



TERMS AND CONDITIONS OF SALE

DEFINITIONS: **(A) Drilex:** Drilex International, L.P., its parent, subsidiary, affiliated companies, their officers, directors, employees and agents, individually and collectively. **(B) Products:** Power sections, rotors, stators, drilling motors, motor parts, other items, materials, supplies and/or equipment sold by Drilex or provided in connection with Drilex sales and services. **(C) Service(s):** All employees furnished by Drilex, including Products, equipment, hardware, software, tools, vehicles, or other items necessary to perform any such employee's job. **(D) Customer:** Party ordering or on whose behalf Products and/or Services are ordered and received from or furnished, serviced, or sold by Drilex. **(E) Claims:** Any liability, loss, claim, demand, cause of action, proceeding, damage and penalty, including attorney's fees, costs and expenses. **(F) Quotation:** Current price list of Products provided to the Customer by Drilex.

TERMS AND CONDITIONS

1. GENERAL: The Terms and Conditions herein and associated quotation, which are incorporated herein by reference for all purposes, constitute the entire contract ("Contract") between the parties and may not be amended except in writing by Drilex's authorized representative. Products or Services furnished to Customer will be only on these Terms and Conditions, notwithstanding different or additional terms and conditions contained on any of Customer's forms, which are hereby objected to and which will not be binding on Drilex. The failure of either party to enforce any provision hereof will not constitute a waiver or preclude subsequent enforcement thereof. No partial invalidity of this Contract will affect the remainder. The Terms and Conditions shall be construed in accordance with the laws of the State of Texas or if offshore, in accordance with General Maritime Law of the United States, without giving effect to respective conflicts of laws principles. **(B) Credit:** Customer must establish and maintain credit satisfactory to Drilex. Drilex reserves the right to require Customer to furnish security for performance of Customer's obligations. If credit terms are not met, in addition to its other legal rights, Drilex may (i) defer or cancel further shipments of Products or personnel, and (ii) charge Customer interest at the maximum rate permitted by applicable law on the unpaid balance. Customer will pay all costs, including attorney's fees and court costs, incurred in connection with the collection of past due amounts. **(C) Taxes:** Customer shall be responsible for all customs fees, duties, and foreign, federal, state or local taxes (including, sales, use, excise or similar taxes and foreign withholding taxes). **(D) Transportation:** Customer will arrange shipment and pay all crating, handling and shipping costs. For Products sold or rented where Customer does not timely furnish shipping instructions or requests that Drilex arrange shipment, such transportation shall be in a commercially reasonable manner at Customer's risk and invoiced to Customer at cost, plus 15%, or at the prevailing mileage rate for any vehicles used by personnel. **(E) CONSEQUENTIAL DAMAGES: DRILEX WILL NOT BE RESPONSIBLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY KIND, WHICH SHALL INCLUDE BUT NOT BE LIMITED TO, LOSS OF PROFITS, USE OR BUSINESS OPPORTUNITY, DAMAGES FOR FAILURE TO MEET DEADLINES, WELL CONTROL EXPENSES, SUBSURFACE DAMAGE, LOSS OF HOLE, RE-DRILLING EXPENSES, RESERVOIR OR FORMATION DAMAGE, POLLUTION DAMAGE AND/OR WRECK OR DEBRIS REMOVAL EXPENSE ("CONSEQUENTIAL DAMAGES").** **(F) Force Majeure:** Drilex will not be liable for any damages, including special and Consequential Damages, caused by events of force majeure or any other occurrences beyond Drilex's reasonable control. In such event, the time for performance will be extended automatically for such reasonable time as is necessary to permit performance hereof. **(G) DISCLAIMER OF WARRANTIES/SERVICES AND TECHNICAL INFORMATION: ANY ASSISTANCE IN PRODUCTS USAGE, INSTALLATION, TECHNICAL INFORMATION SUCH AS ENGINEERING DOCUMENTION OR SPECIFICATIONS CONCERNING PRODUCTS AND/OR SERVICES PROVIDED BY DRILEX WILL BE ADVISORY ONLY, AT CUSTOMER'S SOLE COST, AND ON AN "AS IS" BASIS. NO GUARANTEE, WARRANTY, OR REPRESENTATION IS GIVEN WITH RESPECT TO SUCH SERVICES OR INFORMATION AND DRILEX WILL NOT BE LIABLE FOR ANY CLAIMS ARISING FROM ITS FURNISHING OR CUSTOMER'S USE OF SUCH ASSISTANCE OR INFORMATION.** **(H) Insurance:** The parties agree that the indemnities provided by Customer herein shall be supported either by available insurance or voluntarily self-insured, in whole or part. Customer will, at its expense, maintain adequate insurance to fully protect any Products or personnel supplied hereunder and will supply to Drilex, upon request, satisfactory evidence of sufficient insurance coverage. **(I) Prices:** All prices, rates and charges are subject to change without notice. **(J) Acceptance:** The terms, conditions, and prices set forth in the credit application, quotation, sales order, packing list, and any relevant Drilex service/delivery Ticket(s) ("Tickets"), for any Products and/or Services ordered by Customer as of the date of delivery, irrespective of whether the Customer's authorized representative signs such Tickets, are incorporated herein by reference in their entirety. Customer acknowledges and represents that it has reviewed and accepts these terms and conditions without objections. **(K) Assignment:** Customer may not assign any rights or obligations hereunder, without Drilex's written consent. **(L) Amendment of Indemnities to Conform to Law:** The indemnities provided by Customer herein shall be limited to the extent necessary for compliance with applicable state and federal laws, and to the extent any state or federal laws are at variance with the indemnities provided herein, such indemnities shall be deemed to be amended so as to comply with such state and federal laws. **(M) Termination/Survival:** No termination shall relieve Customer of any liability incurred and Customer's obligations shall survive such termination, including all indemnities contained herein which are made expressly for the benefit of Drilex.

2. LIMITED LIABILITY/DISCLAIMER: **(A)** Provided that Customer subjects Products only to operating conditions specified by Customer when the order is placed, if any, and operates it in accordance with Drilex's written operating instructions, if any, Drilex warrants Products sold pursuant hereto to be free of defects in material and workmanship for a period of 1 year after the date Products is ready for shipment. The above warranty does not apply to: (i) used Products or Products that has been repaired or serviced; (ii) Products that has been modified or subjected to improper handling, storage, installation, operation, or maintenance by Customer, including use of unauthorized replacement parts; (iii) component parts not manufactured by Drilex, whether purchased by Drilex or furnished by Customer, such parts being subject to any applicable manufacturer's warranty; (iv) parts requiring replacement because of normal wear and tear; (v) design on those jobs where Drilex prepared drawings, lists or bills of material from designs furnished by others; (vi) models or samples furnished to Customer as

illustrations only of general properties of Products; and (vii) prototypes, custom, or other non-standard Products furnished to Customer for testing and/or evaluation purposes. This warranty will not apply unless Customer gives Drilex written notice within 10 days after discovering the defect and, if requested by Drilex, returns the defective part to Drilex for inspection, freight prepaid. **(B)** Drilex's liability for breach of this warranty is expressly limited to the repair or replacement, at its sole option, of any Products, which proves to be defective during the warranty period. All such Products shall be repaired or replaced 'Ex-Works' Drilex's plant. **(C) DRILEX'S OBLIGATION TO REPAIR OR REPLACE CONSTITUTES AGREED AND LIQUIDATED DAMAGES FOR ANY BREACH OF DRILEX'S WARRANTY. THIS LIMITED EXPRESS WARRANTY AND THE STATED REMEDIES FOR BREACH THEREOF, SHALL BE IN LIEU OF ANY AND ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, WARRANTIES FOR MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, AND IN LIEU OF LIABILITY FOR DRILEX'S NEGLIGENCE OR FAULT AND CUSTOMER'S RIGHTS AND REMEDIES UNDER THE TEXAS DECEPTIVE TRADE PRACTICES - CONSUMER PROTECTION ACT (CHAPTER 17, TEXAS BUSINESS AND COMMERCE CODE.)**

3. CANCELLATION: Purchase orders may be canceled only with Drilex's written consent and may result in a cancellation fee and/or forfeit of any down payment.

4. PRICING: **(A)** Prices for all Products are provided by quotation, 'Ex-Works' Drilex's plant or district stock points. **(B)** Requests for Products quotation should be sent to the appropriate Drilex office; **(C)** Quoted prices are valid for 30 days unless otherwise noted on the quotation. **(D)** Cost of additional labor, materials or outside services for modification of such procedures or specifications requested by Customer will be charged to Customer at Drilex's total cost.

5. PAYMENT: **(A)** Unless specified to the contrary in writing, payment shall be net 30 days for purchase orders that originate from a company within the United States (a domestic company). **(B)** Purchase orders that originate from a company outside the United States (an international company), unless specified to the contrary in writing, payment shall consist of (i) an initial down payment equaling 50% of the total price of the purchase order which is due and payable at the time of the placement of the purchase order to Drilex, and (ii) the remaining 50% balance of the purchase order shall be due and payable prior to delivery. Drilex will not process or begin production on any purchase orders without the initial down payment. Drilex will not ship an order without the order being paid in full. Orders not paid in full within 60 days of the order completion date will be deemed canceled and result in a cancellation fee and/or forfeit of any down payment. Orders that are paid in full but are not picked up by the customer or its agent within 90 days of the orders completion date will be charged a storage fee until such time the order is picked up by the customer or a maximum of 180 days of which the order will be deemed canceled and result in a cancellation fee and/or forfeit of any payments made. **(C)** All payments terms are net cash, payable without offset, in United States Dollars. **(D)** If in the judgment of Drilex, the financial condition of the Customer at any time prior to delivery does not justify the terms of payment specified, Drilex may require full payment in advance, payment security satisfactory to Drilex, or may terminate the order, whereupon Drilex shall be entitled to receive reasonable cancellation charges. If delivery is delayed by Customer, payment shall be due on the date Drilex is prepared to make delivery. Delays in delivery or nonconformities in any installments delivered shall not relieve Customer of its obligation to accept and pay for remaining installments. **(E)** Drilex reserves the right to deny or limit the Products sold to Customer. **(F)** Customer shall pay, in addition to the overdue payment, a late charge equal to the lesser of 1.5% per month or any part thereof or the highest applicable rate allowed by law on all such overdue amounts plus Drilex's attorneys' fees and court costs incurred in connection with collection.

6. DELIVERY/DISCLAIMER: **(A)** Drilex will use its best efforts to have Products ready for shipment, subject to receipt of all necessary Customer information, including approved drawings. **HOWEVER, DRILEX ASSUMES NO LIABILITY FOR DAMAGES INCURRED AS A RESULT OF ITS LATE DELIVERY OF PRODUCTS, REGARDLESS OF CAUSE.** **(B)** Title and risk of loss will pass to Customer upon delivery of Products, Ex-Works plant. **(C)** If unable to deliver, Drilex may charge Customer its customary storage rates and Customer will maintain all-risk property insurance on Products, at its replacement value. Drilex will not be liable for deterioration of Products resulting from atmospheric conditions, acts of God, or other events not within Drilex's reasonable control.

7. CUSTOMER'S INDEMNITY OF DRILEX: CUSTOMER WILL DEFEND, INDEMNIFY, RELEASE AND HOLD DRILEX HARMLESS FROM AND AGAINST ALL CLAIMS AGAINST DRILEX OF EVERY KIND OR CHARACTER WHATSOEVER, IRRESPECTIVE OF WHETHER DRILEX WAS CONCURRENTLY NEGLIGENT OR AT FAULT FOR ANY SUCH CLAIMS, WHETHER SUCH CLAIMS ARE BASED ON THEORIES OF CONTRACT LAW, TORT LAW, OR OTHERWISE, DIRECT OR INDIRECT, INCLUDING INCIDENTAL, SPECIAL AND CONSEQUENTIAL DAMAGES FOR BODILY INJURY, DEATH OR PROPERTY DAMAGE OR DESTRUCTION OR ECONOMIC LOSS (INCLUDING, BUT NOT LIMITED TO SUBSURFACE PROPERTY OR PROPERTY RIGHTS), OR ON ACCOUNT OF INFRINGEMENT OF ANY PATENT, DESIGN, COPYRIGHT, OR TRADE NAME OR MARK, ARISING OUT OF, DIRECTLY OR INDIRECTLY, OR IN ANY MANNER CONNECTED WITH SUCH PRODUCTS, INCLUDING ALL CLAIMS RESULTING, EITHER IN WHOLE OR IN PART, FROM DRILEX'S ALLEGED BREACH OR BREACH OF IMPLIED OR EXPRESSED WARRANTY (EXCEPT AS SPECIFICALLY PROVIDED HEREIN), OR OF THE DOCTRINE OF STRICT LIABILITY IN TORT OF DRILEX OR ANY OTHER PERSON OR LEGAL ENTITY FOR WHICH DRILEX IN LAW WOULD OTHERWISE BE HELD LIABLE.

8. INSPECTION: Customer's acceptance of delivery and signature of its representative is conclusive evidence that Customer found Products to be suitable for its needs and in good condition. Customer also has a duty to inspect Products prior to use and to notify Drilex immediately of any defects.