IPAA Conference – Managing Debt in Troubled Times
James A. Watt – Background in Restructuring

Current Assignments
• Warren Resources Inc. - President and CEO, CRO
• Bonanza Creek Energy, Inc. - Chairman of the Board
• Helix Energy Solutions Group – Board of Directors

Prior Assignments
• Dune Energy Inc., - President and CEO
• Pacific Energy Resources, Ltd – Board of Directors
• Remington Oil and Gas, Corp – President and CEO
• Box Energy, Inc. – President and CEO
Responses to Debt Restructuring Needs

- **Limit Capital, Cut G&A**: Helps but usually insufficient
- **Sell Equity**: Usually rejected due to dilution
- **M&A**: Valuation issues and timeframe
- **Sell Assets**: Valuation issues and timeframe
- **Monetize Hedge book**: Short Term Fix
- **Draw Down Revolver**: Bank rapport issues
- **Term Out Revolver**: Higher cost of Capital, fees
- **Debt for Debt exchange**: Execution risk and high fees
- **Debt for Equity exchange**: Difficult without bankruptcy
- **Chapter 11 Filing**
Management Teams and Boards

- External Factors often cause of problem
- Focus on Solutions
  - Establishing blame – waste of time
  - Define available timeframes, sequence of events
  - Establish realistic value metrics
  - Hire the right advisors
  - Execute on a Plan
- Remain open and transparent with stake holders
- Advisors primary purpose is generating fees
  - Make sure any transaction proposed improves economics
Summary

• No matter who or what caused the problem, it is management and the board’s responsibility to fix it
• Operations cannot solve a balance sheet problem
• Find a solution that satisfies most stakeholders needs and preserves future option value
• Bankruptcy is the worst outcome for all but the lawyers and financial advisors