

HAYNES BOONE

Haynes Boone
Borrowing Base
Redeterminations
Survey: Spring 2023

April 2023



Haynes Boone Borrowing Base Redeterminations Survey

Overview

Haynes and Boone, LLP has conducted 17 borrowing base redetermination surveys since April 2015, including our most recent survey in March 2023.

The 96 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 March 2023 borrowing base redetermination survey results and an analysis of the responses.

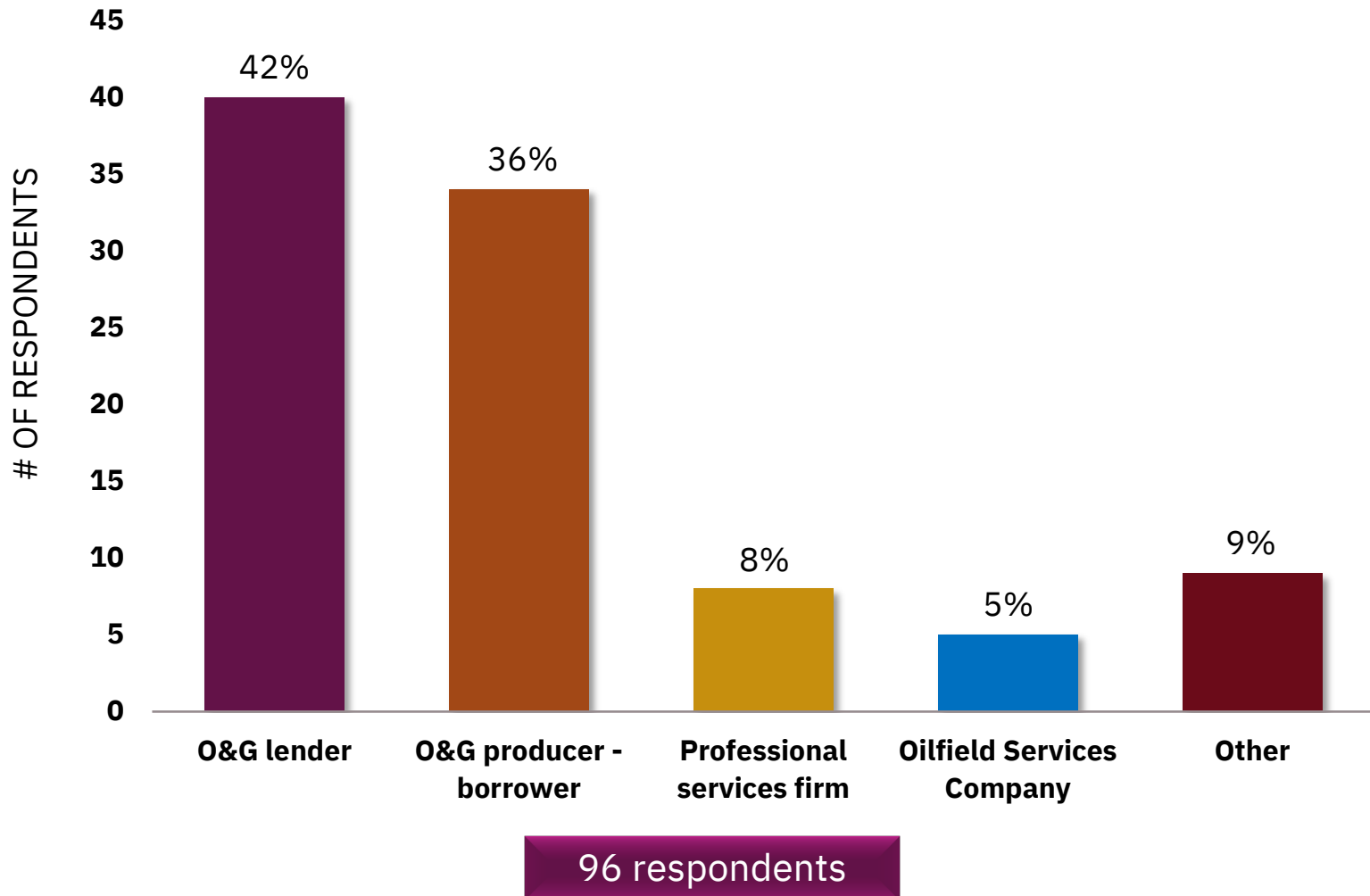
Haynes Boone Borrowing Base Redeterminations Survey

Spring 2023 – Key Takeaways

1. This survey coincided with a banking crisis, commodity price volatility and an unexpected decision by several OPEC+ countries to voluntarily cut oil production. Those factors, on balance, resulted in respondents being pessimistic regarding spring 2023 borrowing bases.
2. Our spring 2023 survey shows higher hedging percentages, likely the result of oil and gas producers seeking to lock in recent commodity price increases.
3. After several recent surveys where respondents indicated that producers would increase their use of capital markets (both debt and equity) as sources of capital, respondents seem to have lost faith in their return in spring 2023. Debt capital markets dropped from 9% (fall 2022) to 5% (spring 2023) and equity capital markets dropped from 6% (fall 2022) to 2% (spring 2023).
4. The capital source that increased the most was family offices, which increased from 7% (fall 2022) to 12% (spring 2023).
5. Producers have been utilizing ABS (working interest securitization) transactions, in part, due to the lack of a robust reserve-based lending (RBL) market. However, only a small percentage of respondents (12%) report that RBL lenders view these ABS transactions favorably.

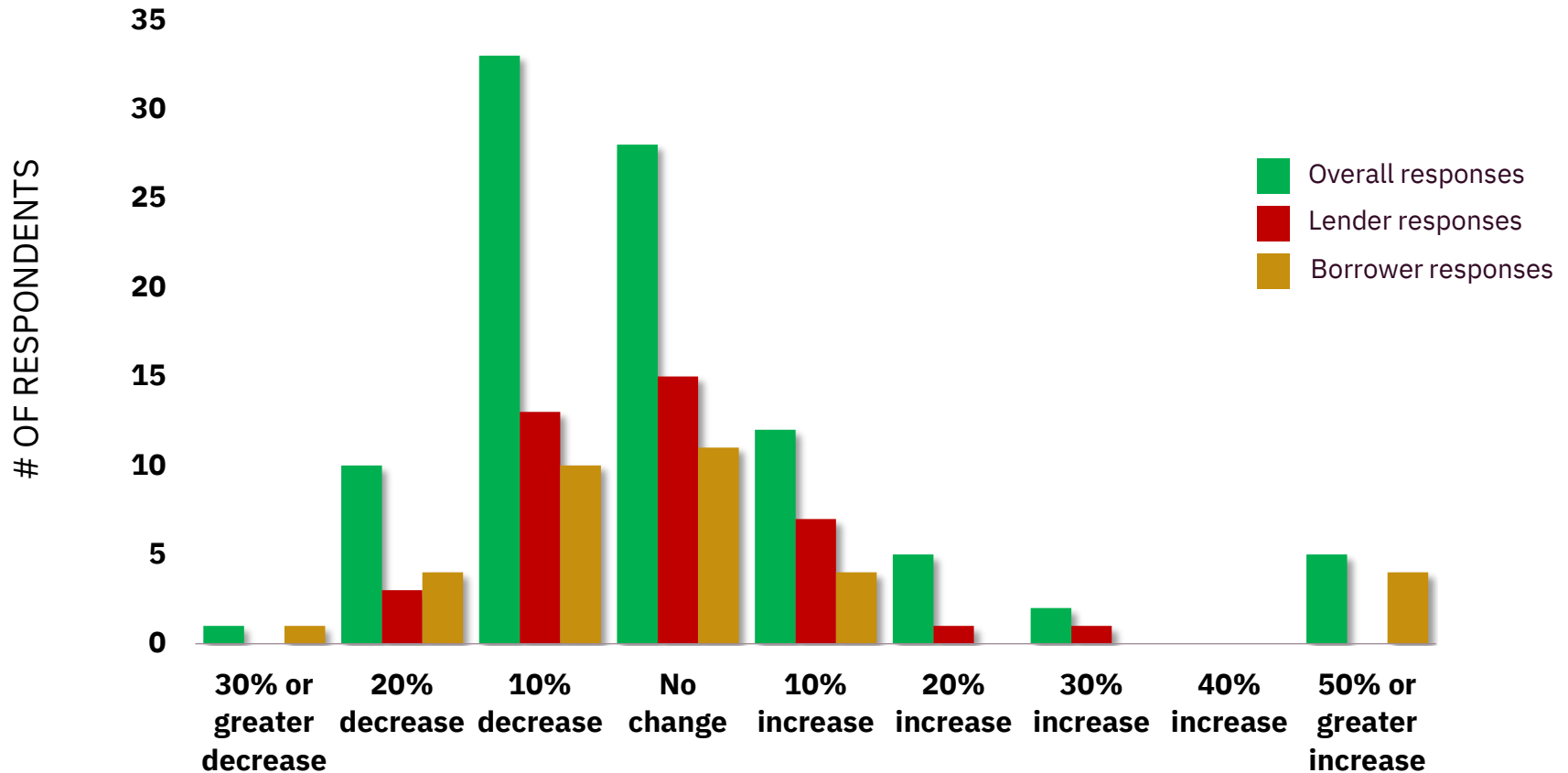
Haynes Boone Borrowing Base Redeterminations Survey – Spring 2023

Question 1: Which of these best describes you?



Haynes Boone Borrowing Base Redeterminations Survey – Spring 2023

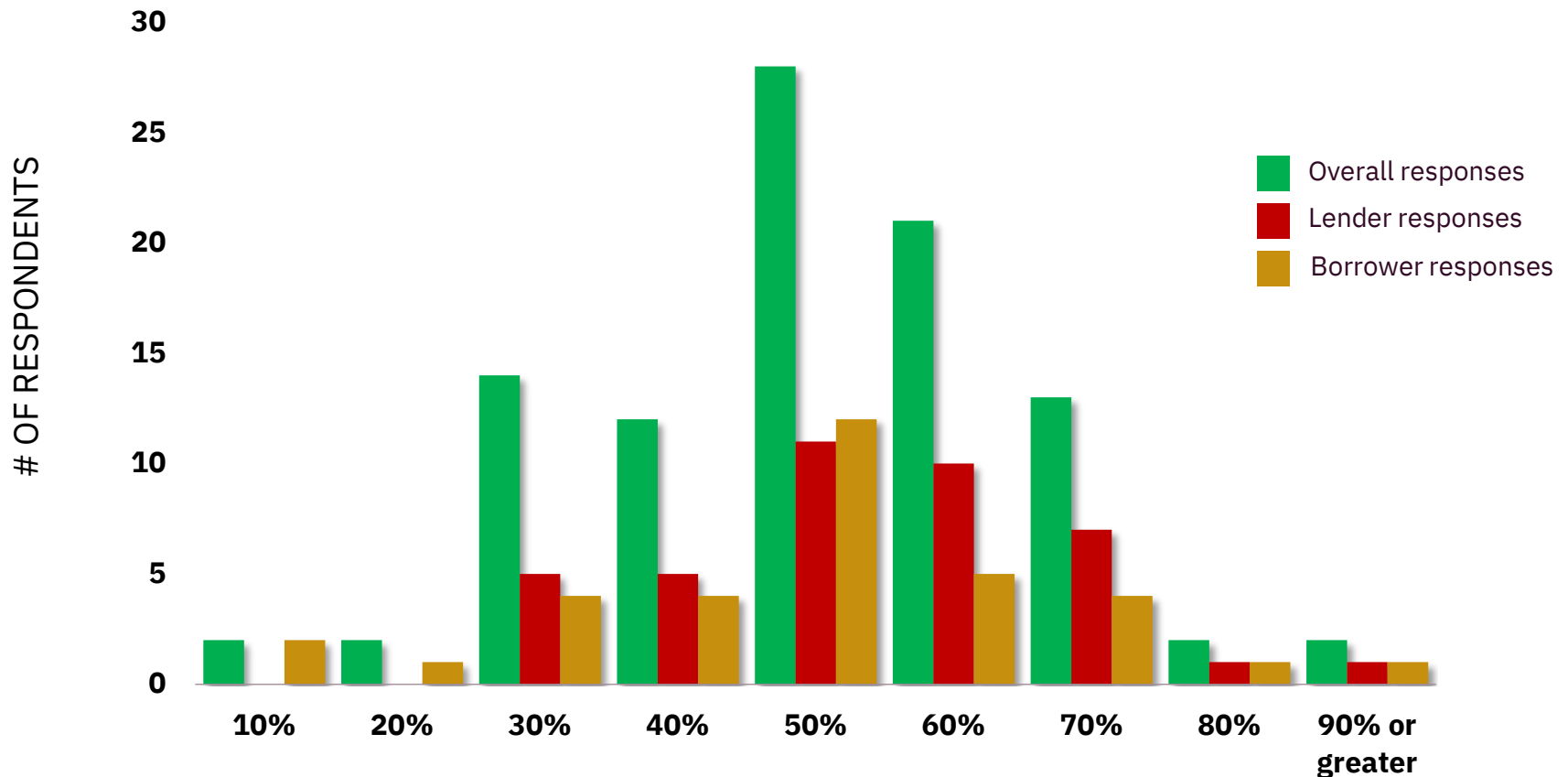
Question 2: What percentage do you expect borrowing bases to change in spring 2023 as compared to fall 2022?



The banking crisis and commodity price volatility seen this spring, along with continued concerns regarding the strength of the RBL market, resulted in respondents being pessimistic regarding spring 2023 borrowing base redeterminations.

Haynes Boone Borrowing Base Redeterminations Survey – Spring 2023

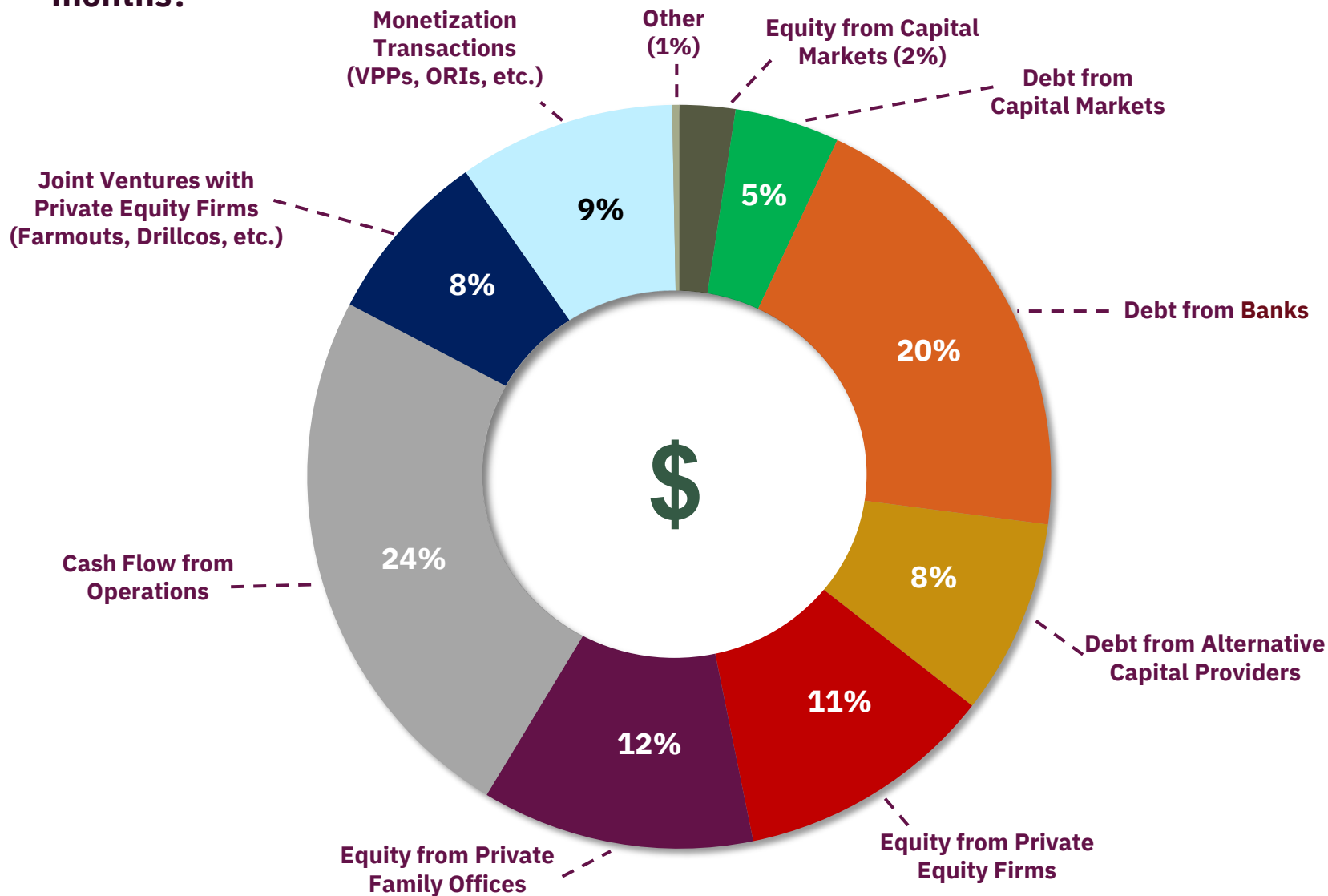
Question 3: On average, what percentage of anticipated future production have reserve-based credit facility borrowers hedged for the next 12 months?



Relative to survey responses in 2022, respondents are reporting higher hedging percentages for 2023. This is likely the result of producers seeking to lock in recent commodity price increases.

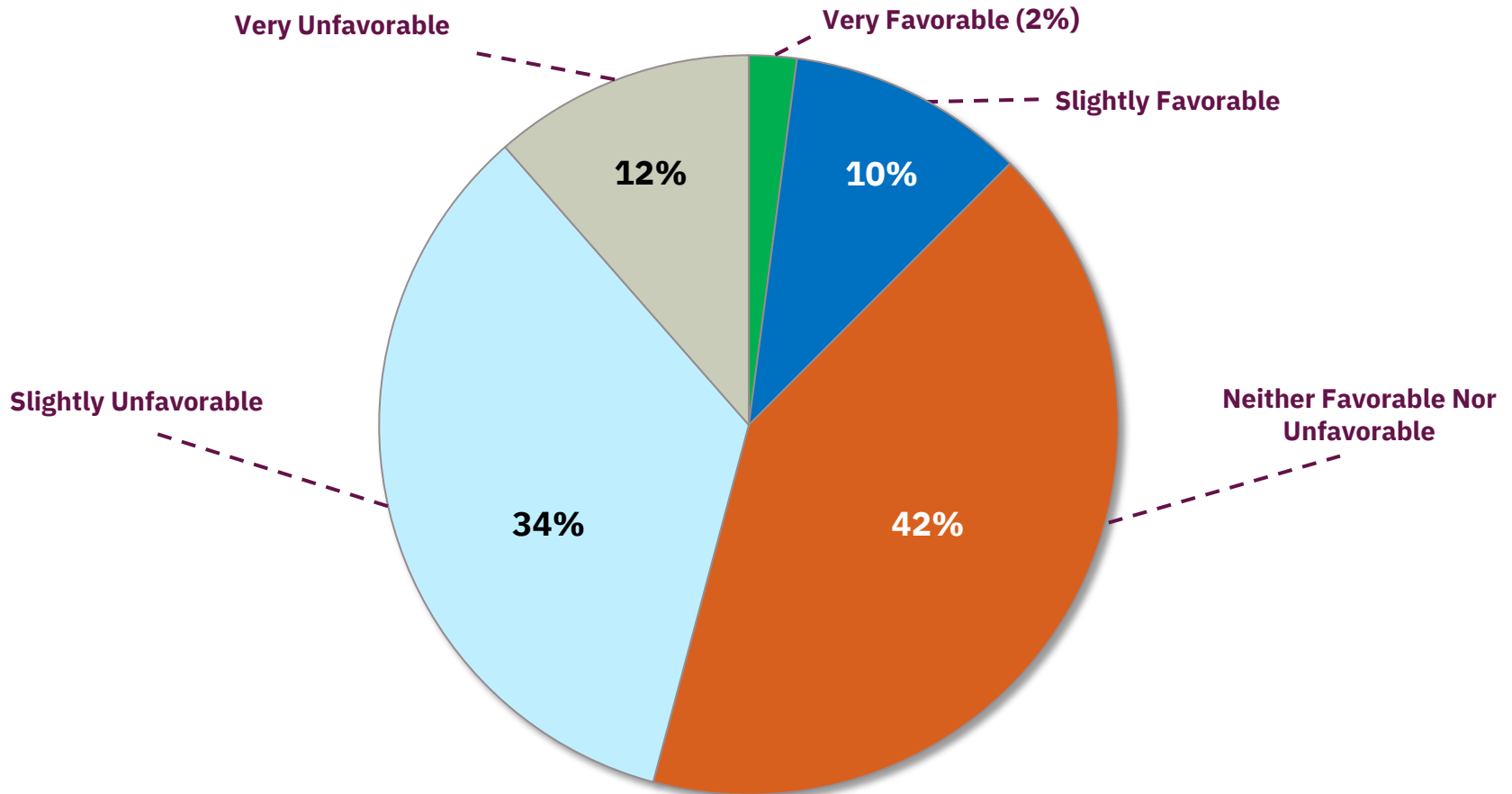
Haynes Boone Borrowing Base Redeterminations Survey – Spring 2023

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



Haynes Boone Borrowing Base Redeterminations Survey – Spring 2023

Question 5: How favorable do RBL lenders feel towards a borrower sponsoring an ABS (working interest securitization) transaction to raise capital?



Only a limited number of respondents report that RBL lenders view ABS (working interest securitization) transactions by their borrowers favorably.

Haynes Boone Energy Reports

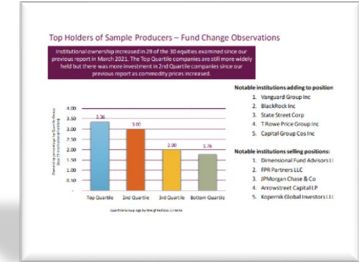
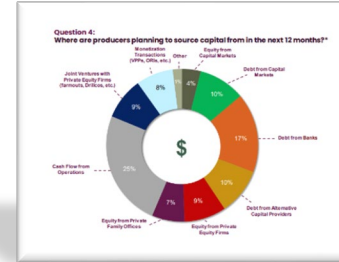
Haynes Boone’s oil and gas lawyers have been helping clients make the right connections and navigate the ever-changing legal maze to successfully close deals. Visit our [Energy Roundup page](#) to view of our reports, surveys and publications that help keep you one step ahead:

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.
- **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.

Historical reports (2015-2021)

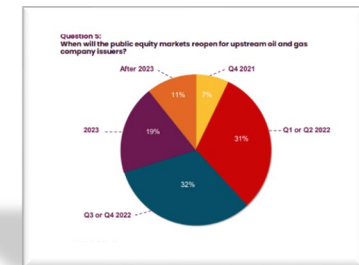
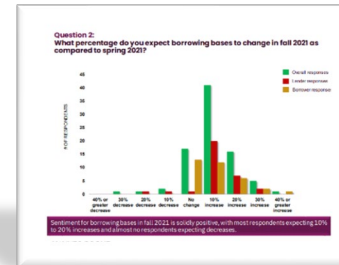
- **Midstream Report:** includes details on midstream companies that have filed for bankruptcy since 2015.
- **Oil Patch Bankruptcy Monitor:** includes details on oil and gas producers that have filed for bankruptcy since 2015.
- **Oilfield Services Bankruptcy Tracker:** includes details on oilfield services companies that have filed for bankruptcy since 2015.



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	Percent Held	Value (in \$ billions)
VANGUARD GROUP INC	28	\$9.3
BLACKROCK INC	28	\$8.5
STATE STREET CORP	25	\$4.5
CAPITAL GROUP COMPANY	4	\$3.9
FPA PARTNERS LLC	3	\$2.9
JPMORGAN CHASE & CO	3	\$2.9
TRIMARK CAPITAL MANAGEMENT LLC	3	\$1.4
INVESTOR GROUP	3	\$1.0
AMERICAN TRUST CORP	3	\$1.0



Primary Contacts



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



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



MICHAEL COOPER
Counsel, Dallas
214.651.5465
michael.cooper@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



REEM ABDELRAZIK
Associate, Houston
713.547.2998
reem.abdelrazik@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



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



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



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



ELLEN CONLEY
Associate, Houston
713.547.2204
ellen.conley@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

2323 Victory Avenue
Suite 700
Dallas, TX 75219
United States of America

T +1 214.651.5000
F +1 214.651.5940

MEXICO CITY

Chapultepec Uno.
Av. Paseo de la Reforma 509,
piso 21., Col. Cuauhtémoc
Cp. 06500, CDMX
Alcaldía Cuauhtémoc.
Mexico City, 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

10001 Woodloch
Forest Drive Suite 200
The Woodlands, TX 77380
United States of America

T +1 713.547.2100
F +1 713.547.2101

HAYNES BOONE