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INTERNATIONAL ASSOCIATION OF DRILLING CONTRACTORS



US OFFSHORE TURNKEY DRILLING CONTRACT

**THIS CONTRACT CONTAINS PROVISIONS RELATIVE TO INDEMNITY,
RELEASE OF LIABILITY AND ALLOCATION OF RISK**

This CONTRACT, dated the _____ day of _____, 20____, is made between _____
_____, a corporation organized under the laws
of _____, located at _____

(hereinafter called "Operator", and _____,
a corporation organized under the laws of _____, located at

(hereinafter called "Contractor").

WHEREAS, Operator desires to have a well drilled in the Operating Area and to have performed or carried out all auxiliary operations and services as detailed in the Appendices hereto; and

WHEREAS, Contractor is willing to furnish the drilling vessel together with drilling and other equipment (hereinafter called the "Drilling Unit"), insurance and personnel, all as detailed in the Appendices hereto for the purpose of drilling said well and performing said auxiliary operations and services for Operator.

NOW, THEREFORE, THIS AGREEMENT WITNESSETH that in consideration of the covenants herein it is agreed as follows:

ARTICLE I - INTERPRETATION

101. Definitions

In this Contract, unless the context otherwise requires:

- (a) "**Commencement Date**" means the point in time that the Drilling Unit commences mobilization preparatory to moving to the Designated Well location;
- (b) "**Operator's Items**" means the equipment, material and services owned by Operator or which are listed in Appendix D that are to be provided by or at the expense of Operator;
- (c) "**Contractor's Items**" means the Drilling Unit, equipment, material, and services owned by Contractor or which are listed in Appendices B and D that are to be provided by and at the expense of Contractor;

(d) **"Contractor's Personnel"** means the personnel of Contractor and personnel of Contractor's subcontractors to be provided by Contractor from time to time in connection with operations hereunder;

(e) **"Operator's Personnel"** means the personnel of Operator, and personnel of Operator's other contractors, to be provided by Operator from time to time in connection with operations hereunder;

(f) **"Operating Area"** means that area of federal or state waters specified in Appendix A in which Operator is entitled to conduct drilling operations;

(g) **"Operating Base"** means the place onshore designated by Contractor and specified in Appendix A;

(h) **"Affiliated Company"** means a company or other legal entity which controls or is controlled by Operator or Contractor, or which is controlled by an entity which controls Operator or Contractor. For purposes hereof, control means the ownership directly or indirectly of fifty percent (50%) or more of the shares or voting rights in a company or legal entity;

(i) **"Designated Well"** means the well to be drilled in the Operating Area and specified in Appendix A;

(j) **"Turnkey Depth"** means the depth drilled as specified in Appendix A which is to be drilled on a Turnkey Basis as defined in Paragraph 501.

102. Currency

In this Contract, all amounts expressed in dollars are United States Dollar amounts.

103. Conflicts

Appendices A, B, C, D, E, and F attached hereto are incorporated herein by reference. If any provision of the Appendices conflicts with a provision in the body hereof, the latter shall prevail, except for Appendix A which shall prevail.

104. Headings

The paragraph headings shall not be considered in interpreting the text of this Contract.

105. Further Assurances

Each party shall perform the acts and execute and deliver the documents and give the assurances necessary to give effect to the provisions of this Contract.

106. Contractor's Status

Contractor in performing its obligations hereunder shall be an independent contractor.

107. Operator's Status

The Operator enters into this Contract on behalf of itself and its co-venturers, if any, and agrees that the Operator and only the Operator may enforce any obligation or rights herein contained expressed or implied to be for the benefit of the Operator and/or the co-venturers and the Operator and only the Operator may commence any action, claim or proceedings against Contractor resulting from, arising out of or in connection with this Contract.

108. Governing Law

This Contract shall be construed, governed, interpreted, enforced and litigated, and the relations

between the parties determined in accordance with the General Maritime Law of the United States of America, not including, however, any of its conflicts of law rules which would direct or refer to the laws of another jurisdiction.

ARTICLE II - TERM

201. Effective Date and Time for Commencement of Drilling

The parties shall be bound by this Contract effective as of the day and year first above written. Contractor shall commence performance hereunder on or about the date specified in Appendix A or as soon as rig availability will permit the scheduling and moving of a suitable rig of Contractor's choice to the location which has been specified by Operator. Contractor shall use its best efforts to commence moving a rig to such location by said date, but Contractor shall have no liability to Operator for delays in commencement of drilling operations.

Notwithstanding anything to the contrary contained in this Contract, if Operator fails for any reason (including, but not limited to, Force Majeure) to permit Contractor to commence operations for the drilling of the Designated Well, not later than thirty (30) days from the commencement date specified in Appendix A, Contractor may, at its option, elect to terminate the Contract. In such event, said termination shall be deemed to be a termination by Operator and Contractor shall be compensated as provided in Paragraph 904(a).

202. Duration

This Contract shall be, subject to Paragraph 203 below, for the time required to mobilize the Drilling Unit, to drill the Designated Well, provide the turnkey services described in Appendix C, and demobilize the Drilling Unit.

203. Termination

This Contract shall terminate:

- (a) as soon as drilling operations are completed and the Drilling Unit has been demobilized as provided in Paragraph 708; or
- (b) in accordance with Paragraphs 201, 510, 705, 901, 902 and 903.

204. Continuing Obligations

Notwithstanding the termination of this Contract, the parties shall continue to be bound by the provisions of this Contract that reasonably require some action or forbearance after such termination.

205. Return of Operator's Items

Upon termination of operations, Contractor shall return to Operator on board the Drilling Unit, or as directed by Operator at Operator's sole cost, any of Operator's Items which are at the time in Contractor's possession.

ARTICLE III - CONTRACTOR'S PERSONNEL

301. Number, Selection, Hours of Labor, and Remuneration

Except where herein otherwise provided, the number, selection, replacement, hours of labor, and remuneration of Contractor's Personnel shall be determined by Contractor. Such employees or subcontractors shall be the employees or subcontractors solely of Contractor.

302. Contractor's Representative

Contractor shall nominate one of its personnel as contractor's representative who shall be in charge of the remainder of Contractor's Personnel and who shall have full authority to resolve all day-to-day matters which

arise between Operator and Contractor.

ARTICLE IV - CONTRACTOR'S ITEMS

401. Obligation to Supply

Contractor shall provide Contractor's Items and Personnel and perform the services to be performed by it in accordance with Appendices B and D.

402. Maintain Stocks

Contractor shall be responsible, at its cost, for maintaining adequate stock levels of Contractor's Items and replenishing as necessary.

403. Maintain and Repair Equipment

Contractor shall, subject to Paragraphs 1001, 1003, and 1005, be responsible for the maintenance and repair of all Contractor's Items and shall provide all spare parts and materials required thereby. Contractor shall, if requested by Operator, also maintain or repair any of Operator's Items on board the Drilling Unit which Contractor is qualified to and can maintain or repair with Contractor's normal complement of personnel and equipment on board the Drilling Unit; provided, however, that Operator shall at its cost provide all spare parts and materials required to maintain or repair Operator's Items, and the basic responsibility and liability for furnishing and maintaining such items shall remain with Operator.

ARTICLE V - CONTRACTOR'S GENERAL OBLIGATION

501. Contractor's Standard of Performance

Contractor agrees to commence drilling operations on a Turnkey Basis, except as hereinafter provided, for the drilling of the Designated Well to the Turnkey Depth set forth in Appendix A and turn said well over to Operator in a controlled condition. Drilling operations will be conducted generally in accordance with the well program set forth in Appendix C. For purposes hereof the term "Turnkey Basis" means Contractor shall furnish the equipment, labor, and perform services as herein provided to drill a well, as specified by Operator, to the Turnkey Depth. Subject to the terms and conditions hereof, payment to Contractor at a stipulated price is earned upon attaining such Turnkey Depth and completion of the other turnkey obligations of Contractor hereunder. While drilling on a Turnkey Basis Contractor shall direct, supervise, and control drilling operations and assumes certain liabilities to the extent specifically provided for herein. Notwithstanding that this is a Turnkey Contract, Contractor and Operator recognize that certain portions of the operations, as hereinafter designated, may be performed on a Daywork Basis. For purposes hereof the term "Daywork Basis" means Contractor shall furnish equipment, labor, and perform services as herein provided, for a specified sum per day under the direction and supervision of Operator (which term is deemed to include any employee, agent, consultant, or subcontractor engaged by Operator to direct drilling operations). When operating on a Daywork Basis, Contractor shall be fully paid at the applicable rates of payment notwithstanding any breach of representation or warranty, either expressed or implied, or the negligence or fault of Contractor, its employees, agents or servants, including sole and/or concurrent negligence, either active or passive, latent defects or unseaworthiness of vessels (whether or not pre-existing), and any theory of tort, breach of contract, or strict liability, including defects or ruin of premises either latent or patent. During daywork operations Contractor assumes only the obligations and liabilities stated herein. Except for such obligations and liabilities specifically assumed by Contractor, Operator shall be solely responsible and assumes liability for all consequences of operations by both parties while on a Daywork Basis, including results and all other risks or liabilities incurred in or incident to such operations. EXCEPT AS OTHERWISE HEREIN PROVIDED, NEITHER PARTY MAKES ANY WARRANTY, EXPRESSED OR IMPLIED, AS TO THE MERCHANTABILITY OR FITNESS OF ANY MATERIALS, SUPPLIES, OR EQUIPMENT FOR ANY PURPOSE. NO WARRANTY OF WORKMANLIKE PERFORMANCE IS GIVEN BY EITHER PARTY BY VIRTUE OF THIS AGREEMENT FOR ANY PERFORMANCE HEREUNDER.

502. Operation of Drilling Unit

Subject to Paragraph 605, Contractor shall be responsible for the operation of the Drilling Unit, including, supervising moving operations and positioning on the drilling location. Operations under this Contract will be performed on a twenty-four (24) hour per day basis.

503. Compliance with Operator's Instructions

Contractor shall comply with all instructions of Operator consistent with the provisions of this Contract, including, without limitation, drilling, well control, and safety instructions. Such instructions shall, if Contractor so requires, be confirmed in writing by the authorized representative of Operator. However, Operator shall not issue any instructions which would be inconsistent with Contractor's rules, policies, or procedures pertaining to the safety of personnel, equipment, or the Drilling Unit, or require Contractor to exceed the minimum or maximum water depth or maximum well depth set forth in Appendix A.

504. Adverse Weather

Contractor shall decide when, in the face of impending adverse weather conditions, to institute precautionary measures in order to safeguard the well, well equipment, Drilling Unit, and personnel to the fullest possible extent. Contractor shall ensure that its senior representative then on board will not act unreasonably in the exercise of his discretion under this Paragraph.

505. Drilling Fluids - Turnkey Basis

Contractor shall have the right to control the mud program and determine the type and character of drilling fluids specified in Appendix C during the time that Contractor is performing work on a Turnkey Basis.

506. Drilling Fluids - Daywork Basis

During operations on a Daywork Basis, Operator shall have the right to control the mud program. The drilling fluids must be of a type and have characteristics acceptable to Operator and be maintained by Contractor in accordance with Operator specifications. The cost of maintaining the mud program while on daywork will be borne by Operator. No change or modification of said specifications which increases Contractor's hazards or costs of performing its obligations hereunder shall be made by Operator without consultation with and consent of Contractor. Operator shall have the right to make any tests of the drilling fluids which may be necessary at Operator's expense.

507. Casing Program - Turnkey Basis

The casing program to be followed in the drilling of said well is set forth in Appendix C. Contractor shall drill a hole of sufficient size to set at the approximate depth therein indicated the size of casing so specified. Contractor may modify the casing program at its option provided the hole size at Turnkey Depth shall not be smaller than that specified in Appendix A.

508. Casing Program - Daywork Basis

The setting of any string of casing below the Turnkey Depth and not specified as part of Contractor's turnkey obligation shall be performed on a Daywork Basis under the direction of Operator, and Operator shall pay Contractor for all time so consumed at the applicable daywork rate.

509. Records to be Kept by Contractor

Contractor shall keep and furnish to Operator an accurate record of the work performed on the IADC-API Daily Drilling Report Form or other form acceptable to Operator. A legible copy of said form signed by contractor's representative shall be furnished by Contractor to Operator.

510. Difficulties During Drilling

Contractor, at its sole discretion, may abandon the Designated Well at any time; provided, however, the well

will be abandoned in a safe and controlled condition. In such event Contractor shall have the option to earn the Turnkey Price by commencing operations for the drilling of a sidetrack or substitute well at a location agreeable to both parties within thirty (30) days from the date Contractor abandoned the Designated Well. The right, but not the obligation, to sidetrack or drill a substitute well shall be recurring. Any substitute well shall be drilled under the terms and conditions of this Contract. It is understood that Contractor reserves the right to redesign and revise the well program in keeping with good engineering and drilling practices if Contractor at its sole option elects to sidetrack or drill a substitute well. If Contractor elects not to drill the Designated Well or a substitute well the only penalty for failure to do so shall be the failure to earn the Turnkey Price to be paid hereunder, and Contractor shall be under no further obligation of any kind to Operator. In addition to Contractor's right to terminate performance hereunder, Operator hereby expressly agrees to be responsible for and hold harmless and indemnify Contractor from any claims, demands, and causes of action in favor of Operator, Operator's joint interest owners, or other parties arising out of any drilling commitments or obligations contained in any lease, farmout agreement, or other agreement which may be affected by such termination of performance hereunder.

511. Determination of Depth

Contractor shall measure the total length of drill pipe in service with a steel tape at the point where the Turnkey Depth has been reached, and when requested by Operator, on a Daywork Basis, before setting casing or liner and after reaching final depth.

512. Evaluation Time

Operator shall have a period of time, not to exceed that specified in Appendix A, from the time the last log run at Turnkey Depth, as specified in Appendix C, is out of the hole to determine whether a string of casing or liner is to be run or the well is to be plugged and abandoned.

513. Deviation

Contractor agrees to furnish equipment, workmen, and instruments to make slope tests as provided in Appendix C. All such slope tests shall be made at Contractor's sole risk, cost, and expense until Turnkey Depth is reached. If, in the opinion of Operator, it becomes advisable to obtain the use of an additional slope test instrument and accessory equipment for the purpose of either checking previous readings or of determining the direction of the drift, the rental charges therefor shall be paid by Operator, and the running of same shall be on a Daywork Basis. Should the hole at any depth during the time Contractor is performing work on a Turnkey Basis, have a deviation from vertical in excess of the limits prescribed in Appendix C, Contractor agrees to restore the hole to such limits either by conventional methods and procedures while drilling ahead or by cementing off and re-drilling. While operations are being performed on a Daywork Basis, or after Turnkey Depth is reached, Contractor agrees to use its best efforts to maintain the straight hole specifications, if any, set forth in Appendix C, but all risk and expense of maintaining such specifications or restoring the hole to a condition suitable to Operator shall be assumed by Operator.

514. Payment of Claims

Contractor agrees to pay all valid claims for labor, material, services, and supplies to be furnished by Contractor hereunder, and agrees to allow no lien or charge to be fixed upon the lease, the well, or other property of Operator as a result of claims pertaining to labor, material, services, and supplies furnished by Contractor.

515. Well Control Equipment

Subject to Article X, Contractor shall maintain its well control equipment listed in Appendices B and D in good condition at all times and shall use all reasonable means to prevent and control fires and blowouts and to protect the hole.

516. Inspection of Materials Furnished by Operator

Contractor agrees to visually inspect all materials furnished by Operator before using same and to notify

Operator of any apparent defects therein. Contractor shall not be liable for any loss or damage resulting from the use of materials furnished by Operator.

In the event Operator elects to provide casing, Operator shall notify Contractor prior to having the casing inspected in order to allow Contractor, or its representative, to be present during inspection operations. Inspection services must be approved by Contractor prior to inspection. Contractor reserves the right to reject inspection services and casing deemed unsatisfactory by Contractor.

ARTICLE VI - OPERATOR'S OBLIGATION

601. Equipment and Personnel

Operator shall at its cost provide Operator's Items and Operator's Personnel and perform the services to be provided or performed by it according to Appendix D. In addition to providing the initial supply of Operator's Items, Operator shall be responsible, at its cost, for maintaining adequate stock levels and replenishing as necessary. When, at Operator's request and with Contractor's agreement, Contractor furnishes or subcontracts for certain items which Operator is required herein to provide, for purposes of this Contract said items or services shall be deemed to be Operator furnished items or services. Any subcontractors so hired shall be deemed to be Operator's contractor, and Operator shall not be relieved of any of its liabilities in connection therewith. For furnishing said items and services, Operator shall reimburse Contractor its entire cost plus a handling charge as specified in Appendix A.

602. Maintenance and Repair

Operator shall be responsible, at its cost, for the maintenance and repair of all Operator's Items on board the Drilling Unit which Contractor is not qualified to or cannot maintain or repair with Contractor's normal complement of personnel and the equipment on board.

603. Operator Representatives

Operator may from time to time designate representatives for the purpose of this Contract who shall at all times have access to the Drilling Unit and may, among other things, observe tests, examine cuttings and cores, inspect the work performed by Contractor, or examine the records kept on the Drilling Unit by Contractor. Operator agrees that Operator's Personnel shall be subject to Contractor's policies regarding prohibition of alcoholic beverages, controlled substances, and contraband, including the right to conduct random searches and tests. Operator further agrees that Operator's Personnel who have duties which directly affect the safety operations under this Contract shall be subject to and in compliance with applicable U.S. Coast Guard regulations with respect to drug and alcohol testing.

604. State or Local Tax Liability

The rates of compensation set forth in this Contract exclude any excise, sales, use or ad valorem taxes or taxes of a similar nature which may be imposed by any state, county or local municipality based upon the furnishing of the Drilling Unit and services under this Contract. The amount of any such taxes which Contractor is legally liable to pay and does pay shall be promptly reimbursed by Operator upon Contractor's submission to Operator of sufficient proof of payment thereof. This paragraph shall not apply, however, to sales taxes applicable to other materials, supplies and equipment purchased or rented by Contractor for the drilling operations contemplated herein.

605. Drilling Site and Access

Operator will be responsible for providing access to the Designated Well location, as well as selecting, marking and clearing the location, or providing proper and sufficient certificates, including, without limitation, and if applicable, the Certificate of Financial Responsibility required pursuant to the OCS Lands Act and/or the Oil Pollution Act of 1990 (OPA 90), as amended, permits or permission necessary to enter upon and operate on the drilling site, and for notifying Contractor of any impediments or hazards to operations at location or within the anchor pattern, including any pipelines, cables, boulders, mud filled depressions or faulty bottom conditions. Operator will also provide Contractor with soil and sea bottom

condition surveys at the Designated Well location adequate to satisfy Contractor's marine surveyor. In the event the Drilling Unit is used over a platform, all surveys to determine the structural integrity of the platform will be the responsibility of Operator. In the event of delay in the commencement of drilling due to such obstructions, impediments and/or hazards, or due to moves of the Drilling Unit in order to achieve adequate and proper seabed penetration and/or support, or any other delay due to denial of access to the location for any cause not within the control of Contractor, Contractor shall be paid at the daywork rate set forth in Appendix A during the entire period of such delay, plus the costs of any boats required by Contractor to move or re-position the Drilling Unit. Notwithstanding any other provision of this Contract, should there be obstructions at or within the area of the drill site, including anchor pattern, or faulty bottom conditions and these obstructions or faulty bottom conditions damage Contractor's Items, or Contractor's Items damage these obstructions, or if seabed conditions prove unsatisfactory to properly support or moor the Drilling Unit during operations hereunder, Operator will be responsible for and hold harmless and indemnify Contractor for all resulting damage, including payment of the Standby Rate during required repairs to Contractor's Items and/or restoration of the well, but Operator will receive credit for any physical damage insurance proceeds received by Contractor as a result of any such damage to the Drilling Unit.

ARTICLE VII - COMPENSATION

701. Turnkey Price

When the Turnkey Depth has been reached and all other turnkey obligations set forth in Appendix C (excluding any turnkey options as set forth in Paragraph 709 and Appendix C) have been performed on the Designated Well, Operator shall pay Contractor the Turnkey Price set forth in Appendix A in accordance with Paragraph 801.

702. Operating Rate

Except as otherwise provided in this Contract, once Turnkey Depth has been reached and the turnkey obligations completed, Operator shall pay Contractor the Operating Rate set forth in Appendix A until daywork operations are complete and the Drilling Unit is in a floating position ready to be towed (excluding however all hours for which other rates or fees are payable hereunder), notwithstanding any breach of representation or warranty, either expressed or implied, or the negligence or fault of Contractor, its employees, agents or servants, including sole and/or concurrent negligence, either active or passive, latent defects or unseaworthiness of vessels (whether or not pre-existing), and any theory of tort, breach of contract, or strict liability, including defects or ruin of premises either latent or patent.

703. Standby Rate

The Standby Rate specified in Appendix A will be payable as follows:

- (a) during any period of delay when Contractor is unable to proceed because of adverse sea or weather conditions or as a direct result of an act, instruction, or omission of Operator including, without limitation, the failure of any of Operator's Items, or the failure of Operator to issue instructions, provide Operator Items, or furnish services;
- (b) during any repairs and/or delays attributable to the location as provided in Paragraph 605;
- (c) when daywork operations are suspended to repair the Drilling Unit or other Contractor Items due to blowout, fire, cratering, shifting or punch through at the drilling location, obstacles, or obstructions or the consequences thereof;
- (d) during any period of delay during which Contractor is loading or offloading Operator's Items; or
- (e) during any period of evacuation of the Drilling Unit caused by adverse sea or weather conditions or other hazardous conditions.

704. Rate During Repair

The Repair Rate specified in Appendix A will be payable for any daywork operations period in excess of the period specified in Appendix A per occurrence during which operations are suspended to permit necessary replacement, inspection, repair, or maintenance of Contractor's Items. Routine maintenance such as lubrication, packing of swivels, changing of pump parts, slipping lines, drill string inspections and certification inspections, shall not be considered as maintenance for purposes of this Paragraph.

705. Force Majeure Rate

The Force Majeure Rate specified in Appendix A will be payable during any period in which operations are not being carried on because of Force Majeure as defined in Paragraph 1402, including all time required to restore the hole to the same depth and condition which existed when the Force Majeure event occurred, up to a maximum of thirty (30) consecutive days, after which and during the continuous existence of the Force Majeure condition no day rate will be payable and the Contract may be terminated at the option of either party, subject to demobilization.

706. Daywork Operations

In addition to other work specified herein the following work performed by Contractor shall be on a Daywork Basis and compensated by Operator at the Operating Rate:

- (a) all work performed by Contractor, whether or not prior to reaching the Turnkey Depth, in an effort to restore the hole to such depth and condition that further drilling or other operations may be conducted, in the event of loss or damage to the hole as a result of any delay by Operator or the failure, at any time, of materials or equipment furnished by Operator;
- (b) all other work performed by Contractor at the request of Operator, regardless of depth, which is not specified herein to be performed on a Turnkey Basis; or
- (c) all time when Contractor, in accordance with the terms hereof, has suspended turnkey operations to prepare for daywork operations, including all time required to restore the hole to the same depth and condition which existed when turnkey operations were suspended.

707. Additional Payments

Operator shall, in addition, pay to Contractor:

- (a) the cost of any overtime paid by Contractor to Contractor's Personnel in respect of the maintenance or repair on board the Drilling Unit of Operator's Items or other overtime required by Operator;
- (b) all additional costs associated with waiting on Operator furnished transportation or for time in excess of two hours in transit to or from the Drilling Unit, or as a direct result of an act, instruction or omission of Operator while operations are on a Daywork Basis; and
- (c) Contractor's costs associated with evacuations and accommodations of personnel caused by adverse sea or weather or other hazardous conditions.

708. Mobilization and Demobilization

Operator will pay Contractor the Mobilization and the Demobilization Rates listed in Appendix A for (i) mobilizing Contractor's Personnel and Contractor's Items to the Designated Well location and (ii) demobilizing said Personnel and Items to the demobilization location specified in Appendix A or the next location as the case may be. Said Mobilization and Demobilization Rates set forth in Appendix A will be payable in accordance with Paragraph 801.

709. Plug and Abandonment and Other Turnkey Options

Should Operator elect to abandon the Designated Well, Contractor shall plug and abandon the well according to applicable rules and regulations, open hole plugs excepted. Should Operator elect any other turnkey options, Contractor shall carry out such options according to Appendix C. Upon completion of such plug and abandonment or such other turnkey options as may be set forth in Appendix C, Operator shall pay Contractor the corresponding turnkey option price in accordance with Paragraph 801.

ARTICLE VIII - PAYMENT

801. Payment

All payments shall be made by wire transfer, or as otherwise agreed, to Contractor's bank account specified in Appendix A and become due by Operator to Contractor as follows:

- (a) Turnkey Basis:** Payment becomes due for all turnkey services when Contractor completes the drilling to Turnkey Depth and performs such other turnkey obligations as specified under this Contract. Payment for such work shall be due and payable within the period specified in Appendix A, following receipt of invoice by Operator.
- (b) Daywork Basis:** Payment for drilling and other work performed at daywork rates shall become due and payable within the period specified in Appendix A, following receipt of invoice by Operator.
- (c) Late Payment:** Any sum or sums not paid within the time specified in Appendix A shall bear interest at the rate specified in Appendix A or the maximum legal rate, whichever is less, from such date until paid.

802. Attorney's Fees

If this Contract is placed in the hands of an attorney for collection of any sums due hereunder, or suit is brought on same, or sums due hereunder are collected through bankruptcy or probate proceedings, then Operator agrees that reasonable attorney's fees and costs shall be added to the amount due.

803. Financial Guarantee

Prior to commencing operations under this Contract, Operator shall provide Contractor with a Letter of Credit from a mutually acceptable bank or shall enter into a mutually acceptable Escrow Agreement in the amount of the Turnkey Price. The Letter of Credit or Escrow Agreement shall be worded to make the proceeds payable to Contractor upon presentation of a sight draft or other documents evidencing that the turnkey obligations have been completed.

ARTICLE IX - EARLY TERMINATION

901. By Operator

Notwithstanding the provisions of Paragraph 501 with respect to the depth to be drilled, Operator shall have the right to direct the stoppage of work to be performed by Contractor hereunder at any time prior to reaching the Turnkey Depth, even though Contractor has made no default hereunder. In such event, Operator shall be under no obligation to Contractor except as set forth in Paragraph 904.

902. By Contractor

Notwithstanding the provisions of Paragraph 501 with respect to the depth to be drilled, should Operator fail to make any payment when due in accordance with this Contract; should the Drilling Unit be lost or destroyed; or in the event Operator shall become insolvent, be adjudicated bankrupt, or file by way of petition or answer a debtor's petition or other pleading seeking adjustment of Operator's debts, under any bankruptcy or debtor's relief laws now or hereafter prevailing, or if any such be filed against Operator; in case a receiver

be appointed of Operator or Operator's property, or any part thereof; or Operator's affairs be placed in the hands of a creditor's committee, Contractor may, at its option, elect to terminate further performance of any work under this Contract and Contractor's right to compensation shall be set forth in Paragraph 904 hereof. In addition to Contractor's right to terminate performance hereunder, Operator hereby expressly agrees to be responsible for and hold harmless and indemnify Contractor from any claims, demands, and causes of action in favor of Operator, Operator's co-venturers, or other parties arising out of any drilling commitments or obligations contained in any lease, farmout agreement, or other agreement, which may be affected by such termination of performance hereunder.

903. Due to High Mud Weight

For purposes of this Contract the maximum mud weight anticipated for safely drilling and tripping in the hole is specified in Appendix A. If during such operations the mud weight requirement, in Contractor's sole opinion, exceeds that anticipated, work shall immediately convert from a Turnkey Basis to a Daywork Basis. Contractor may, at its discretion, cease drilling at any time if the mud weight exceeds that specified in Appendix A. In such event, Contractor's right to compensation shall be as set forth in Paragraph 904(d).

904. Early Termination Compensation

(a) Prior to Spudding: In the event Operator terminates this Contract prior to spudding the well, Operator shall pay Contractor as liquidated damages, and not as a penalty, the percentage of all expenses reasonably and necessarily incurred and to be incurred by Contractor by reason of this Contract as specified in Appendix A and by reason of the premature stoppage of work, plus the sum specified in Appendix A.

(b) Subsequent to Spudding: If work is terminated by Operator after spudding the well, Operator shall pay Contractor the Turnkey Price less the amount calculated pursuant to the proration formula specified in Appendix A, plus payment for work performed at the applicable daywork rates.

(c) Force Majeure or Operator Insolvency: If work is terminated by Operator or Contractor due to conditions set forth in Paragraphs 902 or 1402, Operator shall pay Contractor all expenses reasonably and necessarily incurred and to be incurred by Contractor by reason of this Contract and by reason of the premature termination of work plus the percentage of the amount of such expenses specified in Appendix A, such sum not to exceed the Turnkey Price.

(d) High Mud Weight: If work is terminated due to conditions set forth in Paragraph 903, Operator shall pay Contractor the Turnkey Price less the amount calculated pursuant to the proration formula specified in Appendix A, less the cost of logs not run which were specified in Appendix C, plus payment for work performed at the applicable daywork rates.

(e) Massive Salt/Basement Rock: If work is terminated due to encountering massive salt or basement rock prior to reaching Turnkey Depth, Operator shall pay Contractor the Turnkey Price as specified in Appendix A less the amount calculated pursuant to the proration formula specified in Appendix A less the cost of logs not run which were specified in Appendix C, plus payment for work performed at the applicable daywork rates.

(f) Loss of Hole: If work is terminated by either Operator or Contractor as a result of loss of or damage to the hole while Contractor is working on a Daywork Basis prior to reaching Turnkey Depth, Operator shall pay Contractor the Turnkey Price specified in Appendix A less the amount calculated pursuant to the proration formula specified in Appendix A, less the cost of any logs not run which were specified in Appendix C, plus payment for work performed at the applicable daywork rates.

ARTICLE X - LIABILITY

1001. Contractor's Surface Equipment

Regardless of whether the work is being performed on a Turnkey Basis or a Daywork Basis, Contractor shall at all times be responsible for and hold harmless and indemnify Operator for damage to or destruction of Contractor's surface equipment, and Operator shall be under no liability to reimburse Contractor for any such loss except for such loss or damage provided in Paragraphs 605 and 1005.

1002. Contractor's In-Hole and Subsea Equipment - Turnkey Basis

While work is being performed on a Turnkey Basis, Contractor shall at all times be responsible for and hold harmless and indemnify Operator for damage to or destruction of Contractor's in-hole and subsea equipment including, but not limited to, drill pipe, drill collars, tool joints, anchors, chains, BOP and riser, and Operator shall be under no liability to reimburse Contractor for any such loss or damage except as provided in Paragraph 605.

1003. Contractor's In-Hole and Subsea Equipment - Daywork Basis

While work is being performed on a Daywork Basis, Operator shall at all times be responsible for and hold harmless and indemnify Contractor for damage to or destruction of Contractor's in-hole and subsea equipment including, but not limited to, drill pipe, drill collars, tool joints, anchors, chains, BOP and riser, and Operator shall reimburse Contractor for the value of any such loss or damage. The value of such equipment shall be determined by agreement between Contractor and Operator as current repair cost or the current new replacement cost of such equipment delivered to the Designated Well location.

1004. Contractor's Items - Environmental Loss or Damage - Turnkey Basis

While work is being performed on a Turnkey Basis, Contractor shall at all times be responsible for and hold harmless and indemnify Operator for damage to or destruction of Contractor's Items caused by exposure to highly corrosive, radioactive or other destructive elements, including those introduced into the drilling fluid while drilling on a Turnkey Basis.

1005. Contractor's Items - Environmental Loss or Damage - Daywork Basis

Notwithstanding the provisions of Paragraph 1001 above, while work is being performed on a Daywork Basis, Operator shall at all times be responsible for and hold harmless and indemnify Contractor for damage to or destruction of Contractor's Items caused by exposure to highly corrosive, radioactive or other destructive elements, including those introduced into the drilling fluid while drilling on a Daywork Basis.

1006. Operator's Items and Property

Operator shall at all times be responsible for and hold harmless and indemnify Contractor for damage to or destruction of Operator's Items and property including but not limited to casing, tubing, wellhead equipment, and platform, if applicable, and Contractor shall be under no liability to reimburse Operator for any such loss or damage.

1007. Contractor's Personnel

Contractor shall be responsible for and hold harmless and indemnify Operator from and against all claims, demands, and causes of action of every kind and character arising in connection herewith in favor of Contractor's Personnel and Contractor's invitees, on account of bodily injury, death, or damage to their property.

1008. Operator's Personnel

Operator shall be responsible for and hold harmless and indemnify Contractor from and against all claims, demands, and causes of action of every kind and character arising in connection herewith in favor of

Operator's Personnel and Operator's invitees, on account of bodily injury, death, or damage to their property.

1009. The Hole - Turnkey Basis

Subject to the provisions hereof, should a fire or blowout occur or should the hole for any cause attributable to Contractor's operations be lost or damaged while Contractor is engaged in the performance of work hereunder on a Turnkey Basis which precludes Contractor from drilling to Turnkey Depth, Contractor shall, at Contractor's option, either:

- (a) commence a new well without delay at Contractor's cost; the right to drill a substitute well shall be recurring, and the drilling of the new well shall be conducted under the terms and conditions of this Contract as though it were the first well, or
- (b) abandon the well, giving Operator notice of Contractor's intent and, in such case, Contractor shall not be entitled to any portion of the Turnkey Price. If Contractor elects to abandon the well, the cost to plug and abandon will be at Contractor's expense.

In either case, Contractor shall not be entitled to any payment or compensation for expenditures made or incurred by Contractor on or in connection with the abandoned well(s), except for daywork earned for which Contractor would have been compensated had such well not been junked and abandoned.

1010. The Hole and Well Control - Daywork Basis

In the event the hole should be lost or damaged while Contractor is working on a Daywork Basis, Operator shall be responsible for and hold harmless and indemnify Contractor for such damage to or loss of the well, including the casing therein, as well as for cost of control of any wild well.

1011. Pollution, Contamination and Well Control - Turnkey Basis

Except as hereinafter provided, the responsibility for pollution and contamination which occurs while operations are being conducted on a Turnkey Basis shall be as follows:

- (a) Contractor shall be responsible for and hold harmless and indemnify Operator from and against all claims, demands, or causes of action of every kind and character arising in connection herewith for control and removal of pollution or contamination which originates from spills, leaks or discharges of fuel, lubricants, motor oils, pipe dope, paints, solvents, garbage, seepage, or any other liquid or solid whatsoever in the possession and control of Contractor, except such pollution or contamination that may be caused by Operator or Operator's Personnel, agents or representatives.
- (b) Contractor shall be responsible for and hold harmless and indemnify Operator against all claims, demands, and causes of action of every kind and character arising from a blowout, loss of well control, or seepage of underground fluids. In the event of a blowout or well out of control, Contractor assumes liability for control of such well and/or the drilling of a relief well or wells. Contractor's maximum liability under this Paragraph 1011 shall not, however, exceed the amount of Contractor's Well Control Insurance as provided for in Appendix E, Part VI, including lost rig time. For the purposes of this Contract, where a series of and/or several losses occur which are attributable directly or indirectly to one accident, event, or cause, all such losses shall be added together and the total amount of such losses shall be treated as one occurrence irrespective of the period or area over which the losses occur. Operator shall be responsible for and hold harmless and indemnify Contractor for all costs and expenses arising under this Paragraph 1011 in excess of Contractor's Well Control Insurance as provided for in Appendix E, Part VI.

The liability assumed by Contractor under this Paragraph 1011 shall in no event extend to claims, demands, suits or causes of action of any kind or character which arise out of or as a result of any accident or event which occurs at any time after Contractor has completed the turnkey obligations, has turned the Designated Well over to Operator, or Operator has taken over the operations. In such event Operator shall be responsible for and hold harmless and indemnify Contractor from and against any and all such claims, demands, suits and causes of action.

1012. Pollution and Contamination - Daywork Basis

Notwithstanding anything to the contrary contained herein, the responsibility for pollution or contamination which occurs while operations are being conducted on a Daywork Basis shall be as follows:

(a) **Contractor shall be responsible** for and hold harmless and indemnify Operator for control and removal of pollution or contamination which originates above the surface of the water from spills of oils, lubricants, motor oils, normal water base drilling fluid and attendant cuttings, pipe dope, paints, solvents, ballast, bilge, and garbage wholly in Contractor's possession and control and directly associated with Contractor's equipment and facilities. For purposes hereof the term "normal water base drilling fluid" means drilling fluid which does not exceed toxicity limits specified for Gulf of Mexico discharges by the Environmental Protection Agency.

(b) **Operator shall be responsible** for and hold harmless and indemnify Contractor against all claims, demands, and causes of action of every kind and character (including control and removal of the pollutant involved) arising directly or indirectly from all pollution or contamination (including radioactive contamination), other than that described in Paragraph 1012(a) above, which may occur as a result of operations hereunder, including, but not limited to, that which may result from fire, blowout, cratering, seepage, or any other uncontrolled flow of oil, gas, water, or other substance, as well as the use of or disposition of radioactive sources, oil emulsion, oil based or chemically treated drilling fluids and attendant cuttings, not meeting Environmental Protection Agency Gulf of Mexico discharge standards, lost circulation and fish recovery materials and fluids.

1013. Pollution - Third Party Acts

In the event a third party commits an act or omission which results in pollution or contamination for which either Contractor or Operator, for whom such party is performing work, is held to be legally liable, the responsibility therefor shall be considered, as between Contractor and Operator, to be the same as if the party for whom the work was performed had performed the same and all of the obligations and limitations set forth in Paragraphs 1011 and 1012 above, shall be specifically applied.

1014. Underground Damage

Operator agrees to be responsible for and hold harmless and indemnify Contractor for any and all claims resulting from operations under this Contract on account of injury to, destruction of, loss or impairment of any property right in or to oil, gas or other mineral substance or water, and for any loss or damage to any formation, strata, or reservoir beneath the surface of the earth.

1015. Patent Liability

Contractor shall be responsible for and shall hold harmless and indemnify Operator against any and all loss or liability arising from infringement of patents of the United States covering equipment furnished by Contractor. Operator shall be responsible for and shall hold harmless and indemnify Contractor against any and all loss or liability arising from infringement or alleged infringements of patents covering the property, equipment, methods, or processes furnished or directed by Operator.

1016. Termination of Liability

When Contractor has complied with all obligations of this Contract, Operator shall thereafter be responsible for and hold harmless and indemnify Contractor for damage to property, personal injury, or death of any person which occurs as a result of condition of the well or location and Contractor shall be relieved of such liability; provided, however, if Contractor shall subsequently reenter upon the location for any reason, including removal of the Drilling Unit, any term of the Contract relating to such reentry activity shall become applicable during such period.

1017. Consequential Damages

Each party shall be responsible for and hold harmless and indemnify the other party from and against its own

special, indirect, or consequential damages resulting from or arising out of this Contract, including, without limitation, loss of profits, loss or delay of production, or business interruptions, however same may be caused.

1018. Indemnity Obligations

(a) The parties intend and agree that the phrase "be responsible for and hold harmless and indemnify" in Paragraphs 510, 605, 902 and 1001 through 1017 hereof means that the indemnifying party shall release, indemnify, hold harmless, and defend (including payment of reasonable attorney's fees and costs of litigation) the indemnified party from and against any and all claims, demands, causes of action, damages, judgments, and awards of any kind or character, without limit (except as provided in Paragraph 1011) and without regard to the cause or causes thereof, including pre-existing conditions, whether such conditions be patent or latent, latent defects or the unseaworthiness of any vessel or vessels, breach of representation or warranty (express or implied), any theory of tort, breach of contract or strict liability, or the negligence of any person or persons, including that of the indemnified party, whether such negligence be sole, joint, or concurrent, active, passive, or gross.

(b) An indemnifying party's obligations contained in this Contract shall also extend to the indemnified party and its Affiliated Companies and the officers, directors, employees, agents, owners, shareholders, and insurers of each and to actions in rem or in personam.

1019. Extension of Indemnities

As part of the consideration of this Contract, the parties hereby agree that the indemnities granted by either party under this Contract shall extend to and be enforceable by and/or for the benefit of the indemnitee's contractors or subcontractors employed to perform services which are required or provided under this Contract.

1020. General Intent

The parties recognize that the performance of well drilling, workover and associated activities such as those to be performed under this Contract have resulted in bodily injury, death, damage or loss of property, well loss or damage, pollution, loss of well control, reservoir damage and other losses and liabilities. It is the intention of the parties hereto that the provisions of this Article X and Paragraphs 510, 605 and 902 shall exclusively govern the allocation of risks and liabilities of said parties without regard to cause (as more particularly specified in Paragraph 1018), it being acknowledged that the compensation payable to Contractor as specified herein has been based upon the express understanding that risks and liabilities shall be determined in accordance with the provisions of this Contract.

ARTICLE XI - INSURANCE

1101. Contractor's Insurance

Contractor shall carry and maintain, or cause its subcontractors to carry and maintain, insurance coverages of the type and in the amounts set forth in Appendix E, covering only those liabilities specifically assumed by Contractor under this Contract. All references in this Contract to "insurance" of Contractor shall mean such insurance as set forth in Appendix E. Contractor shall have the right to self-insure any or all of that portion of insurance relating to loss or damage to Contractor's assets.

1102. Certificates

Contractor will furnish Operator, on request, with certificates indicating that the required insurance is in full force and effect and that the same shall not be canceled or materially and adversely changed without ten (10) days written notice to Operator.

1103. Subrogation

For liabilities assumed hereunder by Contractor, its insurance shall be endorsed to provide that underwriters

waive their right of subrogation against Operator, its Affiliated Companies and co-venturers, and employees of each. Operator will, as well, cause its insurer to waive subrogation against Contractor and Contractor's Affiliated Companies and employees of each for liabilities it assumes.

1104. Additional Insured

Contractor shall name Operator as additional insured, where permitted, under its policies of insurance, but only with respect to liabilities assumed by Contractor under this Contract. Operator shall name Contractor as additional insured, where permitted, under its policies of insurance, but only with respect to liabilities assumed by Operator under this Contract.

ARTICLE XII - SUBLETTING AND ASSIGNMENT

1201. Subcontracts

Operator may employ other contractors to perform any of the operations or services to be provided or performed by it.

Contractor may employ other contractors to perform any of the operations or services to be provided or performed by it.

1202. Assignment

Neither party may assign this Contract other than to an Affiliated Company without the prior written consent of the other, and prompt notice of any such intent to assign shall be given to the other party. In the event of such assignment, the assigning party shall remain liable to the other party as a guarantor of the performance by the assignee of the terms of this Contract. If any assignment is made that increases Contractor's financial burden, Contractor's compensation shall be adjusted to give effect to any increase in Contractor's operating costs or taxes.

ARTICLE XIII - NOTICES

1301. Notices

Notices, reports, and other communications required or permitted by this Contract to be given or sent by one party to the other shall be delivered by hand, mailed or telecopied to the address as specified in Appendix A. Either party may by notice to the other party change its address. Notices shall be effective upon receipt.

ARTICLE XIV - GENERAL

1401. Confidential Information

Upon written request of Operator, all information relating to the well obtained by Contractor in the conduct of operations hereunder shall be held confidential by Contractor who will use the same degree of care it uses in safeguarding its own confidential information.

1402. Force Majeure

Except as otherwise provided in this Paragraph 1402, each party to this Contract shall be excused from complying with the terms of this Contract, except for the payment of monies when due, if and for so long as such compliance is hindered or prevented by riots, strikes, wars (declared or undeclared), insurrection, rebellions, terrorist acts, civil disturbances, dispositions or order of governmental authority, whether such authority be actual or assumed, acts of God, action of the elements, water conditions, inability to obtain equipment, supplies or fuel, or by any act or cause (other than financial distress or inability to pay debts when due) which is reasonably beyond the control of such party, such cause being herein sometimes called "Force Majeure." In the event that either party hereto is rendered unable, wholly or in part, by any of these causes to carry out its obligation under this Contract, such party shall give notice and details of Force Majeure in writing to the other party as promptly as possible after its occurrence. In such cases, the obligations of the

party giving the notice shall be suspended during the continuance of any inability so caused except that Operator shall be obliged to pay to Contractor the Force Majeure Rate provided for in Paragraph 705.

1403. Compliance with Laws

Each party hereto agrees to comply with all laws, rules, and regulations of any federal, state, or local government authority which are now or may become applicable to that party's operations covered by or arising out of the performance of this Contract. When required by law, the terms of Appendix F shall apply to this Contract. In the event any provision of this Contract is inconsistent with or contrary to any applicable federal, state, or local 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 as so modified said provision and this Contract shall continue in full force and effect. If any act or omission by Contractor in response to Operator's explicit instruction violates such law, Operator shall indemnify Contractor from and against any consequences thereof.

1404. Waivers

It is fully understood and agreed that none of the requirements of this Contract shall be considered as waived by either party unless the same is done in writing, and then only by the persons executing this Contract, or other duly authorized agent or representative of the party.

1405. Entire Agreement

This Contract supersedes and replaces any oral or written communications heretofore made between the parties relating to the subject matter hereof. No variations hereto shall be valid unless in writing and executed by the parties.

1406. Enurement

This Contract shall enure to the benefit of and be binding upon the successors and assigns of the parties.

IN WITNESS WHEREOF THE PARTIES HAVE EXECUTED THIS CONTRACT EFFECTIVE ON THE DAY AND YEAR FIRST ABOVE WRITTEN.

OPERATOR: _____

By: _____

Title: _____

CONTRACTOR: _____

By: _____

Title: _____

APPENDIX A

Attached to and incorporated as a part of that certain Contract dated _____

Paragraph Numbers:		
101 (f)	Operating Area:	
101 (g)	Operating Base:	
101 (i)	Designated Well:	
101 (j)	Turnkey Depth:	
201	Commencement of Drilling:	
503	Maximum Well Depth:	
	Minimum Water Depth:	
	Maximum Water Depth:	
507	Hole Size at Turnkey Depth:	
512	Evaluation Time:	
601	Handling Charge:	%
701	Turkey Price:	\$
702	Operating Rate:	\$ per day
703	Standby Rate:	\$ per day
704	Repair Rate:	\$ per day
	Repair Time at Prior Applicable Rate	hours per occurrence
705	Force Majeure Rate:	\$ per day
708	Mobilization Rate:	\$
	Demobilization Rate	\$
	Demobilization Location:	
709	Turnkey Options:	%
	Optional Logging:	
	Optional Temporary Plug and Abandon:	
	Optional Plug and Abandon:	
	Optional Production Casing:	

Paragraph Numbers:		
	Other	
801	Address for Payment:	
	Account Number	
801 (a)&(b)	Payment Due Date	
	Turnkey within	days
	Daywork within	days
801 (c)	Interest Rate on Late Payments	per annum
802	Interest Rate on Late Payments	
903	Maximum Mud Weight	lb/gal
904	Early Termination Compensation to apply under the following Contract Paragraphs:	
904 (a)		%
		\$
904 (c)		%
Paragraph 904 (b), (d), (e), & (f)	Reduction in Turnkey Price to be based on the following formula: $R=(A-B)/A*(0.33)xTP$ Where: R= Reduction in Turnkey Price A= Turnkey Depth minus surface casing point	
1301	Address for Notices:	
	Operator:	

Paragraph Numbers:		
	Telecopier:	
	Attention:	
	Contractor:	
	Telecopier:	
	Attention:	

APPENDIX B

DRILLING UNIT AND EQUIPMENT TO BE PROVIDED BY CONTRACTOR

B1. DRILLING UNIT DESCRIPTION

B2. EQUIPMENT INVENTORY

APPENDIX C
WELL PROGRAM

Attached to and incorporated as a part of that certain Contract dated _____.
The following details the general well prognosis and specifies Contractor's turnkey obligations.C1

C1. CASING PROGRAM

	Casing Size	Weight	Grade	Approximate Setting Depth
Drive Pipe	in.	lb/ft		ft
Conductor	in.	lb/ft		ft
Surface	in.	lb/ft		ft
Protection	in.	lb/ft		ft
Liner	in.	lb/ft		ft
Liner	in.	lb/ft		ft
Production	in.	lb/ft		ft

C2. CEMENTING SPECIFICATIONS

	Cement Type	Volume
Conductor		
Surface		
Protection		
Liner		
Liner		
Production		

C3. STRAIGHT HOLE SPECIFICATIONS

Depth Interval (ft)		Maximum Distance Between Surveys (ft)	Maximum Deviation from Vertical (Degrees)	Maximum Change of Inclination per 100 ft (a)
From	To			

Location of well bore at _____ feet shall be _____

C4. MUD CONTROL PROGRAM

Depth Interval (ft)		Type Mud	Weight (lb/gal)	Viscosity (sec)	Water Loss (cc)
From	To				

Other mud specifications: _____

C5. LOGGING SERVICES

Type Log	Company	Depth to be Run (ft)	
		From	To

C6. TURNKEY OPTIONS

APPENDIX D

CHECKLIST OF CONTRACTOR'S AND OPERATOR'S OBLIGATIONS

CHECKLIST OF CONTRACTOR'S AND OPERATOR'S OBLIGATIONS			
		Category	
Furnished by Contractor, paid by Contractor		1	
Furnished by Contractor, paid by Operator, plus handling charge		2	
Furnished by Contractor, paid by Operator, no handling charge		3	
Furnished by Operator, paid by Operator		4	
		Turnkey	Daywork
D1	Contractor's Items as set forth in Appendix B	1	1
D2	Except as otherwise specified, maintenance and repair including repair parts of Contractor's Items	1	1
D3	Maintenance and repair including repair parts of Operator's Items except as provided in Paragraph 403	4	4
D4	All charges relative to acquisition, shipping, and transportation (except charges as provided in Item 74) of all Contractor's Items required as replacements or spare parts	1	1
D5	Contractor's Personnel including replacement, subsistence, insurance, wages, benefits, and all other costs related thereto	1	1
D6	Extra personnel in excess of the normal complement of personnel when requested in writing by Operator	N/A	3
D7	Overtime beyond normal work schedule for Contractor's Personnel when requested in writing by Operator	N/A	3
D8	Required licenses, permits, certificates of financial responsibility and clearances to enter upon and depart from drilling location, pursuant to Paragraph 605	4	4
D9	Surveying service and marker buoys to mark drilling location	4	4
D10	Sea floor surveys required by Contractor's marine surveyor	4	4
D11	Sea bottom coring services at the drilling location if required by Contractor	3	3
D12	Fuel, oil, greases, lubes and hydraulic fluid for Contractor's Items		
(a)	Fuel	1	1
(b)	Oil, greases, lubes and hydraulic fluid	1	1
D13	Fuel, oil, greases, lubes and hydraulic fluid for Operator's Items		
(a)	Fuel	1	1
(b)	Oil, greases, lubes and hydraulic fluid	4	4

CHECKLIST OF CONTRACTOR'S AND OPERATOR'S OBLIGATIONS			
		Category	
Furnished by Contractor, paid by Contractor		1	
Furnished by Contractor, paid by Operator, plus handling charge		2	
Furnished by Contractor, paid by Operator, no handling charge		3	
Furnished by Operator, paid by Operator		4	
		Turnkey	Daywork
D14	Water for drilling and cementing and excess potable water, if required	1	1
D15	Drilling fluid and additives including lost circulation material	1	4
D16	Mud logging services	1	4
D17	Normal welding services required on Operator's Items to the extent available from Contractor's Personnel	1	1
D18	Welding materials used on Operator's Items	1	2
D19	Pneumatic hoses between supply vessels and Drilling Unit for unloading fuel water, bulk cement and mud materials including repair and replacement of same		
a)	Initial hoses	1	1
(b)	All replacements	1	2
D20	Mooring system between supply vessels and Drilling Unit including repair and replacement		
(a)	Initial	1	1
(b)	All replacements	1	2
D21	Cargo baskets for use in transporting Contractor's Items to and from supply vessels	1	4
D22	Cargo baskets for use in transporting Operator's Items to and from supply vessels	1	4
D23	Towing service for all Drilling Unit moves, as approved by Contractor's insurance underwriters (except as provided in Paragraph 605)	1	4
D24	Towing horsepower required in addition to supply vessels	1	4
D25	Anchor setting and retrieving with marine vessels including anchor handling crews if required	1	1
D26	Additional anchors and buoy lines, if required, including all repairs and replacement	1	3

CHECKLIST OF CONTRACTOR'S AND OPERATOR'S OBLIGATIONS			
		Category	
Furnished by Contractor, paid by Contractor		1	
Furnished by Contractor, paid by Operator, plus handling charge		2	
Furnished by Contractor, paid by Operator, no handling charge		3	
Furnished by Operator, paid by Operator		4	
		Turnkey	Daywork
D27	Inspection of Contractor's drill pipe, drill collars and other in-hole equipment according to API standards before operations commence under this Contract, if required	1	1
D28	Inspection of Contractor's drill pipe, drill collars and other in-hole equipment according to API standards after operations commence under this Contract at reasonable intervals requested by Operator	2	4
D29	Kelly saver-sub rubbers and replacements for Kellys furnished by Contractor	1	1
D30	Drill pipe wipers	1	1
D31	Fishing tools other than provided by Contractor as set forth in Appendix B.	N/A	4
D32	Repair and/or replacement parts for Contractor furnished fishing tools	1	3
D33	Drilling bits, stabilizers, hole openers, reamers, under-reamers, well scrapers drilling bumper subs, drilling safety joints, hydraulic drilling jars, and other special in-hole equipment, including replacement parts and repairs for same	1	4
D34	Directional surveying equipment and service	1	4
D35	Deflection drilling tools and service	1	4
D36	Drill pipe, drill collars and handling tools other than those specified in Appendix B	1	4
D37	Blowout prevention equipment other than as listed in Appendix B	1	4
D38	Wellhead equipment and supplies	1	4
D39	Tubular goods, hangers, packers and accessories	1	4
D40	Casing shoes, float collars, baskets, centralizers, scratchers, scrapers, baffles and other casing accessories	1	4
D41	Casing tools for casing and all repairs and replacements, if used	1	3
D42	Tubing tools, including slips, elevators, power tongs (or jaws for Contractor's power tongs), wrenches, and tubing pipe wipers	1	4

CHECKLIST OF CONTRACTOR'S AND OPERATOR'S OBLIGATIONS			
		Category	
Furnished by Contractor, paid by Contractor		1	
Furnished by Contractor, paid by Operator, plus handling charge		2	
Furnished by Contractor, paid by Operator, no handling charge		3	
Furnished by Operator, paid by Operator		4	
		Turnkey	Daywork
D43	Swabbing equipment, including lubricator, swab valve, swabs, oil savers, sinker bars, rope sockets and jars, if required (except sand line)	N/A	4
D44	Swab rubbers and oil saver rubbers	N/A	4
D45	Core barrels and handling tools	4	4
D46	Core heads and core catchers	4	4
D47	Wireline logging unit, maintenance of unit and logging services	1	4
D48	Wireline formation testing and sidewall sampling equipment and services	1	4
D49	Drill stem test equipment and services	1	4
D50	Gun and perforating services	N/A	4
D51	Cement and cementing services	1	4
D52	Cementing Unit. Note: If Operator uses the services of a cementing service company other than the owner of the cementing unit, any charges imposed upon Contractor by the owner of the cementing unit as consequences thereof shall be for the Operator's account.	1	1
D53	Repair and maintenance of Contractor furnished cementing unit	1	3
D54	Labor to install servicing equipment by Operator aboard the Drilling Unit and for later removal, if required, including, but not limited to: Cementing Unit Wireline Logging Unit Mud Logging Unit Diving Equipment Well Testing System	N/A	4
D55	Supplies and materials to install Operator's Items	N/A	4
D56	Well testing system complete with separators, heaters, gas vents, metering, piping and valves, oil and/or gas burner, necessary booms, piping igniters, fabrication and installation	N/A	4

CHECKLIST OF CONTRACTOR'S AND OPERATOR'S OBLIGATIONS			
		Category	
Furnished by Contractor, paid by Contractor		1	
Furnished by Contractor, paid by Operator, plus handling charge		2	
Furnished by Contractor, paid by Operator, no handling charge		3	
Furnished by Operator, paid by Operator		4	
		Turnkey	Daywork
D57	Test tanks for well fluid	N/A	4
D58	Administrative center including offices, office furniture, equipment and supplies for Contractor's Personnel, warehousing and storage yard at Operating Base for Contractor's Items, if required	1	4
D59	Administrative center including offices, office furniture, equipment and supplies for Operator's Personnel, warehousing and storage yard facilities for Operator's Items	4	4
D60	Port facilities, and dockside area in vicinity of Operating Base for loading and unloading Contractor's and Operator's Items on and off supply vessels	1	4
D61	Transportation for Contractor's Items and its subcontractor's items and personnel:		
(a)	Routine transportation from point of origin to Operating Base	1	1
(b)	Routine transportation from Operating Base to and return from dockside and/or heliport	1	4
(c)	Routine transportation from one Operating Base to another	1	4
(d)	Temporary lodging, if required, and transportation from Operating Base to and return from dockside and/or heliport and between Operating Bases during evacuation due to weather or other safety reasons pursuant to Paragraph 707(c)	3	3
(e)	Emergency transportation for Contractor, as required	1	4
D62	Transportation for Operator's Items and Personnel to dockside at Operating Base or point of departure and return	4	4
D63	Dockside labor and equipment at Operating Base to load and unload Contractor's and Operator's Items from or to land transportation and from or to supply vessels	1	4
D64	Marine transportation for Contractor's Items and Personnel from dockside to Drilling Unit and return	1	4
D65	Marine transportation for Operator's Items and Personnel from dockside to Drilling Unit and return	1	4

CHECKLIST OF CONTRACTOR'S AND OPERATOR'S OBLIGATIONS			
		Category	
Furnished by Contractor, paid by Contractor		1	
Furnished by Contractor, paid by Operator, plus handling charge		2	
Furnished by Contractor, paid by Operator, no handling charge		3	
Furnished by Operator, paid by Operator		4	
		Turnkey	Daywork
D66	Marine transportation for Contractor's Personnel and its subcontractor's personnel between Drilling Unit and Operating Base during evacuation due to weather or other safety reasons	3	3
D67	Storage space at dock site for Contractor's Items	1	4
D68	Storage space at dock site and Operating Base for Operator's Items	1	4
D69	Onshore transportation for Contractor's shore-based personnel	1	1
D70	Onshore transportation for Operator's shore-based personnel	4	4
D71	Duties, fees, licenses, pilotage fees, wharfage fees, harbor fees and costs or similar charges including any sales taxes or brokerage fees relative to Contractor's Items and replacements or spare parts	1	3
D72	Duties, fees, licenses, pilotage fees, wharfage fees, harbor fees and costs or similar charges including any sales taxes or brokerage fees relative to Operator's Items and replacements or spare parts	1	4
D73	Radio system from Drilling Unit to supply vessel and supply vessel to Operating Base office or direct to Operating Base:		
(a)	Radio system from Drilling Unit to Contractor's Office or shore base	1	1
(b)	Radio operators	1	4
D74	All helicopter transportation as required including medical evacuation	1	4
D75	Helicopter refueling system aboard Drilling Unit including helicopter fuel tanks, fuel tank stand, fuel pump filters, hoses and grounding systems	1	4
D76	Helicopter fuel and lubes	1	4
D77	Special or additional helicopter safety equipment aboard Drilling Unit	1	4
D78	Diver services as required	1	4

CHECKLIST OF CONTRACTOR'S AND OPERATOR'S OBLIGATIONS			
		Category	
Furnished by Contractor, paid by Contractor		1	
Furnished by Contractor, paid by Operator, plus handling charge		2	
Furnished by Contractor, paid by Operator, no handling charge		3	
Furnished by Operator, paid by Operator		4	
		Turnkey	Daywork
D79	Meals and quarters for all of Contractor's Personnel and its contractor's and subcontractor's personnel and up to and including _____ Operator's Personnel and Operator's third party personnel	1	1
D80	Meals and quarters for Operator's Personnel and Operator's third party personnel in excess of _____ per day to be charged at \$_____ per meal and \$_____ per bed	3	3
D81	Waste storage, removal and disposal. (Operator to provide State and/or Federal waste generator number, if required.)	4	4
D82	Insurance as provided in Appendix E, except as provided below:	1	1
(a)	Well Control Insurance while operating on Turnkey Basis	1	N/A
(b)	Well Control Insurance while operating on Daywork Basis	N/A	4
D83	Maintenance and repair including repair parts:		
(a)	Of Contractor's surface equipment	1	1
(b)	Rubber goods in Contractor's BOP's	1	3
(c)	Of Contractor's subsurface equipment except as provided in Paragraphs 1002 and 1003	1	3
(d)	Of Contractor's subsurface mooring equipment including pendant lines	1	3
D84	Extra labor (in excess of supply vessel's personnel) required aboard supply vessels when alongside Drilling Unit to unload or load Contractor's and/or Operator's Items	1	4
D85	Anchor piles, if required, and placement of same	1	4
D86	Subsea equipment:		
(a)	Wellhead equipment	1	4
(b)	Wellhead connector from BOP stack to wellhead	1	1
(c)	Subsea running tools for wellheads, if required	1	4

CHECKLIST OF CONTRACTOR'S AND OPERATOR'S OBLIGATIONS			
		Category	
Furnished by Contractor, paid by Contractor		1	
Furnished by Contractor, paid by Operator, plus handling charge		2	
Furnished by Contractor, paid by Operator, no handling charge		3	
Furnished by Operator, paid by Operator		4	
		Turnkey	Daywork
(d)	Contractor's surface or subsea blowout preventer system as described in Appendix B	1	1
(e)	Wellhead temporary guidebase, if required	1	4
(f)	Wellhead guide post structure, if required	1	4
(g)	Jetting tools for jetting in conductor casing, if required	1	4
(h)	Guide arms and bushings for drilling conductor hole and running conductor casing, if required	1	4
(i)	Repair and/or replacement for items (a), (c), (e), (f), (g) and (h)	1	4
D87	Screens for shale shakers up to and including _____ mesh	1	1
D88	Screens for shale shakers above _____ mesh	1	3
D89	All screens for mud cleaners	1	3
D90	All equipment, supplies and services not specified above	4	4

APPENDIX E

INSURANCE REQUIREMENTS

Part I. Worker's Compensation and Employer's Liability Insurance

1. Worker's Compensation and Employer's Liability Insurance shall be provided in accordance with all applicable federal, state, and maritime laws (including Death on the High Seas Act and Jones Act) which shall cover all Contractor's Personnel performing work under this Contract.
2. Employer's Liability Maritime Limit: \$ _____ per occurrence.

Part II. Comprehensive General Liability Insurance

Such insurance shall include premises, operations, contractual, Contractor's protective liability with a total combined bodily injury and property damage limit of \$ _____ per occurrence.

Part III. Comprehensive Automobile Liability Insurance

Such insurance shall cover all of Contractor's owned, non-owned and hired automobiles with a total combined bodily injury and property damage limit of \$ _____.

Part IV. Umbrella Excess Liability Insurance

Such insurance shall be over and above underlying coverages with limit of \$ _____.

Part V. Marine Insurance

1. Hull and machinery Insurance (including collision liability) shall be provided for the Drilling Unit owned or chartered by Contractor and utilized in the performance of this Contract in an amount equal to the declared value of the Drilling Unit.
2. Protection and Indemnity Insurance or equivalent comprehensive general liability insurance with watercraft exclusion deleted shall be provided with a combined single limit of \$ _____ per occurrence or the value of the Drilling Unit, whichever is greater.

Part VI. Well Control Insurance

Such insurance shall cover well control, redrilling, pollution and contamination with a limit of \$ _____ in the aggregate for one well, such coverage to be endorsed to include coverage for the subject well and to provide coverage for the benefit of both Operator and Contractor as their interest may appear.

APPENDIX F
FEDERAL REGULATIONS
(See Paragraph 1403)

The following clauses, 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.