

World's largest offshore rig operator files for bankruptcy

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A Valaris PLC drillship built to support ultra-deepwater oil and gas operations. The London-based offshore drilling contractor filed for bankruptcy protection in the United States yesterday. CellsDeDells/Wikimedia Commons

The biggest offshore oil rig operator in the world filed for bankruptcy yesterday, the latest in a string of insolvencies for the price-pummeled sector.

London-based Valaris PLC filed for Chapter 11 bankruptcy protection in the U.S. Bankruptcy Court for the Southern District of Texas following skipped bond payments that heralded the move. It is looking to restructure some \$7 billion in debt.

"The substantial downturn in the energy sector, exacerbated by the Covid-19 pandemic, requires that we take this step to create a stronger company able to adapt to the prolonged contraction in the industry," said Valaris CEO Tom Burke in a statement yesterday.

Valaris employs nearly 4,000 people worldwide and operates in nearly every offshore market, including the Gulf of Mexico, West Africa and Southeast Asia.

The company, which holds roughly \$13 billion in assets, has entered into a restructuring support agreement and a backstop commitment agreement with 50% of its note holders. Its

creditors will supply \$500 million in debt financing for operations during the restructuring, which Burke noted would continue "uninterrupted through this process."

Valaris follows Noble Corp. and Diamond Offshore Drilling Inc. in filing for bankruptcy this year as the price of crude swung to historic lows during the coronavirus pandemic. The slowed economic activity globally from stay-in-place measures has sapped demand for crude products like gasoline and jet fuel, adding to existing glut pressures on the price from overproduction worldwide following the rapid rise of the United States as a producer due to the so-called shale revolution.

Other offshore companies, including Transocean Ltd. and Pacific Drilling SA, have signaled their own financial pressure in the downturn via strategic changes. More than 30 oil and gas bankruptcies occurred between January and the end of July, according to Haynes and Boone LLP.

A handful of offshore oil and gas operators pressured the Trump administration to offer rapid royalty relief as the price hit rock bottom in late April, early May, and were frustrated by a lack of cohesive response ([Greenwire](#), May 1).

The downturn has slammed federal coffers.

The Interior Department's Office of Natural Resources Revenue recorded an 84% drop in revenue collections from offshore oil and gas this May compared with last year, according to a Congressional Research Service [report](#) released last month.