Corrected Transcript

23-Oct-2024

Range Resources Corp. (RRC)

Q3 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello. Welcome to the Range Resources Third Quarter 2024 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.

[audio gap] (00:00:34-00:00:39) Vice President, Investor Relations at Range Resources. Please go ahead, sir.

Laith Sando

Vice President-Investor Relations, Range Resources Corp.

Thank you, operator. Good morning, everyone, and thank you for joining Range's third quarter 2024 earnings call. 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 Ranger'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 realized pricing details 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

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

Thanks, Laith, and thanks to all of you for joining the call today. Consistent performance has been a key part of the Range story this year, and our third quarter results reflect our repeatable execution in areas such as operating safely; driving continued drilling, completion and production improvements; generating free cash flow and the prudent allocation of that free cash flow, balancing returns of capital to shareholders, and the long-term development of our world-class asset base.

I believe our third quarter results reflect the ongoing advancement of these objectives and the resilience of Range's business through cycles like we're experiencing today. Range's low capital intensity is a key component of our through-cycle profitability, and is the result of Range's class-leading drilling and completion costs, shallow base decline, large blocky core inventory and talented team. Another key component of Range's resilience is the diversity of our production stream and the value of Range's liquids business was on full display in the third quarter.

Our ability to market ethane, propane and butane into the international market drove the highest NGL premium in company history at over $4 per barrel, above the Mont Belvieu index. Looking at the entire production makeup, Range saw an aggregate unhedged price realization of $2.61 per mcfe for the quarter, which is a $0.45 premium over Henry Hub natural gas and a clear differentiator versus purely dry gas producers.

When you combine our efficient operations, low capital intensity and liquids revenue uplift, along with a thoughtful rightsized hedge program, the output is another quarter of positive free cash flow, despite challenging natural gas prices.

During the third quarter, Range invested $156 million, running two rigs and one completion crew, and placing us on track with our full year capital guidance we've communicated. Ranges' third quarter production came in at 2.2 Bcf equivalent per day, and we expect fourth quarter production will be near similar level, resulting in an annual 2024 production of approximately 2.17 Bcfe per day. This is roughly 30,000,000 cubic feet per day above the previous midpoint of guidance, and is the result of strong well performance and continued optimization of gathering and compression infrastructure that was mentioned during our last call. Range can maintain this higher level of production with just one electric frac crew.

I think this message is worth repeating. Range can hold nearly 2.2 Bcfe per day of net production flat with one completion crew. This is a true testament to both the quality of our asset base and the quality of the team, reflecting two decades of innovation and collaboration in the Marcellus between Range and its service providers.

While we are still finalizing our capital and production plans for 2025, we expect that running one continuous completions crew is a reasonable baseline from which we will be fine-tuning our plans over the next few months. As has been the case for the last two years, running at this one crew activity level is slightly more than required for maintaining production, which we would consider as maintenance-plus. This countercyclical investment provides Range an operational tailwind for future periods as takeaway capacity becomes available in Appalachia and in-basin natural gas demand increases in the years ahead. When there's a fundamental call for additional production in the future, Range will be able to generate a very efficient wedge of modest growth.

Turning to marketing and focusing on NGLs. International demand and pricing for NGLs remained robust in the third quarter, leading to near-maximum US export capacity utilization. Simultaneously, improving Panama Canal throughput access and a growing global fleet of LPG ships improved waterborne freight rates. These factors combined to drive export price premiums to new levels relative to the Mont Belvieu index. As in prior quarters, Range's portfolio of transportation and sales contracts provided reliable access to these premium markets.

Looking ahead to 2025, many of these dynamics are expected to remain in place as international demand for NGL products continues to grow, while US Gulf Coast export capacity does not increase materially until the second half of 2025 and into 2026. This provides a constructive setup for Range's go-forward price realizations and margins. I believe the last couple of years are positive proof that Range is a business capable of generating free cash flow and returns through cycles.

Like many of the listeners today, we see the demand for natural gas and NGLs increasing substantially in the years ahead. As one of the lowest-cost producers in North America, we believe Range is well positioned for thoughtful growth in the years ahead when called upon, whether that's in the year ahead or beyond. In the long run, we believe Range's competitive full-cycle cost structure and through-cycle profitability provide a unique investment opportunity for long-term investors, given our multi-decade inventory runway.

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 three quarters of 2024 behind us, it's a sensible time to take stock of the state of our business to examine what we've accomplished in the absolute and on a relative basis and what this may imply for the future. For the first three quarters of 2024, NYMEX natural gas averaged $2.09. Despite the low commodity price year-to-date, Range has paid $58 million in dividends, invested $44 million in share repurchases at prices well below our view of long-term value, and reduced net debt by $136 million while investing in operations.

Range generated the free cash flow that made those capital allocation decisions possible while executing an operational plan that stands in stark contrast to much of this industry. Range's program is slightly above maintenance capital in 2024. Strategically investing in land and water infrastructure to enhance capital efficiency, while also building modest well inventory to provide options for future capital spending and resulting production profile. Range is both proving the free cash flow resilience of the business and reinforcing that resilience through targeted capital investment. That free cash flow resilience allows us to be successful throughout commodity price cycles, and to pursue a comprehensive capital allocation strategy that returns cash to shareholders, reinforces our strong balance sheet and invests in the business.

There are a number of unique aspects of the Range story that allow us to achieve these results, including our peer-leading reinvestment rate, our diversification across products, transport and end markets, customers, contract structures and our solid financial position. Range's reinvestment rate through the first three quarters of 2024 was 63%. In other words, while investing at a maintenance-plus level, we generated healthy free cash flow margin, even with low commodity prices. Our low required reinvestment rate is driven by a peer-leading base decline rate of production, the benefits of a high-quality contiguous acreage position, and the efforts of an experienced and motivated team. Range's resilient cash flow is supported by the diversification of revenue.

Roughly 30% of Range's production is liquids, which have accounted for more than 50% of pre-hedge revenue in five of the last six quarters. Further, we have achieved a strong premium to domestic NGL pricing, averaging a $2.42 per barrel premium versus Mont Belvieu year-to-date in 2024, driven by our advantaged takeaway and Marcus Hook dock access, as well as our ability to market cargoes of propane and butane on a vessel-by-vessel basis. That has benefited realizations by allowing Range to largely avoid domestic points of NGL product congestion, and instead price at attractive international indices.

Gas revenues are supported by a broad portfolio of transportation contracts and customers, reaching a diversified set of advantageous end markets, markets of growing power, industrial and LNG demand. In addition, Range has employed a flexible and persistent goal-oriented hedging framework where we look to create a portfolio that covers fixed costs, and as a by-product, enables us to capture market opportunities, be it share buybacks, debt reduction, dividends, countercyclical capital investments and other alternatives. That approach has helped support attractive full-cycle margins in markets as varied as seen in 2022 and 2024.

Range ended the third quarter with net debt of $1.44 billion, within our target range of $1 billion to $1.5 billion. The nearly $2.7 billion of net debt reduction Range has achieved over the last several years not only reduces interest expense, it pairs a world-class asset with a world-class balance sheet supporting a global business. This financial position and asset pairing allows an efficient, longer-term strategic approach to investments in the business, alongside durable returns to shareholders.

As a whole, we view Range as uniquely positioned to benefit from and take advantage of what we expect will be continued secular demand growth for both natural gas and NGLs. Our durable free cash flow story, along with the investments we have made in the business over the last two years, position Range to sustain and grow its presence as a reliable provider of energy to its customers while consistently delivering value to its shareholders.

Dennis, back to you.

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

Thanks, Mark. Before moving to Q&A, I'd like to acknowledge that today marks the anniversary of an important day, not only for Range Resources and our industry, but also for the energy independence of our country. 20 years ago, on this day in 2004, Range Resources completed the Renz #1, the first commercial Marcellus well. At that time in 2004, the United States was a net importer of natural gas, with total imports exceeding 4.3 Tcf or over 11 Bcf per day. Today, the Marcellus and Utica produce over 30 Bcf per day and account for approximately one-third of gas production in the United States.

The US is not only a net exporter of natural gas, but has also surpassed Russia as the leading supplier of natural gas around the globe, with total exports last year exceeding 20 Bcf per day, including exports to Mexico. During this same 20-year time period, total US energy emissions declined approximately 20%, driven by a 40% decrease in emissions from power generation due to the increased utilization of natural gas. This has been a tremendous achievement by our industry, and we are proud of the role that Range has played and continues to play in providing safe, clean, economic energy to the world.

You've heard us state this before, while we continue to believe the results communicated today showcase that Range's business is in the best place in company history, having de-risked a high-quality inventory measured in decades, and translated that into a business capable of generating free cash flow through these types of cycles, and it all started with a successful well test 20 years ago. We look forward to the next decades of developing Range's inventory and the milestones we'll achieve.

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 Scott Hanold with RBC. Your line is open.

Scott Hanold
Analyst, RBC Capital Markets LLC

Q

Good morning. Hey. We all had some pretty strong production performance, in that I know you did highlight the midstream optimization. Could you give us sense on what does that really add? And do you have a sense of just in terms of like volumes that is added and what has it done to your base decline rate on your asset base going forward?

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

A

Yeah. Good morning, Scott. Appreciate the question around the production. It's something we've been awfully pleased with on the performance this year. And I think for us, it really starts with some of the long lateral performance that we saw from the back half of last year and then really through the front half of this year, is that compression and gathering infrastructure expansion started to go into service. One of the projects was at the end of Q3, beginning of Q4 of last year, and the other was in the early part of this year, some in – across areas of the well mix, both from dry to our wet and super-rich impacts.

So, when we think about what we've seen so far, it's still a little early on some of the trends and how it's, say, benefiting some of the wells across the field. What we have been able to see is, is that in areas where you might see, let's just say, some constrained production on a smaller level, we've seen some small upticks. Where we've got longer laterals that are producing at a high level, we've actually seen the ability to move more through that system and keep it at a higher level of utilization. So, we'll have more that we can probably share in the – as we think about setting up our plans for 2025. But I think if you look at how the business is performing this year as an example, it kind of shows what it's capable of. When you look at – we're on track to grow roughly 2% this year, or maybe just right below that, and that's – that's the by-product of what we're seeing from that compression and again, those long laterals.

Our base decline being at 19% is something we're also proud of. I think it reflects the quality of the asset and the team's hard work. But we expect that over the course of time, we could continue to see that decline shallow even further from where it is today.

Scott Hanold
Analyst, RBC Capital Markets LLC

Q

Yeah. Looks a lot easier when you have the shallow decline. My follow-up question is on 2025, Dennis. You talked about running one frac crew and that gets you to that, I guess, modest growth pace to continue. Can you talk regarding the DUC optionality to grow. Like, what do you right now need to see to kind of do that? And would that require getting a partial frac crew if you were to decide that at some point? And do you have the firm takeaway to get your volumes to market?

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

A

Yeah, good question. I think when we start to ask ourselves what signals that we need to see in order to think about utilizing that productive capacity, I think it's some of the basics, what kind of winter weather we're going to see come together as we get from one pattern of weather to the other, from La Niña to El Niño and back and forth. I think the other thing we need to see is further commissioning and utilization of the LNG infrastructure. There's a lot of reasons to be optimistic about Plaquemines, and reaching that 1.7 Bcf a day of capacity utilization early in 2025. You've got Corpus Christi Train 3. We think that's going to [ph] – all signs are (00:18:57) it's ahead of schedule and could see gas start to roll through that infrastructure end of this year and then reach full utilization next year, that's another B and a half.

So, you're talking about 3 Bcf a day in those two pieces of infrastructure alone before you even get to potentially Golden Pass Train 1 at the end of 2025. So, I think we'd like to see what comes together, with weather, LNG infrastructure, and then what kind of price responses that we're going to see will stay more in the short term as a part of that.

The good news is, is with the inventory that we generated between 2024 and 2023, we have the ability to pick up a spot crew and add that production when we think the fundamentals are pointing to it, and they're calling for that additional incremental gas. When you look at how our transportation is set up, we feel like we do have the right takeaway to handle that incremental production.

If you think about our production profile under maintenance in the past, it's looked like more a sine wave where we've had more of a decline in the early part, as you come out at the end of the year, heavy activity focus and then a ratable increase in the back half of the year. This year, we've seen that shallow quite a bit with a flat two-rig program and this one-frac-crew approach. So next year, what we think we could see is good utilization of our transport. When the right signs materialize, we could add a spot frac crew and utilize some of that inventory, again, when the right signs call for it. But if not, we feel just like this year, we could add that incremental inventory. We could respond when the market calls for it, whether it's back half of 2025 or thinking about being more efficient then into 2026, it all becomes the by-product of a good lean base activity program.

Scott Hanold
Analyst, RBC Capital Markets LLC

Q

Thanks.

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

A

Thank you. Scott.

Operator: Please stand by 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

Yeah. Good morning, team. Really strong results here in, and that's where I kind of want to start off on slide 38, where the price realization for the NGL differential was super strong. And I know you talked about your ability to get to that international market, but maybe you could break it down for us a little bit more and talk about what your marketing teams are doing. And you mentioned you think this is sustainable, but it is a big step-up from historical levels of price differential strength. And so, help us understand how you keep that momentum up.

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

A

Yeah. Good morning, Neil. I think, you've heard us probably say this in a lot of our prepared remarks and in other meetings that we've had together. But our ability to – we're celebrating the 20th anniversary of the Renz well, but with that came our ability to start with a different development approach. And that is setting up purity product processing in Appalachia for our production. And it allowed us to be able to market those products out of different outlets, mainly to getting exposure to a waterborne export out of Marcus Hook, Philadelphia.

And as you start to look at this year, we point to the premium opportunity that exists out of the northeast for us. And we think it all starts back to, again, 20 years ago in how this setup really began. But when you think about what we're seeing today, clearly, exports have been at an extremely high level out of the Gulf. We're running over 2 million barrels a day in export as an industry, and dock utilization is running right around 90%. And so, the congestion that has occurred there has really presented an opportunity for us to capture a premium out of the northeast, where we were seeing a strong utilization rate but we're below those kind of congestion levels that could present an issue. All at the same time, you're seeing demand continue to grow.

When you look at the PDH infrastructure that continues to be commissioned, clearly, a bulk of that is in the Asian market. But when you see what's been growing both in 2023 and commissioned in 2024, utilization rates continue to go on the uptick. And there's more coming when you start to think about, again, that additional infrastructure for 2025.

So, we remain really optimistic that, if you think about the dock capacity congestion, infrastructure expansion there, really doesn't take shape until the back half of 2025, and pretty deep into 2025 at that and into 2026. So, we think there's a set of fundamentals that are in play here that could be very much structurally repetitive in 2025 for our NGL realization to what we've been able to harvest in 2024.

And look, at the other end of dock capacity expansion, will that same premium level exist? Maybe not. But as you start to see – but we believe a premium still continues to be present for us in the northeast and demand continues to grow. And with that will come price improvements as well.

Neil Mehta
Analyst, Goldman Sachs & Co. LLC

Q

Okay. Thanks for that. And then just follow-up is just on the 2025 plan as it relates to capital. Again, we're going to get more perspective on this, I'm sure, in the next couple of months. But given that you're running close to a maintenance level, is it fair to use 2024 as a good proxy for how you're thinking about 2025 as it relates to capital? Or are there efficiencies that you can capture in the moving pieces that we need to take into account?

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

A

Yeah. I think that's a good question, Neil. We're still refining what 2025 is going to look like. And clearly, I'm sure a lot of other producers are doing the same at this time of year. But 2024 is a good way of thinking about how our business could look in 2025. And I think it starts with our dedicated frac crew, and then the drilling activity that efficiently feeds that process, if you will. If you look at this year, we have two horizontal rigs that are continuing to feed that frac crew.

It does generate a little bit of that in-process inventory. Next year, again, if you're constructive on 2025 and 2026, clearly maintaining the operational efficiencies with the two rigs could make a lot of sense for us. But there's a point in time where, no doubt, we'll have the operational and program flexibility to think about, do you reduce rig activity in the future if the fundamentals call for it? Or do you maintain that same level of cadence and instead utilize that productive capacity with some kind of spot frac crew?

So, I think thinking about our capital program in 2024 and activity is a good way of, I'll just say, starting to think about how our 2025 could look.

Neil Mehta
Analyst, Goldman Sachs & Co. LLC

Q

Okay. That's perfect. Thanks, team.

Operator: Thank you.

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

A

Thank you.

Operator: Please stand by for our next question. Our next question comes from the line of Doug Leggate with Wolfe Research. Your line is open.

Doug Leggate
Analyst, Wolfe Research

Q

Thank you. Good morning, everyone. Thanks for having me on. Dennis, you kind of walked into the mills a little bit by talking about takeaway capacity and in-basin demand, very topical on both front, particularly the in-basin demand. I guess, data centers is topical. But I just wonder if I could ask you to elaborate a little bit as to what you're seeing opportunity might be for Range. And I have a quick follow-up.

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

A

You bet. Good morning, Doug. Thanks for joining us. I think when we start to think about demand, regionally, I'll just say more in the near term, we added a new slide to the slide deck this cycle to try and put some color around that. It's slide number 18. But really, when you start to think about near-term demand, a couple of things that we see clearly is, there is the industrialization – expansion process that's starting to take shape with some of the legislative acts that have been approved over the last few years.

And so, when you think about the next few years, clearly, there's going to be the Intel semiconductor fab facility and also the Micron facility as well. We have the ability to, I'll just say, through our transport, have access to that kind of growing demand and others that clearly that will continue to materialize. You've got clearly coal retirements that are going to take shape over the next 12 to 24 months, approximately 1 bcf a day in displacement there that could take shape.

And I think if you look over the last 24 months, we're now on back-to-back years of seeing incremental power burn on the nat gas side of around 1.3 Bcf to 1.4 Bcf a day. And that – you've probably heard me say this before in one-on-one conversations, but I feel like that's been underappreciated when we enter each year just because of the wildcard factor around that. But now you've got nat gas again playing a role that's really unique, and we're 74% of the thermal share through the first half of 2024. That's all while wind is actually up year-over-year.

So that's, I think, shows again the durability of what nat gas will play in the role there. And then clearly, from a takeaway standpoint, MVP has been beneficial. That pipe has been running sub 1 Bcf a day, at this point. But clearly, there's the ability in the next few years as we see that Transco activity and expansion take place to reach [ph] its 2 Bcf to (00:28:18) 2.2 Bcf capacity.

So, in the near term, we think those are the line-of-sight-type projects. But we also know there are a lot of conversations that are starting to materialize around data centers, future power demand. And I think the PJM auction that was recently conducted probably shed some light on the critical movement that will need to take shape around power in the future. When you saw it go from somewhere in the mid-$20 range to $270 per megawatt day. So, there's some early indications that movement has to take shape. So, that's how we're seeing the future demand kind of take place regionally. But we also know that LNG is also going to be the big pin in this as well.

Doug Leggate
Analyst, Wolfe Research

Q

That's very helpful. Thank you for the color. I guess my follow-up, this might be for Mark, but – so you guys have best-in-class capital efficiency. No question. It's been an extraordinary story, frankly, in terms of the longevity you have in your business at the current spending level. But I guess my question is, you've benefited from returning to, I don't want to clumsily walk through how you described this, but you've benefited from [indiscernible] (00:29:29) that you'd previously drilled but hadn't fully utilized [audio gap] (00:29:33) on what the running room is for that, that you can maintain this capital level, given that that's been [audio gap] (00:29:41) how long can that continue?

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

A

Sure. I think as we try to explain the longevity of Range's program and how consistent the performance can be from a capital productivity standpoint, I think it's important, as you point out, that roughly half of wells in a given year are put on existing pads. I mean, those are still new locations. And if we rewind all the way back to the beginning in terms of how Range worked with its partners to build up the gathering system, the gathering system is built across, essentially, the entire footprint. So, while roughly half of our wells in a given year go on existing pads and use some existing infrastructure, half are on new ones.

So, you're getting what is, in essence, a slice – a sample – perhaps not a perfectly statistical sampling, but a sampling, nonetheless, across the entire acreage position. So, an averaging effect. And what that means is, we're not focused on one specific area, exhausting it, moving down the road to another area. That is why you get a very consistent – it's one of the reasons why you get a very consistent result on a program level, year in and year out. It's also why you see benefits. The things like Dennis spoke about earlier, optimization of the existing gathering system. It's because you didn't exhaust a particular area, used all the locations available in a particular area, and then moved down the road, meaning you're underutilizing a portion of the gathering system. We use and reuse and continue to attempt to fully utilize the gathering system, the existing ones.

So, optimization like adding compression and returning the pads for parts of our locations in a given year, gives production uplift of the existing base and adds new production from existing wells. So, to pull back all the way to your question, how long can we keep that up? What does it look like? That pulls you back to one of the very first slides we have. The inventory is measured in decades before we would expect at a program level to see – even at that point, expect to see any material change in the productivity. The team's efficiencies that they learn year in and year out, whether it's better targeting, landing, completion, stages per day on the drilling side, lateral footage per day, getting more and more accurate. It's not just drilling and how fast they're drilling, it's how accurately they're drilling and placing that lateral in the targeted interval.

So, we think that Range's story is truly unique in that perspective in terms of the efficiency, combined with how long we can hold it.

Doug Leggate
Analyst, Wolfe Research

Q

Thanks for that, Mark. Just a quick clarification. Is it fair to say then that the partially utilized pads, if you like, you're kind of replenishing those as you go because half your program is still drilling new pads? Is that a fair way to think about it?

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

A

I think that's a fair way of thinking about it, yes.

Doug Leggate
Analyst, Wolfe Research

Q

Great stuff. Thanks so much, guys.

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

A

Thank you, Doug.

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

A

Thanks, Doug.

Operator: Please stand by for our next question. Our next 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
President, Chief Executive Officer & Director, Range Resources Corp.

A

Good morning, Jake.

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

A

Good morning, Jake.

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

Q

Wanted to touch on the incremental land spend. I think the indication there is that you're effectively replacing 75% of the drilled lateral feet for a given year for $25 million or $30 million. I was hoping you could maybe elaborate on what's being acquired there and how you see that as enhancing the near-term opportunity set relative to perhaps just adding another year to, as you've noted, a decade-long inventory?

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

A

Yeah. Good morning, Jake. I think when you ask about the opportunity set, if you look amongst – if you look across our acreage position, there are very unique open-space parcels that can exist. It's more the exception than the rule. It represents a really, really small part of our acreage position that's well blocked up. And sometimes it can involve extending laterals at the perimeter of our acreage position as well. And so, when we think about the opportunity set, this year, it could represent as much as, essentially, 500,000 feet of lateral inventory that wasn't factored into our total numbers, but allows us to then – the opportunity to capture those open parcels and extend laterals, which we know then will translate into our most capital-efficient wells.

So, our ability – like if you look on 2023 as an example, we started off the program at the beginning of the year with an average of around 10,000-foot laterals. By the time we got to the end of the year, we were almost at 13,000 feet, all predicated on the optimization of our development plan throughout the year and the ability to pick up some of those open parcels that you see. So, it does add that incremental inventory. It adds our most capital-efficient wells, and ties to something that you've heard us talk about this morning, efficient use of the gathering system as well.

And when you look at the drilling and completion efficiencies that we've touched on quarter-over-quarter, that also dovetails into it because that becomes, we'll just say, pennies on the dollars-type investments when you think about the grander scheme of the production add for the year.

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

Q

Great. Thank you. And then maybe for Mark, kind of a cleanup question. How should we be thinking about your approach to the remainder of the 2025 notes? Just trying to get a sense of, if we see interest come down throughout the year next year, or when those might ultimately exit.

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

A

Yeah, we've worked hard to be in the position where we are today to have a good deal of options in front of us. That's both the reality of the business and where we positioned it, as well as just the economic backdrop right now. We're in a declining interest rate environment. Capital markets are open. That said, Range has reduced debt. So, the need to do a transaction is not there if the option, if that's the most economically prudent way of managing them. So, I would say, the baseline start with the cash we have on hand today plus cash we'll generate before the maturity date early next year.

We have a completely undrawn revolving credit facility for any tail amount that maybe we don't have cash on hand for at that point. That said, if rates continue to come down, you could see optionality and Range looking – taking care [ph] of 2025 (00:36:02), certainly. But also, at the 8.25% notes, those present some optionality in terms of how we want to approach those, pull in part of those, refinance at a better rate. So, we're in the great spot of having net debt in our target zip code and being able to just optimize and drive down interest expense over time.

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

Q

Great. Appreciate the time, guys.

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

A

Thanks, Jake.

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

A

Thank you.

Operator: Please stand by 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. I wanted to follow up on an earlier question about the wells in progress. Are you able to quantify how many DUCs you do plan to have at year-end?

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

A

Yeah. Good morning, Kevin. At this point, I don't think we've defined exactly what that number is. And part of it is because the drilling efficiencies that we've captured throughout the year and sometimes, we'll just say, the dynamics of moving the activity around and our development program as we get to the end of the year. When you think about, though, from a capital investment standpoint, it's really been around $60 million to $75 million between last year and this year. And so, ultimately, just, I'd say, it's going to be an approximation number I'm going to give you, but it's going to be somewhere in the neighborhood of about two pads worth of wells. So think kind of 8 to 10 in number. But again, we'll have a better refined number as we get closer to the end of the year and see what good work the team has harvested through their efficiencies.

Kevin MacCurdy
Analyst, Pickering Energy Partners
Q

Great. Thank you for that detail. And just to clarify, when you decide to utilize that productive capacity, are you kind of envisioning a permanent step-up on your 2.2 Bcf a day production level? Or would you consider completing those wells opportunistically to kind of take advantage of temporary price spikes?

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

I'll chime in here. I think we could go either way. That's going to be driven by the fundamentals. When the in-basin demand, combined with our exposure to the LNG that's slated to come on line next year, that work in process can just represent a steady state of what you're turning in line on a given year. So, it's your just-in-time inventory. It could be onetime opportunistic, depending on how fundamentals shape up the steadiness of that [ph] hold and call on-Range (00:38:22) production. So, it's an either/or that's the beauty of the optionality in it.

But I think when you pull back to what Range's story is, what the capital efficiency means, that full-cycle costs and that dollar, D&C capital per mcfe stays at the leading edge. This just represents further efficiencies and tailwind, whether you're in a maintenance mode or whether you're stepping into some growth when that fundamental is there. So even if there's a reset to some higher level, or said differently, when there is a reset to a higher level based on the fundamentals, the efficiency is going to drive still an extremely strong free cash flow generation level that's sustainable with that low base decline rate and a really, really strong comparative D&C per mcfe.

Kevin MacCurdy
Analyst, Pickering Energy Partners
Q

I appreciate the details. Thank you.

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

Thank you.

Operator: Please stand by for our next question. Our next question comes from the line of Roger Read with Wells Fargo Securities. Your line is open.

Roger D. Read
Analyst, Wells Fargo Securities LLC
Q

Yes. Thanks. Good morning.

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

A

Good morning.

Roger D. Read
Analyst, Wells Fargo Securities LLC

Q

I guess one question I'd like to come at. Given the benefits of the NGLs, keeping production flat around the 2 Bcf and change production level, as we think about adding new wells, decline of existing wells, kind of it's one question with two parts, base decline rates, what are those? Have they been changing at all? And then as we think about the mix of production with NGLs versus dry gas, any changes there? I'm just trying to think about if we remain stuck in a position here of flatness for a while, what does that look like in terms of production and in terms of any, let's say, potential changes in type of well or CapEx?

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

A

Yeah. Good morning, Roger. I'll tackle this one, yeah. I think when you look at our base decline, it should look very consistent, if not continuing to shallow over the course of time. And I think, today, you've heard us mention it and in prior calls that, typically, our base decline is running around 19%. A few years ago, it was around 20%. So, we would expect over the course of time to continue to just slightly shallow. So, ultimately still very resilient. We've got 1,500 producing wells. So, it represents, we'll just say, a strong dataset that comprises that base number that we provide.

When you think about the production mix changes, I think this year versus last year is a good way to think about what the future could look like for us, meaning, just on a – when you look back over a few quarters, just seeing a slow and steady incremental [ph] wettening (00:41:15) of the production stream. I think we were right at 30%, you've seen us get a little bit above that level. But across the course of time, you'd expect to see our production stream continue to have a little bit more of an NGL contribution. And it's where, clearly, a large portion of our inventory resides and where, again, we have some of our most capital-efficient wells.

When you look across the inventory, though, they're all very economically competitive with each other. But over the course of time, we'd expect the production mix to look pretty similar. About two-thirds of it in the wet side, one-third on the dry side.

Roger D. Read
Analyst, Wells Fargo Securities LLC

Q

Okay. Thank you.

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

A

Thanks, Roger.

Operator: Please stand by for our next question. Our next question comes from the line of Bertrand Donnes with Truist. Your line is open.

Bertrand William Donnes III
Analyst, Truist Securities, Inc.

Q

Hey. Good morning, guys. Just wanted to follow up on the ability to add some modest growth. I just want to clarify how you see it playing out logistically. Are you waiting for prices to move up then you hedge those prices, then you begin to accelerate? Or is it maybe a supply/demand forecast that you see and then you try to increase production in anticipation of that? Or do you kind of need to see the prices in the prompt month and in the strip? And the second part of that is just, do you need to hedge into that, or does your NGL pricing kind of create a natural hedge?

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

A

Well, good morning. Let me start with this quarter. Even at prices where we are today, we're generating free cash flow today. So, the pricing is certainly a factor, clearly. But what we're looking at is the fundamentals, the demand pull, the in service of new demand, whether it's the power demand, whether it's the LNG, whether it's industrialization, all those things we've mentioned and referred to in the slide deck as well.

So, as you think about the timing and how that manifests itself, we already have great exposure on existing transport to get into those markets with growing demand. There's also some underutilized capacity on various pipelines that we can step into, either in the form of selling to customers with that capacity, picking it up short term, picking up remarketed capacity by others who do not use it, don't have the inventory to fill it and maximize its utilization. So, there's a host of ways for us to step into that over time.

As far as the hedging goes, that's somewhat of an exercise done in parallel to grow the company to make capital investment decisions. They're certainly related. But the hedging philosophy is to try to cover our fixed costs. So, I guess, by extension if you're stepping up your capital, you might need to think through what that implies for your hedge book. But I think next year's program is a really good example of a go-forward-type level. If you're in the mid-30%-type hedging range with a 4-handle on the front of it, that that covers your fixed costs and generates free cash flow, covers our dividend and keeps good exposure to a positive setup on the commodity front. So, I wouldn't say the two are hard link necessarily. They certainly influence and shape each other. But really, the first decision as far as capital goes, it's just that fundamental call on supply from Range and how we deliver it to those growing markets.

Bertrand William Donnes III
Analyst, Truist Securities, Inc.

Q

That makes sense. Appreciate it. And then, maybe just want to hit on the data center demand question again real quick. Obviously, nuclear is getting most of the headlines. And obviously, gas is a large part kind of play in the generation. Are the players in the space gearing up to sign fixed agreements in 2025? Obviously not for 2025 gas, but just signing agreements? Or is your sense that's way too early for any kind of data center-related agreements? Or are the counterparties there asking, or are we still kind of in the just a conversation phase? Thanks.

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

A

I think the conversations are being had rapidly, a lot of conversations, a lot of different counterparties in different ways of servicing that need, whether it's directly with utilities, whether it's with independent power producers, whether it's behind the meter and directly with data centers or other industrial-type demand. So, all those conversations are being had. Keep in mind that these investments by those companies are multi-decade-type investments for themselves. So these are not discussions that are going to be had and arrived at in a series of months.

This is, probably, a 2025 – over the course of 2025, that market, the nature of those conversations will develop the tenor and pricing structures of those types of agreements and how they manifest itself. Now, it's going to be a mix of traditional, just directly into the utilities, to independent power producers, probably some behind the meter and some less conventional like you're seeing in the nuclear. But if you pull back and look at what the potential displacement of incremental demand for natural gas is for the nuclear deals so far, it's something on the order of 1 Bcf a day potential. That's assuming it gets regulatory approval and meets all the required clearances to recommission the nuclear power plant. So, those are certainly encouraging in terms of the creativity and the recognition by data centers and industrial demand that they need reliable 24/7 clean power. And that's something that we, the natural gas industry, can do reliably 24/7.

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

Yeah. And I would just bolt on two quick things. I think if you – to further support Mark's comments, if you look at, again, I've referenced it earlier, but just the increase in price – power price in the recent PJM auction, I think there's a indication that it's going to – costs are going up and ultimately, conversations will accelerate to quickly figure out how you have an expansion of the – I would imagine, the grid; how do you add power; how do you meet this future growing demand and all balance costs at the same time to whether it's the residents or end users and consumers of that power. But I think lastly, we're encouraged to see that the state of Pennsylvania, through their recent budget approval process, earmarked $400 million through something they're calling a SITES program, to basically look at site readiness and preparation for future demand.

And that's inclusive to many things, whether it's manufacturing or, again, data centers, etcetera. But I think it's showing the willingness for the state of PA to be on the front of their foot, so to speak, to support industry, jobs and they understand, I'm assuming, that we actually can supply a very long-term, low-cost energy source that helps be the feedstock for that kind of job generation. So – anyway, pretty encouraging from our view.

Bertrand William Donnes III
Analyst, Truist Securities, Inc.
Q

That's great detail, guys. Thank you, guys.

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

Thank you.

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

Thank you.

Operator: Please stand by for our next question. Our next question comes from the line of Michael Scialla with Stephens. Your line is open.

Michael Scialla
Analyst, Stephens, Inc.
Q

Yeah, good morning, everybody. Wanted to follow up on natural gas liquids markets. Do all of your NGLs go out of Marcus Hook now? And is there any capacity constraints there that you see coming up? And wondering if some of those NGLs could end up going to the Gulf if you see the congestion there that you talked about being alleviated.

Alan Engberg
Vice President-Marketing & Midstream, Range Resources Corp.

A

Good morning, Michael. This is Alan Engberg, I manage our marketing business. Quick answer to that is, the majority of our NGLs that are exported go to the Gulf. In fact, on the LPG side – or sorry, go through Marcus Hook. In fact, on the LPG side, we're able to export up to 80% of our production, which is actually the highest level relative to production of any of our competitors.

Marcus Hook is typically running, I'd call it, 5% to 10% lower on capacity utilization than what the US Gulf is. Hence, what Dennis referenced earlier, there's still an opportunity for Range to actually ramp up exports as we optimize the sales of our products. We do have some ethane that goes down to the Gulf, that indirectly gets exported through Gulf Coast export facilities. But for the most part, what we do is out of Marcus Hook.

Michael Scialla
Analyst, Stephens, Inc.

Q

[indiscernible] (00:49:58) that's helpful. Appreciate that. Wanted to ask on the CapEx guide. I know you moved the low end up for the year. Can you just talk about what was the driver there.

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

A

Yeah, Mike, I'll touch on that. I mean, quite honestly, I'll say the starter kit is, we're still within the guide that we had provided during the beginning of the year. But we did provide some ranges for areas like the landside where it was adding up the white space, open parcels that are – ability for us to pick up that allow us to extend laterals. And I think that was up to, essentially, $30 million. We've now been able to, based upon the drilling activity this year, capture some of those open parcels. It's basically driven by that land spend that we've had year-to-date, but that's it. Everything else on the drilling and completion side is all well within guide and on track what we had communicated for the year.

Michael Scialla
Analyst, Stephens, Inc.

Q

Thanks, Dennis. Appreciate it.

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

A

Thank you, Mike.

Alan Engberg
Vice President-Marketing & Midstream, Range Resources Corp.

A

Thank you.

Operator: Please stand by for our next question. Our next question comes from the line of Leo Mariani with ROTH. Your line is open.

Leo Mariani
Analyst, ROTH Capital Partners LLC

Q

Yeah, hi. Just wanted to follow up a little bit in terms of the share buyback here. So, it certainly looks as though free cash flow is going to start to increase here in the fourth quarter and throughout 2025, certainly recognize that you guys have a bond payment, potential redemption coming up, as you already elaborated on, but just trying to get a sense. As that free cash flow ramps, should we expect a commensurate increase in the share buyback? You folks obviously described the fact that you feel your stock is still undervalued at this point.

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

A

Yeah, good morning. I think our principles that we've laid out over the last couple of years is, get the balance sheet within the target zip code, and then we'd have a lot greater latitude on how and the cadence at which we're returning capital to shareholders. So, I think the answer to your question is yes, the balance sheet is in the target zip code. So we have a lot greater latitude now to return capital to shareholders, whether it's share buybacks or slow, ratable, durable increases in dividend over time. Certainly, given the significant disconnect we see in the value of the shares, even to simply prove reserve value on a per share basis, the share buybacks we see is very, very compelling. So, we certainly have plenty of capacity under the existing approval, and that's certainly a possible outcome.

Leo Mariani
Analyst, ROTH Capital Partners LLC

Q

Appreciate that. You folks obviously discussed capital efficiencies and continuing to move faster in the program and into a longer laterals. Wanted to see if maybe you can quantify any of those efficiencies. Are you seeing, like, D&C costs per lateral foot come down for the company and is that mostly a function of efficiencies? [ph] If it is – it's (00:53:02) coming down. And any comments on what you're seeing on leading-edge service cost? I know you're not using a ton of equipment, but do you expect there could be any improvement on rig prices as oil field activity has kind of softened here in 2024?

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

A

Yeah, I think from a service cost standpoint, Leo, it's early. We've just launched our RFP process for the fall. So we'll have a lot better answer for you, I think, when we get to the beginning of the year, and we see what the results bear from that process. I mean, we have seen, and we touched on it, we have seen some relief in areas like some of the consumables, maybe frac sand, some of the tubular goods sides as well. But there are other areas that remain pretty resilient at current price levels. And when you think about rig rates, we've all, as an industry, kind of coalesced to a similar super-spec rig configuration. And with drilling long laterals, similar depths, et cetera, it's provided some, I'll just say, some support to some of those rig rates that you see today. So it's going to be a balance.

And regardless of how this plays out from a service cost perspective, what we do anticipate is the ability to hold 2.2 Bcf equivalent per day with one frac crew and with the efficiencies the team continues to harvest. We're seeing 9 to 10 frac stages a day on a quarter in/quarter out basis now. Water recycling and efficiencies there continue to look strong. We drilled some record days on the drilling side in the lateral this past quarter. So we just – I guess in the spirit of a phrase I've once heard, success begets success. And so, the team continues to build upon that momentum. And I would expect, for the next year, again, us to hold 2.2 Bcf flat with the one frac crew; and if – wherever we land from a service cost standpoint, for us to continue to be on the front end of that low capital efficiency standpoint.

Leo Mariani
Analyst, ROTH Capital Partners LLC

Q

Thank you.

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

A

Thanks, Leo.

Operator: Please stand by for our next question. Ladies and gentlemen, we're nearing the end of today's conference. We will go to Paul Diamond of Citi for our final question. Your line is open.

Paul Diamond
Analyst, Citigroup Global Markets, Inc.

Q

Thank you. Good morning, all. Thanks for taking my call. Just [indiscernible] (00:55:23) quick one on the kind of capital plan going forward and the opportunity set around your inventory, infrastructure and kind of the incremental land spend. Is that something we should think about as a pretty flat run rate in coming quarters and years? Or do you – are there any, I guess, low-hanging fruit in any of those categories that might [indiscernible] (00:55:44) bump up?

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

A

Yeah. Good morning, Paul. I'll start here. I think, over the course of time, we would expect that land incremental spend that you saw us break out this year for some visibility, we'd expect that to be a lower exposure in the years ahead and mainly because it represents just a really small part of our overall program. But as you would imagine, the more – we're in – in excess of 90% of our acreage is held by production or what we classify going to be captured in the next few years. So, we would expect this to be a decrease in exposure in the years to come, for sure. There are some land opportunities that exist in and around our producing footprint.

And some of them are the two state parts – state parks, excuse me, that are in our southwest PA area, that could present a future land opportunity. But for just the raw mechanics of how you're seeing us execute and operate today, I would expect that exposure to look lower and lower over the course of time. And as far as capital, in general, going forward, again, this year, I think, is a really good way to visualize how our business could look from a capital and activity standpoint going forward. I think it's also a good way of thinking about the productive capacity and production output that could come from the business. I mean, we essentially had a pretty flat activity program versus prior years but yet here we are with the ability to add some low percentage incremental production throughout the process. And we've got the DUCs that we've added over the past two years.

As Mark said earlier, we don't think it's if, it's when the fundamentals come together and the demand starts to materialize that results in low-cost operators with high-quality inventory like Range to help participate to fill that growing demand. And when that happens, no doubt, I'm sure our program will look a little bit different, but we'll have that inventory to be able to be on the front of our foot, so to speak, and help participate in that growing demand and fundamentals.

Paul Diamond
Analyst, Citigroup Global Markets, Inc.

Q

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

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

A

Yeah. Thank you, Paul.

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

A

Thank you.

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

I just like to say thank you for everyone for joining us on the call today. We appreciate all the thoughtful questions. If you have anything to follow up on, please follow up with our Investor Relations team. And we look forward to the next call and talking about 2025. Thank you.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.