Media Outlets Across the Globe Look to Haynes and Boone Energy Bankruptcy Team for Insights

By Charles A. Beckham, Jr., Kraig Grahmann, Jeff Nichols | July 28, 2020

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The *Wall Street Journal, The Guardian, USA Today*, *Reuters, Bloomberg* and a number of other publications recently featured Haynes Boone lawyers discussing the firm's latest energy bankruptcy reports.

Partners Charlie Beckham, Buddy Clark, Kraig Grahmann and Jeff Nichols were quoted in various articles.

***Wall Street Journal:* 'Banks Cut Shale Drillers' Lifelines as Losses Mount'**

Banks regularly reconsider reserve-backed loans, part of a normal review that takes place every spring and fall, but industry veterans say the current cuts are among the most severe they can recall.

"It's a different order of magnitude," said Buddy Clark, co-chair of the energy practice at law firm Haynes Boone LP. "Historically, you don't have reductions of borrowing bases across the board. This is different than any other cycle we've seen."

To read the full article, click here.

***USA Today*: 'With Bankruptcies Surging, 2020 may Become one of the Busiest Years for Chapter 11 filings since the Great Recession'**

At least 24 oil and gas companies filed from April through June – nearly twice as many as during the first three months of the year, according to Haynes Boone LLP, an international law firm based in Texas.

"This trend should continue through the remainder of 2020 and into 2021," said Charles Beckham, a partner in Haynes Boone's restructuring practice. "Unless commodity prices have a majestic increase, many producers will seek relief in bankruptcy court with the hope that will bring them back to a rational place where they can continue to produce and service their debt."

As far as the oil and gas industry goes, few are predicting a recovery soon.

Energy producers got themselves into this mess back in 2010 through 2014 when they borrowed money and bid against each other to buy up prospective shale reserves around the country suitable for fracking, explained Beckham, the partner in Haynes Boone's restructuring practice.

When prices were high, oil and gas companies made money and transformed the United States from a net oil importer to an exporter. But Saudi Arabia didn't like losing market share and fought back by opening its spigots, creating excess supply and causing oil prices to plummet from above

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$100 a barrel in the summer of 2014 to half that price the following year. Dozens of heavily indebted American companies were forced to file for bankruptcy protection.

Instead of capping their wells and going out of business, U.S. producers adjusted to the new costs, said Buddy Clark, a partner with Haynes Boone's energy transaction group. "Technology rose to the occasion. The industry came up with significant cost-cutting innovations and production continued at $55 a barrel."

Clark said it costs U.S. producers anywhere from $12 to $35 a barrel to get the oil out of the ground depending on where they are operating. That's called the "lifting cost." On top of that, they have the cost of servicing their debt. As long as oil prices are higher than the lifting cost, companies have an incentive to keep producing and to renegotiate their debt.

To read the full article, click here.

***Reuters*: 'Shale Drillers Squeezed as Banks Tighten Credit after Oil Crash'**

"Prices are just way down and so the banks are having to reduce the credit line for that," said Kraig Grahmann, partner at Texas-based law firm Haynes Boone.

"The other issue is that banks themselves are trying to do what they can to reduce their exposure to the oil and gas lending space."

To read the full article, click here.

***Law360*: '2020 Oil & Gas Bankruptcy Trends: Midyear Report'**

"They're not going to have the same appetite as bondholders to roll the dice and take the equity and see if this turns around in the next six to 18 months," said Buddy Clark, who co-chairs Haynes Boone's energy practice group and primarily represents oil and gas lenders. "The proposals from existing management and existing equity to the banks was, 'Why don't you take a discount on your notes and we'll go forward together?' The banks' attitude is, 'No, we don't want to join hands with the management of these failed companies.'"

But while buyers and sellers may be more cautious, it doesn't mean that Section 363 sales won't happen, said Haynes Boone bankruptcy partner Charlie Beckham. The financial pressures facing companies and lenders are simply too great, and dragging out a bankruptcy only makes it more expensive, he said.

"I think we're going to see it because people have lost their patience," Beckham said.

To read the full article, click here.

***NPR*: 'Is Houston Ready for the Big Oil Bust?'**

The major job losses … feel very similar to the 1980s crash for oil and gas, said bankruptcy attorney Charlie Beckham.

"Thousands of people who had dreamed of and had worked in the oil industry lost their jobs," he said. "From oilfield workers to folks with college degrees."

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***Houston Business Journal*: 'Haynes Boone Bankruptcy Lawyer: Midstream will not Escape Unscathed'**

Oil and gas midstream companies generally sell space on their assets to exploration and production companies over the course of lengthy contracts that, under normal circumstances, secure midstream cash flow for the operator. But the scale of the problems in the oil and gas upstream space have gotten so extreme that those midstream companies may not be able to depend on their contracts the way they used to, said Jeff Nichols, a Haynes Boone partner.

"What's happening in the E&P industry is so profound that midstream will not escape unscathed," Nichols said.

Part of the reason midstream companies are more likely to feel some of the impact during this downturn is that a higher number of large upstream companies are declaring bankruptcy this year, said Charles Beckham, another Haynes Boone partner. Large companies are more likely than smaller E&P firms to have alternate midstream providers with which they could negotiate a better deal.

"A lot of these E&P companies in the 2016 and 2017 era were looking less at operational changes to fix their problems," Beckham said. "In some respects, the E&P companies and their new owners are getting smarter, relative to whether there are operational things they can do to improve their profitability. That will have to come from somewhere, and they're looking to the midstream for that."

Haynes Boone lawyers are already involved in several disputes over midstream contracts in restructuring cases, Nichols said. The frequency of such challenges looks greater now than it did during past downturns, Beckham said.

To read the full article, click here.

***The Guardian*: Texas oil industry faces prospect of collapse amid Covid-19 losses**

Roughly 60% of the bankruptcies of American oil producers from the beginning of the year until the end of May were in Texas alone, according to data from the law firm Haynes Boone. Workers in the West Texas oil patch saw the signs when the wells they worked in or supported started closing, rendering them jobless. Major exploration and production firms like Exxon Mobil, Chevron were shutting in, creating a domino effect of job cuts for oilfield services companies that support them.

To read the full article, click here.

***S&P Global Platts*: 'US Oil, Gas Producer Chesapeake Energy Files for Bankruptcy Protection'**

Bankruptcy specialists have warned they foresee a rash of filings this year and into 2021 if oil prices remain low.

So far this year, 19 E&P companies have filed for bankruptcy, including Chesapeake, according to law firm Haynes Boone's Oil Bankruptcy Monitor. That compares to 42 E&P companies last year, and a peak of 70 in 2016.

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The 2020 total could match or exceed that peak this year, Haynes Boone Partner Jeff Nichols said, adding the Bankruptcy Monitor will be updated within the next week with “several” more names that have filed in June.

“We should also expect consolidation because of the low price environment,” he said.

To read the full article, click here.

***Hart Energy*: Shale Drillers Squeezed as Banks Tighten Credit after Oil Crash**

Oil prices are trading around $40, down 35% this year due to coronavirus-related demand worries and a Saudi-Russia pricing war, and many oil companies cannot break even at these levels.

"Prices are just way down and so the banks are having to reduce the credit line for that," said Kraig Grahmann, partner at Texas-based law firm Haynes Boone.

"The other issue is that banks themselves are trying to do what they can to reduce their exposure to the oil and gas lending space."

To read the full article, click here. (Subscription only)

Other publications that reported on the firm’s energy reports include:

The Wall Street Journal
Bloomberg
Houston Business Journal
Natural Gas Intelligence
S&P Global Market Intelligence *(Subscription only)*
S&P Global Market Intelligence *(Subscription only)*
New Orleans City Business (pickup from USA Today)
Hart Energy (Subscription only)
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