

PRESENTED AT

42nd Annual Ernest E. Smith Oil, Gas and Mineral Law Conference
Fundamentals

April 14, 2016
Houston, Texas

Redetermination, Perfection and Bankruptcy in the Oilfield

J. Zach Burt, Bank of Texas, Fort Worth, Texas

W. John English, Jr., Baker & Hostetler LLP, Houston, Texas

Eric R. Goodman, Baker & Hostetler LLP, Cleveland, Ohio

Author contact information is set out in
the paper presented by each author.

Redetermination



J. Zach Burt,
Bank of Texas, Fort Worth, Texas

Relationship between Bank and E&P Company:



- There is a longstanding relationship between E&P company and bank that is valued
- Energy banks play an integral role in the exploration and production of oil and gas
- Even in a down market, historically banks have demonstrated a willingness to be flexible and work with their E&P company clients who are seeking additional working capital to fulfill drilling commitments, etc.

Relationship between Bank and E&P Company:



- 2016 seems to be signaling a change in this longstanding relationship because of regulatory scrutiny
- In light of this change – in some cases drastic change – E&P Companies need to be armed with knowledge and not hostility

Basics of RBLs and Redeterminations:



- The most common credit product offered by a bank to an E&P company is a reserve-based loan, or “RBL”
- RBLs are an asset-based loan that permits an E&P company to take out cash as needed for its operations, provided that the principal amount of credit exposure does not exceed the lesser of the total credit limit – or the “borrowing base.”
- The borrowing base is determined by the bank after review of the E&P company’s most recent reserve report

Basics of RBLs and Redeterminations:



- After evaluating the borrower’s reserves, the bank then determines how much it would be willing to loan against those reserves for a six month period in the future
- Most banks will lend to 60% - 65% of its reserve valuation
- Most banks consider RBLs to be the lowest-risk form of energy lending because of the collateralization against proven reserves

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the [UT Law CLE eLibrary \(utcle.org/elibrary\)](http://utcle.org/elibrary)

Title search: Redetermination, Perfection and Bankruptcy in the Oilfield

Also available as part of the eCourse

[2016 Fundamentals of Oil, Gas and Mineral Law eConference](#)

First appeared as part of the conference materials for the
2016 Fundamentals of Oil, Gas and Mineral Law session

"Basics: Redetermination, Perfection and Bankruptcy in the Oilfield"