

## Nichols in Hart Energy: E&Ps Find Some Financial Tailwinds, But It's Not All Smooth Sailing

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Haynes Boone Partner [Jeff Nichols](#) was featured in an article from *Hart Energy* describing that upstream operators looking to tap the capital markets need to be circumspect, and even a little bit creative.

It is ironic, given the general financial health of the sector, said Nichols.

“The industry is as bankable as it’s ever been,” he said,

With asset-backed securitization deals, assets are dropped down into a special purpose vehicle and production is protected with hedging out five to seven years, Nichols said. That hedging enables ABS deals to secure a better rating from the ratings agencies, resulting in a lower interest rate.

Thanks to that hedging, the advance rate can be as high as 80% to 90%, said Nichols. In contrast, the current advance rate for RBLs is more in the 40% to 50% range, he said. Of course, the cost of hedging an ABS so many years out is not insubstantial.

To read the full article in *Hart Energy*, click [here](#).