
TERMS & CONDITIONS – PRECISION COMPLETION & PRODUCTION SERVICES, LTD -- RENTALS

THIS AGREEMENT CONTAINS INDEMNIFICATION PROVISIONS, RELEASE OF LIABILITY AND ALLOCATION OF RISK. BY ISSUING A PURCHASE ORDER OR BY DELIVERY OF PRECISION'S EQUIPMENT, PRECISION AND CUSTOMER AGREE TO BE BOUND BY ALL OF THESE PROVISIONS.

All Equipment provided by Precision Completion & Production Services Ltd. ("**Precision**") is expressly subject to the following Terms & Conditions (this "**Agreement**").

1. Application of Agreement

- 1.1 This Agreement constitutes the agreement made between Precision and Customer and shall govern the provision of surface drilling, completions, production equipment, specialty drillstrings, well control, field and well-site accommodations or other personal property ("**Equipment**") required by Customer upon the terms stated herein, regardless of whether Customer's request for Equipment is made orally or in writing under a work order, delivery ticket, or other written instrument (a "**Purchase Order**"). The specific Equipment covered by this Agreement, including make, model, and serial number, shall be listed on the Purchase Order attached hereto and incorporated by reference. If any provision of this Agreement is inconsistent with any other document related to or issued in relation to the Equipment, this Agreement shall prevail. No variation of this Agreement shall be of effect unless expressly agreed to in writing by a duly authorized officer of Precision. Both parties acknowledge and understand that there are no terms implied by virtue of statute or otherwise incorporated into this Agreement.
- 1.2 The term of the lease for Equipment leased by Precision to Customer is as stated on the Purchase Order or as otherwise agreed to between the parties (the "**Term**").
- 1.3 **Early Termination: In the event of early termination of this Agreement by Customer, Customer shall be responsible for paying a fee equal to 90% of the remaining lease payments for the unexpired Term of the Agreement. This fee is in addition to any other amounts owed for Equipment usage up to the date of termination. Precision reserves the right to waive or reduce this fee at its sole discretion.**

2. Location, Methods and Practices

- 2.1 Conditions in and about any well-site may involve hazards to life and property and obstacles to the functioning of the Equipment. Such conditions are not, and never have been subject to, inspection or control by Precision. Customer represents that it has acquainted itself with and accepts all risks and liability relating to well-site conditions, circumstances, requirements, impediments, if any, and considerations relevant to the use of the Equipment.
- 2.2 Customer shall: (i) ensure that the Equipment is, at all times, operated by competent personnel only and shall pay all expenses of operating the Equipment; (ii) not use the Equipment for any illegal or improper purpose and shall, at Customer's sole expense, comply with and conform to all federal, state, municipal and other laws, ordinances, directives, rules and regulations in any way relating to Customer's possession, use, storage, maintenance or transport of the Equipment; (iii) not remove, alter or disfigure any identification insignia displayed upon the Equipment; (iv) ensure that the Equipment is not subject to careless or rough usage; (v) bear full responsibility and liability for any and all damages to the Equipment arising due to improper operation, negligence or otherwise; (vi) immediately notify Precision of any accidents, damage or losses to the Equipment during the term of the lease; (vii) only transport or move the Equipment with a suitably insured and licensed transportation company with drivers experienced and knowledgeable in transporting such Equipment; (viii) be held responsible from time of delivery until time of return for any damage or theft to the Equipment that occurs; (ix) pre-inspect the Equipment to ensure it is suitable for the intended purpose and in compliance with manufacturer specifications and regulatory rules; (x) duly train and validate credentials of Equipment operators or handlers; (xi) pay to Precision either the cost (plus applicable shipping and handling charges) to repair any damaged Equipment which Precision deems repairable or the full replacement cost (plus applicable shipping and handling charges) to replace any Equipment which Precision deems is damaged beyond repair, (xii) not sublease the Equipment to any third party without Precision's written consent, and (xiii) return the Equipment in the same condition as received, subject only to reasonable wear and tear, clean and free from damage.
- 2.3 Customer shall, at the request of Precision, advise Precision of the exact location of the Equipment and shall give Precision immediate notice of any seizure or judicial process affecting or purporting to affect the Equipment. Customer shall immediately notify Precision when Equipment is off rental, released and ready to be moved. If, in the sole discretion of Precision, the Equipment is being subject to damage or loss by reason of Customer's use of that Equipment, or the Equipment is in danger of being seized, detained or otherwise being subject to a legal process or extra-judicial process, then and in every such instance, Precision, at its option, shall have the right to remove the Equipment from the possession of Customer without notice to Customer, and this Agreement shall terminate upon Precision regaining possession of the Equipment. Precision shall have the right, at any time, to enter upon the premises where the Equipment is located and to inspect the Equipment and shall have the right to access the Equipment and may direct or cause to be done at the expense of Customer any repairs or maintenance which is the responsibility of Customer. Customer has a duty to immediately notify Precision of all changes in Equipment location and required Customer information to facilitate invoicing. No action by Precision pursuant to this section shall constitute a waiver of any other rights that Precision may have in law or equity against Customer.

3. Title

- 3.1 Title to the Equipment remains at all times vested with Precision, and nothing contained herein shall be construed to create anything other than the relationship of lessor and lessee between Precision and Customer.

4. Allocation of Risk and Liability

- 4.1 For the purposes of this section:

- (a) **"Claims"** shall mean all awards, causes of action, claims, liens, costs, expenses, damages, demands, judgments, liabilities and losses of every character, kind and nature including, without limitation, reasonable legal fees, court costs, fines, penalties and remedial obligations which arise out of or are related to, directly or indirectly, the subject matter or performance of this Agreement, the Equipment or anything ancillary thereto;
- (b) **"Precision Group"** shall mean Precision, its affiliates, subsidiaries, partners, joint owners, joint venturers and subcontractors and the directors, agents, representatives, employees, insurers, invitees and consultants of all of the foregoing; and
- (c) **"Customer Group"** shall mean Customer, its affiliates, subsidiaries, partners, joint owners, joint venturers and contractors (not including any member of Precision Group) and the directors, agents, representatives, employees, insurers, invitees, consultants and contractors of all of the foregoing.

4.2 SUBJECT TO ALL OTHER INDEMNITY PROVISIONS HEREIN, PRECISION ACKNOWLEDGES AND AGREES THAT IT SHALL RELEASE AND THAT IT SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS CUSTOMER FROM AND AGAINST ANY AND ALL CLAIMS OF EVERY KIND AND CHARACTER ARISING OUT OF ANY PERSONAL INJURY, ILLNESS OR DEATH OF ANY MEMBER OF PRECISION GROUP.

4.3 SUBJECT TO ALL OTHER INDEMNITY PROVISIONS HEREIN, CUSTOMER ACKNOWLEDGES AND AGREES THAT IT SHALL RELEASE AND THAT IT SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS PRECISION GROUP FROM AND AGAINST ANY AND ALL CLAIMS OF EVERY KIND AND CHARACTER ARISING OUT OF ANY PERSONAL INJURY, ILLNESS OR DEATH OF ANY MEMBER OF CUSTOMER GROUP.

4.4 IN REGARD TO THIS AGREEMENT, CUSTOMER AND PRECISION AGREE THAT, NOTWITHSTANDING ANY OTHER PROVISION HEREOF TO THE CONTRARY, CUSTOMER SHALL BE LIABLE FOR AND SHALL RELEASE, DEFEND, INDEMNIFY AND HOLD PRECISION GROUP HARMLESS IN RESPECT OF CLAIMS ARISING FROM:

- (a) ANY NEGLIGENT ACT OR OMISSION OF CUSTOMER AND/OR CUSTOMER GROUP;
- (b) ANY AND ALL THIRD PARTY CLAIMS;
- (c) ANY LOSS OF OR DAMAGE RESULTING FROM USE OF, FAILURE OF CUSTOMER'S EQUIPMENT;
- (d) ANY LOSS OR DAMAGE TO CUSTOMER GROUP'S PROPERTY AND EQUIPMENT;
- (e) ANY LOSS OR DAMAGE TO EQUIPMENT;
- (f) ANY LOSS OF OR DAMAGE TO THE HOLE OR DOWNHOLE CASING;
- (g) POLLUTION OR CONTAMINATION FROM CUSTOMER GROUP'S EQUIPMENT OR THE WELL/HOLE, INCLUDING FROM A WELL BLOWOUT, FROM THE USE OR DISPOSITION OF OIL EMULSION, WATER OR OIL BASED CHEMICALLY TREATED SERVICE OR DRILLING FLUID OR OTHERWISE, STORAGE AND TREATMENT OF ANY WASTE FROM THE OPERATIONS CONDUCTED HEREUNDER;
- (h) DAMAGE TO OR LOSS OF ANY RESERVOIR, UNDERGROUND FORMATION, PRODUCTION FORMATION, WELL OR BOREHOLE, OR ANY INJURY TO, DESTRUCTION OF, OR LOSS OR IMPAIRMENT OF ANY PROPERTY RIGHT IN OR TO OIL, GAS OR OTHER MINERAL SUBSTANCE OR WATER; AND
- (i) THE COST OF GAINING CONTROL OF ANY BLOWOUT OR WILD WELL INCLUDING THE REMOVAL OF DEBRIS IN RELATION THERETO.

4.5 **EACH PARTY'S RELEASE AND ITS DEFENSE, INDEMNITY AND HOLD HARMLESS OBLIGATIONS UNDER THIS SECTION 4 WILL APPLY EVEN IF THE LIABILITY AND CLAIMS ARE CAUSED BY THE SOLE, CONCURRENT, ACTIVE OR PASSIVE NEGLIGENCE, GROSS NEGLIGENCE, BREACH OF WARRANTY, STRICT LIABILITY OR ANY OTHER FAULT OF THE PARTY OR OF ANY MEMBER OF SUCH OTHER PARTY'S GROUP SEEKING DEFENSE AND INDEMNITY, OR ANY OTHER CAUSE.**

5. Insurance

5.1 Customer and Precision shall maintain at, each of their own expense, general liability and other insurance in adequate amounts to cover their indemnity obligations. Customer's insurance shall be primary to any insurance provided by Precision. The said insurances will support the indemnities herein, but in no way limit the liabilities or obligations assumed by the parties. For the risks, liabilities, and indemnity obligations undertaken by a party, that party shall name on its insurance policies the other party as an additional insured.

6. Representations, Warranties or Guarantees

6.1 Precision warrants that Equipment shall be free from material defects. This warranty does not apply to rapidly wearing parts, ordinary wear and tear, or any damage caused by Acts of God (as described below), negligent storage and/or improper or careless maintenance or use. Precision makes no other express or implied warranty and expressly **DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND GOOD AND WORKMANLIKE PERFORMANCE.**

6.2 Precision is not responsible for ascertaining the particular use, suitability, application, intended use, or the like, regarding the Equipment, furnished by Precision to Customer.

6.3 No affirmation whether by words or action by Precision, its agents, employees or representatives shall constitute a warranty.

6.4 There are no representations, warranties, forms, conditions, undertakings or collateral agreements; express, implied or statutory between the parties other than as expressly set forth in this Agreement.

7. Limitation of Damages and Remedies

- 7.1 **PRECISION SHALL NOT, UNDER ANY CIRCUMSTANCES, BE RESPONSIBLE OR LIABLE FOR ANY PUNITIVE, EXEMPLARY, SPECIAL, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES ARISING DIRECTLY OR INDIRECTLY OUT OF OR IN CONNECTION WITH THE POSSESSION, USE, APPLICATION AND/OR LOSS OF THE EQUIPMENT PROVIDED BY PRECISION (INCLUDING BUT NOT LIMITED TO LOSS OF USE, LOST INCOME, LOST OR DELAYED PROFITS OR REVENUE, OR LOSS OF BUSINESS, UNABSORBED OVERHEAD, AND INCREASED EXPENSES).** Further, Precision shall have no liability for any claims for damages or expenses of any kind whatsoever founded upon negligence, strict liability or any other theory in tort. If Precision's Equipment is determined to be defective, Customer's sole, exclusive remedy shall be repair or replacement of the defective Equipment, at Precision's option. No claim shall be brought against Precision more than two (2) years after the accrual of the cause of action.
- 7.2 The aggregate liability of Precision hereunder for, and the entire remedy for Customer for any damages or loss it may suffer from any cause whatsoever, whether the action is based on a warranty cause of action or in contract or tort (including negligence) if any, shall be limited to the amount invoiced by Precision to Customer pursuant to this Agreement for utilization of the Equipment, which Customer agrees is a reasonable estimate of damages.

8. Pricing and Payment

- 8.1 The terms of payment are net thirty (30) days following invoice date or upon request for payment by Precision, whichever is earlier. Customer agrees that any past due amounts shall bear interest from the date due until paid at the rate of 2% per month or the maximum rate permitted by applicable law. No discounts for the provision of Equipment should be taken above that which is stated on Precision's invoice. The invoices rendered by Precision hereunder shall together constitute one on-going contract, or prevent arrangement between Precision and Customer.
- 8.2 If any proceeding or suit is instituted against Customer to recover any past due amounts, then Precision is entitled to recover all of its costs and expenses related thereto, including its attorneys' fees. Each invoice creates an independent payment obligation and is not subject to any setoff, defense, demand, or claim Customer may have against Precision, or any third party.
- 8.3 The price for all orders is F.O.B. Precision's facility, unless otherwise agreed in a writing signed by both parties. Customer agrees to pay Precision for any Equipment in accordance with prices in effect at the time the same are furnished. All prices shown on any document are subject to verification by Precision's main office. Prices are exclusive of all taxes (federal, state or local), some transportation charges, drayage, demurrage, import duties, transfer fees, or documentations charges, all of which shall be paid by Customer in addition to the prices shown on the invoice, unless otherwise noted. If such amounts are not included in the invoice, they may be invoiced separately. Prices, rates or terms are subject to change without notice. Equipment manufactured by others will be sold, rented or used by Precision under this Agreement, except where inconsistent with the manufacturer's terms and conditions, when the latter shall prevail.

9. Notice

- 9.1 All notices and communications required or permitted to be given under this Agreement shall be deemed properly given if in writing and delivered personally or sent by registered mail or sent by electronic mail to the parties at their addresses as shown on the Purchase Order. Any communication or delivery hereunder shall be deemed to have been duly made and the receiving party charged with notice: (i) if personally delivered, when received; (ii) if sent by registered mail, three (3) business days after mailing, return receipt requested; or (iii) if sent by electronic mail, the business day transmitted.

10. General

- 10.1 Unless a Master Equipment Lease is in place between the parties, this Agreement contains the entire and exclusive agreement between Precision and Customer and supersedes any previous written or oral statements related to the Equipment and may only be modified by a written amendment signed by an authorized representative of Precision, which specifically refers to and waives specific provisions of this Agreement. This Agreement shall govern, supersede and prevail over all conflicting terms and conditions of any and all work orders, quotes, purchase orders, order confirmations, job tickets, invoices, work requests, delivery tickets and other communications and documents, even if such other documents expressly provide in writing that any or all of their terms or conditions shall prevail over those of this Agreement. All terms, conditions and stipulations in any such documents used by Customer not in conformity with and/or conflicting with the terms and provisions of this Agreement shall be null and void.
- 10.2 The entire liability of Precision including express and implied warranties, in connection with its products or services is set forth above. This Agreement may only be waived in writing by Precision.
- 10.3 Customer may not assign its rights or obligations under this Agreement without the prior written consent of Precision. Precision may assign its rights and obligations under this Agreement without the consent of Customer.
- 10.4 If any provision or term of this Agreement is held by a court or agency of competent jurisdiction to be inconsistent with or contrary to any applicable federal, state or local law, rule or regulation, said term or provision shall be deemed to be modified to the extent, but only to the extent, required to comply with said law, rule or regulation, and as so modified said provision and this Agreement shall continue in full force and effect and the validity, legality and enforceability of such provision and this Agreement will not in any way be affected or impaired.
- 10.5 Precision shall not be liable for delay or non-performance due to governmental regulations, strikes, hostile actions, weather, acts of God, or any other cause beyond the reasonable control of Precision (referred to herein as "Force Majeure"). Lack of finances shall not be considered a Force Majeure. Force Majeure shall not excuse or suspend any obligation for payment.
- 10.6 The validity, interpretation and construction of this Agreement will be governed by the laws of the state of Texas without reference to that state's conflicts of law provisions that would require application of any other law. Any action or proceeding arising out of or relating to this Agreement must be brought in a state or federal court sitting in Harris County, Texas, and each of the parties hereby agrees to irrevocably submit itself to the exclusive jurisdiction of each such court in any such action or proceeding and waives any objection it may now or hereafter have to venue or convenience of forum.