

Haynes and Boone Releases Fall 2020 Borrowing Base Redeterminations Survey

October 13, 2020 Kraig Grahmann, Charles Beckham

PRACTICES Energy, Power and Natural Resources, Oil and Gas, Oilfield Services, Restructuring

Haynes Boone today released its fall roundup of data offering detailed insights into the state of the energy industry.

The data includes the firm's latest "[Borrowing Base Redeterminations Survey](#)," which captures September polling of executives at oil and gas producers, oilfield services companies, financial institutions, private equity firms, and professional service providers to get their predictions about producers' future borrowing capacity. The Borrowing Base Redeterminations Survey, which the firm has conducted twice a year since April 2015, offers a clear, forward-looking view about the projected financial state of the domestic energy market.

The latest roundup also includes the fall 2020 "[Energy Bank Price Deck Survey](#)," which is a survey of reserve-based lenders' oil and gas price decks and provides more context on Haynes Boone's survey of the banks' upcoming borrowing base redeterminations.

Haynes Boone today also released updated data on bankruptcy filings by energy companies through the end of September 2020. The firm tracks bankruptcy filings by energy companies in three databases that it updates periodically: the Oil Patch Bankruptcy Monitor, which tracks filings by oil and gas producers; the [Oilfield Services Bankruptcy Tracker](#), which covers filings by oilfield services companies; and the [Midstream Report](#), covering midstream companies.

Borrowing Base Predictions and Price Deck Survey Results

The fall 2020 borrowing base survey predicts a decrease in credit availability for producers, with a majority of respondents expecting borrowing bases to decrease by 10% to 20% in the upcoming redetermination season. That is a slight improvement from the firm's spring 2020 survey, when a sizable majority of respondents projected borrowing bases to decrease by at least 20%.

"Despite this improvement, many producers have limited availability under their borrowing bases and thus are not in position to absorb even a minimal decrease," said [Kraig Grahmann](#), head of Haynes Boone's Energy Finance Practice Group.

Other key findings in the survey include:

- Respondents are reporting a substantial increase in hedging levels, likely the result of bankers pushing their borrowers to increase hedge volumes in recent months.
- Producers are expected to use cash flow from operations and bank debt as their primary sources of capital in 2021, followed closely by monetization transactions.
- The vast majority of respondents believe that the reserve-based loan structure will survive the current oil and gas crisis, but with stricter terms.

"With most investors pulling back from make new investments in the upstream oil and gas space, capital raising is increasingly coming from producers' self-generated sources: cash flow from

operations and monetization transactions,” Grahmann said.

In regard to pricing information provided by leading energy banks, the average Base Case for oil in fall 2020 tracks in line with the spring 2020 post-crash Base Case and the average fall Base Case for natural gas is 13% higher through 2023 than last spring’s Base Case prices.

Bankruptcy Trackers

The firm’s updated bankruptcy reports show a continued, steady surge in filings following the pandemic and decline in oil prices. “Many producers will likely continue to seek relief in bankruptcy court for the remainder of the year and into 2021,” said Haynes Boone Restructuring Partner [Charles Beckham](#).

Haynes Boone’s Energy and Restructuring Practice Group 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, the firm’s lawyers continue to closely follow industry developments and prepare reports for industry participants, including borrowers, lenders, private equity firms and investment funds, and others.

Haynes Boone is an international corporate law firm with offices in Texas, New York, California, Charlotte, Chicago, Denver, Washington, D.C., London, Mexico City and Shanghai, providing a full spectrum of legal services in energy, technology, financial services and private equity. With more than 575 lawyers, Haynes Boone is ranked among the largest U.S.-based firms by *The National Law Journal*, *The American Lawyer* and *The Lawyer*. It also was recognized across the board for excellence in the BTI Consulting Group’s 2020 “A-Team” report, which identifies the law firms that in-house counsel commend for providing superior client service.

The following publications reported on the firm’s energy report:

[Argus Media](#)

[Forbes](#)

[Reuters](#)

[The Texas Lawbook](#)