

## Haynes Boone Releases Fall 2022 Borrowing Base Redeterminations Survey

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**PRACTICES** Energy Investment Funds and MLPs, Energy Roundup, Energy Finance, Energy Transition, Midstream, Private Credit Finance, Offshore Oil and Gas, Oil and Gas, Oilfield Services

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Haynes Boone's fall 2022 Borrowing Base Redeterminations Survey, released Oct. 17, reflects a sense of caution in the energy industry, with many respondents expecting producers' borrowing capacity to remain relatively flat.

The survey's latest findings are surprising in light of the fact that oil and natural gas prices have reached heights not seen since 2014 (in the case of oil) and 2008 (in the case of natural gas).

The fall 2022 Borrowing Base survey, which can be viewed [here](#), captures polling through September of executives at oil and gas producers, financial institutions, oilfield services companies, private equity firms, and professional service providers, who were asked to predict producers' future borrowing capacity. Haynes Boone has conducted the survey twice a year since April 2015, to offer a clear, forward-looking view about the projected financial state of the U.S. energy market.

"Our latest survey indicates that producers should not expect significant increases in their reserved-based lending credit availability," said Partner [Kraig Grahmann](#), co-head of Haynes Boone's Energy Transactions Practice Group. "Indeed, a meaningful percentage of survey respondents are predicting that borrowing bases will stay flat or even decrease slightly."

In contrast, the firm's spring 2022 survey (released in April) reflected greater optimism, with a majority of industry respondents expecting double digit percentage increases in borrowing bases of 20% or more. Very few respondents at that time expected borrowing bases to decrease.

Other key findings in the fall 2022 survey include:

- Respondents reported lower hedging percentages, a trend that started in the spring 2022 survey. Producers appear to be assuming that there is more price upside to come and do not want to risk leaving money on the table.
- A growing numbers of producers are reporting monetization transactions and debt from alternative capital providers as a primary sources of capital, a trend that is not normally seen during the stronger price environment that currently exists. This perhaps is the result of the more muted interest from banks, debt capital markets and equity capital markets.
- A producer raising capital in the reserved based lending (RBL) market will need to keep its leverage in check. Respondents see leverage below 2.0 (and ideally below 1.5) as a necessity to successfully attract RBL capital.

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. The firm releases a variety of reports tracking trends and developments in the energy sector, which can be found [here](#).

Haynes Boone is an international corporate law firm with offices in Texas, New York, California,

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