



## Production Tool Solution, Inc. Standard Terms and Conditions of Purchase

Orders for the supply or sale of products ("Products") to be provided by PRODUCTION TOOL SOLUTION INCORPORATED (referred to herein as "PTS") to its customers (each a "CUSTOMER") are subject to acceptance by PTS. Any orders so accepted will be governed by the terms and conditions stated herein. Any variation or addition to these Terms and Conditions shall not be legally binding unless agreed in writing by PTS.

### 1. Application

- 1.1. A contract will be formed when PTS accepts the CUSTOMER's purchase order subject to these Terms & Conditions
- 1.2. PTS will sell products and the Customer will pay the specified price, in accordance with the Contract

### 2. Invoicing and Payment Terms

- 2.1. PTS will issue CUSTOMER an invoice for the Price of Products.
- 2.2. Unless alternate payment terms are specified or approved by PTS, all charges billed by PTS are payable within thirty (30) days of the date of invoice. At PTS' option, interest may be charged at the rate of ten percent (10%) per annum unless such rate contravenes local law in which case the interest charged will be the maximum allowed by law.
- 2.3. Operations, production or well conditions which prevent satisfactory operation of Products do not relieve CUSTOMER of its payment responsibility.

### 3. Cancellation

- 3.1. Orders for Products which are subject to cancellation after acceptance by PTS will be subject to a restocking charge of at least twenty-five percent (25%), plus any actual packing and transportation costs.
- 3.2. Products specially built or manufactured to CUSTOMER specifications, or orders of substantial quantities manufactured specially for CUSTOMER, may only be cancelled upon payment of cancellation fee, of which the cancellation fee will be determined solely by PTS

### 4. Third-Party Charges

- 4.1. CUSTOMER shall pay all third-party charges incurred upon PTS at a rate of cost plus fifteen percent (15%) administration charge.

### 5. Incoterms

- 5.1. For all Product sales, unless otherwise agreed to in writing between PTS and CUSTOMER, incoterm "EXW" shall apply.

### 6. Warranty and Repairs

- 6.1. PTS warrants that the Products supplied shall conform to PTS' published specifications
- 6.2. If any of the products fail to conform to such specifications upon inspection by PTS, PTS, at its option, shall repair or replace the non-conforming products with the type originally furnished, provided PTS is notified thereof in writing within 12 months from date of invoice.
- 6.3. Warranty claims by CUSTOMER must be submitted in writing to PTS within thirty (30) days after the failure date. Included in the warranty claim, the following must be disclosed: 1. Completion Diagram. 2. Run in hole procedure 3. Operational History (Run Life, Pump Size & Speed, Production Rate)
- 6.4. In the event PTS provides Products to CUSTOMER based upon CUSTOMER's specifications and are not "standard" Products of PTS ("Specialty Products"), CUSTOMER hereby recognizes PTS shall have no responsibility for the design, manufacture or engineering of any such Specialty Products.
- 6.5. PTS' warranty obligations shall not apply if the non-conformity was caused by (i) CUSTOMER's failure to properly store or maintain the Products, (ii) abnormal well conditions, abrasive materials, corrosion due to aggressive fluids or incorrect specifications provided by CUSTOMER, (iii) unauthorized alteration or repair of the Products by CUSTOMER, (iv) the Products are lost or damaged while on CUSTOMER's site due to CUSTOMER's or any third party's negligence, vandalism or force majeure, or (v) use or handling of Products by CUSTOMER in a manner inconsistent with PTS' recommendations. Further, PTS' warranty obligations shall terminate if (i) CUSTOMER fails to perform its obligations under this Contract, or (ii) CUSTOMER fails to pay any charges due PTS.
- 6.6. CUSTOMER acknowledges any unauthorized alteration or repair of the Products is forbidden and will release PTS from any further obligation.
- 6.7. All non-conforming Products shall be delivered to the service facility designated by PTS. All transportation charges related to the repair or replacement of non-conforming Products shall be the responsibility of the CUSTOMER.



## Terms & Conditions of Purchase

### 7. Liabilities, Releases and Indemnification

- 7.1. In this Agreement, "Claims" shall mean all claims, demands, causes of action, liabilities, damages, judgements, fines, penalties, awards, losses, costs, or expenses of any kind arising out of, or related to, the performance of the Products supplied in this Agreement (including, without limitation, real or personal property loss, damage or destruction, personal or bodily injury, illness, sickness, disease or death, or loss of services or wages).
- 7.2. CUSTOMER, to the maximum extent permitted under applicable law, shall release, indemnify, defend and hold PTS and the officers, directors, employees, consultants and agents (referred to in this Agreement as "PTS Indemnitees") harmless from and against any and all Claims asserted by or in favor of any person or party, including PTS Indemnitees or any other person or party resulting from: (i) loss of or damage to any well or hole, (ii) blowout, fire, explosion, cratering or any uncontrolled well condition, (iii) damage to any reservoir, geological formation or underground strata or the loss of oil, water or gas therefrom, (iv) pollution or contamination of any kind. Furthermore, PTS Indemnitees shall not be liable for any other indirect, special, punitive, exemplary or consequential damages or losses, including without limitation damages for lost production, lost revenue, lost product, lost profit, lost business or lost business opportunities.

### 8. Change of Design

- 8.1. PTS reserves the right to change or modify the design and construction of any of its Products without obligation to furnish or install such changes or modifications on Products previously or subsequently sold.

### 9. Confidentiality

- 9.1. Each party shall maintain all data and information obtained from the other party in strict confidence, subject only to disclosure required by law or legal process. In the event that PTS owns copyrights to, patents to, or has filed patent applications on, any technology related to the Products furnished by PTS hereunder, and if PTS makes any improvements on such technology, then such improvements shall not fall within the confidentiality obligations included herein, and PTS shall own all such improvements, including drawings, specifications, calculations and other documents.
- 9.2. The design, construction, application and operation of PTS' Products embody proprietary and confidential information. CUSTOMER shall maintain this information in strict confidence and shall not disclose it to others, subject only to disclosure required by law or legal process.

### 10. Liens and Encumbrances

- 10.1. Should CUSTOMER commit a material breach of any terms and conditions of this Contract, become bankrupt, insolvent, go into receivership or should any creditor or other person attach or levy CUSTOMER's property or equipment, PTS shall immediately have the right, without notice and without liability for trespass or damages, to retake and remove any of its Products wherever it may be found. CUSTOMER shall release, defend, indemnify and hold PTS harmless for any and all liens and encumbrances against Products furnished hereunder.

### 11. Governing Law and Arbitration

- 11.1. This agreement shall be governed by and interpreted in accordance with the laws of California