral Agent, at its option and in its discretion, to release any Lender Lien upon any Collateral (i) upon full payment of the Obligation, (ii) constituting property being disposed of as permitted under any Loan Document, (iii) constituting property in which no Company owned any interest at the time the Lender Lien was granted or at any time after that, (iv) constituting property leased to any Company under a lease that has expired or been terminated in a transaction permitted under the Loan Documents or is about to expire and that has not been, and is not intended by that Company to be, renewed, (v) consisting of an instrument evidencing Debt pledged to Collateral Agent (for the benefit of Lenders), if the underlying Debt has been paid in full, or (vi) if approved, authorized, or ratified in writing by Lenders. Upon request by Collateral Agent at any time, Lenders shall confirm in writing Collateral Agent's authority to release particular types or items of Collateral under this CLAUSE (e).

13.8 LIMITATION OF LIABILITY. No Lender or any Participant will incur any liability to any other Lender or Participant except for acts or omissions in bad faith, and neither any Agent nor any Lender or Participant will incur any liability to any other Person for any act or omission of any other Lender or any Participant.

13.9 RELATIONSHIP OF LENDERS. The Loan Documents do not create a partnership or joint venture among the Agents and Lenders or among Lenders.

13.10 BENEFITS OF AGREEMENT. None of the provisions of this section inure to the benefit of any Company or any other Person except the Agents and Lenders. Therefore, no Company or any other Person is responsible or liable for, entitled to rely upon, or entitled to raise as a defense -- in any manner whatsoever -- the failure of any Agent or any Lender to comply with these provisions.

SECTION 14. MISCELLANEOUS.

14.1 NONBUSINESS DAYS. Any payment or action that is due under any Loan Document on a non-Business Day may be delayed until the next-succeeding Business Day (but interest shall continue to accrue on any applicable payment until payment is in fact made) unless the payment concerns a LIBOR-Rate Borrowing, in which case if the next-succeeding Business Day is in the next calendar month, then such payment shall be made on the next-preceding Business Day.

14.2 COMMUNICATIONS. Unless otherwise specifically provided, whenever any Loan Document requires or permits any consent, approval, notice, request, or demand from one party to another, communication must be in writing (which may be by telex or fax) to be effective and shall be deemed to have been given (a) if by telex, when transmitted to the appropriate telex number and the appropriate answer back is received, (b) if by fax, when transmitted to the appropriate fax number (and all communications sent by fax must be confirmed promptly thereafter by telephone; but any requirement in this parenthetical shall not affect the date when the fax shall be deemed to have been delivered), (c) if by mail, on the third Business Day after it is enclosed in an envelope and properly addressed, stamped, sealed, and deposited in the appropriate official postal service, or (d) if by any other means, when actually delivered. Until changed by notice pursuant to this agreement, the address (and fax number) for Borrower and Administrative Agent is stated beside their respective signatures to this agreement and for each Lender is stated beside its name on SCHEDULE 2.

14.3 FORM AND NUMBER OF DOCUMENTS. The form, substance, and number of counterparts of each writing to be furnished under this agreement must be satisfactory to Administrative Agent and its counsel.

14.4 EXCEPTIONS TO COVENANTS. No Company may take or fail to take any action that is permitted as an exception to any of the covenants contained in any Loan Document if that action or omission would result in the breach of any other covenant contained in any Loan Document.

14.5 SURVIVAL. All covenants, agreements, undertakings, representations, and warranties made in any of the Loan Documents survive all closings under the Loan Documents and, except as otherwise indicated, are not affected by any investigation made by any party.

14.6 GOVERNING LAW. Unless otherwise stated in any Loan Document, the laws of the State of New York and of the United States of America govern the Rights and duties of the parties to the Loan Documents and the validity, construction, enforcement, and interpretation of the Loan Documents.

14.7 INVALID PROVISIONS. Any provision in any Loan Document held to be illegal, invalid, or unenforceable is fully severable; the appropriate Loan Document shall be construed and enforced as if that provision had never been included; and the remaining provisions shall remain in full force and effect and shall not be affected by the severed provision. Administrative Agent, Lenders, and each Company party to the affected Loan Document agree to negotiate, in good faith, the terms of a replacement provision as similar to the severed provision as may be possible and be legal, valid, and enforceable.

14.8 AMENDMENTS, CONSENTS, CONFLICTS, AND WAIVERS.

(a) DETERMINING LENDERS. Unless otherwise specifically provided (i) the provisions of this agreement may be amended, modified, or waived, only by an instrument in writing executed by Borrower, Administrative Agent, and Determining Lenders and supplemented only by documents

delivered or to be delivered in accordance with the express terms of this agreement, and (ii) the other Loan Documents may only be the subject of an amendment, modification, or waiver that has been approved by Determining Lenders and Borrower.

(b) ALL LENDERS. Any amendment to or consent or waiver under this agreement or any Loan Document that purports to accomplish any of the following must be by an instrument in writing executed by Borrower and Administrative Agent and executed (or approved, as the case may be) by each Lender: (i) Extends the due date or decreases the amount of any scheduled payment or amortization of the Obligation beyond the date specified in the Loan Documents; (ii) decreases any rate or amount of interest, fees, or other sums payable to Administrative Agent or Lenders under this agreement (except such reductions as are contemplated by this agreement); (iii) changes the definition of "COMMITMENT," "COMMITMENT PERCENTAGE," "DETERMINING LENDERS," and "PRO RATA PART" or the definition of "BORROWING BASE" (iv) increases any one or more Lender's Commitment; (v) waives compliance with, amends, or fully or partially releases -- except as expressly provided by the Loan Documents or when a Company merges into another Person or dissolves when specifically permitted in the Loan Documents -- any Guaranty or Collateral; (vi) change the requirement that any redetermination of the Borrowing Base be approved and consented to by all of the Lenders; or (vii) changes this CLAUSE (b) or any other matter specifically requiring the consent of all Lenders under this agreement.

(c) AGENCY FEES. Any amendment or consent or waiver with respect to fees payable solely to Administrative Agent or the Collateral Agent under a separate letter agreement must be executed in writing only by Administrative Agent or Collateral Agent, as applicable and Borrower.

(d) CONFLICTS. Any conflict or ambiguity between the terms and provisions of this agreement and terms and provisions in any other Loan Document is controlled by the terms and provisions of this agreement.

(e) WAIVERS. No course of dealing or any failure or delay by Administrative Agent, Collateral Agent, any Lender, or any of their respective Representatives with respect to exercising any Right of Administrative Agent, Collateral Agent or any Lender under this agreement operates as a waiver thereof. A waiver must be in writing and signed by Administrative Agent and Lenders (or Determining Lenders, if permitted under this agreement) to be effective, and a waiver will be effective only in the specific instance and for the specific purpose for which it is given.

14.9 MULTIPLE COUNTERPARTS. Any Loan Document may be executed in a number of identical counterparts with the same effect as if all signatories had signed the same document. All counterparts must be construed together to constitute one and the same instrument.

14.10 PARTIES.

(a) PARTIES BOUND. Each Loan Document binds and inures to the parties to it, any intended beneficiary of it, and each of their respective successors and permitted assigns. No Company may assign or transfer any Rights or obligations under any Loan Document without first obtaining all Lenders' consent, and any purported assignment or transfer without Lenders' consent is void. No Lender may transfer, pledge, assign, sell any participation in, or otherwise encumber its portion of the Obligation except as permitted by CLAUSES (b) or (c) below.

(b) PARTICIPATIONS. Any Lender may (subject to the provisions of this section, in accordance with applicable Law, in the ordinary course of its business, and at any time) sell to one or more Persons (each a "PARTICIPANT") participating interests in its portion of the Obligation. The selling Lender remains a "Lender" under the Loan Documents, the Participant does not become a "Lender" under the Loan Documents, and the selling Lender's obligations under the Loan Documents remain unchanged. The selling Lender remains solely responsible for the performance of its obligations and remains the holder of its share of the Principal Debt for all purposes under the Loan Documents. Borrower and Administrative Agent shall continue to deal solely and directly with the selling Lender in connection with that Lender's Rights and obligations under the Loan Documents, and each Lender must retain the sole right and responsibility to enforce due obligations of the Companies. Participants have no Rights under the Loan Documents except as provided below. Subject to the following, each Lender may obtain (on behalf of its Participants) the benefits of SECTION 3 with respect to all participations in its part of the Obligation outstanding from time to time so long as Borrower is not obligated to pay any amount in excess of the amount that would be due to that Lender under SECTION 3 calculated as though no participations have been made. No Lender may sell any participating interest under which the Participant has any Rights to approve any amendment, modification, or waiver of any Loan Document except as to matters in SECTION 14.8(b)(i) and (ii).

(c) ASSIGNMENTS. Each Lender may make assignments to the Federal Reserve Bank. Each Lender may also assign to one or more assignees (each an "ASSIGNEE") all or any part of its Rights and obligations under the Loan Documents so long as (i) the assignor Lender and Assignee execute and deliver to Administrative Agent and Borrower for their consent and acceptance (that may not be unreasonably withheld in any instance, is not required if the Assignee is an Affiliate of the assigning Lender, and with respect to the Borrower, is not required if a Default exists) an assignment and assumption agreement in substantially the form of EXHIBIT F (an "ASSIGNMENT") and pay to Administrative Agent a processing fee of $3,500, (ii) the assignment is for an identical percentage of the assignor Lender's Rights and obligations under the Revolving Facility and the Acquisition Facility, (iii) the assignment must be for a minimum total Commitment of $5,000,000 and the assigning Lender must retain a minimum total Commitment of $5,000,000, and (iv) the conditions for that assignment set forth in the applicable Assignment are satisfied. The Effective Date in each Assignment must (unless a shorter period is agreeable to Borrower and Administrative Agent) be at least five Business Days after it is executed and delivered by the assignor Lender and the Assignee to Administrative Agent and, if applicable, Borrower for acceptance. Once that Assignment is accepted by Administrative Agent and, if applicable, Borrower, and subject to all of the following occurring, then, on and after the Effective Date stated in it (i) the Assignee automatically becomes a party to this agreement and, to the extent provided in that Assignment, has the Rights and obligations of a Lender under the Loan Documents, (ii) the assignor Lender, to the extent provided in that Assignment, is released from its obligations to fund Borrowings under this agreement and its reimbursement obligations under this agreement and, in the case of an Assignment covering all of the remaining portion of the assignor Lender's Rights and obligations under the Loan Documents, that Lender ceases to be a party to the Loan Documents, (iii) Borrower shall execute and deliver to the assignor Lender and the Assignee the appropriate Notes in accordance with this agreement following the transfer, (iv) upon delivery of the Notes under CLAUSE (iii) preceding, the assignor Lender shall return to Borrower all Notes previously delivered to that Lender under this agreement, and (v) SCHEDULE 2 is automatically deemed to be amended to reflect the name, address, telecopy number, and Commitment of the Assignee and the remaining Commitment (if any) of the

assignor Lender, and Administrative Agent shall prepare and circulate to Borrower and Lenders an amended SCHEDULE 2 reflecting those changes.

14.11 VENUE, SERVICE OF PROCESS, AND JURY TRIAL. BORROWER AND (PURSUANT TO ITS GUARANTY) EACH RESTRICTED COMPANY, IN EACH CASE FOR ITSELF AND ITS SUCCESSORS AND ASSIGNS, IRREVOCABLY (a) SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS IN NEW YORK, (b) WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THAT IT MAY NOT OR IN THE FUTURE HAVE TO THE LAYING OF VENUE OF ANY LITIGATION ARISING OUT OF OR IN CONNECTION WITH ANY LOAN DOCUMENT AND THE OBLIGATION BROUGHT IN THE COURTS OF THE STATE OF NEW YORK, OR IN THE UNITED STATES COURTS LOCATED IN THE BOROUGH OF MANHATTAN, (c) WAIVES ANY CLAIMS THAT ANY LITIGATION BROUGHT IN ANY OF THE FOREGOING COURTS HAS BEEN BROUGHT IN AN INCONVENIENT FORUM, (d) CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THOSE COURTS IN ANY LITIGATION BY THE MAILING OF COPIES OF THAT PROCESS BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, POSTAGE PREPAID, BY HAND DELIVERY, OR BY DELIVERY BY A NATIONALLY-RECOGNIZED COURIER SERVICE, AND SERVICE SHALL BE DEEMED COMPLETE UPON DELIVERY OF THE LEGAL PROCESS AT ITS ADDRESS FOR PURPOSES OF THIS AGREEMENT, (e) AGREES THAT ANY LEGAL PROCEEDING AGAINST ANY PARTY TO ANY LOAN DOCUMENT ARISING OUT OF OR IN CONNECTION WITH THE LOAN DOCUMENTS OR THE OBLIGATION MAY BE BROUGHT IN ONE OF THE FOREGOING COURTS, AND (f) WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW, ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUR OF ANY LOAN DOCUMENT. The scope of each of the foregoing waivers is intended to be all encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including, without limitation, contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. BORROWER AND (PURSUANT TO ITS GUARANTY) EACH OTHER RESTRICTED COMPANY ACKNOWLEDGES THAT THESE WAIVERS ARE A MATERIAL INDUCEMENT TO ADMINISTRATIVE AGENT'S AND EACH LENDER'S AGREEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT ADMINISTRATIVE AGENT AND EACH LENDER HAS ALREADY RELIED ON THESE WAIVERS IN ENTERING INTO THIS AGREEMENT, AND THAT ADMINISTRATIVE AGENT AND EACH LENDER WILL CONTINUE TO RELY ON EACH OF THESE WAIVERS IN RELATED FUTURE DEALINGS. BORROWER AND (PURSUANT TO ITS GUARANTY) EACH OTHER RESTRICTED COMPANY FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THESE WAIVERS WITH ITS LEGAL COUNSEL, AND THAT IT KNOWINGLY AND VOLUNTARILY AGREES TO EACH WAIVER FOLLOWING CONSULTATION WITH LEGAL COUNSEL. The waivers in this section are irrevocable, meaning that they may not be modified either orally or in writing, and these waivers apply to any future renewals, extensions, amendments, modifications, or replacements in respect of the applicable Loan Document. In connection with any Litigation, this agreement may be filed as a written consent to a trial by the court.

14.12 ENTIRETY. THE LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN BORROWER, LENDERS, AND THE AGENTS AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

14.13 RENEWAL OBLIGATIONS; RATIFICATION. Each Company hereby acknowledges and agrees that, prior to the execution and delivery of this agreement, the Existing Indebtedness was secured pursuant to, among other things, the Prior Credit Agreement and the other Loan Documents (as defined in the Prior Credit Agreement), including, without limitation, the "Security Instruments" as defined in the Prior Credit Agreement (all of such documents, instruments and agreements providing collateral security for the Existing

Indebtedness being collectively referred to herein as the "Existing Security Documents"). Each Company hereby (i) ratifies, reaffirms, renews and extends its prior grants of liens on and security interests in and to the Collateral described in and pursuant to the Existing Security Documents, which Existing Security Documents represent the legal, valid and binding obligations of the respective Companies thereto, enforceable against such Companies in accordance with their respective terms, (ii) acknowledges and agrees that the liens on and security interests in and to the Collateral pursuant to the Existing Security Documents secure the repayment of the Obligation (as defined in this agreement), and (iii) acknowledges and agrees that the Collateral Documents (as defined in this agreement) are also intended to evidence the granting of new and separate liens on and security interests in and to the Collateral described therein for additional contemporaneous value given by the Agents and the Lenders to the Companies.

REMAINDER OF PAGE INTENTIONALLY BLANK.
SIGNATURE PAGES FOLLOW.

EXECUTED as of the date first stated above.

ADDRESS FOR NOTICES:

500 Throckmorton Street, Suite 1900
Fort Worth, Texas 76102
Attention: Mr. Rodney L. Waller
Fax: (817) 870-0075

With a copy to:

16801 Greenspoint Park Drive, Suite 200
Houston, Texas 77080
Attention: Ms. Catherine L. Sliva
Senior Vice President
Fax: (281) 618-1977

RANGE ENERGY FINANCE CORPORATION,
as Borrower

By:

Name: Catherine L. Sliva
Senior Vice President

1000 Louisiana Street, Suite 5360
Houston, Texas 77002
Attention: Christine Smith-Byerly
Vice President
Fax: (713) 751-0307

CREDIT LYONNAIS NEW YORK BRANCH,
As Administrative Agent and a Lender

By:
Name:
Title:

COMPASS BANK, as Collateral Agent and
a Lender

By:

Dorothy Marchand
Senior Vice President

BANKERS TRUST COMPANY, as a Lender

By:

Name:

Title:

SCHEDULE 2

LENDERS AND COMMITMENTS

LENDER	ADDRESS FOR NOTICES	COMMITMENT	COMMITMENT PERCENTAGE
Credit Lyonnais New York Branch	1000 Louisiana Street, Suite 5360 Houston, TX 77002	$ 46,429,000	46.429%
Compass Bank	24 Greenway Plaza Houston, TX 77046 Attn: Energy Banking	$ 35,714,000	35.714%
Bankers Trust Company	130 Liberty Street, MS 2344 New York, NY 10006 Attn: Marcus Tarkington	$ 17,857,000	17.857%
TOTAL COMMITMENTS		$100,000,000	100.000%

SCHEDULE 6

CLOSING DOCUMENTS

Unless otherwise specified, all dated either the Closing Date or a date no earlier than 30 days before the Closing Date (a "CURRENT DATE").

A. BY CLOSING DATE

H&B(1) 1. (a) Resignation of Agent, Appointment of Agents and Master Assignment Agreement (the "Compass Assignment") executed by Compass Bank (in its capacity as Prior Agent as a Prior Lender), Den norske Bank ASA (as a Prior Lender), Agents, Lenders and the Borrower.

(b)All Original Notes (as defined therein) endorsed to Administrative Agent for the benefit of the Lenders.

2. Credit Agreement (the "CREDIT AGREEMENT") dated as of the Closing Date, between RANGE ENERGY FINANCE CORPORATION, a Delaware corporation ("BORROWER"), certain Lenders, COMPASS BANK, as Collateral Agent and CREDIT LYONNAIS NEW YORK BRANCH, as Administrative Agent -- the defined terms in which have the same meanings when used in this schedule -- to which must be attached:

Schedule 2	-	Lenders and Commitments
Schedule 6	-	Closing Documents
Schedule 7.3	-	Companies and Names
Schedule 7.9	-	Litigation
Schedule 7.11	-	Environmental Matters
Schedule 7.15	-	Affiliate Transactions
Schedule 9.2	-	Permitted Debt
Schedule 9.4	-	Permitted Liens
Schedule 9.8	-	Permitted Loans, Advances, and Investments
Exhibit A	-	Revolving Note
Exhibit B	-	[RESERVED]
Exhibit C	-	[RESERVED]
Exhibit D-1	-	Borrowing Request
Exhibit D-2	-	Conversion Notice
Exhibit D-3	-	[RESERVED]
Exhibit D-4	-	Compliance Certificate
Exhibit E-1	-	Opinion of Counsel to Companies
Exhibit F	-	Assignment and Assumption Agreement

H&B 3. Notes dated the Closing Date, executed by Borrower, substantially in the form of EXHIBIT A to the Credit Agreement, one payable to each Lender in the stated principal amount beside its name below:

CREDIT LYONNAIS NEW YORK BRANCH	$ 46,429,000
COMPASS BANK	$ 35,714,000
BANKERS TRUST COMPANY	$ 17,857,000

- --------

1 [ ] indicates items not complete at the time this version of this schedule was prepared, along with the initials of the party or counsel responsible for them.

H&B [4.] (a) Security Agreement executed by Borrower, as debtor and Collateral Agent, as secured party.

(b) UCC-1 Financing Statement covering the Collateral described in such Security Agreement, executed by Borrower as debtor in favor of Collateral Agent, as secured party to be filed in the office of the Secretary of State of the States of Texas and Delaware.

B'er 5. COPIES OF all documents, if any, described on SCHEDULE 7.9 to the Credit Agreement.

B'er [6.] COPIES OF all environmental indemnity agreements, risk management and insurance policies.

B'er 7. COPIES OF all documents, if any, described on SCHEDULE 7.15 to the Credit Agreement.

B'er [8.] COPIES OF title information, in form and substance satisfactory to Administrative Agent.

B'er [9.] BORROWING REQUEST for any initial Borrowing in excess of the Existing Indebtedness.

B'er 10. RESERVE REPORT dated effective as of July 1, 1999.

B'er [11.] COMPLIANCE CERTIFICATE dated as of the Closing Date.

B'er [12.] EVIDENCE acceptable to Agent of the payment of all fees under SECTION 4 of the Credit Administrative Agreement due on the Closing Date.

V&E [13.] CORPORATE CHARTER for Borrower certified as of a Current Date, by the Delaware Secretary of State.

V&E [14.] SECRETARY'S' CERTIFICATE for Borrower dated as of the Closing Date, executed by its President or Vice President and Secretary or any Assistant Secretary as to resolutions of its directors authorizing the Credit Agreement and the transactions contemplated in it, the incumbency of its officers, its Bylaws, and its corporate charter.

V&E [15.] CERTIFICATES OF EXISTENCE, AUTHORITY, AND GOOD STANDING OR SIMILAR STATUS for the following entities and jurisdictions as of the following dates:

COMPANY	JURISDICTION	DATE/COMMENTS
Range Energy Finance Corporation	Arkansas	
	Delaware	
	Louisiana	
	Oklahoma	
	Texas	

V&E [16.] UCC search results, in form and substance satisfactory to Administrative Agent, for the Borrower, as debtor, from the Secretary of State (or other central filing office) of the following states: Delaware, Texas, Oklahoma, Kansas, Wyoming, Colorado, Illinois, Arkansas, Louisiana, New York, New Mexico, Indiana and Mississippi.

V&E [17.] OPINION dated as of the Closing Date, from Vinson & Elkins L.L.P. counsel to the Companies, addressed to Administrative Agent and Lenders, and substantially covering all of the matters described on EXHIBIT E-1 to the Credit Agreement.

H&B 18. Fee Letter Agreement described in SECTION 4.2 of the Credit Agreement, executed by Borrower and Administrative Agent.

[19.] Such other documents and items as Agent may reasonably request.

B. POST CLOSING DATE

[I.] By January 31, 2000, an Assignment and Modification of Deed of Trust, Mortgage, Security Agreement, Financing Statement and Assignment of Production (the " Mortgage Modification") dated as of the Closing Date, executed by the Borrower, in Collateral Agent's favor, creating, ratifying and reaffirming the Lender Liens in, the Mortgaged Properties described in the Compass Assignment that are included as Collateral, and in form and substance satisfactory to Administrative Agent.

[II.] By January 31, 2000, such UCC-3 Financing Statements covering the personal property Collateral executed by Borrower as debtors, in form and substance satisfactory to, and as may be reasonably requested by Administrative Agent.

[III] Letter(s) in Lieu of Transfer Order to current payors of production proceeds executed by Borrower in favor of Collateral Agent.

SCHEDULE 7.3

COMPANIES AND NAMES

COMPANY	RESTRICTED (YES/NO)	INCORPORATED	QUALIFIED TO DO BUSINESS	OTHER NAMES USED IN PAST 5 YEARS	NAME CHANGE IN LAST 4 MONTHS	OUTSTANDING CAPITAL STOCK	SHAREHOLDER(S)
Range Energy Finance Corporation	Yes	Delaware		Domin Energy Finance Corporation	None	200 shares (common, par value of $5.00/share)	Range Energy Ventures Corporation, a Delaware Corporation

Schedule 7.3

SCHEDULE 7.9

LITIGATION

NONE

SCHEDULE 7.11

ENVIRONMENTAL MATTERS

NONE

Schedule 7.11

SCHEDULE 7.15

AFFILIATE TRANSACTIONS

NONE

SCHEDULE 9.2

PERMITTED DEBT

1. The following existing Debt of the Restricted Companies, other than the Existing Indebtedness, together with all renewals and extensions but not principal increases of the following:

NONE

2. The Obligation.

3. Swap Agreements so long as (a) the total for all the Restricted Companies thereunder never exceeds, (i) with respect to any interest rate swaps, an aggregate notional amount of twenty-five percent (25%) of the Borrowing Base, and (ii) with respect to any oil and/or gas commodity swaps, seventy-five percent (75 %) of the aggregate monthly production of oil and gas from the proved, producing reserves attributable to the Mineral Interests, (b) the net effective price to be received by the Restricted Companies for the notional volumes of hydrocarbons for any month under any such Swap Agreement shall equal or exceed the highest price for such month used by the Lenders in determining the Borrowing Base in effect at the time such Swap Agreement is entered into, (c) such Swap Agreement requires monthly cash settlements and is for a term which does not exceed one (1) year, and (d) such Swap Agreement is entered into with investment grade counterparties or other counterparties approved in writing by Administrative Agent.

4. Trade payables, accrued taxes and other liabilities that are not delinquent and that do not constitute Funded Debt.

5. Endorsements of negotiable instruments in the ordinary course of business, or the guarantee by any Restricted Company of any other Restricted Company's Permitted Debt.

6. Subordinated Debt; provided, however, that the total amount of such Subordinated Debt, including the principal amount thereof and all accrued and unpaid interest thereon shall never exceed, in the aggregate, $25,000,000.

SCHEDULE 9.4

PERMITTED LIENS

1. The following existing Liens on assets of the Restricted Companies, together with all renewals and extensions but not principal increases of the following:

NONE

2. Lender Liens.

3. Any interest or title of a lessor in assets being leased under an operating lease that does not constitute Debt.

4. Pledges or deposits -- that may not cover any Collateral except cash proceeds of Collateral arising in the ordinary course of business -- made to secure payment of workers' compensation, unemployment insurance, or other forms of governmental insurance or benefits or to participate in any fund in connection with workers' compensation, unemployment insurance, pensions, or other social security programs.

5. Good-faith pledges or deposits -- that may not cover any Collateral except cash proceeds of Collateral arising in the ordinary course of business -- (a) for 10% or less (or more if for the purchase of equipment) of the amounts due under -- and made to secure -- any Restricted Company's performance of bids, tenders, contracts (except for the repayment of borrowed money), or leases, or (b) made to secure statutory obligations, surety or appeal bonds, or indemnity, performance, or other similar bonds benefitting any Restricted Company in the ordinary course of its business.

6. Zoning, easements, rights of way and similar restrictions on the use of real property that do not materially impair the use of the real property and that are not violated by existing or proposed structures or land use.

7. If no Lien has been filed in any jurisdiction or agreed to (a) claims and Liens for Taxes not yet due and payable, (b) mechanic's Liens and materialmen's Liens for services or materials for which payment is not yet due and payable, and (c) landlord's Liens for rental not yet due and payable.

8. The following -- if the validity or amount is being contested in good faith and by appropriate and lawful proceedings diligently conducted, reserve or other appropriate provision (if any) required by GAAP has been made, levy and execution continue to be stayed, they do not individually or collectively detract materially from the value of the property of the Person in question or materially impair the use of that property in the operation of its business, and (other than ad valorem Tax Liens given statutory priority) they are subordinate to the Lender Liens to the extent that they cover any Collateral: (a) claims and Liens for Taxes due and payable; (b) claims and Liens upon, and minor defects of title to, real or personal property, including any attachment of personal or real property or other legal process before adjudication of a dispute on the merits, which are

customarily accepted in the oil and gas financing industry; (c) claims and Liens of mechanics, materialmen, warehousemen, carriers, landlords, or other like Liens; and (d) adverse judgments or orders on appeal for the payment of money.

9. Liens of operators and non-operators under joint operating agreements arising in the ordinary course of the business of the Restricted Companies to secure amounts owing, which amounts are not yet due or are being contested in good faith.

10. Liens under production sales agreements, division orders, operating agreements and other agreements customary in the oil and gas business for processing, producing and selling hydrocarbons.

11. Liens of record under terms and provisions of the leases, unit agreements, assignments and other transfer of title documents in the chain of title under which the Restricted Companies acquired the relevant property.

Schedule 9.4

SCHEDULE 9.8

PERMITTED LOANS, ADVANCES, AND INVESTMENTS

1. The following (i.e., "GOVERNMENT SECURITIES") if due within one year after issuance: (a) Readily marketable direct full faith and credit obligations of the United States of America or obligations guaranteed by the full faith and credit of the United States of America; and (b) readily marketable obligations of an agency or instrumentality of, or corporation owned, controlled or sponsored by, the United States of America that are generally considered in the securities industry to be implicit obligations of the United States of America.

2. Readily marketable direct obligations of any state of United States of America given on the date of such investment a credit rating of at least Aa by Moody's Investors Service, Inc. or AA by Standard & Poor's Corporation, in each case due within one year from the making of the investment.

3. Certificates of deposit issued by, bank deposits in, eurodollar deposits through, bankers' acceptances of, and repurchase agreements covering Government Securities executed by, any (a) Lender or (b) bank incorporated under the Laws of the United States of America or any of its states and given on the date of the investment a short-term certificate of deposit credit rating of at least P-2 by Moody's Investors Service, Inc., or A-2 by Standard & Poor's Corporation, in each case due within one year after the date of the making of the investment.

4. Certificates of deposit issued by, bank deposits in, eurodollar deposits through, bankers' acceptances of, and repurchase agreements covering Government Securities executed by, any branch or office located in the United States of America of a bank incorporated under the Laws of any jurisdiction outside the United States of America having on the date of the investment a short-term certificate of deposit credit rating of a least P-2 by Moody's Investors Service, Inc., or A-2 by Standard & Poor's Corporation, in each case due within one year after the date of the making of the investment.

5. Repurchase agreements covering Government Securities executed by a broker or dealer registered under Section 15(b) of the Securities Exchange Act of 1934 having on the date of the investment capital of at least $100,000,000, due within 30 days after the date of the making of the investment, so long as the maker of the investment receives written confirmation of the transfer to it of record ownership of the Government Securities on the books of a "primary dealer" in the Government Securities as soon as practicable after the making of the investment.

6. Readily marketable commercial paper of corporations doing business in and incorporated under the Laws of the United States of America or any State thereof or of any corporation that is the holding company for a bank described in ITEMS 3 and 4 above given on the date of the investment a credit rating of at least P-1 by Moody's Investors Service, Inc., or A-1 by Standard & Poor's Corporation, in each case due within 90 days after the date of the making of the investment.

7. "Money market preferred stock" issued by a corporation incorporated under the Laws of the United States of America or any of its states given on the date of the investment a credit rating of at least Aa by Moody's Investors Services, Inc., and AA by Standard & Poor's Corporation, in each case having an investment period not exceeding 50 days, so long as (a) the amount of all the investments issued by the same issuer does not exceed $10,000,000 and (b) the aggregate amount of all the investments does not exceed $50,000,000.

8. A readily redeemable "money market mutual fund" sponsored by a bank described in ITEMS 3 or 4 above, or a registered broker or dealer described in ITEM 5 above, that has and maintains an investment policy limiting its investments primarily to instruments of the types described in ITEMS 1 through 7 above and having on the date of those investment total assets of at least $1,000,000,000.

9. Other investments that never exceed a total of $100,000 outstanding at any time.

Schedule 9.8

EXHIBIT A

REVOLVING NOTE

$________________ ______________, ________

FOR VALUE RECEIVED, RANGE ENERGY FINANCE CORPORATION, a Delaware corporation ("MAKER") promises to pay to the order of ______________,__________________ ("Payee"), that portion of the principal amount of $________________ that may from time to time be disbursed and outstanding under this note, together with interest.

This note is a "NOTE" under the Credit Agreement (as renewed, extended, amended, or restated, the "CREDIT AGREEMENT") dated as of December 14, 1999, between Maker as Borrower, Payee, certain other "Lenders," Compass Bank as "Collateral Agent"for Lenders, and Credit Lyonnais New York Branch, as "Administrative Agent" for Lenders. All of the terms defined in the Credit Agreement have the same meanings when used--unless otherwise defined--in this Note.

This Note incorporates by reference the principal and interest payment terms in the Credit Agreement for this Note, including, without limitation, the final maturity date for this Note, which is the Termination Date. Principal and interest are payable to the holder of this Note through Administratuve Agent at its offices at 1301 Avenue of the Americas, New York, New York 10019, or at any other address of which Administrative Agent may notify Maker in writing.

This Note also incorporates by reference all other provisions in the Credit Agreement applicable to this Note--such as provisions for disbursement of principal, applicable-interest rates before and after Default, voluntary and mandatory prepayments, acceleration of maturity, exercise of rights, payment of attorney's fees, court costs, and other costs of collection, certain waivers by Maker and other obligors, assurances and security, choice of New York and United States federal law, usury savings, and other matters applicable to Loan Documents under the Credit Agreement.

This Note is given by Maker in extension, renewal and modification of, and not in novation or discharge of, the obligations and indebtedness evidenced by those certain Original Notes (as defined in the hereinafter defined Master Assignment) executed by Maker and payable to the order of the Prior Lenders in the original aggregate, maximum principal amount of $150,000,000, such Original Notes, among other things, having been assigned from the Prior Lenders to the Lenders pursuant to that certain Resignation of Agent, Appointment of Agents and Master Assignment Agreement dated December 14, 1999 executed by Compass Bank, Agents, and the Lenders (the "Master Assignment").

RANGE ENERGY FINANCE CORPORATION, as Maker

By: ----------------------------------
Name: ---------------------------------
Title: --------------------------------

EXHIBIT B

[RESERVED]

EXHIBIT C

[RESERVED]

EXHIBIT D-1

BORROWING REQUEST

ADMINISTRATIVE AGENT: Credit Lyonnais New York Branch DATE: _________, 19___

BORROWER: Range Energy Finance Corporation

This notice is delivered under SECTION 2.2(a) of the Credit Agreement (as renewed, extended, and amended, the "CREDIT AGREEMENT") dated as of December 14 , 1999, between Borrower, Administrative Agent, Collateral Agent and certain lenders. Terms defined in the Credit Agreement have the same meanings when used -- unless otherwise defined -- in this request.

Borrower requests a Borrowing under the [Revolving Facility] [Acquisition Facility] of the Credit Agreement as follows:

Borrowing Date 1/ ____________________,_______
Amount of Borrowing 2/ $______________________________
Type of Borrowing 3/ _____________________________
For LIBOR-Rate Borrowing, the Interest Period 4/ _______________ months

Borrower certifies that on the above Borrowing Date -- after giving effect to the requested Borrowing -- (a) all of the representations and warranties in the Loan Documents will be true and correct in all material respects and (b) no Material Adverse Event, Default, or Potential Default will exist.

RANGE ENERGY FINANCE CORPORATION, as Borrower

By ____
(Name)_______________________________________
(Title) 5/___________________________________

---

1 Business Day of request for Base-Rate Borrowing or at least third Business Day after request for LIBOR-Rate Borrowing.

2 Not less than $100,000 or a $100,000 greater multiple if a Base-Rate Borrowing, and not less than $500,000 or a $100,000 greater multiple if a LIBOR-Rate Borrowing.

3 LIBOR-Rate Borrowing or Base-Rate Borrowing.

4 1, 2, or 3, months.

5 Must be a Responsible Officer

EXHIBIT D-2

NOTICE OF CONVERSION

ADMINISTRATIVE AGENT: Credit Lyonnais New York Branch DATE: _____________

BORROWER: Range Energy Finance Corporation

This notice is delivered under SECTION 3.10 of the Credit Agreement (as renewed, extended, amended, or restated, the "CREDIT AGREEMENT") dated as of December 14, 1999, between Borrower, Administrative Agent, Collateral Agent, and certain Lenders. Terms defined in the Credit Agreement have the same meanings when used -- unless otherwise defined -- in this notice.

Borrower presently has a ____________________1/ Borrowing (the "EXISTING BORROWING") under the [Revolving Facility] [Acquisition Facility] in the amount of $_____________________ -- which, if a LIBOR-Rate Borrowing, has an Interest Period of ____________________2/ ending on ____________________. On ________________________ (the "CONVERSION DATE"), Borrower shall partially pay, continue in full or part as the same Type of Borrowing, or convert in full or part to another Type of Borrowing and -- if applicable -- with the Interest Period(s) designated below [check applicable boxes]:

[ ] Amount to be paid, if any, $

[ ] Balance to be in the following Types of Borrowings with -- if applicable -- the following Interest Period(s):

TYPE (1)	AMOUNT (3)	INTEREST PERIOD (2)
	$	
	$	
	$	
	$	

Borrower certifies that on the Conversion Date -- and after giving effect to the above action(s) -- (a) all of the representations and warranties in the Loan Documents will be true and correct in all material respects and (b) no Material Adverse Event, Default, or Potential Default will exist.

RANGE ENERGY FINANCE CORPORATION

By

Name

Title (4)

----

1 Base-Rate or LIBOR-Rate
2 1, 2, or 3 months
3 Must be $100,000 or $100,000 greater multiple for a Base-Rate Borrowing and $500,000 or $100,000 greater multiple for a LIBOR-Rate Borrowing
4 Must be a Responsible Officer

EXHIBIT D-3

[RESERVED]

EXHIBIT D-4

COMPLIANCE CERTIFICATE

FOR THE FISCAL QUARTER/YEAR ENDED ____________________ (the "SUBJECT PERIOD")

ADMINISTRATIVE AGENT: Credit Lyonnais New York Branch DATE: ______________

BORROWER: Range Energy Finance Corporation

==

This certificate is delivered under the Credit Agreement (as renewed, extended, amended, or restated, the "CREDIT AGREEMENT") dated as of December 14, 1999, between Borrower, Administrative Agent, Collateral Agent, and certain Lenders, all defined terms in which have the same meanings when used -- unless otherwise defined -- in this certificate.

In my capacity as a Responsible Officer of -- and on behalf of -- Borrower, I certify to Administrative Agent, Collateral Agent and Lenders on the date of this certificate that (a) I am a Responsible Officer of Borrower, (b) Borrower's Financial Statements attached to this certificate were prepared in accordance with GAAP and present fairly the Companies' consolidated financial condition and results of operations as of, and for the fiscal quarter or year, as the case may be, ended on, the last day of the Subject Period, (c) a review of the activities of the Companies during the Subject Period has been made under my supervision with a view to determining whether, during the Subject Period, the Companies performed and complied with all of their obligations under the Loan Documents, and, during the Subject Period, to my knowledge (i) the Companies performed, and complied with all of their obligations under the Loan Documents (except for the deviations, if any, described on a schedule to this certificate) in all material respects, and (ii) no Default (nor any Potential Default) has occurred which has not been cured or waived (except the Defaults or Potential Defaults, if any, described on the schedule to this certificate), and (d) to my knowledge, the status of compliance by the Companies with SECTIONS 10.1, 10.2, and 10.3 of the Credit Agreement at the end of the Subject Period is as described on the schedule to this certificate.

By ----------------------------------

Name --------------------------------

Title 5/ -----------------------------

- ----------------

5 Must be a Responsible Officer

SCHEDULE TO COMPLIANCE CERTIFICATE

(For Fiscal Quarter/Year Ended ___________________________)

A. Describe deviations from performance or compliance with covenants, if any, pursuant to CLAUSE (c)(i) of the attached certificate. If none, so state.

B. Describe Potential Defaults and Defaults, if any, pursuant to CLAUSE (c)(ii) of the attached certificate. If none, so state.

C. Reflect compliance with SECTIONS 10.1, 10.2 and 10.3 at the end of the Subject Period on a consolidated basis pursuant to CLAUSE (d) of the attached certificate.

TABLE 1

COVENANT	AT END OF SUBJECT PERIOD
Section 10.1 CURRENT RATIO	
(a) Current assets	$
(b) Current portion of Notes Receivable	$
(c) Unused Availability	$
(d) Current liabilities	$
(e) RATIO of [Line (a) minus Line (b) plus Line (c)] to Line (d)	____ to 1.00
(f) MINIMUM REQUIRED	1.00 to 1.00
Section 10.2 FIXED-CHARGE COVERAGE	
(a) Net Income for the four (4) fiscal quarters then ended	$

(b) Interest expense (including capitalized interest) for such period (other than accrued and unpaid interest on the Subordinated Debt)	$	
(c) Taxes for such period	$	
(d) Portfolio Cash Repayments for such period	$	
(e) Depreciation, depletion, amortization and other non-cash charges for such period	$	
(f) Portfolio Cash Flow for such period (sum of Lines (a)-(e))		$
(g) RATIO of Line (f) to Line (b)		____ to 1.00
(h) Minimum required		3.00 to 1.00

Section 10.3 MINIMUM TANGIBLE NET WORTH

(a) Tangible Net Worth at the end of the Subject Period		$
(b) Cumulative Net Income (without deduction for losses) from September 30, 1999 through the end of the Subject Period	$	
(c) Cumulative net proceeds of the issuance of any equity securities by Borrower after September 30, 1999	$	
(d) Cumulative non-cash write downs of the book value of Production Payments subsequent to September 30, 1999	$	
(e) Outstanding Principal Amount of Subordinated Debt	$	
(f) Minimum Tangible Net Worth [Sum of $14,850,000 plus (50% X Line(b)) plus (50% X Line (c)) plus (the lesser of line (d) or $5,000,000) plus Line (e)]		$

EXHIBIT E-1

OPINION OF COUNSEL TO COMPANIES

EXHIBIT F

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS AGREEMENT is entered into as of _____________, between __________________ ("ASSIGNOR") and ("ASSIGNEE") ______________.

RANGE ENERGY FINANCE CORPORATION, a Delaware corporation ("BORROWER") certain lenders ("LENDERS"), COMPASS BANK, as Collateral Agent for the Lenders, and CREDIT LYONNAIS NEW YORK BRANCH, a duly licensed branch under the New York Banking Law of a foreign banking corporation organized under the laws of the Republic of France (in its capacity as Administrative Agent for Lenders, "ADMINISTRATIVE AGENT"), are party to the Credit Agreement (as renewed, extended, amended, or restated, the "CREDIT AGREEMENT") dated as of December 14, 1999, all of the defined terms in which have the same meanings when used -- unless otherwise defined -- in this agreement. This agreement is entered into as required by SECTION 14.10(c) of the Credit Agreement and is not effective until consented to by Borrower (unless a Default exists) and Administrative Agent, which consents may not under the Credit Agreement be unreasonably withheld.

ACCORDINGLY, for adequate and sufficient consideration, Assignor and Assignee agree as follows:

1. ASSIGNMENT AND ASSUMPTION. By this agreement, and effective as of ___________ (which must be at least five Business Days after the execution and delivery of this agreement to both Borrower (unless a Default exists) and Administrative Agent for consent, the "EFFECTIVE DATE"), Assignor sells and assigns to Assignee (without recourse to Assignor) and Assignee purchases and assumes from Assignor a ___% interest (the "ASSIGNED INTEREST"), which, if not equal to 100%, must be a percentage, when computed as an aggregate dollar amount, that is at least $5,000,000, in and to all of Assignor's Rights and obligations under the Credit Agreement as of the Effective Date, including, without limitation, the Assigned Interest in (a) Assignor's Commitment as of the Effective Date, (b) the Note held by Assignor as of the Effective Date, (c) all Principal Debt owed to Assignor on the Effective Date, (d) all interest accruing in respect of the Assigned Interest after the Effective Date , and (eh) all commitment fees accruing in respect of the Assigned Interest under SECTION 4.4 of the Credit Agreement after the Effective Date.

2. ASSIGNOR PROVISIONS. Assignor (a) represents and warrants to Assignee that as of the Effective Date (i) the following principal amounts are owed to it without reduction for any assignments that have not yet become effective:

ITEM	AMOUNT
Principal Debt of Revolving Facility	$
Principal Debt of Acquisition Facility	$

and (ii) Assignor is the legal and beneficial owner of the Assigned Interest, which is free and clear of any adverse claim, and (b) makes no representation or warranty to Assignee and assumes no responsibility to Assignee with respect to (i) any statements, warranties, or representations made in or in connection with any Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency, or value of any Loan Document, or (iii) the financial condition of any Company or the performance or observance by any Company of any of its obligations under any Loan Document.

3. ASSIGNEE PROVISIONS. Assignee (a) represents and warrants to Assignor, Borrower, and Administrative Agent that Assignee is legally authorized to enter into this agreement, (b) confirms that it has received a copy of the Credit Agreement, copies of the Current Financials, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this agreement, (c) agrees with Assignor, Borrower, and Administrative Agent that Assignee shall -- independently and without reliance upon Administrative Agent, Assignor, or any other Lender and based on such documents and information as Assignee deems appropriate at the time -- continue to make its own credit decisions in taking or not taking action under the Loan Documents, (d) appoints and authorizes each Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to such Agent by the terms of the Loan Documents and all other reasonably-incidental powers, (e) agrees with Assignor, Borrower, and Administrative Agent that Assignee shall perform and comply with all provisions of the Loan Documents applicable to Lenders in accordance with their respective terms, and (f) if Assignee is not organized under the Laws of the United States of America or one of its states, it (i) represents and warrants to Assignor, Administrative Agent, and Borrower that no Taxes are required to be withheld by Assignor, any Agent, or Borrower with respect to any payments to be made to it in respect of the Obligations, and it has furnished to Administrative Agent and Borrower two duly completed copies of either U.S. Internal Revenue Service Form 4224, Form 1001, Form W-8, or any other form acceptable to Administrative Agent that entitles Assignee to exemption from U.S. federal withholding Tax on all interest payments under the Loan Documents, (ii) covenants to provide Administrative Agent and Borrower a new Form 4224, Form 1001, Form W-8, or other form acceptable to Agent upon the expiration or obsolescence of any previously delivered form according to Law, duly executed and completed by it, and to comply from time to time with all Laws with regard to the withholding Tax exemption, and (iii) agrees with Administrative Agent and Borrower that, if any of the foregoing is not true or the applicable forms are not provided, then Administrative Agent and Borrower (without duplication) may deduct and withhold from interest payments under the Loan Documents any United States federal-income Tax at the full rate applicable under the Code.

4. CREDIT AGREEMENT AND COMMITMENTS. From and after the Effective Date (a) Assignee shall be a party to the Credit Agreement and (to the extent provided in this agreement) have the Rights and obligations of a Lender under the Loan Documents and (b) Assignor shall (to the extent provided in this agreement) relinquish its Rights and be released from its obligations under the Loan Documents. On the Effective Date, after giving effect to this agreement, but without giving effect to any other assignments that have not yet become effective, Assignor's total Commitment (which, if positive, must be at least $5,000,000) and Assignee's total Commitment will be as follows:

LENDER	COMMITMENT
Assignor	$
Assignee	$

5. NOTES. Assignor and Assignee request Borrower to issue new Notes to Assignor and Assignee in the amounts of their respective Commitments under PARAGRAPH 4 above and otherwise issued in accordance with the Credit Agreement. Upon delivery of those Notes, Assignor shall return to Borrower the Note previously delivered to Assignor under the Credit Agreement.

6. PAYMENTS AND ADJUSTMENTS. From and after the Effective Date, Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees, and other amounts) to Assignee. Assignor and Assignee shall make all appropriate adjustments in payments for periods before the Effective Date by Administrative Agent or with respect to the making of this assignment directly between themselves.

7. CONDITIONS PRECEDENT. PARAGRAPHS 1 through 5 above are not effective until (a) counterparts of this agreement are executed and delivered by Assignor and Assignee to -- and are executed in the spaces below by -- Borrower (to the extent Borrower's consent is required under the Credit Agreement) and Administrative Agent and (b) Administrative Agent receives from Assignor or Assignee a $3,500 processing fee.

8. INCORPORATED PROVISIONS. Although this agreement is not a Loan Document, the provisions of SECTIONS 1 and 14 of the Credit Agreement applicable to Loan Documents are incorporated into this instrument by reference the same as if this agreement were a Loan Document and those provisions were set forth in this agreement verbatim.

9. COMMUNICATIONS. For purposes of SECTION 14.2 of the Credit Agreement, Assignee's address and telecopy number -- until changed under that section -- are beside its signature below.

10. AMENDMENTS, ETC. No amendment, waiver, or discharge to or under this agreement is valid unless in writing that is signed by the party against whom it is sought to be enforced and is otherwise in conformity with the requirements of the Credit Agreement.

11. ENTIRETY. THIS AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN ASSIGNOR AND ASSIGNEE ABOUT ITS SUBJECT MATTER AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF ASSIGNOR AND ASSIGNEE. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN ASSIGNOR AND ASSIGNEE.

12. PARTIES. This agreement binds and benefits Assignor, Assignee, and their respective successors and assigns that are permitted under the Credit Agreement.

EXECUTED as of the date first stated above.

[ASSIGNOR]	[ASSIGNEE]
By ----------------------------------	By -------------------------------
(Name) ------------------------------	(Name) -----------------------------
(Title) ---------------------------	(Title) ----------------------------
	(Address) --------------------------

	(Telecopy No.) ---------------------

As of the Effective Date, [Borrower and] Administrative Agent consents to this agreement and the transactions contemplated in it.

[RANGE ENERGY FINANCE CORPORATION, as Borrower]	CREDIT LYONNAIS NEW YORK BRANCH, as Administrative Agent
By: ------------------------------	By: --------------------------------
Name: -----------------------------	Name: -------------------------------
Title: ----------------------------	Title: ------------------------------

EXHIBIT 21

RANGE RESOURCES CORPORATION

SUBSIDIARIES OF REGISTRANT

Name	Jurisdiction of Incorporation	Percentage of Voting Securities Owned by Immediate Parent
Range Production Company	Delaware	100%
Range Energy Services Company	Delaware	100%
Range Holdco, Inc.	Delaware	100%
Range Energy I, Inc.	Delaware	100%
Range Gathering & Processing Company	Delaware	100%
Range Gas Company	Delaware	100%
Lomak Financing Trust	Delaware	100%
RRC Operating Company	Ohio	100%
Range Energy Finance Corporation	Delaware	100%
Range Energy Ventures Corporation	Delaware	100%
Gulfstar Energy, Inc.	Delaware	100%
Gulfstar Seismic, Inc.	Delaware	100%
Domain Energy International Corporation	British Virgin Islands	100%
Energy Assets Operating Company	Delaware	100%

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report on the consolidated financial statements of Range Resources Corporation for the year ended December 31, 1999, included in this Form 10-K, into the Company's previously filed Registration Statements on Form S-3 File No. 333-76837, Form S-4 File No. 333-78231, and Form S-8 File No. 333-30534.

ARTHUR ANDERSEN LLP

Cleveland, Ohio
March 17, 2000

Exhibit 23.2

CONSENT OF H. J. GRUY AND ASSOCIATES, INC.

We hereby consent to the use of the name H.J. Gruy and Associates, Inc., and of references to H.J. Gruy and Associates, Inc. and to the inclusion of and references to our report dated February 8, 2000, prepared for Range Resources Corporation in the Range Resources Corporation Annual Report on Form 10-K for the year ended December 31, 1999.

H.J. GRUY AND ASSOCIATES, INC.

March 9, 2000
Houston, Texas

Exhibit 23.3

CONSENT OF DEGOLYER AND MACNAUGHTON

We hereby consent to the reference to our firm under the caption "Proved Reserves" in the Annual Report on Form 10-K of Range Resources Corporation.

DEGOLYER AND MACNAUGHTON

Dallas, Texas
March 9, 2000

Exhibit 23.4

CONSENT OF WRIGHT AND COMPANY

We hereby consent to the reference to our firm under the caption "Proved Reserves" in the Annual Report on Form 10-K of Range Resources Corporation.

WRIGHT AND COMPANY

Dallas, Texas
March 9, 2000

5
1000

YEAR
DEC-31-1999
JAN-01-1999
DEC-31-1999
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2,145
74,559
0
4,051
72,939
1,012,696
(394,194)
752,368
53,648
0
1,150
0
379
125,642
752,368
145,492
201,364
45,483
51,308
111,593
0
47,085
(8,622)
1,601
(10,223)
0
2,430
0
(7,793)
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M;&EF:65D(&EN('1H96ER(&5N=&ER971Y(&)Y('1H92!C875T:6]N87)Y('-T
M871E;65N=',@:6X@=&AI2!F;W)W87)D+6QO;VMI;F<@'1'4W1A
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M=')E86T-"D)4#0HO1C(@,2!49@T*,3(@,"`P(#$R(#(U+C8U(#DV,2XP-2!4
M;0T*,"!G#0HO1U,Q(&=S#0HP(%1C(#0HP(%1W#0HH("`@("`@("`@("`@("`@
M("`@*51J#0HO1C(@,2!49@T*,"`M,BXS-B!41`T**$E414T@-BX@4T5,14-4
M140@1DE.04Y#24%,($1!5$$I5&H-"B]&,B`Q(%1F#0HP("TR+C,T(%1$#0HH
M("`@("`@5&AE(&9O;&QO=VEN9R!T86)L92!P'1R86]R9&EN87)Y(&ET96US(%PR
M,C<@8F%S:6,I+3,Y,34N.2@N,S$I+3,V,#2!I=&5M5PH
M85PI*2TR,#0T-2XX*#$Y.2PP-3@I+3$T-C4H,3DU+#5PH8EPI
M7"AC7"DI+3$Y,C%PI(')E8V]R9&5D(&EN('1H92!T
M:&ER9"!Q=6%R=&5R(&%N9"!A("E=5$H-"C(N,C(@+3$N,3(@5$0-"B@D,3`Y
M+C(@;6EL;&EO;B!P%PI(')E8V]R9&5D(&EN('1H92!F;W5R=&@@<75A
M65A'1'4W1A=&4@/#P-"B]'4S$@-R`P(%(-"CX^#0H^
M/@T*96YD;V)J#0HX,R`P(&]B:@T*/#P-"B]',3$Q-"B]/CX-"G-T
M2`D,S@N,R!M:6QL:6]N*&%N9"!&(H860@*#$R(&1EL;&EO;B!I
M;B!C87-H(&%N9"!''I5&H-"E0J#0HH87-$-3

M:6QL:6]N*$1I4V,@,SDS+DDP+$@-"E0J#0HH(#(W+$5Q=6ET>2`H1&5F:6-I
M;F%N<VEA;"!D:7-B=7)S96UE;G1S(&EN('1H92!Q=6%R=&5R+"!A;F0@<F%T
```

```
M:7,@9V%S(&)E96X@5PR,C)S("E4:@T*5"H-"BAL87)G97(@8F%S92!O9B!P'!E;G-E5PR,C)S(&AI9VAE2!H
M;VQE2!H;VQE(&-O5PR
M,C)S(&=R;W=T:"P@87,@=V5L;"!A'!E;F1I='5R97,@9'5R:6YG(#$Y.3@N($EN($1E8V5M8F5R(#$Y
M.3@L('1H92!#;VUP86YY(&EM<&QE;65N=&5D(&%N(&]V97)H96%D(')E9'5C
M=&EO;B!P2!P65E65A2!R96-O'!E;G-E(&]N('!R;W!E
M2!R
M96-O&%S('5N<')O=F5D(&%C5PR,C)S(&=E;VQO9VEC86P@
M87-S97-S;65N="!O9B!T:&4@87)E82P@;W1H97(@*51J#0I4*@T**&%C5PR,C)S(&%S2!C;VYS:61E65T(&%R92!<,C(S;6]R92!L:6ME;'D@=&\@8F4@2!T;R`I5&H-"E0J#0HH
M8F4@5PR,C)S('!R;V1U8W1I;VX@&ES=&EN
M9R!S86QE'!E2!T
M:&4@8V%R2!D971E2P@:70@
M8VAA'1'4W1A=&4@
M/#P-"B]'4S$@-R`P(%(-"CX^#0H^/@T*96YD;V)J#0HQ,#@@,"!O8FH-"CP\
M#0HO3&5N9W1H(#4U.#,-"CX^#0IS=')E86T-"D)4#0HO1C(@,2!49@T*,3(@
M,"`P(#$R(#(U+C8U(#DV,2XP-2!4;0T*,"!G#0HO1U,Q(&=S#0HP(%1C#0HP
M(%1W#0HH("@("@("@("@("@("@("@*51J#0HP("TR+C,@5$0-"BAT;R`D
M,34N-"!M:6QL:6]N+B!4:&4@:6YC2!A
M;B`W)2!I;F-R96%S92!I;B!T:&4@879E'!E;G-E(&]N(&=A:6YS
M(&9R;VT@2!W97)E(&%N=&4@:6YT97)E2!U
M;G1E2!I;7!A8W0@;6%N
M86=E;65N=%PR,C)S("E4:@T*5"H-"BAE6EN9R!V86QU92!O
M9B!P5PR,C)S(&9I
M;F%N8VEA;"`I5&H-"B`C`@+3$N,3(@5$0-"BAS=&%T96UE;G1S(&%N9"!N;W1E
M2!S8VAE9'5L97,N(%-C
M:&5D=6QE6QC86EN;%!K+(%-T
M871E;65N='%,&H-"B"!@5!A8V5B87,@=6YD92!B=6ED92!P
M(&9O4I;RPO4;L)GG;J:AAFNIQ9V9Y
M\9O4J`?@;?43/9*YS$ZLD@1(=()!Y
M?;:H>3JP]YGH&)^%JP8X0>6B+P+*S)U7A<;#39&R_]5!0B;?/>TK>;?]E'S)
M]A>.2/R)OX'*E@9?9]V_1'Q]"O0JYX<8IPMC%Q%2XK>_X*F3JMGKPB%]:
M54@HSQS>5\8;D;WF>8\?;8?I,1D[KU]_WN6_<L+MP2!L1=6K:#AG_*T*)E$
MWSTAQNN\XM5Z+`V*JOV3@,O/XR_JQ.;T/:@KR=F<3KO[3Q!CW#.6]X9S'QXA
M[9LR67E\,./J++VW:;[UE>ZP'^UJ[*D8<95%K6NGU'I`YXS@'MT==VO.MA7\
M?S#,;^<3/2@'/5R[/J2#IV<JT8^;Q(5<IY!7.@QE?5=*9:!HC;>+0X2T1C]7
M_^O]L2*]X#0Y+UE=I%\NIV!>Y&#&D?=^6X4O(.R,0'-;JG./PR[G-X1&=K=\
M'XDH>+VQ.]B]Y<7L)]4>.V=GZT1B[KXRY1LFX#GS`*\7=N3!H92UPIT8M'3'
MM2!&Q=BK\WQ!WZD%4C/0>?-G!'A!W4UE5'3+9#^:F;#6@J5]"=2Y?]JM'+-:
M2M^T;93>K)%PA!@!>F*/K2B!)GVY.]N0EX^E&-^'TYI,Q]6^"3F$M9"N-X%MAV
M9C<B0;,3IMWH%?Q`+6S@HJ0_J+H-V1]AHFK3MT?CN,M`=&07@>I9MYZO=_8F
MQ<%3=&EXS/C;S]G(!`8K!53=M,P8?R7C.A<;-&=,?>"+1-D\:@9D+"T`P-7O
M0P\\K,%L*:`T:<4)T&$.!GG$K/SA[MZ+(T\31S88\YIAS_8!?5+,7GH>G%.*
M1X2V#L@`&9NEG;3PNK0$UU&,Q+<ZI[0[DR0@E7\`DFZK,+&\@IM`T`<)(=:!
M]#SGE4P+)-"Q0(`V\'V4'&MR=LM/8>BS&JRX`L9FS!YM!\K,8E;TG`GJCT2K
```

M960@:6Y<*2!F:6YA;F-I;F2!A;F0@97%U:7!M96YT(&9I;F%N8V5D('=I
M=&@@8V]M;6]N('-T;V-K*2TU,SDP+C8H)"DM.#,S+C4H,SDL-3,W*2TS-38P
M+C,H)"DM,S,S+C0H,3$V+#0V.2DM-#$S,2XY*"0I+3(U.34N-2A<,C(W*5U4
M2@T*5"H-"ELH0V]M;6]N('-T;V-K(&ES2!I;G1E2!H87,@:6YC'!L;W)A=&EO;BX@
M26X@<'5R2P@=&AE($-O;7!A;GD@*51J#0I4
M*@T**&AA'!E2!A
M;'-O('!U2!#;W)P+B!<
M*%PR,C-&:7)S=$5N97)G>5PR,C1<*2!E86-H(&-O;G1R:6)U=&5D(&%L;"!O
M9B!T:&5I2!C;VYT2!A8W1I=F4@9&5V
M96QO<&UE;G0@;V8@97AI'!L;VET871I;VX@
M;V8@9&5E<&R("E4:@T*5"H-"BAF;W)M871I;VYS+B!);B&1I=&E0;BP@
M1W)E870@3&%K97,@:6YT96YD2!I
M;G9E7,@=&AE(&EN'1I;VX@*51J#0I4*@T**&-O;&QE9W1I;VXN*51J#0HO
M1C,@,2!49@T*+"`M,BXS-B!B!T**$UA2!H
M87,@8E861O<'1E9"!3=&%T96UE;G0@;V8@1FEN86YC:6%L(%-T86YD87)D
M=&@@:6YT97)E2!P97)F;W)M('1H96ER(&]B;&EG871I;VYS(&EN('1H92!E
M=F5N="!T:&%T(&$@'!E;G-E('=I;&P@8F4@9V5N97)A=&5D+@T*
M2P@=&AE($-O;7!A;GD@*51J#0I4*@T**&AA'1E;G0@;W(@:6X@=&AE(&5V96YT(&]F(&%N>2!L
M;W-S("!A;F0@=&AE('!R;V)A8FEL:71Y('1H870@3$-/(&1O97,@;F]T('=I
M9&5N9"8N;&%Y;W5T2P@9V%S('1R86YS;6ES2!I9B!A;&P@;W(@2!P<&%Y(&]F('1H97)E:6X@97AC965D960@'!E;G-E(&9O<@=&AE(&-A;F-E;&QA=&EO;B!O9B!S=&]C:R!O<'1I;VYS(&%N
M9"!R97-T2!U
M3$@<'5R2P@=&AE($-O;7!A;GD@9&5T97)M:6YE9"!T:&%T('1H92!C87)R
M>2!V86QU92!O9B!A;&P@;V8@:71S(&EN=F5S=&UE;G1S(&EN('1H92!"=6EL
M9&EN9W,@86YD(&9I>'1U2!W87,@:6UP86ER960N($%S(&$@<F5S=6QT
M+"!T:&4@0V]M<&%N>2!R96-O'!E
M;G-E('!R979I;W5S;'D@<F5C;W)D960@;VX@=&AE(&)A;&%N8V4@2!F;W(@=&AE('-I>"!M;VYT:'-E;F1E9"!.;W9E;6)E<&%R
M871I;VX@;V8@2!P2!F;W(@871T96UP
M=&5D(&9R875D(&)Y(&$@=&AI<&QE;65N=&%T:6]N(&]F('1H92!P;&%N+"!T
M:&4@0V]M<&%N>2!R96-O2!O9B!A;&P@86-C=7)A=&4@;&EA8FEL:71I97,@9&]E2!A9&IU2!T:&%T('1H92!#;VUP86YY)W,@*51J#0I4
M*@T**&9U;F-T:6]N86P@8W5R<'1I;VX@;V8@=&AE($-O;7!A;GDG'!E;F-E
M9"!S=&%F9B!T;R!M96%N9V4@=&AE($-O;7!A;GD@2!M86EN=&%I;F5D('-U9F9I8VEE;G0@9G5N9',@=&\@<&%Y(&AO;&1E
M2!W
M=&@@:6YT97)E2!P97)F;W)M('1H96ER(&]B;&EG871I;VYS(&EN('1H92!E
M=F5N="!T:&%T(&$@'!E;G-E('=I;&P@8F4@9V5N97)A=&5D+@T*
M86YD(&-A<'1I;VX@*51J#0I4*@T**&-O;&QE9W1I;VXN*51J#0HO
M1C,@,2!49@T*+"`M,BXS-B!B!T**$UA

M,"!G#0HO1U,Q(&=S#0HP(%1C#0HP(%1W#0HH("`@("`@("`@("`@("`@("`@
M*51J#0HO1C,@,2!49@T*,"`M,BXS-B!41`T**%PH.5PI($5154E462!!3D0@
M5%)54U0@4T5#55))5$E%4RE4:@T*+T8U(#$@5&8-"C`@+3(N,S0@5$0-"B@@
M("`@("!);B!/8W1O8F5R(#$Y.32!I2`R,#(L,#`P('-H87)E'1R86]R9&EN87)Y(&=A:6X@;V8@)#$N,B!M
M:6QL:6]N('=A2!A('!O2X@5&AE('-O;&4@87-S971S(&]F('1H92!42!D871E+"!T
M:&4@5')U6UE;G1S(&]F(&1I6UE;G1S(&]N('1H92!#;VYV97)T:6)L92!0&-H86YG96%B;&4@9F]R('1H92!#;VUP86YY7#(R,G,@."TQ+S@E
M($-O;G9E2!H87,@9F]U
MF5D(&%S(&9O;&QO=W,Z("E4:@T*,C(N.#@@
M+3(N,R!41`T**#4V("E4:@T*150-"F5N9'-T&5R8VES960I+3$S.#8X+C4H7#(R-RDM,S$Q.2XT*%PH-S`L,#`P
M*5U42@T*+T8R(#$@5&8-"C$R(#`@,"`Q,B`R.3$N+#$@8VU(%1M#0HH
M7"DI5&H-"B]&-2`Q(#0HQ,"XP-SD@,"`P(#$P+C`W.2`S,S@N,3`@.#,X
M+C$W(%1M#0I;*%PR,C`Q.3DY(%1J#0I4*@T*+T8U(#$@5&8-"C`@+3(N,S`@
M+C$W("E4:@T*+T8U(#$@5&8-"C@@,S`@,"`Q,"XR-#`@,"`P(#$P+C`W.2`S
M+3(N,R!41`T**#4W("E4:@T*150-"F5N9'-T&5R8VES960I+3$S.#8X+C4H
M3H@9F%I2!F86-T;W)S(&]F("XT-BP@*51J#0I4*@T*+T8U(#$@5&8-"C`@+3(N
M.2!A;F0@,RXU-2!R:7-K964@6:YT97)E65A65E"!S86QA2!M86ME("P6%B;&4N9"$@!R871E(&%N9"!T:&4@0V]M<&%N
M>5PR,C(S(&5F9F5C=EV92`I5&H-"E0J#0HH9F5D97)A;"!I;F-O;64@=&%X
M(')A=&4@7,@87,@9F]U];L&]W2!A7"2TU(#$N-"(N=7-E9"!I;B`O-C`N,S(Y+C(H
M7#(R-RDM,S$Q.2XT*%PH-S`L,#`P*5U42@T*+T8Q(#$@5&8-"C$P(#`@,"`Q
M+C`W.2`S,S@N,C@@-3DW+C,V(%1M#0I;*%PR,C`Q.3DY(%1J#0I4*@T*+T8U
M(#$@5&8-"C`@+3(N,S`@5$0-"BA?(&5X97)C:7-E9"!O<'1I;VYS("`@("`@
M("`@("`@("`@("`@("`@("`@*51J#0HO1C0@,2!49@T*+T8R(#$@5&8-"C$P(#`@,"`Q,"`@
M("`@("`@("`@("`@(@4VEG;F%T=7)E2!Y96%R(#$Y.3DN($1U
M,"`Q,"`Q-RXU."`T-S,N-3(@5&T-"B@Q.#0N,C$I5&H-"B]&,2`Q(#$P(#`@
M+3(N,S`@5$0-"BA/:70H6ES=&5D(&9O2!/9F9I8V5R(&%N9"!#:&EE9B!&:6YA;F-I86P@3V9F:6-E
M2!O9B!T:&4@8V]M<&%N>2!W87,@
M+3(N,R!41`T**#4V("E4:@T*150-"F5N9'-T&5R8VES960I+3$S.#8X+C4H7#(R-RDM,S$Q.2XT*%PH-S`L,#`P
M.T:E=&%I;"!W:71H(&QA=R!A;F0@=&AE(&YE=R!E>&ES=&EN9R!E;7!L;WEM
M96YT(&%G2!A;F0@<&%Y('1H92!S=&%T92!S:&%R92!O9B!T:&4@
M(&%N9"`H6UE;G1S(&%N9"!O=&AE2!O9B!P;&%N<REP=7)S
M,BXR,30@4&]I;G1S("T@-2XU(%!O:6YT<RD@,"!D87ES('1O('1H92!D871E
M('1O("(N+C(Y($1I<R`P+C0N-#8@.BTP(#$U("YT(#8N.#0@+@H=&AE(&YE=R!C;VUP86YY7#(R,G,@8V]M<&%N>2!A;&P@
M8VAA;F=E('1O('1H92!D:79I9&5N9"!P;VQI8WDN('1H92!#;VUP86YY('1O
M('1H92!B87-I2!O9B!T:&4@0V]M<&%N>2!A
M;&P@2!B>2!D92!A;F0@=&AE('1O('1H92!C;VUP86YY)W,@875T:&]R
M:7IE9"!T;R!O9B!C;VUP86YY('1O(&EN(&$@2!A;F0@<&%Y('1H92!S=&%T92!S:&%R92!O9B!T:&4@
M(&%N9"`H6UE;G1S(&%N9"!O=&AE2!O9B!P;&%N<RE
M<&]T:6]N(&%N9"!I;F-L=61I;F<@=&AE('!R;W9I2!O9B!T:&4@8V]M
M+C$W(%1M#0I;*%PR,C`Q.3DY(%1J#0I4*@T*+T8U(#$@5&8-"C`@+3(N,S`@
M,"`Q,"XR-#`@,"`P(#$P+C`W.2`S,S@N,C@@-3DW+C,V(%1M#0I;*%PR,C`Q
M+3(N,R!41`T**#4W("E4:@T*150-"F5N9'-T&5R8VES960I+3$S.#8X+C4H
M7#(R-RDM,S$Q.2XT*%PH-S`L,#`P*5U42@T*+T8Q(#$@5&8-"C$P(#`@,"`Q
M+C`W.2`S,S@N,C@@-3DW+C,V(%1M#0I;*%PR,C`Q.3DY(%1J#0I4*@T*+T8U
M(#$@5&8-"C`@+3(N,S`@5$0-"BA?(&5X97)C:7-E9"!O<'1I;VYS("`@("`@

M;6%K(%!E=')O;&5U;2P@26YC+B`I5&H-"E0J#0HH7"AI;F-O2!7+B!(
M;V9F;6%N(&%N9"!,("Y3+B!$96-K97(@86YD($QO;6%K(%!E=')O;&5U;2P@
M26YC+B!<*&EN8V]R<&]R871E9"!B>2!R969E2!R969E&AI8FET(#$P+C,@;V8@06UE;F1M96YT($YO+B`Q('1O
M($1O;6%I;B!%;F5R9WD@0V]R<&]R871I;VY<,C(R2`R,2P@,3DY-UPI(%PH1FEL92!.;RX@,S,S
M+2E4:@T*5"H-"B@R-#8T,5PI+BE4:@T*+30N-"`M,2XS,B!41`T*6R@Q,"XQ
M7"AA7"DI+3$U,SDN."A);F-E;G1I=F4@86YD($YO;BU1=6%L:69I960@4W1O
M8VL@3W!T:6]N(%!L86X@9&%T960@36%R8V@@,3,L(#$Y.#D@7"AI;F-O2!R969E2!R969E2!R969E&%S+"!.+D$N(&%S($%D;6EN:7-T2!A;F0@86UO;F<@3&]M86L@4&5T2`F($-O+B!);F-O5PR,C)S("E4:@T*
M969E5PR,C)S(%)E9VES=')A=&EO;B`I5&H-
M"E0J#0HH4W1A=&5M96YT(%PH3F\N(#,S,RTV,C0S.5PI7"DN*51J#0HM-"XV
M-B`M,2XS,B!41`T*6R@Q,"XQ7"AO7"DI+3$W-#,N."A$;VUA:6X@16YE65E($$1I2`I751*#0HT+C8V
M("TQ+C$R(%1!$0HH2!I;F-E;G1I=F4@<&QA;B!I;F-O&AI8FET(#$P+C,@;V8@06UE;F1M96YT($YO+B`Q('1O
M;V8@3&]M86L@4&5T2!I;F-O<&]R871E9"!B>2!R969E&AI8FET(#$P+C,@;V8@06UE;F1M96YT($YO+B`Q('1O
M=&]N(%!R;V1U8W1S(&%N9"!497)R>2!-+B!+&AI8FET(#$P+C,@;V8@06UE;F1M96YT($YO+B`Q('1O
M($1O;6%I;B!%;F5R9WD@0V]R<&]R871I;VY<,C(R2`R,2P@,3DY-UPI(%PH
M=&]N(%!R;V1U8W1S(&%N9"!497)R>2!-+B!+&AI8FET(#$P+C,@;V8@06UE
M;F1M96YT($YO+B`Q('1O($1O;6%I;B!%;F5R9WD@0V]R<&]R871I;VY<,C(R
M=&]N(%!R;V1U8W1S(&%N9"!497)R>2!-+B!+
M:6\=&\
M<&]R871I;VY<,C(R2`R,2P@,3DY-UPI(%PH
M

*	Filed herewith.