

**HAYNES BOONE**

ENERGY PRACTICE GROUP

Haynes Boone  
Borrowing Base  
Redeterminations  
Survey Results: Fall 2024

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November 2024



# Haynes Boone Borrowing Base Redeterminations Survey

## Overview

Haynes Boone, an international corporate law firm, has conducted 20 borrowing base redetermination surveys since April 2015, including our most recent survey in November 2024.

The 57 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 November 2024 borrowing base redetermination survey results and an analysis of the responses.

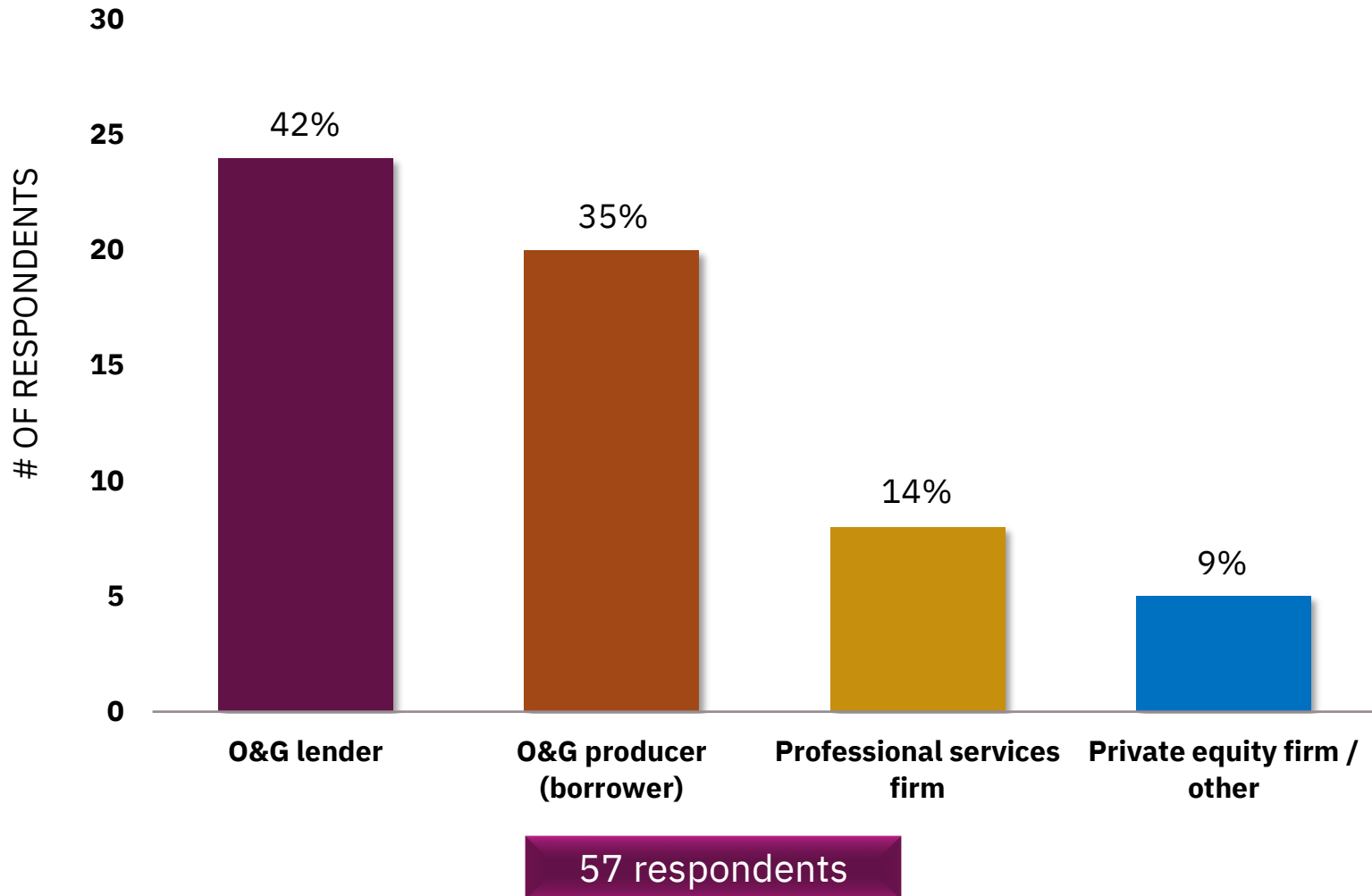
# Haynes Boone Borrowing Base Redeterminations Survey

## Key Takeaways – Fall 2024

1. This survey was conducted with the backdrop of the U.S. election and results that followed, volatile natural gas prices, softening oil prices and mixed signals regarding global demand for, and global supply of, oil. In the context of this environment where it is hard to predict what tomorrow (let alone the next six months) looks like, most oil and gas industry participants in the survey predicted borrowing bases will remain flat in fall 2024, with little upward or downward movement.
2. The responses showed a wider variety with respect to hedging percentages than we typically see. The significant uptick in parties reporting lower hedging percentages indicates a number of producers may be willing to roll the dice and see if they can wait a bit longer for the market to improve before locking in prices.
3. Producers also have been successful in recent years negotiating affirmative hedge covenant relief into their credit agreements, which remove or reduce minimum hedging requirements so long as certain metrics (usually tied to leverage) are satisfied. Most reserve-based loan (RBL) borrowers are currently operating at lower leverage levels, so the parties reporting reduced hedging levels may be taking advantage of hedging covenant holidays in their credit agreements.
4. From a capital sourcing perspective, use of debt from capital markets and use of equity from capital markets both showed notable upticks. Signs of thawing in the upstream oil and gas IPO market in 2024 likely contributed to the improved expectations for the latter.
5. Oil-weighted producers are expected to be fairly conservative when setting 2025 drilling budgets. Market uncertainty is leading most to implement steady, or even lower, capex budgets when compared to 2024.

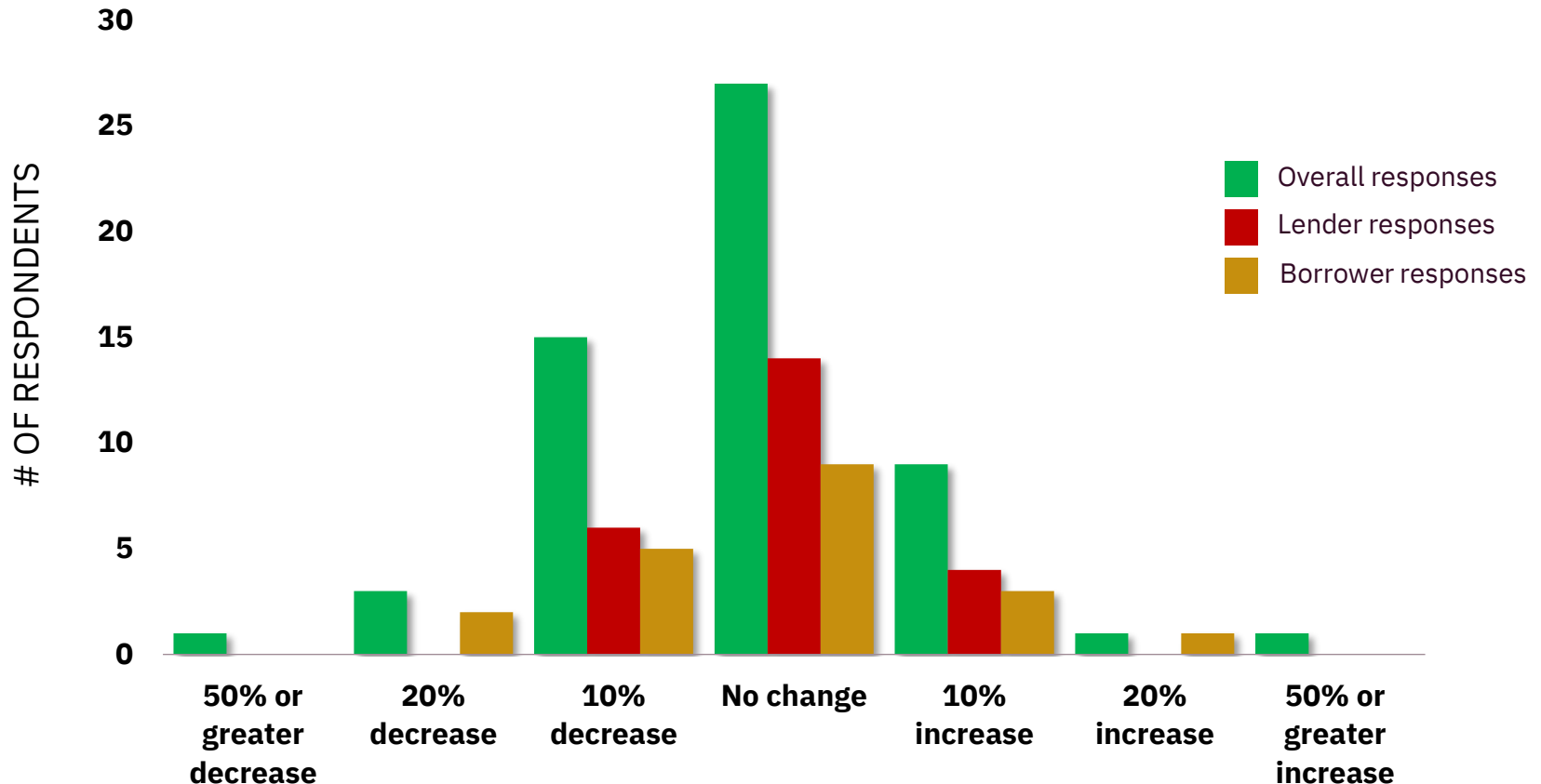
# Haynes Boone Borrowing Base Redeterminations Survey – Fall 2024

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



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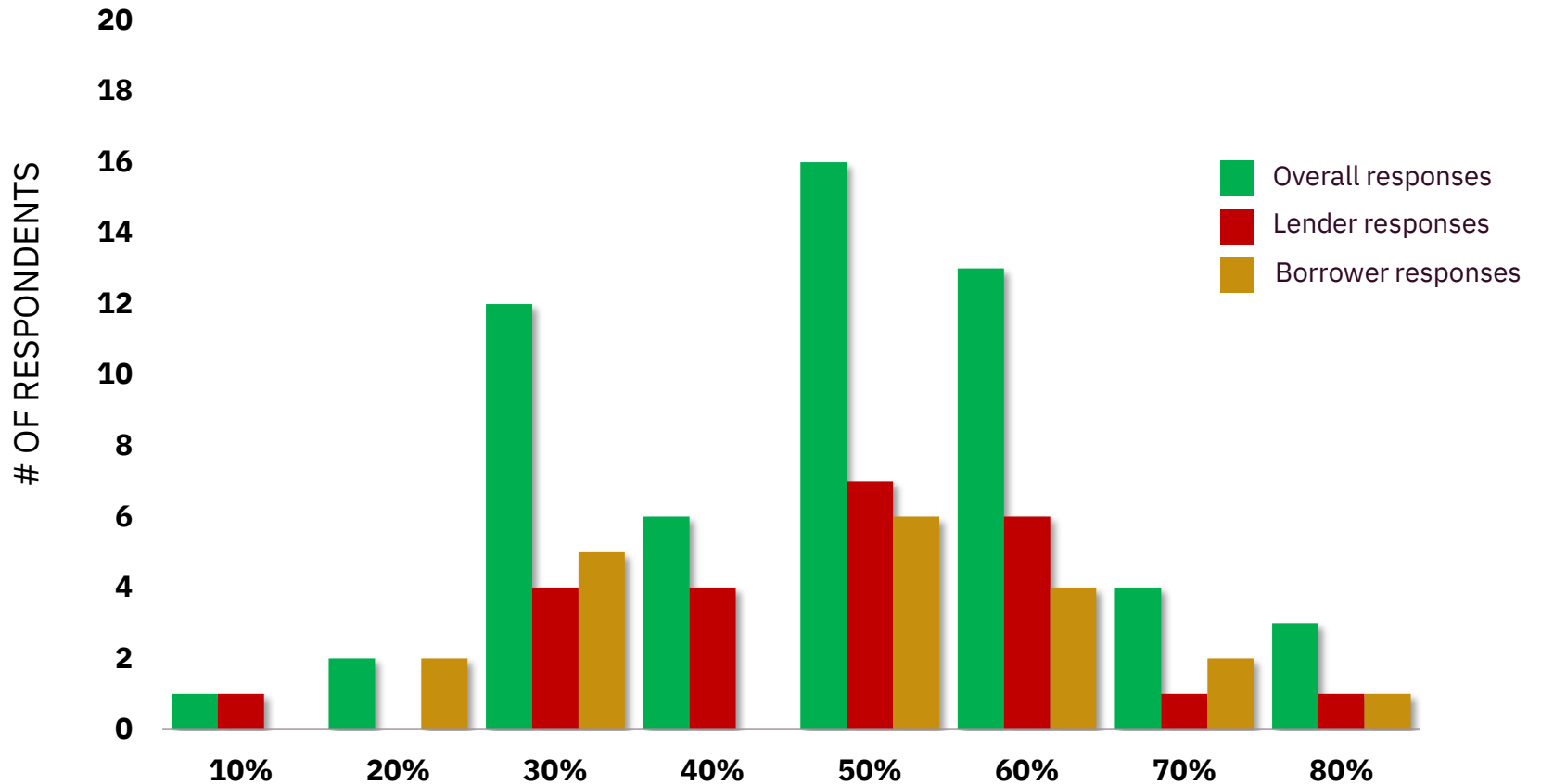
## Question 2: What percentage do you expect borrowing bases to change in fall 2024 as compared to spring 2024?



Volatility in the oil and gas commodity markets, uncertainty for the U.S. economy and unpredictability with respect to geopolitical tensions are driving most survey participants to expect borrowing bases to remain flat in the fall 2024 borrowing base redetermination season.

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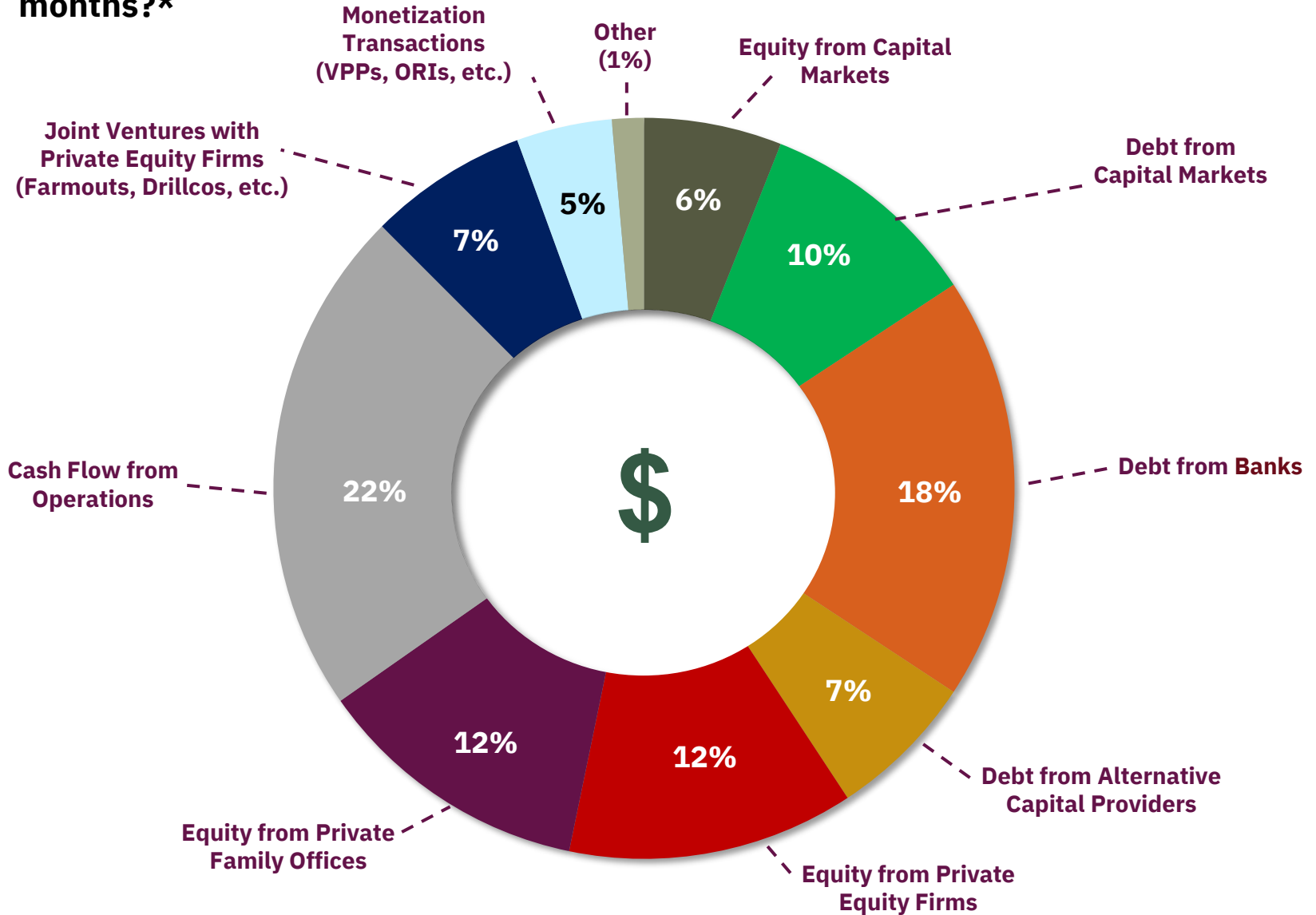
**Question 3: On average, what percentage of anticipated future production have reserve-based credit facility borrowers hedged for the next 12 months?**



Survey responses are incredibly varied with respect to expectations regarding hedging, with some participants seeing historically low levels of hedging and others observing higher levels.

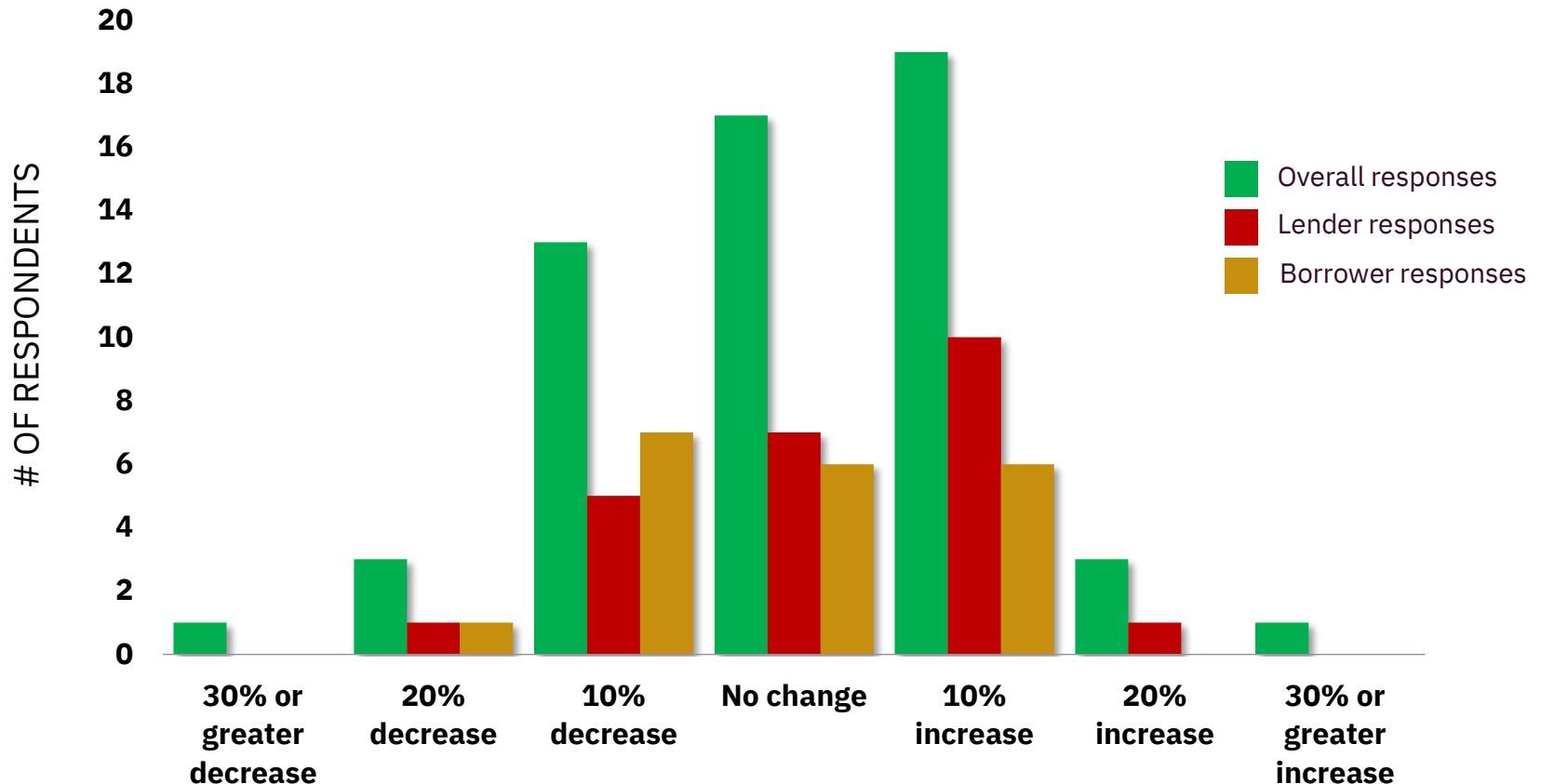
# Haynes Boone Borrowing Base Redeterminations Survey – Fall 2024

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



# Haynes Boone Borrowing Base Redeterminations Survey – Fall 2024

**Question 5: What percentage do you expect capital expenditure budgets for oil-weighted producers to change in 2025 as compared to 2024?**



Participants expect oil-weighted producers to be very cautious with respect to drilling in 2025. The majority of respondents expect 2025 budgets not to exceed 2024 budgets, and those predicting larger drilling budgets in 2025 are contemplating marginal increases.



# Haynes Boone Energy Reports

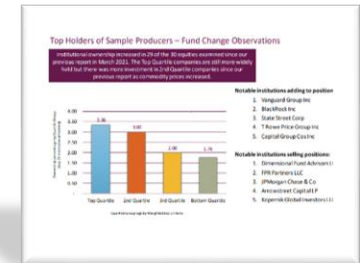
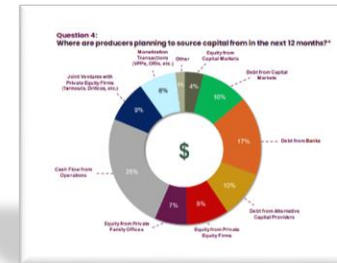
Haynes Boone’s oil and gas lawyers have been helping clients make the right connections and navigate the ever-changing legal maze to successfully close deals. Visit our [Energy Roundup page](#) to view of our reports, surveys and publications that help keep you one step ahead:

## 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 (2015-2022):

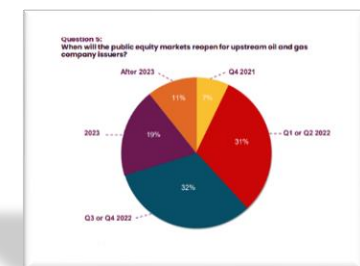
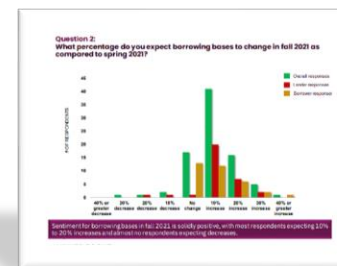
- **Midstream Report:** includes details on midstream companies that have filed for bankruptcy since 2015.
- **Oil Patch Bankruptcy Monitor:** includes details on oil and gas producers that have filed for bankruptcy since 2015.
- **Oilfield Services Bankruptcy Tracker:** includes details on oilfield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



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	Percentage	Value (\$ Billion)
VANGUARD GROUP INC	23	29.3
BLACKROCK INC	15	19.5
STATE STREET CORP	15	19.5
CAPITAL GROUP COMPANY	4	5.2
FIDELITY	3	3.8
T ROWE PRICE GROUP INC	2	2.6
DIMENSIONAL FUND INVESTORS LP	2	2.6
GEODE CAPITAL MANAGEMENT LLC	2	2.6
PIMCO	2	2.6
INVESTORS TRUST CORP	1	1.3



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