Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark one)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year-ended December 31, 2006

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from_____to _____

Commission file number 001-12209

RANGE RESOURCES CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**34-1312571**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
777 Main Street, Suite 800, Fort Worth, Texas	**76102**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code
(817) 870-2601

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

Title Of Each Class	Name Of Each Exchange On Which Registered
Common Stock, $.01 par value	New York Stock Exchange

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

Indicate by check mark if the registrant as a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☑ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes o No ☑

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 ☑ No o

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. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerate filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large Accelerated Filer ☑ Accelerated Filer o Non-Accelerated Filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No ☑

The aggregate market value of the voting and non-voting common equity held by non-affiliates (excluding voting shares held by officers and directors) as of June 30, 2006 was $3,681,364,000.

As of February 20, 2007, there were 139,210,404 shares of Range Resources Corporation Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's proxy statement to be furnished to stockholders in connection with its 2007 Annual Meeting of Stockholders are incorporated by reference in Part III, Items 10-14 of this report.

RANGE RESOURCES CORPORATION

Unless the context otherwise indicates, all references in this report to "Range" "we" "us" or "our" are to Range Resources Corporation and its subsidiaries. Unless otherwise noted, all information in the report relating to oil and gas reserves and the estimated future net cash flows attributable to those reserves are based on estimates and are net to our interest. If you are not familiar with the oil and gas terms used in this report, please refer to the explanation of such terms under the caption "Glossary" at the end of Item 15 of this report.

TABLE OF CONTENTS

RANGE RESOURCES CORPORATION
Annual Report on Form 10-K
Year Ended December 31, 2006

Disclosures Regarding Forward-Looking Statements

Certain information included in this report, other materials filed or to be filed with the Securities and Exchange Commission (the "SEC"), as well as information included in oral statements or other written statements made or to be made by us 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," "projects" or "targets" 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 this report is filed with the SEC, 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: the factors listed in Item 1A of this report under the heading "Risk Factors," 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, our ability to implement our business strategy, costs and results of drilling new projects, mechanical and other inherent risks associated with oil and gas production, weather, availability of drilling equipment and changes in interest rates. All such forward-looking statements in this document are expressly qualified in their entirety by the cautionary statements in this paragraph, and we undertake no obligation to publicly update or revise any forward-looking statements.

PART I

ITEM 1. BUSINESS

General

We are engaged in the exploration, development and acquisition of oil and gas properties, primarily in the Southwestern, Appalachian and Gulf Coast regions of the United States. We seek to increase reserves and production through internally generated drilling projects, coupled with complementary acquisitions.

At year-end 2006, our proved reserves had the following characteristics:

- 1.8 Tcfe of proved reserves;
- 82% natural gas;
- 63% proved developed;
- 80% operated;
- a reserve life of 16.3 years (based on fourth quarter 2006 production); and
- a pre-tax present value of $2.8 billion ($2.0 billion after tax).

At year-end 2006, we owned 3,215,000 gross (2,500,000 net) acres of leasehold, which includes over 70,000 of acres associated with royalties. We have built a multi-year inventory of drilling projects which is estimated to be over 9,400 identified drilling locations.

Range was incorporated in early 1980 under the name Lomak Petroleum, Inc. and, later that year, we completed an initial public offering and began trading on the NASDAQ. In 1996, our common stock was listed on the New York Stock Exchange. In 1998, we changed our name to Range Resources Corporation. In 1999, we implemented a strategy of internally generated drillbit growth coupled with complementary acquisitions. Our objective is to build stockholder value

through consistent growth in reserves and production on a cost-efficient basis. During the past five years, we have increased our proved reserves 243%, while production has increased 81% during that same period.

Our corporate offices are located at 777 Main Street, Suite 800, Fort Worth, Texas 76102. Our telephone number is (817) 870-2601. Effective May 1st, 2007, our corporate offices will be located at 100 Throckmorton Street, Suite 1200, Fort Worth, Texas 76102.

Business Strategy

Our objective is to build stockholder value through consistent growth in reserves and production on a cost-efficient basis. Our strategy is to employ internally generated drillbit growth coupled with complementary acquisitions to achieve such growth. Our strategy requires us to make significant investments in technical staff, acreage and seismic data and technology to build drilling inventory. In implementing our strategy, we employ the following principal elements:

- *Concentrate in Core Operating Areas.* We currently operate in three regions; the Southwestern (which includes the Barnett Shale of North Central Texas, the Permian Basin of West Texas and eastern New Mexico, the East Texas Basin, the Texas Panhandle and Anadarko Basin of Western Oklahoma), Appalachian (which includes tight-gas, shale, coal bed methane and conventional oil and gas production in Pennsylvania, Virginia, Ohio, New York and West Virginia) and Gulf Coast. Concentrating our drilling and producing activities in these core areas allows us to develop the regional expertise needed to interpret specific geological and operating trends and develop economies of scale. Operating in multiple core areas allows us to combine the production characteristics of each area to balance our portfolio toward our goal of consistent production and reserve growth.
- *Maintain Multi-Year Drilling Inventory.* We focus on areas where multiple prospective productive horizons and development opportunities exist. We use our technical expertise to build and maintain a multi-year drilling inventory. A large, multi-year inventory of drilling projects increases our ability to consistently grow production and reserves. Currently, we have over 9,400 identified drilling locations in inventory. In 2006, we drilled 1,017 gross (704 net) wells. In 2007, our capital program targets the drilling of 924 gross (691 net) wells.
- *Make Complementary Acquisitions.* We target complementary acquisitions in existing core areas and focus on acquisition candidates where our existing operating and technical knowledge is transferable and drilling results can be forecast with confidence. Over the past three years, we have completed $1.3 billion of complementary acquisitions. These acquisitions have been located in the Southwestern and Appalachian regions.
- *Manage Our Risk Exposure.* Allocating the majority of our capital spending to long-term development projects in areas where multiple productive horizons exist serves to reduce our risk exposure. Where our exploration projects may involve high dry hole costs, we often bring in industry partners in order to reduce financial exposure. We also invest in new seismic data and technology each year. By equipping our geologists and geophysicists with state-of-the-art seismic technology with multiple reprocessing applications, we hope to multiply the number of higher potential exploration prospects we drill without substantially adding to dry hole risk.
- *Maintain Flexibility.* Because of the volatility of commodity prices and the risks involved in drilling, we remain flexible and adjust our capital budget throughout the year. We may defer capital projects in order to seize an attractive acquisition opportunity. If certain areas generate higher than anticipated returns, we may accelerate drilling in those areas and decrease capital expenditures elsewhere. We also believe in maintaining a strong balance sheet and using commodity hedging. This allows us to be more opportunistic in lower price environments as well as providing more consistent financial results.
- *Equity Ownership and Incentive Compensation*. We want our employees to act like owners. To achieve this, we reward and encourage them through equity ownership in Range. As of December 31, 2006, our employees owned equity securities (vested and unvested) which had a market value of over $170.0 million.

Significant Accomplishments in 2006

- *Production and reserve growth* – The fourth quarter of 2006 marked the 16th consecutive quarter of sequential production growth. In 2006, our annual production averaged 276.1 Mmcfe per day, an increase of 15% from 2005. This achievement is the result of our continued drilling success and the completion and integration of complementary acquisitions. Our business is inherently volatile, and while consistent growth such as we have experienced over the past sixteen quarters will be challenging to sustain, the quality of our technical teams and our sizable drilling inventory bode well for the future. Proven reserves increased 25% in 2006 to 1.8 Tcfe, marking the fifth consecutive year our proven reserves have increased.

- *Successful drilling program* – In 2006, we drilled 1,017 gross wells. Competition for quality drilling and completion well services was intense in 2006, yet we were able to increase our number of wells drilled by 21% over 2005. As we continue to build our drilling inventory for the future, our ability to drill a large number of wells each year on a cost effective and efficient basis is important. Production was replaced by 377% through drilling in 2006, and our overall success rate was 99%. The increased pace of drilling did not adversely impact the quality of our drilling program as the 99% success ratio in 2006 compares favorably to the 98% success ratio in 2005.
- *Continued expansion of drilling inventory and emerging plays* – To continue to grow, the size of our prospect inventory must also increase. Our drilling inventory currently includes over 9,400 projects, up from 7,700 at year-end 2005. Meaningful expansion of our coal bed methane plays and our shale plays occurred in 2006. We have now leased 276,000 net acres in our coal bed methane plays and 567,000 net acres in our shale plays. In addition to the expansion of our emerging plays, we have hired additional quality experienced technical professionals to assist us in this effort.
- *Record financial results and balance sheet improvement* – Growth in production volumes and higher oil and gas prices drove our record financial performance in 2006. Revenue, net income, and net cash flow provided from operating activities all reached record highs. The balance sheet continued to improve in 2006 as we refinanced $250 million of shorter term bank debt with a like amount of senior subordinated fixed rate 7.5% notes having a 10-year maturity. This helped to align the maturity schedule of our debt with the long-term life of our assets. Financial leverage, as measured by the debt-to-capitalization ratio improved. Future cash flow will be enhanced through lower income tax payments due to a $229.6 million net operating loss carryforward.
- *Successful acquisition completed* – In June 2006 we acquired Stroud Energy, Inc. (“Stroud”) for $171.5 million in cash and 6.5 million shares of our common stock. The transaction was structured as a merger with Stroud shareholders electing to receive either cash, Range stock, or a combination of both cash and stock. Stroud was a private Fort Worth based independent oil and gas company with operations located in the Barnett Shale play in North Texas, the Cotton Valley in East Texas and the Austin Chalk in Central Texas. We estimate the proved reserves attributable to the Stroud properties totaled 171 Bcfe. Over 90% of Stroud’s Barnett Shale acreage is located in the core or expanding core portions of the Barnett Shale play. In the first quarter of 2007, we sold the Austin Chalk properties in Central Texas for proceeds of $80.4 million.

Plans for 2007

We have announced a $698.0 million capital budget for 2007, excluding acquisitions. The budget includes $600.0 million to drill 924 gross (691 net) wells and to undertake 72 gross (52 net) recompletions. Approximately 57% of the budget is attributable to the Southwest Division, with 37% allocated to the Appalachia Division and 6% to the Gulf Coast Division. Also included is $58.0 million for land, $20.0 million for seismic and $20.0 million for the expansion and enhancement of gathering systems and facilities. We anticipate drilling slightly fewer shallow wells in favor of deeper wells in 2007 as we seek to improve returns. Deeper wells are typically more costly than shallow wells.

Production, Revenues and Price History

The following table sets forth information regarding oil and gas production, revenues and direct operating expenses for the last three years.

	Year Ended December 31,		
	2006	2005	2004
Production			
Gas (Mmcf)	75,267	63,004	50,722
Crude oil (Mbbl)	3,160	3,031	2,512
Natural gas liquids (Mbbl)	1,092	1,012	988
Total (Mmcfe) [a]	100,775	87,263	71,726
Revenues ($000)			
Gas	$ 497,854	$ 380,131	$ 225,738
Crude oil	149,370	117,354	70,439
Natural gas liquids	36,704	27,589	19,526
Transportation and gathering	2,507	2,461	2,202
Total	686,435	527,535	317,905
Direct operating expenses [b]	92,224	67,112	46,308
Production and ad valorem taxes	36,915	31,516	20,504
Gross margin	$ 557,296	$ 428,907	$ 251,093
Average sales price (excluding hedging)			
Gas (per mcf)	$ 6.58	$ 7.98	$ 5.79
Crude oil (per bbl)	62.60	53.31	39.25
Natural gas liquids (per bbl)	33.62	31.52	23.73
Total (per mcfe) [a]	7.25	7.98	5.80
Average sales price (including hedging)			
Gas (per mcf)	$ 6.61	$ 6.03	$ 4.45
Crude oil (per bbl)	47.27	38.71	28.04
Natural gas liquids (per bbl)	33.62	27.27	19.76
Total (per mcfe) [a]	6.79	6.02	4.40
Operating costs (per mcfe)			
Direct [b]	$ 0.92	$ 0.77	$ 0.65
Production and ad valorem taxes	0.37	0.36	0.29
Total operating costs	$ 1.29	$ 1.13	$ 0.94
Gross margin (per mcfe)	$ 5.53	$ 4.92	$ 3.50

(a) Oil and NGLs are converted to mcfe at the rate of one barrel equals six mcfe.

(b) 2006 direct operating expenses include $1.4 million (or $0.01 per mcfe) of non-cash stock-based compensation related to the adoption of SFAS No. 123(R).

Competition

We encounter substantial competition in developing and acquiring oil and gas properties, securing and retaining personnel, conducting drilling and field operations and marketing production. Competitors in exploration, development, acquisitions and production include the major oil companies as well as numerous independent oil companies, individual proprietors and others. Although our sizable acreage position and core area concentration provide some competitive advantages, many competitors have financial and other resources substantially exceeding ours. 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 our financial or personnel resources allow. Our ability to replace and expand our reserve base depends on our ability to attract and retain quality personnel and identify and acquire suitable producing properties and prospects for future drilling.

Employees

As of January 1, 2007, we had 644 full-time employees, 358 of whom were field personnel. All full-time employees are eligible to receive equity awards approved by the Compensation Committee of the Board of Directors. No employees are covered by a labor union or other collective bargaining arrangement. We believe that the relationship with our employees is excellent. We regularly utilize independent consultants and contractors to perform various professional services, particularly in the areas of drilling, completion, field and on-site production operation services.

Available Information

We maintain an internet website under the name "www.rangeresources.com." We make available, free of charge, on our website, the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as soon as reasonably practicable after providing such reports to the SEC. Also, our Corporate Governance Guidelines, the charters of the Audit Committee, the Compensation Committee, the Dividend Committee, and the Governance and Nominating Committee, and the Code of Business Conduct and Ethics are available on our website and in print to any stockholder who provides a written request to the Corporate Secretary at 777 Main Street, Suite 800, Fort Worth, Texas 76102.

We file annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, proxy statements and other documents with the SEC under the Securities Exchange Act of 1934. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an internet website that contains reports, proxy and information statements, and other information regarding issuers, including Range, that file electronically with the SEC. The public can obtain any document we file with the SEC at "www.sec.gov." Information contained on or connected to our website is not incorporated by reference into this Form 10-K and should not be considered part of this report or any other filing that we make with the SEC.

Marketing and Customers

We market nearly all of our oil and gas production from the properties we operate for both our interest and that of the other working interest owners and royalty owners. Gas sales are made pursuant to a variety of contractual arrangements; generally month-to-month and one to five-year contracts. Less than 10% of our production is subject to contracts longer than five years. Pricing on the month-to-month and short-term contracts is based largely on the New York Mercantile Exchange ("NYMEX") pricing, with fixed or floating basis. For one to five-year contracts, gas is sold on NYMEX pricing, published regional index pricing or percentage of proceeds sales based on local indices. Less than 500 mcf per day is sold under long-term fixed price contracts. Many contracts contain provisions for periodic price adjustment, termination and other terms customary in the industry. Gas is sold to utilities, marketing companies and industrial users. Oil is sold under contracts ranging in terms from month-to-month, up to as long as one year. The pricing for oil is based upon the posted prices set by major purchasers in the production area or upon NYMEX pricing or fixed pricing. All oil pricing is adjusted for quality and transportation. Oil and gas purchasers are selected on the basis of price, credit quality and service. For a summary of purchasers of our oil and gas production that accounted for 10% or more of consolidated revenue, see Note 15 to our consolidated financial statements. Because alternative purchasers of oil and gas are usually readily available, we believe that the loss of any of these purchasers would not have a material adverse effect on us.

We enter into hedging transactions with unaffiliated third parties for portions of our production to achieve more predictable cash flows and to reduce our exposure to short-term fluctuations in oil and gas prices. For a more detailed discussion, see the information set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 7A. Quantitative and Qualitative Disclosures about Market Risk." Proximity to local markets, availability of competitive fuels and overall supply and demand are factors affecting the prices for which our production can be sold. Market volatility due to international political developments, overall energy supply and demand, fluctuating weather conditions, economic growth rates and other factors in the United States and worldwide has had, and will continue to have, a significant effect on energy prices.

We incur gathering and transportation expenses to move our natural gas and crude oil from the wellhead and tanks to purchaser specified delivery points. These expenses vary based on volume, distance shipped and the fee charged by the third-party transporters. In the Southwestern and Gulf Coast Divisions, our natural gas and oil production are transported primarily through third-party trucks, gathering systems and pipelines. Transportation space on these gathering systems and pipelines is occasionally limited. In Appalachia, we own approximately 4,900 miles of gas gathering pipelines which transport a majority of our Appalachian gas production as well as third-party gas to transmission lines and directly to end- users and interstate pipelines. For additional information, see "Risk Factors – *Our business depends on oil and natural gas transportation facilities, many of which are owned by others*," in Item 1A. of this report.

Governmental Regulation

Our operations are substantially affected by federal, state and local laws and regulations. In particular, oil and gas production and related operations are, or have been, subject to price controls, taxes and numerous other laws and regulations. All of the jurisdictions in which we own or operate producing crude oil and natural gas properties have statutory provisions regulating the exploration for and production of crude oil and natural gas, including provisions related to permits for the drilling of wells, bonding requirements in order to drill or operate wells, the location of wells, the method of drilling and casing wells, the surface use and restoration of properties upon which wells are drilled, and the abandonment of wells. Our operations are also subject to various conservation laws and regulations. These include the regulation of the size of drilling and spacing units or proration units, the number of wells which may be drilled in an area, and the unitization or pooling of crude oil and natural gas wells, generally prohibit the venting or flaring of natural gas, and impose certain requirements regarding the ratability or fair apportionment of production from fields and individuals wells.

Certain operations that we conduct are on federal oil and gas leases which are administered by the Minerals Management Service (“MMS”). These leases contain relatively standardized terms and require compliance with detailed MMS regulations pursuant to the Outer Continental Shelf Lands Act, (“OCSLA”) (which are subject to change by the MMS). Lessees must obtain a permit from the MMS prior to the commencement of drilling, and comply with regulation governing, among other things, engineering, and construction specifications for production facilities, safety procedures, plugging and abandonment of Outer Continental Shelf, (“OCS”), wells, the valuation of production, and the removal of facilities. Under certain circumstances, the MMS may require our operations on federal leases to be suspended or terminated. Any such suspension or termination could materially and adversely affect our financial condition and operation. To cover the various obligations of lessees on the OCS, the MMS generally requires that lessees post substantial bonds or other acceptable assurances that such obligations will be met, unless the MMS exempts the lessee from such obligations. The cost of such bonds or other surety can be substantial and we can provide no assurance that we can continue to obtain bonds or other surety in all cases.

In August 2005, Congress enacted the Energy Policy Act of 2005 (“EPAct 2005”). Among other matters, the EPAct 2005 amends the Natural Gas Act (“NGA”), to make it unlawful for “any entity”, including otherwise non-jurisdictional producers such as Range, to use any deceptive or manipulative device or contrivance in connection with the purchase or sale of natural gas or the purchase or sale of transportation services subject to regulation by the Federal Energy Regulatory Commission (“FERC”), in contravention of rules prescribed by the FERC. On January 20, 2006, the FERC issued rules implementing this provision. The rules make it unlawful in connection with the purchase or sale of natural gas subject to the jurisdiction of FERC, or the purchase or sale of transportation services subject to the jurisdiction of FERC, for any entity, directly or indirectly, to use or employ any device, scheme or artifice to defraud; to make any untrue statement of material fact or omit to make any such statement necessary to make the statements made not misleading; or to engage in any act or practice that operates as a fraud or deceit upon any person. EPAct 2005 also gives the FERC authority to impose civil penalties for violations of the NGA up to $1,000,000 per day per violation. The new anti-manipulation rule does not apply to activities that relate only to intrastate or other non-jurisdictional sale or gathering, but does apply to activities or otherwise non-jurisdictional entities to the extent the activities are conducted “in connection with” gas sales, purchases or transportation subject to FERC jurisdiction. It therefore reflects a significant expansion of FERC’s enforcement authority. Range does not anticipate it will be affected any differently than other producers of natural gas.

Failure to comply with applicable laws and regulations can result in substantial penalties. The regulatory burden on the industry increases the cost of doing business and affects profitability. Although we believe we are in substantial compliance with all applicable laws and regulations, such laws and regulations are frequently amended or reinterpreted. Therefore, we are unable to predict the future costs or impact of compliance.

Additional proposals and proceedings that affect the oil and gas industry are regularly considered by Congress, the states, the FERC, and the courts. We cannot predict when or whether any such proposals may become effective.

Environmental Matters

Our operations are subject to stringent federal, state and local laws governing the discharge of materials into the environment or otherwise relating to environmental protection. 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 transporting through pipelines, 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 operations. In addition, these laws, rules and

regulations may restrict the rate of production. The regulatory burden on the oil and gas industry increases the cost of doing business, affecting growth and profitability. Changes in environmental laws and regulations occur frequently, and changes that result in more stringent and costly waste handling, disposal or clean-up requirements could adversely affect our operations and financial position, as well as the industry in general. We believe we are in substantial compliance with current applicable environmental laws and regulations. Although we have not experienced any material adverse effect from compliance with environmental requirements, there is no assurance that this will continue. We did not have any material capital or other non-recurring expenditures in connection with complying with environmental laws or environmental remediation matters in 2006, nor do we anticipate that such expenditures will be material in 2007.

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 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 owners or operators 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. Furthermore, although petroleum, including crude oil and natural gas, is not a "hazardous substance" under 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 that such wastes may therefore give rise to liability under CERCLA. Beyond CERCLA, state laws regulate the disposal of oil and gas wastes, and periodically new state legislative initiatives are proposed that could have a significant impact on us. In addition, 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 pursuant to environmental statutes, common law or both.

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 waters of the United States. 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 Federal National Pollutant Discharge Elimination System permits applicable to the oil and gas industry generally prohibit the discharge of produced water, sand and some other substances into coastal waters. The cost to comply with zero discharges mandated under federal and state law has not had a material adverse impact on our 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 and implementing storm water pollution prevention plans.

The Resource Conservation and Recovery Act ("RCRA") as amended, generally does not regulate most wastes generated by the exploration and production of oil and 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 non-hazardous solid waste. Moreover, ordinary industrial wastes, such as paint wastes, waste solvents, laboratory wastes and waste compressor oils, can be regulated as hazardous wastes. Although the costs of managing wastes classified as hazardous waste may be significant, we do not expect to experience more burdensome costs than similarly situated companies.

The 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 sufficient 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.

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

ITEM 1A. RISK FACTORS

We are subject to various risks and uncertainties in the course of our business. The following summarizes some, but not all, of the risks and uncertainties which may adversely affect our business, financial condition or results of operations.

Volatility of oil and natural gas prices significantly affects our cash flow and capital resources and could hamper our ability to produce oil and gas economically

Oil and natural gas prices are volatile, and a decline in prices would adversely affect our profitability and financial condition. The oil and natural gas industry is typically cyclical, and prices for oil and natural gas have been highly volatile. Historically, the industry has experienced severe downturns characterized by oversupply and/or weak demand. Higher oil and natural gas prices have contributed to our positive earnings over the last several years. However, long-term supply and demand for oil and natural gas is uncertain and subject to a myriad of factors such as:

- the domestic and foreign supply of oil and gas;
- the price and availability of alternative fuels;
- weather conditions;
- the level of consumer demand;
- the price of foreign imports;
- world-wide economic conditions;
- political conditions in oil and gas producing regions; and
- domestic and foreign governmental regulations.

Decreases in oil and natural gas prices from current levels could adversely affect our revenues, net income, cash flow and proved reserves. Significant price decreases could have a material adverse effect on our operations and limit our ability to fund capital expenditures. Without the ability to fund capital expenditures, we would be unable to replace reserves and production.

Hedging transactions may limit our potential gains and involve other risks

To manage our exposure to price risk, we, from time to time, enter into hedging arrangements, utilizing commodity derivatives with respect to a significant portion of our future production. The goal of these hedges is to lock in prices so as to limit volatility and increase the predictability of cash flow. These transactions limit our potential gains if oil and natural gas prices rise above the price established by the hedge.

In addition, hedging transactions may expose us to the risk of financial loss in certain circumstances, including instances in which:

- our production is less than expected;
- the counterparties to our futures contracts fail to perform under the contracts; or
- a sudden, unexpected event materially impacts oil or natural gas prices or the relationship between the hedged price index and the oil and gas sales price.

In the fourth quarter of 2005, due to the trading volatility of NYMEX gas contracts, we experienced larger than usual differentials between actual prices paid at delivery points and NYMEX based gas hedges. Due to this event, certain of our gas hedges no longer qualify for hedge accounting and are marked to market. This may result in more volatility in our income in future periods.

Information concerning our reserves and future net reserve estimates is uncertain

There are numerous uncertainties inherent in estimating quantities of proved oil and natural gas reserves and their values, including many factors beyond our control. Estimates of proved reserves are by their nature uncertain. Although we believe these estimates are reasonable, actual production, revenues and costs to develop will likely vary from estimates, and these variances could be material.

The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment, assumptions used regarding quantities of oil and natural gas in place, recovery rates and future

prices for oil and natural gas. Actual prices, production, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves will vary from those assumed in our estimates, and such variances may be material. Any variance in the assumptions could materially affect the estimated quantity and value of the reserves.

If oil and natural gas prices decrease or exploration efforts are unsuccessful, we may be required to take write-downs of our oil and natural gas properties

In the past, we have been required to write down the carrying value of certain of our oil and natural gas properties, and there is a risk that we will be required to take additional write-downs in the future. This could occur when oil and natural gas prices are low, or if we have downward adjustments to our estimated proved reserves, increases in our estimates of operating or development costs, deterioration in our exploration results or mechanical problems with wells where the cost to redrill or repair does not justify the expense which might occur due to hurricanes.

Accounting rules require that the carrying value of oil and natural gas properties be periodically reviewed for possible impairment. “Impairment” is recognized when the book value of a proven property is greater than the expected undiscounted future net cash flows from that property and on acreage when conditions indicate the carrying value is not recoverable. We may be required to write down the carrying value of a property based on oil and natural gas prices at the time of the impairment review, as well as a continuing evaluation of drilling results, production data, economics and other factors. While an impairment charge reflects our long-term ability to recover an investment, it does not impact cash or cash flow from operating activities, but it does reduce our reported earnings and increases our leverage ratios.

For example, based primarily on the poor performance of certain properties acquired in 1997 and 1998 and significantly lower oil and natural gas prices, we recorded impairments of $215.0 million in 1998 and $29.9 million in 1999. At year-end 2001, we recorded an impairment of $31.1 million due to lower year-end prices. At year-end 2004, we recorded an impairment of $3.6 million on an offshore property due to hurricane damage and related production declines. In the third quarter of 2006, we recorded a $2.4 million impairment on an offshore property due to declining oil and gas prices.

Our business is subject to operating hazards and environmental regulations that could result in substantial losses or liabilities

Oil and natural gas operations are subject to many risks, including well blowouts, craterings, explosions, uncontrollable flows of oil, natural gas or well fluids, fires, formations with abnormal pressures, pipeline ruptures or spills, pollution, releases of toxic natural gas and other environmental hazards and risks. If any of these hazards occur, we could sustain substantial losses as a result of:

- injury or loss of life;
- severe damage to or destruction of property, natural resources and equipment;
- pollution or other environmental damage;
- clean-up responsibilities;
- regulatory investigations and penalties; or
- suspension of operations.

As we drill to deeper horizons and in more geologically complex areas, we could experience a greater increase in operating and financial risks due to inherent higher reservoir pressures and unknown downhole risk exposures. As we continue to drill deeper, the number of rigs capable of drilling to such depths will be fewer and we may experience greater competition from other operators.

Our operations are subject to numerous and increasingly strict federal, state and local laws, regulations and enforcement policies relating to the environment. We may incur significant costs and liabilities in complying with existing or future environmental laws, regulations and enforcement policies and may incur costs arising out of property damage or injuries to employees and other persons. These costs may result from our current and former operations and even may be caused by previous owners of property we own or lease. Any past, present or future failure by us to completely comply with environmental laws, regulations and enforcement policies could cause us to incur substantial fines, sanctions or liabilities from cleanup costs or other damages. Incurrence of those costs or damages could reduce or eliminate funds available for exploration, development or acquisitions or cause us to incur losses.

We maintain insurance against some, but not all, of these potential risks and losses. We may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the risks presented. Recently, we have experienced substantial increases in premiums especially in areas affected by the hurricanes and tropical storms. Insurers have imposed revised limits affecting how much the insurers will pay on actual storm claims plus the cost to re-drill wells where substantial damage has been incurred. Insurers are also requiring us to retain larger deductibles and reducing the scope of what insurable losses will include. Even with the increase in future insurance premiums, coverage will be reduced, requiring us to bear a greater potential risk if our oil and gas properties are damaged. We do not maintain any business interruption insurance. In addition, pollution and environmental risks generally are not fully insurable. If a significant accident or other event occurs that is not fully covered by insurance, it could have a material adverse affect on our financial condition and results of operations.

We are subject to financing and interest rate exposure risks

Our business and operating results can be harmed by factors such as the availability, terms of and cost of capital, increases in interest rates or a reduction in credit rating. These changes could cause our cost of doing business to increase, limit our ability to pursue acquisition opportunities and place us at a competitive disadvantage. For example at December 31, 2006, approximately 57% of our debt is at fixed interest rates with the remaining 43% subject to variable interest rates.

Many of our current and potential competitors have greater resources than we have and we may not be able to successfully compete in acquiring, exploring and developing new properties

We face competition in every aspect of our business, including, but not limited to, acquiring reserves and leases, obtaining goods, services and employees needed to operate and manage our business and marketing oil and natural gas. Competitors include multinational oil companies, independent production companies and individual producers and operators. Many of our competitors have greater financial and other resources than we do.

The demand for field services and their ability to meet that demand may limit our ability to drill and produce our oil and natural gas properties

Due to current industry demands, well service providers and related equipment and personnel are in short supply. This is causing escalating prices, the possibility of poor services coupled with potential damage to downhole reservoirs and personnel injuries. Such pressures will likely increase the actual cost of services, extend the time to secure such services and add costs for damages due to accidents sustained from the over use of equipment and inexperienced personnel.

The oil and natural gas industry is subject to extensive regulation

The oil and natural gas industry is subject to various types of regulations in the United States by local, state and federal agencies. Legislation affecting the industry is under constant review for amendment or expansion, frequently increasing our regulatory burden. Numerous departments and agencies, both state and federal, are authorized by statute to issue rules and regulations binding on participants in the oil and natural gas industry. Compliance with such rules and regulations often increases our cost of doing business and, in turn, decreases our profitability.

Acquisitions are subject to the risks and uncertainties of evaluating reserves and potential liabilities and may be disruptive and difficult to integrate into our business

We could be subject to significant liabilities related to our acquisitions. It generally is not feasible to review in detail every individual property included in an acquisition. Ordinarily, a review is focused on higher valued properties. However, even a detailed review of all properties and records may not reveal existing or potential problems in all of the properties, 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 an inspection is performed.

For example, in 1997, we consummated a large acquisition that proved extremely disappointing. Production from the acquired properties fell more rapidly than anticipated and further development results were below the results we had originally projected. The poor production performance of these properties resulted in material downward reserve revisions. There is no assurance that our recent and/or future acquisition activity will not result in similarly disappointing results.

In addition, there is intense competition for acquisition opportunities in our industry. Competition for acquisitions may increase the cost of, or cause us to refrain from, completing acquisitions. Our acquisition strategy is dependent upon, among other things, our ability to obtain debt and equity financing and, in some cases, regulatory approvals. Our ability to

pursue our acquisition strategy may be hindered if we are not able to obtain financing on terms acceptable to us or regulatory approvals.

Acquisitions often pose integration risks and difficulties. In connection with recent and future acquisitions, the process of integrating acquired operations into our existing operations may result in unforeseen operating difficulties and may require significant management attention and financial resources that would otherwise be available for the ongoing development or expansion of existing operations. Future acquisitions could result in our incurring additional debt, contingent liabilities, expenses and diversion of resources, all of which could have a material adverse effect on our financial condition and operating results.

Our success depends on key members of our management and our ability to attract and retain experienced technical and other professional personnel

Our success is highly dependent on our management personnel, none of which is currently subject to an employment contract. The loss of one or more of these individuals could have a material adverse effect on our business. Furthermore, competition for experienced technical and other professional personnel is intense. If we cannot retain our current personnel or attract additional experienced personnel, our ability to compete could be adversely affected.

Our future success depends on our ability to replace reserves that we produce

Because the rate of production from oil and natural gas properties generally declines as reserves are depleted, our future success depends upon our ability to economically find or acquire and produce additional oil and natural gas reserves. Except to the extent that we acquire additional properties containing proved reserves, conduct successful exploration and development activities or, through engineering studies, identify additional behind-pipe zones or secondary recovery reserves, our proved reserves will decline as reserves are produced. Future oil and natural gas production, therefore, is highly dependent upon our level of success in acquiring or finding additional reserves that are economically recoverable. We cannot assure you that we will be able to find or acquire and develop additional reserves at an acceptable cost.

A portion of our business is subject to special risks generally related to offshore operations and specifically in the Gulf of Mexico

Offshore operations are subject to a variety of operating risks specific to the marine environment, such as capsizing, collisions and damage or loss from hurricanes or other adverse weather conditions. These conditions can cause substantial damage to facilities and interrupt production. As a result, we could incur substantial expense and liabilities that could materially reduce the funds available for exploration, development or leasehold acquisitions or result in the loss of equipment and properties. As of February 20, 2007, we continued to have approximately 1.0 Mmcfe per day of production shut-in due to the effects of hurricanes Katrina and Rita.

Production of reserves from reservoirs in the Gulf of Mexico generally declines more rapidly than from reservoirs in many other producing regions. This results in recovery of a relatively higher percentage of reserves from properties in the Gulf of Mexico during the initial few years of production. As a result, reserve replacement needs from new prospects are greater and require us to incur significant capital expenditures to replace production.

New technologies may cause our current exploration and drilling methods to become obsolete

The oil and natural gas industry is subject to rapid and significant advancements in technology, including the introduction of new products and services using new technologies. As competitors use or develop new technologies, we may be placed at a competitive disadvantage, and competitive pressures may force us to implement new technologies at a substantial cost. In addition, competitors may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before we can. One or more of the technologies that we currently use or that we may implement in the future may become obsolete. We cannot be certain that we will be able to implement technologies on a timely basis or at a cost that is acceptable to us. If we are not able to maintain technological advancements consistent with industry standards, our operations and financial condition may be adversely affected.

Our business depends on oil and natural gas transportation facilities, most of which are owned by others

The marketability of our oil and natural gas production depends in part on the availability, proximity and capacity of pipeline systems owned by third parties. The unavailability of or lack of available capacity on these systems and facilities could result in the shut-in of producing wells or the delay or discontinuance of development plans for properties. Although we have some contractual control over the transportation of our product, material changes in these business relationships could materially affect our operations. We generally do not purchase firm transportation on third party facilities and therefore, our production transportation can be interrupted by those having firm arrangements. Federal and state regulation of oil and natural gas production and transportation, tax and energy policies, changes in supply and demand, pipeline pressures, damage to or destruction of pipelines and general economic conditions could adversely affect our ability to produce, gather and transport oil and natural gas.

The disruption of third-party facilities due to maintenance and/or weather could negatively impact our ability to market and deliver our products. We have no control over when or if such facilities are restored or what prices will be charged. A total shut-in of production could materially affect us due to a lack of cash flow, and if a substantial portion of the production is hedged at lower than market prices, those financial hedges would have to be paid from borrowings absent sufficient cash flow.

Our indebtedness could limit our ability to successfully operate our business

We are leveraged and our exploration and development program will require substantial capital resources estimated to range from $650.0 million to $825.0 million per year over the next three years, depending on the level of drilling and the expected cost of services. Our existing operations will also require ongoing capital expenditures. In addition, if we decide to pursue additional acquisitions, our capital expenditures will increase both to complete such acquisitions and to explore and develop any newly acquired properties.

The degree to which we are leveraged could have other important consequences, including the following:

- we may be required to dedicate a substantial portion of our cash flows from operations to the payment of our indebtedness, reducing the funds available for our operations;
- a portion of our borrowings are at variable rates of interest, making us vulnerable to increases in interest rates;
- we may be more highly leveraged than some of our competitors, which could place us at a competitive disadvantage;
- our degree of leverage may make us more vulnerable to a downturn in our business or the general economy;
- the terms of our existing credit arrangements contain numerous financial and other restrictive covenants;
- our debt level could limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- we may have difficulties borrowing money in the future.

Despite our current levels of indebtedness we still may be able to incur substantially more debt. This could further increase the risks described above.

Any failure to meet our debt obligations could harm our business, financial condition and results of operations

If our cash flow and capital resources are insufficient to fund our debt obligations, we may be forced to sell assets, seek additional equity or restructure our debt. In addition, any failure to make scheduled payments of interest and principal on our outstanding indebtedness would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness on acceptable terms. Our cash flow and capital resources may be insufficient for payment of interest on and principal of our debt in the future and any such alternative measures may be unsuccessful or may not permit us to meet scheduled debt service obligations, which could cause us to default on our obligations and impair our liquidity.

We exist in a litigious environment

Any constituent could bring suit or allege a violation of an existing contract. This action could delay when operations can actually commence or could cause a halt to production until such alleged violations are resolved by the courts. Not only could we incur significant legal and support expenses in defending our rights, planned operations could be delayed which would impact our future operations and financial condition. Such legal disputes could also distract management and other personnel from their primary responsibilities.

Common stockholders will be diluted if additional shares are issued

Since 1998, we have exchanged 31.9 million shares of common stock for debt and convertible securities. The exchanges were made based on the relative market value of the common stock and the debt and convertible securities at the time of the exchange. Also in 2004 and 2005, we sold 33.8 million shares of common stock to finance acquisitions. In 2006, we issued 6.5 million shares as part of the Stroud acquisition. While the exchanges have reduced interest expense, preferred dividends and future repayment obligations, the larger number of common shares outstanding had a dilutive effect on our existing stockholders. Our ability to repurchase securities for cash is limited by our bank credit facility and our senior subordinated note agreements. In addition, we may issue additional shares of common stock, additional subordinated notes or other securities or debt convertible into common stock, to extend maturities or fund capital expenditures, including acquisitions. If we issue additional shares of our common stock in the future, it may have a dilutive effect on our current outstanding stockholders.

Dividend limitations

Limits on the payment of dividends and other restricted payments, as defined, are imposed under our bank credit facility and under our senior subordinated note agreements. These limitations may, in certain circumstances, limit or prevent the payment of dividends independent of our dividend policy.

Our financial statements are complex

Due to accounting rules, our financial statements continue to be complex, particularly with reference to hedging, asset retirement obligations, equity awards, deferred taxes and the accounting for our deferred compensation plan. We expect such complexity to continue and possibly increase.

Our stock price may be volatile and you may not be able to resell shares of our common stock at or above the price you paid

The price of our common stock fluctuates significantly, which may result in losses for investors. The market price of our common stock has been volatile. From January 1, 2004 to December 31, 2006, the last daily sale price of our common stock reported by the New York Stock Exchange ranged from a low of $6.25 per share to a high of $31.77 per share. We expect our stock to continue to be subject to fluctuations as a result of a variety of factors, including factors beyond our control. These include:

- changes in oil and natural gas prices;
- variations in quarterly drilling, recompletions, acquisitions and operating results;
- changes in financial estimates by securities analysts;
- changes in market valuations of comparable companies;
- additions or departures of key personnel; or
- future sales of our stock.

We may fail to meet expectations of our stockholders or of securities analysts at some time in the future, and our stock price could decline as a result.

ITEM 1B. UNRESOLVED STAFF COMMENTS

As of the date of this filing, we have no unresolved comments from the staff of the Securities and Exchange Commission.

ITEM 2. PROPERTIES

The table below summarizes certain data for our core operating areas for the year ended December 31, 2006:

Division	Average Daily Production (mcfe per day)	Total Production (mcfe)	Percentage of Total Production	Total Proved Reserves (Mmcfe)	Percentage of Total Proved Reserves
Southwest	150,731	55,017,031	55%	774,933	44%
Appalachia	103,032	37,606,463	37%	915,054	52%
Gulf Coast	22,334	8,151,801	8%	68,239	4%
	276,097	100,775,295	100%	1,758,226	100%

Segment reporting is not applicable to us as we have a single company-wide management team that administers all properties as a whole rather than by discrete operating segments. We track only basic operational data by area. We do not maintain complete separate financial statement information by area. We measure financial performance as a single enterprise and not on an area-by-area basis.

Southwest Division

The Southwest Division conducts drilling, production and field operations in the Barnett Shale of North Central Texas, the Permian Basin of West Texas and eastern New Mexico and the East Texas Basin as well as in the Texas Panhandle and the Anadarko Basin of western Oklahoma. In the Southwest Division, we own 2,057 net producing wells, 96% of which we operate. Our average working interest is 73%. We have approximately 687,000 gross (480,000 net) acres under lease.

Total proved reserves increased 272.3 Bcfe, or 54%, at December 31, 2006 when compared to year-end 2005. Production was more than offset by property purchases (122.9 Bcfe) and drilling additions (208.2 Bcfe). Annual production increased 29% over 2005. During 2006, the region spent $313.1 million to drill 253.0 (212.0 net) development wells, of which 249.0 (210.2 net) were productive and 4 (1.2 net) exploratory wells, of which 2 (0.2 net) were productive. During the year, the region achieved a 99% drilling success rate.

At December 31, 2006, the Southwest Division had a development inventory of 219 proven drilling locations and 316 proven recompletions. Development projects include recompletions, infill drilling and to a lesser extent, installation of secondary recovery projects. These activities also include increasing reserves and production through aggressive cost control, upgrading lifting equipment, improving gathering systems and surface facilities and performing restimulations and refracturing operations.

Appalachia Division

Our properties in this division are located in the Appalachian Basin in the northeastern United States principally in Ohio, Pennsylvania, New York, West Virginia and Virginia. The reserves principally produce from the Pennsylvanian (coalbed formation), Upper Devonian, Medina, Clinton, Queenston, Big Lime, Marcellus Shale, Niagaran Reef, Knox, Huntersville Chert, Oriskany and Trenton Black River formations at depths ranging from 2,500 to 12,500 feet. Generally, after initial flush production, most of these properties are characterized by gradual decline rates, typically producing for 10 to 35 years. We own 9,306 net producing wells, 69% of which we operate and 4,900 miles of gas gathering lines. Our average working interest is 73%. We have approximately 2.3 million gross (1.9 million net) acres under lease which includes over 70,000 acres associated with royalties.

Reserves at December 31, 2006 increased 76.7 Bcfe, or 9%, from 2005 due to drilling additions (161.8 Bcfe) which were partially offset by a net unfavorable reserve revision and production. Annual production increased 10% over 2005. During 2006, the region spent $184.3 million to drill 739 (477.8 net) development wells, of which 737 (477.0 net) were

productive and 10 (7.0 net) exploratory wells, of which 9 (6.0 net) were productive. During the year, the region achieved approximately a 100% drilling success rate. At December 31, 2006, the Appalachia Division had an inventory of 3,300 proven drilling locations and 212 proven recompletions.

Gulf Coast Division

The Gulf Coast properties are located onshore in Texas, Louisiana and Mississippi and in the shallow waters of the Gulf of Mexico. The division's wells are characterized by high initial rates and relatively short reserve lives. Over the past several years, we have shifted our focus away from offshore to onshore Gulf of Mexico properties that provide greater operating control, generally lower costs and higher repeatability. Major onshore fields produce from Hartburg formations at depths of 10,000 to 11,000 feet in the Upper Texas Gulf Coast, the Upper Oligocene in South Louisiana at depths of 10,000 to 12,000 feet and the Sligo and Hosston formations at depths of 15,000 to 16,500 feet in the Oakvale field in Mississippi. We operate a majority of our onshore properties while third parties operate all of our offshore properties. Onshore, we have approximately 102,000 gross (56,000 net) acres under lease. Offshore properties include interests in 37 platforms in water depths ranging from 11 to 240 feet. We own 33 net producing wells in this division, 42% of which we operate. Our average working interest is 23%. Our Gulf Coast Division owns a license to a 3-D seismic database covering over 800 contiguous blocks in the shallow water of the Gulf of Mexico, primarily offshore Louisiana.

Reserves increased 2.4 Bcfe, or 4%, from 2005 with production more than offset by drilling additions (9.5 Bcfe) and a favorable reserve revision. On an annual basis, production decreased 23% from 2005. During 2006, the region spent $38.0 million to drill 8 (4.6 net) development wells, of which 6 (2.6 net) were productive and 3 (1.3 net) exploratory wells, of which 1 (0.7 net) was productive. During the year, the division had a 56% drilling success rate. At December 31, 2006, the Gulf Coast Division had an inventory of 13 proven drilling locations and 59 proven recompletions.

Proved Reserves

The following table sets forth our estimated proved reserves at the end of each of the past five years:

	December 31,				
	2006	2005	2004	2003	2002
Natural gas (Mmcf)					
Developed	875,395	724,876	580,006	344,187	320,224
Undeveloped	560,583	400,534	366,422	142,217	120,043
Total	1,435,978	1,125,410	946,428	486,404	440,267
Oil and NGLs (Mbbls)					
Developed	37,750	33,029	27,715	24,912	17,176
Undeveloped	15,957	13,863	10,451	8,111	5,776
Total	53,707	46,892	38,166	33,023	22,952
Total (Mmcfe) [a]	1,758,226	1,406,762	1,175,425	684,541	577,977
% Developed	63%	66%	64%	72%	73%

(a) Oil and NGLs are converted to mcfe at the rate of one barrel equals six mcfe.

Our percentage of proved developed reserves declined from 2003 to 2004 due to the proved undeveloped reserves acquired in the Great Lakes and Pine Mountain acquisitions (see Note 3 to our consolidated financial statements), adding to our future drilling inventory. From 2004 to 2005, our proved undeveloped percentage declined from 36% to 34% as we continued to aggressively drill. The Stroud acquisition in June of 2006 was primarily responsible for the decrease in the proved developed reserve percentage in 2006. The Stroud acquisition significantly increased our Barnett Shale drilling and prospect inventory.

The following table sets forth summary information by division with respect to estimated proved reserves at December 31, 2006:

	Pre-tax Present Value (a)		Reserve Volumes			
	Amount (In thousands)	%	Oil & NGL (Mbbls)	Natural Gas (Mmcf)	Total (Mmcfe)	%
Southwest	$ 1,407,302	51%	39,859	535,770	774,933	44%
Appalachia	1,181,045	43%	12,183	841,958	915,054	52%
Gulf Coast	183,095	6%	1,665	58,250	68,239	4%
Total	$ 2,771,442	100%	53,707	1,435,978	1,758,226	100%

(a) This measure was prepared using year-end oil and gas prices adjusted for the location and quality of reserves, discounted at 10% per year. Our pre-tax present value of $2.8 billion less discounted taxes of $0.8 billion equals our standardized measure of $2.0 billion. See Note 19 to our consolidated financial statements.

At year-end 2006, the following independent petroleum consultants reviewed our reserves: DeGolyer and MacNaughton (Southwest and Gulf Coast), H.J. Gruy and Associates, Inc. (Southwest), and Wright and Company, Inc. (Appalachia). These engineers were selected for their geographic expertise and their history in engineering certain properties. At December 31, 2006, these consultants collectively reviewed approximately 87% of our proved reserves. All estimates of oil and gas reserves are subject to uncertainty. Historical variances between our reserve estimates and the aggregate estimates of our consultants have been less than 5%.

The following table sets forth the estimated future net revenues, excluding open hedging contracts, from proved reserves, the present value of those net revenues and the expected benchmark prices and average field prices used in projecting them over the past five years (in millions except prices):

	December 31,				
	2006	2005	2004	2003	2002
Future net revenue	$6,391	$10,429	$5,035	$2,687	$1,817
Present value					
Pre-tax	2,771	4,887	2,396	1,396	965
After tax	2,002	3,384	1,749	1,003	500
Benchmark prices					
Oil price (per barrel)	$61.05	$ 61.04	$43.33	$32.52	$31.17
Gas price (per mcf)	$ 5.64	$ 10.08	$ 6.18	$ 6.19	$ 4.75
Wellhead prices					
Oil price (per barrel)	$57.66	$ 57.80	$40.44	$29.48	$27.52
Gas price (per mcf)	$ 5.24	$ 9.83	$ 6.05	$ 6.03	$ 4.76

Future net revenues represent projected revenues from the sale of proved reserves net of production and development costs (including operating expenses and production taxes). Such calculations, prepared in accordance with Statement of Financial Accounting Standards No. 69, “Disclosures about Oil and Gas Producing Activities,” are based on costs and prices in effect at December 31 of each year. There can be no assurance that the proved reserves will be produced within the periods indicated and prices and costs will not 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 our reserves have been filed with or included in reports to another federal authority or agency since year-end.

Producing Wells

The following table sets forth information relating to productive wells at December 31, 2006. We also own royalty interests in an additional 1,991 wells where we do not own a working interest. If we own both a royalty and a working interest in a well such interests are included in the table below. Wells are classified as crude oil or natural gas according to their predominant production stream.

	Total Wells		Average Working Interest
	Gross	Net	
Crude oil	2,381	2,038	86%
Natural gas	13,330	9,358	70%
Total	15,711	11,396	73%

The day-to-day operations of oil and gas properties are the responsibility of the operator designated under pooling or operating agreements. The operator supervises production, maintains production records, employs or contracts for field personnel and performs other functions. An operator receives reimbursement for direct expenses incurred in the performance of its duties as well as monthly per-well producing and drilling overhead reimbursement at rates customarily charged by unaffiliated third parties. The charges customarily vary with the depth and location of the well being operated.

Acreage

At December 31, 2006, we owned interests in developed and undeveloped oil and gas acreage as set forth in the table below. These ownership interests generally take the form of working interests in oil and gas leases or licenses that have varying terms. Developed acreage includes leased acreage that is allocated or assignable to producing wells or wells capable of production even though shallower or deeper horizons may not have been fully explored. Undeveloped acreage includes leased acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of natural gas or oil, regardless of whether or not the acreage contains proved reserves.

The following table sets forth certain information regarding our developed and undeveloped acreage held at December 31, 2006:

	Acres		Average Working Interest
	Gross	Net	
Developed	1,458,500	1,139,185	78%
Undeveloped	1,756,406	1,360,545	77%
Total [(a)]	3,214,906	2,499,730	78%

(a) Includes over 70,000 acres in Appalachia in which we own royalty and overriding royalty interests. Also, does not include 24,000 net acres in the Southwest Division attributable to a farm-in.

Undeveloped Acreage Expirations

The table below summarizes by year our undeveloped acreage scheduled to expire in the next five years.

As of December 31,	Acres		% of Total Undeveloped
	Gross	Net	
2007	223,980	179,351	14%
2008	227,172	164,179	13%
2009	280,443	204,338	16%
2010	107,479	88,798	7%
2011	277,866	217,487	17%

Drilling Results

The following table summarizes drilling activity for the past three years. Gross wells reflect the sum of all wells in which we own an interest. Net wells reflect the sum of our working interests in gross wells.

	2006		2005		2004	
	Gross	Net	Gross	Net	Gross	Net
Development wells						
Productive	992.0	689.7	813.0	573.8	436.0	368.5
Dry	8.0	4.6	10.0	7.7	16.0	12.0
Exploratory wells						
Productive	12.0	6.9	13.0	8.1	14.0	9.2
Dry	5.0	2.6	5.0	3.9	10.0	6.9
Total wells						
Productive	1,004.0	696.6	826.0	581.9	450.0	377.7
Dry	13.0	7.2	15.0	11.6	26.0	18.9
Total	1,017.0	703.8	841.0	593.5	476.0	396.6
Success ratio	99%	99%	98%	98%	95%	95%

Real Property

We lease approximately 203,700 square feet of office space, primarily in Texas and Oklahoma under standard office lease arrangements that expire at various dates through 2017. Our Appalachian Division owns a 34,500 square foot office building and various other field offices. In the first half of 2007, our Fort Worth office will be relocating to 100 Throckmorton Street, Suite 1200, Fort Worth, Texas 76102. We believe our facilities are adequate to meet our current needs and existing space could be expanded or additional space could be leased if required. We own various vehicles and other equipment that is used in field operations. We believe such equipment is in good repair and can be readily replaced if necessary.

Title to Properties

We believe that we have satisfactory title to all of our producing properties in accordance with generally accepted industry standards. As is customary in the industry, in the case of undeveloped properties, often minimal investigation of record title is made at the time of lease acquisition. Investigations are made prior to the consummation of an acquisition of producing properties and before commencement of drilling operations on undeveloped properties. Individual properties may be subject to burdens that we believe do not materially interfere with the use or affect the value of the properties. Burdens on properties may include:

- customary royalty interests;
- liens incident to operating agreements and for current taxes;
- obligations or duties under applicable laws;
- development obligations under oil and gas leases; or
- burdens such as net profit interests.

ITEM 3. LEGAL PROCEEDINGS

We have been named as a defendant in a number of legal actions arising in the ordinary course of business. In the opinion of management, such litigation and claims are likely to be resolved without a material adverse effect on our financial position or liquidity, although an unfavorable outcome could have a material adverse effect on the operations of a given interim period or year. See also Note 14 to our consolidated financial statements.

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

There were no matters submitted to a vote of our security holders during the fourth quarter of 2006.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "RRC." During 2006, trading volume averaged 1.1 million shares per day. The following table shows the quarterly high and low sale prices, cash dividends declared and volumes as reported on the NYSE composite tape for the past two years (as adjusted for a three-for-two stock split effected on December 2, 2005).

	High	Low	Cash Dividends Declared	Average Daily Volumes
2005				
First quarter	$17.59	$12.34	0.0133	1,072,650
Second quarter	18.62	13.50	0.0133	1,334,709
Third quarter	26.33	18.01	0.0133	1,203,888
Fourth quarter	28.37	20.71	0.02	1,565,650
2006				
First quarter	$30.52	$22.52	0.02	1,343,584
Second quarter	30.29	21.74	0.02	1,202,248
Third quarter	30.37	23.38	0.02	884,865
Fourth quarter	31.77	22.80	0.03	895,294

Between January 1, 2007 and February 20, 2007, the common stock traded at prices between $25.29 and $31.25 per share. Our senior subordinated notes are not listed on an exchange, but trade over-the-counter.

Holders of Record

On February 20, 2007, there were approximately 1,967 holders of record of our common stock.

Dividends

In December 2006, the Board of Directors increased our quarterly dividend to $0.03 per common share. The payment of dividends is subject to declaration by the Board of Directors and depends on earnings, capital expenditures and various other factors. The bank credit facility and our senior subordinated notes allow for the payment of common and preferred dividends, with certain limitations. The determination of the amount of future dividends, if any, to be declared and paid is at the sole discretion of our board and will depend upon our level of earnings and capital expenditures and other matters that the board of directors deems relevant. For more information see information set forth in Item 7 of this report "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Issuer Purchases of Equity Securities

We have a repurchase program approved by the Board of Directors in 2006, for the repurchase of up to $10.0 million of common stock based on market conditions and opportunities. There were no repurchases during the fourth quarter of 2006.

ITEM 6. SELECTED FINANCIAL DATA

The following table shows selected financial information for the five years ended December 31, 2006. Significant producing property acquisitions in 2006 and 2004 affect the comparability of year-to-year financial and operating data. All weighted average shares and per share data have been adjusted for the three-for-two stock split effected December 2, 2005. This information should be read in conjunction with Item 7 of this report "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and related notes included elsewhere in this report (in thousands, except per share data).

	Year Ended December 31,				
	2006	2005	2004	2003	2002
Balance Sheet Data:					
Current assets (a)	$ 320,337	$ 207,977	$ 136,336	$ 66,092	$ 50,619
Current liabilities (b)	232,356	321,760	177,162	106,964	67,206
Oil and gas properties, net	2,676,676	1,741,182	1,402,359	723,382	564,406
Total assets	3,187,674	2,018,985	1,595,406	830,091	658,484
Bank debt	452,000	269,200	423,900	178,200	115,800
Subordinated debt	596,782	346,948	196,656	109,980	90,901
Stockholders' equity (c)	1,256,161	696,923	566,340	274,066	206,109
Weighted average dilutive shares outstanding	138,711	129,125	97,998	86,775	81,627
Cash dividends declared per common share	0.09	.0599	.0267	.0067	—
Cash Flow Data:					
Net cash provided from operating activities	479,875	325,745	209,249	124,680	114,472
Net cash used in investing activities	911,659	432,377	624,301	186,838	103,950
Net cash provided from (used in) financing activities	429,416	93,000	432,803	61,455	(12,568)

(a) 2005, 2004 and 2003 include deferred tax assets of $61.7 million, $26.3 million and $19.9 million, respectively. 2006 includes a $93.6 million hedging asset.

(b) 2006, 2005, 2004, 2003 and 2002 include hedging liabilities of $4.6 million, $160.1 million, $61.0 million, $54.3 million and $26.0 million, respectively.

(c) Stockholders' equity includes other comprehensive income (loss) of $36.5 million, ($147.1 million), ($43.3 million), ($42.9 million) and ($21.2 million) in 2006, 2005, 2004, 2003 and 2002, respectively.

Statement of Operations Data:

	Year Ended December 31,				
	2006	2005	2004	2003	2002
Revenues					
Oil and gas sales	$ 683,928	$ 525,074	$ 315,703	$ 226,402	$ 190,954
Transportation and gathering	2,507	2,461	2,202	3,509	3,495
Gain (loss) on retirement of securities	—	—	(39)	18,526	3,098
Mark-to-market on oil and gas derivatives	86,491	10,868	—	—	—
Other	6,802	(2,563)	2,841	(2,670)	(5,958)
Total revenue	779,728	535,840	320,707	245,767	191,589
Costs and expenses					
Direct operating	92,224	67,112	46,308	36,423	31,869
Production and ad valorem taxes	36,915	31,516	20,504	12,894	8,574
Exploration	45,252	30,604	21,243	13,946	11,525
General and administrative	49,886	33,444	20,610	17,818	16,217
Deferred compensation plan	6,873	29,474	19,176	6,559	1,023
Interest expense and dividends on trust preferred	57,577	38,797	23,119	22,165	23,153
Depletion, depreciation and amortization	167,262	127,514	99,408	86,549	76,820
Provision for impairment	2,399	—	3,563	—	—
Total costs and expenses	458,388	358,461	253,931	196,354	169,181
Income from continuing operations before income taxes and accounting change	321,340	177,379	66,776	49,413	22,408
Income tax provision (benefit)					
Current	1,912	1,071	(245)	170	(4)
Deferred	121,814	65,297	24,790	18,319	(3,354)
	123,726	66,368	24,545	18,489	(3,358)
Income from continuing operations	197,614	111,011	42,231	30,924	25,766
Loss from discontinued operations	(38,912)	—	—	—	—
Income before cumulative effect of changes in accounting principles	158,702	111,011	42,231	30,924	25,766
Cumulative effect of changes in accounting principles, net of taxes	—	—	—	4,491	—
Net income	158,702	111,011	42,231	35,415	25,766
Preferred dividends	—	—	(5,163)	(803)	—
Net income available to common stockholders	$ 158,702	$ 111,011	$ 37,068	$ 34,612	$ 25,766
Earnings per common share:					
Basic – income from continuing operations	$ 1.48	$ 0.89	$ 0.40	$ 0.37	$ 0.32
– loss from discontinued operations	(0.29)	—	—	—	—
– cumulative effect of changes in accounting principles	—	—	—	0.05	—
– Net income	$ 1.19	$ 0.89	$ 0.40	$ 0.42	$ 0.32
Diluted – income from continuing operations	$ 1.42	$ 0.86	$ 0.38	$ 0.36	$ 0.32
– loss from discontinued operations	(0.28)	—	—	—	—
– cumulative effect of changes in accounting principles	—	—	—	0.05	—
– Net income	$ 1.14	$ 0.86	$ 0.38	$ 0.41	$ 0.32

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

The following discussion is intended to assist you in understanding our business and results of operations together with our present financial condition. This section should be read in conjunction with Item 6, "Selected Financial Data" and our consolidated financial statements and the accompanying notes included elsewhere in this Form 10-K.

Statements in our discussion may be forward-looking. These forward-looking statements involve risks and uncertainties. We caution that a number of factors could cause future production, revenues and expenses to differ materially from our expectations. See "Disclosures Regarding Forward-Looking Statements" at the beginning of this Annual Report and "Risk Factors" in Item 1A. for additional discussion of some of these factors and risks.

Overview of Our Business

We are an independent natural gas and oil company engaged in the exploration, development and acquisition of oil and gas properties, primarily in the Southwestern, Appalachian and Gulf Coast regions of the United States. We operate in one segment. We have a single company-wide management team that administers all properties as a whole rather than by discrete operating segments. We track only basic operational data by area. We do not maintain complete separate financial statement information by area. We measure financial performance as a single enterprise and not on an area-by-area basis.

Our strategy is to increase reserves and production through internally generated drilling projects coupled with complementary acquisitions. Our revenues, profitability and future growth depend substantially on prevailing prices for oil and gas and on our ability to find, develop and acquire oil and gas reserves that are economically recoverable. We use the successful efforts method of accounting for our oil and gas activities.

Industry Environment

We operate entirely within the United States, a mature region for the exploration and production of oil and gas. As a mature region, while new discoveries of oil and gas occur in the United States, the size and frequency of these discoveries is declining, while finding and development costs are increasing. We believe that there remain areas of the United States, such as the Appalachian basin and certain areas in our Southwest and Gulf Coast Divisions, which are underexplored or have not been fully explored and developed with the benefit of newly available exploration, production and reserve enhancement technology. Examples of such technology include advanced 3-D seismic processing, hydraulic reservoir fracture stimulation, advances in well logging and analysis, horizontal drilling and completion techniques, secondary and tertiary recovery practices, and automated remote well monitoring and control devices.

Another characteristic of a mature region is the historical exit of larger independent producers and major oil companies from such regions. These companies, searching for ever larger new discoveries, have ventured increasingly overseas and offshore, de-emphasizing their onshore United States assets. This movement out of mature basins by larger companies has provided acquisition opportunities for companies like ours that maintain well-equipped technical teams capable of generating additional value from these assets. In other situations, to increase cash flow without increasing capital spending, larger independent producers and major integrated oil companies have allowed smaller companies the opportunity to explore and develop reserves on their undeveloped acreage through joint ventures and farm-in arrangements.

We believe the acquisition market for natural gas properties has become extremely competitive as producers vie for additional production and expanded drilling opportunities. Acquisition values have reached historic highs and we expect these values to remain high in 2007. In addition, we expect drilling and service costs to remain at a high level in 2007 and for lease operating expenses to continue to rise as producers are forced to make operational enhancements to maintain aging fields.

Natural gas is a commodity. The price that we receive for the natural gas we produce is largely a function of market supply and demand. Demand for natural gas in the United States has increased dramatically over the last ten years. Demand is impacted by general economic conditions, estimates of gas in storage, weather and other seasonal condition, including hurricanes and tropical storms. Market conditions involving over or under supply of natural gas can result in substantial price volatility. Historically, commodity prices have been volatile and we expect the volatility to continue in the future. A substantial or extended decline in oil and gas prices or poor drilling results could have a material adverse effect on our financial position, results of operations, cash flows, quantities of oil and gas reserves that may be economically produced and our ability to access capital markets.

Source of Our Revenues

We derive our revenues from the sale of natural gas and oil that is produced from our properties. Revenues are a function of the volume produced and the prevailing market price at the time of sale. The price of oil and natural gas is the primary factor affecting our revenues. To achieve more predictable cash flows and to reduce our exposure to downward price fluctuations, we utilize derivative instruments to hedge future sales prices on a significant portion of our natural gas and oil production. During 2006, 2005 and 2004 the use of derivative instruments prevented us from realizing the full benefit of upward price movements and may continue to do so in future periods.

Principal Components of Our Cost Structure

- *Direct Operating Expenses.* These are day-to-day costs incurred to bring hydrocarbons out of the ground and to the market together with the daily costs incurred to maintain our producing properties. Such costs also include workovers and repairs to our oil and gas properties not covered by insurance. These costs are expected to remain high in 2007 as the demand for these services continues to increase. Direct operating expense includes stock-based compensation expense (non-cash) associated with the adoption of SFAS No. 123(R), amortization of restricted stock grants and mark-to-market of SARs as part of employee compensation.
- *Production and Ad Valorem Taxes.* These costs are primarily paid based on a percentage of market prices and not on hedged prices of production or at fixed rates established by federal, state or local taxing authorities.
- *Exploration Expense.* Geological and geophysical costs, seismic costs, delay rentals and the costs of unsuccessful exploratory wells or dry holes. Exploration expense includes stock-based compensation expense (non-cash) associated with the adoption of SFAS No. 123(R), amortization of restricted stock grants and mark-to-market of SARs as part of employee compensation.
- *General and Administrative Expense.* Overhead, including payroll and benefits for our corporate staff, costs of maintaining our headquarters, costs of managing our production and development operations, audit and other professional fees and legal compliance are included in general and administrative expense. General and administrative expense includes stock-based compensation expense (non-cash) associated with the adoption of SFAS No. 123(R), amortization of restricted stock grants and mark-to-market of SARs as part of employee compensation.
- *Interest.* We typically finance a portion of our working capital requirements and acquisitions with borrowings under our bank credit facility and with our longer term public traded debt securities. As a result, we incur substantial interest expense that is affected by both fluctuations in interest rates and our financing decisions. We may continue to incur significant interest expense as we continue to grow. We expect our 2007 capital budget to be funded with internal cash flow and asset sales.
- *Depreciation, Depletion and Amortization.* The systematic expensing of the capital costs incurred to acquire, explore and develop natural gas and oil. As a successful efforts company, we capitalize all costs associated with our acquisition and development efforts and all successful exploration efforts, and apportion these costs to each unit of production through depreciation, depletion and amortization expense. This also includes the systematic, monthly accretion of the future abandonment costs of tangible assets such as platforms, wells, service assets, pipelines, and other facilities.
- *Income Taxes.* We are subject to state and federal income taxes but are currently not in a tax paying position for regular federal income taxes, primarily due to the current deductibility of intangible drilling costs (“IDC”). We do pay some state income taxes where our IDC deductions do not exceed our taxable income or where state income taxes are determined on another basis. Currently, all of our federal taxes are deferred; however, at some point, we will utilize all of our net operating loss carryforwards and we will recognize current income tax expense and continue to recognize current tax expense as long as we are generating taxable income.

Management's Discussion and Analysis of Income and Operations

Volumes and Price Data

	2006	2005	2004
Production:			
Crude oil (bbls)	3,159,623	3,031,468	2,512,434
NGLs (bbls)	1,091,785	1,011,692	988,192
Natural gas (mcf)	75,266,847	63,003,600	50,722,121
Total (mcfe) [a]	100,775,295	87,262,560	71,725,877
Average daily production:			
Crude oil (bbls)	8,656	8,305	6,865
NGLs (bbls)	2,991	2,772	2,700
Natural gas (mcf)	206,210	172,613	138,585
Total (mcfe) [a]	276,097	239,076	195,972
Average sales prices (excluding hedging):			
Crude oil (per bbl)	$ 62.60	$ 53.31	$ 39.25
NGLs (per bbl)	33.62	31.52	23.73
Natural gas (per mcf)	6.58	7.98	5.79
Total (per mcfe) [a]	7.25	7.98	5.80
Average sales prices (including hedging):			
Crude oil (per bbl)	$ 47.27	$ 38.71	$ 28.04
NGLs (per bbl)	33.62	27.27	19.76
Natural gas (per mcf)	6.61	6.03	4.45
Total (per mcfe) [a]	6.79	6.02	4.40
Average NYMEX prices [b]			
Oil (per bbl)	$ 66.22	$ 56.56	$ 41.42
Natural gas (per mcf)	7.26	8.55	6.09

[a] Oil and NGLs are converted to mcfe at the rate of one barrel equals six mcfe.

[b] Based on average of bid week prompt month prices.

Overview of 2006 Results

During 2006, we achieved the following results:

- 15% production growth and 25% reserve growth;
- Drilled over 700 net wells;
- Continued expansion of drilling inventory and emerging plays;
- Record financial results and continued balance sheet improvement; and
- Completed an acquisition of properties containing 171 Bcfe of proved reserves.

Our 2006 performance reflects another year of successfully executing our strategy of growth through drilling and complementary acquisitions. The business of exploring for, developing, and acquiring oil and gas is highly competitive and capital intensive. As in any commodity business, the costs associated with finding, acquiring, extracting, and financing the operation are critical to profitability and long-term value creation for stockholders. Generating meaningful growth while containing costs represents an ongoing challenge for management. During periods of historically high oil and gas prices, such as 2005 and 2006, drilling service and operating cost increases are more prevalent due to increased competition for goods and services. We faced other challenges in 2006 including attracting and retaining qualified personnel, consummating and integrating acquisitions, and accessing the capital markets to fund our growth and capital simplification process on sufficiently favorable terms. We have continued to expand and improve the technical staff through the hiring of additional experienced professionals. Our inventory of exploration and development prospects continues to build, providing new growth opportunities, greater diversification of technical risk and better efficiency.

Total revenues increased 46% in 2006 over the same period of 2005. This increase is due to higher production and realized oil and gas prices. Our 2006 production growth is due to acquisitions completed in 2006 and to the continued success of our drilling program. Realized prices were higher by 13% in 2006 reflecting the expiration of lower priced oil and gas hedges. As discussed in Item 1A of this report, significant changes in oil and gas prices can have a significant impact on our balance sheet and our results of operations, particularly on the fair value of our derivatives.

Comparison of 2006 to 2005

Oil and gas revenue for the years ended December 31, 2006 and 2005 (in thousands) is summarized in the following table:

	2006	2005	Change	%
Revenues:				
Oil wellhead	$ 197,815	$ 161,627	$ 36,188	22%
Oil hedges	(48,445)	(44,273)	(4,172)	9%
Total oil revenue	$ 149,370	$ 117,354	$ 32,016	27%
Gas wellhead	$ 495,920	$ 502,691	$ (6,771)	1%
Gas hedges	1,934	(122,560)	124,494	102%
Total gas revenue	$ 497,854	$ 380,131	$ 117,723	31%
NGL	$ 36,704	$ 31,891	$ 4,813	15%
NGL hedges	—	(4,302)	4,302	100%
Total NGL revenue	$ 36,704	$ 27,589	$ 9,115	33%
Combined wellhead	$ 730,439	$ 696,209	$ 34,230	5%
Combined hedges	(46,511)	(171,135)	124,624	73%
Total oil and gas revenue	$ 683,928	$ 525,074	$ 158,854	30%

Average realized price received for oil and gas during 2006 was $6.79 per mcfe, up 13% or $0.77 per mcfe from 2005. Oil and gas revenues for 2006 reached a record $683.9 million and were 30% higher than 2005 due to higher realized oil and gas prices and a 15% increase in production. The average price received increased 22% to $47.27 per barrel for oil and increased 10% to $6.61 per mcf for gas from 2005. The effect of our hedging program decreased realized prices $0.46 per mcfe in 2006 versus a decrease of $1.96 in 2005.

Production volumes increased 15% from 2005 due to continued drilling success and additions from acquisitions consummated in 2006. Production increased 13.5 Bcfe from 2005. Our production volumes increased 10% in our Appalachia Division, increased 29% in our Southwest Division and declined 22% in our Gulf Coast Division.

Mark-to-market on oil and gas derivatives includes a gain of $86.5 million in 2006. In the fourth quarter of 2005, certain of our gas hedges no longer qualified for hedge accounting due to the effect of gas price volatility on the correlation between realized prices and hedge reference prices.

Other revenue increased in 2006 to a gain of $6.8 million from a loss of $2.6 million in 2005. The 2006 period includes $6.0 million of ineffective hedging gains and income from equity method investments of $548,000. The 2005 period includes ineffective hedging losses of $3.4 million.

Our operating expenses have increased as we continue to grow. We believe most of our operating expense fluctuations should be analyzed on a unit-of-production, or per mcfe basis.

The following table presents information about our operating expenses on an mcfe basis for 2006 and 2005:

Operating expenses per mcfe	2006	2005	Change	%
Direct operating expense (excluding $0.01 per mcfe stock-based compensation in 2006)	$0.90	$0.76	$0.14	18%
Production and ad valorem tax expense	0.37	0.36	0.01	3%
General and administrative expense (excluding stock-based compensation of $0.14 per mcfe in 2006 and $0.06 per mcfe in 2005)	0.35	0.33	0.02	6%
Interest expense	0.57	0.44	0.13	30%
Depletion, depreciation and amortization expense (excluding impairment)	1.66	1.46	0.20	14%

Direct operating expense (excluding stock-based compensation) increased $24.2 million to $90.8 million due to higher oilfield service costs, higher volumes and the integration of our recent acquisitions. Our operating expenses are increasing as we add new wells and maintain production from our existing properties. We incurred $6.7 million of expenses associated with workovers in 2006 versus $7.4 million in 2005. In 2006, 54% of our workover expenses were incurred by our Gulf Coast division and were primarily hurricane related. In 2005, 58% of our workover expenses were incurred by our Gulf Coast Division and were primarily hurricane related. On a per mcfe basis, direct operating expenses (excluding stock-based compensation) were $0.90 per mcfe and increased $0.14 per mcfe from 2005 with the increase consisting primarily of higher offshore well insurance ($0.02 per mcfe), higher utilities ($0.02 per mcfe), and higher water disposal and equipment costs ($0.06 per mcfe).

Production and ad valorem taxes are paid based on market prices and not hedged prices. These taxes increased $5.4 million, or 17%, from the same period of the prior year. On a per mcfe basis, production and ad valorem taxes increased from $0.36 per mcfe in 2005 to $0.37 per mcfe in 2006 due to higher market prices.

General and administrative expense (excluding stock-based compensation) for 2006 increased 25%, or $7.0 million, due to higher salaries and benefits ($6.0 million) and higher office rent and general office expense ($1.0 million). On a per mcfe basis, general and administration expense (excluding stock-based compensation) increased from $0.33 per mcfe in 2005 to $0.35 per mcfe in 2006.

Interest expense for 2006 increased $18.8 million, or 48%, to $57.6 million with higher average interest rates, higher average debt balances and the refinancing of certain debt from short-term floating to longer-term fixed rates. In 2006, we issued $250.0 million of 7.5% senior subordinated notes which added $9.7 million of interest costs. The proceeds from this issuance were used to retire shorter term bank debt. In 2006, the average debt outstanding on the bank credit facility was $347.8 million with an average interest rate of 6.4% compared to an average debt outstanding in 2005 of $314.8 million with an average interest rates of 4.5%.

Depletion, depreciation and amortization, ("DD&A"), increased $42.1 million, or 33%, due to higher production and higher depletion rates. DD&A (excluding impairment) increased from $1.46 per mcfe in 2005 to $1.66 per mcfe in 2006. In the fourth quarter of 2006, we lowered our salvage value estimates on our Appalachia wells which increased DD&A expense by $4.6 million. In 2006, we also recorded impairment of $2.4 million on an offshore property due to declining oil and gas prices which added $0.02 per mcfe. For 2007, based on our current reserve base, we expect our DD&A rate to average approximately $1.87 per mcfe. The increase in DD&A per mcfe is related to our Stroud acquisition, increasing drilling costs and the mix of our production.

Operating expenses also include other expenses that generally do not trend with production. These expenses include stock-based compensation, exploration expense and deferred compensation plan expense. In 2006, stock-based compensation is a component of direct operating expense ($1.4 million), exploration expense ($3.1 million), general and administrative expense ($14.3 million) and a $320,000 reduction of gas transportation revenues for a total of $19.1 million. In 2005, stock-based compensation is equal to $480,000 included in direct operating, $1.2 million included in exploration expense, $4.9 million included in general and administrative expense and a reduction of $117,000 of gas transportation revenues for a total of $6.7 million. This expense represents the amortization of restricted stock grants in 2006 and 2005, expenses related to the adoption of SFAS No. 123(R) in 2006 and in 2005, the mark-to-market of SARs granted to employees. The increase in stock-based compensation in 2006 is the result of adopting SFAS No. 123(R) which requires expensing of stock options.

Exploration expense increased 48% to $45.3 million due to higher seismic costs ($1.6 million), higher dry hole costs ($9.1 million) and higher personnel costs. The following table details our exploration-related expenses (in thousands):

Exploration expenses	2006	2005	Change	%
Dry hole expense	$ 16,103	$ 7,045	$ 9,058	129%
Seismic	15,412	13,844	1,568	11%
Personnel expense	6,917	5,872	1,045	18%
Stock-based compensation expense	3,079	1,250	1,829	146%
Other	3,741	2,593	1,148	44%
Total exploration expense	$ 45,252	$ 30,604	$ 14,648	48%

Deferred compensation plan expense decreased 77%, or $22.6 million from 2005. This non-cash expense relates to the increase or decrease in value of our common stock and other investments held in our deferred compensation plans. Our common stock price increased from $13.64 per share at the end of 2004 to $26.34 per share at the end of 2005 to $27.46 per share at the end of 2006.

Income tax expense for 2006 increased $57.4 million, or 86%, over 2005 due to a 81% increase in income from continuing operations. Our effective tax rate was 39% for 2006 and was 37% for 2005. The twelve months ended December 31, 2006 includes a $2.8 million adjustment for changes in state tax rates. Given our available net operating loss carryforward, we do not expect to pay significant federal income taxes. We paid $1.8 million of state income taxes in 2006.

Discontinued operations includes the operating results and impairment losses on the Austin Chalk properties which were acquired as part of the Stroud transaction. See also Note 4 to our consolidated financial statements. Due to significant price declines subsequent to the purchase of these properties and volumes produced since the acquisition, we recognized impairment of $74.9 million. These properties were sold on February 13, 2007 for proceeds of $80.4 million.

Comparison of 2005 to 2004

Oil and gas revenue for the years ended December 31, 2005 and 2004 (in thousands) is summarized in the following table:

	2005	2004	Change	%
Revenues				
Oil wellhead	$ 161,627	$ 98,608	$ 63,019	64%
Oil hedges	(44,273)	(28,169)	(16,104)	57%
Total oil revenue	$ 117,354	$ 70,439	$ 46,915	67%
Gas wellhead	$ 502,691	$ 293,769	$ 208,922	71%
Gas hedges	(122,560)	(68,031)	(54,529)	80%
Total gas revenue	$ 380,131	$ 225,738	$ 154,393	68%
NGL	$ 31,891	$ 23,446	$ 8,445	36%
NGL hedges	(4,302)	(3,920)	(382)	10%
Total NGL revenue	$ 27,589	$ 19,526	$ 8,063	41%
Combined wellhead	$ 696,209	$ 415,823	$ 280,386	67%
Combined hedges	(171,135)	(100,120)	(71,015)	71%
Total oil and gas revenue	$ 525,074	$ 315,703	$ 209,371	66%

Average realized price received for oil and gas during 2005 was $6.02 per mcfe, up 37% or $1.62 per mcfe from 2004. Oil and gas revenues for 2005 reached a record $525.1 million and were 66% higher than 2004 due to higher oil and gas prices and a 22% increase in production. The average price received in 2005 increased 38% to $38.71 per barrel for oil and increased 36% to $6.03 per mcf for gas. The effect of our hedging program decreased realized prices $1.96 per mcfe in 2005 versus a decrease of $1.40 in 2004.

Production volumes increased 22% from 2004 due to our drilling program and additions from acquisitions consummated in 2004, primarily our purchase of the 50% of Great Lakes that we did not own and Pine Mountain. Production increased 15.5 Bcfe from 2004. Our production volumes increased 69% in our Appalachia Division, increased 14% in our Southwest Division and declined 26% in our Gulf Coast Division.

Transportation and gathering revenue of $2.5 million increased $259,000 from 2004. This increase is primarily due to higher gas prices and additional throughput volumes offset by lower oil marketing revenue.

Mark-to-market on oil and gas derivatives includes a gain of $10.9 million in 2005. In the fourth quarter of 2005, certain of our gas hedges no longer qualify for hedge accounting due to the effect of volatility of gas prices on the correlation between realized prices and hedge reference prices.

Other revenue declined in 2005 to a loss of $2.6 million from a gain of $2.8 million in 2004. The 2005 period includes ineffective hedging losses due to widening basis differentials of $3.4 million. The 2004 period includes a gain on the sale of properties of $5.0 million and $712,000 of ineffective hedging gains offset by $2.0 million write-down of an insurance claim receivable.

The following table presents information about our operating expenses that generally trend with changes in production for 2005 and 2004:

Operating expenses per mcfe	2005	2004	Change	%
Direct operating expense (excluding stock-based compensation)	$0.76	$0.65	$0.11	17%
Production and ad valorem tax expense	0.36	0.29	0.07	24%
General and administration expense (excluding stock-based compensation of $0.06 per mcfe in 2005)	0.33	0.28	0.05	18%
Interest expense	0.44	0.32	0.12	38%
Depletion, depreciation and amortization expense (excluding impairment)	1.46	1.39	0.07	5%

Direct operating expense (excluding stock-based compensation) increased $20.3 million to $66.6 million due to increased costs from acquisitions, higher oilfield service costs and higher workover costs primarily in our Gulf Coast Division. Our operating expenses are increasing as we add new wells and maintain production from our existing properties. We incurred $7.4 million of expenses associated with workovers in 2005 versus $1.8 million in 2004. In 2005, 58% of our workover expenses were incurred by our Gulf Coast Division and were primarily hurricane related. On a per mcfe basis, direct operating expenses (excluding stock-based compensation) were $0.76 per mcfe and increased 17% or $0.11 per mcfe from 2004 consisting of higher field level costs ($0.04 per mcfe) and higher workover costs ($0.07 per mcfe).

Production and ad valorem taxes are paid based on market prices and not hedged prices. These taxes increased $11.0 million, or 54%, from the same period of the prior year. On a per mcfe basis, production and ad valorem taxes increased from $0.29 per mcfe to $0.36 per mcfe due to higher market prices.

General and administrative expense (excluding stock-based compensation) for 2005 increased 42%, or $8.5 million, from 2004 with additional personnel costs due to the Great Lakes and Pine Mountain acquisitions ($1.8 million), higher salaries and benefits ($3.5 million), higher legal expenses ($1.3 million) and a $725,000 legal settlement accrual. On a per mcfe basis, general and administration expense (excluding stock-based compensation) increased 17% from $0.28 per mcfe in 2004 to $0.33 per mcfe in 2005.

Interest expense for 2005 increased $15.7 million, or 68%, to $38.8 million with higher average interest rates, higher average debt balances and the refinancing of certain debt from short-term floating to longer-term fixed rates. In March 2005, we issued $150.0 million of 6.375% senior subordinated notes which added $7.8 million of interest costs. The proceeds from this issuance were used to retire lower interest bank debt. Average debt outstanding on the bank credit facility was $314.8 million and $296.6 million for 2005 and 2004, respectively, and the average interest rates were 4.3% and 3.5%, respectively.

Depletion, depreciation and amortization (“DD&A”) increased $24.5 million, or 24%, due to higher production and higher depletion rates. DD&A increased from $1.39 per mcfe in 2004 to $1.46 per mcfe in 2005. The twelve months ended December 31, 2004 includes a $3.6 million impairment charge on an offshore property in our Gulf Coast Division.

Operating expenses also include stock-based compensation, exploration expense and non-cash compensation expense that generally do not trend with production. In 2005, stock-based compensation expense is a component of direct operating expense ($480,000), exploration expense ($1.2 million) and general and administrative expense ($4.9 million). This expense represents the amortization of restricted stock grants and the market-to-market of SARs granted to employees. In 2004, stock-based compensation is a component of exploration expense ($24,000) and general and administrative expense ($541,000).

Exploration expense increased 44% to $30.6 million due to higher seismic costs ($10.5 million), higher personnel costs, higher stock-based compensation expense ($1.2 million), partially offset by lower dry hole costs ($5.0 million).

Exploration expenses	2005	2004	Change	%
Dry hole expense	$ 7,045	$ 12,096	$ (5,050)	42%
Seismic	13,844	3,329	10,515	316%
Personnel expense	5,872	4,451	1,421	32%
Stock-based compensation expense	1,250	24	1,226	5108%
Other	2,593	1,343	1,249	93%
Total exploration expense	$ 30,604	$ 21,243	$ 9,361	44%

Deferred compensation plan expense increased 53%, or $10.3 million, from 2004. This non-cash expense relates to the increase in value of our common stock and other investments held in our deferred compensation plans. Our common stock price increased from $13.64 per share at the end of 2004 to $26.34 per share at the end of 2005.

Tax expense for 2005 increased $41.8 million, or 170%, over 2004 due to a 166% increase in income before taxes. Our effective tax rate for 2005 and 2004 was 37%. Given our available net operating loss carryforward, we do not expect to pay significant federal income taxes.

Management's Discussion and Analysis of Financial Condition, Cash Flows and Liquidity

During 2006, our cash provided from continuing operations was $467.6 million, and we spent $898.6 million on capital expenditures (including acquisitions). During this period, financing activities provided net cash of $429.4 million. Our financing activities included the sale of $250.0 million of 7.5% senior subordinated notes and additional borrowings under our bank credit agreement. At December 31, 2006 we had $2.4 million in cash, total assets of $3.2 billion and a debt-to-capitalization ratio of 45.5%. Long-term debt at December 31, 2006 totaled $1.0 billion, including $452.0 million of bank debt and $596.8 million of senior subordinated notes. Available borrowing capacity under the bank credit facility at December 31, 2006 was $348.0 million.

Cash is required to fund capital expenditures necessary to offset inherent declines in production and reserves which is typical in the oil and gas industry. Future success in growing reserves and production will be highly dependent on capital resources available and the success of finding or acquiring additional reserves. We believe that net cash generated from operating activities and unused committed borrowing capacity under the bank credit facility combined with our oil and gas price hedges currently in place will be adequate to satisfy near term financial obligations and liquidity needs. However, long-term cash flows are subject to a number of variables including the level of production and prices as well as various economic conditions that have historically affected the oil and gas business. A material drop in oil and gas prices or a reduction in production and reserves would reduce our ability to fund capital expenditures, reduce debt, meet financial obligations and remain profitable. We operate in an environment with numerous financial and operating risks, including, but not limited to, the inherent risks of the search for, development and production of oil and gas, the ability to buy properties and sell production at prices which provide an attractive return and the highly competitive nature of the industry. Our ability to expand our reserve base is, in part, dependent on obtaining sufficient capital through internal cash flow, bank borrowings or the issuance of debt or equity securities. There can be no assurance that internal cash flow and other capital sources will provide sufficient funds to maintain capital expenditures that we believe are necessary to offset inherent declines in production and proved reserves.

Bank Debt

We maintain an $800.0 million revolving credit facility, which we refer to as our bank debt or our bank credit facility. The bank credit facility is secured by substantially all of our assets and matures on October 25, 2011. Availability under the bank credit facility is subject to a borrowing base set by the banks semi-annually with an option to set more often in certain circumstances. The borrowing base is dependent on a number of factors, primarily the lenders' assessment of future cash flows. Redeterminations of the borrowing base require approval of 75% of the lenders; increases require unanimous approval. At February 22, 2007, the bank credit facility had a $1.2 billion borrowing base and an $800.0 million facility amount. Credit availability is equal to the lesser of the facility amount or the borrowing base resulting in credit availability of $287.0 million on February 20, 2007. The facility amount can be increased to the borrowing base with twenty days notice.

Limitations on the payment of dividends and other restricted payments as defined are imposed under our bank debt and our subordinated notes. Under the bank credit facility, common and preferred dividends are permitted. The terms of each of our subordinated notes limit restricted payments (including dividends) to the greater of $20.0 million or a formula based on earnings and equity issuances since the original issuances of the notes. At December 31, 2006, approximately $496.2 million was available under the restricted payment baskets for each of our subordinated notes. The bank credit facility provides for a restricted payment basket of $20.0 million plus 66-2/3% of net cash proceeds from common stock issuances and 50% of net income. Approximately $446.4 million was available under the bank credit facility restricted payment basket as of December 31, 2006. The debt agreements contain customary covenants relating to debt incurrence, working capital, dividends and financial ratios. We were in compliance with all covenants at December 31, 2006.

Cash Flow

Our principal sources of cash are operating cash flow, bank borrowings and at times, issuance of debt and equity securities. Our operating cash flow is highly dependent on oil and gas prices. As of December 31, 2006, we had entered into hedging agreements covering 84.9 Bcfe and 71.7 Bcfe for 2007 and 2008. The $538.4 million of cash capital expenditures for 2006, excluding acquisitions, was funded with internal cash flow and borrowing under the bank credit facility. The $698.0 million capital budget for 2007, which excludes acquisitions, is expected to increase production and to expand the reserve base. Based on current projections, oil and gas futures prices and our hedge position, the 2007 capital program is expected to be funded with internal cash flow and asset sales.

Net cash provided from continuing operations in 2006 was $467.6 million, compared with $325.7 million in 2005 and $209.2 million in 2004. In 2006, cash flow from continuing operations increased due to higher production

volumes and higher realized prices partially offset by increasing operating costs. In 2005, cash flow from operations increased due to higher production volumes and prices partially offset by increasing operating, exploration and interest expenses. In 2004, cash flow from operations increased due to higher volumes and prices partially offset by increasing operating costs.

Net cash used in investing activities in 2006 was $911.7 million, compared with $432.4 million in 2005 and $624.3 million in 2004. In 2006, we spent $502.9 million in additions to oil and gas properties and $360.1 million on acquisitions. The 2005 period included $276.9 million in additions to oil and gas properties and $153.6 million of acquisitions. The 2004 period included $166.6 million in additions to oil and gas properties and $485.6 million of acquisitions.

Net cash provided from financing activities in 2006 was $429.4 million compared with $93.0 million in 2005 and $432.8 million in 2004. Historically, sources of financing have been primarily bank borrowings and capital raised through equity and debt offerings. During 2006, we received proceeds of $249.5 million from the issuance of our 7.5% Notes. During 2005, we received proceeds of $150.0 million and $109.2 million from the issuance of our 6.375% Notes and a common stock offering. During 2005, the outstanding balance under our bank credit facility declined $154.7 million primarily due to the proceeds received from the 6.375% Notes being applied to our bank debt. During 2004, we received proceeds of $98.1 million and $246.1 million from the issuance of additional 7.375% Notes and two common stock offerings, respectively. During 2004, the outstanding balance under our bank credit facility increased $245.7 million with $70.0 million related to the Great Lakes acquisition and the remaining increase the result of funding other acquisitions. Also in 2004, we redeemed the remaining outstanding 6% Debentures for $11.6 million.

Capital Requirements

Our primary needs for cash are for exploration, development and acquisition of oil and gas properties, repayment of principal and interest on outstanding debt and payment of dividends. During 2006, $502.9 million of capital was expended on drilling projects. Also in 2006, $360.1 million was expended on acquisitions primarily to purchase producing properties. The capital program, excluding acquisitions, was funded by net cash flow from operations and borrowings under our credit facility and our acquisitions were funded primarily with proceeds received from the issuance of our 7.5% Notes and borrowings under our credit facility. The 2007 capital budget of $698.0 million, excluding acquisitions, is expected to be funded by cash flow from operations and asset sales. In February 2007, we sold the Austin Chalk properties for proceeds of $80.4 million. Development and exploration activities are highly discretionary, and, for the foreseeable future, we expect such activities to be maintained at levels equal to internal cash flow and asset sales. To the extent capital requirements exceed internal cash flow and proceeds from asset sales, debt or equity may be issued to fund these requirements. The Stroud acquisition included the issuance of 6.5 million shares and the assumption of $106.7 million of debt. We currently believe we have sufficient liquidity and cash flow to meet our obligations for the next twelve months; however, a drop in oil and gas prices or a reduction in production or reserves could adversely affect our ability to fund capital expenditures and meet our financial obligations. Also, our obligations may change due to acquisitions, divestitures and continued growth. We may issue additional shares of stock, subordinated notes or other debt securities to fund capital expenditures, acquisitions, extend maturities or to repay debt.

Cash Dividend Payments

The amount of future dividends is subject to declaration by the board of directors and depends on earnings, capital expenditures and various other factors, such as restrictions under our bank debt and our subordinated notes. In 2006, we paid $12.2 million in dividends to our common shareholders ($0.03 per share in the fourth quarter and $0.02 per share in the third, second and first quarters). In 2005, we paid $7.6 million in dividends to our common stockholders ($0.02 per share in the fourth quarter and $0.0133 per share in the third, second and first quarters). In 2004, we paid $3.2 million in dividends to our common stockholders ($0.0067 per share in the second and third quarters and $0.0133 per share in the fourth quarter). Also in 2005 and 2004, we paid $2.2 million and $2.9 million in preferred stock dividends.

Future Commitments

In addition to our capital expenditure program, we are committed to making cash payments in the future on two types of contracts: note agreements and operating leases. As of December 31, 2006, we do not have any capital leases nor have we entered into any material long-term contracts for equipment. As of December 31, 2006, we do not have any off-balance sheet debt or other such unrecorded obligations and we have not guaranteed the debt of any other party. The table below provides estimates of the timing of future payments that we are obligated to make based on agreements in place at December 31, 2006. In addition to the contractual obligations listed on the table below, our balance sheet at December 31, 2006 reflects accrued interest payable on our bank debt of $925,000 which is payable in January 2007. We expect to make

annual interest payments of $14.8 million per year on our 7.375% Notes, $18.8 million per year on our 7.5% Notes and payments of $9.6 million per year on our 6.375% Notes.

The following summarizes our contractual financial obligations at December 31, 2006 and their future maturities. We expect to fund these contractual obligations with cash generated from operating activities, borrowings under the bank credit facility and proceeds from asset sales proceeds.

	Payment due by period				
	2007	2008 and 2009	2010 and 2011	Thereafter	Total
			(in thousands)		
Bank debt due 2011	$ —	$ —	$ 452,000 (a)	$ —	$ 452,000
7.375% senior subordinated notes due 2013	—	—	—	200,000	200,000
6.375% senior subordinated notes due 2015	—	—	—	150,000	150,000
7.5% senior subordinated notes due 2016	—	—	—	250,000	250,000
Operating leases	5,010	10,236	6,431	9,610	31,287
Drilling contracts	12,830	2,160	—	—	14,990
Service contracts	1,794	3,705	2,754	—	8,253
Derivative obligations (b)	4,621	266	—	—	4,887
Asset retirement obligation liability	4,193	8,674	8,423	74,298	95,588
Total contractual obligations (c)	$ 28,448	$ 25,041	$ 469,608	$ 683,908	$ 1,207,005

(a) Due at termination date of our bank credit facility, which we expect to renew, but there is no assurance that can be accomplished. Interest paid on our bank credit facility would be approximately $28.9 million each year assuming no change in the interest rate or outstanding balance.

(b) Derivative obligations represent net open derivative contracts valued as of December 31, 2006.

(c) This table does not include the liability for the deferred compensation plans since these obligations will be funded with existing plan assets.

Hedging – Oil and Gas Prices

We enter into derivative agreements to reduce the impact of oil and gas price volatility on our operations. At December 31, 2006, swaps were in place covering 73.6 Bcf of gas at prices averaging $9.29 per mcf. We also had collars covering 56.1 Bcf of gas at weighted average floor and cap prices of $7.42 to $10.49 and 4.5 million barrels of oil at weighted average floor and cap prices of $55.72 to $70.11. The derivative fair value, represented by the estimated amount that would be realized or payable on termination, based on a comparison of the contract price and a reference price, generally NYMEX, approximated a pretax gain of $149.8 million at December 31, 2006. The contracts expire monthly through December 2008. Transaction gains and losses are determined monthly and are included as increases or decreases on oil and gas revenue in the period the hedged production is sold. Realized hedging losses of $46.5 million were recognized in 2006 compared to losses of $171.1 million in 2005 and losses of $100.1 million in 2004. Changes in the value of the ineffective portion of all open hedges are recognized in earnings quarterly in other revenue. Unrealized effective gains and losses on hedging positions are recorded at an estimate of fair value based on a comparison of the contract price and a reference price, generally NYMEX, on our consolidated balance sheet as other comprehensive income (“OCI”) a component of stockholders’ equity. As of the fourth quarter of 2005, certain of our gas hedges no longer qualify for hedge accounting due to the effect of volatility of gas prices in the fourth quarter of 2005 and on the correlation between realized prices and hedge reference prices. These derivatives were marked-to-market in the amount of a gain of $10.9 million in the fourth quarter of 2005 and as a gain of $86.5 million in the year ended December 31, 2006.

At December 31, 2006, the following commodity derivative contracts were outstanding:

Period	Contract Type	Volume Hedged	Average Hedge Price
Natural Gas			
2007	Swaps	96,336 Mmbtu/day	$9.13
2007	Collars	98,500 Mmbtu/day	$7.13 - $9.99
2008	Swaps	105,000 Mmbtu/day	$9.42
2008	Collars	55,000 Mmbtu/day	$7.93 - $11.39
Crude Oil			
2007	Collars	6,300 bbl/day	$53.46 - $65.33
2008	Collars	6,000 bbl/day	$58.09 - $75.11

Interest Rates

At December 31, 2006, we had $1.0 billion of debt outstanding. Of this amount, $600.0 million bears interest at fixed rates averaging 7.2%. Bank debt totaling $452.0 million bears interest at floating rates, which averaged 6.4% at year-end 2006. The 30-day LIBOR rate on December 31, 2006 was 5.3%. A 1% increase in short-term interest rates on the floating-rate debt outstanding at December 31, 2006 would cost us approximately $4.5 million in additional annual interest.

Off-Balance Sheet Arrangements

We do not currently utilize any off-balance sheet arrangements to enhance liquidity and capital resource position, or for any other purpose.

Inflation and Changes in Prices

Our revenues, the value of our assets and our ability to obtain bank loans or additional capital on attractive terms have been and will continue to be affected by changes in oil and gas prices and the costs to produce our reserves. Oil and gas prices are subject to significant fluctuations that are beyond our ability to control or predict. Although certain of our costs and expenses are affected by general inflation, inflation does not normally have a significant effect on our business. In a trend that began in 2004 and accelerated during 2005 and 2006, commodity prices for oil and gas increased significantly. The higher prices have led to increased activity in the industry and, consequently, rising costs. These costs trends have put pressure not only on our operating costs but also on our capital costs. We expect further increases in these costs for 2007.

The following table indicates the average oil and gas prices received over the last five years and quarterly for 2006, 2005 and 2004. Average price calculations exclude hedging gains and losses. Oil is converted to natural gas equivalent at the rate of one barrel equals six mcfe.

	Average Prices (Excluding Hedging)			Average NYMEX Prices (a)	
	Oil (Per bbl)	Natural Gas (Per mcf)	Equivalent Mcf (Per mcfe)	Oil (Per bbl)	Natural Gas (Per mcf)
Annual					
2006	$62.60	$ 6.58	$ 7.25	$66.22	$ 7.26
2005	53.31	7.98	7.98	56.56	8.55
2004	39.25	5.79	5.80	41.42	6.09
2003	28.42	5.10	4.94	31.04	5.44
2002	23.34	3.02	3.16	26.08	3.25
Quarterly					
2006					
First	$59.80	$ 8.29	$ 8.39	$63.48	$ 9.07
Second	66.25	6.30	7.19	70.70	6.82
Third	64.69	6.12	7.00	70.48	6.53
Fourth	59.68	5.89	6.57	60.21	6.62
2005					
First	$47.09	$ 5.97	$ 6.24	$49.84	$ 6.32
Second	48.79	6.42	6.65	53.17	6.80
Third	59.90	7.88	8.17	63.19	8.25
Fourth	56.39	11.30	10.57	60.02	12.85
2004					
First	$32.15	$ 5.21	$ 5.10	$35.15	$ 5.69
Second	35.87	5.56	5.49	38.32	5.97
Third	40.99	5.59	5.70	43.88	5.84
Fourth	45.85	6.66	6.72	48.23	6.87

(a) Based on average of bid week prompt month prices.

Management's Discussion of Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at year-end and the reported amounts of revenues and expenses during the year. We base our estimates on historical experience and various other assumptions that we believe are reasonable; however, actual results may differ.

Certain accounting estimates are considered to be critical if (a) the nature of the estimates and assumptions is material due to the level of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to changes; and (b) the impact of the estimates and assumptions on financial condition or operating performance is material.

Oil and Gas Properties

Proved reserves are defined by the SEC as those volumes of crude oil, condensate, natural gas liquids and natural gas that geological and engineering data demonstrate with reasonable certainty are recoverable from known reservoirs under existing economic and operating conditions. Proved developed reserves are volumes expected to be recovered through existing wells with existing equipment and operating methods. Although our engineers are knowledgeable of and follow the guidelines for reserves established by the SEC, the estimation of reserves requires engineers to make a significant number of assumptions based on professional judgment. Reserve estimates are updated at least annually and consider recent production levels and other technical information. Estimated reserves are often subject to future revisions, which could be substantial, based on the availability of additional information, including: reservoir performance, new geological and geophysical data, additional drilling, technological advancements, price and cost changes and other economic factors. Changes in oil and gas prices can lead to a decision to start-up or shut-in production, which can lead to revisions to reserve quantities. Reserve revisions in turn cause adjustments in the depletion rates utilized by us. We cannot predict what reserve revisions may be required in future periods. Reserve estimates are reviewed and approved by our Vice President of Reservoir Engineering who reports directly to our Chief Operating Officer. To further ensure the reliability of our reserve estimates, we engage independent petroleum consultants to review our estimates of proved reserves. Historical variances between our reserve estimates and the aggregate estimates of our consultants have been less than 5%.

The following table sets forth a summary of the percent of reserves which were reviewed by independent petroleum consultants for each of the years ended 2006, 2005 and 2004.

	Audited[a]	
2006	2005	2004
87%	84%	88%

(a) Audited reserves are those reserves estimated by our employees and reviewed by an independent petroleum consultant.

We utilize the successful efforts method to account for exploration and development expenditures. Unsuccessful exploration drilling costs are expensed and can have a significant effect on reported operating results. Successful exploration drilling costs and all development costs are capitalized and systematically charged to expense using the units of production method based on proved developed oil and gas reserves as estimated by our engineers and reviewed by independent engineers. Costs incurred for exploratory wells that find reserves that cannot yet be classified as proved are capitalized on our balance sheet if (a) the well has found a sufficient quantity of reserves to justify its completion as a producing well and (b) we are making sufficient progress assessing the reserves and the economic and operating viability of the project. Otherwise, well costs are expensed if a determination as to whether proved reserves were found cannot be made within one year following completion of drilling and these criteria are not met. Proven property leasehold costs are charged to expense using the units of production method based on total proved reserves. Unproved properties are assessed periodically (at least annually) and impairments to value are charged to expense. The successful efforts method inherently relies upon the estimation of proved reserves, which includes proved developed and proved undeveloped volumes.

We adhere to the Statement of Financial Accounting Standards No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies," for recognizing any impairment of capitalized costs to unproved properties. The greatest portion of these costs generally relate to the acquisition of leasehold costs. The costs are capitalized and periodically evaluated (at least annually) as to recoverability, based on changes brought about by economic factors and potential shifts in

business strategy employed by management. We consider a combination of time, geologic and engineering factors to evaluate the need for impairment of these costs. Unproved properties had a net book value of $226.3 million in 2006 compared to $28.6 million in 2005 and $14.8 million in 2004.

Depletion rates are determined based on reserve quantity estimates and the capitalized costs of producing properties. As the estimated reserves are adjusted, the depletion expense for a property will change, assuming no change in production volumes or the capitalized costs. Estimated reserves are used as the basis for calculating the expected future cash flows from a property, which are used to determine whether that property may be impaired. Reserves are also used to estimate the supplemental disclosure of the standardized measure of discounted future net cash flows relating to oil and gas producing activities and reserve quantities in Note 19, “Supplemental Information on Natural Gas and Oil Exploration, Development and Production Activities” to our consolidated financial statements. Changes in the estimated reserves are considered in estimates for accounting purposes and are reflected on a prospective basis.

We monitor our long-lived assets recorded in property, plant and equipment in our consolidated balance sheet to ensure they are fairly presented. We must evaluate our properties for potential impairment when circumstances indicate that the carrying value of an asset could exceed its fair value. A significant amount of judgment is involved in performing these evaluations since the results are based on estimated future events. Such events include a projection of future oil and natural gas sales prices, an estimate of the ultimate amount of recoverable oil and gas reserves that will be produced from a field, the timing of future production, future production costs, future abandonment costs, and future inflation. The need to test a property for impairment can be based on several factors, including a significant reduction in sales prices for oil and/or gas, unfavorable adjustment to reserves, physical damage to production equipment and facilities, a change in costs, or other changes to contracts, environmental regulations or tax laws. All of these factors must be considered when testing a property’s carrying value for impairment. We cannot predict whether impairment charges may be required in the future.

We are required to develop estimates of fair value to allocate purchase prices paid to acquire businesses to the assets acquired and liabilities assumed under the purchase method of accounting. The purchase price paid to acquire a business is allocated to its assets and liabilities based on the estimated fair values of the assets acquired and liabilities assumed as of the date of acquisition. We use all available information to make these fair value determinations. See Note 3 to the consolidated financial statements for information on these acquisitions.

Derivatives

We use commodity derivative contracts to manage our exposure to oil and gas price volatility. We account for our commodity derivatives in accordance with SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities.” For derivative contracts designated as hedges, earnings are affected by the ineffective portion of a hedge contract (changes in realized prices that do not match the changes in the hedge price). Ineffective gains or losses are recorded in other revenue while the hedge contract is open and may increase or reverse until settlement of the contract. This may result in significant volatility to current period income. For derivatives qualifying as hedges, the effective portion of any changes in fair value is recognized in stockholders’ equity as other comprehensive income (“OCI”), and then reclassified to earnings, in oil and gas revenue, when the hedged transaction is consummated. This may result in significant volatility in stockholders’ equity. The fair value of open hedging contracts is an estimated amount that could be realized upon termination. As of the fourth quarter of 2005, certain of our gas hedges no longer qualify for hedge accounting due to the volatility of gas prices and their effect on our basis differentials and are marked-to-market.

The commodity derivatives we use include commodity collars and swaps. While there is a risk that the financial benefit of rising prices may not be captured, we believe the benefits of stable and predictable cash flow are more important. Among these benefits are a more efficient utilization of existing personnel and planning for future staff additions, the flexibility to enter into long-term projects requiring substantial committed capital, smoother and more efficient execution of our ongoing development drilling and production enhancement programs, more consistent returns on invested capital, and better access to bank and other credit markets.

Asset Retirement Obligations

We have significant obligations to remove tangible equipment and restore land or seabed at the end of oil and gas production operations. Removal and restoration obligations are primarily associated with plugging and abandoning wells and removing and disposing of offshore oil and gas platforms. Estimating the future asset removal costs is difficult and requires us to make estimates and judgments because most of the removal obligations are many years in the future and contracts and regulations often have vague descriptions of what constitutes removal. Asset removal technologies and costs are constantly changing, as are regulatory, political, environmental, safety and public relations considerations.

Inherent in the fair value calculation are numerous assumptions and judgments including the ultimate retirement costs, inflation factors, credit adjusted discount rates, timing of retirement, and changes in the legal, regulatory, environmental and political environments. To the extent future revisions to these assumptions impact the present value of the existing asset retirement obligation, ("ARO"), a corresponding adjustment is made to the oil and gas property balance. In addition, increases in the discounted ARO liability resulting from the passage of time are reflected as accretion expense, a component of depletion, depreciation and amortization in our consolidated statement of operations.

Deferred Taxes

We are subject to income and other taxes in all areas in which we operate. When recording income tax expense, certain estimates are required because income tax returns are generally filed many months after the close of a calendar year, tax returns are subject to audit which can take years to complete and future events often impact the timing of when income tax expenses and benefits are recognized. We have deferred tax assets relating to tax operating loss carryforwards and other deductible differences. We routinely evaluate deferred tax assets to determine the likelihood of realization. A valuation allowance is recognized on deferred tax assets when we believe that certain of these assets are not likely to be realized.

In determining deferred tax liabilities, accounting rules require OCI to be considered, even though such income or loss has not yet been earned. At year-end 2005, deferred tax liabilities exceeded deferred tax assets by $113.1 million, with $85.5 million of deferred tax assets related to unrealized deferred hedging losses included in OCI. At year-end 2006, deferred tax liabilities exceeded deferred tax assets by $468.6 million, with $21.3 million of deferred tax liabilities related to unrealized hedging gains included in OCI.

We may be challenged by taxing authorities over the amount and/or timing of recognition of revenues and deductions in our various income tax returns. Although we believe that we have adequately provided for all taxes, gains or losses could occur in the future due to changes in estimates or resolution of outstanding tax matters.

Contingent Liabilities

A provision for legal, environmental and other contingent matters is charged to expense when the loss is probable and the cost or range of cost can be reasonably estimated. Judgment is often required to determine when expenses should be recorded for legal, environmental and contingent matters. In addition, we often must estimate the amount of such losses. In many cases, our judgment is based on the input of our legal advisors and on the interpretation of laws and regulations, which can be interpreted differently by regulators and/or the courts. We monitor known and potential legal, environmental and other contingent matters and make our best estimate of when to record losses for these matters based on available information. Although we continue to monitor all contingencies closely, particularly our outstanding litigation, we currently have no material accruals for contingent liabilities.

Accounting Standards Not Yet Adopted

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements but may require some entities to change their measurement practices. For Range, SFAS No. 157 will be effective January 1, 2008, with early application permitted. We are currently evaluating the provisions of this statement.

In July 2006, FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109" was issued. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The new standard also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. For Range, the provisions of FIN 48 are effective January 1, 2007. The cumulative effect of adopting FIN 48 will be recorded in retained earnings. Range is currently evaluating the provisions of FIN 48 to determine the impact on its consolidated financial statements but we do not expect a material impact on our financial position or results of operations.

ITEM 7A. QUANTITIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our potential exposure to market risks. The term “market risk” refers to the risk of loss arising from adverse changes in oil and gas prices and interest rates. The disclosures are not meant to be precise indicators of expected future losses, but rather indicators of reasonably possible losses. This forward-looking information provides indicators of how we view and manage our ongoing market-risk exposure. All of our market-risk sensitive instruments were entered into for purposes other than trading. All accounts are US dollar denominated.

Market Risk

Our major market risk is exposure to oil and gas prices. Realized prices are primarily driven by worldwide prices for oil and spot market prices for North American gas production. Oil and gas prices have been volatile and unpredictable for many years.

Commodity Price Risk

We periodically enter into derivative arrangements with respect to our oil and gas production. These arrangements are intended to reduce the impact of oil and gas price fluctuations. Certain of our derivatives are swaps where we receive a fixed price for our production and pay market prices to the counterparty. Our derivatives program also includes collars which assume a minimum floor price and a predetermined ceiling price. The majority of our derivatives qualify as accounting hedges. In times of increasing price volatility, we may experience losses from our hedging arrangements and increased basis differentials at the delivery points where we market our production. Widening basis differentials occur when the physical delivery market prices do not increase proportionately to the increased prices in the financial trading markets. Realized gains and losses are recognized in oil and gas revenues when the associated production occurs. Gains or losses on open contracts are recorded either in current period income or other comprehensive income. Generally, derivative losses occur when market prices increase, which are offset by gains on the underlying physical commodity transaction. Conversely, derivative gains occur when market prices decrease, which are offset by losses on the underlying commodity transaction. Ineffective gains and losses are recognized in earnings as a component of other revenue. We do not enter into derivative instruments for trading purposes. Though not all of our derivatives qualify as accounting hedges, the purpose of entering into the contracts is to economically hedge oil and gas prices. Those that do not qualify as accounting hedges are marked to market through earnings.

As of December 31, 2006, we had oil and gas swaps in place covering 73.6 Bcf of gas. We also had collars covering 56.1 Bcf of gas and 4.5 million barrels of oil. These contracts expire monthly through December 2008. The fair value, represented by the estimated amount that would be realized upon immediate liquidation as of December 31, 2006, approximated a net pre-tax gain of $149.8 million. Gains or losses realized on hedging transactions are determined monthly based upon the difference between contract price received by us for the sale of our hedged production and the hedge price, generally closing prices on the NYMEX. These gains and losses are included as increases or decreases to oil and gas revenues in the period the hedged production is sold. In 2006, pre-tax losses were realized in the amount of $46.5 million compared to losses of $171.1 million in 2005 and losses of $100.1 million in 2004. Gains and losses due to commodity hedge ineffectiveness are recognized in earnings in other revenues in our consolidated statement of operations. The ineffective portion of hedges that qualified for hedge accounting was a gain of $6.0 million in 2006 compared to a loss of $3.4 million in 2005 and a gain of $712,000 in 2004.

Other Commodity Risk

We are impacted by basis risk, caused by factors that affect the relationship between commodity futures prices reflected in derivative commodity instruments and the cash market price of the underlying commodity. Natural gas transaction prices are frequently based on industry reference prices that may vary from prices experienced in local markets. If commodity prices changes in one region are not reflected in other regions, derivative commodity instruments may no longer provide the expected hedge, resulting in increased basis risk. As of the fourth quarter of 2005, certain of our gas hedges no longer qualify for hedge accounting due to the volatility in gas prices and its effect on our basis differentials and are marked-to-market. This resulted in a gain of $10.9 million in the fourth quarter of 2005 compared to a gain of $86.5 million in the year ended December 31, 2006 in the income statement category called mark-to-market on oil and gas derivatives.

At December 31, 2006, the following commodity derivative contracts were outstanding:

Period	Contract Type	Volume Hedged	Average Hedge Price
Natural Gas			
2007	Swaps	96,336 Mmbtu/day	$9.13
2007	Collars	98,500 Mmbtu/day	$7.13 - $9.99
2008	Swaps	105,000 Mmbtu/day	$9.42
2008	Collars	55,000 Mmbtu/day	$7.93 - $11.39
Crude Oil			
2007	Collars	6,300 bbl/day	$53.46 - $65.33
2008	Collars	6,000 bbl/day	$58.09 - $75.11

In 2006, a 10% reduction in oil and gas prices, excluding amounts fixed through hedging transactions, would have reduced revenue by $73.4 million. If oil and gas futures prices at December 31, 2006 had declined by 10%, the unrealized hedging gain at that date would have increased $74.8 million.

Interest Rate Risk

At December 31, 2006, we had $1.0 billion of debt outstanding. Of this amount, $600.0 million bears interest at

a fixed rate averaging 7.2%. Bank debt totaling $452.0 million bears interest at floating rates, which averaged 6.4% on that date. On December 31, 2006, the 30-day LIBOR rate was 5.3%. A 1% increase in short-term interest rates on the floating-rate debt outstanding at December 31, 2006 would cost us approximately $4.5 million in additional annual interest rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

For financial statements required by Item 8, see Item 15 in Part IV of this report.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in 13a-15(e) of the Securities Exchange Act of 1934, or the Exchange Act). Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures are effective.

Management's Annual Report on Internal Control over Financial Reporting and Attestation Report of Registered Public Accounting Firm. Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we have included a report of management's assessment of the design and effectiveness of its internal controls as part of this Annual Report on Form 10-K for the fiscal year ended December 31, 2006. Ernst & Young, LLP, our registered public accountants, also attested to, and reported on, management's assessment of the effectiveness of internal control over financial reporting. Management's report and the independent public accounting firms attestation report are included in our 2006 Financial Statements in Item 15 under the captions "Management's Report on Internal Control over Financial Reporting" and "Report of Independent Registered Public Accounting Firm" and are incorporated herein by reference.

Changes in Internal Control over Financial Reporting. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of our internal control over financial reporting to determine whether any changes occurred during the fourth quarter of 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there were no changes in our internal control over financial reporting or in other factors that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The officers and directors are listed below with a description of their experience and certain other information. Each director was elected for a one-year term at the 2006 annual stockholders' meeting. Officers are appointed by our board of directors.

	Age	Office Held Since	Position
Charles L. Blackburn	79	2003	Director, Chairman of the Board
Anthony V. Dub	57	1995	Director
V. Richard Eales	70	2001	Director
Allen Finkelson	60	1994	Director
Jonathan S. Linker	58	2002	Director
Kevin S. McCarthy	47	2005	Director
John H. Pinkerton	52	1990	Director, President, Chief Executive Officer
Jeffrey L. Ventura	49	2003	Director, Executive Vice President – Chief Operating Officer
Steven L. Grose	58	2005	Senior Vice President – Appalachia
Roger S. Manny	49	2003	Senior Vice President and Chief Financial Officer
Chad L. Stephens	51	1990	Senior Vice President – Corporate Development
Rodney L. Waller	57	1999	Senior Vice President, Chief Compliance Officer and Corporate Secretary
Mark D. Whitley	55	2005	Senior Vice President – Permian Business Unit and Engineering Technology

Charles L. Blackburn was elected as a director in 2003 and appointed as the non-executive Chairman of the Board. Mr. Blackburn has more than 40 years experience in oil and gas exploration and production serving in several executive and board positions. Previously, he served as Chairman and Chief Executive Officer of Maxus Energy Corporation from 1987 until that company's sale to YPF Socieded Anonima in 1995. Maxus was the oil and gas producer which remained after Diamond Shamrock Corporation's spin-off of its refining and marketing operations. Mr. Blackburn joined Diamond Shamrock in 1986 as President of their exploration and production subsidiary. From 1952 through 1986, Mr. Blackburn was with Shell Oil Company, serving as Director and Executive Vice President for exploration and production for the final ten years of that period. Mr. Blackburn has previously served on the Boards of Anderson Clayton and Co. (1978-1986), King Ranch Corp. (1987-1988), Penrod Drilling Co. (1988-1991), Landmark Graphics Corp. (1992-1996) and Lone Star Technologies, Inc. (1991-2001). Currently, Mr. Blackburn also serves as an advisory director to the oil and gas loan committee of Guaranty Bank. Mr. Blackburn received his Bachelor of Science degree in Engineering Physics from the University of Oklahoma in 1952.

Anthony V. Dub became a director in 1995. Mr. Dub is Chairman of Indigo Capital, LLC, a financial advisory firm based in New York. Prior to forming Indigo Capital in 1997, he served as an officer of Credit Suisse First Boston ("CSFB"). Mr. Dub joined CSFB in 1971 and was named a Managing Director in 1981. Mr. Dub led a number of departments during his 26 year career at CSFB including the Investment Banking Department. After leaving CSFB, Mr. Dub became Vice Chairman and a director of Capital IQ, Inc. until its sale to Standard and Poor's in 2004. Capital IQ is the leader in helping organizations capitalize on synergistic integration of market intelligence, institutional knowledge and relationships. Mr. Dub received a Bachelor of Arts, *magna cum laude*, from Princeton University.

V. Richard Eales became a director in 2001. Mr. Eales has over 35 years of experience in the energy, high technology and financial industries. He is currently retired, having been a financial consultant serving energy and information technology businesses from 1999 through 2002. Mr. Eales was employed by Union Pacific Resources Group Inc. from 1991 to 1999 serving as Executive Vice President from 1995 through 1999. Prior to 1991, Mr. Eales served in various financial capacities with Butcher & Singer and Janney Montgomery Scott, investment banking firms, as CFO of Novell, Inc., a technology company, and in the treasury department of Mobil Oil Corporation. Mr. Eales received his Bachelor of Chemical Engineering from Cornell University and his Masters in Business Administration from Stanford University.

Allen Finkelson became a director in 1994. Mr. Finkelson has been a partner at Cravath, Swaine & Moore LLP since 1977, with the exception of the period 1983 through 1985, when he was a managing director of Lehman Brothers Kuhn

Loeb Incorporated. Mr. Finkelson joined Cravath, Swaine & Moore, LLP in 1971. Mr. Finkelson earned a Bachelor of Arts from St. Lawrence University and a J.D. from Columbia University School of Law.

Jonathan S. Linker became a director in 2002. Mr. Linker previously served as a director of Range from 1998 to 2000. He has been active in the energy business since 1972. Mr. Linker joined First Reserve Corporation in 1988 and was a Managing Director of the firm from 1996 until July 2001. Mr. Linker is currently Manager of Houston Energy Advisors LLC, an investment advisor providing management and investment services to two private equity funds. Mr. Linker has been President and a director of IDC Energy Corporation since 1987, a director and officer of Sunset Production Corporation since 1991 serving currently as Chairman, and Manager of Shelby Resources Inc., all small, privately-owned exploration and production companies. Mr. Linker received a Bachelor of Arts in Geology from Amherst College, a Masters in Geology from Harvard University and an MBA from Harvard University's Graduate School of Business Administration.

Kevin S. McCarthy became a director in 2005. Mr. McCarthy is Chairman, Chief Executive Officer and President of Kayne Anderson MLP Investment Company, Kayne Anderson Energy Total Return Fund, Inc. and Kayne Anderson Energy Development Company which are each NYSE listed closed-end investment companies. Mr. McCarthy joined Kayne Anderson Capital Advisors as a Senior Managing Director in 2004 from UBS Securities LLC where he was global head of energy investment banking. In this role, he had senior responsibility for all of UBS' energy investment banking activities, including direct responsibilities for securities underwriting and mergers and acquisitions in the energy industry. From 1995 to 2000, Mr. McCarthy led the energy investment banking activities of Dean Witter Reynolds and then PaineWebber Incorporated. He began his investment banking career in 1984. He is also on the board of directors of Clearwater Natural Resources, L.P. He earned a Bachelor of Arts in Economics and Geology from Amherst College and an MBA in Finance from the University of Pennsylvania's Wharton School.

John H. Pinkerton, President, Chief Executive Officer and a director, became a director in 1988. He joined Range as President in 1990 and was appointed Chief Executive Officer in 1992. Previously, Mr. Pinkerton was Senior Vice President of Snyder Oil Corporation ("SOCO"). Prior to joining SOCO in 1980, Mr. Pinkerton was with Arthur Andersen. Mr. Pinkerton received his Bachelor of Arts in Business Administration from Texas Christian University and a masters degree from the University of Texas at Arlington.

Jeffrey L. Ventura, Executive Vice President – Chief Operating Officer, joined Range in 2003 and became a director in 2005. Previously, Mr. Ventura served as President and Chief Operating Officer of Matador Petroleum Corporation which he joined in 1997. Prior to 1997, Mr. Ventura spent eight years at Maxus Energy Corporation where he managed various engineering, exploration and development operations and was responsible for coordination of engineering technology. Previously, Mr. Ventura was with Tenneco, where he held various engineering and operating positions. Mr. Ventura holds a Bachelor of Science degree in Petroleum and Natural Gas Engineering from Pennsylvania State University.

Alan W. Farquharson, Senior Vice President – Reservoir Engineering, joined Range in 1998. Since joining Range, Mr. Farquharson has held the positions of Manager and Vice President of Reservoir Engineering. Previously, Mr. Farquharson held various positions with Union Pacific Resources including Engineering Manager Business Development – International. Prior to that, Mr. Farquharson held various technical and managerial positions at Amoco and Hunt Oil. He holds a Bachelor of Science degree in Electrical Engineering from Pennsylvania State University.

Steven L. Grose, Senior Vice President – Appalachia, joined Range in 1980. Previously, Mr. Grose was employed by Halliburton Services, Inc. from 1971 until 1978. Mr. Grose is a member of the Society of Petroleum Engineers and is a past president of The Ohio Oil and Gas Association. Mr. Grose received his Bachelor of Science degree in Petroleum Engineering from Marietta College.

Roger S. Manny, Senior Vice President and Chief Financial Officer, joined Range in 2003. Previously, Mr. Manny served as Executive Vice President and Chief Financial Officer of Matador Petroleum Corporation since 1998. Prior to 1998, Mr. Manny spent 18 years at Bank of America and its predecessors where he served as Senior Vice President in the energy group. Mr. Manny holds a Bachelor of Business Administration degree from the University of Houston and a Masters of Business Administration from Houston Baptist University.

Chad L. Stephens, Senior Vice President – Corporate Development, joined Range in 1990. Prior to 2002, Mr. Stephens held the position of Senior Vice President – Southwest. Previously, Mr. Stephens was with Duer Wagner & Co., an independent oil and gas producer for approximately two years. Prior to that, Mr. Stephens was an independent oil operator in Midland, Texas for four years. From 1979 to 1984, Mr. Stephens was with Cities Service Company and HNG Oil Company. Mr. Stephens received a Bachelor of Arts in Finance and Land Management from the University of Texas.

Rodney L. Waller, Senior Vice President and Corporate Secretary, joined Range in 1999. Since joining Range, Mr. Waller has held the position of Senior Vice President and Corporate Secretary. Previously, Mr. Waller was Senior Vice President of SOCO, now part of Devon Energy Corporation. Before joining SOCO, Mr. Waller was with Arthur Andersen. Mr. Waller is a certified public accountant and petroleum land man. Mr. Waller served as a director of Range from 1988 to 1994. Mr. Waller received a Bachelor of Arts degree in Accounting from Harding University.

Mark D. Whitley, Senior Vice President – Permian Business Unit and Engineering Technology, joined Range in 2005. Previously, he served as Vice President – Operations with Quicksilver Resources for two years. Prior to that, he

served as Production/Operation Manager for Devon Energy, following the Devon/Mitchell merger. From 1982 to 2002, Mr. Whitley held a variety of technical and managerial roles with Mitchell Energy. Notably, he led the team of engineers at Mitchell Energy who applied new stimulation techniques to unlock the shale gas potential in the Fort Worth Basin. Previous positions included serving as a production and reservoir engineer with Shell Oil. He holds a Bachelor's degree in Chemical Engineering from Worcester Polytechnic Institute and a Master's degree in Chemical Engineering from the University of Kentucky.

Section 16(a) Beneficial Ownership Reporting Compliance

See the material appearing under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" in the Range Proxy Statement for the 2007 Annual Meeting of stockholders which is incorporated herein by reference.

Code of Ethics

Code of Ethics. We have adopted a Code of Ethics that applies to our principal executive officers, principal financial officer, principal accounting officer, or persons performing similar functions. A copy is available on our website, www.rangeresources.com. We intend to disclose any amendments to or waivers of the Code of Ethics on behalf of our Chief Executive Officer, Chief Financial Officer, Controller and persons performing similar functions on our website at www.rangeresources.com, under the Corporate Governance caption, promptly following the date of such amendment or waiver.

Identifying and Evaluating Nominees for Directors

See the material under the heading "Consideration of Director Nominees" in the Range Proxy Statement for the 2007 Annual Meeting of stockholders which is incorporated herein by reference.

Audit Committee

See the material under the heading "Audit Committee" in the Range Proxy Statement for the 2007 Annual Meeting of stockholders which is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference to such information as set forth in our definitive Proxy Statement for the 2007 Annual Meeting of stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is incorporated by reference to such information as set forth in our definitive proxy statement for the 2007 Annual Meeting of stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference to such information as set forth in our definitive proxy statement for the 2007 Annual Meeting of stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference to such information as set forth in our definitive proxy statement for the 2007 Annual Meeting of stockholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of the report

1. Financial Statements:

2. All other schedules are omitted because they are not applicable, not required, or because the required information is included in the financial statements or related notes.

3. Exhibits:

(a) See Index of Exhibits on page F-37 for a description of the exhibits filed as a part of this report.

GLOSSARY

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

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

bcf. One billion cubic feet of gas.

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

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 oil or natural gas in sufficient economic quantities.

exploratory well. A well drilled to find oil or gas in an unproved area, to find a new reservoir in an existing field 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.

LIBOR. London Interbank Offer Rate, the rate of interest at which banks offer to lend to one another in the wholesale money markets in the City of London. This rate is a yardstick for lenders involved in many debt transactions.

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

mcf. One thousand cubic feet of gas.

mcf per day. One thousand cubic feet of gas per day.

mcfe. One thousand cubic feet of natural gas equivalents, based on a ratio of 6 mcf for each barrel of oil or NGL, which reflects relative energy content.

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

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

Mmcf. One million cubic feet of gas.

Mmcfe. One million cubic feet of gas equivalents.

NGLs. Natural gas liquids.

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

present value (PV). The present value of future net cash flows, using a 10% discount rate, from estimated proved reserves, using constant prices and costs in effect on the date of the report (unless such prices or costs are subject to change pursuant to contractual provisions). The after tax present value is the Standardized Measure.

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 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 economics 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 an existing well bore in another formation from that in which the well has been previously completed.

reserve life index. Proved reserves at a point in time divided by the then production rate (annual or quarterly).

royalty acreage. Acreage represented by a fee mineral or royalty interest which entitles the owner to receive free and clear of all production costs a specified portion of the oil and gas produced or a specified portion of the value of such 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.

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.

SIGNATURES

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

Dated: February 26, 2007

RANGE RESOURCES CORPORATION

By: /s/ John H. Pinkerton
John H. Pinkerton
President and Chief Executive Officer

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

/s/ Charles L. Blackburn Charles L. Blackburn	Chairman of the Board	February 26, 2007
/s/ John H. Pinkerton John H. Pinkerton	President, Chief Executive Officer and Director	February 26, 2007
/s/ Jeffrey L. Ventura Jeffrey L. Ventura	Executive Vice President and Director	February 26, 2007
/s/ Roger S. Manny Roger S. Manny	Chief Financial and Accounting Officer	February 26, 2007
/s/ Anthony V. Dub Anthony V. Dub	Director	February 26, 2007
/s/ V. Richard Eales V. Richard Eales	Director	February 26, 2007
/s/ Allen Finkelson Allen Finkelson	Director	February 26, 2007
/s/ Jonathan S. Linker Jonathan S. Linker	Director	February 26, 2007
/s/ Kevin S. McCarthy Kevin S. McCarthy	Director	February 26, 2007

RANGE RESOURCES CORPORATION

INDEX TO FINANCIAL STATEMENTS

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Stockholders of
Range Resources Corporation:

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934). Our internal control over financial reporting is designed to provide reasonable assurance to management and board of directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2006. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework.* Based on our assessment, we believe that, as of December 31, 2006, our internal control over financial reporting is effective based on those criteria.

Management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2006, has been audited by Ernst & Young, LLP, an independent registered public accounting firm which also audited our consolidated financial statements. Ernst & Young's attestation report on management's assessment of our internal control over financial reporting is included under the heading "Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting."

By: /s/ John H. Pinkerton
John H. Pinkerton
President and Chief Executive Officer

By: /s/ Roger S. Manny
Roger S. Manny
Senior Vice President and Chief Financial Officer

Fort Worth, Texas
February 26, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Stockholders of
Range Resources Corporation:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Range Resources Corporation (the "Company") maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Range Resources Corporation maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Range Resources Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Range Resources Corporation as of December 31, 2006 and 2005 and the related consolidated statements of operations, stockholders' equity, comprehensive income (loss) and cash flows for each of the three years in the period ended December 31, 2006 and our report dated February 26, 2007 expressed an unqualified opinion thereon.

Ernst & Young LLP

Fort Worth, Texas
February 26, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Range Resources Corporation:

We have audited the accompanying consolidated balance sheets of Range Resources Corporation (the "Company") as of December 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity, comprehensive income (loss) and cash flows for each of the three years in the period ended December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Range Resources Corporation at December 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, in 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment."

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2007 expressed an unqualified opinion thereon.

Ernst & Young LLP

Fort Worth, Texas
February 26, 2007

RANGE RESOURCES CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	December 31, 2006	December 31, 2005
Assets		
Current assets:		
Cash and equivalents	$ 2,382	$ 4,750
Accounts receivable, less allowance for doubtful accounts of $746 and $624	130,349	128,532
Assets held for sale	79,304	—
Unrealized derivative gain	93,588	425
Deferred tax asset	—	61,677
Inventory and other	14,714	12,593
Total current assets	320,337	207,977
Unrealized derivative gain	61,068	—
Equity method investment	13,618	—
Oil and gas properties, successful efforts method	3,641,227	2,548,090
Accumulated depletion and depreciation	(964,551)	(806,908)
	2,676,676	1,741,182
Transportation and field assets	80,066	65,210
Accumulated depreciation and amortization	(32,923)	(25,966)
	47,143	39,244
Other assets	68,832	30,582
Total assets	$ 3,187,674	$ 2,018,985
Liabilities		
Current liabilities:		
Accounts payable	$ 172,081	$ 119,907
Asset retirement obligations	4,216	3,166
Accrued liabilities	38,500	28,372
Accrued interest	12,938	10,214
Unrealized derivative loss	4,621	160,101
Total current liabilities	232,356	321,760
Bank debt	452,000	269,200
Subordinated notes	596,782	346,948
Deferred tax, net	468,643	174,817
Unrealized derivative loss	266	70,948
Deferred compensation liability	90,094	73,492
Asset retirement obligations	91,372	64,897
Commitments and contingencies	—	—
Stockholders' Equity		
Preferred stock, $1 par, 10,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $.01 par, 250,000,000 shares authorized, 138,931,565 issued at December 31, 2006 and 129,913,046 issued at December 31, 2005	1,389	1,299
Common stock held in treasury – 5,826 shares at December 31, 2005	—	(81)
Additional paid-in capital	1,079,994	845,519
Retained earnings	160,313	13,800
Common stock held by employee benefit trust, 1,853,279 and 1,971,605 shares, respectively, at cost	(22,056)	(11,852)
Deferred compensation	—	(4,635)
Accumulated other comprehensive income (loss)	36,521	(147,127)
Total stockholders' equity	1,256,161	696,923
Total liabilities and stockholders' equity	$ 3,187,674	$ 2,018,985

See accompanying notes.

RANGE RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended December 31,		
	2006	2005	2004
Revenues			
Oil and gas sales	$ 683,928	$ 525,074	$ 315,703
Transportation and gathering	2,507	2,461	2,202
Mark-to-market on oil and gas derivatives	86,491	10,868	—
Other	6,802	(2,563)	2,802
Total revenue	779,728	535,840	320,707
Costs and expenses			
Direct operating	92,224	67,112	46,308
Production and ad valorem taxes	36,915	31,516	20,504
Exploration	45,252	30,604	21,219
General and administrative	49,886	33,444	20,634
Deferred compensation plan	6,873	29,474	19,176
Interest expense	57,577	38,797	23,119
Depletion, depreciation and amortization	169,661	127,514	102,971
Total costs and expenses	458,388	358,461	253,931
Income from continuing operations before income taxes	321,340	177,379	66,776
Income tax provision (benefit)			
Current	1,912	1,071	(245)
Deferred	121,814	65,297	24,790
	123,726	66,368	24,545
Income from continuing operations	197,614	111,011	42,231
Discontinued operations, net of taxes	(38,912)	—	—
Net income	158,702	111,011	42,231
Preferred dividends	—	—	(5,163)
Net income available to common stockholders	$ 158,702	$ 111,011	$ 37,068
Earnings per common share:			
Basic – income from continuing operations	$ 1.48	$ 0.89	$ 0.40
– discontinued operations	(0.29)	—	—
– net income	$ 1.19	$ 0.89	$ 0.40
Diluted – income from continuing operations	$ 1.42	$ 0.86	$ 0.38
– discontinued operations	(0.28)	—	—
– net income	$ 1.14	$ 0.86	$ 0.38

See accompanying notes.

RANGE RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2006	2005	2004
Operating activities:			
Net income	$ 158,702	$ 111,011	$ 42,231
Adjustments to reconcile net cash provided from operating activities:			
Loss from discontinued operations	38,912	—	—
Gain from equity method investment	(548)	—	—
Deferred income tax expense	121,814	65,297	24,790
Depletion, depreciation and amortization	169,661	127,514	102,971
Exploration dry hole costs	16,103	7,045	9,493
Mark-to-market on oil and gas derivatives gains	(86,491)	(10,868)	—
Unrealized derivative (gains) losses	(5,654)	3,505	(1,793)
Allowance for bad debts	80	675	1,762
Amortization of deferred financing costs and discount	1,827	1,662	1,071
Non-cash compensation	27,455	37,391	20,667
(Gain) loss on sale of assets and other	940	(512)	(3,109)
Changes in working capital, net of amounts from business acquisitions:			
Accounts receivable	32,881	(44,533)	(25,898)
Inventory and other	(1,157)	(3,452)	(6,080)
Accounts payable	(5,049)	27,472	34,746
Accrued liabilities and other	(1,861)	3,538	8,398
Net cash provided from continuing operations	467,615	325,745	209,249
Net cash provided from discontinued operations	12,260	—	—
Net cash provided from operating activities	479,875	325,745	209,249
Investing activities:			
Additions to oil and gas properties	(502,944)	(276,907)	(166,560)
Additions to field service assets	(14,449)	(11,310)	(4,237)
Acquisitions, net of cash acquired	(360,149)	(153,600)	(485,564)
Investing activities of discontinued operations	(13,496)	—	—
Investment in equity method affiliate and other assets	(21,009)	—	—
Proceeds from disposal of assets and other repayments	388	9,440	32,060
Net cash used in investing activities	(911,659)	(432,377)	(624,301)
Financing activities:			
Borrowings on credit facilities	802,500	299,000	634,578
Repayments on credit facilities	(619,700)	(453,700)	(528,878)
Issuance of subordinated notes	249,500	150,000	98,125
Treasury stock purchases	—	(2,808)	—
Dividends paid – common stock	(12,189)	(7,614)	(3,219)
– preferred stock	—	(2,213)	(2,950)
Debt issuance costs	(6,960)	(4,119)	(3,630)
Issuance of common stock	16,265	114,470	250,460
Other debt repayments	—	(16)	(11,683)
Net cash provided from financing activities	429,416	93,000	432,803
Net increase (decrease) in cash and equivalents	(2,368)	(13,632)	17,751
Cash and equivalents at beginning of year	4,750	18,382	631
Cash and equivalents at end of year	$ 2,382	$ 4,750	$ 18,382

See accompanying notes.

RANGE RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Preferred stock		Common stock		Treasury common stock	Additional paid-in capital	Retained earnings (deficit)	Stock held by employee benefit trust	Deferred compensation	Accumulated other comprehensive (loss)/gain	Total
	Shares	Par Value	Shares	Par Value							
Balance December 31, 2003	1,000	$ 50,000	84,616	$ 846	$ —	$ 399,380	$ (124,011)	$ (8,441)	$ (856)	$ (42,852)	**$ 274,066**
Preferred dividends ($5.16 per share)	—	—	—	—	—	—	(5,163)	—	—	—	**(5,163)**
Issuance of common stock	—	—	28,390	284	—	258,171	—	255	(401)	—	**258,309**
Common dividends ($0.0267 per share)	—	—	—	—	—	—	(2,654)	—	—	—	**(2,654)**
Conversion of securities	(1,000)	(50,000)	8,823	88	—	49,912	—	—	—	—	-
Other comprehensive loss	—	—	—	—	—	—	—	—	—	(449)	**(449)**
Net income	—	—	—	—	—	—	42,231	—	—	—	**42,231**
Balance December 31, 2004	—	—	121,829	1,218	—	707,463	(89,597)	(8,186)	(1,257)	(43,301)	**566,340**
Issuance of common stock	—	—	8,084	81	—	138,056	—	(3,666)	(3,378)	—	**131,093**
Common dividends ($0.0599 per share)	—	—	—	—	—	—	(7,614)	—	—	—	**(7,614)**
Treasury stock purchases	—	—	—	—	(2,808)	—	—	—	—	—	**(2,808)**
Treasury stock issuances	—	—	—	—	2,727	—	—	—	—	—	**2,727**
Other comprehensive loss	—	—	—	—	—	—	—	—	—	(103,826)	**(103,826)**
Net income	—	—	—	—	—	—	111,011	—	—	—	**111,011**
Balance December 31, 2005	—	—	129,913	1,299	(81)	845,519	13,800	(11,852)	(4,635)	(147,127)	**696,923**
Issuance of common stock	—	—	9,018	90	—	234,475	—	(10,204)	4,635	—	**228,996**
Common dividends ($0.09 per share)	—	—	—	—	—	—	(12,189)	—	—	—	**(12,189)**
Treasury stock issuances	—	—	—	—	81	—	—	—	—	—	**81**
Other comprehensive gain	—	—	—	—	—	—	—	—	—	183,648	**183,648**
Net income	—	—	—	—	—	—	158,702	—	—	—	**158,702**
Balance December 31, 2006	**—**	**$ —**	**138,931**	**$ 1,389**	**$ —**	**$ 1,079,994**	**$ 160,313**	**$ (22,056)**	**$ —**	**$ 36,521**	**$ 1,256,161**

See accompanying notes.

RANGE RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended December 31,		
	2006	2005	2004
Net income	$ 158,702	$ 111,011	$ 42,231
Net deferred hedging gains (losses), net of tax:			
Contract settlements reclassified to income	29,302	101,209	63,633
Change in unrealized deferred hedging gains (losses)	152,294	(206,348)	(64,477)
Change in unrealized gains on securities held by deferred compensation plan, net of taxes	2,052	1,313	395
Comprehensive income	$ 342,350	$ 7,185	$ 41,782

See accompanying notes

RANGE RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF ORGANIZATION AND NATURE OF BUSINESS

Range Resources Corporation ("Range," "we," "us," or "our") is engaged in the exploration, development and acquisition of oil and gas properties primarily in the Southwestern, Appalachian and Gulf Coast regions of the United States. We seek to increase our reserves and production primarily through drilling and complementary acquisitions. Prior to June 2004, we held our Appalachian oil and gas assets through a 50% owned joint venture, Great Lakes Energy Partners L.L.C. or Great Lakes. In June 2004, we purchased the 50% of Great Lakes that we did not own. Range is a Delaware corporation whose common stock is listed and traded on the New York Stock Exchange.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of all of our subsidiaries. The statement of operations for the year ended December 31, 2004 includes 50% of the revenues and expenses of Great Lakes up to June 23, 2004 and 100% thereafter. Investments in entities over which we have significant influence, but not control, are accounted for using the equity method of accounting and are carried at our share of net assets plus loans and advances. Income from equity method investments represents our proportionate share of income generated by equity method investees and is included in other revenues on our consolidated statement of operations. All material intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at year-end and the reported amounts of revenues and expenses during the year. Actual results could differ from the estimates and assumptions used.

Income per Common Share

Basic net income per share is calculated based on the weighted average number of common shares outstanding. Diluted net income per share assumes issuance of stock compensation awards and conversion of convertible debt and preferred securities, provided the effect is not antidilutive. All common stock shares and per share amounts in the accompanying financial statements have been adjusted for the three-for-two stock split effected on December 2, 2005.

Business Segment Information

The Financial Accounting Standards Board ("FASB"), Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosure About Segments of an Enterprise and Related Information," establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise that engage in activities from which it may earn revenues and incur expenses for which separate operational financial information is available and this information is regularly evaluated by the chief decision maker for the purpose of allocating resources and assessing performance.

Segment reporting is not applicable to us as we have a single company-wide management team that administers all properties as a whole rather than by discrete operating segments. We track only basic operational data by area. We do not maintain complete separate financial statement information by area. We measure financial performance as a single enterprise and not on an area-by-area basis. Throughout the year, we allocate capital resources on a project-by-project basis, across our entire asset base to maximize profitability without regard to individual areas or segments.

Revenue Recognition and Gas Imbalances

Oil, gas and natural gas liquids revenues are recognized when the products are sold and delivery to the purchaser has occurred. Although receivables are concentrated in the oil and gas industry, we do not view this as unusual credit risk. We provide for an allowance for doubtful accounts for specific receivables judged unlikely to be collected based on the age of the receivable, our experience with the debtor, potential offsets to the amount owed and economic conditions. In certain instances, we require purchasers to post stand-by letters of credit. We have allowances for doubtful accounts relating to exploration and production receivables of $745,900 at December 31, 2006 compared to $623,800 at December 31, 2005.

We use the sales method to account for gas imbalances, recognizing revenue based on gas delivered rather than our working interest share of the gas produced. A liability is recognized when the imbalance exceeds the estimate of remaining reserves. Gas imbalances at December 31, 2006 and December 31, 2005 were not significant. At December 31, 2006, we had recorded a net liability of $441,200 for those wells where it was determined that there was insufficient reserves to recover the imbalance situation.

Cash and Equivalents

Cash and cash equivalents include cash on hand and on deposit and investments in highly liquid debt instruments with maturities of three months or less.

Marketable Securities

Holdings of equity securities qualify as available-for-sale or trading and are recorded at fair value.

Inventories

Inventories consist primarily of tubular goods used in our operations and are stated at the lower of specific cost of each inventory item or market value.

Oil and Gas Properties

We follow the successful efforts method of accounting for oil and gas producing activities. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, delay rentals and costs of carrying and retaining unproved properties are expensed. Costs incurred for exploratory wells that find reserves that cannot yet be classified as proved are capitalized if (a) the well has found a sufficient quantity of reserves to justify its completion as a producing well and (b) we are making sufficient progress assessing the reserves and the economic and operating viability of the project. Well costs are expensed if a determination as to whether proved reserves were found cannot be made within one year. The status of suspended well costs is monitored continuously and reviewed not less than quarterly. Costs resulting in exploratory discoveries and all development costs, whether successful or not, are capitalized. Oil and NGLs are converted to gas equivalent basis or mcfe at the rate one barrel equals 6 mcf. The depletion, depreciation and amortization ("DD&A") rates were $1.68 per mcfe in 2006 compared to $1.46 per mcfe in 2005 and $1.44 per mcfe in 2004. Depletion is provided on the units of production method. Unproved properties had a net book value of $226.3 million at December 31, 2006 compared to $28.6 million at December 31, 2005 and $14.8 million at December 31, 2004. The increase in unproved properties in 2006 is primarily related to our Stroud acquisition completed in 2006. Unproved properties are reviewed quarterly for impairment and impaired if conditions indicate we will not explore the acreage prior to expiration or the carrying value is above fair value.

Our long-lived assets are reviewed for impairment periodically for events or changes in circumstances that indicate that the carrying amount of an asset may not be recoverable. Long-lived assets are reviewed for potential impairments at the lowest levels for which there are identifiable cash flows that are largely independent of other groups of assets. The review is done by determining if the historical cost of proved properties less the applicable accumulated depreciation, depletion and amortization is less than the estimated expected undiscounted future net cash flows. The expected future net cash flows are estimated based on our plans to produce and develop proved reserves. Expected future cash inflow from the sale of production of reserves is calculated based on estimated future prices. We estimate prices based upon market related information including published futures prices. The estimated future level of production is based on assumptions surrounding future levels of prices and costs, field decline rates, market demand and supply, and the economic and regulatory climates. When the carrying value exceeds the sum of future net cash flows, an impairment loss is recognized for the difference between the estimated fair market value, (as determined by discounted future net cash flows) and the carrying value of the asset. In the third quarter of 2006, we recorded in DD&A a $2.4 million impairment on an offshore property due to declining oil and gas prices. In the fourth quarter of 2006, we lowered our salvage value estimates on our Appalachia wells which increased DD&A expense by $4.6 million.

Proceeds from the disposal of miscellaneous properties are credited to the net book value of their amortization group with no immediate effect on income. However, gain or loss is recognized from the sale of less than an entire amortization group if the disposition is significant enough to materially impact the depletion rate of the remaining properties in the amortization base.

Transportation and Field Assets

Our gas transportation and gathering systems are generally located in proximity to certain of our principal fields. Depreciation on these systems is provided on the straight-line method based on estimated useful lives of 10 to 15 years. We receive third-party income for providing certain transportation and field services which is recognized as earned. Depreciation on the associated assets is calculated on the straight-line method based on estimated useful lives ranging from five to seven years. Buildings are depreciated over 10 to 15 years. Depreciation expense was $7.5 million in 2006 compared to $6.4 million in 2005 and $4.7 million in 2004.

Other Assets

The expenses of issuing debt are capitalized and included in other assets on our consolidated balance sheet. These costs are amortized over the expected life of the related instruments. When an instrument is retired prior to maturity or modifications significantly change the cash flows, related unamortized costs are expensed. Other assets at December 31, 2006 include $13.4 million of unamortized debt issuance costs, $44.2 million of marketable securities held in our deferred compensation plans and $9.0 million of other investments.

Stock-based Compensation

The 2005 Equity Based Compensation Plan (the “2005 Plan”) authorizes the Compensation Committee of the Board of Directors to grant stock options, stock appreciation rights, restricted stock awards, and phantom stock rights to employees. The Non-Employee Director Stock Plan (the “Director Plan”) allows grants to our non-employee directors of our Board of Directors. The 2005 Plan was approved by shareholders in May 2005 and replaces our 1999 stock option plan. No new grants will be made from the 1999 stock option plan. The number of shares that may be issued under the 2005 Plan is equal to (i) 5.6 million shares (15.0 million less the 2.2 million shares issued under the 1999 Stock Options Plan prior to May 18, 2005, the effective date of the 2005 Plan and less the 7.2 million shares issuable pursuant to awards under the 1999 Stock Option Plan outstanding as of the effective date of the 2005 Plan) plus (ii) the number of shares subject to 1999 Stock Option Plan awards outstanding at May 18, 2005, that subsequently lapse or terminate without the underlying shares being issued. The Director Plan was approved by shareholders in May 2004 and no more than 300,000 shares of common stock may be issued under the Plan.

Stock options represent the right to purchase shares of stock in the future at the fair market value of the stock on the date of grant. Most stock options granted under our stock option plans vest over a three year period and expire five years from the date they are granted. Similar to stock options, stock appreciation rights (“SARs”), represent the right to receive a payment equal to the excess of the fair market value of shares of common stock on the date the right is exercised over the value of the stock on the date of grant. All SARs granted under the 2005 Plan will be settled in shares of stock, vest over a three year period and have a maximum term of five years from the date they are granted. We began issuing SARs in 2005 instead of options to reduce the dilution impact of our equity compensation plans.

The Compensation Committee grants restricted stock to certain employees and to non-employee directors of the Board of Directors as part of their compensation. Compensation expense is recognized over the balance of the vesting period.

Prior to January 1, 2006, we accounted for stock options granted under our stock-based compensation plans under the recognition and measurement provisions of APB Opinion No. 25, “Accounting for Stock Issued to Employees” and related Interpretations, as permitted by SFAS No. 123, “Accounting for Stock-Based Compensation.” For our stock options, no stock-based compensation expense was recognized in our statements of operations prior to January 1, 2006, as all stock options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. Effective January 1, 2006, we adopted the fair value recognition provisions of SFAS No. 123(R), “Share-Based Payment,” using the modified prospective transition method. Under this transition method, compensation cost for stock options and stock appreciation rights recognized in 2006 includes (a) compensation cost ($11.2 million) for all stock-based payments granted prior to, but not yet vested as of December 31, 2005, based on the remaining service period and the grant date fair value estimated in accordance with the original provisions of Statement No. 123 and (b) compensation cost ($3.7 million) for all stock-based payments granted subsequent to December 31, 2005, based on the service period (on a straight line basis) and the grant-date fair value estimated in accordance with SFAS No. 123(R). Pursuant to SFAS No. 123(R), results for prior periods have not been restated. In 2006, stock–based compensation has been allocated to direct operating expense ($1.4 million), exploration expense ($2.5 million), general and administrative expense ($10.7 million) and a $303,000 reduction to transportation and gathering revenues to align SFAS No. 123(R) expense with the employee’s cash compensation.

We also began granting stock-settled SARs in July 2005 as part of our stock-based compensation plans to reduce the dilutive impact of our equity plans. Prior to January 1, 2006, we accounted for these SARs grants under the recognition and measurement provisions of APB Opinion No. 25, which required expense to be recognized equal to the amount by which the quoted market value exceeded the original grant price on a mark-to-market basis. Therefore, we recognized $5.8 million of compensation cost in the last six months of 2005 related to SARs. In order to present stock-based compensation expense on a consistent basis, the $5.8 million of 2005 SARs related expense has been allocated to direct operating expense ($480,000), exploration expense ($1.2 million), general and administrative expense ($4.0 million) and a $117,000 reduction to transportation and gathering revenues. Beginning January 1, 2006, as required under the provisions of SFAS No. 123(R), those SARs granted prior to, but not yet vested as of December 31, 2005, are being expensed over the service period based on grant date fair value estimated in accordance with the original provisions of SFAS No. 123 and all SARs granted subsequent to December 31, 2005 are being expensed over the service period on a straight line basis based on grant-date fair value estimated in accordance with SFAS No. 123(R).

As a result of adopting SFAS No. 123(R) on January 1, 2006, our income from continuing operations before income taxes and net income for 2006 is $18.2 million and $11.5 million lower, respectively, than if we had continued to account for stock-based compensation under APB Opinion No. 25. Also, as a result of adopting SFAS No. 123(R), our December 31, 2005 unearned deferred compensation and additional paid-in capital related to our restricted stock issuances was eliminated. As of December 31, 2006, there was $12.4 million of unrecognized compensation related to restricted stock awards expected to be recognized over the next 3 years.

The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of SFAS No. 123(R) to options and SARs granted under our stock-based compensation plans in 2005 and 2004. For the purposes of this pro forma disclosure, the value is estimated using a Black-Scholes-Merton option-pricing formula and expensed over the option's vesting periods.

	Year Ended December 31,	
	2005	2004
	(in thousands, except per share data)	
Net income as reported	$ 111,011	$ 42,231
Add: Total stock-based employee compensation expense included in net income, net of tax	23,556	13,020
Deduct: Total stock-based employee compensation expense determined under fair value based method, net of tax	(29,235)	(17,114)
Pro forma net income	$ 105,332	$ 38,137
Earnings per share:		
Basic – as reported	$ 0.89	$ 0.40
Basic – pro forma	0.85	0.35
Diluted – as reported	0.86	0.38
Diluted – pro forma	0.82	0.34

As required, the pro forma disclosures above included options and SARs granted since January 1, 1995. For purposes of pro forma disclosures, the estimated fair value is amortized to expense over the vesting period. For options with graded vesting, expense is recognized on a straight-line basis over the vesting period. The fair value of each option grant on the date of grant for the disclosures is estimated by using the Black-Scholes option pricing model with the following weighted-average assumptions used for 2005 and 2004: fair value of $8.48 and $4.52 per share; expected dividend per share of $0.08 and $0.04; expected historical volatility factors of 54% and 67%; risk-free interest rates of 4.1% and 3.5%, and an average expected life of 5 years.

Derivative Financial Instruments and Hedging

We use commodity-based derivatives to reduce the volatility of oil and gas prices. For derivatives qualifying as hedges of future cash flows, the effective portion of any changes in fair value is recognized in a component of stockholders' equity called other comprehensive income ("OCI"), and then reclassified to income, as a component of oil and gas revenues, when the underlying anticipated transaction occurs. Any ineffective portion (changes in realized prices that do not match changes in the reference price used to settle the hedge) is recognized in earnings, as a component of other revenues, as it occurs. Ineffective gains or losses are

recorded while the hedge contract is open and may increase or reverse until settlement of the contract. Typically, when oil and gas prices increase, OCI decreases. Of the $149.8 million gain recorded in OCI at December 31, 2006, $89.0 million is expected to be reclassified to income in 2007, if prices remain at their December 31, 2006 levels. Actual amounts that will be reclassified will vary as a result of changes in prices. As of the fourth quarter of 2005, certain of our oil and gas derivatives no longer qualify for hedge accounting due to the effect of volatility of gas prices on the correlation between realized prices and hedge reference prices. As a result, we recognized a gain of $10.9 million in the fourth quarter of 2005 and a gain of $86.5 million in the year ended December 31, 2006 related to these oil and gas derivatives that no longer qualify for hedge accounting. We expect these derivative positions will continue to be marked to market going forward. This may result in more volatility in our income in future periods.

Asset Retirement Obligations

The fair values of asset retirement obligations are recognized in the period they are incurred, if a reasonable estimate of fair value can be made. Asset retirement obligations primarily relate to the abandonment of oil and gas producing facilities and include costs to dismantle and relocate or dispose of production platforms, gathering systems, wells and related structures. Estimates are based on historical experience in plugging and abandoning wells, estimated remaining lives of those wells based on reserve estimates, external estimates as to the cost to plug and abandon the wells in the future and federal and state regulatory requirements. Depreciation of capitalized asset retirement costs and accretion of asset retirement obligations are recorded over time. The depreciation will generally be determined on a units-of-production basis while accretion to be recognized will escalate over the life of the producing assets. We do not provide for a market risk premium associated with asset retirement obligations because a reliable estimate cannot be determined.

Deferred Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of assets and liabilities and their tax bases as reported in our filings with the respective taxing authorities. The realization of deferred tax assets is assessed periodically based on several interrelated factors. These factors include our expectation to generate sufficient taxable income including tax credits and operating loss carryforwards.

Accumulated Other Comprehensive Income (Loss)

We follow the provisions of SFAS No. 130, “Reporting Comprehensive Income” which establishes standards for reporting comprehensive income. Comprehensive income includes net income as well as all changes in equity during the period, except those resulting from investments and distributions to owners. At December 31, 2006, we had a $51.3 million pre-tax gain in OCI relating to unrealized commodity hedges. We also had a pre-tax gain of $6.2 million relating to our marketable securities held in the deferred compensation plan.

The components of accumulated other comprehensive income (loss) and related tax effects for three years ended December 31, 2006, were as follows (in thousands):

	Gross	Tax Effect	Net of Tax
Accumulated other comprehensive loss at December 31, 2003	$ (67,472)	$ 24,620	$ (42,852)
Contract settlements reclassified to income	100,121	(36,488)	63,633
Change in unrealized deferred hedging losses	(102,506)	38,029	(64,477)
Change in unrealized gains (losses) on securities held by deferred compensation plan	626	(231)	395
Accumulated other comprehensive loss at December 31, 2004	(69,231)	25,930	(43,301)
Contract settlements reclassified to income	160,267	(59,058)	101,209
Change in unrealized deferred hedging losses	(327,448)	121,100	(206,348)
Change in unrealized gains (losses) on securities held by deferred compensation plan	2,049	(736)	1,313
Accumulated other comprehensive loss at December 31, 2005	(234,363)	87,236	(147,127)
Contract settlements reclassified to income	46,511	(17,209)	29,302
Change in unrealized deferred hedging gains	242,122	(89,828)	152,294
Change in unrealized gains (losses) on securities held by deferred compensation plan	3,203	(1,151)	2,052
Accumulated other comprehensive income at December 31, 2006	$ 57,473	$ (20,952)	$ 36,521

Reclassifications

Certain reclassifications of prior years' data have been made to conform with our current year classification. This includes a reclassification in 2005 of our SARs mark-to-market expense of $5.8 million from deferred compensation plan expense to direct operating expense ($480,000), exploration expense ($1.2 million), general and administrative expense ($4.0 million) and a $117,000 reduction of gas transportation revenues. This reclassification was made to align the expense with employee cash compensation. These reclassifications did not impact our net income, stockholders' equity or cash flows.

Accounting Pronouncements Implemented

In December 2004, the FASB issued SFAS No. 123(R) as a revision of SFAS No. 123, "Accounting for Stock-Based Compensation." This statement requires entities to measure the cost of employee services received in exchange for an award of equity instruments based on the fair value of the award on the grant date. That cost is recognized over the period during which an employee is required to provide service in exchange for the award, usually the vesting period. In addition, awards classified as liabilities are remeasured at fair value each reporting period.

We adopted SFAS No. 123(R) as of January 1, 2006, for all awards granted, modified or cancelled after adoption, and for the unvested portion of awards outstanding at January 1, 2006. At the date of adoption, SFAS No. 123(R) requires that an assumed forfeiture rate be applied to any unvested awards and that awards classified as liabilities be measured at fair value. Prior to adopting SFAS No. 123(R), we recognized forfeitures as they occurred and applied the intrinsic value method to awards classified as liabilities.

SFAS No. 123(R) also requires a company to calculate the pool of excess tax benefits available to absorb tax deficiencies recognized subsequent to adopting the statement. In November 2005, the FASB issued FASB Staff Position No. 123(R)-3, "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards," to provide an alternative transition election (the "short-cut method") to account for the tax effects of share-based payment awards to employees. We elected the short-cut method to determine our pool of excess tax benefits as of January 1, 2006.

See "Stock-based compensation" above and Note 12 to the consolidated financial statements for the disclosures regarding share-based payments required by SFAS No. 123(R).

Effective January 1, 2006, we adopted SFAS No. 154, "Accounting Changes and Error Corrections – A Replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS No. 154 requires companies to recognize (1) voluntary changes in accounting principle and (2) changes required by a new accounting pronouncement, when the pronouncement does not include specific transition provisions, retrospectively to prior periods' financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The adoption had no immediate effect on our financial statements.

In September 2006, the SEC issued SEC Staff Accounting Bulletin ("SAB") No. 108, "Financial Statements – Considering the Effects of Prior-Year Misstatements When Quantifying Misstatements in Current Year Financial Statements." SAB No. 108 addresses how a registrant should quantify the effect of an error in the financial statements for purposes of assessing materiality and requires that the effect be computed using both the current year income statement perspective ("rollover") and the year-end balance sheet perspective ("iron curtain") methods for fiscal years ending after November 15, 2006. If a change in the method of quantifying errors is required under SAB No. 108, this represents a change in accounting policy; therefore, if the use of both methods results in a larger, material misstatement than the previously applied method, the financial statements must be adjusted. SAB No. 108 allows the cumulative effect of such adjustments to be made to opening retained earnings upon adoption. The adoption of SAB No. 108 did not have a significant effect on our consolidated results of operations, financial position or cash flows.

Accounting Pronouncements Not Yet Adopted

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements but may require some entities to change their measurement practices. For Range, SFAS No. 157 will be effective January 1, 2008, with early application permitted. We are currently evaluating the provisions of this statement.

In July 2006, the FASB issued FASB Interpretation ("FIN") 48, "Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109." FIN 48 clarifies the accounting for uncertain income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The new standard also provides guidance on derecognition, classification, interest and penalties, accounting in interim

periods and disclosure. The cumulative effect of adoption FIN 48 will be recorded in retained earnings. For Range, the provisions of FIN 48 are effective January 1, 2007. We are currently evaluating the provisions of FIN 48 to determine the impact on our consolidated financial statements but we do not expect a material impact on our financial position or results of operations.

In June 2006, the FASB ratified the consensus reached by the EITF regarding Issue No. 06-03, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement (That Is, Gross versus Net Presentation)." Included in the scope of this issue are any taxes assessed by a governmental authority that are imposed on and concurrent with a specific revenue-producing transaction between a seller and a customer. The EITF concluded that the presentation of such taxes on a gross basis (included in revenues and costs) or a net basis (excluded from revenues) is an accounting policy decision that should be disclosed pursuant to APB Opinion No. 22. In addition, the amounts of such taxes reported on a gross basis must be disclosed if those tax amounts are significant. For Range, the disclosure prescribed by this consensus is required in our 2007 consolidated financial statements but early application is permitted.

(3) ACQUISITIONS AND DISPOSITIONS

Acquisitions are accounted for as purchases, and accordingly, the results of operations are included in our statement of operations from the closing date of the acquisition. Purchase prices are allocated to acquired assets and assumed liabilities based on their estimated fair value at the time of the acquisition. Acquisitions have been funded with internal cash flow, bank borrowings and the issuance of debt and equity securities. We purchased various properties for consideration of $709.0 million in 2006 compared to $173.5 million in 2005 and $648.2 million in 2004. These purchases included $630.1 million, $152.8 million and $619.0 million for proved oil and gas reserves, respectively; the remainder represents unproved acreage purchases. As part of our acquisitions for 2006, we allocated $140.0 million to the Austin Chalk properties which were classified as Assets Held for Sale at December 31, 2006. As part of our acquisitions for 2004, we allocated $15.5 million to gathering facilities acquired in the transactions. See also Note 19 – "Costs Incurred for Property Acquisition, Exploration and Development."

Our purchases in 2006 include the acquisition in June of Stroud Energy, Inc. ("Stroud"), a private oil and gas company with operations in the Barnett Shale in North Texas, the Cotton Valley in East Texas and the Austin Chalk in Central Texas. To acquire Stroud, we paid $171.5 million of cash (including transaction costs) and issued 6.5 million shares of our common stock. The cash portion of the acquisition was funded with borrowings under our bank facility. We also assumed $106.7 million of Stroud's debt which was retired with borrowings under our bank facility. The fair value of consideration issued was based on the average of our stock price for the five day period before and after May 11, 2006, the date the acquisition was announced. See also Note 4 for discussion of assets held for sale.

The following table summarizes the final purchase price allocation of fair values of assets acquired and liabilities assumed at closing (in thousands):

Purchase price:	
Cash paid (including transaction costs)	$ 171,529
6.5 million shares of common stock (at fair value of $27.26 per share)	177,641
Stock options assumed (652,000 options)	9,478
Debt retired	106,700
Total	$ 465,348
Allocation of purchase price:	
Working capital deficit	$ (13,557)
Other long-term assets	55
Oil and gas properties	487,345
Assets held for sale	140,000
Deferred income taxes	(147,062)
Asset retirement obligations	(1,433)
Total	$ 465,348

The following unaudited pro forma data include the results of operations as if the Stroud acquisition had been consummated at the beginning of 2005. The pro forma information for 2005 includes two material non-recurring amounts not directly related to the transaction and not expected to reoccur. The year ended December 31, 2005 pro forma information includes an $18.4 million pre-tax stock compensation expense related to restricted and unrestricted shares issued to Stroud management and employees and a pre-tax $6.2 million loss on repurchase of mandatorily redeemable preferred units. The pro forma data is based on historical information and does not necessarily reflect the actual results that would have occurred nor are they necessarily indicative of future results of operations (in thousands, except per share data).

	Year Ended December 31,	
	2006	2005
Revenues	$814,548	$553,345
Income from continuing operations	$320,859	$133,433
Net income	$161,998	$ 95,066
Per share data:		
Income from continuing operations-basic	$ 1.44	$ 0.63
Income from continuing operations-diluted	$ 1.39	$ 0.61
Net income – basic	$ 1.18	$ 0.73
Net income – diluted	$ 1.14	$ 0.70

In 2004, we purchased Appalachian oil and gas properties, through the purchase of Pine Mountain, for $152.4 million cash paid to the seller, $57.2 million cash paid to repay debt and $13.3 million for the retirement of oil and gas commodity hedges. Also in 2004, we purchased the 50% of Great Lakes we did not previously own for $200.0 million cash paid to the seller plus the assumption of $70.0 million of Great Lakes bank debt and the retirement of $27.7 million of oil and gas commodity hedges. The debt assumed was refinanced and consolidated with our existing credit facility as of the purchase date.

The following unaudited pro forma data include the results of operations of the Pine Mountain and Great Lakes acquisitions as if they had been consummated at the beginning of 2004. The pro forma data are based on historical information and do not necessarily reflect the actual results that would have occurred nor are they necessarily indicative of future results of operations (in thousands, except per share amounts).

	2004
Revenues	$377,564
Income before income taxes	84,484
Net income	53,385
Earnings per common share:	
– Basic	$ 0.44
– Diluted	$ 0.42

(4) ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As part of the Stroud acquisition (see discussion in Note 3), we purchased Austin Chalk properties in Central Texas which were sold in February 2007 for proceeds of $80.4 million. We originally allocated $140.0 million to these properties. However, subsequent to the acquisition natural gas prices started to decline. As a result, we recognized impairment of $74.9 million, and at December 31, 2006 the carrying value is equal to sales proceeds less costs to sell. See also Note 17. We believe we have met the criteria of SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" that allow us to classify these assets as held for sale on our balance sheet and have presented the results of operations (revenues less direct expenses, interest, impairment and taxes) as discontinued operations in all future periods. Discontinued operations for the year ended December 31, 2006 are summarized as follows (in thousands):

	June 19, 2006 through December 31, 2006
Revenues	$ 19,342
Less:	
Direct operating, production and ad valorem taxes	1,803
General, administrative and exploration expense	1,236
Interest expense (1)	1,504
Impairment and accretion expense (2)	74,941
Loss before income taxes	(60,142)
Income tax benefit	21,230
Net loss from discontinued operations	$ (38,912)
Average daily production:	
Crude oil (bbls)	96
Natural gas (mcf)	17,300
Total (per mcfe)	17,876

(1) Interest expense is allocated to discontinued operations based on our ratio of consolidated debt to equity at the time of the acquisition.

(2) Impairment expense includes losses in fair value resulting from lower oil and gas prices and volumes produced since the acquisition date.

(5) INCOME TAXES

Our income tax expense from continuing operations was $123.7 million for the year ended December 31, 2006 compared to $66.4 million in 2005 and $24.5 million in 2004. A reconciliation between the statutory federal income tax rate and our effective income tax rate is as follows:

	Year Ended December 31,		
	2006	2005	2004
Federal statutory tax rate	35%	35%	35%
State	4	2	2
Consolidated effective tax rate	39%	37%	37%
Income taxes paid (in thousands)	$ 1,973	$ 615	$ 150

Income tax provision (benefit) attributable to income from continuing operations consists of the following:

	Year Ended December 31,		
	2006	2005	2004
	(in thousands)		
Current:			
U.S. federal	$ 150	$ —	$ (192)
U.S. state and local	1,762	1,071	(53)
	$ 1,912	$ 1,071	$ (245)
Deferred:			
U.S. federal	$ 112,270	$ 61,767	$ 23,450
U.S. state and local	9,544	3,530	1,340
	$ 121,814	$ 65,297	$ 24,790

Significant components of deferred tax assets and liabilities are as follows:

	December 31,	
	2006	2005
	(in thousands)	
Deferred tax assets		
Net operating loss carryover	$ 69,141	$ 76,944
Allowance for doubtful accounts	962	1,166
Net unrealized loss in OCI	—	85,462
Deferred compensation	38,664	27,721
AMT credits and other	30,641	44,738
Total deferred tax assets	139,408	236,031
Deferred tax liabilities		
Depreciation and depletion	(547,899)	(346,070)
Net unrealized gain in OCI	(21,264)	—
Valuation allowance and other	(38,888)	(3,101)
Total deferred tax liabilities	(608,051)	(349,171)
Net deferred tax liability	$ (468,643)	$ (113,140)

At December 31, 2006, deferred tax liabilities exceeded deferred tax assets by $468.6 million, with $21.3 million of deferred tax liabilities related to net deferred hedging gains included in OCI. A portion of our deferred tax assets relate to items which are capital assets, which upon disposition will result in capital losses. Due to the uncertainty related to the utilization of the capital loss, a valuation allowance was recognized in the amount of $3.1 million.

At December 31, 2006, we had regular net operating loss (“NOL”) carryovers of $229.6 million and alternative minimum tax (“AMT”) NOL carryovers of $192.4 million that expire between 2012 and 2026. Regular NOLs generally offset taxable income and to such extent, no income tax payments are required. We have $26.9 million of NOLs generated in years prior to 1998 which are subject to yearly limitations due to IRC Section 382. We do not believe the application of the Section 382 limitation hinders our ability to utilize such NOLs and therefore, no valuation allowance has been provided. At December 31, 2006, we have AMT credit carryovers of $700,000 that are not subject to limitation or expiration.

(6) EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings per common share (in thousands, except per share amounts):

	Year Ended December 31,		
	2006	2005	2004
Numerator:			
Income from continuing operations	$ 197,614	$ 111,011	$ 42,231
Loss from discontinued operations	(38,912)	—	—
Preferred stock dividends	—	—	(5,163)
Net income	$ 158,702	$ 111,011	$ 37,068
Denominator:			
Weighted average shares outstanding	135,016	126,339	96,050
Stock held in deferred compensation plan and treasury shares	(1,265)	(2,209)	(2,506)
Weighted average shares, basic	133,751	124,130	93,544
Effect of dilutive securities:			
Weighted average shares outstanding	135,016	126,339	96,050
Employee stock options and other	3,696	2,863	1,948
Treasury shares	(1)	(76)	—
Dilutive potential common shares for diluted earnings per share	138,711	129,126	97,998
Basic – income from continuing operations	$ 1.48	$ 0.89	$ 0.40
– discontinued operations	(0.29)	—	—
– net income	$ $1.19	$ 0.89	$ 0.40
Diluted – income from continuing operations	$ 1.42	$ 0.86	$ 0.38
– discontinued operations	(0.28)	—	—
– net income	$ 1.14	$ 0.86	$ 0.38

Stock appreciation rights for 88,500 shares were outstanding but not included in the computations of diluted net income per share for the year ended December 31, 2006 because the exercise price of the SARs was greater than the average price of the common shares and would be anti-dilutive to the computations. Options to purchase 318,200 shares of common stock were outstanding but not included in the computation of diluted net income per shares for the year ended December 31, 2004 because the exercise prices of the options were greater than the average market price of the common shares and would be anti-dilutive to the computations.

(7) SUSPENDED EXPLORATORY WELL COSTS

The following table reflects the changes in capitalized exploratory well costs for the year ended December 31, 2006, 2005 and 2004 (in thousands):

	2006	2005	2004
Balance at beginning of period	$ 25,340	$ 7,332	$ 2,043
Additions to capitalized exploratory well costs pending the determination of proved reserves	4,695	26,915	4,767
Additions due to purchase of Great Lakes	—	—	2,012
Reclassifications to wells, facilities and equipment based on determination of proved reserves	(16,710)	(8,614)	(784)
Capitalized exploratory well costs charged to expense	(3,341)	(293)	(706)
Balance at end of period	9,984	25,340	7,332
Less exploratory well costs that have been capitalized for a period of one year or less	(4,792)	(21,589)	(6,124)
Capitalized exploratory well costs that have been capitalized for a period greater than one year	$ 5,192	$ 3,751	$ 1,208
Number of projects that have exploratory well costs that have been capitalized for a period greater than one year	3	3	3

As of December 31, 2006, of the $5.2 million of capitalized exploratory well costs that have been capitalized for more than one year, all of the wells have additional exploratory wells in the same prospect area drilling or firmly planned. None of the wells are operated by us. The $10.0 million of capitalized exploratory well costs at December 31, 2006 was incurred in 2006 ($4.7 million), in 2005 ($2.9 million) and in 2004 ($2.4 million).

(8) INDEBTEDNESS

We had the following debt outstanding as of the dates shown below (bank debt interest rate at December 31, 2006 is shown parenthetically). No interest was capitalized during 2006, 2005, and 2004 (in thousands):

	December 31,	
	2006	2005
Bank debt (6.4%)	$ 452,000	$ 269,200
Senior Subordinated Notes:		
7.375% Senior Subordinated Notes due 2013, net of $2.7 million and $3.1 million discount, respectively	197,262	196,948
6.375% Senior Subordinated Notes due 2015	150,000	150,000
7.5% Senior Subordinated Notes due 2016, net of $480,000 discount	249,520	—
Total debt	$ 1,048,782	$ 616,148

Bank Debt

In October 2006, we entered into an amended and restated $800.0 million revolving bank credit facility, which we refer to as our bank debt or bank credit facility, which is secured by substantially all of our assets. The bank credit facility provides for an initial commitment equal to the lesser of an $800.0 million facility amount or the borrowing base. The borrowing base as of February 22, 2007 was $1.2 billion. The bank credit facility provides for a borrowing base subject to redeterminations semi-annually each April and October and pursuant to certain unscheduled redeterminations. The facility amount may be increased to the borrowing base amount with twenty days notice. As of December 31, 2006, the outstanding balance under the bank credit facility was $452.0 million and there was $348.0 million of borrowing capacity available. The loan matures on October 25, 2011. Borrowing under the bank credit facility can either be base rate loans or LIBOR loans. On all base rate loans, the rate per annum is equal to the lesser of (i) the maximum rate (the "weekly ceiling" as defined in Section 303 of the Texas Finance Code or other applicable laws if greater) (the "Maximum Rate") or, (ii) the sum of (A) the higher of (1) the prime rate for such date, or (2) the sum of the federal funds effective rate for such date plus one-half of one percent (0.50%) per annum, plus a base rate margin of between 0.0% to 0.5% per annum depending on the total outstanding under the bank credit facility relative to the borrowing base. On all LIBOR loans, we pay a varying rate per annum equal to the lesser of (i) the Maximum Rate, or (ii) the sum of the quotient of (A) the LIBOR base rate, divided by (B) one minus the reserve requirement applicable to such interest period, plus a LIBOR margin of between 1.0% and 1.75% per annum depending on the total outstanding under the bank credit facility relative to the borrowing base. We may elect, from time-to-time, to convert all or any part of our LIBOR loans to base rate loans or to convert all or any of the base rate loans to LIBOR loans. The weighted average interest rate was 6.4% and 4.5% for the years ended December 31, 2006 and 2005, respectively. A commitment fee is paid on the undrawn balance based on an annual rate of 0.25% to 0.375%. At December, 31, 2006, the commitment fee was 0.25% and the interest rate margin was 1.0%. At February 22, 2007, the interest rate (including applicable margin) was 6.4%.

Senior Subordinated Notes

In 2003, we issued $100.0 million aggregate principal amount of 7.375% senior subordinated notes due 2013 ("7.375% Notes"). In 2004, we issued an additional $100.0 million of 7.375% Notes; therefore, $200.0 million of the 7.375% Notes are currently outstanding. The 7.375% Notes were issued at a discount which will be amortized over the life of the 7.375% Notes into interest expense. In 2005, we issued $150.0 million of 6.375% senior subordinated notes due 2015 ("6.375% Notes"). In May 2006, we issued $150.0 million of the 7.5% Senior Subordinated Notes due 2016 (the "7.5% Notes"). In August 2006, we issued an additional $100.0 million of the 7.5% Notes; therefore, $250.0 million of the 7.5% Notes are currently outstanding. Interest on our senior subordinated notes is payable semi-annually and each of the notes are guaranteed by certain of our subsidiaries.

We may redeem the 7.375% Notes, in whole or in part, at any time on or after July 15, 2008, at redemption prices of 103.7% of the principal amount as of July 15, 2008, and declining to 100.0% on July 15, 2011 and thereafter. Prior to July 15, 2006, we may redeem up to 35% of the original aggregate principal amount of the 7.375% Notes at a redemption price of 107.4% of the principal amount thereof plus accrued and unpaid interest, if any, with the proceeds of certain equity offerings. We may redeem the 6.375% Notes, in whole or in part, at any time on or after March 15, 2010, at redemption prices from 103.2% of the principal amount as of March 15, 2010 and declining to 100% on March 15, 2013 and thereafter. Prior to March 15, 2008, we may redeem up to 35% of the original aggregate principal amount of the 6.375% Notes at a redemption price of 106.4% of the principal amount thereof plus accrued and unpaid interest, if any, with the proceeds of certain equity offerings. We may redeem the 7.5% Notes, in whole or in part, at any time on or after May 15, 2011 at redemption prices from 103.75% of the principal amount as of May 15, 2011 and declining to 100% on May 15, 2014 and thereafter. Prior to May 15, 2009, we may redeem up to 35% of the original aggregate principal amount of the 7.5% Notes at a redemption price of 107.5% of principal amount thereof plus accrued and unpaid interest if any, with the proceeds of certain equity offerings; provided that at least 65% of the original aggregate principal amount of our 7.5% Notes remains outstanding immediately after the occurrence of such redemption and provided that such redemption occurs within 60 days of the date of closing the equity sale.

If we experience a change of control, there may be a requirement to repurchase all or a portion of the senior subordinated notes at 101% of the principal amount plus accrued and unpaid interest, if any. All of the senior subordinated notes and the guarantees by our subsidiary guarantors are general, unsecured obligations and are subordinated to our bank debt and will be subordinated to future senior debt that we or our subsidiary guarantors are permitted to incur under the bank credit facility and the indentures governing the subordinated notes.

Guarantees

Range Resources Corporation is a holding company which owns no operating assets and has no significant operations independent of its subsidiaries. The guarantees of the 7.375% Notes, the 6.375% Notes and the 7.5% Notes are full and unconditional and joint and several; any subsidiaries other than the subsidiary guarantors are minor subsidiaries.

Debt Covenants

The debt agreements contain covenants relating to working capital, dividends and financial ratios. We were in compliance with all covenants at December 31, 2006. Under the bank credit facility, common and preferred dividends are permitted, subject to the provisions of the restricted payment basket. The bank credit facility provides for a restricted payment basket of $20.0 million plus 50% of net income plus 66-2/3% of net cash proceeds from common stock issuances. Approximately $446.4 million was available under the bank credit facility's restricted payment basket on December 31, 2006. The terms of each of our subordinated notes limit restricted payments (including dividends) to the greater of $20.0 million or a formula based on earnings and equity issuances since the original issuances of the notes. At December 31, 2006, approximately $496.2 million was available under the restricted payment baskets for each of the subordinated notes.

Following is the principal maturity schedule for the long-term debt outstanding as of December 31, 2006 (in thousands):

	Year Ended December 31:
2007	$ —
2008	—
2009	—
2010	—
2011	452,000
2012	—
Thereafter	600,000
	$ 1,052,000

(9) ASSET RETIREMENT OBLIGATION

A reconciliation of our liability for plugging and abandonment costs for the years ended December 31, 2006 and 2005 is as follows (in thousands):

	2006	2005
Beginning of period	$ 68,063	$ 70,727
Liabilities incurred	4,006	3,694
Acquisitions – continuing operations	790	119
Acquisitions – discontinued operations	742	—
Liabilities settled	(3,057)	(6,126)
Accretion expense – continuing operations	4,824	5,072
Accretion expense – discontinued operations	37	
Change in estimate	20,183	(5,423)
End of period	95,588	68,063
Less current portion	(4,216)	(3,166)
Long-term portion	$ 91,372	$ 64,897

Accretion expense is recognized as a component of depreciation, depletion and amortization. The significant increase in 2006 as a result of changes in estimates is primarily related to rising abandonment costs and lower gas prices which accelerated the timing of abandonment.

(10) CAPITAL STOCK

We have authorized capital stock of 260 million shares which includes 250 million shares of common stock and 10 million shares of preferred stock. All shares have been adjusted for the three-for-two common stock split affected on December 2, 2005. All common stock shares and treasury shares have been retroactively restated to reflect this stock split.

The following is a schedule of changes in the number of outstanding common shares since the beginning of 2005:

	Year Ended December 31,	
	2006	2005
Beginning balance	129,907,220	121,829,027
Public offerings	—	6,900,000
Shares issued for Stroud acquisition	6,517,498	—
Shares issued in lieu of bonuses	20,686	25,590
Stock options/SARs exercised	1,956,164	1,105,549
Restricted stock grants	474,609	—
Deferred compensation plan	12,998	20,885
Shares contributed to 401(k) plan	36,564	33,018
Fractional shares	—	(1,023)
Treasury shares	5,826	(5,826)
Ending balance	138,931,565	129,907,220

In June 2005, we completed a public offering of 6.9 million shares of common stock at $16.51 per share. Net proceeds from the offering of $109.2 million funded our acquisition of certain Permian basin properties.

Treasury Stock

During 2005, we bought in open market purchases, 201,000 shares at an average price of $14.00. As of December 31, 2006, all of these shares had been used for equity compensation. The board of directors has approved up to an additional $10.0 million of repurchases of common stock based on market conditions and opportunities.

(11) FAIR VALUE OF FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Financial instruments include cash and equivalents, receivables, payables, marketable securities, debt and commodity and interest rate derivatives. The carrying value of cash and equivalents, receivables, payables is considered to be representative of fair value because of their short maturity.

The following table sets forth our other financial instruments fair values at each of these dates (in thousands):

	December 31, 2006		December 31, 2005	
	Book Value	Fair Value	Book Value	Fair Value
Derivatives assets:				
Commodity swaps and collars [a]	$ 154,656	$ 154,656	$ —	$ —
Interest rate swaps [a]	—	—	425	425
Derivatives liabilities:				
Commodity swaps and collars[a]	(4,887)	(4,887)	(231,049)	(231,049)
Net derivatives asset (liability)	$ 149,769	$ 149,769	$ (230,624)	$ (230,624)
Marketable securities [b]	$ 44,226	$ 44,226	$ 21,769	$ 21,769
Long-term debt [c]	$ 1,048,782	$ 1,058,069	$ (616,148)	$ (619,523)

(a) All derivatives are marked to market and therefore their book value is assumed to be equal to fair value.

(b) Marketable securities held in our deferred compensation plans which are marked to market.

(c) The book value of our bank debt approximates fair value because of their floating rate structure. The fair value of our senior subordinated notes is based on current market quotes.

At December 31, 2006, we had open swap contracts covering 73.6 Bcf of gas at prices averaging $9.29 per mcf. We also had collars covering 56.1 Bcf of gas at weighted average floor and cap prices of $7.42 to $10.49 per mcf and 4.5 million barrels of oil at weighted average floor and cap prices of $55.72 to $70.11 per barrel. Their fair value, represented by the estimated amount that would be realized upon termination, based on a comparison of the contract price and a reference price, generally NYMEX, approximated a net unrealized pre-tax gain of $149.8 million at December 31, 2006. These contracts expire monthly through December 2008. Transaction gains and losses are determined monthly and are included as increases or decreases to oil and gas revenues in the period the hedged production is sold. In 2006, realized losses were $46.5 million relating to our hedges compared with losses of $171.1 million in 2005 and losses of $100.1 million in 2004. In the fourth quarter of 2005, certain of our gas hedges no longer qualified for hedge accounting and were marked to market. This resulted in a gain of $86.5 million in 2006 versus a gain of $10.9 million in 2005. Gains and losses due to commodity hedge ineffectiveness are recognized in earnings in other revenues. The ineffective portion of hedges that qualified for hedge accounting was a gain of $6.0 million in 2006 versus a loss of $3.4 million in 2005 and a gain of $712,000 in 2004.

The following table sets forth the hedging volumes by year as of December 31, 2006:

Period	Contract Type	Volume Hedged	Average Hedge Price
Natural Gas			
2007	Swaps	96,336 Mmbtu/day	$9.13
2007	Collars	98,500 Mmbtu/day	$7.13 – $9.99
2008	Swaps	105,000 Mmbtu/day	$9.42
2008	Collars	55,000 Mmbtu/day	$7.93 – $11.39
Crude Oil			
2007	Collars	6,300 bbl/day	$53.46 – $65.33
2008	Collars	6,000 bbl/day	$58.09 – $75.11

In the past, we have used interest rate swap agreements to manage the risk that interest payments on amounts outstanding under the variable rate bank credit facility may be adversely affected by volatility in market interest rates. Our interest rate swap agreements ended on June 30, 2006.

The combined fair value of net gains on oil and gas derivatives totaling $149.8 million appears as unrealized derivative gains and unrealized derivative losses on our consolidated balance sheet at December 31, 2006. Hedging activities are conducted with major financial or commodities trading institutions which we believe are acceptable credit risk. At times, such risk may be concentrated with certain counterparties. The credit worthiness of these counterparties is subject to continuing review.

(12) EMPLOYEE BENEFIT AND EQUITY PLANS

Stock and Option Plans

We have six equity-based stock plans, of which two are active. Under the active plans, incentive and non-qualified options, stock appreciation rights ("SARs"), restricted stock awards, phantom stock rights and annual cash incentive awards may be issued to directors and employees pursuant to decisions of the Compensation Committee of the Board of Directors which is made up of outside independent directors. All awards granted under these plans have been issued at the prevailing market price at the time of the grant. Information with respect to stock option and SARs activities is summarized below:

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2003	5,746,703	$ 3.58
Granted	2,514,750	7.74
Exercised	(1,252,905)	3.46
Expired/forfeited	(135,443)	5.14
Outstanding at December 31, 2004	6,873,105	5.09
Granted	3,141,937	16.96
Exercised	(1,105,549)	4.84
Expired/forfeited	(167,188)	9.08
Outstanding at December 31, 2005	8,742,305	9.31
Granted	1,658,160	24.36
Stock options assumed in Stroud acquisition	652,062	19.67
Exercised	(2,051,237)	9.22
Expired/forfeited	(149,164)	18.32
Outstanding at December 31, 2006	8,852,126	$ 12.76

The following table shows information with respect to outstanding stock options and SARs at December 31, 2006:

	Outstanding			Exercisable	
Range of Exercise Prices	Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Shares	Weighted Average Exercise Price
$ 0.59 – $4.99	2,570,002	2.85	$ 3.60	2,570,002	$ 3.60
5.00 – 9.99	1,375,008	2.13	7.01	660,046	7.02
10.00 – 14.99	368,673	2.85	11.50	196,412	12.13
15.00 – 19.99	2,821,048	3.78	16.98	844,274	17.58
20.00 – 24.99	1,554,395	4.26	24.20	97,885	24.04
25.00 – 30.80	163,000	4.33	26.55	21,150	25.85
Total	8,852,126	3.31	$ 12.76	4,389,769	$ 7.74

The weighted average fair value of an option/SAR to purchase one share of common stock during 2006 was $8.51. The fair value of each stock option/SAR granted during 2006 was estimated as of the date of grant using the Black-Scholes-Merton option pricing model based on the following assumptions: risk-free interest rate of 4.8%; dividend yield of 0.3%; expected volatility of 40.9%; and an expected life of 3.5 years.

As of December 31, 2006, the aggregate intrinsic value (the difference in value between exercise and market price) of the awards outstanding was $130.1 million. The aggregate intrinsic value and weighted average remaining contractual life of stock option awards currently exercisable was $86.5 million and 3.2 years. As of December 31, 2006, the number of fully-vested awards and awards expected to vest was 8.7 million. The weighted average exercise price and weighted average remaining contractual life of these awards were $12.60 and 3.3 years and the aggregate intrinsic value was $128.8 million. As of December 31, 2006, unrecognized compensation cost related to the awards was $16.5 million, which is expected to be recognized over a weighted average period of 0.84 years.

For the year ended December 31, 2006, total stock-based compensation expense due to the adoption of SFAS 123(R) was $14.8 million. The total related tax benefits were $2.3 million. For the year ended December 31, 2006, cash received upon exercise of stock option/SARs awards was $16.3 million. Due to the net operating loss carryover for tax purposes, tax benefits realized for deductions that were in excess of the stock-based compensation were not recognized.

Restricted Stock Grants

In 2006, we issued 499,200 shares of restricted stock grants as compensation to directors and employees, at an average price of $24.43. The restricted grants included 15,000 issued to directors, which vest immediately, and 484,200 to employees with vesting over a three-year period. In 2005, we issued 192,500 shares of restricted stock grants (from treasury stock) as compensation to directors and employees, at an average price of $22.47. The restricted grants included 26,200 issued to directors, which vest immediately, and 166,300 to employees with vesting over a three-to-four year period. In 2004, we issued 121,400 shares of restricted stock grants as compensation to directors and employees, at an average price of $7.93. The restricted grants included 36,000 issued to directors, which vest immediately, and 85,400 to employees with vesting over a three-year period. We recorded compensation expense for restricted stock grants of $4.3 million in the year ended December 31, 2006 compared to $942,000 in 2005 and $567,000 in 2004.

A summary of the status of our unvested restricted stock outstanding at December 31, 2006 and changes during the twelve months then ended, is presented below:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2006	238,107	$ 14.20
Granted	499,161	24.43
Vested	(212,129)	17.70
Forfeited	(23,628)	21.02
Outstanding at December 31, 2006	501,511	$ 22.58

401(k) Plan

We maintain a 401(k) Plan for our employees. The 401(k) Plan permits employees to contribute up to 50% of their salary (subject to Internal Revenue Service limitations) on a pretax basis. Historically, we have made discretionary contributions of our common stock to the 401(k) Plan annually. In 2005, we began matching contributions of up to 3% of salary in cash with the remainder of our contribution in common stock. All our contributions become fully vested after the individual employee has three years of service with us. Great Lakes also maintained a 401(k) plan for its employees which was merged into our plan effective January 1, 2005. In 2006, we contributed $1.9 million to the 401(k) Plan compared to $1.5 million in 2005 and $1.2 million in 2004. We do not require that employees hold the contributed Range stock in their account. Employees have a variety of investment options in the 401(k) Plan. Employees may, at anytime, diversify out of our stock, based on their personal investment strategy.

Stock Purchase Plan

In 1997, stockholders approved a stock purchase plan which authorized the sale of up to 1.75 million shares of common stock to officers, directors, key employees and consultants. Under the stock purchase plan, the right to purchase shares may be granted at prices ranging from 50% to 85% of market value. At December 31, 2006, there were no rights outstanding to purchase shares and there were 373,000 remaining shares authorized to be granted.

Deferred Compensation Plan

In 1996, the Board of Directors adopted a deferred compensation plan ("the Plan"). The Plan gives directors, certain officers and key employees the ability to defer all or a portion of their salaries and bonuses and invests in Range common stock or makes other investments at the individual's discretion. Great Lakes also had a deferred compensation plan that allowed certain employees to defer all or a portion of their salaries and bonuses and invest such amounts in certain investments at the employee's discretion. In December 2004, we adopted the Range Resources Corporation Deferred Compensation Plan ("2005 Deferred Compensation Plan"). The 2005 Deferred Compensation Plan is intended to operate in a manner substantially similar to the old plans, subject to new requirements and changes mandated under Section 409A of the Internal Revenue Code. The old plans were frozen and will not receive additional contributions. The assets of all of the plans are held in a rabbi trust, which we refer to as the Rabbi Trust, and are therefore available to satisfy the claims of our creditors in the event of bankruptcy or insolvency. Our stock held in the Rabbi Trust is treated in a manner similar to treasury stock with an offsetting amount reflected as a deferred compensation liability and the carrying value of the deferred compensation plan liability is adjusted to fair value each reporting period by a charge or credit to deferred compensation plan expense category on our consolidated statement of operations. The assets of the Rabbi Trust, other than our common stock, are invested in marketable securities and reported at market value in other assets on our consolidated balance sheet. The deferred compensation liability on our consolidated balance sheet reflects the market value of the securities held in the Rabbi Trust. The cost of common stock held in the Rabbi Trust is shown as a reduction to stockholders' equity. Changes in the market value of the marketable securities are reflected in OCI, while changes in the fair value of the liability is charged or credited to deferred compensation plan expense each quarter. We recorded mark-to-market expenses of $6.9 million in 2006 compared to $29.5 million in 2005 and $19.2 million in 2004. Since we actually issue the common shares to the Rabbi Trust, we do not incur additional cash expense other than the original fair market value of the stock when issued.

(13) SUPPLEMENTAL CASH FLOW INFORMATION

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
Net cash provided from continuing operations included:			
Income taxes paid to taxing authorities	$ 1,973	$ 615	$ 150
Interest paid	55,925	34,148	19,216
Non-cash investing and finance activities:			
Common stock issued under benefit plans	$ 2,058	$ 3,180	$ 2,122
6.5 million shares issued for Stroud acquisition	177,641	—	—
Stock options (652,000) issued in Stroud acquisition	9,478	—	—
Preferred stock converted to common stock	—	—	(50,000)
Asset retirement costs capitalized, excluding acquisitions [a]	25,821	(1,730)	3,994

(a) For information regarding purchase price allocations of businesses acquired see Note 3.

(14) COMMITMENTS AND CONTINGENCIES

Litigation

We are involved in various legal actions and claims arising in the ordinary course of our business. While the outcome of these lawsuits cannot be predicted with certainty, we do not expect these matters to have a material adverse effect on our financial position, cash flows or results of operations.

Lease Commitments

We lease certain office space and equipment under cancelable and non-cancelable leases. Rent expense under such arrangements totaled $5.0 million, $2.2 million and $1.7 million in 2006, 2005 and 2004, respectively. Future minimum rental commitments under non-cancelable leases having remaining lease terms in excess of one year are as follows (in thousands):

	Operating Lease Obligations
2007	$ 5,010
2008	5,308
2009	4,928
2010	3,867
2011	2,564
Thereafter	9,610
Sublease rentals	(222)
	$ 31,065

Other Commitments

As of December 31, 2006, we have contracts with various drilling contractors to use two drilling rigs in 2007 with terms of up to 2 years and minimum future commitments of $12.8 million in 2007 and $2.2 million in 2008. Early termination of these contracts at December 31, 2006 would have required us to pay maximum penalties of $11.3 million. We do not expect to pay any early termination penalties related to these contracts.

(15) MAJOR CUSTOMERS

We market our production on a competitive basis. Gas is sold under various types of contracts including month-to-month, and one-to-five-year contracts. Oil purchasers may be changed on 30 days notice. The price for oil is generally equal to a posted price set by major purchasers in the area or is based on NYMEX pricing, adjusted for quality and transportation. We sell to oil and gas purchasers on the basis of price, credit quality and service. For the year ended December 31, 2006, two customers each accounted for 10% or more of total oil and gas revenues and the combined sales to those customers accounted for 25% of total oil and gas revenues. For the year ended December 31, 2005, four customers each accounted for 10% or more of total oil and gas revenues and the combined sales to those four customers accounted for 56% of total oil and gas revenues. For the year ended December 31, 2004, two customers each accounted for 10% or more of total oil and gas revenue and combined sales to those two customers accounted for 25% of total oil and gas revenues. We believe that the loss of any one customer would not have a material adverse effect on our results.

(16) EQUITY METHOD INVESTMENTS

On April 18, 2006, we acquired a 50% interest in Whipstock Natural Gas Services, LLC (Whipstock), an unconsolidated investee in the business of providing oil and gas drilling equipment, well servicing rigs and equipment, and other well services in Appalachia. On the acquisition date, we contributed cash of $11.7 million representing the fair value of 50% of the common stock of Whipstock.

We account for our investment in Whipstock under the equity method of accounting pursuant to Accounting Principles Board Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock." Under this method, we record our proportionate share of Whipstock's net earnings, declared dividends and partnership distributions based on the most recently available financial statements of the investee. There were no dividends or partnership distributions received from Whipstock during the year ended December 31, 2006. Whipstock follows a calendar year basis of financial reporting consistent with Range and our equity in Whipstock's earnings from the acquisition date through December 31, 2006 is included in our results of operations for 2006 in other revenue. In determining our proportionate share of the net earnings of Whipstock, certain adjustments are required to be made to Whipstock's reported results. These adjustments are made to eliminate the profits recognized by Whipstock for services provided to Range. For the year ended December 31, 2006, our equity in the earnings of Whipstock of $548,000 was reduced by $1.1 million in order to eliminate the profit on services provided to Range. Range and Whipstock have entered into an agreement whereby Whipstock will provide Range with the right of first refusal such that Range will have the opportunity to secure services from Whipstock in preference to and in advance of Whipstock entering into additional commitments for services with other customers. All services provided to Range will be at Whipstock's usual and customary terms. We also evaluate our equity method investment for potential impairment whenever events or changes in circumstances indicate that there is an other than temporary decline in value of the investment. Such events may include sustained operating losses by the investee or long-term negative changes in the investee's industry. These indicators were not present, and as a result, we did not recognize any impairment charges related to our investment in Whipstock for the year ended December 31, 2006.

Summarized financial information of investees accounted for under the equity method of accounting is as follows:

	2006 ($ in thousands)
Balance Sheet	
Current assets	$ 5,871
Non-current assets	30,261
Current liabilities	(5,458)
Non-current liabilities	(4,035)
Members' equity	26,639
Income Statement	
Total revenues	$ 23,235
Gross profit	7,653
Income from operations	3,487
Interest expense	(198)
Net income	3,289

Our carrying value of our equity method investment is $300,000 higher than the underlying net assets of the investee. This basis difference is being amortized into earnings over five years.

(17) SUBSEQUENT EVENTS

On February 13, 2007, we sold our Austin Chalk properties for net sales proceeds of $80.4 million. These properties were classified as Assets Held for Sale at December 31, 2006. See also Note 3 and Note 4.

(18) SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following tables set forth unaudited financial information on a quarterly basis for each of the last two years.

	2006				
	March	June	September	December	Total
Revenues					
Oil and gas sales	$ 176,338	$ 157,620	$ 172,647	$ 177,323	$ 683,928
Transportation and gathering	77	898	1,034	498	2,507
Mark-to-market on oil and gas derivatives	11,281	17,503	54,950	2,757	86,491
Other	1,432	1,572	249	3,549	6,802
Total revenues	189,128	177,593	228,880	184,127	779,728
Costs and expenses					
Direct operating	19,662	20,541	24,784	27,237	92,224
Production and ad valorem taxes	9,727	8,669	9,985	8,534	36,915
Exploration	10,077	7,778	16,512	10,885	45,252
General and administrative	11,330	12,514	12,170	13,872	49,886
Deferred compensation plan	4,479	(2,188)	(2,638)	7,220	6,873
Interest expense	10,551	12,003	16,896	18,127	57,577
Depletion, depreciation and amortization	34,567	36,833	46,243	52,018	169,661
Total costs and expenses	100,393	96,150	123,952	137,893	458,388
Income from continuing operations	88,735	81,443	104,928	46,234	321,340
Income tax					
Current	578	622	615	97	1,912
Deferred	32,482	30,116	38,899	20,317	121,814
	33,060	30,738	39,514	20,414	123,726
Income from continuing operations	55,675	50,705	65,414	25,820	197,614
Discontinued operations, net of taxes	—	565	(14,084)	(25,393)	(38,912)
Net income	$ 55,675	$ 51,270	$ 51,330	$ 427	$ 158,702
Earnings per common share:					
Basic – income from continuing operations	$ 0.43	$ 0.39	$ 0.48	$ 0.19	$ 1.48
– discontinued operations	—	—	(0.11)	(0.19)	(0.29)
– net income	$ 0.43	$ 0.39	$ 0.37	$ —	$ 1.19
Diluted – income from continuing operations	$ 0.41	$ 0.37	$ 0.46	$ 0.18	$ 1.42
– discontinued operations	—	0.01	(0.10)	(0.18)	(0.28)
– net income	$ 0.41	$ 0.38	$ 0.36	$ —	$ 1.14

	2005				
	March	June	September	December	Total
Revenues					
Oil and gas sales	$ 107,415	$ 118,723	$ 142,055	$ 156,881	$ 525,074
Transportation and gathering	528	631	703	599	2,461
Mark-to-market on oil and gas derivatives	—	—	—	10,868	10,868
Other	17	330	(968)	(1,942)	(2,563)
Total revenues	107,960	119,684	141,790	166,406	535,840
Costs and expenses					
Direct operating	14,808	17,419	16,902	17,983	67,112
Production and ad valorem taxes	5,755	7,034	8,457	10,270	31,516
Exploration	3,271	9,124	7,725	10,484	30,604
General and administrative	6,603	6,241	9,019	11,581	33,444
Deferred compensation plan	4,067	5,276	17,450	2,681	29,474
Interest expense	8,584	9,547	9,910	10,756	38,797
Depletion, depreciation and amortization	29,762	30,436	32,900	34,416	127,514
Total costs and expenses	72,850	85,077	102,363	98,171	358,461
Income before income taxes	35,110	34,607	39,427	68,235	177,379
Income tax					
Current	—	—	331	740	1,071
Deferred	13,107	12,946	14,431	24,813	65,297
	13,107	12,946	14,762	25,553	66,368
Net income	$ 22,003	$ 21,661	$ 24,665	$ 42,682	$ 111,011
Earnings per common share:					
Basic	$ 0.18	$ 0.18	$ 0.19	$ 0.33	$ 0.89
Diluted	$ 0.18	$ 0.17	$ 0.19	$ 0.32	$ 0.86

(19) SUPPLEMENTAL INFORMATION ON NATURAL GAS AND OIL EXPLORATION, DEVELOPMENT AND PRODUCTION ACTIVITIES

The following information concerning our natural gas and oil operations has been provided pursuant to Statement of Financial Accounting Standards No. 69, “Disclosures about Oil and Gas Producing Activities,” (“SFAS No. 69”). Our natural gas and oil producing activities are conducted onshore within the continental United States and offshore in the Gulf of Mexico.

Capitalized Costs and Accumulated Depreciation, Depletion and Amortization (a)

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
Oil and gas properties:			
Properties subject to depletion	$ 3,414,964	$ 2,519,454	$ 2,082,236
Unproved properties	226,263	28,636	14,790
Total	3,641,227	2,548,090	2,097,026
Accumulated depreciation, depletion and amortization	(964,551)	(806,908)	(694,667)
Net capitalized costs	$ 2,676,676	$ 1,741,182	$ 1,402,359

(a) Includes capitalized asset retirement costs and the associated accumulated amortization.

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
Acquisitions:			
Acreage purchases	$ 79,762	$ 20,674	$ 9,690
Unproved leasehold	132,821	—	4,043
Proved oil and gas properties	209,262	131,748	522,126
Purchase price adjustment (b)	147,062	20,966	79,352
Asset retirement obligations	896	119	17,524
Development	464,586	252,574	144,007
Exploration (c)	70,870	59,539	31,830
Gas gathering facilities:			
Acquisitions	—	8	15,539
Exploratory	3,418	—	—
Development	16,272	11,415	4,778
Subtotal	1,124,949	497,043	828,889
Asset retirement obligations	25,821	(1,730)	3,994
Total costs incurred	$ 1,150,770	$ 495,313	$ 832,883
Discontinued operations:			
Acquisitions	$ 140,110	$ —	$ —
Development	$ 15,012	$ —	$ —

(a) Includes cost incurred whether capitalized or expensed.

(b) Represents non-cash gross up to account for differences in book and tax basis.

(c) Includes $45,252, $30,604 and $21,219 of exploration costs expensed in 2006, 2005 and 2004, respectively. Exploration expense includes $3,079 and $1,250 of stock-based compensation in 2006 and 2005.

Estimated Quantities of Proved Oil and Gas Reserves (Unaudited)

Reserves of crude oil, condensate, natural gas liquids and natural gas are estimated by our engineers and are adjusted to reflect contractual arrangements and royalty rates in effect at the end of each year. Many assumptions and judgmental decisions are required to estimate reserves. Reported quantities are subject to future revisions, some of which may be substantial, as additional information becomes available from reservoir performance, new geological and geophysical data, additional drilling, technological advancements, price changes and other economic factors.

The SEC defines proved reserves as those volumes of crude oil, condensate, natural gas liquids and natural gas that geological and engineering data demonstrate with reasonable certainty are recoverable from known reservoirs under existing economic and operating conditions. 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 reserves are volumes expected to be recovered as a result of additional investments for drilling new wells to offset productive units, recompleting existing wells, and/or installing facilities to collect and transport production.

Production quantities shown are net volumes withdrawn from reservoirs. These may differ from sales quantities due to inventory changes, and, especially in the case of natural gas, volumes consumed for fuel and/or shrinkage from extraction of natural gas liquids.

The reported value of proved reserves is not necessarily indicative of either fair market value or present value of future net cash flows because prices, costs and governmental policies do not remain static, appropriate discount rates may vary, and extensive judgment is required to estimate the timing of production. Other logical assumptions would likely have resulted in significantly different amounts.

The average realized prices used at December 31, 2006 to estimate reserve information were $57.66 per barrel for oil, $25.98 per barrel for natural gas liquids and $5.24 per mcf for gas, using benchmark prices of $61.05 per barrel and $5.64 per Mmbtu. The average realized prices used at December 31, 2005 to estimate reserve information were $57.80 per barrel for oil, $36.00 per barrel for natural gas liquids and $9.83 per mcf for gas, using benchmark prices of $61.04 per barrel and $10.08 per Mmbtu. The average realized prices used at December 31, 2004 to estimate reserve information were $40.44

per barrel for oil, $25.05 per barrel for natural gas liquids and $6.05 per mcf for gas, using benchmark prices of $43.33 per barrel and $6.18 per Mmbtu.

	Crude Oil and NGLs (Mbbls)	Natural Gas (Mmcf)	Natural Gas Equivalents (Mmcfe)
Proved developed and undeveloped reserves:			
Balance, December 31, 2003	33,023	486,404	684,541
Revisions	(312)	(24,251)	(26,111)
Extensions, discoveries and additions	5,515	122,790	155,875
Purchases	7,062	421,775	464,149
Sales	(3,622)	(9,568)	(31,303)
Production	(3,500)	(50,722)	(71,726)
Balance, December 31, 2004	38,166	946,428	1,175,425
Revisions	2,499	809	15,802
Extensions, discoveries and additions	7,932	169,785	217,377
Purchases	2,343	71,569	85,626
Sales	(5)	(177)	(205)
Production	(4,043)	(63,004)	(87,263)
Balance, December 31, 2005	46,892	1,125,410	1,406,762
Revisions	(42)	(48,609)	(48,863)
Extensions, discoveries and additions	10,871	314,261	379,491
Purchases	242	121,683	123,133
Sales	(4)	(1,500)	(1,522)
Production	(4,252)	(75,267)	(100,775)
Balance, December 31, 2006 [a]	53,707	1,435,978	1,758,226
Proved developed reserves:			
December 31, 2004	27,715	580,006	746,299
December 31, 2005	33,029	724,876	923,050
December 31, 2006	37,750	875,395	1,101,895

(a) The December 31, 2006 balance excludes reserves associated with the Austin Chalk properties that are shown as Assets Held for Sale on our balance sheet. The total proved developed and undeveloped reserves for these assets at December 31, 2006 were 42.3 Bcfe which is comprised of 39.3 Bcfe of gas.

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves (Unaudited)

The following summarizes the policies we used in the preparation of the accompanying natural gas and oil reserve disclosures, standardized measures of discounted future net cash flows from proved natural gas and oil reserves and the reconciliations of standardized measures from year to year. The information disclosed, as prescribed by SFAS No. 69, is an attempt to present the information in a manner comparable with industry peers.

The information is based on estimates of proved reserves attributable to our interest in natural gas and oil properties as of December 31 of the years presented. These estimates were prepared by our petroleum engineering staff. Proved reserves are estimated quantities of natural gas and crude oil which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

The standardized measure of discounted future net cash flows from production of proved reserves was developed as follows:

1. Estimates are made of quantities of proved reserves and future amounts expected to be produced based on current year-end economic conditions.
2. Estimated future cash inflows are calculated by applying current year-end prices of natural gas and oil relating to our proved reserves to the quantities of those reserves produced in each future year.
3. Future cash flows are reduced by estimated production costs, costs to develop and produce the proved reserves and abandonment costs, all based on current year-end economic conditions. Future income tax expenses are based on current year-end statutory tax rates giving effect to the remaining tax basis in the natural gas and oil properties, other deductions, credits and allowances relating to our proved natural gas and oil reserves.
4. The resulting future net cash flows are discounted to present value by applying a discount rate of 10%.

The standardized measure of discounted future net cash flows does not purport, nor should it be interpreted, to present the fair value of our natural gas and oil reserves. An estimate of fair value would also take into account, among other things, the recovery of reserves not presently classified as proved, anticipated future changes in prices and costs and a discount factor more representative of the time value of money and the risks inherent in reserve estimates.

The standardized measure of discounted future net cash flows relating to proved natural gas and oil reserves is as follows and does not include cash flows associated with hedges outstanding at each of the respective reporting dates.

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
Future cash inflows	$10,192,067	$13,520,985	$ 7,109,349
Future costs:			
Production	(2,575,212)	(2,266,828)	(1,472,484)
Development	(1,225,710)	(825,261)	(601,447)
Future net cash flows before income taxes	6,391,145	10,428,896	5,035,418
Future income tax expense	(1,999,934)	(3,496,799)	(1,523,915)
Total future net cash flows before 10% discount	4,391,211	6,932,097	3,511,503
10% annual discount	(2,388,987)	(3,547,787)	(1,762,092)
Standardized measure of discounted future net cash flows	$ 2,002,224	$ 3,384,310	$ 1,749,411

The following table summarizes changes in the standardized measure of discounted future net cash flows.

	As of December 31,		
	2006	2005	2004
		(in thousands)	
Beginning of period	$ 3,384,310	$ 1,749,411	$ 1,002,981
Revisions to previous estimates:			
Changes in prices	(2,390,159)	1,633,812	129,916
Revisions in quantities	(91,793)	59,244	(59,591)
Changes in future development costs	(623,607)	(367,732)	(399,562)
Accretion of discount	488,737	239,636	139,582
Net change in income taxes	733,846	(856,115)	(254,114)
Purchases of reserves in place	231,314	321,022	1,059,294
Additions to proved reserves from extensions, discoveries and improved recovery	712,902	814,973	355,742
Production	(554,788)	(425,902)	(248,891)
Development costs incurred during the period	223,158	143,918	72,144
Sales of natural gas and oil	(2,859)	(769)	(71,441)
Timing and other	(108,837)	72,812	23,351
End of period	$ 2,002,224	$ 3,384,310	$ 1,749,411

INDEX TO EXHIBITS

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated May 10, 2006, by and among Range Resources Corporation, Range Acquisition Texas, Inc. and Stroud Energy, Inc. (incorporated by reference to Exhibit 2.1 to our Form 8-K (File No. 001-12209) as filed with the SEC on May 16, 2006)
3.1	Restated Certificate of Incorporation of Range Resources Corporation (incorporated by reference to Exhibit 3.1.1 to our Form 10-Q (File No. 001-12209) as filed with the SEC on May 5, 2004) as amended by the Certificate of First Amendment to Restated Certificate of Incorporation of Range Resources Corporation (incorporated by reference to exhibit 3.1 to our Form 10-Q (File No. 001-12209) as filed with the SEC on July 28, 2005)
3.2	Amended and Restated By-laws of Range (incorporated by reference to Exhibit 3.2 to our Form 10-K (File No. 001-12209) as filed with the SEC on March 3, 2004)
4.1	Form of 7.375% Senior Subordinated Notes due 2013 (included as an exhibit to exhibit 4.2 hereto)
4.2	Indenture dated July 21, 2003 by and among Range, as issuer, the Subsidiary Guarantors (as defined herein), as guarantors, and Bank One, National Association, as trustee (incorporated by reference to Exhibit 4.4.2 to our Form 10-Q (File No. 001-12209) as filed with the SEC on August 6, 2003)
4.3	Form of 6.375% Senior Subordinated Notes due 2015 (included as an exhibit to exhibit 4.4 hereto)
4.4	Indenture dated March 9, 2005 by and among Range, as issuer, the Subsidiary Guarantors (as defined herein), as guarantors and J.P.Morgan Trust Company, National Association, as trustee (incorporated by reference to Exhibit 4.1 on our Form 8-K (File No. 001-12209) as filed with the SEC on March 15, 2005)
4.5	Form of 7.5% Senior Subordinated Notes due 2016 (included as an exhibit to exhibit 4.6 hereto)
4.6	Indenture dated May 23, 2006 by and among Range, as issuer, the Subsidiary Guarantors (as defined herein), as guarantors and J.P.Morgan Trust Company, National Association as trustee (incorporated by reference to Exhibit 4.1 on our Form 8-K (File No. 001-12209) as filed with the SEC on May 23, 2006)
10.1*	Third Amended and Restated Credit Agreement as of October 25, 2006 among Range (as borrowers) and J.P.Morgan Chase Bank, N.A. and the institutions named (therein) as lenders, J.P.Morgan Chase as Administrative Agent
10.2	Range Resources Corporation Deferred Compensation Plan for Directors and Select Employees effective December 28, 2004 (incorporated by reference to Exhibit 10.2 to our Form 8-K (File No. 001-12209) as filed with the SEC on January 3, 2005)
10.3	Form of Indemnity Agreement (incorporated by reference to Exhibit 10.5 to our Form 8-K (File No. 001-12209) as filed with the SEC on May 18, 2005)
10.4	Range Resources Corporation 2005 Equity-Based Compensation (incorporated by reference to Exhibit 10.7 to our Form 8-K (File No. 001-12209) as filed with the SEC on May 18, 2005)
10.5	First Amendment to the Range Resources Corporation 2005 Equity-Based Compensation Plan (incorporated by reference to Exhibit 10.8 to our Form 8-K (File No. 001-12209) as filed with the SEC on May 18, 2005)
10.6	Second Amendment to the Range Resources Corporation 2005 Equity-Based Compensation Plan (incorporated by reference to Exhibit 10.2 to our Form 8-K (File No. 001-12209) as filed with the SEC on May 26, 2006)
10.7	Third Amendment to the Range Resources Corporation 2005 Equity-Based Compensation Plan (incorporated by reference to Exhibit 10.3 to our Form 8-K (File No. 001-12209) as filed with the SEC on May 26, 2006)
10.8	Lomak 1989 Stock Option Plan dated March 13, 1989 (incorporated by reference to Exhibit 10.1(d) to Lomak's Form S-1 (File No. 33-31558) as filed with the SEC on October 13, 1989)
10.9	Amendment to the Lomak 1989 Stock Option Plan, as amended (incorporated by reference to Exhibit 4.1 to Lomak's Form S-8 (File No. 333-10719) as filed with the SEC on August 23, 1996)
10.10	Amendment to the Lomak 1989 Stock Option Plan, as amended (incorporated by reference to Exhibit 4.2 to Lomak's Form S-8 (File No. 333-44821) as filed with the SEC on January 23, 1998)
10.11	Lomak 1994 Outside Directors Stock Option Plan (incorporated by reference to Exhibit 4.2 to Lomak's Form S-8 (File No. 333-10719) as filed with the SEC on August 23, 1996)
10.12	First Amendment to the Lomak 1994 Outside Directors Stock Option Plan dated June 8, 1995 (incorporated by reference to Exhibit 4.6 to our Form S-8 (File No. 333-40380) as filed with the SEC on June 29, 2000)
10.13	Second Amendment to the Lomak 1994 Outside Directors Stock Option Plan dated August 21, 1996 (incorporated by reference to Exhibit 4.7 to our Form S-8 (File No. 333-40380) as filed with the SEC on June 29, 2000)

Exhibit No.	Description
10.14	Third Amendment to the Lomak 1994 Outside Directors Stock Option Plan dated June 1, 1999 (incorporated by reference to Exhibit 4.8 to our Form S-8 (File No. 333-40380) as filed with the SEC on June 29, 2000)
10.15	Fourth Amendment to the Lomak 1994 Outside Directors Stock Plan dated May 24, 2000 (incorporated by reference to Exhibit 4.9 to our Form S-8 (File No. 333-40380) as filed with the SEC on June 29, 2000)
10.16	2004 Non-Employee Director Stock Option Plan dated May 19, 2004 (incorporated by reference to Exhibit 4.2 to our Form S-8 (File No. 333-116320) as filed with the SEC on June 9, 2004)
10.17	Lomak 1997 Stock Purchase Plan, as amended, dated June 19, 1997 (incorporated by reference to Exhibit 10.1(1) to Lomak's Form 10-K (File No. 001-12209) as filed with the SEC on March 20, 1998)
10.18	First Amendment to the Lomak 1997 Stock Purchase Plan dated May 26, 1999 (incorporated by reference to Exhibit 4.2 to our Form S-8 (File No. 333-40380) as filed with the SEC on June 29, 2000)
10.19	Second Amendment to the Lomak 1997 Stock Purchase Plan dated September 28, 1999 (incorporated by reference to Exhibit 4.3 to our Form S-8 (File No. 333-40380) as filed with the SEC on June 29, 2000)
10.20	Third Amendment to the Lomak 1997 Stock Purchase Plan dated May 24, 2000 (incorporated by reference to Exhibit 4.4 to our Form S-8 (File No. 333-40380) as filed with the SEC on June 29, 2000)
10.21	Fourth Amendment to the Lomak 1997 Stock Purchase Plan dated May 24, 2001 (incorporated by reference to Exhibit 4.7 to our Form S-8 (File No. 333-63764) as filed with the SEC on June 25, 2001)
10.22	Amended and Restated 1999 Stock Option Plan (as amended May 21, 2003) (incorporated by reference to Exhibit 4.1 to our Form S-8 (File No. 333-105895) as filed with the SEC on June 6, 2003)
10.23	Fourth Amendment to the Amended and Restated 1999 Stock Option Plan dated May 19, 2004 (incorporated by reference to Exhibit 4.1 to our Form S-8 (File No. 333-116320) as filed with the SEC on June 9, 2004)
10.24	Range Resources Corporation 401(k) Plan (incorporated by reference to Exhibit 10.14 to our Form S-4 (File No. 333-108516) as filed with the SEC on September 4, 2003)
10.25	Range Resources Corporation Executive Change in Control Severance Benefit Plan dated March 28, 2005 (incorporated by reference to exhibit 10.1 to our Form 8-k (File No. 001-12209) as filed with the SEC on March 31, 2005)
14.1	Amended Code of Business Conduct and Ethics, as amended (incorporated by reference to Exhibit 10.4 to our Form 8-K (File No. 001-12209) as filed with the SEC on February 22, 2005)
21.1*	Subsidiaries of Registrant
23.1*	Consent of Independent Registered Public Accounting Firm
23.2*	Consent of H.J. Gruy and Associates, Inc., independent consulting engineers
23.3*	Consent of DeGoyler and MacNaughton, independent consulting engineers
23.4*	Consent of Wright and Company, independent consulting engineers
31.1*	Certification by the President and Chief Executive Officer of Range Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification by the Chief Financial Officer of Range Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification by the President and Chief Executive Officer of Range Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification by the Chief Financial Officer of Range Pursuant to 18 U.S.C. Section 350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith.

** Furnished herewith.

Exhibit 10.1

EXECUTION VERSION

THIRD AMENDED AND RESTATED CREDIT AGREEMENT

dated as of
October 25, 2006

among

RANGE RESOURCES CORPORATION,
as Borrower

CERTAIN SUBSIDIARIES OF BORROWER,
as Guarantors

The Lenders Party Hereto

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

J.P. MORGAN SECURITIES INC.,
as Sole Bookrunner and Lead Arranger

$800,000,000 Senior Secured Revolving Credit Facility

TABLE OF CONTENTS

THIRD AMENDED AND RESTATED CREDIT AGREEMENT dated as of October 25, 2006, among RANGE RESOURCES CORPORATION, as Borrower, CERTAIN SUBSIDIARIES OF BORROWER, as Guarantors, the LENDERS party hereto, and JPMORGAN CHASE BANK, N.A., as Administrative Agent.

The parties hereto agree as follows:

Article I

Definitions

Section 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Acquisition" means, the acquisition by the Borrower or any Restricted Subsidiary, whether by purchase, merger (and, in the case of a merger with any such Person, with such Person being the surviving corporation) or otherwise, of all or substantially all of the Equity Interest of, or the business, property or fixed assets of or business line or unit or a division of, any other Person primarily engaged in the business of producing oil or natural gas or the acquisition by the Borrower or any Restricted Subsidiary of property or assets consisting of Oil and Gas Interests.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means JPMorgan Chase Bank, in its capacity as contractual representative of the Lenders hereunder pursuant to Article X and not in its individual capacity as a Lender, and any successor agent appointed pursuant to Article X.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Advance Payment Contract" means any contract whereby any Credit Party either (a) receives or becomes entitled to receive (either directly or indirectly) any payment (an "Advance Payment") to be applied toward payment of the purchase price of Hydrocarbons produced or to be produced from Oil and Gas Interests owned by any Credit Party and which Advance Payment is, or is to be, paid in advance of actual delivery of such production to or for the account of the purchaser regardless of such production including any volumetric production payments, or (b) grants an option or right of refusal to the purchaser to take delivery of such production in lieu of payment, and, in

either of the foregoing instances, the Advance Payment is, or is to be, applied as payment in full for such production when sold and delivered or is, or is to be, applied as payment for a portion only of the purchase price thereof or of a percentage or share of such production; provided that inclusion of the standard "take or pay" provision in any gas sales or purchase contract or any other similar contract shall not, in and of itself, constitute such contract as an Advance Payment Contract for the purposes hereof.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Aggregate Commitment" means the amount equal to the lesser of (i) the Maximum Facility Amount and (ii) the Borrowing Base; provided that the initial Aggregate Commitment is $800,000,000**.** The Aggregate Commitment may be reduced or increased pursuant to Section 2.02 and Section 2.03; provided that in no event shall the Aggregate Commitment exceed the Borrowing Base. If at any time the Borrowing Base is reduced below the Aggregate Commitment in effect prior to such reduction, the Aggregate Commitment shall be reduced automatically to the amount of the Borrowing Base in effect at such time.

"Aggregate Credit Exposure" means, as of any date of determination, the aggregate amount of the Credit Exposure of all of the Lenders as of such date.

"Agreement" means this Third Amended and Restated Credit Agreement, dated as of October 25, 2006 as it may be amended, supplemented or otherwise modified from time to time.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Appalachia Properties" means, at any time, the Mortgaged Properties owned by Borrower or any of its Subsidiaries and located in Ohio, Pennsylvania, West Virginia, New York, Virginia or any other state specified by the Borrower and acceptable to the Administrative Agent.

"Applicable Percentage" means, with respect to any Lender at any time, the percentage of the Aggregate Commitment represented by such Lender's Commitment at such time. The initial amount of each Lender's Applicable Percentage is as set forth on Schedule 2.01. If the Aggregate Commitment has terminated or expired, the Applicable Percentages shall be determined based upon the Aggregate Commitment most recently in effect, giving effect to any subsequent assignments.

"Applicable Rate" means, for any day, with respect to any ABR Loan or Eurodollar Loan, or with respect to the Unused Commitment Fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "ABR Spread", "Eurodollar Spread" or "Unused Commitment Fee Rate", as the case may be, based upon the Borrowing Base Usage applicable on such date:

Borrowing Base Usage	Eurodollar Spread	ABR Spread	Unused Commitment Fee Rate
³ 90%	175 b.p.	50 b.p.	37.5 b.p.
³ 75% and < 90%	150 b.p.	25 b.p.	35 b.p.
³ 50% and < 75%	125 b.p.	0 b.p.	30 b.p.
< 50%	100 b.p.	0 b.p.	25 b.p.

Each change in the Applicable Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next change.

"Approved Counterparty" means, at any time and from time to time, (i) any Person engaged in the business of writing Swap Agreements for commodity, interest rate or currency risk that is acceptable to the Administrative Agent and has (or the credit support provider of such Person has), at the time Borrower or any Restricted Subsidiary enters into a Swap Agreement with such Person, a long term senior unsecured debt credit rating of BBB+ or better from S&P or Baa1 or better from Moody's and (ii) any Lender Counterparty.

"Approved Fund" has the meaning assigned to such term in Section 11.04.

"Approved Petroleum Engineer" means DeGolyer and MacNaughton, H.J. Gruy and Associates, Inc., Wright and Company, Inc., or one or more other reputable firms of independent petroleum engineers selected by the Borrower and approved by the Administrative Agent, which approval shall not be unreasonably withheld or delayed.

"Arranger" means J.P. Morgan Securities Inc. in its capacity as sole bookrunner and lead arranger.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Eligible Assignee, and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Aggregate Commitment.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" means Range Resources Corporation, a Delaware corporation, and its successors and permitted assigns.

"Borrower Materials" has the meaning assigned to such term in Section 6.01.

"Borrowing" means Loans of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

"Borrowing Base" means, at any time an amount equal to the amount determined in accordance with Section 3.01, as the same may be redetermined, adjusted or reduced from time to time pursuant to Section 3.02 and Section 3.03.

"Borrowing Base Deficiency" means, as of any date, the amount, if any, by which the Aggregate Credit Exposure on such date exceeds the Borrowing Base in effect on such date; provided, that, for purposes of determining the existence and amount of any Borrowing Base Deficiency, obligations under any Letter of Credit will not be deemed to be outstanding to the extent such obligations are secured by cash in the manner contemplated by Section 2.07(j).

"Borrowing Base Properties" means all Oil and Gas Interests included in the Reserve Report of the Borrower and the Restricted Subsidiaries and evaluated by the Lenders for purposes of establishing the Borrowing Base.

"Borrowing Base Usage" means, as of any date and for all purposes, the quotient, expressed as a percentage, of (a) the Aggregate Credit Exposure as of such date, divided by (b) the Borrowing Base as of such date.

"Borrowing Request" means a request by the Borrower for a Borrowing in accordance with Section 2.05.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in Chicago, Illinois or Dallas, Texas are authorized or required by law to remain closed; provided that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP; provided that obligations with respect to usual and

customary oil, gas and mineral leases shall not be included as Capitalized Lease Obligations.

"Cash Management Obligations" means, with respect to any Credit Party, any obligations of such Credit Party owed to any Lender (or any Affiliate of any Lender) in respect of treasury management arrangements, depositary or other cash management services.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or the Issuing Bank (or, for purposes of Section 2.16(b), by any lending office of such Lender or by such Lender's or the Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Change of Control" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the Effective Date) of Equity Interests representing more than 40% of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of Borrower; or (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of Borrower by Persons who were neither (i) nominated by the board of directors of Borrower nor (ii) appointed by directors so nominated.

"Charges" has the meaning assigned to such term in Section 11.13.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" means all assets, whether now owned or hereafter acquired by any Borrower or any other Credit Party, in which a Lien is granted or purported to be granted to any Secured Party as security for any Obligation including any Borrowing Base Properties located in Virginia and deemed subject to a Mortgage pursuant to the terms of this Agreement.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Loans and to acquire participations in Letters of Credit hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Credit Exposure hereunder, as such commitment may be (a) reduced or increased from time to time pursuant to Section 2.02 and Section 2.03, (b) reduced or increased from time to time as a result of changes in the Borrowing Base pursuant to Article III and (c) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 11.04. The initial amount of each Lender's Commitment (which amount is such Lender's Applicable Percentage of the initial Aggregate Commitment) is

set forth in Schedule 2.01, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment, as applicable.

"Consolidated Current Assets" means, as of any date of determination, the total of (a) the consolidated current assets of the Borrower and the Consolidated Subsidiaries determined in accordance with GAAP as of such date, plus, all Unused Commitments as of such date, (b) less any non-cash assets required to be included in consolidated current assets of the Borrower and the Consolidated Subsidiaries as a result of the application of FASB Statement 133 as of such date.

"Consolidated Current Liabilities" means, as of any date of determination, the total of (a) consolidated current liabilities of the Borrower and the Consolidated Subsidiaries, as determined in accordance with GAAP as of such date, (b) less current maturities of the Loans and the Senior Subordinated Notes, (c) less any non-cash obligations required to be included in consolidated current liabilities of the Borrower and the Consolidated Subsidiaries as a result of the application of FASB Statement 133 as of such date.

"Consolidated Current Ratio" means, as of any date of determination, the ratio of Consolidated Current Assets to Consolidated Current Liabilities as of such date.

"Consolidated EBITDAX" means, with respect to the Borrower and its Consolidated Subsidiaries for any period, Consolidated Net Income for such period; plus, without duplication and to the extent deducted in the calculation of Consolidated Net Income for such period, the sum of (a) income or franchise Taxes paid or accrued; (b) Consolidated Interest Expense; (c) amortization, depletion and depreciation expense; (d) any non-cash losses or charges resulting from the application of FASB Statements 121, 133 or 143 for that period; (e) oil and gas exploration expenses (including all drilling, completion, geological and geophysical costs) for such period; (f) losses from sales or other dispositions of assets (other than Hydrocarbons produced in the ordinary course of business) and other extraordinary or non-recurring losses; (g) cash payments made during such period as a result of the early termination of any Swap Agreement (giving effect to any netting agreements); and (h) other non-cash charges (excluding accruals for cash expenses made in the ordinary course of business); minus, to the extent included in the calculation of Consolidated Net Income for such period; (j) the sum of (i) any non-cash gains resulting from the application of FASB Statements 121, 133 or 143 for that period; (ii) extraordinary or non-recurring gains; and (iii) gains from sales or other dispositions of assets (other than Hydrocarbons produced in the ordinary course of business); provided that, with respect to the determination of Borrower's compliance with the leverage ratio set forth in Section 7.11(b) for any period, Consolidated EBITDAX shall be adjusted to give effect, on a pro forma basis, to any Acquisitions made during such period as if such Acquisitions were made at the beginning of such period.

"Consolidated Funded Indebtedness" means, as of any date and without duplication, Indebtedness of the Borrower and the Restricted Subsidiaries of the type described in clauses (a, excluding Indebtedness consisting of deposits and advances), (b),

(c), (e), (g, to the extent any such Guarantees are Guarantees of Indebtedness that is otherwise Consolidated Funded Indebtedness) or (h) of the definition of Indebtedness.

"Consolidated Interest Expense" means for any period, without duplication, the aggregate of all interest paid or accrued by the Borrower and its Consolidated Subsidiaries, on a consolidated basis, in respect of Indebtedness of any such Person, on a consolidated basis, including all interest, fees and costs payable with respect to the obligations related to such Indebtedness (other than fees and costs which may be capitalized as transaction costs in accordance with GAAP) and the interest component of Capitalized Lease Obligations, all as determined in accordance with GAAP.

"Consolidated Net Income" means for any period, the consolidated net income (or loss) of the Borrower and its Consolidated Subsidiaries, as applicable, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Consolidated Subsidiary of the Borrower, or is merged into or consolidated with the Borrower or any of its Consolidated Subsidiaries, as applicable, (b) the income (or deficit) any Person in which any other Person (other than the Borrower or any of its Restricted Subsidiaries) has an Equity Interest, except to the extent of the amount of dividends and other distributions actually paid to the Borrower or any of its Restricted Subsidiaries during such period and and (c) the undistributed earnings of any Consolidated Subsidiary of the Borrower, to the extent that the declaration or payment of dividends or similar distributions by such Consolidated Subsidiary is not at the time permitted by the terms of any contractual obligation (other than under any Loan Document or the Indenture) or by any law applicable to such Consolidated Subsidiary.

"Consolidated Subsidiaries" means, for any Person, any Subsidiary or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements in accordance with GAAP.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Counterpart Agreement" means a Counterpart Agreement substantially in the form of Exhibit C delivered by a Guarantor pursuant to Section 6.13.

"Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Loans and its LC Exposure at such time.

"Credit Parties" means collectively, Borrower, and each Guarantor and each individually, a "Credit Party".

"Crude Oil" means all crude oil and condensate.

"Deep Participation Rights" means the right of Marbel to participate in the drilling or deepening of certain wells located in a specified area of Ohio pursuant to Section 6.09 of that certain Purchase and Sale Agreement dated June 1, 2004, providing for the acquisition by the Borrower of all of the outstanding membership interests of GLEP not already indirectly owned by the Borrower as in effect on the Original Effective Date.

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Defaulting Lender" means any Lender that (a) has failed to fund any portion of the Loans or participations in LC Disbursements required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due, unless the subject of a good faith dispute, or (c) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

"Disclosed Matters" means the actions, suits and proceedings and the environmental matters disclosed in Schedule 4.06.

"Disqualified Stock" means any Equity Interest, which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof, in whole or in part, on or prior to the Maturity Date.

"Dollars" or "$" refers to lawful money of the United States of America.

"Domestic Subsidiary" means, with respect to any Person, a subsidiary of such Person that is incorporated or formed under the laws of the United States of America, any state thereof or the District of Columbia.

"Effective Date" means the date on which the conditions specified in Section 5.01 are satisfied (or waived in accordance with Section 11.02).

"Eligible Assignee" means any Person that qualifies as an assignee pursuant to Section 11.04(b)(i); provided that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of the Borrower's Affiliates or Subsidiaries.

"Engineered Value" means, the value attributed to the Borrowing Base Properties for purposes of the most recent Redetermination of the Borrowing Base pursuant to Article III (or for purposes of determining the Initial Borrowing Base in the event no such Redetermination has occurred), based upon the discounted present value of the estimated

net cash flow to be realized from the production of Hydrocarbons from the Borrowing Base Properties as set forth in the Reserve Report.

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of any Credit Party directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equity Interests" means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with any Credit Party, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by any Credit Party or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by any Credit Party or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by any Credit Party or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by any Credit Party or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from any Credit Party or any ERISA Affiliate of any notice, concerning the

imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"Event of Default" has the meaning assigned to such term in Article IX.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.20(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 2.18(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.18(a).

"Existing Swap Agreements" means any Swap Agreements entered into between the Borrower or any Guarantor and any Lender Counterparty prior to the Effective Date and in effect on the Effective Date.

"FASB" means Financial Accounting Standards Board.

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which any Credit Party is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"GAAP" means generally accepted accounting principles in the United States of America.

"Gas Balancing Agreement" means any agreement or arrangement whereby the Borrower or any Restricted Subsidiary, or any other party having an interest in any Hydrocarbons to be produced from Oil and Gas Interests in which the Borrower or any Restricted Subsidiary owns an interest, has a right to take more than its proportionate share of production therefrom.

"GLEP" means Great Lakes Energy Partners, L.L.C., a Delaware limited liability company and its successors and permitted assigns.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity properly exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" of or by any Person (in this definition, the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Guaranteed Liabilities" has the meaning assigned to such term in Section 8.01.

"Guarantor" means each Restricted Subsidiary that is a party hereto or hereafter executes and delivers to the Administrative Agent and the Lenders, a Counterpart Agreement pursuant to Section 6.13 or otherwise.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Hydrocarbons" means all Crude Oil and Natural Gas produced from or attributable to the Oil and Gas Interests of the Credit Parties.

"Increased Commitment Date" has the meaning assigned to such term in Section 2.03**.**

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are paid (excluding accounts payable incurred in the ordinary course of business, contingent obligations as a non-operator under oil and gas operating agreements and contingent obligations under standard and customary provisions of gas sale contracts for make-up volumes on sales of natural gas), (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnitee" has the meaning assigned to such term in Section 11.03.

"Indenture" means, collectively, (i) that certain Indenture dated as of July 21, 2003, by and between the Borrower, as issuer, certain of its Subsidiaries, as guarantors, and JPMorgan Chase Bank, N.A. (successor to Bank One, N.A.), as trustee, pursuant to which the Borrower issued the Senior Subordinated Notes, as amended and supplemented by that certain Supplemental Indenture dated as of June 22, 2004 and as further amended and supplemented from time to time as permitted under the terms thereof, (ii) that certain Indenture dated March 9, 2005, among the Borrower, as issuer, certain of its Subsidiaries, as guarantors, and J.P. Morgan Trust Company, National Association, as amended or supplemented from time to time as permitted under the terms hereof, and (iii) that certain Indenture dated May 23, 2006, among the Borrower, as issuer, certain of its Subsidiaries, as guarantors, and J. P. Morgan Trust Company, National Association, as amended or supplemented from time to time as permitted under the terms hereof.

"Information" has the meaning assigned to such term in Section 11.12.

"Initial Borrowing Base" has the meaning assigned to such term in Section 3.01.

"Interest Election Request" means a request by the Borrower to convert or continue a Borrowing in accordance with Section 2.09.

"Interest Payment Date" means (a) with respect to any ABR Loan, the last day of each calendar month and (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period.

"Interest Period" means with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three, six or, if at the date of such election a twelve month placement is available, twelve months thereafter, as the Borrower may elect; provided, that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (b) any Interest Period pertaining to a Eurodollar Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Issuing Bank" means JPMorgan Chase Bank, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.07(i). The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"JPMorgan Chase Bank" and "JPMorgan Chase Bank, N.A." means JPMorgan Chase Bank, N.A. and its successors.

"LC Disbursement" means a payment made by the Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

"Lender Counterparty" means any Lender or any Affiliate of a Lender counterparty to a Swap Agreement with any Credit Party.

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption.

"Letter of Credit" means any letter of credit issued pursuant to this Agreement and, to the extent outstanding on the Effective Date, any letter of credit issued under the Original Credit Agreement and any renewals thereof.

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Moneyline Telerate Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan Documents" means this Agreement, any promissory notes executed in connection herewith, the Security Instruments, the Letters of Credit (and any applications therefor and reimbursement agreements related thereto), the Fee Letter and any other agreements executed in connection with this Agreement.

"Loans" means the loans made by the Lenders to the Borrower pursuant to this Agreement.

"Marbel" means Marbel Holdco, Inc., an Ohio corporation and its successors and permitted assigns.

"Material Adverse Effect" means a material adverse effect on (a) the assets or properties, financial condition, businesses or operations of the Borrower and its Subsidiaries taken as a whole (it being understood that changes in commodity prices for Hydrocarbons affecting the oil and gas industry as a whole shall not constitute a material adverse effect), (b) the ability of the Credit Parties taken as a whole to carry out their business as of the date of this Agreement or as proposed at the date of this Agreement to be conducted, (c) the ability of the Credit Parties taken as a whole to perform fully and on a timely basis their respective obligations under any of the Loan Documents to which they are a party, or (d) the validity or enforceability of any of the Loan Documents or the rights and remedies of the Administrative Agent or the Lenders under this Agreement and the other Loan Documents.

"Material Domestic Subsidiary" means any Domestic Subsidiary that (i) owns or holds assets, properties or interests (including Oil and Gas Interests) with an aggregate fair market value, on a consolidated basis, greater than five percent (5%) of the aggregate fair market value of all of the assets, properties and interests (including Oil and Gas Interests) of the Borrower and the Restricted Subsidiaries, on a consolidated basis.

"Material Indebtedness" means Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Swap Agreements, of the Borrower or any one or more of the Restricted Subsidiaries in an aggregate principal amount exceeding $10,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Borrower or any Guarantor in respect of any Swap Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Guarantor would be required to pay if such Swap Agreement were terminated at such time.

"Maturity Date" means October 25, 2011.

"Maximum Facility Amount" means $1,200,000,000.

"Maximum Liability" has the meaning assigned to such term in Section 8.10.

"Maximum Rate" has the meaning assigned to such term in Section 11.13.

"Moody's" means Moody's Investors Service, Inc.

"Mortgaged Properties" means the Oil and Gas Interests described in one or more duly executed, delivered and filed Mortgages evidencing a Lien prior and superior in right to any other Person in favor of the Administrative Agent for the benefit of the Secured Parties and subject only to the Liens permitted pursuant to Section 7.02; provided that the Borrowing Base Properties of any Credit Party located in Virginia shall be deemed subject to an executed, delivered and filed Mortgage evidencing such Lien in favor of the Administrative Agent so long as the Borrower and the Restricted Subsidiaries are in compliance with Section 6.14 with respect to the Equity Interests of such Credit Party owning such Virginia Borrowing Base Properties.

"Mortgages" means all mortgages, deeds of trust, amendments to mortgages, security agreements, assignments of production, pledge agreements, collateral mortgages, collateral chattel mortgages, collateral assignments, financing statements and other documents, instruments and agreements evidencing, creating, perfecting or otherwise establishing the Liens required by Section 6.09. All Mortgages shall be in form and substance satisfactory to Administrative Agent in its sole discretion

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Natural Gas" means all natural gas, distillate or sulphur, natural gas liquids and all products recovered in the processing of natural gas (other than condensate) including, without limitation, natural gasoline, coalbed methane gas, casinghead gas, iso-butane, normal butane, propane and ethane (including such methane allowable in commercial ethane).

"Net Cash Proceeds" means, with respect to the sale of Borrowing Base Properties by the Borrower or any Restricted Subsidiary, the excess, if any, of (a) the sum of cash and cash equivalents received in connection with such sale, but only as and when so received, over (b) the sum of (i) the principal amount of any Indebtedness that is secured by such asset and that is required to be repaid in connection with the sale thereof (other than the Loans), (ii) the out-of-pocket expenses incurred by the Borrower or such Restricted Subsidiary in connection with such sale, (iii) all legal, title and recording tax expense and all federal, state, provincial, foreign and local taxes required to be accrued as a liability under GAAP as a consequence of such sale, (iv) all distributions and other payments required to be made to minority interest holders in Restricted Subsidiaries as a result of such sale, (v) the deduction of appropriate amounts provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the property or other assets disposed of in such sale and retained by the Borrower or any Restricted Subsidiary after such sale, (vi) cash payments made to satisfy obligations resulting from early termination of Swap Agreements in connection with or as a result of any such sale, and (vii) any portion of the purchase price from such sale placed in escrow, whether as a reserve for adjustment of the purchase price, for satisfaction of indemnities in respect of such sale or otherwise in connection with such sale; provided however, that upon the termination of that escrow, Net Cash Proceeds will be increased by any portion of funds in the escrow that are released to the Borrower or any Restricted Subsidiary.

"New Commitments" has the meaning assigned to such term in Section 2.03.

"New Lender" has the meaning assigned to such term in Section 2.03.

"Non-Consenting Lender" has the meaning assigned to such term in Section 2.20(c).

"Obligations" means any and all obligations of every nature, contingent or otherwise, whether now existing or hereafter arising, of any Credit Party from time to

time owed to the Administrative Agent, the Issuing Bank, the Lenders or any of them or any Lender Counterparty arising under or in connection with any Loan Document or Swap Agreement (including, any and all Cash Management Obligations and any and all obligations, contingent or otherwise, whether now existing or hereafter arising, of any Credit Party under any Existing Swap Agreement and any and all obligations, contingent or otherwise, whether now existing or hereafter arising, of any Credit Party with respect to any transactions under any Swap Agreement with any Person that was a Lender Counterparty at the time such Credit Party entered into such transactions regardless of whether such Person is no longer a Lender Counterparty), whether for principal, interest, reimbursement of amounts drawn under any Letter of Credit, payments for early termination of Swap Agreements, funding indemnification amounts, fees, expenses, indemnification or otherwise.

"Off-Balance Sheet Liability" of a Person means (a) any repurchase obligation or liability of such Person with respect to accounts or notes receivable sold by such Person, (b) any liability under any Sale and Leaseback Transaction which is not a Capital Lease Obligation, (c) any liability under any so-called "synthetic lease" transaction entered into by such Person, or (d) any obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the balance sheets of such Person, but excluding from the foregoing clauses (c) and (d) operating leases, joint operating agreements, and usual and customary oil, gas and mineral leases.

"Oil and Gas Interest(s)" means: (a) direct and indirect interests in and rights with respect to oil, gas, mineral and related properties and assets of any kind and nature, direct or indirect, including, without limitation, working, royalty and overriding royalty interests, mineral interests, leasehold interests, production payments, operating rights, net profits interests, other non-working interests, contractual interests, non-operating interests and rights in any pooled, unitized or communitized acreage by virtue of such interest being a part thereof; (b) interests in and rights with respect to Hydrocarbons other minerals or revenues therefrom and contracts and agreements in connection therewith and claims and rights thereto (including oil and gas leases, operating agreements, unitization, communitization and pooling agreements and orders, division orders, transfer orders, mineral deeds, royalty deeds, oil and gas sales, exchange and processing contracts and agreements and, in each case, interests thereunder), and surface interests, fee interests, reversionary interests, reservations and concessions related to any of the foregoing; (c) easements, rights-of-way, licenses, permits, leases, and other interests associated with, appurtenant to, or necessary for the operation of any of the foregoing; (d) interests in oil, gas, water, disposal and injection wells, equipment and machinery (including well equipment and machinery), oil and gas production, gathering, transmission, compression, treating, processing and storage facilities (including tanks, tank batteries, pipelines and gathering systems), pumps, water plants, electric plants, gasoline and gas processing plants, refineries and other tangible or intangible, movable or immovable, real or personal property and fixtures located on, associated with, appurtenant to, or necessary for the operation of any of the foregoing; and (e) all seismic, geological, geophysical and engineering records, data, information, maps, licenses and interpretations.

"Organizational Documents" means (a) with respect to any corporation, its certificate or articles of incorporation or organization, as amended, and its by-laws, as amended, (b) with respect to any limited partnership, its certificate of limited partnership, as amended, and its partnership agreement, as amended, (c) with respect to any general partnership, its partnership agreement, as amended, and (d) with respect to any limited liability company, its certificate of formation or articles of organization, as amended, and its limited liability company agreement or operating agreement, as amended.

"Original Credit Agreement" means, that certain Second Amended and Restated Credit Agreement dated June 23, 2004, among Borrower and GLEP, as borrowers, the lenders from time to time a party thereto, and JPMorgan Chase Bank N.A. (successor by merger to Bank One, N.A. (Illinois)), as administrative agent, as amended, supplemented or otherwise modified from time to time prior to the Effective Date.

"Original Effective Date" means the "Effective Date" as defined in the Original Credit Agreement.

"Original Loans" means the loans and other extensions of credit outstanding under the Original Credit Agreement as of the Effective Date.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"Participant" has the meaning assigned to such term in Section 11.04.

"Payment Currency" has the meaning assigned to such term in Section 8.07.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Permitted Encumbrances" means:

(a) Liens imposed by law for Taxes that are not yet due or are being contested in compliance with Section 6.04;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, landlords' liens, and contractual Liens granted to operators and non-operators under oil and gas operating agreements, in each case, arising in the ordinary course of business or incident to the exploration, development, operation and maintenance of Oil and Gas Interests and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 6.04;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (k) of Article IX;

(f) easements, zoning restrictions, rights-of-way, servitudes, permits, surface leases, and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of any Credit Party;

(g) royalties, overriding royalties, reversionary interests, production payments, sales contracts, and similar burdens with respect to the Oil and Gas Interests owned by the Borrower or such Restricted Subsidiary, as the case may be, if the net cumulative effect of such burdens does not operate to deprive the Borrower or any Restricted Subsidiary of any material right in respect of its assets or properties (except for rights customarily granted with respect to such interests);

(h) Liens arising from Uniform Commercial Code financing statement filings and real property record filings regarding operating leases entered into by the Borrower or any Restricted Subsidiary in the ordinary course of business covering the property under the lease;

(i) routine operational agreements, preferential rights to purchase, and provisions requiring a third party's consent prior to assignment and similar restraints on alienation, in each case, granted pursuant to an oil and gas operating agreement or lease and arising in the ordinary course of business or incident to the exploration, development, operation and maintenance of Oil and Gas Interests; provided such right, requirement or restraint does not materially and adversely affect the value of such Oil and Gas Interests;

(j) Liens arising pursuant to Section 9.343 of the Texas Uniform Commercial Code or other similar statutory provisions of other states with respect to production purchased from others; and

(k) Liens (other than Liens on Collateral) that secure obligations under Swap Agreements to Persons other than a Lender Counterparty.

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness (other than contractual Liens described in the foregoing clause (b) granted to operators and non-operators under oil and gas operating agreements and leases to the extent the obligations secured by such Liens constitute Indebtedness).

"Permitted Investments" means:

(a) U.S. Government Securities;

(b) investments in demand and time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any State thereof or any foreign country recognized by the United States of America, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of $50,000,000 (or the foreign currency equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act of 1933, as amended) or any money-market fund sponsored by a registered broker dealer or mutual fund distributor;

(c) investments in deposits available for withdrawal on demand with any commercial bank that is organized under the laws of any country in which the Borrower or any Restricted Subsidiary maintains an office or is engaged in the oil and gas business;

(d) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (a) above entered into with a bank meeting the qualifications described in clause (b) above;

(e) investments in commercial paper, maturing not more than 90 days after the date of acquisition, issued by a corporation (other than an Affiliate of the Borrower) organized and in existence under the laws of the United States of America or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-l" (or higher) according to S&P;

(f) investments in securities with maturities of six months or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or "A" by Moody's; and

(g) investments in money market funds that invest substantially all their assets in securities of the types described in clauses (a) through (f) above

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which any Credit Party or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Platform" has the meaning assigned to such term in Section 6.01.

"Pledge Agreement" means a Pledge and Security Agreement in favor of the Administrative Agent for the benefit of the Secured Parties covering, among other things, the rights and interests of Borrower or any Restricted Subsidiary in the Equity Interest of each Restricted Subsidiary and otherwise in form and substance satisfactory to the Administrative Agent and the Required Lenders.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank as its prime rate in effect at its principal office in Chicago, Illinois, each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Projections" means the Borrower's forecasted (a) balance sheets, (b) profit and loss statements, and (c) cash flow statements, all prepared on a basis consistent with the historical financial statements described in Section 4.04 and after giving effect to the Transactions, together with appropriate supporting details and a statement of underlying assumptions, in each case in form and substance satisfactory to the Lenders.

"Public Lender" has the meaning assigned to such term in Section 6.01.

"Redetermination" means any Scheduled Redetermination or Special Redetermination.

"Redetermination Date" means (a) with respect to any Scheduled Redetermination, on or about each April 1 and October 1 of each year, commencing April 1, 2007, and (b) with respect to any Special Redetermination, the first day of the first month which is not less than twenty (20) Business Days following the date of a request for, or the event giving rise to, a Special Redetermination.

"Register" has the meaning assigned to such term in Section 11.04.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, at any time, Lenders having Credit Exposures and Unused Commitments representing at least fifty percent (50%) of the sum of the Aggregate Credit Exposure and all Unused Commitments of all Lenders at such time or, if the Aggregate Commitment has been terminated, Lenders having Credit Exposures representing at least fifty percent (50%) of the Aggregate Credit Exposure of all Lenders at such time; provided that the Commitment of and the Credit Exposures held or deemed held by any Defaulting Lender shall be excluded for purposes of making a determination of the Required Lenders.

"Reserve Report" means an unsuperseded engineering analysis of the Borrowing Base Properties, in form and substance reasonably acceptable to the Administrative

Agent, prepared in accordance with ordinary, customary and prudent practices in the petroleum engineering industry.

"Responsible Officer" means the chief executive officer, president, vice president (including without limitation any senior or executive vice president), chief financial officer, principal accounting officer, treasurer or assistant treasurer of a Credit Party. Any document delivered hereunder that is signed by a Responsible Officer of a Credit Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Credit Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Credit Party.

"Restricted Payment" means, collectively, (i) any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests in any Credit Party, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests in any Credit Party or any option, warrant or other right to acquire any such Equity Interests in any Credit Party and (ii) any payment or prepayment of principal of, premium on, or redemption, purchase, retirement, defeasance (including in-substance or legal defeasance) sinking fund or similar payment with respect to the Senior Subordinated Notes.

"Restricted Subsidiary" means any Subsidiary that is not an Unrestricted Subsidiary.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw Hill Corporation.

"Sale and Leaseback Transaction" means any sale or other transfer of any property by any Person with the intent to lease such property as lessee.

"Scheduled Redetermination" means any redetermination of the Borrowing Base pursuant to Section 3.02.

"Secured Party" means the Administrative Agent, any Lender and any Lender Counterparty and shall include Lenders and Lender Counterparties to the extent that any Obligations owing to such Persons were incurred while such Persons were Lenders or Lender Counterparties.

"Security Instruments" means collectively, all Guarantees of the Obligations evidenced by the Loan Documents and all mortgages, security agreements, pledge agreements, collateral assignments and other collateral documents covering the Oil and Gas Interests of the Borrower and the Restricted Subsidiaries and the Equity Interests of the Restricted Subsidiaries and other personal property, equipment, oil and gas inventory and proceeds of the foregoing, all such documents to be in form and substance reasonably satisfactory to the Administrative Agent.

"Senior Subordinated Notes" means (i) the 7 3/8% Senior Subordinated Notes due 2013, issued pursuant to the Indenture, (ii) the 6 3/8% Senior Subordinated Notes due 2015, issued pursuant to the Indenture and (iii) the 7 1/2% Senior Subordinated Notes due 2016, issued pursuant to the Indenture.

"Special Redetermination" means any redetermination of the Borrowing Base made pursuant to Section 3.03.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent. Unless the context otherwise clearly requires, references herein to a "Subsidiary" refer to a Subsidiary of the Borrower.

"Super Majority Lenders" means, at any time, Lenders having Credit Exposures and Unused Commitments representing at least sixty-six and two-thirds percent (66 2/3%) of the sum of the Aggregate Credit Exposure and all Unused Commitments of all Lenders at such time or, if the Aggregate Commitment has been terminated, Lenders having Credit Exposures representing at least sixty-six and two-thirds percent (66 2/3%) of the Aggregate Credit Exposure of all Lenders at such time; provided that the Commitment of and the Credit Exposures held or deemed held by any Defaulting Lender shall be excluded for purposes of making a determination of the Super Majority Lenders.

"Swap Agreement" means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account

of services provided by current or former directors, officers, employees or consultants of the Credit Parties shall be a Swap Agreement.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Transactions" means the (i) the execution, delivery and performance by the Credit Parties of this Agreement and the Loan Documents, (ii) the borrowing of Loans, (iii) the use of the proceeds thereof, and (iv) the issuance of Letters of Credit hereunder.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

"Unrestricted Subsidiary" means (a) any Subsidiary that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Borrower in the manner provided below and (b) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors of the Borrower may designate any Subsidiary (including any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries is a Material Domestic Subsidiary or a Subsidiary owning Oil and Gas Interests included in the Borrowing Base Properties.

"Unused Commitment" means, with respect to each Lender at any time, such Lender's Commitment at such time minus such Lender's Credit Exposure at such time.

"Unused Commitment Fee" has the meaning assigned to such term in Section 2.13(a).

"U.S. Government Securities" means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

Section 1.02. Types of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Type (e.g., a "Eurodollar Loan"). Borrowings also may be classified and referred to by Type (e.g., a "Eurodollar Borrowing").

Section 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation".

The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (c) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Section 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

Section 1.05. Oil and Gas Definitions. For purposes of this Agreement, the terms “proved [or] proven reserves,” “proved developed reserves,” “proved [or] proven undeveloped reserves,” “proved [or] proven developed nonproducing reserves” and “proved [or] proven developed producing reserves,” have the meaning given such terms from time to time and at the time in question by the Society of Petroleum Engineers of the American Institute of Mining Engineers.

Section 1.06. Time of Day. Unless otherwise specified, all references to times of day shall be references to Central time (daylight or standard, as applicable).

Article II

The Credits

Section 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to continue the Original Loans and to make Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (a) such Lender’s Credit Exposure exceeding such Lender’s Commitment or (b) the Aggregate Credit Exposure exceeding the Aggregate Commitment. Within the foregoing limits and subject

to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Loans.

Section 2.02. Termination and Reduction of the Aggregate Commitment.

(a) Unless previously terminated, the Aggregate Commitment shall terminate on the Maturity Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Aggregate Commitment; provided that (i) each reduction of the Aggregate Commitment shall be in an amount that is an integral multiple of $10,000,000, and (ii) the Borrower shall not terminate or reduce the Aggregate Commitment if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11 and Section 2.12, the Aggregate Credit Exposure would exceed the Aggregate Commitment.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Aggregate Commitment under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Aggregate Commitment delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination of the Aggregate Commitment shall be permanent. Each reduction of the Aggregate Commitment shall be made ratably among the Lenders in accordance with their respective Commitment.

(d) With respect to any sale, transfer or disposition of Borrowing Base Properties (other than sales, transfers or dispositions permitted under Section 7.03(a)(vi)), the Borrowing Base shall be automatically reduced by an amount equal to the value assigned to such Borrowing Base Properties by the Administrative Agent in connection with the most recent Redetermination of the Borrowing Base preceding the date of such sale (or in connection with the determination of the Initial Borrowing Base with respect to any sale occurring prior to the first Redetermination of the Borrowing Base).

Section 2.03. Increases in the Aggregate Commitment. So long as no Default has occurred and is continuing or would be caused by such increase, the Borrower may by written notice to the Administrative Agent, elect to increase the existing Aggregate Commitment in a minimum amount of $50,000,000 and integral multiples of $10,000,000 in excess of that amount (any such increase, the "New Commitments"); provided that the amount of such increase together with the existing Aggregate Commitment does not, in the aggregate, exceed the lesser of (a) the Maximum Facility Amount, or (b) the Borrowing Base then in effect. Each such notice shall specify the date (each an "Increased Commitment Date") on which the Borrower proposes that the New Commitments shall be effective, which shall be a date no less than 20 days after the date on which such notice is delivered to the Administrative Agent. Within 5 days of such notice

from the Borrower, the Administrative Agent shall notify each Lender of the amount of the New Commitments and each Lender's allocation of the New Commitments based on each Lender's Applicable Percentage of the existing Aggregate Commitment. Within 10 days of such notice from the Borrower, each Lender, in its sole discretion, may elect or decline to provide its allocation of the New Commitments. In the event any Lender declines to provide its allocation of the New Commitments or fails to respond within ten days of such notice, each Lender that has elected to provide its allocation, in its sole discretion, may elect or decline to provide a portion of any other Lender's declined allocation in the same proportion that such Lender's allocation bears to the aggregate amount of the allocations of all Lenders electing to provide their respective allocations. In the event the Lenders do not elect to provide all of the New Commitments, the Arranger and the Administrative Agent shall, in consultation with the Borrower, use commercially reasonable efforts to identify one or more Eligible Assignees to provide the New Commitments the existing Lenders have declined to provide (each, a "New Lender"). Such New Commitments shall become effective as of such Increased Commitment Date in an aggregate amount equal to the amount the Lenders and any New Lenders have elected to provide as of such date; provided that (1) no Default exists on such Increased Commitment Date before or after giving effect to such New Commitments, (2) the Borrower and its Consolidated Subsidiaries are in pro forma compliance with each of the financial covenants set forth in Section 7.11 as of the last day of the most recently ended fiscal quarter of the Borrower after giving effect to such New Commitments, (3) if any portion of the New Commitments are provided by a New Lender, the New Commitments of such New Lender shall be effected pursuant to an Assignment and Assumption, (4) the Borrower shall make any payments required pursuant to Section 2.13 in connection with the New Commitments and (5) to the extent requested in writing, the Administrative Agent has received (i) copies, certified by the secretary of the Borrower and each Guarantor, of their respective Board of Directors' resolutions and of resolutions or actions of any other body authorizing the increase in the Aggregate Commitment and the confirmation and ratification of the Guarantees and all other Loan Documents, (ii) a certificate, signed by a Responsible Officer, showing that before and after giving effect to the New Commitments, no Default or Event of Default shall exist and the Borrower is in compliance with all covenants in this Agreement and in pro forma compliance with the financial covenants set forth in Section 7.11, (iii) copies of all governmental and nongovernmental consents, approvals, authorizations, declarations, registrations or filings, if any, required on the part of the Borrower or any Guarantor in connection with the New Commitments, certified as true and correct in full force and effect as of the date of the increase by a duly authorized officer of the Borrower, or if none are required, a certificate of such officer to that effect, (iv) evidence satisfactory to the Administrative Agent that no event, change or circumstance shall have occurred with respect to the Borrower and its Subsidiaries since the most recent financial statements provided to the Lenders hereunder that could reasonably be expected to result in a Material Adverse Effect and (v) such other documents and conditions as the Administrative Agent or its counsel may have reasonably requested.

(a) On any Increased Commitment Date on which New Commitments are effected, subject to the satisfaction of the foregoing terms and conditions, (a) each of the Lenders shall assign to each of the New Lenders, and each of the New Lenders shall purchase from each of the Lenders, at the principal amount thereof (together with accrued interest), such interests in the

Loans outstanding on such Increased Commitment Date as shall be necessary in order that, after giving effect to all such assignments and purchases, such Loans will be held by existing Lenders and New Lenders ratably in accordance with their Commitments after giving effect to the addition of such New Commitments to the Commitments, (b) each New Commitment shall be deemed for all purposes a Commitment and each Loan made thereunder shall be deemed, for all purposes, a Loan and (c) each New Lender shall become a Lender with respect to the New Commitment and all matters relating thereto.

Section 2.04. Loans and Borrowings.

(a) Each Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.15, each Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement and the exercise of such option would not, in and of itself, give rise to the obligation of Borrower to pay Indemnified Taxes..

(c) At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $5,000,000. At the time that each ABR Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $500,000 and not less than $2,000,000; provided that an ABR Borrowing may be in an aggregate amount that is equal to the entire unused balance of the Aggregate Commitment or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.07(e). Borrowings of more than one Type may be outstanding at the same time; provided that there shall not at any time be more than a total of ten (10) Eurodollar Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Eurodollar Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

Section 2.05. Requests for Borrowings. To request a Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., three Business Days before the date of the proposed Eurodollar Borrowing or (b) in the case of an ABR Borrowing, not later than 10:00 a.m. on the Business Day of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and

signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.04:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.08.

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

Section 2.06. Reserved.

Section 2.07. Letters of Credit.

(a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit for its own or the account of any Restricted Subsidiary in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof

and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Borrower also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the LC Exposure shall not exceed $50,000,000 and (ii) the Aggregate Credit Exposure shall not exceed the Aggregate Commitment.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Aggregate Commitment, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 12:00 noon on the date that such LC Disbursement is made, if the Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m. on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 12:00 noon on (i) the Business Day that the Borrower receives such notice, if such notice is received prior to 10:00 a.m. on the day of receipt, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that the Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.05 that such payment be financed with an ABR Borrowing in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Borrowing. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's

Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.08 with respect to Loans made by such Lender (and Section 2.08 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement (other than the funding of ABR Loans as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor the Issuing Bank, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for

further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Loans; provided that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.14(c) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of the Issuing Bank. The Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.13(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, on or before the fifth (5th) Business Day after the Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposure representing greater than sixty-six and two-thirds percent (66 2/3%) of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, the Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that the

obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in clause (h) or (i) of Article IX. Such deposit shall be held by the Administrative Agent as Collateral for the payment and performance of the obligations of the Borrower under this Agreement. So long as such Event of Default is continuing, the Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits and interest at the rate per annum in effect for accounts of the same type maintained with the Administrative Agent at such time, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Lenders with LC Exposure representing 66-2/3% or more of the total LC Exposure), be applied to satisfy other obligations of the Borrower under this Agreement. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived.

Section 2.08. Funding of Borrowings.

(a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower designated by the Borrower in the applicable Borrowing Request; provided that ABR Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.07(e) shall be remitted by the Administrative Agent to the Issuing Bank.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to

ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

Section 2.09. Interest Elections.

(a) Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request; provided that all "LIBOR Loans" (as defined in the Original Credit Agreement) outstanding as of the Effective Date shall continue as Eurodollar Borrowings for the Interest Period applicable to such Borrowings. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.05 if the Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.04:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

Section 2.10. Repayment of Loans; Evidence of Debt.

(a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Loan on the Maturity Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender or Participant may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender or Participant a promissory note payable to the order of such Lender or Participant (or, if requested by such Lender or Participant, to such Lender or Participant and its registered assigns)

and in the form attached hereto as Exhibit D. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 11.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

Section 2.11. Optional Prepayment of Loans.

(a) The Borrower shall have the right at any time and from time to time to prepay, subject to the payment of any funding indemnification amounts required by Section 2.17 but without premium or penalty, any Borrowing in whole and or in part, subject to prior notice in accordance with paragraph (b) of this Section.

(b) The Borrower shall notify the Administrative Agent by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Borrowing, not later than 11:00 a.m. three Business Days before the date of prepayment or (ii) in the case of prepayment of an ABR Borrowing, not later than 10:00 a.m. on the Business Day of the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination or reduction of the Aggregate Commitment as contemplated by Section 2.02, then such notice of prepayment may be revoked if such notice of termination or reduction is revoked in accordance with Section 2.02. Promptly following receipt of any such notice relating to a Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an integral multiple of $1,000,000. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.14.

Section 2.12. Mandatory Prepayment of Loans.

(a) Except as otherwise provided in Section 2.12(b), in the event a Borrowing Base Deficiency exists, the Borrower shall either (a) within fifteen (15) days after written notice from the Administrative Agent to the Borrower of such Borrowing Base Deficiency, by instruments satisfactory in form and substance to the Required Lenders, provide the Lenders with additional security consisting of Oil and Gas Interests with value and quality satisfactory to the Lenders in their sole discretion to eliminate such Borrowing Base Deficiency, or prepay, without premium or penalty, the principal amount of the Loans in an amount sufficient to eliminate such Borrowing Base Deficiency (or by a combination of such additional security and such prepayment eliminate such Borrowing Base Deficiency), or (b) within fifteen (15) days after written notice from the Administrative Agent to the Borrower of such Borrowing Base Deficiency, elect to prepay, subject to the payment of any funding indemnification amounts required by Section 2.17 but without premium or penalty, the principal amount of such Borrowing Base Deficiency in not more than six (6) equal monthly installments plus accrued interest thereon with the first such monthly payment being due upon the 30th day after the Borrower's receipt of notice of such Borrowing Base Deficiency. In the event Aggregate Credit Exposure exceeds the Aggregate Commitment at any time, the Borrower shall, subject to the

payment of any funding indemnification amounts required by Section 2.17 but without premium or penalty, immediately prepay the principal amount of the Loans in an amount sufficient to eliminate such excess.

(b) If the Borrower or any Restricted Subsidiary sells, transfers or otherwise disposes of any Borrowing Base Properties at any time a Borrowing Base Deficiency exists or would exist after giving effect to such sale, transfer or disposition, the Borrower shall prepay the Borrowings in an amount equal to the Net Cash Proceeds received from such sale, transfer or other disposition on the date it or any Restricted Subsidiary receives such Net Cash Proceeds; provided, however that amounts applied to the payment of Borrowings pursuant to this Section may be reborrowed subject to and in accordance with the terms of this Agreement. Amounts applied to the prepayment of Borrowings pursuant to this Section shall be first applied, ratably to ABR Borrowings then outstanding and, upon payment in full of all outstanding ABR Borrowings, second, to Eurodollar Borrowings then outstanding, and if more than one Eurodollar Borrowing is then outstanding, to each such Eurodollar Borrowing beginning with the Eurodollar Borrowing with the least number of days remaining in the Interest Period applicable thereto and ending with the Eurodollar Borrowing with the most number of days remaining in the Interest Period applicable thereto, subject to the payment of any funding indemnification amounts required by Section 2.17 but without penalty or premium.

Section 2.13. Fees.

(a) The Borrower agrees to pay to the Administrative Agent, for the account of each Lender, an unused commitment fee (the "Unused Commitment Fee") equivalent to the Applicable Rate times the daily average of the total Unused Commitments. Such Unused Commitment Fee shall be calculated on the basis of a year consisting of 360 days. The Unused Commitment Fee shall be payable in arrears on the last day of March, June, September and December of each year, commencing with the first such date to occur after the Effective Date, and on the Maturity Date for any period then ending for which the Unused Commitment Fee shall not have been theretofore paid. In the event the Aggregate Commitment terminates on any date other than the last day of March, June, September or December of any year, the Borrower agrees to pay to the Administrative Agent, for the account of each Lender, on the date of such termination, the total Unused Commitment Fee due for the period from the last day of the immediately preceding March, June, September or December, as the case may be, to the date such termination occurs.

(b) The Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Rate used to determine the interest rate applicable to Eurodollar Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to the Issuing Bank a fronting fee, which shall accrue at the rate or rates per annum separately agreed upon between the Borrower and the Issuing Bank on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during

the period from and including the Effective Date to but excluding the later of the date of termination of the Aggregate Commitment and the date on which there ceases to be any LC Exposure, as well as the Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the third Business Day following such last day, commencing on the first such date to occur after the Effective Date; provided that all such fees shall be payable on the date on which the Aggregate Commitment terminates and any such fees accruing after the date on which the Aggregate Commitment terminates shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent pursuant to the fee letter dated September 26, 2006 between the Borrower and the Administrative Agent, and fees payable upon any increase in the Aggregate Commitment pursuant to Section 2.03.

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the Issuing Bank, in the case of fees payable to it) for distribution, in the case of Unused Commitment Fees and participation fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

Section 2.14. Interest.

(a) The Loans comprising each ABR Borrowing shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount, at the election of the Required Lenders by written notice of such election from the Administrative Agent to the Borrower, shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section; provided that upon the occurrence and during the continuation of any Event of Default pursuant to clause (h) or (i) of Article IX, the interest rate set forth in the foregoing clauses (i) and (ii) shall be applicable without any election by or notice from the Administrative Agent or any Lender.

(d) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and upon termination of the Aggregate Commitment and on the Maturity Date; provided that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Loan prior to the end of the Availability Period at a time when no Borrowing Base Deficiency exists), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

Section 2.15. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective, and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

Section 2.16. Increased Costs.

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or the Issuing Bank; or

(ii) impose on any Lender or the Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or the Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or the Issuing Bank hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered provided such Lender or Issuing Bank is generally charging such costs to other similarly situated borrowers under similar credit facilities.

(b) If any Lender or the Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy and provided such Lender or Issuing Bank's holding company is generally charging such costs to other similarly situated borrowers under similar credit facilities), then from time to time the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or the Issuing Bank setting forth (i) the amount or amounts reasonably necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section, (ii) the factual basis for such compensation and (iii) the manner in which such amount or amounts were calculated shall be delivered to the Borrower. Such certificate shall be conclusive absent manifest error. The Borrower shall pay such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or the Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 180 days prior to the date that such Lender or the Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased

costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

Section 2.17. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Eurodollar Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.11(b) and is revoked in accordance therewith), (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.20, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

Section 2.18. Taxes.

(a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent, each Lender and the Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent, such Lender or the Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation

of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate delivered to the Borrower by a Lender or the Issuing Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or the Issuing Bank, setting forth (i) the amount of such payment or liability reasonably necessary to compensate the Administrative Agent, such Lender or the Issuing Bank, as the case may be, (ii) the factual basis for such compensation and (iii) the manner in which such amount or amounts were calculated, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate.

(f) If the Administrative Agent or a Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower have paid additional amounts pursuant to this Section 2.18, it shall pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.18 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This Section shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

Section 2.19. Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.16, Section 2.17 or Section 2.18, or otherwise) prior to 12:00 noon on

the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at JPMorgan Loan Services, 10 South Dearborn, 19th Floor, Chicago, Illinois 60603-2003, except payments to be made directly to the Issuing Bank as expressly provided herein and except that payments pursuant to Section 2.16, Section 2.17, Section 2.18 and Section 11.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest, fees and other Obligations then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties; provided that in the event such funds are received by and available to the Administrative Agent as a result of the exercise of any rights and remedies with respect to any Collateral under the Security Instruments, the parties entitled to a ratable share of such funds pursuant to the foregoing clause (ii) and the determination of each parties' ratable share shall include, on a *pari passu* basis, the Lender Counterparties and the actual aggregate amounts then due and owing to each Lender Counterparty by the Borrower or any Guarantor as a result of the early termination of any transactions under any Swap Agreements included in the Obligations (after giving effect to any netting agreements).

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or participations in LC Disbursements resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and participations in LC Disbursements and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans and participations in LC Disbursements of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and participations in LC Disbursements, provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than

to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Bank hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower have made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if the Borrower have not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.07(d) or Section 2.07(e), Section 2.08(b), Section 2.19(d) or Section 11.03(c), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender’s obligations under such Sections until all such unsatisfied obligations are fully paid.

Section 2.20. Mitigation Obligations; Replacement of Lenders.

(a) If any Lender requests compensation under Section 2.16, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.18, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.16 or Section 2.18, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.16, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.18, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without

recourse (in accordance with and subject to the restrictions contained in Section 11.04), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent (and if a Commitment is being assigned, the Issuing Bank), which consent shall not unreasonably be withheld or delayed, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.16 or payments required to be made pursuant to Section 2.18, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

(c) If in connection with any proposed amendment, modification, termination, waiver or consent with respect to any of the provisions of this Agreement or any other Loan Document as contemplated by Section 11.02, the consent of Required Lenders shall have been obtained but the consent of one or more of such other Lenders (each a "Non-Consenting Lender") whose consent is required has not been obtained or if Lender is a Defaulting Lender; then, the Borrower may elect to replace such Non-Consenting Lender or Defaulting Lender, as the case may be, as a Lender party to this Agreement in accordance with and subject to the restrictions contained in, and consents required by Section 11.04; provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent (and if a Commitment is being assigned, the Issuing Bank), which consent shall not unreasonably be withheld or delayed, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.16 or payments required to be made pursuant to Section 2.18, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply or, in the case of a Defaulting Lender, such Lender is no longer a Defaulting Lender.

Article III

Borrowing Base

Section 3.01. Reserve Report; Proposed Borrowing Base. During the period from the Effective Date until the first Redetermination after the Effective Date, the Borrowing Base shall be $1,200,000,000 (the "Initial Borrowing Base"). As soon as available and in any event by March 1 and September 1 of each year, beginning March 1, 2007, the Borrower shall deliver to the Administrative Agent and each Lender a Reserve Report, prepared as of the immediately

preceding December 31 and June 30, respectively, in form and substance reasonably satisfactory to the Administrative Agent and prepared by an Approved Petroleum Engineer (or, in the case of the Reserve Report due on September 1 of each year, by petroleum engineers employed by the Borrower or any of its Subsidiaries), said Reserve Report to utilize economic and pricing parameters established from time to time by the Administrative Agent, together with such other information, reports and data concerning the value of the Borrowing Base Properties as the Administrative Agent shall deem reasonably necessary to determine the value of such Borrowing Base Properties. Simultaneously with the delivery to the Administrative Agent and the Lenders of each Reserve Report, the Borrower shall submit to the Administrative Agent and each Lender the Borrower's requested amount of the Borrowing Base as of the next Redetermination Date. Promptly after the receipt by the Administrative Agent of such Reserve Report and Borrower's requested amount for the Borrowing Base, the Administrative Agent shall submit to the Lenders a recommended amount of the Borrowing Base to become effective for the period commencing on the next Redetermination Date.

Section 3.02. Scheduled Redeterminations of the Borrowing Base; Procedures and Standards. Based on the Reserve Reports made available to the Administrative Agent and the Lenders pursuant to Section 3.01, the requisite Lenders shall redetermine the Borrowing Base on or prior to the next Redetermination Date (or such date promptly thereafter as reasonably possible based on the engineering and other information available to the Lenders) in accordance with this Section 3.02. Any Borrowing Base which becomes effective as a result of any Redetermination shall be subject to the following restrictions: (a) such Borrowing Base shall not exceed the Maximum Facility Amount, (b) to the extent such Borrowing Base represents an increase in the Borrowing Base in effect prior to such Redetermination, such Borrowing Base must be approved by all Lenders, and (c) to the extent such Borrowing Base represents a reaffirmation or decrease in the Borrowing Base in effect prior to such Redetermination or a reaffirmation of such prior Borrowing Base, such Borrowing Base must be approved by the Administrative Agent and Super Majority Lenders. If a redetermined Borrowing Base is not approved by the Administrative Agent and Super Majority Lenders within twenty (20) days after the submission to the Lenders by the Administrative Agent of its recommended Borrowing Base pursuant to Section 3.01, or by all Lenders within such twenty (20) day period in the case of any increase in the Borrowing Base, the Administrative Agent shall notify each Lender that the recommended Borrowing Base has not been approved and request that each Lender submit to the Administrative Agent within ten (10) days thereafter its proposed Borrowing Base. Promptly following the 10th day after the Administrative Agent's request for each Lender's proposed Borrowing Base, the Administrative Agent shall determine the Borrowing Base for such Redetermination by calculating the highest Borrowing Base then acceptable to the Administrative Agent and a number of Lenders sufficient to constitute Super Majority Lenders (or all Lenders in the case of an increase in the Borrowing Base). The Borrower acknowledges and agrees that each Redetermination shall be based upon the loan collateral value which the Administrative Agent and each Lender in its sole discretion (using such methodology, assumptions and discount rates as the Administrative Agent and such Lender customarily uses in assigning collateral value to Oil and Gas Interests) assigns to the Borrowing Base Properties at the time in question and based upon such other credit factors consistently applied (including, without limitation, the assets, liabilities, cash flow, business, properties, prospects, management

and ownership of the Credit Parties) as the Administrative Agent and such Lender customarily considers in evaluating similar oil and gas credits, including adjustments to reflect the effect of any Swap Agreements of the Borrower and the Restricted Subsidiaries as such exist at the time of such Redetermination. It is expressly understood that the Administrative Agent and Lenders have no obligation to designate the Borrowing Base at any particular amount, except in the exercise of their discretion, whether in relation to the Aggregate Commitment or otherwise. If the Borrower does not furnish all information, reports and data required to be delivered by any date specified in this Article III, unless such failure is not the fault of the Borrower, the Administrative Agent and Lenders may nonetheless designate the Borrowing Base at any amounts which the Administrative Agent and Lenders in their reasonable discretion determine and may redesignate the Borrowing Base from time to time thereafter until the Administrative Agent and Lenders receive all such information, reports and data, whereupon the Administrative Agent and Lenders shall designate a new Borrowing Base, as described above.

Section 3.03. Special Redeterminations. The Borrower shall be permitted to request a Special Redetermination of the Borrowing Base once between each Scheduled Redetermination and the Required Lenders shall be permitted to request a Special Redetermination twice between each Scheduled Redetermination. Any request by Borrower pursuant to this Section 3.03 shall be submitted to the Administrative Agent and each Lender and at the time of such request (or within twenty (20) days thereafter in the case of the Reserve Report) Borrower shall (1) deliver to the Administrative Agent and each Lender a Reserve Report prepared as of a date prior to the date of such request that is reasonably acceptable to the Administrative Agent and such other information which the Administrative Agent shall reasonably request, and (2) notify the Administrative Agent and each Lender of the Borrowing Base requested by Borrower in connection with such Special Redetermination. Any request by Required Lenders for a Special Redetermination pursuant to this Section 3.03 shall be submitted to the Administrative Agent and the Borrower. In addition to the Scheduled Redeterminations and requested Special Redeterminations, there shall be a Redetermination of the Borrowing Base at such time as the Borrower or any Restricted Subsidiary sells, transfers, leases, exchanges, abandons or otherwise disposes of Borrowing Base Properties in accordance with clauses (vi) and (vii) of Section 7.03(a). Any Special Redetermination shall be made by the Administrative Agent and Lenders in accordance with the procedures and standards set forth in Section 3.02; provided that no Reserve Report is required to be delivered to the Administrative Agent or the Lenders in connection with any Special Redetermination requested by the Required Lenders pursuant to this Section 3.03.

Section 3.04. Notice of Redetermination. Promptly following any Redetermination of the Borrowing Base, the Administrative Agent shall notify the Borrower of the amount of the redetermined Borrowing Base, which Borrowing Base shall be effective as of the date specified in such notice, and such Borrowing Base shall remain in effect for all purposes of this Agreement until the next Redetermination.

Article IV

Representations and Warranties

Each Credit Party represents and warrants to the Lenders that: (it being understood and agreed that with respect to the Effective Date such representations and warranties are deemed to be made concurrently with and after giving effect to the consummation of the Transactions):

Section 4.01. Organization; Powers. Each Credit Party is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

Section 4.02. Authorization; Enforceability. The Transactions are within each Credit Party's corporate, limited liability company or partnership powers and have been duly authorized by all necessary corporate, limited liability company or partnership and, if required, stockholder action. This Agreement has been duly executed and delivered by each Credit Party and constitutes a legal, valid and binding obligation of each Credit Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

Section 4.03. Governmental Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect and, after the Effective Date, any required filings with the Securities and Exchange Commission, (b) will not violate any applicable law or regulation or the charter, by-laws or other Organizational Documents of the Borrower or any Restricted Subsidiary or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument evidencing Material Indebtedness binding upon the Borrower or any Restricted Subsidiary or any of their respective assets, or give rise to a right thereunder to require any payment to be made by the Borrower or any Restricted Subsidiary, and (d) will not result in the creation or imposition of any Lien on any asset of the Borrower or any Restricted Subsidiary not otherwise permitted under Section 7.02.

Section 4.04. Financial Condition; No Material Adverse Change.

(a) The Borrower has heretofore furnished to the Lenders the unaudited consolidated balance sheet and related statements of income and cash flows of the Borrower and its Consolidated Subsidiaries as of and for the six (6) month period ended June 30, 2006 certified by a Responsible Officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its Consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and reclassifications and the absence of footnotes.

(b) Since June 30, 2006, there has been no material adverse change in the business, assets, operations or financial condition of the Borrower and its Subsidiaries, taken as a whole (it

being understood that changes in commodity prices for Hydrocarbons affecting the oil and gas industry as a whole shall not constitute a material adverse change).

Section 4.05. Properties.

(a) Except as otherwise provided in Section 4.15 with respect to Oil and Gas Interests, the Borrower and each Restricted Subsidiary has good title to, or valid leasehold interests in, all such real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

(b) The Borrower and each Restricted Subsidiary owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Borrower and such Restricted Subsidiaries, as the case may be, does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 4.06. Litigation and Environmental Matters.

(a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any Restricted Subsidiary, (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve this Agreement or the Transactions.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any Restricted Subsidiary to the Borrower's knowledge (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

(c) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, could reasonably be expected to have Material Adverse Effect.

Section 4.07. Compliance with Laws and Agreements. The Borrower and each Restricted Subsidiary is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

Section 4.08. Investment Company Status. Neither the Borrower nor any Restricted Subsidiary is an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940.

Section 4.09. Taxes. The Borrower and each Restricted Subsidiary has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such Restricted Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

Section 4.10. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of FASB Statement 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than $5,000,000 the fair market value of the assets of such Plan, and the present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of FASB Statement 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than $5,000,000 the fair market value of the assets of all such underfunded Plans.

Section 4.11. Disclosure. The Borrower has disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which it or any Restricted Subsidiary is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the other reports, financial statements, certificates or other information furnished by or on behalf of the Borrower or any Restricted Subsidiary to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to the Projections, the Borrower represents only that such information was prepared in good faith based on assumptions believed to be reasonable at the time.

Section 4.12. Labor Matters. There are no strikes, lockouts or slowdowns against the Borrower or any of its Restricted Subsidiaries pending or, to the knowledge of the Borrower, threatened that could reasonably be expected to have a Material Adverse Effect. The hours worked by and payments made to employees of the Borrower and its Restricted Subsidiaries have not been in violation of the Fair Labor Standards Act or any other Law dealing with such matters to the extent that such violation could reasonably be expected to have a Material Adverse Effect.

Section 4.13. Capitalization and Credit Party Information. Schedule 4.13 lists, as of the Effective Date (a) each Subsidiary that is an Unrestricted Subsidiary, (b) for the Borrower, its full legal name, its jurisdiction of organization and its federal tax identification number, and (c)

for each Restricted Subsidiary its full legal name, its jurisdiction of organization, its federal tax identification number, the number of shares of capital stock or other Equity Interests outstanding and the owner(s) of such Equity Interests.

Section 4.14. Margin Stock. Neither the Borrower nor any Restricted Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board), and no part of the proceeds of any Loan will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying margin stock except in compliance with applicable law.

Section 4.15. Oil and Gas Interests. Each Credit Party has, in all material respects, good and defensible title to all proved reserves included in the Oil and Gas Interests (for purposes of this Section 4.15, "proved Oil and Gas Interests") described in the most recent Reserve Report provided to the Administrative Agent, free and clear of all Liens except Liens permitted pursuant to Section 7.02. All such proved Oil and Gas Interests are valid, subsisting, and in full force and effect, in all material respects, and all rentals, royalties, and other amounts due and payable in respect thereof have, in all material respects, been duly paid or if not duly paid, are being contested in good faith in the ordinary course of business. Without regard to any consent or non-consent provisions of any joint operating agreement covering any Credit Party's proved Oil and Gas Interests, such Credit Party's share of (a) the costs for each proved Oil and Gas Interest described in the Reserve Report is not materially greater than the decimal fraction set forth in the Reserve Report, before and after payout, as the case may be, and described therein by the respective designations "working interests," "WI," "gross working interest," "GWI," or similar terms (except in such cases where there is a corresponding increase in the net revenue interest), and (b) production from, allocated to, or attributed to each such proved Oil and Gas Interest is not materially less than the decimal fraction set forth in the Reserve Report, before and after payout, as the case may be, and described therein by the designations "net revenue interest," "NRI," or similar terms. Each well drilled in respect of proved producing Oil and Gas Interests described in the Reserve Report (i) is capable of, and is presently, either producing Hydrocarbons in commercially profitable quantities or in the process of being worked over or enhanced, and the Credit Party that owns such proved producing Oil and Gas Interests is currently receiving payments for its share of production, with no funds in respect of any thereof being presently held in suspense, other than any such funds being held in suspense pending delivery of appropriate division orders, and (ii) has been drilled, bottomed, completed, and operated in compliance with all applicable laws, in the case of clauses (i) and (ii), except where any failure to satisfy clause (i) or to comply with clause (ii) could not reasonably be expected to have a Material Adverse Effect, and no such well which is currently producing Hydrocarbons is subject to any penalty in production by reason of such well having produced in excess of its allowable production that could reasonably be expected to have a Material Adverse Effect.

Section 4.16. Insurance. All insurance reasonably necessary in the Credit Parties' ordinary course of business is in effect and all premiums due on such insurance have been paid.

Section 4.17. Solvency.

(a) Immediately after the consummation of the Transactions and immediately following the making of the initial Borrowing made on the Effective Date and after giving effect to the application of the proceeds thereof, (i) the fair value of the assets of the Credit Parties on a consolidated basis, at a fair valuation, will exceed the debts and liabilities, subordinated, contingent or otherwise, of the Credit Parties on a consolidated basis; (ii) the present fair saleable value of the real and personal property of the Credit Parties on a consolidated basis will be greater than the amount that will be required to pay the probable liability of the Credit Parties on a consolidated basis on their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (iii) the Credit Parties on a consolidated basis will be able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (iv) the Credit Parties on a consolidated basis will not have unreasonably small capital with which to conduct the businesses in which they are engaged as such businesses are now conducted and are proposed to be conducted after the date hereof.

(b) The Credit Parties do not intend to, and do not believe that they will, incur debts beyond their ability to pay such debts as they mature, taking into account the timing of and amounts of cash to be received by it and the timing of the amounts of cash to be payable on or in respect of its Indebtedness.

Article V

Conditions

Section 5.01. Effective Date. The obligations of the Lenders to continue the Original Loans and the obligations of the Lenders to make Loans and of the Issuing Bank to continue any Letters of Credit outstanding under the Original Credit Agreement and to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 11.02):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of Vinson & Elkins LLP, counsel for the Credit Parties, substantially in the form of Exhibit B, and covering such other matters relating to the Credit Parties, this Agreement or the Transactions as the Required Lenders shall reasonably request. The Credit Parties hereby request such counsel to deliver such opinion.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of each Credit Party, the authorization of the Transactions and any other legal matters relating to the Credit Parties, this Agreement or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(d) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by a Responsible Officer of the Borrower, confirming that (i) the Credit Parties have (1) complied with the conditions set forth in paragraphs (a) and (b) of Section 5.02 and (2) complied with the requirements of Section 6.09 and (ii) after giving effect to the Transactions, the Obligations constitute "Senior Debt" (as such term is defined in the Indenture) permitted to be incurred under the terms of the Indenture and accompanied by reasonably detailed calculations demonstrating compliance with Section 4.09(c) of the Indenture.

(e) The Administrative Agent, the Lenders and the Arranger shall have received all fees and other amounts due and payable on or prior to the Effective Date, and, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder, including all fees, expenses and disbursements of counsel for the Administrative Agent to the extent invoiced on or prior to the Effective Date.

(f) The Administrative Agent shall have received the Mortgages to be executed on the Effective Date pursuant to Section 6.09 of this Agreement, duly executed and delivered by the appropriate Credit Party, together with such other assignments, conveyances, amendments, agreements and other writings, including, without limitation, UCC-1 financing statements, tax affidavits and applicable department of revenue documentation, creating a Lien prior and superior in right to any other Person, subject to Permitted Encumbrances, in Borrowing Base Properties having an Engineered Value equal to or greater than 135% of the Aggregate Commitment; provided that the Engineered Value of the Virginia Borrowing Base Properties do not exceed fifty percent (50%) of such Engineered Value.

(g) On or prior to the Effective Date, the Administrative Agent shall have received a Borrowing Request acceptable to the Administrative Agent setting forth the Loans requested by the Borrower on the Effective Date, the Type and amount of each Loan and the accounts to which such Loans are to be funded; provided that all Borrowings on the Effective Date shall be ABR Borrowings (it being understood that some LIBOR Loans (as defined in the Original Credit Agreement) outstanding as the Effective Date shall continue as a Eurodollar Loan under this Agreement on the Effective Date for the Interest Period applicable thereto and other LIBOR Loans may be terminated on the Effective Date in connection with the changes in the Commitments and certain funding indemnification obligations incurred by the Borrower and GLEP under the Original Credit Agreement as a result of such terminations shall be paid by the Borrower on the Effective Date).

(h) Each Credit Party shall have obtained all approvals required from any Governmental Authority and all consents of other Persons, in each case that are necessary or advisable in connection with the Transactions and each of the foregoing shall be in full force and effect and in form and substance reasonably satisfactory to the Administrative Agent. All

applicable waiting periods, if any, shall have expired without any action being taken or threatened by any competent authority which would restrain, prevent or otherwise impose adverse conditions on the transactions contemplated by the Loan Documents or the financing thereof and no action, request for stay, petition for review or rehearing, reconsideration, or appeal with respect to any of the foregoing shall be pending, and the time for any applicable agency to take action to set aside its consent on its own motion shall have expired.

(i) There shall not exist any action, suit, investigation, litigation or proceeding or other legal or regulatory developments, pending or threatened in any court or before any arbitrator or Governmental Authority that, in the reasonable opinion of Administrative Agent, singly or in the aggregate, materially impairs the Transactions, the financing thereof or any of the other transactions contemplated by the Loan Documents or that could reasonably be expected to have a Material Adverse Effect.

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 11.02) at or prior to 3:00 p.m. on October 31, 2006 (and, in the event such conditions are not so satisfied or waived, the Aggregate Commitment shall terminate at such time).

Section 5.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of each Credit Party set forth in the Loan Documents shall be true and correct in all material respects on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

(c) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Borrowing Base Deficiency exists or would be caused thereby.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a), (b) and (c) of this Section 5.02.

Article VI

Affirmative Covenants

Until the Aggregate Commitment has expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, each Credit Party covenants and agrees with the Lenders that:

Section 6.01. Financial Statements; Other Information. The Borrower will furnish to the Administrative Agent and each Lender:

(a) within 90 days after the end of each fiscal year of the Borrower, the audited consolidated (and unaudited consolidating) balance sheet and related consolidated (and with respect to statements of operations, consolidating) statements of operations, stockholders' equity and cash flows of the Borrower and its Consolidated Subsidiaries as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by a firm of independent public accountants reasonably acceptable to Administrative Agent (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Borrower and its Consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) within 45 days after the end of each of the first three fiscal quarter of the Borrower and within 60 days after the end of the last fiscal quarter of the Borrower, the consolidated (and consolidating) balance sheet and related consolidated (and with respect to statements of operations, consolidating) statements of operations and cash flows of the Borrower and its Consolidated Subsidiaries as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by a Responsible Officer as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its Consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments, reclassifications, and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate in a form reasonably acceptable to Administrative Agent signed by a Responsible Officer of the Borrower (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, and (ii) setting forth reasonably detailed calculations demonstrating compliance with Section 7.11;

(d) as soon as available, and in any event no later than March 1 and September 1 of each year, the Reserve Reports required on such dates pursuant to Section 3.01;

(e) together with the Reserve Reports required under clause (d) above, a report, in reasonable detail, setting forth the Swap Agreements then in effect, the notional volumes of and prices for, on a monthly basis and in the aggregate, the Crude Oil and Natural Gas for each such Swap Agreement and the term of each such Swap Agreement; and together with the Reserve

Report required no later than March 1 under clause (d) above, (i) a true and correct schedule of the Mortgaged Properties, (ii) the percentage of the Aggregate Commitment that the Engineered Value of the Mortgaged Properties represents and (iii) a description of the additional Oil and Gas Interests, if any, to be mortgaged by the Credit Parties to comply with Section 6.09;

(f) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of any Credit Party, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request including any management letter or comparable analysis prepared by the auditors for and received by any Credit Party.

Documents required to be delivered pursuant to Section 6.01(a) or Section 6.01(b) or Section 6.02 may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower (or the Administrative Agent on behalf of Borrower and at Borrower's request) posts such documents, or provides a link thereto on the Borrower's website on the Internet at the website address identified in Section 11.01 on which such documents are posted on the Borrower's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) the Borrower shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Borrower to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) the Borrower shall notify the Administrative Agent (by telecopier or electronic mail) of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. Notwithstanding anything contained herein, in every instance the Borrower shall be required to provide paper copies of the Compliance Certificates required by Section 6.01(c) to the Administrative Agent. Except for such Compliance Certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

The Borrower hereby acknowledges that (a) the Administrative Agent and/or the Arranger will make available to the Lenders and the Issuing Bank materials and/or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar electronic system (the "Platform") and (b) certain of the Lenders may be "public-side" Lenders (*i.e.*, Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a "Public Lender"). The Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Administrative Agent, the Arranger, the Issuing Bank and the Lenders to treat such Borrower Materials as either publicly available information or not material information (although it may be sensitive and proprietary) with respect to the Borrower or its securities for purposes of United States Federal and state securities laws; (y) all Borrower

Materials marked “PUBLIC” are permitted to be made available through a portion of the Platform designated “Public Investor;” and (z) the Administrative Agent and the Arranger shall be entitled to treat Borrower’s Materials that are not marked “PUBLIC” as being suitable only for posting on a portion of the Platform not designated “Public Investor.”

Section 6.02. Notices of Material Events. The Borrower will furnish to the Administrative Agent and each Lender, which delivery may be electronic to the extent permitted in Section 6.01, prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting any Credit Party or any Affiliate thereof that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower and the Restricted Subsidiaries in an aggregate amount exceeding $5,000,000;

(d) any written notice or written claim to the effect that any Credit Party is or may be liable to any Person as a result of the release by any Credit Party, or any other Person of any Hazardous Materials into the environment, which could reasonably be expected to have a Material Adverse Effect;

(e) any written notice alleging any violation of any Environmental Law by any Credit Party, which could reasonably be expected to have a Material Adverse Effect; and

(f) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Responsible Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

Section 6.03. Existence; Conduct of Business. The Borrower will, and will cause each Restricted Subsidiary to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 7.03.

Section 6.04. Payment of Obligations. The Borrower will, and will cause each Restricted Subsidiary to, pay its obligations, including Tax liabilities, that, if not paid, could result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such Restricted Subsidiary has set aside on its books adequate

reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

Section 6.05. Maintenance of Properties; Insurance. The Borrower will, and will cause each Restricted Subsidiary to, (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations. Upon request of the Administrative Agent, the Borrower will furnish or cause to be furnished to the Administrative Agent from time to time a summary of the respective insurance coverage of the Borrower and its Restricted Subsidiaries in form and substance reasonably satisfactory to the Administrative Agent, and, if requested, will furnish the Administrative Agent copies of the applicable policies. Upon demand by Administrative Agent, the Borrower will cause any insurance policies covering any such property to be endorsed (i) to provide that such policies may not be cancelled, reduced or affected in any manner for any reason without fifteen (15) days prior notice to Administrative Agent, and (ii) to provide for such other matters as the Lenders may reasonably require.

Section 6.06. Books and Records; Inspection Rights. The Borrower will, and will cause each Restricted Subsidiary to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Borrower will, and will cause each Restricted Subsidiary to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and, provided an officer of the Borrower has the reasonable opportunity to participate, its independent accountants, all at such reasonable times and as often as reasonably requested.

Section 6.07. Compliance with Laws. The Borrower will, and will cause each Restricted Subsidiary to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 6.08. Use of Proceeds and Letters of Credit. The proceeds of the Loans will be used only to (a) pay the fees, expenses and transaction costs of the Transactions, (b) to satisfy reimbursement obligations with respect to Letters of Credit, (c) to make Restricted Payments permitted by Section 7.06(d), (d) to make investments permitted by Section 7.04 and (e) finance the working capital needs of the Borrower, including capital expenditures, and for general corporate purposes of the Borrower and the Guarantors, in the ordinary course of business, including the exploration, acquisition and development of Oil and Gas Interests. No part of the proceeds of any Loan will be used, whether directly or indirectly, to purchase or carry any margin stock (as defined in Regulation U issued by the Board) except in accordance with applicable law. Letters of Credit will be issued only to support general corporate purposes of the Borrower and the Restricted Subsidiaries.

Section 6.09. Mortgages. Each Borrower will, and will cause each Guarantor to, execute and deliver to the Administrative Agent, for the benefit of the Secured Parties, Mortgages in form and substance acceptable to the Administrative Agent together with such other assignments, conveyances, amendments, agreements and other writings, including, without limitation, UCC-1 financing statements (each duly authorized and executed, as applicable) as the Administrative Agent shall deem necessary or appropriate to grant, evidence, perfect and maintain Liens in Borrowing Base Properties having an Engineered Value equal to or greater than 135% of the Aggregate Commitment provided that the Engineered Value of the Virginia Borrowing Base Properties do not exceed fifty percent (50%) of such Engineered Value.

Section 6.10. Title Data. The Borrower will, and will cause each Guarantor to, deliver to the Administrative Agent such evidence of title as the Administrative Agent shall deem reasonably necessary or appropriate to verify (a) the ownership of (i) at all times, eighty percent (80%) of the Engineered Value of the Mortgaged Properties of the Borrower and the Guarantors (other than the Appalachia Properties) taken as a whole and (ii) as of the Effective Date, nineteen percent (19%), and at all times after December 31, 2006, thirty percent (30%), of the Engineered Value of that portion of the Mortgaged Properties that are Appalachia Properties, taken as a whole and (b) the validity, perfection and priority of the Liens created by such Mortgages and such other matters regarding such Mortgages as Administrative Agent shall reasonably request.

Section 6.11. Swap Agreements. The Borrower will, and will cause each Restricted Subsidiary to, maintain the Existing Swap Agreements and none of the Existing Swap Agreements may be materially amended, modified or cancelled by any Borrower or any Restricted Subsidiary unless the Borrower, or such Restricted Subsidiary, as the case may be, provides written notice thereof to the Administrative Agent within three (3) Business Days after such amendment, modification or cancellation, as the case may be. Upon the request of the Required Lenders, the Borrower and each Restricted Subsidiary shall use their commercially reasonable efforts to cause each Swap Agreement to which the Borrower or any Restricted Subsidiary is a party to (a) expressly permit such assignment and (b) upon the occurrence of any default or event of default under such agreement or contract, (i) to permit the Lenders to cure such default or event of default and assume the obligations of such Credit Party under such agreement or contract and (ii) to prohibit the termination of such agreement or contract by the counterparty thereto if the Lenders assume the obligations of such Credit Party under such agreement or contract and the Lenders take the actions required under the foregoing clause (i). Upon the request of the Administrative Agent, the Borrower shall, within thirty (30) days of such request, provide to the Administrative Agent and each Lender copies of all agreements, documents and instruments evidencing the Swap Agreements not previously delivered to the Administrative Agent and Lenders, certified as true and correct by a Responsible Officer of the Borrower, and such other information regarding such Swap Agreements as the Administrative Agent and Lenders may reasonably request.

Section 6.12. Operation of Oil and Gas Interests.

(a) Each Borrower will, and will cause each Restricted Subsidiary to, maintain, develop and operate its Oil and Gas Interests in a good and workmanlike manner, and observe and comply with all of the terms and provisions, express or implied, of all oil and gas leases

relating to such Oil and Gas Interests so long as such Oil and Gas Interests are capable of producing Hydrocarbons and accompanying elements in paying quantities, except where such failure to comply could not reasonably be expected to have a Material Adverse Effect.

(b) Borrower will, and will cause each Restricted Subsidiary to, comply in all respects with all contracts and agreements applicable to or relating to its Oil and Gas Interests or the production and sale of Hydrocarbons and accompanying elements therefrom, except to the extent a failure to so comply could not reasonably be expected to have a Material Adverse Effect.

Section 6.13. Restricted Subsidiaries. In the event any Person is or becomes a Restricted Subsidiary, Borrower will (a) promptly take all action necessary to comply with Section 6.14, (b) promptly take all such action and execute and deliver, or cause to be executed and delivered, to the Administrative Agent all such documents, opinions, instruments, agreements, and certificates similar to those described in Section 5.01(b) and Section 5.01(c) that the Administrative Agent may reasonably request, and (c) promptly cause such Restricted Subsidiary to (i) become a party to this Agreement and Guarantee the Obligations by executing and delivering to the Administrative Agent a Counterpart Agreement in the form of Exhibit C, and (ii) to the extent required to comply with Section 6.09 or as requested by the Administrative Agent, execute and deliver Mortgages and other Security Instruments creating a Lien prior and superior in right to any other Person, subject to Permitted Encumbrances, in such Restricted Subsidiary's Oil and Gas Interests and other assets. Upon delivery of any such Counterpart Agreement to the Administrative Agent, notice of which is hereby waived by each Credit Party, such Restricted Subsidiary shall be a Guarantor and shall be as fully a party hereto as if such Restricted Subsidiary were an original signatory hereto. Each Credit Party expressly agrees that its obligations arising hereunder shall not be affected or diminished by the addition or release of any other Credit Party hereunder. This Agreement shall be fully effective as to any Credit Party that is or becomes a party hereto regardless of whether any other Person becomes or fails to become or ceases to be a Credit Party hereunder. With respect to each such Restricted Subsidiary, the Borrower shall promptly send to the Administrative Agent written notice setting forth with respect to such Person the date on which such Person became a Restricted Subsidiary of the Borrower, and supplement the data required to be set forth in the Schedules to this Agreement as a result of the acquisition or creation of such Restricted Subsidiary; provided that such supplemental data must be reasonably acceptable to the Administrative Agent and Required Lenders.

Section 6.14. Pledged Equity Interests. At the time that any Restricted Subsidiary of the Borrower is created or acquired or any Unrestricted Subsidiary becomes a Restricted Subsidiary, the Borrower and the Subsidiaries (as applicable) shall execute and deliver to the Administrative Agent for the benefit of the Secured Parties, a Pledge Agreement from the Borrower and/or the Subsidiaries (as applicable) covering all Equity Interests owned by the Borrower or such Restricted Subsidiaries in such Restricted Subsidiaries, together with all certificates (or other evidence acceptable to Administrative Agent) evidencing the issued and outstanding Equity Interests of each such Restricted Subsidiary of every class owned by such Credit Party (as applicable) which, if certificated, shall be duly endorsed or accompanied by stock powers executed in blank (as applicable), as Administrative Agent shall deem necessary or appropriate

to grant, evidence and perfect a first priority security interest in the issued and outstanding Equity Interests owned by Borrower or any Restricted Subsidiary in each Restricted Subsidiary.

Article VII

Negative Covenants

Until the Aggregate Commitment has expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, each Credit Party covenants and agrees with the Lenders that:

Section 7.01. Indebtedness. The Borrower will not, nor will it permit any of its Restricted Subsidiaries to, create, incur, assume or permit to exist any Indebtedness, except:

(a) The Obligations;

(b) Indebtedness existing on the date hereof and set forth in Schedule 7.01 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof;

(c) Indebtedness of the Borrower to any Guarantor and of any Guarantor to the Borrower or any other Guarantor; provided, that all such Indebtedness shall be unsecured and subordinated in right of payment to the payment in full of all of the Obligations as provided in Section 8.06;

(d) Guarantees of the Obligations;

(e) Indebtedness of the Borrower and the Restricted Subsidiaries incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including Capital Lease Obligations and any Indebtedness assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof, and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof; provided that (i) such Indebtedness is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement and (ii) the aggregate principal amount of Indebtedness permitted by this clause (e) shall not exceed $25,000,000 at any time outstanding;

(f) Indebtedness incurred or deposits made by the Borrower and any Restricted Subsidiary (i) under worker’s compensation laws, unemployment insurance laws or similar legislation, or (ii) in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Credit Party is a party, (iii) to secure public or statutory obligations of such Credit Party, and (iv) of cash or U.S. Government Securities made to secure the performance of statutory obligations, surety, stay, customs and appeal bonds to which such Credit Party is a party in connection with the operation of the Oil and Gas Interests, in each case in the ordinary course of business;

(g) Indebtedness of any Borrower or any Restricted Subsidiary under Swap Agreements to the extent permitted under Section 7.05;

(h) Indebtedness under the Senior Subordinated Notes in an aggregate principal amount not exceeding $600,000,000 at any time outstanding and extensions, renewals, replacements and refinancing of any such Indebtedness that does not exceed the maximum principal amount permitted under this clause (h); provided that any documentation which replaces the Senior Subordinated Notes and pursuant to which the Senior Subordinated Notes are refinanced does not contain, either initially or by amendment or other modification, any material terms, conditions, covenants or defaults other than those which then exist in the Indenture and the Senior Subordinated Notes or which could be included in the Indenture or the Senior Subordinated Notes by an amendment or other modification that would not be prohibited by the terms of this Agreement; and

(i) Other unsecured Indebtedness of the Credit Parties in an aggregate principal amount not exceeding $10,000,000 at any time outstanding.

Section 7.02. Liens. The Borrower will not, nor will it permit any of its Restricted Subsidiaries to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) any Lien created pursuant to this Agreement or the Security Instruments;

(b) Permitted Encumbrances;

(c) any Lien on any property or asset of the Borrower or any Restricted Subsidiary existing on the date hereof and set forth in Schedule 7.02; provided that (i) such Lien shall not apply to any other property or asset of the Borrower or any other Restricted Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(d) any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any Restricted Subsidiary or existing on any property or asset of any Person that becomes a Restricted Subsidiary after the date hereof prior to the time such Person becomes a Restricted Subsidiary; provided that (i) such Lien secures Indebtedness permitted by Section 7.01(e), (ii) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Restricted Subsidiary, as the case may be, (iii) such Lien shall not apply to any other property or assets of the Borrower or any other Restricted Subsidiary and (iv) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Restricted Subsidiary, as the case may be and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof; and

(e) Liens on fixed or capital assets acquired, constructed or improved by the Borrower or any Restricted Subsidiary; provided that (i) such Liens, secure Indebtedness permitted by Section 7.01, (ii) such security interests and the Indebtedness secured thereby are

incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (iii) the Indebtedness secured thereby does not exceed the cost of acquiring, constructing or improving such fixed or capital assets and (iv) such security interests shall not apply to any other property or assets of the Borrower or any other Restricted Subsidiaries.

Section 7.03. Fundamental Changes.

(a) The Borrower will not, nor will it permit any of its Restricted Subsidiaries to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or any substantial part of the assets of the Borrower and its Restricted Subsidiaries taken as a whole, or any of its Borrowing Base Properties or any of the Equity Interests of any Restricted Subsidiary (in each case, whether now owned or hereafter acquired), or liquidate or dissolve, except that, the Borrower or any Restricted Subsidiary may sell Hydrocarbons produced from its Oil and Gas Interests in the ordinary course of business, and if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, (i) any Restricted Subsidiary may merge into the Borrower in a transaction in which the Borrower is the surviving entity, (ii) any Restricted Subsidiary may merge into any other Restricted Subsidiary in a transaction in which the surviving entity is a Restricted Subsidiary, (iii) any Restricted Subsidiary may sell, transfer, lease or otherwise dispose of its assets to the Borrower or to another Restricted Subsidiary, (iv) any Restricted Subsidiary may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders, (v) the Borrower or any Restricted Subsidiary may sell, transfer, lease or otherwise dispose of equipment and related items in the ordinary course of business, that are obsolete or no longer necessary in the business of the Borrower or any of its Restricted Subsidiaries or that is being replaced by equipment of comparable value and utility, (vi) subject to Section 2.12(b), the Borrower or any Restricted Subsidiary may sell, transfer, lease, exchange, abandon or otherwise dispose of Borrowing Base Properties with a value not exceeding, in the aggregate for the Borrower and its Restricted Subsidiaries taken as a whole, ten percent (10%) of the Borrowing Base between Scheduled Redeterminations, (vii) the Borrower or any Restricted Subsidiary may sell, transfer, abandon or otherwise dispose of the Deep Participation Rights, and (viii) with the prior written consent of Super Majority Lenders and subject to Section 2.12(b), the Borrower or any Restricted Subsidiary may sell, transfer, lease, exchange, abandon or otherwise dispose of Borrowing Base Properties not otherwise permitted pursuant to the foregoing clauses (vi) and (vii). For purposes of the foregoing clause (vi), the value of any Oil and Gas Interests included in the Borrowing Base Properties shall be the Engineered Value of such Oil and Gas Interests and the value of all other Oil and Gas Interests shall be the value which would be assigned to such Oil and Gas Interests using the same methodology, assumptions and discount rates used to determine the Engineered Value of the Borrowing Base Properties as of the most recent Redetermination. In addition, for purposes of determining compliance with clause (vi) of this Section with respect to any exchange of Oil and Gas Interests, the value of such exchange shall be the net reduction, if any, in Engineered Value realized or resulting from such exchange.

(b) The Borrower will not, nor will it permit any of its Restricted Subsidiaries to, engage to any material extent in any business other than businesses of the type conducted by the

Borrower and its Restricted Subsidiaries on the date of execution of this Agreement and after giving effect to the Transactions and businesses reasonably related thereto.

Section 7.04. Investments, Loans, Advances, Guarantees and Acquisitions. The Borrower will not, nor will it permit any of its Restricted Subsidiaries to, purchase, hold or acquire (including pursuant to any merger with any Person that was not a wholly owned Restricted Subsidiary prior to such merger) any capital stock, evidences of Indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, Guarantee any Indebtedness of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit, except:

(a) Permitted Investments;

(b) investments by the Borrower in the Equity Interests of any Restricted Subsidiary;

(c) investments by the Borrower or Guarantor consisting of intercompany Indebtedness permitted under Section 7.01(c)

(d) Guarantees constituting Indebtedness permitted by Section 7.01;

(e) investments by the Borrower and its Restricted Subsidiaries that are (1) customary in the oil and gas business, (2) made in the ordinary course of the Borrower's or such Restricted Subsidiary's business, and (3) made in the form of, or pursuant to, oil, gas and mineral leases, operating agreements, farm-in agreements, farm-out agreements, development agreements, unitization agreements, joint bidding agreements, services contracts and other similar agreements that a reasonable and prudent oil and gas industry owner or operator would find acceptable;

(f) investments consisting of Swap Agreements to the extent permitted under Section 7.05; and

(g) investments existing on the date hereof and set forth on Schedule 7.04 but not any increases in or additions to such investments except as otherwise permitted by this Section 7.04;

(h) investments consisting of Restricted Payments to the extent permitted by Section 7.06(d); and

(i) other investments by the Borrower and the Restricted Subsidiaries; provided that, on the date any such other investment is made, the amount of such investment, together with all other investments made pursuant to this clause (i) of Section 7.04 (in each case determined based on the cost of such investment) since the Effective Date, does not exceed in the aggregate, ten percent (10%) of the Borrowing Base in effect on the Effective Date.

Section 7.05. Swap Agreements. The Borrower will not, nor will it permit any of its Restricted Subsidiaries to, enter into or maintain any Swap Agreement, except the Existing Swap Agreements, and Swap Agreements entered into in the ordinary course of business with

Approved Counterparties and not for speculative purposes to (a) hedge or mitigate Crude Oil and Natural Gas price risks to which the Borrower or any Restricted Subsidiary has actual exposure, and (b) effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of any Credit Party; provided that such Swap Agreements (at the time each transaction under such Swap Agreement is entered into) would (i) not cause the aggregate notional amount of Hydrocarbons under all Swap Agreements then in effect (including the Existing Swap Agreements) to exceed at any time (1) ninety percent (90%) of the forecasted production from proved developed producing reserves of the Borrower and the Restricted Subsidiaries for the first three years of the forthcoming five year period and (2) eighty percent (80%) of the forecasted production from proved producing reserves of the Borrower and the Restricted Subsidiaries for the fourth and fifth years of the forthcoming five year period, and (ii) with respect to interest rates, not cause all Swap Agreements then in effect (including the Existing Swap Agreements) to exceed eighty percent (80%) of the aggregate funded Indebtedness of the Borrower and its Subsidiaries projected to be outstanding for the forthcoming three year period. Once the Borrower or any Restricted Subsidiaries enters into a Swap Agreement or any hedge transaction pursuant to any Swap Agreement, the terms and conditions of such Swap Agreement and such hedge transaction may not be materially amended modified or cancelled unless the Borrower or such Restricted Subsidiary, as the case may be, provides written notice thereof to the Administrative Agent within three (3) Business Days after such amendment, modification or cancellation. Each Credit Party agrees and acknowledges that (A) the Existing Swap Agreements are Swap Agreements permitted under this Section 7.05 and (B) as of the Effective Date, the counterparty to each Existing Swap Agreement is a Lender Counterparty. Each Credit Party and each Lender agrees and acknowledges that the obligations of the Credit Parties under the Existing Swap Agreements are included in the defined term “Obligations” and such obligations are entitled to the benefits of, and are secured by the Liens granted under, the Security Instruments.

Section 7.06. Restricted Payments. The Borrower will not, nor will it permit any of its Restricted Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except that (a) the Borrower may declare and pay dividends and make distributions with respect to its Equity Interests payable solely in additional Equity Interests of the Borrower, other than Disqualified Stock, (b) so long as no Default shall have occurred and is continuing or would be caused thereby, the Borrower may make Restricted Payments pursuant to and in accordance with stock option plans or other benefit plans for management or employees of the Borrower and its Restricted Subsidiaries in an aggregate amount not to exceed $10,000,000 in any fiscal year; provided that any such Restricted Payments that are required to be made by the issuance of additional Equity Interests of the Borrower may be made regardless of whether a Default shall have occurred and is continuing, (c) any Restricted Subsidiary may make Restricted Payments to the Borrower or any Guarantor and (d) so long as no Default shall have occurred and is continuing or would be caused thereby, Restricted Payments in an aggregate amount not to exceed $20,000,000, plus (i) 50% of cumulative Consolidated Net Income after December 31, 2001 (excluding any non-cash gains or losses associated with the application of FASB Statement 121 or 133), plus (ii) 66-2/3% of the aggregate net cash proceeds received by the Borrower from the issuance of its Equity Interests (other than Disqualified Stock)

at any time after December 31, 2001, minus (iii) Restricted Payments made pursuant to Section 13(c)(ii) of the Original Credit Agreement prior to the Effective Date.

Section 7.07. Transactions with Affiliates. The Borrower will not, nor will it permit any of its Restricted Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) in the ordinary course of business at prices and on terms and conditions not less favorable to the Borrower or such Restricted Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among the Borrower and its Restricted Subsidiaries not involving any other Affiliate, including transactions permitted under Section 7.03(a)(iii), (c) transactions described on Schedule 7.07, and (d) any Restricted Payment permitted by Section 7.06.

Section 7.08. Restrictive Agreements. The Borrower will not, nor will it permit any of its Restricted Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of the Borrower or any Restricted Subsidiary to create, incur or permit to exist any Lien upon any of its property or assets, or (b) the ability of any Restricted Subsidiary to pay dividends or other distributions with respect to any of its Equity Interests or to make or repay loans or advances to the Borrower or any Restricted Subsidiary or to Guarantee Indebtedness of the Borrower or any Restricted Subsidiary; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law, this Agreement or the Indenture (or any documents evidencing any permitted refinancing of the Senior Subordinated Notes), (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 7.08 (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition), (iii) clause (a) of the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness and (iv) clause (a) of the foregoing shall not apply to customary provisions in leases and other contracts restricting the assignment thereof.

Section 7.09. Disqualified Stock. The Borrower will not, nor will it permit any of its Restricted Subsidiaries to, issue any Disqualified Stock.

Section 7.10. Amendments to Organizational Documents. The Borrower will not, nor will it permit any of its Restricted Subsidiaries to, enter into or permit any material modification or amendment of, or waive any material right or obligation of any Person under its Organizational Documents other than amendments, modifications or waivers required in connection with any transactions among the Borrower and the Restricted Subsidiaries permitted under Section 7.03(a) and not involving any other Person.

Section 7.11. Financial Covenants.

(a) Consolidated Current Ratio. The Borrower will not permit the Consolidated Current Ratio as of the end of any fiscal quarter to be less than 1.00 to 1.00.

(b) Leverage Ratio. The Borrower will not permit the ratio, determined as of the end of any fiscal quarter, of (A) Consolidated Funded Indebtedness as of the end of such fiscal quarter, to (B) Consolidated EBITDAX for the trailing four (4) fiscal quarter period ending on such date to be greater than 4.0 to 1.0.

Section 7.12. Sale and Leaseback Transactions and other Liabilities. The Borrower will not, nor will it permit any Restricted Subsidiary to, enter into or suffer to exist any (a) Sale and Leaseback Transaction, (b) Advance Payment Contracts or (c) any other transaction pursuant to which it incurs or has incurred Off-Balance Sheet Liabilities, except for Swap Agreements permitted under Section 7.05 and Advance Payment Contracts; provided, that the aggregate outstanding amount of all Advance Payments received by the Credit Parties from various customers in connection with the Credit Parties' credit management of such customers that have not been satisfied by delivery of production does not exceed $25,000,000 at any time and the aggregate amount of all other Advance Payments received by the Credit Parties that have not been satisfied by delivery of production does not exceed $5,000,000 at any time**.**

Section 7.13. Modifications of Senior Subordinated Notes. Prior to the termination of all Commitments and the payment and performance in full of the Loans, the Borrower will not, nor will it permit any Restricted Subsidiary to, agree to any amendment, modification or supplement to the Senior Subordinated Notes (or any notes issued in connection with any refinancing of such Senior Subordinated Notes) or any indenture, agreement, document or instrument evidencing or relating to the Senior Subordinated Notes (or any refinancing thereof) the effect of which is to (a) increase the maximum principal amount of the Senior Subordinated Notes or the rate of interest on any of the Senior Subordinated Notes (other than as a result of the imposition of a default rate of interest in accordance with the terms of the Senior Subordinated Notes), (b) change or add any event of default or any covenant with respect to the Senior Subordinated Notes if the effect of such change or addition is to cause any one or more of the Senior Subordinated Notes to be more restrictive on the Borrower or any of its Subsidiaries than such Senior Subordinated Notes were prior to such change or addition, (c) change the dates upon which payments of principal or interest on the Senior Subordinated Notes are due, if the effect of such change is to cause any such payments to be due earlier or more frequently than such payments are due as of the Effective Date, (d) change any redemption or prepayment provisions of the Senior Subordinated Notes if the effect of such change is to require any such redemption or prepayment to be made prior to the dates required as of the Effective Date, (e) alter the subordination provisions with respect to any of the Senior Subordinated Notes or the definition of "Senior Debt" with respect to the Senior Subordinated Notes, or (f) grant any Liens in any assets of the Borrower or any of its Subsidiaries to secure the Senior Subordinated Notes.

Article VIII

Guarantee of Obligations

Section 8.01. Guarantee of Payment. Each Guarantor unconditionally and irrevocably guarantees to the Administrative Agent for the benefit of the Secured Parties, the punctual payment of all Obligations now or which may in the future be owing by the Borrower under the Loan Documents and all Obligations which may now or which may in the future be owing by the

Borrower or any other Guarantor to any Secured Party under any Swap Agreement (the "Guaranteed Liabilities"). This Guarantee is a guaranty of payment and not of collection only. The Administrative Agent shall not be required to exhaust any right or remedy or take any action against the Borrower or any other Person or any Collateral. The Guaranteed Liabilities include interest accruing after the commencement of a proceeding under bankruptcy, insolvency or similar laws of any jurisdiction at the rate or rates provided in the Loan Documents, or the Swap Agreements between any Credit Party and any Secured Party, as the case may be, regardless of whether such interest is an allowed claim. Each Guarantor agrees that, as between the Guarantor and the Administrative Agent, the Guaranteed Liabilities may be declared to be due and payable for the purposes of this Guarantee notwithstanding any stay, injunction or other prohibition which may prevent, delay or vitiate any declaration as regards the Borrower or any other Guarantor and that in the event of a declaration or attempted declaration, the Guaranteed Liabilities shall immediately become due and payable by each Guarantor for the purposes of this Guarantee.

Section 8.02. Guarantee Absolute. Each Guarantor guarantees that the Guaranteed Liabilities shall be paid strictly in accordance with the terms of this Agreement and the Swap Agreements to which any Secured Party is a party. The liability of each Guarantor hereunder is absolute and unconditional irrespective of: (a) any change in the time, manner or place of payment of, or in any other term of, all or any of the Loan Documents or the Guaranteed Liabilities, or any other amendment or waiver of or any consent to departure from any of the terms of any Loan Document or Guaranteed Liability, including any increase or decrease in the rate of interest thereon; (b) any release or amendment or waiver of, or consent to departure from, any other guaranty or support document, or any exchange, release or non-perfection of any Collateral, for all or any of the Loan Documents or Guaranteed Liabilities; (c) any present or future law, regulation or order of any jurisdiction (whether of right or in fact) or of any agency thereof purporting to reduce, amend, restructure or otherwise affect any term of any Loan Document or Guaranteed Liability; (d) without being limited by the foregoing, any lack of validity or enforceability of any Loan Document or Guaranteed Liability; and (e) any other setoff, defense or counterclaim whatsoever (in any case, whether based on contract, tort or any other theory) with respect to the Loan Documents or the transactions contemplated thereby which might constitute a legal or equitable defense available to, or discharge of, the Borrower or a Guarantor.

Section 8.03. Guarantee Irrevocable. This Guarantee is a continuing guaranty of the payment of all Guaranteed Liabilities now or hereafter existing under this Agreement and such Swap Agreements to which any Secured Party is a party and shall remain in full force and effect until payment in full of all Guaranteed Liabilities and other amounts payable hereunder and until this Agreement and the Swap Agreements are no longer in effect or, if earlier, when the Guarantor has given the Administrative Agent written notice that this Guarantee has been revoked; provided that any notice under this Section shall not release the revoking Guarantor from any Guaranteed Liability, absolute or contingent, existing prior to the Administrative Agent's actual receipt of the notice at its branches or departments responsible for this Agreement and such Swap Agreements and reasonable opportunity to act upon such notice.

Section 8.04. Reinstatement. This Guarantee shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Liabilities is rescinded or must otherwise be returned by any Secured Party on the insolvency, bankruptcy or reorganization of the Borrower, or any other Credit Party, or otherwise, all as though the payment had not been made.

Section 8.05. Subrogation. No Guarantor shall exercise any rights which it may acquire by way of subrogation, by any payment made under this Guarantee or otherwise, until all the Guaranteed Liabilities have been paid in full and this Agreement and the Swap Agreements to which any Lender Counterparty is a party are no longer in effect. If any amount is paid to the Guarantor on account of subrogation rights under this Guarantee at any time when all the Guaranteed Liabilities have not been paid in full, the amount shall be held in trust for the benefit of the Lenders and the Lender Counterparties and shall be promptly paid to the Administrative Agent to be credited and applied to the Guaranteed Liabilities, whether matured or unmatured or absolute or contingent, in accordance with the terms of this Agreement and such Swap Agreements. If any Guarantor makes payment to the Administrative Agent, Lenders, or any Lender Counterparties of all or any part of the Guaranteed Liabilities and all the Guaranteed Liabilities are paid in full and this Agreement and such Swap Agreements are no longer in effect, the Administrative Agent, Lenders and Lender Counterparties shall, at such Guarantor's request, execute and deliver to such Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to such Guarantor of an interest in the Guaranteed Liabilities resulting from the payment.

Section 8.06. Subordination. Without limiting the rights of the Administrative Agent, the Lenders and the Lender Counterparties under any other agreement, any liabilities owed by the Borrower to any Guarantor in connection with any extension of credit or financial accommodation by any Guarantor to or for the account of the Borrower, including but not limited to interest accruing at the agreed contract rate after the commencement of a bankruptcy or similar proceeding, are hereby subordinated to the Guaranteed Liabilities, and such liabilities of the Borrower to such Guarantor, if the Administrative Agent so requests, shall be collected, enforced and received by any Guarantor as trustee for the Administrative Agent and shall be paid over to the Administrative Agent on account of the Guaranteed Liabilities but without reducing or affecting in any manner the liability of the Guarantor under the other provisions of this Guarantee.

Section 8.07. Payments Generally. All payments by the Guarantors shall be made in the manner, at the place and in the currency (the "Payment Currency") required by the Loan Documents and the Swap Agreement to which any Lender Counterparty is a party, as the case may be; provided, however, that (if the Payment Currency is other than Dollars) any Guarantor may, at its option (or, if for any reason whatsoever any Guarantor is unable to effect payments in the foregoing manner, such Guarantor shall be obligated to) pay to the Administrative Agent at its principal office the equivalent amount in Dollars computed at the selling rate of the Administrative Agent or a selling rate chosen by the Administrative Agent, most recently in effect on or prior to the date the Guaranteed Liability becomes due, for cable transfers of the Payment Currency to the place where the Guaranteed Liability is payable. In any case in which any Guarantor makes or is obligated to make payment in Dollars, the Guarantor shall hold the

Administrative Agent, the Lenders and the Lender Counterparties harmless from any loss incurred by the Administrative Agent, any Lender or any Lender Counterparty arising from any change in the value of Dollars in relation to the Payment Currency between the date the Guaranteed Liability becomes due and the date the Administrative Agent, such Lender or such Lender Counterparty is actually able, following the conversion of the Dollars paid by such Guarantor into the Payment Currency and remittance of such Payment Currency to the place where such Guaranteed Liability is payable, to apply such Payment Currency to such Guaranteed Liability.

Section 8.08. Setoff. Each Guarantor agrees that, in addition to (and without limitation of) any right of setoff, banker's lien or counterclaim the Administrative Agent, any Lender or any Lender Counterparty may otherwise have, the Administrative Agent, such Lender or such Lender Counterparty shall be entitled, at its option, to offset balances (general or special, time or demand, provisional or final) held by it for the account of any Guarantor at any office of the Administrative Agent, such Lender or such Lender Counterparty, in Dollars or in any other currency, against any amount payable by such Guarantor under this Guarantee which is not paid when due (regardless of whether such balances are then due to such Guarantor), in which case it shall promptly notify such Guarantor thereof; provided that the failure of the Administrative Agent, such Lender, or such Lender Counterparty to give such notice shall not affect the validity thereof.

Section 8.09. Formalities. Each Guarantor waives presentment, notice of dishonor, protest, notice of acceptance of this Guarantee or incurrence of any Guaranteed Liability and any other formality with respect to any of the Guaranteed Liabilities or this Guarantee.

Section 8.10. Limitations on Guarantee. The provisions of the Guarantee under this Article VIII are severable, and in any action or proceeding involving any state corporate law, or any state, federal or foreign bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Guarantor under this Guarantee would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of such Guarantor's liability under this Guarantee, then, notwithstanding any other provision of this Guarantee to the contrary, the amount of such liability shall, without any further action by the Guarantors, the Administrative Agent, any Lender or any Lender Counterparty, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding (such highest amount determined hereunder being the relevant Guarantor's "Maximum Liability"). This Section 8.10 with respect to the Maximum Liability of the Guarantors is intended solely to preserve the rights of the Administrative Agent, Lenders and Lender Counterparties hereunder to the maximum extent not subject to avoidance under applicable law, and no Guarantor nor any other Person shall have any right or claim under this Section 8.10 with respect to the Maximum Liability, except to the extent necessary so that none of the obligations of any Guarantor hereunder shall not be rendered voidable under applicable law.

Article IX

Events of Default

If any of the following events ("Events of Default") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three (3) days;

(c) any representation or warranty made or deemed made by or on behalf of the Borrower or any Restricted Subsidiary in or in connection with this Agreement or any amendment or modification hereof or waiver hereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any amendment or modification hereof or waiver hereunder or in any Loan Document furnished pursuant to or in connection with this Agreement or any amendment or modification thereof or waiver hereunder, shall prove to have been incorrect in any material respect when made or deemed made;

(d) the Borrower or any Restricted Subsidiary shall fail to observe or perform any covenant, condition or agreement contained in Article VII;

(e) the Borrower or any Restricted Subsidiary shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article) or any Loan Document, and such failure shall continue unremedied for a period of thirty (30) days after notice thereof from the Administrative Agent to the Borrower (which notice will be given at the request of any Lender);

(f) the Borrower or any Restricted Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable and such failure shall continue unremedied beyond any grace period applicable thereto;

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; provided that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness or to obligations of the Borrower or any Guarantor in respect of any Swap Agreement unless such Swap Agreement has been terminated;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any Restricted Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Restricted Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) the Borrower or any Restricted Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Restricted Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) the Borrower or any Restricted Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(k) one or more uninsured judgments for the payment of money in an aggregate amount in excess of $5,000,000 shall be rendered against the Borrower or any Restricted Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed or bonded, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Borrower or any Restricted Subsidiary to enforce any such judgment which action has not been stayed or bonded;

(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect;

(m) the delivery by any Guarantor to the Administrative Agent of written notice that its Guarantee under Article VIII has been revoked or is otherwise declared invalid or unenforceable; or

(n) a Change of Control shall occur;

then, and in every such event (other than an event with respect to the Borrower or any Restricted Subsidiary described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Aggregate Commitment, and thereupon the Aggregate

Commitment shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (h) or (i) of this Article, the Aggregate Commitment shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

Article X

The Administrative Agent

Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with any Credit Party or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing as directed by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 11.02), and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Credit Party that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 11.02) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or

representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article V or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent. None of the Persons identified as a Syndication Agent, Documentation Agent, Co-Agent or Agent on Schedule 2.01 shall have any responsibility or liability as an agent of the Lenders under this Agreement or any other Loan Document.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Bank and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Administrative Agent which shall be a bank with an office in Chicago, Illinois or New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent’s resignation hereunder, the provisions of this Article and Section 11.03 shall continue in effect for the benefit of such retiring Administrative Agent, its

sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

Article XI

Miscellaneous

Section 11.01. Notices.

(a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(i) if to the Borrower, to Range Resources Corporation, 777 Main Street, Suite 800, Fort Worth, Texas 76102, Attention: Roger Manny, Chief Financial Officer, Telecopy No. (817) 810-1921. For purposes of delivering the documents pursuant to Section 6.01(a), Section 6.01(b) and Section 6.01(d), the website address is www.rangeresources.com;

(ii) if to the Administrative Agent or Issuing Bank, to JPMorgan Chase Bank, N.A., JPMorgan Loan Services, 10 South Dearborn St., 19th Floor, Chicago, Illinois 60603-2003, Telecopy No.: (312) 385-7096, Attention: Claudia Kech (claudia.kech@jpmchase.com), with a copy to JPMorgan Chase Bank, N.A., 1717 Main Street, TX1-2448, Dallas, Texas 75201, Telecopy No. (214) 290-2332, Attention: Wm. Mark Cranmer, Senior Vice President (mark.cranmer@chase.com); and

(iii) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in their discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved

by it; provided that approval of such procedures may be limited to particular notices or communications.

(c) Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

Section 11.02. Waivers; Amendments.

(a) No failure or delay by the Administrative Agent, the Issuing Bank or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Bank and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Credit Parties and the Required Lenders or by the Credit Parties and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Borrowing Base without the written consent of each Lender, (ii) increase the Applicable Percentage or Commitment of any Lender without the written consent of such Lender or the Aggregate Commitment above the Maximum Facility Amount without the written consent of all Lenders, (iii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon (other than reductions in the interest rates otherwise applicable pursuant to Section 2.14(c)), or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iv) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any of the Aggregate Commitment, without the written consent of each Lender affected thereby, (v) change Section 2.19(b) or Section 2.19(c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (vi) release any Credit Party from its obligations under the Loan Documents or, except in connection with any sales, transfers, leases or other dispositions permitted in Section 7.03, release any of the Collateral without the written consent of each Lender, or (vii) change any of the provisions of this Section or the definition of “Required Lenders” or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each

Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent or the Issuing Bank hereunder without the prior written consent of the Administrative Agent or the Issuing Bank, as the case may be. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender.

Section 11.03. Expenses; Indemnity; Damage Waiver.

(a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, the Issuing Bank or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent, the Issuing Bank or any Lender, in connection with the enforcement or protection of its rights in connection with the Loan Documents, including its rights under this Section, or the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) **THE CREDIT PARTIES SHALL INDEMNIFY THE ADMINISTRATIVE AGENT, THE ISSUING BANK AND EACH LENDER, AND EACH RELATED PARTY OF ANY OF THE FOREGOING PERSONS (EACH SUCH PERSON BEING CALLED AN "INDEMNITEE") AGAINST, AND HOLD EACH INDEMNITEE HARMLESS FROM, ANY AND ALL LOSSES, CLAIMS, DAMAGES, LIABILITIES AND RELATED EXPENSES, INCLUDING THE FEES, CHARGES AND DISBURSEMENTS OF ANY COUNSEL FOR ANY INDEMNITEE, INCURRED BY OR ASSERTED AGAINST ANY INDEMNITEE ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF (I) THE EXECUTION OR DELIVERY OF THIS AGREEMENT OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY, THE PERFORMANCE BY THE PARTIES HERETO OF THEIR RESPECTIVE OBLIGATIONS HEREUNDER OR THE CONSUMMATION OF THE TRANSACTIONS OR ANY OTHER TRANSACTIONS CONTEMPLATED HEREBY, (II) ANY LOAN OR LETTER OF CREDIT OR THE USE OF THE PROCEEDS THEREFROM (INCLUDING ANY REFUSAL BY THE ISSUING BANK TO HONOR A DEMAND FOR PAYMENT UNDER A LETTER OF CREDIT IF THE DOCUMENTS PRESENTED IN CONNECTION WITH SUCH DEMAND DO NOT STRICTLY COMPLY WITH THE TERMS OF SUCH LETTER OF CREDIT), (III) ANY ACTUAL OR ALLEGED PRESENCE OR RELEASE OF HAZARDOUS MATERIALS ON OR FROM ANY PROPERTY OWNED OR OPERATED BY THE BORROWER OR ANY SUBSIDIARY,**

OR ANY ENVIRONMENTAL LIABILITY RELATED IN ANY WAY TO THE BORROWER OR ANY SUBSIDIARY, OR (IV) ANY ACTUAL OR PROSPECTIVE CLAIM, LITIGATION, INVESTIGATION OR PROCEEDING RELATING TO ANY OF THE FOREGOING, WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY AND REGARDLESS OF WHETHER ANY INDEMNITEE IS A PARTY THERETO; PROVIDED THAT SUCH INDEMNITY SHALL NOT, AS TO ANY INDEMNITEE, BE AVAILABLE TO THE EXTENT THAT SUCH LOSSES, CLAIMS, DAMAGES, LIABILITIES OR RELATED EXPENSES ARE DETERMINED BY A COURT OF COMPETENT JURISDICTION BY FINAL AND NONAPPEALABLE JUDGMENT TO HAVE RESULTED FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNITEE.

(c) To the extent that any Credit Party fails to pay any amount required to be paid by it to the Administrative Agent or the Issuing Bank under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent or the Issuing Bank, as the case may be, such Lender's Applicable Percentage (in each case, determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or the Issuing Bank in its capacity as such.

(d) To the extent permitted by applicable law, the Credit Parties shall not assert, and hereby waive, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable not later than thirty (30) days after written demand therefor.

Section 11.04. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that (i) no Credit Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by such Credit Party without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Bank and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b)

(i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Borrower, provided that no consent of the Borrower shall be required for an assignment to a Lender, an Affiliate of a Lender, a Federal Reserve Bank, an Approved Fund or, if an Event of Default has occurred and is continuing, any other assignee; and

(B) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment of any Commitment to an assignee that is a Lender with a Commitment immediately prior to giving effect to such assignment; or

(C) the Issuing Bank.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender, an Affiliate of a Lender, an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, provided that no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations in respect of such Lender's Commitment and such Lender's Loans under this Agreement;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500; and

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

For the purposes of this Section 11.04(b), the term "Approved Fund" has the following meaning:

"Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) of this Section, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Section 2.16, Section 2.17, Section 2.18 and Section 11.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 11.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section except that any attempted assignment or transfer by any Lender that does not comply with clause (C) of Section 11.04(b)(ii) shall be null and void.

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment and Applicable Percentage of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Credit Parties, the Administrative Agent, the Issuing Bank and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Credit Parties, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register; provided that if either the assigning Lender or the assignee shall have failed to make any payment required to be made by it pursuant to Section 2.07(d) or Section 2.07(e), Section 2.08, Section 2.19(d) or Section 11.03(c), the Administrative Agent shall have no obligation to accept such Assignment and Assumption and record the information therein in the Register unless and until such

payment shall have been made in full, together with all accrued interest thereon. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c)

(i) Any Lender may, without the consent of the Borrower, the Administrative Agent or the Issuing Bank, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrower, the Administrative Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 11.02(b) that affects such Participant. Subject to paragraph (c)(ii) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Section 2.16, Section 2.17 and Section 2.18 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 11.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.19(c) as though it were a Lender.

(ii) A Participant shall not be entitled to receive any greater payment under Section 2.16 or Section 2.18 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the prior written consent of the Borrower. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.18 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.18(e) as though it were a Lender.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 11.05. Survival. All covenants, agreements, representations and warranties made by the Credit Parties herein and in the certificates or other instruments delivered in

connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Aggregate Commitment has not expired or terminated. The provisions of Section 2.16, Section 2.17, Section 2.18 and Section 11.03 and Article X shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Aggregate Commitment or the termination of this Agreement or any provision hereof.

Section 11.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. **THIS WRITTEN CREDIT AND GUARANTY AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES 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**. Except as provided in Section 5.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 11.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 11.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower against any of and all the obligations of any Credit Party now or hereafter existing under this Agreement

held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section and Section 8.08 are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

Section 11.09. GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS.

(a) THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF TEXAS.

(b) EACH CREDIT PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR TEXAS STATE COURT SITTING IN DALLAS, TEXAS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH TEXAS STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, THE ISSUING BANK OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AGAINST ANY CREDIT PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) EACH CREDIT PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) EACH PARTY TO THIS AGREEMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN Section 11.01. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

Section 11.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT

IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 11.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

Section 11.12. Confidentiality. Each of the Administrative Agent, the Issuing Bank and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, or self-regulatory body (it being understood that any such self-regulatory body to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential) (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Credit Parties and their obligations, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis from a source other than a Credit Party. For the purposes of this Section, "Information" means all information received from any Credit Party relating to any Credit Party or its business, other than any such information that is available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by any Credit Party. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Section 11.13. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively

the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender. **Chapter 346 of the Texas Finance Code (which regulates certain revolving credit accounts (formerly Tex. Rev. Civ. Stat. Ann. Art. 5069, Ch. 15)) shall not apply to this Agreement or to any Loan, nor shall this Agreement or any Loan be governed by or be subject to the provisions of such Chapter 346 in any manner whatsoever.**

Section 11.14. USA PATRIOT Act. Each Lender that is subject to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act") hereby notifies each Credit Party that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies each Credit Party, which information includes the name and address of each Credit Party and other information that will allow such Lender to identify each Credit Party in accordance with the Act.

Section 11.15. Original Credit Agreement. Upon the Effective Date, this Agreement shall supersede and replace in its entirety the Original Credit Agreement; provided, however, that (a) all loans, letters of credit, and other indebtedness, obligations and liabilities outstanding under the Original Credit Agreement on such date shall continue to constitute Loans, Letters of Credit and other indebtedness, obligations and liabilities under this Agreement, (b) the execution and delivery of this Agreement or any of the Loan Documents hereunder shall not constitute a novation, refinancing or any other fundamental change in the relationship among the parties and (c) the Loans, Letters of Credit, and other indebtedness, obligations and liabilities outstanding hereunder, to the extent outstanding under the Original Credit Agreement immediately prior to the date hereof, shall constitute the same loans, letters of credit, and other indebtedness, obligations and liabilities as were outstanding under the Original Credit Agreement.

Section 11.16. Reaffirmation and Grant of Security Interest. Each Credit Party hereby (i) confirms that each Security Instrument (as defined in the Original Credit Agreement) to which it is a party or is otherwise bound and all Collateral encumbered thereby, will continue to guarantee or secure, as the case may be, to the fullest extent possible in accordance with the Loan Documents and regardless of whether any Guarantor under this Agreement was a "Borrower" under the Original Credit Agreement, the payment and performance of all Obligations and Guaranteed Liabilities under this Agreement and the Secured Obligations (as such term is defined in the Security Instruments) under the Security Instruments, as the case may be, including without limitation the payment and performance of all such Obligations and Guaranteed Liabilities under this Agreement and the Secured Obligations under the Security Instruments, and (ii) reaffirms its grant to the Administrative Agent for the benefit of the Secured Parties of a continuing Lien on and security interest in and to such Credit Party's right, title and interest in, to and under all Collateral as collateral security for the prompt payment and

performance in full when due of the Obligations and Guaranteed Liabilities under this Agreement and the Secured Obligations under the Security Instruments (whether at stated maturity, by acceleration or otherwise) in accordance with the terms thereof. With respect to the other Loan Documents, (a) the defined term "Bank One" shall be deemed to mean JPMorgan Chase Bank, (b) the defined term "Agent" shall be deemed to mean JPMorgan Chase Bank, in its capacity as Administrative Agent and (c) the defined term "Rate Management Transaction" shall be deemed to mean indebtedness, liabilities and obligations of any Credit Party with respect to transactions under Swap Agreements between such Credit Party and any Lender Counterparty that are included in the defined term "Obligations" under this Agreement.

Section 11.17. Reallocation of Aggregate Commitment. The Lenders (as defined in the Original Credit Agreement) have agreed among themselves to reallocate the Commitment (as defined in the Original Credit Agreement) as contemplated by this Agreement and to adjust their interests in the Commitment and the Loans (as defined in the Original Credit Agreement) accordingly. On the Effective Date and after giving effect to such reallocation and adjustment of such Commitment and such Loans, the Lenders (as defined in this Agreement) shall own the Applicable Percentages set forth on Schedule 2.01. The outstanding Loans (as defined in the Original Credit Agreement) and the funds delivered to the Administrative Agent on the Effective Date by the Lenders (other than the Lenders under the Original Credit Agreement) and the other Lenders shall be allocated such that after giving effect to such allocation each of the Lenders (as defined in this Agreement) shall own the Applicable Percentages of the Aggregate Commitment and the Commitments set forth on Schedule 2.01 and such Lenders shall own the Loans (as defined in this Agreement) consistent with the Applicable Percentages set forth on Schedule 2.01.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

BORROWER:

RANGE RESOURCES CORPORATION

By: _____
Name: Roger S. Manny
Title: Senior Vice President

GUARANTORS:

GREAT LAKES ENERGY PARTNERS, L.L.C.,
a Delaware limited liability company

By: Range Holdco, Inc.
Its member

By: _____
Name: Roger S. Manny
Title: Senior Vice President

By: Range Energy I, Inc.
Its member

By: _____
Name: Roger S. Manny
Title: Senior Vice President

RANGE ENERGY I, INC.,
a Delaware corporation

By: _____
Name: Roger S. Manny
Title: Senior Vice President

RANGE HOLDCO, INC.,
a Delaware corporation

By: _____
Name: Roger S. Manny
Title: Senior Vice President

RANGE PRODUCTION COMPANY,
a Delaware corporation

By: _____
Name: Roger S. Manny
Title: Senior Vice President

RANGE ENERGY VENTURES CORPORATION,
a Delaware corporation
By: _____
Name: Roger S. Manny
Title: Senior Vice President

GULFSTAR ENERGY, INC.,
a Delaware corporation

By: _____
Name: Roger S. Manny
Title: Senior Vice President

RANGE ENERGY FINANCE CORPORATION,
a Delaware corporation

By: _____
Name: Roger S. Manny
Title: Senior Vice President

RANGE PRODUCTION I, L.P.
a Texas limited partnership

By: RANGE PRODUCTION COMPANY
Its general partner

By: _____
Name: Roger S. Manny
Title: Senior Vice President

RANGE RESOURCES, L.L.C.
a Oklahoma limited liability company

By: RANGE PRODUCTION COMPANY
Its member

By: _____
Name: Roger S. Manny
Title: Senior Vice President

By: RANGE HOLDCO, INC.
Its member

By: _____
Name: Roger S. Manny
Title: Senior Vice President

PMOG HOLDINGS, INC.,

By: _____
Name: Roger S. Manny
Title: Senior Vice President

PINE MOUNTAIN ACQUISITION, INC.,

By: _____
Name: Roger S. Manny
Title: Senior Vice President

PINE MOUNTAIN OIL AND GAS, INC.,

By: _____
Name: Roger S. Manny
Title: Senior Vice President

RANGE OPERATING NEW MEXICO, INC.,

By: _____
Name: Roger S. Manny
Title: Senior Vice President

RANGE OPERATING TEXAS, LLC,

By: _____
Name: Roger S. Manny
Title: Senior Vice President

STROUD ENERGY GP, LLC,

By: _____
Name: Roger S. Manny
Title: Senior Vice President

STROUD ENERGY LP, LLC,

By: _____
Name: Thomas M. Strauss
Title: Manager

STROUD ENERGY, LTD.,

By: Stroud Energy Management GP, LLC
Its general partner

By: _____
Name: Roger S. Manny
Title: Senior Vice President

STROUD ENERGY MANAGEMENT GP, LLC,

By: _____
Name: Roger S. Manny
Title: Senior Vice President

STROUD OIL PROPERTIES, L.P.,

By: Stroud Energy GP, LLC
Its general partner

By: _____
Name: Roger S. Manny
Title: Senior Vice President

JPMORGAN CHASE BANK, N.A.
(successor by merger to Bank One, N.A. (Illinois)
as Administration Agent and a Lender

By: _____
Name: Wm. Mark Cranmer
Title: Senior Vice President

BANK OF SCOTLAND,
as a Lender

By: _____
Name:
Title:

CALYON NEW YORK BRANCH,
as a Syndicated Agent and a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

COMPASS BANK,
as a Lender

By: _____
Name:
Title:

BANK OF AMERICA, N.A.,
as a Documentation Agent and a Lender

By: _____
Name:
Title:

FORTIS CAPITAL CORP.,
as a Documentation Agent and a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

NATEXIS BANQUES POPULAIRES,
as a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

COMERICA BANK,
as a Lender

By: _____
Name:
Title:

CAPITAL ONE, N.A. (f/k/a Hibernia National Bank), as a Lender

By: _____
Name:
Title:

AMEGY BANK N.A. (f/k/a Southwest Bank of Texas N.A.), as a Lender

By: _____
Name:
Title:

BMO CAPITAL MARKETS FINANCING, INC.
(f/k/a HARRIS NESBITT FINANCING, INC.),
as a Syndication Agent and a Lender

By: _____
Name:
Title:

KEY BANK,
as a Lender

By: _____
Name:
Title:

WACHOVIA BANK, NATIONAL ASSOCIATION, as a Lender

By: _____
Name:
Title:

UNION BANK OF CALIFORNIA, N.A.,
as a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

THE BANK OF NOVA SCOTIA,
as a Lender

By: _____
Name:
Title:

THE FROST NATIONAL BANK,
as a Lender

By: _____
Name:
Title:

CITIBANK, N.A.,
as a Lender

By: _____
Name:
Title:

CREDIT SUISSE, Cayman Islands Branch,
as a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

SUNTRUST BANK,
as a Lender

By: _____
Name:
Title:

SOCIÉTÉ GÉNÉRALE,
as a Lender

By: _____
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION,
as a Lender

By: _____
Name:
Title:

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE 2.01

APPLICABLE PERCENTAGES AND INITIAL COMMITMENTS

Lender	Title	Applicable Percentage	Initial Commitment
JPMorgan Chase Bank , N.A.	Administrative Agent	5.6250000%	$ 45,000,000
Bank of America, N.A.	Documentation Agent	5.6250000%	$ 45,000,000
Fortis Capital Corp.	Documentation Agent	5.6250000%	$ 45,000,000
Calyon New York Branch	Syndicated Agent	5.6250000%	$ 45,000,000
BMO Capital Markets Financing, Inc., (f/k/a Harris Nesbitt Financing, Inc.)	Syndication Agent	5.6250000%	$ 45,000,000
Union Bank of California, N.A.	Co-Agent	5.0000000%	$ 40,000,000
Bank of Scotland	Agent	5.6250000%	$ 45,000,000
Wachovia Bank, National Association	Co-Agent	4.3750000%	$ 35,000,000
Citibank, N.A.	Co-Agent	4.3750000%	$ 35,000,000
Comerica Bank	Co-Agent	5.0000000%	$ 40,000,000
Compass Bank		3.1250000%	$ 25,000,000
Credit Suisse, Cayman Islands Branch		3.7500000%	$ 30,000,000
Deutsche Bank Trust Company Americas	Co-Agent	4.3750000%	$ 35,000,000
Key Bank	Co-Agent	4.3750000%	$ 35,000,000
Natexis Banques Populaires	Co-Agent	4.3750000%	$ 35,000,000
The Bank of Nova Scotia	Co-Agent	5.0000000%	$ 40,000,000
Société Générale		4.3750000%	$ 35,000,000
Suntrust Bank		4.3750000%	$ 35,000,000
The Frost National Bank		3.1250000%	$ 25,000,000
Amegy Bank N.A. (f/k/a Southwest Bank of Texas N.A.)		3.1250000%	$ 25,000,000
US Bank, National Association		4.3750000%	$ 35,000,000
Capital One, N.A. (f/k/a Hibernia National Bank)		3.1250000%	$ 25,000,000
TOTAL		100.00000%	$800,000,000

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%
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 (a)	British Virgin Islands	100%
Energy Assets Operating Company	Delaware	100%
Range Operating New Mexico, Inc.	Delaware	100%
PMOG Holdings, Inc.	Delaware	100%
Pine Mountain Acquisition, Inc.	Delaware	100%
Pine Mountain Oil & Gas, Inc.	Virginia	100%
Great Lakes Energy Partners, L.L.C.	Delaware	100%
Ohio Interstate Gas Transmission Company	Ohio	100%
Victory Energy Partners, L.L.C.	Texas	100%
Range Operating Texas, L.L.C.	Delaware	100%
Stroud Energy GP, L.L.C.	Delaware	100%
Stroud Energy LP, L.L.C.	Delaware	100%
WCR/Range GP, L.L.C	Texas	100%

(a) Dormant subsidiary with no assets.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3/A (Nos. 333-76837 and 333-118417) on Form S-4 (Nos. 333-78231, 333-108516, 333-117834 and 333-123534) and on Form S-8 (Nos. 333-125665, 333-90760, 333-63764, 333-40380, 333-30534, 333-88657, 333-69905, 333-62439, 333-44821, 333-10719, 333-105895 and 333-116320) of Range Resources Corporation and in the related Prospectuses of our reports dated February 26, 2007 with respect to the consolidated financial statements of Range Resources Corporation, Range Resources Corporation management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Range Resources Corporation included in this Annual Report (Form 10-K) for the year ended December 31, 2006.

/s/ Ernst & Young LLP

Fort Worth, Texas
February 26, 2007

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, or information contained therein, dated February 14, 2007, prepared for Range Resources Corporation in the Range Resources Corporation Annual Report on Form 10-K for the year ended December 31, 2006. We are unable to verify the accuracy of the reserves and discounted present worth values contained therein because our estimates of reserves and discounted present worth have been combined with estimates of reserves and present worth prepared by other petroleum consultants.

H.J. GRUY AND ASSOCIATES, INC.

February 22, 2007
Houston, Texas

EXHIBIT 23.3

CONSENT OF DEGOLYER AND MACNAUGHTON

We hereby consent to the reference to DeGolyer and MacNaughton under the heading "Item 2. Properties – Proved Reserves" in the Annual Report on Form 10-K of Range Resources Corporation for the year ended December 31, 2006, to which this consent is an exhibit. We also consent to the incorporation of information contained in our "Appraisal Report as of December 31, 2006 on Certain Interests owned by Range Resources Corporation," provided, however, that we are necessarily unable to verify the accuracy of the reserves and discounted present worth values contained therein because our estimates of reserves and discounted present worth have been combined with estimates of reserves and present worth prepared by other petroleum consultants.

DEGOLYER AND MACNAUGHTON

Dallas, Texas
February 22, 2007

EXHIBIT 23.4

CONSENT OF WRIGHT & COMPANY, INC.

We hereby consent to the use of the name Wright & Company, Inc. and to the incorporation by reference of our name in the Annual Report on Form 10-K of Range Resources Corporation (the "Company") for the fiscal year ended December 31, 2006, to which this consent is an exhibit.

WRIGHT & COMPANY, INC.

Brentwood, Tennessee
February 23, 2007

EXHIBIT 31.1

CERTIFICATION

I, John H. Pinkerton, certify that:

1. I have reviewed this report on Form 10-K of Range Resources Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2007

/s/ JOHN H. PINKERTON
John H. Pinkerton
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Roger S. Manny, certify that:

1. I have reviewed this report on Form 10-K of Range Resources Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2007

/s/ ROGER S. MANNY
Roger S. Manny
Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF
PRESIDENT AND CHIEF EXECUTIVE OFFICER
OF RANGE RESOURCES CORPORATION
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying report on Form 10-K for the period ending December 31, 2006 and filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John H. Pinkerton, President and Chief Executive Officer of Range Resources Corporation (the "Company"), hereby certify that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JOHN H. PINKERTON
John H. Pinkerton
February 26, 2007

EXHIBIT 32.2

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF RANGE RESOURCES CORPORATION
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying report on Form 10-K for the period ending December 31, 2006 and filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Roger S. Manny, Chief Financial Officer of Range Resources Corporation (the "Company"), hereby certify that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ ROGER S. MANNY
Roger S. Manny
February 26, 2007