

## Halcón Resources Brings in Advisers for Help

March 9, 2016

Halcón Resources Corp. (HK) has brought in advisers to help it through the downturn in the oil and gas industry.

The Houston-based onshore oil and natural gas exploration and production company announced on Wednesday, March 9, that it has retained PJT Partners as its financial adviser and Weil, Gotshal & Manges LLP as its legal counsel.

A source said that Gary Holtzer at Weil, Gotshal is advising the company.

The Deal reported on Feb. 5 that the company had hired the law firm to explore a possible bankruptcy.

**Kim Brady, a senior managing director at advisory firm SOLIC Capital Management LLC, called the timing on the company's advisory hiring "somewhat surprising," since just a few weeks ago the company said during its fourth quarter earnings call that it has ample liquidity, giving them a two-plus year runway to operate.**

**He also noted that the company is generating enough cash flow from its operations to meet its significant interest payments on its debt and said that none of it matures until 2019.**

**Brady said that he suspects that the company could be anticipating and trying proactively to avoid upcoming covenant violations. He added that the company doesn't appear to be facing an immediate payment default.**

Halcón also disclosed on Wednesday that it has appointed John Wat (J.W.) Brown and Paul P. (Flip) Huffard IV to its board of directors.

"We welcome J.W. and Flip to our Board," said the company's CEO Floyd Wilson, in the statement. "Their backgrounds and experiences will provide value to Halcón going forward. We continue to focus on finding creative solutions to ensure we come out of this current oil price environment a stronger company. Our hiring of PJT and Weil is consistent with these efforts."

According to the company's most recent financial report, filed with the Securities and Exchange Commission on Feb. 26, Halcón had \$2.9 billion in outstanding debt as of Dec. 31, which includes \$700 million in 8.625% senior secured second-lien notes due Feb. 1, 2020; \$52.69 million in 9.25% senior unsecured notes due Feb. 15, 2022; \$348.94 million in 8.875% senior unsecured notes due May 15, 2022; \$340.04 million in 9.75% senior unsecured notes due July 15, 2020; and \$289.67 million in 8% convertible senior unsecured notes due Feb. 8, 2020.

Halcón also has a \$1.5 billion senior secured revolving credit agreement with a borrowing base of \$827.4 million. JPMorgan Chase Bank NA is the administrative agent.

After a March review by lenders, the company expects its borrowing base to be \$650 million to \$700 million, according to SEC filings.

The revolver matures on Aug. 1, 2019, and is priced at a base rate plus 75 basis points to 175 basis points or Libor plus 175 basis points to 275 basis points.

As of Dec. 31, the Halcón owed \$62 million on the revolver and had \$1.6 million in outstanding letters of credit, giving it \$763.8 million available to borrow.

In December, the company completed a discounted exchange offer, swapping \$289.6 million in senior unsecured for about \$112.8 million in new 12% second-lien senior notes due Feb. 15, 2022.

In September, Halcón issued \$1.02 billion in new 13% third-lien notes due Feb. 15, 2022, in exchange for \$1.57 billion of the unsecured notes.

Last year, Halcón also did a series of debt-for-equity swaps, converting \$258 million of its unsecured notes into 144.8 million shares of common stock. The transactions were done with noteholders including Union Square Park Partners LP, Pioneer Investments, JPMorgan Securities LLC, Goldman Sachs Asset Management LP and Franklin Templeton Investment Co.

In its latest financial report, Halcón revealed that it had a \$1.922 billion net loss for the year ending Dec. 31.

The company had \$3.46 billion in assets and \$3.40 billion in liabilities as of Dec. 31, when it had \$8.02 million in cash on its balance sheet.

Halcón operates in the Bakken and Three Forks formations in North Dakota and the Eagle Ford shale formation in East Texas.

The company's stock, which trades on the New York Stock Exchange, was down over 7% mid-day on Wednesday at \$1.05, after closing at \$1.13 on Tuesday.

Halcón's senior vice president of finance and investor relations Quentin Hicks couldn't be reached for comment on Wednesday.

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