



Developments in Reserve-Based Lending Facilities

Trends in Oil & Gas Series: Part 3 of 5

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While the traditional reserve-based lending (RBL) market for domestic exploration & production (E&P) companies did not move significantly during 2023, it is noteworthy to observe a few trends.

One of the more significant developments in RBLs has been an increased focus on the management of borrowers' commodity hedging programs. In addition, anti-cash hoarding provisions continued to survive in many credit agreements. We have also noted that investment grade toggle structures are becoming more common.

Looking forward, we believe RBLs will continue to be an important type of financing for E&P companies. We expect the RBL market to be impacted by the commodity pricing environment, as well as factors affecting the debt markets in general, such as the macroeconomic backdrop, geopolitical risks and uncertainty, the rise of private credit and the continuing risk of more bank failures.

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