

## Fieldwood Energy

### Fieldwood Energy Achieves Plan Confirmation Less Than Two Months After Filing Chapter 11; Court Approves Acquisition of Noble Energy's GOM Assets

Mon 04/02/2018 17:29 PM

#### Relevant Documents:

[Hearing Agenda](#)

[DS Approval / Plan Confirmation Order](#)

Judge David Jones confirmed the Fieldwood Energy debtors' prepackaged [plan of reorganization](#) and approved the debtors' disclosure statement at a contested hearing this afternoon. The Houston-based exploration-and-production company, which is focused on the Gulf of Mexico shelf, achieved plan confirmation less than two months after filing for chapter 11. Today, Judge Jones also approved the debtors' acquisition of Noble Energy's deepwater oil and gas assets in the Gulf of Mexico for a purchase price of \$480 million, subject to customary price adjustments. In confirming the plan and approving the adequacy of the DS, the court **overruled** the sole outstanding [objection](#) lodged by the U.S. Trustee's Office, which raised certain issues with the management incentive plan, or MIP, proposed under the chapter 11 plan.

In overruling the UST's disclosure-related concerns, Judge Jones concluded that the description of the MIP in the plan and DS and the information contained in the debtors' [plan supplements](#) contained adequate disclosure of the MIP's terms. "I could not have asked for more" disclosures or "a more transparent process," remarked the court. The court also overruled the UST's argument that the plan could not be confirmed because the MIP constitutes a "retention plan" that fails to satisfy the requirements of section 503 of the Bankruptcy Code. "I don't think that what has been proposed ... comes anywhere close to touching on" section 503, concluded Judge Jones. The court also found that the debtors' plan satisfied all of the Bankruptcy Code's relevant confirmation requirements and that the release and exculpation provisions were vital elements of the restructuring.

Matthew Barr of Weil Gotshal & Manges spoke on behalf of the debtors today. Barr highlighted the three key features of the debtors' prepackaged plan: (i) a deleveraging of approximately \$1.6 billion of second lien debt, (ii) a \$525 million rights offering to the prepetition second lien lenders for up to 75% of reorganized Fieldwood Energy Inc.'s equity (subject to dilution by the MIP), backstopped by certain RSA parties including Riverstone and the members of a cross-holder group in exchange for 4.5% of the new equity (subject to dilution by the MIP) and (iii) the acquisition of all of Noble Energy's deepwater assets in the Gulf of Mexico for a cash purchase price of \$480 million, subject to customary price adjustments. **Barr announced that \$518 million of the rights offering was subscribed, leaving only a \$7 million unsubscribed portion that is being fully covered by the backstop parties.**

Barr remarked that Fieldwood Energy's chapter 11 cases are "unique and extraordinary," given that no other recent chapter 11 case has combined a capital raise and an acquisition of the magnitude contemplated under the debtors' restructuring. Later in the hearing, Judge Jones noted that he too could not remember another chapter 11 case featuring this unique construct. He applauded the debtors for their "incredibly efficient use" of the bankruptcy process.

Barr highlighted that the acquisition of Noble Energy's GOM assets would reduce the reorganized debtors' gross leverage to 1.9x 2018E EBITDA from 5.9x 2018E EBITDA. To address and resolve the various objections previously lodged by contract counterparties, Barr stated on the record that the rights of any counterparties to contracts with Noble Energy would be unaffected by the plan and the confirmation order.

Next, Barr addressed the UST's MIP-related objection. The MIP contemplates that on the effective

date, 10% of the equity in the reorganized company (on a fully diluted basis) would be available for granting to management. The MIP's terms were customary and fully disclosed by the debtors, argued Barr. Additionally, he emphasized that no economic stakeholder "has complained or objected" to the MIP. Part of the lengthy testimony proffered by G.M. McCarroll, president and CEO of Fieldwood Energy Inc., included that the MIP's terms were "fair and reasonable," fully disclosed and the result of extensive arm's-length negotiations.

Barr also proffered the testimony of David Ying of Evercore Group, the debtors' investment banker, which focused on Evercore's valuation analysis in connection with the chapter 11 plan. Among other things, Ying's proffered testimony reiterated that the reorganized debtors would have an implied equity value of approximately \$700 million. Evercore's analysis concluded that the reorganized debtors would have a \$2.25 billion total reorganized enterprise value and net debt at emergence of \$1.55 billion, comprising a \$1.143 billion exit first lien facility and a \$518 million exit second lien facility, less \$110 million of estimated balance sheet cash upon emergence.

Damian Schaible of Davis, Polk & Wardwell, counsel to Cortland Capital as DIP agent and prepetition second lien agent, spoke briefly to express support for plan confirmation and the MIP. Counsel to Riverstone, the debtors' largest stakeholder, echoed Schaible's sentiments and added that Riverstone would not have supported Fieldwood's restructuring without the MIP.

As requested by the debtors, Judge Jones waived the 14-day stay of effectiveness relating to the confirmation order and the court's authorization of the asset purchase transaction. Accordingly, the confirmation order will be effective immediately upon its entry, permitting the debtors to consummate their plan and purchase agreement and commence their implementation with delay. Judge Jones reasoned that the waiver of the 14-day stay was "entirely appropriate" given the "overwhelming support" for the debtors' restructuring.

At the conclusion of the hearing, Judge Jones congratulated the parties. "You should all walk out today proud of what you've done," he said.

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