

Oil & Gas Financing and Investment Series

Updates on Recent Oil and Gas Refinancings, Restructurings, and Bankruptcies

January 19, 2016

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Chair of Energy Finance Practice | Houston

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THE WALL STREET JOURNAL.

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PERSONAL JOURNAL | D1



Dorothy Rabinowitz
Stop the Preaching About Terrorists

OPINION | A13

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What's News

Business & Finance

Oil plunged over 5% to near \$30 a barrel, making the prospect of bankruptcy ever more likely for many energy producers. **A1, C1**

◆ Shire and Baxalta unveiled a \$32 billion deal that they said would create the world's biggest rare-disease druzmaker. **B1**

Oil Drop Sparks Bankruptcy Fears

Crude's plunge to near \$30 a barrel fans worries that it could sink a third of producers

By BRADLEY OLSON AND EREN AILWORTH

Crude-oil prices plunged more than 5% on Monday to trade near \$30 a barrel, making the specter of bankruptcy ever more likely for a significant chunk of the U.S. oil industry.

Three major investment banks—Morgan Stanley, Goldman Sachs Group Inc. and Citigroup Inc.—now expect the price of oil to crash through the \$30 threshold and into \$20 territory in short order as a result of China's slowdown, the U.S. dollar's appreciation and the fact that drillers from Houston to Riyadh won't quit pumping despite the oil glut.

As many as a third of American oil-and-gas producers could tip toward bankruptcy and restructuring by mid-2017, ac-

cording to Wolfe Research. Survival for some, would be possible if oil rebounded to at least \$50, according to analysts. The benchmark price of U.S. crude settled at \$31.41 a barrel, setting a 12-year low.

More than 30 small companies that collectively owe in excess of \$13 billion have already filed for bankruptcy protection so far during this downturn, according to law firm Haynes & Boone.

Morgan Stanley issued a report this week describing an

environment "worse than 1986" for energy prices and producers, referring to the last big oil bust that lasted for years. The current downturn is now deeper and longer than each of the five oil price crashes since 1970, said Martijn Rats, an analyst at the bank.

Together, North American oil-and-gas producers are losing nearly \$2 billion every week at current prices, according to a forthcoming report from Aikx-Partners, a consulting firm, that **Please see OIL page A2**



Shakeout in Coal

Arch's bankruptcy filing signals a crucial phase for the industry..... **B1**

LOUIE ZAPARETTI/GETTY IMAGES

HAYNES AND BOONE, LLP BANKRUPTCY MONITOR

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HAYNES AND BOONE, LLP OIL PATCH BANKRUPTCY MONITOR

January 6, 2016

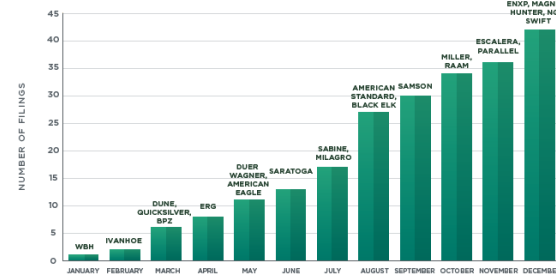
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2015 CUMULATIVE NORTH AMERICAN E&P BANKRUPTCY FILINGS

HAYNES AND BOONE OIL PATCH BANKRUPTCY MONITOR



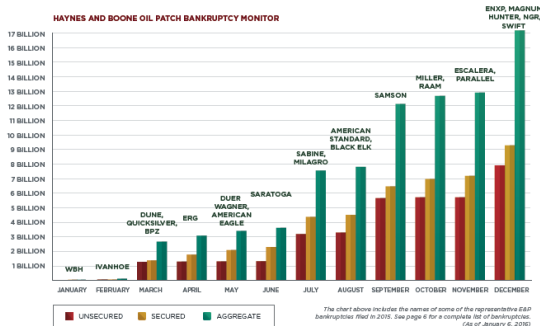
The chart above includes the names of some of the representative E&P bankruptcies filed in 2015. See page 6 for a complete list of bankruptcies. (As of January 6, 2016)



HAYNES AND BOONE, LLP OIL PATCH BANKRUPTCY MONITOR

2015 CUMULATIVE E&P UNSECURED DEBT, SECURED DEBT AND AGGREGATE DEBT

HAYNES AND BOONE OIL PATCH BANKRUPTCY MONITOR



The chart above includes the names of some of the representative E&P bankruptcies filed in 2015. See page 6 for a complete list of bankruptcies. (As of January 6, 2016)



HAYNES AND BOONE, LLP OIL PATCH BANKRUPTCY MONITOR

COMPLETE LIST OF NORTH AMERICAN BANKRUPTCIES 2015

FILING DATE	COURT	CASE NUMBER	DEBTOR	SECURED	UNSECURED	TOTAL
1/13/2015	W.D. TEX.	15-10004	WBH ENERGY PARTNERS	\$ 48,347,776.2	\$ 3,275.00	\$ 48,950,652.2
2/2/2015	CANADA		IVANHOE ENERGY INC.	\$ 12,236,442.26	\$ -	\$ 12,236,442.26
3/3/2015	W.D. TEX.	15-10336	DUNE ENERGY INC.	\$ 107,981,506.07	\$ -	\$ 107,981,506.07
4/3/2015	S.D. TEX.	15-60016	BPZ RESOURCES, INC.	\$ -	\$ 238,571,858.05	\$ 238,571,858.05
5/7/2015	D. DEL.	15-10585	QUICKSILVER RESOURCES	\$ 1,098,174,115.00	\$ 976,022,953.04	\$ 2,074,197,068.04
6/3/2015	CANADA		LARICINA ENERGY	\$ 122,115,886.46	\$ 1,261,947.01	\$ 133,375,833.47
7/4/2015	CANADA		**SHORELINE ENERGY	\$ -	\$ 17,388,039.52	\$ 17,388,039.52
8/4/2015	N.D. TEX.	15-37858	ERG RESOURCES, LLC	\$ 400,000,000.00	\$ 1,624,304.00	\$ 401,624,304.00
9/5/2015	COLO.	15-15073	AMERICAN EAGLE ENERGY CORP.	\$ 181,575,893.33	\$ 12,086,524.22	\$ 193,662,417.55
10/5/2015	N.D. TEX.	15-41961	DUER WAGNER OIL & GAS	\$ 100,071,039.91	\$ 2,177,700.32	\$ 122,242,739.43
11/2/2015	COLO.	15-18410	SUN RIVER ENERGY	\$ 15,442,000.00	\$ 1,240,160.00	\$ 16,682,160.00
12/4/2015	W.D. TEX.	15-51396	PRIMERA ENERGY	\$ 975,082.31	\$ 6,236,930.80	\$ 7,202,013.11
13/6/2015	W.D. LA.	15-50748	SARATOGA RESOURCES (HARVEST OIL & GAS)	\$ 199,207,971.48	\$ 6,872,096.64	\$ 206,080,008.12
14/7/2015	COLO.	15-17608	**SEFTON RESOURCES	\$ -	\$ -	\$ -
15/7/2015	W.D. TEX.	15-70098	ARABELLA PETROLEUM	\$ -	\$ 18,225,398.06	\$ 18,225,398.06
16/7/2015	D. DEL.	15-1520	MILAGRO OIL & GAS, INC.	\$ 417,508,106.16	\$ 655,226,670.00	\$ 1,072,734,776.16
17/7/2015	S.D.N.Y.	15-18185	SABINE OIL & GAS	\$ 1,659,821,675.00	\$ 1,200,384,671.27	\$ 2,861,206,346.27
18/8/3/2015	W.D. TEX.	15-70104	AMERICAN STANDARD ENERGY CORP. A	\$ 38,361,357.99	\$ 156,000.00	\$ 38,499,557.99
19/8/6/2015	S.D. TEX.	15-34221	LUCA INTERNATIONAL GROUP LLC	\$ 16,331.26	\$ 2,828,437.78	\$ 2,844,769.04
20/8/10/2015	W.D. LA.	15-50986	SAMCO OIL, LLC	\$ 336,189.71	\$ 393,375.25	\$ 729,564.96
21/8/7/2015	S.D. TEX.	15-34287	BLACK ELK ENERGY OFFSHORE	\$ 68,567,000.00	\$ 76,166,488.88	\$ 144,733,488.88
22/8/14/2015	CANADA		**WALDRON ENERGY	\$ 5,818,501.13	\$ -	\$ 5,818,501.13
23/8/25/2015	CANADA		WINDFIRE RESOURCES	\$ 667,944.89	\$ 601,427.54	\$ 1,269,372.43
24/8/28/2015	N.D. TEX.	15-33460	SABLE OPERATING COMPANY	\$ 11,922,258.05	\$ 3,004,953.69	\$ 14,927,211.74
25/8/28/2015	CANADA		**COG LIMITED PARTNERSHIP	\$ 25,480,464.96	\$ -	\$ 25,480,464.96
26/8/3/2015	E.D. LA.	15-13229	AMERICAN NATURAL ENERGY CORPORATION	\$ 3,663,925.01	\$ 19,047,526.30	\$ 22,711,451.31
27/8/7/2015	E.D. TEX.	15-45651	ARMADA OIL INC.	\$ 1,265,151.67	\$ 1,840,991.94	\$ 3,106,143.61
28/9/7/2015	D. MASS.	15-13441	BUCKINGHAM OIL INTERESTS, INC.	\$ 2,963,267.07	\$ 676,006.88	\$ 3,639,273.95
29/9/2/2015	E.D. TEX.	15-45607	CONTINENTAL EXPLORATION, LLC	\$ 1,652,770.32	\$ 2,646,979.55	\$ 4,299,749.87
30/9/16/2015	D. DEL.	15-19154	SAMSON RESOURCES CORPORATION	\$ 1,953,122,364.15	\$ 2,378,653,125.00	\$ 4,331,775,489.15
31/10/1/2015	ALASKA	15-00236	MILLER ENERGY RESOURCES, INC.	\$ 192,725,976.00	\$ 22,821,740.56	\$ 215,547,716.56
32/10/22/2015	N.D. TEX.	15-34245	ADX ENERGY INC.	\$ 20,097,666.67	\$ 70,733,996.00	\$ 90,831,662.67
33/10/26/2015	S.D. TEX.	15-31615	RAM GLOBAL ENERGY COMPANY	\$ 304,335,336.00	\$ -	\$ 304,335,336.00
34/10/31/2015	W.D. TEX.	15-52637	REPUBLIC RESOURCES, LLC	\$ 725,844.61	\$ 10,849,385.83	\$ 11,575,230.44
35/11/5/2015	D. COLO.	15-21395	ESCALERA RESOURCES CO.	\$ 33,975,049.63	\$ 3,506,458.33	\$ 37,481,507.96
36/11/9/2015	D. DEL.	15-12763	PARALLEL ENERGY LP	\$ 163,522,337.10	\$ 5,425,930.86	\$ 168,948,267.96
37/12/7/2015	N.D. TEX.	15-44931	**ENERGY & EXPLORATION PARTNERS, INC.	\$ 765,300,000.00	\$ 439,345,134.00	\$ 1,204,645,134.00
38/12/8/2015	N.D. TEX.	15-34966	TRANSOCCASAL CORPORATION	\$ 21,506,301.00	\$ 481,500.00	\$ 21,987,801.00
39/12/7/2015	D. DEL.	15-12500	**LUBIC ENERGY, INC.	\$ 126,400,000.00	\$ -	\$ 126,400,000.00
40/12/15/2015	D. DEL.	15-12533	**MAGNUM HUNTER RESOURCES CORPORATION	\$ 499,800,000.00	\$ 600,000,000.00	\$ 1,099,800,000.00
41/12/17/2015	D. DEL.	15-12566	**NEW GULF RESOURCES, LLC	\$ 405,000,000.00	\$ 172,000,000.00	\$ 577,000,000.00
42/12/31/2015	D. DEL.	15-12670	**SWIFT ENERGY COMPANY	\$ 350,000,000.00	\$ 1,385,100,000.00	\$ 1,735,100,000.00
TOTAL				\$ 9,289,435,996.72	\$ 7,985,172,286.05	\$ 17,204,608,382.77

*Debt estimated per First Day Declarations; schedules not yet available
**Schedule of assets and liabilities pending; debts estimated from other filings
***Voluntary chapter 7 filing, subsequently dismissed
(As of January 6, 2016)

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WHY? INCREASING DEBT AND DECREASING NET CASH FLOWS

AlixPartners Report

FIGURE 6: Revenue squeeze creates \$102-billion gap



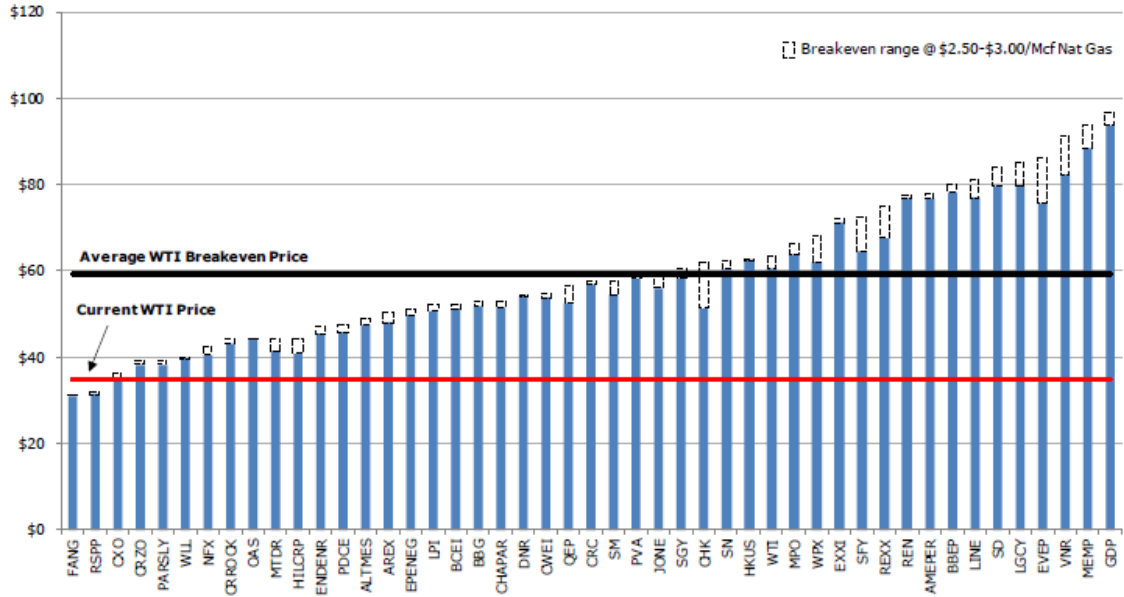
Note: 2015 data through December 17, 2015; analysis based on 134 public US- and Canadian-based E&P companies.
Sources: Company financial documents, AlixPartners analysis

“Revenue estimates for a group of 134 publicly traded, North American-based E&P companies show a \$102-billion funding gap in 2016 (figure 6). That means that without a meaningful increase in prices, producers will have to either improve their productivity—via cost reductions and/or improved capital efficiencies—or sharply reduce their capital expenditures by the equivalent of an additional \$102 billion in order to be able to operate within their internally generated cash flows in 2016.”

See: <http://www.alixpartners.com/en/Publications/AllArticles/tabid/635/articleType/ArticleView/articleId/1878/categoryId/33/Global-Oil-and-Gas-Industry-Outlook.aspx#sthash.uaXLhkOk.dpuf>

LEVERED VS UNLEVERED (1)

Exhibit 1. Levered Full Cycle Breakeven WTI Crude Prices (\$/Bbl)



Source: Company reports, Bloomberg LP and Wells Fargo Securities LLC
 Note: Analysis excludes companies where natural gas accounts for >75% of total production.

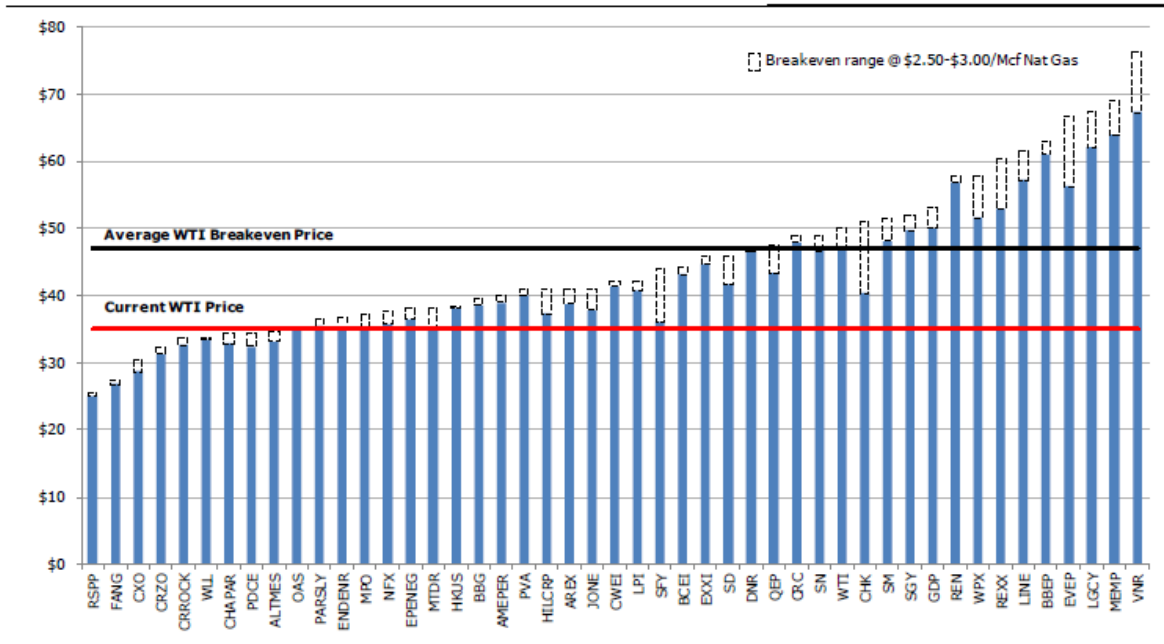
2016 E&P Oil Breakevens
 January 7, 2016

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 HIGH YIELD RESEARCH

LEVERED VS UNLEVERED (2)

4

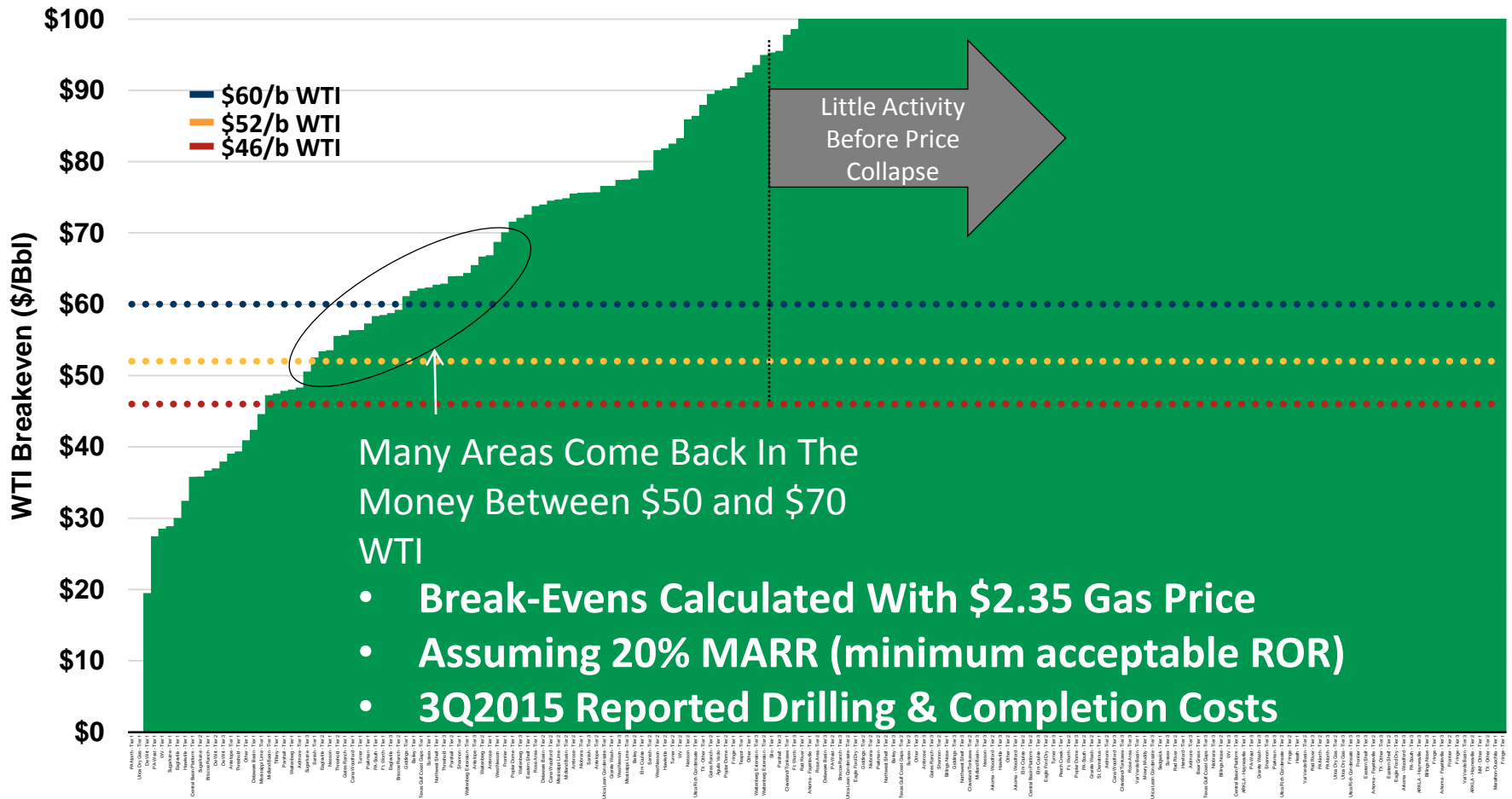
Exhibit 2. Unlevered Full Cycle Breakeven WTI Crude Prices (\$/Bbl)



Source: Company reports, Bloomberg LP and Wells Fargo Securities LLC
 Note: Analysis excludes companies where natural gas accounts for >75% of total production.

2016 E&P Oil Breakevens
 January 7, 2016
 WELLS FARGO SECURITIES, LLC
 HIGH YIELD RESEARCH

U.S. Production Economics: Tracking 250+ Breakevens In Major Basins

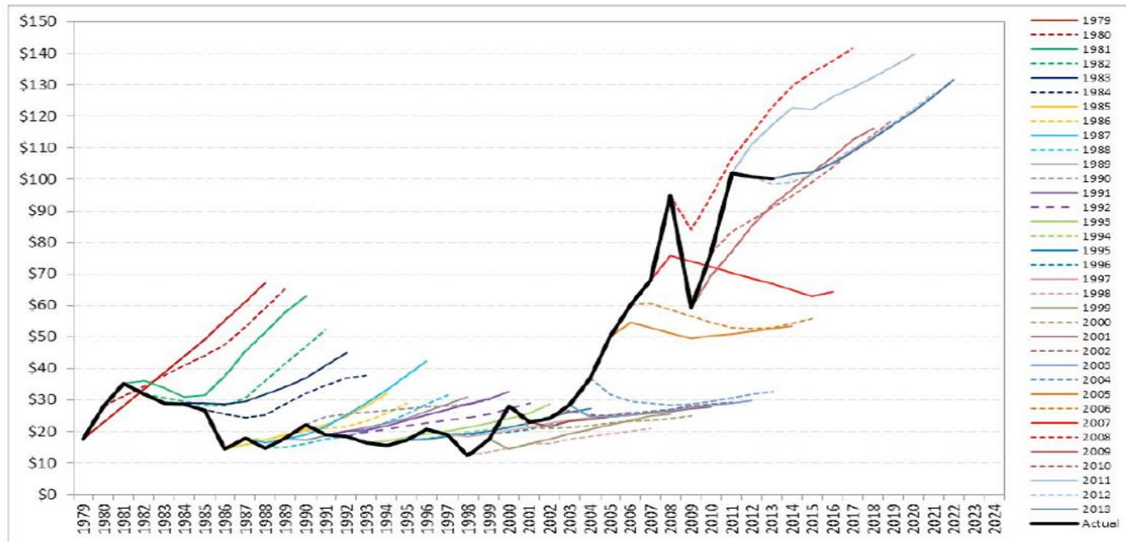


Sources: Ponderosa Advisors



BUT FUTURES PRICES ARE RARELY RIGHT

Figure 2. 10-Year Nominal Oil Price Projections (Annual, 1979-2013)



Source: US Energy Information Administration

Analysts Views are still \$45 to \$50 Ave for 2016
WSJ Survey of 12 Banks Analysts: (Jan 12): \$48 Ave for 2016

WHITHER THE BORROWING BASE

- Why this is so important
- HB Surveys:
 - Spring, 2015: -25% (projected; public and private)
 - Fall, 2015: -39% (projected; public and private)
 - Spring, 2016:
- Other BB Analysis
 - MS 10-15% for Fall, 2015 (estimated actual; public and private)*
 - Deloitte: Average 12-20% (estimated actual; public)**
 - Other
- Important Distinctions
 - Public vs. Private
 - Announced vs. unannounced, delayed etc.

*Morgan Stanley Research, December 1, 2015

**Interview with William Snyder, Deloitte Transactions and Analytics, published in Rigzone, November 9, 2015

Ian Peck

Chair of Bankruptcy Practice | Dallas

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RECENT E&P BANKRUPTCIES

- Per our *Oil Patch Monitor*, 42 E&P companies filed bankruptcy in North America in 2015
- Over \$17 billion in debt at issue in these cases
- We can't talk about all of them...how does one narrow it down?
 - The “Rule of Threes”
 - “Three were given to the Elves” – *Lord of the Rings: The Fellowship of the Ring*
 - “Three is a magic number” – *Schoolhouse Rock*

RECENT E&P BANKRUPTCIES (THE LATEST AND GREATEST)

- 1. Swift Energy Company** (12/31/2015, Delaware)
- 2. New Gulf Resources, LLC** (12/17/2015, Delaware)
- 3. Energy & Exploration Partners, Inc.** (12/7/2015, N.D. Texas)

SWIFT ENERGY COMPANY

1. Total debt of approximately \$1.3 billion
2. Prepetition RSA with majority of senior noteholders
 - \$905.1 million senior notes converted to 96% of common equity
 - Current shareholders retain 4% of common equity
 - Unsecured creditors paid in full
 - Must reach an agreement re: refinancing of \$330 million prepetition RBL facility
 - Plan must go effective within 110 days of filing
3. Noteholders providing \$75 million junior DIP financing

NEW GULF RESOURCES, LLC

1. Total debt of approximately \$586 million
2. Prepetition corporate maneuvering necessary to file
3. Prepetition RSA with Ad Hoc Committee representing 72% second lien notes and 22% subordinated notes
 - \$75 million DIP from Ad Hoc Committee will pay first lien debt in full
 - New first lien notes – \$135.25 million; convertible into new common units
 - Second lien notes exchanged for 87.5%-95% of new equity interests
 - Subordinated notes exchanged for 5-12.5% of new equity interests

ENERGY & EXPLORATION PARTNERS, INC.

1. Total debt of approximately \$1.2 billion
2. Voluntary Chapter 11 filing in response to involuntary bankruptcy petition
3. Competing DIP Financing Proposals
 - Debtors negotiated \$135 million priming DIP with a minority group of senior lenders prior to filing
 - Majority group of senior lenders objected and proposed a non-priming DIP that was ultimately approved by the Court on an interim basis
 - Resolution: proposed \$70 million priming DIP provided by members of both groups

LIGHTNING ROUND

- **Quicksilver Resources** (filed March, Delaware.)
- **Duer Wagner Oil & Gas** (filed May, N.D. Texas.)
- **Sabine Oil & Gas** (filed July, S.D.N.Y.)
- **Samson Resources** (filed September, Delaware.)

QUICKSILVER RESOURCES

- Total debt of approximately \$2.1 billion
- Free fall case
- 363 sale
 - Auction January 20th; Sale hearing January 27th
- Second lien litigation
 - Court recently ruled that second lien parties had valid and perfected liens on disputed Texas properties

DUER WAGNER OIL & GAS

- Total debt of approximately \$122 million
- Free fall case
- Exit by “compromise”
 - Settlement between the Debtors and their secured lenders
 - Essentially all of the Debtors’ assets being turned over to secured lenders
 - Transfer was originally scheduled to be completed no later than January 10, but has been extended to February 1

SABINE OIL & GAS CORP.

- Total debt of approximately \$2.9 billion
- Free fall case
- Mainly characterized by litigation
 - 2014 merger with Forest Oil Corp.
 - \$650 million second lien
- Debtors have not yet submitted a plan; exclusivity period extended through February 10

SAMSON RESOURCES CORP.

- Total debt of approximately \$4.3 billion
- Pre-negotiated plan stalled
 - Falling commodity prices made RSA unworkable
 - CEO resignation
- Originally planned to seek plan confirmation by December 1, 2015
- Now exclusivity extended until mid-July to permit alternative strategy formation

Panel Discussion



Charlie Beckham



Buddy Clark



Ian Peck



Gilbert Porter



Kelli Stephenson



Joe Vilardo

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