

# Reserves-based lending survey shows “deep pessimism,” says Haynes and Boone

Results of the spring borrowing-base redeterminations survey of Haynes and Boone LLP yielded the following expectations for reserves-based lending:

- Most respondents — comprising producers, oilfield service companies, energy lenders, private equity firms and others — indicated deep pessimism for the spring 2020 borrowing base outlook. This was attributable to “a rapid deterioration in market conditions that started on March 8,” stated Haynes and Boone.
- Respondents expect producers to see downward adjustments of 20 percent or more in their upcoming redeterminations.
- Oil and gas companies remain well hedged, which generates a key question for banks and borrowers — what should producers do with these highly “in the money” hedges?
- When compared to the fall 2019 responses, survey participants who see private equity as a source of E&P capital have dropped by nearly 50 percent. They plan to make up the difference with debt from alternative capital providers.
- A growing focus on ESG will be impactful on producers’ future access to capital, but the respondents are mixed on the depth of that impact.

For the full survey results, which include charts and graphs, please go to <https://www.haynesboone.com/publications/energy-bankruptcy-monitors-and-surveys>.

## Planned sources of capital for 2020

