

ASSIGNMENT OF CLAIMS

The undersigned, County of San Benito ("Creditor"), hereby makes this assignment of claims as follows:

RECITALS

A. Creditor entered into a stipulation for entry of judgment ("Stipulation") in the matter of San Benito County v. Citadel Exploration, Inc., et al., San Benito County Case No. CU-15-00162 (the "Lawsuit") with Citadel Exploration, Inc. A true and correct copy of the Stipulation is attached hereto as Exhibit A.

B. C3KR Energy, LLC has purchased all rights of Creditor under the Stipulation and in the Lawsuit. Hence, Creditor has agreed to assign its claims and rights in and under the Lawsuit and the Stipulation to C3KR Energy, LLC.

For value received, the undersigned Creditor hereby assigns, transfers, grants, and conveys to C3KR Energy, LLC, without representation or warranty of any kind, all rights to pursue and collect claims in and under the Lawsuit and Stipulation.

DATED: March __, 2018

COUNTY OF SAN BENITO

By: _____

Title: _____

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Sacramento, CA 95814
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5 Attorneys for Plaintiff
6 SAN BENITO COUNTY

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8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 FOR THE COUNTY OF SAN BENITO

10
11 SAN BENITO COUNTY,

12 Plaintiff,

13 vs.

14 CITADEL EXPLORATION, INC. and
15 DOES 1 through 10, inclusive,

16 Defendants.
17

) CASE NO. CU-15-00162
) Unlimited Civil
)

) **STIPULATION FOR ENTRY OF**
) **JUDGMENT**
)

18
19 This stipulation for entry of judgment (“Stipulation”) is entered into by and between San
20 Benito County (the “County”) and Citadel Exploration, Inc. (“Debtor”) as of the date of approval
21 of this Stipulation by the County’s Board of Supervisors:

22 **RECITALS**

23 A. The County sued Debtor herein for breach of contract.

24 B. The County and Debtor wish to resolve their differences and therefore are
25 entering into this Stipulation.

26 NOW THEREFORE, in consideration of the foregoing recitals and other good and
27 valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the
28 County and Debtor hereby agree as follows:

1 1. Stipulation for Judgment. Subject to the terms hereof, the County shall be
2 entitled to obtain a judgment against Debtor in the principal amount of two hundred
3 seventy-seven thousand six hundred seventy-seven dollars and eighty-two cents (\$277,677.82)
4 plus interest in the amount of thirty-seven thousand seven hundred thirty-five dollars and
5 sixty-eight cents (\$37,735.68) plus attorneys' fees and costs of eleven thousand nine hundred
6 two dollars and fifty-two cents (\$11,902.52) for a total of three hundred twenty-seven thousand
7 three hundred sixteen dollars and two cents (**\$327,316.02**) plus interest thereon at the rate of ten
8 percent (10%) per annum from and after June 16, 2016, less any payments actually received as of
9 the date of any default hereunder but not including any payments which became the subject of a
10 preference recovery action under 11 U.S.C. § 547, California Code of Civil Procedure §1800 et
11 seq., and/or substantially similar statutes, rules, or case authority.

12 2. Payments. Debtor shall make an initial payment of twelve thousand five
13 hundred dollars (\$12,500.00) on or before five (5) business days of written notification to
14 Debtor's counsel of record of the Board of Supervisor's approval of this Stipulation, and Debtor
15 shall also make six (6) consecutive quarterly payments of twenty-five thousand dollars
16 (\$25,000.00) each by the end of each calendar quarter commencing in the third quarter of 2016.
17 Debtor shall then make a final payment of one hundred thousand dollars (\$100,000.00) by the
18 end of the first quarter of 2018.

19 3. Payment Instructions. The payments described herein shall be made payable to
20 the Serlin & Whiteford, LLP Client Trust Account and shall be sent to:

21 Mark A. Serlin
22 Serlin & Whiteford, LLP
23 700 E Street
 Sacramento, CA 95814

24 Debtor shall bear the risk of non-receipt. Any payment dates described herein shall
25 mean the date by which the payment is to be received. Debtor will have the option, but not the
26 obligation, to wire any payments. County will provide wire instructions for payment and Debtor
27 will be responsible for any fees incurred on any wire. There shall be no penalty for early
28 payment, in whole or in part, the obligations of Debtor herein.

1 4. Covenants. Debtor shall provide to the County's counsel, Serlin & Whiteford,
2 LLP, not more than forty-five (45) days after the close of each year and each quarter unaudited
3 financial statements (which shall include income statements, balance sheets, and statements of
4 retained earnings) and immediate transmittal of all SEC filings. Debtor shall also provide
5 foregoing audited financial statements to Serlin & Whiteford, LLP each quarter/each year as
6 soon as they are available. Debtor shall also provide to Serlin & Whiteford, LLP state and
7 federal tax returns (including K-1's) within forty-five (45) days of filing each tax year so long as
8 any indebtedness hereunder is owed to the County. The tax returns and the foregoing financial
9 statements shall not be released to anyone, including the County, absent the prior written consent
10 of Debtor or a court order, and will be kept strictly confidential so long as any indebtedness
11 hereunder is owed to the County and, thereafter, the foregoing documents will be destroyed with
12 Serlin & Whiteford, LLP representing, in writing, that all copies of the foregoing were destroyed.
13 For as long as any indebtedness to County is outstanding, Debtor shall:

14 (a) give written notice to County within fifteen (15) days of the occurrence of any of
15 the following:

16 (i) any event of default or any event which, upon notice or lapse of time, or
17 both, would become an event of default;

18 (ii) any change in Debtor's name, entity structure (i.e., S-Corporation to LLP),
19 state of organization, principal place of business, or the location of any collateral for the
20 indebtedness not alienated in the ordinary course of Debtor's business, or the establishment of
21 any new place of business or the discontinuance of any existing place of business;

22 (b) maintain adequate books, accounts, and records and permit employees or agents
23 of County at any reasonable time and upon reasonable notice to Debtor to inspect Debtor's
24 properties, and to examine such books, accounts, and records and make copies and memoranda
25 thereof provided however, that the County shall not release or disseminate such copies or
26 memoranda without the prior written consent of Debtor or a court order and will be kept strictly
27 confidential so long as any indebtedness hereunder is owed to the County and, thereafter, the
28 foregoing documents will be destroyed with Serlin & Whiteford, LLP representing, in writing,

1 that all copies of the foregoing were destroyed;

2 (d) not engage in any business activities or operations substantially different from or
3 unrelated to your present business activities and operations;

4 (e) sell, transfer, or assign any assets or property having a value of more than
5 \$25,000.00 aside from in the ordinary course of Debtor's business;

6 (f) not make any loans, preferential payments to creditors (including, but not limited
7 to, payment of deferred compensation to Debtor's executives and employees), payment of
8 dividends to common stock holders, or advances to any person or other entity other than in the
9 ordinary and normal course of its business as now conducted;

10 (g) guarantee or otherwise become liable upon the obligation of any person or other
11 entity; and

12 (h) maintain and keep in force insurance in such amounts and types, including
13 without limitation fire and public liability insurance, as is usual in the business carried on by
14 Debtor.

15 5. Dismissal/Default. If Debtor fully and timely pays and performs all of its
16 obligations set forth above and Debtor shall not within ninety-one (91) days of the final payment
17 due hereunder be (a) the subject of any bankruptcy proceeding (whether voluntary or
18 involuntary) under Title 11, U.S.C., (b) have made an assignment for the benefit of creditors, or
19 (c) be the subject of any insolvency proceeding pursuant to which any of the payments required
20 hereunder are subject to recovery as a preference, then County shall dismiss the within action
21 with prejudice. In the event that any payment or performance required of Debtor hereunder is
22 not fully and timely made, the provisions of this section 5 shall apply:

23 (a) The County may obtain a judgment as set forth in section 1 above upon ex parte
24 application for a payment default and upon regular notice for any other default. Such judgment
25 shall have the same force and effect as if rendered after trial. While not conclusive to establish
26 default, the application for a payment judgment need only be supported by a declaration by the
27 County or its attorney that a payment default by Debtor hereunder has occurred and an
28 accounting of all payments made. The County may employ any and all means of enforcing

1 such judgment, including but not limited to appointment of a receiver, which may be done on an
2 ex parte basis, without bond. Such remedies may be pursued by the County concurrently or in
3 any order as the County may deem fit in its sole and absolute discretion.

4 (b) All expenses of actions taken to enforce such judgment following default
5 hereunder, including but not limited to attorneys' fees and costs incurred by the County, shall be
6 added to and collected pursuant to the judgment. Said expenses may be added to the judgment
7 by way of supplemental cost bill(s).

8 6. Counterparts. This Stipulation may be executed in one or more counterparts,
9 each of which shall be deemed an original, but all of which together shall constitute one and the
10 same instrument. Further, any fax or email signature shall be deemed an original for all
11 purposes under this Stipulation.

12 7. Security. As security for Debtor's obligations hereunder, Debtor hereby grants
13 a security interest to the County in and to all of its personal property now existing or obtained in
14 the future, including but not limited to accounts, accounts receivable, deposit accounts,
15 inventory, equipment, goods, general intangibles, and all proceeds thereof. Upon default
16 hereunder, the County shall, in addition to the rights and remedies set forth in section above,
17 have all rights and remedies of a secured creditor under Article 9 of the California Commercial
18 Code.

19 8. Financing & Additional Debt. Notwithstanding anything stated herein,
20 Debtor represents that without incurring additional debt, its business operations and ability to pay
21 the amounts in section 2 would be compromised. Therefore, the parties agree that Debtor may
22 incur such debt, be it by share issuance (common and/or preferred Debtor stock as now offered
23 to investors), credit facility, equipment financing, or other financing options necessary for the
24 development of the Kern Bluff Oilfield and Debtor's ongoing business operations, upon
25 reasonable notice to County. That debt may include the sale of, granting a lien on, or providing a
26 security interest in Debtor's real or personal property whether presently existing or acquired in
27 the future. In the event Debtor receives a \$10,000,000.00 loan, Debtor will satisfy the entirety of
28 the principal balance due on the amount in section 2 during the quarter in which the financing

1 transaction closes.

2 9. No Third Party Beneficiaries/Miscellaneous. This agreement is solely for the
3 benefit of Debtor and the County, and there are no third party beneficiaries. Debtor specifically
4 waives the right to modify, reduce, or appeal from any judgment entered pursuant to the terms
5 hereof except any appeal concerning the propriety of the entry of the judgment itself based on a
6 breach of the Stipulation. Debtor specifically agrees that in any bankruptcy or insolvency
7 proceeding involving Debtor, or either of them, the County's claim in such proceeding shall be
8 the amount set forth in section 1 above. This Stipulation is the full and final agreement between
9 the parties and supersedes all other negotiations and agreements between Debtor and the County.
10 No modification, alteration, or waiver of any of the terms of this Stipulation shall be valid unless
11 in writing and signed by both Debtor and the County. This Stipulation represents an accord and
12 satisfaction, and the terms hereof have been negotiated and shall be specifically enforceable as
13 such. The parties hereto shall execute and deliver such other and further documents as may be
14 necessary or helpful to consummate the transactions contemplated hereby.

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