

Oil & Gas Restructurings

November 2020

ALVAREZ & MARSAL



Ryan Omohundro

Managing Director

Ryan Omohundro is a Managing Director with Alvarez & Marsal's North American Commercial Restructuring practice in Houston, Texas. He has over 16 years of experience advising distressed companies and creditors across various industries including oilfield services, oil and gas exploration, power generation, chemicals, construction, mining, manufacturing, imaging/film, food processing and municipalities.

Mr. Omohundro's primary area of expertise includes liquidity and working capital management, cash forecasting, cost-cutting and asset rationalization, business plan development/analysis/ implementation, interim management, lender/vendor negotiations, strategic alternatives, bankruptcy planning, claims management and financial, managerial and forensic accounting.

He has served as financial advisor to several distressed E&P and OFS companies through the industry downturn, including:

- Weatherford International, a global public oil and natural gas services company;
- Arena Energy, an E&P company operating in the Gulf of Mexico;
- Jones Energy, an E&P company operating in the US Mid-Continent;
- Hi-Crush, a public proppants and logistics company;
- FTS International, a public hydraulic fracturing services company;
- Parker Drilling, a global public drilling, rental tool and well services company;
- Castex Energy 2005, L.P., an E&P company operating in South Louisiana and the Gulf of Mexico;
- QMax, a global drilling fluids, solids control, and lab services company;
- U.S. Well Services, a high-pressure, hydraulic fracturing services company;
- Quintana Energy Services, a multi-basin completion, production, and drilling services company;
- Forbes Energy Services, a public workover, coil tubing and fluid logistics services company;
- Layne Christensen, a water management, heavy construction, mining services, and drilling corporation;
- Two privately-owned oil tool rental, fishing, and tubular service companies.

In his career he also served as Interim Treasurer of Tronox, Inc. and Valerus Compression Services, and Controller of SecureCARE Technologies. Additional clients include Eastman Kodak Company, Key Energy Services, Power Line Services, New Mach Gen, NE Gas, Blake Offshore, Osyka Corporation, Pinpoint Drilling, Dresser, Inc., Yukos Oil Company and Sunland, Inc.

Mr. Omohundro received his master's degree in professional accounting and bachelor's degree in business administration from the University of Texas at Austin, graduating with Highest Honors. He is a Certified Public Accountant (CPA), Chartered Financial Analyst (CFA), Certified Insolvency & Restructuring Advisor (CIRA), and Certified Fraud Examiner (CFE).



Discussion Overview

- I. 2020 Oil & Gas Bankruptcy Trends:
 - Case Summaries
 - Ch. 11 Recovery Trends
 - Reorganization Exit Leverage

- II. 2021+ Oil & Gas Restructuring Outlook & Strategies to Maximize Recovery

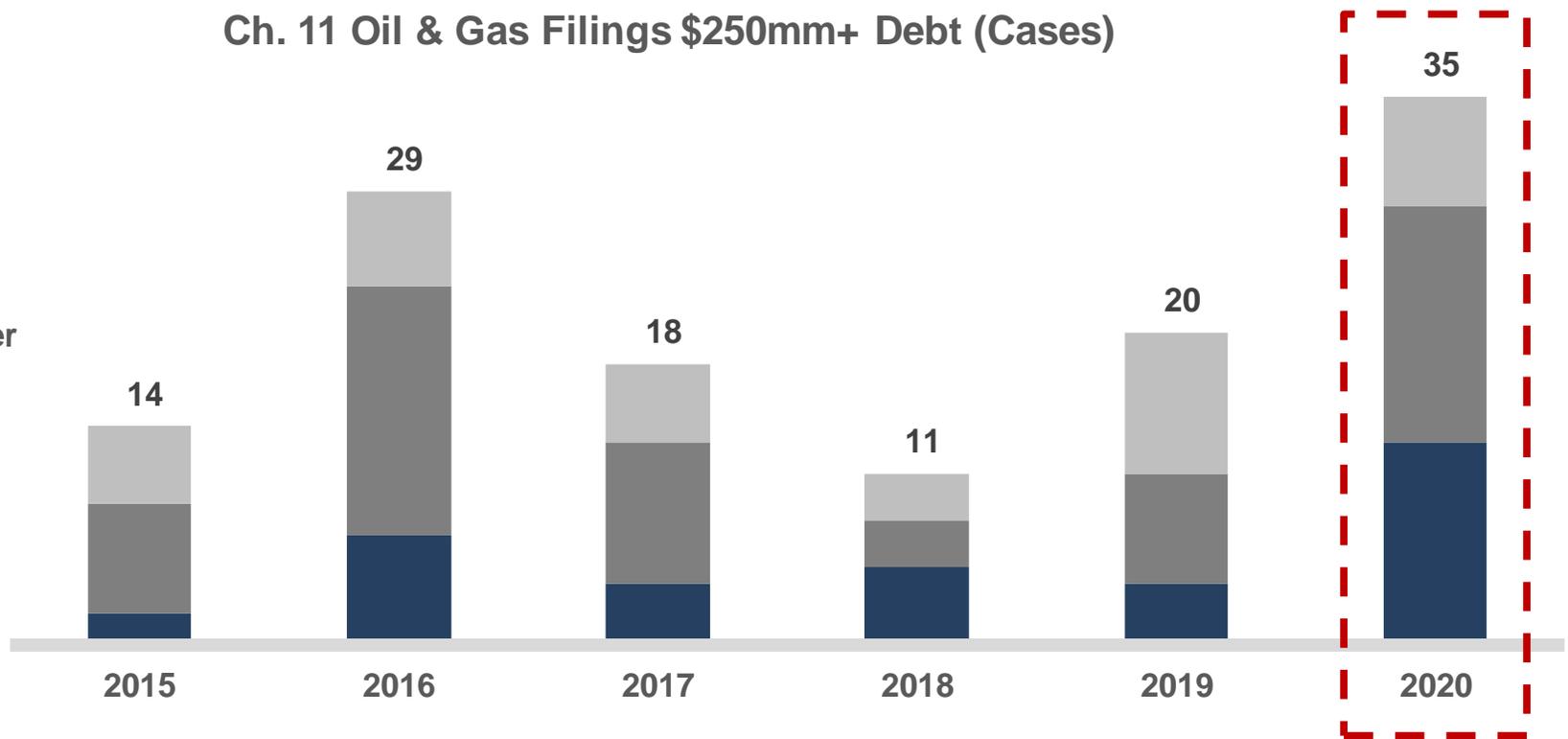
O&G Bankruptcies by the Numbers - Cases

Prevalence of pre-packaged & pre-arranged plans

Debtors look to minimize the time in bankruptcy - reducing reputational harm and cost

Ch. 11 Oil & Gas Filings \$250mm+ Debt (Cases)

- Traditional / Other
- Pre-Arranged
- Pre-Pack



A&M Cases

6

9

7

4

10

15

2015–2020
Total

51

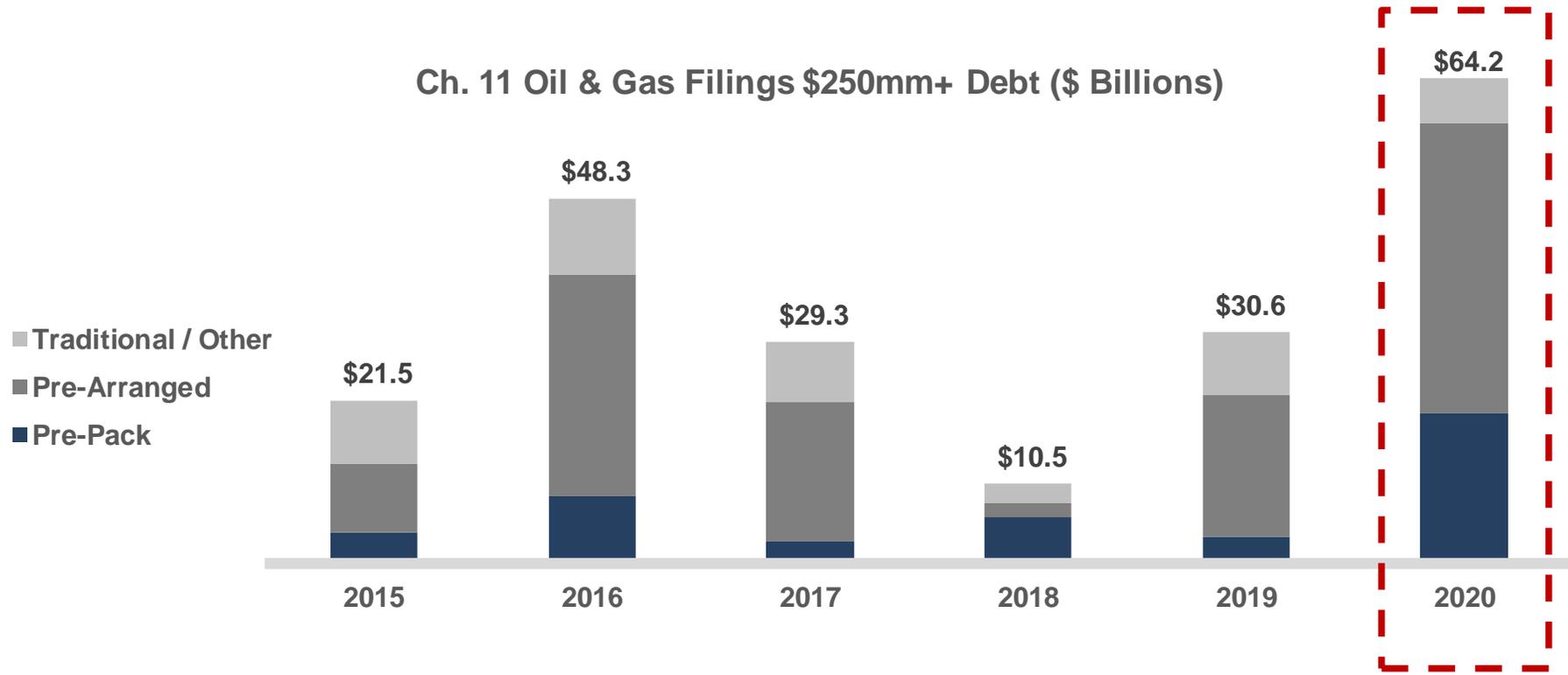
40%

O&G Bankruptcies by the Numbers – Funded Debt

Prevalence of pre-packaged & pre-arranged plans

Debtors look to minimize the time in bankruptcy - reducing reputational harm and cost

Ch. 11 Oil & Gas Filings \$250mm+ Debt (\$ Billions)



	2015	2016	2017	2018	2019	2020	2015–2020 Total
A&M Cases	\$12.7B	\$16.6B	\$11.9B	\$3.1B	\$18.9B	\$36.3B	\$99.5B
							49%

2020 O&G Ch.11 Cases - Restructuring Trends

Bankruptcies accelerated in 2020 - oversupply and depressed commodity prices (COVID-19 & OPEC+)

E&P

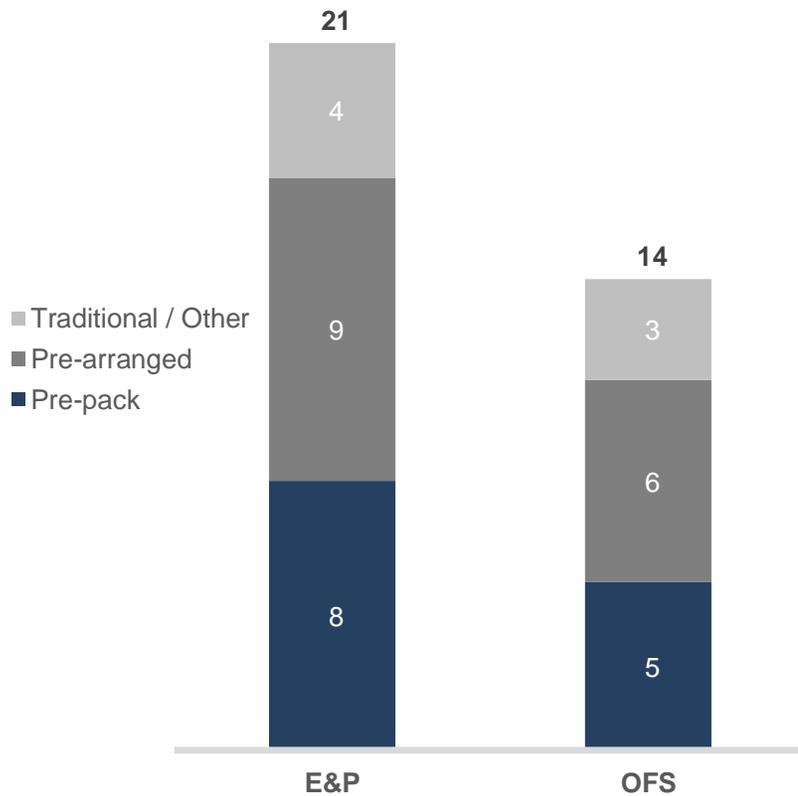
- Tightening RBL availability from redeterminations
- Fulcrum shifts to secured creditors - concentrated in term loan / secured notes
- Scarcity of new capital and illiquid market for asset sales
- Midstream and pipeline contracts in the crosshairs
- Deleveraging is key step to market consolidation

OFS

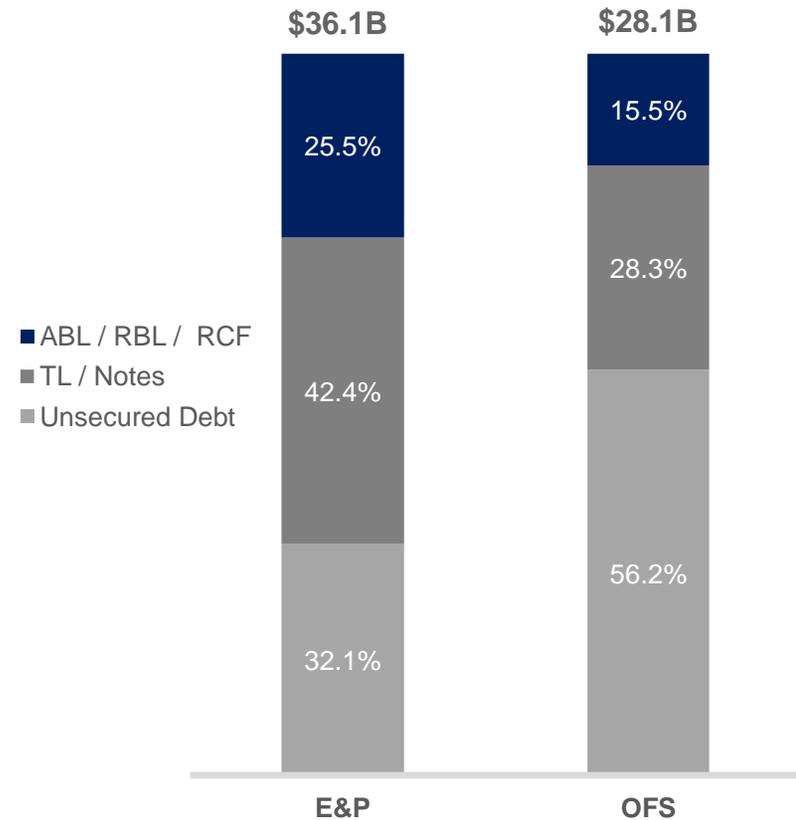
- Cluster of large offshore drilling contractors equitizing unsecured debt
- Frac / Frac-sand contract rejections
- Liquidations resulting in deeply depressed / scrap values
- ABL lenders reducing exposure - managing LC needs are challenged
- Deleveraging is key step in market consolidation

2020 O&G Ch.11 Cases – E&P / OFS & Pre-Petition Debt

O&G Filings with \$250mm+ Debt (1)



Pre-Petition Debt(2)



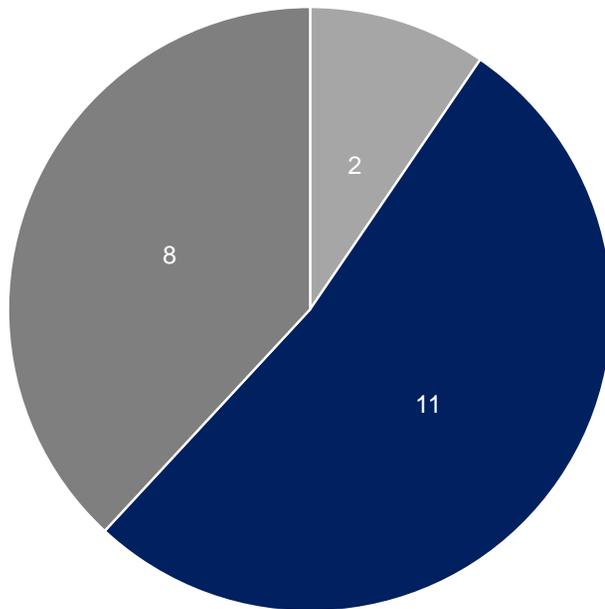
(1) Includes one E&P company which also owns / operates onshore drilling rigs

(2) ABL / RBL / RCF includes \$1.6B of LC Facilities

2020 O&G Ch.11 Cases – Segment Breakdown

E&P (1)

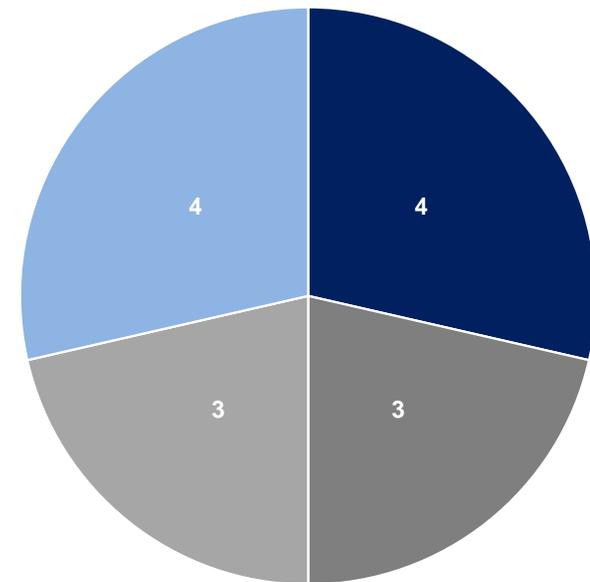
- Single-basin players mostly operating in the Rockies and the Permian



OFS

- Offshore drillers with \$13.0B of unsecured debt

- Offshore Drilling
- Frac Sand
- Pressure Pumper / Support
- Heavy Equipment / Offshore Services

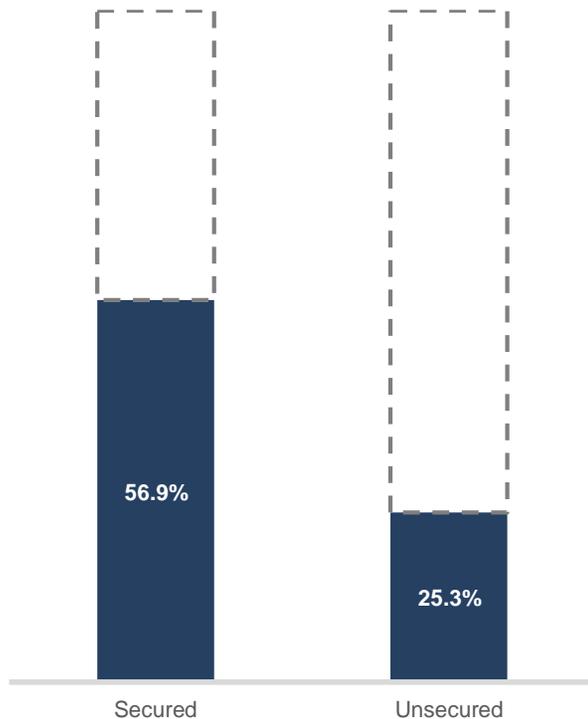


(1) Includes one E&P company which also owns / operates onshore drilling rigs

2020 O&G Ch.11 Cases - Plan Recoveries

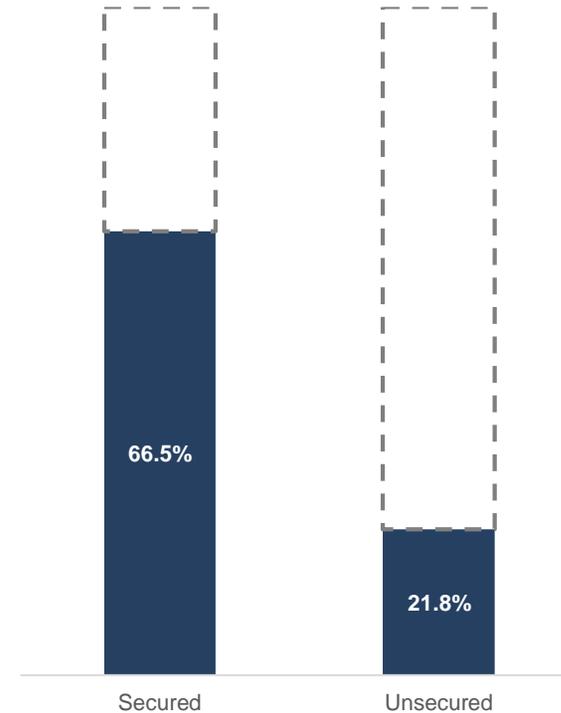
Average E&P Recoveries⁽¹⁾⁽²⁾⁽³⁾

- Lenders exit the sector via in-court sales processes



Average OFS Recoveries⁽²⁾

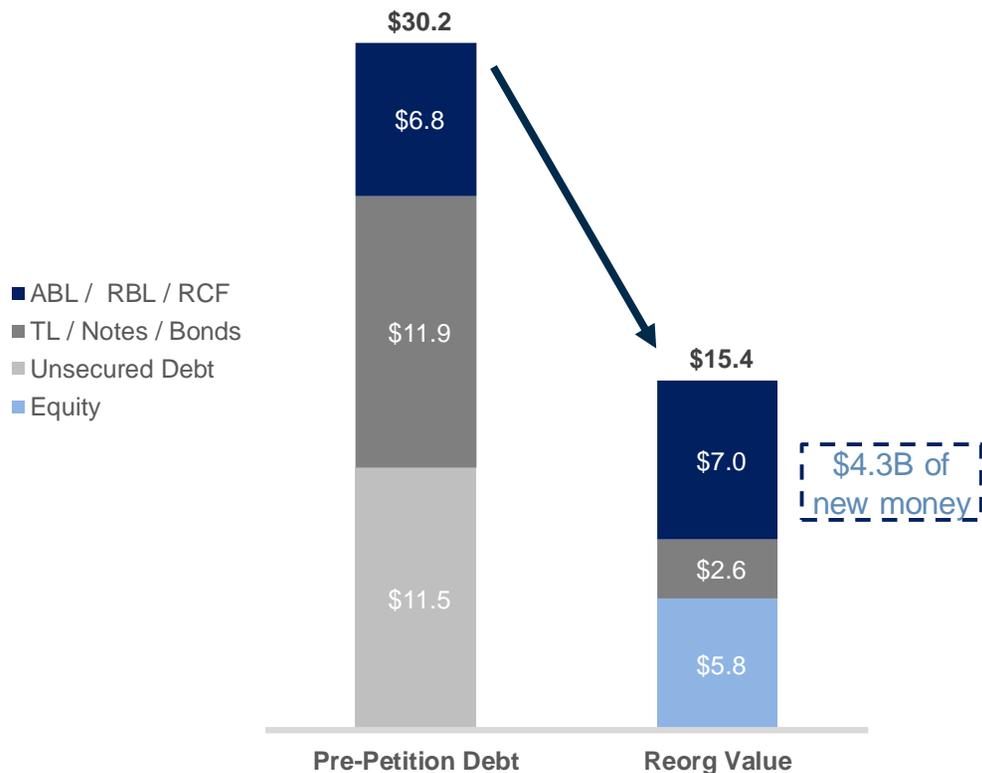
- ABL / LC facilities rolled
- 1L / 2L impaired



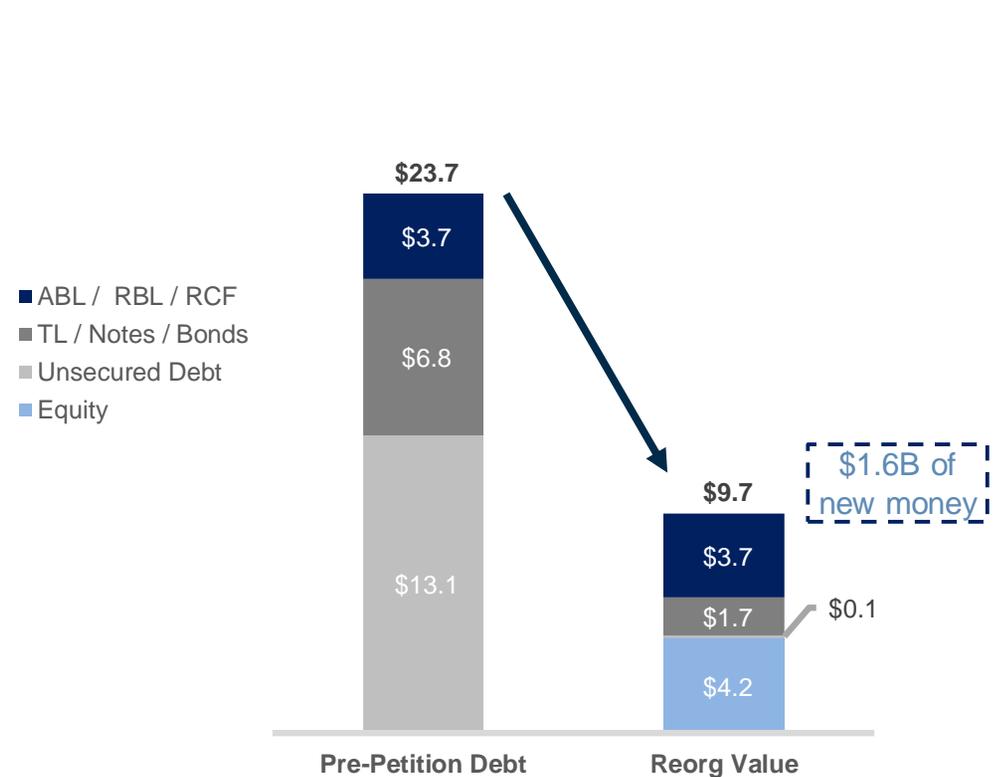
(1) 5 cases did not have a Disclosure Statements / Plan Recoveries
(2) Includes DIP financing for pre-petition securities rolled into new facility and receiving recovery
(3) Includes one E&P company which also owns / operates onshore drilling rigs

2020 O&G Ch.11 Cases – Reorganization Exit Leverage

E&P (1)(2)(3)(4)(5)



OFS (1)(3)(5)(6)



- (1) 11 not included in analysis; 5 do not have a Disclosure Statement / Plan Value, 6 are seeking sale
- (2) Assumes cash recovery of certain RBL lenders turned DIP lenders have the option of cash or rolling debt
- (3) Assumes full facility commitment vs borrowing base / estimated amount drawn
- (4) Includes one E&P company which also owns / operates onshore drilling rigs
- (5) Excludes warrants
- (6) Includes \$2.4mm LC facility in ABL / RBL / RCF exit financing

2021+ O&G Restructurings – Outlook

Overall Industry

- Forced shift to self-funding, industry-wide
- External capital scarcity: Historical unattractive return-levels & ESG

E&P

- RBL redeterminations continue to catalyze restructurings
- Deleveraging, cost-cutting, synergy capture will drive market consolidation

OFS

- Continued asset rationalization / supply right-sizing: cannibalization > liquidation
- Deleveraging, cost-cutting, synergy capture will drive market consolidation

Midstream

- Forced concessions due to E&P filings / shut-in threats / renegotiations
- Reduced pricing and volumes → strained capital structures → midstream filings

2021+ : Strategies for Maximizing Recoveries

