

Haynes and Boone, LLP Borrowing Base Redeterminations Survey: Spring 2018

April 10, 2018

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OBJECTIVE OF THE SURVEY

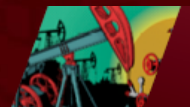
Since April 2015, Haynes and Boone, LLP has conducted seven borrowing base redetermination surveys, including one most recently in April 2018.

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.

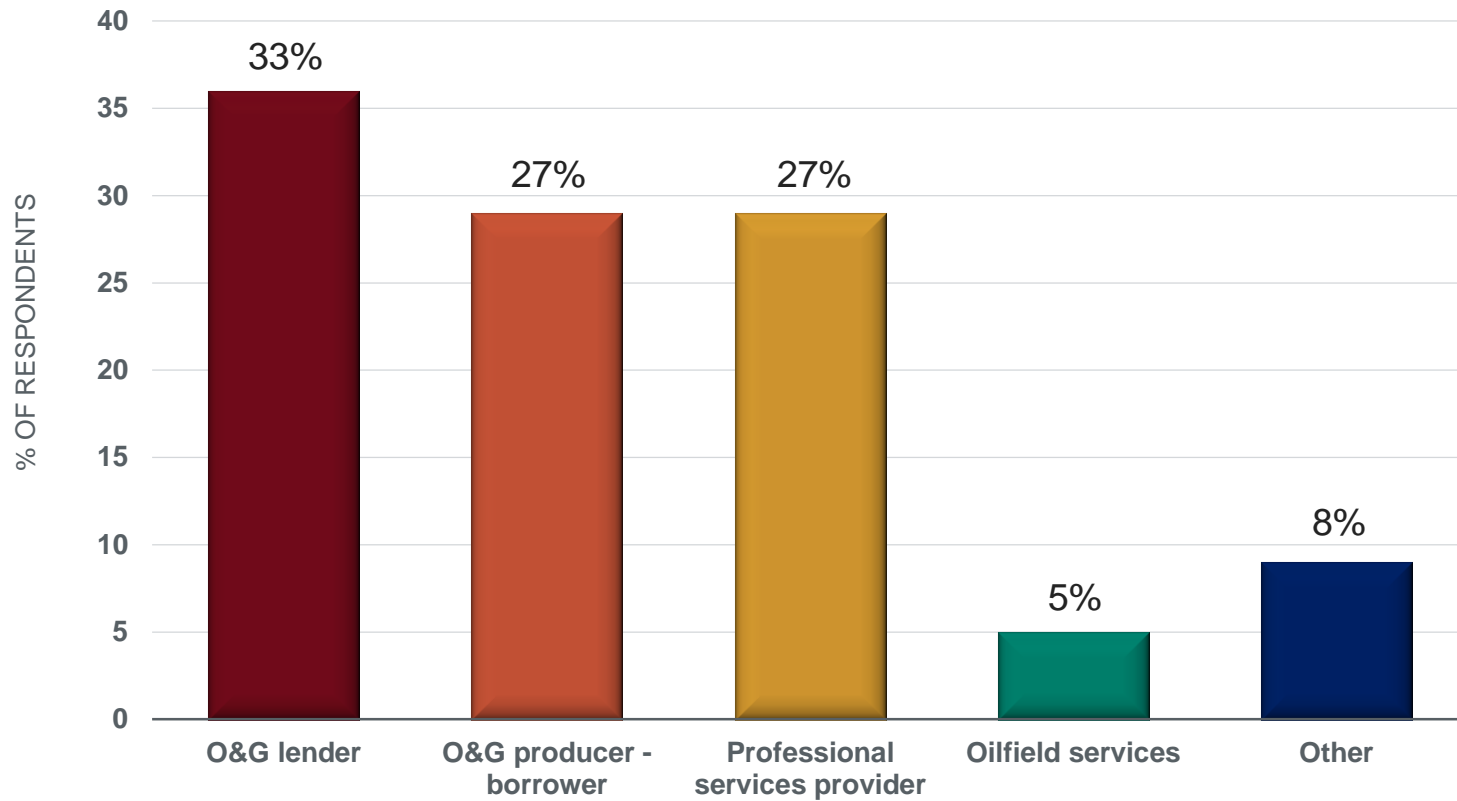
The following is a summary of the April 2018 survey results and an analysis of the responses.



Question 1:

Which of these best describes you?

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108 respondents

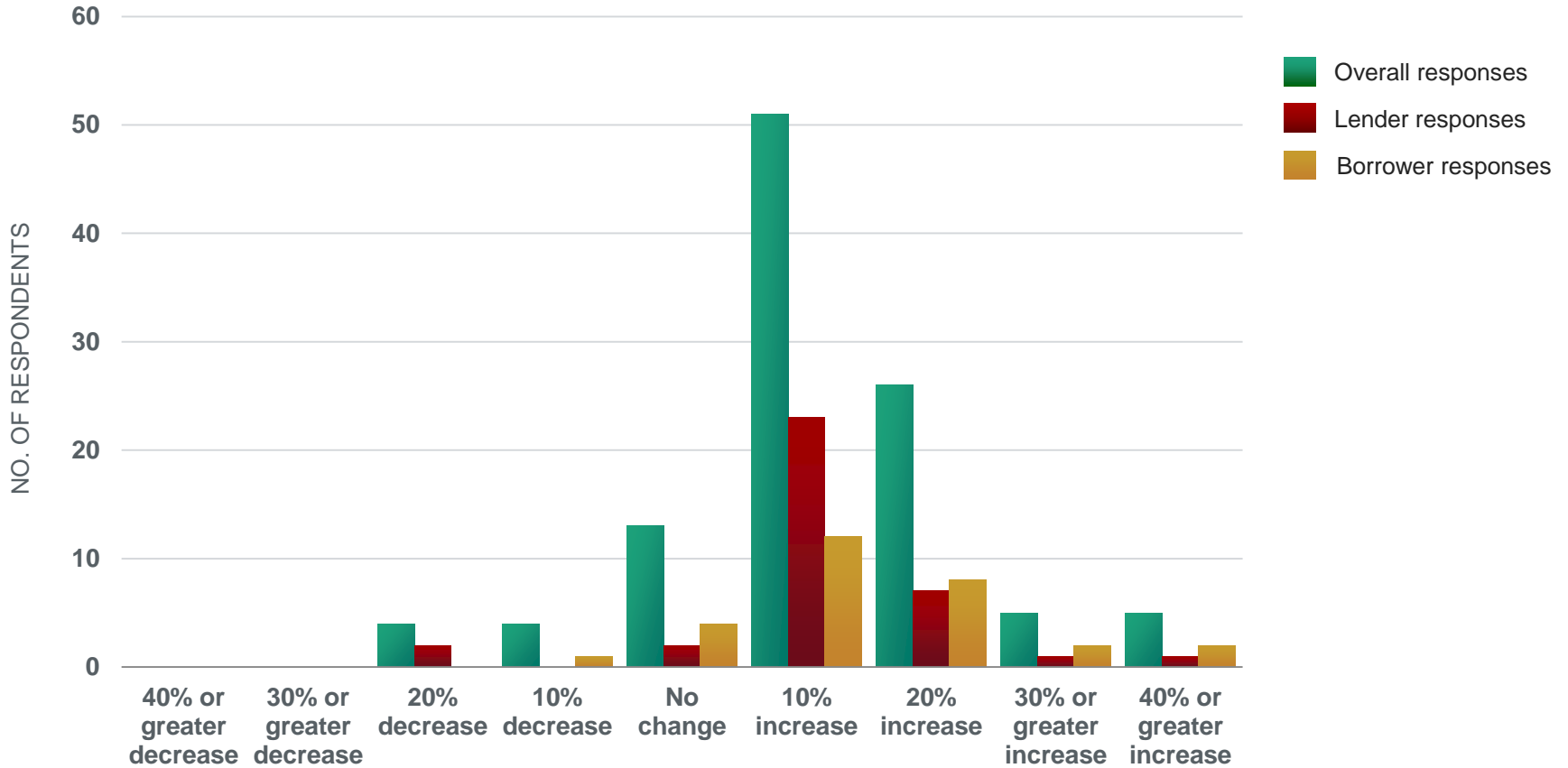
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Question 2:

What percentage do you expect borrowing bases to change in spring 2018 as compared to fall 2017?

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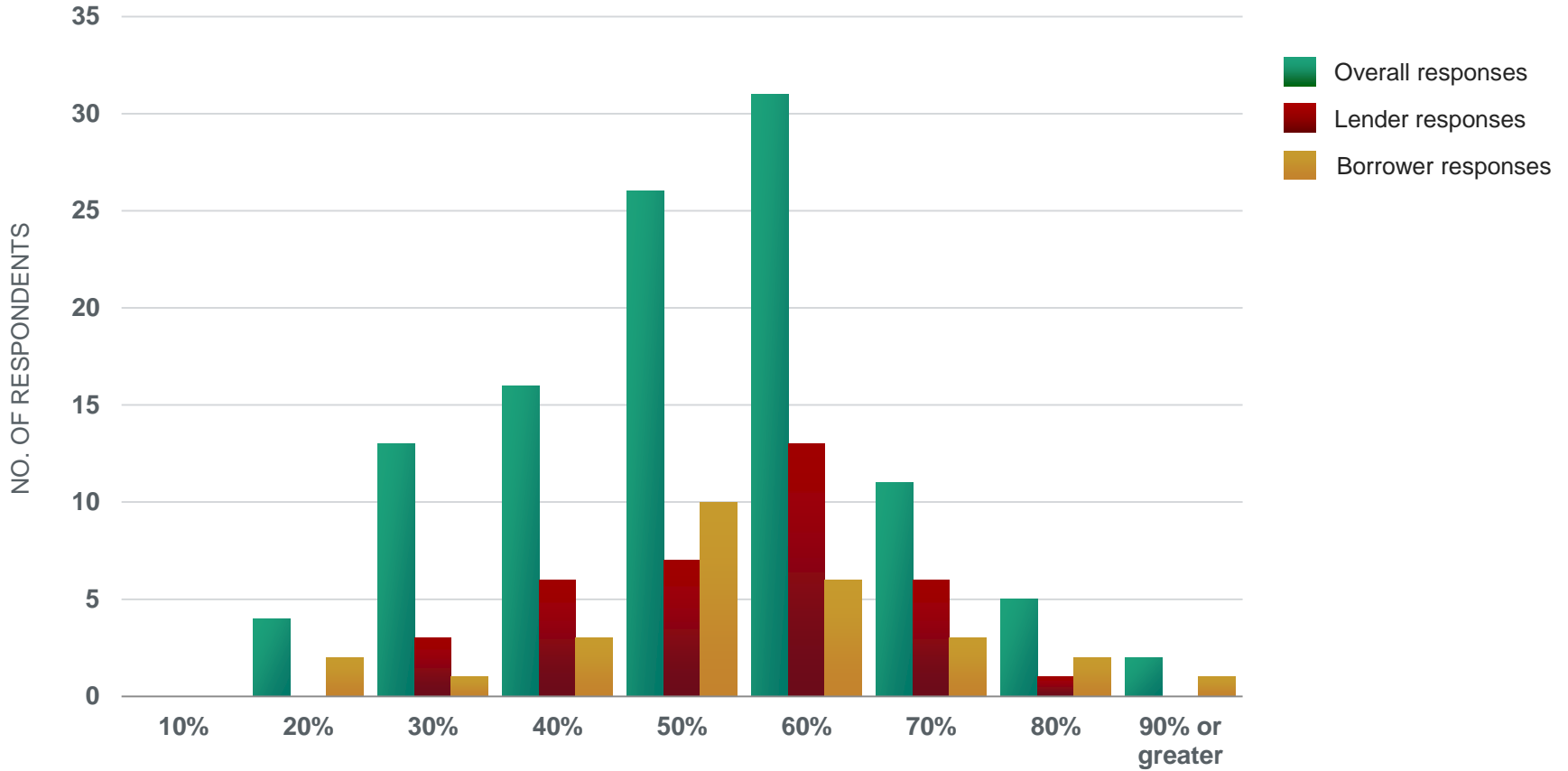
More than 80 percent of the respondents expect borrowers to see a borrowing base increase in spring 2018.

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Question 3:

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

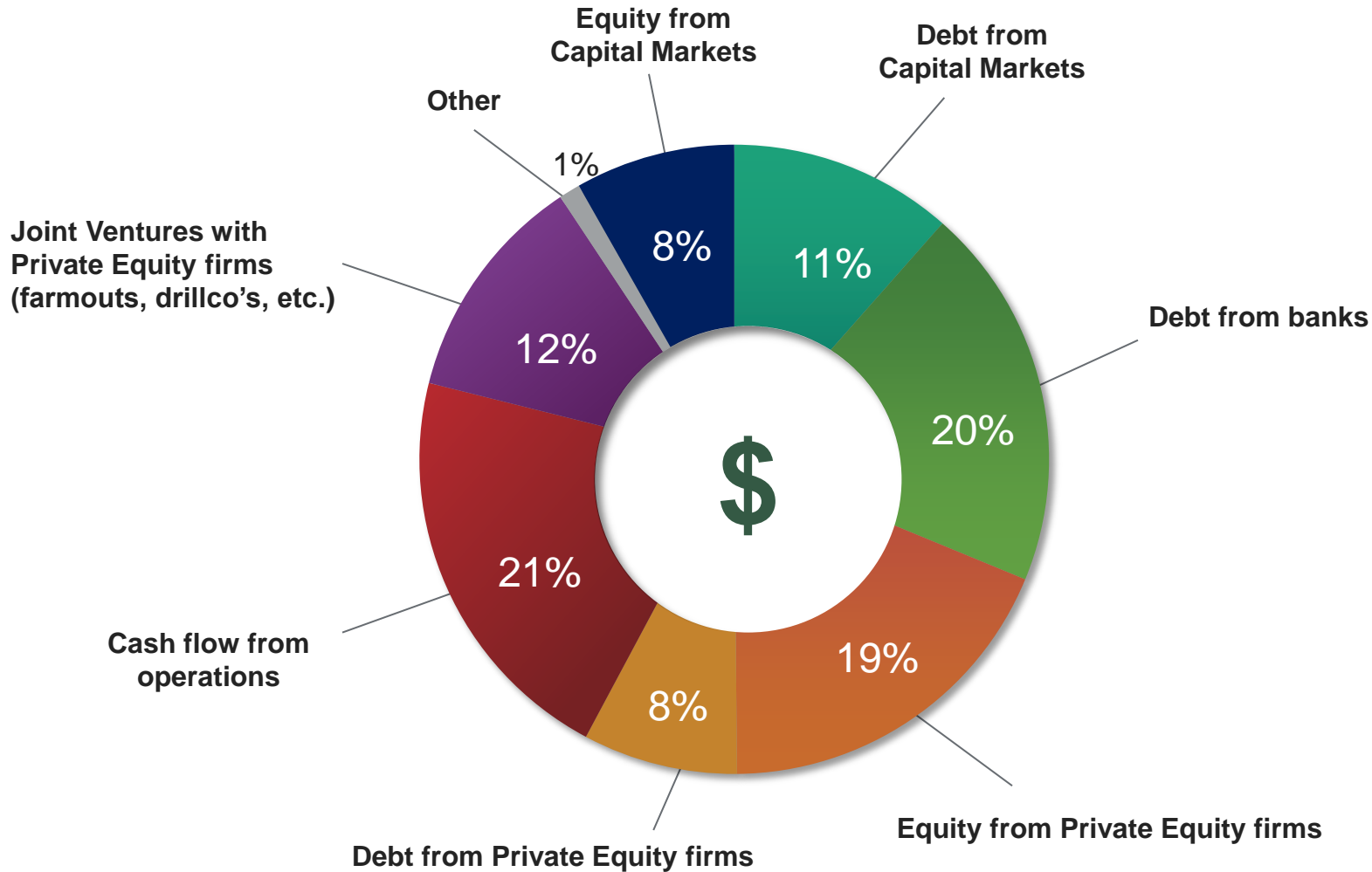


Respondents indicate that borrowers have locked in prices for a significant portion of their 2018 production.



Question 4:

Where are producers planning to source capital from in 2018?*



*Respondents could select more than one option. We collected 365 responses. The figures in the chart above indicate the percent of total responses for each option.



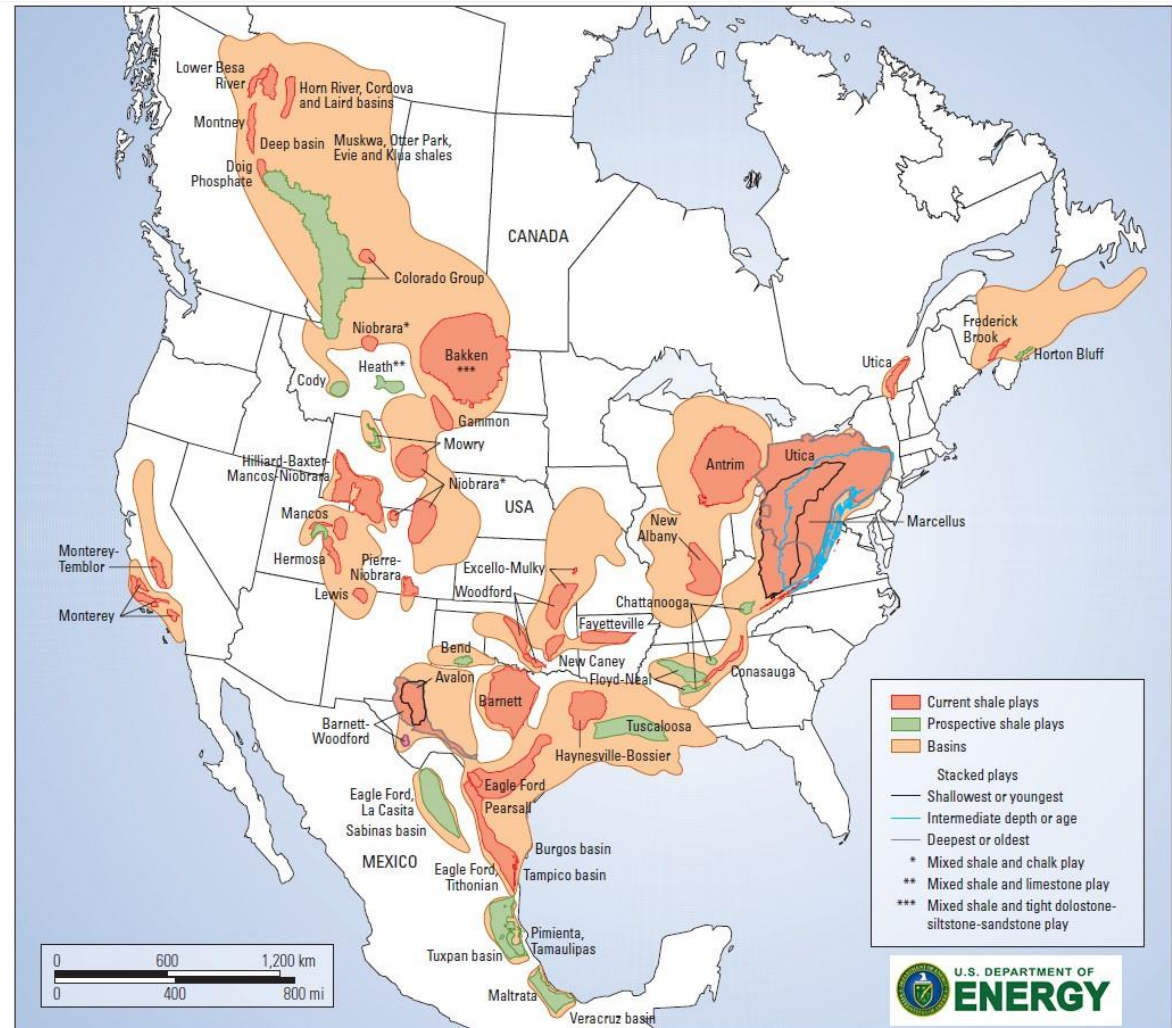
Question 5:

After the Permian and SCOOP/STACK, where do you expect the next “big play” to be?

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Plays and number of responses

Eagle Ford / Austin Chalk	30
Niobrara / DJ / Green River / Powder River / San Juan	20
Haynesville / East Texas / Cotton Valley	14
Bakken / Williston	7
Marcellus / Utica	6
Montney	3
Alaska	2
Eaglebine	1
Gulf of Mexico	1
Marble Falls	1
Mexico (northern)	1



Source: U.S. Department of Energy.

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KEY TAKEAWAYS

- Respondents are very positive about spring 2018 borrowing bases – over 80 percent expect borrowing bases to increase, with most expecting 10 to 20 percent increases.
- Borrowers are locking in increased oil prices. The respondents estimate that producers have a significant percentage – 50 to 60 percent – of their 2018 production hedged. Public filings of E&P companies indicate this trend started at the end of 2017 and has held strong through 2018.
- Producers will utilize cash flow from operations, bank debt and private equity as their primary sources of capital in 2018. Public debt and equity markets are taking a back seat to these sources.
- Respondents predict that the Eagle Ford and Austin Chalk will be the next “big play”. The significant amount of Eagle Ford M&A activity in the first quarter of 2018 indicates that acquirers believe this to be the case as well. The survey also shows strong interest in the Niobrara and Powder River Basin.



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