



Written by [Bob Adelman](#) on April 1, 2020

Is Whiting Petroleum's Bankruptcy a Harbinger?

The one-two punch of the oil war between Saudi Arabia and Russia combined with the COVID-19 shutdown of the U.S. economy was more than Whiting Petroleum could handle. With a \$262 million payment due on Wednesday on its \$2.8 billion of debt, [the company filed for bankruptcy](#). President and CEO Brad Holly said the “severe downturn” in oil and gas prices forced his hand, and that bankruptcy and financial restructuring was the “best way forward.”



In early January, the price of West Texas Intermediate (WTI) crude was over \$62 a barrel. This meant that the company's nearly half a billion barrels of proven reserves, mostly in the Bakken Formation, gave it a value north of \$30 billion. The company's stock was selling at more than \$8 a share.

But today, WTI is priced at \$20 a barrel, and Whiting's stock, after being halted briefly following the bankruptcy announcement, is now trading at \$0.37 a share. The market now values the company at less than \$10 billion.

Under normal conditions, Whiting Petroleum, the largest fracking company to declare bankruptcy (so far), produces 125,000 barrels of oil and equivalents every day, or 45 million barrels a year.

Under restructuring, bondholders and shareholders will take a beating. But with hundreds of DUCs (drilled but uncompleted) wells on its books, the company could become very profitable very quickly when the price of crude rebounds.

The message being delivered by Whiting is clear, however: Excessive borrowing to keep the enterprise afloat is now punishing investors and lenders who were expecting a return on their money. Instead they won't even be getting a return of their money.

Other energy companies are suffering the same pain: Sanchez Energy Corporation just reached an agreement on Monday to hand itself over to a bankruptcy trustee, while EP Energy Corporation is facing the collapse of a deal that would have allowed it to exit its bankruptcy gracefully. Alta Mesa Resources is in a similar position, trying to sell its shale assets out of bankruptcy after a proposed sale of the company fell through.

Whiting Petroleum isn't the first energy company declaring bankruptcy; it's just the largest fracker to do so, so far.



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