

Charlie Beckham, Buddy Clark in Oil Daily: Debt Poised to Throttle U.S. E&Ps Into Record Bankruptcy

June 2, 2020 Charles Beckham

PRACTICES Energy Roundup, Energy, Power and Natural Resources, Restructuring

Oil Daily talked with Haynes Boone Partners [Charlie Beckham](#) and Buddy Clark about their predictions that increased debt will propel exploration and production (E&P) companies to file for bankruptcy.

Here is an excerpt:

As the COVID-19 pandemic swept across the globe during the first months of this year, more than a dozen U.S. exploration and production companies filed for Chapter 11 bankruptcy protection. Law firm Haynes Boone pegs the total at 18 companies with almost \$20 billion in outstanding bills. That is a mere \$5 billion less than the sector dropped off in court during all of 2019 and already exceeds the debt shed in 2017 and 2018.

“It’s possible we get to 100 filings this year,” longtime Houston oil and gas attorney Buddy Clark told *Energy Intelligence*. “This is just the beginning of what follows the collapse of oil prices from the pandemic. The near-term future is not looking very bright - except for oil and gas bankruptcy lawyers.”

While the pandemic and subsequent crash in oil prices challenges companies across the space, it is those with too much debt that have the most stress. Conversely, a company with no debt has less reason to ask the courts for protection, said attorney Charlie Beckham.

“So many of these companies are overleveraged,” Beckham said. “And as a result of having too much debt on their balance sheet, they’re susceptible to pressure from creditors and the need to file bankruptcy to protect their assets.”

Senior creditors may instigate the filing surge to prevent the financial leakage they see slipping away with every month the operator pays interest to junior lenders, leaving less money in the company to pay off first-lien debt. Those lenders want to preserve what remains of their collateral, while second-lien holders at the lower end of the food chain get less return and most equity invested by shareholders is already wiped out, said Clark.

To read the full article, click [here](#). (Subscription required)