



Sabine Oil & Gas Defers \$21 Million Interest Payment

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In a sign of ongoing distress in upstream commodity companies' balance sheets, Sabine Oil & Gas Corp. has decided to defer a \$21 million interest payment due June 15 on its 7.25 percent senior notes due in 2019.

The embattled Houston independent said in a statement the company would take advantage of a 30-day grace period on the payment. The other option is default, a step that could lead the company closer toward bankruptcy.

Kim Brady, a partner at SOLIC Capital, told Rigzone that banks have been patient with energy companies given the volatile economic environment.

However, "As soon as they fail to meet the interest payments, that's where we're going to see an acceleration in bankruptcies," he said.

So far this year, several exploration and production (E&P) companies have succumbed to market pressures: Quicksilver Resources, BPZ Resources, American Eagle Energy Corp., and Dune Energy Inc. have all filed to bankruptcy.

Insiders have suggested more could join those ranks as oil prices hover in the mid-\$50s. Torchlight Energy in Plano, Texas, which missed a debt payment in March, closed in June on the sale of \$9.8 million in Series A convertible preferred stock. The company said the move allowed Torchlight to pay off senior debt, which strengthens its financial position.

For its part, Sabine has retained financial advisors at Lazard and legal representation at Kirkland & Ellis LLP to consider the company's options.

"Sabine believes it is in the best interests of its stakeholders to actively address the Company's debt and capital structure and is continuing discussions with its creditors and their respective professionals," the company said in the statement.

As of May 8, Sabine had a cash balance of \$276.9 million to provide necessary liquidity for its current operations. Also in May, the company obtained a forbearance agreement on its second lien term loan facility, which gave Sabine some flexibility while it works with creditors.

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