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INTERNATIONAL ASSOCIATION OF DRILLING CONTRACTORS

MASTER SERVICE CONTRACT

**THIS AGREEMENT CONTAINS PROVISIONS RELATING TO INDEMNITY,
RELEASE OF LIABILITY, AND ALLOCATION OF RISK**

THIS AGREEMENT (the "Contract"), made and entered into this _____ day of _____,
20____, by and between the parties herein designated as "Contractor" and "Subcontractor".

Contractor: _____

Address: _____

Subcontractor: _____

Address: _____

WITNESSETH: THAT,

WHEREAS, Contractor is engaged in the business of drilling oil and gas wells on a contract basis or is engaged in the production of oil and gas, and in the course of such operations regularly and customarily enters into contracts with independent subcontractors for the performance of service relating thereto; and

WHEREAS, Subcontractor represents that it has adequate equipment in good working order and fully trained personnel capable of efficiently operating such equipment and performing services for Contractor.

NOW THEREFORE IN CONSIDERATION of the mutual promises, conditions and agreements herein contained, the sufficiency of which is hereby acknowledged, and the specifications and special provisions set forth in any exhibits attached hereto and made a part hereof, the parties hereto mutually agree as follows:

1.0 NATURE AND TERM OF AGREEMENT

This Contract shall remain in force and effect until canceled by either party by giving the other party ten (10) days notice in writing at the respective address of said party. If current work extends past ten (10) days, then cancellation shall not be effective until work is completed. At any time and from time to time during the term of this Contract, when Contractor desires work to be performed by Subcontractor, a representative of the Contractor shall give Subcontractor a request for such work. The request ("Work Order") may be in the form of a Work Order, purchase order, letter, memorandum or other document or may be oral. Subcontractor shall thereafter commence the performance of the work in accordance with the terms of the Work Order and this Contract. Commencement of the work by the Subcontractor shall be deemed to be acceptance of the terms and conditions of the Work Order. This Contract shall control and govern all work performed by Subcontractor under Work Orders, either oral or written. Agreements or stipulations in any such Work Order not in

conformity with the terms and provisions hereof shall be null and void. No waiver by Contractor of any terms, provisions or conditions hereof shall be effective unless in writing and signed by an authorized officer of Contractor. Nothing herein shall be construed to obligate Contractor to order work from Subcontractor or obligate Subcontractor to accept work from Contractor.

2.0 LABOR, EQUIPMENT, MATERIALS, SUPPLIES AND SERVICES

2.1 When agreement is reached, either orally or by written Work Order, for the services and/or equipment desired or when work is commenced, Subcontractor shall commence furnishing same at the agreed upon time, and continue such operations diligently and without delay, in strict conformity with the specifications and requirements contained herein and in such Work Orders.

2.2 All work or services rendered or performed by Subcontractor shall be done with due diligence, in a good and workmanlike manner, using skilled, competent and experienced workmen and supervisors and in accordance with good oilfield servicing practices. All materials, equipment, supplies or manufactured articles furnished by Subcontractor in the performance of the work or services shall be selected and used with good oilfield practice for their respective purposes and shall be free from defects. Any portion of the materials or work found defective or unsuitable shall be removed, replaced or corrected by Subcontractor without additional cost or risk to Contractor. Subcontractor agrees to inspect all materials and equipment furnished by Contractor and shall notify Contractor of any apparent defects therein before using such materials and equipment. Should Subcontractor use such materials and equipment without notifying Contractor of any defect, Subcontractor shall be deemed to have assumed all risk and liability for any mishap that may occur in operations conducted hereunder by reason of failure or defects in such materials and equipment. Subcontractor shall not be liable for claims due solely to latent defects.

3.0 PAYMENT

3.1 The Contractor shall pay Subcontractor for the work and/or equipment or materials furnished by Subcontractor at the rate and upon the terms stipulated in the Work Orders provided for herein, subject to same being accepted by Contractor as fully complying with all the terms, conditions, specifications and requirements of this Contract and such Work Orders.

3.2 Contractor shall have the right to audit Subcontractor's books and records relating to all invoices issued pursuant to this Contract. Subcontractor agrees to maintain such books and records for a period of two (2) years from the date such costs were incurred and to make such books and records available to Contractor at any time or times within such two year period.

4.0 REPORTS TO BE FURNISHED BY SUBCONTRACTOR

4.1 The quantity, description and condition of the materials and supplies and/or services furnished shall be verified and checked by Subcontractor, and all delivery tickets shall be properly certified as to receipt by Subcontractor's representative. Subcontractor must obtain approval of Contractor's representative of delivery tickets for materials and supplies for which Subcontractor is to be reimbursed by Contractor.

4.2 Subcontractor shall orally report to Contractor, as soon as practicable, followed by an appropriate written report, all accidents or occurrences resulting in death or injuries to Subcontractor's employees or third parties, or damage to property of Contractor or third parties arising out of or during the course of work to be performed hereunder. Subcontractor shall furnish Contractor with a copy of all reports made by Subcontractor to Subcontractor's insurer, governmental authorities or to others of such accidents and occurrences.

5.0 INDEPENDENT CONTRACTOR RELATIONSHIP

In the performance of any work by Subcontractor for Contractor, Subcontractor shall be deemed to be an

independent contractor, with the authority and right to direct and control all of the details of the work, Contractor being interested only in the results obtained. However, all work contemplated shall meet the approval of Contractor and shall be subjected to the general right of inspection. Contractor shall have no right or authority to supervise or give instructions to the employees, agents, or representative of Subcontractor, but such employees, agents or representatives at all times shall be under the direct and sole supervision and control of Subcontractor. It is the understanding and intention of the parties hereto that no relationship of master and servant, principal and agent or employer and employee shall exist between Contractor and Subcontractor, its employees, agents, or representatives.

6.0 INSURANCE

- 6.1 Subcontractor shall at Subcontractor's expense maintain, with an insurance company or companies authorized to do business in the state where the work is to be performed or through a self-insurance program approved by Contractor in writing, insurance coverages of the kind and in the minimum amounts as follows:
- (a) Adequate Workers' Compensation Insurance and Employers' Liability Insurance complying with applicable state laws with limits of \$ _____ covering all Subcontractor's employees working under this Agreement.
 - (b) Commercial (or Comprehensive) General Liability Insurance, including contractual obligations as respects this Contract and proper coverage for all other obligations assumed in this Contract. The limit shall be \$1,000,000 combined single limit per occurrence for Bodily Injury and Property Damage.
 - (c) Automobile Liability Insurance with Bodily Injury limits of \$ _____ for each person and \$ _____ for each accident; and Property Damage limits of \$ _____ for each accident or \$1,000,000 combined single limit for Bodily Injury and Property Damage.
 - (d) Physical Damage Insurance on Subcontractor's property to the extent of its fair market value.
 - (e) Excess Liability Insurance over that required in Paragraph 6.1 (a), (b), (c) and (d) with minimum limits of \$ _____, specifically including Subcontractor's Contractual Liability.
 - (f) In the event operations are over water, Subcontractor shall carry in addition to the Statutory Workers' Compensation Insurance, endorsements covering liability under the Longshoreman's and Harbor Workers' Compensation Act, with Outer Continental Shelf Lands Act Extension and Maritime Liability including wages, transportation, maintenance and cure with limits of \$ _____ for death or injury to one person and \$ _____ for any one accident, and endorsed to provide that a claim in rem will be treated as a claim in personam.
- 6.2 Subcontractor shall obtain from its insurers a waiver of subrogation against Contractor and any operator or owner for whom Contractor is performing operations or services in all of its insurance policies, whether the same be set forth herein or not.
- 6.3 All insurance required hereunder shall be issued by a company or companies acceptable to Contractor, shall be maintained in full force and effect during the term of this Contract, and shall not be canceled, altered, or amended without thirty (30) days prior written notice having first been furnished Contractor. Additionally, except to the extent Contractor assumes liability hereunder and agrees to indemnify Subcontractor, Contractor and any operator or owner for whom Contractor is performing operations or services shall be named additional insureds in all such insurance policies (with the exception of Workers' Compensation coverage). All such insurance shall be primary to any insurance of Contractor that may apply to any occurrence, accident or claim. Subcontractor agrees to have its

insurance carrier furnish Contractor a certificate or certificates evidencing insurance coverage in accordance with the above requirements and, when requested by Contractor, to furnish certified copies of all said insurance policies. These requirements shall be conditions precedent to the payment of any sums that may be due Subcontractor.

- 6.4 Should Texas law be applicable to this Contract and the activities performed hereunder, then for the purpose of satisfying the provisions of Chapter 127, Texas Civil Practice and Remedies Code for the mutual indemnities contained herein, Contractor agrees to be self-insured or provide insurance for its indemnity obligations up to the maximum dollar limits and extent of insurance coverage (or self-insurance) that the Subcontractor has agreed to provide Contractor. If the laws of any other jurisdiction are applicable to this Contract, and such laws have similar provisions to those contained in the Texas Oilfield Anti-Indemnification Statute as described above, the parties agree to take all steps necessary to provide the mutual indemnities allowed by such statutes.

7.0 INDEMNIFICATION, RELEASE AND ASSUMPTION OF LIABILITY

- 7.1 **Subcontractor shall release Contractor of any liability for, and shall protect, defend and indemnify Contractor, its officers, directors, employees and joint owners from and against all claims, demands, and causes of action of every kind and character, without limit and without regard to the cause or causes thereof or the negligence of any party or parties, arising in connection herewith in favor of Subcontractor's employees on account of bodily injury, death or damage to property. Subcontractor's indemnity under this Contract shall be without regard to and without any right to contribution from any insurance maintained by Contractor. If it is judicially determined that the monetary limits of insurance required hereunder or of the indemnities voluntarily assumed under this Contract (which Subcontractor and Contractor hereby agree will be supported either by available liability insurance, under which the insurer has no right of subrogation against the indemnitees, or voluntarily self-insured, in part or in whole) exceed the maximum limits permitted under applicable law, it is agreed that said insurance requirements or indemnities shall automatically be amended to conform to the maximum monetary limits permitted under such law.**
- 7.2 **Contractor shall release Subcontractor of any liability for, and shall protect, defend and indemnify Subcontractor, its officers, directors, employees and joint owners from and against all claims, demands, and causes of action of every kind and character, without limit and without regard to the cause or causes thereof or the negligence of any party or parties, arising in connection herewith in favor of Contractor's employees on account of bodily injury, death or damage to property. Contractor's indemnity under this Contract shall be without regard to and without any right to contribution from any insurance maintained by Subcontractor. If it is judicially determined that the monetary limits of insurance required hereunder or of the indemnities voluntarily assumed under this Contract (which Subcontractor and Contractor hereby agree will be supported either by available liability insurance, under which the insurer has no right of subrogation against the indemnitees, or voluntarily self-insured, in part or in whole) exceed the maximum limits permitted under applicable law, it is agreed that said insurance requirements or indemnities shall automatically be amended to conform to the maximum monetary limits permitted under such law.**

- 7.3** Except as provided in Paragraph 2.2, Contractor shall assume liability at all times for damage to or destruction of Contractor's equipment, both owned and leased, regardless of when or how such damage or destruction occurs, and Contractor shall release Subcontractor of any liability for any such loss or damage.
- 7.4** Subcontractor shall assume liability at all times for damage to or destruction of Subcontractor's equipment, both owned and leased, regardless of when or how such damage or destruction occurs, and Subcontractor shall release Contractor of any liability for any such loss or damage.
- 7.5** Each party shall notify the other party immediately of any claim, demand, or suit that may be presented to or served upon it by any party arising out of or as a result of work performed pursuant hereto, affording such other party full opportunity to assume the defense of such claim, demand, or suit and to protect itself under the obligations of this article.
- 7.6** Neither party shall be liable to the other for special, indirect or consequential damages resulting from or arising out of this Contract, including, without limitation, loss of profit or business interruptions including loss or delay of production, however same may be caused.
- 7.7** Except as otherwise expressly limited herein, it is the intent of parties hereto that all indemnity obligations and liabilities assumed by such parties under terms of this Contract, including without limitation, paragraphs 7.1 through 7.6 hereof, be without limit and without regard to the cause or causes thereof (including preexisting conditions), the unseaworthiness of any vessel or vessels, strict liability, or the negligence of any party or parties, whether such negligence be ordinary or gross; sole, joint or concurrent; or active or passive. The indemnities, releases and assumptions of liability extended by the parties hereto under the provisions of Article 7 shall inure to the benefit of the parties, their parent, holding and affiliated companies and their respective officers, directors, employees, agents and servants. The terms and provisions of paragraphs 7.1 through 7.6 shall have no application to claims or causes of action asserted against Contractor or Subcontractor by reason of any agreement of indemnity with a person or entity not a party hereto.

8.0 TAXES AND CLAIMS

- 8.1** Subcontractor agrees to pay all taxes, licenses, and fees levied or assessed on Subcontractor in connection with or incident to the performance of this Contract by any governmental agency and unemployment compensation insurance, old age benefits, social security, or any other taxes upon the wages of Subcontractor, its agents, employees, and representatives. Subcontractor agrees to require the same agreements and be liable for any breach of such agreements by any of its subcontractors.
- 8.2** Subcontractor agrees to reimburse Contractor on demand for all such taxes or governmental charges, State or Federal, that Contractor may be required or deem it necessary to pay. Subcontractor agrees to furnish Contractor with the information required to enable it to make the necessary reports and to pay such taxes or charges. At its election, Contractor is authorized to deduct all sums so paid for such taxes and governmental charges from such amounts as may be or become due to Subcontractor hereunder.
- 8.3** Subcontractor agrees to pay all claims for labor, materials, services, and supplies furnished by Subcontractor hereunder and agrees to allow no lien or charge to be fixed upon the rig, the lease, the well, the land on which the well is located, or other property of Contractor or the party for whom Contractor is performing services. Subcontractor agrees to indemnify, protect, defend, and hold Contractor harmless from and against all such claims, charges, and liens. If Subcontractor shall fail or refuse to pay any claims or indebtedness incurred by Subcontractor in connection with the services as provided hereunder, it is agreed that Contractor shall have the right to pay any such claims or indebtedness out of any money due or to become due to Subcontractor hereunder. Notwithstanding the foregoing, Contractor agrees that it will not pay any such claim or indebtedness as long as same

is being actively contested by Subcontractor and Subcontractor has taken all actions necessary (including the posting of a bond when appropriate) to protect the property interests of Contractor and any other party affected by such claim or indebtedness.

- 8.4 Before payments are made by Contractor to Subcontractor, Contractor may require Subcontractor to furnish proof that there are not unsatisfied claims for labor, materials, equipment and supplies, or for injuries to persons or property not covered by insurance.

9.0 LAWS, RULES AND REGULATIONS

- 9.1 Contractor and Subcontractor, respectively, agree to comply with all laws, rules, and regulations which are now or may become applicable to operations covered by this Contract or arising out of the performance of such operations. If either party is required to pay any fine or penalty resulting from the other party's failure to comply with such laws, rules or regulations, the party failing to comply shall immediately reimburse the other for any such payment.
- 9.2 In the event any provision of this Contract is inconsistent with or contrary to any applicable law, rule or regulation, said provision shall be deemed to be modified to the extent required to comply with said law, rule or regulation and this Contract, as so modified, shall remain in full force and effect.
- 9.3 **This Contract shall be construed, governed, interpreted, enforced and litigated and the relations between the parties determined in accordance with the laws of _____.**

10.0 FORCE MAJEURE

Except for the duty to make payments hereunder when due and the indemnification provisions under this Contract, neither Contractor nor Subcontractor shall be responsible to the other for any delay, damage or failure caused by or occasioned by a Force Majeure Event. As used in this Contract, "Force Majeure Event" includes acts of God, action of the elements, warlike action, insurrection, revolution or civil strife, piracy, civil war or hostile action, strikes, differences with workers, acts of public enemies, federal or state laws, rules and regulations of any governmental authorities having jurisdiction in the premises or any other group, organization or informal association (whether or not formally recognized as a government), inability to procure material, equipment or necessary labor in the open market, acute and unusual labor, material or equipment shortages, or any other causes (except financial) beyond the control of either party. Delays due to the above causes, or any of them, shall not be deemed to be a breach of or failure to perform under this Contract. Neither Contractor nor Subcontractor shall be required against its will to adjust any labor or similar disputes except in accordance with applicable law.

11.0 PATENTS

In addition to all other indemnity provisions contained herein, Subcontractor represents and warrants that the use or construction of any and all tools, equipment and other materials furnished by Subcontractor and used in the work provided for herein does not infringe on any license or patent issued or applied for, and Subcontractor agrees to protect, defend and indemnify Contractor from and against any and all claims, demands, and causes of action of every kind and character in favor of or made by patentee, licensee or claimant of any rights or priority to such tool or equipment, or the use or construction thereof, that may result from or arise out of furnishing or use of any such tools, equipment and other materials by Subcontractor in connection with the work.

12.0 ASSIGNMENTS

Contractor and Subcontractor agree that neither will assign nor delegate this Contract or any of the work or services required hereunder, except for work normally performed by subcontractors, and shall not assign any sum that may accrue to Subcontractor hereunder, without prior written consent of the other party. If any assignment by Contractor is made that significantly alters Subcontractor's financial burden, Subcontractor's compensation shall be adjusted to give effect to any change in Subcontractor's operating costs.

13.0 TERMINATION OF WORK

- 13.1 Contractor may, at any time, in its sole discretion terminate work covered by any Work Order, oral or written, issued hereunder, in which event Subcontractor shall be paid, at the applicable rates stipulated in Subcontractor's Rate Schedule or Bid, for services rendered up to the date of such termination. In no event shall Subcontractor be entitled to be paid prospectively for work unperformed by reason of such termination, nor shall Subcontractor be entitled to any other compensation or damages for loss of anticipated profits or otherwise. On notice of such termination, Subcontractor shall promptly remove its personnel, machinery, and equipment from the location and shall further cooperate with Contractor or its designee to ensure an orderly and expeditious transition and completion of the work.
- 13.2 The foregoing paragraph shall in no way limit Contractor's right to terminate Subcontractor without additional compensation in the event of Subcontractor's breach of this Contract.

14.0 GIFTS AND GRATUITIES

It is considered to be in conflict with the Contractor's interest for its employees or any member of their immediate family to accept gifts, payments, extravagant entertainment, services, or loans in any form from anyone soliciting business, or who may already have established business relations with the Contractor. Gifts of nominal value and entertainment, meals and social invitations that are customary and proper under the circumstances and do not place the recipient under obligation are acceptable. If any employee of the Contractor should solicit a gift or gratuity from the Subcontractor, Subcontractor hereby agrees to notify an officer of the Contractor of such act. It is agreed that the Contractor will hold such notification in confidence. It is further understood that failure by the Subcontractor to comply with this policy regarding gifts and gratuities may, at the Contractor's option, result in the termination of this Contract and may further preclude any future dealings between the parties.

15.0 ILLEGAL DRUGS, ALCOHOL AND FIREARMS

- 15.1 It is the policy of Contractor and a requirement under its third party contracts, that Contractor's Drug, Alcohol and Firearm Policy shall be applicable to all subcontractors of Contractor. Subcontractor represents that it, and, if applicable, its employees and subcontractors, is familiar with the policy and will comply with it while engaged in all work. In order to ensure compliance with said policy, Subcontractor, and, if applicable, Subcontractor's employees and subcontractors, may be required to submit to and pass a drug screen prior to reporting to work on Contractor's premises or a third party owned job site and at random intervals when any work is being performed pursuant to this Contract. To the extent the work performed by Subcontractor falls under the drug and alcohol testing requirements of the U.S. Department of Transportation, Subcontractor shall comply with such requirements.
- 15.2 Contractor and any third party for which Contractor is performing work specifically reserve the right to carry out reasonable searches of individuals, their personal effects, and vehicles when entering, on, or leaving the premises where work is performed. The searches will be initiated by Contractor without prior announcement. Individuals found in violation will be immediately removed from the premises where work is performed. Submission to such a search is strictly voluntary however, refusal may be cause for not allowing that individual on the wellsite or Contractor's other premises. It is Subcontractor's responsibility to notify its employees of this policy and its enforcement.

16.0 EXTENSION

As a part of the consideration for this Contract, Subcontractor hereby agrees that the provisions of Section 6 (Insurance,) Section 7 (Indemnification, Release and Assumption of Liability), and Section 11 (Patents) shall extend to and be enforceable by and for the benefit of any entity for whom Contractor is performing operations or services.

17.0 GOVERNMENT REGULATIONS -

The following regulations, when required by law, are incorporated in the Contract by reference as if fully set out:

- (1) The Equal Opportunity Clause prescribed in 41 CFR 60-1.4;
- (2) The Affirmative Action Clause prescribed in 41 CFR 60-250.4 regarding veterans and veterans of the Vietnam era;
- (3) The Affirmative Action Clause for handicapped workers prescribed in 41 CFR 60-741.4;

18.0 EXHIBITS

The following exhibits and riders, when attached hereto, are made a part of this Contract for all purposes:

Exhibit A - Subcontractor's Rate Schedule or Bid

Exhibit B - Indemnity Provisions for Specific States

19.0 INFORMATION CONFIDENTIAL

Upon written request by Contractor, information obtained by Subcontractor in the conduct of work under this Contract, including, but not limited to, depth, formations penetrated, the results of coring, testing and surveying, shall be considered confidential and shall not be divulged by Subcontractor or its employees, to any person, firm, or corporation other than Contractor's designated representatives.

20.0 NOTICES AND PLACE OF PAYMENT

All notices to be given with respect to this Contract, unless otherwise provided for, shall be given to the Contractor and the Subcontractor respectively at the address hereinabove shown. All sums payable hereunder to Subcontractor shall be payable at its address hereinabove shown unless otherwise specified herein.

21.0 SPECIAL PROVISIONS

22.0 ACCEPTANCE OF CONTRACT -

IN WITNESS WHEREOF, the parties hereto have executed this Contract upon the date above shown in several counterparts, each of which shall be considered as an original.

CONTRACTOR:

BY: _____

TITLE: _____

SUBCONTRACTOR:

BY: _____

TITLE: _____