$0.5 million of remaining unamortized deferred financing costs were expensed and included in Write-off of deferred financing costs in the Consolidated Statements of Operations.

On May 9, 2017, EEH (the “Borrower”), Earthstone Operating, LLC, EF Non-Op, LLC, Sabine River Energy, LLC, Earthstone Legacy Properties, LLC, Lynden Op, Bold, Bold Operating, LLC (the “Guarantors”), BOKF, NA dba Bank Of Texas, as Agent and Lead Arranger, Wells Fargo Bank, National Association as Syndication Agent and the lenders party thereto (the “Lenders”), entered into a credit agreement (the “EEH Credit Agreement”).

The borrowing base under the EEH Credit Agreement is subject to redetermination on or about November 1st and May 1st of each year. The amounts borrowed under the EEH Credit Agreement bear annual interest rates at either (a) the London Interbank Offered Rate (“LIBOR”) plus 1.75% to 2.75% or (b) the prime lending rate of Bank of Texas plus 0.75% to 1.75%, depending on the amounts borrowed under the EEH Credit Agreement. Principal amounts outstanding under the EEH Credit Agreement are due and payable in full at maturity on May 9, 2022. All of the obligations under the EEH Credit Agreement, and the guarantees of those obligations, are secured by substantially all of EEH’s assets. Additional payments due under the EEH Credit Agreement include paying a commitment fee of 0.375% or 0.50%, depending on borrowing base utilization, per year to the Lenders in respect of the unutilized commitments thereunder, as well as certain other customary fees.

The EEH Credit Agreement contains a number of covenants that, among other things, restrict, subject to certain exceptions, EEH’s ability to incur additional indebtedness, create liens on assets, make investments, enter into sale and leaseback transactions, pay dividends and make distributions or repurchase its limited liability interests, engage in mergers or consolidations, sell certain assets, sell or discount any notes receivable or accounts receivable and engage in certain transactions with affiliates.

In addition, the EEH Credit Agreement requires EEH to maintain the following financial covenants: a current ratio, as defined, of not less than 1.0 to 1.0 and a leverage ratio of not greater than 4.0 to 1.0. Leverage ratio means the ratio of (i) the aggregate debt of EEH and its consolidated subsidiaries as at the last day of the fiscal quarter (excluding any debt from obligations relating to non-cash losses under FASB ASC 815 as a result of changes in the fair market value of derivatives) to (ii) the product of EBITDAX for such fiscal quarter multiplied by four. The term “EBITDAX” means, for any period, the sum of consolidated net income for such period plus (a) the following expenses or charges to the extent deducted from consolidated net income in such period: (i) interest, (ii) taxes, (iii) depreciation, (iv) depletion, (v) amortization, (vi) non-cash losses under FASB ASC 815 as a result of changes in the fair market value of derivatives, (vii) exploration expenses, (viii) impairment expenses, and (ix) non-cash compensation expenses and minus (b) to the extent included in consolidated net income in such period, non-cash gains under FASB ASC 815 as a result of changes in the fair market value of derivatives.

The EEH Credit Agreement contains customary affirmative covenants and defines events of default to include failure to pay principal or interest, breach of covenants, breach of representations and warranties, insolvency, judgment default, and if Frank A. Lodzinski ceases to serve and function as Chief Executive Officer of EEH and the majority of the Lenders do not approve of Mr. Lodzinski’s successor. Upon the occurrence and continuance of an event of default, the Lenders have the right to accelerate repayment of the loans and exercise their remedies with respect to the collateral. As of December 31, 2018, EEH was in compliance with the covenants under the EEH Credit Agreement.

As of December 31, 2018, the Company had a $275.0 million borrowing base under the EEH Credit Agreement, of which $78.8 million was outstanding, bearing annual interest of 4.479%, resulting in an additional $196.2 million of borrowing base availability under the EEH Credit Agreement. At December 31, 2017, there were $25.0 million of borrowings outstanding under the EEH Credit Agreement.

For the year ended December 31, 2018, the Company had borrowings of $156.8 million and $103.0 million in repayments of borrowings.

For the years ended December 31, 2018 and 2017, interest on all outstanding debt averaged 4.16% and 4.26% per annum, respectively, of which excluded commitment fees of $0.8 million and $0.3 million for each period ended, respectively, and amortization of deferred financing costs of $0.3 million for each period ended, respectively.

The Company capitalized $0.5 million and $1.4 million, respectively, of costs associated with the credit agreements for the years ended December 31, 2018 and 2017. These capitalized costs are included in Other noncurrent assets in the Consolidated Balance Sheets. The Company’s policy is to capitalize the financing costs associated with its debt and amortize those costs on a straight-line basis over the term of the associated debt.

Note 14. Asset Retirement Obligations

The Company has asset retirement obligations associated with the future plugging and abandonment of oil and natural gas properties and related facilities. Revisions to the liability typically occur due to changes in the estimated abandonment costs, well economic lives, and the discount rate.