

## Business Insider

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May 8, 2020

### **The oil industry is bracing for an onslaught of bankruptcies. Here are the 25 companies Fitch says are most at risk**

(Business Inside) – While energy markets are starting to stabilize, the pandemic fueled collapse in demand continues to hammer the oil and gas industry.

Hundreds of bankruptcies are on the horizon, according to the research firm Rystad Energy. Whiting Petroleum and Diamond Offshore Drilling are the latest two companies to file.

The rating agency Fitch shared data with Business Insider on the top 25 “bonds of concern” in the energy industry, amounting to almost \$30 billion in outstanding debt.

California Resources Corp. and Unit Corp. are the most likely companies to file for bankruptcy protection on the list, a Fitch analyst said.

One year from now, the US energy industry might be hard to recognize.

“What you’re seeing is a rapid shrinkage of the industry,” said Adam Waterous, the former head of energy and power for North America at Scotiabank.

There will be a handful of mergers, loads of debt-for-equity swaps, and plenty of bankruptcies in the wake of low oil prices, said Waterous, who now runs the investment firm Waterous Energy Fund.

If the price of US crude remains at or below \$20 a barrel – where it spent much of the last few weeks – Chapter 11 bankruptcy cases could reach 140 this year and increase to almost 400 in 2021, according to an analysis by Rystad Energy, published in March.

And for some companies, it’s no longer a hypothetical.

Whiting Petroleum and Diamond Offshore Drilling have already led for bankruptcy, while Chesapeake Energy and Unit Corp. are preparing to potentially follow suit, according to reports from Reuters and the Wall Street Journal.

Chesapeake Energy and Unit Corp. didn’t respond to requests for comment.

#### **The question is: Who’s next?**

The oil and gas exploration and production company Chesapeake Energy is preparing a potential bankruptcy filing, according to Reuters. Here, one of the company’s natural gas well pads in Litchfield Township, Pennsylvania.

In an April report, Fitch Ratings found that defaults by energy companies are expected to exceed \$30 billion this year.

More remarkably, energy firms account for nearly half of Fitch’s April list of “top bonds of concern” – which includes the companies most likely to default.

Fitch updates the list regularly based on things like ratings, market information, and input from the firm’s analysts, according to Eric Rosenthal, senior director of leveraged finance at Fitch.

Energy bonds were “especially impacted by the decline in crude oil prices,” Rosenthal said in April.

“Timing will play a key role,” he added. It’s possible that the “2020 rate could top the prior record depending on crude oil prices.”

#### **Three companies are most likely to file.**

Rosenthal said California Resources, Unit Corp., and Ultra Petroleum are most likely to file for bankruptcy, whereas a handful of others will do a distressed debt exchange, which Fitch considers a default for rating purposes.

In a debt exchange, creditors typically offer a company more favorable terms, rather than risk getting wiped out in bankruptcy.

“The vast majority of the names on the list will file rather than do exchanges,” Rosenthal said.

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In late March, the Los Angeles Times reported that California Resources is considering bankruptcy after “efforts to rework its debt out of court fell short amid a crash in energy prices,” citing people familiar with the matter.

Colorado-based Ultra Petroleum is preparing to seek Chapter 11 protection, for the second time since 2016, as is Oklahoma-based Unit Corp., the Wall Street Journal reported.

California Resources and Ultra Petroleum did not respond to a request for comment in time for publication.

The full list of 25 oil and gas companies at risk of default Fitch Ratings shared updated data with Business Insider on the top bonds of concern in the energy industry. Here they are, ranked from smallest to largest sums of outstanding high-yield bonds. In total, they amount to nearly \$30 billion.

Note: While Ultra Petroleum is at risk of filing for bankruptcy, according to Rosenthal, it does not appear on the list because of a missed payment.

1. Lonestar Resources America Inc. — \$250 million
2. Gran Tierra Energy Inc. — \$300 million
3. Chaparral Energy Inc. — \$300 million
4. Great Western Petroleum LLC— \$300 million
5. Northern Oil & Gas Inc. — \$341 million
6. Martin Midstream Partners — \$364 million
7. FTS International Inc. — \$369.9 million
8. Forum Energy Technologies Inc. — \$400 million
9. Pride International Inc. — \$535 million
10. Calfrac Holdings LP — \$551.8 million
11. Bruin E&P Partners HOMEPAGE LLC — \$600 million
12. CSI Compressco LP — \$645.9 million
13. Unit Corp. — \$650.0 million
14. Centennial Resource Production LLC — \$900 million
15. Vine Oil & Gas LP — \$910 million
16. Summit Midstream Holdings — \$1.1 billion
17. Sesi LLC — \$1.3 billion
18. Oasis Petroleum Inc. — \$1.7 billion
19. Denbury Resources Inc. — \$1.8 billion
20. Gulfport Energy Corp. — \$1.8 billion
21. Callon Petroleum — \$1.9 billion
22. California Resources Corp. — \$2.1 billion
23. SM Energy Inc. — \$2.5 billion
24. Ferrellgas Partners HOMEPAGE LP — \$2.5 billion
25. Chesapeake Energy Corp. — \$4.5 billion