OBJECTIVE OF THE SURVEY

Haynes and Boone, LLP has conducted 12 borrowing base redetermination surveys since April 2015, including our most recent survey in September 2020.

The 142 survey respondents included executives at:

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

The primary objective was to get 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 September 2020 borrowing base redetermination survey results and an analysis of the responses.
Question 1:
Which of these best describes you?

- O&G lender: 34%
- O&G producer - borrower: 46%
- Professional services provider: 14%
- Oilfield services company: 1%
- Other: 5%

142 respondents
Question 2: What percentage do you expect borrowing bases to change in fall 2020 as compared to spring 2020?

Though the 10% to 20% decreases respondents expect in the fall are not as deep as the 20% to 30% decreases respondents expected in the spring, they will still be very impactful to most producers.
Question 3:
On average, what percentage of anticipated future production have reserve-based credit facility borrowers hedged for the next 12 months?

This survey shows a substantial increase in hedging percentages, likely the result of bankers pushing their borrowers to increase hedge volumes over the last several months.
Question 4: 
Where are producers planning to source capital from in 2021?*

*Respondents could select more than one option. We collected 439 responses. 
The figures in the chart above indicate the percent of total responses for each option.
Question 5: Will the reserve-based loan structure survive the current oil and gas crisis?

- **82%** Yes, as commodity markets revert to the mean and banks compete for market share, the RBL structure will largely look the same as its pre-COVID-19 form.

- **6%** Yes, but with modified terms (e.g., increased pricing, cash-flow sweeps, tighter financial covenants, high minimum hedging requirements, limited to no PUD value and more frequent borrowing base redeterminations).

- **2%** No, producers will need to find alternative debt structures from non-bank lenders.

- **10%** No, banks will lend solely on PDP and revert to pre-1970’s production term loans with fixed amortization.
KEY TAKEAWAYS – BORROWING BASE REDETERMINATIONS SURVEY: FALL 2020

- Though respondents expect borrowing bases to decrease less than the reductions predicted for spring 2020, most producers have limited availability under their borrowing bases and are not in a position to absorb even a minimal decrease.

- Producers are well-hedged; however, most of this increased hedging was likely locked in during recent months when the market was not providing attractive prices for producers.

- Capital raising is increasingly coming from producers’ self-generated sources: cash flow from operations and monetization transactions. Though there are third parties interested in making new investments in the E&P space, they consist of a limited number of higher-cost sources of capital looking to provide new money to a small pool of better-positioned producers.

- Despite the current stress on the reserve-based loan structure, a substantial percentage of respondents expect it to survive in some form. However, the RBL of the next few years will look much different than the RBL producers previously knew. It will have tighter terms and provide less capital.
HAYNES AND BOONE ENERGY REPORTS

Our oil and gas lawyers have been helping clients make the right connections and navigate the ever-changing legal maze to successfully close deals. Take advantage of our other reports, surveys and publications that help keep you one step ahead:

- **Energy Bank Price Deck Survey**: a compilation and analysis of oil and gas price decks from leading energy banks that serves as an indication of price expectations used to determine producers’ borrowing bases under reserve based loans.

- **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.

Contact Hal Means at 713.547.2137 or hal.means@haynesboone.com to receive our latest reports, alerts and surveys and invitations to our energy-related events.
### OFFICE LOCATIONS

<table>
<thead>
<tr>
<th>CITY</th>
<th>Address</th>
<th>Phone</th>
<th>Fax</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUSTIN</td>
<td>600 Congress Avenue Suite 1300 Austin, TX 78701</td>
<td>+1 512.867.8400</td>
<td>+1 512.867.8470</td>
</tr>
<tr>
<td>CHARLOTTE</td>
<td>101 S. Tryon Street Suite 2550 Charlotte, NC 28280</td>
<td>+1 980.771.8200</td>
<td>+1 980.771.8201</td>
</tr>
<tr>
<td>CHICAGO</td>
<td>180 N. LaSalle Street Suite 2215 Chicago, IL 60601</td>
<td>+1 312.216.1620</td>
<td>+1 312.216.1621</td>
</tr>
<tr>
<td>DALLAS</td>
<td>2323 Victory Avenue Suite 700 Dallas, TX 75219</td>
<td>+1 214.651.5000</td>
<td>+1 214.651.5940</td>
</tr>
<tr>
<td>DALLAS - NORTH</td>
<td>2505 North Plano Road Suite 4000 Richardson, TX 75082</td>
<td>+1 972.739.6900</td>
<td>+1 972.680.7551</td>
</tr>
<tr>
<td>DENVER</td>
<td>1050 17th Street Suite 1800 Denver, CO 80265</td>
<td>+1 303.382.6200</td>
<td>+1 303.382.6210</td>
</tr>
<tr>
<td>FORT WORTH</td>
<td>301 Commerce Street Suite 2600 Fort Worth, TX 76102</td>
<td>+1 817.347.6600</td>
<td>+1 817.347.6650</td>
</tr>
<tr>
<td>HOUSTON</td>
<td>1221 McKinney Street Suite 4000 Houston, TX 77010</td>
<td>+1 713.547.2000</td>
<td>+1 713.547.2600</td>
</tr>
<tr>
<td>LONDON</td>
<td>1 New Fetter Lane London, EC4A 1AN United Kingdom</td>
<td>+44 (020) 8734 2800</td>
<td>+44 (020) 8734 2820</td>
</tr>
<tr>
<td>MEXICO CITY</td>
<td>Torre Esmeralda I, Blvd. Manuel Ávila Camacho #40 Despacho 1601 Col. Lomas de Chapultepec, DF 11000 Mexico City, Mexico</td>
<td>+52.55.5249.1800</td>
<td>+52.55.5249.1801</td>
</tr>
<tr>
<td>NEW YORK</td>
<td>30 Rockefeller Plaza 26th Floor New York, NY 10112</td>
<td>+1 212.659.7300</td>
<td>+1 212.918.8989</td>
</tr>
<tr>
<td>ORANGE COUNTY</td>
<td>600 Anton Boulevard Suite 700 Costa Mesa, CA 92626</td>
<td>+1 949.202.3000</td>
<td>+1 949.202.3001</td>
</tr>
<tr>
<td>PALO ALTO</td>
<td>525 University Avenue Suite 400 Palo Alto, CA 94301</td>
<td>+1 650.687.8800</td>
<td>+1 650.687.8801</td>
</tr>
<tr>
<td>SAN ANTONIO</td>
<td>112 East Pecan Street Suite 1200 San Antonio, TX 78205</td>
<td>+1 210.978.7000</td>
<td>+1 210.978.7450</td>
</tr>
<tr>
<td>SAN FRANCISCO</td>
<td>201 Spear Street Suite 1700 San Francisco, CA 94105</td>
<td>+1 415.293.8900</td>
<td>+1 415.293.8901</td>
</tr>
<tr>
<td>SHANGHAI</td>
<td>Shanghai International Finance Center, Tower 2 Unit 3620, Level 36 8 Century Avenue, Pudong Shanghai 200120, P.R. China</td>
<td>+86.21.6062.6179</td>
<td>+86.21.6062.6347</td>
</tr>
<tr>
<td>THE WOODLANDS</td>
<td>10001 Woodloch Forest Drive Suite 200 The Woodlands, TX 77380 United States of America</td>
<td>+1 713.547.2100</td>
<td>+1 713.547.2101</td>
</tr>
</tbody>
</table>

**Borrowing Base Redeterminations Survey: Fall 2020**

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