

## Patrick Hughes in BizWest: COVID Could Kneecap Debt-Heavy Drillers into Bankruptcy

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**PRACTICES** Restructuring, Bankruptcy Litigation

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Haynes Boone Partner [Patrick Hughes](#) talked to *BizWest* about how the health and economic crisis caused by the emergence of the COVID-19 virus across the world has thrown the oil markets into disarray, along with some of the largest operators in the heart of Colorado's energy industry.

Here is an excerpt:

Patrick Hughes, a partner focusing on business debt restructuring with Haynes Boone, said the majority of energy bankruptcies so far have been caused by companies holding large tranches of debt.

In previous years, those cases were handled relatively quickly because low interest rates and a liquid financial sector made it viable for creditors to cancel debts in exchange for an equity position in the company. Those creditors generally thought it was better to take a stake in the struggling producer and wait a few years for prices to stabilize to recoup their investment, rather than force a liquidation sale when the company's valuation is at its lowest.

However, Hughes said creditors and debtors alike are trying to determine just how valuable an equity stake in an oil producer is during the pandemic itself, and what demand for oil will look like in a post-COVID economy where consumers have less spending power and may not be willing to travel as often.

"Now we're seeing a different dynamic because people are having a hard time understanding how far out the lower prices are going to be," he said.

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