

Haynes and Boone Releases Results of Spring 2017 Borrowing Base Redeterminations Survey

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Haynes Boone's spring 2017 survey of oil and gas borrowers and lenders demonstrates a modestly improved outlook for the oil and gas market.

In its "Borrowing Base Redeterminations Survey: Spring 2017," the firm polled a broad cross-section of the industry, including executives at oil and gas producers, oilfield services companies, banks and private equity firms, to glean their forward-looking views about the financial state of the market. Specifically, the survey asked respondents to offer predictions about producers' future borrowing capacity or "borrowing bases". Producers and lenders meet twice a year to assess borrowing bases — determinations that turn on banks' projections about the future prices of the producers' oil and gas reserves.

Survey respondents expect that 76 percent of producers will see their borrowing bases increase slightly or remain unchanged compared to their fall 2016 borrowing bases. This is improved from Haynes Boone's fall 2016 survey, when respondents expected only 59 percent of producers to see their borrowing bases increase or remain unchanged.

Almost all of the respondents (89 percent) predict that exploration & production companies' capital expenditure budgets will increase in 2017 compared to last year, with near two-thirds of those surveyed expecting substantial budget increases of 20 percent or greater.

"We're seeing that many in the industry view the market with more optimism," says Houston Partner [Jeff Nichols](#), co-chair of the firm's Energy Practice Group. "The survey provides valuable clarity because of its predictive view of the market. It is unlike other surveys or studies on this topic, which analyze borrowing bases after they have been adjusted."

The spring 2017 survey offers other key findings:

- Among those respondents predicting that borrowers will see an increase in their borrowing bases, most expect the increase to be about 10% above fall 2016 borrowing bases.
- Only 3 percent of respondents in the spring 2017 survey see bankruptcy or restructuring as the most likely path that lenders or borrowers will take if faced with borrowing base deficiencies, as compared to the fall 2016 survey when 13 percent of respondents viewed bankruptcy or restructuring as the most likely path.

"The responses reflect a cautious optimism among producers and bankers for the road ahead, but I think everyone is still mindful of the capital destruction plainly visible in the rearview mirror," says Energy Practice Co-Chair Buddy Clark.

Of the 163 respondents, 45 percent described themselves as oil and gas lenders, including private equity firms, 29 percent are oil and gas producers (borrowers) and about 19 percent are professional service providers.

Haynes Boone 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.

View all of the firm's energy bankruptcy reports and surveys [here](#).