

HAYNES BOONE

Haynes Boone  
Borrowing Base  
Redeterminations  
Survey: Fall 2023

November 2023



# Haynes Boone Borrowing Base Redeterminations Survey

## Overview

Haynes and Boone, LLP has conducted 18 borrowing base redetermination surveys since April 2015, including our most recent survey in October 2023.

The 102 survey respondents include executives at:

- Oil and gas producers
- Financial institutions
- Private equity firms
- Professional services firms

The primary objective of the survey is to provide a forward-looking and clear idea of what lenders, borrowers (oil and gas producers) and others are experiencing regarding borrowing base redeterminations in light of the price uncertainty in the commodity markets.

The following is a summary of our October 2023 borrowing base redetermination survey results and an analysis of the responses.

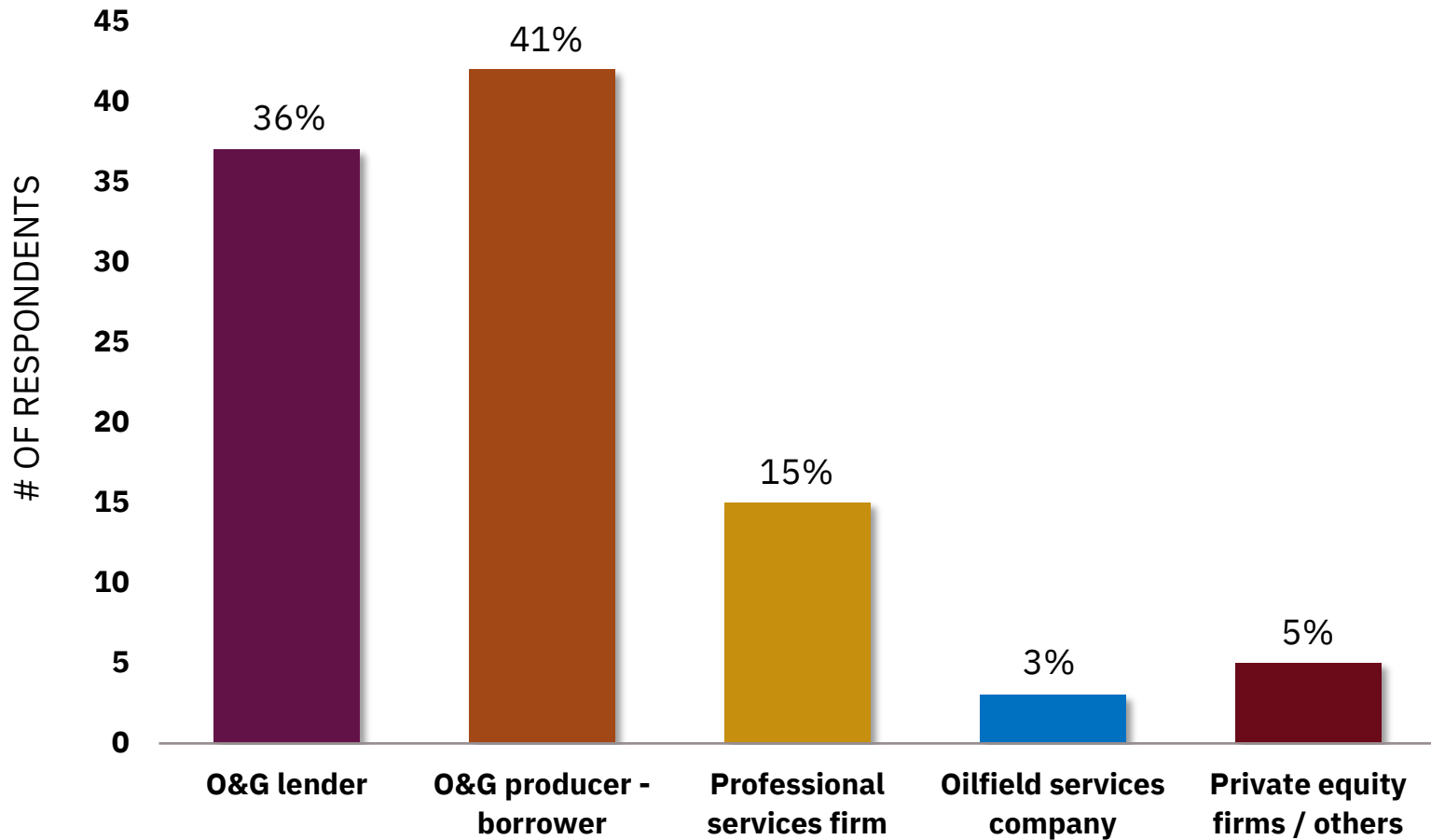
# Haynes Boone Borrowing Base Redeterminations Survey

## Fall 2023 – Key Takeaways

1. This survey was conducted on the heels of a third quarter run-up in commodity prices driven by strong global demand for oil and natural gas, and conflict in the Middle East. Despite these underlying fundamentals, respondents do not expect meaningful borrowing base increases this redetermination season.
2. Hedging percentages continue at the increased levels we first saw in spring 2023, demonstrating that recent market fluctuations have not pushed producers to deviate from their existing hedging strategies.
3. Respondents expect a meaningful drop in the use of commercial bank RBL capital as a financing source in the next year, but are increasingly optimistic regarding the utilization of equity and debt from capital markets in 2024. Debt capital markets increased from 5% (spring 2023) to 8% (fall 2023) and equity capital markets increased from 2% (spring 2023) to 6% (fall 2023).
4. Although the mix of external capital sources has changed over the last several surveys, an internal capital source – cash flow from operations – remains the most popular source of funding.
5. For many years, RBL lenders scrutinized and frowned upon developmental capex spending. However, respondents now expect RBL lenders to be neutral on or even slightly interested in their loan proceeds being used for drilling and completion programs.

# Haynes Boone Borrowing Base Redeterminations Survey – Fall 2023

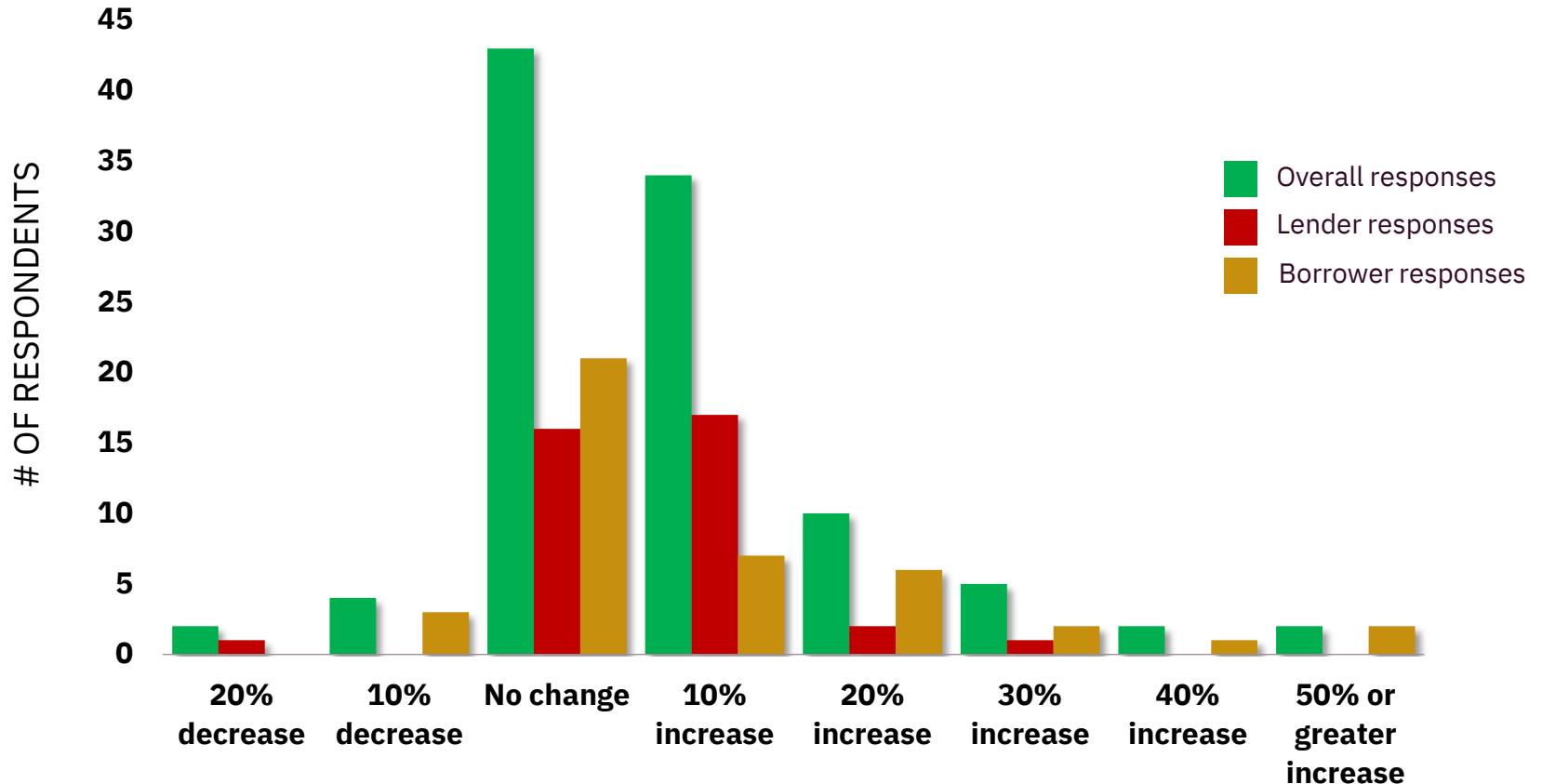
## Question 1: Which of these best describes you?



102 respondents

# Haynes Boone Borrowing Base Redeterminations Survey – Fall 2023

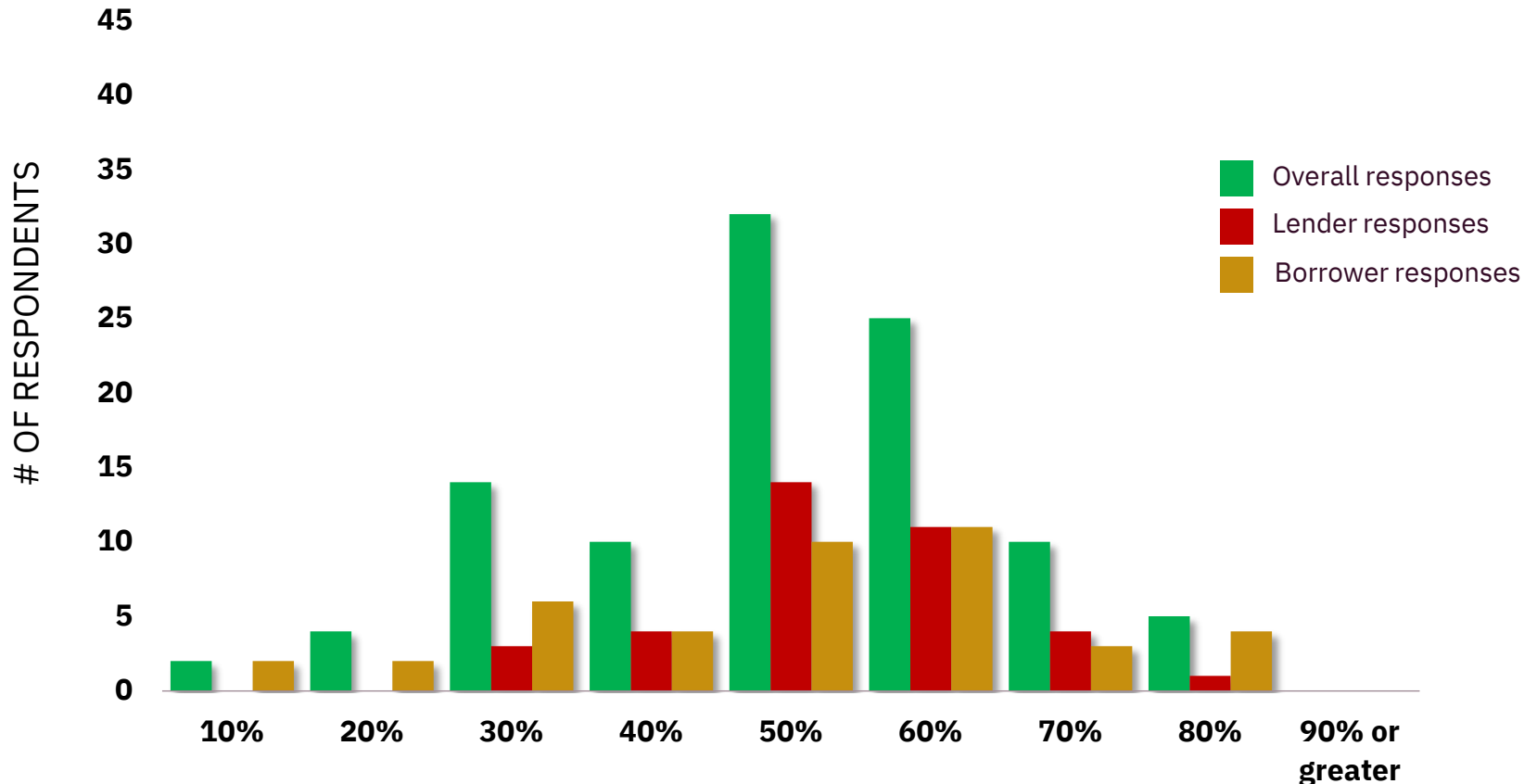
**Question 2: What percentage do you expect borrowing bases to change in fall 2023 as compared to spring 2023?**



Despite market and geopolitical conditions that are driving oil and natural gas prices higher due to continued strong demand, supply constraints, and conflict in the Middle East, survey participants have tempered expectations regarding the fall 2023 borrowing base redetermination season.

# Haynes Boone Borrowing Base Redeterminations Survey – Fall 2023

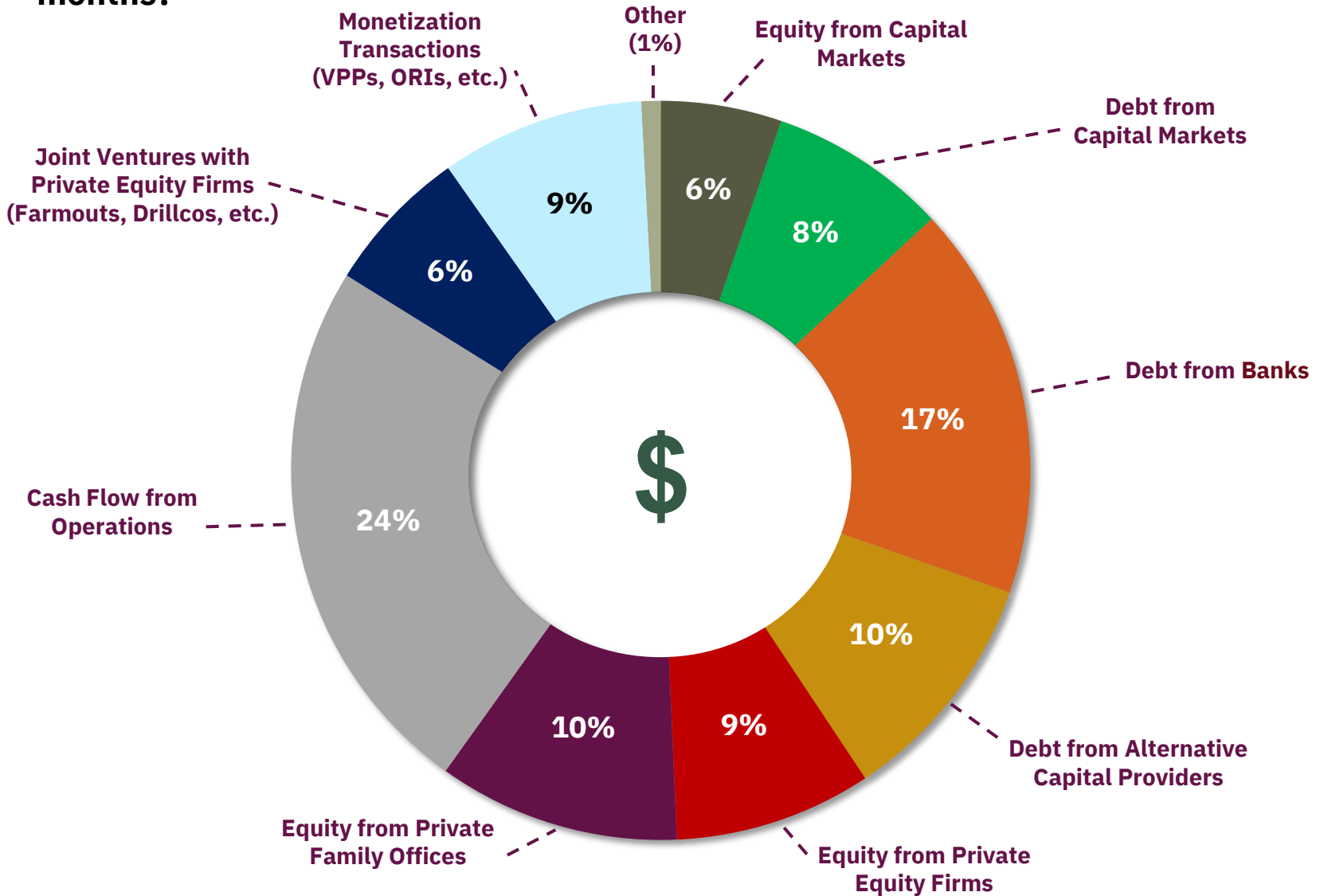
**Question 3: On average, what percentage of anticipated future production have reserve-based credit facility borrowers hedged for the next 12 months?**



Respondents in the fall 2023 survey are continuing to report the high hedging percentages seen in spring 2023. Despite significant volatility in the market – more so upwards, but also downwards – producers are staying the course on their hedging strategies.

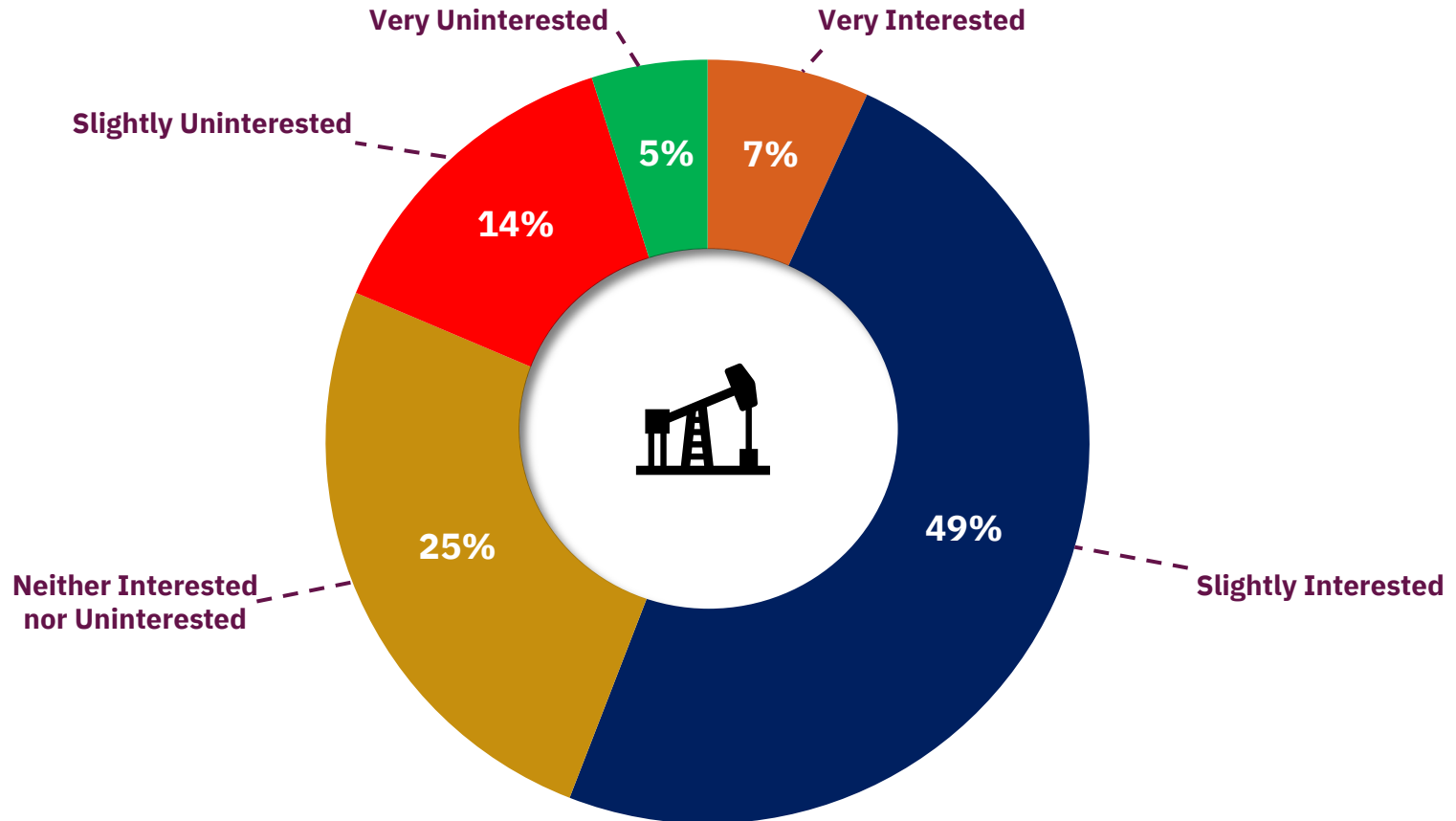
# Haynes Boone Borrowing Base Redeterminations Survey – Fall 2023

## Question 4: Where are producers planning to source capital from in the next 12 months?\*



# Haynes Boone Borrowing Base Redeterminations Survey – Fall 2023

**Question 5: As the supply of Drilled but Uncompleted (DUC) wells in the major oil and gas plays rapidly declines, how interested are RBL lenders in funding additional new drilling activity?**



Unlike in recent years when commercial banks closely scrutinized capex spending on wells, the overwhelming majority of respondents expect RBL lenders to be neutral on or slightly interested in financing new oil and gas wells.



# Haynes Boone Energy Reports

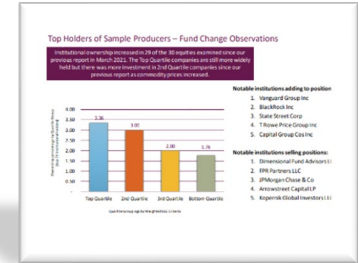
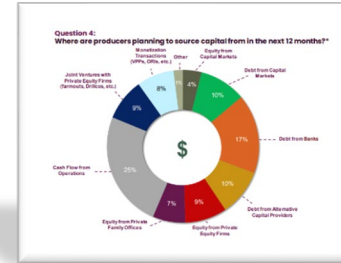
Haynes Boone’s oil and gas lawyers have been helping clients make the right connections and navigate the ever-changing legal maze to successfully close deals. Visit our [Energy Roundup page](#) to view of our reports, surveys and publications that help keep you one step ahead:

## Current reports

- **Borrowing Base Redeterminations Survey:** a forward-looking survey that reveals what lenders, borrowers and others in the industry expect regarding the borrowing base redeterminations in light of oil price uncertainty.
- **Energy Bank Price Deck Survey:** our survey that compiles oil and gas price decks from leading energy banks and serves as an indication of price expectations used to determine producers’ borrowing bases under reserve-based loans.

## Historical reports (2015-2021)

- **Midstream Report:** includes details on midstream companies that have filed for bankruptcy since 2015.
- **Oil Patch Bankruptcy Monitor:** includes details on oil and gas producers that have filed for bankruptcy since 2015.
- **Oilfield Services Bankruptcy Tracker:** includes details on oilfield services companies that have filed for bankruptcy since 2015.
- **Haynes Boone and EnerCom Oil & Gas ESG Tracker:** our report that monitors how oil and gas companies are responding to the growing demand that they advance and develop ESG policies and communicate them to investors, lenders, regulators and other stakeholders.

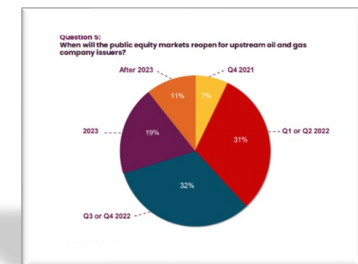
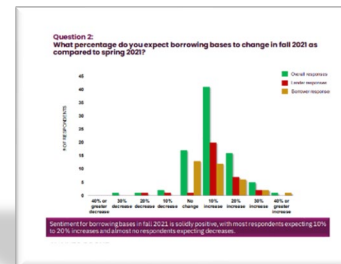


LN2107248 11/12/21 #1.4

Significant capital is being invested in funds with an ESG focus. Values increase as a result of stock prices rising.

The top 10 institutional holders of the 30 sample producers that we analyzed have an aggregate of \$34.9 billion invested in the equity of the group, and they include:

Institution	Funds owned	Value (\$ billions)
VANGUARD GROUP INC	28	29.3
BLACKROCK INC	25	25.5
STATE STREET CORP	21	24.5
CAPITAL GROUP COMPANY	4	21.9
FIDELITY	18	21.9
T. ROWE PRICE GROUP INC	6	21.9
DIMENSIONAL FUND INVESTORS LP	29	21.8
GEODE CAPITAL MANAGEMENT LLC	27	21.4
INVESTORSCO	8	21.0
INVESTMENT TRUST CORP	16	1.9



# Primary Contacts



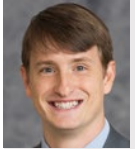
**BUDDY CLARK**  
Partner, Houston  
713.547.2077  
buddy.clark@haynesboone.com



**JEREMY KENNEDY**  
Partner, Houston  
713.547.2098  
jeremy.kennedy@haynesboone.com



**REEM ABDELRAZIK**  
Associate, Houston  
713.547.2998  
reem.abdelrazik@haynesboone.com



**AUSTIN ELAM**  
Partner, Houston  
713.547.2122  
austin.elam@haynesboone.com



**PHIL LOOKADOO**  
Partner, Washington, D.C.  
202.654.4510  
phil.lookadoo@haynesboone.com



**ELLEN CONLEY**  
Associate, Houston  
713.547.2204  
ellen.conley@haynesboone.com



**MIKE FREEMAN**  
Partner, Dallas  
214.651.5362  
michael.freeman@haynesboone.com



**KIM MAI**  
Partner, Houston  
713.547.2029  
kim.mai@haynesboone.com



**JOHN CRAVEN**  
Associate, Houston  
713.547.2035  
john.craven@haynesboone.com



**KRAIG GRAHMANN**  
Partner, Houston  
713.547.2048  
kraig.grahmann@haynesboone.com



**LAURA MARTONE**  
Partner, New York  
212.835.4817  
laura.martone@haynesboone.com



**LIZ FELICIDARIO**  
Associate, Houston  
713.547.2320  
liz.felicidario@haynesboone.com



**SCOTT HELBING**  
Partner, Dallas  
214.651.5532  
scott.helbing@haynesboone.com



**JEFF NICHOLS**  
Partner, Houston  
713.547.2052  
jeff.nichols@haynesboone.com



**CAMIE MCKEE**  
Associate, Dallas  
214.651.5511  
camie.mckee@haynesboone.com



**TIM JOHNSTON**  
Partner, Dallas  
214.651.5135  
tim.johnston@haynesboone.com



**HUGH TUCKER**  
Partner, Houston  
713.547.2023  
hugh.tucker@haynesboone.com



**CHRIS REAGEN**  
Associate, Denver  
303.382.6212  
chris.reagen@haynesboone.com

## OUR OFFICES

### AUSTIN

600 Congress Avenue  
Suite 1300  
Austin, TX 78701  
United States of America

T +1 512.867.8400  
F +1 512.867.8470

### FORT WORTH

301 Commerce Street  
Suite 2600  
Fort Worth, TX 76102  
United States of America

T +1 817.347.6600  
F +1 817.347.6650

### ORANGE COUNTY

600 Anton Boulevard  
Suite 700  
Costa Mesa, CA 92626  
United States of America

T +1 949.202.3000  
F +1 949.202.3001

### WASHINGTON, D.C.

800 17th Street NW  
Suite 500  
Washington, D.C. 20006  
United States of America

T +1 202.654.4500  
F +1 202.654.4501

### CHARLOTTE

620 S. Tryon Street  
Suite 375  
Charlotte, NC 28202  
United States of America

T +1 980.771.8200  
F +1 980.771.8201

### HOUSTON

1221 McKinney Street  
Suite 4000  
Houston, TX 77010  
United States of America

T +1 713.547.2000  
F +1 713.547.2600

### PALO ALTO

525 University Avenue  
Suite 300  
Palo Alto, CA 94301  
United States of America

T +1 650.687.8800  
F +1 650.687.8801

### CHICAGO

180 N. LaSalle Street  
Suite 2215  
Chicago, IL 60601  
United States of America

T +1 312.216.1620  
F +1 312.216.1621

### LONDON

1 New Fetter Lane  
London, EC4A 1AN  
United Kingdom

T +44 (0)20 8734 2800  
F +44 (0)20 8734 2820

### SAN ANTONIO

112 East Pecan Street  
Suite 1200  
San Antonio, TX 78205  
United States of America

T +1 210.978.7000  
F +1 210.978.7450

### DALLAS

2801 N. Harwood Street  
Suite 2300  
Dallas, TX 75201  
United States of America

T +1 214.651.5000  
F +1 214.651.5940

### MEXICO CITY

Torre Chapultepec Uno  
Av. Paseo de la Reforma 509  
Piso 21, Col. Cuauhtémoc  
Alcaldía Cuauhtémoc  
CP. 06500, CDMX  
Mexico

T +52.55.5249.1800  
F +52.55.5249.1801

### SAN FRANCISCO

275 Battery Street  
Suite 1850  
San Francisco, CA 94111  
United States of America

T +1 415.293.8900  
F +1 415.293.8901

### DALLAS - NORTH

6000 Headquarters Drive  
Suite 200  
Plano, TX 75024  
United States of America

T +1 972.739.6900  
F +1 972.680.7551

### NEW YORK

30 Rockefeller Plaza  
26th Floor  
New York, NY 10112  
United States of America

T +1 212.659.7300  
F +1 212.918.8989

### SHANGHAI

Shanghai International  
Finance Center, Tower 2  
Unit 3620, Level 36  
8 Century Avenue, Pudong  
Shanghai 200120  
P.R. China

T +86.21.6062.6179  
F +86.21.6062.6347

### DENVER

675 15th Street  
Suite 2200  
Denver, CO 80202  
United States of America

T +1 303.382.6200  
F +1 303.382.6210

### NORTHERN VIRGINIA

8000 Towers Crescent Drive,  
Suite 900  
Tysons Corner, VA 22182  
United States of America

T +1 703.847.6300  
F +1 703.847.6312

### THE WOODLANDS

Two Hughes Landing  
1790 Hughes Landing Boulevard  
Suite 500  
The Woodlands, TX 77380  
United States of America

T +1 713.547.2100  
F +1 713.547.2101

**HAYNES BOONE**