



COURT FILE NUMBER 2001-09604
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
PLAINTIFF HALIBURTON GLOBAL AFFILIATES HOLDINGS
B.V.
DEFENDANT RAPTOR RIG LTD.

COM
June 7, 2021
Justice Lema

DOCUMENT FIRST REPORT OF FTI CONSULTING CANADA
INC., IN ITS CAPACITY AS COURT APPOINTED
RECEIVER AND MANAGER OF RAPTOR RIG
LTD.

May 31, 2021

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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FIRST REPORT OF THE RECEIVER

Table of Contents

INTRODUCTION	3
TERMS OF REFERENCE	4
BACKGROUND	5
RECEIVER’S ACTIVITIES	8
SALES AND SOLICITATION PROCESS	10
EQUIPMENT AUCTION	12
RECEIVER’S CONCLUSION AND RECOMMENDATION	14

Appendix A – GD Auctions & Appraisals Inc. – Raptor Rig Auction Proposal

Appendix B – Schedule of Serial Number Goods

INTRODUCTION

1. On August 10, 2020 (the “**Appointment Date**”), FTI Consulting Canada Inc. was appointed as receiver and manager (the “**Receiver**”) of all the assets, undertakings and properties (the “**Property**” or “**Business**”) of Raptor Rig Ltd. (“**Raptor**” or the “**Company**”) pursuant to an Order of the Honourable Justice Douglas R. Mah (the “**Receivership Order**”).
2. The Company’s primary business was the construction, delivery and operation of oilfield drilling rigs, including a coiled tubing rig and a proprietary type of land rig known as the Velociraptor Rig.
3. The Receivership Order authorized the Receiver, among other things, to manage, operate and carry on the Business of the Company, to market any or all of the Property including advertising and soliciting offers to purchase the Property, and to make such arrangements or agreements as deemed necessary by the Receiver.
4. This first report (the “**First Report**”) and other publicly available information in respect of these proceedings (the “**Receivership Proceedings**”) are posted on the Receiver’s website at <http://cfcanada.fticonsulting.com/raptorrig/> (the “**Receiver’s Website**”).
5. Concurrent with this First Report, the Receiver filed an Application returnable on June 7, 2021, for an order (the “**Auction Approval Order**”) authorizing the Receiver to sell certain of the Property by way of public auction, pursuant to the terms of an auction proposal dated May 19, 2021 (the “**Auction Proposal**”), between the Receiver and G.D. Auctions & Appraisals Inc. (“**GD Auctions**”).
6. The purpose of this First Report is to provide this Honourable Court with an update with respect to the Receivership proceedings in order to seek the Auction Approval Order. This First Report will provide this Honourable Court with information in respect of the following:

- a. the status of the Receivership proceedings, including the Receiver's activities since the Appointment Date; and
 - b. the Receiver's recommendations with respect to selling certain of the Property by way of public auction pursuant to the terms of the Auction Proposal.
7. The Receiver anticipates bringing a further application before this Honourable Court on June 28, 2021 and will provide this Honourable Court with a more fulsome update with respect to the Receivership Proceedings in advance of that application.

TERMS OF REFERENCE

8. In preparing this First Report, the Receiver has relied upon unaudited financial information, other information available to the Receiver and, where appropriate, the Company's books and records and discussions with various parties (collectively, the "**Information**").
9. Except as described in this First Report:
- a. the Receiver 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; and
 - b. the Receiver 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.

10. Future oriented financial information reported or relied on in preparing this First Report is based on assumptions regarding future events. Actual results may vary from forecast and such variations may be material.
11. The Receiver has prepared this First Report in connection with its application for the Auction Approval Order and it should not be relied upon for any other purposes.
12. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined are as defined in the Receivership Order.

BACKGROUND

13. The Company's operations primarily consisted of two separate activities:
 - a. providing services to a drilling contractor pursuant to the terms of an operations and maintenance contract for a coiled tubing rig located in the middle east (the "**O&M Contract**"); and
 - b. conducting the design, development and construction of a proprietary type of land drilling rig known as the Velociraptor Rig (the "**VR Rig Division**").
14. The O&M Contract was fulfilled through Raptor Rig (USA) Inc., Raptor's wholly owned subsidiary. The O&M Contract required the Company to provide all operational and maintenance support, including personnel, in connection with the operation of a coiled tubing rig which was developed and built by the Company (the "**CT Rig**").
15. Raptor had previously sold the CT Rig to a third party, but maintained ownership of all intellectual property relating to the CT Rig and necessary to its operation. The CT Rig is currently located and operating in Saudi Arabia.

16. As at the Appointment Date, the O&M Contract was in progress with approximately two months remaining in its term. As a result, Raptor was carrying a significant receivable in addition to work in progress in relation to the O&M Contract.
17. The Receiver reviewed the historical performance of the O&M Contract and calculated its anticipated positive short term cash flow to completion. As a result, the Receiver decided to carry forward with the O&M Contract. The Receiver was also of the view that performance of the O&M Contract would enhance the recovery of the receivable and unbilled work in progress.
18. Subsequent to the Appointment Date, the drilling contractor approached the Receiver seeking to extend the term of the O&M Contract to provide it with additional time to transition to a new operator.
19. Accordingly, the Receiver agreed to extend the O&M Contract to December 1, 2020.
20. The O&M Contract was successfully completed generating additional cash flow for the stakeholders in addition to the collection of the outstanding receivable and work in progress.
21. The VR Rig Division's operations are related to the design, development and building of the Company's proprietary Velociraptor Rig. As at the Appointment Date, the VR Rig Division was in the final stages of constructing and programming the first Velociraptor Rig, however that rig had not yet been completed or tested.
22. As at the Appointment Date, the Company employed 22 full and part time office staff, 25 rig operations personnel and 2 management consultants who held the roles of CFO and Controller.

23. The Receiver initially retained the majority of the staff to assist with the completion of the O&M Contract and gradually reduced the staff complement as the scope of outstanding work reduced.
24. The Receiver currently only has a couple of staff on contract assisting with various administrative functions.

THE PROPERTY

25. The Property consists of certain intellectual property (including patents and trademarks) as well as physical assets relating to the VR Rig Division.
26. The intellectual property consists of the following:
 - a. CT Rig intellectual property (“**CT Rig IP**”) which is comprised of: (i) patents registered in numerous jurisdictions (including Canada and the United States), (ii) computer generated design drawings, and (iii) computer programming and related design materials developed by Raptor with respect to the CT Rig; and
 - b. Velociraptor Rig intellectual property (“**VR Rig IP**”) which is comprised of: (i) patents and trademarks registered in numerous jurisdictions (including Canada and the United States), (ii) computer generated design drawings, and (iii) computer programming and related design materials developed by Raptor with respect to the Velociraptor Rig.
27. The physical assets of Raptor consist of the following:
 - a. a substantially constructed Velociraptor Rig (“**VR Rig 1**”);
 - b. parts designated to be used in the fabrication of a second Velociraptor Rig (the “**VR Rig 2 Parts**”) for which construction had yet to commence:

- c. equipment required to support the construction and operations of the VR Rig Division (the “**Support Equipment**”), including, pick-up trucks, front end loaders, mobile rig shacks and living quarters and sea containers; and
- d. miscellaneous other items including but not limited to, hand tools, personal protective gear, office computers, office phones and office furniture (the “**Other Property**”).

LIABILITIES

28. As outlined in the application of Halliburton Global Affiliates Holdings B.V. as secured lender (“**Halliburton**” or the “**Secured Lender**”), the Company is indebted to the Secured Lender in the amount of \$28,871,916 (the “**Secured Indebtedness**”), plus interest, costs and associated disbursements.

RECEIVER’S ACTIVITIES

29. Since the Appointment Date, the Receiver’s activities have included, among other things, the following:
- a. attending the Company’s offices located in south east Calgary, Alberta to secure the Company’s physical books and records as well as securing the Property;
 - b. meeting with the management of the Company including, Reg Layden, Mike Dost, Brent Layden and Bill Zurawell (collectively, the “**Management**”) to obtain information with respect to the business operations of the Company;
 - c. retaining Osler, Hoskin & Harcourt LLP to act as independent legal counsel to the Receiver;

- d. discussing various issues with independent legal counsel including but not limited to documents related to the Sales Process and the Company's intellectual property;
- e. attending to various statutory notices required pursuant to the *Bankruptcy and Insolvency Act* including mailing a Notice and Statement of Receiver to creditors identified in the books and records of Raptor and posting a copy of the notice to the Receiver's Website;
- f. administering claims of certain eligible former employees under the *Wage Earner Protection Program Act*;
- g. responding to creditor enquiries;
- h. overseeing the preparation of various tax filings to recover amounts available pursuant to Scientific Research and Experimental Development tax credits;
- i. continuing with the ongoing operations in Saudi Arabia to complete the O&M Contract;
- j. pursuing various avenues of potential recovery in respect of the Property, including initiating a sale and solicitation process with respect to the Assets; and
- k. preparing this First Report.

SALES AND SOLICITATION PROCESS

30. In consultation with the Secured Lender and Management, the Receiver determined that due to the unique nature of the Property, a sale and solicitation process which canvassed national, North American and overseas oil and gas markets would be required to maximize recoveries for the Company's stakeholders.
31. Accordingly, the Receiver sought proposals from sales agents who could provide local experts, access to international markets through its business contacts and network and who had experience with oil and gas assets of this nature.
32. The Receiver asked the sales agents to provide proposals which described their oil and gas expertise, industry network and how they proposed to market and sell the Property. The Receiver received proposals from eight interested sales agents who proposed various strategies to sell the Property.
33. After reviewing the proposals submitted, the Receiver in consultation with the Secured Lender, agreed on a short list of three parties.
34. The Receiver then conducted interviews with the three parties, which was also attended by a representative of the Secured Lender.
35. Subsequent to the interviews, on or around October 13, 2020, the Receiver and the Secured Lender agreed to engage a sale agent team consisting of GD Auctions and Connect Energy Company (collectively, the "**Sale Agent**").
36. In consultation with the Sale Agent, the Receiver concluded that in order to maximize the recoveries from the sale of the Property, an initial sale process would be focused on the CT Rig IP, VR Rig IP, VR Rig 1 and VR Rig 2 Parts (the "**Sales Process**").

37. Apart from the Sales Process, it was anticipated that the Support Equipment and Other Property would be sold by way of a public auction.
38. On or around October 26, 2020, the Sale Agent commenced the Sales Process.
39. The timeline for the Sales Process was established as follows:
- a. October 26, 2020: Kick-off and distribution of marketing materials;
 - b. January 12, 2021: Phase 1 bid deadline for submission of non-binding expressions of interest; and
 - c. January 26, 2021: Phase 2 bid deadline for submission of a binding Asset Purchase Agreement.
40. However, as the Sales Process progressed it became apparent to the Sale Agent and the Receiver that as a result of a number of factors including the COVID-19 pandemic, the oil and gas markets were undergoing a period of significant uncertainty making it difficult to gain traction with the targeted buyer group.
41. In addition, with the COVID-19 travel restrictions in place, it was difficult for international buyers to attend Raptor's premises for purposes of inspecting the VR Rig 1.
42. Accordingly, the Receiver and Sales Agent concluded that extending the Sale Process to allow interested parties more time to review the VR Rig 1 would enhance the results of the Sales Process. The Sales Process Phase 1 bid deadline was therefore extended to April 15, 2021.
43. At the date of this First Report, the Receiver is still in negotiations to finalize the sale of the VR Rig 1 and VR Rig 2 Parts.

44. As indicated previously, the Receiver will provide a full summary of the Sales Process in advance of its application to be heard on June 28, 2021.

EQUIPMENT AUCTION

45. Raptor's operations were conducted from leased premises in Calgary, Alberta. Raptor's lease is set to expire at the end of August 2021.

46. With the sale of the VR Rig 1 and VR Rig 2 Parts expected to close in mid-July, the Receiver became concerned with the anticipated logistical issues associated with waiting to conduct an auction for the Support Equipment and Other Property while concurrently disassembling and removing the VR Rig 1.

47. In order to alleviate these concerns, the Receiver is seeking the approval of this Honourable Court to complete a public auction which will allow for the Support Equipment and Other Property to be sold and removed from Raptor's premises prior to the disassembly and removal of the VR Rig 1.

48. Due to their familiarity with the Company and the Assets gained through its conduct of the Sales Process, the Receiver requested a proposal from GD Auctions to sell the Support Equipment and Other Property by way of public auction. A copy of the Auction Proposal has been attached hereto as Appendix "A" to this First Report.

49. The Receiver is of the view that the proposed multi-platform, uniquely developed marketing strategy to be implemented by the Auctioneer pursuant to the Auction Agreement, together with the proposed timed online Auction outlined in the Auction Proposal, is fair and reasonable in the circumstances. The Receiver believes that such process will result in a fulsome canvassing of the market, and a maximization of available recoveries, all for the benefit of the Company's estate.

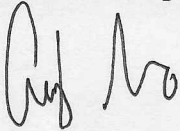
50. Based on its previous experience with similar asset auctions, the Receiver is respectfully of the view that the commercial terms of the Auction Proposal are in line with what would typically be expected in the market for an auction of this size and complexity.
51. Further, the Receiver is of the view that a public auction will provide for the most efficient and effective method of realizing the maximum value for the Support Equipment and Other Property.
52. The Receiver consulted with representatives of GD Auctions and was advised that preliminary estimates for the Auction sale proceeds may exceed the allowable thresholds set out in paragraph 3(1) of the Receivership Order.
53. Accordingly, the Receiver seeks the approval of the Auction Proposal by this Honourable Court.
54. The Auction Approval Order includes a provision to vest the Support Equipment and Other Assets to a purchaser free and clear of any claims or encumbrances.
55. In instances where the Support Equipment is “serial number goods” within the meaning of the *Personal Property Security Regulation*, A.R. 95/2001 (the “**Serial Number Goods**”), the serial numbers for the Serial Number Goods have been included in the Auction Approval Order to assist purchasers with the registry offices at the time of transfer and to ensure that any registrations against such Serial Number Goods in the Personal Property Registry can be discharged.
56. As at the date of this Report, it appears from searches from the Personal Property Registry that no registrations exist against any of the Serial Number Goods.) A list of the Serial Number Goods to be included in the public auction is attached hereto as Appendix “B”.

RECEIVER'S CONCLUSION AND RECOMMENDATION

57. Based on the foregoing, the Receiver respectfully recommends that this Honourable Court grant the Auction Approval Order.

All of which is respectfully submitted this 31st day of May 2021.

**FTI Consulting Canada Inc.
in its capacity as receiver and manager of
Raptor Rig Ltd.
and not in its personal capacity**

A handwritten signature in black ink, appearing to read 'Craig Munro', written in a cursive style.

Craig Munro
Managing Director

APPENDIX A



MISCELLANEOUS ASSETS AUCTION PROPOSAL

OF



RAPTOR RIG

For



May 19, 2021

Edmonton - Calgary



105, 11500-29 Street SE
Calgary, AB T2Z 3W9
May 19, 2021

FTI Consulting Canada Inc.
1610, 520-5th Avenue SW
Calgary, AB T2P 3R7

Via email: Robert.kleebaum@fticonsulting.com

Attention: Mr. Robert Kleebaum

RE: MISCELLANEOUS ASSETS AUCTION PROPOSAL FOR RAPTOR RIG LTD.

Dear Sir:

Thank you for the opportunity to provide you with this Proposal. G.D. Auctions & Appraisals Inc. (“GDA”) have reviewed certain fixed assets and inventory as per Appendix “C” provided by FTI Consulting Canada Inc. on September 15, 2020 and as viewed on September 21, 2020 of the above-noted Company, and propose the following proposal:

PROPOSAL (STRAIGHT COMMISSION)

5% plus \$40,960 for expenses

This Proposal is subject to the following General Limiting Conditions and Critical Assumptions:

SALE STRATEGY

1. GDA offers its services to operate a Timed Online Auction closing on a mutually agreed upon date in 2021.
2. The Assets are free and clear of all liens and encumbrances. GDA shall be indemnified and held harmless by FTI Consulting Canada Inc. against any claim or action arising as a result of dealing with said Assets that were represented as being free and clear.

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3. GDAA will be permitted the use of “Raptor Rig Ltd.” and “FTI Consulting Canada Inc.” in advertising a Receivership auction.
 4. GDAA will setup, inventory, clean as needed, catalogue, and photo the assets for auction to post to the Timed Online Auction. GDAA will have a 2-day viewing period, for prospective bidders to inspect and view all items. The Timed Online Auction will be scheduled to close on a mutually agreed upon date in 2021.
 5. GDAA will have free use of the premises which shall include rent, occupancy costs, property taxes, utilities, telephone, business tax, etc. until a mutually agreed upon date.
 6. GDAA will advertise an Online Auction Sale through a multi-platform, uniquely developed marketing strategy that will best work for an Online Auction Sale relevant to the assets included. Common strategies deployed by GDAA are social media campaigns, relevant daily, weekly and trade specific publications that include both print and online options. Multi-channel exposure on the world wide web, as well as through pamphleteering to trade related companies, and mail to relevant potential purchasers.
 7. GDAA does not assume responsibility for disposal or proper treatment of any hazardous materials as defined by municipal, provincial or federal legislation.
 8. Any costs to detail or repair equipment shall be approved by FTI Consulting Canada Inc. prior to any work being completed. If applicable, those costs will be deducted from the sale proceeds.
 9. FTI Consulting Canada Inc. shall be responsible for clean-up and garbage disposal costs incurred and will be deducted from Auction proceeds.
 10. GDAA will be responsible for charging, collecting and remitting the GST where it has been notified said tax is applicable.
 11. GDAA shall continue to carry a \$2 million Comprehensive General Liability insurance policy covering personal injury and property damage that may occur during the Auction/Liquidation Sale as described above. FTI Consulting Canada Inc. shall satisfactorily insure the Assets GDAA is liquidating.
 12. GDAA will be responsible for collection of monies for all sales and will guarantee payment once collected. All sale proceeds shall be deposited in a trust account.
 13. FTI Consulting Canada Inc. will be responsible for all merchant charges associated with the auction sale.
 14. GDAA reserves the right to charge a 15% Buyer’s Premium. Any Buyer’s Premium collected will be to the sole account of GDAA and will not constitute sales for the purpose of calculating any splits outlined below.
 15. GDAA will have the option of adding other assets to enhance the sale.
 16. Within 21 days of the sale, GDAA shall provide a full report of all sales of the Assets together with sale proceeds in the form of a cheque.
 17. GDAA reserves the right to amend these Proposals in the event that between the date of this letter and the date or proposed date of the auction or sale there occurs an event of *force majeure* which shall include, but not be limited to, flu, epidemic, serious illness or plagues, disease, emergency or outbreak acts of God, riots, civil disturbances, strikes, lock-outs, acts of war, terrorism, insurrection and the like.
-

In order to comply with the timetable as outlined, the above offer is open until 5:00 PM Wednesday May 26, 2021 unless extended by mutual agreement.

We trust the above is to your satisfaction. We are ready to proceed immediately.

Respectfully yours,
GD Auctions & Appraisals Inc.

FTI Consulting Canada Inc.,



James Carlson
Senior Vice President

Robert Kleebaum

~ PLEASE SIGN AND RETURN ~

GST Number

APPENDIX B

Vehicle Description	Unit #	Color	VIN #	Plate Number	Mileage as of August 25
2011 Ford Truck /Van F150 FXL Supercab 4WD	Unit 001	White with topper	1FTFX1EF4BKE19890	CDX 2416	171492.8
2019 Ford Truck/Van F150 XL Super Crew 4WD (Lariat)	Unit 003	White	1FTEW1E57KKC56254	CDX 2475	29636
2019 Ford Truck/Van F150 XLT Super Crew 4WD	Unit 004	White	1FTEW1E59KKE00922	CDX 2477	35362
2019 Ford Truck/Van F350 SD XLT Crew Cab 4WD	Unit 005	White	1FT8W3B61KEF26034	CDX 2476	48278
2019 Ford Truck/Van F350 SD XLT Crew Cab 4WD	Unit 006	White	1FT8W3B63KEF26035	CDX 2474	21162
2019 Ford Truck F350 SD CC DRW 4x4 Flatbed	Unit 007	White	1FT8W3DT7KEF30656	CDY 7906	7412.1
2019 Ford Truck F350 SD CC DRW 4x4 Flatbed	Unit 008	White	1FT8W3DT1KEF30653	CDY 7905	9467

Color	Make/Model	Serial #	Hours as of August 25/20
Yellow	John Deere 644K	1DW644KPHDE653050	7750.9
Yellow	Hyundai HL7409-TM Planetary Drives	HH1HLN02KB0000077	11661.2

Model	Make	Color	Serial #	Hours
4069 ERT	MEC Aerial Platform Sales Corp	Red	13400184	287