

Jan Hayden Comments on the Effect of Oil Prices Plunging in Law360

The historic slide in global oil prices has roiled the energy sector, with fallout ranging from stalled oil and gas development to bankruptcy filings. In this Law360 article, attorneys discuss ripple effects from the price plunge that they are watching closely. For highly leveraged companies, the pain of lower oil prices will hit home when their lenders revise the borrowing bases for so-called reserve-based loans, a staple of energy industry lending that are based on a company's total reserves and the price of oil and are revised twice a year. Jan Hayden comments on the potential for an increase in restructuring deals and ultimately, bankruptcy filings.

"You might see some companies that may decide to merge or sell out without having to go through a court-ordered process," Ms. Hayden said. "Some lenders have become Chapter 11-averse because of the costs, so you may see some receiverships. Some companies are just going to close, that's what we saw in the 1980s [oil bust]."

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