

Haynes and Boone Releases Results of the Fall 2016 Borrowing Base Redeterminations Survey

September 29, 2016 Jeff Nichols

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The fall 2016 oil and gas lending and borrowing survey from Haynes Boone shows that lenders are not expecting as much of a reduction as borrowers, perhaps indicating that exploration and production companies themselves are more pessimistic as they see their reserves more realistically with sustained low commodity prices likely.

Results show that respondents overall expect an average 20 percent decrease from the spring 2016 borrowing bases, but within that number lenders are expecting a 16 percent decrease, while borrowers are anticipating a 29 percent decrease.

"I think we're seeing that bankers and other lenders may view prospects with more optimism that the market is likely to rise," said Houston Partner [Jeff Nichols](#), leader of the firm's Energy Finance Practice Group. "I think it is an indication that borrowers are watching the price of their reserves remaining flat and are trying to be more realistic in their expectations."

Energy Practice Chair [Buddy Clark](#) said the fall survey also showed stability in the path that both lenders and borrowers will take if faced with a borrowing base deficiency. "Our figures reflect a continued belief within the industry that restructuring or bankruptcy may still be the answer for a number of producers dealing with drops in their borrowing bases," he said. "The percentage is two times the percent predicted a year ago, but is basically unchanged from this spring's survey."

The latest survey shows that respondents on average expect 41 percent of borrowers will see a decrease in their borrowing base redeterminations in the fall. That is down from the spring 2016 survey, which showed that an average of 79 percent of the respondents expected borrowers to experience a decline.

Another section of the fall survey reveals that respondents do not see traditional banks as the major capital providers over the next 12 months. Instead, private equity firms and high-yield private debt entities are expected by 57 percent of respondents to take the largest roles. Only 14 percent expect traditional banks to be one of the two top sources of capital.

Clark said the release of the figures should provide some valuable clarity because it is a "forward-looking" view of those who are assessing the current financial climate in the oil patch.

Of the 150 respondents, 41 percent described themselves as oil and gas lenders, including private equity firms, 26 percent are oil and gas producers (borrowers) and about 22 percent are professional service providers.

To view the full survey results for fall 2016, please [click here](#).

The latest borrowing base redetermination report comes as the firm releases its first-ever [Midstream Report](#), which shows that as of Sept. 14, 13 midstream companies have filed Chapter 11

bankruptcy in the United States since 2015. These bankruptcies involved about \$17.2 billion in cumulative secured and unsecured debt (including debt of related affiliates).

Haynes Boone's Energy and Bankruptcy practice lawyers have been helping clients navigate the ups and downs in the oil and gas sector for more than four decades. With the slump in commodity prices persisting, our lawyers are closely following recent industry developments and have prepared [several useful reports for industry participants](#), including borrowers, lenders, private equity firms and investment funds, and others.

The firm has been regularly updating its highly regarded [Oil Patch Bankruptcy Monitor](#), which details the accelerating number of oil and gas producers who have filed Chapter 11 since the beginning of 2015. The latest version shows that as of Sept. 7, 58 producers have filed bankruptcy so far this year, representing approximately \$50.4 billion in cumulative secured and unsecured debt. Despite the recent uptick in oil prices, all indications suggest more producer bankruptcy filings will occur during 2016, the report predicts.

Haynes Boone also produces the [Oilfield Services Bankruptcy Tracker](#). The latest version reveals that the total amount of aggregate debt administered in oilfield services cases in 2015 to 2016 is more than \$14 billion and the average debt of these cases is more than \$151 million.

The firm has played a key role in a number of high-profile E&P and oilfield service matters, including asset sales, refinancings, debt restructurings and Chapter 11 cases, representing debtors, creditors, energy lenders and private equity investors.