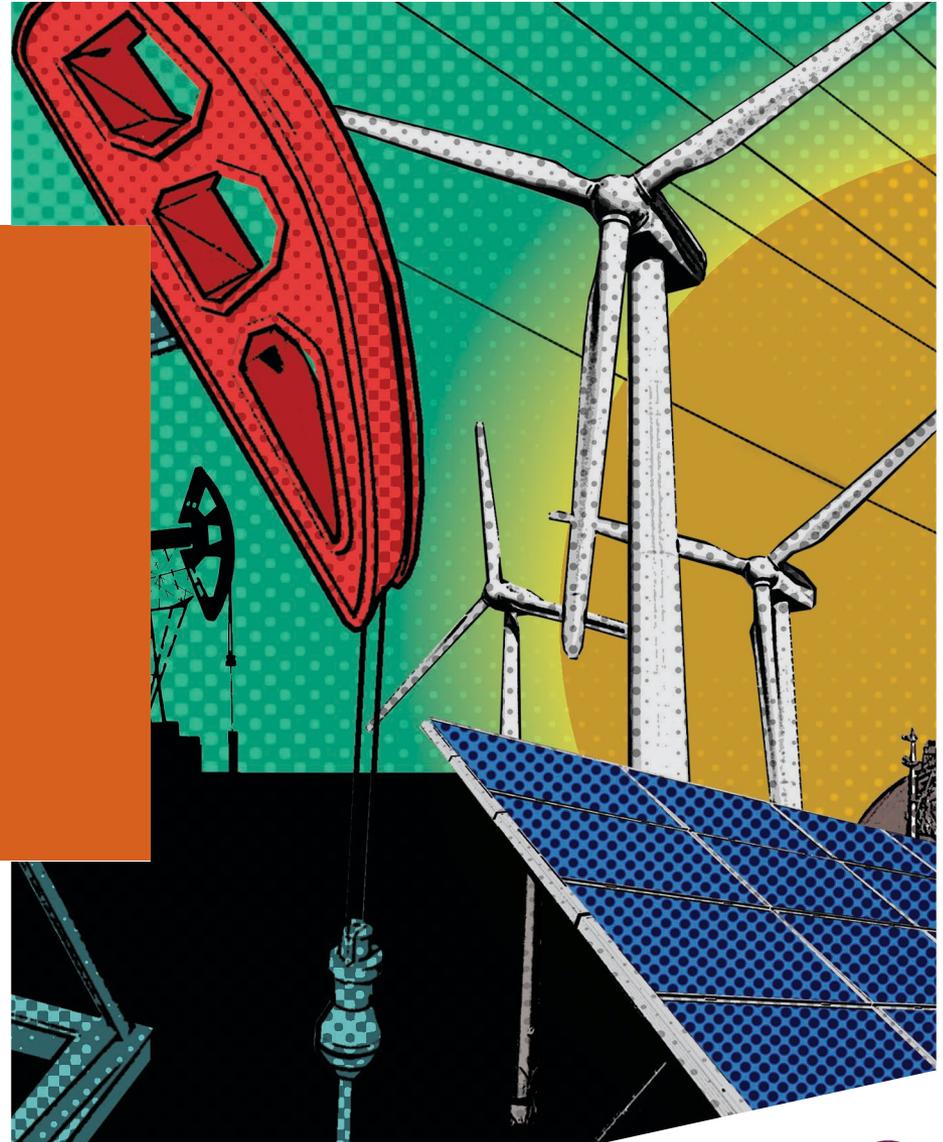


HAYNES BOONE

Haynes Boone
Borrowing Base
Redeterminations
Survey: Spring 2024

May 2024



Haynes Boone Borrowing Base Redeterminations Survey

Overview

Haynes and Boone, LLP has conducted 19 borrowing base redetermination surveys since April 2015, including our most recent survey in April 2024.

The 92 survey respondents include executives at:

- Oil and gas producers
- Financial institutions
- Private equity firms
- Professional services firms

The primary objective of the survey is to provide a forward-looking and clear idea of what lenders, borrowers (oil and gas producers) and others are experiencing regarding borrowing base redeterminations in light of the price uncertainty in the commodity markets.

The following is a summary of our April 2024 borrowing base redetermination survey results and an analysis of the responses.

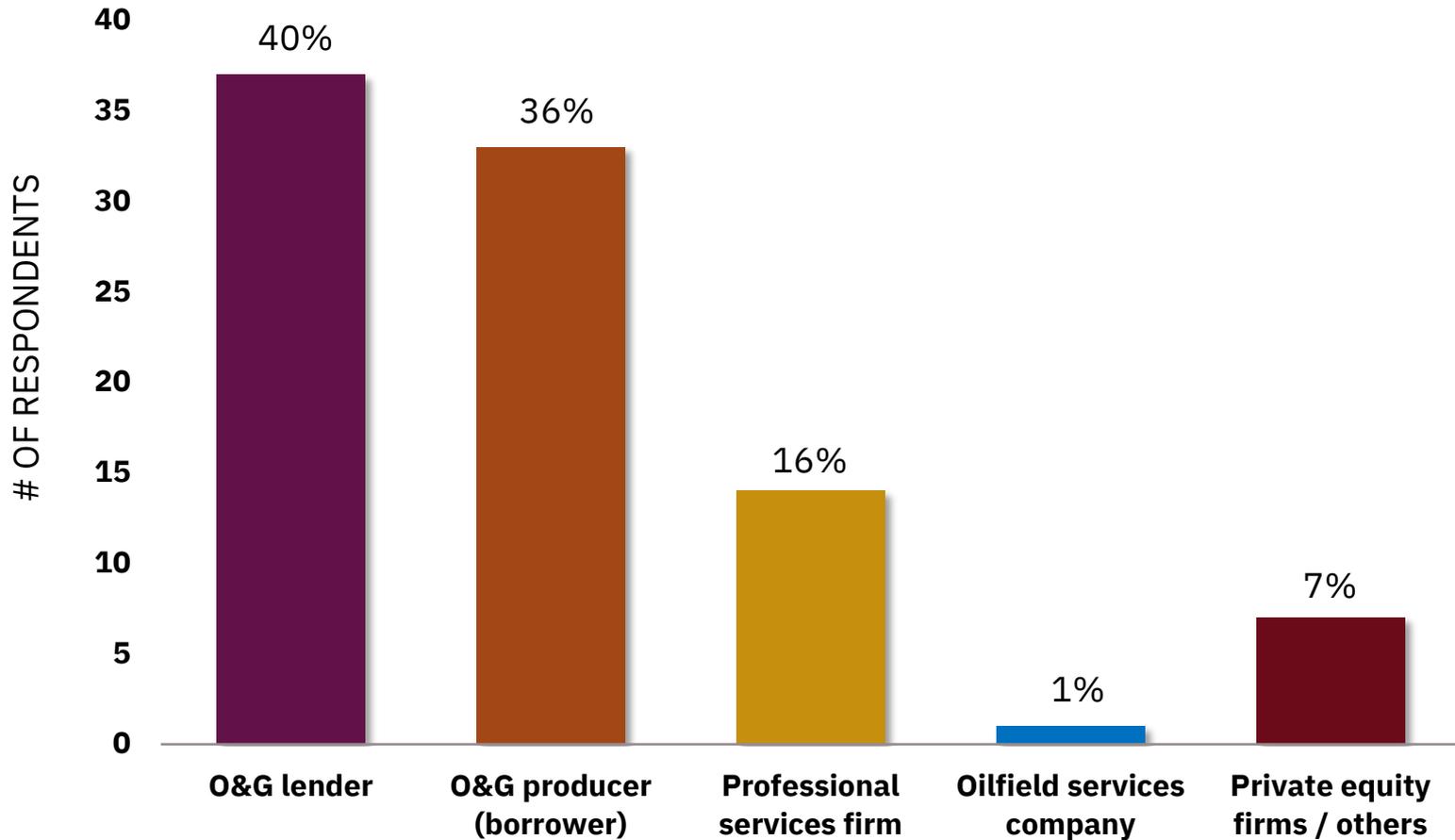
Haynes Boone Borrowing Base Redeterminations Survey

Key Takeaways – Spring 2024

1. This survey was conducted in a commodity price environment in which it was “the best of times” (or, at least “pretty good times”) for oil-weighted producers and “the worst of times” for natural gas-weighted producers. Despite this backdrop, respondents largely expect borrowing bases to be reaffirmed during the spring 2024 borrowing base redetermination season.
2. Hedging percentages have reduced modestly relative to the percentages reported in our fall 2023 survey. One possibility is that historically low natural gas prices have pushed producers to reduce hedging of that commodity stream.
3. From a capital sourcing perspective, the most meaningful changes were respect to the equity portion of the capital stack. Respondents expect a meaningful drop in the use of equity capital markets, with that shortfall being made up by increases in the use of equity from family offices and private equity firms.
4. Cash flow from operations remains the most popular source of funding for producers and use of debt from banks and use debt from capital markets are largely unchanged in the spring 2024 survey compared to the fall 2023 survey.
5. To reduce debt loads and optimize operations, companies participating in the recent wave of oil and gas M&A transactions will need to divest of noncore assets following the closings of those deals. However, most survey participants do not expect that divestment activity to occur until 2025.

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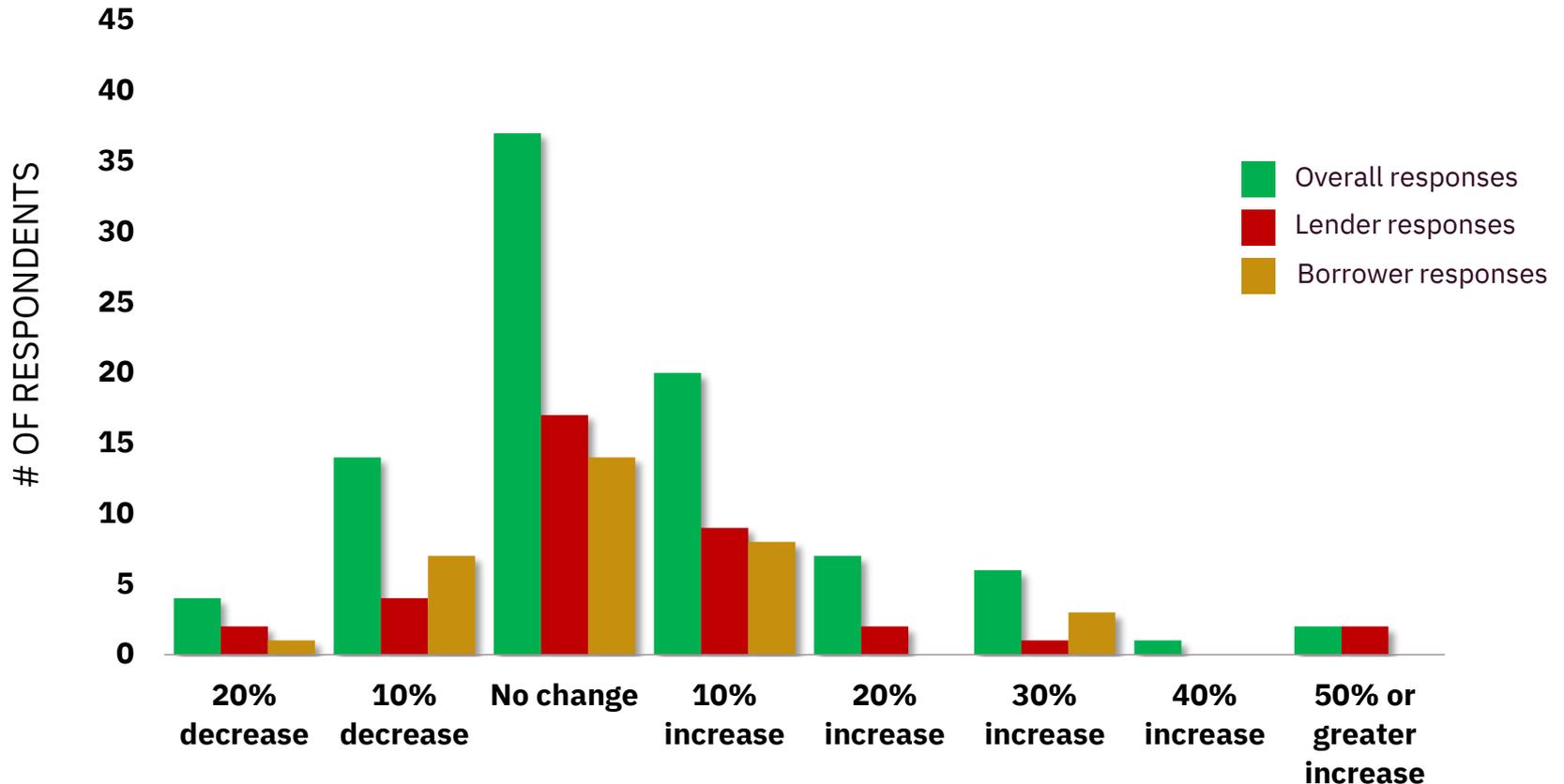
Question 1: Which of these best describes you?



92 respondents

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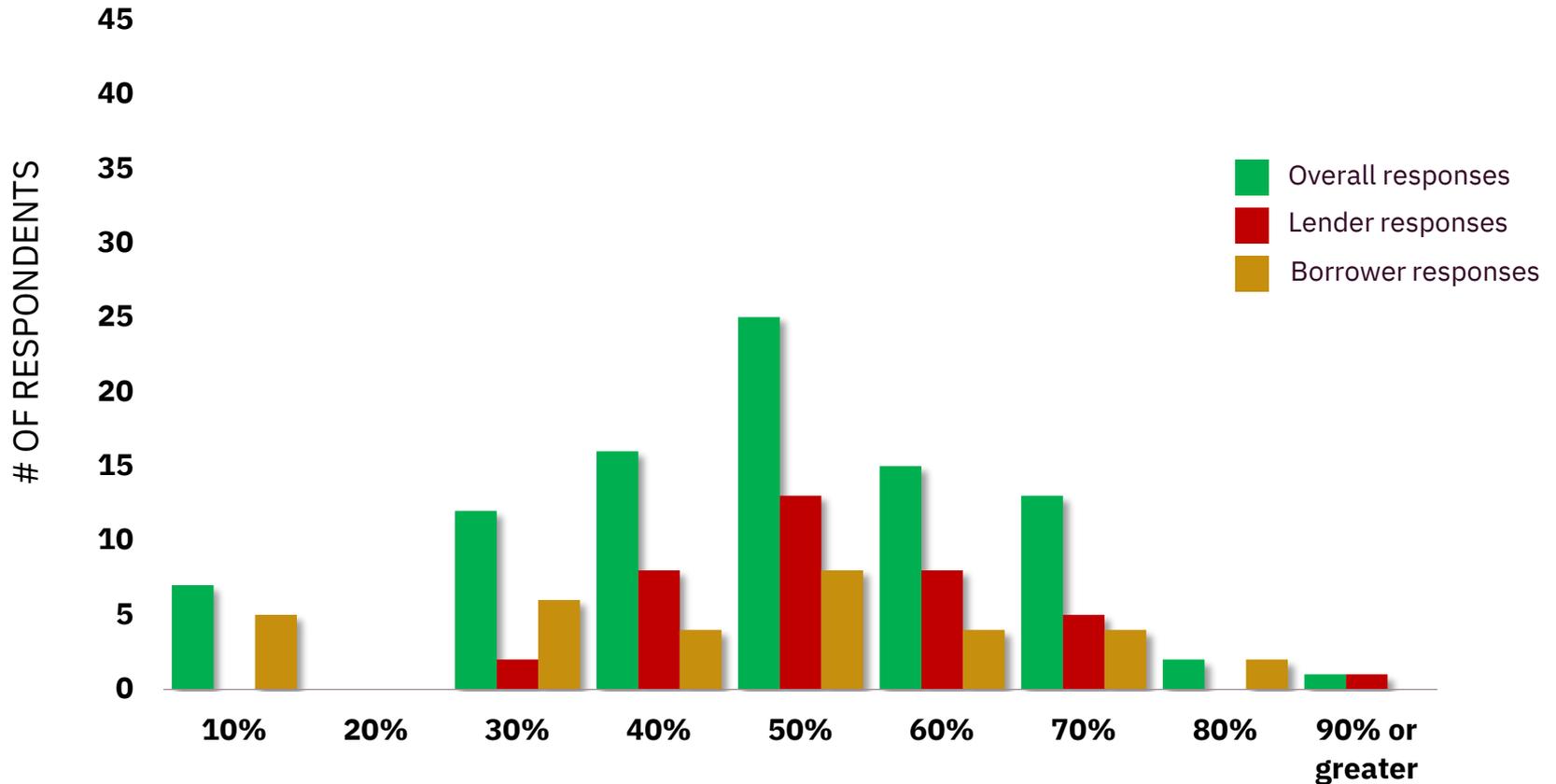
Question 2: What percentage do you expect borrowing bases to change in spring 2024 as compared to fall 2023?



Despite material improvements in the price of oil in 2024, survey participants largely expect borrowing bases to remain flat in the spring 2024 borrowing base redetermination season.

Haynes Boone Borrowing Base Redeterminations Survey – Spring 2024

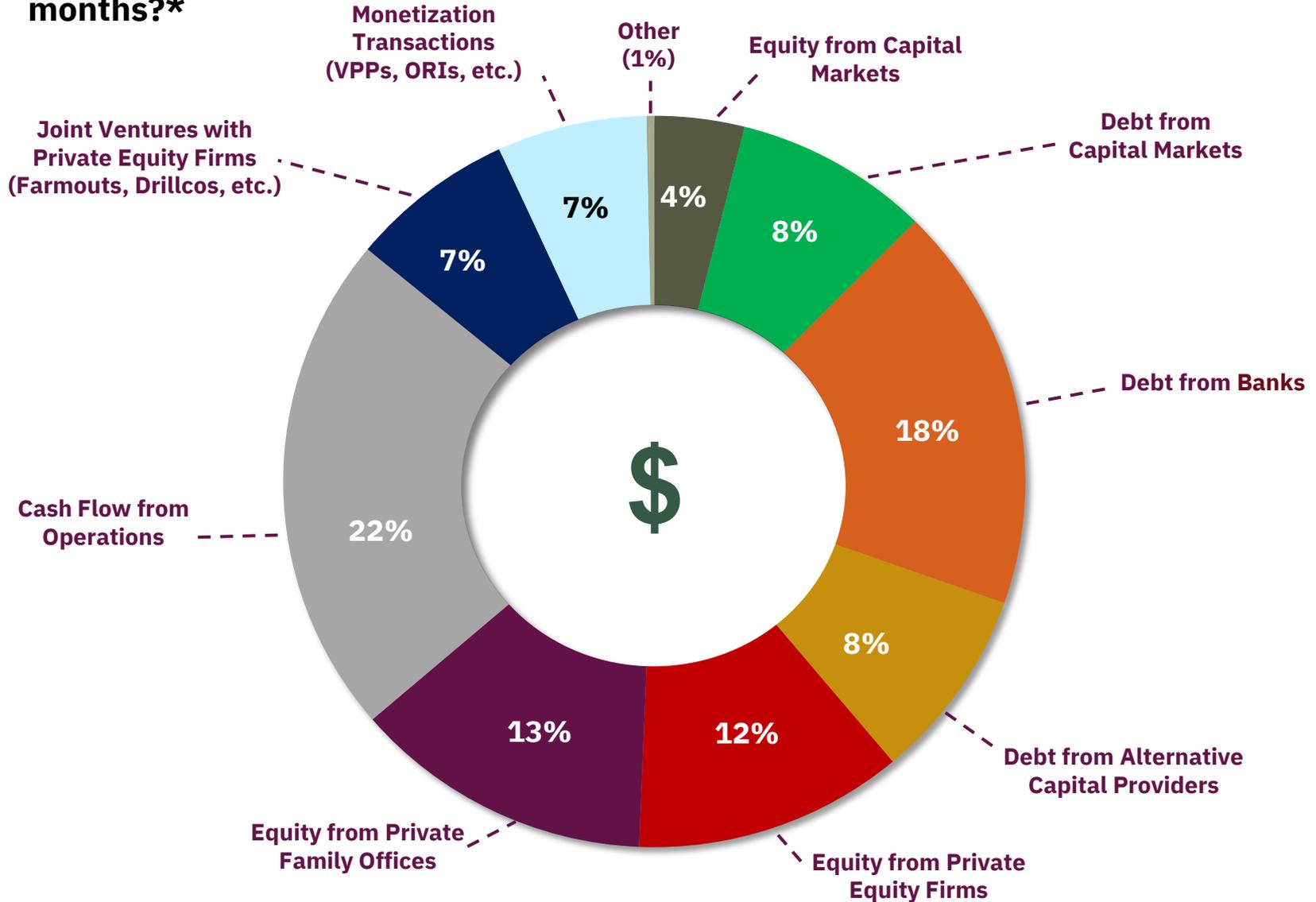
Question 3: On average, what percentage of anticipated future production have reserve-based credit facility borrowers hedged for the next 12 months?



Following several consecutive surveys that reported higher hedging percentages, participants in this survey are reporting slightly lower hedge volumes for the 12-month period following the spring 2024 borrowing base redetermination season.

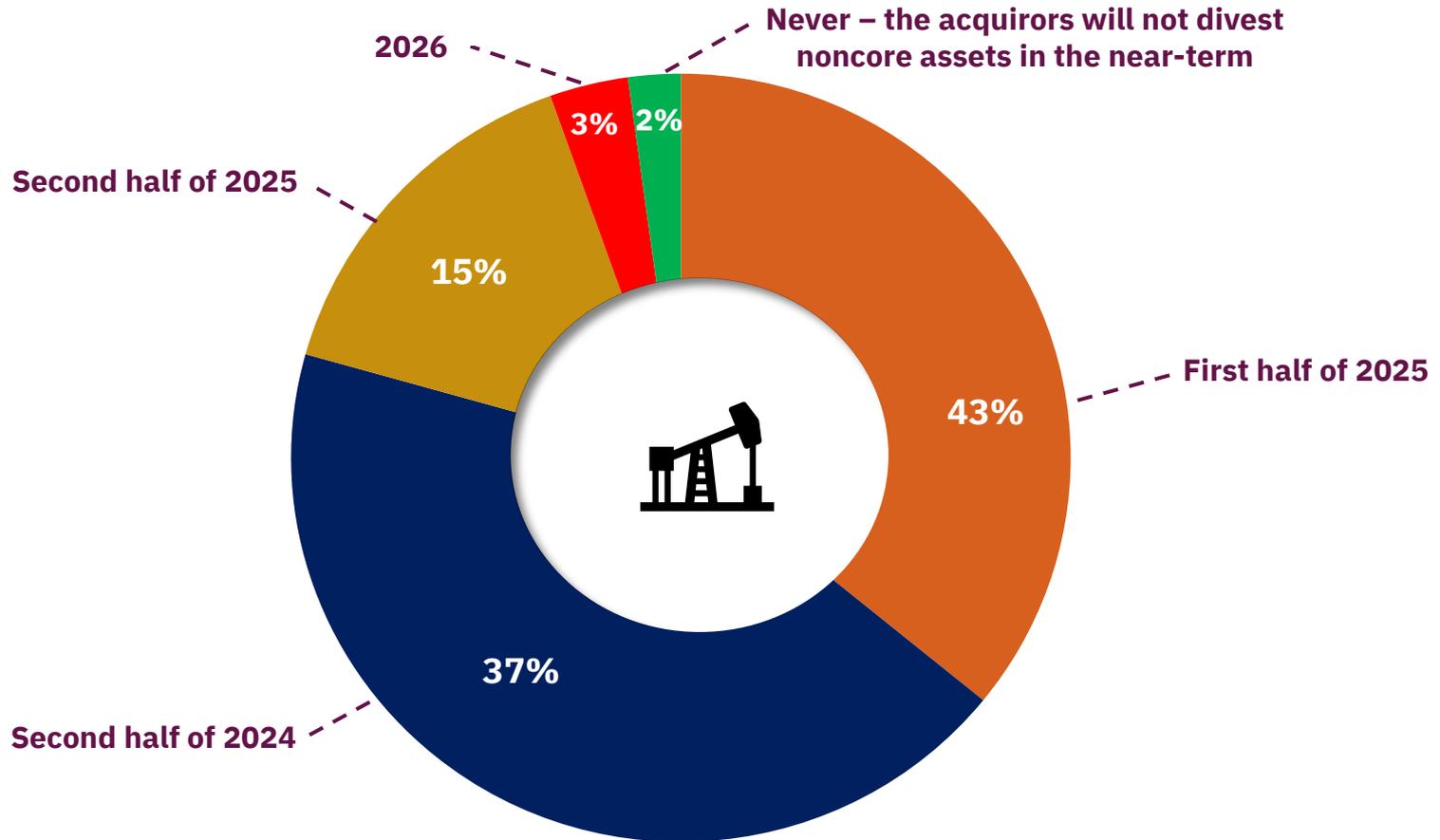
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Question 4: Where are producers planning to source capital from in the next 12 months?*



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Question 5: Many industry participants predict that following the current wave of upstream oil and gas company M&A activity, the acquirors will go through a period of noncore oil and gas asset divestment. When do you expect acquiror companies to commence these divestment processes?



Survey participants are in general agreement that upstream oil and gas companies that have been party to recent M&A transactions will be divesting of noncore assets, but most do not expect the divestment activity to occur until 2025.

Haynes Boone Energy Reports

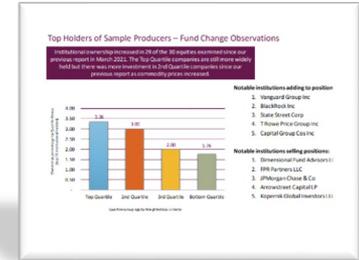
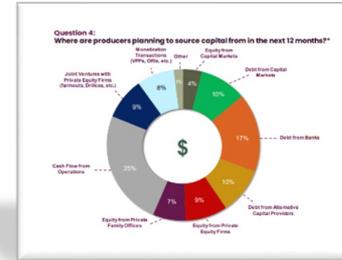
Haynes Boone’s oil and gas lawyers have been helping clients make the right connections and navigate the ever-changing legal maze to successfully close deals. Visit our [Energy Roundup page](#) to view of our reports, surveys and publications that help keep you one step ahead:

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):

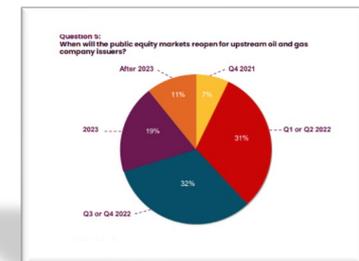
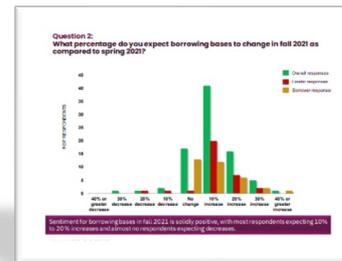
- **Midstream Report:** includes details on midstream companies that have filed for bankruptcy since 2015.
- **Oil Patch Bankruptcy Monitor:** includes details on oil and gas producers that have filed for bankruptcy since 2015.
- **Oilfield Services Bankruptcy Tracker:** includes details on oilfield 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.



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	29.3
BLACKROCK INC.	25	25.5
STATE STREET CORP.	21	24.5
CAPITAL GROUP COMPANY	4	21.9
FIDELITY	18	21.8
T. ROWE PRICE GROUP INC.	6	21.9
DIMENSIONAL FUND ADVISORS LP	28	21.8
GEODE CAPITAL MANAGEMENT LLC	27	21.4
INVESTORSCO	8	21.0
INVESTMENT TRUST CORP.	16	19.9



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