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Fieldwood Stays on the Hunt for Assets as Noble Deal Closes

Private equity-backed offshore player Fieldwood Energy's CEO says the company is not done making acquisitions after closing a $480 million cash purchase of Noble Energy's US Gulf of Mexico business.

The deal greatly expands Fieldwood's presence in the deepwater US Gulf. The company is already the largest leaseholder on the US continental shelf, where it currently produces about 72,000 barrels of oil equivalent per day. The Noble assets will add another 25,000 boe/d of production and scores of deepwater drilling leases.

In conjunction with closing the Noble deal this week, Fieldwood also emerged from Chapter 11 bankruptcy with a pre-packaged restructuring of its debt. The restructuring cut Fieldwood's previous $3.2 billion debt load in half, leaving it with $1.6 billion outstanding.

A source in the private equity space characterized the Noble deal when it was announced as "a big roll of the dice to get out of a hole" by sponsor Riverstone (OD Feb.16'18).

CEO Matt McCarroll told Oil Daily that while Fieldwood has been "cash flow positive every quarter since we started the business in 2013," the company had too much debt "and that's what we had to fix."

McCarroll said the move into deepwater represents an "enlargement" of the company's strategy but added he still sees plenty of opportunities in the shallow-water US Gulf.

"We want to create the dominant independent Gulf of Mexico company in the business and I think that's a combination of shallow-water and deepwater," he told OD.

McCarroll said Fieldwood aims to be "the consolidator of opportunities and of other companies and operators in the Gulf," adding that more acquisitions "absolutely" could be in Fieldwood's future.

Fieldwood is currently drilling a sidetrack development well on the shelf and is planning more drilling there in the coming years. McCarroll said the company plans to spud its first two deepwater wells in the next six to 12 months.

"It's going to be a balance of exploration and development, but we definitely are going back to drilling and we have the cash flow to fund that," he said.

As part of the prepackaged bankruptcy, the company also raised capital of around $525 million through an equity rights offering. Riverstone remains Fieldwood's biggest shareholder at around 50%, and many of the company's smaller debtholders had their shares converted to equity in the restructuring.

Fieldwood had been in discussions with Noble for months about acquiring its US Gulf business but decided it needed to get the restructuring done before it could buy the assets, McCarroll said.

Investors had committed capital for Fieldwood to restart a drilling program that had been delayed during the oil downturn. After discussions with Noble, Fieldwood returned to its investors and requested to use the cash to buy the assets instead.

"Everybody thought it was a great idea," he said.

The deal includes $480 million in cash plus up to another $100 million in total contingent payments through 2022 based on the price of oil and the volumes Fieldwood produces. Fieldwood will also assume all decommissioning liabilities, for which Noble attached a book value of $230 million.

The bulk of Fieldwood's shallow-water position was established by acquiring the US Gulf businesses of fellow US independents Apache and Sandridge Energy, who, like Noble, chose to exit the Gulf to focus on unconventional US onshore plays.

Fieldwood bought Apache's shelf business in 2013 for $3.75 billion (OD Jul.19'13) and Sandridge's in 2014 for $750 million (OD Jan.8'14).

Like those previous acquisitions, McCarroll said the Noble deal gave Fieldwood the opportunity to buy an entire business unit rather than just a few select assets, which made the acquisition all the more attractive.

"We're not just getting the fields they don't want or the ones we're willing to pay more for than they think they're worth — we're getting everything they own, and that's a situation that we look for," he said.

Luke Johnson, Houston