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Energy Credit Lines May Lure New Breed of Lenders, Adviser Says
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By Laura J. Keller
(Bloomberg) -- Investors looking to own high-yielding energy company debt after plunging commodity prices depressed its value will have an opportunity to take over their credit lines, said a financial adviser who helps restructure oil companies.

Non-traditional lenders such as hedge-fund firms that buy distressed debt will begin to replace banks that extended revolving, asset-based credit to oil and gas producers, Ryan Bouley, a New York-based managing director at Opportune LLP, a consulting firm that helps restructure energy companies.
Some banks making the asset-based loans "may not want to be in" as the obligations fall from face value, Bouley told investors and advisers who help restructure companies at a Turnaround Management Association event about energy company loans in New York on Tuesday.

Oil and gas companies that issue high-yield debt have been busy refashioning their capital structures as they seek to weather the oil-price slump. Many of them have been able to grab lifelines as banks shrink credit availability by piling on new second-priority debt that gives creditors a stronger claim than unsecured lenders on assets.

Energy companies might benefit from switching creditors because the non-traditional lenders would probably allow more borrowing than banks, Bouley said. That's because distressed debt lenders would be more open to allowing weaker assets into the pool backing the debt, he said.

Lenders of asset-based loans typically review the amount of credit they extend to energy companies twice a year, in April and October. The loans' borrowing base is reduced when the lenders determine the value of the assets available to back them have diminished.

Sabine Oil & Gas Corp., the exploration and production company that merged with Forest Oil Corp. last year, will have to pay back $250 million of borrowings after its lenders cut its credit line by 25 percent, the company said May 1.

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