Orphan Well Association

2025/26

Contents

Front cover: Bonnyville, Alberta

Our Vision and Mandate

The Orphan Well Association works with the Government of Alberta, the Alberta Energy Regulator (AER) and the oil and gas industry 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 over 8,900 wells and received over 4,100 reclamation certificates, with nearly 3,700 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.

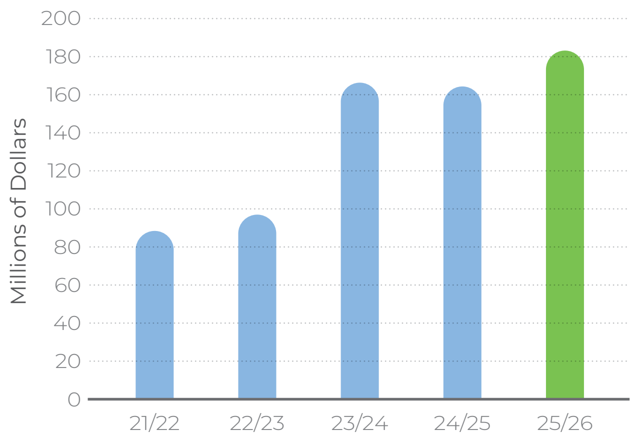
[1] The OWA Annual Report uses the term “decommission” to refer to the responsible abandonment of energy infrastructure in a manner that ensures it will not pose a risk to the environment or the public.

Highlights

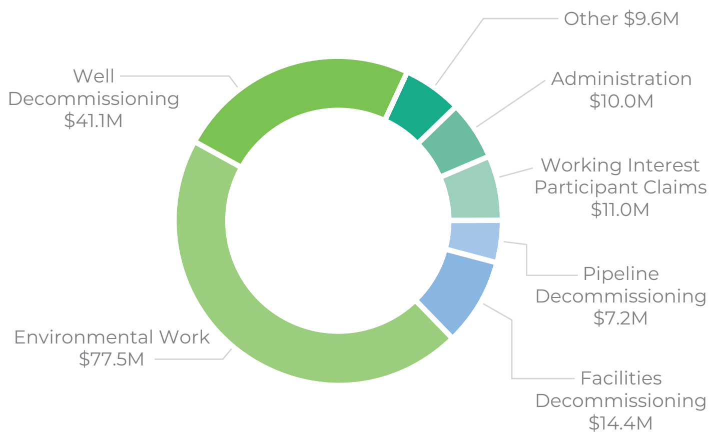
Industry funding through the Orphan Fund Levy increased seven per cent to $141.3 million, allowing us to continue decommissioning our inventory. The total number of wells in our inventory increased 13 per cent.

We received an influx of orphan sites from Long Run Exploration Ltd after our 2025/26 fiscal year ended. These sites are not reflected in the following inventory graph. This is not the first time the OWA's inventory has received a significant number of new sites in one receivership. We will continue to decommission and reclaim all sites in our inventory in a steady and diligent manner.

Funds Received



2025/26 Expenditures by Category



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.

AER Proactive Rules and Process

Alberta Energy Regulator

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

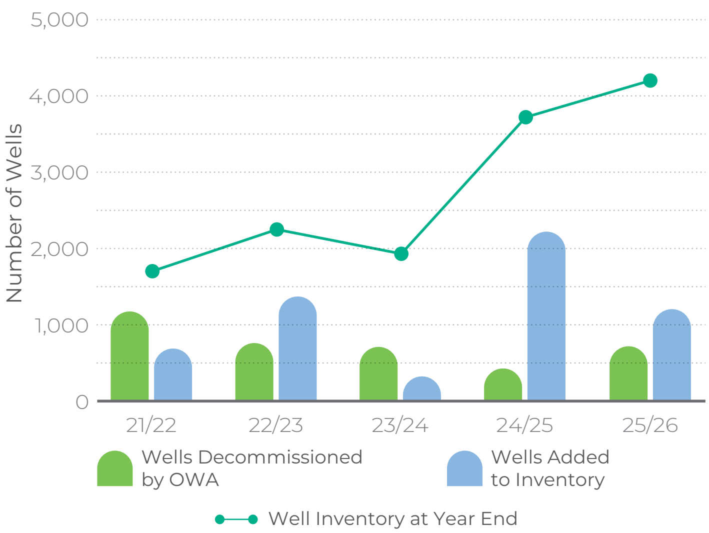
When a licensee is not meeting its requirements, the AER may issue an order for them to take all **reasonable care and measures** (RCAM) to protect public safety and the environment.

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.

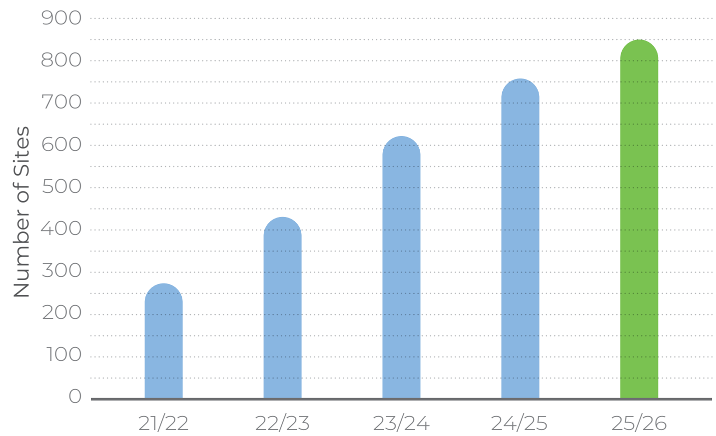
Most of our expenditures continue to be directed towards environmental work, including assessment, remediation and reclamation, as most of our estimated liabilities fall in this category. The environmental work completed over the last several years resulted in 850 reclamation certificates, the highest annual number received to date. We expect this number to continue to increase.

Well Inventory and Wells Decommissioned*



*Orphan and Working Interest Partner Agreement sites

Number of Reclamation Certificates Achieved



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 OWA is funded by the Orphan Fund Levy. The levy is intended to ensure that the costs of decommissioning and environmental work remain the responsibility of industry.

Orphan Well Association

Each year, the AER recommends a levy amount to the Government of Alberta to fund the OWA for the upcoming year to support a reduction of orphan liabilities over time. It is informed by:

- the current volume of the orphan inventory,
- the volume of potential orphan energy sites, and
- the closure rate of orphan sites.

The Year in Perspective

MESSAGE FROM THE PRESIDENT

The OWA is a high-performing team of technical experts and professionals who believe in what we do. We work steadily and diligently to move through our inventory. Sound boring? It isn't. We advance interesting and rewarding projects – truly important projects – that positively impact communities and environmental spaces.

We kept the people of Bonnyville safe as we decommissioned a well in the middle of a residential neighbourhood. We worked safely near bison in the Keg River area under the northern lights, removing a technically complex and remote set of assets from our inventory.

Our work will be supported by an increase in the industry-funded orphan levy for the 2026/27 fiscal year.

When these projects are finished – and the hundreds of others like them that encompass thousands of individual assets, the land will function similar to how it did before development took place.

During this work, all staff and contractors went home to their families safely last year, with zero safety incidents recorded. This is something for which we are very proud and grateful.

Over the past ten years, there has been an ebb and flow of new orphan sites entering our inventories for decommissioning and reclamation, with more reclamation certificates issued every year based on our many previous years' activities. In 2025/26, the number of wells we decommissioned increased back to average historical levels as we shifted our work to less complicated sites, while still chipping away at the more difficult. Our expenditures continue to shift towards the environmental side of our business, which reflects the transition of sites from faster decommissioning work to more involved reclamation projects. In 2025/26, we received 850 reclamation certificates – meaning that an orphan site has been fully restored – with almost 3,700 additional sites awaiting confirmed revegetation before certification.

In May 2026, we took on new responsibilities as part of our reasonable care and measures work: weed and pest control on orphan sites. This is a significant undertaking, as we have sites across the province that will now need additional activity. That said, the benefit is clear: weed and pest control will protect landowners' agricultural land and Alberta's multi-billion-dollar agrifood industry.

The OWA is the backstop in the regulatory framework to ensure all oil and gas sites in Alberta are responsibly closed through industry funding. As an organization, we scale up or down to tackle incoming inventory and work in a safe, efficient and orderly manner to usher sites through the closure process until they eventually exit our system after obtaining reclamation certificates. Some patience is required to let nature take its course with revegetation, but the sites do progress through the process and leave our inventory.

In April 2026, the Alberta Energy Regulator – or AER – turned over to our inventory a significant number of assets from Long Run Exploration Ltd. These assets are not reflected in our inventory numbers in this annual report as we received them in the new fiscal year; however, they are a significant development that we are now managing.

The OWA is providing Reasonable Care and Measures (RCAM) and beginning the process of decommissioning and reclaiming Long Run's 2,980 wells and associated facilities and pipelines in addition to 938 sites that have already been decommissioned. We have begun risk-assessing Long Run's sites to ensure public safety and the environment are protected. Our approach to closure will involve tackling assets area by area to maximize efficiencies for our Prime Contractors, who will be implementing the work on the ground.

Given the nature of the Long Run assets, we do not foresee any of the sites posing a high risk to public safety or the environment. We expect to start work on the Long Run assets in earnest next spring and will be making a significant reduction in the inventory over the coming years.

A surge in inventory is not new for the OWA. We've been here before with bankruptcies of companies like Sequoia and Lexin. We have worked through those orphaned assets and, similarly, we will systematically work through these.

Although we receive a surge in inventory in one day when an insolvency process is completed, these struggling companies are on our radar for a long time. We know the assets will eventually come our way, and plan in advance with the AER to ensure we are ready to tackle the challenge.

Our work will be supported by an increase in the industry-funded orphan levy for the 2026/27 fiscal year. The $154.6 million levy is a seven per cent increase from the previous year's levy of $144.5 million. These kinds of steady increases in our levy, instead of demanding fluctuating industry payments each year depending on new orphan inventory, create more certainty for the responsible companies who pay for defunct companies' liabilities. We look at addressing the sector's end-of-life liabilities like a homeowner might consider paying for their home with a 30-year mortgage. A stable, predictable levy allows us to work through our inventory steadily and diligently.

Balancing expenditures for our operations, we continue to repay our government loans. We have been repaying our provincial loans at over $30 million a year, as per our agreements with the Province, and have repaid nearly 65 per cent at the time of publication of this report.

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, 2026, we estimate the total remaining closure cost on sites managed by the OWA (orphans, Working Interest Participant or WIP agreements and large facilities) to be about $1.16 billion net to the OWA. This number is based on both generic and site-specific evaluations, as well as our extensive historical experience closing sites. We expect Long Run and other assets added this year, by the time of publication, to add about $500 million to the estimated total remaining closure cost.

The OWA is made up of about 30 employees who manage the strategic implementation of our mandate. They engage over 30 experienced engineering and environmental companies as Prime Contractors who execute packages of assigned work. Together, we manage projects big and small across Alberta that represent a significant volume of activity. I recognize the hard work and commitment of our employees and Prime Contractors that has culminated in real results for Albertans. Thank you to all of you, as well as our Board of Directors for continuing to provide excellent governance and oversight of the OWA.

Lars De Pauw
President

MESSAGE FROM THE CHAIR

The end of the OWA's fiscal year coincides with the start of spring breakup in Alberta's oil and gas industry. As the ground thaws and winter field projects begin to wind down, it's a good time to take stock of what we have accomplished over the past year.

Looking back, I see another year of strong and steady performance that clearly meets the core of the OWA mandate to protect public safety and manage environmental risks in a safe and cost-efficient manner.

Over the past year, the OWA has covered a broad range of activity from rapidly closing a remote oilfield in Alberta's far north during the winter season to steadily advancing habitat reclamation in a delicate, protected environment in the south during the fall.

Since the OWA was established, we have spent nearly $1.5 billion on decommissioning and environmental activities.

With that said, we have much more work to do. The OWA started its new fiscal year in 2026 with a sizable, but not unexpected, addition to our inventory. Just over 3,100 wells that require decommissioning were designated as orphans in early April. While this is a large number, it has been on the radar for the OWA Board of Directors and management for several years and preliminary planning for closure had already been started. As with past major insolvencies, we were not only aware of the situation but were active participants in the insolvency process.

As we look to our future potential inventory, we see several mitigating factors in both how the oil and gas industry operates in the current environment and how it is regulated. Changes over the past decade are continuing to play out in how they influence the future landscape and reduce the risk of orphans.

In Alberta's oil and gas industry, there are now fewer but relatively stronger producing companies. Many of those businesses at risk of failure over the past ten years have already failed and the bar to enter the industry has been raised as larger and longer-term capital investments are required and regulations tightened. At the same time, technological advances have significantly reduced surface disturbances required on the land and vastly increased monitoring and management of subsurface impacts.

Additionally, industry investors are more keenly aware of potential liabilities and expect to see comprehensive liability management as an integral part of the overall business plan. This was brought into focus after the "Redwater Decision" in 2019 when the Supreme Court of Canada asserted that environmental responsibilities took precedence over repayment to creditors. As a result, it has become increasingly difficult to transfer abandonment and reclamation liabilities to financially challenged companies. This was an outcome that was sought by the OWA, the AER, several provincial governments, and industry and environmental advocates – and an outcome that is also entirely aligned with the OWA mission and mandate.

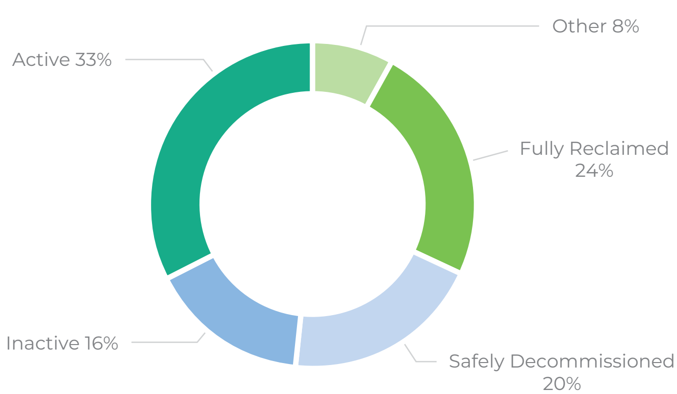
In the same timeframe, the AER updated regulations, taking a lifecycle approach to oil and gas development and closure. This included measures to tighten the financial conditions under which sites may be sold or transferred to a new owner and requiring site licensees to increase their focus on inactive wells, with annual mandatory funds directed to closure.

This is important because there is a close connection between planning, funding and operations on the ground. The majority of orphan wells were once inactive wells. *But the majority of inactive wells do not become orphans.* The companies that comprise the oil and gas industry overwhelmingly take care of their sites through the lifecycle, including responsible closure. The number of inactive wells in Alberta is about 20 per cent below the peak number in 2020, and the evolution of regulation and industry practices should reduce this number further.

While we would all prefer to have rapid results, the changes in industry practices and regulation will take some time to work their way through the system. That system has demonstrated that it is ready and effective in methodically processing orphan inventories, including occasional surges. In fact, large scale closure work in a dedicated area with coordinated logistics and economies of scale is where the OWA shines, freeing up time and budget to tackle more work.

In the larger industry picture, currently about one quarter of all wells in Alberta, past and present, have received reclamation certificates, meaning that their presence has effectively been removed from the landscape with the environment returned to its previous condition. An additional 20 per cent of all wells have been decommissioned and will be the next to be certified as reclaimed. The majority of the work has been responsibly taken care of by industry, with the OWA's safety net unused.

Lifecycle Stage of All Alberta Wells



Since the OWA was established, we have spent nearly $1.5 billion on decommissioning and environmental activities. Some of those expenditures were funded by loans that we are repaying, and some funding has been provided by other sources of income, such as the sale of salvaged equipment, security deposit recoveries, and working interest and partner site recoveries. However, the vast majority has been funded by industry levies.

The industry levy funding formula – accounting for more than $140 million in the past year alone – is unusual and may be unique among any industry or jurisdiction. Active and viable companies pay directly for other companies' liabilities – not out of government revenues or taxpayer funds, but from a direct industry levy.

As Chair of the OWA, but also as an Albertan, I think it's good for the industry and for the province to know that there is a safety net for orphaned assets and that when these assets come into the care of the OWA they will be properly taken care of and not be a burden on landowners, municipalities or our shared environment.

Going forward, we will continue to meet the challenges of closing oil and gas sites at a pace that is guided by safety, responsibility and efficiency. We are seeing continuing strong performance with our closure work, while industry practices, along with strong regulations, should reduce the amount of work that needs to be done in the future.

I want to thank the OWA team, and the many people, businesses, partners and communities we work with every day. Your efforts make a real difference in helping us do our best work.

D. Blake Reid
Chair, OWA

75 days and one giant leap for Keg River site closure

AREA-BASED APPROACH LEADS TO SUCCESSFUL DECOMMISSIONING OF REMOTE ORPHAN ASSETS

The Keg River Project was ambitious, even by OWA standards. The project had to be well-orchestrated to successfully decommission 78 wells and 108 pipelines, remediate eight sites and reclaim 91. In a two-and-a-half-month period, when sites were accessible, the team worked over 53,000 hours and drove over 435,000 km.

One hour south of High Level in remote northwest Alberta, the project offered a high concentration of orphan assets, which allowed significant work to be completed in one short window and helped ensure a successful project.

The OWA began by finding a suitable location for the 120-person camp that would minimize further disturbance and ecological impact.

With the approval of Alberta Environment and Parks, a spot that was previously cleared by the defunct licensee was approved for the camp, tank farm and lay-down yard.

Planning also included the acquisition of 24 water permits to ensure enough water for road building and field operations. Water sourcing was a challenge given the frequent drought events experienced over the last few years.

While planning began 18 months before field work, crews began to mobilize in earnest in early January 2026. “We constructed and maintained 150 km of ice roads, including an ice bridge, and installed a 120-person camp, all before moving in a single piece of decommissioning equipment,” says Brad Malley, Director of Operations with the OWA. “But even with the best executed plans, we can’t control the weather.”

Shortly after the road-building crews arrived, the temperature plummeted to -45°C, which was too cold to build the ice roads and ice bridge, forcing crews to slow their progress. In short order, the weather warmed enough so that clean water and snow – some of which was man made – could be sculpted into roadways. As the roads were ready for heavy operations, the closure operations could finally proceed.

“Ice road construction is fit-for-purpose, aligning build quality and maintenance with anticipated travel speeds and actual usage. While safety and road quality remain top priorities, maintenance is carefully monitored and scaled back as traffic decreases or reclamation approaches,” reflects Curtis Morgan, Environment Team Lead with the OWA.

Crews worked efficiently to progress many sites, but warm weather now became a problem as the temperatures continued to climb, and intermittent periods of rain set in. Heavy operations were shut down for a week to preserve the roads, which put even greater time constraints on the project. “At times, it was like driving in a swamp,” says Paul Hammond, Facilities Coordinator and HSE Lead. “But a lot of us stayed and waited for the weather to change so that crews could be ready to start up when we could.”

Once temperatures dropped below zero again, ice roads were returned to operation and teams worked together to progress the closure work.

This project was led in a joint effort by our surface decommissioning, downhole and environmental prime contractors, who collaboratively delivered an exceptional operation. Their contributions were central to the project’s success, including zero safety incidents and finishing on time and under budget. Relationships with First Nations contractors were developed to enable meaningful integration into the subcontractor team, as well.

The OWA will continue remediation on five larger sites in the near term while monitoring site conditions. Revegetation will also progress with over 200,000 trees to be planted throughout the project footprint, returning the land to a natural state. Following the environmental work, the OWA will apply for reclamation certificates from the AER that, once received, will finalize the closure process.

As the OWA works to expand closure work in remote northern locations in the coming years, we will be able to look back on the many lessons learned during the Keg River project. “We will be ready to go next time with all we took away from this extensive project,” says Malley.

Rehearsing on one orphan well to fix another

CLOSING A LEAKY WELL IN A QUIET BONNYVILLE NEIGHBOURHOOD

It’s not often a decommissioning team needs to move a drilling rig into a small space among houses in a residential neighbourhood to fix a 1950s-vintage leaking gas well. But that’s exactly what happened in the summer of 2025 in Bonnyville, a town of about 7,350 in northeast Alberta. “That was the trickiest part,” says Brad Malley, Director of Operations at the OWA. “The space was so tight that the neighbour could reach out from her deck and touch the fence around the rig.”

The leaking well in Bonnyville was drilled in 1954 in a farmer’s field by now-defunct (that is, non-existent) Trican Petro-Chemical Corporation. The well never produced and was decommissioned following the standards of the day a week after drilling was initiated.. As Bonnyville expanded, the farmer’s field became part of the town, and houses were built in proximity to the well.

In June 2024, a utility company working in the area found small volumes of sweet natural gas, mostly methane, in a home. Further investigation indicated that the Trican well was the source of the gas.

Quinton Wintfley, Chief Administrative Officer of Bonnyville, says, “These situations naturally raise concerns among residents regarding public safety, potential environmental impacts, and the long-term liabilities associated with the site, particularly given its location within a residential area where families live, sleep, eat, and children play.”

Before 2012, there were no requirements in Alberta to identify historic wells as part of community development plans. Now, developers are required to check records to ensure that any historic wells are identified and buildings are set back to appropriate distances.

The OWA's first priority after the well was designated an orphan was keeping the people in the area safe. "We designed a unique mitigation system to help pull the methane out of the ground and vent it outside – essentially a high-powered extraction system similar to those used in radon mitigation. It worked exactly as we'd hoped, and it is now a tool we can use in the future, if ever needed," says Cliff Pybus, Land and Stakeholder Coordinator at the OWA.

The reality was that to access the leaking well, some homes would need to be purchased and removed. "The homeowners were disappointed, of course. But also relieved that the OWA was taking charge and fixing the situation," says Pybus.

The team originally thought they would need a larger footprint to complete the work, but in the end only three structures – two houses and a duplex – needed to be demolished. "What the engineering team accomplished given the constraints of the site is pretty significant," reflects Jonah Urton, Well Decommissioning Lead at the OWA.

Part of the success of the project can be attributed to a different orphan well north of town with the same configuration as the well in town. With no houses around the north well, the team practised the in-town decommissioning plan, including maneuvering and setting up the rig as if it had houses around the site. Urton says, "We were essentially able to do a dry run of a complicated situation while decommissioning the north well that was in a farmer's field. We tested our plan, that had been a year in development, and then came into town prepared, confident it would work."

Aside from the technical challenges of the well, the team worked hard to make sure the impacts of the work were mitigated as much as possible. The three days of 24-hour continuous operations included steps to reduce project impacts.

Wintfley reflects, "From our perspective, the operation itself was handled professionally and respectfully throughout the entire process. From the initial planning stages – including determining how to safely bring the drilling rig into the community and coordinating road allowances – to the implementation of sound attenuation measures and maintaining a clean and organized site, every aspect of the project demonstrated careful consideration and planning."

After a final monitoring period, the OWA will confirm that the well is no longer leaking, at which time the land can be returned to the community to be enjoyed as the Town and neighbours in the area decide.

Wintfley is thankful the orphan well has been dealt with. "We sincerely appreciate the dedication and commitment shown by the Orphan Well Association, the OWA Staff, and its partners in helping protect communities across Alberta by responsibly managing and remediating orphan well sites for the safety and well-being of current and future generations."

FINANCE

Fiscal Responsibility

Funding the OWA

Direct funding and other sources of revenue for the OWA increased 12% to $183.3 million in 2025/26, from $164.3 million the year before. OWA funding is provided from the Orphan Fund Levy, the Large Facility Levy, salvage sales, security deposits, interest and other sources.

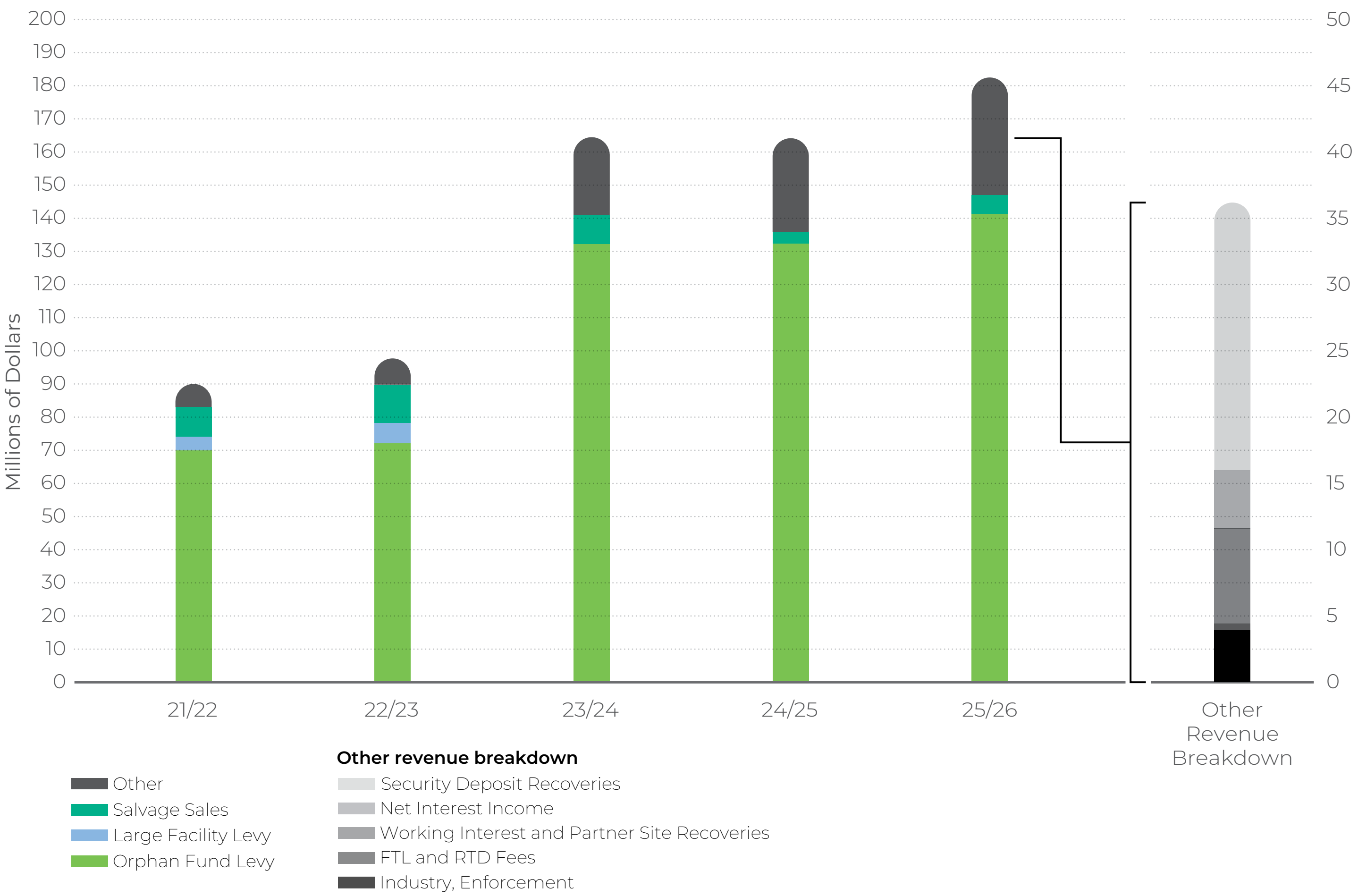
The Orphan Fund Levy collected by the AER increased 7% to $141.3 million in 2025/26, from $132.3 million the year before. The levy is intended to ensure that the costs of infrastructure cleanup and the reclamation of associated land remain the responsibility of industry and are not passed on to Albertans.

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 increased 61% to $5.7 million in 2025/26, from $3.5 million the year before, as there were more assets available from decommissioned sites.

Security deposit recoveries increased 42% to $20.2 million in 2025/26, from $14.2 million the year before. Security deposits are held by the AER to offset end-of-life obligations and are provided after the OWA incurs closure costs.

OWA Sources of Revenue



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

Funding from industry and enforcement increased 140% to $3.9 million in 2025/26, from $1.6 million 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 third parties 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 decreased 47% to $4.4 million in 2025/26, from $8.3 million the year before, due to decreasing interest rates and fewer funds held.

Working interest and partner site recoveries increased 86% to $7.2 million in 2025/26, from $3.9 million the year before. Working Interest Participants (WIPs) reimburse the OWA for their share of closure costs, and so this increase reflects the greater number of Working Interest Partnership Agreements (WIPAs) and partner sites that the OWA is managing.

First Time Licensee (FTL) and Regulator Directed Transfer (RDT) fees increased 25% to $466,000 in 2025/26, from $374,000 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 2025/26 fiscal year, 31 orphan licenses were transferred, reducing the OWA's estimated liability by $1.6 million.

WORKING INTEREST PARTICIPANTS

Some defunct-company assets have an active minority interest company involved – known as Working Interest Participants, or WIPs. When the OWA closes those orphans or sites under a WIP Agreement, WIPs reimburse the OWA for their portion of the costs.

Expenditures

OWA expenditures[2] increased 12% to $171.0 million in 2025/26, from $153.3 million the year before[3].

Detailed expenditures[4]

- Well decommissioning decreased 11% to $41.1 million, from $46.0 million the year before.
- Environmental work, including assessments, remediation and reclamation, increased 18% to $77.5 million, from $65.7 million the year before.
- Facilities decommissioning increased 20% to $14.4 million, from $12.0 million the year before.
- Pipeline decommissioning increased 18% to $7.2 million, from $6.1 million the year before.
- Working interest cost claim reimbursements increased 81% to $11.0 million, from $6.1 million the year before.
- Administration increased 5% to $10.0 million, from $9.6 million the year before.
- Receivership expenses[5] increased to $3.0 million, from a credit position last year.
- Other expenditures including Reasonable Care and Measures, inspections, bad debt and land acquisition decreased 21% to $6.1 million, from $7.8 million the year before.

Detailed expenditures show that spending was focused more on environmental work, as most of our estimated liabilities reside in this category.

The significant increase in working interest cost claim reimbursements may be attributed to changes the AER made to the working interest cost claim process to provide clear expectations to industry and ensure fair and cost-efficient use of the OWA's industry funding.

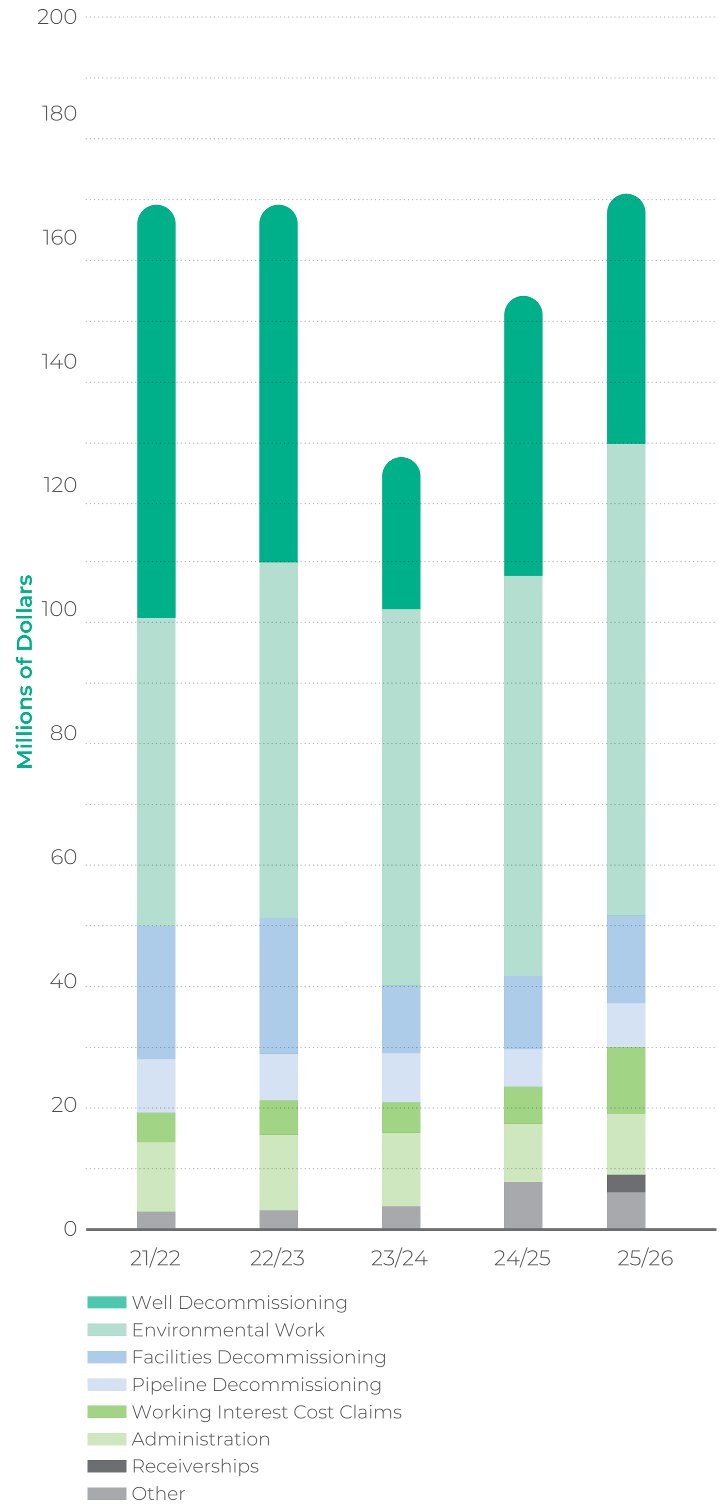
[2] *Not including GST and Unrealized Loss/Gain on Investment. Please see Financial Statements for details.*
[3] *Expenditures for 2024/25 exclude a one-year receivership credit to more accurately reflect for readers actual Administration expenditures incurred by the OWA. See Financial Statements and Notes for details.*
[4] *Numbers shown are rounded, while percentage changes reflect precise figures from the Financial Statements.*
[5] *Receivership expenses were previously included in the Administration category. Beginning in 2025/26, receivership expenses will be presented separately in this summary.*

Average Costs

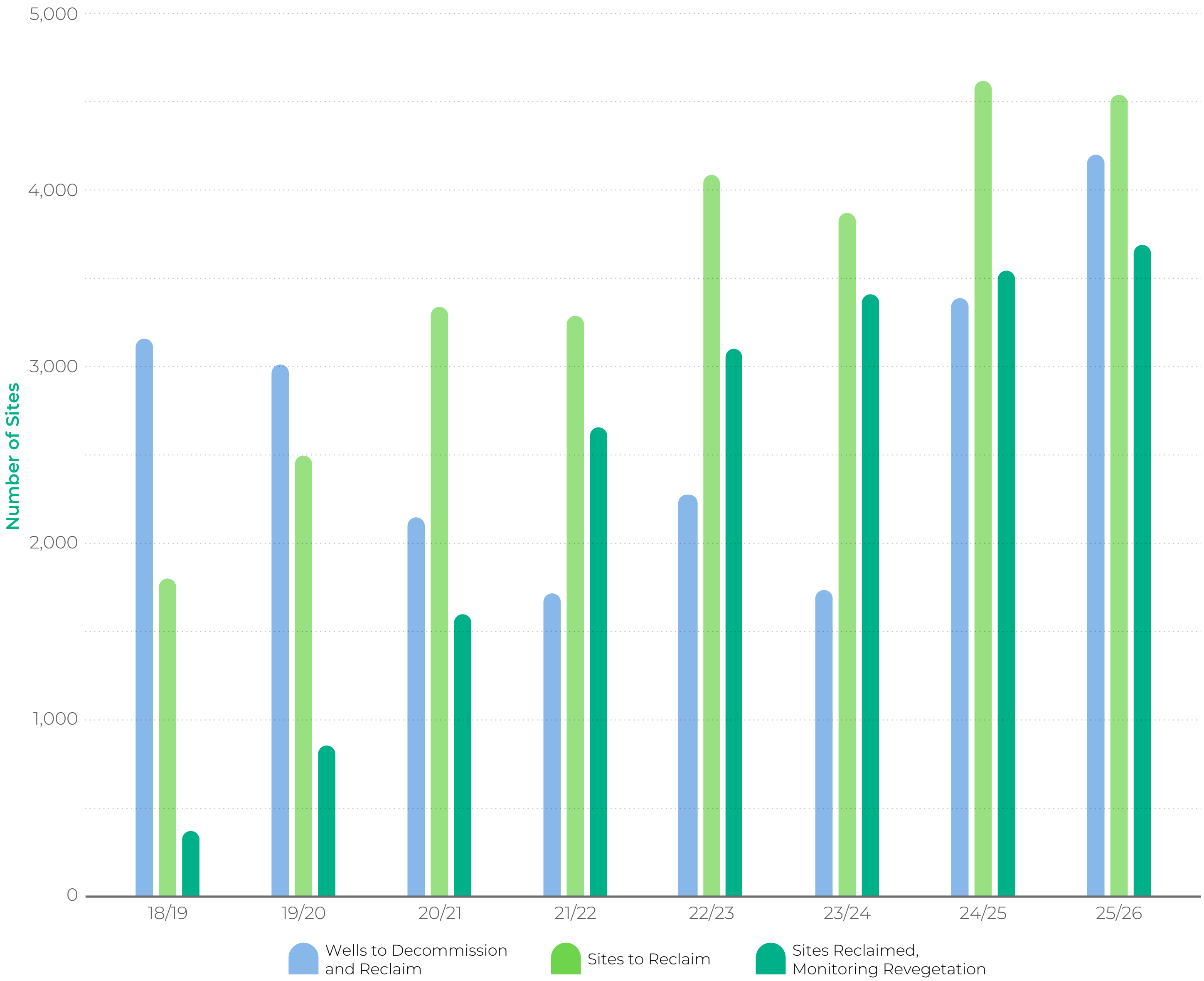
Our average costs to decommission a well and reclaim a site fluctuate over time and can vary significantly depending on the complexity of the site. In 2025/26 the average cost to decommission a well was $28,800 and to reclaim a site was $27,700. While the total average costs are approximately 20 per cent lower than 2024/25, they reflect the sites addressed by the OWA during the fiscal year and may not be representative of all sites in the OWA inventory or those across the industry.

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.

OWA Expenditures



Orphan Inventory Overview



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

We also receive sites that were decommissioned before they were orphaned and require only environmental work.

When we receive a surge of orphan wells, decommissioning work is conducted steadily and efficiently, after which the sites are moved to the environmental phase. As a result, the reclamation inventory increases, as it has consistently from 2018/19. At the same time, we have also been steadily increasing the number of sites in vegetation monitoring and the number of reclamation certificates we receive.

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 as followed industry. When the OWA receives a reclamation certificate for a site, it is removed from our reclamation inventory.

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 12 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.

13% 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.

45% of reclamation inventory is here

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

Site is Closed

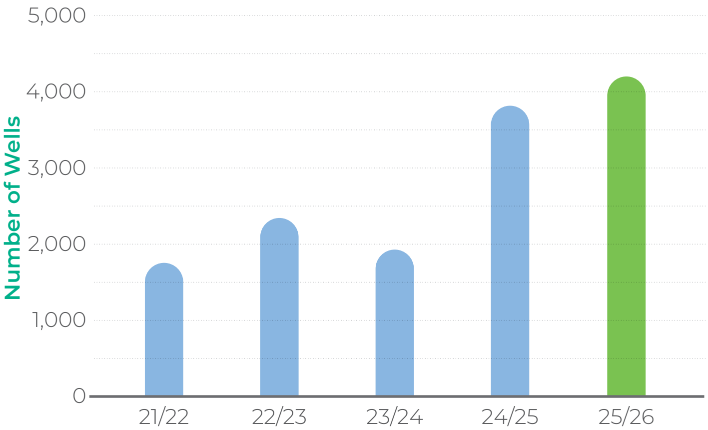
Timeline is approximate.


PENNY

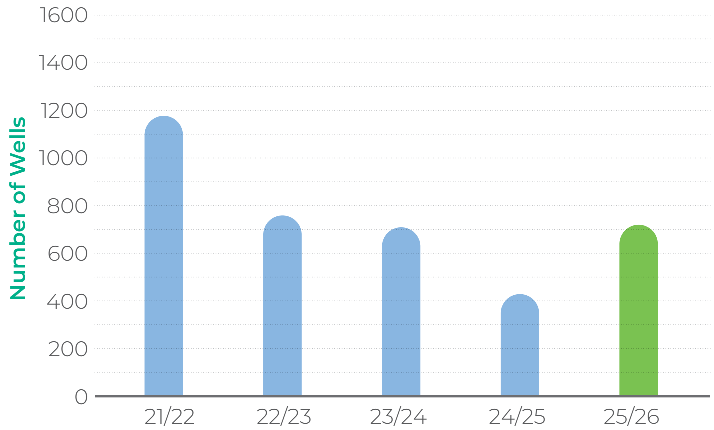
DECOMMISSIONING

Removing the Infrastructure

Orphan Well Inventory



Number of Wells Decommissioned



The total number of wells in the OWA inventory (orphans and WIPA sites) to be decommissioned increased 13% to 4,200 at the end of 2025/26, from 3,716 the year before. Included in this inventory are 1,209 new wells that the OWA received in 2025/26, a decrease of 45% from the year before. However, after fiscal year 2025/26, the OWA received 2,980 new wells from the Long Run Exploration Ltd receivership. We have begun the preliminary process of closing these new sites.

Sites in this inventory 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 increased 68% to 721 in 2025/26, from 429 the year before. The increase in the number of wells decommissioned is due to our focus on 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.

REMEDIATION AND RECLAMATION

Returning the Land

Restoring the landscape for species at risk

The OWA has now been working on the Manyberries project in southeast Alberta for five years, transforming a crude oil production network of approximately 250 sites into a functional native prairie landscape. Our objective has remained consistent: restore habitat that supports the long-term sustainability of the greater sage-grouse.

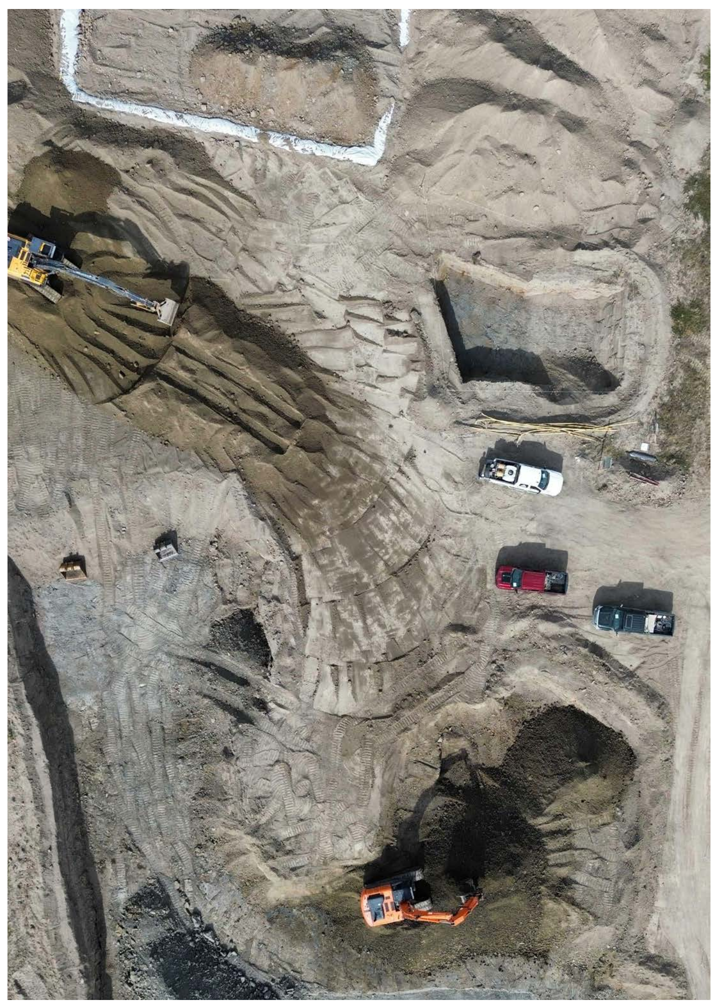
Through dedicated planning, coordination and field execution, the project has achieved a major milestone, with remediation efforts reaching their peak. Reclamation activities also advanced into some of the most technically challenging terrain encountered to date, including bentonite and shale substrates surrounded by ancient juniper stands that have existed for thousands of years. Re-establishing ecological function in this landscape is a significant undertaking.

We needed early field access this season to safely relocate 414 greater short-horned lizards before winter burrowing began. The translocation effort ensured the species were protected ahead of heavy equipment entering the area for what is anticipated to be the final phase of disturbance. At the same time, we continued reclamation efforts and transplanted silver sagebrush, bringing the three-year total to 21,650 plants established across the field since reclamation activities began.

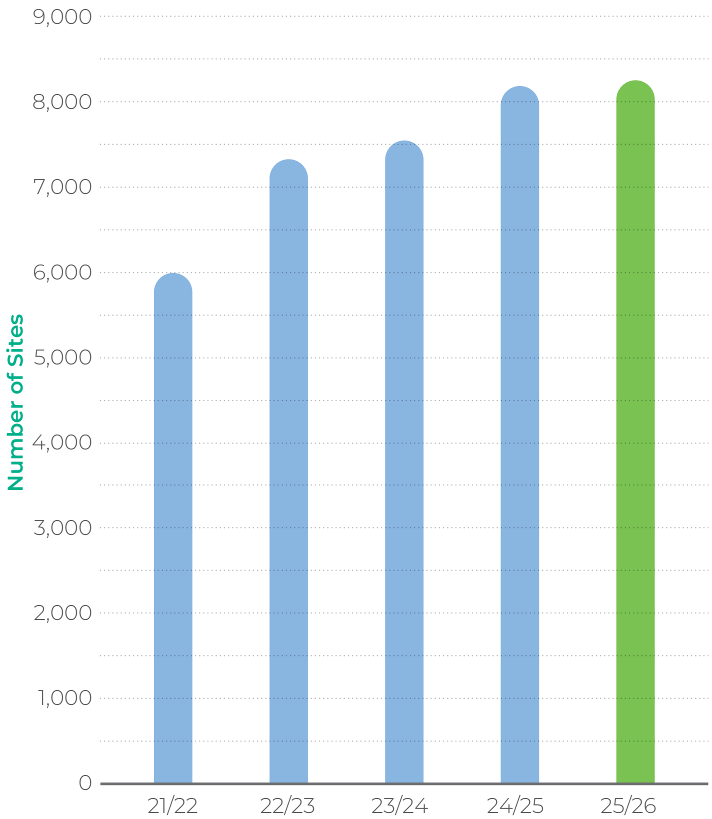
Today, the results of the remediation and reclamation program are clearly visible, and the transformation across the landscape has been substantial. Alberta Environment and Protected Areas has used GPS monitoring to confirm the movement of greater sage-grouse throughout the field, including across reclaimed areas. Our long-term goal remains restoring lands so they may one day support a new lek – a renewed breeding and dancing ground for the species.

As more sites are decommissioned, our work on assessment, 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.

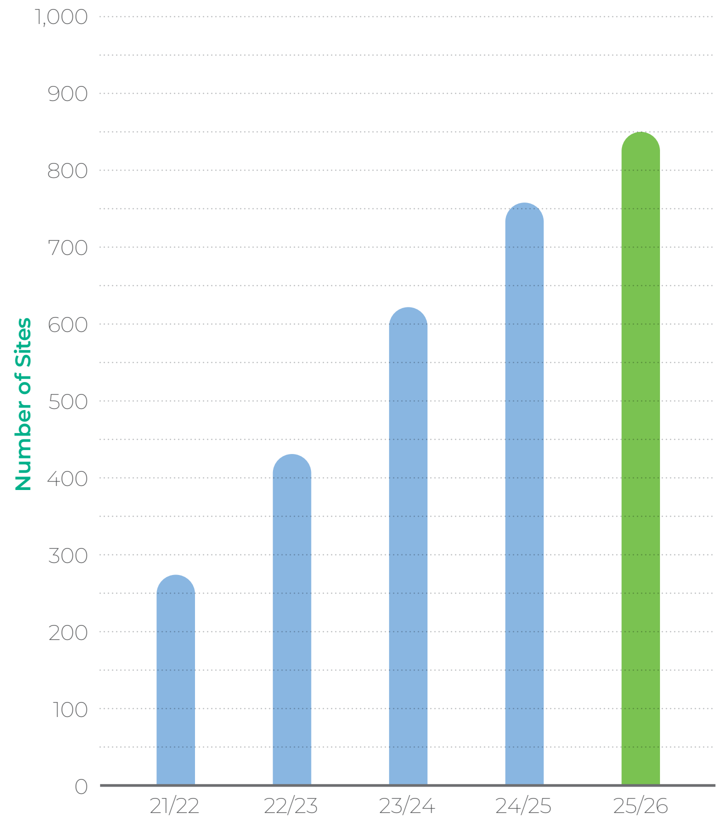
Since beginning operations in 2002, the OWA has received over 4,100 reclamation certificates, with nearly 3,700 other sites reclaimed and awaiting vegetation to be established.



Reclamation Inventory



Number of Sites Closed



The number of orphan sites in the OWA reclamation inventory (orphans and WIPA sites) increased 1% to 8,228 at the end of 2025/26, from 8,161 the year before. The reclamation inventory counts how many sites require environmental work. 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 environmental work (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.

The number of sites the OWA fully closed increased 12% to 850 in 2025/26, from 758 the year before. This closure number represents over 15 square kilometres of land returned to Albertans, an area equivalent to 2,100 CFL football fields (including end zones!).

It takes years for a site to become suitable for a reclamation certificate application, so this year's number reflects environmental work performed over the last several years. We expect to see continued 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.

Since beginning operations in 2002, the OWA has received over 4,100 reclamation certificates, with nearly 3,700 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.

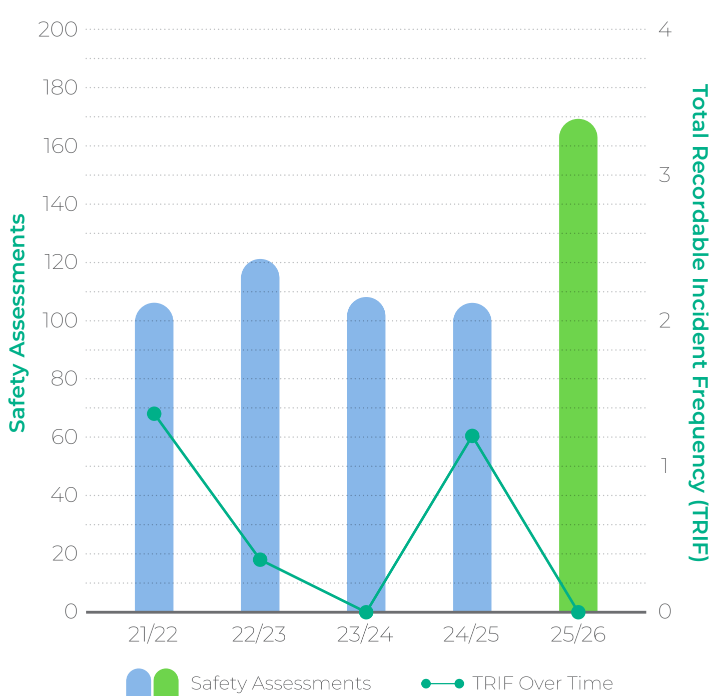
Protecting People and the Environment

SAFETY AND RISK ASSESSMENT

In 2025/26, the OWA completed 1,655 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 onsite 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 2025/26, there were no lost-time injuries, which is a significant accomplishment for the OWA and our contractors given the volume of work we undertake. During the year, our contractors worked about 716,000 hours in the field, which is equivalent to 358 person years of work. It is an incredible accomplishment to have no lost-time injuries during the year, and we are striving to continue this trend.

The OWA assesses the safety programs of its vendors and conducts site assessments to ensure safe practices are followed during operations. During 2025/26, there were a total of 169 direct safety assessments conducted on Prime Contractors. In addition to these more formal assessments, the OWA conducts safety engagements, where a range of activities are undertaken to support contractors' safety performance, from safety bulletins to in-person dialogue. When incidents do take place, we investigate and evaluate ways to reduce the risk of injury incidents in the future.

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, 2026, 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, 2026, and its results of operations 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, 2026

Financial Statements

ALBERTA OIL AND GAS ORPHAN ABANDONMENT AND RECLAMATION ASSOCIATION
Statement of Financial Position
As at March 31, 2026
(thousands of dollars)

		2026		2025
Assets				
Current assets				
Cash	**$**	**38,098**	$	29,626
Accounts and other receivables		**7,545**		5,047
Prepaid expenses and deposits		**388**		600
Investments (Note 4)		**26,960**		67,816
		72,991		103,089
Tangible capital assets (Note 5)		**39**		56
	$	**73,030**	$	103,145
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued liabilities (Note 11)		**20,360**		32,448
Current portion of long-term notes payable (Note 6)		**30,198**		30,198
		50,558		62,646
Long-term notes payable (Note 6)		**237,259**		257,531
Deferred contributions (Note 7)		**68,741**		78,780
		356,558		398,957
Net assets		**(283,528)**		(295,812)
	$	**73,030**	$	103,145

See accompanying notes to financial statements.

Approved by the Board:

D. Blake Reid

Director – Blake Reid

Director – Kyle Pisio

ALBERTA OIL AND GAS ORPHAN ABANDONMENT AND RECLAMATION ASSOCIATION

Statement of Operations
Year ended March 31, 2026
(thousands of dollars)

		2026		2025
Revenues				
Orphan Fund levy through the AER		**141,315**		132,349
Large Facility levy through the AER		**-**		-
Interest income (Notes 3, 4, 6 and 7)		**14,359**		18,841
Deposits and recoveries		**24,125**		15,844
Salvage sales		**5,678**		3,529
First time licensee fees and regulator directed transfer fees through the AER		**466**		374
Working interest and Partner Site recoveries (Note 8)		**7,239**		3,900
		193,182		174,837
Expenditures				
Operating				
Reasonable Care and Measure		**3,898**		3,149
Well abandonment		**41,127**		46,008
Pipeline abandonment		**7,216**		6,140
Facility decommissioning		**14,410**		12,025
Environmental assessments		**17,048**		13,271
Remediation		**23,215**		21,300
Reclamation		**37,282**		31,154
Land acquisition		**46**		1,841
Working interest claims (Note 9)		**10,992**		6,076
Other		**2,170**		2,780
		157,404		143,744
Other expenses (income)				
Interest on long-term notes payable (Note 6)		**9,926**		10,530
Fund administration (Notes 10 and 11)		**10,019**		9,580
Bad Debt (Note 12)		**515**		-
Non-recoverable GST recovery (Note 3)		**-**		(10,860)
Receivership (recovery)/expense (Note 13)		**2,958**		(3,753)
Unrealized (gain)/loss on investments		**76**		(96)
		23,494		5,401
		180,898		149,145
Surplus of revenues over expenses	**$**	**12,284**	$	25,692

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, 2026
(thousands of dollars)

	2026	2025
Balance, beginning of year	**$ (295,812)**	$ (321,504)
Surplus	**12,284**	25,692
Balance, end of year	**$ (283,528)**	$ (295,812)

See accompanying notes to financial statements.

ALBERTA OIL AND GAS ORPHAN ABANDONMENT AND RECLAMATION ASSOCIATION
Statement of Cash Flows
Year ended March 31, 2026
(thousands of dollars)

		2026		2025
Cash provided by (used in)				
Operating				
Surplus of revenues over expenses	**$**	**12,284**	$	25,692
Non-cash items				
Amortization of tangible capital assets		**33**		27
Unrealized (gain) loss on investments		**76**		(96)
Changes in operating non-cash working capital				
Increase in accounts and other receivables		**(2,498)**		(1,504)
Decrease in prepaid expenses and deposits		**212**		3
(Decrease) increase in accounts payable and accrued liabilities		**(12,088)**		17,589
		(1,981)		41,711
Investing				
Sale (purchase) of investments		**40,780**		(30,232)
Purchase of tangible capital assets		**(16)**		(58)
		40,764		(30,290)
Financing				
Decrease in deferred contributions		**(113)**		(64)
Repayment of long-term notes payable		**(30,198)**		(30,198)
		(30,311)		(30,262)
Net (decrease) increase in cash		**8,472**		(18,841)
Cash, beginning of year		**29,626**		48,467
Cash, end of year	**$**	**38,098**	$	29,626

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 the determination of the 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 $23,467 including interest for the GST reportable periods from April 1, 2014 through May 31, 2023. An amount of $6,642 was withheld as the CRA deemed a deduction on the GST payable on the 2023-24 Orphan Levy to be GST eligible. An objection to the GST on the Orphan Levy was filed with the CRA on December 6, 2024 and we await a decision on the objection. At present. GST ITC's are being filed and recovered monthly as ordinary course of business.

Note 4 Investments

At March 31, 2026, the Association's investments included $19,000 (2025 - $60,000) of guaranteed investment certificates with interest rates between 3.0% and 3.35% per annum. The investments will mature between April through June 2026 at which time they will be reinvested in similar instruments with comparable interest rates. The Association also has $7,960 (2025 - $7,816) of investments in the form of fixed income bond funds with varying degrees of yield, coupon and maturity.

Note 5 Tangible capital assets

			2026	2025
	Cost	Accumulated amortization	**Net book value**	Net book value
Computers	$ 232	$ 197	$ 35	$ 56

(thousands of dollars)

Note 6 Long-term notes payable

The Association has 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 it may borrow from the Province to a maximum aggregate amount of $235,000. As at March 31, 2026, advances of $235,000 (2025 - $235,000) have been received, of which $362 (2025 - $1,671) has been recorded as a deferred contribution (see Note 7), and $1,309 (2025 - $2,226) 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.

Subsequently, the loan arrangement with the Province was amended such that the OWA may borrow an additional $100,000 interest-free. As at March 31, 2026, an advance of $100,000 (2025 - $100,000) has been received, of which $11,687 (2025 - $14,677) has been recorded as a deferred contribution (see Note 7), and $2,990 (2025 - $2,889) 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 the Association has entered into an interest-free loan arrangement with His Majesty the King in Right of Canada as represented by the Minister of Finance ("Canada") under which it may borrow a maximum aggregate amount of $200,000. As at March 31, 2026, advances of $200,000 (2025 - $200,000) have been received, of which $50,692 (2025 - $56,319) has been recorded as a deferred contribution (see Note 7), and $5,627 (2025 - $5,415) 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:

	2027	2028	2029	2030	2031	Thereafter
Repayment Schedule	$ 30,198	$ 6,250	$ 25,000	$ 25,000	$ 25,000	$ 218,750

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, the OWA has 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

		2026		2025
Balance, beginning of year	$	78,780	$	89,374
Transferred to revenue	$	(113)	$	(64)
Interest revenue recognized (Note 6)	$	(9,926)	$	(10,530)
Balance, end of year	$	68,741	$	78,780

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, 2026, $7,239 (2025 - $3,900) 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. During the year ended March 31, 2026, $10,992 (2025 - $6,076) 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 $734 (2025 - $727), 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, 2026 is $285 (2025 - $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 $460 in respect of services, which are expected to be rendered over the period from April 1, 2026 to March 31, 2028, 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 2026 and 2025.

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, 2026, the Association has recorded $602 (2025 - $797) 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 $631, these future payments have not been reflected in the financial statements as they are contingent upon the provision of future service obligations.

Note 12 Bad debt expenses

Accounts and other receivables are reviewed on an ongoing basis for indicators of impairment. When there is no reasonable expectation of recovery, the receivable is written off directly to bad debt expense. This determination is based on management's assessment of individual accounts, including factors such as the aging of the receivable, the financial condition of the customer, and past collection experience. The AER can also determine the status of a company by issuing a deemed defaulting notice. When the OWA receives these, the company is stuck or cancelled from the Corporate Registry and collections is determined to be not possible. During the year ended March 31, 2026 $515 (2025 – nil) was written off as bad debt.

Note 13 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, 2026, $2,958 (2025 - $3,753 credit) has been recorded as receivership expense.

Note 14 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. The Association extends credit to other companies in the normal course of operations. Credit risk is partially mitigated by the Association's ongoing credit evaluations of these other companies and the monitoring of outstanding balances. The Association does not have a significant concentration of credit risk with any single party or group of parties. The maximum credit risk exposure associated with the Association's financial assets is the carrying amount.

(thousands of dollars)

(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

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, 2026 are as follows:

	Total	2027	2028	2029	2030	2031	Thereafter
Accounts payable and accrued liabilities	$ 20,360	$ 20,360	$ -	$ -	$ -	$ -	$ -
Long-term notes payable	$ 330,198	$ 30,198	$ 6,250	$ 25,000	$ 25,000	$ 25,000	$ 218,750

Note 15 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:

	2027	2028	2029
Commitments	241	251	254

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 16 Subsequent events

On May 19, 2026, the Association approved an additional tranche of the cash-based long-term retention plan in the amount of $569, for the performance period of April 1, 2026 through March 31, 2029, 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 nonprofit organization, generally known as the Orphan Well Association or OWA. The OWA operates under the delegated legal authority of the Alberta Energy Regulator (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, the Explorers and Producers Association of Canada and the Alberta Energy Regulator.

The OWA thanks Logan Popko, who has concluded his 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.

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.

Terry McNeill

Pine Cliff Energy Ltd.

Terry McNeill is the Chief Operating Officer for Pine Cliff Energy Ltd. Terry has over 30 years of industry experience encompassing all aspects of operations, including production, construction, completions and drilling. Terry holds a B.Sc. in Chemical Engineering from the University of Calgary and is a member of APEGA.

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

Canadian Association of Petroleum Producers

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

Logan Popko

Cenovus Energy Inc.

Logan Popko is Senior Vice President, Operations and Technical Services at Cenovus Energy. He oversees well delivery, health and safety, environment and regulatory, supply chain management and reserves governance. Logan has held progressively senior roles over his 17 years at Cenovus across production operations, asset development, projects, strategy, corporate planning and commercial. He holds a degree in Oil and Gas Engineering from the University of Calgary and is a member of 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 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 and Chartered Professional Accountant.

Brad Malley

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 Professional Technologist (Eng) designation.

Curtis Morgan

Environmental Lead

Curtis Morgan joined the OWA in 2016 as an Environmental Coordinator and is currently one of the Environmental Team co-leads with a focus on operations management. He brings over 25 years of environmental experience in upstream oil and gas from both the field and the office. Prior to joining the OWA, Curtis held roles in management and supervision of assessment, remediation and reclamation projects throughout Alberta. He holds a B.Sc. in Environmental Science and a Registered Technologist in Agrology designation.

Samantha Price

Environmental Lead

Samantha Price has over 17 years of experience in asset retirement through environmental coordination and consulting roles. Samantha co-leads the Environment Team and guides the strategic planning of the environmental inventory. Samantha also has expertise in software and system management, along with effective stakeholder engagement. She holds a Registered Technologist in Agrology designation.

Jodi Rea

Surface Decommissioning Lead

Jodi Rea plans and manages all aspects of the surface decommissioning program, including pipeline abandonments, facility decommissioning, and equipment salvage and sales. Her team also provides oversight of field operations to execute AER Reasonable Care and Measures (RCAM) orders. Prior to joining the OWA, Jodi held various oil and gas engineering positions in heavy oil production, refinery process engineering, and wellsite facility and pipeline construction. She holds a B.Sc. in Chemical Engineering.

Jonah Urton

Well Decommissioning Lead

Jonah Urton oversees all aspects of the OWA's well decommissioning operations. He has been a key contributor to the OWA team for many years. Prior to joining the OWA in 2024, Jonah led a technical team as a Prime Contractor focusing on well decommissioning. Jonah holds a B.Eng. in Mechanical Engineering and designations as a Professional Engineer and a Project Management Professional, combining deep technical expertise, effective project delivery and solid leadership capabilities.

Back row: Samantha Price, Jonah Urton, Curtis Morgan, Lars De Pauw   Front row: Vik Dhalia, Brad Malley, Jodi Rea

The OWA team

Orphan Well Association

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