OBJECTIVE OF THE SURVEY

Haynes and Boone, LLP has conducted 11 borrowing base redetermination surveys since April 2015, including our most recent survey in March 2020.

The 207 survey respondents included executives at:

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

The primary objective is 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 March 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%

207 respondents
Question 2: What percentage do you expect borrowing bases to change in spring 2020 as compared to fall 2019?*

Respondents expect banks to make deep borrowing base cuts in response to the recent free fall in commodity prices.

*The responses above were provided from March 8, 2020 to March 25, 2020 (after the commencement of the Russia – Saudi Arabia oil price war and acceleration of COVID-19 concerns in the United States).
Question 2:
What percentage do you expect borrowing bases to change in spring 2020 as compared to fall 2019?*

Respondents who took the survey prior to the market changing events that commenced on March 8, 2020 were only moderately pessimistic about the upcoming redetermination season.

*The responses above were provided from February 24, 2020 to March 7, 2020 (prior to the commencement of the Russia – Saudi Arabia oil price war and acceleration of COVID-19 concerns in the United States).
Question 3:
On average, what percentage of anticipated future production have reserve-based credit facility borrowers hedged for the next 12 months?

Producers are entering this downturn relatively well-hedged. The key question is whether producers will keep these hedges in place to preserve cash flow or immediately monetize them to enhance liquidity.
Question 4: Where are producers planning to source capital from in 2020?*

*Respondents could select more than one option. We collected 578 responses. The figures in the chart above indicate the percent of total responses for each option.
Question 5:
How impactful will the growing focus on ESG be on E&P companies’ access to capital?

Respondents are split regarding the magnitude of impact ESG will have on producers’ access to capital, though nearly all expect it will have some level of impact.
KEY TAKEAWAYS – BORROWING BASE REDETERMINATIONS SURVEY: SPRING 2020

- A rapid deterioration in market conditions that started on March 8, 2020 resulted in deep pessimism for the spring 2020 borrowing base outlook.
- Respondents expect producers to see downward adjustments of 20% or more in their upcoming redeterminations.
- Oil and gas companies remain well-hedged, which generates a key question for banks and borrowers: What should producers do with these highly “in the money” hedges?
- When compared to the fall 2019 responses, survey participants who see private equity as a source of E&P capital have dropped by nearly 50%. The difference is being made up for with debt from alternative capital providers.
- A growing focus on ESG will be impactful on producers’ future access to capital, but the respondents are mixed on the depth of that impact.
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.
- **Energy Roundup**: a comprehensive report on the energy industry.
- **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, surveys and invitations to our energy related events.
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