

# CRISIS IN THE OILPATCH – DANGER OR OPPORTUNITY FOR LENDERS AND DISTRESSED INVESTORS



Panel Discussion

Rob Albergotti, Todd Dittmann, Elena Robciuc – Panelists

John Melko – Moderator

[Distressed Investing Conference](#), December 2, 2019 – New York, NY

# TABLE OF CONTENTS

- I. Introduction of Our Panelists
- II. Quick Overview of the Oil & Gas Industry -John Melko, Partner, Foley Gardere
- III. Reserve Based Lending – Elena Robciuc, Head of Reserve Based Finance in the Americas, Societe Generale
- III. Energy Dislocation and Distress, Is it Investable? – Todd Dittmann, Head of Energy, Angelo Gordon
- IV. Financial Advisory in O&G – Rob Albergotti, Managing Director, Alix Partners

**I.**

# **Introduction of Our Panelists**



**Elena Robciuc**

**SOCIETE GENERALE – Head of Reserve Based Finance in the Americas**

Elena Robciuc is the Head of Reserve Based Finance in the Americas under Societe Generale’s Energy Lending practice and manages a team of energy finance professionals as well as the origination and investment banking cross sell for the firm’s upstream structured finance client base. Prior to this, Elena was a Managing Director in charge of originating and structuring reserve based lending transactions and expanding the bank’s cross sell into commodity hedging products, debt and equity capital markets, and advising clients on capital structure and capital raising solutions. Elena’s prior experience also includes investments management at a Hedge Fund at Enron Corp, and private equity investments at a European Fund Manager. Elena’s professional career spans over almost 20 years, and she holds a Master in Business Administration from the Cox School of Business at S.M.U. Elena is fluent in Spanish and Romanian, and conversational in French.



**Todd Dittmann**  
**ANGELO GORDON – Head of Energy**

Todd Dittmann joined Angelo Gordon in 2013 to lead the firm's energy strategy. He is a Managing Director and a member of the firm's executive committee. Todd is a seasoned and experienced investment professional who has spent more than 25 years in energy finance with investing and board experience in both public and private companies. His experience includes the closing of approximately 150 debt, equity, M&A, derivative-linked and other energy related transactions, most of which he completed as a principal investor or lead lender. Todd has previously held roles with D.B. Zwirn & Co., Jefferies & Co. and the Chase Manhattan Bank. Todd holds a B.B.A. degree with a concentration in finance and an M.B.A. degree from the University of Texas, Austin and is a Chartered Financial Analyst.



**Rob Albergotti**  
**ALIXPARTNERS – Managing Director, Houston**

Robert has worked with senior management teams, attorneys, creditors, and private-equity sponsors at all levels to identify process improvements, to spot business trends, and to take advantage of financial opportunities as a consultant and business unit controller.

He has a wealth of experience globally, with extensive operating experience in Europe and Asia. Robert has had experience in the development and implementation of complex restructuring solutions to maximize value for all stakeholders through internal reorganizations, asset dispositions, divisional shutdowns, and chapter 11 restructurings. Robert has worked on behalf of companies to negotiate debt financing options with numerous financial institutions as well as provided representation to a number of creditor groups.

Prior to joining AlixPartners, Robert attended the Darden School of Business at the University of Virginia. Before attending business school, Robert was based in Amsterdam with Akzo Nobel, where he was controller in a global product and manufacturing business delivering specialty chemicals to semiconductor producers.



**John Melko**  
**FOLEY & LARNDER LLP – Partner**

John Melko's practice focuses on complex sales, acquisitions, bankruptcies and financings in the energy sector throughout the United States, as well as shipping-related issues in both foreign and domestic cases and financings. John has years of cross-border and multinational experience with oil and gas exploration and production, refining and marketing, airlines, telecommunications, electric utilities, manufacturing, retail, rig and ship finance, mass torts and asset-backed securities. He has represented:

- Borrowers and debtors in possession
- Creditors and creditors' committees
- Securitized noteholders
- Trustees
- Investors
- Buyers of assets and businesses in and out of restructuring or bankruptcy settings

Throughout his career, John has helped guide clients through dislocations in the energy, shipping, telecommunication, real estate and health care markets, utilizing chapter 7, chapter 11, and chapter 15 procedures.

John also serves as co-chair of the firm's Bankruptcy & Business Reorganizations Practice and vice-chair of the firm's Oil & Gas Industry Team.

**II.**

**Quick Overview of the Oil & Gas Industry**

**John Melko, Partner, Foley Gardere**

# CURRENT RIG COUNT

Updated November 22, 2019

## Baker Hughes Rig Count

We issue the North America and International rig counts as a service to the industry. Get the weekly and monthly summaries here, or find more details on our Rig Count site.

[Rig Count Site](#)

803

United States

3<sup>\*</sup> from last week.  
276<sup>\*</sup> from last year.

137

Canada

3<sup>\*</sup> from last week.  
67<sup>\*</sup> from last year.

1130

International

1<sup>\*</sup> from last week.  
113<sup>\*</sup> from last year.

# U.S. PRODUCTION AND RIG COUNT

	JULY 2014		SEPTEMBER 2014		CURRENT	
	<u>Production</u>	<u>Price</u>	<u>Production</u>	<u>Price</u>	<u>Production</u>	<u>Price</u>
<b>CRUDE</b>	8.4 mm bpd	\$107/bbl	8.8 mm	\$93.54	11 . 8 m bpd*	\$53.18**
<b>NAT GAS</b>	2.2 tcf/month	\$4.00/mcf	2.2 tcf/month	\$3.90/mcf	3.3 tcf/month*	\$2.24/mcf**
<b>RIGS</b>		1,861		1,930		851***

\* As of July 2019/EIA

\*\* As of 10/21/2019

\*\*\* As of 10/18/19 Baker Hughes

# Wells Fargo Commodities

## Daily Energy Report as of 11/26/2019

WTI Swap (S/bbl)			
Tenor	Current	Day Change	Year Ago
Bal19	\$58.27	\$0.27	\$55.42
Cal20	\$56.05	\$0.27	\$55.14
Cal21	\$53.26	\$0.27	\$54.59
Cal22	\$52.20	\$0.27	\$54.19
Cal23	\$51.94	\$0.27	\$54.22
NG NYMEX Swap (\$/Mmbtu)			
Tenor	Current	Day Change	Year Ago
Bal19	\$2.467	(\$0.065)	\$2.877
Cal20	\$2.413	(\$0.020)	\$2.619
Cal21	\$2.461	(\$0.006)	\$2.590
Cal22	\$2.466	(\$0.006)	\$2.609
Cal23	\$2.517	(\$0.006)	\$2.660

# O & G COMPANIES

## - RECENT HISTORY -

### 2019 Chapter 11 filings of Exploration & Production (“E&P”) Companies

2019 BANKRUPTCIES, January – September

FILING DATE	COURT	CASE NUMBER	DEBTOR	SECURED	UNSECURED	TOTAL	
167	2/4/2019	D. Del.	19-10226	ARSENAL ENERGY HOLDINGS LLC*	\$ 116,700,000	\$ 861,000,000	\$ 977,700,000
168	2/6/2019	W. D. Ok.	19-10412	DESTINY PETROLEUM LLC	\$ 592,566	\$ 6,824,036	\$ 7,416,602
169	2/16/2019	M.D. Penn.	19-00664	OLEUM EXPLORATION LLC	\$ 114,432	\$ 10,286,190	\$ 10,400,625
170	2/28/2019	S.D. Tex.	19-31087	WEATHERLY OIL & GAS LLC	\$ 98,200,167	\$ 6,447,036	\$ 104,647,203
171	3/31/2019	S. D. Tex.	19-31786	VANGUARD NATURAL RESOURCES, INC.*	\$ 47,700,000	\$ 469,500,000	\$ 517,200,000
172	4/14/2019	S. D. Tex.	19-32112	JONES ENERGY, INC.*	\$ 474,200,000	\$ 582,000,000	\$ 1,056,200,000
173	5/6/2019	N.D. Tex.	19-10100	7S OIL & GAS, LLC*	\$ 163,882	\$ 251,510	\$ 415,392
174	5/8/2019	D. Del.	19-11025	TRIANGLE PETROLEUM CORPORATION	\$ 169,000,000	\$ 300,000	\$ 169,300,000
175	5/10/2019	M. D. La.	19-10547	FALCON V, L.L.C.*	\$ 41,000,000	\$ 6,570,000	\$ 47,570,000
176	5/14/2019	W.D. La.	19-50596	MONTEREY RESOURCES LLC	\$ 129,670	\$ 1,104,026	\$ 1,233,696
177	5/15/2019	D. Del.	19-11104	EDGEMARC ENERGY HOLDINGS, LLC	\$ 79,275,493	\$ 41,530,908	\$ 120,806,401
178	5/15/2019	E.D. Tex.	19-60341	OLEUM OPERATING CO., LC	\$ 85,544	\$ 3,633,225	\$ 3,718,769
179	5/22/2019	D. Del.	19-11164	PWR INVEST, LP***	\$ -	\$ 8,142,295	\$ 8,142,295
180	5/22/2019	D. Del.	19-11157	ELK PETROLEUM, INC.	\$ 157,690,234	\$ -	\$ 157,690,234
181	5/28/2019	W.D. Ok.	19-12521	WHITE STAR PETROLEUM HOLDINGS, LLC	\$ 333,416,547	\$ 10,300,000	\$ 343,716,547
182	6/3/2019	N.D. Ok.	19-11139	AUSTEX HOLDCO, LLC	\$ -	\$ 33,018,868	\$ 33,018,868
183	6/3/2019	E.D. Tex.	19-60384	O'BENCO IV, LP	\$ 99,499,069	\$ 12,814,093	\$ 112,313,162
184	6/18/2019	S.D. Tex.	19-33395	LEGACY RESERVES INC. (AND ALL AFFILIATES)	\$ 912,579,131	\$ 1,704,808,413	\$ 2,617,387,544
185	7/1/2019	N.D. Tex.	19-32190	KROG PARTNERS, LLC	\$ 352,009	\$ 2,062,120	\$ 2,414,129
186	7/16/2019	W.D. Tex.	19-70106	REMNANT OIL COMPANY, LLC*	\$ 3,750,000	\$ 5,959,651	\$ 9,709,651
187	7/25/2019	S.D.N.Y.	19-12417	HVI CAT CANYON, INC.*	\$ 221,018,546	\$ 5,366,849	\$ 226,385,395
188	7/31/2019	S.D. Tex.	19-34190	MATRA PETROLEUM USA, INC.*	\$ 47,830,000	\$ 2,854,724	\$ 50,684,724
189	8/7/2019	S.D. Tex.	19-34446	HALCÓN RESOURCES CORPORATION*	\$ 974,515,078	\$ 680,716,300	\$ 1,655,231,378
190	8/8/2019	W.D. Ky.	19-10825	U.S.A. DRILLING COMPANY, INC.*	\$ 500,000	\$ -	\$ 500,000
191	8/9/2019	D. Del.	19-11781	FURIE OPERATING ALASKA, LLC*	\$ 442,709,233	\$ 9,500,858	\$ 452,210,091
192	8/11/2019	S.D. Tex.	19-34508	SANCHEZ ENERGY CORPORATION	\$ 525,000,000	\$ 1,750,000,000	\$ 2,275,000,000
193	9/4/2019	D. Colo.	19-17633	PETROSHARE CORP.	\$ 24,265,894	\$ 14,507,260	\$ 38,773,154
194	9/11/2019	S.D. Tex.	19-35133	ALTA MESA RESOURCES, INC.*	\$ 346,000,000	\$ 500,000,000	\$ 846,000,000
195	9/11/2019	E.D. Mich.	19-52994	COLUMBUS OIL & GAS, LLC*	\$ -	\$ 1,558,932	\$ 1,558,932
196	9/15/2019	S.D. Tex.	19-35198	SHERIDAN HOLDING COMPANY II, LLC*	\$ 1,105,000,000	\$ 9,116,319	\$ 1,114,116,319
197	9/18/2019	S.D.N.Y.	19-13011	PONDEROSA-STATE ENERGY, LLC*	\$ 680,000	\$ 348,108	\$ 1,028,108
198	9/20/2019	E.D. La.	19-12531	TNR HOLDINGS, LLC	\$ 6,056,102	\$ 8,387,234	\$ 14,443,336
199	9/30/2019	W.D. La.	19-51133	ROVIG MINERALS, INC.**	\$ 2,200,000	\$ -	\$ 2,200,000
<b>TOTAL 2019</b>					<b>\$ 6,230,223,600</b>	<b>\$ 6,748,908,955</b>	<b>\$ 12,979,132,555</b>
<b>TOTAL 2015-2019</b>					<b>\$ 48,492,418,342</b>	<b>\$ 60,364,267,858</b>	<b>\$ 108,856,686,200</b>

# LIST OF NORTH AMERICAN OILFIELD SERVICES BANKRUPTCIES

## 2019 BANKRUPTCIES, January – September

FILING DATE	COURT	CASE NUMBER	DEBTOR	SECURED	UNSECURED	TOTAL	
176	2/15/2019	S.D. Tex.	19-30869	CORNERSTONE VALVE, LLC	\$ 5,636,947	\$ 2,272,789	\$ 7,909,737
177	2/15/2019	S.D. Tex.	19-30870	WELL HEAD COMPONENT INC.*	\$ -	\$ 840,406	\$ 840,406
178	3/11/2019	S.D. Tex.	19-31371	GASPER RICE RESOURCES LTD.	\$ 1,802,150	\$ 682,275	\$ 2,484,425
179	6/10/2019	S.D. Tex.	19-70233	LONGHORN PAVING & OILFIELD SERVICES, INC.	\$ 780,876	\$ 2,351,097	\$ 3,131,973
180	7/1/2019	S.D. Tex.	19-33694	WEATHERFORD INTERNATIONAL PLC	\$ -	\$ 7,427,067,000	\$ 7,427,067,000
181	7/3/2019	S.D. Tex.	19-33804	COMPRESSION GENERATION SERVICES, LLC	\$ -	\$ 4,212	\$ 4,212
182	7/11/2019	S.D. Tex.	19-33884	SHALE SUPPORT GLOBAL HOLDINGS, LLC*	\$ -	\$ 127,899,025	\$ 127,899,025
183	7/11/2019	W.D. Pa.	19-22775	SILVER CREEK SERVICES, INC	\$ 2,500,000	\$ 9,422,381	\$ 11,922,381
184	7/15/2019	D. Del.	19-11565	EMERGE ENERGY SERVICES LP*	\$ -	\$ 48,322,110	\$ 48,322,110
185	7/26/2019	D. Kan.	19-11404	MWM OIL COMPANY, INC.	\$ 691,846	\$ 1,631,981	\$ 2,323,827
186	8/23/2019	S.D. Tex.	19-34698	KP ENGINEERING, LP*	\$ 8,743,207	\$ 20,785,685	\$ 29,528,892
187	8/26/2019	S.D. Tex.	19-34752	EPIC COMPANIES, LLC	\$ 115,635,762	\$ 30,811,994	\$ 146,447,757
188	8/31/2019	E.D.N.C.	19-04006	INDUSTRIAL PIPING SOLUTIONS, INC.*	\$ 10,000	\$ 629,252	\$ 639,252
189	9/2/2019	S.D. Tex.	19-34985	PANGEA INDUSTRIES, INC.*	\$ 1,279,990	\$ 1,012,057	\$ 2,292,047
190	9/10/2019	W.D. La.	19-51062	360 INTERNATIONAL, INC.*	\$ -	\$ 1,784,518	\$ 1,784,518
<b>2019 YTD</b>					\$ 137,080,780	\$ 7,675,516,787	\$ 7,812,597,567
<b>TOTAL</b>							
<b>2015-2019</b>					\$ 39,659,872,625	\$ 25,579,590,093	\$ 65,239,462,719

\* from Haynes and Boone Oilfield Services Bankruptcy Tracker

# COMPLETE LIST OF NORTH AMERICAN MIDSTREAM BANKRUPTCIES 2015-2019

	FILING DATE	COURT	CASE NUMBER	DEBTOR	SECURED	UNSECURED	TOTAL
1	07/15/2015	S.D.N.Y.	15-11839	SABINE MID-CONTINENT GATHERING LLC**	\$ 1,659,821,675	\$ 196,310,010	\$ 1,856,131,685
2	09/15/2015	Virgin Is.	15-10003	HOVENSA LLC	\$ 40,000,000	\$ 1,945,322,904	\$ 1,985,322,904
3	10/01/2015	D. Alaska	15-00321	ANCHOR POINT ENERGY, LLC**	\$ -	\$ 4,721,694	\$ 4,721,694
4	12/15/2015	D. Del.	15-12545	NGAS GATHERING, LLC**	\$ -	\$ 634,192,234	\$ 634,192,234
5	02/02/2016	D. Del.	16-10292	RYCKMAN CREEK RESOURCES, LLC	\$ 368,560,399	\$ 22,685,817	\$ 391,246,216
6	03/18/2016	D. Del.	16-10660	ELLWOOD PIPELINE, INC.**	\$ -	\$ 148,302	\$ 148,302
7	03/27/2016	S.D. Tex.	16-20111	SOUTHCROSS HOLDINGS LP	\$ 575,395,000	\$ 155,848,883	\$ 731,243,883
8	03/30/2016	S.D. Tex.	16-31521	TRISTREAM EAST TEXAS, LLC	\$ 18,846,838	\$ 2,229,945	\$ 21,076,783
9	04/14/2016	S.D. Tex.	16-31948	EPL PIPELINE, LLC**	\$ 327,965,509	\$ 219,529,666	\$ 547,495,175
10	04/14/2016	S.D. Tex.	16-31959	JUNIPER GTL LLC	\$ 23,908,560	\$ 19,836,956	\$ 43,745,516
11	05/09/2016	D. Del.	16-11148	CEI PIPELINE, LLC**	\$ -	\$ 1,819,423,092	\$ 1,819,423,092
12	05/11/2016	S.D. Tex.	16-60047	LINN MIDSTREAM, LLC**	\$ 2,946,485,996	\$ 3,116,941,479	\$ 6,063,427,475
13	05/16/2016	S.D.N.Y.	16-11408	BEAVER CREEK PIPELINE, LLC**	\$ 1,854,515,625	\$ 1,209,406,446	\$ 3,063,922,071
14	10/04/2016	N.D. Tex.	16-33971	CONNECT TRANSPORT, LLC	\$ 53,949,103	\$ 1,499,463	\$ 55,398,566
15	12/12/2016	S.D. Tex.	16-36356	PIONEER CARRIERS, LLC	\$ 1,466,239	\$ -	\$ 1,466,239
16	12/12/2016	E.D. Tenn.	16-33660	REGAL PETROLEUM COMPANY, INC.	\$ 303,996	\$ 1,259,234	\$ 1,563,230
17	12/20/2016	D. Minn.	16-43711	DAKOTA PLAINS HOLDINGS, INC.	\$ 74,820,986	\$ 565,328	\$ 75,386,314
18	01/29/2017	S.D.N.Y.	17-10184	TOISA LIMITED**	\$ 936,404,831	\$ -	\$ 936,404,831
19	01/30/2017	S.D. Tex.	17-30461	AZURE MIDSTREAM PARTNERS, LP	\$ 174,710,504	\$ 118,745,435	\$ 293,455,939
20	02/01/2017	S.D. Tex.	17-30572	ENCORE CLEAR FORK PIPELINE LLC**	\$ 1,330,069,779	\$ 443,686,587	\$ 1,773,756,366
21	04/17/2017	D. Del.	17-10828	ELLWOOD PIPELINE, INC.**	\$ -	\$ -	\$ -
22	11/26/2018	D. Del.	18-12684	FAIRWAY ENERGY, LP	\$ 95,407,927	\$ 16,555,599	\$ 111,963,526
23	12/09/2017	N.D. Oh.	17-17245	CHOWDER GAS AND STORAGE FACILITY LLC	\$ 11,000,000	\$ 2,542,698	\$ 13,542,698
24	12/09/2017	N.D. Oh.	17-17246	LAKE SHORE GAS STORAGE INC	\$ -	\$ 2,380,682	\$ 2,380,682
25	01/12/2018	W.D. Tex.	18-10080	FIRST RIVER ENERGY, LLC	\$ 14,010,000	\$ 48,543,750	\$ 62,553,750
26	12/12/2018	W.D. Tex.	18-52772	ROCK SPRINGS ENERGY GROUP, LLC	\$ -	\$ 9,115,894	\$ 9,115,894
27	04/01/2019	D. Del.	19-10702	SOUTHCROSS ENERGY PARTNERS, L.P.	\$ 811,040,515	\$ 17,400,000	\$ 828,440,515
28	09/25/2019	N.D. Oh.	19-15961	COBRA PIPELINE CO., LTD.*	\$ 2,500,000	\$ 8,300,000	\$ 10,800,000
<b>TOTAL 2015-2019</b>					<b>\$ 11,321,183,482</b>	<b>\$ 10,017,142,098</b>	<b>\$ 21,338,325,580</b>

# RECENT OIL & GAS CHAPTER 11 FILINGS

## OCT. – NOV. 2019

Chapter 11 filing date	Bankruptcy Court	Debtor Name	Approximate Debt Amount	Docket
10/3/2019	SCTX	EP Energy	\$4.3 B	19-35647
10/4/2019	SDNY	Agera Energy	\$199 mm	19-23802
10/18/2019	WDOK	Longhorn Service Company	\$10 - \$50 mm	19-14276
10/22/2019	Delaware	MTE Holdings LLC	\$470 mm	19-12269
10/31/2019	Wyoming	Moriah Powder River	\$50 - \$100 mm	19-20699
11/8/2019	Delaware	Arsenal Resources Development, LLC	\$500 mm	19-12347
11/18/2019	SCTX	Approach Resources	\$400 mm	19-3644

**III.**

**Reserve Based Lending**

**Elena Robciuc**

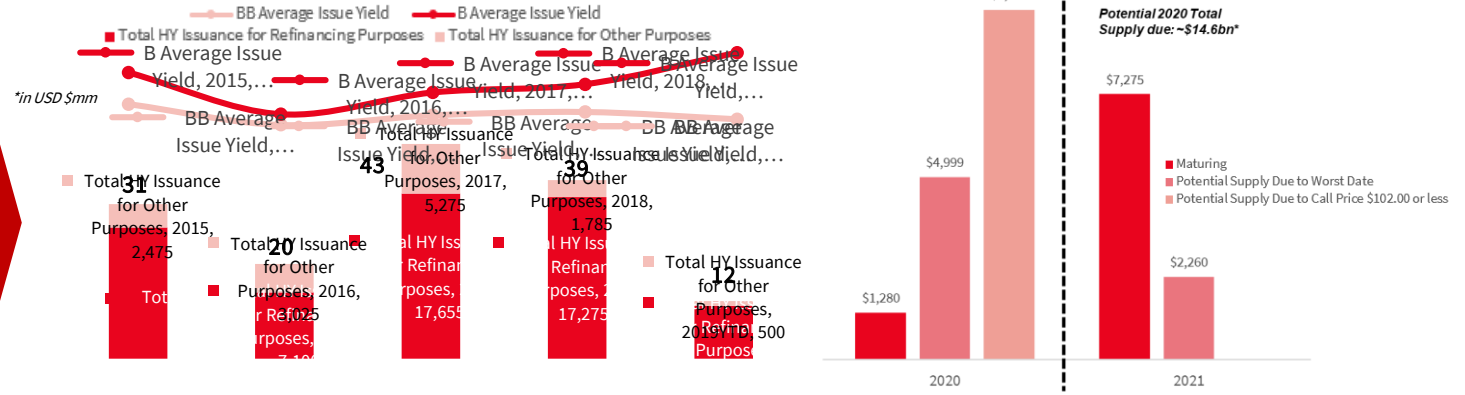
**Head of Reserve Based Finance in the Americas, Societe Generale**

# DISTRESSED INVESTING CONFERENCE

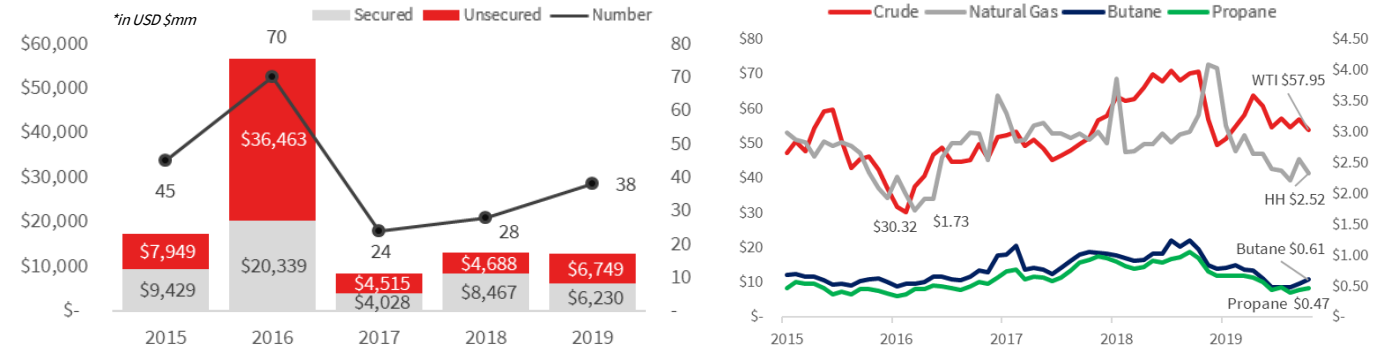
---

# IS THERE A CRISIS IN THE OIL PATCH?

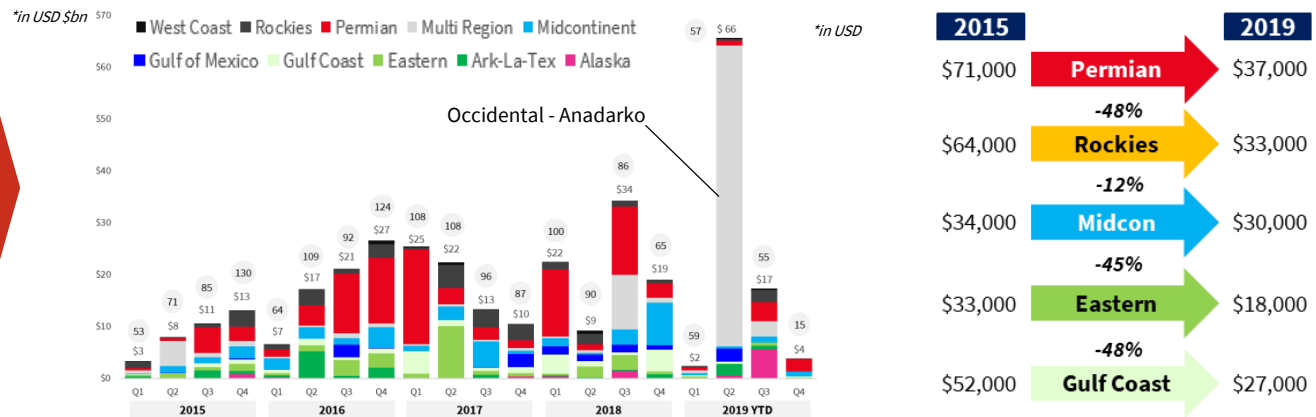
Capital markets liquidity has disappeared triggered by investor demands for cash flow neutrality and measured growth



Commodity prices remain above 2015/2016 crisis levels, but mounting bankruptcies reminiscent of 2015/2016



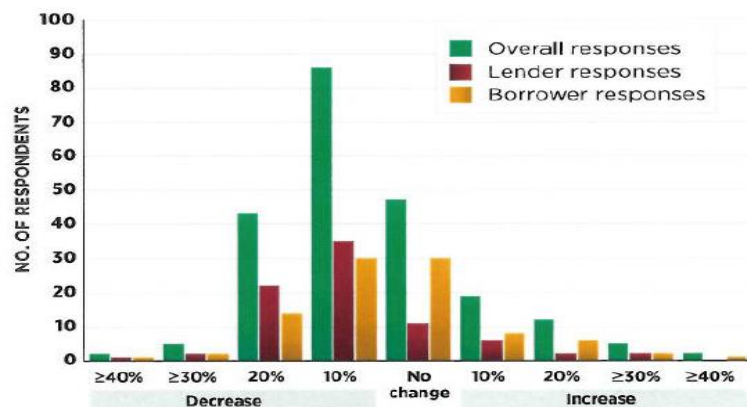
A&D market deal execution is impacted by lack of funding and low valuations



Source: SG Analytics, Bloomberg, EIA, PLS.

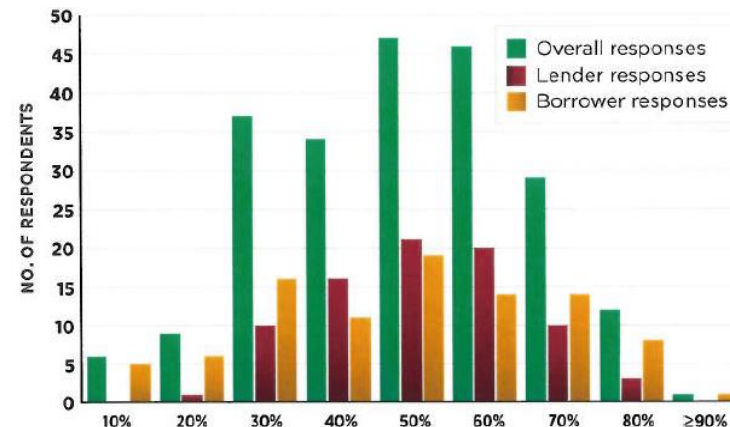
# UPSTREAM TRENDS AND MARKET SENTIMENT

### Expected Change in Borrowing Base



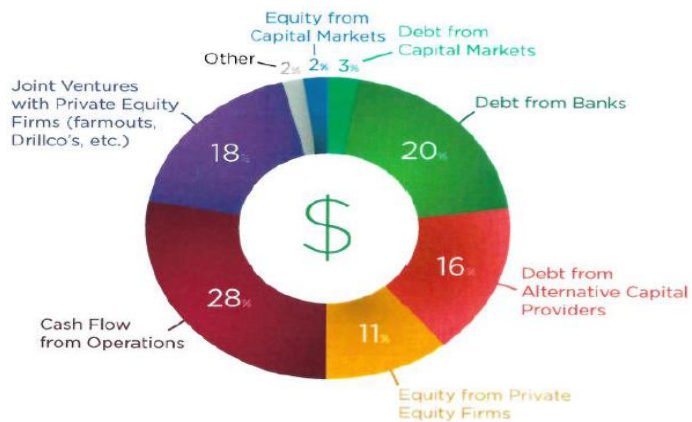
For the first time since Spring 2016, the majority of respondents expect borrowing base decreases

### % of Future Expected Production Hedged



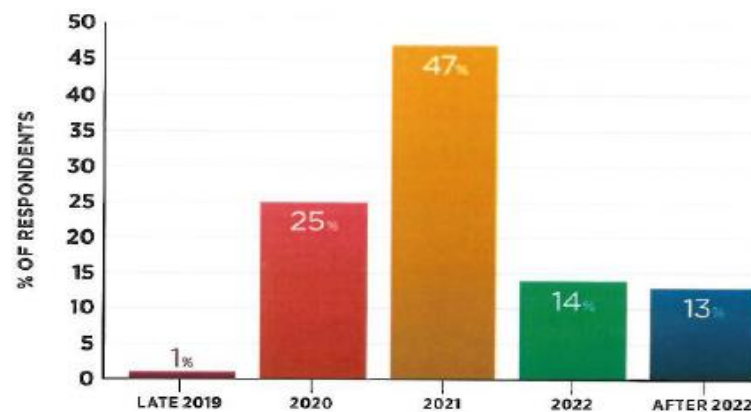
Investors are demanding improved cash flow and producers are hedging aggressively to protect that cash flow from commodity price volatility

### Expected Sources of Capital



Lower utilization of debt and equity capital markets has pushed producers to alternate sources of capital

### When Will Equity Markets Reopen?



There is the perception that public equity markets will not reopen until 2021 or later, restricting capital sources

# RESERVE BASED LENDING MARKET UPDATE

## RBL Lender Appetite and Sentiment Pulling Back

- ❖ Combination of deteriorating credit fundamentals and re-assessment of valuation methodology
- ❖ Losses incurred year to date by senior lenders reminiscent of 2015/2016 cycle; bankruptcies are mounting
- ❖ Weak A&D market and lack of public capital markets translate into lower advance rates

## Bar is High for New Money Origination

- ❖ Requires RBL structure enhancements (rolling hedge requirements, tighter leverage ratio and R/P limitations)
- ❖ Higher equity requirements (acquisition financing)
- ❖ Gas is out of favor

## Technical & financial underwriting standards are changing

- ❖ Standard PV9 methodology is becoming PV?
- ❖ Advance rates and PUD (Proved Developed Unproducing) allowances paired back to align with cash flow valuations
- ❖ Focus on credit metrics to reduce probability of default

**Market Liquidity Has Been Left to the RBL Market – But Can They Come Through?**

**RBL structures need enhanced terms to deliver RBL banks**

**RBL lenders are not likely to be as patient in distressed situations looking for faster ways out**

**Distressed debt investors have a role to play including via creative structures (securitizations, prepaids, etc.)**

# DISCLAIMER

---

## IMPORTANT NOTICE

This Presentation (the “Presentation”) has been prepared solely for informational purposes for the client or potential client to whom such materials are directly addressed and delivered (the “Company”) and may not be used or relied upon for any purpose other than as specifically contemplated by a written agreement with us. This Presentation is not intended to provide the sole basis for evaluating, and should not be considered a recommendation with respect to, any transaction or other matter. This Presentation does not constitute an offer, or the solicitation of an offer, to buy or sell any securities or other financial product, to participate in any transaction or to provide any investment banking or other services, and should not be deemed to be a commitment or undertaking of any kind on the part of Société Générale (“SG”) or any of its affiliates to underwrite, place or purchase any securities or to provide any debt or equity financing or to participate in any transaction, or a recommendation to buy or sell any securities, to make any investment or to participate in any transaction or trading strategy. This Presentation remains subject to our review and assessment from a legal, compliance, accounting policy and risk perspective, as appropriate, following our discussion with the Company. Although the information contained in this Presentation has been obtained or compiled from sources deemed reliable, neither SG nor any of its affiliates make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein and nothing contained herein is, or shall be relied upon as, a promise or representation whether as to the past, present or future performance. The information set forth herein may include estimates and/or involve significant elements of subjective judgment and analysis. No representations are made as to the accuracy of such estimates or that all assumptions relating to such estimates have been considered or stated or that such estimates will be realized. The information contained herein does not purport to contain all of the information that may be required to evaluate a participation in any transaction and any recipient hereof should conduct its own independent analysis of the data referred to herein. We assume no obligation to update or otherwise revise these materials. SG and its affiliates do not provide legal, tax or accounting advice. Prior to making any investment or participating in any transaction, you should consult, to the extent necessary, your own independent legal, tax, accounting and other professional advisors to ensure that any transaction or investment is suitable for you in the light of your financial capacity and objectives. To the extent applicable to this Presentation, if this material discusses derivative products to be entered into by SG, please visit <http://swapdisclosure.sgcib.com> for important information with respect to such products. By transacting with SG, you are deemed to acknowledge that you have read and accepted the information provided on such website. Société Générale and its affiliates do not provide tax advice. Accordingly, any discussion of U.S. tax matters contained herein (including any attachments) is not intended or written to be used, and cannot be used, in connection with the promotion, marketing or recommendation by anyone unaffiliated with Société Générale of any of the matters addressed herein or for the purpose of avoiding U.S. tax-related penalties. This Presentation has not been prepared with a view toward public disclosure under applicable securities laws or otherwise, is intended solely for the benefit and use of the Company, is strictly confidential and may not be reproduced, disseminated, quoted or referred to, in whole or in part, without our prior written consent other than to your advisors and professionals who will be assisting you in evaluating these materials. This Presentation may not reflect information known to other professionals in other divisions or business units of SG and its affiliates. SG and its affiliates (the “SG Group”) comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities, as well as providing investment, corporate and private banking, asset and investment management, financing and strategic advisory services and other commercial services and products to a wide range of corporations, governments and individuals, domestically and offshore, from which conflicting interests or duties, or a perception thereof, may arise. In the ordinary course of these activities, parts of the SG Group at any time may invest on a principal basis or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions, for their own accounts or the accounts of customers, in debt, equity or other securities or financial instruments (including derivatives, bank loans or other obligations) of the Company, potential counterparties or any other company that may be involved in a transaction. Société Générale Corporate & Investment Banking (SG CIB) is a marketing name for corporate and investment banking businesses of Société Générale and its subsidiaries worldwide.

Capital markets and investment banking activities in the United States are offered through its U.S. registered broker-dealer, SG Americas Securities, LLC (“SGAS”), a member of FINRA and SIPC. SGAS is also a futures commission merchant (FCM) registered with the NFA and CFTC. Please visit <http://www.sgasdisclosure.com/> for important disclosures regarding SGAS and transactions you may enter into with SGAS. Lending, derivatives and other commercial banking activities are performed by Société Générale and its banking affiliates. Products and services that may be referenced in this Presentation may be provided through one or more affiliates of SG. Additional information is available upon request. This material should not be reproduced or redistributed without the specific consent of SGAS, SG or its affiliates. Copyright: 2018. Société Générale (SG), SGAS, and their affiliates. All rights reserved.

[www.sgcib.com](http://www.sgcib.com)

**III.**

**Energy Dislocation and Distress, Is it Investable?**

**Todd Dittmann, Head of Energy, Angelo Gordon**



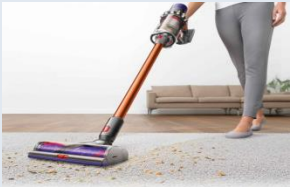


ANGELO  
GORDON

## Distressed Investing Conference

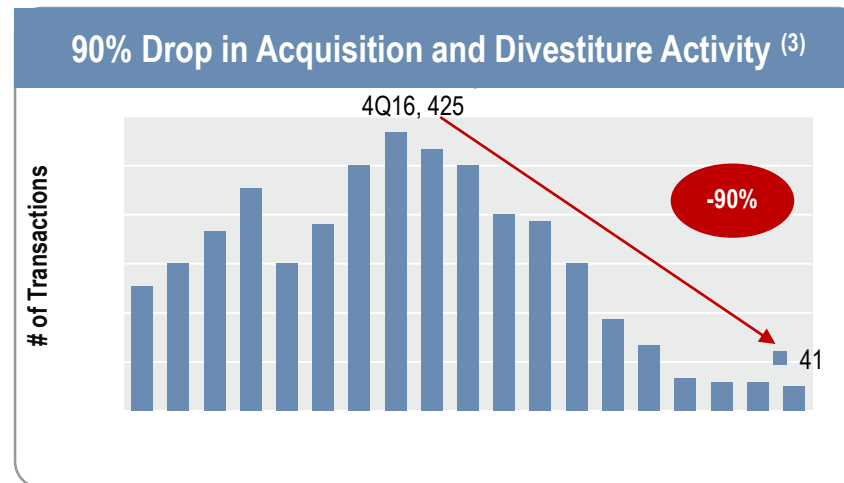
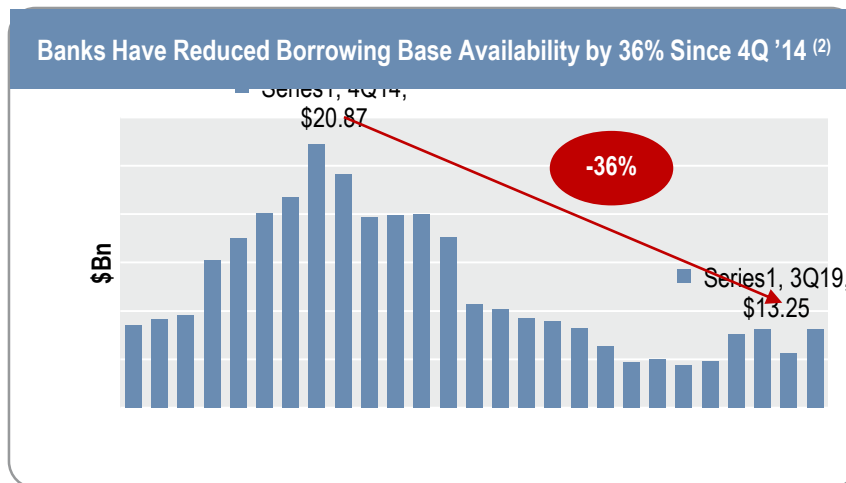
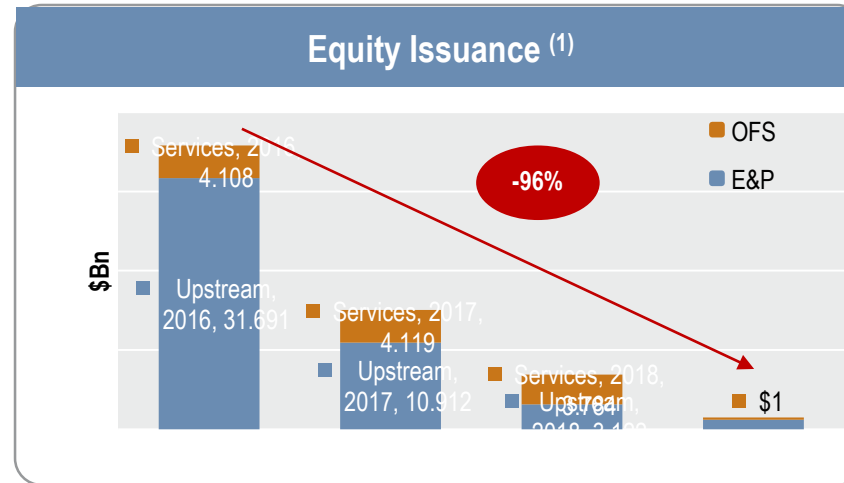
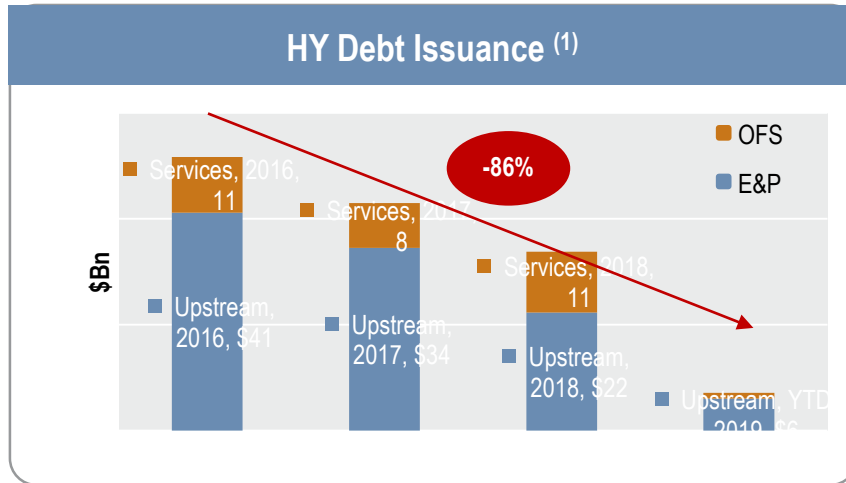
December 2, 2019

# Capital Vacuum – A Long Time Coming

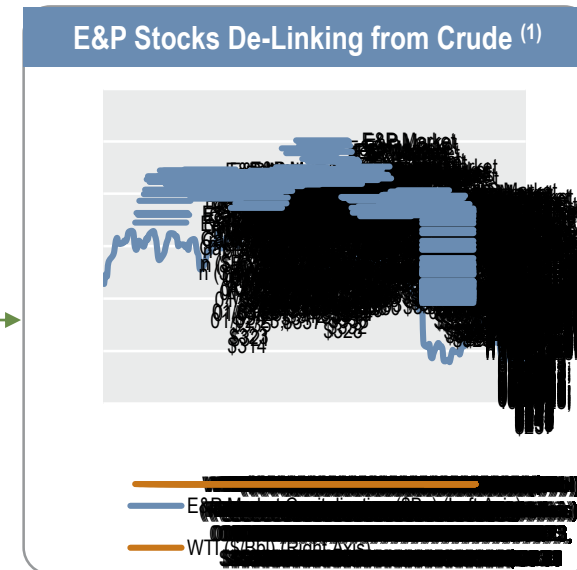
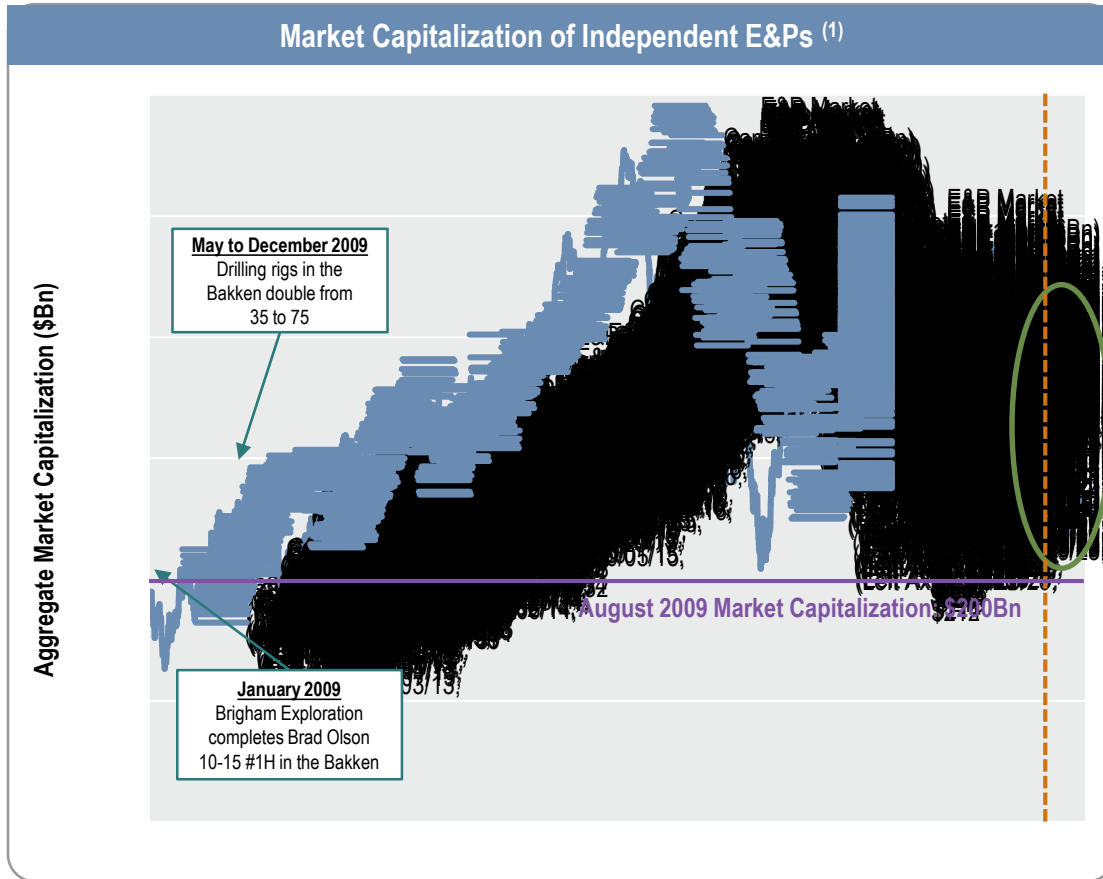


		2017	2018	Current
		Residential Vacuum	Super Sucker High Dump Vacuum	Super Massive Black Hole
Most Like				
	Capital Status	<p><u>ON</u></p> <ul style="list-style-type: none"> <li>High Yield</li> <li>Asset Sales</li> <li>Private Equity</li> </ul>	<p><u>OFF</u></p> <ul style="list-style-type: none"> <li>Bank Debt</li> <li>Public Equity</li> </ul>	<p><u>ON</u></p> <ul style="list-style-type: none"> <li>High Yield</li> <li>Private Equity</li> </ul>

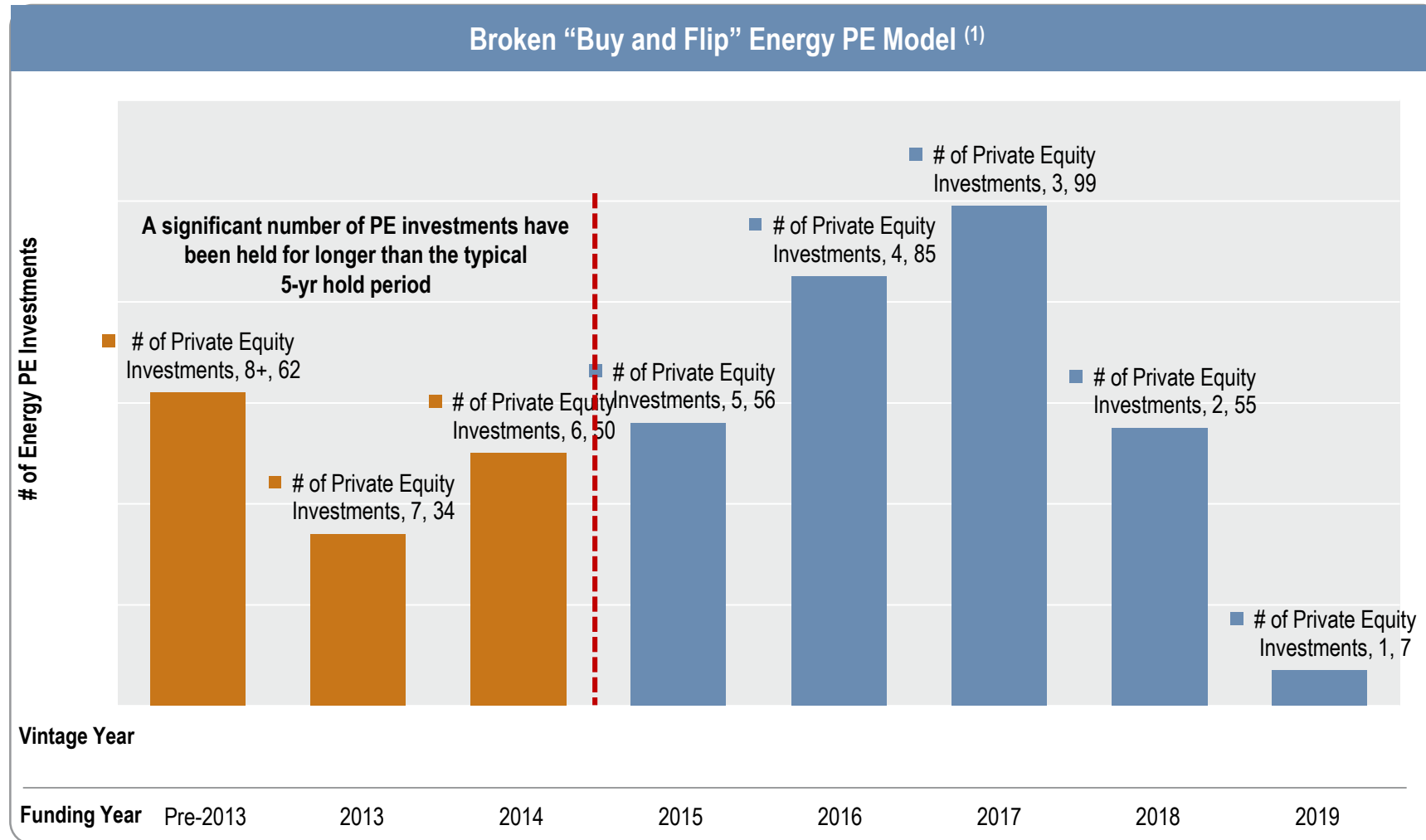
# All Major Capital Sources Gone



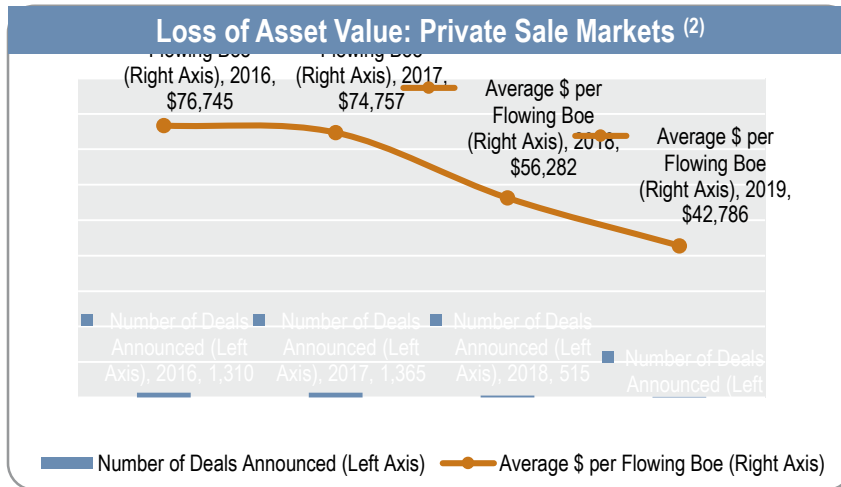
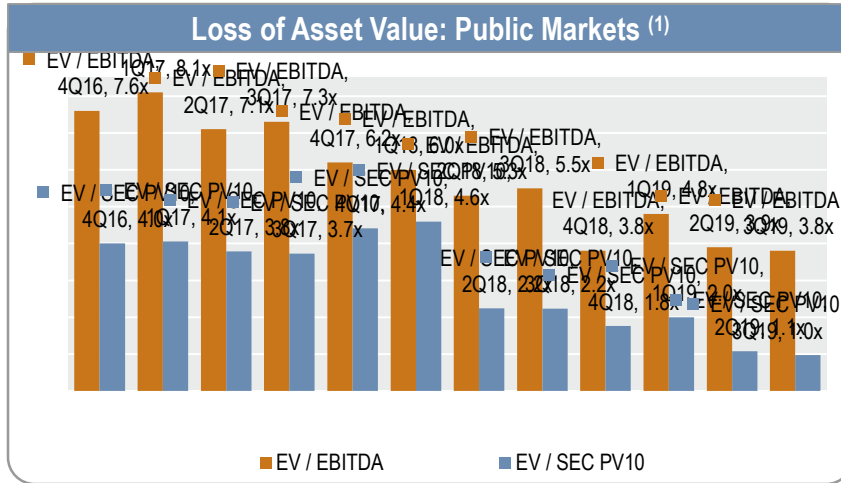
# E&P Market Capitalization: A Brutal Round Trip



# Now at 20-Year Trough Valuations, Yet No Private Equity Answer



# From Growth to Value Investing: Assets at High Risk of Value Loss without Liquidity



With few exceptions, we are seeing a collapse in value in more speculative asset categories:

	Median Price / Book	
	$\frac{E\&P^{(1)}}{0.6x}$	$\frac{OFS^{(2)}}{0.7x}$
Acreage	X	Equipment X
Undrilled Locations	X	Inventory ~
PDNP / DUCs	~	A/R ✓
PDP	PV10 → PV12-18	Cash ✓

More Ethereal  
 Less Ethereal



# Without Liquidity. . .

- The private equity-funded acreage play is not flipped
  - Portfolio marks are increasingly scrutinized given lack of comps
- The cash flow outspending pubco is no longer valued on location count
  - Rendering “net asset value” and “resource potential” bygone vocabulary
- Highly funded revolvers lead to lender-initiated liquidation
- Booked, non-producing locations are written off
  - Often old lenders become new owners in any development financings light on production
- Approaching maturities mature
  - Amendments, fees, forbearances and restructurings / debt-equity exchanges
- Post-reorg equities trade poorly
- Midstream differentiation occurs as hockey sticks are skeptically questioned

# Investing From Here: Reversion to an Older Mean



Invest well within established cash flow, a reversion to a pre-2008 mindset, a value approach

<b>Private Equity</b>	<ul style="list-style-type: none"><li>▪ Buy PDP cheap, lever modestly, hedge</li></ul>
<b>Distress / Dislocation</b>	<ul style="list-style-type: none"><li>▪ Buy unimpaired secured tranches at discounts, amortize prior to maturity through sweeps and asset sales</li><li>▪ Buy discounted bonds, uptier exchange, recover capital through multiyear distributions</li><li>▪ Buy deeply-discounted, PDP-covered bonds, convert to post-reorg equity, recover capital through multiyear distributions</li></ul>
<b>Non-Bank Lending</b>	<ul style="list-style-type: none"><li>▪ Make PDP-covered loans, amortize and hedge</li></ul>

# Disclosure

This does not constitute an offer for sale of interests in any Angelo, Gordon funds. Such an offer may only be made by means of the definitive Confidential Offering Memorandum of a specific Angelo, Gordon fund and will be made exclusively to investors satisfying the applicable eligibility criteria. There is no representation or guarantee regarding the reliability, accuracy or completeness of this material, and neither Angelo, Gordon & Co., L.P. ("AG"), its affiliates nor their respective members, officers or employees will be liable for any damages including loss of profits which result from reliance on this material. A fund investment is very speculative and involves a high degree of risk, not suitable for all investors.

**IV.**

**Financial Advisory in O&G**

**Rob Albergotti, Managing Director, Alix Partners**

## **2019 Distressed Investing Conference**

Crisis in the Oilpatch - Danger or Opportunity for  
Lenders and Distressed Investors?

**December 2, 2019**

---

# Emerging Trends in Distressed Energy

## Exploration & Production

- Prolonged period of lower commodity prices is leading to increased distress across all types of producers
- Areas in the Permian Basin are starting to show weakness compounded by lower commodity prices and continued bottlenecks in midstream capacity
- Reserve Based Lenders are increasingly flexing their muscles as the primary secured lender. In a number of situations these lenders are no longer willing to wait for junior creditors to provide reorganization solutions
- Producers heavily weighted to gas production are seeing liquidity buffers exhausted as hedge portfolios roll off leading to increased pressure on the capital structure
- Acquisition & Divestiture (A&D) market is extremely challenging leading to potential need for secured lenders to rethink their potential for ownership of oil and gas assets
- Reemergence of the potential to modify / reject midstream contracts
  - Badlands, Alta Mesa, EP Energy

## Midstream Oil & Gas

- Once the place fixed income traders “hid” in market is starting to show cracks
- Not all midstream companies are created equal, and for the investor looking to hide out in a “safe” investment, midstream may not be the safest place to be
- Historically volatility has been lower on equity and fixed income pricing in midstream producers, but caution must be exercised
- Type of agreement matters, as well as the place in the value chain the midstream operator plays
  - Gathering & Processing
  - Gas or Crude Transport
  - Refined Product Transport
  - Minimum Volume Commitment / acreage dedication / capital sharing
- Chapter 11’s in midstream space have been rare; however, the ones that have filed have yielded sub-optimal results for lenders (secured and unsecured)

## Oil Field Services & Equipment

- **Frac Sand** companies are experiencing significant levels of distress at the moment as E&P providers slow drilling programs down and change the types of frac operations they are performing
  - Rail car leases and inefficient sand mining operations when not running at high utilization
- **Onshore Drilling Services** who saw an uptick in utilization coming out of 2016 / 2017 did not see a material increase in business are now facing with significant declines in utilization and future business. Distress is starting to show up in the capital markets for a number of operators
- **Onshore Ancillary Services** typically are fairing ok in the current environment, but will likely start to be pinched as operators continue to reduce capital spending and focus on production
- **Offshore Operators** have been in a perpetual start of restructuring since 2016 with early movers starting to benefit; however, as offshore development slows, they will feel pain

**AlixPartners**

**WHEN IT REALLY MATTERS.**