

Kraig Grahmann, Ellen Conley, Camie Carlock in Practical Law: Dealing With COVID-19 and Oil Price Decline: Remedies Available to Secured Energy Lenders That do not Require Direct Ownership of Oil, Gas Properties

May 11, 2020 Kraig Grahmann, Ellen Conley, Camie McKee

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Amidst price wars, a global pandemic, and the diminished demand for oil, exploration and production (E&P) borrowers and secured lenders face inevitable credit agreement defaults. Crude oil prices have fallen significantly since the beginning of 2020, largely driven by the economic contraction caused by the 2019 novel coronavirus disease (COVID-19) and a sudden increase in crude oil supply following the suspension of the production cuts first agreed in November 2016 among the Organization of the Petroleum Exporting Countries (OPEC), Russia, and other partner countries.

According to data from the Energy Information Administration (EIA), an agency within the Department of Energy, in March 2020, Brent crude and West Texas Intermediate oil prices averaged \$32.01/barrel (b) and \$29.21/b respectively, compared to \$63.65/b and \$57.52/b in January 2020. Although OPEC and the other parties have since agreed to new production cuts, this agreement has had limited effect on oil prices as demand remains low and oil inventories remain high (Legal Update, OPEC and Russia Agree to Cut Crude Oil Production and EIA: U.S. crude oil inventories are approaching record-high levels (April 30, 2020)).

Excerpted from *Practical Law*. To read the full article, click on the PDF linked below:

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