

AMENDMENT NO. 3 TO CREDIT AGREEMENT

This Amendment No. 3 to Credit Agreement (this “**Amendment**”), dated as of October 1, 2018 (the “**Effective Date**”), is entered into among Hemisphere Energy Corporation, a corporation organized under the laws of British Columbia (the “**Borrower**”), Cibolo Energy HME, LLC (the “**Increasing Lender**”) and Cibolo Energy Partners LLC, in its capacity as administrative agent and collateral agent (in such capacity, the “**Administrative Agent**”) and amends that certain Credit Agreement, dated as of September 15, 2017 (as amended by that certain Amendment No. 1 to Credit Agreement, dated as of January 23, 2018, and that certain Amendment No. 2 to Credit Agreement, dated as of June 1, 2018, collectively, the “**Credit Agreement**”), entered into among the Borrower, the lenders from time to time party thereto (the “**Lenders**”) and the Administrative Agent. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Credit Agreement.

WITNESSETH:

WHEREAS, Section 10.5 provides that no amendment, modification, termination or waiver of any provision of the Loan Documents, or consent to any departure by any Credit Party therefrom, shall in any event be effective without the written concurrence of, in the case of the Credit Agreement, the Borrower, the Administrative Agent and the Lead Lender;

WHEREAS, the Borrower, the Administrative Agent and the Lead Lender wish to amend certain terms and provisions of the Credit Agreement as provided for in this Amendment;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto hereby agree as follows:

Section 1. Amendments to the Credit Agreement

Effective upon the satisfaction or waiver of the conditions set forth in Section 2 of this Amendment, the text of Section 5.17 shall be deleted in its entirety and replaced with the following:

The Borrower will, within three (3) Business Days following the written request of the Administrative Agent, enter into Swap Agreements that have the effect of hedging the notional volumes as specified in the written request of the Administrative Agent, which volumes shall not exceed more than fifty-five percent (55%) of the reasonably estimated projected crude oil production from the Credit Parties’ Proved Developed Producing Reserves (as set forth in the Reserve Report most recently delivered pursuant to Section 3.1(c) or Section 5.1(p)) for the period specified in the written request of the Administrative Agent, provided such period shall not exceed the lesser of three years and the remaining period to the Maturity Date.

Section 2. Conditions Precedent to the Effectiveness of this Amendment

This Amendment shall become effective on the Effective Date so long as the following conditions precedent have been satisfied or waived:

- (a) The Administrative Agent shall have received:

(i) counterparts of this Amendment duly executed by (A) the Borrower, (B) the Administrative Agent, and (C) the Lead Lender; and

(ii) a certificate dated as of the Effective Date certifying and attaching the resolutions adopted by the Borrower approving or consenting to this Amendment.

Section 3. Representations and Warranties

On and as of the Effective Date, the Borrower hereby represents and warrants to the Administrative Agent, the Lead Lender and the Increasing Lender as follows:

(a) The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation. The Borrower has all powers and all governmental licenses, authorizations, registrations, permits, consents and approvals required under all applicable Governmental Requirements and required in order to carry on its business as now conducted, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(b) The execution, delivery and performance by the Borrower of this Amendment is within its powers, has been duly authorized by all necessary action pursuant to its Organizational Documents, requires no further action by or in respect of, or filing with, any Governmental Authority and does not violate, conflict with or cause a breach or a default under (i) any Governmental Requirement applicable to the Borrower or any of the Organizational Documents of the Borrower or (ii) any other agreement or instrument binding upon it, except for such violations, conflicts, breaches or defaults as could not, with respect to this clause (iii) reasonably be expected to have a Material Adverse Effect.

(c) Since December 31, 2017, there has been no Material Adverse Effect.

(d) No Default or Event of Default shall exist after giving effect to the Commitment Increase.

Section 4. Reference to and Effect on the Loan Documents

(a) As of the Effective Date, each reference in the Credit Agreement to “this Agreement,” “hereunder,” “hereof,” “herein,” or words of like import, and each reference in the other Loan Documents to the Credit Agreement (including, without limitation, by means of words like “thereunder,” “thereof” and words of like import), shall mean and be a reference to the Credit Agreement as amended hereby, and this Amendment and the Credit Agreement shall be read together and construed as a single instrument. Each of the table of contents and lists of Exhibits and Schedules of the Credit Agreement shall be amended to reflect the changes made in this Amendment as of the Effective Date.

(b) Except as expressly amended hereby or specifically waived above, (i) all of the terms and provisions of the Credit Agreement and all other Loan Documents are and shall remain in full force and effect and are hereby ratified and confirmed, and (ii) nothing contained herein shall be construed as a substitution or novation of the obligations outstanding under the Credit Agreement or any other Loan Document, which obligations shall remain in full force and effect, except in each case as amended, restated, replaced and superseded hereby, or any instruments executed in connection herewith or therewith.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lenders, the Borrower, the Administrative Agent under any of the Loan Documents, nor constitute a waiver or amendment of any other provision of any of the Loan Documents or for any purpose except as expressly set forth herein.

(d) This Amendment shall constitute a Loan Document under the terms of the Credit Agreement.

Section 5. Execution in Counterparts

This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery by telecopier of an executed counterpart of a signature page to this Amendment shall be effective as delivery of an original executed counterpart of this Amendment. The Administrative Agent may also require that any such documents and signatures delivered by telecopier be confirmed by a manually signed original thereof; *provided* that the failure to request or deliver the same shall not limit the effectiveness of any document or signature delivered by telecopier.

Section 6. Severability

If any provision of this Amendment is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Amendment shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision of a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 7. Notices

All communications and notices hereunder shall be given as provided in Section 10.1 of the Credit Agreement.

Section 8. Applicable Law

THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 9. Waiver of Jury Trial

EACH OF THE PARTIES HERETO HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING HEREUNDER OR UNDER ANY OF THE OTHER LOAN DOCUMENTS OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS AMENDMENT OR THE LENDER/BORROWER RELATIONSHIP THAT IS BEING ESTABLISHED. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AMENDMENT AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN ITS RELATED FUTURE DEALINGS. EACH PARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT

IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO SECTION 10.15 OF THE CREDIT AGREEMENT AND EXECUTED BY EACH OF THE PARTIES HERETO THAT IS PARTY TO SUCH JUDICIAL PROCEEDING), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS HERETO OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE LOANS MADE OR COMMITMENTS EXTENDED UNDER THE CREDIT AGREEMENT OR ANY LOAN DOCUMENT. IN THE EVENT OF LITIGATION, THIS AMENDMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first written above.

HEMISPHERE ENERGY CORPORATION

By: (signed) "Don Simmons"
Name: Don Simmons
Title: President and Chief Executive Officer

CIBOLO ENERGY PARTNERS LLC,
as Administrative Agent

By: (signed) "Justin Teltschik"
Name: Justin Teltschik
Title: Managing Partner

CIBOLO ENERGY HME, LLC,
as Lead Lender and Increasing Lender

By: (signed) "Justin Teltschik"
Name: Justin Teltschik
Title: Managing Partner