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BANKRUPTCY | ENERGY , \$1 BILLION - \$10 BILLION SOUTHERN US

Judge Approves Fieldwood Energy Chapter 11 Plan

Fieldwood wins OK for plan to both pare \$1.6 billion from its balance sheet and acquire Noble Energy Inc. oil and gas assets located in the Gulf of Mexico

By Jonathan Randles

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A judge has approved oil producer Fieldwood Energy LLC's plan to both pare \$1.6 billion from its balance sheet and acquire Noble Energy Inc. oil and gas assets located in the Gulf of Mexico.

Judge David R. Jones of the U.S. Bankruptcy Court in Houston said Monday that he will sign off on a prepackaged reorganization plan that will propel Fieldwood out of chapter 11 after seeking protection on Feb. 15. The bankruptcy filing followed months of negotiations with lenders and equity sponsor and junior debt holder, Riverstone Holdings LLC over a balance-sheet restructuring.

The chapter 11 plan raises \$525 million through a rights offering for junior lenders and consummates the acquisition of Noble Energy's deepwater assets in the Gulf for a purchase price of \$480 million. Fieldwood's business will be funded by a \$1.143 billion senior exit loan and \$518 million junior exit loan. Unsecured creditors of Fieldwood will be paid in full, court papers say.

Matt Barr, a bankruptcy lawyer from Weil, Gotshal & Manges LLP, called the chapter 11 plan "unique and extraordinary" because it includes the Noble Energy transaction, which will expand Fieldwood's footprint in the Gulf. The plan will also reduce Fieldwood's annual debt service plans by \$128 million, court papers say.

"I think it's incredibly efficient use of the process," Judge Jones said, describing how the chapter 11 plan contemplates both a recapitalization of Fieldwood's balance sheet and a sale transaction.

The only challenge to confirmation was an objection from the U.S. trustee, who challenged a provision in the deal to award stock in the reorganized business to company executives. The proposal calls for management to receive 10% of the equity in the new company after Fieldwood leaves bankruptcy. The government watchdog argued that the incentive payments violated the the bankruptcy code because they were retentive in nature.

Judge Jones overruled the objection. He noted during the hearing that terms of the plan, which included the equity awards, were overwhelmingly supported by Fieldwood's stakeholders.

Like many Gulf drillers, Fieldwood was jolted when oil prices began to slide back in 2014. However, a few years later, the company was able to sell new debt to a group of institutional investors and use the proceeds to repay its bank lenders.

While U.S. oil prices have rebounded to more than \$60 a barrel from their depths of the recent price crash, they remain well below the more than \$100 that crude traded for when Fieldwood spent more than \$4.4 billion on offshore fields in 2013 and 2014. Natural gas prices, meanwhile, have remained in a prolonged slump.

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