



Independent Stock Idea

October 31, 2013

Range Resources (RRC) Core Owner in Largest Producing Field

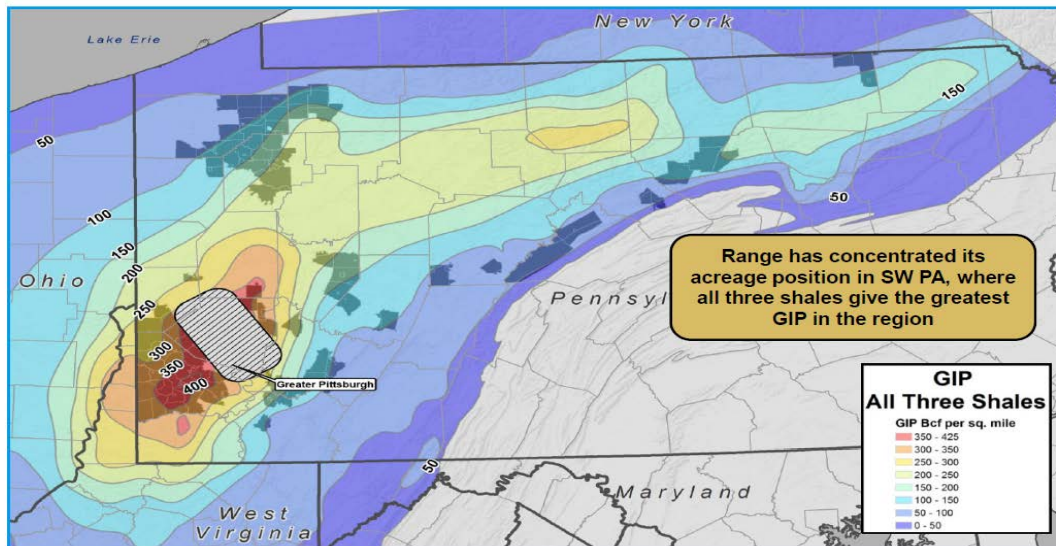
<i>Symbol</i>	RRC	<i>Ebitda Next Twelve Months ending 9/30/14 (US\$m)</i>	1,148
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	59
<i>Price (\$/sh)</i>	77.45	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	10/30/13	<i>Adjusted Reserves/Production NTM</i>	12.8
<i>Shares (mm)</i>	161	<i>EV/Ebitda</i>	14.0
<i>Market Capitalization (\$mm)</i>	12,500	<i>PV/Ebitda</i>	15.7
<i>Debt (\$mm)</i>	3,600	<i>Undeveloped Reserves (%)</i>	47
<i>Enterprise Value (EV) (\$mm)</i>	16,000	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	17.70
<i>Present Value (PV) (\$mm)</i>	18,100	<i>Present Value Proven Reserves(\$/boe)</i>	16.70
<i>Net Present Value (\$/share)</i>	90	<i>Oil and Gas Ebitda Margin (%)</i>	65
<i>Debt/Present Value</i>	0.20	<i>Earnings Next Twelve Months (US\$/sh)</i>	1.31
<i>McDep Ratio - EV/PV</i>	0.89	<i>Price/Earnings Next Twelve Months</i>	59
<i>Dividend Yield (%/year)</i>	0.2	<i>Indicated Annual Dividend (US\$/sh)</i>	0.16
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$90 a barrel and natural gas, \$6 a million btu.			

Summary and Recommendation

Along with the discussion of quarterly results on October 30, buy-recommended **Range Resources (RRC)** discloses new detail on its leading representation in the largest lease position in the most profitable core of the Marcellus gas field (see slide Gas in Place on page 2). The company's lands in Southwest Pennsylvania are advantaged by comprising three overlapping shale formations---Marcellus, Upper Devonian, and Utica/Pt. Pleasant ---as well as three fairways --- super-rich, wet gas and dry gas. Management estimates a rate of return on Marcellus wells at a hundred percent a year (see slide Economic Summary on page 2). High volume wells are producing almost entirely from the deeper Marcellus formation and are spread out geographically. One well per square mile earns all the producing rights to the deeper Marcellus as well as the two shallower formations. Most of the land is now held by producing wells and Range has begun to fill in with more wells, more formations, longer horizontal laterals and more fracks per well, among other steps that lower unit production cost. Carefully planning its marketing and infrastructure as well, Range is keeping takeaway capacity ahead of its expected 25% a year volume growth (see slide Pipelines on page 3). Estimated Net Present Value (NPV) of \$90 a share recognizes one future year of 25% growth, but likely understates the value of continued growth at the high rate that the company's resources may support (see tables Present Value and Operating and Financial Estimates) on pages 3-4). We think Range Resources has the characteristics that could lead to several fold gain over future years for patient investors.

Kurt H. Wulff, CFA

Gas In Place (GIP) Analysis Shows Greatest Potential in SW PA



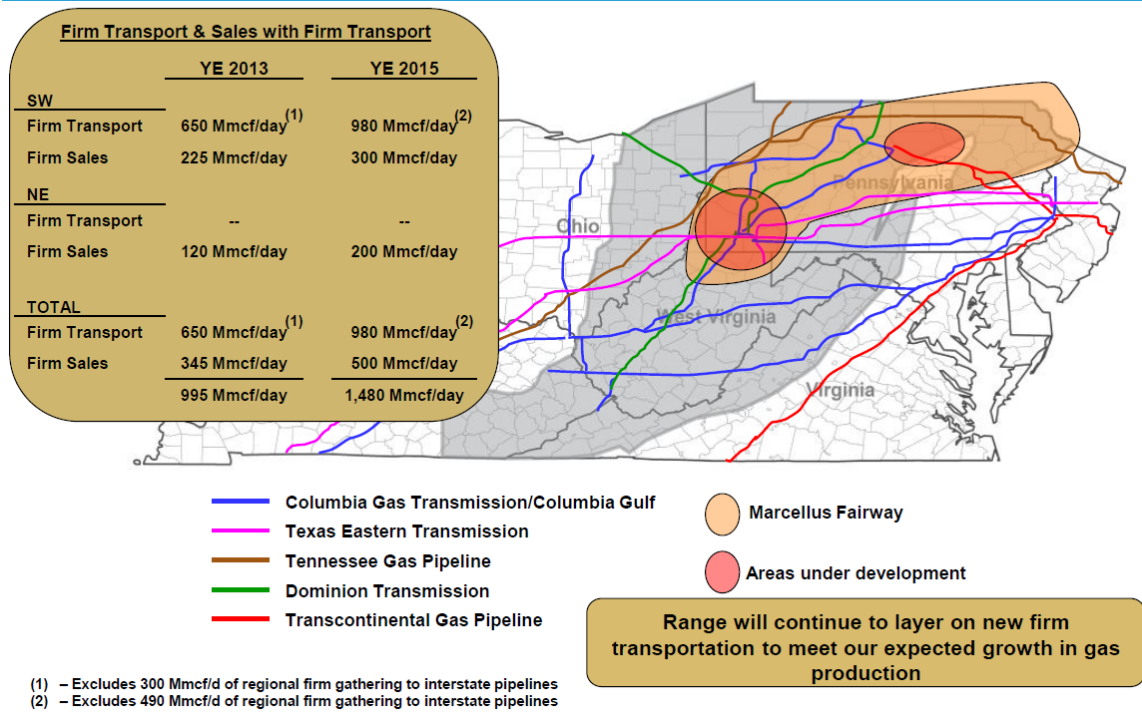
When GIP analysis from the Marcellus, Upper Devonian and Utica/Point Pleasant are combined, the largest stacked pay resource is located in SW PA

Southwest PA - Economic Summary

	Super-Rich	Wet	Dry
EUR	1.82 Mmboe (10.9 Bcfe) 1,038 Mbbls & 4.7 Bcf	12.3 Bcfe 978 Mbbls & 6.4 Bcf	12.2 Bcf
EUR/1,000 ft lateral	0.40 Mmboe (2.41 Bcfe equivalent)	2.93 Bcfe	2.44 Bcfe
EUR/stage	82.7 Mboe (497 Mmcfe equivalent)	586 Mmcfe	488 Mmcfe
Well Cost	\$6.4 MM	\$6.1 MM	\$6.0 MM
Stages	22	21	25
Lateral Length	4,500 ft	4,200 ft	5,000 ft
IRR – Strip	105%	106%	97%
IRR – \$4.00	105%	106%	96%

With the robust returns from all SW PA areas, Range will be taking a balanced approach to developing acreage and growing overall production at 20% to 25% each year while increasing cash flow at a higher percentage

Marcellus Area Pipelines – Take-Away Capacity



Range Resources Corporation					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	679	12.1	19.3	13,100	72%
Oil	468	15.0	10.7	4,990	28%
	1,148	12.8	15.8	18,090	100%
Debt (US\$mm)					3,600
Net Present Value (US\$mm)					14,490
Shares (mm)					161
Net Present Value - Standard Estimate (US\$/sh)					90
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					70



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Range Resources Corporation										
Next Twelve Months Operating and Financial Estimates										
	Q3	Year	Q2	Q3	Q4E	Year	Q1E	Q2E	Q3E	Next Twelve Months
	9/30/12	2012	6/30/13	9/30/13	12/31/13	2013E	3/31/14	6/30/14	9/30/14	9/30/14
Volume										
Natural Gas (bcf)	57.3	216.5	64.9	68.0	70.5	265.4	71.4	74.8	78.3	295.0
Natural Gas (mmcf)	623	592	713	739	766	727	793	822	852	808
Days	92	366	91	92	92	365	90	91	92	365
Oil (mmb)	2.5	10	3.0	3.4	3.6	13	3.7	4.0	4.3	16
Oil (mbd)	27.7	26.8	32.7	36.8	39.0	34.9	41.3	43.8	46.5	42.7
Total (mb)	12.1	46	13.8	14.7	15.3	57	15.6	16.5	17.3	65
Total (mmcf)	789	752	909	960	1,000	937	1,041	1,085	1,130	1,064
Price										
Henry Hub (\$/mmbtu)	2.80	2.79	4.10	3.58	3.58	3.65	3.74	3.74	3.81	3.72
Differential (\$/mmbtu)	0.02	(0.04)	(0.03)	0.15	0.15	0.03	0.15	0.15	0.16	0.15
Company (\$/mcf)	2.78	2.83	4.13	3.43	3.43	3.62	3.59	3.58	3.65	3.57
WTI Cushing (\$/bbl)	92.22	94.16	94.22	105.83	99.39	98.46	98.55	96.71	94.65	97.32
Differential	46.87	42.95	47.54	55.11	51.76	49.36	51.32	50.36	49.29	50.74
Company (\$/bbl)	45.35	51.21	46.68	50.71	47.63	49.10	47.23	46.35	45.36	46.58
Total (\$/bbl)	22.72	24.29	29.51	27.51	26.92	27.84	27.66	27.52	27.69	27.46
Revenue (\$mm)										
Natural Gas	159	612	268	233	242	960	256	268	286	1,052
Oil	116	503	139	172	171	626	176	185	194	725
Total	275	1,115	407	405	413	1,586	432	453	480	1,778
Expense										
Transportation	52	193	66	61						
Production	39	156	43	42						
General and administrative	33	134	36	34						
Total	124	483	145	137	146	565	153	160	170	630
Ebitda	151	632	262	268	266	1,021	279	292	310	1,148
Exploration	15	114	32	20	20	88	20	20	20	80
Deprec., Deplet., & Amort.	123	445	120	130	135	500	138	145	153	571
Other	(80)	(323)	(19)	(13)	(10)	(72)	(5)	2	10	(4)
Ebit	93	395	129	131	122	505	126	126	127	500
Interest	44	169	45	44	44	175	44	44	44	176
Ebt	49	226	84	87	78	330	82	82	83	324
Income Tax	17	79	29	30	27	116	29	29	29	113
Net Income (\$mm)	32	147	55	56	50	215	53	53	54	211
Per Share (\$)	0.20	0.92	0.34	0.35	0.31	1.33	0.33	0.33	0.34	1.31
Shares (millions)	160	160	161	161	161	161	161	161	161	161
Ebitda Margin	55%	57%	64%	66%	65%	64%	65%	65%	65%	65%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%



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