

Samson to lay off 70 workers in Tulsa

BY ROD WALTON World Staff Writer
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Samson Resources Co. is laying off at least 100 people this month, including 70 in Tulsa, one year after New York private equity firm KKR & Co. bought it for \$7 billion in a leveraged buyout, the Tulsa World learned Tuesday.

The Tulsa-based company also confirmed that CEO David Adams, who took the reins after the KKR buyout, will retire at the end of the year. An executive leadership team, which will include Chief Financial Officer Phil Cook, will guide Samson until a successor is found.

No details were available on the severance packages offered to the departing employees or what date they are leaving Samson. The company previously employed about 700 people locally and 1,200 nationwide.

"We are disappointed to learn of the impending Samson job losses," Mike Neal, president and CEO of the Tulsa Regional Chamber, said in a statement.

"The Tulsa Regional Chamber, through our Workforce program, will organize a community-wide mobilization plan to recover and retain these 70 talented and highly skilled Samson workers, connecting them to local support services, job networking resources & services, workshops for resumes, interviewing skills, online networking and job application process," Neal said. "The Tulsa region's economy continues to perform, and we are in daily discussions with local companies who are expanding and hiring."

KKR & Co., which is led by former Tulsan Henry Kravis and his cousin, George Roberts, began pursuing Samson in 2011 and closed on its acquisition last December. The Tulsa company, long known as Samson Investment Co., was founded by Charles Schusterman and run by his family up until the sale.

"It's no surprise," money manager Fred Russell, principal of Fredric E. Russell Investment Management Co. in Tulsa, said Tuesday after learning of the layoffs.

He had warned that the combination of low natural gas prices and Samson's high debt load made the downsizing inevitable, and it may have been part of KKR's plans early on.

"It's just a sad story when companies get taken over and they pile on a lot of debt," Russell said. "I'm not there, so I don't know how efficient their operation is, but the price of natural gas could force their hand and they may be laying off more people in the next year."

Samson was largely natural gas-focused in its drilling operations even as the price of the fuel plummeted to 10-year lows in recent months. Outgoing CEO Adams, in a public talk earlier this year, stressed that Samson was shifting its production mix into more oil and natural gas liquids, but the process takes time.

The oil portion of Samson's production mix rose to 25 percent this year from 20 percent in 2011. The natural gas portion was as high as 95 percent seven years ago, according to reports.

Samson has drilling operations across the U.S., including in the Permian Basin and the Marcellus, Bakken, Anadarko and Haynesville shales. The properties include more than 4,000 wells, according to the company's website.

Samson holds leases to about 3 million acres, only half of which is being developed. Cook, the CFO, previously said those undeveloped acres hold strong promise for oil-rich targets.

Moody's earlier this year downgraded Samson's credit standing from Ba3 to B1 for corporate family rating and probability of default, while dropping its mark for senior unsecured notes to B3 from B1. The rating service took note of the company's debt struggles once a \$750 million second lien term loan kicked in.

Both B1 and B3 are considered speculative grade ratings and represent higher investment risks, analysts say.

"It has become apparent that weak natural gas prices are exacting a higher toll on Samson's performance than initially envisioned, pressuring cash flow and limiting opportunities for debt reduction on an already highly levered balance sheet," the Moody's ratings report stated in September.

KKR & Co. is famous for leveraged buyouts, or purchasing companies through debt that is then put back on the firm's books.

Some industry analysts have said KKR might eventually sell off Samson in whole or pieces, although Adams countered that the plan was to take the company public in a few years.

Kravis has said that KKR tries to create greater value in its acquisitions by holding on to them over the long run.

In last year's deal, former Samson CEO Stacy Schusterman and her mother, Lynn, held on to the family's offshore and onshore oil and gas interests in the Gulf Coast area of Texas and Louisiana. Those assets were folded into Samson Energy Co., which was formed last December and has offices at 110 W. Seventh St.

Samson Energy employs about 110 people in Tulsa, a company spokeswoman said

Samson timeline

1971: Charles Schusterman starts Samson Resources Co.

1975: Samson drills Ramirez No. 1 well, a key company builder.

1984: Samson moves headquarters to Williams Towers II downtown.

1999: Stacy Schusterman becomes co-CEO as her father's health declines.

2000: Charles Schusterman dies at age 65.

December 2011: Schusterman family sells Samson to KKR and Co. for \$7.2 billion.

September 2012: Moody's downgrades Samson's corporate, probability of default and senior unsecured ratings.

Tuesday: KKR & Co. confirms Samson is laying off up to 10 percent of its workforce, and that CEO David Adams is retiring.

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Associated Images:



David Adams: The Samson CEO will retire at the end of the year. He took the reins after the KKR buyout last December



Samson Resources' office, in the Williams Center towers, on Tuesday. MATT BARNARD/Tulsa World

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