

Haynes Boone Releases Spring 2023 Oil and Gas Industry Bank Surveys

April 24, 2023 Kraig Grahmann

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Haynes Boone released two data reports April 24, 2023 that sound a downcast note about the oil and gas industry, reflecting recent market volatility.

The firm's spring 2023 Borrowing Base Redeterminations Survey, which can be viewed [here](#), captures polling in March of executives at oil and gas producers, financial institutions, private equity firms, and other energy industry stakeholders 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 finance market.

Almost 75% of respondents in the latest survey expect borrowing bases to stay flat or to decrease by 10% or more. In Haynes Boone's fall 2022 Borrowing Base Survey (released in October), about one-half of industry respondents expected borrowing bases to increase by 10% to 20%.

"The latest survey reflects greater pessimism, which is a byproduct of the recent banking crisis, commodity price volatility, which offset the unexpected decision by several OPEC+ countries to voluntarily cut oil production," said Partner [Kraig Grahmann](#), head of Haynes Boone's Energy Transactions Practice Group.

Other key findings in the spring 2023 Borrowing Base Redeterminations Survey include:

- After several recent surveys where respondents indicated that producers would increase their use of capital markets (both debt and equity) as sources of capital, respondents seem to have lost faith in their return in spring 2023.
- The capital source that increased the most was family offices, which increased from 7% (fall 2022) to 12% (spring 2023)
- Producers have been utilizing ABS (working interest securitization) transactions, in part, due to the lack of a robust reserve-based lending (RBL) market. However, only a small percentage of respondents (12%) report that RBL lenders view these ABS transactions favorably.

Haynes Boone today also releases data from a March survey of leading energy banks about reserve-based lenders' oil and gas price decks, which are used in the determination of oil and gas producers' borrowing bases. According to the spring 2023 Energy Bank Price Deck Survey, which can be viewed [here](#), the price decks for both oil and natural gas have decreased near term relative to fall 2022. The mean base case for oil decreased moderately from \$67.07/bbl (West Texas Intermediate) in fall 2022 to \$65.58/bbl in spring 2023. The mean gas base case decreased more significantly, by 35%, from \$4.34/MMBtu (Henry Hub) in fall 2022 to \$2.79 /MMBtu in spring 2023 reflecting greater weakness in natural gas markets relative to crude oil.

"This weakness in near term natural gas prices could have a negative impact on this spring's Borrowing Base redeterminations for gas-heavy producers," said Buddy Clark, co-chair of the firm's Energy Practice Group.

Other findings in the spring 2023 Energy Bank Price Deck Survey include

- Consistent with the NYMEX forward curve, spring 2023 price decks for oil track closely with last fall's price decks, albeit starting off \$1.50 lower in the near term.
- The banks displayed greater variation in price expectation in their base case scenarios than in the more conservative sensitivity case price projections. This is consistent with prior price deck survey results over the last four years.

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