



# **ENERGY RESTRUCTURING UPDATE**

*HOUSTON IPAA LUNCHEON*

*MAY 13, 2015*

*DEAN SWICK  
MANAGING DIRECTOR  
ALVAREZ & MARSAL*



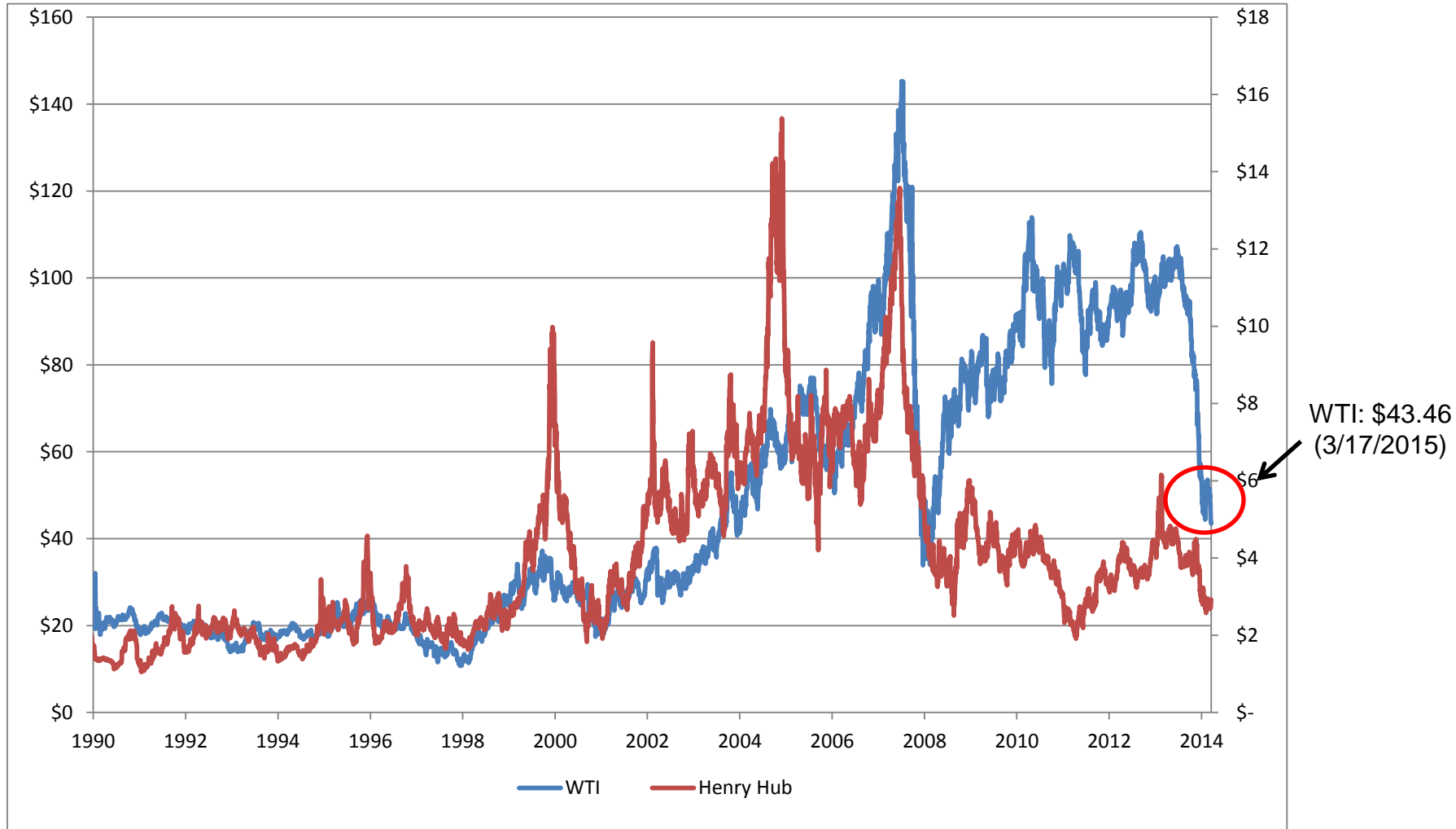


- Market Update
- Components of a Successful Recapitalization or Restructuring
- Recapitalization or Restructuring?





# MARKET UPDATE – OIL & GAS COMMODITY PRICE HISTORY (1990 TO MARCH 2015)

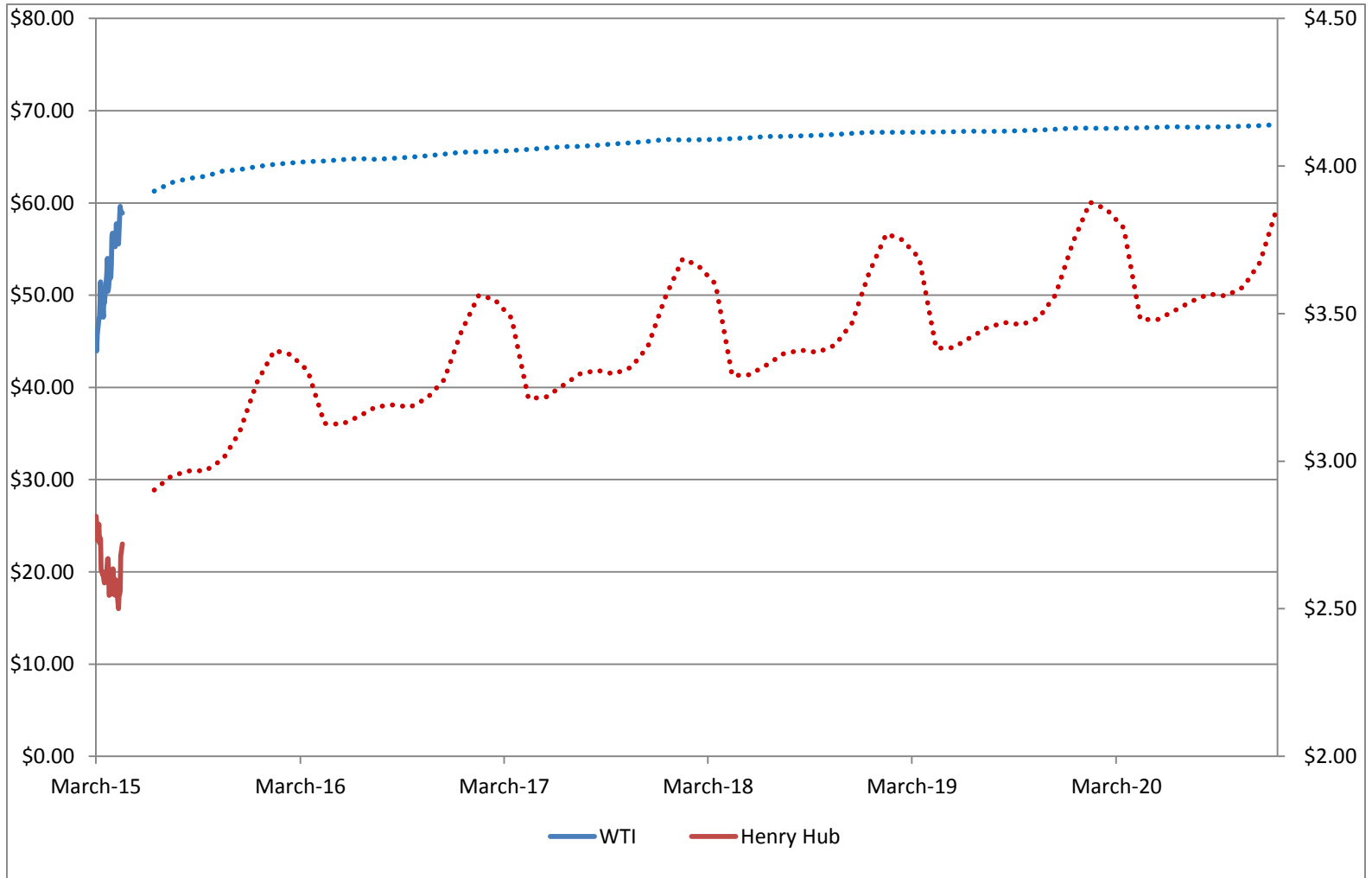


Source: Bloomberg  
Note: Spot prices shown in nominal dollars





## *Sustainable price improvement?*



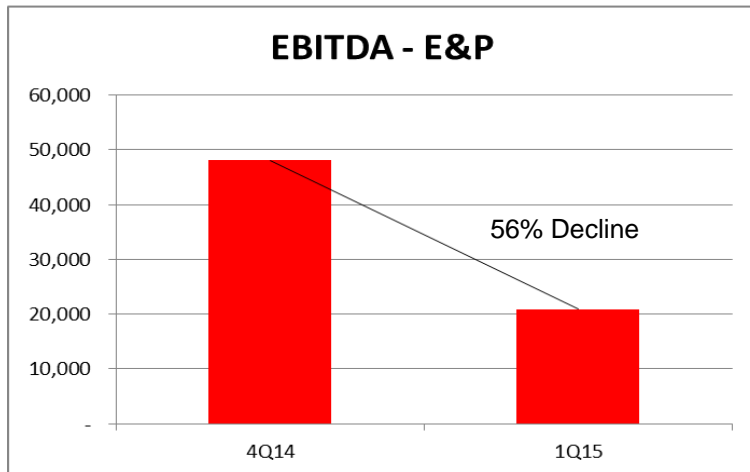
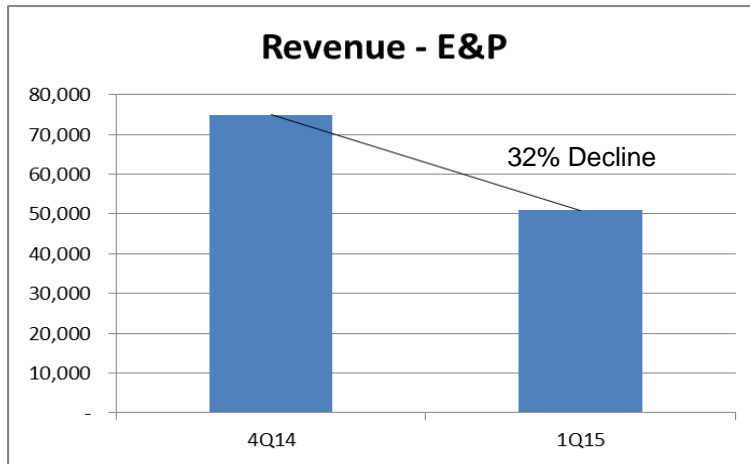
Source: Bloomberg  
Note: Spot prices shown in nominal dollars



# REVENUE AND EBITDA TRENDS – 4Q14 VS 1Q15

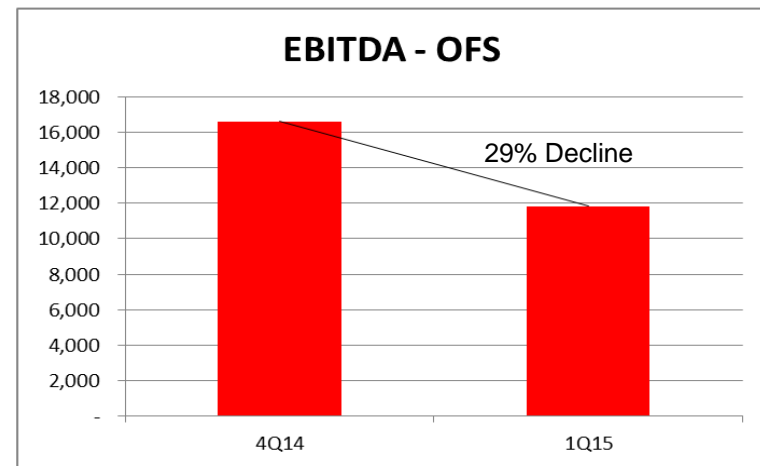
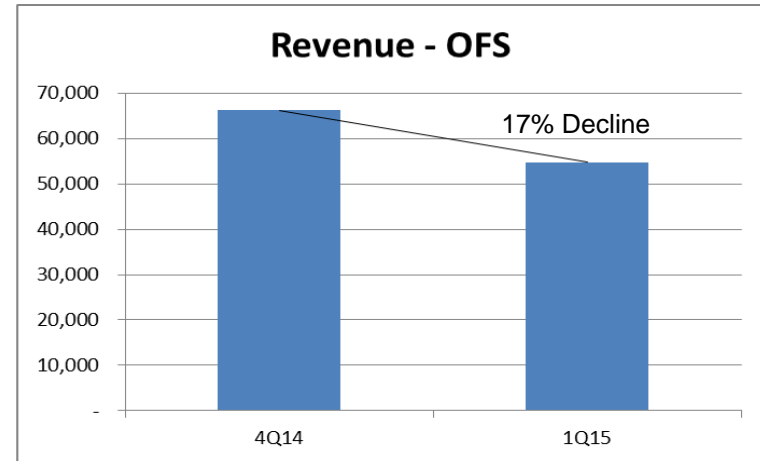


## Exploration and Production (\$MM)<sup>(1)</sup>



1) Based on filings of 103 publically traded E&P companies in the U.S. and Canada..

## Oilfield Services (\$MM)<sup>(2)</sup>



2) Based on filings of 62 publically traded OFS companies in the U.S. and Canada.



## MARKET UPDATE

Energy issuances trading **at or below** 50% of par approximate \$11.6 billion, or 52.7% of all HY bonds trading in this range.

Industry	Trading at 50% of Par and Below	
	(\$bn)	% of total
Energy	11.16	52.7%
Metals / Mining	8.16	38.5%
Retail	0.67	3.2%
Diversified Media	0.8	3.8%
Industrials	0.25	1.2%
Other	0.15	0.7%
	<b>21.19</b>	<b>100.0%</b>

Source: *High-Yield Default Monitor*, JPMorgan.



# COMPONENTS OF A SUCCESSFUL RECAPITALIZATION OR RESTRUCTURING





*Most restructurings will have elements of these three stages.*





- 🏢 **Cash is King**
- 🏢 **Extend or maximize the liquidity runway**
- 🏢 **Preservation of asset and enterprise value, as possible**
- 🏢 **Internal coordination**
- 🏢 **Consistent external messaging**
- 🏢 **Retain key “at risk” personnel. Are incentives based on current environment and objectives?**
- 🏢 **Realistic Assessments – No sacred cows**
- 🏢 **Give & Get**



- ⚙️ **Rapid, broad and unbiased reevaluation of strategy and tactics to preserve value and position the business**
  - Define core vs. non-core
  - Performance improvement, costs and process
  - Examine and question the left-hand side of the balance sheet – understand which assets can be monetized or targeted for reduced investment?
  - Valuation implications associated with changes
  - Determine the fulcrum security or capital partner
- ⚙️ **Commit to a plan as a management team and board and with the support of the fulcrum stakeholder**
  - Communicate and present realistic assumptions - liquidity, financial and operational detail and forecast
  - Accountable and measurable implementation
  - Hope is not a plan!
  - Failure to take informed action can be one of the worst decisions
- ⚙️ **Negotiate the plan with support of the fulcrum stakeholders**
- ⚙️ **Evaluate the risks, merits, cost and time associated with an out-of-court verses an in-court process**



- ④ **Retain focus on the business**
- ④ **If your plan is not progressing – reassess, informed flexibility, give and get**
- ④ **Nothing garners better support that progress and results in line with or better than forecast**
- ④ **Communicate and reward for the successes**
- ④ **Take swift action when adjustments are necessary**

# RECAPITALIZATION OR RESTRUCTURING?







- ④ Belief that improved core asset(s) focus and cost structure can be realized
- ④ Sufficient support for management
- ④ Support of the fulcrum security or other key stakeholders
- ④ Incremental second lien debt combined with some or all of the following
  - Reduced level of first lien funded debt
  - Acceptable borrowing base redetermination and covenant reset
  - Selective asset sales
  - Additional equity
- ④ Bridging to 2017 and beyond with long term view of commodity prices
- ④ Likely to be out-of-court process unless a change of control is involved





# RECENT ENERGY INDUSTRY NEW ISSUANCE

Almost \$22 billion of debt and equity raised in January through April 2015.  
Creditors now require inducements of collateral, higher pricing and terms.

## Recent Equity Issuance

Issuer	Date Announced	Gross Proceeds	Discount	New Shares	% Chg.	Upsize	Use of Proceeds
Blackstone Minerals LP	4/30/2015	\$ 428	-5%	22.50	NA		Repay credit facility
Gulfport Energy Corp	4/16/2015	522	-5%	10.91	12%		Fund pending acquisition, repay credit facility, CapEx and general corp. purposes
Matador Resources	4/15/2015	189	-1%	7.00	8%		Repay credit facility, CapEx and general corp. purposes
Memorial Production Partners	4/9/2015	77	-4%	4.66	5%		Secondary offering proceeds entirely to the selling shareholders
Whiting Petroleum	3/24/2015	1,050	-22%	35.00	17%		Repay credit facility and general corp. purposes
PDC Energy	3/18/2015	206	-4%	4.00	11%		Repay credit facility, CapEx and general corp. purposes
RSP Permian	3/17/2015	232	-5%	9.00	13%		Repay credit facility, CapEx and general corp. purposes
Carrizo Oil & Gas	3/16/2015	236	-4%	5.18	11%		Repay credit facility, general corp. purposes, purchase additional shares
Petroquest Energy	3/11/2015	23	-	10.00	15%		Repay credit facility, working capital and general corp. purposes
Baytex Energy	3/11/2015	500	-3%	28.74	17%		Reduce bank debt, working capital, CapEx
Callon Petroleum	3/9/2015	59	-7%	9.00	20%		Repay credit facility, general corp. purposes and acquisitions
Rosetta Resources	3/9/2015	206	-4%	12.00	19%		Repay credit facility and general corp. purposes
Antero Resources	3/5/2015	485	-4%	13.10	5%	14%	Repay credit facility
Oasis Petroleum	3/4/2015	410	-7%	32.00	32%	11%	Repay credit facility and general corp. purposes
Encana Corp.	3/4/2015	1,000	-4%	85.62	11%		Redeem \$700MM 5.9% due 2017, C\$750MM 5.8% due 2018
Laredo Petroleum	3/2/2015	663	-7%	69.00	48%	20%	Repay credit facility, redeem \$550MM 9.5% 2019 Unsec. Notes; CapEx
Goodrich Petroleum	3/2/2015	50	-7%	12.00	27%		Repay credit facility and general corp. purposes
Newfield Exploration	2/26/2015	840	-8%	25.30	18%	22%	Repay credit facility and general corp. purposes
Concho Resources	2/26/2015	748	-4%	6.90	6%	7%	Repay credit facility, general corp. purposes and acquisitions
Noble Energy	2/25/2015	998	-5%	21.00	6%		Repay credit facility and general corp. purposes
Jones Energy	2/10/2015	77	-10%	7.50	60%	7%	Repay credit facility
Emerald Oil	2/5/2015	28	-10%	24.55	37%		Working capital and general corp. purposes
Bonanza Creek Energy	2/3/2015	209	-13%	8.05	20%	75%	Repay credit facility and general corp. purposes
Synergy Resources	1/27/2015	200	-10%	18.53	20%		Repay credit facility, working capital and general corp. purposes
Diamondback Energy	1/21/2015	122	-6%	2.01	4%	17%	Repay credit facility
<b>Total / Median</b>		<b>\$ 9,557</b>	<b>-5%</b>		<b>16%</b>		

## Recent Debt Issuance

Issuer	Issue Date	Amount Issued	Rate	Term	Seniority	Issuer Rating	Use of Proceeds
Seven Generations Energy	4/22/2015	\$ 425	6.750%	2023	Snr. Notes	B2/CCC+	General corp. purposes and CapEx
Halcon Resources	4/21/2015	700	8.625%	2020	2nd Lien	B2/CCC	Repay credit facility and general corp. purposes
Gulfport Energy Corp	4/16/2015	350	6.625%	2023	Snr. Notes	B2/B	Fund pending acquisition, repay credit facility, CapEx and general corp. purposes
Carrizo Oil & Gas	4/14/2015	650	6.625%	2023	Snr. Notes	B2/B	Redeem \$600MM 8.625% Notes, repay credit facility and general corp. purposes
Matador Resources	4/9/2015	400	6.875%	2023	Snr. Notes	B3/B-	Repay credit facility, CapEx and general corp. purposes
Kosmos Energy	4/7/2015	225	7.875%	2021	Snr. Notes	NR/CCC+	Repay credit facility and general corp. purposes
Whiting Petroleum	3/27/2015	750	6.250%	2023	Snr. Notes	Ba1/BB+	Repay credit facility and general corp. purposes
Rice Energy	3/23/2015	400	7.250%	2023	Snr. Notes	B2/B-	General corp. purposes and CapEx
EOG Resources	3/12/2015	500	3.150%	2025	Snr. Notes	A3/A-	General corp. purposes and CapEx
EOG Resources	3/12/2015	500	3.900%	2035	Snr. Notes	A3/A-	General corp. purposes and CapEx
Goodrich Petroleum	3/12/2015	100	8.000%	2018	2nd Lien	Caa1/B-	Strengthen BS
Newfield Exploration	3/5/2015	700	5.375%	2026	Snr. Notes	Ba1/BBB-	Redeem \$700MM 6.875% Snr. Sub. Notes due 2020
Energy XXI	3/5/2015	1,450	11.000%	2020	2nd Lien	B2/B	Repay credit facility and general corp. purposes
Comstock Resources	3/5/2015	700	10.000%	2020	1st Lien	Ba3/B+	Retire credit facility (new \$50MM facility), general corp. purposes
Laredo Petroleum	3/4/2015	350	6.250%	2023	Snr. Notes	B2/B	Redeem \$550MM 9.5% Snr. Notes due 2019
Antero Resources	3/3/2015	750	5.625%	2023	Snr. Notes	Ba3/BB	Repay credit facility
Jones Energy	2/10/2015	250	9.250%	2023	Snr. Notes	B2/B	Repay credit facility
CrownRock	2/3/2015	350	7.750%	2023	Snr. Notes	Caa1/B	Repay credit facility and general corp. purposes
Southwestern Energy	1/20/2015	350	3.300%	2018	Snr. Notes	Baa3/BBB-	Repay credit facility, bridge term loan facility; CHK acquisition
Southwestern Energy	1/20/2015	850	4.050%	2020	Snr. Notes	Baa3/BBB-	Repay credit facility, bridge term loan facility; CHK acquisition
Southwestern Energy	1/20/2015	1,000	4.950%	2025	Snr. Notes	Baa3/BBB-	Repay credit facility, bridge term loan facility; CHK acquisition
<b>Total / Median</b>		<b>\$11,750</b>	<b>6.63%</b>				





- ⓘ Too many challenges and questions regarding asset base
- ⓘ Change of control may be desired
- ⓘ Conversion of debt to equity or auction of asset base
- ⓘ Likely to be an in-court process



## RECENT ENERGY BANKRUPTCIES

*Since the start of Q4 2014, there have been nine material Energy Industry bankruptcies.*



### Oil & Gas Bankruptcies (since Q4 2014)

<u>Company Name</u>	<u>Bankruptcy Start Date</u>	<u>Funded Debt (\$M)</u>	<u>Filing District</u>
American Eagle Energy	05/08/15	\$215,217	Colorado
ERG Resources	04/30/15	\$372,000	Texas - Northern
Quicksilver Resources Inc.	03/17/15	\$2,037,844	Delaware
BPZ Resources, Inc.	03/09/15	\$214,312	Texas - Southern
Dune Energy, Inc.	03/08/15	\$105,512	Texas - Western
Cal Dive	03/03/15	\$290,178	Delaware
GASFRAC Energy Services Inc.	01/15/15	\$58,394	Texas - Western
Marion Energy Inc.	10/31/14	\$163,414	Utah
Endeavour International Corporation	10/10/14	\$1,207,351	Delaware
<b>Total</b>		<b>\$4,664,223</b>	

# ALVAREZ & MARSAL

Dean Swick

Managing Director

[dswick@alvarezandmarsal.com](mailto:dswick@alvarezandmarsal.com)

Cell: 832-814-1409

700 Louisiana, Suite 900  
Houston, TX 77002

Seth Bullock

Managing Director

[seth.bullock@alvarezandmarsal.com](mailto:seth.bullock@alvarezandmarsal.com)

Cell: 832-925-0350

700 Louisiana, Suite 900  
Houston, TX 77002

Richard Avant

Managing Director

[ravant@alvarezandmarsal.com](mailto:ravant@alvarezandmarsal.com)

Cell: 713 962 0988

700 Louisiana, Suite 900  
Houston, TX 77002