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Range Resources Corp. (RRC)

Q2 2026 Earnings Call

CORPORATE PARTICIPANTS

Laith Sando
Senior Vice President-Corporate Strategy & Investor Relations, Range Resources Corp.

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

Mark S. Scucchi
Executive Vice President & Chief Financial Officer, Range Resources Corp.

OTHER PARTICIPANTS

Jacob Roberts
Analyst, Tudor, Pickering, Holt & Co. Securities LLC

Doug Leggate
Analyst, Wolfe Research LLC

Michael Scialla
Analyst, Stephens, Inc.

Kevin MacCurdy
Analyst, Pickering Energy Partners

Leo Mariani
Analyst, ROTH Capital Partners LLC

Paul Diamond
Analyst, Citigroup Global Markets, Inc.

Phillip Jungwirth
Analyst, BMO Capital Markets Corp.

Neil Mehta
Analyst, Goldman Sachs & Co. LLC

Gabe Daoud
Analyst, Truist Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Hello. Welcome to the Range Resources' Second Quarter 2026 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. Statements made during this conference call that are not historical facts are forward-looking statements. Such statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in the forward-looking statements. After the speakers' remarks, there will be a question-and-answer period.

At this time, I would like to turn the call over to Mr. Laith Sando, Senior Vice President of Investor relations at Range Resources. Sir, please go ahead.

Laith Sando

Senior Vice President-Corporate Strategy & Investor Relations, Range Resources Corp.

Thank you, operator. Good morning, everyone, and thank you for joining Range's second quarter 2026 earnings call. The speakers on today's call are Dennis Degner, Chief Executive Officer; and Mark Scucchi, Chief Financial Officer. Hopefully, you've had a chance to review the press release and updated investor presentation that we've posted on our website. We may reference certain slides on the call this morning. You will also find our 10-Q on Range's website under the Investors tab, or you can access it using the SEC's EDGAR system. Please note we'll be referencing certain non-GAAP measures on today's call. Our press release provides reconciliations of these to the most comparable GAAP figures. We've also posted supplemental tables on our website that include hedging details by month, realized pricing by product, along with calculations of EBITDAX, cash margins, and other non-GAAP measures.

With that, let me turn the call over to Dennis.

Dennis L. Degner

Chief Executive Officer, President & Director, Range Resources Corp.

Thanks, Laith, and thanks to all of you for joining the call today. Today marks a unique milestone as we reach the midpoint of our multi-year growth plan that was announced early last year. Range's results today continue to showcase the durability of the business, as our leading full-cycle cost structure, consistent well performance, and a differentiated marketing portfolio are delivering significant free cash flow, while growing the business. At the same time, we are seeing operational efficiencies accruing to Range as a result of our large blocky acreage position and talented technical team. This quarter's record operational results support Range's peer-leading drilling and completion costs that will benefit Range shareholders for decades to come. Looking at the results for the second quarter, efficient operations in the field and strong well performance drove production of 2.3 Bcf equivalent per day.

Consistent with our previous calls, Range expects production to continue to ratably increase across the remainder of the year, underpinned by gas processing and related infrastructure that is in the early phases of commissioning. This will push production to 2.5 Bcf equivalent per day by year end, and is consistent with our previous guidance, and setting us up well for 2027 and strengthening natural gas fundamentals. Capital for the quarter came in at $222 million, as we added a second completion crew to begin working through a portion of the drilled uncompleted inventory we had built up over the previous 24 months. The second quarter also included a spot horizontal rig that was added for a single pad development that will turn to sales later this year. We expect to return to a single horizontal rig and single frac crew operation for the fourth quarter, putting our capital plans right on track with prior guidance.

With the activity mentioned earlier, we drilled approximately 190,000 lateral feet during the second quarter. Continuing the operational momentum reported during the prior quarter, the team had 19 days where they drilled over a mile in the horizontal, with one of those 24-hour periods exceeding 10,500 feet. This level of operational efficiency advancement continues to reflect the team's ongoing hard work and drive to deliver on peer-leading drilling and completion cost per foot after over two decades of activity. Moving to completions. The team achieved the best quarterly performance in Range history, utilizing the two frac crews I mentioned previously. Combined, the two crews completed nearly 1,900 frac stages. Including downtime for moving between pad sites, this equates to completing over 10 stages per day per crew, or an annualized rate of over 750,000 lateral feet for a single crew. And when looking at our base contracted electric frac fleet, efficiencies were nearly 14 stages per day.

Additional completion records by the team for the second quarter included the most frac stages performed in one day for a single crew at 20, and the highest pumping hours in one day at 22 hours. To achieve these records, the logistics management team kept pace, ensuring execution remained on track. I'd like to congratulate our team on reaching these levels of operational efficiency, while doing so safely. To accommodate this increased completion activity and efficiencies, we have moved a portion of our second half 2026 drilling activity into 2027. This sequencing keeps us right on line with the 2026 and 2027 capital spending and development plans we have discussed previously. Now shifting over to marketing. The ongoing disruption of global energy supply has showcased America's and Range's ability to respond to ever-changing global supply and demand balances. We believe this period has once again highlighted the United States pivotal role in providing energy supply to the world.

The ongoing buildout of LNG and NGL infrastructure to supply export markets has positioned the country to continue to meet this demand going forward, all while providing abundant, affordable energy to American residents, as well as commercial and industrial customers. As we expected going into the second quarter, US exports of LNG, ethane and LPG delivered tremendous growth relative to the same time period last year. For natural gas, LNG feedgas in the second quarter averaged over 17 Bcf per day, or 17% higher compared to the same time period in 2025. We expect this momentum to be carried forward into 2027 and beyond, as additional construction is completed. For natural gas liquids, US waterborne ethane exports were estimated at 658,000 barrels per day for the second quarter, which is up 40% year-on-year and set a record high in June of nearly 750,000 barrels per day.

Our propane and butane waterborne exports reached over 2.6 million barrels per day, which is also up 19% versus the first quarter, and 30% higher year-on-year. LPG exports are expected to grow further into 2027, as an additional 360,000 barrels per day of LPG capacity becomes available via two new terminals early in the new year. Looking ahead, we expect growing US exports across natural gas, NGLs, and crude oil to strengthen domestic market fundamentals and support pricing across the products Range produces. Through the first half of this year, our marketing team has successfully navigated this rapidly evolving global market and capitalized on opportunities to generate incremental cash flow. As we emphasized during our first quarter call, Range's access to international markets for ethane, propane, and butane continues to generate differentiated margins for Range's NGLs.

Our marketing team capitalized on strong international prices through the flexibility built into our export program, supporting another strong NGL premium of $3.49 per barrel over the Mont Belvieu index for the second quarter. While international netbacks have normalized since June, Range still expects to capture premiums to Mont Belvieu in the coming quarters, given our proximity to Europe and the price structures embedded within our physical sales agreements. As a result, we have improved our full-year NGL guidance to $2.50 per barrel over the Mont Belvieu index. At the same time, we are improving our full-year natural gas guidance to $0.35 per mcf to $0.40 per mcf versus Henry Hub, reflecting a strong start to the year. As we enter the second half of our multi-year growth plan, we are excited about how the company is positioned, with financial and operational flexibility that allows us to efficiently align production growth with known demand, while generating free cash flow and returning capital to shareholders.

We believe our robust inventory and relatively low capital intensity provides Range a differentiated foundation for generating through cycle returns for our investors.

I'll now turn it over to Mark to discuss the financials.

Mark S. Scucchi

Executive Vice President & Chief Financial Officer, Range Resources Corp.

Thanks, Dennis. With the first half of 2026 behind us, the year is unfolding as a success, both operationally and financially. Our 2026 operational plan is focused on disciplined development of our asset, while capturing additional future value from growing demand. This plan was designed to deliver value from both future growth and to deliver returns to shareholders today. So let's dive right into what Range has delivered to shareholders in 2026. In the second quarter, we repurchased $78 million in shares, bringing the first half of the year total to $105 million. We paid $24 million in dividends in the quarter, bringing year-to-date total to $47 million. Year-to-date, we've reduced debt by $337 million. In aggregate, this brings year-to-date enterprise value return to equity holders to $489 million, roughly 5.5% of Range's market cap in just six months. Since initiating the share repurchase program, Range has acquired 35.9 million shares, a reduction of nearly 10%.

These are tangible results delivered to shareholders through commodity price cycles and indicative of what Range can continue to do on a growing scale, as natural gas prices respond to rising domestic and international demand. With a strong balance sheet, roughly 0.5 turn levered, Range's ability to return capital and pursue investments in the business is not delayed by balance sheet needs, but are being carefully evaluated and opportunistically executed. In early 2025, we announced a three-year plan, charting a path of 20% growth in production to approximately 2.6 Bcfe per day in 2027. Further, we estimated that Range can maintain 2.6 Bcfe per day of production for less than $600 million of annual drilling and completion capital, or approximately $0.60 per mcfe. Let's put the resulting cash flow potential in perspective.

Exiting this growth plan, averaging 2.6 Bcfe per day, using a hypothetical mid-cycle natural gas price of $3.75, free cash flow would exceed $2.5 billion over a three-year period, approaching 30% of Range's current market cap. Alternatively, cash flow in this scenario could repay all debt and still acquire a significant percentage of Range's shares outstanding. This illustration is a compelling result from any business, especially considering it's a baseline that assumes no further growth. We've successfully reached the halfway point of our current multi-year plan and are on track to deliver. But the Range business doesn't stall there. Range is a growth business, growth in cash flow per share driven by demand-pull production growth that improves margins, compounded by a declining share count. With a Marcellus inventory of 30-plus years, this asset can meet higher demand and sustain that production for decades.

This is rare in our industry which can produce more gas over time but at an increasingly higher cost. From the perspective of a Range shareholder, this means Range is a consistent and durable business through commodity price cycles. And from a customer perspective, it means affordable, clean, reliable supply. In summary, Range is in a strong position to continue capitalizing on strategic advantages across several key areas, maintaining superior full-cycle margins through operational efficiency, delivering strong capital returns to shareholders, and exploring business opportunities that position us for long-term growth in the evolving energy market. As the natural gas market continues to evolve, Range will remain nimble, responsive to market signals, and focused on creating sustainable value for our shareholders. We're excited about the opportunities ahead and remain confident that our strategy will continue to deliver superior financial and operational performance.

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

Thanks, Mark. Today's results continue to demonstrate Range's strong operational performance against our stated multi-year plan, consistent free cash flow generation and prudent allocation of that cash flow, balancing returns of capital, balance sheet strength, and the optimal development of our world-class asset base. As we review our results, our 2026 and multi-year plan is on track. And years of disciplined planning have placed us in the strongest position in our company history, having de-risked a high-quality inventory measured in decades, and translated that into a business capable of generating significant free cash flow through cycles.

With that, let's open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you, Mr. Degner. The question-and-answer session will now begin. [Operator Instructions] Our first question comes from the line of Jacob Roberts with TPH & Company. Your line is open.

Jacob Roberts
Analyst, Tudor, Pickering, Holt & Co. Securities LLC

Q

Good morning.

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

A

Good morning, Jake.

Jacob Roberts
Analyst, Tudor, Pickering, Holt & Co. Securities LLC

Q

Dennis, I wanted to start on the DUC lateral feet backlog. I think you had 0.5 million feet entering this year. And given some of the, frankly, pretty impressive efficiency gains you guys have seen on the completion side to start this year, where are those balances today? And how do you think about blowing that down for lack of a better term over the course of 2026 and then 2027? Has that changed at all?

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

A

Yeah. Good morning, Jake. Thanks for the question and for joining us. I think when we take a step back and we start to look at the dynamics of the program over the remaining 18 months, you're right, the efficiencies have really allowed us to pull a little bit of that DUC inventory forward. But when you think about 2026 and 2027, the plan was really to utilize the 400,000 lateral feet that essentially we had built up over the prior couple of years over the balance of 2026 and 2027. We're still on track for that, so we're a few wells ahead. I think just at kind of a high level of estimation, it has allowed us to pull down a little bit of our drilling needs this year. And then we'll toggle that to a little bit more drilling activity next year, all within the same capital that we've communicated as a part of our materials and guidance.

So I think about it in some ways a little bit of a dynamic that's a little bit different than where we were under the maintenance plus type program where we had a consistent two-rig program, and we had maybe completions that was kind of oscillating as we built inventory. Now we're on the other side of that, and so we're able to have our completions activity remain more consistent. The efficiencies are allowing us, in a great way, to pull some activity forward. But we're going to then oscillate some of that drilling activity all while optimizing that DUC inventory that's needed while staying on track with our program as we then start to produce and fill the new infrastructure that's in process of being commissioned. So, great place to be in and we're excited about the team's accomplishments.

Jacob Roberts
Analyst, Tudor, Pickering, Holt & Co. Securities LLC

Q

Perfect. Thank you. And [ph] when we think about this longer-term, talking about growth (00:17:58). And so when we think about what the company looks like exiting 2027, as you guys have laid out the growth plans, we'd agree that your inventory would include you in a subset of operators that can participate in what the industry broadly sees as a growth into 2028 plus timeframe you guys laid out on slide 20 there, the different avenues you might take. So, I'm curious, not only from your perspective about the pace of growth [ph] that you might contemplate (00:18:30) to meet this demand, but really how you view the industry and being able to respond to this in the Northeast, let's say, over the next five years?

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

A

Yeah. As we start to think about 2028 and beyond, the position that we're in, we really have the ability to continue to grow at a similar – I won't say, identical, but a similar growth rate that you're seeing right now with a very similar capital investment, all with the similar resources of drilling and completions activity and with the same team. So if you look at what we've been able to accomplish with efficiencies and also just the ability to move back to pad sites with existing infrastructure for incremental phases of development, it's allowed us to really be nimble and react more quickly, I think, to the ability to grow. So, when we think about 2028 and beyond, I think, we will have the ability to grow similarly to what you're seeing now with a very similar capital investment, again, team, resources, but it's going to start with a home for that production.

And as you point out in slide 20, we're awfully encouraged by what we're seeing with the incremental few Bcf that we've added to the in-basin high-side case with takeaway, and also in-basin demand for power and data centers. But as we see that further materialize, we feel like we'll be able to step right into that, just again, given our nimbleness in the program, our large blocky acreage position, and then on top of it, just the depth of inventory we have in the Marcellus. So, I think, that will be rare, compared to maybe some others that will have the ability to do so. But again, it's going to start with having a home for that production.

Jacob Roberts
Analyst, Tudor, Pickering, Holt & Co. Securities LLC

Q

Appreciate the time as always, guys. Thank you.

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

A

Thank you, Jake.

Operator: Thank you. Our next question comes from the line of Doug Leggate with Wolfe Research. Your line is open.

Doug Leggate
Analyst, Wolfe Research LLC

Q

Hey, good morning, everyone. Mark and Dennis, I guess one of your peers last night put out a very detailed synopsis of all the potential growth, data centers and so on quite material, especially in the Appalachia area. So my question is where do you see Range positioned to compete on some of those supply agreements? Because, obviously, we've talked about this before, but your balance sheet is pristine, but yet, you still have a sub-investment-grade credit rating. I'm wondering if that's an issue, and any kind of line of sight you could provide? That's my first question. And my follow-up is, 2027, Dennis, is right around the corner. You laid out the three-year plan. What's next as it relates to capital and growth aspirations? I'll leave it there. Thanks.

Mark S. Scucchi
Executive Vice President & Chief Financial Officer, Range Resources Corp.

A

Good morning, Doug. This is Mark. Maybe I'll start with the balance sheet and just some of Range's past accomplishments and deals to help frame what our balance sheet allows us to do as compared to what others do. So our balance sheet metrics are higher than our investment-grade peers, meaning stronger, meaning lower leverage, meaning higher liquidity, all proportionate to our business. We have had 15-plus-year international export deals on the liquids side, we've done 5-plus-year deals with Japanese utilities on the LNG side, and have cycled through multiples of those. We've already announced a 10-year deal in the Midwest to a power plant, so I will tell you that in our commercial discussions, the balance sheet and credit rating has never been a topic of discussion.

Now that rating and achieving that rating will come as a byproduct and at the appropriate time for the business to enable Range continue to execute commercially and maximize the value of its inventory; whereas, we're not handcuffed in operating the business by ever-changing guidelines from the rating agencies. It will be important and potentially useful at some point. But, I think, if you look at even the spread to our bonds today at just over 100 basis points to the index, we're trading at investment-grade bubble. So the market is seeing through that and our customers do as well. That is not to say we're by any means opposed to it. It will come and we'll get there. But for the time being, certainly, not a need to have, and the teams are already meeting with success on the commercial side.

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

A

Yeah. And I'll take it from here, Doug. I think you asked me a good question, is how's Range going to compete for some of these deals? I think, if you look back over the last, we'll just say, roughly 12 to 18 months, the buildout of data centers and power demand opportunities in the region have really continued to evolve. And I think it's been a very, very active and busy space. Our marketing team has been incredibly engaged with a lot of the counterparties that you've seen. Even major announcements from that could have other producers providing supply into them. Those entities have now had conversations with Range to look for incremental supply as they think about scalability of their facilities, and also how they're looking to diversify let's just say operational and commercial risk within their organization.

So maybe to dovetail on to what Mark saying, we're not seeing any flags or questions around Range's ability to participate. I think what it's coming down to is, is a host of variables, and a couple of them being proximity, diversity, and also inventory. And when you look at our marketing portfolio, what really brings the phone to ring on our desk a number of times is those three variables and, probably, most importantly, the last one. The marketing portfolio that we have and the ability to not only produce in-basin, but actually touch infrastructure regionally, we think, is really important as well. Thus, the Ohio announcement that we made earlier this year. I think, you could see us participate in other announcements similarly in the future. But, again, really busy space. We're optimistic about the future of what this could look like for Range, and also as we talked about earlier under the prior call.

And, I think, your secondary follow-up question is, what does it look like beyond 2027? And again, we feel like we're in a really unique position that we'll have grown our production by 20% over the balance of a two-year period. By the time we get to the end of 2027, we feel like we could, if we wanted to, to continue that momentum with a very similar capital investment. But even thinking on let's just say a higher – I won't call it, blue sky scenario, but let's just say, the high case, we feel like, instead of running one-and-a-half type drilling rigs and one-and-a-half type frac crew programs, you could run a consistent two-rig program and two-frac crew program with a very similar capital program you're seeing now even have a little more growth. And so, in the future, with our inventory and our team's ability to continue to also execute, we could see the ability to double the size of the organization's production, just in a matter of a few years. So, very exciting for us. We're going to continue to engage on the marketing side.

But again, I'll just kind of put a pin in by saying this, these opportunities have to compete with the other options that we have in the portfolio, and we know that they will.

Doug Leggate
Analyst, Wolfe Research LLC

Q

Great. Thank you, both.

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

A

Thank you, Doug.

Mark S. Scucchi
Executive Vice President & Chief Financial Officer, Range Resources Corp.

A

Thank you.

Operator: Thank you. Our next question comes from the line of Michael Scialla with Stephens. Your line is open.

Michael Scialla
Analyst, Stephens, Inc.

Q

Morning. Dennis, you talked about the growing US exports of LPGs and ethane, pushing the Mont Belvieu price closer to international prices. But you also increased your full-year guidance for the premium you expect over Mont Belvieu. So, want to see if you could talk about what you're seeing there? If you expect that premium to last into next year due to some of the deals you've done with European petchems? Or do you expect the macro environment to kind of push that reversion back into place?

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

A

Yeah. Good morning, Mike. NGL dynamics have been, no doubt, exciting this year for us, and I think that's probably a consistent theme you probably hear from us in the one-on-ones and also in earnings calls. Yeah, I think, if you look at where propane stocks are now, clearly, they've been elevated. Ethane, a little bit of a different story. It's been very similar – a little elevated, but very similar to where stock levels were a year ago. We've seen ethane pricing improve as you've seen long-haul transports start to go into service out of the Permian, and thus change the extraction rejection dynamics clearly out of that basin. As you switch over to LPG, clearly, the expansion of some dock capacity earlier this year or, I'll say, in the spring timeframe, that flex capacity that went into service to move 360,000 barrels a day has really reshaped the curve as we think about – as we entered into build season from an inventories perspective.

And to put some color around that, that's reduced the build rate by 57% over last year and 40% versus the five-year average, so very meaningful numbers. And when you think about what's going on from a global dynamics standpoint right now and the need in some of the global market demand centers, it's really been helpful that out of the Gulf Coast, Range – industry as a whole has been able to step up, if you will, and fill some of that global need. As we kind of look forward and look toward the 2030 timeframe, you're really seeing on both the ethane and the propane side more demand growth. So propane, for an example, there's going to be approximately 1 million barrels of incremental demand growth that's going to take shape over the next four years through 2030. And the dock capacity is also under construction that would also – or is planned that would support that for 950,000 barrels. So it's all, what I'd say, hand-in-glove from an LPG perspective.

And on the ethane, same story. Another 750,000 barrels of incremental demand that should be coming online by the end of the decade. Ships, dock capacity, all in line to support that. So we feel like the vehicle is there. And when you look back again to Range's inventory and what liquids will represent as we continue to move forward with the Repauno DUC capacity that we will see go into service in 2027, it really allows us to have a unique dynamic with access to the international market off the East Coast that we continue to expect to see premiums versus the Belvieu index. But even when we see moments where that may tighten because you see congestion lift out of the Gulf Coast, then absolute price goes on the uptick. And then I think you see Range continue to win in a different way and remain competitive and have that leading edge. So, long-winded answer this morning. But we're excited about the future of NGLs, and it goes far beyond what we're seeing just in the current dynamics globally.

Michael Scialla
Analyst, Stephens, Inc.

Q

Well, appreciate that. I wanted to ask you, it looks like you drilled a Utica well here recently. A little surprised, given the high-quality inventory depth of the remaining Marcellus locations you have. And just want to see if you could talk about what you're seeing in the Utica that encouraged you to drill that well and what your plans are for that play?

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

A

Yeah. Glad you asked about our Utica well. I think, if you look back over the course of time, what you're seeing is, Range is going to most likely drill and complete a Utica well about every three, four, or five years. And it's to continue to evaluate the subsurface, advance our geological model, just continue to chip away at the learnings for that particular portion of our asset base. 99%, if not 100% of our focus will continue to be on the Marcellus. But with all of the conversations we've already had just this morning about growing demand, optionality, and the ability to meet, let's just say, growing needs for power and energy for the Lower 48, we see that this just adds another wrinkle and opportunity for Range to think about whether it's years or decades down the road.

So wouldn't be out of the possibility to see Range again in a few years drilling it and complete another well, but to continue on with that gathering of data and observation, and comparing ourselves to what we see as the high watermark, and advance that in the future from the Utica perspective. I think simply put, the day we decide to make that a part of our development program, we want to have a similar confidence level with our Utica program that we would – that we've conveyed with our Marcellus program. So we'll slowly chip away at it. We're really encouraged by the well results we're seeing right now. It's really early. We're only a couple of months in, but look forward to sharing some of the details in the future.

Michael Scialla
Analyst, Stephens, Inc.

Q

Sounds good. Thanks, Dennis.

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

A

Thank you, Mike.

Operator: Please standby for our next question. Our next question comes from the line of Kevin MacCurdy with Pickering Energy Partners. Your line is open.

Kevin MacCurdy
Analyst, Pickering Energy Partners

Q

Hey, good morning. To follow up on the comments about your liquids [indiscernible] (00:31:22) growth to be weighted towards NGLs or gas? Or do you expect kind of a similar liquids mix in 2027 and beyond?

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

A

Yeah. Kevin, there was a brief moment where you cut out, but I'm going to – I think I understand the gist of your question, and if I've missed something please circle back to us here. When we think about the production growth over the next, really through our current multi-year plan, it's weighted pretty similarly to what you've seen us execute in the past where the liquids side of our production profile has been – and activity has been somewhere around let's just say plus or minus 65% to 70%, and the remaining 30% to 35% would be on the dry gas contribution. That should be and feel very similar going forward as well. It's aligned well with our infrastructure, our inventory. But I will say this. Over the course of time, I think you're going to see us evaluate where our activity would be most located to fill future demand growth and what's economically advantaged, focusing on margins.

But the liquids component will continue to play a strong part of our story going forward. No big divergence from what you've seen us execute in the past.

Kevin MacCurdy
Analyst, Pickering Energy Partners

Q

Great. I appreciate that. And then maybe coming back to your comments on some of the drilling moving from 2026 to 2027, can you kind of bridge the gap on, however you like to describe it, whether it's turn-in lines or net lateral footage that you originally planned to drill in 2026 that has moved to 2027? And was that just a capital decision based on drilling wells faster?

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

A

So I guess taking a step back to the numbers for 2026, I think just at a very high level, you're talking about a pad site of wells approximately. So we're not talking about a huge number of incremental activity on the DUC inventory versus the TILs. And a part of that just comes down to the capital that gets allocated, roughly to one side of the operation versus the other. So pulling down drilling activity allows us to, no doubt, redistribute that sequencing in capital, but it's also not the bigger part of the overall equation. So think about next year it being a minimal, probably an incremental pad site that we would then think about shifting that capital over to 2027. But as we looked at the DUC inventory, by the time we get to the end of 2027 I will just say it's only – it's not in high demand and high need. It's really setting us up for how we're thinking about capital and activity for 2028.

Kevin MacCurdy
Analyst, Pickering Energy Partners

Q

Thank you, Dennis.

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

A

Thank you, Kevin.

Operator: Our next question comes from the line of Leo Mariani with ROTH. Your line is open.

Leo Mariani
Analyst, ROTH Capital Partners LLC

Q

Good morning, guys. I was hoping you could provide maybe just a little bit more color on how you see third quarter production and CapEx trending? Obviously, you spent about a third of your CapEx budget in 2Q, so can you give us a little flavor of how that may change in the next couple quarters? And you mentioned kind of ramping production nicely in the second half as you're filling some of the new infrastructure. Could you provide a little bit of color in terms of how you see the growth trajectory there in 3Q and 4Q?

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

A

You bet. Thanks for joining us, Leo. I think a way to think about the second half of the year for us is I'll kind of describe it on what we're going to execute and then maybe relative to the first two quarters, and hopefully that'll help provide some color. First quarter, we had essentially a couple of drilling rigs and we had one completion crew. And by the time we got to the second quarter, we started right out of the gate with a second completion crew and we maintained a second rig for some spot activity. We tried to cover some of that, I know, in the prepared remarks, so there's your, I'll just say, your dynamic of how activity and capital were somewhat tied together through the changes of the first half of the year. We're down to essentially one completion crew right now. We've got a second completion spot crew that will execute one pad site for us sometime toward the back half of the quarter, and then in Q4 we'll be down to one drilling rig and one completion crew.

So to put it plainly, you're going to see from an activity basis us kind of get slower toward the end of the year because of all of the turn-in-lines that will then come out of this activity from Q2. It will underpin our production growth as we go through the back half of the year. But capital is going to, at least for Q3, should look something similar between what you saw in Q1 and Q2, so you'll see that come down in the line. And then again, Q4 is going to be probably more in line with what you saw in Q1. Production-wise, clearly for Q2 we reported 2.3 Bcf a day. We're still on track with what we communicated at the prior call to see a production level get to 2.4 Bcf equivalent for Q3 and then in the year at 2.5 Bcf. And of course, next year's plan is – we'll get more further refined as we get closer to the end of the year, but that's still on track for 2.6 Bcf equivalent per day. Infrastructure...

Leo Mariani
Analyst, ROTH Capital Partners LLC
Q

Okay – I'm sorry, go ahead.

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.
A

No, I was going to say infrastructure that is needed to deliver on that is all on track. So from a gathering and compression standpoint, that infrastructure has gone into service already. And from a processing standpoint, we're actually seeing commissioning has already initiated for the processing infrastructure that's going to support this or it's in process. So by the time we get into August, we should see meaningful volumes start to flow through let's just say "the incremental additions". So everything is on track.

Leo Mariani
Analyst, ROTH Capital Partners LLC
Q

Okay. Very thorough. Really appreciate that. You talked about this already on the call a couple times and in some of your prepared commentary in the release. Clearly, Range has tremendous optionality as we head out of 2027 into 2028. Just to kind of simplify it, is it fair to say if there is a – that demand-pull for Appalachian gas materializes in 2028 as many people expect, that investors should expect Range to grow that year, recognizing that you've got plenty of time to decide on that? Is that how people should think about it?

Mark S. Scucchi
Executive Vice President & Chief Financial Officer, Range Resources Corp.
A

This is Mark. I think at a high level, that is a simple summary of the situation. I mean, Range is sitting on 30-plus years of Marcellus inventory alone. This is a growth company. But as I framed in my prepared remarks, it's a growth company to meet customer demand. We will feed that as it comes online. So there's nothing to say that Range doesn't double production. I mean, even in that case, 30-plus years of Marcellus inventory, hypothetically, it's still 15-plus, well over 15 years of inventory, still industry leading. There's nothing in the inventory, there's nothing operationally, and there's nothing on the infrastructure side that would prohibit us from pursuing that opportunity, provided we were comfortable and confident in those – in the margins related to those end sales points that was the demand-pull scenario.

So it's a little bit early, but we want to keep working through this growth plan. We've announced this current growth plan. But as we get a little bit closer to 2028, 2029, and 2030, you could expect us to begin providing a little bit more guidance on how we see that unfolding as we see the additional takeaway from the basin come online, the power plants and data centers that we've run through come online, as well as declines from some producers that we're able to step in, and either take market share or increase in the absolute as the market needs. So I think you summarized it well. Growth is a question of when and how much for Range.

Leo Mariani
Analyst, ROTH Capital Partners LLC
Q

Okay. Thank you so much.

Mark S. Scucchi
Executive Vice President & Chief Financial Officer, Range Resources Corp.
A

Thank you.

Operator: Please standby for our next question. Our next question comes from the line of Paul Diamond with Citi. Your line is open.

Paul Diamond
Analyst, Citigroup Global Markets, Inc.

Q

Thank you. Hi. Good morning, all. Thanks for taking the call. Just wanted to quickly touch base on slide 10. You guys talk about $5 million to $15 million in spend for future inventory. I guess can you talk about the opportunity sets you see around those – the kind of small-ball acquisitions given recent volatility? Are the bid-asks widening out? Or is there still kind of a decent [indiscernible] (00:39:48) opportunity there?

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

A

Yeah. Good morning, Paul. I think, as we start to think about the opportunities in the basin, I think, there's probably a number. From an M&A perspective, I think that list gets smaller, and when you look at some of the activity that's occurred over the past number of years, and especially those that could have some industrial logic and really connect with an organization like Range. But as you've heard us say a number of times, one of the beauties of our story is, is we're really not in a position where we have to be, I think, aggressive on an M&A type front. Instead, we can continue to organically grow. We can double size of the company by doing so organically through activity. And in the years ahead, we've got growing demand that's headed our way. And so the depth of our inventory, just in the Marcellus alone, continues to, I'll just say, shine in a way that changes the dynamic around the need for M&A versus others.

I think there's other opportunities "in basin" where we see there's still some acreage that could be acquired, that could be complementary, and probably more smaller type components, but there still is some of that that we could consider investing in. And I think lastly, as you've heard us kind of walk through in the past, we think there are other ways that we can "invest" in the business with cash flow that we generate, one being investing in the midstream infrastructure; the other could be other complementary components that allow us to think differently. So, anyway, M&A probably going to be on the lower end of the scale for us, and we can continue to chip away at our inventory and grow organically.

Paul Diamond
Analyst, Citigroup Global Markets, Inc.

Q

Got it. And then just one more quick follow-up. You guys talked about the ability to return to pad sites, [indiscernible] (00:41:30) infrastructure providing kind of a competitive advantage. If you could provide a bit more color on that opportunity set? How much of the acreage is in a similar vein? And how much did we – I guess, can you quantify a bit on what that actually improves on the notional well costs?

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

A

When we start to look at the number of pad sites that we have for operations in the basin, I'm going to approximate some numbers here, but roughly, it's approximately 250 pad sites. When you look at the number of pad sites that we've returned to for incremental phases of development, it's approximately a third. And so, when you start to kind of ask the question, I think, around what's the opportunity set? I think one is it's large. And I think when you look at how lateral lengths have extended over the last few years, and I know we tend to showcase some of those operational results quarter-over-quarter. But with 20,000 foot laterals now being drilled by Range, our average is now approaching something that's between 12,000 feet to 15,000 feet on a daily basis, with some of those longer opportunities touching 18,000 feet to 20,000 feet it really I'll just say expands how much going back to a pad site can really mean for your ability to drive some of your lowest capital efficiency operations going forward.

So we see this as being something that, A, we've now done for, I'm going to say, probably a decade, if not a little bit longer. And you should expect to see that to continue to be an important component of our overall operation. Efficiencies, when you look back on returning to pads with incremental phases of development, we've seen efficiencies improve as much as 30%. That's not on every pad site, but we have seen that on some. And as you would expect, with a very talented team that focuses on efficiencies and rooting out non-productive time, it really gives us the ability, when we go back to that pad site, to study what went right and what could be better. And the team does a great job of, I'll just say, further building upon the prior execution and trying to be, I'll just say, execute quicker. I think you've seen that in the results that we reported this past quarter.

Difficult to frame exactly what that means on a cost per foot basis. I know we've talked about that some, but it's impactful. I'll just say, overall, it's not uncommon for it to be a double-digit cost per foot savings on a program a year, but it depends upon which phase of the operation is harvesting that value. But I think at a high level, you can always make the assumption that we're getting a chance to reutilize the pad site, the production infrastructure, and also the roadways, and that's cost that really just comes off the top.

Paul Diamond
Analyst, Citigroup Global Markets, Inc.
Q

Got it. Appreciate the clarity. I'll leave it there.

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.
A

Thank you, Paul.

Operator: Our next question comes from the line of Phillip Jungwirth with BMO. Your line is open.

Phillip Jungwirth
Analyst, BMO Capital Markets Corp.
Q

Yeah. Thanks. Good morning.

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.
A

Good morning.

Phillip Jungwirth
Analyst, BMO Capital Markets Corp.
Q

A couple of years ago, you guys had shown some slides showing contractual GP&T costs declining through 2030. I think this is mostly on the gathering side, but you'd also referenced some transportation optionality just on renewal of certain contracts. I was just wondering if you could update us on any potential GP&T savings that we could still see between now or 2025 and 2030?

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.
A

Yeah. Phil, thanks for the question. GP&T is, obviously, a significant investment to underpin our portfolio of transportation options to get this all over the country and internationally. So to your point, an element of our gathering had and does have declining costs over time. If you think about the full stack of your gathering and transportation, you've got your wellhead gathering system, you've got your, what I'll call, intermediate transport, then your interstate pipelines under pipeline tariffs. Pipeline tariffs have inflation factors built into them based on various inflation factors and are adjusted for all shippers on those annually. So everyone is subject to an inflation rerate. So what you've seen with us holding GP&T relatively flat and improvement over time – and, again, for the moment, I'm setting aside the percent of proceeds to processing costs related to NGL prices.

If you're just looking at the "fixed cost" or "throughput cost", you've seen inflation on the interstate transport, largely offset by the declines on our gathering system. So we have realized those, and that's why we've been able to keep a very competitive and stable GP&T over a period of years. So that decline is still embedded in there and is helping offset inflation rerate you'll see in interstate pipelines. As we look ahead at future opportunities, here recently and over the years, the marketing team does a great job of always trying to optimize what we have. On an annual basis, it tends to be relatively small pieces. It could be 10,000 a day type packages, if we're releasing or picking up capacity that others are not using. As we approach 15-year marks from let's call it inception from the bigger development phase, moving into development in earnest horizontally in the Marcellus on the liquids side and on the gas side, we have renewal options on transportation, and those are certainly under evaluation.

As we look at transportation, like we always say, we like diversity in outlets. We like having access to markets across the US and getting our liquids on the international market. What it comes down to is we are looking for durable high margins, so that does not always mean purely reducing cost. It's about the strength, durability and growth of those end markets. So with each renewal, we evaluate what the strength of that market with any opportunity to pick up transport. We evaluate the durability, the growth option, and the expansion of margin. Or as we sit here today and talk through power – in-basin power demand, be it just general res/com, industrial or data centers, and we have contracts, for example, in the Midwest that we announced to a power plant, we look at the value of that transport to see what the growth and the margin opportunity is, and we will certainly have the ability to renegotiate and evaluate releasing some of it based on in-basin demand.

What I would also say is you're seeing a bit of reversion to historical status in the industry as to who owns and who holds the transport. Rewind 20, 30 years ago. Utilities and others needed surety of supply, so they reached out, held transport so that they could pull that supply to their needed markets and fulfil their obligations. You've seen that in newer pipelines. Look at MVP, that was largely underwritten by utilities on the Mid-Atlantic region and Southeast. As we look at projects that are being talked about today, newer expansions or new pipelines, it is likely in our assessment that those are underwritten by liquefaction capacity holders or utilities who need that gas, be it down in the ERCOT region, Midwest or Southeast. So I think that gives us additional choices to make where we already sell into their transport, where they pick it up in-basin, but you could also see us as an industry, and Range, specifically, given the significant valuable portfolio we hold, release that and still sell to the same customers, but someone else has that on their balance sheet.

So long-winded answer to your question, we're focused on expanding margins and durable margins, reaching growth opportunities over time, and we certainly have a lot of choices to improve those costs as these contracts reach maturity.

Phillip Jungwirth
Analyst, BMO Capital Markets Corp.

Q

Yeah. No, it's really helpful. And then, I was also hoping you could just elaborate by what you mean when you say growth volumes beyond 2027 needing at home. Are we specifically talking about supply deals that Range has secured? Do you need more long-haul FT in place, optimization on the NGL marketing side? And how should we think about any additional processing capacity or appetite to sell gas at in-basin pricing?

Mark S. Scucchi

Executive Vice President & Chief Financial Officer, Range Resources Corp.

A

I guess, maybe, I'll start this one, and Dennis and/or Alan may jump in. But, I mean, let's start from the end market. We're talking about demand-pull is how we think about this. We want a home for the molecules. So take the Midwest example we had of a power plant. That's a clear bilateral agreement that was put in place. But if we can look to a sales point, a sales hub, and see and quantify the growth and we can meet some of that growth, we will supply into that growth. It doesn't necessarily have to be bilateral contracts locking it up, but you do want to know that there's incremental demand. Said differently, we're not just going to grow, sell it in-basin and hope that it finds a home. So hopefully, it gives you a little bit of clarity. As far as then solving backwards from that end market and the customers, of course there will be some transportation either in our portfolio already, the customer's transportation, or potentially taking market share on an existing pipeline to get there, much as we did and announced a year-and-a-half ago with this 20% growth plan.

That said, you keep working your way backwards, you'll need access to some processing and some in-basin gathering and compression. That's just as you increase well count, you'll need those types of things. The good news is there is quite a bit of processing capacity in-basin, and inventory is not evenly distributed across upstream companies. So we think there's a significant opportunity there for Range to again step into underutilized facilities.

Phillip Jungwirth

Analyst, BMO Capital Markets Corp.

Q

Thank you.

Operator: Thank you. Please standby for our next question. Our next question comes from the line of Neil Mehta with Goldman Sachs & Company. Your line is open.

Neil Mehta

Analyst, Goldman Sachs & Co. LLC

Q

Yes. Good morning, Dennis and team. Yeah, I just want to go back to the macro here, and specifically around dry gas. If I think about the 2027 calendar year, I think it surprised us at least to the downside because the demand has been really robust from both data centers, power and then obviously LNG, but the curve softened by probably 15% this year. Just trying to make sense of it all. Is it people concerned about Permian production coming into the market? Is it lack of discipline among maybe some of your competitors in other regions because we have agreed with that $3.75 mid-cycle view, but I guess the market is starting to say something different? So curious on how you make sense of it.

Dennis L. Degner

Chief Executive Officer, President & Director, Range Resources Corp.

A

You bet. Thanks for joining us, Neil. I think when we look at the pricing that you see in the front month, I think there's a lot of reason to see that there is a disconnect between what we think long-term the pricing should look like and where we're at today. I mean, you're pointing to probably the same things we're looking at. I mean, LNG was at around 18 Bcf a day for Q2. You're seeing volumes start to go through Train 1 at Golden Pass. Clearly, there's opportunity for that run rate to further improve as the months kind of move forward, and power demand has been pretty resilient from our perspective. I think if you look over the past several years, natural gas has continued to play just a real strong role notwithstanding some fluctuations from time-to-time, with pricing driving some of that change. But ultimately, we're up roughly [ph] seven-tenths of a Bcf (00:53:14) in year-over-year natural gas utilization and we're seeing the thermal share reach 71% year-to-date.

So I think there's a lot of reasons to "be encouraged". I think there's some question marks that probably leave, I would expect, the market to wonder what's around the corner and the proverbial what are we missing. And it does feel like there's a small connection still to a perceived in-ground injection storage level to where we think pricing should be. And we just think as LNG demand continues to grow in other, again, residential, manufacturing use, et cetera, that disconnect is – needs to take place. So I think put differently, internally we would expect in-ground storage levels to reach 3.9 Tcf roughly by the end of the year. That's just an internal view from Range, and that would put you at a days of supply of 38 days. That's 2 days less than where we were last year, and even again below where we were the year before that.

If you kind of start to go back to a timeframe over the last few years where we saw a significant run in price through the summer of 2022, that's kind of right in line so I do think that presents more volatility. I think that provides some advantages for low-cost producers like Range when those moments happen, much like we saw this past winter to then, I'll just say, step into those improving environments. LNG is going to continue to grow, [ph] 24 Bcf (00:54:42) by the end of 2027. And even though we would expect Lower 48 production to continue to increase, we think by the end of the year you're probably at [ph] 110 Bcf to 112 Bcf (00:54:52) per day. But again, there's still going to be an ongoing call for gas. And so, I think the big question mark is what commodity price will need to be seen to incentivize growth out of the higher-cost basins? And that puts a downward pressure in our mind to some of this future growth outlook from other basins.

Neil Mehta
Analyst, Goldman Sachs & Co. LLC

Q

Okay. That's great color. We always appreciate your views on the macro. And then the follow-up is on midstream. I think you alluded to the fact that maybe it's an area that you'll take a look at. I mean, one of the advantages of the Range model is you are so capital-light and you got some great midstream partners. So, like, what is the right size of midstream investment in the context of the portfolio? And what would be the advantages of leaning in versus staying more third-party like you are right now?

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

A

Well, I think as you heard Mark kind of talk about what the future of growth looks like, I know I weighed in on that as well, if you start to think – I'll just play out a scenario here on what it could look like is let's just say you wind up with a supply deal that involves some volume of incremental gas and production, say it's 200 million a day plus or minus. It would allow us the ability to think differently about let's just say the full-cycle economics of those incremental molecules instead of looking across the blended GP&T structure alone. So it'll allow us to think about what is the economic benefit if we were to invest in, let's just say, the gathering and compression for that respective incremental set of molecules versus following the traditional fee-based structure alone? So it's a great position to be in because of the durability of the business and the cash flow that it will throw off. We can tie that to the pricing that would be received.

And so I think there's a way that we could think differently about go-forward growth instead of just looking at it as – or say in that incremental fashion versus looking at is it a blended component over the overall production profile. So I think that's the way we would start to think about it. And even in a fashion of how do we basically look at how we even have competition across our inventory base where is it dry gas, or is it going to be provided with a liquids-rich component, so adding that competition component in there, we think both internally and externally, to some of our service partners we think will play a strong role.

Neil Mehta
Analyst, Goldman Sachs & Co. LLC

Q

Thanks, Dennis.

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

A

Thank you very much.

Operator: Thank you. Ladies and gentlemen, we are nearing the end of today's conference. We will now go to Gabe Daoud of Truist for our final remarks.

Gabe Daoud
Analyst, Truist Securities, Inc.

Q

Thanks. Morning, everyone. Appreciate the time. Dennis, was hoping maybe just for a clarification, I suppose on this year and next year's CapEx, just given some of the movement on the drills that you highlighted. So, I guess, if you still turn on 900,000 lateral feet in 2027, is it fair to still think about CapEx as being $700 million for next year? Or is CapEx [indiscernible] (00:57:48) higher next year to gear up for 2028 growth, like you alluded to?

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

A

Yeah. Gabe, thanks for joining us. The capital should be the same as what we've communicated. The only difference that you could see from the program that, in my mind would be is, is there something that gets announced that would require some other, let's just say, investment for a larger growth profile than what we've communicated? But as it stands today, there's really no changes. There's just been a small resequencing of some of the activity, but it should have a similar capital program for next year that you've seen in 2026.

Gabe Daoud
Analyst, Truist Securities, Inc.

Q

Okay. Okay, very clear. Thanks, Dennis. And then, I guess, hypothetical question. But for 2028, if things align, you maybe get a couple sales agreements. If you were to run, two-rig, two crews, or turn-in line another 900,000 feet, what's the growth magnitude relative to 2027? I'd imagine you're over 3 Bcfe a day. Is that fair?

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

A

I think that is a very possible scenario when you look at what the company could deliver within that following 12- to 18-month type timeframe.

Gabe Daoud
Analyst, Truist Securities, Inc.

Q

For sure, for sure. Okay. Okay, awesome. Very helpful. Thanks, guys. Thanks, Dennis.

Dennis L. Degner
Chief Executive Officer, President & Director, Range Resources Corp.

A

Thank you, Gabe.

Operator: Thank you. This concludes today's question-and-answer session. I'd like to turn the call back over to Mr. Degner for his concluding remarks.

Dennis L. Degner

Chief Executive Officer, President & Director, Range Resources Corp.

I'd just like to thank everyone for joining us on the call this morning. Again, it's been an exciting quarter for us, and we look forward to the second half of the year when our production growth profile really starts to shine. We look forward to the next call and visiting with many of you on the road in the months ahead. If you have any follow-up questions, please don't hesitate to reach out to our Investor Relations group. Thank you.

Operator: Thank you for your participation in today's conference. You may now disconnect.