Annual Report

2025-26

Saskatchewan Oil and Gas Orphan Fund

Ministry of Energy and Resources

Saskatchewan

Letters of Transmittal



The Honourable
Chris Beaudry
Minister of Energy and Resources

Office of the Lieutenant Governor of Saskatchewan

I respectfully submit the Saskatchewan Oil and Gas Orphan Fund Annual Report for the Ministry of Energy and Resources for the fiscal year ending March 31, 2026.

Chris Beaudry
Minister of Energy and Resources



William Greuel
Deputy Minister of
Energy and Resources

The Honourable Chris Beaudry
Minister of Energy and Resources

Dear Minister:

I have the honour of submitting the Saskatchewan Oil and Gas Orphan Fund Annual Report of the Ministry of Energy and Resources for the fiscal year ending March 31, 2026.

William Greuel
Deputy Minister of Energy and Resources

Manager's Responsibility for Financial Statements

The Saskatchewan Oil and Gas Orphan Fund Annual Report for the fiscal year ending on March 31, 2026, and the accompanying financial statements, are the responsibility of the management of the Ministry of Energy and Resources. Management has prepared the financial statements in accordance with Canadian public sector accounting standards. The financial information captured in this annual report is consistent with that in the financial statements.

To ensure the integrity and objectivity of the financial data, management maintains a comprehensive system of internal controls including written policies and procedures and an organizational structure that segregates duties. These measures provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, that assets are properly safeguarded and that reliable financial records are maintained.

The financial statements have been audited by the office of the Provincial Auditor. The Provincial Auditor's Report to the Members of the Legislative Assembly states the scope of its examination and opinion on the financial statements, which can be found on page 7.



William Greuel
Deputy Minister of Energy and Resources

Introduction

Saskatchewan created the Oil and Gas Orphan Fund (Orphan Fund) in 2007 to manage and clean up orphan oil and gas sites, including wells and facilities that no longer have a responsible owner. Saskatchewan developed the program in collaboration with industry and other stakeholders, and it now operates under a strong regulatory framework.

The Orphan Fund manages the work and costs involved in safely closing orphan wells and facilities, restoring the land, and responding to environmental concerns related to oil and gas operations. Oil and gas companies fund this work through an annual levy, ensuring the industry takes responsibility for these costs.

The Ministry of Energy and Resources administers the Orphan Fund under *The Oil and Gas Conservation Act* and its regulations.

Program Purpose

An orphan oil well is a well that no longer has a responsible owner because the licensee has gone out of business or become insolvent. Saskatchewan created the Orphan Fund to address the costs of abandoning and reclaiming these wells and facilities. Oil and gas companies fund the program through an annual Orphan Fund Levy.

Through the Orphan Fund Procurement Program, Saskatchewan hires qualified contractors to carry out this work. This approach ensures the industry takes responsibility for closing and reclaiming orphan sites.

Program Mandate

The Saskatchewan Oil and Gas Orphan Fund safely and efficiently closes and restores orphaned upstream oil and gas sites so the land can return to its original use. The program prioritizes public safety and environmental protection in all its activities.

By restoring these sites, the fund helps municipalities and landowners return the land to productive uses such as farming and recreation.

Progress on Program Activities

During the 2025-26 fiscal year, the ministry invoiced the oil and gas industry $10.5 million through the annual orphan fund levy. The ministry also completed approximately $19.5 million in abandonment and reclamation work tied to orphan sites. This included:

- Abandoning 406 wells;
- Completing 331 environmental site assessments;
- Advancing 326 reclamation projects; and,
- Submitting 69 applications for Acknowledgement of Reclamation (AOR) as part of final site closure.

For the 2026-27 fiscal year, the ministry is forecasting to complete approximately 200 orphan well abandonments and 500 site assessment and reclamation projects.

Risk Analysis

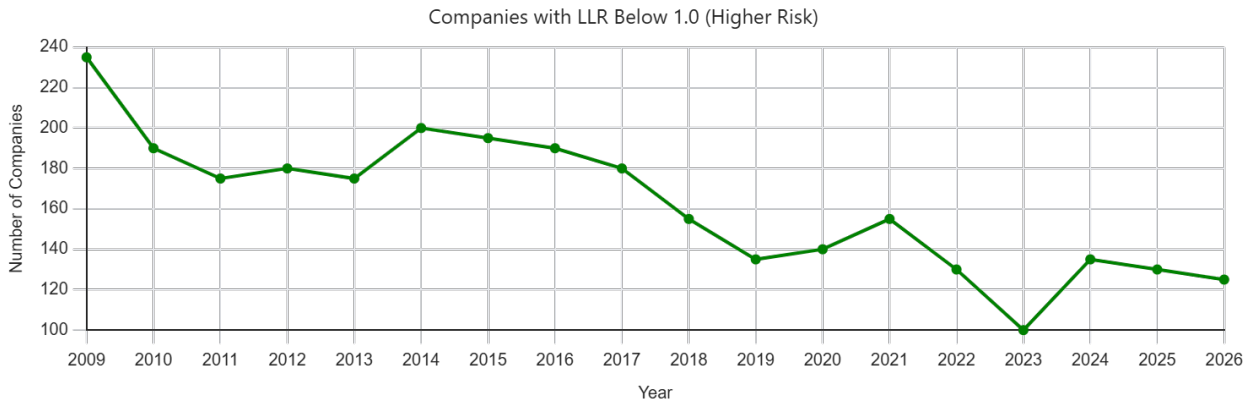
To reduce risk and potential costs to the Orphan Fund, the ministry runs the Licensee Liability Rating (LLR) program alongside the Orphan Fund Procurement Program. Through this program, the ministry collects security deposits from companies that may pose a higher risk if they become insolvent. If a company goes out of business, the ministry uses these deposits to help cover the cost of closing and reclaiming wells and facilities.

Under the LLR program, the ministry assigns each oil and gas company a rating based on the value of its assets compared to its cleanup responsibilities. The ministry calculates this rating by comparing a company's production value with its estimated future costs to close wells, remove infrastructure, and restore sites.

Companies with a rating above 1.0 have more assets than liabilities and pose a lower risk. Companies with a rating below 1.0 have fewer assets than liabilities and pose a higher risk. The ministry requires these higher-risk companies to provide a security deposit to help reduce potential impacts on the Orphan Fund.

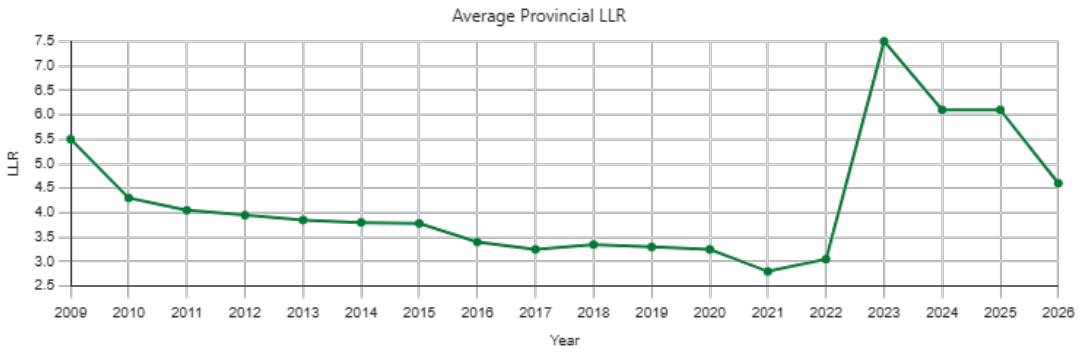
As of March 31, 2026 the number of higher-risk companies have remained stable and gradually declined since 2017. This trend shows that fewer companies face a higher risk of insolvency. These companies represent a small share of the industry. They account for about 2.83 per cent of total provincial oil and gas liabilities, and just 0.04 per cent of total production value.

Figure 1 shows that the number of higher-risk companies, with an LLR below 1.0, has generally declined since 2009, despite some year-to-year variation. This trend indicates that fewer companies pose a higher risk to the Orphan Fund.



Most companies operate in the lower-risk category, with an LLR of 1.0 or higher. While the number of these companies decreased slightly from 130 in 2024–25 to 125 in 2025–26, they continue to account for the majority of industry activity. These companies represent approximately 97.17 per cent of total liabilities and 99.96 per cent of production.

Figure 2 shows the average provincial LLR. The average has generally declined over time, with a temporary increase in 2023 following the introduction of the Enhanced LLR program. Since then, it has declined due to lower oil prices and production. Despite this change, the current average LLR of about 4.6 indicates that the industry remains well positioned to meet its cleanup and closure obligations.



The ministry uses several tools to manage and reduce risk to the Orphan Fund. As of March 2026, the ministry held $75.74 million in security deposits under the LLR program. Higher-risk companies accounted for approximately $117 million in total liabilities.

In most cases, these deposits, combined with company assets, provide sufficient coverage to address risks at an overall level. However, some risk remains in individual cases where costs may exceed available security. The Orphan Fund, supported by annual levies from industry, helps address any such shortfalls.

The ministry also applies additional measures to further reduce risk, including:

- Requiring companies to meet annual spending targets to close inactive wells and facilities.
- Collecting financial information to assess companies' ability to meet their obligations.
- Applying risk-based requirements, including additional security, for higher-risk licensee transfers.

Oil and Gas Orphan Fund Financial Statements

OIL AND GAS ORPHAN FUND

FINANCIAL STATEMENTS

For The Year Ended March 31, 2026

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of the Oil and Gas Orphan Fund, which comprise the statement of financial position as at March 31, 2026 and the statement of operations and accumulated surplus, 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 Oil and Gas Orphan Fund as at March 31, 2026, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 Oil and Gas Orphan Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or any knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, 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 Oil and Gas Orphan Fund'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 Oil and Gas Orphan Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Oil and Gas Orphan Fund'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.

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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 Oil and Gas Orphan Fund'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 Oil and Gas Orphan Fund'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 Oil and Gas Orphan Fund 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 identified during the audit.



Regina, Saskatchewan
July 24, 2026

Tara Clemett, CPA, CA, CISA
Provincial Auditor
Office of the Provincial Auditor

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OIL AND GAS ORPHAN FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	2026	2025 (Restated - note 9)
FINANCIAL ASSETS		
Due from General Revenue Fund (Note 5)	$23,159,618	$28,270,032
Accounts Receivable	1,787,454	1,516,143
Interest Receivable	289,737	401,590
Total Financial Assets	25,236,809	30,187,765
LIABILITIES		
Accounts Payable	676,048	374,657
NET FINANCIAL ASSETS AND ACCUMULATED SURPLUS (Statement 2) (Note 3)	$24,560,761	$29,813,108

(See accompanying notes to the financial statements)

OIL AND GAS ORPHAN FUND
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
Year Ended March 31

	Budget	Actual	
	2026 (Note 8)	2026	2025 (Restated - note 9)
REVENUES:			
Levies (Note 6)	$9,300,000	$10,500,000	$6,000,000
Forfeited Security Deposits (Note 6)	---	657,822	3,575,429
Interest (Note 5 & 6)	2,000,000	1,381,971	2,293,631
Other Revenue	---	1,925,242	1,525,698
Total Revenues	11,300,000	14,465,035	13,394,758
EXPENSES:			
Abandonment and Reclamation	18,259,000	19,528,441	17,600,729
Other Costs (Note 7)	55,000	188,941	1,756,043
Total Expenses	18,314,000	19,717,382	19,356,772
ANNUAL (DEFICIT)	$(7,014,000)	(5,252,347)	(5,962,014)
ACCUMULATED SURPLUS, BEGINNING OF YEAR		29,813,108	35,775,122
ACCUMULATED SURPLUS, END OF YEAR to Statement 1		$24,560,761	$29,813,108

(See accompanying notes to the financial statements)

OIL AND GAS ORPHAN FUND
STATEMENT OF CASH FLOWS
Year Ended March 31

	2026	2025
OPERATING TRANSACTIONS		
Cash Received From:		
Levies	$10,498,746	$6,016,692
Forfeited Security Deposits	657,822	3,575.429
Abandonment and Reclamation proceeds	---	363,814
Interest	1,493,824	2,584,982
Other Revenue	1,654,372	---
Total Cash Received	14,304,764	12,540,917
Cash Paid For:		
Abandonment and Reclamation	19,226,237	17,327,435
Other Expenses	188,941	1,756,043
Total Cash Paid	19,415,178	19,083,478
(DECREASE) IN CASH	(5,110,414)	(6,542,561)
DUE FROM GENERAL REVENUE FUND, BEGINNING OF YEAR	28,270,032	34,812,593
DUE FROM GENERAL REVENUE FUND, END OF YEAR	$23,159,618	$28,270,032

(See accompanying notes to the financial statements)

OIL AND GAS ORPHAN FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2026

1. Authority

The Oil and Gas Environmental Fund was established on May 17, 1989, pursuant to Section 18.2 of *The Oil and Gas Conservation Regulations, 1985* (Regulations). The Oil and Gas Environmental Fund originated through a one-time assessment of $100 per well to a maximum of $20,000 per operator.

In June 2007, an amendment was made to the *Oil and Gas Conservation Act* (Act) that provided for the continuance of the existing Oil and Gas Environmental Fund as the Oil and Gas Orphan Fund (fund) (Order in Council #442/2007). The purpose of the fund is to address the issue of abandonment of wells, decommissioning of facilities, and clean-up of those wells and facilities where the obligations of the person responsible for carrying out those activities are not being met.

2. Significant Accounting Policies

Pursuant to Canadian Public Sector Accounting Standards, the fund is classified as a government component. These financial statements are prepared in accordance with Canadian public sector accounting standards. These financial statements do not present a statement of changes in net financial assets as the fund does not hold any non-financial assets. The fund did not have any re-measurement gains and losses; therefore, a statement of re-measurement gains and losses has not been provided.

2(a) Revenue Recognition:

(i) The fund recognizes orphan fund levies as revenue when the levies are assessed.
(ii) Security deposits held in the Province's General Revenue Fund (GRF) and/or irrevocable letters of credit are recognized by the fund as revenue once the Minister declares them forfeited to the Crown in the right of Saskatchewan (see Note 6).
(iii) The fund recognizes salvage proceeds from abandonment activities as revenue when the licensee fails to cover the costs of carrying out the activities on the site.
(iv) Interest is earned monthly and received quarterly.
(v) Other Revenue consists of miscellaneous own source revenues. These amounts arise from activities such as non-sufficient funds (NSF) related charges, refunds of prior year expenses and reimbursements of reclamation expenses.

2(b) Expenses:

(i) The fund recognizes the costs to carry out the abandonment or decommissioning of the orphan well, facility and/or flowlines. Expenses are recognized when services are performed and/or goods are received.

2(c) Use of Estimates:

(i) These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

2(d) Future Changes in Accounting Policies:

(i) The following new standards will be effective for fiscal years beginning on or after April 1, 2026 (2026–27 fiscal year);

- The Public Sector Accounting Board (PSAB) has issued a new Conceptual Framework; and,
- PS 1202 – Financial Statement Presentation.

The Ministry of Energy and Resources is assessing the impact of these changes.

3. Net Financial Assets

Under section 7-1 of the *Financial Security and Site Closure Regulations (FSSCR)* the net financial assets, together with any future recoveries of well site restoration costs, are available to provide for expenditures for the purposes of:

a) abandonment of wells, flowlines and facilities and restoration of those sites, as a result of disappearance or insolvency of the well owner or operator.

b) containment or clean-up of major environmental problems arising from oil and gas exploration, development, production or transportation operations.

c) to pay for technical, administrative, legal or other costs incurred in pursuing reimbursement for the costs mentioned in a) and b) from the person responsible for paying them.

d) to pay for a defunct working interest participant's share of abandonment and reclamations costs if those costs were incurred by a working interest participant of the defunct party.

4. Financial Instruments

The fund's financial instruments include Due from General Revenue Fund, accounts receivable, interest receivable and accounts payable. These are recorded at cost or amortized cost. The carrying amount of these financial instruments is of approximate fair value due to their immediate or short-term maturity. The Fund is exposed to credit risk from the potential non-payment of accounts receivable to a maximum of $10,410. These instruments have no interest rate risk, liquidity risk or market risk. The valuation allowance for doubtful accounts at the end of March 31, 2026, was $10,410 (2025- $10,410). Accounts payable of $676,048 (2025 - $374,657) are current, with 100% expected to be settled within 30 days.

5. Related Party Transactions

Included in these financial statements are transactions with ministries and agencies related to the fund by virtue of common control by the Government of Saskatchewan. A related party exists when one party can exercise control or share control over the other. Two or more parties are related when they are subject to common control or shared control. Related parties also include key management personnel, their close family members and entities controlled by, or under shared control of, any of these individuals.

The fund's revenue and cash security deposits (Note 6) are deposited to the General Revenue Fund (GRF). These funds are included in the Consolidated Offset Balance Concentration (COBC) account held by the GRF and the fund receives interest quarterly. Participation in the COBC arrangement means that the interest on the bank account comes from the GRF rather than from a financial institution. The interest is based on the government's 30-day borrowing rate, which is calculated and paid by the Ministry of Finance. The fund earned $1,381,972 in interest in 2025-26 (2025 - $2,293,631). The Government’s average 30-day borrowing rate for 2025-26 is 2.50%. (2025 - 4.05%).

The fund has not been charged with administrative costs and no provision for such costs is reflected in these statements. These costs are borne by the Ministry of Energy and Resources. The fund pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases and services. Taxes paid are recorded as part of the cost of those purchases.

6. Levies and Security Deposits

To pay the costs to abandon and reclaim orphaned liabilities, the Saskatchewan Orphan Fund Levy was established. Each licensee in the province is levied, in accordance with Section 7-3(1) of the FSSCR, on an annual basis to pay a percentage of a budget to carry out an annual orphan abandonment and reclamation program. Section 7-3(1) of the FSSCR provides details of how the levy was calculated for each licensee.

In addition, under the Licensee Liability Rating Program, the Minister in accordance with Section 15 of the Act and Section 3-1(1) of the FSSCR Regulations may require security deposits from holders of oil and gas licenses for the purpose of ensuring that they can meet their obligations with respect to suspension, abandonment, restoration, remediation, or reclamation of wells and upstream facilities and sites.

The cash security deposits, and irrevocable letters of credit are held on behalf of holders of oil and gas licenses and are not included in the financial statements of the fund. On March 31, 2026, the fund held irrevocable letters of credit from the holders of oil and gas licenses consisting of $48,898,849 (2025 - $55,229,357) and security deposits held in the Province's GRF of $26,842,224 (2025 - $24,536,179).

As of March 31, 2026, an additional $44,694,011 in security deposits were outstanding, payable in cash or irrevocable letters of credit. Outstanding security deposits include approximately $950,000 considered uncollectible, about $550,000 not expected to be collected due to licensees' ongoing liability reduction work, and, subsequent to year end, about $28,500,000 not expected to be collected as those licensees are no longer considered at risk of not meeting their obligations.

As a licensee's liability rating improves, the cash may be refunded to the licensee. The licensees were notified in writing that interest will not be calculated or paid on security deposits.

If the criteria of the Act and FSSCR Regulations are not met, the security deposits may be forfeited fully or partially and deposited into the fund.

All 2025-26 revenues are re-occurring, however forfeited security deposits proceeds may fluctuate significantly each year.

7. Other Expenses

The Fund incurs administrative costs related to land access and stakeholder engagement activities. These costs include landman services required to obtain landowner contact information, secure access consents, and provide information to affected landowners and other stakeholders.

During the year, the Fund procured land access and stakeholder-related services from Scott Land & Lease Ltd., Straub Land Ltd., and Vertex Professional Services Ltd. to support program operations.

8. Budget

The budget for the fund is included with the Ministry of Energy and Resources budget submission to Treasury Board. Treasury Board approves the fund's budget annually.

9. Prior Period Error

During the current fiscal year, the Ministry determined that $1,516,143, representing an accrual for remediation work the fund completed on behalf of the licensee, had not been reported in the prior period. This omission resulted in an understatement of both Accounts Receivable and Other Revenue for that period.

Because the error was material, the Ministry has restated the comparative figures for the affected prior period. The correction increases Accounts Receivable and adjusts the corresponding revenue for the period in which the receivable should have been recognized. The current year opening balances have been revised to reflect the corrected amounts.