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## Odyssey DIP lender to back reorganization plan

by Ben Fidler

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**Odyssey Petroleum Corp.** (US) has outlined the terms of a reorganization plan backed by an \$8.2 million investment from its debtor-in-possession lender, **Iroquois Capital Opportunity Fund LP**.

The bankrupt subsidiary of **Vancouver, British Columbia**-based oil and gas exploration and production company Odyssey Petroleum Corp. said Sept. 17 that Iroquois has committed to invest \$6.7 million in equity and will provide a \$1.5 million convertible debenture to help fund the company's reorganization.

ICO, a New York private equity fund, would end up with an 80% stake in Odyssey, receiving 800 of the 1,000 new shares to be issued on the plan's effective date. That stake could increase as well, as the debenture, which bears interest at 12%, can be converted into 333 shares of additional common stock.

Odyssey Petroleum Corp. will be paid \$900,000 and will end up with the remaining 20%, or 200 shares, of the debtor's common stock. Odyssey, meanwhile, will assume about \$5.84 million in debt for contracts and unexpired leases through the plan.

Odyssey hadn't filed the proposal with the U.S. Bankruptcy Court for the Southern District of Mississippi in Jackson as of midday Monday, Sept. 20, but it claimed in its statement it has signed a lockup agreement with ICO. Odyssey Petroleum Corp. must also win approval from two-thirds of its shareholders under Section 301 of the Business Corporations Act in Canada at a stockholders' meeting on Oct. 15. Odyssey Petroleum Corp. plans to change its name to Petrichor Energy Inc., it said in the statement.

Odyssey is an oil and gas exploration and development company whose primary investments are in the Mississippi Interior Salt Basin. The debtor filed for Chapter 11 on April 23 because it was on the losing end of an arbitration dispute with Performance Drilling Co. The dispute arose in 2008 regarding a contract whereby **PDC** was hired to drill 12 wells over a two-year period. PDC sued for more than \$5 million in damages, alleging more than \$5 million in lost profits, as it didn't end up drilling any wells for Odyssey.

Odyssey had countered that the contract was based on its ability to raise the necessary funds and that it was under no obligation to use PDC unless it could come up with the cash. The arbitrators, however, thought otherwise, and awarded PDC \$1.06 million in damages. Once PDC moved to collect, Odyssey claimed it had no choice but to file for Chapter 11, hoping to resolve its dispute with PDC, obtain credit to address its short-term liabilities and either sell or recapitalize.

Odyssey improved its postpetition liquidity issues on May 17, filing a request for a \$1 million DIP from ICO, noting at the time that the PE firm was interested in investing in the company, providing exit financing or buying assets through an auction.

The DIP is priced at a fixed 9%, matures on Oct. 18 and contains a 2.5% origination fee. Odyssey said in its DIP request that it anticipated obtaining an extension, filing a plan or bidding procedures motion, or securing replacement financing by the time the DIP matures. Odyssey won final approval of the financing on July 1.

Odyssey's most recent court request came on Aug. 17 when it filed a motion seeking a 90-day extension of its exclusivity period. In the motion, Odyssey said it was verifying the cure amounts and status of a number of oil and gas leases, and that it is necessary to have that information — as well as the exact amount of its income tax obligations — before it can file a plan.

Odyssey was seeking to push its exclusivity through Nov. 19. It was unclear just what Odyssey's status was as of midday Monday. The debtor's exclusive right to file a plan was to run out on Aug. 24.

A Sept. 24 hearing is set on the extension request.

Odyssey's unsecured creditors have objected to the motion, claiming it is taking too long to formulate a plan and that it hasn't moved on a prospective, \$9.34 million stalking-horse bid from SND Energy Co. Documents show that the offer expired on Sept. 7.

The debtor listed \$14.33 million in assets and \$9.44 million in debts in court papers.

[John D. Moore](#) is debtor counsel at Law Offices of John D. Moore PA.

Steve Rosenblatt and Christopher Maddux represent ICO at Butler, Snow, O'Mara, Stevens and Cannada PLLC.

Douglas Noble represents the **unsecured creditors committee** at McCraney Montagnet & Quin PLLC.

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