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## TERMS & CONDITIONS – PRECISION WELL SERVICING RENTALS, A DIVISION OF PRECISION LIMITED PARTNERSHIP

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**BY EXECUTING A WORK ORDER OR BY DELIVERY OF PRECISION'S EQUIPMENT, PRECISION AND CUSTOMER AGREE TO BE BOUND BY ALL OF THESE PROVISIONS.**

All Equipment provided by Precision Well Servicing Rentals, a division of Precision Limited Partnership ("**Precision**") is expressly subject to the following Terms & Conditions (the "**Agreement**").

### **1. Application of Agreement**

- 1.1 In consideration of the mutual covenants and consideration set forth in this Agreement, Precision grants and leases to Customer the equipment identified and described on the Work Order (the "**Equipment**"). The specific Equipment covered by this Agreement, including, make, model, and serial number, shall be listed on the Work Order attached hereto and incorporated by reference. The parties agree that this Agreement governs any Work Order between the parties to the entire exclusion of all other terms and conditions. If any provision of this Agreement is inconsistent with any other document related to or issued in relation to the Equipment, this Agreement shall exclusively prevail. No variation of this Agreement shall be of effect unless expressly agreed to in writing by a duly authorized officer of Precision.
- 1.2 The term of the lease for Equipment leased by Precision to Customer is as stated on the Work Order (the "**Term**").
- 1.3 **Early Termination: In the event of early termination of this Agreement by Customer, Customer shall be responsible for paying a fee equal to 90% of the remaining lease payments for the unexpired Term of the Agreement. This fee is in addition to any other amounts owed for Equipment usage up to the date of termination. Precision reserves the right to waive or reduce this fee at its sole discretion.**

### **2. Pricing and Payment**

- 2.1 Customer is responsible for payment of rent for the Equipment as stated on the Work Order (the "**Rent**").
- 2.2 Precision will invoice Customer each calendar month for the Rent. Notwithstanding the foregoing, Precision retains the right to invoice Customer at the completion, expiration, or termination of a Work Order for all amounts owed by Customer pursuant to a Work Order. Customer will pay all invoiced amounts, plus all applicable taxes and costs, within twenty-eight (28) days of the date of the invoice.
- 2.3 Prices are exclusive of all taxes (federal, provincial, or local), transportation charges, drayage, demurrage, import duties, transfer fees, or documentations charges, all of which shall be paid by Customer in addition to the prices shown on the Work Order. If such amounts are not included in the Work Order, they may be invoiced separately.
- 2.4 During the Term, Customer is responsible for paying the cost of all fuel, oil and lubricants or other reasonably required substances to operate and maintain the Equipment and all repairs, replacement parts, including labor required to be made to the Equipment in order to keep the Equipment in good repair, condition and working order.
- 2.5 Without prejudice to any other rights or remedies of Precision, at law or in equity, Customer agrees that in the event of default by Customer in the payment of any amount due and payable hereunder, it shall, on demand, immediately pay to Precision interest at the rate of 18% per annum from the due date thereof until the amounts owing are paid in full.
- 2.6 If any proceeding or suit is instituted against Customer to recover any past due amounts, Precision is entitled to recover all of its costs and expenses related thereto, including its legal fees (on a solicitor and client basis) from Customer. Each invoice creates an independent payment obligation and is not subject to any setoff, defense, demand, or claim Customer may have against Precision or any third party.

### **3. Location, Methods and Practices**

- 3.1 Conditions in and about any well-site may involve hazards to life and property and obstacles to the functioning of the Equipment. Such conditions are not, and never have been subject to, inspection or control by Precision. Customer represents that it has acquainted itself with and accepts all risks and liability relating to well-site conditions, circumstances, requirements, impediments, if any, and considerations relevant to the use of the Equipment.

### **4. Transportation and Delivery**

- 4.1 When Customer transports the Equipment for delivery, it is at the sole cost of Customer in all instances and at the sole risk of Customer. Customer shall ensure that the Equipment is transported or moved only by a suitably insured and licensed transportation company with the appropriate equipment required to transport or move such Equipment and with properly licensed drivers who are experienced and knowledgeable in transporting such Equipment.
- 4.2 If required by Customer and agreed by Precision in writing, Precision may transport and deliver the Equipment to Customer's location, at the cost as set out in the Work Order or at the cost that both parties agree upon in writing.
- 4.3 Customer is liable for all costs and expenses relating to or arising from the loading, transportation (including towing) and unloading of the Equipment to the receiving destination as well as to the returning destination. Precision assumes no responsibility for the hook up or loading of Equipment.

### **5. Care, Custody and Control**

- 5.1 Care, custody and control of, and risk of loss of Equipment shall pass to Customer upon the earliest of:
  - (a) when the Customer picks up the Equipment from Precision in accordance; or
  - (b) the delivery of Equipment by Precision to the site specified by Customer for delivery.
- 5.2 Care, custody and control of, and risk of loss of, Equipment shall remain with Lessee until such equipment a) is returned by Customer to Precision; or b) picked up for demobilization by Precision.

## **6. Use of Equipment by Customer**

### **6.1 Customer shall:**

- (a)** ensure that the Equipment is, at all times, operated by competent personnel only and shall pay all expenses of operating the Equipment;
- (b)** not use the Equipment for any illegal or improper purpose and shall, at Customer's sole expense, comply with and conform to all laws, ordinances, directives, rules and regulations in any way relating to Customer's possession, use, storage, maintenance or transport of the Equipment;
- (c)** not make any alterations, additions, or improvements to the Equipment without the prior consent of Precision;
- (d)** not remove, alter or disfigure any identification insignia displayed upon the Equipment;
- (e)** use and allow the Equipment to be used only for its own business and will not transfer, assign, rent, sell sublet or otherwise part with possession of the Equipment;
- (f)** ensure that the Equipment is not subject to careless or rough usage;
- (g)** bear full responsibility and liability for any and all damages to the Equipment arising due to improper operation;
- (h)** immediately notify Precision of any accidents, damage or losses to the Equipment during the Term;
- (i)** be held responsible for any damage or theft to the Equipment that occurs during the Term; and
- (j)** pre-inspect the Equipment to ensure it is suitable for the intended purpose and in compliance with manufacturer specifications and regulatory rules.

## **7. Inspection By Precision**

7.1 Precision shall have the right, and Customer shall allow Precision access, to inspect any Equipment upon request by Precision (an "On-Site Inspection"). Customer shall make any necessary arrangements to permit representatives or employees of Precision to access the sites or premises upon which any of the Equipment is located.

## **8. Repair of Equipment**

- 8.1 Customer shall, at its sole expense, maintain the Equipment in good repair, condition and working order, normal wear and tear excepted.
- 8.2 Customer will immediately notify Precision if any of the Equipment requires repair. Customer agrees that all repairs to the Equipment shall be provided by Precision and will not engage any other third party to conduct repairs on the Equipment unless otherwise agreed to by Precision with prior written approval. Precision agrees to conduct repairs to the Equipment in a timely fashion. While in its care, custody and control, Customer agrees to be solely responsible for the cost of all repairs to the Equipment (including the cost of all travel, shipping, handling, labour and parts) and to indemnify Precision against any Claims related to the Equipment, normal wear and tear excepted.
- 8.3 No allowance will be made in the payable by Lessee for any downtime of any Equipment that requires repair or replacement unless the parties otherwise agree.

## **9. Damage to Equipment**

- 9.1 Customer shall be liable for and shall indemnify and hold Precision harmless against all loss and damage to any Equipment, and all expenses arising there from, while such Equipment is in the care, custody and control of Customer, which includes the transport of the Equipment by Customer's designated third party transportation company, normal wear and tear expected. Customer agrees that where Equipment has been lost or stolen or has suffered a Total Loss (the "**Lost Equipment**"), as determined by Precision (acting reasonably), Customer will be liable to Precision for the replacement value of such Lost Equipment, including all expenses arising therefrom.
- 9.2 In the event that any Equipment is lost, stolen, confiscated, seized or damaged, Lessee will promptly notify Precision of such event.
- 9.3 Precision shall have the right, but not the obligation, to provide replacement equipment for any Lost Equipment. In addition to Customer's liability for the Lost Equipment:
- (a)** If Precision elects not to provide replacement Equipment for the Lost Equipment, Precision's obligations with respect to such Lost Equipment under the applicable Work Order shall terminate without further liability and Customer's obligation for the payment of Rent shall cease as at the effective date of the loss; and
  - (b)** If Precision elects to provide replacement Equipment, Customer continues to be liable for payment of Rent for the replacement Equipment in lieu of the Lost Equipment for the remainder of the Term.

## **10. Title**

10.1 Title to the Equipment including any alteration, modification, improvement and addition shall at all times be and remain vested with Precision, and nothing contained herein shall be construed to create anything other than the relationship of lessor and lessee between Precision and Customer. Customer shall not create or incur, nor will it permit the creation or incurring of, any liens on the Equipment, excluding liens created by, through or for the benefit of Precision.

## **11. Allocation of Risk and Liability**

- 11.1 "Claims" means any of the following, including any combination thereof: demands, actions, causes of action, claims, assertions, allegations, obligations, damages, losses, deficiencies, costs, proceedings, liabilities, disbursements, fines, penalties, judgments, awards, suits and expenses including all legal fees on a solicitor and own client basis and sums paid by way of settlement and compromise.
- 11.2 Notwithstanding anything to the contrary in this Agreement, Customer shall at all times assume all of the risk of and shall be solely liable for:
- (a)** any loss or damage to any hole, downhole casing, reservoir or underground formation regardless of the cause;
  - (b)** the cost of gaining control of any blowout or wild well including the removal of debris in relation thereto regardless of the cause;

- (c) any surface or subsurface pollution, contamination or environmental damage resulting from, arising out of, caused by or related to: (i) the use, operation, possession, storage or transport of the Equipment by or on behalf of Customer; and (ii) any drilling fluids or any other fluid or materials originating in the wellbore; and

regardless of negligence or any type of fault of any Precision Indemnified Party, defined below, or howsoever arising and Customer shall defend and indemnify each Precision Indemnified Party from any Claims resulting therefrom and specifically releases each Precision Indemnified Party from any Claims Customer may otherwise make in regard thereto.

- 11.3 Customer shall be liable for and shall release, indemnify, defend and save Precision, its affiliates, contractors and subcontractors and its and their directors, officers, agents, employees, and representatives (each, a "**Precision Indemnified Party**") harmless from and against any Claims, whether arising in contract, tort or any other legal theory, suffered by, imposed upon, sustained or asserted against a Precision Indemnified Party as a result of, in respect of, arising out of or related to:

- (a) this Agreement or the Work Order, including without limitation, the use, operation, possession, storage or transport of the Equipment by or on behalf of Customer;
- (b) the breach of any provision of the Agreement or a Work Order by Customer or its affiliates, contractors and its subcontractors and its or their directors, officers, agents, employees, and representatives (each, a "**Customer Indemnified Party**");
- (c) any negligent act or omission or willful misconduct by a Customer Indemnified Party; and
- (d) loss of life or bodily injury to a Customer Indemnified Party and any third party, howsoever caused and regardless of negligence or fault of a Precision Indemnified Party; and
- (e) any loss of or damage to the property or equipment of a Customer Indemnified Party, howsoever caused and regardless of the negligence or other fault of a Precision Indemnified Party.

## 12. Insurance

- 12.1 Customer shall, at its own cost and expense, maintain the following insurance: (a) Commercial General Liability Insurance with limits of not less than \$5,000,000; and, (b) All Risks Physical Damage insurance on the Equipment on a full replacement cost basis; and, (c) any other insurance required to indemnify Precision against any loss to or damage to the Equipment. The above policies shall name Precision as "additional insured" and "loss payee" and shall be kept in full force and effect throughout the Term of this Agreement including while any such Equipment is in transit. Customer's insurance shall be primary to any insurance provided by Precision. The above policies shall be endorsed to provide Precision with thirty (30) days advance written notice of cancellation. Precision reserves the right to demand proof of insurance in a form and amount acceptable to Precision, failing which Precision may refuse to deliver the Equipment to Customer or may remove the Equipment from the possession of the Customer.

- 12.2 Customer further agrees that the limits of insurance set out herein shall not be considered in any way to be a limitation on the liabilities of Customer.

## 13. Representations, Warranties or Guarantees

- 13.1 The Equipment is received by the Customer without any representation or warranty whatsoever by Precision as to its condition, the work that it is able to do, the result it will accomplish or otherwise. Customer acknowledges that it has inspected the Equipment, that it accepts the Equipment in its present condition and that the Equipment is in good repair, condition and working order.

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

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

## 14. Limitation of Damages and Remedies

- 14.1 **PRECISION SHALL NOT, UNDER ANY CIRCUMSTANCES, BE RESPONSIBLE OR LIABLE FOR ANY PUNITIVE, EXEMPLARY, SPECIAL, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES ARISING DIRECTLY OR INDIRECTLY OUT OF OR IN CONNECTION WITH THE POSSESSION, USE, APPLICATION AND/OR LOSS OF THE EQUIPMENT PROVIDED BY PRECISION (INCLUDING BUT NOT LIMITED TO LOSS OF USE, LOST INCOME, LOST OR DELAYED PROFITS OR REVENUE, OR LOSS OF BUSINESS, UNABSORBED OVERHEAD, AND INCREASED EXPENSES).** Further, Precision shall have no liability for any Claims for damages or expenses of any kind whatsoever founded upon negligence, strict liability or any other theory in tort. If Precision's Equipment is determined to be defective, Customer's sole, exclusive remedy shall be repair or replacement of the defective Equipment, at Precision's option.

- 14.2 The aggregate liability of Precision hereunder for, and the entire remedy for Customer for any damages or loss it may suffer from any cause whatsoever, shall be limited to the amount invoiced by Precision under the related Work Order for utilization of the Equipment, which Customer agrees is a reasonable estimate of damages.

## 15. Notice

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

## 16. General

- 16.1 The parties acknowledge that the provisions of this Agreement were negotiated to reflect an informed, voluntary allocation between them of all risks (both known and unknown) associated with transactions under this Agreement.

- 16.2 This Agreement contains the entire and exclusive agreement between Precision and Customer and supersedes any previous written or oral statements related to the Equipment and may only be modified by a written amendment signed by an authorized representative of Precision. This Agreement shall govern, supersede and prevail over all conflicting terms and conditions of any and all Work Orders, quotes,

purchase orders, order confirmations, job tickets, invoices, work requests, delivery tickets and other communications and documents, even if such other documents expressly provide in writing that any or all of their terms or conditions shall prevail over this Agreement. All terms, conditions and stipulations in any such documents used by Customer not in conformity with and/or conflicting with the terms and provisions of this Agreement shall be null and void and this Agreement shall exclusively prevail.

- 16.3 The entire liability of Precision, including express and implied warranties, in connection with the Equipment is set forth above. This Agreement may only be waived in writing by Precision.
- 16.4 No waiver of any of the provisions of this Agreement or a Work Order shall be deemed to constitute a waiver of any other provision (whether or not similar), nor shall any such waiver be binding unless executed in writing by the party to be bound by the waiver. No failure on the part of Precision to exercise, and no delay in exercising, any right under this Agreement or a Work Order shall operate as a waiver of such right, nor shall any single or partial exercise of any such right preclude any other or further exercise of such right or the exercise of any other right. Any such written waiver shall be effective only in the specific instance and for the specific purpose given.
- 16.5 This Agreement shall enure to the benefit of and be binding upon the heirs, executors, administrators and legal personal representatives of the Customer and the successors and assigns of Precision. Customer may not assign its rights or obligations under this Agreement without the prior written consent of Precision. Precision may assign its rights and obligations under this Agreement without the consent of Customer.
- 16.6 If any provision of this Agreement or a Work Order is determined to be unenforceable or in contravention of any applicable law, such provision shall be deemed modified to the minimum extent required to bring such provision into compliance with the law, and the validity, legality and enforceability of the remaining provisions contained in this Agreement or a Work Order and all other applications of any such provision will not in any way be affected or impaired.
- 16.7 The validity, interpretation and construction of this Agreement will be governed by the laws of the Province of Alberta. Any action or proceeding arising out of or relating to this Agreement must be brought in Alberta, and each of the parties hereby agree to irrevocably submit itself to the exclusive jurisdiction of the courts of Alberta.
- 16.8 All provisions that by their nature are intended to survive shall survive any termination or expiration of this Agreement.