

HAYNES BOONE

Haynes Boone Energy Bank Price Deck Survey: Spring 2024

May 2024



Haynes Boone Energy Bank Price Deck Survey

Overview

Every spring and fall, banks reset the lending limits to oil and gas producers (“the borrowing base”). We survey energy bankers twice a year and ask them to provide us with their current oil and gas price decks, which are used to determine oil and gas producers’ borrowing bases. We received the spring version of these oil and gas price decks from 26 banks in April 2024. We have analyzed the data and prepared the following report, which is the tenth in our series that began in 2019.

Our survey is one of the leading sources of information for producers and energy lenders to read the pulse of senior debt markets and the availability of secured credit for oil and gas producers.

The borrowing base is determined by several factors. Each energy lender has its own proprietary algorithm to determine its borrowing base. Future expectations of commodity prices (the price deck) over the life of the loan are not the sole determiner. However, they are a principal variable in a bank’s calculations. Therefore, predictions regarding future borrowing base redeterminations are heavily influenced by future commodity price expectations.

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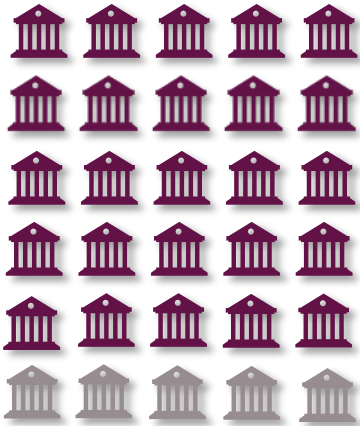
Key Takeaways – Spring 2024

1. Our Spring 2024 Energy Bank Price Deck Survey includes data from 26 energy banks compared to data from 25 energy banks in our fall 2023 Survey. Most of the participants are regional banks that target smaller loans to independent oil and gas producers, but data from national banks that lend to larger producers is also included.
2. For oil prices, the base case trend line for the spring 2024 data remains on a similar path as the fall 2023 data, in which there was an incremental decline in oil prices expected until 2027 when projected prices stabilized in the \$55 to \$60/BBL range through 2033. In the spring 2024 results, there is, however, a slight increase in expected oil prices during the 2029-2033 time period that may be attributable to the recent confidence in the upstream business exemplified by the historical spree of consolidations among E&P companies over the last year.
3. Spurred by full inventories and one of the hottest winters on record, natural gas prices fell to a 30-year low of less than \$1.75/MMBTU in March 2024. Yet the spring 2024 gas base case data anticipates prices returning to the \$3.00/MMBTU mark by 2025. The restoration in pricing may be at least partially attributable to industry prognostications on the near-term ascent of artificial intelligence and its massive electricity and data center demands. The spring 2024 gas base case pricing data also shows a slight, but generalized, decrease in gas price expectations from 2026 to 2033 of \$0.13 to \$0.19/MMBTU relative to the fall data.
4. In all scenarios for oil and gas, there is notable deviation in banks' price projections. Though most banks anticipate a general decline in oil and gas prices beyond 2025, several banks still project growth in oil and gas prices into the 2030s. This optimism may be fueled by major oil and gas companies' recent reemphasis on investing in hydrocarbon exploration and production in their short- and long-term strategic plans.

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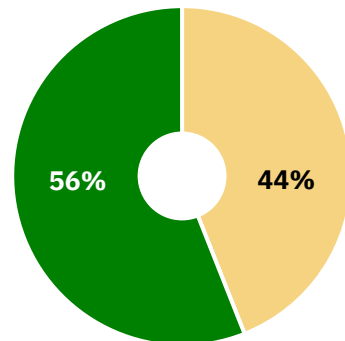
By the Numbers: Fall 2023 and Spring 2024 Data

Fall 2023



- ✓ 30 banks invited to participate
- ✓ 25 banks responded
- ✓ 83% participation rate

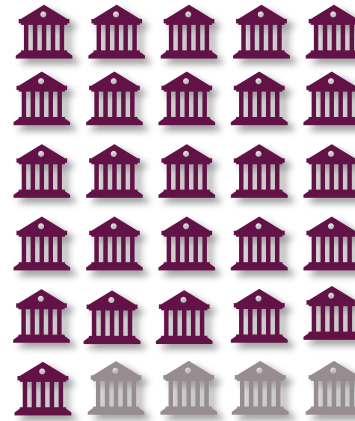
Sensitivity Analysis



■ Provided data
■ Did not provide data

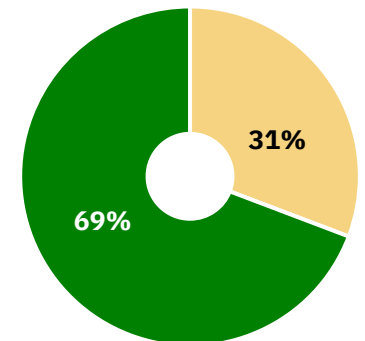
56% of the 25 banks provided sensitivity cases for their fall 2023 price decks.

Spring 2024



- ✓ 30 banks invited to participate
- ✓ 26 banks responded
- ✓ 87% participation rate

Sensitivity Analysis

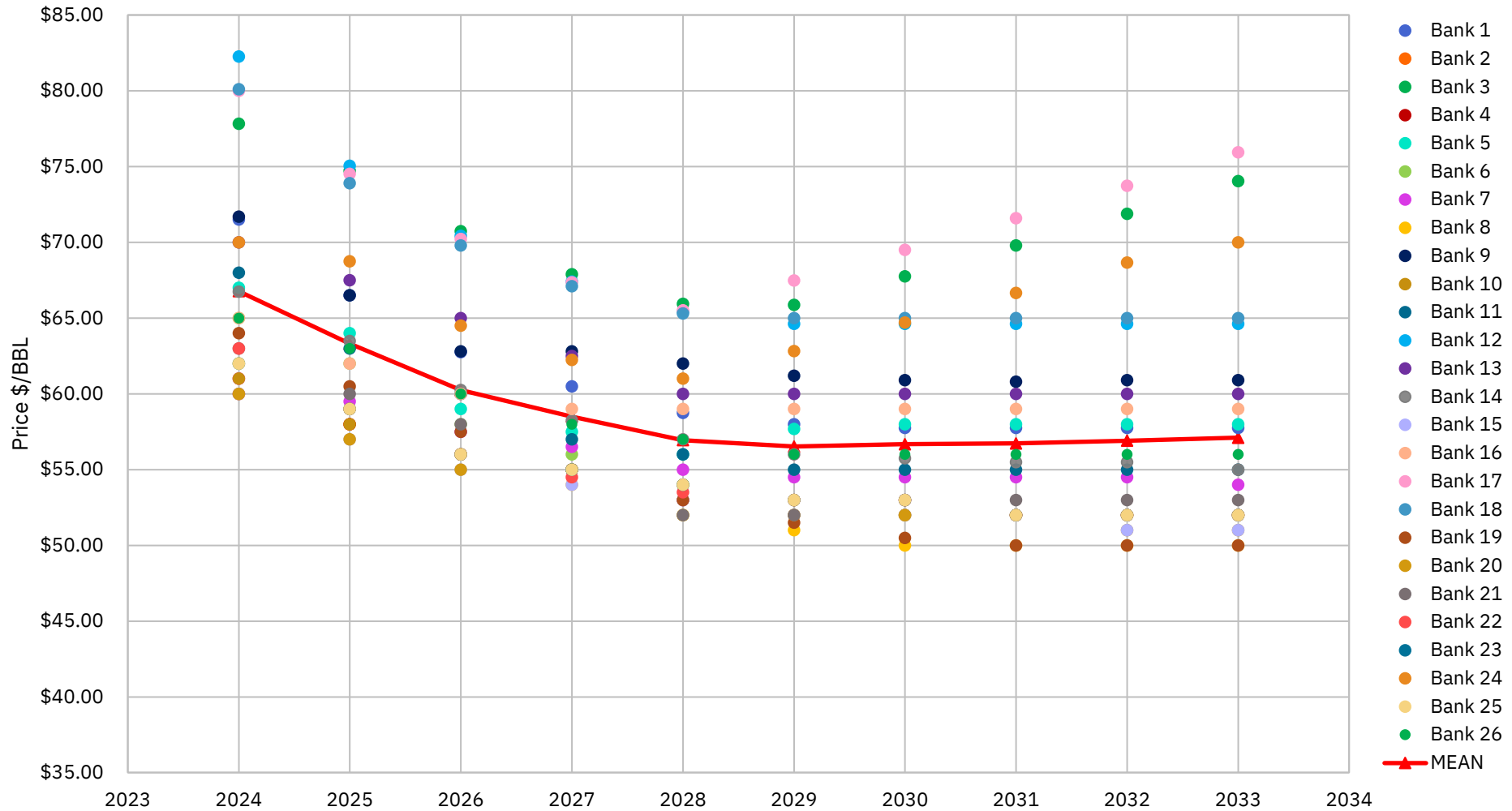


■ Provided data
■ Did not provide data

69% of the 26 banks provided sensitivity cases for their spring 2024 price decks.

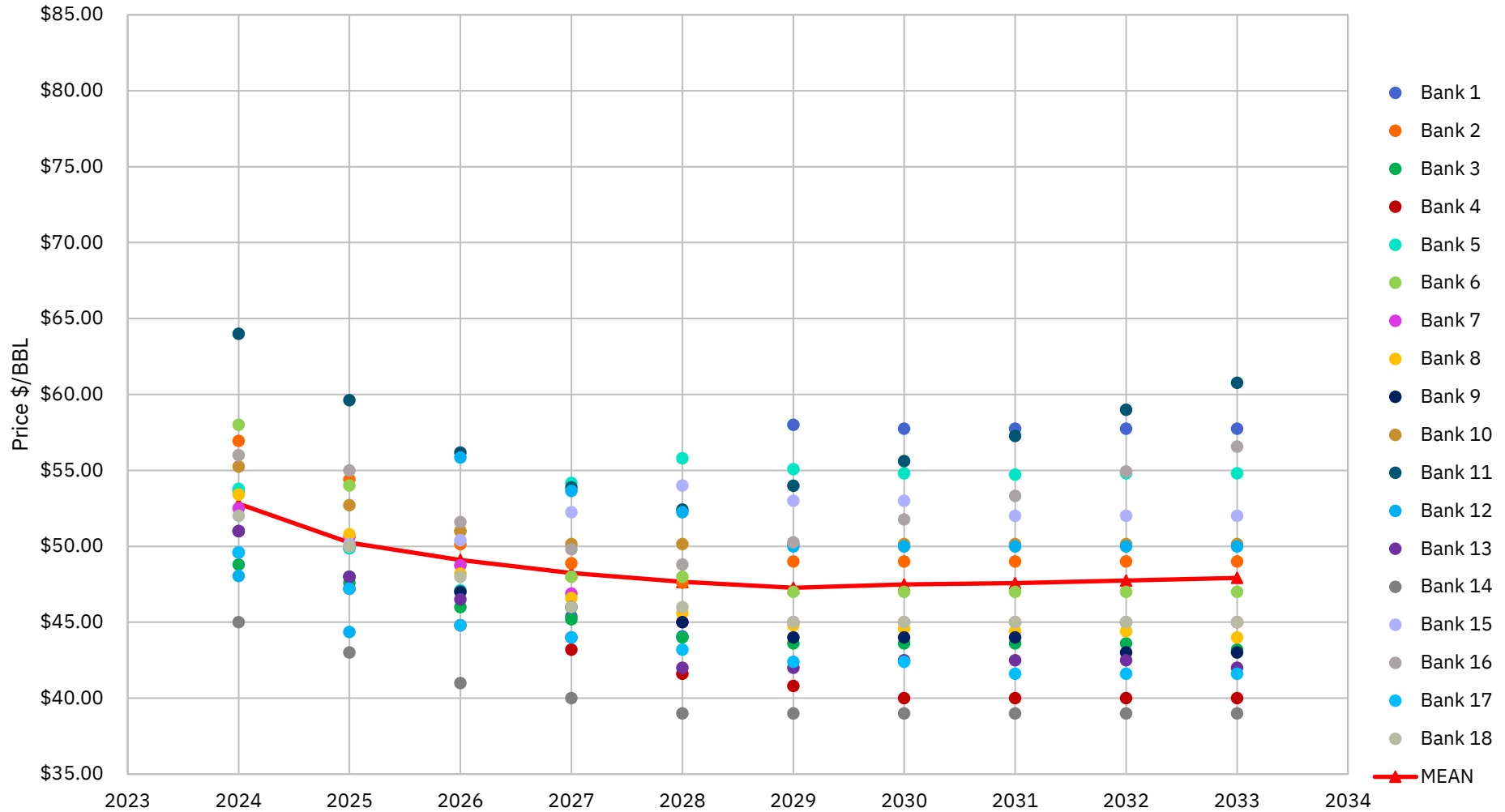
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Oil Base Case – Spring 2024



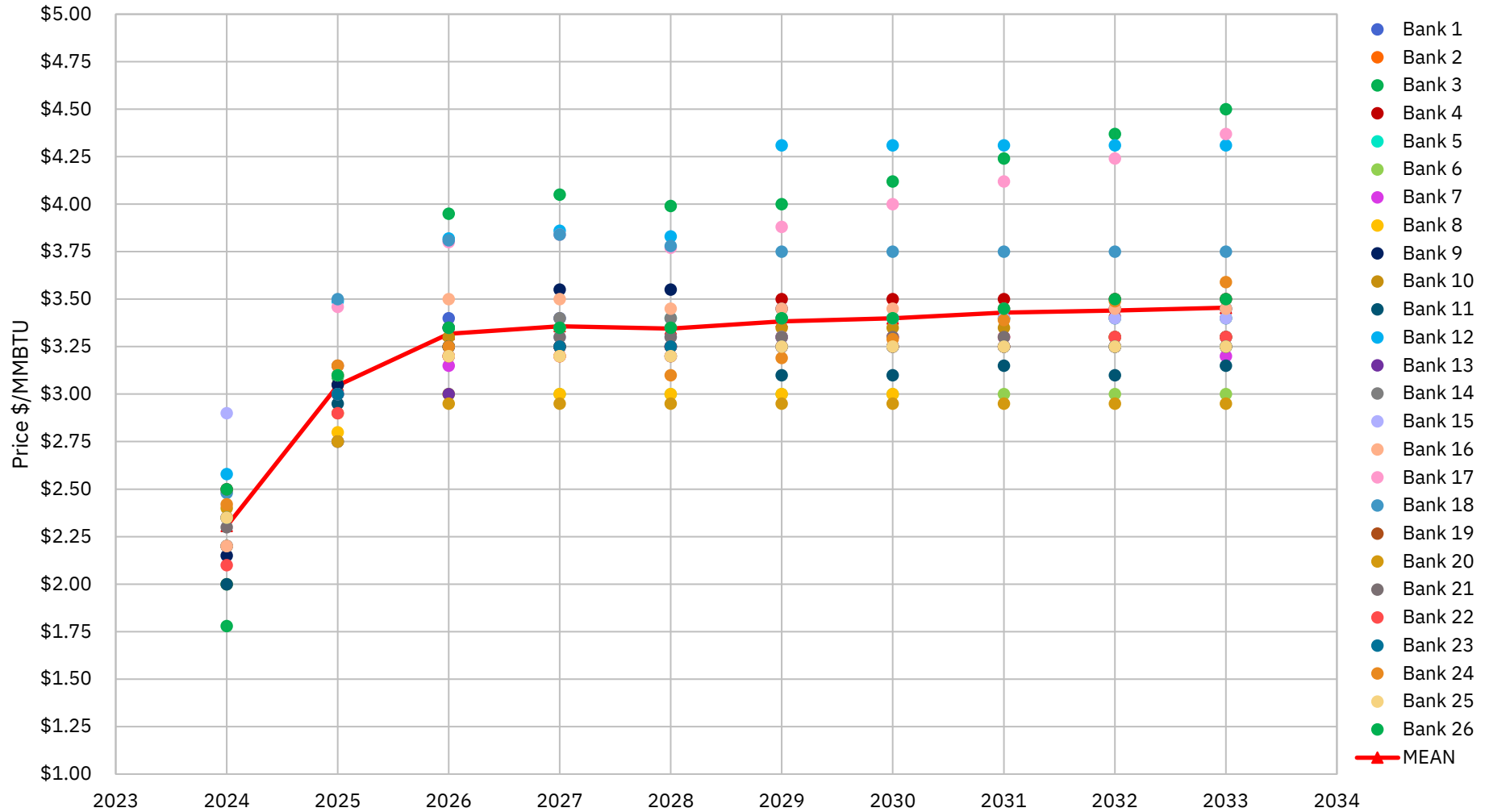
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Oil Sensitivity Case – Spring 2024



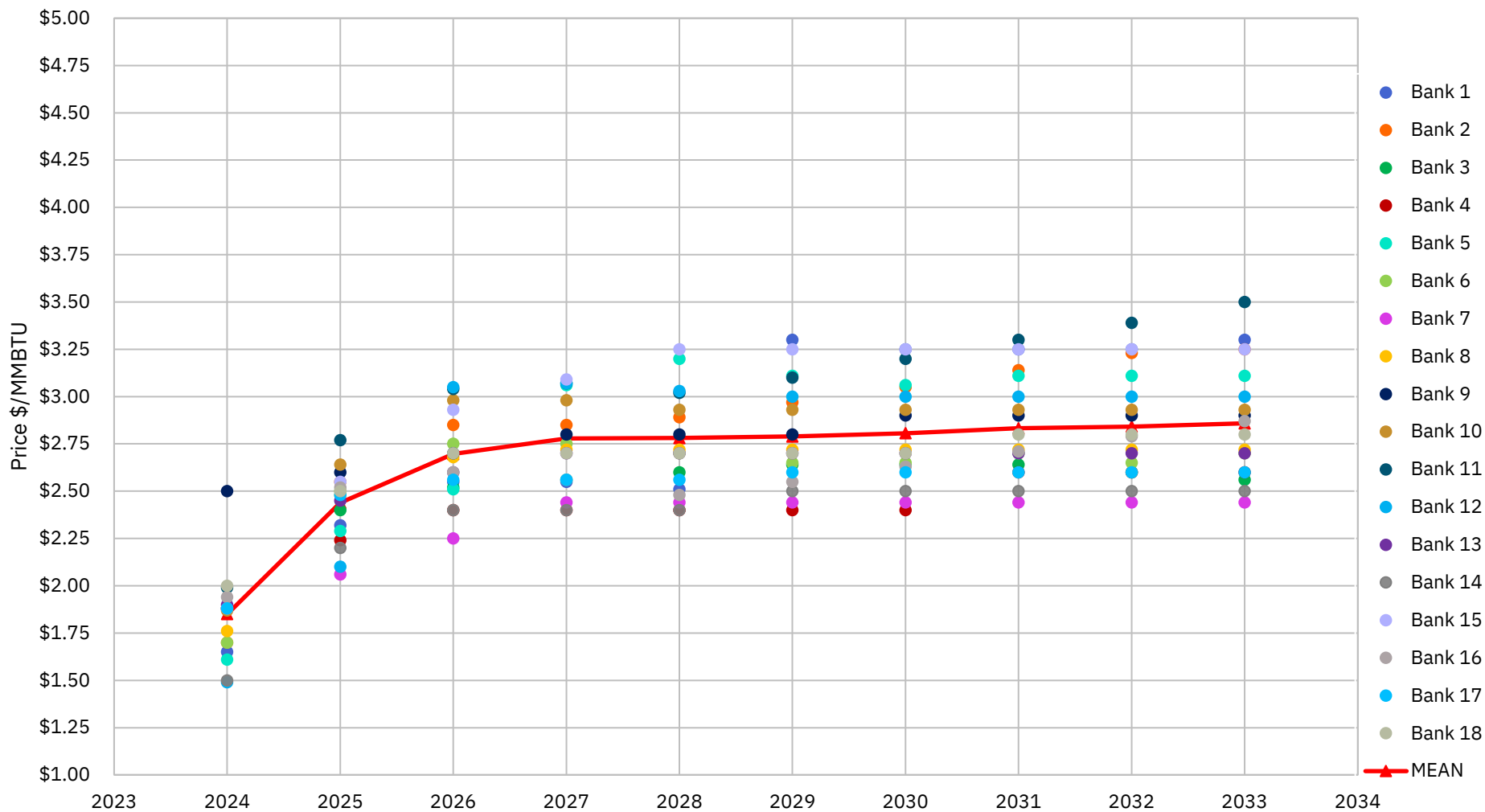
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Gas Base Case – Spring 2024



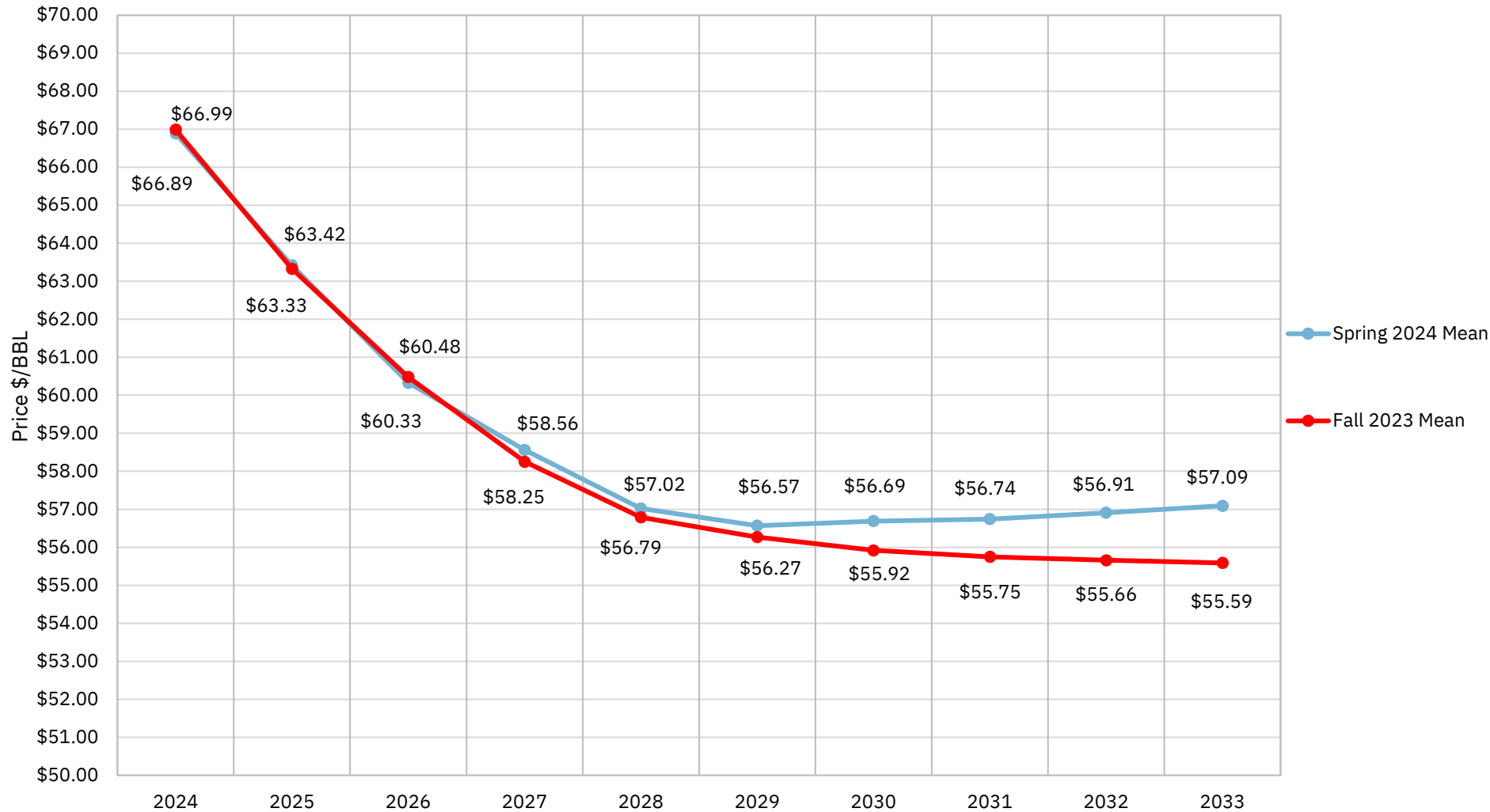
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Gas Sensitivity Case – Spring 2024



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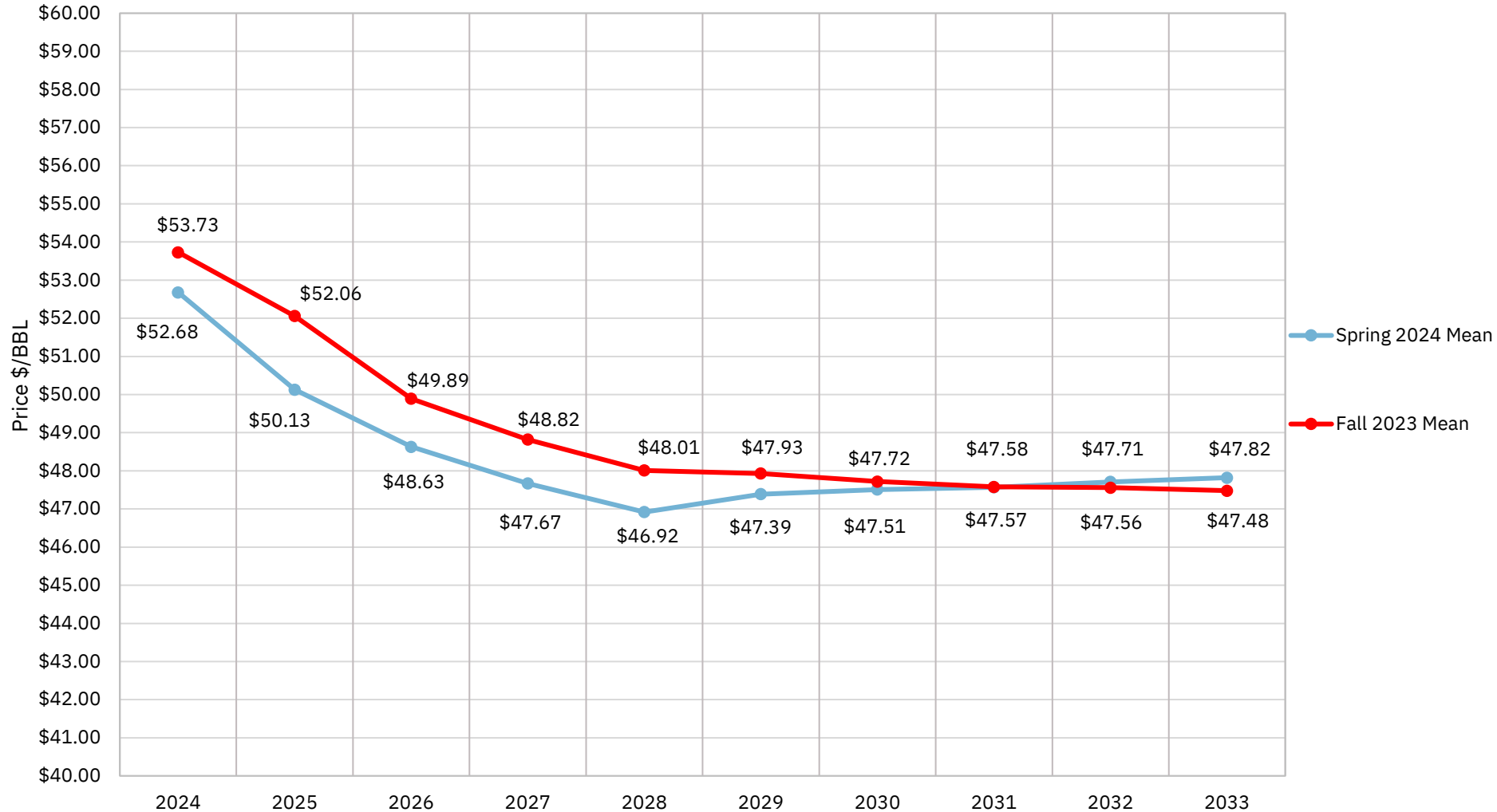
Oil Base Case – Fall 2023 vs. Spring 2024



This chart displays the cumulative mean for the fall 2023 and spring 2024 price decks.

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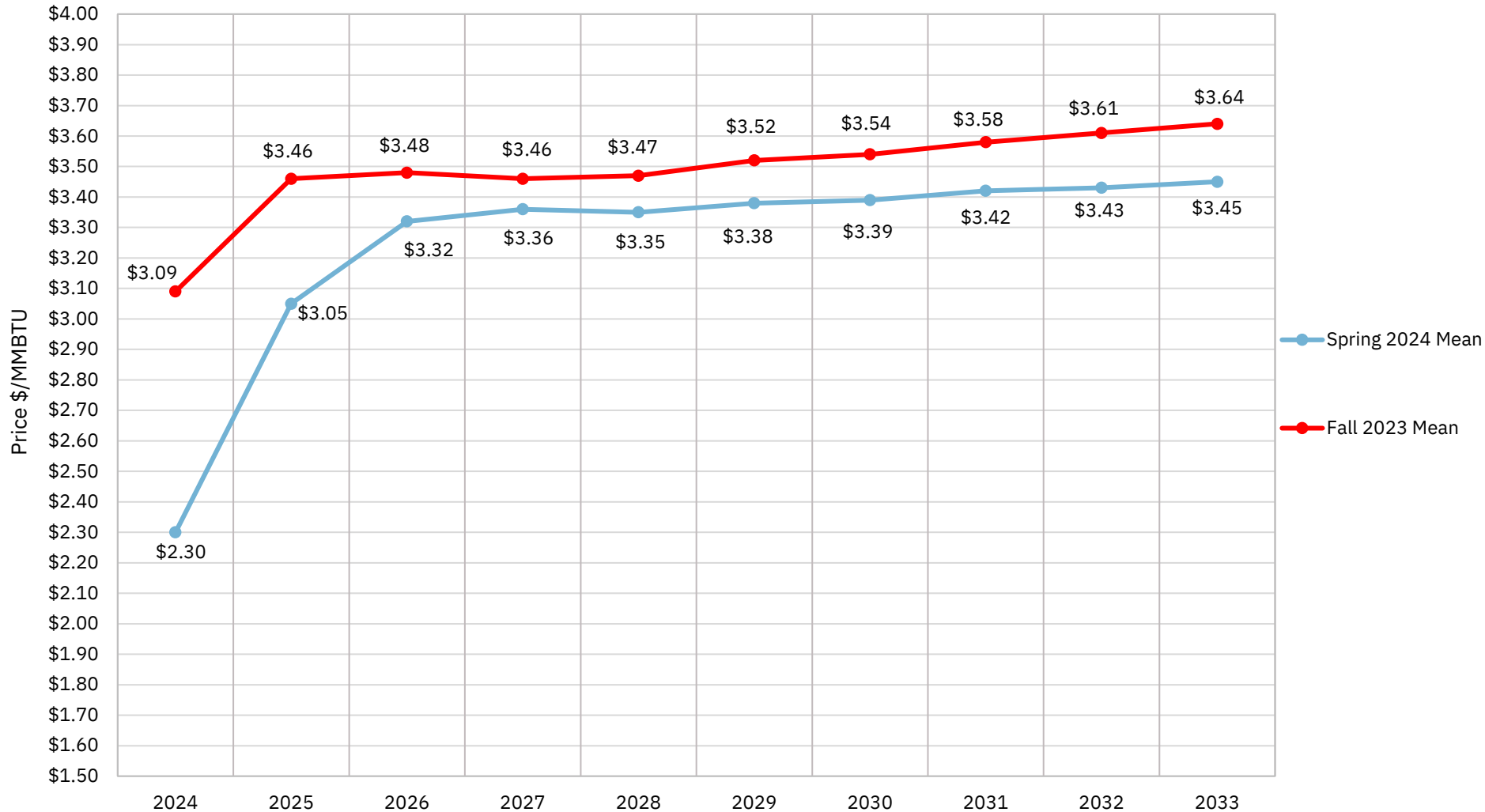
Oil Sensitivity Case – Fall 2023 vs. Spring 2024



This chart displays the cumulative mean for the fall 2023 and spring 2024 price decks.

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Gas Base Case – Fall 2023 vs. Spring 2024



This chart displays the cumulative mean for the fall 2023 and spring 2024 price decks.

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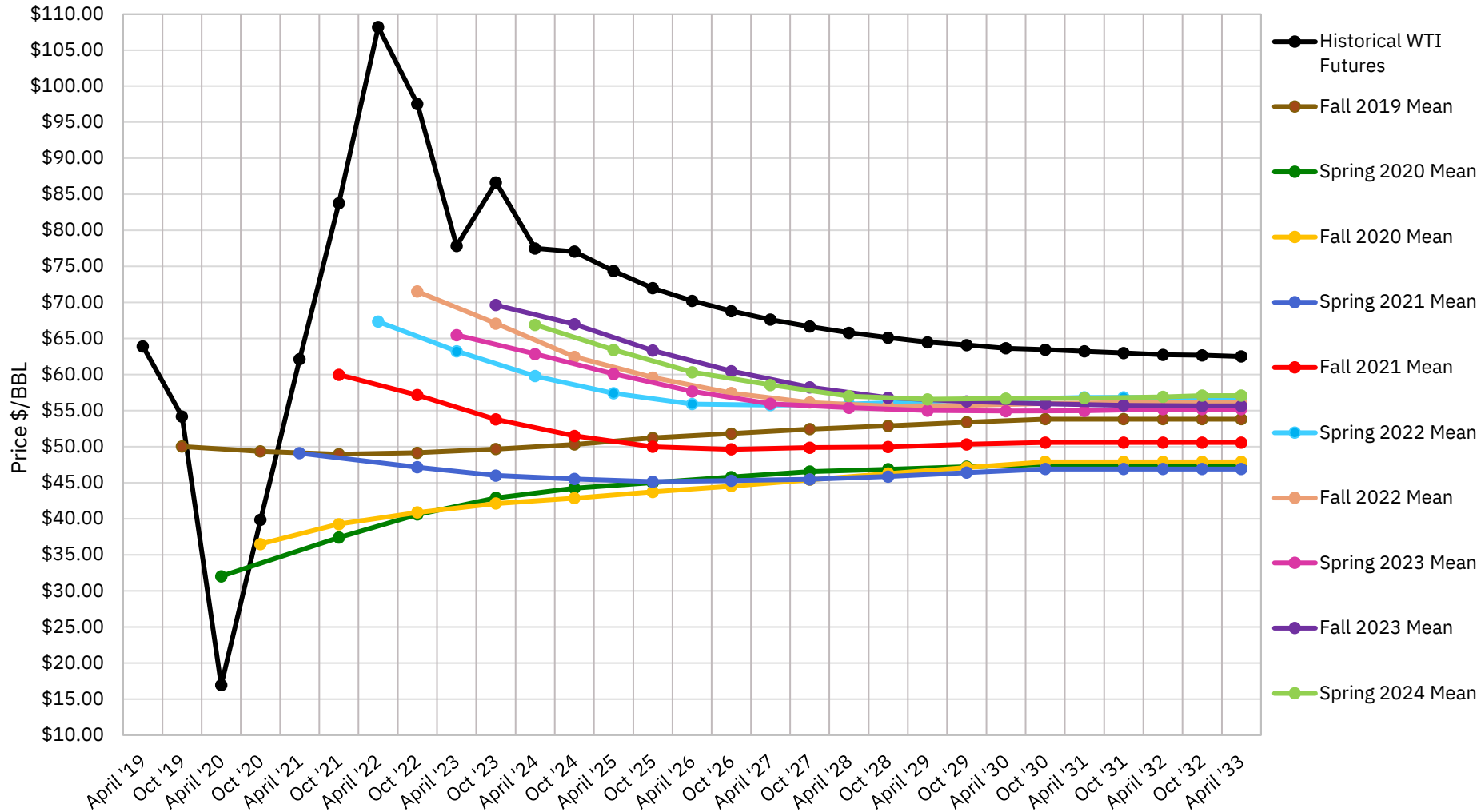
Gas Sensitivity Case – Fall 2023 vs. Spring 2024



This chart displays the cumulative mean for the fall 2023 and spring 2024 price decks.

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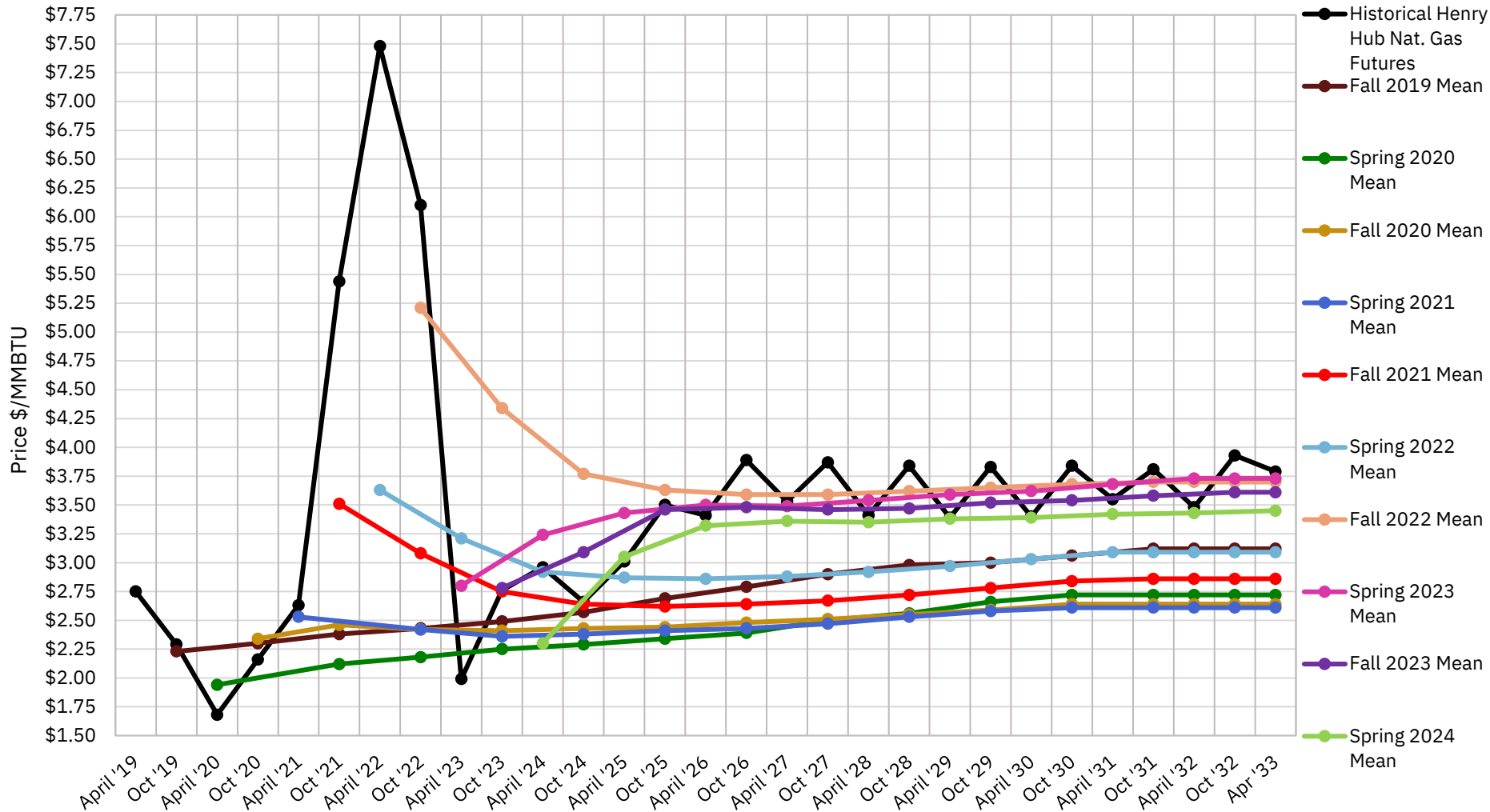
Average Oil Base Case: Fall 2019 to Spring 2024



This chart displays the cumulative mean for price decks from fall 2019 through spring 2024 (the ten periods in which we have conducted our survey).

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Average Gas Base Case: Fall 2019 to Spring 2024

























This chart displays the cumulative mean for price decks from fall 2019 through spring 2024 (the ten periods in which we have conducted our survey).

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Participating Banks – Spring 2024

We would like to acknowledge and thank the following banks that participated in our spring 2024 survey, among several others:

- | | |
|--|---|
|  Amegy Bank |  Frost Bank |
|  Barclays |  Gulf Capital Bank |
|  BOK Financial |  Modern Bank |
|  Capital One |  Pegasus Bank |
|  Cathay Bank |  Prosperity Bank |
|  CIBC |  Sumitomo Mitsui Banking Corporation |
|  Citizens Bank |  Texas Capital Bank |
|  Comerica Bank |  U.S. Bank |
|  East West Bank |  WaFd Bank |
|  First Horizon Bank |  Wells Fargo Bank |
|  First International Bank & Trust |  West Texas National Bank |

Haynes Boone Energy Reports

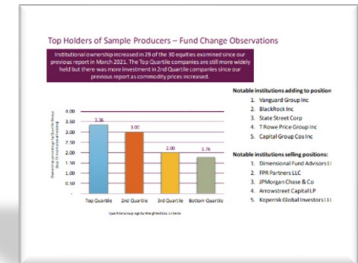
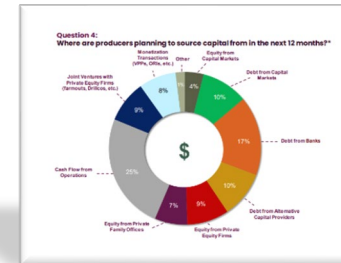
Haynes Boone's oil and gas lawyers have been helping clients make the right connections and navigate the ever-changing legal maze to successfully close deals. Visit our [Energy Roundup page](#) to view of our reports, surveys and publications that help keep you one step ahead:

Current reports:

- **Borrowing Base Redeterminations Survey:** a forward-looking survey that reveals what lenders, borrowers and others in the industry expect regarding the borrowing base redeterminations in light of oil price uncertainty.
- **Energy Bank Price Deck Survey:** our survey that compiles oil and gas price decks from leading energy banks and serves as an indication of price expectations used to determine producers' borrowing bases under reserve-based loans.

Historical reports (2015-2022):

- **Midstream Report:** includes details on midstream companies that have filed for bankruptcy since 2015.
- **Oil Patch Bankruptcy Monitor:** includes details on oil and gas producers that have filed for bankruptcy since 2015.
- **Oilfield Services Bankruptcy Tracker:** includes details on oilfield services companies that have filed for bankruptcy since 2015.
- **Haynes Boone and EnerCom Oil & Gas ESG Tracker:** our report that monitors how oil and gas companies are responding to the growing demand that they advance and develop ESG policies and communicate them to investors, lenders, regulators and other stakeholders.

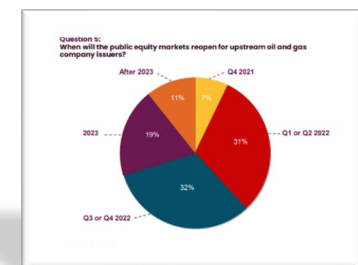
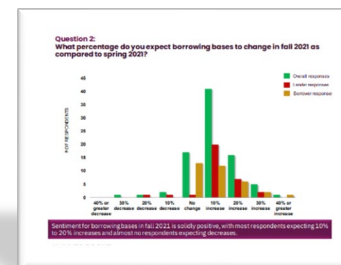


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Significant capital is being invested in funds with an ESG focus. Values increase as a result of stock prices rising.

The top 10 institutional holders of the 30 sample producers that we analyzed have an aggregate of \$34.9 billion invested in the equity of the group, and they include:

Institution	Percent owned	Value (\$ billions)
VANGUARD GROUP INC.	28	\$9.3
BLACKROCK INC.	25	\$8.5
STATE STREET CORP.	21	\$6.5
CAPITAL GROUP COMPANY	4	\$2.8
INVESTEC	18	\$2.8
TRIMARK GROUP INC.	6	\$1.9
DIMENSIONAL FUND MANAGEMENT	20	\$1.8
GEODE CAPITAL MANAGEMENT LLC	27	\$1.4
INVESTICITY	8	\$1.0
INVESTMENT TRUST CORP.	16	\$1.0



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