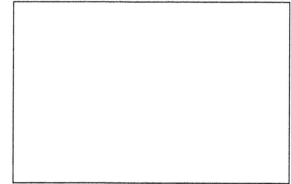


Clerk's Stamp:



COURT FILE NUMBER

2401-05179

COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE OF

CALGARY

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

AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT OF
ALPHABOW ENERGY LTD.

DOCUMENT

AFFIDAVIT

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT:

BENNETT JONES LLP
Barristers and Solicitors
4500, 855 – 2nd Street S.W.
Calgary, Alberta T2P 4K7

Attention: Keely Cameron /Sophie Fiddes
Telephone No.: 403-298-3324/3092
Fax No.: 403-265-7219
Client File No.: 88323.6

TWELFTH AFFIDAVIT OF BEN LI

Sworn on September 15, 2025

I, Ben Li, of Calgary, Alberta, SWEAR AND SAY THAT:

1. I am the President and Chief Executive Officer of AlphaBow Energy Ltd. ("**AlphaBow**" or the "**Applicant**"). As such, I have personal knowledge of the matters deposed to in this Affidavit except where stated as based on information and belief, in which case I verily believe the statements to be true.

2. This Affidavit (the "**Twelfth Li Affidavit**") should be read in conjunction with the prior Affidavits which I have sworn in this matter, including the Affidavit sworn by me on April 15, 2024 (the "**First Li Affidavit**"), the Supplemental Affidavit sworn by me on April 24, 2024 (the "**Supplemental Li Affidavit**"), the Affidavit sworn by me on July 15, 2024 (the "**Second Li Affidavit**"), the Affidavit sworn by me on August 15, 2024 (the "**Third Li Affidavit**"), the Affidavit sworn by me on September 9, 2024 (the "**Fourth Li Affidavit**"), the Affidavit sworn by me on October 21, 2024 (the "**Fifth Li Affidavit**"), the Affidavit sworn by me on November 12, 2024 (the "**Sixth Li Affidavit**"), the Affidavit sworn by me on November 18, 2024 (the "**Supplement to Sixth Li Affidavit**"), the Affidavit sworn by me on December 9, 2024 (the "**Seventh Li Affidavit**"), the Affidavit sworn by me on January 27, 2025 (the "**Eighth Li Affidavit**"), the Affidavit sworn by me on February 18, 2025 (the "**Ninth Li Affidavit**"), the Affidavit sworn by me on April 28, 2025 (the "**Tenth Li Affidavit**"); and the Affidavit sworn by me on June 17, 2025 (the "**Eleventh Li Affidavit**").

I. RELIEF SOUGHT

3. This Affidavit is sworn in support of an application by AlphaBow scheduled for September 22, 2025, for relief under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended, (the "**CCAA**"), and specifically an order declaring service of its Application and supporting materials good and sufficient; an extension of the stay of proceedings to March 31, 2026, (the "**Stay Extension**"); and declaration that any request by the Alberta Energy Regulator ("**AER**") for a security deposit from AlphaBow is stayed.

II. BACKGROUND

4. AlphaBow is an Alberta headquartered oil and gas company. At the commencement of these proceedings, AlphaBow held licenses for 3,785 wells, 4,038 pipelines, and 321 facilities across Alberta (the "**Licensed Assets**"). The Licensed Assets had AER deemed environmental liabilities of approximately \$228,572,914 at the commencement of these proceedings. I understand that due to changes in the way that the AER calculates liabilities, that this number may have since changed.

A. The Initial AER Orders

5. In July 2022, prior to the commencement of these proceedings, the AER issued an Order against AlphaBow declaring that it posed an unreasonable risk in terms of its ability to meet regulatory obligations in part based on AlphaBow being in arrears with certain creditors.
6. On March 30, 2023, the AER issued a Reasonable Care and Measures Order directing, AlphaBow to, amongst other things, post \$15,374,000 in security (the "**March Order**"). When it was unable to do so, the AER ordered AlphaBow to suspend operations of its Licensed Assets pursuant to a Suspension Order issued on June 5, 2023 (the "**Suspension Order**", collectively with the July Order and March Order, the "**AER Orders**").
7. In September 2023, the AER directed that the Orphan Well Association (the "**OWA**") assume care and custody over the Licensed Assets. The OWA continues to have care and custody over the assets that have not been transferred by the AER. Despite this, AlphaBow continues to maintain insurance in respect of the assets.
8. AlphaBow sought regulatory appeals of the AER's March Order and Suspension Order (the "**Orders**"), as the Orders exacerbated the financial difficulties being experienced by AlphaBow. The AER granted the request, and the regulatory appeals hearing was heard during the last week of November 2023. On February 28, 2024, the AER rendered its decision upholding the issuance of the Orders as reasonable.
9. Following the hearing, AlphaBow had a better understanding of the AER's reasoning and concerns, and reached out to the AER in an attempt to resolve those concerns and obtain certain concessions in respect of the AER Orders. However, it became apparent that no arrangement could be reached with the AER because it continued to insist that Security be posted which AlphaBow could not post.

B. AlphaBow's Restructuring Efforts

10. On March 28, 2024, AlphaBow commenced restructuring proceedings by filing a Notice of Intention to Make a Proposal pursuant to section 50.4 of the *Bankruptcy and*

Insolvency Act, R.S.C. 1985, c. B-3, (the "**NOI**") with KSV Restructuring Inc. appointed as Monitor, and on April 26, 2024, AlphaBow converted its proceedings to those under the CCAA.

11. On April 26, 2024, this Honourable Court granted an Initial Order and Amended and Restated Initial Order, in addition to approving the Sale and Investment Solicitation Process ("**SISP**") and approval of the sale of certain non-operated working interests to Cascade Capture Ltd. ("**Cascade**").
12. To advance the SISP, in September 2024, AlphaBow obtained Court approval of a Claims Process which was necessary for the purpose of identifying cure costs to enable bidders to advance their bids and identify priority amounts that would be payable in the event there were funds available for distribution. In November 2024, AlphaBow sought and obtained clarity regarding whether certain royalty agreements created an interest in land.
13. In conjunction with the SISP, AlphaBow met with the AER to discuss the bids received and the transactions it intended to advance.

III. CURRENT STATUS OF ALPHABOW'S RESTRUCTURING EFFORTS

14. AlphaBow has continued to engage with its stakeholders to facilitate the objectives of these proceedings. This has included responding to general inquiries and other stakeholder requests, such as providing road access.
15. Most significantly, AlphaBow has advanced the Court approved sale and investment solicitation process (the "**SISP**") and received Court approval of transactions resulting from the SISP, which if all of the transactions close and license transfer applications are approved will result in all of AlphaBow's environmental obligations being assumed.

A. Update on the Transactions

16. AlphaBow has continued to worked diligently to advance the court approved transactions that were approved by Justice Jeffrey at the application on December 19, 2024 (the

"December Application") and Justice Lema at the February 25, 2025, Application (the **"February Application")**).

17. At the December Application, the Court approved multiple asset transactions and a core corporate transaction that involves two associated asset transactions. The Corporate Transaction involves the assumption of a significant number of assets and environmental liability by way of a corporate sale of AlphaBow to 2628071 Alberta Ltd. ("**2628071**") with certain assets being assumed by way of an asset sale directly to 2628071 and to a related entity, 2628069 Alberta Ltd. ("**2628069**"). The result of these transactions if they close will be that 2628071 will become the sole shareholder of AlphaBow and assume all oil and gas assets and environmental obligations that are not assumed through other asset transactions.
18. The Subscription Agreement for the Corporate Transaction provides AlphaBow with the ability to market and sell assets that fall outside of a core group of assets. Should any of those non-core assets not be sold to Third Parties, they will remain with AlphaBow captured under the Subscription Agreement.
19. Of the 20 transactions that were approved at the December Application and February Application the following transactions have yet to close:
 - (i) The transaction with 2661707 Alberta Ltd. ("**2661707**") which was approved by the Court at the February Application and subsequently revised due to changes in the AER's assessment of the environmental obligations that were to be assumed which resulted in the purchaser being unwilling to assume all of the previously included licensed assets due to concerns related to potential security requests. Closing of this application is subject to the AER approval of the license transfer application. The license transfer application was submitted last week following discussions between the AER and 2661707;
 - (ii) The Corporate Transaction and the asset transactions involving 2628071 and 2628069. The assets transactions require AER approval, the Corporate

Transaction does not. These three transactions were to close concurrently. However, on June 26, 2025, AlphaBow sought and obtained Court approval to amend the Subscription Agreement to enable the Corporate Transaction to close prior to the asset transactions. AlphaBow understands that 2628071 is prepared to proceed with the Subscription Agreement upon receiving approval of the 2628069 transfer application to be completed through its nominee, Cascade Capture Ltd. ("**Cascade**"). 2628071 would then advance the completion of the two remaining transfer applications. This amendment was sought to enable this process to conclude sooner, in order to facilitate the removal of the assets from the Orphan Well Association ("**OWA**") and to maximize recovery to stakeholders through minimizing costs. At the time, 2628071 had not yet obtained AER license eligibility. I understand that 2628071 now has license eligibility.

20. On September 10, 2025, an application brought by AlphaBow seeking to include as a retained contract the CO2 Stream Purchase and Sale Agreement with MEGlobal Canada ULC ("**MEGlobal**"), dated December 1, 2004, as amended (the "**CO2 Agreement**"), free and clear of any liabilities was heard. The application was brought in response to the Purchaser under the Subscription Agreement advising that it was unable to enter into an agreement with MEGlobal and wanted to maintain the CO2 Agreement but was concerned with having to pay amounts claimed by MEGlobal given the significant liabilities it was already assuming and its view that some of these amounts were in essence a penalty. The application was opposed by MEGlobal and the Court reserved its decision.

B. AlphaBow's License Transfer Applications

21. The AER has approved and transferred licenses, pursuant to license transfer applications with the following counterparties:
 - (i) North40 Resources Ltd. (72 wells, 8 facilities, and 13 pipeline licenses were transferred);

- (ii) Signalta Resources Limited (1 well and 1 pipeline license was transferred);
 - (iii) Resistance Energy Ltd. (1 facility license was transferred);
 - (iv) Ember Resources Inc. (16 well, 1 facility and 6 pipeline licenses were transferred);
 - (v) Tykewest Limited (2 well licenses were transferred);
 - (vi) Lucky Strike Energy Ltd. (2 well licenses were transferred); and
 - (vii) Response Energy Corporation (1 well license was transferred).
22. The AER did not request security from AlphaBow in respect of any of these transactions.
23. On March 4, 2025, AlphaBow and Cascade, submitted a license transfer application for the transfer of 196 wells, 23 facilities and 72 pipeline licenses from AlphaBow to Cascade (the "**License Transfer Application**").
24. The License Transfer Application is one of four outstanding transactions regarding AlphaBow, outlined above. Transfer of the licenses on acceptable terms is a condition of two of the transactions including the Corporate Transaction which would enable all of AlphaBow's assets to be removed from the OWA, funds from AlphaBow's sales process to be distributed to the AER and municipalities and provide for a solvent party that could bring the assets into compliance and produce the assets for the benefit of Albertans.
25. Throughout its proceedings, AlphaBow has prioritized these transactions based on the feedback from the AER and OWA that they would not support sales that would leave environmental liabilities behind.
26. On July 10, 2025, the AER issued a conditional approval decision regarding the License Transfer Application requiring AlphaBow to post security in the amount of \$20,551,822.60 (the "**Conditional Approval Decision**"). A copy of the Conditional Approval Decision issued to AlphaBow dated July 10, 2025, is attached as **Exhibit "A"**.

27. The AER had not requested security from AlphaBow in respect of any other transfer applications and I am told by AlphaBow's counsel that the AER is on the service list for these proceedings and would be aware of AlphaBow's financial capabilities from the cash flow statements.
28. On July 14, 2025, counsel for AlphaBow wrote to the AER explaining its concerns with the Conditional Approval Decision and requested that the Conditional Approval Decision be rescinded. Counsel for AlphaBow also requested a meeting regarding the Conditional Approval Decision as soon as possible. In response, AlphaBow was told that the Conditional Approval Decision was final, and that the funds had to be posted or the application would be closed. A copy of counsel for AlphaBow's letter dated July 14, 2025, and the AER's response dated July 16, 2025, is attached as **Exhibits "B" and "C"**.
29. On July 18, 2025, I wrote to Mr. Rob Morgan, the Chief Executive Officer of the AER to request a meeting to discuss AlphaBow's circumstances and next steps, prior to advancing challenges of the Conditional Approval Decision to see if a resolution could be reached to remove AlphaBow's assets from the OWA in the interest of Albertans. I did not receive a response from Mr. Morgan. A copy of my email to Mr. Morgan dated July 18, 2025, is attached as **Exhibit "D"** (excluding the attachment which is included as Exhibit "B").
30. On July 17, 2025, Cascade wrote a letter to AER Regulatory Applications seeking withdrawal of the License Transfer Application. Cascade indicated that it was fully prepared to address the specific operational and compliance items identified by the AER, and that it planned to submit a new application for the license transfers.
31. On July 18, 2025, the AER Regulatory Applications Branch responded to Cascade, confirming receipt of the withdrawal request and closing the application. The AER indicated that AlphaBow and Cascade could resubmit a transfer application at any time. A copy of the AER's July 18, 2025, letter is attached as **Exhibit "E"**.

32. AlphaBow had sought a regulatory appeal of the Conditional Approval Decision, however, given Cascade's withdrawal, the AER regulatory Applications Branch has viewed the regulatory appeal as moot.

C. Impact of the Conditional Approval Decision on AlphaBow's Restructuring Efforts and the Orphan Well Fund

33. The Conditional Approval Decision was made prior to a meeting or other opportunity being afforded to AlphaBow or Cascade to respond to AER's concerns with the transfers. It jeopardizes the three outstanding transactions and risks approximately \$205,518,226 of liabilities remaining with the OWA and its inventory doubling.
34. I am informed by my review of an August 29, 2025, news article titled "cost to clean up orphan wells in Alberta reaches all-time high" that the number of orphan wells in need of cleanup in Alberta has doubled over the last year, with the expected costs to clean up orphan oil and natural gas wells in Alberta reaching an all-time high of over one billion dollars. A copy of the article dated August 29, 2025, is attached as **Exhibit "F"**.
35. The AER's decision creates uncertainty for AlphaBow in terms of whether it should be pursuing the remaining transfer applications, given that the AER's review will take a number of months and there is no certainty that the AER will not continue to request security from AlphaBow.
36. I understand that despite these concerns, the purchasers involved in the outstanding transactions are still interested in working with AlphaBow to see whether closing is possible. Should it not be, AlphaBow would intend to work with the Monitor to remarket the assets.

IV. SECURITY DEPOSIT AS A DEBTOR OBLIGATION

I am informed by AlphaBow's counsel, Ms. Cameron, that the Alberta Government amended Section 103(1)(a) of the *Oil and Gas Conservation Act*, RSA 2000, c O-6 ("**OGCA**") to state that a security deposit is a "debtor obligation." Attached hereto as

Exhibits "G" and "H" are copies of Section 103 of the OGCA prior to the amendment in 2018, and Section 103 of the current OCGA.

37. I am informed by AlphaBow's counsel, Ms. Cameron, that a review of the Hansard concerning the passage of the *Liabilities Management Statutes Amendment Act, 2020* SA 2020, c 4 ("LMSAA"), which amended the definition of "debtor" in Section 103(1)(a) of the OGCA contains no discussion relating to the purpose behind the amendment to the definition.
38. In addition to amending Section 103, the AER also rescinded its licensee liability rating program and now through *Manual 023: License Life-Cycle Management* advises:

Table 9 and table 10 are provided to give transferors and transferees a sense of what security may be required, but the AER retains its discretion to determine the appropriate amount considering the specific risks and circumstances of the application. Table 9 is for "producer" licensees only, and table 10 is for "midstream, pipelines, and waste management" licensees (defined above in section 2.1.2.1).

Table 9. Range of security that may be required at time of transfer based on level of financial distress and crossover timeline for "producer" licensees

Crossover timeline	Level of financial distress		
	Low	Medium	High
Very Far ≥15 years		0–9%	20–35%
Far ≥7 and <15 years	0–9%	20–35%	51–63%
Medium ≥3 and <7 years	20–35%	51–63%	71–79%
Near <3 years	51–63%	71–79%	97–100%

Table 10. Range of security that may be required at time of transfer based on level of financial distress for "midstream, pipelines, and waste management" licensees

Peer Groups	Level of financial distress		
	Low	Medium	High
Midstream, Pipelines, and Waste Management	0–9%	20–35%	51–63%

V. THE STAY EXTENSION

39. During the CCAA Proceedings, AlphaBow has been working diligently and in good faith with the Monitor and the Sales Advisor and continues to do so.
40. Activities taken by AlphaBow since the last application have included:
 - (a) taking steps to advance the outstanding transactions to closing, including through seeking to incorporate approved amendments, advancing an application to amend the

Subscription Agreement to retain an agreement that would otherwise go to the creditor's trust and seeking to negotiate extensions to the outside dates under the agreements;

- (b) seeking to understand the AER's concerns;
- (c) seeking to respond to CRA inquiries regarding certain filing requirements;
- (d) responding to multiple requests seeking to lift the stay of proceedings;
- (e) continuing to assist the Monitor with the review of claims under the claims process;
- (f) attending ongoing meetings with the Monitor;
- (g) assisting in the preparation of the cash flow statement; and
- (h) preparing materials for this application.

- 41. AlphaBow continues to require a stay of proceedings while it continues to work towards closing the remaining transactions.
- 42. Without the benefit of an ongoing stay of proceedings, AlphaBow anticipates that one or more of its creditors would seek to advance proceedings which would result in a deterioration of funds available for distribution to stakeholders and potentially impede the ability of the remaining transactions to close.
- 43. In my view, the requested extension is appropriate and will not materially prejudice any of AlphaBow's creditors.

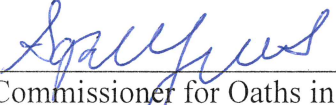
VI. CASH FLOW FORECAST

- 44. AlphaBow worked with the Monitor to prepare an updated cash flow forecast, a copy of which will be attached to the Tenth Report of the Monitor. AlphaBow projects that it will have sufficient cash to continue these proceedings through to the end of the Stay Extension and pay outstanding post filing obligations.

VII. CONCLUSION

45. I swear this Affidavit in support of the relief sought in paragraph 4 and for no other or improper purpose.

SWORN BEFORE ME
at the City of Calgary, Alberta, this
15th day of September 2025.



A Commissioner for Oaths in and for the
Province of Alberta

Sophie Fiddes
Barrister & Solicitor



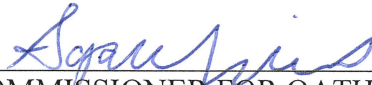
BEN LI

THIS IS EXHIBIT "A"

Referred to in the Affidavit of

BEN LI

Sworn before me at Calgary, this
15th day of September, 2025



A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA

Sophie Fiddes
Barrister & Solicitor

Application No. 1957129

July 10, 2025

By email only

Jan Zhao

AlphaBow Energy Ltd. (BA Code A7H2)**Licence Transfer from AlphaBow Energy Ltd. to Cascade Capture Ltd.
Conditional Approval Decision****Dear Jan Zhao,**

The Alberta Energy Regulator (AER) received the subject licence transfer application from AlphaBow Energy Ltd. (AlphaBow) to Cascade Capture Ltd. (Cascade) on March 4, 2025, and has now completed its review.

Licence transfer applications are considered in accordance with the requirements of *Directive 088: Licensee Life-Cycle Management (Directive 088)*, section 6, and supplemental guidance within *Manual 23: Licensee Life-Cycle Management (Manual 23)*. The AER conducts a holistic licensee assessment of both applicants to determine whether either one poses any unreasonable risk as a result of the transfer.

The following elements were considered in the AER's review of the subject application:

- The type and status of inventory included in the application.
- The remaining inventory AlphaBow would hold post-transfer, including \$205,518,226.00 in inactive liability.
- AlphaBow's high level of financial distress according to its LCA.
- The financial risk presented by AlphaBow, as it pertains to its ability to address its remaining closure obligations.

Data referenced on the above list was in effect as of June 16, 2025. Any changes to this data between then and the date of this decision were not considered.

The AER has decided to approve the subject application with the following conditions

- 1) AlphaBow Energy Ltd. must pay security in the amount of \$20,551,822.60, due 30 calendar days from acceptance of this condition.
- 2) AlphaBow Energy Ltd. must submit an updated complete financial summary (*Directive 067* Schedule 3) through OneStop, for the year ending December 31, 2024, due 30 calendar days from acceptance of this condition.

Security was calculated based on 10% of the remaining inactive liability AlphaBow would hold post-transfer. Security calculation is in-line with how security was calculated in [AER Order 202303-58](#), and includes the additional inactive liability AlphaBow has accumulated since March 2023. Application decisions are final and the amount of security that has been calculated as a condition of this approval will not be negotiated or adjusted. Information regarding security deposits and refunds can be found in [Directive 068: Security Deposits](#).

If AlphaBow accepts the conditions, please sign¹ and date the section below and return a completed copy of this letter to Directive088Transfers@aer.ca by July 17, 2025.

Cascade has also been issued a conditional approval decision under separate cover and notified that a conditional approval has been issued to AlphaBow. Security or payment amounts within a conditional approval are only disclosed to the party being conditioned.

AlphaBow and Cascade must each fulfill all conditions required within their conditional approval decision before the transfer will be finalized and a formal licence transfer approval document is issued.

Please notify Directive088Transfers@aer.ca once AlphaBow has sent payment of the security deposit.

If AlphaBow or Cascade do not agree to the conditions or do not respond to their conditional approval letters by the respective deadlines, the application will be closed. If the application gets closed, AlphaBow and Cascade can resubmit a transfer application at any time.

Regardless of the terms of a sale agreement between parties, the responsibilities and obligations to the AER would remain with AlphaBow as licensee of record.

AlphaBow may file a request for a regulatory appeal against an appealable AER decision if it meets the criteria within section 36 of the *Responsible Energy Development Act*. Filing instructions and forms can be found on the AER's [Regulatory Appeal Process](#) webpage.

¹ Acceptance of conditions must be executed by an individual with an ability to bind the entity.

If AlphaBow has any questions, please reach out to Directive088Transfers@aer.ca.

Sincerely,



Trevor Gosselin, MDS

Director, Transfers, SOC & Support

Regulatory Applications

/ma

Enclosure (1): Security Deposit Submission Form

Accepted and agreed to on _____.


Month, Day, Year

Signature

Print Name

Title

ALPHABOW ENERGY LTD.

 **Inquiries** 1-855-297-8311

 **24-hour emergency** 1-800-222-6514

 **inquiries@aer.ca**

THIS IS EXHIBIT "B"

Referred to in the Affidavit of

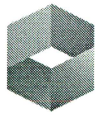
BEN LI

Sworn before me at Calgary, this
15th day of September, 2025



A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA

Sophie Fiddes
Barrister & Solicitor



Bennett Jones

Bennett Jones LLP
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Calgary, Alberta, Canada T2P 4K7
Tel: 403.298.3100 Fax: 403.265.7219

Keely Cameron
Partner
Direct Line: 403.298.3324
e-mail: cameronk@bennettjones.com

July 14, 2025

Via E-Mail (Directive067@aer.ca; Insolvency@aer.ca)

Alberta Energy Regulator
Suite 1000
259 0 5th St SW
Calgary, AB T2P 0R4

Dear Sir/Madam:

Re: Conditional Approval Decision – License Transfer from AlphaBow Energy Ltd. to Cascade Capture Ltd. (Application No. 1957129)

We are counsel for AlphaBow Energy Ltd. ("**AlphaBow**") with respect to the above referenced matter. We are writing to respectfully request that the AER rescind its conditional approval decision and schedule a meeting with AlphaBow and the Monitor as soon as possible.

Background

On March 30, 2023, the Alberta Energy Regulator ("**AER**") directed AlphaBow to amongst other things post \$15,374,050 in security, when it was unable to do so, on June 5, 2023, the AER ordered AlphaBow to suspend all of its assets and in September of 2023 directed that the Orphan Well Association to assume care and custody over all of AlphaBow's licensed assets.

On March 28, 2024, AlphaBow filed a Notice of Intention to Make a Proposal pursuant to section 50.4 of the *Bankruptcy and Insolvency Act* and on April 26, 2024 converted its proceedings to those under the *Companies' Creditors Arrangement Act*. On April 26, 2024, AlphaBow also obtained court approval of a sale and investment solicitation process which was overseen by Sayer Energy Advisors. The result of the process was that purchasers were found for all of AlphaBow's assets. The bids received were discussed with the AER on August 21, 2024 and at the request of the AER, AlphaBow sought to have the majority of the transactions approved at the same time, on December 19, 2024 as we had understood that the AER would be taking a holistic approach to its review.

To date, the AER has approved license transfer applications involving the following entities North40 Resources Ltd., Signalta Resources Limited, Resistance Energy Ltd., Ember Resources Inc., Tykewest Limited, Lucky Strike Energy Ltd. and Response Energy Corporation. The most recent approval being

on June 18, 2025. The AER did not request security from AlphaBow in respect of any of these transactions.

The transfer application with Cascade Capture Ltd. is one of four outstanding transactions involving AlphaBow. Transfer of the licenses on acceptable terms is a condition for two of the transactions, which include a corporate sale of AlphaBow which would enable all of AlphaBow's assets to be removed from the Orphan Well Association, funds from AlphaBow's sales process to be distributed to the AER and municipalities and provide for a solvent party that could bring the assets into compliance and produce the assets for the benefit of Albertans. The AER has throughout its proceedings prioritized these transactions based on the consistent feedback from the AER that it wanted AlphaBow to address all of its liabilities.

I had been in communications with Ms. Lavelle regarding these transactions on June 24, 2025 and had requested a meeting with the AER to discuss concerns raised for the first time in response to AlphaBow's July 7, 2025 application which sought to enable AlphaBow to advance the corporate transaction earlier so that AlphaBow could proceed with the distribution of proceeds in the estate. As recently as July 10, 2025, we had understood that the AER was still considering the request for a meeting.

Concerns with the Decision

We have numerous concerns with the decision, including:

- the decision was made prior to a meeting or other opportunity being afforded by AlphaBow or Cascade Capture Ltd. to respond to the AER's concerns with the transfers;
- it disregards that AlphaBow is insolvent and that the purpose of the transfer applications being advanced by AlphaBow is to move assets out of the Orphan Well Association;
- it seeks to penalize AlphaBow for its "inactive liability" which is as a direct result of the AER directing that the assets be suspended and does not reflect the value of the assets;
- despite having pushed for AlphaBow to pursue court approval of the majority of transactions together which caused delay and impeded some of the transactions, it appears that the AER has not taken a holistic approach to reviewing the transfer applications or considering the "risk" posed despite AlphaBow's legitimate expectations to the contrary;
- the decision seeks even more security than it had sought prior to AlphaBow's insolvency proceedings despite AlphaBow now having less liability;
- the AER once again seeks security in an amount that it knows AlphaBow does not have;
- the decision jeopardizes the transaction through treating this purchaser differently and seeking to require the purchaser who is already assuming assets that have not operated or been maintained to divert significant funds that it may never get back



- it seeks to penalize the purchasers who were willing to ensure that none of AlphaBow's assets stay with the Orphan Well Association, when it did not require security to be posted in respect of the purchasers or transfer applications that only involved select assets;
- it appears inconsistent with the AER's purported goal of protecting the orphan fund given that a substantial sales process has already been run and there is no evidence that a better offer would be available;
- it found Cascade Capture Ltd. to have high financial distress when it is a startup and there is no evidence of any distress, it has not commenced operations yet, it has only incurred costs associated with its attempts to acquire assets from AlphaBow;
- it considers outstanding operational issues which are currently under the purview of the Orphan Well Association and appear not to have been addressed despite their obligations to provide care and custody. This supports why the assets should be transferred and the reality that any assumption of distressed assets will require time and resources to address. Such efforts will be impeded by any security request; and
- Given AER amendments to section 103 of the *Oil and Gas Conservation Act* which designate security requests as a debt, it is unclear the ability of the AER to seek to enforce this debt obligation in respect of AlphaBow which would take funds away that would otherwise be distributed to municipalities.

The decision is inconsistent with how the AER treats transfers where the assets are with the orphan fund and risks \$205,518,226 of liabilities remaining with the Orphan Well Association and its inventory doubling. Further it creates a bad precedent which will risk the creation of more zombie companies whereby insolvencies and sales processes are not pursued as the assumption of assets from insolvencies is uneconomic.

We kindly request a response by July 18, 2025 and a meeting with the AER as soon as possible so that it can determine whether the outstanding transactions can proceed and failing which next steps regarding its insolvency process. Further, we kindly request details of the operational concerns noted in the letter to Cascade Capture Ltd.

Yours truly,


Keely Cameron

cc: Jeffrey Oliver - Counsel for KSV Restructuring Inc.
Maria Lavelle - Counsel for Alberta Energy Regulator
David Mann - Counsel for 2628071 Alberta Ltd. and 2628069 Alberta Ltd.



THIS IS EXHIBIT "C"

Referred to in the Affidavit of

BEN LI

Sworn before me at Calgary, this
15th day of September, 2025



A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA

Sophie Fiddes
Barrister & Solicitor

From: Directive088Transfers

Sent: Wednesday, July 16, 2025 3:27 PM

To: Jan Zhao

Cc: Directive088Transfers

Subject: Application No. 1957129 - AlphaBow Energy Ltd. to Cascade Capture Ltd. - Decision

Good Afternoon Jan,

The AER is acknowledging receipt of the letter dated July 14, 2025, from Bennett Jones on behalf of AlphaBow Energy Ltd. Further to the AER's decision letter dated July 10, 2025, security was calculated in accordance with section 6.1.2 of *Manual 23*. Application decisions are final and the amount of security that has been calculated as a condition of this approval will not be negotiated or adjusted.

As a reminder, the deadline of July 17, 2025, to accept the conditions for Application No. 1957129 remains.

Thanks,

LaiLoni Boswell, Manager

Eligibility, Transfers & Security, Regulatory Applications

Alberta Energy Regulator

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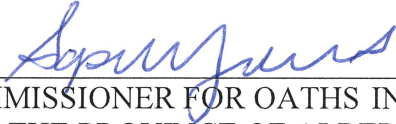
Security Classification: Protected A

THIS IS EXHIBIT "D"

Referred to in the Affidavit of

BEN LI

Sworn before me at Calgary, this
15th day of September, 2025



A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA

Sophie Fiddes
Barrister & Solicitor

From: Ben Li <benli@alphabowenergy.com>
Sent: Friday, July 18, 2025 12:49 PM
To: rob.morgan@aer.ca
Cc: Keely Cameron <CameronK@bennettjones.com>
Subject: AER's Decision Regarding Alphabow's Asset Sale

Mr. Morgan,

I am the CEO of AlphaBow Energy Ltd., I am writing to request a meeting to discuss AlphaBow's circumstances and next steps as it seeks to conclude its insolvency process. I can confirm that the meeting is not sought to discuss any current applications of AlphaBow as the AER will be closing the relevant application. While I initially sought a meeting with your transfer and insolvency teams, that request appears to have been rejected which is why I am seeking to escalate the matter.

By way of background, I became CEO of AlphaBow at a time that it was struggling financially and was working on a plan to address its liquidity challenges when the AER deemed AlphaBow a "material risk" of insolvency which compounded its financial challenges, which were subsequently worsened when the AER then sought over \$15 million in security, rejected AlphaBow's payment plan and then directed all of AlphaBow's assets to be shut in and then orphaned at great cost to the industry.

Notwithstanding challenges that other struggling companies have faced given the AER's approach to insolvencies, AlphaBow was committed to ensuring all of its environmental obligations were addressed and the costs incurred by the orphan fund repaid. As a result, it ran a robust sales process that resulted in purchasers being found for all of AlphaBow's assets and sales proceeds generated that would enable payment to the orphan fund. Additionally, one of our purchasers has even offered to post security of approximately \$13 million with the AER for the assets they are assuming. As I am sure you are aware from your experience, not all companies would be prepared to post large amounts of security, where they are taking on significant environmental liabilities and assets that have been with the OWA for almost a year and will require significant costs and steps to bring

into compliance.

The results of the sales process were discussed with the AER almost a year ago and further meetings and engagement occurred to try to ensure that the AER was ok with the steps taken in these proceedings. At the request of the AER, AlphaBow sought to advance the majority of its applications for court approval of sales together at an application in December, despite the challenges that doing so posed as it required them to delay transactions that were otherwise prepared to close which ultimately resulted in a few purchasers reducing their offers. We proceeded with the understanding that the AER intended to consider the transfer applications holistically, however, it does not appear that this occurred. Rather, the AER approved select transactions with no conditions, waiting until the final four transactions to once again seek a significant security deposit from AlphaBow as well as the purchaser, seeking collectively approximately \$25 million. In doing so, they have penalized the parties willing to take the largest amounts of liability on, disincentivizing the behavior they told us to pursue. They have also sought more money from AlphaBow than previously sought, despite AlphaBow having less liabilities and have sought an amount that once again they know AlphaBow does not have.

Our counsel sent the attached letter to the AER to request a meeting and rescission of the decision. In response we were told that the decision was final and the funds had to be posted or the application will be closed. As AlphaBow cannot pay the funds sought, we understand that the application is being closed. Prior to potentially advancing challenges of the AER's decision and positions advanced therein, we would like to have a meeting with the AER to better understand their position and expectations to see if a resolution can be reached in the interest of Albertans. We had thought that we were aligned in seeking to get all of AlphaBow's assets out of the orphan fund but now it seems that the AER is seeking to block the transactions that would do so, after having approved other transactions without any security request from AlphaBow. Had the AER articulated concerns earlier with these transactions or expectations regarding a significant security request, that may have impacted the transactions that were pursued.

The amount of liability at issue is over \$200 million. AlphaBow continues to want to work with the AER to find an outcome that is in the best interest of all stakeholders, but we cannot do so when the AER will not be transparent on its expectations and work with us on a resolution. The longer that the sale of these

assets is delayed, the greater risk that they will remain with the orphan fund. If that is the AER's intention, it would be helpful to know this so that AlphaBow does not expend further time and effort trying to sell assets if the AER has determined they are not prepared to permit such transactions to proceed.

I thank you for your consideration and look forward to hearing from you.

Regards

Ben Li
CEO of Alphabow Energy Ltd.

THIS IS EXHIBIT "E"

Referred to in the Affidavit of

BEN LI

Sworn before me at Calgary, this
15th day of September, 2025



A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA

Sophie Fiddes
Barrister & Solicitor



Calgary Head Office

📍 Suite 1000, 250 – 5 Street SW
Calgary, Alberta T2P 0R4

tel 403-297-8311

aer.ca

Application No. 1957129

July 18, 2025

By email only

Jan Zhao

AlphaBow Energy Ltd. (BA Code A7H2)

Kevin Gunning

Cascade Capture Ltd. (BA Code A97Y)

**Licence Transfer from AlphaBow Energy Ltd. to Cascade Capture Ltd.
Withdrawn**

Dear Jan Zhao and Kevin Gunning,

The Alberta Energy Regulator (AER) received the subject licence transfer application from AlphaBow Energy Ltd. (AlphaBow) to Cascade Capture Ltd. (Cascade) on March 4, 2025, initiating a review with respect to the requirements of *Directive 088: Licensee Life-Cycle Management* and supplemental guidance within *Manual 23: Licensee Life-Cycle Management*.

This letter is to confirm receipt of Cascade's withdrawal request dated July 17, 2025, and confirm the application has now been closed.

AlphaBow and Cascade can resubmit a transfer application at any time. Regardless of the terms of a sale agreement between parties, the responsibilities and obligations to the AER remain with AlphaBow as licensee of record.

If AlphaBow or Cascade have any questions, please reach out to Directive088Transfers@aer.ca.

Sincerely,

Nicole McCulloch

Specialist, Eligibility, Transfers & Security

Regulatory Applications

📞 **Inquiries** 1-855-297-8311

📞 **24-hour emergency** 1-800-222-6514

📧 inquiries@aer.ca

THIS IS EXHIBIT "F"

Referred to in the Affidavit of

BEN LI

Sworn before me at Calgary, this
15th day of September, 2025



A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA

Sophie Fiddes
Barrister & Solicitor

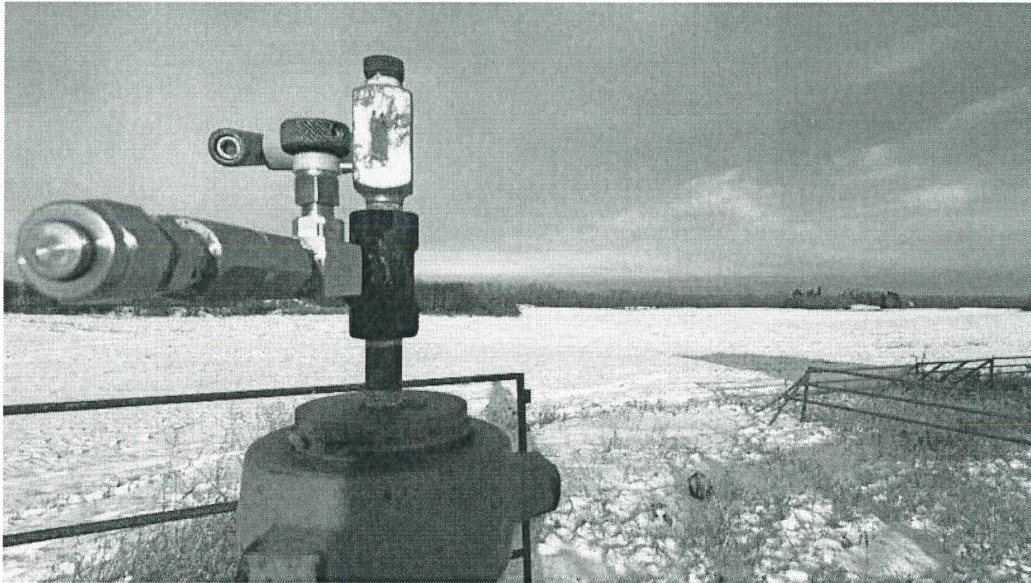
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Calgary

Cost to clean up orphan wells in Alberta reaches all-time high

More orphans expected as multiple companies in bankruptcy

Kyle Bakx · CBC News · Posted: Aug 29, 2025 2:00 AM MDT | Last Updated: August 29



Inactive wells that are not properly plugged and cleaned up could leak contaminants into the soil and air. (Kyle Bakx/CBC)

The expected cost to clean up orphan oil and natural gas wells in Alberta has surpassed one billion dollars — reaching an all-time high.

The number of orphan wells in need of cleanup nearly doubled over the last year to reach 3,388 compared to 1,719 the previous year.

In Alberta, any unsold wells, pipelines and facilities following the bankruptcy of an oil and gas company are declared orphans and become the responsibilities of the Orphan Well Association (OWA) to decommission and remediate.

The recent spike in workload for the OWA follows the end of Sequoia Resource's insolvency process, which began in 2018. There are 1,800 Sequoia wells that need to be decommissioned, in addition to 565 sites requiring only reclamation.

"The Sequoia impact is huge. We kind of knew it would be huge. I still think it might be a little bigger than I expected," said Drew Yewchuk, a former staff lawyer with the University of Calgary's Public Interest Law Clinic who closely follows the issue.



This natural gas well near Two Hills, Alta. had been inactive since 2012, and its owner Sequoia Resources ceased operations in 2018. The bankruptcy proceedings were eventually completed in 2024. (Kyle Bakx/CBC)

As of March 31, 2025, the OWA estimate total cleanup costs to total about \$1.12 billion, according to the organization's annual report released this summer.

The OWA could face another rise in cleanup costs as another five oil and gas companies are in the midst of bankruptcy, which are expected to wrap up in the next year or two. The OWA is involved in the insolvencies and the organization anticipates the result will be an influx of orphans.

"It's tough to predict exactly how much they'll pick up from those bankruptcies, but it's probably going to be in the few-hundred-million-dollar range," said Yewchuk.

The OWA is funded largely through an annual levy determined by the Alberta Energy Regulator (AER) and paid by the oil and gas industry. The levy was increased two years ago to \$135 million.

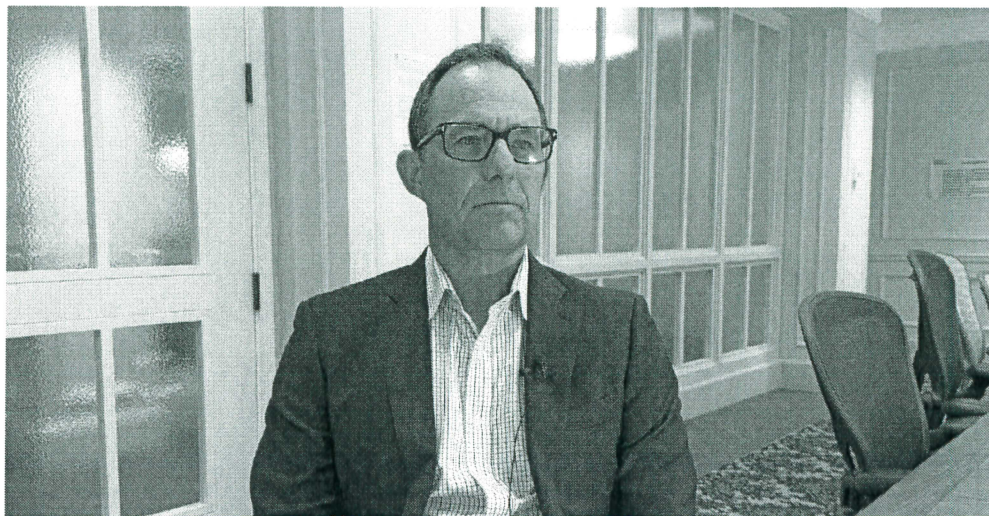
- **Alberta's oilsands to hit record production high in 2025**
- **Alberta now on track for even bigger budget deficit, now at \$6.5B**

Last year, the OWA estimated it would take until 2036 to clean up all the orphans. That timeline has now been extended, since it will more likely be between 2037 and 2040, said OWA president Lars DePauw in an interview with CBC News.

"That does depend on a number of components, such as what happens with the levy. The AER did increase it and we are expecting to see some other increases [in the

future]," he said.

The number of orphans has continued to increase, although DePauw expects that trend to slow in a few years as regulatory changes by the AER are proving to be effective so far.



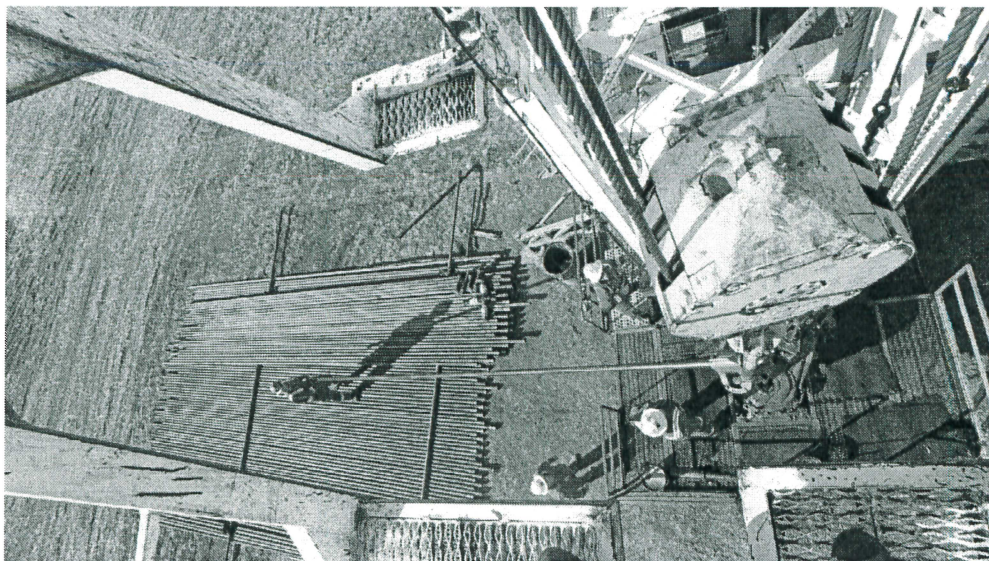
The number of Sequoia natural gas wells and other infrastructure is a large number to clean up, said Lars DePauw, president of the Orphan Well Association, as seen during a 2024 interview. (Kyle Bakx/CBC)

The record level of clean-up work facing the OWA underscores the need for increased funding for the agency, said Yewchuk.

The annual levy "should go to at least a few multiples of what it is now," he said, since "there will be problems. It's an up and down industry. There are lots of foreseeable problems for the oil and gas industry coming, and it's aging in Alberta."

"Instead of having these really long-term plans, the industry should be using periods of high prices to clean up and prepare for downturns. And instead they are still sort of assuming that good times will last forever, and planning to have long, long periods of good oil and gas prices," said Yewchuk.

Some of the levy funds are used each year to pay back loans from the provincial and federal government, which currently total about \$360 million.



An aerial view as a well pipe is pulled up out of the ground during the decommissioning of a old natural gas well in Alberta in 2020. (Kyle Bakx/CBC)

In some previous years, the OWA has been able to decommission about 1,000 wells a year.

"That's sort of our peak, and so we are expecting to ramp up to that level again," said DePauw.

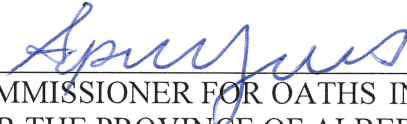
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THIS IS EXHIBIT "G"

Referred to in the Affidavit of

BEN LI

Sworn before me at Calgary, this
15th day of September, 2025



A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA

**Sophie Fiddes
Barrister & Solicitor**

Oil and Gas Conservation Act, RSA 2000, c O-6

 French Version

This statute replaces RSA 1980, c O-5.

This version is not the latest.

Past version: in force between 2017-06-07 and 2020-06-14

Link to the latest
version : <https://canlii.ca/t/824r>

Stable link to this
version : <https://canlii.ca/t/52zk1>

Citation to this version: Oil and Gas Conservation Act, RSA 2000, c O-6, <<https://canlii.ca/t/52zk1>>
retrieved on 2025-09-11

OIL AND GAS CONSERVATION ACT

Chapter O-6

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Alberta, enacts as follows:

Interpretation

1(1) In this Act,

- (a) “abandonment”, subject to section 68(a), means the permanent dismantlement of a well or facility in the manner prescribed by the regulations or rules and includes any measures required to ensure that the well or facility is left in a permanently safe and secure condition;
- (b) “abandonment costs”, subject to section 68(b), means the reasonable costs actually incurred in the abandonment of a well or facility;
- (c) “agent” means an agent appointed under section 91;
- (d) “allowable”, when that term is used in connection with a well, means the amount of oil or gas a well is permitted to produce, in accordance with an order of the Regulator for this purpose, after application of

Enforcement of lien

103(1) In this section,

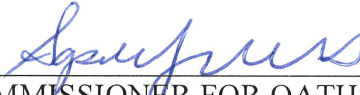
- (a) “debtor” means a person who is indebted to the Regulator for any costs, levy, fee, penalty or other amount;
- (b) “payor” means
 - (i) a purchaser, operator or other person who owes money to or holds or receives money on behalf of a debtor as a result of a sale of the debtor’s proportionate share of any gas, oil or other hydrocarbon produced from a well or facility, and
 - (ii) a person who holds or receives revenue owing to the debtor resulting
 - (A) from the use of a well or facility by another person, or
 - (B) from the provision of services by the debtor.
- (2) The Regulator has a lien in respect of a debtor’s debt on the debtor’s interest in any wells, facilities and pipelines, land or interests in land, including mines and minerals, equipment and petroleum substances, and when it arises, the lien has priority over all other liens, charges, rights of set-off, mortgages and other security interests.
- (3) The Regulator’s lien arises when the debtor fails to satisfy the debt when due, and expires on full satisfaction of the debt.
- (4) The Regulator may enforce its lien by serving on the debtor and the payor a notice of garnishment in the form prescribed by the regulations or rules.
- (5) On receipt of a notice of garnishment, the payor shall forward to the Regulator for payment on account of the debt owing to the Regulator all money and revenue referred to in subsection (1)(b) that is then owing or later becomes owing to the debtor.
- (6) The obligation to make payments under subsection (5) continues until the Regulator advises the payor that the debt has been paid in full.
- (7) Any payment to the Regulator on the account of the debtor under this section is deemed to be a payment to the debtor and releases the payor from liability in debt to the debtor to the extent of the payment.
- (8) A payor who fails to comply with a notice of garnishment is guilty of an offence.
- (9) A payor who fails to comply with a notice of garnishment or makes payment to a debtor in contravention of the notice of garnishment is indebted to the Regulator for an amount equal to the amount the payor is required to pay pursuant to the notice of garnishment or the amount of the payment made to the debtor, whichever is less.

THIS IS EXHIBIT "H"

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BEN LI

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15th day of September, 2025



A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA

Sophie Fiddes
Barrister & Solicitor

Oil and Gas Conservation Act, RSA 2000, c O-6

EN French Versio
FR

This statute replaces RSA 1980, c O-5.

Current version: in force since 2025-06-11

Link to the latest version <https://canlii.ca/t/824r>

①:

Stable link to this version <https://canlii.ca/t/56k7z>

①:

Citation to this version: Oil and Gas Conservation Act, RSA 2000, c O-6, <<https://canlii.ca/t/56k7z>> re
on 2025-09-11

Currency: This statute is current to 2025-06-11 according to the Alberta King's printer

OIL AND GAS CONSERVATION ACT

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RSA 2000 cO-6 s103;2012 cR-17.3 s97(31),(32),(33);

2020 c4 s1(18)