

Beckham in Oil and Gas Investor on the Industry's Bankruptcy Outlook

January 11, 2018 Charles Beckham

PRACTICES Energy, Power and Natural Resources, Restructuring

Oil and Gas Investor quoted Haynes Boone Partner [Charles Beckham](#) at length in a story examining the industry's outlook in light of the firm's most recent report on energy company bankruptcies.

Oil and Gas Investor [reported](#) that the Haynes Boone report showed that through the end of October, the pace of 2017's bankruptcies had slackened considerably and that the amount of debt U.S. and Canadian companies sought to restructure through Chapter 11 dropped to roughly \$9 billion in 2017, compared with \$56.8 billion the year before.

"We're probably in the late innings of the impact of the downturn of commodity prices," Beckham said.

Despite the rise of commodity prices and E&Ps' confidence, hard times aren't over, *Oil and Gas Investor* reported, and it's still likely more companies will either seek shelter from creditors while previous debtors return to the bankruptcy penalty box.

Without a significant increase in commodity prices, "many producers will continue to experience distress," he said. "Companies that have been through bankruptcy may have fixed their balance sheet in terms of being overleveraged, but they still have significant debt on their books that they're going to have to continue to service." ...

From January 2015 through Oct. 31, 2017, companies brought \$78.1 billion in debt to court. Most of the debt was absolved through reorganizations. Only a dozen companies entered into Chapter 7 liquidation proceedings. ...

"At some point, even for the restructured companies, the investors who converted their debt to equity are going to want to see some performance," Beckham said. "The only way those companies can really perform is to perform well and see if commodity prices increase. If commodity prices don't increase, there will continue to be pockets of distress in the E&P markets." ...

Beckham, a bankruptcy lawyer in the energy space for more than 35 years, has seen downturns in several different cycles.

"I would love to tell you that investors and lenders learn from their mistakes, but it seems like every five years it's a completely new world," he said. "The same mistakes can be made. But the lenders, the investors and the E&P companies say, 'Yeah we made a mistake last time,' but they do it the same way anyway."

Still, independent producers' swagger has made the industry into the giant it is today.

"So many of the independents have unbridled confidence in their skill and ability to find oil, and they have much better tools today than they ever had before," he said. "But I like the spirit of the folks

who always believe they're going to go out and find oil and love using the technology and the new tools. In some respects, though, their success is leading to an abundance of supply, which drives down the commodity price, which does hurt them.”

Excerpted from *Oil and Gas Investor*. To read the full article, click [here](#).