

Technological advances are boosting Range Resources' returns in a big shale-gas play in Pennsylvania

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Range Resources Corp. is projecting stronger financial returns and bumping up its estimated recovery from natural gas wells in the hot Marcellus Shale play in Pennsylvania as a result of advancements in its drilling techniques.

The Fort Worth-based company, in an update Monday on its extensive Marcellus operations, said an increase in lateral lengths for horizontal wells and the number of fracturing stages in well completions should allow it "to recover more of the gas in place with fewer wells, while generating higher rates of return."

Range has been a pioneer in horizontal drilling in the Marcellus, where it has leased 1.3 million net acres. In a 430,000-acre area where it has done substantial drilling, Range had previously estimated it that would produce the equivalent of 3 billion to 4 billion cubic feet of gas per well. It boosted that to 4 billion to 5 billion cubic feet per well.

"Our technical team continues to do an outstanding job in the Marcellus Shale," Range CEO John Pinkerton said. "The results of our longer laterals are very encouraging. We will continue to evaluate longer laterals and more completion [fracturing] stages. Optimizing our well designs is critical as it will allow us to continue to drive down our unit cost and increase our returns."

Range previously had been drilling horizontal wells with laterals averaging 2,500 feet, with eight fracturing stages to increase the flow of gas into the wellbore. In 2009, it drilled 17 horizontal wells with average lateral lengths of 3,056 feet and 10 stages. The development cost per well increased, from \$3.5 million to \$4 million, but is expected to result in appreciably higher yields.

Range is estimating its potential eventual recovery from the Marcellus at the equivalent of up to 27 trillion cubic feet of natural gas.

The company's returns from Marcellus drilling have been boosted by natural gas liquids produced along with gas, along with the higher prices gas brings in the Northeastern U.S. market, which includes New York City. In addition, Range has hedged a sizable portion of its 2010 gas production at prices well above current market prices.

Energy companies with Marcellus operations have recently seen some gains in their share prices as a result of an announcement Friday by Pittsburgh-based Atlas Energy that it entered into a joint venture to develop Marcellus acreage with Reliance Industries Ltd., which MarketWatch described as the largest private-sector company in India.

Range's shares (ticker: **RRC**) closed Monday at \$50.17, down 11 cents from Friday's close.

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