

VERSION II

**CAPLA
MASTER
ROAD USE AGREEMENT**

between

PROGRESS ENERGY CANADA LTD.

and

DRAGOS ENERGY CORP.

R00603

MASTER ROAD USE AGREEMENT

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MASTER ROAD USE AGREEMENT

THIS AGREEMENT made this 7th day of November, 2017.

BETWEEN:

PROGRESS ENERGY CANADA LTD.
(hereinafter referred to as "Grantor")

-and-

DRAGOS ENERGY CORP.
(hereinafter referred to as "Grantee")

The Grantor, insofar as it has the right to do so, grants to the Grantee, its employees, agents, servants, contractors and subcontractors, the nonexclusive right to use that portion of the Grantor's road, operated or held by the Grantor, as indicated on Schedule "B" (hereinafter referred to as the "Road") for the purpose described in Schedule "A". From time to time the Grantor and Grantee may execute additional Schedules with respect to other roads of the Grantor, and such Addendum shall be incorporated into and form part of this Agreement.

Therefore, in consideration of the mutual covenants and conditions contained in this Agreement, the parties agree as follows:

1.0 Terms and Conditions

1.1 This Agreement including any attached Addendum comprised of the following Schedules, which are attached hereto and made part hereof, shall be the terms and conditions as agreed to by Grantor and Grantee:

Schedule "A" - Purpose and Rates
Schedule "B" - Plan of Road
Schedule "C" - Field Contacts and Additional Terms

2.0 Consideration

2.1 The Grantee agrees to pay the Grantor any initial sum as set forth under the heading "Consideration" in Schedule "A". Fees shall be calculated effective from the date specified in each Addendum.

2.2 Rates may be amended by the Grantor, with 60 days written notice to the Grantee.

3.0 Billings

3.1 The Grantor shall invoice the Grantee at monthly intervals or such other reasonable intervals as the Grantor may desire and the Grantee shall submit payment in the manner described on the invoice(s).

- 3.2 The Grantor shall be entitled to charge interest on any amounts that remain outstanding after thirty (30) days from the Grantee's receipt of the invoice at the rate of two (2) percent per annum higher than the prime rate from the day that payment is due until the day it is paid, regardless of whether the Grantor has notified the Grantee in advance of its intention to charge interest with respect to that unpaid amount. The "prime rate" shall mean the annual rate of interest announced from time to time by the Bank of Canada as a reference rate then in effect.
- 3.3 In the event the Grantor is required to collect any taxes, assessments, fees or charges on behalf of any governmental authority including, without limitation, Federal Goods and Services Taxes, from the Grantee with respect to any transaction occurring as a result of this Agreement, then the Grantee shall pay the amount of such taxes, assessments, fees or charges to the Grantor, and the Grantor shall remit those amounts to the relevant taxing authority as required by law.

4.0 Change of Status

- 4.1 The Grantee shall promptly notify the Grantor of the nature and time of all changes in status of well/facility. Changes in status of well/facility for billing purposes, shall become effective on the first day of the month following the month in which the notice was received by the Grantor. If the status of a well/facility changes, thus qualifying for a lesser rate, the Grantee shall continue to be liable for a higher rate until the first day of the month following the month in which the Grantor receives notice of the new status. If the status of a well /facility changes so the charges should be at a higher rate, the Grantee shall be liable for the greater rate effective on the first day of the month following the month in which the status is changed regardless of when or if the Grantor receives notice of the new status.
- 4.2 After receipt of notice described in the preceding clause, the Grantor shall adjust the fees accordingly and provide the appropriate refund or supplemental invoice within a reasonable time. At the Grantor's discretion, refunds may be applied as a credit on subsequent invoice(s).

5.0 Road Restrictions

- 5.1 The Grantor reserves to itself the exclusive control and operation of the Road and the Grantee shall observe all load limits, speed limits, road bans, closures and restrictions whether imposed by governmental authority or by the Grantor if it reasonably deems the Road conditions warrant such restrictions.
- 5.2 The Grantor shall endeavour to notify the Grantee when anticipated closures or restrictions are to be imposed.
- 5.3 The Grantor shall not be liable for any loss or damage occurring to the Grantee as a result of the imposition of the said limits, bans, closures and restrictions or of the failure to give reasonable notice thereof to the Grantee.
- 5.4 The Grantor reserves the right to control the entrances of any access road connected to the said Road and to control the location of signs and culvert installations at such access points.

6.0 Maintenance

- 6.1 Notwithstanding anything herein contained the Grantor does not make any representation or warranty as to the suitability or fitness of the Road for Grantee's intended use nor does the Grantor give any undertaking to maintain the Road in useable condition.
- 6.2 Upon prior written approval from the Grantor, the Grantee may upgrade the Road. The entire cost and risk of such upgrades, together with any incremental costs of maintaining the Road in its upgraded state or abandoning and reclaiming the Road, shall be borne solely by the Grantee.

6.3 For Permanent, Developed, High Grade Roads

The Grantor shall perform and effect such maintenance and repairs to the Road as it deems necessary to maintain it in a condition acceptable for Grantor's use. The Grantor shall have the right to enter upon the Road at its discretion to affect such maintenance and repairs, and the Grantor shall not be responsible or liable to compensate the Grantee for any loss, injury, damage, inconvenience or annoyance suffered therefrom.

6.4 Where the Grantor has no need to maintain trails or undeveloped roads, the Grantee undertakes and agrees that maintenance of the Road shall be the responsibility of the Grantee.

7.0 Damages

7.1 The Grantee agrees that if damage or destruction to the Road, as determined by the Grantor acting reasonably, results from the exercise by the Grantee and its servants, agents, employees, contractors and subcontractors of the rights herein granted, the Grantee shall, at the Grantor's request, restore the Road to its previous condition. If the Grantee fails to comply with such instruction within a reasonable time to be determined by the Grantor, the Grantor may restore the Road to its previous condition at the expense of the Grantee. In such event, the Grantee will reimburse the Grantor the Grantor's costs of the restoration within thirty (30) days of receiving the Grantor's invoice. Should the Grantee fail to pay such costs within thirty (30) days, the Grantee shall be subject to the interest provisions set out in clause 3.2.

8.0 Liability and Indemnity

8.1 The Grantee shall use the Road entirely at its own risk and shall be liable for any loss, damage or expense suffered by the Grantor as a direct result of the use of the Road by the Grantee, its employees, agents, servants, contractors or subcontractors, unless such loss, damage or expense is a direct result of the negligence or misconduct of the Grantor, its employees, agents, servants, contractors or subcontractors.

8.2 The Grantee shall indemnify the Grantor against all actions, proceedings, claims, demands and costs suffered by the Grantor directly resulting from the use of the Road by the Grantee, its employees, agents, servants, contractors or subcontractors, unless such action, proceeding, claim, demand or cost is a direct result of the negligence or misconduct of the Grantor, its employees, agents, servants, contractors or subcontractors.

8.3 Notwithstanding paragraphs 8.1 or 8.2, neither the Grantor nor the Grantee shall have any liability to the other for any loss of profit or consequential or indirect damages suffered by the other.

9.0 Environmental

9.1 The Grantee must notify the Grantor immediately in the event of any environmental, pollution or contamination problems caused by Grantee's operations on the Road or on any adjacent lands as a result of the use of the Road (hereinafter referred to as "Environmental Contamination") and the Grantee shall be solely responsible for the cost of all work carried out to correct any/all Environmental Contamination caused by the Grantee.

9.2 The Grantee shall comply with the provisions of all applicable federal, provincial or municipal laws with respect to maintaining a clean environment.

9.3 The Grantee shall indemnify and save Grantor harmless against all loss, damages and expenses which may be brought against or suffered by Grantor and which are incidental to any Environmental Contamination, except to the extent that such loss, damage or expense is the result of Grantor's operations.

9.4 Upon termination of this agreement, Grantee shall leave the road, and any lands adjacent to the Road, free of any Environmental Contamination resulting from Grantee's operation which may adversely affect the land or result in a breach of the duties described in clause 9.2. The responsibility of Grantee to Grantor with respect to the environmental obligations contained herein shall continue to be enforceable by Grantor notwithstanding the termination of this agreement.

10.0 Default

10.1 If the Grantee is in default of any provisions herein, and such default continues for a period of thirty (30) days after receipt of notice from the Grantor to remedy such default or fails to remedy the default with all due diligence thereafter, the Grantor may without limiting any other remedies it may have, terminate this Agreement and the Grantee shall be deemed to have forfeited any and all rights hereunder.

11.0 Insurance

11.1 It shall be the responsibility of the Grantee to maintain and keep in force during the term of this Agreement, for the benefit of the Grantee, the following insurance:

(a) Automobile Liability Insurance covering bodily injury (including passenger hazard) and property damage arising from the operation of owned or non-owned vehicles used on the Road in the course of operations by the Grantee, with inclusive limits of not less than \$2,000,000 (two million dollars) for any one accident or occurrence.

(b) Comprehensive General Liability Insurance covering the liability of the Grantee for bodily injury and property damage arising from operations of the Grantee in connection with this Agreement (other than the operation of vehicles). The limits of this insurance shall not be less than \$1,000,000 (one million dollars) for any one accident or occurrence.

11.2 Upon demand by the Grantor, the Grantee shall provide the Grantor a Certificate of Insurance as evidence of the insurance required by the preceding clause. Insurance policies referred to in paragraph 11.1(b) above shall include a waiver of subrogation in favor of the Grantor and its agents and employees.

11.3 As an alternative to the insurance policies referred to in paragraphs 11.1(a) and 11.1(b), if acceptable to the Grantor, the Grantee may self-insure against the risks normally covered by such policies.

11.4 The Grantee shall use its best efforts to ensure that any of its contractors and agents using the Road, that are not covered by the insurance policies set forth in paragraphs 11.1(a) and 11.1(b) maintain insurance in accordance with the provisions of paragraphs 11.1(a) and 11.1(b) during those contractors' use of the Road.

11.5 The insurance policies shall be endorsed to provide that in the event of any change that could affect the interests of the Grantor, or in the event of their cancellation, the insurers shall notify the Grantor thirty (30) days prior to the effective date of such change or cancellation.

12.0 Arbitration

12.1 If the Grantor and the Grantee cannot agree on any of the matters referred to in Clauses 1.0, 2.0, 7.0 and any other matters that the parties decide in writing to be decided by arbitration, the matter(s) at issue may be submitted to arbitration, the decision of which shall be final and conclusive provided that, in all respects, the provisions of the Arbitration Act of the Province of Alberta, as amended from time to time, shall apply. The costs of any arbitration are to be determined and awarded as the arbitrator(s) may, in their sole discretion, decide.

12.2 Any such arbitration shall be conducted under the Commercial Arbitration Rules of The Canadian Foundation for Dispute Resolution and the place of arbitration shall be in Calgary or such other place as all parties may mutually agree to in writing. Such arbitration is to be held before a minimum of three arbitrators, one to be appointed by each party and the two so appointed shall appoint the third arbitrator.

13.0 Notices

13.1 Notices and invoices to be given under this Agreement shall be in writing and may be mailed or electronically transmitted, addressed to the parties as follows:

GRANTOR: Progress Energy Canada Ltd.
1600, 215 – 2nd Street SW
Calgary, AB T2P 1M4
Bus: (403) 216-2510
Fax: (403) 265-3526
e-mail: roaduse@progressenergy.com
Attention: Surface Land

GRANTEE: DRAGOS ENERGY CORP.
911, 910 – 7th Avenue SW
Calgary, AB T2P 3N8
Bus: (403) 269-2459
Fax: ()
e-mail: scott.lauinger@dragosenergy.com
Attention: Scott Lauinger , President & CEO

13.2 Either party may, from time to time, change its address for service by giving written notice to the other party.

13.3 Any notice, invoice or other communication shall be deemed to be received by the addressee, if delivered personally, or electronically transmitted, on the first business day following delivery or transmission and, if mailed, on the fourth business day following the day on which it was mailed.

13.4 In the case of a postal disruption, or an anticipated postal disruption, all notices or other communications to be given under this Agreement shall be electronically transmitted or delivered by hand.

14.0 Assignment

14.1 This Agreement is not assignable in whole or in part.

15.0 Termination

15.1 Notwithstanding any provision to the contrary herein contained, this Agreement or any Addendum/Addenda may be terminated upon a minimum of thirty (30) days prior written notice given by either party to the other. Such notice shall state the termination date of the Agreement or Addendum/Addenda. Upon termination of this Agreement or any Addendum/Addenda thereto, all applicable rights and obligations as between the Grantor and the Grantee shall terminate except that the Grantee shall remain liable to the Grantor for all of its obligations and liabilities arising pursuant to this Agreement prior to the date of such termination.

15.2 Grantor shall inspect the Road upon termination of this Agreement and/or any Addendum and shall notify Grantee of any damage to the Road, excluding normal wear and tear, which shall be repaired in accordance with Clause 7.0.

15.3 Upon termination the Grantee shall, upon Grantor's request, remove all culverts, installations and fixtures on the Road placed for Grantee's purposes. If they are not removed within thirty (30) days of such a request, the Grantor shall have the right to remove such culverts, installations or fixtures and the Grantor shall invoice the Grantee the actual cost relating thereto.

16.0 Miscellaneous

16.1 No waiver of any breach of a covenant or provision of this Agreement shall take effect or be binding upon a party unless it is in writing. A waiver by a party of any breach shall not limit or affect that party's rights with respect to any other or future breach.

16.2 This Agreement and the relationship of the parties shall for all purposes be governed by, construed and interpreted according to the laws of the Province of Alberta. Each party irrevocably attorns, for all purposes hereunder, to the jurisdiction of the courts of the Province of Alberta and all courts of appeal therefrom.

16.3 This Master Road Use Agreement is the 2005 CAPLA Master Road Use Agreement. It has been modified only by the completion of the blanks and addendum elections required herein and by those additional changes specifically identified as such in the body of the Agreement. Insofar as there are differences between this Master Road Use Agreement and the 2005 CAPLA Master Road Use Agreement that are not specifically identified, this Master Road Use Agreement will be deemed to be modified to apply the applicable provisions of the 2005 CAPLA Master Road Use Agreement as if they had been included herein.

16.4 This Agreement, as amended from time to time by agreement in writing of the parties, shall be the entire agreement between the Grantor and the Grantee as to the matters herein and all previous promises, representations or agreements between the parties, whether oral or written, shall be deemed to have been replaced by this Agreement.

The parties have executed this Agreement as of the day and year first above written:

PROGRESS ENERGY CANADA LTD.

DRAGOS ENERGY CORP.

Per: _____
Name:
Title:

Per: _____
Name:
Title: