

Patrick Hughes in Wall Street Journal: Oil and Gas Bankruptcies Grow as Investors Lose Appetite for Shale

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Haynes Boone was featured prominently in a *Wall Street Journal* article about the rise in bankruptcies in the U.S. oil patch. Partner [Patrick Hughes](#) talked with the publication about energy companies' struggle to service debt and secure new funding as investors question the shale business model.

Here is an excerpt:

Twenty-six U.S. oil-and-gas producers including Sanchez Energy Corp. and Halcón Resources Corp. have filed for bankruptcy this year, according to an August report by the law firm Haynes Boone. That nearly matches the 28 producer bankruptcies in all of 2018, and the number is expected to rise as companies face mounting debt maturities.

Energy companies with junk-rated bonds were defaulting at a rate of 5.7% as of August, according to Fitch Ratings, the highest level since 2017. The metric is considered a key indicator of the industry's financial stress.

The pressures are due to companies struggling to service debt and secure new funding, as investors question the shale business model.

Many drillers financed production growth by becoming deeply indebted, betting that higher oil prices would sustain them. But investor interest has faded after years of meager returns, and some companies are struggling to meet their obligations as oil prices hover below \$60 a barrel.

Private companies and smaller public drillers have been hit hardest so far. Those producers collectively generate a large portion of U.S. oil, according to consulting firm RS Energy Group, and their distress reflects issues affecting all U.S. shale.

"They were able to hang in there for a while, but now their debt levels are just too high and they're going to have to take their medicine," said Patrick Hughes, a partner at Haynes Boone.

Unlike several years ago, the current round of bankruptcies isn't driven by a collapse in crude prices. The U.S. benchmark oil price has roughly doubled since 2016, when crude bottomed out below \$30 a barrel. That year, 70 U.S. and Canadian oil-and-gas companies filed for bankruptcy, according to Haynes Boone.

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