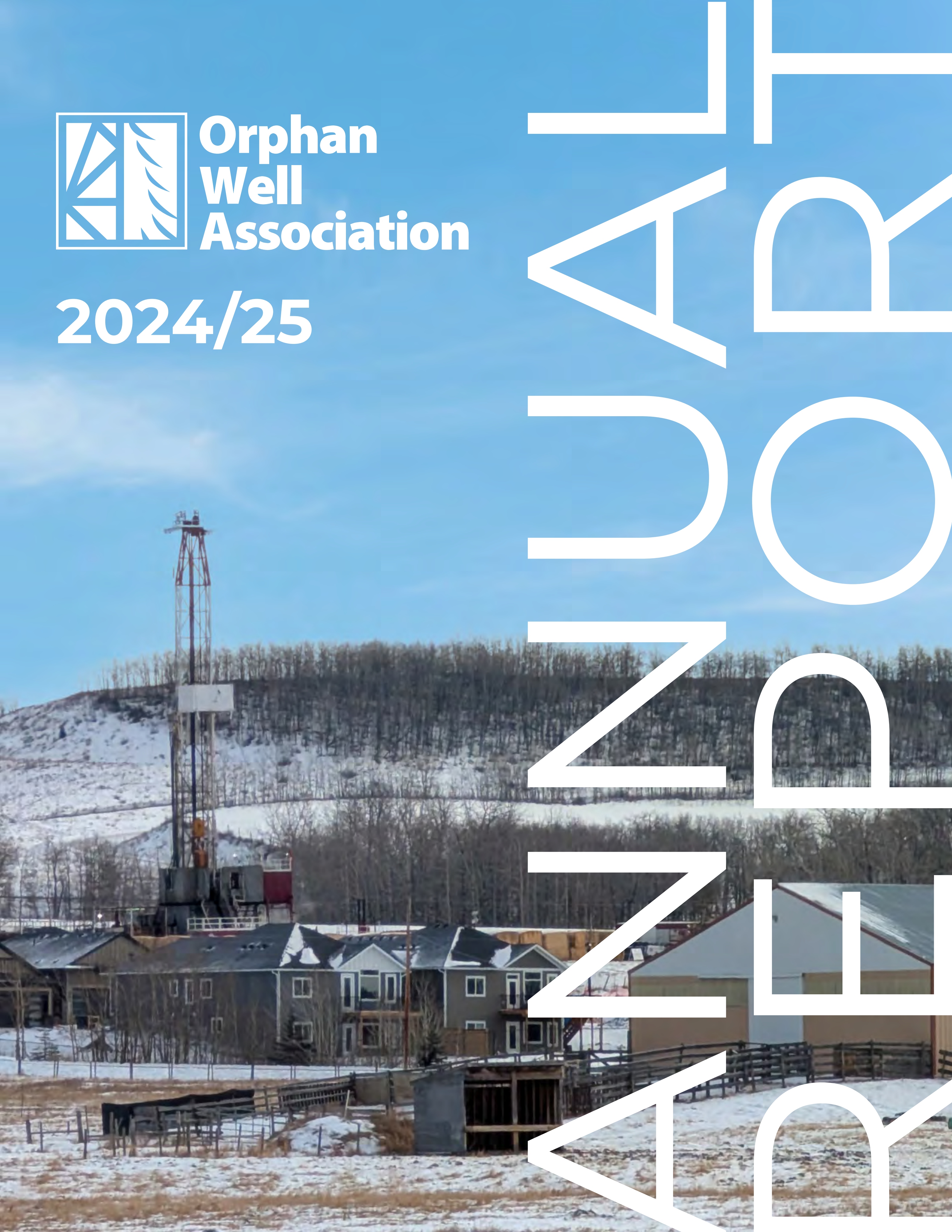
Orphan Well Association

2024/25

ANNUAL REPORT



Contents

Front cover: Diamond Valley, Alberta

Our Vision and Mandate

The Orphan Well Association collaborates with the Government of Alberta, the Alberta Energy Regulator and the oil and gas industry to work toward a common goal: protecting public safety and managing the environmental risks of assets licensed to defunct oil and gas companies. These properties are known as “orphans”.

The mandate of the OWA is to decommission[1] Alberta’s orphan oil and gas wells, pipelines and production facilities, and restore the land similar to its original state, all in a safe, principled and cost-efficient manner.

Since beginning operations in 2002, the OWA has decommissioned nearly 8,200 wells and received nearly 3,300 reclamation certificates, with over 3,500 other sites reclaimed and awaiting vegetation to be established. This work has allowed municipalities, farmers, ranchers and recreational users to reconnect with what the landscape has to offer.

This Annual Report contains forward-looking statements based on current expectations, estimates, projections and assumptions, and certain operating and financial measures. By the nature of its mandate and work, there are potential impacts to the organization’s future operations and related finances that the OWA cannot predict. Where expressed, forward-looking statements are provided in the interest of context that stakeholders may find useful. The OWA fiscal year is from April 1 to March 31.

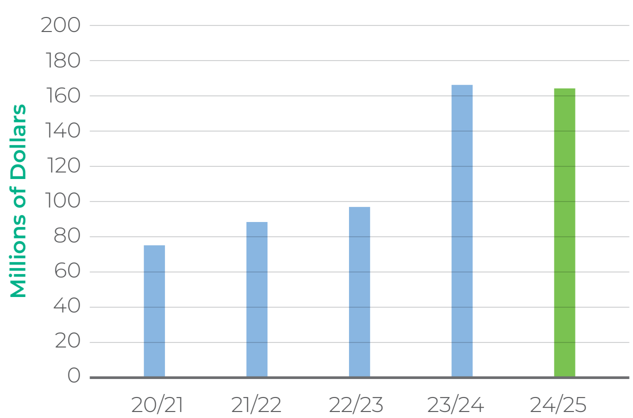
[1] *The OWA Annual Report uses the term “decommission” to refer to the responsible abandonment of energy infrastructure in a manner that ensures it will not pose a risk to the environment or the public.*

Highlights

Industry funding through the Orphan Fund Levy remained steady in 2024/25, allowing the OWA to maintain operational activity. Our inventory more than doubled at the end of our fiscal year when assets from the defunct Sequoia Resources were orphaned. We have the funds to address these sites in a reasonable timeframe, along with others in our inventory.

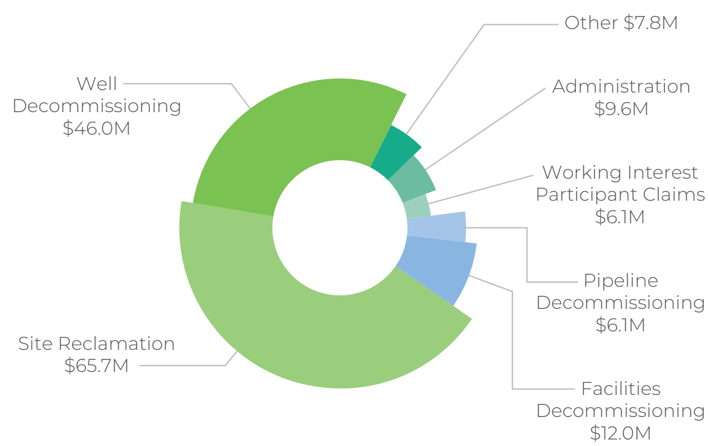
Most of our expenditures are focused on site reclamation, as more of our inventory moves to this final stage of closure. The number of sites receiving reclamation certificates is increasing, reflecting the reclamation work of the past several years.

Funds Received*

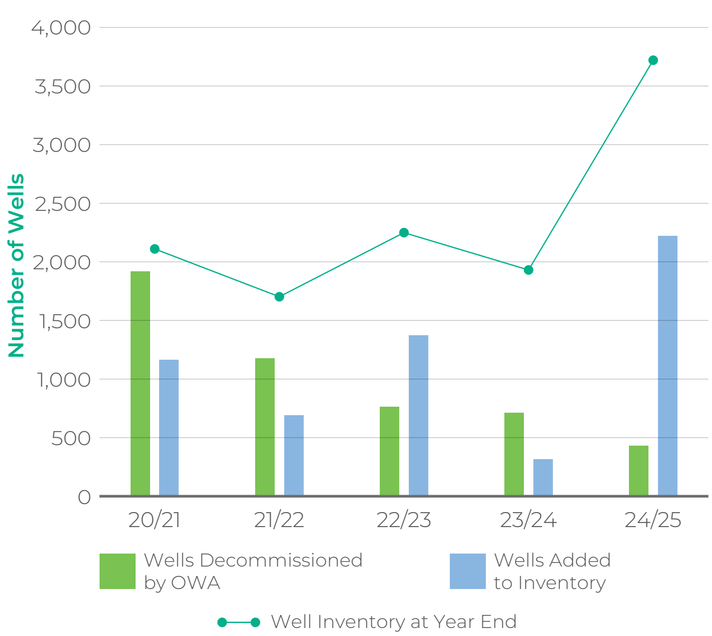


*Excluding government loans

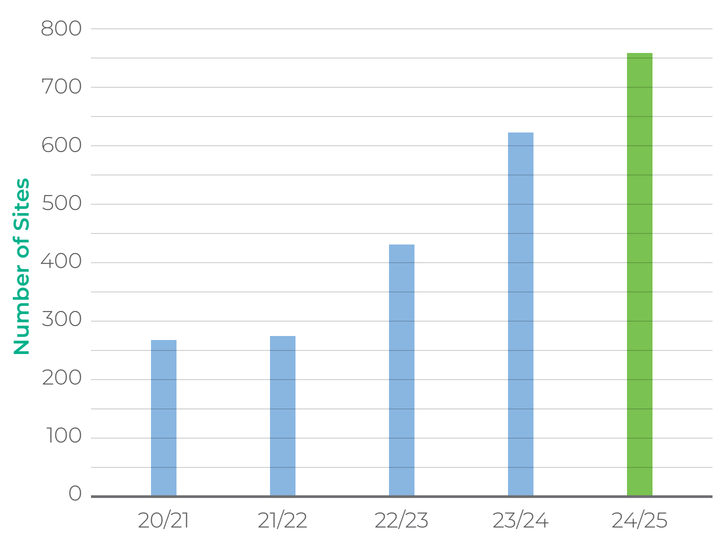
2024/25 Expenditures by Category



Well Inventory and Wells Decommissioned**



Number of Reclamation Certificates Achieved



**Orphan and Working Interest Participant Agreement sites

Regulatory Framework

Alberta has a comprehensive regulatory system that includes proactive requirements and processes to reduce the probability that a site will be orphaned, and an industry-funded backstop to close orphaned sites in a timely and efficient manner when they occur. For a complete description of all elements of the system, visit aer.ca under the tab Regulations and Compliance Enforcement and click on Liability Management Programs in the drop-down menu.

Alberta Energy Regulator

AER Proactive Rules and Process

Holistic licensee assessments look at the overall capability of a company to address its obligations, including closure (*Directive 088: Licensee Life-Cycle Management*).

Liability management programs encourage and require companies to address their liabilities appropriately.

Inventory Reduction Program requires annual mandatory spending on closure.

Sites at Risk

When a licensee is not meeting its requirements, the AER may issue an order for them to take all **reasonable care and measures** (RCAM) to protect public safety and the environment.
If they do not, the AER may require the OWA to provide that care. The OWA may safely shut-in operations or operate the site for an interim period.

The OWA can apply to the courts for the **appointment of a Receiver** to provide the opportunity for an orderly transition of assets to new parties.

Orphan Well Association

Backstop for Closing Orphans

The **OWA closes sites** that have been designated as orphans by the AER.

Risk-assessed and area-based approaches ensure that public safety and the environment are protected and closure work is completed efficiently.

The Year in Perspective

MESSAGE FROM THE PRESIDENT

In 2024/25, the OWA maintained a steady level of operational activity – as we will for the next two to three years – moving orphan sites consistently through our decommissioning and reclamation inventories, until they are formally closed. We take a considered and cost-effective approach, with safety and technical excellence at the core of our decisions.

After years of clearing many straightforward projects from our inventory, we started 2024/25 tackling more complex projects that required greater resources. With the completion of Sequoia Resource's insolvency process in early 2025, our inventory of orphan wells more than doubled in one day with the addition of almost 1,800 wells that require decommissioning. In addition, we received 565 sites that only require reclamation. Given the type of assets licensed to Sequoia, we have not identified any sites that pose a high risk to public safety or the environment, and so we are returning to a program of focusing our decommissioning efforts on a high number of relatively simple wells located primarily on private land, at what we expect will be a brisk pace.

> After years of clearing many straightforward projects from our inventory, we started 2024/25 tackling more complex projects that required greater resources.

Although we received the Sequoia wells all at once, it was not unexpected. We have been aware of their insolvency proceedings since 2018, when the company indicated it was stopping operations. This is generally the case when we receive new orphan sites – companies that we know have been struggling for years finally collapse – although this file took longer than most to work through the insolvency process, due to litigation. Our monitoring of troubled companies allows us to plan for the day when we become responsible for their sites, so we are ready to promptly begin decommissioning and reclamation work.

This isn't the first time we've received a surge in our inventory. When Lexin Resources went bankrupt in 2017, we received nearly 1,100 wells for decommissioning and 103 sites for reclamation only. Since that time, we have completed our decommissioning and reclamation work on nearly all the Lexin sites, with nearly 40 per cent of sites having obtained reclamation certificates and over 25 per cent of sites in the revegetation and monitoring phase of reclamation. We expect a similar trend with the Sequoia wells over the next few years. As was the case with Lexin, we have the funds to address the Sequoia orphans and will work diligently to close them.

Although the Sequoia wells will keep us busy, we continue to work on other sites, as well. We have been prioritizing sites on private land, given landowner impacts, and we are now in a position to regularly address more projects on Crown land, particularly in Northern Alberta.

While our decommissioning work is often front and centre in the minds of our stakeholders, we continue to expect most of our expenditures will be focused on the environmental work of remediation and reclamation. Patience is key, as it takes years for vegetation to take hold so that we can apply for the site to be removed from our inventory through a reclamation certificate. In 2024/25, we received almost 800 reclamation certificates, with over 3,500 additional sites awaiting revegetation.

From a program perspective, the Alberta Energy Regulator (AER) has put in place processes to designate sites with Working Interest Participants (WIPs) as orphans. We have about 500 of these “partner sites” in various phases of work. This change creates a more streamlined process, more efficient use of orphan funds and reduces landowner confusion about who is responsible for cleaning up orphans on their land. In the bigger picture, it also reflects industry and the AER’s confidence in our operations and technical excellence.

In most expected cases where we take on partner sites, we will invoice the WIPs for the cost of their portion of closure activities.

More and more, our work goes beyond the technical aspects of site closure as we are brought in during the receivership process to provide guidance about what should become of assets that have remaining value. When a company becomes insolvent, many of their assets are still producing at various rates. Our advice has been guided by the belief that any assets that the market considers valuable should be sold, so that no asset is prematurely declared an orphan and decommissioned. We review and analyze our recommendations to receivers to ensure we continue to give the best possible advice that is in the interest of all stakeholders.

Balancing expenditures for our operations, we continue to repay our government loans. We have been steadily repaying our provincial loan at over $30 million a year, as per our agreement with the Province, and have repaid almost half at the time of publication of this report. Going forward, we expect to maintain consistent levels of both operational activity and loan repayment.

As orphan sites are added to our inventory and existing sites are closed, the estimated total remaining closure cost provides an indication of the liability the OWA expects to address. As of March 31, 2025, we estimate the total remaining closure cost on sites managed by the OWA (orphans, WIP Agreements and large facilities) to be about $1.12 billion net to the OWA. This number is based on both generic and site-specific evaluations, as wells as our extensive historical experience closing sites.

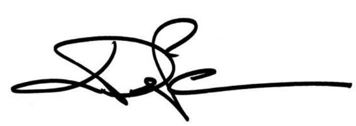
We are actively tackling the new sites that were added to our inventory in 2024/25, while continuing to address sites that we’ve had for a while and have been waiting for their turn. In addition, we have been involved with several significant insolvencies that are expected to impact our inventories in the next year or so. However, our expectation is that the AER’s modernized regulatory framework to reduce the risk of orphans will lead to fewer waves like this over time.

While I believe we have achieved steady or improving performance across most aspects of our operations, one area of concern is safety. After a stellar two-and-a-half years of zero lost-time injuries among staff and contractors, we had two consecutive quarters recording injuries. When it comes to safety incidents, the goal is always “zero” and we will be working with our teams to get back on track.

Those teams of employees and contractors, who bring their significant technical skills together with creative problem solving are the at the core of everything we accomplish, driving our continuing work to protect the public and the environment.

I’d like to thank them for their efforts on the ground, and I’d like to thank the Board of Directors for their stewardship of our evolving organization.

Finally, I’d also like to personally thank Brad Herald, who stepped down from the Board after 10 years of service. Our Board Chairman for the last nine years, his lively stewardship of the OWA and the work we do has helped to shape the organization we are today.



Lars De Pauw
President

MESSAGE FROM THE CHAIR

First off, I would like to acknowledge the great work and dedication of our outgoing Chair, Brad Herald. Since I joined the OWA Board of Directors in 2019, Brad has done a tremendous job guiding the organization with a steady hand. As the new Chair, my vision is to build upon the strong foundation that Brad, Lars and the rest of the OWA team have built to create an efficient and effective organization that is not only a made-in-Alberta success, but is also perceived as a model for the rest of the world as a solution for tackling cleanup of orphan sites.

My opinion of the Orphan Well Association is that it acts as a safety net for the citizens of Alberta. The OWA ensures that the oil and gas industry will backstop the cost of safely managing the restoration of orphaned oil and gas sites that have no financially viable party to close wells or return impacted land to its original state.

As an independent, non-profit organization that operates under the delegated authority of the AER, it is a unique operation. While clearly not a typical business, I believe our operations have many of the best traits of a well-run and efficient enterprise.

Our on-the-ground operational plans are focused on near-term, achievable results – and the results have an exemplary track record. This strategy is built into the OWA's management planning cycle, with competitive contracts in place and project planning extending to each stage from winter freeze-up to spring thaw and summer reclamation and seeding, each and every year.

Equally important, our planning also incorporates where and when potential wells, facilities and pipelines may be orphaned. Like a well-run business, potential "market risks" of the OWA's unique operations have been on our radar for years and, in many cases, we are active participants in the insolvency processes for failing operators. It is the OWA's role to have an informed – and sometimes active – position in the events that will shape our future inventory.

One of the most important aspects of the OWA is that we maintain a laser focus on cost-efficiency: the OWA's strategy of area-based closure allows us to tackle dozens or even hundreds of neighbouring sites under a single master plan. When a project team is mobilized, whether to safely decommission wells or to remediate and reclaim the landscape, economies of scale reduce costs and time to completion over the long run. And that, in turn, leaves both funds and windows of opportunity to accelerate work.

The strategy and scale of area-focused operations mirrors, somewhat, the evolution of Alberta's oil and gas industry – an evolution that I believe reduces the future risk of orphan sites. Where historically the industry had many players of various sizes, with widespread operations and vastly differing financial foundations, it has been consolidating for several years. There are fewer, but stronger, producing companies overall and they tend to be in a better position to manage the ups and downs of commodity cycles.

At the same time, technology advances and the contemporary focus on resource plays are minimizing surface disturbance and maximizing subsurface efficiency. As a result, there will be a reduced impact on the land and fewer future liabilities. For instance, a single access road and a single pad site with a number of wells reaching out horizontally and producing through a single pipeline often replace what would have once been multiple roads and many well sites and just as many pipelines, reducing the environmental footprint. This approach also means that the Alberta industry is increasingly intensive in up-front investment, with players having a long-term view supported by strong balance sheets that are built to weather market cycles. This points to far fewer current operations becoming future orphans. The numbers bear this out. While industry was drilling in excess of 15,000 wells per year two decades ago, the annual number of new wells has been under 5,000 in more recent years.

As the industry has evolved to become more efficient and risk-averse, so too has regulatory oversight, providing another backstop to the risk of orphans.

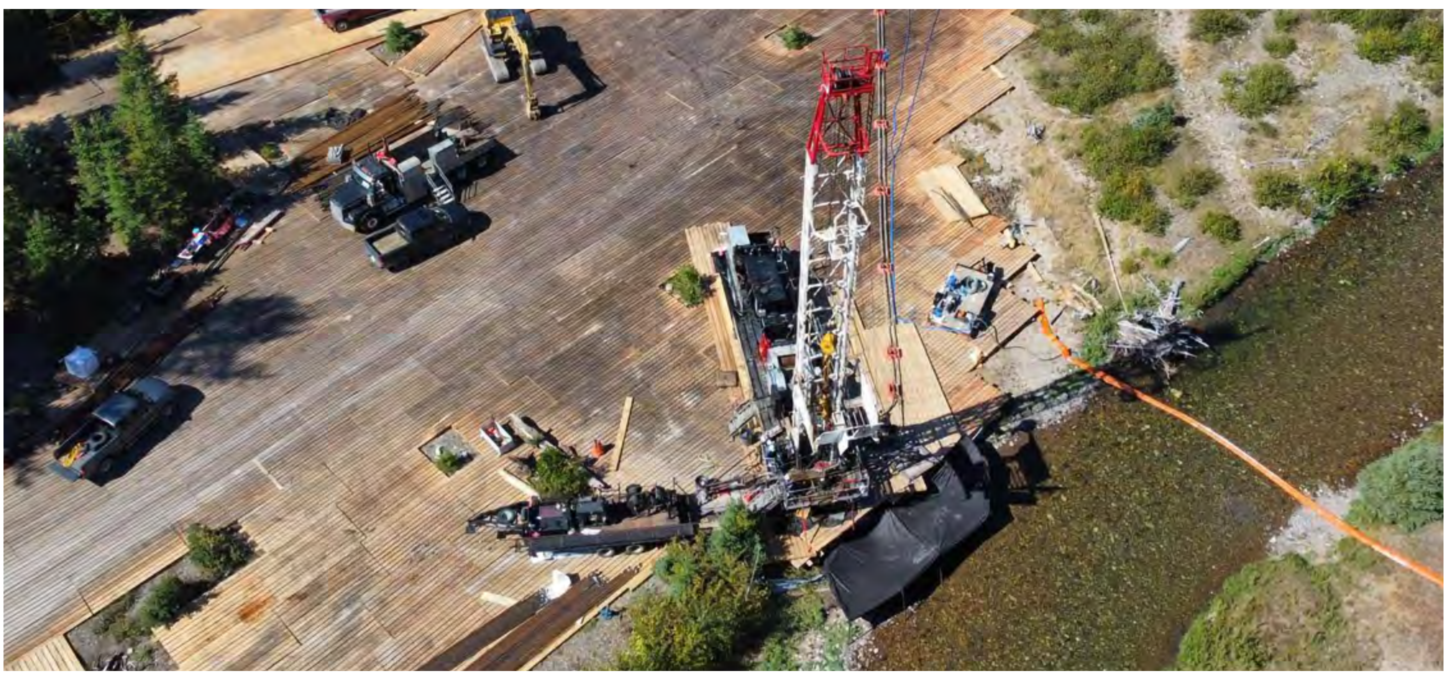
The AER has put in place a framework of programs to mitigate the risk of orphan sites. This includes tightening the financial conditions under which sites may be sold or transferred to a new owner and requiring site licensees to increase their focus on inactive wells, with annual mandatory funds directed to closure. This is significant for the OWA's outlook, because limiting the number of inactive wells held by a company bodes well for its corporate health – and ability to continue to operate responsibly.

Most recently, the AER put in place processes to designate sites with WIPs as orphans. Although I'm fully aware that this will place an additional administrative and operational burden on the OWA, it should accelerate the safe, timely and efficient closure of orphaned sites – and that is core to our mandate.

Ultimately, the goal of the OWA is to work its way out of business, but that is likely to take years to achieve, so we will continue to be the safety net for this decades-old problem. The impact of evolving industry practices and new technology, along with the strengthened regulatory environment, will take time to impact the OWA's inventory trends but we are already seeing positive signs. For instance, for the past four years, the number of wells that industry closes in a year exceeds the number of new wells drilled, and the overall number of inactive wells is trending down.

As we look to the challenges ahead, we believe we have the experienced leadership required in our core competencies of decommissioning, remediation, reclamation, finance and stakeholder relations. Our team, working in collaboration with hundreds of companies and thousands of workers across the province, has a strong track record of success that positions us well as a trusted partner to industry, regulators, provincial and municipal governments, and the citizens of Alberta.

D. Blake Reid
Chair, OWA



Returning Habitat to Species at Risk

RECLAMATION IN THE CRITICAL GREATER SAGE-GROUSE HABITAT

Southeast Alberta near Manyberries epitomizes the challenge of restoring native prairie.

Once a thriving crude oil production network, there are now approximately 250 oil and gas sites that are in the OWA inventory to decommission and reclaim.

The landscape is already transformed five years after the OWA received the sites. Through downhole well and surface decommissioning, the infrastructure has been removed, and the majority of sites are now at various stages of assessment and reclamation. The goal: return the land back to its original land use of native prairie, as quickly as possible.

Before the reclamation efforts in southeast Alberta

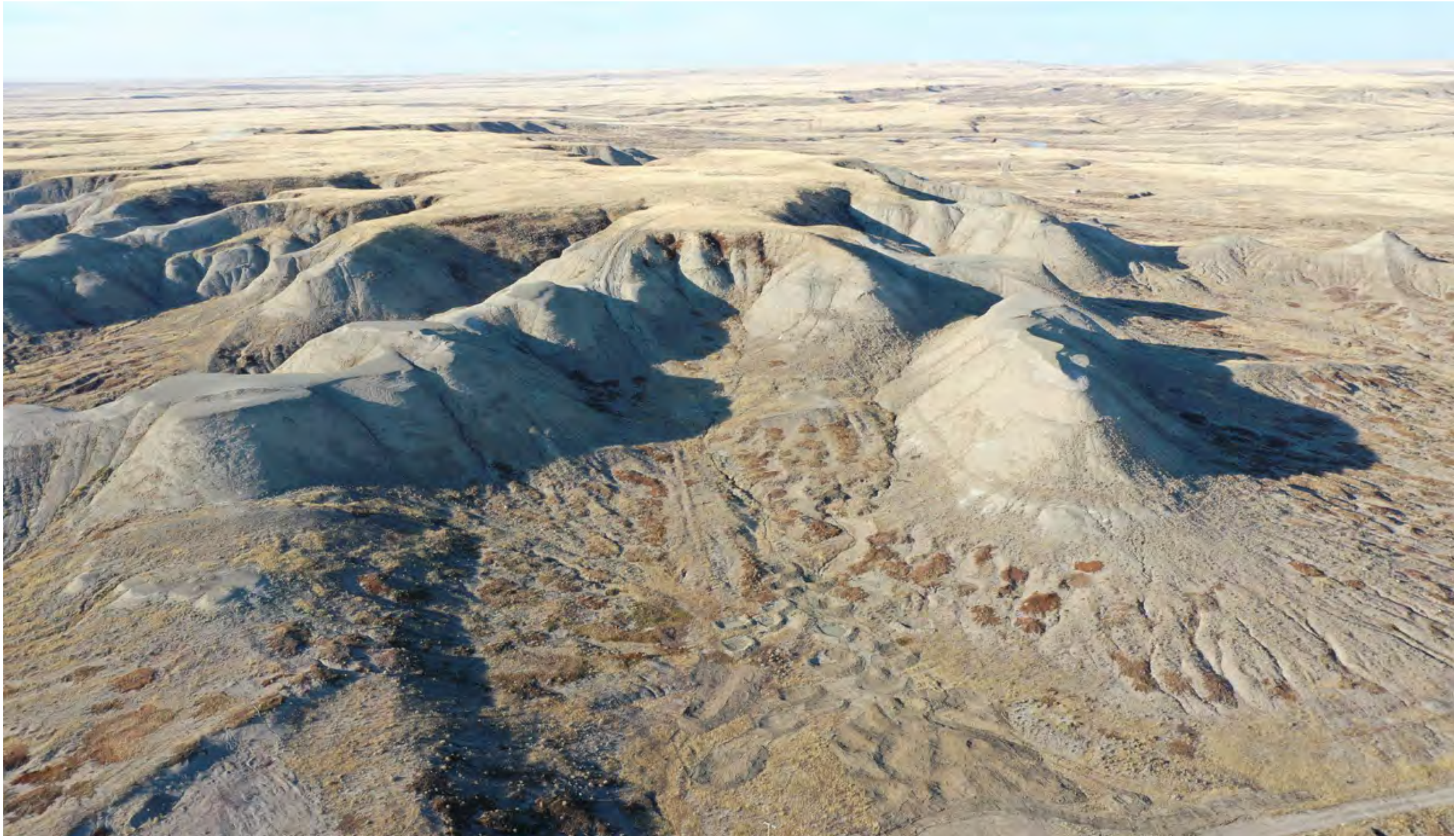
What's the rush, and why is reclamation so challenging? This area, largely under a federal government Emergency Order for the protection of the greater sage-grouse, is home to several Species at Risk. Among the vulnerable wildlife and plant species are the greater sage-grouse, greater short-horned lizard, burrowing owl, ferruginous hawk and swift fox.

The greater sage-grouse is Alberta's most imperiled species, and critical to its survival is the silver sagebrush, which offers food, protection and nesting sites. Our work to accelerate reclamation in this semi-arid region is in the context of a harsh climate, prone to drought, with nutrient-poor soils. The area has Alberta's lowest recorded precipitation, warmest summers and the longest growing season.

Samantha Price, Environmental Lead at the OWA, says "Our prime contractors are the heart of the reclamation program. This goes beyond a standard client-contractor relationship. It's a long-term collaboration with industry experts who are deeply committed and passionate about the area's ecosystem."

Past construction methods, deemed unsuitable by today's regulations due to the sensitive nature of the land, have left their impact. For the long-term success of the project, there is significant collaboration among the OWA, the OWA's environmental prime contractors – Jorgensen Land Management (JLM), TerraLogix Solutions and Salix Resource Management, grazing lessees and four regulatory bodies: the AER, Alberta Forestry Parks and Tourism Lands Division, Alberta Environment and Protected Areas (EPA), and Environment and Climate Change Canada.

Following the Species at Risk Act permitting process and conditions requires meticulous planning and communication across the team; in particular, to maximize fieldwork in the annual provincial work-window from September 15 to November 30. This window ensures minimal disruption to the greater sage-grouse. However, balancing the needs of other species, such as the greater short-horned lizard, poses additional challenges. With the lizard observed burrowing late September to mid-October, optimizing fieldwork to support both species



After the reclamation efforts in southeast Alberta. Meticulous planning has been critical to restoring the native prairie landscape, the habitat of the greater sage-grouse.

In 2024, 270 greater short-horned lizards were relocated as part of the reclamation process.

has proven doable but extremely demanding. As Price explains, “At the height of fall 2024 operations, 75 people worked in the field, daily. We relocated approximately 270 lizards, remediated 40 sites and completed surface reclamation on 60 sites, including transplanting 24,000 silver sagebrush.”

Recognizing the need for silver sagebrush seeds, the OWA embraced the EPA’s original seed collection initiative. JLM organizes an annual seed harvesting event, now in its third year. With help from students of Lethbridge Polytechnic, the day has created a valuable student engagement opportunity while supporting reclamation efforts. With the seed bank depleted for the last two years, the collaboration continues to provide immense value. In 2025, the initiative will pilot harvesting creeping juniper berries to support revegetation efforts of sites within the greater short-horned lizard’s habitat.

With 50 per cent of the sites now advanced through surface reclamation, it will take five to 10 years for the vegetation to fully establish. JLM’s Dave Jorgensen emphasizes the importance of creating a lasting impact. “Our goal is for this work to outlast our lifetimes and leave behind a legacy for species and a self-sustaining ecosystem,” he says.

As with any ecosystem, the decline of one species can have a cascading effect on others. While the area’s ecological resilience is still unfolding, early indicators offer hope that the area is on a positive trajectory. For example, the critically endangered greater sage-grouse has been tracked moving to nearby recently reclaimed land.

In 2025, a pilot initiative will be launched to harvest creeping juniper seeds in the greater short-horned lizard’s habitat as part of revegetation efforts on reclaimed sites.

Evolving responsibilities for closure activities

As an organization specializing in oil and gas closure activities, we have a sophisticated technical and operational approach to decommissioning and reclaiming orphans. The AER has recognized the benefits of the OWA closing defunct company sites in Alberta and has enhanced the scope of our work by broadening the definition of an orphan. In particular, the AER has broadened the definition of an orphan to include sites that have an active minority interest – known as Working Interest Participants, or WIPs.

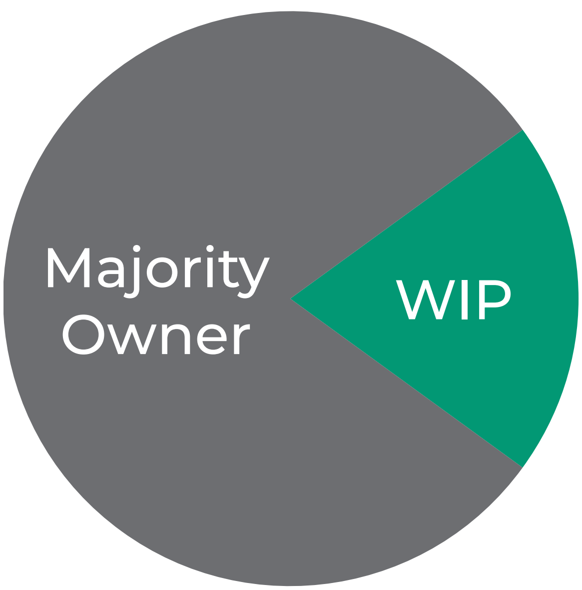
This change creates a more streamlined process, more efficient use of orphan funds and reduces landowner confusion about who is responsible for cleaning up orphans on their land.

What has not changed

When a site is 100 per cent owned by a defunct company and there is no legally responsible party to close it, the AER may designate it as an orphan so that the OWA undertakes closure work and pays for it with industry funding.

Working Interest Participant

Many sites have a Working Interest Participant, or WIP.

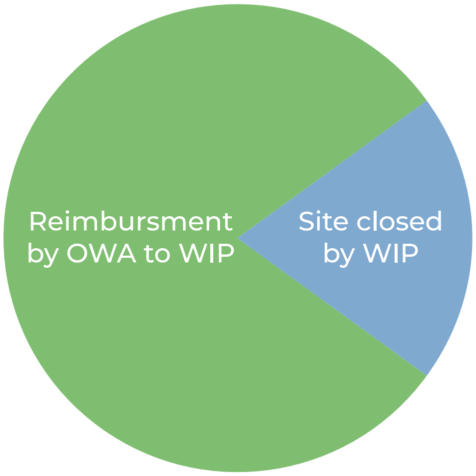


SITES WITH A HEALTHY PARTNERSHIP

- Typically, a majority owner holds the AER license and operates the site.
- The WIP is not involved in the operation of the site but holds a minority financial interest in a portion of the site and receives a portion of the site's revenues.
- The WIP has a regulatory responsibility to pay for its portion of the closure work.
- Sites may have more than one WIP.

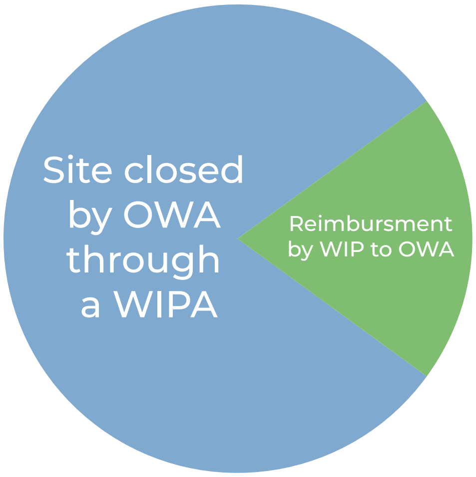
Changes for orphans with WIPs

The following illustrates the policy that addressed a site with a defunct license holder and one WIP. The policy remains consistent when sites have more than one WIP.



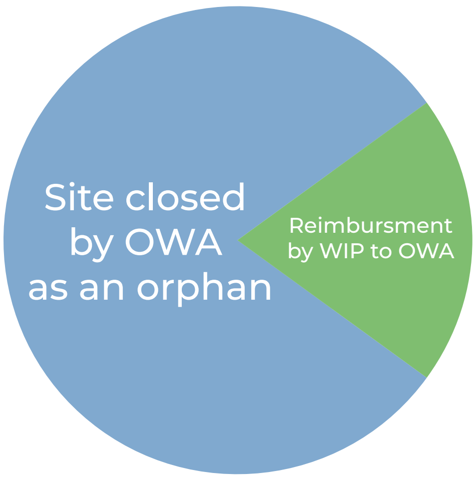
BEFORE 2021: WIP CLOSES SITE

- The AER directed the WIP to close the site under an Abandonment Order. The site was not designated an orphan.
- The WIP may be reimbursed by the OWA for the defunct company's portion of costs.



2021 TO 2024: NEW OPTION WHERE OWA MAY CLOSE SITE

- The AER continued to direct WIPs to close sites under an Abandonment Order.
- As another option, if the OWA and the WIP signed a Working Interest Participant Agreement (WIPA), then the OWA closed the site, and the WIP reimbursed the OWA for their portion of the costs.



2025 ONWARD: OWA MAY CLOSE WIP SITES

- The AER may designate sites with defunct licensees, including those with one or more WIPs, as orphans. The OWA closes them.
- WIPs reimburse the OWA for their portion of the costs.

Fiscal Responsibility

FINANCE

Funding the OWA

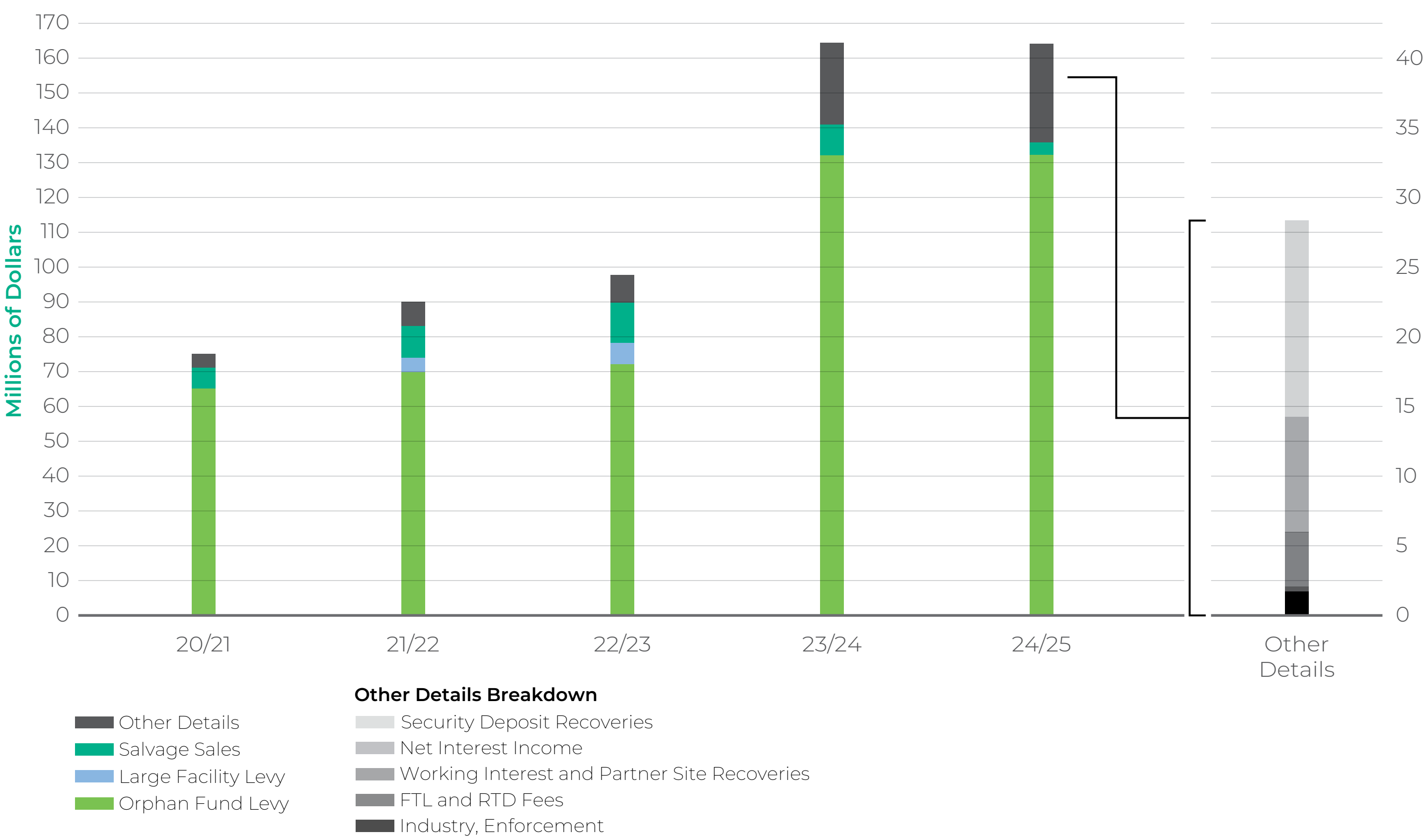
Direct funding and other sources of revenue for the OWA remained relatively steady at $164.3 million in 2024/25, from $167.2 million the year before. Regular OWA funding is provided from the Orphan Fund Levy, the Large Facility Levy, salvage sales and other sources.

The Orphan Fund Levy collected by the AER was relatively steady at $132.3 million in 2024/25, from $134.3 million the year before. The goal of the Orphan Fund Levy is to provide funding to the OWA so it can ensure public safety and manage the overall inventory at an acceptable pace. The levy is established by the AER and approved by the Government of Alberta.

With no new large facility orphan sites expected and surplus funding from previous levies remaining in place, the AER did not collect a Large Facility Levy again this year. The Large Facility Levy funds the Large Facility Liability Management Program (LFP), as defined under *AER Directive 024: Large Facility Liability Management Program*, a separate program the OWA manages in addition to the original Orphan Well Program. The LFP includes very specific facilities, including sulphur recovery plants and certain in situ oil sands processing facilities.

Salvage sales decreased 60% to $3.5 million in 2024/25, from $8.9 million the year before, as there were fewer assets available from decommissioned sites.

Security deposit recoveries remained stable at $14.2 million in 2024/25, from $14.3 million the year before. Security deposits are held by the AER to offset end-of-life obligations and is provided after the OWA incurs closure costs.



See notes 3, 4 and 6 in the Financial Statements for further explanation of net interest income.

Funding from industry and enforcement increased significantly to $1.6 million in 2024/25, from $121,000 the year before, due to increased activity. The "industry" category includes reimbursement for work the OWA performed on behalf of others. This may include reimbursement from land developers when the OWA is the only organization that can feasibly resolve issues related to a right-of-way. "Enforcement" refers to reimbursement for work the OWA performed on behalf of the defunct company, if the company chooses to revive operations.

Net interest income increased 22% to $8.3 million in 2024/25, from $6.8 million the year before due to increasing interest rates.

Working interest and partner site recoveries increased 442% to $3.9 million in 2024/25, from $719,000 the year before. WIPs reimburse the OWA for their share of closure costs, and so this increase reflects the greater number of WIPAs and partner sites that the OWA is managing.

First Time Licensee (FTL) and Regulator Directed Transfer (RDT) fees decreased to $374,000 in 2024/25, from $466,000 the year before. An FTL fee of $10,000 is required by the AER from companies applying for eligibility to hold an energy license and approval. The AER may collect RDT fees from active companies that acquire properties licensed to a defunct company, and then remits these fees to the OWA. Through the RDT program, the OWA reduces its estimated liability that must be paid through the orphan fund. In the 2024/25 fiscal year, 31 orphan licenses were transferred, reducing the OWA's estimated liability by $1.4million.

Expenditures

OWA expenditures[2] increased 25% to $153.5 million in 2024/25, from $123.1 million the year before.

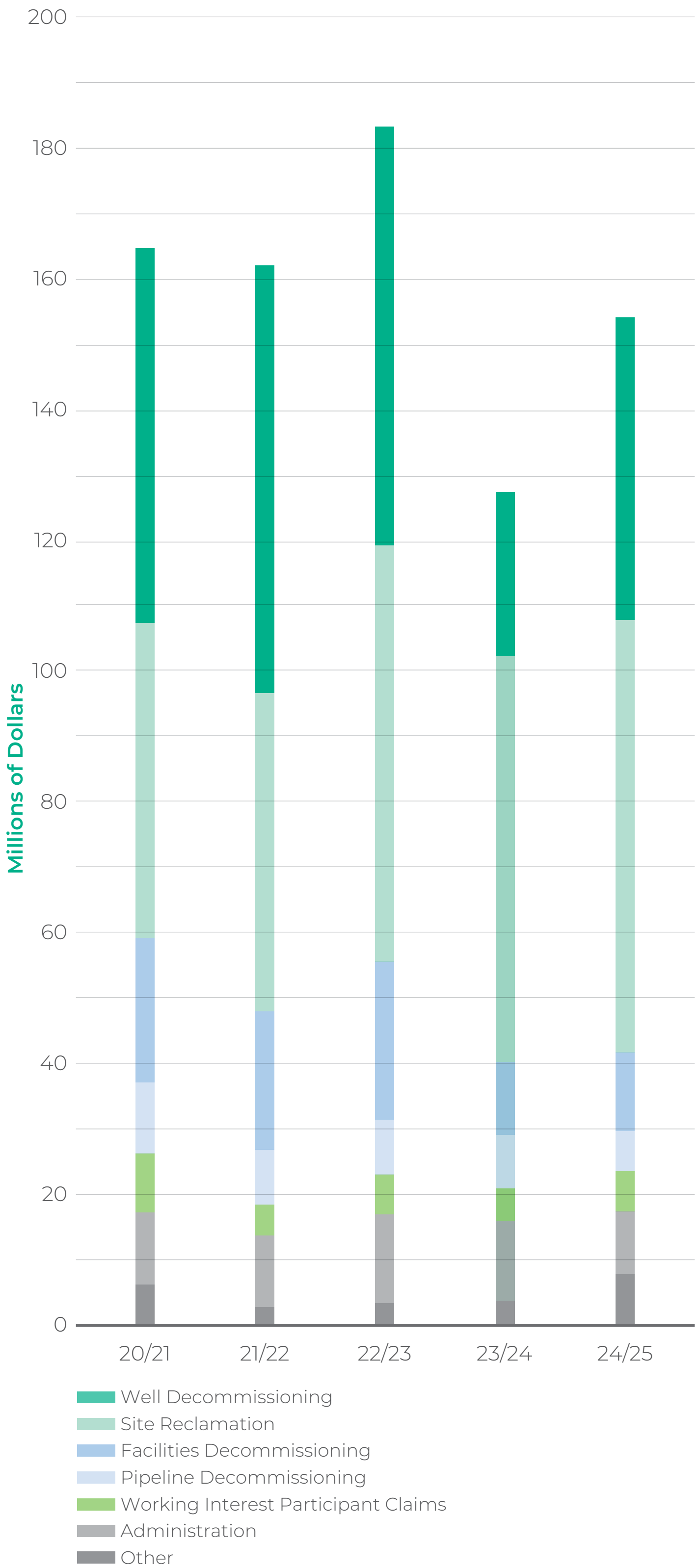
Detailed expenditures[3]

- Well decommissioning increased 84% to $46.0 million, from $25.0 million the year before, as we worked on more complex wells.
- Site reclamation increased 6% to $65.7 million, from $61.8 million the year before.[4]
- Facilities decommissioning increased 8% to $12.0 million, from $11.1 million the year before.
- Pipeline decommissioning decreased 24% to $6.1 million, from $8.1 million the year before.
- WIP reimbursements increased 22% to $6.1 million, from $5.0 million the year before.
- Administration, excluding receiverships, increased 15% to $9.6 million from $8.3 million the year before.
- Other expenditures including Reasonable Care and Measures and land acquisition increased 108% to 7.8 million, from $3.7 million the year before.
- Receivership expenses and GST expenses were in a credit position this year due to various refunds being more than actual expenses.

Detailed expenditures show that spending was focused more on reclamation than decommissioning as sites moved from one category to the other.

In 2022, Canada Revenue Agency (CRA) reversed its previous position and now allows the OWA to claim Input Tax Credits (ITC) for GST paid. Under accounting rules, the GST reimbursed is shown on the Statement of Operations as a credit under expenditures and the interest recoveries are shown under revenue interest. The OWA, CRA and AER have not fully resolved the GST issue and will continue to report GST in this manner until the issue is closed.

[2] *Not including GST, Receiverships and Unrealized Loss/Gain on Investment. Please see Financial Statements for details.*
[3] *Numbers shown are rounded, while percentage changes reflect precise figures from the Financial Statements.*
[4] *Site reclamation includes environmental site assessments, remediation and reclamation.*



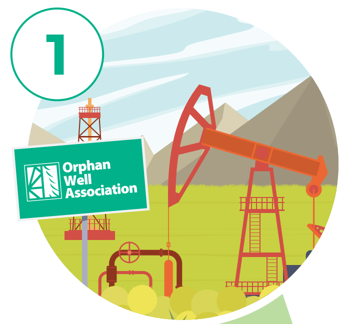
Average Costs

Our average costs to decommission a well and reclaim a site fluctuate over time and can vary significantly depending on the complexity of the site. In 2024/25 the average cost to decommission a well was $43,400, while the average cost to reclaim a site was $27,900. Our average cost of decommissioning a well increased in 2024/25 as we tackled more complex wells in our inventory, so this average is not representative of all sites in the OWA inventory or those across the industry.

Closing a Site

Closing a site and demonstrating that it is functioning similar to how it did before the development took place includes several steps that can take years. Sites typically move from our decommissioning inventory to our reclamation inventory until all provincial reclamation requirements are met, and the AER issues a reclamation certificate. Once the certificate is issued, the site is considered closed.

We engage landowners about our plan to decommission, remediate and reclaim the site, so they understand who will be on their land and what work will be done. Landowners are often frustrated after years of feeling the impacts of these sites. We work hard to address their concerns and mitigate theses impacts within the authority we have been given.



Site Designated Orphan

Wells, facilities and pipelines are added to the OWA inventory of sites.

Sites that have been previously decommissioned go directly to an Environmental Site Assessment.

Inspection typically takes place within 60 days.

Inspection

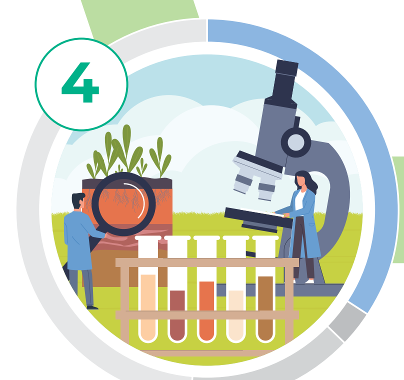
Landowners are contacted and an inspection of the site ensures protection of public safety and the environment. Sites are risk-assessed with higher-risk sites decommissioned sooner.

Planning for decommissioning can take from one to several months.

Decommissioning

Wells, pipelines and facilities are permanently dismantled and left in a safe condition, so there are no risks to the public or environment.

Once work begins, decommissioning takes up to two weeks.



Environmental Site Assessment

After initial review, soil and groundwater may be tested for contamination. Detailed site investigation and contaminant transport modelling may be used to develop site-specific remediation plans. If there is no indicator of risk of contamination, then the project moves to reclamation.

39% of reclamation inventory is here

Most assessments are completed within three months, with complex sites taking longer.

Remediation

If contaminants are present, they are managed or removed.

3% of reclamation inventory is here

Remediation may not be needed, or may require months or years.

Reclamation

Land is contoured and vegetation is planted. The land must be returned similar to its original state.

14% of reclamation inventory is here

Revegetation takes two to three years for most cultivated and pasture sites.

Forested and native prairie locations can take much longer.

Reclamation Certificate Application

A detailed site assessment is required to apply for a reclamation certificate from the AER.

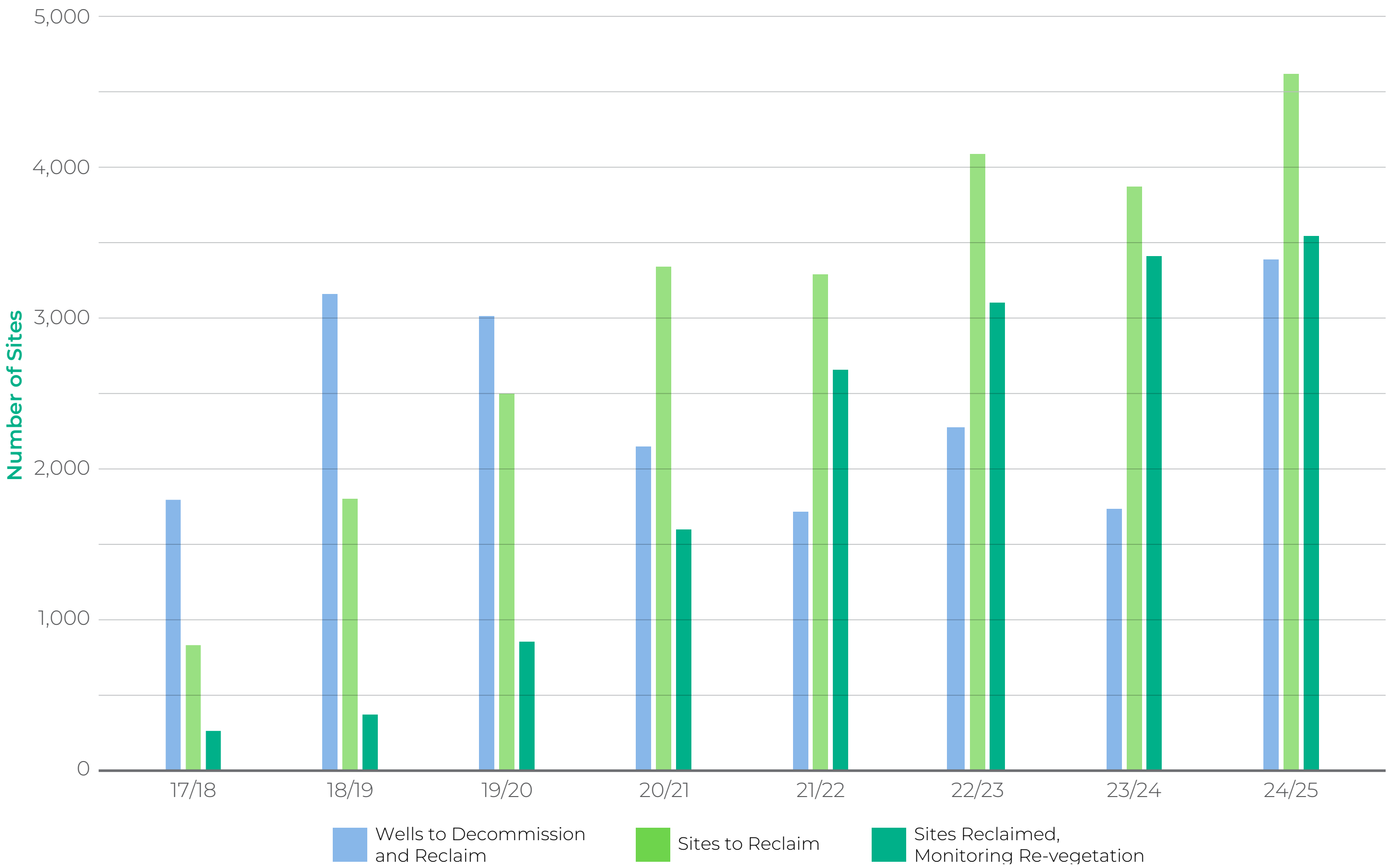
43% of reclamation inventory is here

Two months to prepare application; may be approved in several days.

Site is Closed

Timeline is approximate. Percentages do not add up to 100 per cent due to rounding.

Orphan Inventory Overview



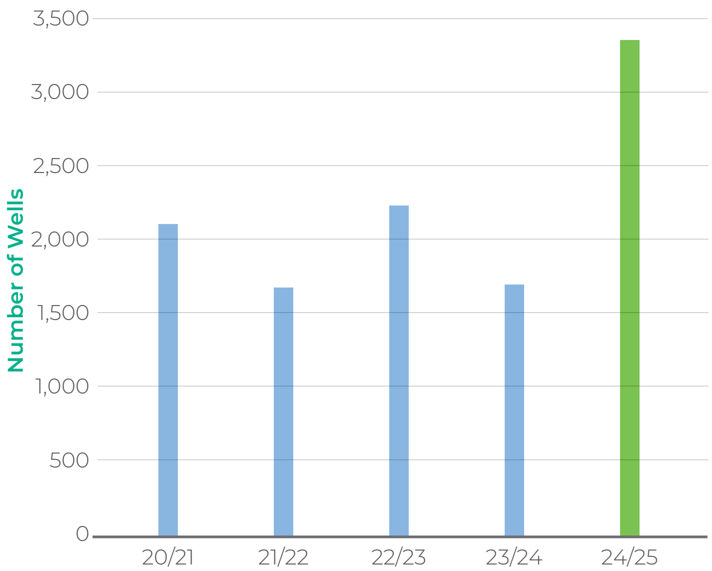
Once we have decommissioned wells and other infrastructure, which can take months, the sites move from our decommissioning team to our reclamation team. In this manner, a decrease in our orphan well inventory leads to an increase in our reclamation inventory. Sites then stay in our reclamation inventory for a longer period of time during revegetation , which can take years.

When we receive a surge of orphan wells, decommissioning work is conducted steadily and efficiently, after which the sites are moved to the reclamation phase. As a result, the reclamation inventory increases, as it has consistently from 2016/17. Once the land has been returned to a natural or productive state, we apply to the AER for a reclamation certificate using the same process industry follows. When the OWA receives a reclamation certificate for a site, it is removed from our reclamation inventory.

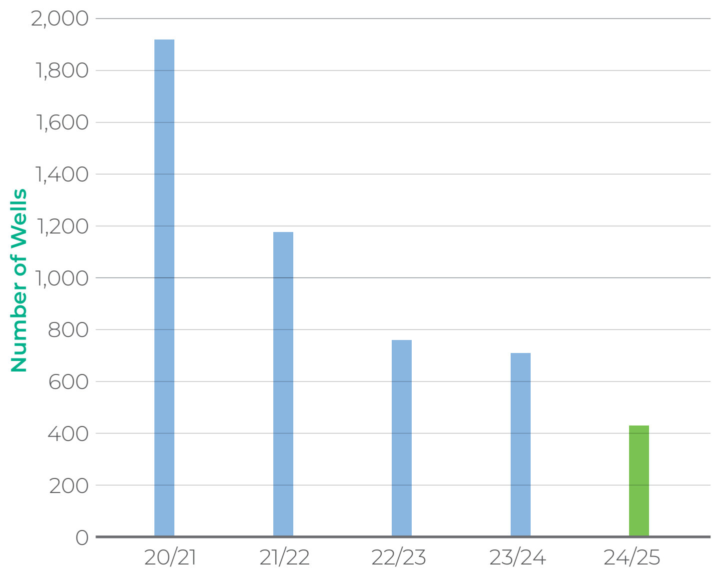
Tackling the Infrastructure

DECOMMISSIONING

Orphan Well Inventory



Number of Wells Decommissioned



The total number of orphan wells in the OWA inventory to be decommissioned increased 97% to 3,388 at the end of 2024/25, from 1,719 the year before. Of the 1,965 new wells designated as orphans by the AER, from 170 the year before, nearly 1,800 wells were due to Sequoia Resource's insolvency process in early 2025.

In addition to our orphan inventory, there are 328 wells that the OWA has agreed to close as part of WIPAs. This includes new WIPAs signed in 2024/25 to close 253 wells.

These sites will need to be reclaimed after they have been fully decommissioned. The inventory number does not include orphan sites where the well has already been decommissioned and only requires the OWA to remediate and/or reclaim the sites.

The number of wells fully decommissioned decreased 40% to 429 in 2024/25, from 710 the year before. Decommissioning numbers for 2024/25 include 132 wells that were closed as part of WIPAs. The decrease in the number of wells decommissioned is due to the more complex nature of projects we tackled in 2024/25, which required more resources and time to complete, after years of clearing more straightforward projects from our inventory. Next fiscal year we will again focus on decommissioning a significant number of less complex wells, mostly those licensed to Sequoia Resources on private land.

A well is considered decommissioned when the AER's requirements in *Directive 020: Well Abandonment* are satisfied. Once all necessary subsurface decommissioning actions are taken, the final step is to cut and cap the well. In this stage, the well casing is cut to a minimum of one metre below the surface (with some exceptions listed in *Directive 020*) and a vented cap is placed atop the well casing. At this point, remediation and/or reclamation of the site may begin.

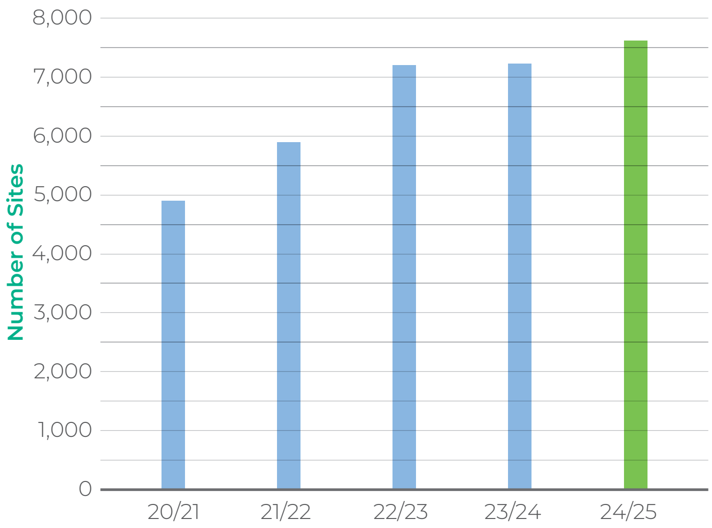
Returning the Land

REMEDIATION AND RECLAMATION

The number of sites the OWA fully closed increased 22% in 2024/25.

As more sites are decommissioned, our work on remediation and reclamation grows. Although our mandate is to close sites and obtain reclamation certificates, the benefits of remediation and reclamation go beyond this goal. Every site that receives a reclamation certificate is then available for farming, pastureland, recreation or a growing community.

Reclamation Inventory



The number of orphan sites in the OWA reclamation inventory increased 5% to 7,594 at the end of 2024/25, from 7,210 the year before. In addition, the OWA has agreed to reclaim 567 sites as part of WIPAs. The reclamation inventory counts how many sites require reclamation. In some cases, there may be more than one decommissioned well or facility on a site.

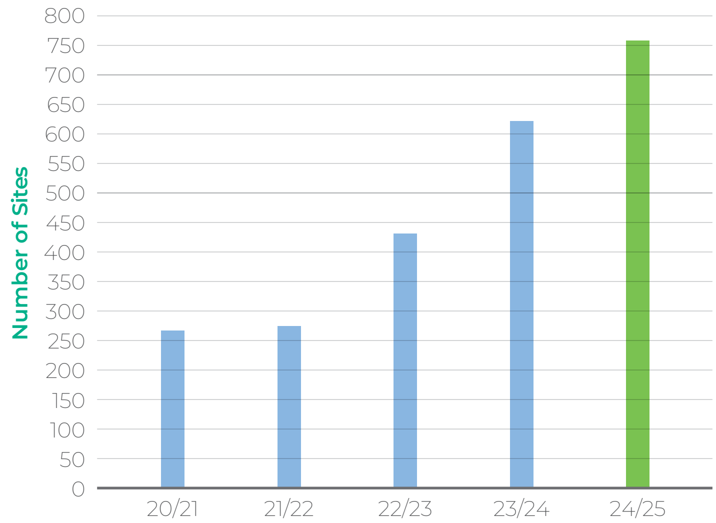
The reclamation inventory increases in two ways:

- when the OWA receives new sites from the AER or through WIPAs that only require reclamation (the decommissioning is already complete), and
- when the OWA is finished decommissioning wells, facilities and/or associated infrastructure and has transferred the sites into its reclamation inventory.

The inventory decreases when the OWA receives reclamation certificates or when it is discovered that a site received by the AER requires further decommissioning operations and it is moved back into that category.

For more information, pages 16 and 17 show the stages of closing a site.

Number of Sites Closed



The number of sites the OWA fully closed increased 22% to 758 in 2024/25, from 622 the year before. The number of sites closed for 2024/25 include five that were part of WIPAs.

This closure number represents 13.78 square kilometres of land returned to Albertans, nearly as large as Devon, Alberta, today home to a research hub focused on reducing the environmental impacts of the oil and gas industry.

It takes years for a site to become suitable for a reclamation certificate application, so this year's number reflects reclamation work performed over the last several years. We expect to see significant growth in the number of reclamation certificates in the coming years as a result of previous years' work, although drought conditions are leading to a slower revegetation process than expected.

Protecting People and the Environment

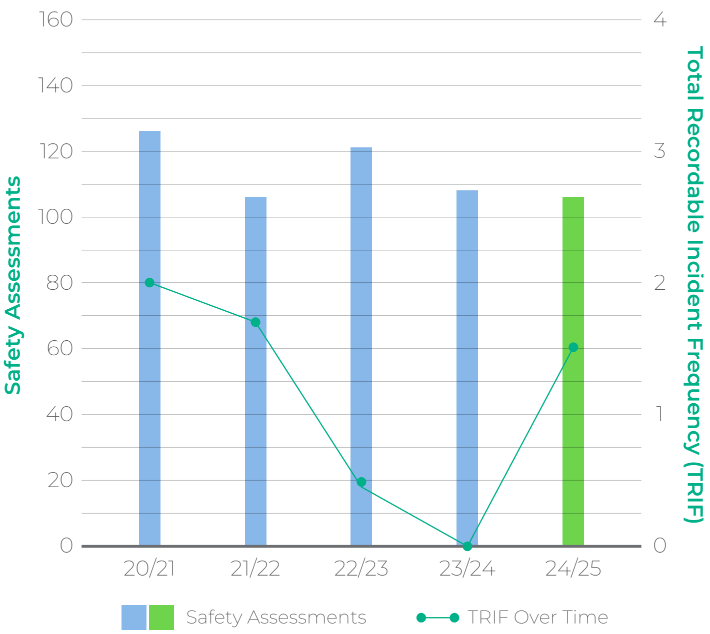
Milk River, Alberta

SAFETY AND RISK ASSESSMENT

In 2024/25, the OWA completed 829 inspections throughout Alberta.

The OWA continues to use a risk-based approach to maintain the safety and protection of workers, the public and the environment. Through a rigorous intake process, we identify stakeholders affected by orphan sites and notify them of future work on their land. Next, sites are reviewed and evaluated with an automated risk-ranking tool and grouped into low-, medium- and high-risk categories. Following the review, sites are inspected to further mitigate risks and obtain site-specific information for the decommissioning and reclamation processes. This information is vital to maximizing the efficiency of our subsequent field operations. Inspectors identify on-site hazards and any environmental issues, as well as conducting a thorough equipment inventory to aid in on-site equipment sales.

Safety



The OWA uses the safety benchmark of Total Recordable Injury Frequency (TRIF) to measure field safety performance relative to the number of hours worked. In 2024/25, our TRIF was 1.51 per 200,000 hours worked based on an estimated 660,800 contractor hours. We investigate all incidents and evaluate ways to reduce the risk of injury incidents in the future.

In addition, the OWA assesses the safety programs of its vendors and conducts site assessments to ensure safe practices are followed during operations. During 2024/25, there were a total of 106 direct safety assessments conducted on Prime Contractors. In addition to these more formal assessments, the OWA conducted 789 safety engagements, where a range of activities were undertaken to support contractors' safety performance, from safety bulletins to in-person dialogue.

Following an exemplary safety record through 2023/24, TRIF increased in 2024/2025. We remain focused on targeting "zero" injuries for staff and contractors.

Management's Responsibility for Financial Reporting

The financial statements of the Alberta Oil and Gas Orphan Abandonment and Reclamation Association, or "Orphan Well Association" (OWA) are the responsibility of management and have been approved by the OWA Board.

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit Organizations, appropriate in the circumstances, and include the use of estimates and assumptions that have been made using management's best judgment.

To discharge its responsibility for financial reporting, management maintains a system of internal controls designed to provide reasonable assurance that the OWAs assets are safeguarded, that transactions are properly authorized and that financial information is relevant, accurate and available on a timely basis. Internal controls are reinforced through the Code of Ethical Conduct, which sets forth the OWA's commitment to conduct business with integrity and to comply with the law.

The OWA Board, through the Finance & Audit Committee, is responsible for ensuring management fulfils its responsibility for financial reporting and internal controls. The Finance & Audit Committee meets regularly with management and external auditors to discuss any significant accounting, internal control and auditing matters to determine that management is carrying out its responsibilities and to review and recommend the approval of the financial statements by the OWA Board.

The financial statements have been examined by Ernst & Young LLP, the OWA's external independent auditors who are engaged by the OWA Board. The responsibility of these external auditors is to examine the financial statements and express their opinion on the fairness of the financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. The external auditors' report outlines the scope of their examination and states their opinion. Internal and external auditors have access to the Finance & Audit Committee, with and without the presence of management.

Lars De Pauw
President

Vik Dhalla CPA, CMA
Corporate Controller

Independent Auditor's Report

To the Members of
Alberta Oil and Gas Orphan Abandonment and Reclamation Association

Opinion

We have audited the financial statements of **Alberta Oil and Gas Orphan Abandonment and Reclamation Association** [the "Association"], which comprise the statement of financial position as at March 31, 2025, and the statement of operations, statement of changes in net assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Association as at March 31, 2025 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP
Chartered Professional Accountants

Calgary, Canada
June 24, 2025

Financial Statements

ALBERTA OIL AND GAS ORPHAN ABANDONMENT AND RECLAMATION ASSOCIATION
Statement of Financial Position
As at March 31, 2025
(thousands of dollars)

		2025		2024
Assets				
Current assets				
Cash	**$**	**29,626**	$	48,467
Accounts and other receivables		**5,047**		3,542
Prepaid expenses and deposits		**600**		603
Investments (Note 4)		**67,816**		37,491
		103,089		90,103
Tangible capital assets (Note 5)		**56**		25
	$	**103,145**	$	90,128
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued liabilities (Note 11)		**32,448**		14,860
Current portion of long-term notes payable (Note 6)		**30,198**		30,198
		62,646		45,058
Long-term notes payable (Note 6)		**257,531**		277,200
Deferred contributions (Note 7)		**78,780**		89,374
		398,957		411,632
Net assets		**(295,812)**		(321,504)
	$	**103,145**	$	90,128

See accompanying notes to financial statements.

Approved by the Board:

Director – Blake Reid

Director – Kyle Pisio

ALBERTA OIL AND GAS ORPHAN ABANDONMENT AND RECLAMATION ASSOCIATION
Statement of Operations
Year ended March 31, 2025
(thousands of dollars)

		2025		2024
Revenues				
Orphan Fund levy through the AER		**132,349**		134,257
Large Facility levy through the AER		**-**		-
Interest income (Notes 3, 4, 6 and 7)		**18,841**		17,948
Deposits and recoveries		**15,844**		15,978
Salvage sales		**3,529**		8,934
First time licensee fees and regulator directed transfer fees through the AER		**374**		466
Working interest and Partner Site recoveries (Note 8)		**3,900**		719
		174,837		178,302
Expenditures				
Operating				
Reasonable Care and Measure		**3,149**		1,928
Well abandonment		**46,008**		25,038
Pipeline abandonment		**6,140**		8,115
Facility decommissioning		**12,025**		11,129
Environmental assessments		**13,271**		12,966
Remediation		**21,300**		15,901
Reclamation		**31,154**		32,934
Land acquisition		**1,841**		-
Working interest claims (Note 9)		**6,076**		4,978
Other		**2,780**		1,802
		143,744		114,791
Other expenses (income)				
Interest on long-term notes payable (Note 6)		**10,530**		11,137
Fund administration (Notes 10 and 11)		**9,580**		8,328
Non-recoverable GST (recovery)/expense (Note 3)		**(10,860)**		126
Receivership (recovery)/expense (Note 12)		**(3,753)**		3,809
Unrealized (gain)/loss on investments		**(96)**		1
		5,401		23,402
		149,145		138,193
Surplus of revenues over expenses	**$**	**25,692**	$	40,109

See accompanying notes to financial statements.

ALBERTA OIL AND GAS ORPHAN ABANDONMENT AND RECLAMATION ASSOCIATION
Statement of Changes in Net Assets
Year ended March 31, 2025
(thousands of dollars)

	2025	2024
Balance, beginning of year	**$ (321,504)**	$ (361,613)
Surplus	**25,692**	40,109
Balance, end of year	**$ (295,812)**	$ (321,504)

See accompanying notes to financial statements.

ALBERTA OIL AND GAS ORPHAN ABANDONMENT AND RECLAMATION ASSOCIATION

Statement of Cash Flows

Year ended March 31, 2025

(thousands of dollars)

		2025		2024
Cash provided by (used in)				
Operating				
Surplus of revenues over expenses	**$**	**25,692**	$	40,109
Non-cash items				
Amortization of tangible capital assets		**27**		22
Unrealized (gain) loss on investments		**(96)**		1
Changes in operating non-cash working capital				
(Increase) decrease in accounts and other receivables		**(1,504)**		1,074
Decrease (increase) in prepaid expenses and deposits		**3**		(77)
Decrease (increase) in accounts payable and accrued liabilities		**17,589**		(2,765)
		41,711		38,364
Investing				
Purchase of investments		**(30,232)**		(2,736)
Purchase of tangible capital assets		**(58)**		(31)
		(30,290)		(2,767)
Financing				
Decrease in deferred contributions		**(64)**		(1,582)
Repayment of long-term notes payable		**(30,198)**		(30,198)
		(30,262)		(31,780)
Net (decrease) increase in cash		**(18,841)**		3,817
Cash, beginning of year		**48,467**		44,650
Cash, end of year	**$**	**29,626**	$	48,467

See accompanying notes to financial statements.

Note 1 Nature of operations

The Alberta Oil and Gas Orphan Abandonment and Reclamation Association (the "OWA" or the "Association") operates under the authority of the Oil and Gas Conservation Act ("OGCA"), the Orphan Fund Delegated Administration Regulation ("OFDAR"), and the Societies Act, Chapter S-18, 1980. The OWA was created as a Delegated Administration Organization ("DAO") under the delegated authority of the Alberta Energy Regulator ("AER") and was established to manage the abandonment of Alberta's upstream oil and gas orphan wells, pipelines and facilities and the reclamation of associated sites. The OWA does not assume legal responsibility for future expenditures related to suspension, abandonment and reclamation of such sites.

The OWA's business is governed by a board of directors (the "Board") who act in the public interest. The Board is appointed by the voting Members of the OWA (the "Voting Members"). The Voting Members of the OWA are the Canadian Association of Petroleum Producers ("CAPP"), the Explorers and Producers Association of Canada ("EPAC"), and the AER. The Alberta Ministry of Environment and Protected Areas, and the Alberta Ministry of Energy and Minerals are honorary non-voting Member of the OWA. The AER requires that charges to the industry, including well abandonment, site reclamation, facility decommissioning and pipe abandonment (the "Orphan Fund Levy" and "Large Facility Levy"), be set to recover the costs incurred to operate the OWA.

Note 2 Significant accounting policies

a) Basis of presentation

The Association's financial statements are prepared by management in accordance with Part III of the *CPA Canada Handbook – Accounting*, Accounting Standards for Not-for-Profit Organizations, which sets out generally accepted accounting principles for not-for-profit enterprises in Canada and includes the significant accounting policies described hereafter. The financial statements are presented in thousands of Canadian dollars.

b) Cash

Cash and cash equivalents on the balance sheet comprise bank balances and cash on hand as well as highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. An investment qualifies as a cash equivalent when it has a short maturity of approximately three months or less from the date of acquisition.

c) Investments

Investments reported at fair value consist of equity instruments that are quoted in an active market. Changes in fair value are recognized in net income. Transaction costs to acquire or dispose of these instruments are recognized in net income in the period during which they are incurred.

Investments include guaranteed investment certificates ("GICs") and Bankers' Acceptance ("BA") notes that mature within the next 12 months to known amounts of cash and which are subject to an insignificant risk of changes in value; and short-term bond EFTs, income pool funds or short maturity bond funds each of which must have a risk rating of low and a correlation risk ranking by either the Canadian Bond Rating Service or Dominion Bond Rating Service of low and with maturities of up to 5 years.

d) Revenue recognition

The OWA receives a substantial portion of all its revenue as a contribution from the AER, which includes the Orphan Fund Levy, Large Facility Levy, industry fees, enforcement recoveries and security deposit recoveries, first time licensee fees and Regulator directed transfer fees. The Orphan Fund Levy and the Large Facility Levy is set by the AER. The OWA follows the deferral method of accounting for the contributions, whereby restricted contributions are recognized as revenue in the period the related expenses are incurred. Unrestricted contributions, including first time licensee fees, Regulator directed transfer fees, industry fees, enforcement recoveries and security deposit recoveries are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and the collection is reasonably assured. Salvage sales income is recorded when persuasive evidence of an arrangement exists, when the significant risks and rewards of ownership have passed to the buyer, and collection is reasonably assured. Interest income includes interest from investments, interest from GST recovery, dividends, net realized gains or losses on the sale of investments and deferred contributions on interest-free government loans. Contribution agreement and working interest and partner site recoveries are recognized when the associated expense has been incurred.

e) Tangible capital assets

Purchased tangible capital assets are recorded at cost less accumulated amortization. Cost includes the purchase price plus any additional costs attributable to the construction of the asset and preparing the asset for its intended use. Donated tangible capital assets are recorded at their fair values at the date of donation. Amortization of computers is provided on a straight-line basis over the estimated useful life of 3 years.

f) Financial assets and liabilities

The Association initially records financial assets and liabilities at fair value, except for a related party transaction. Related party financial instruments that are not required to be initially measured at fair value are instead initially measured at cost. Cost is determined based on whether or not the instrument itself or, as the next alternative, the consideration transferred from or received by the Association has repayment terms. If there are repayment terms, cost generally represents the undiscounted cash flows, excluding interest and dividend payments. Otherwise, cost is determined using the carrying or exchange amount of such consideration transferred or received, depending on the circumstances.

Financial instruments that will be measured subsequently at amortized cost, are adjusted by the amount of any related financing fees and transaction costs that are directly attributable to their origination, issuance or assumption.

Subsequently, the Association measures financial instruments as follows:

(i) Investments in equity instruments that are quoted in an active market at fair value, with unrealized gains or losses recognized in the statement of operations;

(ii) all other financial assets, which includes cash, accounts and other receivables and internally restricted cash, at amortized cost; and

(iii) all financial liabilities, which includes accounts payable and accrued liabilities and long-term notes payable at amortized cost.

Financial assets measured at amortized cost are assessed annually for indications of impairment. When there are indications of possible impairment, the Association determines if there has been a significant adverse change to the expected timing or amounts of the future cashflows expected from the financial asset. Any impairment loss is recognized as an expense of the period, in the statement of operations. A previously recognized impairment loss is reversed to the extent that the improvement can be related to an event occurring after the impairment was recognized, but the adjusted carrying amount of the financial asset shall be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in the statement of operations in the year the reversal occurs.

g) Long-term notes payable

With respect to below-market interest and interest-free government loans, the difference between the loan received and its fair value is recorded as a deferred contribution and amortized into revenue over the period of the life of the loan concerned. Fair value and the corresponding interest expense are calculated based on market interest rates at the initial measurement of the financial instrument thereby resulting in financial liabilities recorded at amortized cost.

h) Use of estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Due to the inherent uncertainty involved with making such estimates, actual results reported in future years could differ from those estimates.

Items subject to significant management estimate include accrued liabilities, amortization of tangible capital assets and fair value of long-term notes payable.

(thousands of dollars)

i) Taxation

The OWA, as a not-for-profit organization, has no liability for corporate income tax under the *Income Tax Act* (Canada).

Note 3 GST recovery and non-recoverable GST expense

In a prior year the Canada Revenue Agency (“CRA”) determined the OWA to be ineligible to claim for input tax credits (“ITC”) and public service body (“PSB”) rebates respectively under subsections 123(1), 169(1), 259(2) and 259(3) and section 10 of Part VI of Schedule V of the *Excise Tax Act.* As such, the OWA recorded the non-recoverable GST expenses separately on the statement of operations.

Beginning in fiscal 2018 the OWA proceeded to dispute the CRA's determinations, including filing an appeal in the Tax Court of Canada in 2020. The Tax Court Appeal was settled by a consent order signed by the OWA and the CRA in fiscal 2023, which entitled the OWA to claim full ITCs in the amount of $1,757 including interest for its GST reportable periods of April 1, 2014 through December 31, 2016, $9,994 including interest for the GST reportable periods of January 1, 2017 through February 28, 2021, and $11,716 including interest for the GST reportable periods of March 1, 2021 through May 31, 2023. The credit of $11,716 was net of a CRA deduction of $6,642 of GST payable on the 2023-24 Orphan Levy which the CRA determined eligible for GST. An objection to the GST on the Orphan Levy has been filed with the CRA on December 6, 2024. GST ITC’s are being filed and recovered monthly as ordinary course of business.

Note 4 Investments

At March 31, 2025, the Association’s investments included $60,000 (2024 - $30,000) of guaranteed investment certificates with interest rates between 3.05% and 5.45% per annum. The investments will mature between April through August 2025 at which time they will be reinvested in similar instruments with comparable interest rates. The Association also has $7,816 (2024 - $7,491) of investments in the form of fixed income bond funds with varying degrees of yield, coupon and maturity.

Note 5 Tangible capital assets

	Cost	Accumulated amortization	**Net book value**	Net book value
Computers	$ 216	$ 160	$ 56	$ 24

(thousands of dollars)

Note 6 Long-term notes payable

In fiscal 2018, the OWA entered into an interest-free loan arrangement with His Majesty the King in Right of Alberta as represented by the President of Treasury Board, Minister of Finance and by the Minister of Energy (the "Province"), by which the OWA may borrow from the Province to a maximum aggregate amount of $235,000. As at March 31, 2025, advances of $235,000 (2024 - $235,000) have been received, of which $1,671 (2024 - $3,897) has been recorded as a deferred contribution (see Note 7), and $2,226 (2024 - $3,114) as interest revenue and expense, calculated based on an annual rate of 3.2%. The outstanding balance of this Provincial loan is repayable in quarterly instalments of $7,550 through to January 1, 2027.

In fiscal 2021, the loan arrangement with the Province was amended such that the OWA may borrow an additional $100,000 interest-free. As at March 31, 2025, an advance of $100,000 (2024 - $100,000) has been received, of which $14,677 (2024 - $17,565) has been recorded as a deferred contribution (see Note 7), and $2,889 (2024 - $2,798) as interest revenue and expense, calculated based on an annual rate of 3.44%. This $100,000 loan is repayable in quarterly instalments of $6,250 commencing on January 1, 2028 until October 1, 2031.

Also in fiscal 2021, an interest-free loan arrangement was entered into with His Majesty the King in Right of Canada as represented by the Minister of Finance ("Canada") under which the OWA may borrow a maximum aggregate amount of $200,000. As at March 31, 2025, advances of $200,000 (2024 - $200,000) have been received, of which $56,319 (2024 - $61,734) has been recorded as a deferred contribution (see Note 7), and $5,415 (2024 - $5,225) as interest revenue and expense, calculated based on an annual rate of 3.84%. This $200,000 loan is repayable in quarterly instalments of $12,500 commencing on January 1, 2032 until October 1, 2035.

The following is the repayment schedule for the notes payable:

	2026	2027	2028	2029	2030	Thereafter
Repayment Schedule	$ 30,198	$ 30,198	$ 6,250	$ 25,000	$ 25,000	$ 243,750

Note 7 Deferred Contribution

In addition to the deferred contributions arising from the interest-free portion of the long-term notes payable as described in note 6, in fiscal 2023 the OWA entered into an agreement with a third party to direct specified funds towards closure work at six orphan sites. The terms and conditions of the agreement are subject to confidentiality restrictions. The funds provided by the third party pursuant to the agreement have been treated as a restricted contribution and recognized as security deposits recovery revenue, as expenses are incurred, following the deferral method of accounting.

(thousands of dollars)

Changes in deferred contributions during the year are as follows:

Deferred contributions

	2025	2024
Balance, beginning of year	$ 89,374	$ 102,094
Transferred to revenue	$ (64)	$ (1,582)
Interest revenue recognized (Note 6)	$ (10,530)	$ (11,137)
Balance, end of year	$ 78,780	$ 89,374

Note 8 Working interest recoveries

By delegated authority from the OFDAR, the OWA is permitted to enter into agreements with working interest participant(s) for the purpose of suspension, abandonment, remediation or reclamation of a well, facility, well site or facility site where the AER has issued an Abandonment Order to the working interest participant(s). In certain circumstances, the AER does not issue an Abandonment Order but rather designates the license as an "orphan" and directs the OWA to conduct the necessary closure work. In those instances, the working interest participant(s) is required to pay the OWA their proportionate share of costs under Section 29 and 30 of the OGCA. The sites are referred to as "partner sites" and recovery is recognized on them as invoices are issued for expenses incurred. During the year ended March 31, 2025, $3,900 (2024 - $719) has been recovered from working interest participants.

Note 9 Working interest claims

Working interest claims are permitted under the Oil and Gas Conservation Act (OGCA) S. 70(1),(2), S. 71(1) and Oil and Gas Conservation Rules (OGCR) S. 16.541(1)(2). By this legislation, the AER identifies defaulting working interest participants and authorizes payment from the orphan fund. The OWA accepts claims as directed from the AER made by industry for deemed defaulting (defunct) working interest participants. Working interest participants are anyone who owns a beneficial or legal undivided interest in a well or facility under agreements that pertain to the ownership of that well or facility. If a company has a working interest participant with a well, facility or associated site that has completed end of life obligations, the OWA may reimburse the proportionate share of costs on behalf of the defaulting working interest participant for the completed abandonment and/or reclamation as directed by the AER. Reclamation is considered completed and reimbursement made when a site reclamation certificate has been issued. During the year ended March 31, 2025, $6,076 (2024 - $4,978) has been reimbursed to working interest participants.

Note 10 Related party transactions

As required under Section 6(3) of OFDAR, the Association discloses the salaries and benefits paid to management personnel who report directly to the Board of $727 (2024 - $694), and which is included in fund administration expense on the Statement of Operations. Also included in fund administration expense for the year to March 31, 2025 is $235 (2024 - $235) related to a long-term retention plan, payable in relation to services rendered by those management personnel. Under the terms of the long-term retention plan, while the Association is committed to make further payments totaling $595 in respect of services, which are expected to be rendered over the period from April 1, 2025 to March 31, 2029, these future payments have not been reflected in the financial statements as they are contingent upon the provision of those future service obligations. The annual payments are subject to the approval of the Board. No remuneration and benefit payments were made to Board members for services provided in fiscal years 2025 and 2024.

The transactions with the AER, the Province and Canada, as described in notes 6, 9 and 13, are considered related party transactions.

Note 11 Long-term retention plan

The Association has a cash-based long-term retention plan which is payable at the discretion of the Board, for the benefit of the Association's employees. The terms of the long-term retention plan are such that eligible employees are entitled to a fixed cash amount which vests based on the completion of a period of service rendered to the Association. During the year ended March 31, 2025, the Association has recorded $797 (2024 - $529) as employee long-term retention expense, which has been included within fund administration expense on the Statement of Operations and within accounts payable and accrued liabilities on the Statement of Financial Position. While the long-term retention plan contemplates future payments of $667, these future payments have not been reflected in the financial statements as they are contingent upon the provision of future service obligations.

Note 12 Receivership expenses

As necessary, the Association applies to the Court of King's Bench to appoint Receivers for certain entities to ensure that assets are managed and maintained safely for the benefit of the public, and where possible, placed in the hands of responsible operators through recognized sales processes following AER approval. During the year ended March 31, 2025, $3,753 (2024 - $3,809 expense) has been recorded as receivership credit due mainly to a $4,800 reimbursement of previous receivership funds provided.

Note 13 Financial instruments

The Association is exposed to the following types of risks in relation to its financial instruments:

(i) Credit risk

The Association is exposed to credit risk, which is the risk that a counterparty will fail to perform an obligation or settle a liability, resulting in a financial loss to the Association. As at March 31, 2025, 0% of the Association's accounts and other receivables was due from the AER (2024 - 1%). The maximum credit risk exposure associated with the Association's financial assets is the carrying amount.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest-free government loans are not subject to a fair value risk.

(iii) Liquidity risk

(thousands of dollars)

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities. Mitigation of this risk is achieved through the active management of cash and debt. The Association does not consider there to be a present risk under the existing loan arrangements.

The contractual maturities of financial liabilities as of March 31, 2025 are as follows:

	Total	2026	2027	2028	2029	2030	Thereafter
Accounts payable and accrued liabilities	$ 32,448	$ 32,448	$ -	$ -	$ -	$ -	$ -
Long-term notes payable	$ 360,396	$ 30,198	$ 30,198	$ 6,250	$ 25,000	$ 25,000	$ 243,750

Note 14 Commitments and contingencies

The Association has various operating leases for its premises and equipment. The annual minimum payments under these operating leases are as follows:

	2026	2027	2028
Commitments	181	241	251

In the course of the normal activity of the Association, it may become party to a claim or legal action as a result of events that have occurred. While the outcome of these matters is uncertain, and accordingly no provision has been recorded in the financial statements, the OWA does not believe that the outcome related to these matters, or any amount that the OWA may be required to pay, would have a materially adverse effect on the OWA as a whole.

Note 15 Subsequent events

On May 6, 2025, the Association approved an additional tranche of the cash-based long-term retention plan in the amount of $605, for the performance period of April 1, 2025 through March 31, 2028, and which is payable at the discretion of the Board, for the benefit of the Association's employees.

Governance

The Alberta Oil and Gas Orphan Abandonment and Reclamation Association is an independent non-profit organization, generally known as the Orphan Well Association or OWA. The OWA operates under the delegated legal authority of the AER, the provincial regulator of energy development. Funding for the Association's work comes primarily from Alberta's oil and gas producers through the Orphan Fund Levy and LFP Orphan Fund Levy.

Board of Directors

We are led by an independent Board of Directors with industry and regulatory representatives who oversee our operations, priorities and strategic planning to ensure the OWA fulfills its mandate.

Directors are appointed by the OWA's members: the Canadian Association of Petroleum Producers (CAPP), the Explorers and Producers Association of Canada and the Alberta Energy Regulator.

The OWA thanks Brad Herald and Doug Dafoe who have concluded their service on the Board.

D. Blake Reid

Paramount Resources
OWA Chair

Blake Reid is a Professional Engineer and Executive Vice President, Operations at Paramount Resources. Prior to joining Paramount, Blake held a number of progressively senior roles over 25 years of industry experience. His work has included a broad range of technical, operational and strategic management roles, including leadership of multi-disciplinary organizations covering operations, maintenance, engineering, project management, drilling and completions, administration, and environment, health and safety portfolios.

Brad Herald

CAPP
OWA Chair. 2015–2024

Brad Herald's work with CAPP has focused on industry operations and economics in Western Canada, including best practices related to the environment and public health and safety. He works closely with industry experts on community and regional stakeholder concerns, and with regulators and governments on policy issues and implementation.

Doug Dafoe

Ember Resources

Doug Dafoe is the recently retired President and CEO of Ember Resources Inc. He has more than 30 years of industry experience in financial and operating positions in several publicly traded energy companies. In addition to corporate leadership positions, Doug brings extensive governance experience as a Board Director for drilling and energy production companies, and as a past member of the Board of Governors of CAPP. He holds the designations of Chartered Accountant and Chartered Director.

Logan Popko

Cenovus Energy Inc.

Logan Popko is Senior Vice President, Corporate & Operations Services at Cenovus Energy and oversees functions that support its integrated global business, including Health & Safety, Environment & Regulatory, Data & IT, Supply Chain Management and Corporate Projects. Logan has held increasingly senior roles during his 15 years at Cenovus in production operations, development, project execution, strategy, corporate planning and commercial. Logan holds a degree in Oil & Gas Engineering from the University of Calgary and is a member of APEGA.

David Hardie

Alberta Energy Regulator

David Hardie is the Director of Liability Management for the Alberta Energy Regulator. In over 20 years with Alberta's regulatory authorities, David has worked in analysis, strategy development and organizational leadership for infrastructure liability and closure in the energy industry. His experience relates directly to stewarding policies related to financial, environmental and public safety risk related to wells, pipelines and facilities.

Kyle Pisio

Canadian Natural Resources Limited

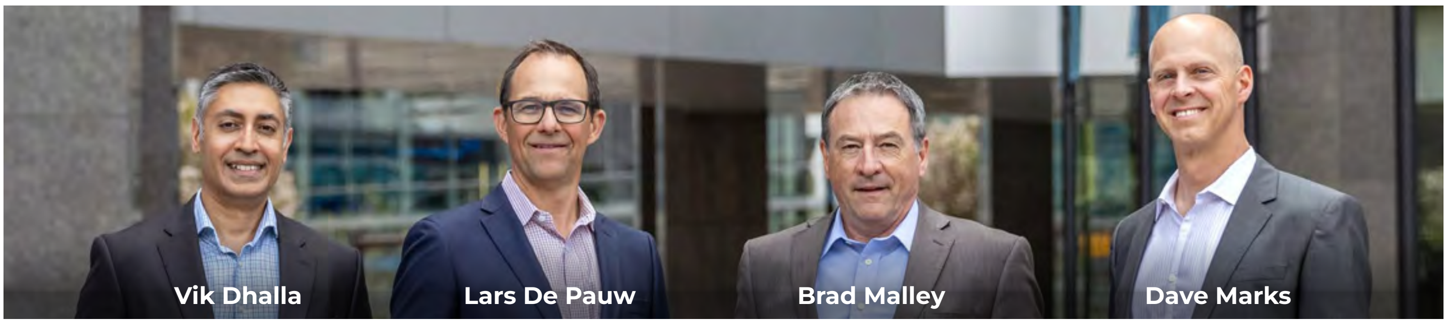
Kyle Pisio is Vice President, Drilling, Completions and Asset Retirement at Canadian Natural Resources. During his more than 15-year career at Canadian Natural Resources, Kyle has gained extensive experience in the development of oil and natural gas projects in the Western Canadian Sedimentary Basin as well as international offshore assets. Kyle is a Professional Engineer who has progressed through a range of technical roles and is currently leading multi-disciplinary teams that safely, effectively and efficiently manage drilling, completions and asset retirement activities, including decommissioning, reclamation and site closure.

Richard Wong

CAPP

Richard Wong is Vice President of Regulatory and Operations at CAPP, overseeing policy and regulatory initiatives in Western and Atlantic Canada. With over 15 years of experience, his background spans government relations – including advocacy efforts to advance closure and liability policy, business development, completions engineering, well abandonment and field operations. Richard holds a degree in Chemical Engineering from Queen's University and is a registered Professional Engineer with APEGA.

Leadership



Lars De Pauw

President

Lars De Pauw joined the OWA in 2017 as the association entered a new era of enhanced regulation, increasing inventories and larger and more complex projects. As executive director, and then president, he has led significant organizational transformation as the OWA has become one of the largest oil and gas site closure organizations in Alberta. Prior to joining the OWA, Lars held roles of increasing responsibility in environmental and reclamation management at a large producer and in the service sector, and has volunteered on several boards. He holds a B.Sc. in environmental engineering, an M.Sc. and a Professional Engineer (P.Eng.) designation.

Vik Dhalla

Corporate Controller

Vik Dhalla is responsible for the OWA's financial operations, including fiscal modeling and planning, oversight of funding and loans, service contracts, employee compensation and benefits, and financial reporting. He also has responsibility for the OWA's IT support and services. Vik has more than 25 years experience in finance systems, analysis, modeling and disclosure across the retail, technology and energy sectors. He holds degrees in biological sciences and finance, and the designations of Chartered Management Accountant (CMA) and Chartered Professional Accountant (CPA).

Brad Malley

Director, Operations

As Director, Operations, Brad Malley oversees the decommissioning and reclamation of sites for the OWA. He brings over 40 years of energy industry experience from the field and the head office. His past roles have included senior level oil and gas positions with responsibilities that included large capital projects, asset retirement, project and contractor management, health and safety, and regulatory compliance. Brad holds the designation of Professional Technologist (Eng).

Dave Marks

Manager, Land and Stakeholder

Dave Marks leads the OWA's Land and Stakeholder group. In this role, his team works with orphan sites from the earliest stages of engaging landowners and conducting risk assessments through ongoing operations, long-term monitoring and site closure. Dave also provides oversight of key industry relationships with working interest participants on WIPA sites, and with the AER when the regulator has directed the OWA to take reasonable care and measures to protect public safety and the environment. Dave has over 36 years of experience in the oil and gas industry and is a former OWA board member. He holds a B.Sc. in Resource Conservation and is a Professional Agrologist (P.Ag.).


CAT

Orphan Well Association

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