

SandRidge Energy considering bankruptcy

By Adam Wilmoth Energy Editor awilmoth@oklahoman.com Published: March 30, 2016



SandRidge Energy Inc. said Wednesday it is considering reorganization under Chapter 11 bankruptcy, citing high debt levels and still low oil and natural gas prices.

“The company has engaged advisers to assist with a private restructuring or reorganization under Title 11 of the U.S. Bankruptcy Code in the foreseeable future, which raises substantial doubt about its ability to continue as a going concern,” SandRidge said in the annual report filed Wednesday with the U.S. Securities and Exchange Commission.

The filing came one day after SandRidge reported a \$4.3 billion loss in 2015 and slashed its 2016 drilling budget by 60 percent. SandRidge said it had \$3.6 billion in long-term debt at the end of 2015, plus preferred stock with a liquidation option of \$542 million.

“The company's substantial level of indebtedness and the dividends associated with its outstanding preferred stock increases the possibility that it may be unable to generate cash sufficient to pay ... interest on or other amounts due,” the filing stated.

SandRidge executives hired advisers to help evaluate methods to restructure, amend or refinance its debt.

“However, there can be no assurances that the company will be able to successfully restructure its indebtedness, improve its financial position or complete any strategic transactions,” the filing stated. “As a result of these uncertainties and the likelihood of a restructuring or re-organization, management has concluded that there is substantial doubt regarding the company's ability to continue as a going concern as it is currently structured.” Including the “going concern statement” constitutes a covenant violation under SandRidge's senior credit facility agreement. If the company does not receive a waiver of the covenant within 30 days, the lenders will have the option to accelerate the maturity of the debt in a move that could accelerate the company's other outstanding long-term debt, SandRidge said in the filing.

SandRidge finished 2015 with almost \$436 million in cash. In January, the company borrowed the remaining \$489 million on its senior credit facility, bumping its cash to about \$855 million. Earlier this month, the lenders cut the firm's borrowing base to \$340 million because low oil prices reduced the value of the unproduced oil SandRidge used as collateral. SandRidge said it will submit a plan by April 20 to use additional oil and natural gas production as collateral under the loan to extend it back to \$500 million.

SandRidge this year has announced two rounds of layoffs totaling 440 jobs. The company now has 717 employees, including 376 in Oklahoma City. The count is down from 1,157 companywide and 548 in Oklahoma City at the end of 2015.

SandRidge has two drilling rigs active in northwest Oklahoma's Mississippi Lime formation and one in Colorado's Niobrara play. By May, the company plans to cut its rig count to one in each area. As of the end of 2015, SandRidge executives planned to increase drilling activity by midyear instead of further cutting it.

“However, persistently low commodity prices through the first quarter of 2016 have negatively impacted the company's results of operations, financial condition and future development plan,” the company said in Wednesday's filing.

Wednesday's announcement is the latest in a string of bad news for the energy industry and the state. Continued low oil prices have led to layoffs, bankruptcies and mergers, costing the state thousands of jobs and slashing state revenue collections.

“These are terrible body blows one after another for the state because of the loss of revenue and the loss of employment,” said Fred Russell, CEO of Tulsa-based Fredric E. Russell Investment Management Co. “It's going to hit everyone in the state indirectly or directly.”