



General Terms & Conditions

1.0 AGREEMENT TO BE BOUND BY GENERAL TERMS AND CONDITIONS

1.1 By engaging the services of Compass, the Customer agrees to be bound by the following General Terms and Conditions, a copy of which has been previously provided to the Customer in the documentation of Compass relating to the work to be performed. Unless otherwise mutually agreed to in writing, these General Terms and Conditions shall remain in effect for subsequent work or projects performed by Compass for and on behalf of the Customer.

2.0 PAYMENT TERMS

2.1 Customer shall pay Compass for its personnel, technology, tools, equipment and material at the rates and under the conditions set forth in the Compass Fee Schedule and price quotations accompanying these General Terms and Conditions. Customer represents to Compass that it is solvent and able to pay its obligations hereunder when due, and that it has full and complete responsibility and authority to do so without the necessity of seeking the approval of any person, party or entity.

2.2 All payments shall be in US dollars. Compass shall bill Customer at the address specified in the applicable documentation relating to the performance of the work, upon completion of the work. Customer shall pay Compass all amounts due within thirty (30) days of the date of invoice or as stated on the invoice. Interest at the rate of eighteen percent (18%) per annum applied pro-rata, or the then-maximum rate permitted by law, on the unpaid balance shall be charged on all accounts not paid within such time period. In the event of non-payment by Customer of amounts due hereunder, Compass shall have the right to apply directly to Customer's clients for payment of such amounts, and shall be entitled to file and claim a lien for the services provided by Compass.

2.3 Payment shall be made to Compass or its assigns, at the address indicated in Compass's invoice, or elsewhere as designated in writing by Compass.

2.4 Should Customer dispute any portion of Compass's invoices, Customer shall notify Compass in writing, giving full details of the dispute, prior to the due date of the invoice. Undisputed portions shall be paid in accordance with the provisions hereof. Compass and Customer shall settle any such disputes in a timely manner.

2.5 All prices are subject to change upon advance written notice by Compass to Customer, unless otherwise specifically agreed.

2.6 Applicable taxes, duties or fees will be charged as separate line items on invoices submitted.

3.0 COMPASS'S SERVICES

3.1 Compass will provide its services and carry on operations diligently, without delay in a good and workmanlike manner and in conformity with the reasonable requirements of the Customer, subject always to the provisions herein contained.

4.0 COMPASS'S OBLIGATIONS

4.1 The personnel, tools, technology, equipment and materials supplied by Compass to Customer shall be made available by Compass only at the request of Customer and with the understanding that Customer and/or its end user is in complete control and custody of the location and/or well(s) where they are being utilized, the conditions within the work location

and the well(s), and the drilling equipment being used whether or not Customer or any operator representatives are present. Compass may, through its personnel, advise and/or assist in various ways, but shall act in no other capacity, other than to provide the services requested.

4.2 Compass shall be an independent contractor with respect to the performance of all work and neither Compass nor anyone employed by Compass shall be deemed for any purpose to be an employee, agent or representative of Customer in the performance of any work or service hereunder. . It is understood that at all times it is the Customer's responsibility for any and all decisions relative to the conduct of the job and Customer does hereby agree to indemnify and save Compass harmless for and from any decisions made with respect to any job, whether that decision was made, in whole or in part, upon the recommendations of Compass.

5.0 CUSTOMER'S OBLIGATIONS

5.1 The Customer shall duly pay to Compass for work and services performed by it in the manner herein provided.

5.2 Customer recognizes and acknowledges that at all times it and/or any operator has exclusive control of conditions in the well, and should therefore have an authorized representative at the well site at all times to exercise such control. In instances where Customer and/or any operator elects not to have an authorized representative present during Compass's operations hereunder, Customer will supply Compass with all necessary information for Compass to safely perform the requested services on the well. In such event, the responsibility assumed by Compass herein, and the responsibilities of Customer to indemnify and hold Compass harmless shall not be changed.

5.3 While Compass is performing services for Customer hereunder, Customer shall provide to Compass, at Customer's cost and expense, all fresh and potable water, AC and DC electrical power, compressed air, loading/off-loading capability and equipment for Compass's equipment, and fuel required for Compass equipment requisite to Compass's performance of its obligations including maintenance of its equipment hereunder, at Customer's operating location.

5.4 All drawings, specifications, methods of operation, equipment design, knowledge and technical information ("Confidential Information") utilized by Compass in its operations are confidential and proprietary to Compass. Any such Confidential Information provided in Compass's proposal or otherwise supplied to the Customer or obtained or learned by the Customer in connection with this Contract shall not be used or disclosed or communicated to any third party without the prior written consent of Compass.

CUSTOMER ACKNOWLEDGES THAT THE CONFIDENTIAL INFORMATION COMPRISES VALUABLE PROPRIETARY INFORMATION WHICH COMPASS PROTECTS AS ITS TRADE SECRETS. THIS CONFIDENTIAL INFORMATION, INCLUDING ALL COPYRIGHT THEREIN, IS THE EXCLUSIVE PROPERTY OF COMPASS OR ITS AFFILIATED COMPANIES, AND IS SUPPLIED IN STRICT CONFIDENCE SOLELY FOR USE BY CUSTOMER PURSUANT TO THE PROVISIONS HEREOF. SUCH CONFIDENTIAL INFORMATION

MAY NOT BE DISCLOSED, USED, COPIED, REPRODUCED OR ELECTRONICALLY STORED BY ANY MEANS WITHOUT THE PRIOR WRITTEN PERMISSION OF COMPASS, WHICH PERMISSION MAY BE ARBITRARILY WITHHELD. VIOLATION OF THIS OBLIGATION OF THIS INFORMATION WITHOUT PERMISSION OR IN ANY WAY NOT PERMITTED HEREUNDER IS ACKNOWLEDGED TO HAVE THE POTENTIAL TO CAUSE CONTINUING DAMAGE AND IRREPARABLE HARM TO COMPASS.

6.0 INSURANCE

6.1 Each Party shall, during the term hereof, procure and maintain in effect the insurance as follows, insuring the liabilities it has assumed under this Contract:

- a) Workers Compensation insurance for all employees engaged in the performance of the services contemplated herein, in compliance with the provincial, territorial or federal laws and regulations applicable to this Contract;
- b) Employer's Liability insurance with minimum limits equivalent to US \$2,000,000.00 inclusive, per occurrence, for bodily injury, death and property damage; and,
- c) Comprehensive General Liability (including contractual liability) insurance in a minimum amount equivalent to US \$2,000,000.00 inclusive, per occurrence, for bodily injury, death and property damage.

6.2 Each party, upon receiving written request shall provide the other with a Certificate(s) of Insurance, evidencing the coverages set forth herein and containing the following endorsements: a) naming the certificate holder as an additional insured to the extent of the liabilities specifically assumed by the named insured; b) to the same extent, waiving all rights of subrogation; and c) giving the certificate holder thirty (30) days prior written notice of change, cancellation or modification to any policy of insurance.

7.0 LIABILITIES AND INDEMNITY

7.1 Neither Customer nor its employees, agents or representatives shall have any liability or responsibility whatsoever to whomsoever for injury to or illness or death of any employee of Compass or its subcontractors, howsoever caused, arising or occurring, unless caused by the negligence or willful misconduct of Customer or its employees, agents or representatives.

7.2 Compass shall report to Customer as soon as practicable all accidents or occurrence resulting in injuries to Compass's employees or third parties, or damage to property of third parties, arising out of or during the course of services for Customer by Compass or any subcontractor of Compass and when requested shall furnish Customer with a copy of all publicly available reports made by Compass of any such accidents and occurrences as required by law or regulation.

7.3 Neither Compass, its subcontractors nor their employees shall have any liability or responsibility whatsoever to whomsoever for injury to or illness or death of any employee of Customer, its contractors or subcontractors (other than Compass), and any operator for whom Customer may be acting, and the employees of any of them, and any third parties, howsoever caused, arising or occurring, whether through the negligence or other legal fault of Compass or its employees or otherwise. Customer shall release, protect, defend, indemnify and hold

harmless Compass and its employees from and against any loss, damage, liability, suit, claim or expense as a result of such injury, illness or death.

7.4 **Responsibility for Loss of or Damage to Property of Customer:** Neither Compass, its subcontractors nor their employees, agents or representatives shall have any liability or responsibility whatsoever to whomsoever for loss of or damage to property of lease owners of the well site, including, without limitation, the Crown, and any third parties, or for loss of or damage to productive formations, reservoirs, oil or gas, the well or hole itself, including the costs relating to a wild well, howsoever caused, arising or occurring, whether throughout the negligence or other legal fault of Compass or its employees or otherwise. Customer shall release, protect, defend, indemnify and hold harmless Compass and its employees from and against any loss, damage, liability, suit, claim or expense as a result of such loss or damage.

7.5 **Responsibility for Loss of Damage to Property of Compass:**

(i) All of Compass's equipment is to be returned to Compass by Customer in the same good order and condition as when it first arrived at Customer's first location, less only ordinary, reasonable wear and tear normal in oilfield use, notwithstanding standard maintenance methods.

(ii) Customer will pay to Compass either the costs of repair or, if the equipment is lost, stolen, or not repairable, the replacement value as stated by Compass, including cost of transportation, customs fees, insurance and other related costs, of Compass's or its subcontractors equipment lost or damaged while in the hole. If Customer purchases "Limited Lost in Hole Waiver Coverage" provided for in the Compass Fee Schedule or price quotation, Customer's liability for such loss or irreparable damage shall be limited to the amount of the deductible indicated as being accepted; and provided further that in case of any potential loss in hole, Customer shall, at its cost and expense, make every commercially reasonable effort to retrieve Compass's equipment.

(iii) All such payments are to be made by Customer in the manner provided for in Article 2 hereof.

(iv) Customer is responsible for motor and other downhole tool repair or replacement cost as applicable, when necessitated by other than reasonable, ordinary operating wear and tear, and/or damaging downhole environment, including, but not limited to, high solids content, chlorides, H₂S, CO₂, acids, oil-base muds, air-mist or foam drilling, high temperature, excessive vibration, or introduction of corrosive elements into the drilling fluid.

7.6 Except as otherwise expressly provided herein, it is the express intent of the parties hereto that all indemnity obligations and/or liabilities assumed by the parties hereunder, be without limit and without regard to the cause or causes thereof, including pre-existing conditions, the unseaworthiness of any vessel or non-airworthiness of any aircraft, strict liability, or the negligence of any party or parties, whether such negligence be sole, joint or concurrent, active or passive, and shall extend from the indemnitor or party assuming such liability to the benefit of the parents, subsidiaries, affiliates, partners, co-operators and co-ventures of the other. The terms and provisions of Articles 7.1 through 7.5 hereof shall have no application to claims or causes of action asserted against Customer or Compass by

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- reason of any agreement of indemnity with a person or entity not a party hereto.
- 8.0 CONSEQUENTIAL DAMAGES**
- 8.1 Compass shall not be liable to Customer for any special, indirect, punitive or consequential loss or damages resulting from or arising out of these General Terms and conditions or otherwise, including, without limitation, loss of profit, loss of production, or business interruptions, however same may be caused, including the negligence or willful misconduct of any party.
- 9.0 POLLUTION**
- 9.1 Neither Compass, its subcontractors, nor their employees shall have any liability or responsibility whatsoever to whomsoever for any pollution or contamination, including the costs of cleanup, howsoever caused, arising or occurring, whether through the negligence or legal fault of Compass or its employees, agents or representatives or otherwise. Customer shall assume all responsibility for and shall release, protect, defend, indemnify and hold harmless Compass from and against any loss, damage, liability, suit, claim, fine or expense as a result of pollution or contamination, or the environmental cleanup required by law or by direct or indirect contractual obligations of Customer.
- 10.0 INTERPRETATIONS**
- 10.1 In making interpretations of data, Compass employees will give Customer the benefit of their best judgment as to the correct interpretations, but Compass cannot and does not guarantee the accuracy or correctness of such interpretations or any surveys derived therefrom.
- 11.0 QUARTERS AND MEALS**
- 11.1 In remote or offshore locations, quarters, meals, sanitation facilities and, if offshore, transportation to and from location for Compass's personnel will be provided at or near the work site by and at the expense of Customer to substantially the same standard as provided for Customer's supervisory personnel. Customer shall also provide office, telephone, and facsimile facilities to Compass for the performance of Compass's services at Customer's expense.
- 12.0 WARRANTIES**
- 12.1 Compass makes no warranties of performance, results, fitness or suitability for any particular purpose with respect to goods being furnished under the terms and conditions of this Contract. Compass specifically, but not by way of any limitation, disclaims any express or implied warranty or merchantability of fitness or suitability for any general or particular purpose, or of the results anticipated or experienced in the use of Compass's equipment or technology. Compass warrants that the equipment furnished in the performance of its services will conform to Compass's published specifications in effect at the time, and be in good working order. In the event any article manufactured by Compass is defective upon delivery, Compass will repair or replace the part or parts shown to be defective.
- 12.2 **THE ABOVE RIGHT OF REPAIR OR REPLACEMENT OF PARTS SHALL BE THE EXCLUSIVE REMEDY OF CUSTOMER. IT IS IN LIEU OF (1) ALL OTHER WARRANTIES EXPRESSED OR IMPLIED (INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) ALL OF WHICH ARE HEREBY EXPRESSLY DISCLAIMED, AND (2) ALL OBLIGATIONS OR**
- LIABILITIES ON THE PART OF COMPASS FOR DAMAGES, INCLUDING, BUT NOT LIMITED TO, CONSEQUENTIAL DAMAGES ARISING OUT OF OR IN CONNECTION WITH THE DELIVERY, USE REPAIR OR PERFORMANCE OF THE EQUIPMENT.**
- 12.3 In the case of defective goods or parts thereof, not wholly of Compass's manufacture, Compass shall be liable only to the extent that it is able to recover from its supplier for the same defects. Compass shall only be liable for tools or equipment rented by Compass from third parties, to the extent of any collectible warranties given by such third parties.
- 13.0 FORCE MAJEURE**
- 13.1 Except for the obligation to make money payments when due, neither Party shall be responsible for failure of or delay in performance hereunder if such failure or delay is caused by reason of "Force Majeure". The term "Force Majeure" shall mean acts of God, delays in transportation, strikes, lockouts, wars, insurrections, earthquakes, storms, fires, arrests and restraints by any government, civil disturbances orders, laws or proclamations of governmental authorities and any other causes whether of the kind enumerated herein or otherwise which are not reasonably within the control of the party claiming suspension.
- 14.0 TAXES**
- 14.1 Any importation of equipment will be on consent of Customer prior to shipping via Customer's agent. Customer shall pay or fully reimburse Compass for all customs fees, duties (import or otherwise), as applicable brokerage fees and related costs, and any taxes (except income taxes imposed on Compass) or assessments imposed by any government to whose jurisdiction the personnel, equipment or materials or their utilization may be subject.
- 15.0 GOVERNING LAW AND REMEDIES**
- 15.1 These General Terms and Conditions shall be construed, governed and interpreted in accordance with the laws of the State of Texas, but without giving effect to any conflicts of law provisions thereof which might otherwise direct the application of the laws of another jurisdiction. The parties hereby irrevocably attorn to the Courts of the State of Texas, Harris County and all courts of appeal therefrom.
- 16.0 CONFIDENTIAL INFORMATION**
- 16.1 All confidential information given by Customer to Compass in connection with the work to be performed or services to be provided (unless such information is generally available to the public or is established to be in the general public domain or in Customer's domain prior to date of signed agreement) shall be held in strict confidence by Compass, provided same is clearly identified as confidential material.
- 17.0 TITLE TO EQUIPMENT**
- 17.1 Title and rights therein to all equipment leased to Customer, or utilized by Compass in providing services hereunder, including that lost or repaired, shall always remain in Compass and Customer shall not assign, sublet, hypothecate, alter or remove such equipment from the place of its intended use.
- 17.2 Customer shall not create, incur or permit any liens to be imposed upon any tools or equipment leased to Customer, or utilized by Compass in providing services under this Agreement. Customer agrees to indemnify and hold Compass harmless from all liens created and imposed on tools and equipment leased or being utilized hereunder as a result of the

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- operation, use, maintenance or management of the said tools and/or equipment.
- 17.3 Should Customer be in default hereunder, become bankrupt, insolvent, be placed in receivership, enter into any compromise or arrangement with creditors, or should any creditor or other person or entity attach or levy Customer, its assets, property or possessions, then Compass shall have the right, at Customer's sole cost and expense, to have the equipment returned to Compass's offices in Houston, Texas or without notice to reenter any premises or location where the equipment may be found, and to retake and remove it.
- 18.0 ASSIGNMENT**
- 18.1 Neither party may assign any rights or obligations hereunder to any entity (other than an affiliated party) without the prior written consent of the other party. Any assignee shall expressly assume the pertinent rights and obligations herein contained, but such assumption shall not release the assigning party from its obligations. Subject to such limitation, these General Terms and Conditions shall inure to and be binding on the receivers, receiver-managers, successors and assigns of such party.
- 19.0 MISCELLANEOUS**
- 19.1 If any portion hereof is held to be invalid or unenforceable for any reason by a court or governmental authority of competent jurisdiction, then such portion will be deemed to be modified to the extent possible or, if necessary, stricken and the remainder of these General Terms and Conditions shall continue in full force and effect.
- 19.2 These General Terms and Conditions constitute the entire agreement between the parties hereto relating to the subject matter herein contained, supersede any prior communications relating to the text herein contained and may not be modified except by written amendment signed by the authorized representative(s) of the parties hereto. None of the obligations of this Contract shall be deemed to be waived by either party unless such obligation is waived, in writing, by an authorized representative of such party.
- 19.3 The General terms and Conditions contained herein are intended to apply to all work performed by Compass for Customer, with only the Compass Fee Schedules and other attachments being changed from job to job. Termination of these General Terms and Conditions shall not affect any rights, duties or obligations of the parties accruing on or prior to the date of such termination.
- 19.4 Customer agrees that it will, at its sole expense and risk, store, manifest, transport and dispose of any spent or used chemical or hazardous waste as defined by the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.), as amended from time to time and the regulations promulgated thereunder ("Hazardous Materials") resulting from or incident to the applicable job. Compass shall not be responsible for signing any manifest or for the storage, transportation or disposal of such Hazardous Materials. The costs and responsibility for storage, transportation and disposal of such Hazardous Materials shall be the sole responsibility of Customer. Customer shall fully protect and indemnify Compass from any liability incurred by Compass, under statute, regulation, or otherwise, arising from Customer's failure to properly store, manifest, transport and/or dispose of such Hazardous Materials.
- 19.5 Any claims, disputes or controversies arising hereunder which cannot be settled by mutual agreement between the parties hereto shall, upon written notice by one party to the other, be finally settled by arbitration in accordance with and subject to the commercial Arbitration Rules of the American Arbitration Association. All arbitration hearings shall be held in Houston, Texas. The party desiring arbitration shall notify the other party in writing of the matter to be arbitrated and the name of the arbitrator selected by it. Within 10 days after receipt of such notice, the other party shall appoint an arbitrator and shall forthwith notify the first party of such appointment. The two arbitrators named shall within 10 days appoint, in writing, a third arbitrator. Pending a decision by the majority of the arbitration panel, both parties agree to take no action which might upset the status quo or prejudice the respective positions of the parties with respect to the matter in controversy. A decision by the majority of the arbitration panel with respect to the matter in controversy shall be final and binding on the parties and shall be issued in writing, and judgment on any award so rendered may be entered in any court having jurisdiction.
- 19.6 Compass may from time to time invoice Customer for partial performance under their agreement with Customer (all present and future accounts receivable owing by Customer to Compass for the sale of goods or the performance of services shall be collectively known herein as the "Contract Accounts"). Regardless of whether or not Compass fails for any reason, including without limitation Compass's negligence, to perform or in the performance of any of Compass's obligations under this agreement which are due to be performed by Compass after any Contract Account arises, Customer agrees not to (i) make or claim any offset or deduction (or receive a credit or reduction) against any amounts owing under such Contract Account as a result of such failure in performance by Compass or (ii) otherwise use such failure in performance as a defense to payment of such Contract Account. Any third party may rely upon and be the beneficiary of the foregoing provisions in making loans to or purchasing the Contract Accounts from Compass.

(Revised September, 2009)