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# Range Resources Corp. (RRC)

Q1 2023 Earnings Call

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

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## OTHER PARTICIPANTS

**Michael Scialla**

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*Analyst, BofA Securities, Inc.*

**Bertrand Donnes**

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Welcome to the Range Resources' First Quarter 2023 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, Vice President-Investor Relations at Range Resources. Please go ahead sir.

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### Laith Sando

*Vice President-Investor Relations, Range Resources Corp.*

Thank you, Operator. Good morning, everyone and thank you for joining Range's first quarter earnings call. The speakers on today's call are Jeff Ventura, Chief Executive Officer; Dennis Degner, Chief Operating 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 provide 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 Jeff.

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### Jeffrey L. Ventura

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

Thanks Laith, and thanks everyone for joining us on this morning's call. Range continued to deliver on our key strategic objectives in the first quarter, operating safely and efficiently to deliver a production plan that consistently generate free cash flow.

Dennis and Mark will walk through the quarter in a moment further demonstrating the resilience of Range's program and assets even in today's commodity price environment. As was announced last month, after 20 years with Range, I'm retiring, and this will be my last earnings call. I have to say I couldn't be more proud of the work the Range team has done to position the company where it is today. Range is in the best operational and financial shape in company history and is poised to generate substantial free cash flow and competitive returns long-term, given our multi-decade inventory, efficient operations and access to diversified markets.

For the Marcellus, the future is bright as we sit at the very low end of the global cost curve with one of the lowest emissions intensities of any play. Given the size and potential of the Marcellus, it has the ability to help supply the US and our allies for decades. I strongly believe the products we produce are going to remain in high demand as natural gas and natural gas liquids provide products needed for our everyday lives. Natural gas has many important uses from generating electricity to making plastics. It's a key ingredient in the manufacture of fertilizer for agriculture. It's a key source of industrial heat for making steel and cement and it's used for heating and

cooking, just to name a few. Given the importance of the Marcellus and Range's sizable core position, I believe Range is in a desirable position to continue delivering competitive returns and creating sustainable long-term value for shareholders.

Before turning it over, I'd just like to say that I'll be forever grateful to the Range team for their dedication, creativity and hard work. We pioneered what I believe is the best and largest producing natural gas field in the world and have developed it in a way that we can all be proud of as good citizens of the communities with industry-leading environmental practices. The discovery of the Marcellus in 2004 was a game changer for energy markets. This resulted in Range becoming one of the largest natural gas and natural gas liquids producers in our country, and the US, becoming by far the largest natural gas producing country in the world. The positive impacts have been many. Natural gas prices in the US are more affordable than Europe and Asia which helps direct industry back to the US, creates hundreds of thousands of jobs, helps with national security and improves the trade balance.

In addition, the free market substitution of coal with natural gas has been the major driver behind the US leading the world in CO2 in emissions reductions. I thank God for blessing me with an opportunity to be part of the team, that not only unlocked it, but was also innovative on how to successfully produce and market the vast resources over the last two decades. I've said this on past calls, the team and board we have in place today is the strongest it's ever been.

I look forward to seeing Dennis, Mark, and the entire Range team continue to move the company forward, generating significant long-term value for shareholders and making Range even stronger and more resilient. Thank you to my colleagues and friends. I'm so proud of what we were able to accomplish as a team.

I'll now turn it over to Dennis for his remarks.

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## Dennis L. Degner

*Executive Vice President & Chief Operating Officer, Range Resources Corp.*

Thanks, Jeff. It's an exciting time to be a part of the Range team, and I'm humbled by the opportunity to lead the company in the years ahead as we remain focused on translating our world-class resource base in a long-term shareholder value. Like Jeff said, the company is in a great position today. And we aim to continue working to make Range even stronger in the future. In the first quarter, Range continued to successfully deliver on our stated objectives, by completing our operational plans safely and with peer-leading efficiencies, generating free cash flow, further strengthening our financial position and returning capital to shareholders in the form of share buybacks and a base dividend.

Looking at operations, I'm pleased to report that our program is off to a solid start and is on track to deliver this year's plan with a continued focus on capital efficient operations, safety, and environmental performance.

Our front-end loaded drilling activity for the year resulted in utilizing two top-hole rigs and three horizontal rigs during most of the first quarter. We will maintain this level of drilling activity through the end of Q2 before tapering off in the second half of the year. Completions activity will remain relatively steady with one frac crew operating through 2023, while the second crew activated later this year. This drill and complete cadence is consistent with previous year's maintenance level programs, which generates turn-in lines and a production profile weighted towards the back half of the year.

Capital spend for the first quarter was \$152 million, which represents roughly 26% of our 2023 program budget. This is in line with the level of operational activity conducted during the quarter and puts us firmly on track with our

capital guidance of \$570 million to \$650 million for the year. Production for the quarter came in at 2.14 Bcf equivalent per day and was underpinned by consistent field run time and strong well performance. We expect daily production in the second quarter to be approximately 100 million equivalent, lower than Q1 as we have moved up planned annual midstream maintenance and turn-in lines are weighted towards the end of the quarter.

TILs pick up in the second half of the year, making the fourth quarter our highest production, putting us on track to deliver a full year production of 2.12 Bcf to 2.16 Bcf equivalent per day. And this back half weighted production profile fits well with the current shape of the natural gas curve.

Shifting to operational highlights. Our drilling team exceeded Range's prior record for fastest day drilling in the lateral section and then broke their own record two more times during the quarter. During the quarter, 13 wells were drilled that average daily horizontal footages greater than a mile per day. By comparison, only four wells achieved this level of efficiency in all of last year. These records along with other strong days drilling in the lateral drove a 42% increase in the average daily horizontal footage drill per rig. The drilling team also successfully added three wells to the top 10 longest laterals drilled for Range with all three laterals exceeding 18,800 feet.

After drilling over 1,500 wells in the Marcellus, this is the type of incremental improvement that has become a cornerstone of our program, supporting our peer-leading capital efficiency. Completions placed just over 600 frac stages on three pads located across our dry, wet, and super-rich areas, while utilizing our contracted electric frac fleet. Efficiencies remained in line with prior quarters with the team averaging eight stages per day while varying completion designs based on well mix.

Completion efficiencies continued to improve in late Q1 and into Q2 by averaging in excess of nine stages per day. As a byproduct, a pad currently being completed is setting a new standard for our overall operational efficiencies and is projected to be one of our most efficient pads in Range's history. We look forward to providing more details on a future call.

On the last call, we provided some context on inflation and how Range's low base decline and peer-leading well costs serve as a hedge against service cost inflation. Year-to-date in 2023, we have seen the price of rigs and pumping crews start to show signs of receding slightly. Next-generation pumping crews continue to be in high demand, but the availability of traditional spot crews and drilling rigs has increased. Additionally, commodities and raw materials like tubular goods and sand are also starting to show signs of increased availability. It is possible this could translate into slight one-off savings later this year with broader savings more likely to occur in 2024.

Range remains in a leadership position on capital intensity, given our low base decline, strong well productivity, and our blocky acreage position, which lends itself to efficient operations and peer-leading well costs.

Shifting over to marketing and looking at the NGL macro. US LPG exports set an all-time monthly record of 2.1 million barrels per day in March, driving a quarterly record of over 1.9 million barrels per day. This level of export activity represents an increase of approximately 19% above the same time period last year, keeping domestic propane stocks within the five-year range despite the unusually warm winter.

Looking ahead to the balance of 2023, Range expects continued growth in the demand for US LPG exports in order to satisfy ongoing strong demand in European and Mediterranean markets. As well as PDH demand in China that continues to recover with the addition of new capacity and due to the loosening of zero COVID policies. Range's diverse NGL marketing agreements drove \$1.63 per barrel premium to Mont Belvieu for the quarter, with an absolute NGL price of \$27.60 per barrel. And our NGL pricing equated to \$4.60 per Mcf equivalent, which was \$1.14 premium to the average Henry Hub natural gas price.

Liquids optionality is a key differentiator in our resilient free cash flow versus other natural gas producers. This becomes more evident when natural gas prices are challenged like they have been at the start of 2023. The ongoing strength in the NGL outlook and price realizations support our 2023 NGL guidance range of \$1 per barrel discount to \$1 per barrel premium relative to the Mont Belvieu index.

For our natural gas, in Q1, Range reported a natural gas differential of \$0.14 below NYMEX, including basis hedging. With our realized natural gas price closing out at \$3.58 per Mcf. Freeport LNG returning to full service and early signals of rig activity reductions should help storage levels normalize as we work through injection season and look towards next winter.

And lastly, our team's strong safety and environmental culture was on display as we look back on both last year and Q1's performance. Starting from an already low level, we continue to see further improvements in our safety performance in the field while capturing emissions reduction as a result of initiatives discussed on prior calls. We look forward to sharing more details on these accomplishments in our upcoming corporate sustainability report slated for release this summer.

In summary, this year's program is off to a solid start and this is an exciting time to be a part of Range and our industry. Our low capital intensity, liquids optionality, and our leading hedge program all come together to provide Range, one of the lowest breakevens amongst natural gas producers. I believe the resilience of Range's business is being demonstrated in today's challenging price environment as we're still delivering on stated objectives and generating free cash flow.

I look forward to our future calls together as we continue to demonstrate our dedication to safe, efficient operations, and consistently generating competitive returns to shareholders.

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

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## Mark S. Scucchi

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

Thanks, Dennis. The first quarter was successful operationally and financially with solid execution across the business. Cash flow from operations totaled \$475 million, funding net debt reduction of approximately \$250 million. Capital expenditures of roughly \$152 million, the first quarter dividend as well as 400,000 shares repurchased.

Two objectives helping drive value are a durable balance sheet and competitive shareholder returns. These are not mutually exclusive. They are integral parts of our overall capital allocation strategy. We've consistently described a waterfall of our cash flow reinvestment. First, maintenance CapEx in order to utilize infrastructure and maximize margins; second, debt reduction towards target debt levels; third, return of capital to shareholders; and fourth, growth CapEx when appropriate. It's important to note that this waterfall entails flexibility to allocate based on highest overall returns to the company and its shareholders. With Range's leading full cycle costs, margins are resilient, generating free cash flow even at reduced commodity prices that support risk adjusted returns-driven capital allocation. We've been focused on absolute debt reduction for several years. And as of quarter-end, we have reduced debt, net of cash by nearly \$2.5 billion since it peaked in 2018. Debt reduction achieved to-date places us close to entering our target range of \$1 billion to \$1.5 billion net debt. With current leverage of 0.8 times debt-to-EBITDAX and close proximity to our debt targets, we believe the company is in great shape to continue value creation on a stable financial base throughout business cycles.

Taking a closer look at first quarter results. Cash flow from operations of \$475 million was driven by planned production levels, achieving strong pre-hedge realized prices of \$3.82 per Mcfe. This realized unit price is \$0.36 above NYMEX Henry Hub, driven by Range's diverse sales outlets for natural gas, combined with the pricing uplift from natural gas liquids and condensate.

During the first quarter, Range's NGL price realized was approximately \$28 per barrel or \$4.60 on an Mcfe basis. Range's diversified portfolio of transportation capacity and customer contracts supported differentials such that the total per unit price received by Range remains a premium to Henry Hub natural gas.

Hedged cash margins per unit of production remained strong at \$2.06. Range's margins benefit from thoughtful hedging and continued focus on cost and efficiency. Total cash unit costs improved by \$0.16 versus the prior year. The change compared to the prior year primarily relates to savings in processing costs, which are linked to NGL prices. With variations in other line items related to labor cost inflation or the timing of planned workover projects.

Cash interest expense declined by \$14 million for the quarter compared to Q1 last year on reduced debt balances equating to \$0.08 per Mcfe savings. These improvements more than offset slightly higher LOE as mild weather allowed the team to pull some workover activity into the first quarter that would typically have been completed in Q2 and Q3. Range's rightsized hedging program supported realized prices for the first quarter with \$32 million in realized NYMEX hedging gains.

Looking forward, Range's natural gas is approximately 55% hedged at \$3.50 for the balance of 2023, providing further support to Range's free cash flow profile. Cash balances of \$228 million at quarter-end, combined with future free cash flow and an undrawn revolving credit facility, provide ample liquidity to efficiently operate our business and execute efficient debt retirement.

Successful first quarter results combined with a positive industry backdrop for Range going forward, support our confidence in the return of capital program discussed on previous calls. We believe a stable, reliable fixed cash dividend is appropriate at this time and in this market, while remaining opportunistic in our share repurchases with capacity available totaling \$1.1 billion, alongside our primary objective of reaching target debt levels. We will remain flexible and adapt to market conditions, project returns, and prudent reinvestment.

Range's story for a long time has been about innovation, translated into reality through dedicated teamwork, hard work, focus, and swift, but precise adjustments to our business plan without bearing from our core objectives or demonstrating the value of Range's portfolio and business. This focus and dedication will continue as Range's business is in the best shape in company history and primed for impending demand growth domestically and internationally for natural gas and natural gas liquids. With a strong financial foundation and the largest portfolio of quality inventory in Appalachia, we seek to continue this trend of disciplined value creation for our shareholders. Jeff, back to you.

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## Jeffrey L. Ventura

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

Operator, we'll be happy to take questions.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you, Mr. Ventura. The question-and-answer session will now begin. [Operator Instructions] And our first question will come from Michael Scialla of Stephens.com. Your line is open.

**Michael Scialla**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Yeah. Good morning, everybody. Jeff, I wanted to offer my congratulations on a great career. Not too many folks can make claims about taking a big hand in a huge discovery like Marcellus. Congrats. And Dennis, congrats to you on your promotion, well deserved. I want to ask first...

**Jeffrey L. Ventura**

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

A

Thanks for the comments. Kind of you to say that and much appreciated.

**Michael Scialla**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Absolutely. I wanted to ask on the decision to put the cash on the balance sheet. Mark, you talked about the priorities for the use of cash. You said there's some flexibility around those. Maybe just your thoughts there on – obviously, you had gas prices collapsed this winter. But you did buy back a lot of shares, \$400 million worth last year. Just any commentary on the decision to put the cash on the balance sheet for now?

**Mark S. Scucchi**

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

A

Sure. Good morning, Michael. I think there's a couple of factors in play there, as you know. We're always evaluating the risk of returns and that waterfall capital allocation, simplistic description we use. But since inception, we bought back more than 14 million shares last year, \$400 million. This year, obviously, just in the first quarter, you've got the typical blackout period around your earnings preparation season, you had the announcement just retirement and succession planning, and you're also in a choppy commodity price environment. So, as we work through the first few months of the year and just evaluate the priorities as well as the tremendous opportunities we had, we were comfortable holding that cash and the optionality that creates. So, as we sit here looking forward, we're in close proximity to our debt targets. We have a couple of hundred million in cash on the balance sheet. We have net debt approaching our target levels. So we like having that flexibility as we see this year unfolding.

**Michael Scialla**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Very good. And Dennis, you mentioned you see storage moving back to normal this summer. I want to see if you could offer a little bit more detail on that. I know you guys are asked every quarter about your macro views, you've been pretty good on the gas macro. How do you see that playing out? What drives the – that move back to normal on storage levels? And how does that, I guess, tie into your thoughts on, again, on priorities for cash?

**Dennis L. Degner**

*Executive Vice President & Chief Operating Officer, Range Resources Corp.*

A



Yeah. Good morning, Michael. I think as we take a step back and we think about the gas macro, both kind of near-term and in the years that follow, I think what – some of our thoughts are, clearly, you're starting to see more and more, it's kind of shifted from posturing to actually seeing it translate into the numbers for. On the supply side, you're starting to see some rig activity start to reduce. I mean started seeing that over the balance of the last few months. If you look at Appalachia, as an example, we've – many of us have been under a – especially Range, we're now on the third year of a maintenance level [ph] as program (00:25:00) where we're keeping the gathering system at a high level of utilization and really keeping our cost structure and operations as efficient and is well placed as possible. You start to couple us being at maintenance along with other Appalachia producers, rig activity reductions, and then toss in more and more of what you're seeing around well performance degradation year-over-year that's starting to translate into really production profiles as we look back. We see this all kind of translating into, maybe, less of an oversupplied market potentially. You could make the argument through the data. And part of that comes down to looking at days of supply.

If you look at getting into the end of this injection season, depending upon your outlook, whether it's 3.9 Tcf or maybe 4 Tcf. If you start to couple that with many of the points I just laid out, coupled with demand that's been coming online over the past several years, both on the industrial side, LNG now with Freeport being backed up to full capacity, not to mention the additional infrastructure that's going to be coming online in 2024, you start to get to a place of 42 days of supply at the end of injection season.

And just for comparison, the five-year average is 43 days, and we were at 41 days in October of 2022 before we entered the winter. So, a much different commodity price environment today clearly than it was in October. So, you can make the argument, maybe it's not quite as oversupplied as what the market would kind of indicate just from a storage level number alone.

Clearly, on the demand side, LNG is its own unique story. And as you look into 2024, there's reason to believe that Golden Pass Train 1 is – could come online mid-year and start to play a significant role as we then roll into injection season for 2024, which we also think sets everything up in a pretty positive light. So, for us, we'll stay the course from our maintenance level program. And we think that plays well when you look at our transportation portfolio, what we can get out of the basin and make us resilient through the cycles here.

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**Michael Scialla**

*Analyst, Stifel, Nicolaus & Co., Inc.*



Great. Appreciate the target. Thank you very much.

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**Dennis L. Degner**

*Executive Vice President & Chief Operating Officer, Range Resources Corp.*



Thank you.

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**Operator:** One moment for our next question. And our next question will come from Doug Leggate of Bank of America. Your line is open.

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**Doug Leggate**

*Analyst, BofA Securities, Inc.*



Well, thank you. Good morning, everyone. Jeff, let me add my congratulations. You've been around for a very long time making some of us feel pretty old. So, I hope you enjoy the next stage of your endeavors.

**Jeffrey L. Ventura***Chief Executive Officer, President & Director, Range Resources Corp.*

Thanks Doug.

A

**Doug Leggate***Analyst, BofA Securities, Inc.*

So, guys, I got a couple of questions. I guess my first one is for Mark. Mark, the – obviously, the stock unless the market capitalization moves around quite a bit, we at least see the equity value as what's left from enterprise value minus net debt. So, when you see the market failing to recognize a forward curve, which is 50% above a year ago, there's two things you can do. You can buy back shares or you can reduce net debt to force market recognition of value. So, my question is, why is \$1 billion to \$1.5 billion the right number in a volatile commodity environment? Why not go tighter than that? You've seen some of your oil peers go to net debt zero. Why not?

Q

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

That's a fair question, Doug. So, as we've laid out our debt targets over the last couple of years, we began with what is the most conversational debt metric and easiest for everyone to understand that debt-to-EBITDAX ratio. Fundamentally, we believe the absolute debt number is what's really important, given commodity price fluctuations and EBITDA fluctuations that naturally occur in the space, either cyclically or seasonally. So, starting with a leverage ratio that investors and we believe are prudent levels, we set out some targets and thinking through a commodity price cycle. We said at the depth of the cycle, we want to be at or better than two times. In mid-cycle, you might think around 1.5 times at a strong market, you want to be better than 1 times leverage. Those were not hard and fast. Those were indicative levels we laid out, and actually, it's on a proxy from a year before last.

A

When you pressure test those levels against a variety of commodity prices, both for natural gas, oil and NGLs, you can get to a \$1 billion to \$1.5 billion level at our current production levels. So, that's the genesis of the framework in those levels. They are indications indicative of what we think creates a solid financial foundation. That's not to say that we can't be opportunistic in strong environments and pay that down. That's also by design to have a strong balance sheet to use that balance sheet appropriately when opportunities arise, whether that's buying back shares, whether that's putting cash on the balance sheet and paying off debt opportunistically. So again, those are guidelines just intended to make sure that Range from a financial standpoint has the wherewithal to capitalize and monetize this huge inventory we have over the long haul.

**Doug Leggate***Analyst, BofA Securities, Inc.*

Fair. I guess I'll continue to press on it, 5% money. And I wonder if that influences the decision a little bit, but we will take it offline. My follow-up, if I may, is I also want to offer, obviously, my congratulations to Dennis. But I want to use that as a lead into a two-part question, if I may. And forgive me for this one. Dennis, the press release for your – announcing your promotion to CEO, had an interesting comment, it talked about what is currently the company's sole operational area. So, I guess my question is a strategic one. Do you see with the change of – I don't want to say the change of leadership, but the retirement of Jeff and you move into that role. Do we – should we expect any change of strategy? And I guess my part B is, it's interesting that when something like the run-up to the announcement of just retirement happens, the speculation that Range could have been a target for M&A. So, I guess my follow-up is, has there any time in the last several months, I guess, in any consideration that there were other strategic alternatives that should be or could have been explored for Range that might have led to that speculation. I'll leave it there. Thank you.

Q

**Dennis L. Degner**

*Executive Vice President & Chief Operating Officer, Range Resources Corp.*

A

Yeah. Thanks for the comments and the questions this morning, Doug. I'll take a step back and really kind of start with the change of strategy piece and then I'll end up with your second question. I think you heard it from all three of us this morning and you've probably heard it from us on prior calls, but the company is in the best position it's ever been in the history of the organization. When you look across the multi – the multiple facets that we report on, whether it's financial, operational, safety, environmental. Range continues to really chip away at continuous progress. And so, from our position, the company is in a great position today. We're drilling some of our longest laterals, our fastest wells even after 1,500 horizontal wells being drilled in the basin, we're still continuing to make that incremental progress, which we kind of see that generating our highest return wells and being really resilient and durable through the cycles.

We've got the best team in the business. I think when you look at some of the early on wells that we drilled with the Renz discovery well in the mid-2000s, there's many of those team members are still with us today. And that is difficult to put a dollar value on it because their commitment level is tremendous. So, you're in a lot of ways, Doug, you're not going to see a lot of change from Range. It's going to be staying the course, continuing to block and tackle in the aspects that we're really strong and talented at, and that is really continuing to develop our assets, drill our best wells and really generate competitive returns for our shareholders and generating free cash flow through the cycles. We see the world needs our clean burning energy that we supply. And we stand ready to participate in that year-in and year-out with our program.

And as far as your follow-up question about any other considerations, I think ultimately, we're prepared to go it alone. Again, when you look at the asset base we have and the quality of the inventory, now on our 15 year of a positive reserves revision, we stand poised to continue to, again, just continue to chip away at what we do best, incrementally improving our well performance efficiencies and other aspects of our business. So, no other considerations from our end.

**Doug Leggate**

*Analyst, BofA Securities, Inc.*

Q

All right, guys. Well, congrats again to both of you guys. Thanks.

**Dennis L. Degner**

*Executive Vice President & Chief Operating Officer, Range Resources Corp.*

A

Thank you, Doug.

**Operator:** One moment for our next question. And our next question comes from Bertrand Donnes of Truist. Your line is open.

**Bertrand Donnes**

*Analyst, Truist Securities, Inc.*

Q

Good morning, team, and thanks for everything over the years, Jeff, and congratulations, Dennis.

**Jeffrey L. Ventura**

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

A

Thank you.

**Bertrand Donnes***Analyst, Truist Securities, Inc.*

Q

Just kind of piggybacking on Doug's question. I know that debt reduction and buybacks are the current focus. But in the future, does the shareholder return program change? It seems like you'll have the ability to accelerate production when the market asks for it. Is that what we should expect almost all cash flows to go to? Or if you ramped your spending levels into a strong gas pricing environment, would that be accompanied by a balance of buybacks and dividends?

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

A

Yeah, that's a fair question. I think – two things. Let me point to our activity levels last year. The elements of our capital allocation are executed in tandem and they can be done in different percentages or different weightings just depending on where we are in progress towards our target debt level. What our expectations of cash flow are going forward as well as, frankly, the stock price and what the overall market may be there, what value they're at. So, as we think about what the program can be, you've seen us allocate 75% of cash flow on a quarter to debt reduction, and you've seen us allocate the majority to share repurchases in a quarter. So, you can see that move backwards and forwards, again, balancing where the balance sheet is, where the stock price is, where cash flow expectations are.

So, under the assumption that you're within your debt level, your target debt levels and feel solid about that then it comes down to the fundamental demand for natural gas. Number four on our list is the growth when appropriate. Is there a call on gas? Is there a call for Range's gas? Do we have the deliverability to our end customers? All of which we think is simply a question of when, not if. We have capacity. Half our gas goes down to the Gulf Coast. Third to the Midwest and the balance further into the Northeast. NGLs are delivered domestically and international. Over 90% of our revenue, because of that is effectively outside the basin. So, we've got great exposure and because of the depth of our inventory, we will have the ability to grow either through existing capacity that goes underutilized through growth in in-basin demand or expansion of existing or new facilities that come online. So, there's a great many ways to win and our capital allocation, we'll simply adapt to that call on Range is supply and the economics of buying back shares for that incremental growth.

**Bertrand Donnes***Analyst, Truist Securities, Inc.*

Q

That's great color. And then on the capital allocation side, I think the strength in your NGL pricing kind of outperformed Street estimates, maybe even internal estimates. Is there – are there any plans to switch where your activity levels are to maybe focus on the liquids-rich areas versus the dry gas areas? And maybe would that be temporary until there's kind of a call on gas when you guys to accelerate and then maybe switch back to dry gas, but just any thoughts there? Thanks.

**Dennis L. Degner***Executive Vice President & Chief Operating Officer, Range Resources Corp.*

A

Yeah. Thanks for the question. I think when you look at our program kind of year-in and year-out, I think what you'll find is, on a percentage basis, it's pretty common for us to focus somewhere in the neighborhood of, say, 30% to 40% of our activity in the dry gas portion of our assets with the remaining, we'll say, 60% to 70% being on the liquid side, both in the wet and the super-rich. And this year's program is very consistent with that. We always leave some optionality in the program for us to, we'll just say, optimize the schedule throughout the year, whether it's an operational efficiency type driver, it could be something else that's going on in the market. Our ability to do that really ties back to our ability to move back into pads with existing production, which represents usually year-in

and year-out about 50% plus or minus of our annual activity. So, it allows us to be pretty nimble, react fairly quickly, and again put the best program forward in each given year.

However, what I would tell you is, is we don't tend to overcorrect the steering of the car all that much. And if you look at where pricing has gone just over the past 10 months to 12 months from a commodity standpoint, you can quickly see where you could just as apt to be more right or more wrong by making those radical adjustments. So, but under a maintenance type scenario, again, we look to keep the gathering system full and utilized as much as possible at a very high level, which provides another unique variable in this multivariable math problem, variable math problem, if you will. So, we do allow some flexibility. If you look at this year, we're already heavily weighted on the NGL side, which we think that plays really, really well when you look at the NGL pricing that we reported in the first quarter. And then, of course, lastly, with our program being front-end loaded from an activity standpoint and the production profile being more on the uptick in the second half of the year. We think that also plays well with the commodity curve for the back half of the year and into the winter of 2024.

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**Bertrand Donnes**

*Analyst, Truist Securities, Inc.*

Q

I appreciate it. That's all for me. Thanks.

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**Dennis L. Degner**

*Executive Vice President & Chief Operating Officer, Range Resources Corp.*

A

Thank you.

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**Operator:** One moment for our next question. And our next question will come from Jacob Roberts of TPH & Company. Your line is open.

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**Jake Roberts**

*Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.*

Q

Good morning, guys.

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**Jeffrey L. Ventura**

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

A

Good morning.

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**Dennis L. Degner**

*Executive Vice President & Chief Operating Officer, Range Resources Corp.*

A

Good morning.

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**Jake Roberts**

*Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.*

Q

Just to start out with – sorry, to keep harping on this topic. But has there been any discussion internally about the ideal pace of showing through the remaining \$1.1 billion on the repurchases, and just is there a ticking clock on that number at all?

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**Mark S. Scucchi**

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

A

I guess the short answer to the question is no. There is no pace on it. We'll be opportunistic and balance the priorities. So, we intentionally have not given out a hard and fast formulaic approach. We have to balance market conditions in our priorities and returns and cash flows. So, that's the optionality and the intentional flexibility built into the program.

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**Jake Roberts**

*Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.*

Q

Fair enough. And then I was hoping you could speak to the ethane dynamic that Range saw during this quarter and how you see that shaping up over the year? And Dennis, you laid out the NGL macro side of things. I'm just wondering longer-term, how we should be thinking about any potential impacts on the premium to Mont Belvieu, maybe in 2024 and beyond?

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**Dennis L. Degner**

*Executive Vice President & Chief Operating Officer, Range Resources Corp.*

A

[indiscernible] (00:40:49). Thanks for the question, Jacob. I'm going to start off and then I'm going to pitch over to Alan to let him provide some thoughts as well on this question that you've raised. I think when you look at the production profile for this year, quarter-in and quarter-out, you can expect to see some fluctuations in let's just say the gas that we report on and that production profile or on the NGLs, just depending upon the turn-in lines, and again, that activity cadence. But by and large, we would expect our NGL production to basically be relatively consistent and flat throughout the balance of the year. And a lot of that goes back to some comments I made earlier, we're still under a maintenance level program where, again, we're keeping the system at a high level of utilization and maintaining a flat level of production. But from an ethane perspective, I'll put over to Alan at this point and let him provide some additional color on the diff (sic) [differential] and other long-term outlook.

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**Alan W. Farquharson**

*Senior Vice President-Reservoir Engineering & Economics, Range Resources Corp.*

A

Hey Jacob, this is Alan Engberg. I manage our Liquids business. I'll actually start talking maybe a little bit just about the overall premium, NGL premium that we got during the first quarter. As I think the guys have said already, it's been a good start of the year for Range. And at a high level, the Liquids business really is – it's a hedge against weak nat gas prices. NGLs in general, really track crude more than natural gas. Now, ethane, in particular, does track gas, but it's also influenced by the rest of the NGL barrels, which tracks much more closely with crude. And then in particular, the international markets track a lot more with crude. So, when natural gas is weak, NGLs, the spread between gas and crude widens and NGLs tend to outperform.

For Range in particular, we have a lot of flexibility in our system and we did see weak winter weather demand. So, we actually flexed to the export markets. And the export markets really performed strongly for us. If you look at just market reported index values at the export dock relative to the Mont Belvieu Index, those averaged for the first quarter around \$0.08 to \$0.085 per gallon, which was up about 35% year-on-year. So, overall, our premium benefited from the market dynamics, the spread between gas and crude as well as our ability to flex to the highest value markets. Now, it is somewhat seasonal, what we get. And typically, the winter does provide us more opportunities than the summer months. So, we're still maintaining our guidance at plus or minus \$1 for that premium.

Now, going to ethane fundamentals, in particular, it's interesting. The ethane price has come off quite a bit from the fourth quarter. It's actually kind of weak and that is really the result of the lower natural gas price, which does pull on ethane. But also, there's been, let's say, value chain destocking on the chemical side, which has reduced demand somewhat. All that said, though, the ethane inventories, especially as represented in days of supply, so

total stocks divided by total demand are still at five-year lows. So, the market is relatively snug. And in fact, EIA's short-term NGL look that was just released a couple of weeks ago, is showing ethane stocks in terms of days of disposition remaining at the bottom of the five-year range for the rest of this year and next year. And in fact, you don't get any lower than where we are right now unless you look back to 2011 on days of disposition.

We see operating rates improving already in the chemical industry during the first quarter. There's domestically about another 250,000 barrels per day of ethane demand that can still come back and get us back to last July's ethane demand levels, plus there's new demand internationally as well as domestically that could add another 200,000 barrels per day. So, given strong underlying fundamentals, a lot of demand coming online that we see, we think ethane prices relative to gas are going to improve through the rest of this year and could actually double in value relative to gas.

And again, Range, because of our position, first mover in the industry, having production at the Houston MarkWest facility that is the main hub for moving ethane to whether it's Mont Belvieu or moving it to Canada or moving it to international markets. We feel really confident about our ability to continue to extract strong values for ethane and the rest of the NGL barrel through the rest of the year.

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**Jake Roberts**

*Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.*

Q

Thank you. I appreciate that detail. And I guess I'll just finish by saying congratulations to Jeff and Dennis. Best of luck.

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**Jeffrey L. Ventura**

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

A

Thank you very much.

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**Dennis L. Degner**

*Executive Vice President & Chief Operating Officer, Range Resources Corp.*

A

Thanks, Jacob.

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**Operator:** One moment for our next question. Our next question will come from Subash Chandra of Benchmark Company. Your line is open.

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**Subash Chandra**

*Analyst, The Benchmark Co. LLC*

Q

Thank you. And ditto, Jeff, on all the words said here for a long and storied career. Couple of line item questions. First, I guess on lifting costs, I think, in the 10-Q kind of cited water hauling cost. Just wondering if that is a temporary issue or a structural issue of any kind and the abandonment cost, which is not a huge number, but if that was specific to any particular part of your acreage.

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**Dennis L. Degner**

*Executive Vice President & Chief Operating Officer, Range Resources Corp.*

A

Yeah. Good morning, Subash. I'll go ahead and tackle these. From a water hauling perspective, we have seen some fluctuations that are kind of short-term in nature from a cost perspective. As you can imagine, as demand goes up for, let's just say, just start a program at the beginning of the year, coupled with winter operations and fuel cost. We can see some of those being needle movers, if you will, at times with our quarterly water hauling cost.

We would expect, though, all of that to still normalize throughout the year, and we're on track for our lease operating expense guidance that we provided this past call for \$0.11 to \$0.13. So, all of that is still intact.

From a workovers perspective, any given quarter, I think is really tough to assess whether it's a workover that's unique or an abandonment operation because each one has its own unique cost exposure. We did pull several projects forward into Q1. As you can imagine, in the Northeast, we try and push some of those projects into the middle part of the year when the weather is a little bit nicer. But with the mild winter conditions that we had in the first quarter, the team became very proactive to pull some of those projects forward. So, we could see some benefit throughout the year with further production stabilization. So, we would expect to see, just like when we talk about turn-in lines or other operational cadence, we see – expect to see some quarter-over-quarter variance, but everything is still on track for the guidance that we provided this past quarter.

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**Subash Chandra**

*Analyst, The Benchmark Co. LLC*

Q

Thanks for that. And then, a question on MVP. It seems like it's warmer than ever to get that pipeline operational. And we've chatted before on it. Just curious I think you've cited indirect benefits. But do you have an opinion whether you would expect to see 2 Bcf a day of fresh gas in the basin? Or do you think some large portion of it would be just rerouted gas?

---

**Dennis L. Degner**

*Executive Vice President & Chief Operating Officer, Range Resources Corp.*

A

Well, I think – really good question. And I think if you look historically with other projects of that magnitude that were greenfield, that were brought into service and commissioned, clearly, there was more of a ramp to fill type approach. In this particular environment, you can make the argument there's probably going to be more of a production redistribution effort where you can see some capacity start to open up on other pipes. And you can see then the demand pull for the customers that are going to be on the end of that particular piece of infrastructure, you can see that production then get shifted off of other infrastructure and directed toward utilization of MVP. I think we would see it would be – it could potentially be a balance of those two.

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**Subash Chandra**

*Analyst, The Benchmark Co. LLC*

Q

Okay. Great. Thank you, guys.

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**Dennis L. Degner**

*Executive Vice President & Chief Operating Officer, Range Resources Corp.*

A

Thank you.

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**Operator:** One moment for our next question. And our next question will come from Paul Diamond of Citi. Your line is now open.

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**Paul Diamond**

*Analyst, Citigroup Global Markets, Inc.*

Q

Thank you. I would echo having enough commentary here. Congratulations, Jeff. Well deserved, and good luck on the next efforts.



**Jeffrey L. Ventura**

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

Well, thank you very much. Appreciate it.

A

**Paul Diamond**

*Analyst, Citigroup Global Markets, Inc.*

But just circling back a little bit. You guys talked to touch about you're starting to see some cracks in the inflationary narrative we've seen over the past years and looking more towards H2 and more probably likely 2024. I was wondering if you could give a bit of color on that as far as if there is a – anything particular you think might go first or just a bit more detail there.

Q

**Dennis L. Degner**

*Executive Vice President & Chief Operating Officer, Range Resources Corp.*

Yeah. Good morning, Paul, this is Dennis. I think, as you start to – it's hard to predict today where some of that will surface. We are starting to see signs of, we'll call it, one-off rig availability or you're starting to see some different openings in the schedule for maybe those spot frac crews that you may need to address like that one-off pad or two execution throughout the balance of [indiscernible] (00:51:07) year. I can't say that pricing has really moved all that much at this point. You are still seeing, I think, a very high utilization of, what we call, the specialty equipment, your high-spec drilling rigs and also the electric frac fleets where those are clearly very – at a very high level of utilization. You are starting to see signs of tubular goods showing signs of relief along with one-off consumable products like the frac sand as an example. So, that could translate again into some one-off unique savings toward the end of the year.

A

But, again, we think this is going to be – if there is – whatever savings materialize, we'll then really more show itself for the balance of 2024. Whatever comes out of the inflation uptick or relief that we see through the balance of this year and into the years that follow, I'll kind of direct you back to our dollars per Mcf incremental component. Last year, we were at \$0.64 per Mcfe when you look at our low base decline and just our overall capital efficiency and our cost structure. And this year, I mean, clearly, even with that – with the increases that we've seen from 2022 to 2023, we're still in the mid \$0.70 range. So, still in a fraction of what we would see compared to our peers in other basins, if you will. So, however this plays out, we do see that we're still going to be in a peer-leading position at the end of the day.

**Paul Diamond**

*Analyst, Citigroup Global Markets, Inc.*

Understood. Thanks for the clarity. And just one quick follow-up. I know we've talked a lot about the takeaway constraints and the concern for in-basin growth, at least in the near-term. How do you guys think about the opportunity for more organic growth in- basin? And whether it's through industrial demand or commercial or residential or anything along those lines? How do you guys think about that going forward?

Q

**Dennis L. Degner**

*Executive Vice President & Chief Operating Officer, Range Resources Corp.*

Yeah. I think if you start to – I think we see a couple of options. And one, when you start to look at some of the M&A activity that's occurred over the last few years, you no doubt had seen also a change in capital allocation potentially for some of those producers they start to direct their activity toward the assets that have been a part of that transaction in some regards away from Appalachia. You've also seen some degradation in well performance year-over-year, which certainly challenges probably those other peers around capital allocation choices that they're making. Those are things that we haven't seen on our end. And so, the position that, that puts us in is

A

really to be on the first cut of the fairway to utilize infrastructure that goes underutilized in the future. So, we think that poises us well with our long runway of inventory. There are some projects that have been identified in the event that growth. It's not probably – it's not a question of if, it's when. That call on Appalachia gas takes place. And we feel like those have been identified in a way that Range could participate down the road in the future. But again, for now, maintenance is the case. And we know we've got the runway and ability to add inventory to the growth conversation when the – not only the macro but also the basin fundamentals point in that direction.

And you're seeing more conversations around in-basin demand sources in the future. Shell cracker is one of those prime examples where you're taking somewhere in the neighborhood of 100,000 barrels of ethane in the conversation plus fuel gas that gets you almost to between an excess of [ph] \$0.25 B a (00:54:42) day just alone in that facility. You've got combined cycle facilities that have continued to express interest in being in that area, given the long runway of inventory and supply that a company like Range could participate in. So, we see that there's more than just pipes being a part of the solution, but there's going to be in-basin demand that has the opportunity to further materialize. So certainly, opportunities down the road for sure for growth.

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**Paul Diamond**

*Analyst, Citigroup Global Markets, Inc.*

Q

Understood. I appreciate the clarity. Thanks for your time, Dennis.

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**Dennis L. Degner**

*Executive Vice President & Chief Operating Officer, Range Resources Corp.*

A

Thanks, Paul.

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**Operator:** And one moment for our next question. And our next question will come from Scott Hanold of RBC Capital Markets. Your line is open.

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**Scott Hanold**

*Analyst, RBC Capital Markets LLC*

Q

Yes, thanks. Jeff, Dennis, again my congrats to both of you. Maybe my first question is to get kind of – layer on to that conversation there. But like when you think about the market right now, it is a little bit loose, the gas market. And I know there are a lot of folks calling for the need for some gas producers to further reduce activity. Can you just give us a high level sense that, is there any point where it makes sense for Range to back off on its maintenance plan? Or is there an overriding just kind of efficiency benefit to maintaining maintenance?

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**Dennis L. Degner**

*Executive Vice President & Chief Operating Officer, Range Resources Corp.*

A

Yeah. Scott, this is Dennis again. We're very comfortable with the maintenance program that we have laid out. I mean, again, by the time we get to the midyear point, we'll be down to one drilling rig and one frac crew. So, this is what I would say a very comfortable low-end position for our program. It's very capital and operationally efficient for us. And it allows us to continue to check all the right boxes from a lower cost structure perspective, high-end utilization of the gathering system. And even through the balance of the last couple of years when we started to see fluctuation in commodity prices, we didn't grow. Instead, we stayed the course. And we did what we said we were going to do, remain focused on our balance sheet objectives. So, from our perspective, we're – we never grew and we stayed the course. And so, again, we'll stay at this level until the fundamentals suggest we should do otherwise.

**Scott Hanold***Analyst, RBC Capital Markets LLC*

Q

So, would there be any consideration to curtail production rather than change your drilling program to curtail during periods of more extreme weakness?

**Dennis L. Degner***Executive Vice President & Chief Operating Officer, Range Resources Corp.*

A

Yeah, good question. It's something we – I will say we evaluate on an as-needed basis here within the organization. I think at the end of the day, if you look back on the last time we had commodity prices in this similar ZIP code. We did demonstrate that we were willing to shut in some of our gas that basically had commensurate cost reductions associated with it. But really, for us, it's much more of a complex math problem, if you will, than just do we shut in the gas or not because of the liquids component that you've heard Alan, Mark and Jeff and myself touch on today. When you look at the incremental benefit that we see to our realized price because of our overall liquids production quarter-in, quarter-out, it generates a NYMEX plus type exposure for us versus our natural gas, wholly exposed peers who can be more at a NYMEX minus type environment. So, back to – I know we touched on in the prepared remarks, but just this past quarter, we were in excess of \$1 over Henry Hub in a comparison basis, as an example, \$1.14. So, for us, again, maintenance really makes a lot of sense for us, utilizing that existing infrastructure. That NGL exposure that Alan's touched on plays a significant part in the overall cash flow that we generate. Our NGLs generally produce about 30% of our overall production profile. But from a cash flow perspective, it can mean as much as 40% to 45%. So, all-in-all, something that we are cognizant of, we study on a regular basis as needed based upon where commodity prices are, but NGLs carry a lot of weight for us, and it's meaningful returns.

**Scott Hanold***Analyst, RBC Capital Markets LLC*

Q

Understood. Thanks.

**Dennis L. Degner***Executive Vice President & Chief Operating Officer, Range Resources Corp.*

A

Thank you.

**Operator:** One moment. And we are nearing the end of today's conference. We will go to Umang Choudhary of Goldman Sachs for our final question. One moment. Your line is open.

**Umang Choudhary***Analyst, Goldman Sachs & Co. LLC*

Q

Jeff, thank you so much for your leadership and contribution and good luck on your retirement. And Dennis, congratulations on your promotion.

**Jeffrey L. Ventura***Chief Executive Officer, President & Director, Range Resources Corp.*

A

Thank you.

**Dennis L. Degner***Executive Vice President & Chief Operating Officer, Range Resources Corp.*

A

Thank you.

**Umang Choudhary**

*Analyst, Goldman Sachs & Co. LLC*

Q

My first question was around deflation. You talked about seeing some signs of deflation. Can you give any more details around it? What do you think is the impact to capital spending this year and potentially next year?

**Dennis L. Degner**

*Executive Vice President & Chief Operating Officer, Range Resources Corp.*

A

Yeah. I would really point to it having a very minimal impact to this year's program. And I think for a couple of reasons. One, you're still trying to see the rig reductions materialize. And what that means for where the market is truly heading. And secondly, our program is front-end loaded for the year. And so, the deeper you get into the year, it does take us down to the one rig, one frac crew type environment. So, by nature of that, your speedometer has been reduced by the time [indiscernible] (01:00:14) remaining quarters in the second half of the year at that point. So, more materially, we see this being an opportunity for 2024. We know that we have a long-running history and relationship with many of our service providers. And those service partners want to align with companies that are efficient and we'll execute a program that they've communicated and everyone's made commitments around. So, we think that will be more results will be seen through the 2024 process than later this year.

**Umang Choudhary**

*Analyst, Goldman Sachs & Co. LLC*

Q

Got it. That's helpful. Thank you. And then going back on that response on options for growth, I guess anything which you would like to see on local demand or on a cash basis to get a signal to grow more in basin. I'll put another way, like if you think about where you would like to grow and how your gas marketing portfolio will evolve, is there any place where you would like to add more end market exposure?

**Dennis L. Degner**

*Executive Vice President & Chief Operating Officer, Range Resources Corp.*

A

Well, good question. I think we much – I'll take a half a step back on this one, Umang. I think we would take the same approach that we've had on the NGLs as an example or our current gas portfolio. Mark touched on it a few moments ago, but 80% of our gas gets out of basin, of that overall portfolio of 50% of it gets to the Gulf. We already participate in the LNG market. So, I think we would continue to look for whether it's NGL sides or the gas side, what gives the most competitive returns regardless of that end market. We do see the future having more in-basin opportunities that's going to take, as you would imagine, time to further develop and put that infrastructure in place. But it also has to compete with our ability to get that gas as an example, transport it to the Gulf versus being right there in basin. So, we'll evaluate all of our options. We've got a really talented marketing team. I think if you look over the history of the organization, we've demonstrated through creative structures and being the first producer to put ethane on a waterborne export, tying to foreign indices as an example, for some of those structures. All of that has translated into some of the returns that we talked about today. So, the team will remain diligent. We'll continue to evaluate all of our options, but they have to compete amongst what we have is our options and what we have in the current portfolio.

**Umang Choudhary**

*Analyst, Goldman Sachs & Co. LLC*

Q

Very helpful. Thank you.

**Dennis L. Degner**

*Executive Vice President & Chief Operating 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. Ventura for his concluding remarks.

**Jeffrey L. Ventura**

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

Yeah, I just want to thank everybody for participating on our call today, and thanks for all the kind comments for Dennis and I on our path forward. And if you have any questions, please follow up with the team. Thank you.

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

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