

Media Outlets Look to Haynes and Boone's Fall 2019 Energy Roundup

October 23, 2019 Kraig Grahmann, Jeff Nichols

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The Texas Lawbook, Houston Chronicle, Dallas Business Journal, S&P Global Market Intelligence, Natural Gas Intel, Reuters, Financial Times and other news outlets have looked to Haynes Boone's [Fall 2019 Energy Roundup](#) and [10th Borrowing Base Redeterminations Survey](#) for insights into the energy industry.

Below are excerpts of articles quoting Partners Buddy Clark, [Kraig Grahmann](#) and [Jeff Nichols](#) and Counsel Chris Wolfe.

[The Texas Lawbook:](#)

After two years of fewer bankruptcies, the oil and gas exploration and production sector is seeing an uptick in filings due to pressured commodity prices, according to a report released Thursday by Dallas-based law firm Haynes Boone.

The firm cited the likely causes as natural gas and natural gas liquids prices continuing to remain depressed. It also noted that the Nymex 10-year strip for oil was still showing prices in the lower \$50's per barrel at the end of September despite elevated levels in the upper \$50s following the Sept. 14 attack on Saudi Aramco's oil facilities.

"This increase in year-over-year filings indicates that the reverberations of the 2015 oil price crash continue to be heard in the industry," the firm said in the release.

"The fall borrowing base survey clearly indicates that reserve-based loan capital is becoming constrained," Kraig Grahmann, head of Haynes Boone's energy finance practice group, said in the release. "E&P companies will remain boxed in on capital sources for a while."

The article, "Report: E&P Bankruptcies Up, Credit Expected to Tighten," also was published in the [Dallas Business Journal](#). (Subscription required)

[S&P Global Market Intelligence:](#)

U.S. oil and gas producers will probably see their lines of credit, or revolvers, clipped 10% after banks redetermine their credit limits this fall, according to a recently released survey of lenders and producers.

The cutback comes at a time when commodity crude and natural gas prices are falling and the stock and debt markets are effectively closed to drillers, but the primary cause is newfound caution by lenders, Buddy Clark, a partner at the law firm Haynes & Boone, which conducted the survey, said Oct. 4.

"Banks are becoming more conservative," Clark said in an interview. While bankers are concerned about low prices for futures contracts for oil and gas, Clark said lenders are no longer adding value to drillers' assets for unproven or undeveloped acreage, as they once had.

"In the heyday of the shale revolution, you had no problem getting credit for undeveloped leases," Clark said. Now, bankers "are getting back to basics. I don't think it's structural but reflective of more conservatism."

[Natural Gas Intelligence:](#)

"The fall borrowing base survey clearly indicates that reserve-based loan capital is becoming constrained," said Kraig Grahmann, who leads the firm's energy finance practice group. "E&P companies will remain boxed in on capital sources for a while."

The amount of borrowing bases depends heavily on forecasted prices of oil and gas reserves that are compiled by banks. A separate survey of the lenders' price decks conducted by Haynes Boone shows oil prices declining by 1.4% and natural gas prices declining by 6.5% compared to last spring's forecasts.

One thing has become clear this year as commodities have seesawed and the upstream sector has faced pressure on a variety of factors: funding for E&Ps is drying up. Only 2% of respondents expect producers to receive equity from capital markets, while 3% said they expect them to receive debt from capital markets.

"Utilization of public debt and equity capital markets as a source of capital for producers has gone from small in the spring 2019 survey to miniscule in the fall 2019 survey," Grahmann said.

[Houston Chronicle:](#)

"For the first time since the bottom of the last oil bust in 2016, energy and finance executives expect a decrease in lending and capital availability from banks and other financial institutions this fall and heading into 2020, according to new survey data from the Houston law firm Haynes Boone. About 50 U.S. energy companies have filed for bankruptcy this year, roughly 10 more than all of 2018. Some of the Houston companies that recently filed include EP Energy, Alta Mesa Resources, Sanchez Energy, Halcón Resources and the oilfield services giant Weatherford International.

The ongoing U.S.-China trade war and rising U.S. oil production are the biggest concerns contributing to fears of a global glut. U.S. output is still near record levels — most recently at 12.4 million barrels a day compared to 11.1 million a year ago — even as companies cut spending and pull rigs out of operation. Haynes Boone's pricing survey shows banks on average are expecting oil prices to fall by 1.4 percent next year to about \$50 a barrel."

Other publications that cited the Roundup include:

[Bloomberg TV](#) (1:30 minutes)

[Houston Business Journal](#)

[Natural Gas Intelligence](#) (Subscription required)

[OilPrice.com](#)

[OilPrice.com](#)

[Reuters](#)

[Financial Times](#)

Argus Media

[Wall Street Journal](#)