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Sept 11, 2024



COURT FILE NUMBER 2401-02680
COURT COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

C90433

IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS
AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF RAZOR ENERGY CORP.,
RAZOR HOLDINGS GP CORP., AND BLADE ENERGY
SERVICES CORP.

DOCUMENT **SIXTH REPORT TO COURT OF FTI CONSULTING
CANADA INC., IN ITS CAPACITY AS MONITOR
OF RAZOR ENERGY CORP., RAZOR HOLDINGS
GP CORP., AND BLADE ENERGY SERVICES
CORP.**

September 10, 2024

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
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DOCUMENT

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SIXTH REPORT OF THE MONITOR

TABLE OF CONTENTS

INTRODUCTION.....1

PURPOSE5

TERMS OF REFERENCE.....5

BACKGROUND.....6

CASH FLOW STATEMENT.....8

SALE AND INVESTMENT SOLICITATION PROCESS.....8

USE OF PROCEEDS9

PREJUDICE TO OTHER CREDITORS.....9

CONCLUSIONS.....10

Appendix “A” – Sixth Cash Flow Forecast for the period ending October 13, 2024

INTRODUCTION

1. On January 30, 2024, Razor Energy Corp. (“**Razor Energy**”), Razor Holdings GP Corp. (“**Razor Holdings**”), Razor Royalties Limited Partnership (“**Razor Royalties LP**”), and Blade Energy Services Corp. (“**Blade**” and collectively with Razor Energy, Razor Holdings and Razor Royalties LP, the “**Razor Entities**”) filed Notices of Intention to Make a Proposal (“**NOI**”), pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B-3, as amended (the “**BIA**”). FTI Consulting Canada Inc. (“**FTI**”) consented to act as proposal trustee (the “**Proposal Trustee**”) in the NOI proceedings (the “**NOI Proceedings**”) of the Razor Entities.
2. On February 28, 2024, (the “**Filing Date**”), Razor Energy, Razor Holdings, and Blade (collectively referred to as, the “**Applicants**”) sought and obtained an initial order (the “**Initial Order**”) from the Court of King’s Bench of Alberta (the “**Court**”) granting, among other things, a continuation of the NOI Proceedings under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c C-36, as amended (the “**CCAA**” and the “**CCAA Proceedings**”).
3. The Initial Order granted, among other things, the following relief within the CCAA Proceedings:
 - (a) a stay of proceedings until March 8, 2024 (the “**Stay Period**”);
 - (b) an extension of the stay of proceedings to Razor Royalties LP for the duration of the Stay Period;
 - (c) the appointment of FTI as monitor (FTI in such capacity, the “**Monitor**”) of the Razor Entities;
 - (d) approval of the sale and investment solicitation process (the “**SISP**”);

- (e) approval of the engagement letter dated January 25, 2024 (the “**Sales Agent Agreement**”) between Razor Energy and Peters & Co. Limited (the “**Sales Agent**”);
 - (f) a sealing order in respect of an unredacted copy of the Sales Agent Agreement; and
 - (g) approval of the priority and amount of the charges in favour of: (i) the Monitor, the Monitor’s counsel, and the Applicants’ legal counsel (the “**Administration Charge**”) in the amount of \$100,000; and (ii) the Applicants’ obligations to indemnify the Applicants’ directors and officers for liabilities they may incur after the Filing Date (the “**Directors’ Charge**”) in the amount of \$335,000 (together, the “**Initial Order Charges**”).
4. On March 6, 2024 (the “**Comeback Hearing**”), the Applicants sought and obtained an Amended and Restated Initial Order from the Court (the “**ARIO**”). The ARIO granted, among other things, the following relief within the CCAA Proceedings:
- (a) an extension of the Stay Period up to and including March 29, 2024;
 - (b) confirmed the quantum and priority of the Initial Order Charges as provided in the Initial Order;
 - (c) authorized the Applicants’ decision to incur no further expenses during the stay of proceedings, in relation to certain securities or capital markets reporting obligations;
 - (d) relieved Razor Energy of any obligations to call or hold its next annual general meeting of shareholders until further Order of this Court; and

- (e) a sealing order in respect of the desktop appraisal conducted by McDougall Auctioneers Ltd. of the equipment in the possession of Blade.
5. On March 25, 2024, the Applicants sought and obtained an Order from the Court (the “**March 25 Order**”). The March 25 Order granted, among other things, an extension of the Stay Period up to and including May 3, 2024.
 6. On April 10, 2024, Justice M.E. Burns of this Court heard an application of Alberta Petroleum Marketing Commission (“**APMC**”) with respect to outstanding pre-filing royalties (the “**January Royalty Amounts**”). On September 6, 2024, the Honourable Justice B.E. Burns released reasons for decision which dismissed the APMC application.
 7. On May 3, 2024, the Applicants sought and obtained an Order from the Court (the “**May 3 Order**”). The May 3 Order granted, among other things, an extension of the Stay Period up to and including June 7, 2024.
 8. On June 6, 2024, the Applicants sought and obtained an Order from the Court (the “**June 6 Order**”). The June 6 Order granted, among other things, an extension of the Stay Period up to and including August 2, 2024.
 9. On July 17, 2024, the Applicants sought and obtained Orders from the Court (the “**July 17 Orders**”), including:
 - (a) an Order approving the sale transaction contemplated by an Asset Purchase and Sale Agreement, dated June 27, 2024 between Razor Energy, as vendor, and HWN Energy Ltd., as purchaser (the “**HWN Transaction**”);

- (b) an Order authorizing the execution and delivery, by Razor Energy, of the irrevocable Share Transfer Power of Attorney dated effective as of July 17, 2024; approving the transaction (collectively, the “**FutEra Transaction**”) contemplated by the FutEra Transactional Document, and the sale, transfer, and assignment of the 210,000 common shares of the equity of FutEra, currently owned by Razor Energy; and
 - (c) an extension of the Stay Period up to and including October 13, 2024.
10. This report (this “**Report**”) is being filed in connection with the application of Conifer Energy Inc. (“**Conifer**”) currently scheduled to be heard on September 11, 2024 (the “**September 11 Application**”), seeking, among other things, Orders directing Razor Energy to pay to Conifer by September 20, 2024:
- (a) all the amounts owing to Conifer with respect to all goods and services provided under the Agreement for the Construction, Ownership and Operation of the Judy Creek Gas Conservation Plant (“**JCGP**”) dated March 1, 2011 (“**CO&O**”) after the Filing Date (the “**Post-Filing Arrears**”);
 - (b) the amounts Conifer owes Canadian Natural Resources Limited (“**CNRL**”) that CNRL seeks from Conifer due to Razor Energy not paying CNRL post-filing joint interest billing amounts (the “**CNRL Post-Filing Arrears**”, together with the Post-Filing Arrears, the “**Arrears**”); and
 - (c) granting Conifer a charge for the Arrears on Property, subordinate to only the Administration Charge and Directors’ Charge.
11. This Report should be read in conjunction with Affidavit #9 of Doug Bailey sworn on September 6, 2024 (the “**Ninth Bailey Affidavit**”) which provides further background information concerning the September 11 Application.

12. Electronic copies of all materials filed by the Razor Entities and Conifer in connection with the September 11 Application and other materials are available on the Monitor’s website at: <http://cfcanada.fticonsulting.com/razor-blade> (the “**Website**”).

PURPOSE

13. The Monitor has reviewed the application materials filed by Conifer and the responding materials filed by the Applicants in respect of the September 11 Application. The purpose of this Report is to provide the Court and the Razor Entities’ stakeholders with information and the Monitor’s comments with respect to Conifer’s application to have the Arrears paid by September 20, 2024, and to have a charge granted in favour of Conifer to secure the Arrears.

TERMS OF REFERENCE

14. In preparing this Report, the Monitor has relied upon unaudited financial information, other information available to the Monitor and, where appropriate, the Razor Entities’ books and records and discussions with various parties (collectively, the “**Information**”).
15. Except as described in this Report:
 - (a) the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*;
 - (b) the Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the *Chartered Professional Accountants of Canada Handbook*; and

- (c) future oriented financial information reported or relied on in preparing this report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
16. The Monitor has prepared this Report in connection with the September 11 Application. This Report should not be relied on for other purposes.
17. Information and advice described in this Report that has been provided to the Monitor by its legal counsel, Blake, Cassels & Graydon LLP (the “**Monitor’s Counsel**”), was provided to assist the Monitor in considering its course of action, is not intended as legal or other advice to, and may not be relied upon by, any other person.
18. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms used but not defined herein are given the meaning ascribed to them in the Ninth Bailey Affidavit.

BACKGROUND

19. Detailed information with respect to the Razor Entities’ business, operations and causes of financial difficulty are described in the Affidavit of Doug Bailey sworn on February 20, 2024.

20. Razor Energy has 38.2% ownership interest and Conifer has a 54.8% ownership interest and is the operator of the JCGP. The operating terms of the JCGP are dictated by the CO&O. As the operator of the JCGP, and in accordance with section 602(b)(ii) of the CO&O, Conifer locked Razor Energy out of certain connection points to the JCGP in December 2023 due to non-payment of operating cost arrears. The lockout resulted in approximately 2/3 of Razor Energy’s historical production (“**JCGP Shut-in Gas**”) processed through the JCGP being shut-in as Razor Energy does not have a feasible alternative to process this gas production. Conifer continued to flow the remaining approximately 1/3 of Razor Energy’s historical production through the JCGP as this gas production is commingled with other contracted users of the JCGP via the South Swan Hill Gathering System and so locking Razor Energy out fully would negatively impact other contracted users. Conifer is currently taking Razor Energy’s 1/3 portion of gas production still flowing through the JCGP in kind, marketing it and applying the proceeds to the Post-Filing Arrears.
21. Prior to the conversion of the NOI Proceedings to these CCAA Proceedings, the Razor Entities sought an order compelling Conifer to cease restricting access to the JCGP as the Applicants believed allowing the 2/3 of gas production to flow would have a positive impact on the SISF and the cash flow throughout the CCAA Proceedings. On February 16, 2024, the Honourable Justice M.J. Lema of the Court heard an application in respect of a dispute between Razor Energy and Conifer regarding amongst other things, Conifer restricting Razor Energy’s access to the JCGP. The Reasons for Judgment (the “**Lema Decision**”) of Justice Lema released on February 21, 2024, held that the disconnection of access to the JCGP and cessation of services by Conifer was a continuous action that violated the stay of proceedings and directed Conifer to perform the reconnection work by 6:00pm on Friday, February 23, 2024.

22. Despite the Lema Decision, Razor Energy and Conifer were unable to agree upon the security required to secure post-filing operating costs. Therefore, the reconnection work was never completed, and Conifer has not reconnected the access points to the JCGP to allow the JCGP Shut-in Gas to flow.

CASH FLOW STATEMENT

23. The Fifth Report presented the Applicants' cash flow for the period of July 8, 2024, to October 13, 2024 (the "**Sixth Cash Flow Statement**"). A copy of the Sixth Cash Flow Statement is appended hereto as Appendix "A".
24. The Monitor has been monitoring the Applicants' actual cash flow in relation to the Sixth Cash Flow Statement and notes that there have been no material changes in the estimates presented therein. As a result, the Applicants are expected to have sufficient liquidity to make the payments set out in the Six Cash Flow Statement for the duration of the Stay Period. However, the Monitor notes that if Conifer were successful in obtaining an Order directing Razor Energy to repay the Arrears by September 20, 2024, the Applicants would not have the liquidity necessary to do so.
25. The Monitor notes that the Fifth Report and Sixth Cash Flow Statement, and others filed in these CCAA Proceedings, did not contemplate payment of post-filing amounts in respect of the operation of the JCGP. Paragraph 50 in the Monitor's Fifth Report specifically addresses the fact that the Sixth Cashflow Forecast does not contemplate payment of the Post-Filing Arrears.

SALE AND INVESTMENT SOLICITATION PROCESS

26. A summary of the SISP undertaken by the Applicants is included in the Second Monitor's Report dated March 18, 2024. The Monitor has provided updates on the SISP in its Third Report dated April 25, 2024 and its Fourth Report dated May 30, 2024.

27. Since the date of the Fifth Report, the Applicants have continued to take steps to advance their restructuring proceedings under the CCAA including:
- (a) completing the HWN Transaction and collecting the net proceeds;
 - (b) completing the FutEra Transaction and collecting the net proceeds; and
 - (c) continuing to advance the Corporate Transaction, including negotiation of a subscription agreement.
28. The Monitor continues to view the Corporate Transaction as the best alternative in the circumstances for all stakeholders as it would avoid a bankruptcy and potentially zero recovery for the Applicants stakeholders.

USE OF PROCEEDS

29. The Monitor understands that estimated proceeds from the Corporate Transaction are expected to be sufficient to repay the Post-Filing Arrears, based on the estimate provided in Conifer's application materials of \$1.89 million, excluding the \$680,000 operating deposit (which the Monitor understands would only be required if Conifer were to provide re-entry to the JCGP).

PREJUDICE TO OTHER CREDITORS

30. The Monitor understands that CNRL opposes Conifer's request to have a charge for the Arrears to the extent it seeks a charge for arrears owing to Conifer which in any way primes or affects any interest that CNRL has in any of Razor Energy's assets. The Monitor understands CNRL's concern and agrees that granting the charge requested by Conifer over all Property would prejudice CNRL and other creditors. The Monitor understands that Arena Investors, LP, the senior secured lender to the Applicants, and certain municipalities also oppose the relief sought.

CONCLUSIONS

31. The Stay Period is set to expire on October 13, 2024. The Ninth Bailey Affidavit indicates that the corporate offeror has advised Razor Energy that definitive documentation must be executed and delivered, subject only to Court approval, by September 20, 2024.
32. The Monitor expects that the Applicants will utilize the remaining time under the Stay Period to continue to advance the Corporate Transaction. The Sixth Cash Flow Statement indicates that the Applicants have sufficient liquidity for the duration of the Stay Period. However, if Conifer is successful in its application to have the Post-Filing Arrears paid by September 20, 2024, the Applicants will likely not be able to complete the Corporate Transaction resulting in significant losses for the Applicants stakeholders, including the significant abandonment and reclamation obligations.

All of which is respectfully submitted this 10th day of September 2024.

FTI Consulting Canada Inc.,
Licensed Insolvency Trustee in its capacity as
Monitor of Razor Energy Corp., Razor Holdings
GP Corp., and Blade Energy Services Corp., and
not in its personal or corporate capacity.



Name: Dustin Olver, CPA, CA, CIRP, LIT
Title: Senior Managing Director
FTI Consulting Canada Inc.

Sixth Report of FTI Consulting Canada Inc.,
In its capacity as Monitor of Razor Energy Corp., Razor Holdings GP Corp., and Blade Energy Services Corp.

Appendix “A” – Sixth Cash Flow Forecast for the period ending October 13, 2024

Razor Energy Corp., Razor Royalties Limited Partnership, Razor Holdings GP Corp., and Blade Energy Services Corp. (the "Razor Entities")
 Projected Cash Flow Forecast for the Period of July 8, 2024 to October 13, 2024

Cash Flow Forecast		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Total
(C\$ 000s)	Week Ending	14-Jul	21-Jul	28-Jul	4-Aug	11-Aug	18-Aug	25-Aug	1-Sep	8-Sep	15-Sep	22-Sep	29-Sep	6-Oct	13-Oct	
Receipts																
Net production revenue	1	\$ -	\$ -	\$ 2,061	\$ -	\$ -	\$ -	\$ 1,820	\$ -	\$ -	\$ -	\$ -	\$ 1,828	\$ -	\$ -	\$ 5,709
Other receipts	2	15	15	1,115	65	15	15	15	65	15	15	15	15	65	15	1,460
Total - Receipts		15	15	3,176	65	15	15	1,835	65	15	15	15	1,843	65	15	7,169
Disbursements																
Operating expenses	3	(223)	(313)	(870)	(1,058)	(196)	(196)	(186)	(868)	(196)	(186)	(196)	(567)	(368)	(263)	(5,685)
Transportation and processing costs	4	(63)	-	-	(75)	-	-	-	(75)	-	-	-	(75)	-	-	(288)
Lease rentals	5	-	(53)	-	-	-	(51)	-	-	-	(51)	-	-	-	-	(156)
Insurance	6	(27)	-	-	-	-	(11)	-	-	-	(11)	-	-	-	-	(50)
Payroll	7	(150)	-	(150)	-	-	(150)	-	(150)	-	(150)	-	(150)	-	(150)	(1,050)
Professional & sales agent fees	8	(60)	-	(150)	-	-	-	-	(150)	-	-	-	-	(150)	-	(510)
G&A expense	9	(50)	(50)	(50)	(104)	(50)	(50)	(50)	(85)	(50)	(50)	(50)	(50)	(75)	(50)	(814)
Total - Disbursements		(573)	(416)	(1,220)	(1,237)	(246)	(458)	(236)	(1,328)	(246)	(448)	(246)	(842)	(593)	(463)	(8,552)
Net cash flow		(558)	(401)	1,956	(1,172)	(231)	(443)	1,599	(1,263)	(231)	(433)	(231)	1,001	(528)	(448)	(1,383)
Opening cash balance		1,594	1,036	635	2,591	1,419	1,188	745	2,344	1,081	850	417	186	1,187	659	1,594
Ending cash balance		\$ 1,036	\$ 635	\$ 2,591	\$ 1,419	\$ 1,188	\$ 745	\$ 2,344	\$ 1,081	\$ 850	\$ 417	\$ 186	\$ 1,187	\$ 659	\$ 211	\$ 211



RAZOR ENTITIES
 Per: Doug Bailey, President and CEO

Notes:

Management of the Razor Entities has prepared this Projected Cash Flow Forecast solely for the purposes of determining the liquidity requirements of the Razor Entities during the period of July 8, 2024 to October 13, 2024. This Projected Cash Flow Forecast is based on probable and hypothetical assumptions detailed in the notes below. Consequently, actual results will likely vary from actual performance and such variances may be material.

- 1 Net production revenue relates to the sale of Razor Energy Corp.'s petroleum and natural gas production and is based on forecast production volumes and third-party pricing. Further, it assumes no operated production can be sent to the Judy Creek Gas Plant and no additional net revenue received from non-operated production. Crown royalties for oil production are paid in kind.
- 2 Other receipts consist of the proceeds from the HWN Transaction, third-party road use fees, partner joint interest billings, the SHGPC payments, etc.
- 3 Operating expenses are based on the annual operating budget and relates to the costs associated with the operation of oil and natural gas wells.
- 4 Transportation and processing costs relate to transporting petroleum and natural gas production from well head to market and is based on projected production volumes and transportation rates.
- 5 Lease rentals are based on annual budget (excluding freehold).
- 6 Insurance is based on current policy premiums.
- 7 Payroll is based on recent payroll registers.
- 8 Professional fees include estimates for the Monitor, the Monitor's legal counsel, Razor Entities' legal counsel, and Sales Agent.
- 9 G&A expense includes overhead costs based on the annual budget, corporate contractors, and margin call expense on hedging contracts.