

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

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In re:	:	Chapter 11
	:	
SUPERIOR ENERGY SERVICES, INC., et	:	Case No. 20-35812 (DRJ)
al.,¹	:	
Debtors.	:	(Joint Administration Requested)
	:	
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**DECLARATION OF RYAN OMOHUNDRO
IN SUPPORT OF DEBTORS' EMERGENCY MOTION FOR ENTRY OF ORDERS
(I) AUTHORIZING THE DEBTORS TO OBTAIN POSTPETITION FINANCING,
(II) AUTHORIZING THE DEBTORS TO USE CASH COLLATERAL, (III) GRANTING
LIENS AND PROVIDING SUPERPRIORITY ADMINISTRATIVE EXPENSE
CLAIMS, (IV) GRANTING ADEQUATE PROTECTION TO PREPETITION
ABL SECURED PARTIES, (V) MODIFYING AUTOMATIC STAY, (VI)
SCHEDULING A FINAL HEARING, AND (VII) GRANTING RELATED RELIEF**

I, Ryan Omohundro, hereby declare as follows under penalty of perjury:

1. I am a Managing Director at Alvarez & Marsal North America, LLC ("**A&M**"), a limited liability corporation, the proposed restructuring advisor to the debtors and debtors-in-possession (collectively, the "**Debtors**") in the above-captioned chapter 11 cases (the "**Chapter 11 Cases**"). I submit this declaration in support of the *Debtors' Emergency Motion for Entry of Orders (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Authorizing the Debtors to Use Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense*

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Superior Energy Services, Inc. (9388), SESI, L.L.C. (4124), Superior Energy Services-North America Services, Inc. (5131), Complete Energy Services, Inc. (9295), Warrior Energy Services Corporation (9424), SPN Well Services, Inc. (2682), Pumpco Energy Services, Inc. (7310), 1105 Peters Road, L.L.C. (4198), Connection Technology, L.L.C. (4128), CSI Technologies, LLC (6936), H.B. Rentals, L.C. (7291), International Snubbing Services, L.L.C. (4134), Stabil Drill Specialties, L.L.C. (4138), Superior Energy Services, L.L.C. (4196), Superior Inspection Services, L.L.C. (4991), Wild Well Control, Inc. (3477), Workstrings International, L.L.C. (0390). The Debtors' address is 1001 Louisiana Street, Suite 2900, Houston, Texas 77002.



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Claims, (IV) Granting Adequate Protection to Prepetition ABL Secured Parties, (V) Modifying Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief (the “**DIP Motion**”),² which seeks approval for the Debtors to (i) obtain \$120 million in debtor-in-possession (“**DIP**”) financing through a senior secured superpriority credit facility (the “**DIP Facility**”) and (ii) convert \$47,357,275³ of Prepetition Letters of Credit (as defined in the DIP Motion) into DIP Letters of Credit (as defined in the DIP Motion) deemed issued and outstanding under the DIP Facility, as of the Closing Date upon entry of the Interim Order.

1. Except as otherwise stated in this declaration (this “**Declaration**”), the statements set forth herein are based on (1) my personal knowledge or opinion based on my experience; (2) information that I have received from the Debtors, my colleagues at A&M working directly with me or under my supervision, direction, or control, or other advisors of the Debtors; and/or (3) my review of relevant documents. Additionally, the opinions asserted herein are based upon my experience and knowledge of the Debtors’ operations, financial condition, and liquidity. I am not being specifically compensated for this testimony other than through the proposed compensation to A&M as a professional retained by the Debtors.

2. I am authorized to submit this Declaration on behalf of the Debtors. If I were called upon to testify, I would testify competently to the facts and opinions set forth herein.

² Capitalized terms used but not defined herein have the meanings ascribed to them in the DIP Motion or the Declaration of Westervelt T. Ballard, Jr., Chief Financial Officer of the Debtors, in Support of Chapter 11 Petitions and First Day Pleadings (the “**First-Day Declaration**”), as applicable.

³ Amounts current as of November 30, 2020.

PROFESSIONAL BACKGROUND AND QUALIFICATIONS

3. I am a Managing Director in the North American Commercial Restructuring group at A&M and I am based in A&M's office at 700 Louisiana Street, Suite 3300, Houston, Texas 77002.

4. A&M is a leading restructuring consulting firm with extensive experience and an excellent reputation for providing high quality, specialized management and restructuring advisory services to debtors and distressed companies. Specifically, A&M's core services include turnaround advisory services, interim and crisis management, revenue enhancement, claims management, and creditor and risk management advisory services. A&M provides a wide range of debtor advisory services targeted at stabilizing and improving a company's financial position, including: developing or validating forecasts, business plans and related assessments of strategic position; monitoring and managing cash, cash flow and supplier relationships; assessing and recommending cost reduction strategies; and designing and renegotiating financial restructuring packages. Additionally, A&M provides advice on specific aspects of the turnaround process and helps manage complex constituency relations and communications. A&M is known for its ability to work alongside company management and key constituents during chapter 11 restructurings to develop a feasible and executable plan of reorganization. I have been a full-time restructuring advisor for over 14 years. I have a broad range of experience in liquidity and working capital management, cash forecasting, liquidation analyses and valuation, business plan development, cost-cutting and asset rationalization, lender negotiations, bankruptcy planning, and accounting. In addition to the Debtors, I have advised several distressed energy companies, including FTS International, Arena Energy, Hi-Crush Inc., Weatherford International, Parker Drilling Company, QMax, Northeast Gas Generation, Jones Energy, Castex Energy, New Mach Gen, Forbes Energy Services, US Well Services, and Quintana Energy Services. I have been involved in preparing cash flow forecasts for determining the amount

of post-petition financing needed over 15 times, the majority for companies in the oil and gas sector.

5. I received a master's degree in professional accounting and a bachelor's degree in business administration from the University of Texas at Austin, graduating with Highest Honors. I am a Certified Public Accountant (CPA), a Chartered Financial Analyst (CFA), a Certified Insolvency & Restructuring Advisor (CIRA), and a Certified Fraud Examiner (CFE). I have been employed at A&M since June 2006.

ADVISOR RETENTION

6. A&M was engaged as a restructuring advisor to the Debtors in August 2020 to, among other things, assist in potential restructuring planning, develop and manage a cash-flow forecast, evaluate the Debtors' business plan, assist with financing issues, and liaise with creditors. Since A&M's engagement in this matter, A&M has been working closely with the Debtors' management and other professionals to assist the Debtors in considering and planning for various restructuring scenarios. As a result of that work, I am familiar with the Debtors' capital structure, business operations, books and records, and restructuring efforts to date, and I have developed a firm understanding of the Debtors' liquidity position and needs.

SUMMARY

7. The Debtors' proposed DIP Facility targets one critical business need: continuity of letter of credit availability throughout the Debtors' Chapter 11 Cases and upon exit. The Debtors require approximately \$100 million in letter of credit availability for ongoing business purposes. The proposed DIP facility provides such availability and, just as importantly, will also convert into an exit facility provided by the same lenders and letter of credit issuers on substantially similar terms.

8. Given the state of the oilfield services and capital markets, there are very few lenders willing to provide such a facility, and in all likelihood none willing to provide such a facility on terms more favorable than proposed by the Prepetition ABL Lenders. Indeed, a key benefit that the Prepetition ABL Lenders provide is a seamless transition from the Prepetition ABL Facility to the DIP Facility, and from the DIP Facility to the proposed exit facility. That seamlessness reduces costs and offers maximum assurance to counterparties that the Debtors are operating, and will continue to operate, business as usual notwithstanding these Chapter 11 Cases.

9. As a condition to providing the necessary exit facility, and to providing the DIP Facility that provides the bridge thereto from the Prepetition ABL Facility, the Prepetition ABL Lenders have requested that approximately \$47 million in outstanding Prepetition Letters of Credit be deemed reissued as DIP Letters of Credit immediately upon closing of the DIP Facility. As a result, and in order to obtain the exit facility and the DIP Facility, the Debtors require immediate approval of such deemed reissuance on an emergency basis, as a component of the Interim Order.

10. Immediate reissuance of Prepetition Letters of Credit as DIP Letters of Credit, and conversion of the same into letters of credit under the exit facility, is also supported by the Ad Hoc Noteholder Group who will be the substantial majority owners of the reorganized Debtors.

11. The proposed DIP Facility, and the exit facility into which it will convert, provide the Debtors their best option for maintaining the letter of credit availability that is critical to the success of their business, as well as the best opportunity to ensure an efficient exit from these prepackaged Chapter 11 Cases.

LETTER OF CREDIT AND LIQUIDITY NEEDS

Letter of Credit Needs

12. The Debtors have approximately \$47 million in letters of credit outstanding under the Prepetition ABL Facility. The vast majority of these letters of credit are posted in favor of non-U.S. customers to secure the Debtors' bid and performance obligations to those parties. Those non-U.S. parties generally are not in a position to accept, nor are the Debtors in a position to offer to such foreign parties, alternative forms of security, such as direct posting of cash.

13. The Debtors also have posted approximately \$50 million in cash directly to U.S. counterparties in lieu of recently cancelled letters of credit. These letters of credit, and the direct cash posting that temporarily replaces them, largely secure obligations to the Debtors' insurers. Securing these obligations through a bank facility is preferable, for all parties, to direct posting of cash.

14. As a result, the Debtors have an ongoing need for approximately \$100 million in letter of credit capacity (as well as a cushion on top of that \$100 million to maintain minimum liquidity under any letter of credit facility).

15. For the reasons explained below, the Debtors have no realistic path to meeting this letter of credit need while maintaining sufficient liquidity to operate their business without a facility like the Proposed DIP Facility.

Impact of Letter of Credit Need on Liquidity

16. The Debtors authorized A&M along with their other advisors, to initiate the process of evaluating the Debtors' projected financing needs to fund a potential chapter 11 restructuring. A&M worked closely with the Debtors' management and other advisors to assess the Debtors' cash needs for their businesses and potential chapter 11 cases. As part of that evaluation, A&M,

with the assistance of the Debtors' management, prepared a cash-flow forecast detailing the Debtors' postpetition cash needs over an initial 13 week period, which is attached as Exhibit A to this Declaration (the "**Initial Budget**"). The Initial Budget takes into account projected cash receipts and disbursements during the projected period and considers a number of factors, including the effect of the chapter 11 filing on the operating of the business, fees and interest expenses associated with the DIP Facility and exit commitment, and professional fees.

17. As set forth in the Initial Budget, the Debtors have approximately \$94 million in unrestricted cash on hand as of the Petition Date. All of this cash is, and all cash generated by operations during the pendency of these cases will be, collateral of the ABL Secured Parties ("**Cash Collateral**"). Even assuming availability of Cash Collateral and no need to cash collateralize letters of credit, the Debtors are projected to be cash-flow negative over the approximately seven weeks anticipated between the Petition Date and confirmation of the Debtors' plan of reorganization. The Debtors anticipate having approximately \$72 million in unrestricted cash on hand as of the week ended January 22, 2021.

18. In addition, the Debtors anticipate needing to fund approximately \$39 million in fees and expenses necessary to exit from the Chapter 11 Cases. As a result, absent any downward adjustments and assuming an exit date the week of or shortly after confirmation of the Debtors' plan of reorganization, the Debtors would exit bankruptcy with approximately \$33 million in unrestricted cash.

19. However, in the absence of a facility like the proposed DIP Facility, the Debtors would most likely need to cash collateralize the approximately \$47 million in outstanding Prepetition Letters of Credit. First, the Prepetition ABL Lenders likely would not consent to use of their Cash Collateral for any purpose unless the existing Prepetition Letter of Credit exposure

was fully covered. Second, even if the Debtors could prevail in a dispute over non-consensual use of cash collateral, the Debtors generally could not use the cash—as opposed to letters of credit—to provide assurance to their non-U.S. customers. Instead, those customers would be left in the uneasy position of looking to satisfaction from a defaulted Prepetition ABL Facility, and would further have serious doubts about the Debtors’ ability to obtain letters of credit for any future projects. In that case, the Debtors’ ability to obtain projects from these customers, and other potential customers, would be meaningfully diminished. In short, without the benefit of the DIP Facility, the Debtors will need to cash collateralize the outstanding letters of credit, and do so at a standard premium (likely 105% of face value), further reducing liquidity by an additional approximately \$50 million.

20. In short, the ability of the Debtors to sustain their business during, and successfully emerge from, these Chapter 11 Cases is dependent on immediately obtaining adequate postpetition financing in the form of both a DIP Facility to support letters of credit and access to Cash Collateral. I believe that the degree of financial harm that the Debtors will incur if they do not obtain adequate postpetition financing greatly exceeds the amount of requested postpetition financing.

**THE PROPOSED DIP FACILITY IS NECESSARY AND SUFFICIENT
TO MEET THE DEBTORS’ LETTER OF CREDIT AND LIQUIDITY NEEDS**

21. Based on the extensive work of A&M to assess the Debtors’ immediate and projected letter of credit and liquidity needs, I believe that the DIP Facility will provide sufficient capacity to maintain Prepetition Letters of Credit (as deemed DIP Letters of Credit) and to issue new DIP Letters of Credit to any extent necessary, thus freeing up sufficient liquidity to fund the Debtors’ operations and the administration of these Chapter 11 Cases.

22. As noted, the proposed DIP Facility provides for the immediate deemed issuance of the \$47 million outstanding Prepetition Letters of Credit as DIP Letters of Credit under the DIP Facility. The “roll” of the Prepetition Letters of Credit alone provides sufficient relief to permit successful funding of these Chapter 11 Cases through exit: As shown in the Initial Budget, without pressure to cash collateralize letters of credit, the Debtors have liquidity to meet all budgeted expenses as they come due, and to exit these cases on the anticipated timeline.

23. In addition, the DIP Facility provides capacity for an additional approximately \$50 million in new letters of credit, which capacity will be maintained in the exit facility. As noted, the Debtors currently have approximately \$50 million of cash posted directly with counterparties in lieu of recently cancelled letters of credit. While the Debtors do not request to reinstate these letters of credit under the DIP Facility, the Debtors anticipate reinstating these letters of credit under the exit facility at or following emergence from chapter 11. The “DIP-to-Exit” nature of the facility ensures that the Debtors can satisfy their ongoing letter of credit need of approximately \$100 million, and maintain sufficient liquidity to meet go-forward obligations. In addition, the automatic transition of the DIP Facility to an exit facility will avoid risks associated with refinancing the DIP Facility with a new credit facility, such as demands from uneasy letter of credit counterparties.

24. I believe that the Debtors and their Board of Directors, in consultation with A&M and the Debtors’ other professionals, and after careful consideration, reasonably determined that postpetition financing is appropriate and necessary and that the DIP Facility provides the necessary liquidity to successfully operate their businesses during, and upon emergence from, these Chapter 11 Cases.

NEGOTIATION AND TERMS OF PROPOSED DIP FACILITY

25. Based upon my understanding of the Debtors' letter of credit and liquidity needs and the current state of debt markets, I do not believe alternative sources of financing are readily available to the Debtors (whether unsecured or secured) on better or comparable terms than the DIP Facility.

26. First, the features of the DIP Facility are tailored to the Debtors' current situation and unlikely to be matched by a third-party facility. The DIP Facility provides for the Prepetition Letters of Credit to be deemed issued under the DIP Facility, for the issued Prepetition Letters of Credit to be renewed during the pendency of the Chapter 11 Cases to the extent necessary, and for the issuance of new DIP Letters of Credit if necessary. In addition, the DIP Lenders have agreed to convert the DIP Facility into a continuing post-emergence facility for the reorganized Debtors, providing the seamless financing necessary to facilitate the Debtors' fast exit from bankruptcy.

27. Second, even if a matching facility were available in the market, a third-party would be highly unlikely to lend on a non-priming basis, because there are insufficient unencumbered assets to secure postpetition financing of the size needed to permit the Debtors to successfully operate their businesses throughout the pendency of these Chapter 11 Cases. The DIP Lenders, who already have a significant economic interest in the Debtors, were themselves unwilling to lend on an unsecured or junior secured basis, and are not willing to have their prepetition interests primed.

28. Third, a third-party would be highly unlikely to finance a nonconsensual, non-priming postpetition financing (as would be required here given the prepetition secured parties' unwillingness to consent to priming), as such an attempt would be expensive to litigate and would be unlikely to succeed. The pricing of such a facility would undoubtedly be extremely expensive,

reflecting this risk. Even if a third party were willing to incur this risk and cost, it is highly unlikely that such financing would also be able to provide a clear path to the exit from chapter 11.⁴

29. In addition to the challenges noted above, the circumstances in which the Debtors would have to raise third-party financing has been severely disrupted by both the COVID-19 pandemic and the dramatic decline in the price of crude oil and drilling activity, which compounds the difficulty, risk, and cost of third party financing, even if such financing was available.

30. Any alternative path for financing would substantially delay and increase the cost of the confirmation of the Debtors' plan of reorganization and emergence from chapter 11, and would have the potential to derail the Debtors' efforts to reorganize and force them into liquidation to the detriment of all economic stakeholders. As a result, I do not believe that third-party postpetition financing would be reasonably available or prudent given the circumstances.

31. Given these facts and my experience in finance and restructuring transactions, the Debtors along with their advisors approached the DIP Lenders for postpetition financing because they were the most likely, if not the only, group willing to consummate such a transaction with the Debtors.

32. The Debtors, with the assistance of their advisors, therefore focused on negotiating with the DIP Lenders and their advisors to obtain the best terms available. Over the course of several weeks, the Debtors, their advisors, and the advisors to the Ad Hoc Noteholder Group, actively negotiated the terms and provisions of the DIP Facility. Those arms'-length negotiations led to improvements in terms for the Debtors, including, among other things, an increase in the

⁴ In addition, as an example of the difficulty and low likelihood of finding the necessary and appropriate financing elsewhere, the Debtors and their advisors worked diligently to obtain terms for postpetition financing from the Debtors' other primary funded debt constituent—their prepetition noteholders—and the best option resulting from such negotiations was a commitment for a delayed-draw term loan (the “**DDTL**”). However, the DDTL is materially more expensive than the proposed exit facility and the DDTL does not provide the necessary letter of credit support that the Debtors require.

total committed amount, concessions on certain fees, and modifications to the initially proposed events of default and milestones. All parties were represented by experienced counsel and financial advisors and as a result of these arms'-length negotiations, the parties agreed upon, and the Debtors presently request authority to enter into, the DIP Facility on the terms set forth in the Motion, the Interim Order and the DIP Agreement.

33. Based on the foregoing, I believe, the DIP Facility is the product of extensive good-faith, arm's-length negotiations and that the economic terms of the proposed DIP Facility are highly competitive and reflect the support of the Debtors' preexisting lenders for the Debtors' restructuring.

34. The Prepetition ABL Lenders' request for immediate deemed reissuance of the Prepetition Letters of Credit as DIP Letters of Credit is reasonable under the circumstances of these prepackaged cases, is necessary to obtain the benefits of the DIP Facility and the exit facility into which it will convert, and is supported by the Ad Hoc Noteholder Group.

CONCLUSION

Based on the foregoing, it is my belief that the proposed DIP Facility provides the Debtors with necessary and sufficient liquidity to continue their operations and implement a value-maximizing restructuring, is in the best interests of the Debtors' estates, and should be approved pursuant to the terms and conditions in the DIP Documents.

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Pursuant to 28 U.S.C. § 1764, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated: December 7, 2020
Houston, Texas

/s/ Ryan Omohondro
Ryan Omohondro
Managing Director
Alvarez & Marsal, LLC

*Proposed Restructuring Advisor to the
Debtors and Debtors-in-Possession*

Exhibit A

Initial Budget

Superior Energy Services, Inc., et al.

Debtors' Initial Budget

In \$000s

	Forecast Wk-1 11-Dec	Forecast Wk-2 18-Dec	Forecast Wk-3 25-Dec	Forecast Wk-4 1-Jan	Forecast Wk-5 8-Jan	Forecast Wk-6 15-Jan	Forecast Wk-7 22-Jan	Forecast Wk-8 29-Jan	Forecast Wk-9 5-Feb	Forecast Wk-10 12-Feb	Forecast Wk-11 19-Feb	Forecast Wk-12 26-Feb	Forecast Wk-13 5-Mar	Wk-13 13 Wk
BEGINNING BOOK CASH	173,913	169,256	169,778	161,153	160,251	155,854	155,809	152,408	154,652	150,255	143,878	139,376	140,957	173,913
Customer Receipts	7,328	6,567	6,510	6,442	8,158	8,435	8,554	8,580	8,466	8,519	8,570	8,619	8,731	103,479
Other Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Receipts	7,328	6,567	6,510	6,442	8,158	8,435	8,554	8,580	8,466	8,519	8,570	8,619	8,731	103,479
Trade	(7,163)	(4,997)	(5,282)	(4,839)	(4,411)	(3,956)	(4,039)	(3,769)	(4,742)	(4,304)	(4,872)	(4,855)	(5,464)	(62,693)
Capex	(1,103)	-	(400)	-	(583)	(324)	(377)	(562)	(393)	(2,507)	(474)	(1,194)	(872)	(8,791)
Payroll & Benefits	(1,252)	(613)	(7,270)	(613)	(7,561)	(613)	(7,540)	(613)	(7,540)	(613)	(7,540)	(613)	(7,540)	(49,918)
Taxes	(840)	(437)	(2,183)	(1,310)	-	(2,636)	-	(465)	(187)	(350)	(187)	(216)	-	(8,810)
Total Operating Disbursements	(10,358)	(6,046)	(15,135)	(6,761)	(12,555)	(7,529)	(11,956)	(5,409)	(12,863)	(7,774)	(13,073)	(6,878)	(13,876)	(130,212)
OPERATING CASH FLOW	(3,030)	521	(8,625)	(319)	(4,397)	907	(3,402)	3,171	(4,397)	745	(4,503)	1,741	(5,145)	(26,733)
Debtor Professionals	-	-	-	-	-	-	-	-	-	(5,142)	-	-	-	(5,142)
Lender & Other Professionals	-	-	-	-	-	(870)	-	-	-	(1,899)	-	-	-	(2,769)
UST Fees	-	-	-	-	-	-	-	(750)	-	-	-	-	-	(750)
Other Plan Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Restructuring Disbursements	-	-	-	-	-	(870)	-	(750)	-	(7,041)	-	-	-	(8,661)
Interest / Fees	(1,545)	-	-	(582)	-	-	-	(177)	-	-	-	(160)	-	(2,464)
Bank Fees	(81)	-	-	-	-	(81)	-	-	-	(81)	-	-	-	(244)
Total Interest & Bank Fees	(1,626)	-	-	(582)	-	(81)	-	(177)	-	(81)	-	(160)	-	(2,708)
Total Non-Operating Disbursements	(1,626)	-	-	(582)	-	(951)	-	(927)	-	(7,122)	-	(160)	-	(11,368)
NET CASH FLOW	(4,657)	521	(8,625)	(901)	(4,397)	(45)	(3,402)	2,244	(4,397)	(6,377)	(4,503)	1,581	(5,145)	(38,102)
(+ / -) Voids / Reversals / Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Book Cash Prior to DIP / Exit Financing	169,256	169,778	161,153	160,251	155,854	155,809	152,408	154,652	150,255	143,878	139,376	140,957	135,811	135,811
Total DIP / Exit Activity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH	169,256	169,778	161,153	160,251	155,854	155,809	152,408	154,652	150,255	143,878	139,376	140,957	135,811	135,811
Less: Restricted Cash	(80,524)	(80,524)	(80,524)	(80,524)	(80,524)	(80,524)	(80,524)	(80,524)	(80,524)	(80,524)	(80,524)	(80,524)	(80,524)	(80,524)
ENDING UNRESTRICTED BOOK CASH	88,732	89,253	80,628	79,727	75,329	75,285	71,883	74,127	69,730	63,354	58,851	60,432	55,287	55,287