

# Oil & Gas Financing and Investment Series

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

April 12, 2016

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# Current State

Jeff Nichols

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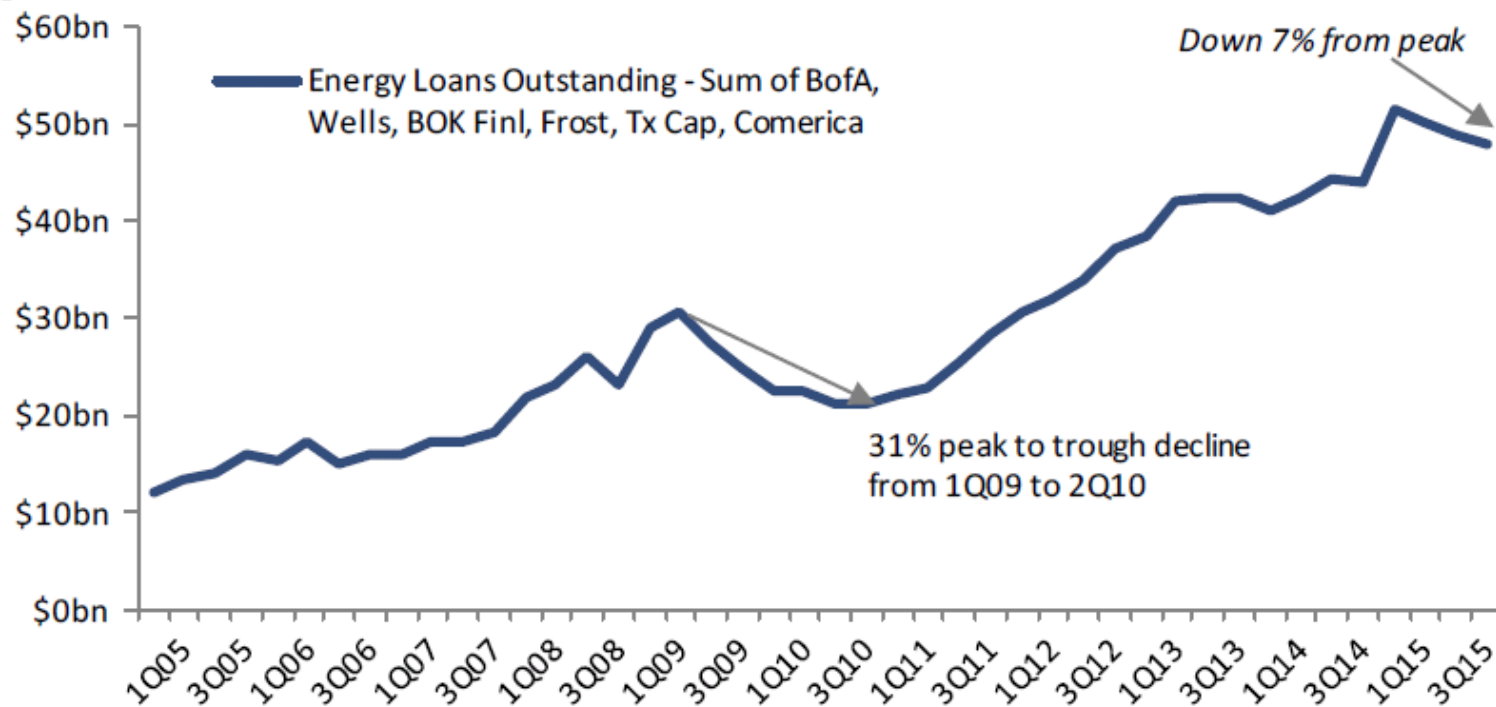
# Mixed Emotions

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## BANK ENERGY CYCLE MAY BE TURNING

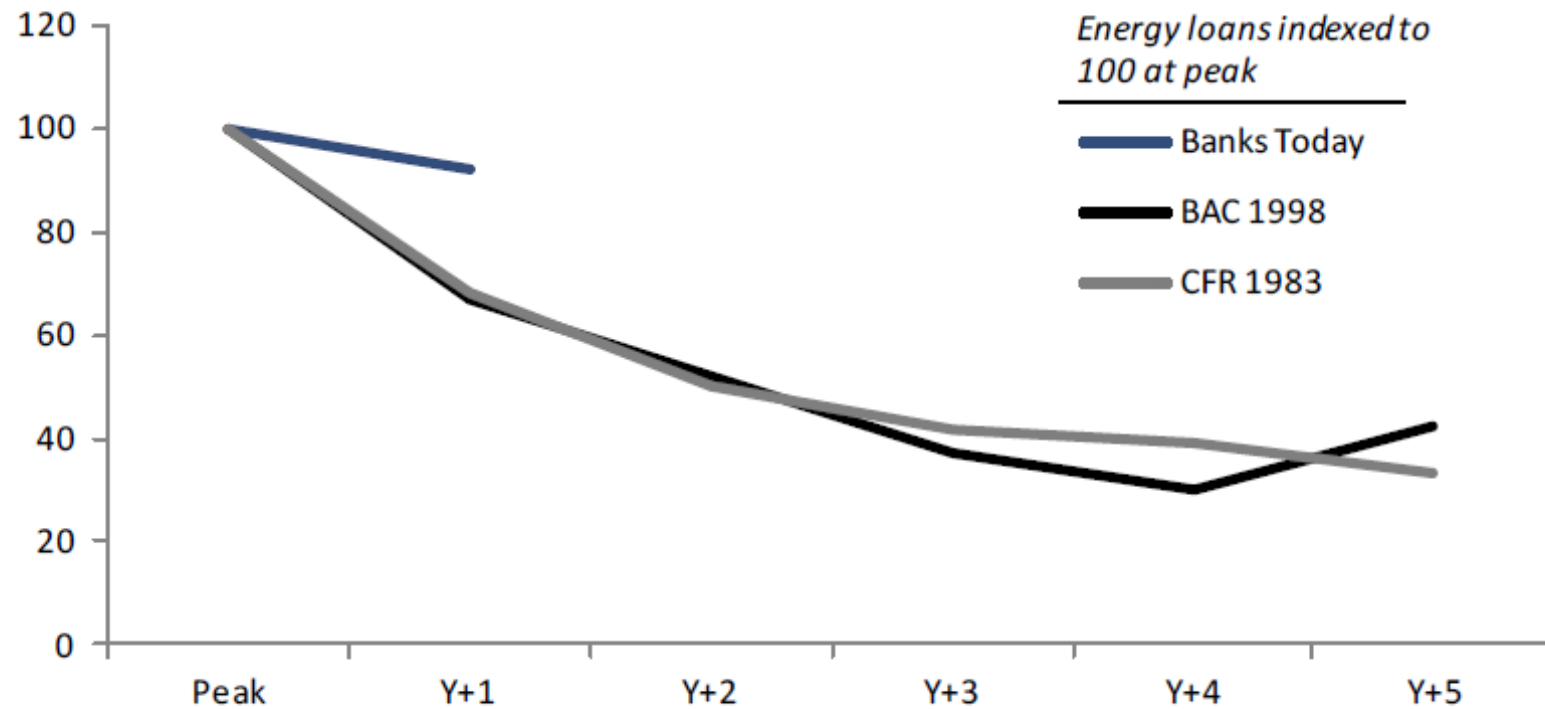
Chart 19: The energy shrinkage cycle is still in the early innings



Source: Company data, Autonomous.

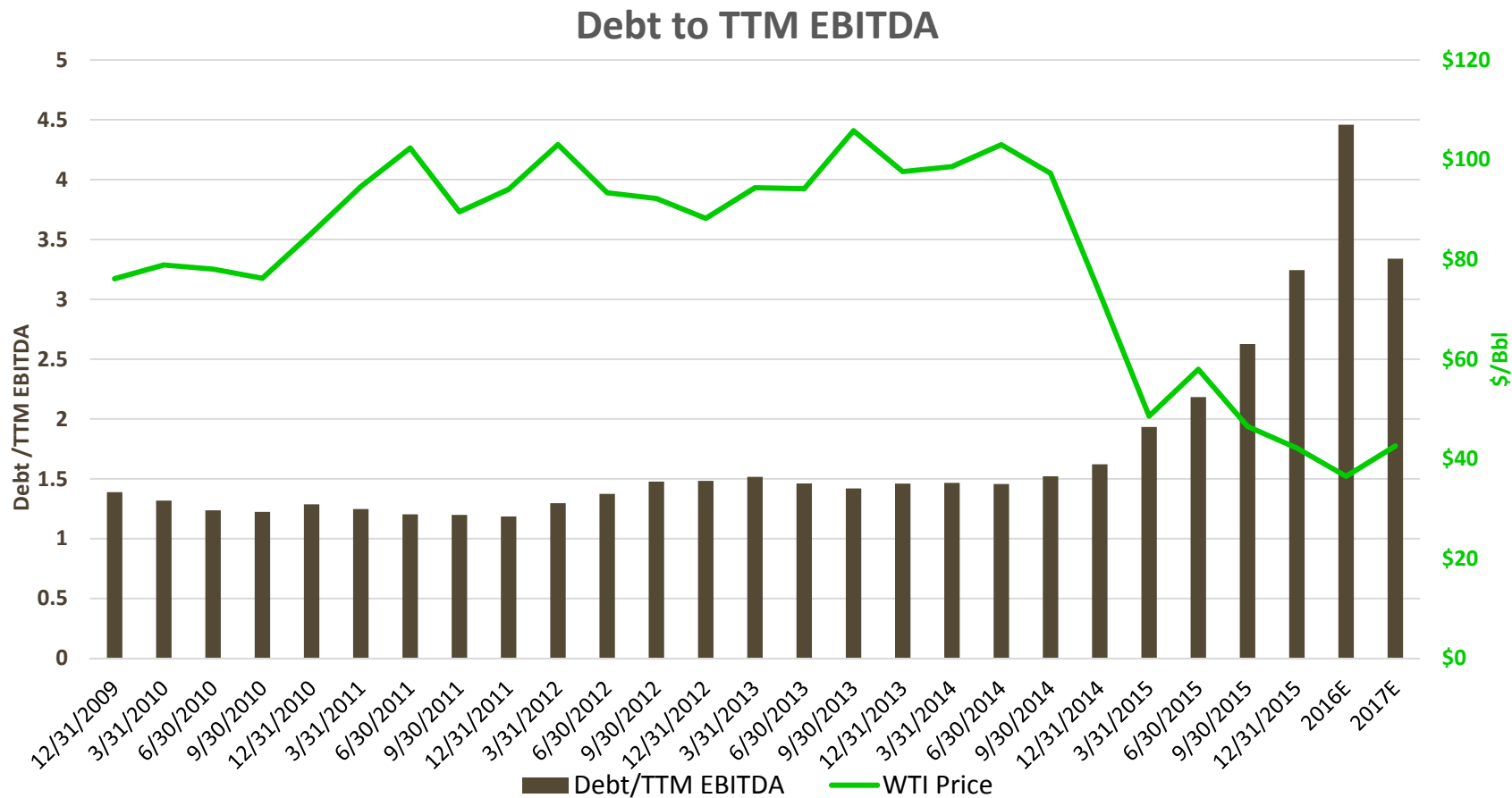
## ENERGY LOAN VOLUME: TODAY vs. PRIOR DOWNTURNS

Chart 20: Pace of loan shrinkage slow this cycle vs. history



Source: Company data, Autonomous.

## New OCC Guidelines make Many Loans “non-pass”



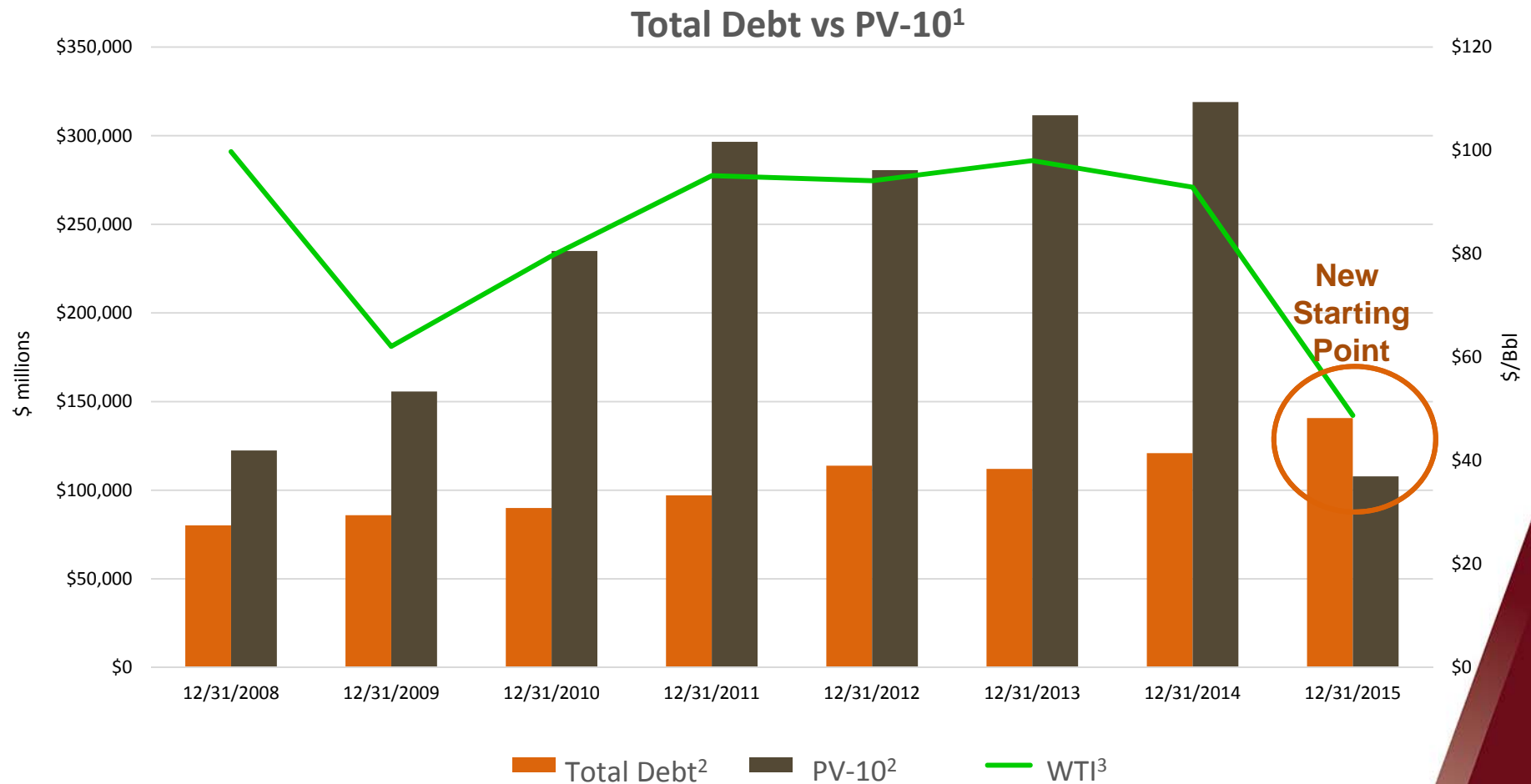
1. Debt/TTM EBITDA is an aggregate of 48 Large, Mid, Small, and Micro cap companies
2. Q4 2015 Debt numbers are a mix of actuals and holding debt constant. 2016 and 2017 debt numbers assume no change from Q4 2015..
3. Q4 2015 EBITDA numbers are a mix of actuals and Bloomberg estimates, 2016 and 2017 are Bloomberg estimates
4. WTI price is an average for each quarter, 2016 is a mix of actuals YTD and forward estimates, 2017 is an average of forward estimates.

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Source: Enercom Consulting  
www.enercominc.com

## Debt > PV-10



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1. Aggregate of 17 Large Cap companies (APA, APC, AR, CLR, COG, COP, CXO, DVN, EOG, EQT, FANG, HES, MRO, NBL, NFX, OXY, PXD, RRC, XEC); PV-10 After Tax and Total Debt from EnerCom Database
2. 2015 numbers comprised of actual reporting and estimates based upon average year over year change in actual reporting, mileage may vary
3. WTI near month price (CL1) yearly average

Source: Enercom Consulting  
www.enercominc.com

# OCC Standards\*

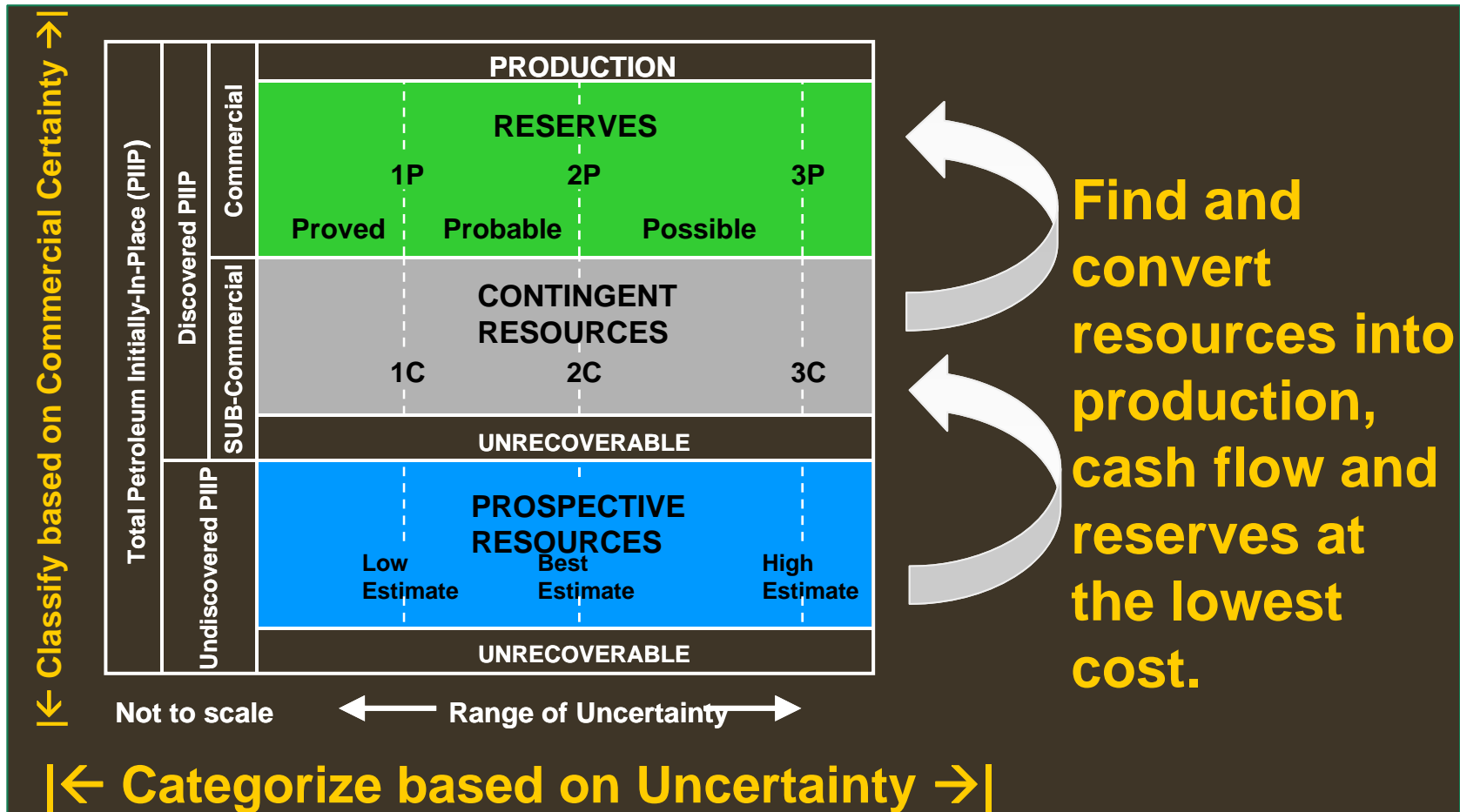
Test	RBL Loan Rating				
	Pass	Criticized	Classified		
		Special Mention	Substandard	Doubtful	Loss
Repayment RBL	<.60 Reserve Life	.60 - .75 Reserve Life	>.75 Reserve Life		
Repayment Total Secured	<.75 Reserve Life	.75 - .90 Reserve Life	>.90 Reserve Life		
Funded Debt / EBITDAX	<3.5X	3.5 - 4.0X	>4.0X		
Funded Debt / Capital	<.50	.50 - .60	>.60		
Committed Debt / Total Reserves	<.65	.65 - .75	>.75		
			Debt <100% Risky Reserves	Incremental Debt Above Substandard <100% Unrisky Reserves	Remaining Debt >100% Unrisky Reserves

\*[http://www.haynesboone.com/~media/files/alert%20pdfs/2016/new\\_occ\\_oil\\_and\\_gas\\_loan\\_review\\_guidelines.ashx](http://www.haynesboone.com/~media/files/alert%20pdfs/2016/new_occ_oil_and_gas_loan_review_guidelines.ashx)

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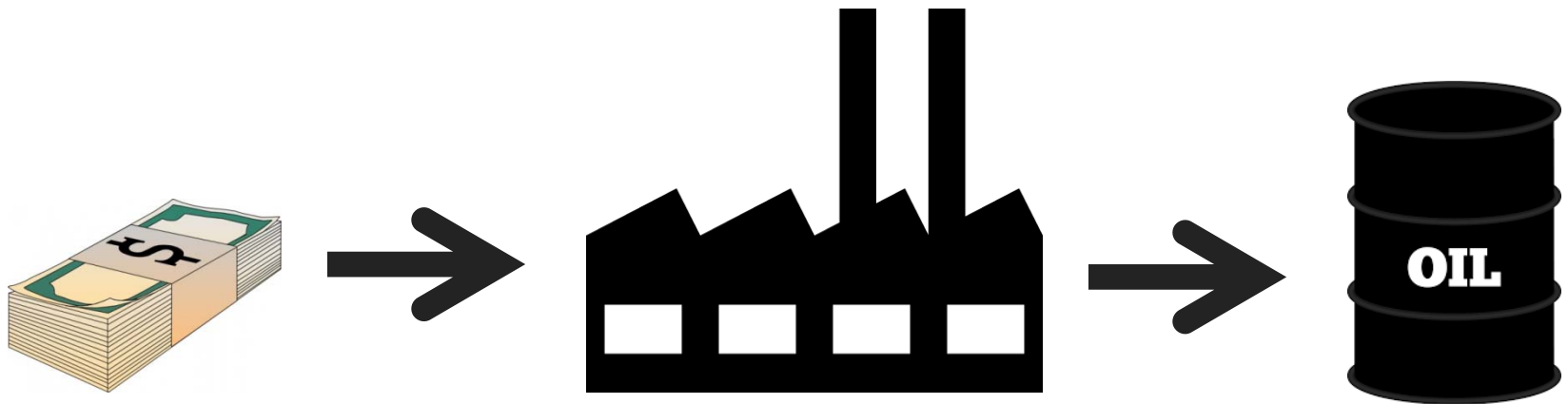


# Oil and Gas Business Model



# Oil and Gas Business Model (Simplified)

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# Bankruptcy Lightning Round

Ken Kattner

Steve Pezanosky

Henry Flores

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# RECENT E&P BANKRUPTCIES

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- Per our latest *Oil Patch Bankruptcy Monitor* (April 4, 2016), 59 E&P companies filed bankruptcy in North America in 2015-2016
- Nearly \$19 billion in debt at issue in these cases
- Haynes and Boone's *E&P Top 10 Cases* just published:



- Top 10 E&P cases based on total debt
- Indication of asset location and type
- Breakdown of capital structure
- Summary of important events in case
- Outline of restructuring support agreements and plan treatment
- Description of sale terms and progress

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# LIGHTNING ROUND - RECENT E&P BANKRUPTCIES

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- **Quicksilver Resources** (3/17/2015, Delaware.)
- **Energy & Exploration Partners, Inc.** (12/7/2015, N.D. Texas)
- **Swift Energy Company** (12/31/2015, Delaware)
- **Argent Energy (U.S.) Holdings, Inc.** (2/17/16, S.D. Texas, chapter 15)
- **Venoco, Inc.** (3/18/16, Delaware)

# QUICKSILVER RESOURCES

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1. Total debt of approximately \$2.1 billion
2. Free fall case
3. 363 sale
  - BlueStone Natural Resources purchased Quicksilver's Texas oil and gas assets for \$245 million
4. Second lien litigation
  - Court recently ruled that second lien parties had valid and perfected liens on disputed Texas properties
5. Plan
  - Exclusive period to file a plan extended to May 16, 2016
6. Midstream contract settlement. Motion to reject withdrawn (4/6) contingent on Bluestone paying full price. Bluestone sale closed 4/6.

# ENERGY & EXPLORATION PARTNERS, INC.

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1. Total debt of approximately \$1.2 billion
2. Voluntary Chapter 11 filing in response to involuntary bankruptcy petition
3. First amended plan filed 3/18. Confirmation hearing scheduled for April 21, 2016
  - Prepetition Secured Claims – new term loan of \$40 million, 20% of new equity, option to participate in rights offering
    - Rights offering - \$90 million exit facility and 80% of new equity interests
  - Convertible Notes Claims – warrants exercisable into 0.7% of new equity
  - Unsecured Claims – pro rata share of \$2.25 million and proceeds, if any, of assigned claims
  - Stock Interests – extinguished without distribution

# SWIFT ENERGY COMPANY

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1. Total debt of approximately \$1.2 billion
2. Prepetition RSA with majority of senior note holders
  - Note holders provided \$75 million junior DIP financing (non-priming, RBL still senior)
3. Second Amended Plan confirmed on March 31, 2016
  - \$905.1 million senior notes converted to 96% of common equity (88.5% on a fully diluted basis)
  - \$75 million DIP facility claims converted to new Swift common stock
  - RBL Secured Claims unimpaired (refinanced into \$320 million exit facility)
  - Unsecured creditors paid in full
  - Current shareholders retain 4% of common equity

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# ARGENT ENERGY (U.S.) HOLDINGS, INC.

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1. Chapter 15 filed in S.D. of Texas. Main proceeding in Calgary under Companies Creditors Arrangement Act
2. Total debt of approximately \$52 million for U.S. entity (secured credit facility).
3. Argent Energy Trust (Canadian parent) total debt of approximately \$153 million
4. Canadian Court approved sale procedures
5. U.S. bankruptcy court recognized CCAA proceeding as a foreign main proceeding under chapter 15
6. Argent contacted a number of parties to manage a sale process for remaining US assets. Oil and Gas Clearing House (OGAC) was selected and marketed the assets and determined the highest bidder
7. PSA to be executed by 4/14, sale motion and notice to be filed by 4/18 and sale hearing set for 4/27
8. Sale will be free and clear of all liens and interests pursuant to section 36(6) of the CCAA and section 363 of the USBC

# VENOCO, INC.

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1. Total debt of approximately \$952 million
2. Filed bankruptcy after entering into a restructuring support agreement with 100% of first lien and second lien notes
3. Obtained DIP loan of \$35 million, senior secured, superpriority term loan facility
4. Confirmation order must be entered within 5 months from petition date (March 18, 2016)
5. Proposed plan provides for creditor treatment:
  - First lien notes – 90% of reorganized Venoco common stock
  - Second lien notes – pro rata share of 10% warrants
  - Unsecured note claims – pro rata share of certain warrants if vote in favor of plan
  - Unsecured claims – pro rata share of designated cash if vote in favor of plan

# Panel Discussion

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## E&P ASSET SALES

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- Numerous pathways to acquiring E&P Assets
- Process typically governed by Buyer's risk profile and Target's baggage

### DISTRESSED ACQUISITION RISK SPECTRUM



# SUMMARY

## UNIQUE DIP FINANCINGS

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- Swift Energy Company (12/31/2015, Delaware)
  - Total debt of approximately \$1.3 billion
  - Noteholders provided \$75 million junior DIP financing
  - Pre-negotiated plan confirmed 3/30/2016
- Energy & Exploration Partners, Inc. (12/7/2015, N.D. Texas)
  - Total debt of approximately \$1.2 billion
  - Competing DIP financing proposals
    - \$135 million priming DIP from minority group of senior prepetition lenders who also held majority of prepetition notes vs. \$10 million non-priming DIP from majority group of senior prepetition lenders
    - Resolution: Court approved \$40 million priming DIP provided by members of both groups

# SUMMARY

## RSA VS. ASSET SALE

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### Restructuring Support Agreements

- New Gulf Resources, LLC (12/17/2015, Delaware)
  - \$135.25 million new first lien notes; second lien notes to be exchanged for 87.5-95% of new equity; subordinated notes to be exchanged for 5-12.5% of new equity
- Swift Energy Company (12/31/2015, Delaware)
  - \$905.1 million senior notes to be converted to equity; first lien debt refinanced; unsecured creditors paid in full
- Samson Resources Corp. (9/16/2015, Delaware)
  - Falling commodity prices made RSA unworkable; exclusivity extended to 1/14/2016

### Asset Sales

- Quicksilver Resources (3/17/2015, Delaware)
  - Sale for \$245 million approved 1/27/2016
- RAAM Global Energy Company (10/26/2015, S.D. Texas)
  - No qualifying bids; credit bid sale approved and liquidating plan confirmed 1/19/2016
- ERG Resources, LLC (4/30/2015, N.D. Texas)
  - No qualifying bids; sale process cancelled; plan confirmed 10/30/2015

## POTENTIAL BANKRUPTCIES EXTRAORDINARY DRAWS

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<u>Company</u>	<u>Amount</u>	<u>Total Debt</u>
Bonanza Creek	\$209 million	\$300 million
Chaparral Energy	\$141 million	\$528 million
LINN Energy	\$919 million	\$9 billion
SandRidge	\$500 million	\$4.121 billion
Stone Energy	\$385 million	\$496 million
W&T Offshore	\$340 million	\$1.2 billion
Ultra Petroleum	\$266 million	\$3.76 billion
Southwest Energy	\$1.55 billion	repaid 2 days later

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