

ONSHORE DAYWORK DRILLING CONTRACT

BETWEEN

GREAT SOUTH LAND MINERALS LIMITED

AND

Hunt Energy & Mineral CO. – Australia Pty. Ltd.

ABN 52 075 814 390

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TABLE OF CONTENTS

RECITALS	2
AGREEMENT	2
1 DEFINITIONS.....	3
2 HEADINGS.....	3
3 FURTHER ASSURANCES.....	3
4 COMMENCEMENT DATE.....	3
5 LABOUR, EQUIPMENT, MATERIALS, SPECIAL TOOLS, SUPPLIES AND SERVICE	4
6 SUMS PAYABLE TO CONTRACTOR	5
7 TIME OF PAYMENT.....	6
8 TERM	7
9 EQUIPMENT CAPACITY	9
10 CASING PROGRAMME.....	10
11 DRILLING METHODS AND PRACTICES	10
12 CORING.....	11
13 REPORTS TO BE FURNISHED BY CONTRACTOR	11
14 INSURANCE	12
15 CLAIMS.....	13
16 RESPONSIBILITY FOR LOSS OR DAMAGE.....	13
17 INDEPENDENT CONTRACTOR RELATIONSHIP	16
18 LAWS RULES AND REGULATIONS.....	17
19 FORCE MAJEURE.....	17
20 INFORMATION CONFIDENTIAL	18
21 INGRESS AND EGRESS TO LOCATION AND SOUND LOCATION	18
22 CONFLICTS AND WAIVERS	19
23 ADJUSTMENT	19
24 DISPUTE RESOLUTION.....	19
25 INDUSTRIAL RELATIONS.....	20
26 ASSIGNMENT.....	20
27 NOTICES	20
28 GST	20
29 COST GENERALLY	20
30 GOVERNING LAW	21
31 SEVERABILITY.....	21
32 COUNTERPARTS AND MULTIPLE ORIGINALS	21
SIGNATURES	21
ATTACHMENTS	22
SCHEDULE A.....	24
SCHEDULE B.....	26
SCHEDULE C.....	31
SCHEDULE D.....	38
SCHEDULE E.....	39
SCHEDULE F.....	45
SCHEDULE G	46
SCHEDULE H.....	47
SCHEDULE I	48
SCHEDULE J	49
SCHEDULE K.....	50
<u>ONSHORE DAYWORK DRILLING CONTRACT</u>	

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THIS CONTRACT:

BETWEEN GREAT SOUTH LAND MINERALS LIMITED a Company duly incorporated in Australia and having its principal office at Level 3, 65 Murray Street, Hobart, Tasmania, 7000
(**"Operator"**)

AND Hunt Energy & Mineral Co.-Australia Pty Ltd ABN 52 07 814 390 a Company duly incorporated in the State of South Australia and having its principal office at 15 Scarborough Way, Lonsdale, South Australia, 5160
(**"Contractor"**)

RECITALS

- A. Operator is the owner of SEL 13/98 and has JV rights to drill in SEL 5/2005 in Tasmania, Australia and desires to have wells drilled and completed in search of oil or gas and has requested Contractor to provide drilling services for this purpose (**"Services"**).
- B. Contractor represents that, to the best of its knowledge and having conducted reasonable due diligence investigations and taken reasonable steps as appropriate, it has drilling equipment, in good working order and safety management systems in place which are fit for purpose and trained, competent personnel capable of efficiently operating such equipment to provide such Services.

AGREEMENT

Operator engages Contractor as an independent contractor to drill the well or wells designated in **Item 1 of Schedule A** in search of oil or gas on a daywork basis.

For purposes hereof the term **"daywork basis"** means Contractor shall furnish equipment, labour, and perform services as herein provided, for a specified sum per 24 hour day under the direction, supervision and control 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 perform all its work on a 24 hours per day 7 days per week basis and shall be fully paid at the applicable rates of payment and assumes only the obligations and liabilities stated herein.

1 DEFINITIONS

In this Contract unless the context otherwise requires:-

"Contract" means this contract, including **Schedules A to K** inclusive;

"Designated Field Representative" means the person set out in **Item 13** of **Schedule A**;

"GST" means the goods and services tax imposed under the GST Law or similar tax imposed under the GST Law or any similar tax introduced to replace that tax;

"GST Law" means GST Law as defined in Section 195-1 of the "A New Tax System (Goods and Services Tax) Act 1999;

"Governmental Authority" means any government or governmental, semi-government, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity;

"Joint Venture" means the joint venture (if any) between the Operator and any third parties in respect of the well(s) the subject of the Services;

"Rig" or **"Drilling Rig"** means the rig and other equipment the Contractor provides under this Contract as set forth in **Schedule C**;

"Regulations or Practices" means the regulations and requirements of the Department of Primary Industries and Resources, South Australia and Natural Resources and Mines, Queensland or such other Governmental Authority that may have jurisdiction in the relevant area of operations;

"Services" means the drilling services provided by the Contractor as set out in **Schedule E** and in accordance with this Contract.

References to **dollars** or **\$** are references to Australian dollars unless otherwise expressly stated.

2 HEADINGS

The index hereto and the clause headings herein shall not be considered in interpreting the text of this Contract.

3 FURTHER ASSURANCES

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

4 COMMENCEMENT DATE

Operator and Contractor agree to use their best endeavours to commence operations at the first Well Site ("**first location**") on or about 1st of March 2008. Neither operator nor Contractor shall

incur any penalty if delayed by circumstances beyond the Operator or Contractor's control in accordance with **Clause 19**.

5 LABOUR, EQUIPMENT, MATERIALS, SPECIAL TOOLS, SUPPLIES AND SERVICE

- 5.1 Contractor will furnish and use the Drilling Rig, equipment and personnel described in **Schedules C, D and E** to drill and then either abandon or complete as the case may be the well or wells to be drilled pursuant to this Contract. This drilling rig shall be, and remain "Fit for Purpose" and all personnel will be trained for and competent in their jobs.
- 5.2 All labour, equipment, materials, special tools, supplies and services necessary or proper for the operation or maintenance of the Rig and for the drilling and completion of the well or wells shall be furnished in good working condition at the well site or sites by the party designated in **Schedule E** and at the expense of the party designated in **Schedule E**. Should labour, equipment, materials, special tools, supplies or services other than those set forth herein or designated in **Schedule E** be necessary for the drilling or completion of the well or wells the same shall be furnished by Operator at its expense.
- 5.3 If the Operator requests Contractor to provide any labour, equipment, materials, special supplies or services as set forth in **Schedule E** which it is the responsibility of Operator to provide, Contractor, if it agrees to provide the same, and for providing bits, reamers and stabiliser parts, hole opener cutters, swab rubbers and similar items, shall be reimbursed by Operator, for actual Contractor's landed cost at well site or sites plus 15 percent or as otherwise agreed plus GST.
- 5.4 For providing casual or roustabout labour at the request of the Operator, Contractor shall be reimbursed by Operator at actual Contractor's cost plus 15 percent.
- 5.5 Operator will make every effort to stake the first location 14 days before the commencement date specified in **Item 2 of Schedule A**.
- 5.6 Upon termination of this Contract, Contractor shall return to Operator any of Operator's items that are at the time in Contractor's possession and control in as good condition as turned over to Contractor, fair wear and tear excepted.
- 5.7 The Operator may request the Contractor to increase the number of Contractor's personnel and in such event the day rates provided herein shall be adjusted by mutual agreement of the parties hereto.
- 5.8 Contractor shall nominate from time to time one of its personnel as Contractor's representative on site ("**Designated Field Representative**"). The initial Designated Field Representative for the Contractor is set out in **Item 13 of Schedule A**. Such representative shall be in charge of the remainder of Contractor's personnel and shall have full authority to act on behalf of Contractor on all day to day matters which arise between Operator and Contractor.
- 5.9 Contractor will remove and replace in a reasonable time any of Contractor's personnel if Operator so requests in writing provided Operator can show reasonable cause for its requirements.
- 5.10 Operator shall nominate from time to time one of its personnel on site to receive reports as specified in **Clause 13** and act as Operator's representative ("**Designated Field Representative**"). The initial Designated Field Representative for the Operator is set out in **Item 13 of Schedule A**.

- 5.11 Contractor shall have the right to request Operator in writing to remove and replace any of Operator's Third Party personnel if Contractor can show reasonable grounds for such request. However Operator shall have the right to make the final decision with respect to any such removals and replacements.
- 5.12 Contractor shall be responsible at its cost for maintaining reasonable stock levels of Contractor's items and replenishing items consumed, damaged or lost.
- 5.13 If required contractor shall conduct a full tubular drilling string and associated down hole tools inspection prior to the commencement of operations hereunder.
- 5.14 Contractor shall supply Operator upon request with copies of reports of any tubular inspections carried out in respect of the Contractor's drilling string and associated down hole tools.
- 5.15 Any tubular and associated down hole tools which failed to pass any such inspection test will be replaced or repaired by Contractor at its expense prior to commencement of or resumption of operations pursuant to this Contract. Any delay caused in the drilling operations as a result of any such replacement or inspection will be at the cost of the Contractor.
- 5.16 Operator may at any time during the term of this Contract request Contractor to arrange to have inspections of Contractor's tubular and down hole tools performed at Operator's expense.
- 5.17 Contractor represents that the equipment described in **Schedule C** conforms in all respects to the Regulations and Practices.
- 5.18 Contractor represents to the Operator that it will, and agrees to maintain the Drilling Rig and all plant and equipment referred to in **Clauses 5.1 and 5.2** in good working order and operating condition at all times throughout the operation of this Contract.
- 5.19 Contractor represents to the Operator that, to the best of its knowledge and having conducted reasonable due diligence investigations and taken reasonable steps as appropriate, the Rig and associated equipment are fit for their purpose and use or intended use and conforms to the agreed industry standards applicable to the equipment certification, safety management systems, maintenance systems and maintenance scheduling in accordance with current industry practice and regulatory requirements and applicable Regulations and Practices.
- 5.20 Contractor also represents to the Operator that all personnel supplied by the Contractor to perform duties on the Rig are competent and trained with respect to the tasks/duties expected of the position(s). Evidence of competence of personnel to be demonstrated by the Contractor to the Operator at quarterly Operations/HSE review meetings measured against Australian Drilling Industry Training Committee endorsed training matrices for onshore Rig personnel.
- 5.21 Contractor agrees the drilling rig to be inspected by a third party inspector prior to spudding and signed off as being fit for purpose. Costs of the inspection will be at Operator's expense; while the cost of any resulting repairs or modifications will be charged at Rig Repair Rate, as per Schedule B, Item 12.4.

6 SUMS PAYABLE TO CONTRACTOR

- 6.1 Subject to the provisions hereof Operator agrees to pay Contractor for the work performed, services rendered, the materials, equipment, and supplies furnished by Contractor as hereinafter provided.

- 6.2 The work other than Rig moves shall be performed on a day work basis and the day work rates per twenty-four (24) hour day shall be as specified in **Schedule B**. Payment of rates shall be calculated on time to the nearest half hour.
- 6.3 The relevant Standby Rate as set out in **Schedule B** will be payable:
- (a) during any period of delay when Contractor is unable to proceed because of an act or omission of Operator including without limitation the failure of Operator to provide items or to furnish services which are the responsibility of the Operator as specified in **Schedule E**; or
 - (b) from the moment Contractor could have spudded in any well had it not been delayed by Operator until the operating rates first become payable.
- 6.4 Contractor agrees to mobilise the Rig, Camp and Crew to the first location, rig up, and ready to drill Rathole & Mousehole prior to spud for the sum designated in **Item 6 of Schedule B**.
- 6.5 Rigging up and preparedness to spud on the first and subsequent locations shall be verified by the Operator's Designated Field Representative.
- 6.6 For demobilisation of Contractor's Rig, Camp and crew at completion of this Contract Operator agrees to pay to Contractor the sum specified in **Item 7 of Schedule B**.
- 6.7 As part of its rig day rate (s) Contractor will furnish a forklift and appropriately trained operator. If Operator uses forklift as per **Item 60 of Schedule E**, Operator agrees to pay hourly rate as detailed in **Item 12.9 of Schedule B**.
- 6.8 If during the term of this Contract Contractor remobilises its personnel after having demobilised such personnel then Operator will reimburse Contractor for Contractor's necessary out-of-pocket costs for such demobilisation and remobilisation provided both demobilisation and remobilisation are done at the written request of Operator. Such necessary out-of-pocket expenses will include by way of example but not be limited to travelling expenses wages and travelling time.
- 6.9 If the Contractor or Operator deems it necessary to shut down the Rig for repairs or maintenance the Contractor shall cease to be paid at the rate specified in **Item 1 of Schedule B** and will be paid the repair rate specified in **Item 4 of Schedule B**. Time chargeable under this rate shall not exceed 8 hours for any one occurrence or 24 hours cumulative per calendar month. Subject to **Clause 21.4** the Contractor shall not be able to charge the Operator any fee for repairs and maintenance carried out in excess of the periods hereinbefore referred to in this clause. The Contractor covenants and agrees with the Operator to use due diligence in effecting such repairs replacement or maintenance in a good and workmanlike manner.
- 6.10 Any obligation on the Operator to pay any amounts under this Contract are subject to the Operator being provided with a tax invoice and to the Contractor establishing it is registered for GST.

7 TIME OF PAYMENT

- 7.1 Subject to the provisions of **Clause 15.2** of this Contract and compliance by Contractor with all the terms and conditions of this Contract and **Schedule B** Operator agrees to make payments to Contractor as herein set out.
- 7.2 Payment shall be due and payable by Operator of the full amount of each of Contractor's invoices within 14 days of receipt of the same by Operator. Invoices shall be submitted on a fortnightly (14 days) basis. Mobilisation fee is to be paid in

full within 14 days of receipt of the relevant invoice. (20 days rig move rate to be prepaid prior to commencing mobilization.)

- 7.3 Any undisputed sum or sums not paid within 14 working days after due date as herein before specified shall bear interest at the rate of 5 percent per annum from such date until payment.
- 7.4 Operator shall notify Contractor within 21 days of receipt of any invoice that the same or any portion thereof is disputed, and will pay any undisputed portion in accordance with the terms set out above. On satisfactory resolution of any dispute in relation to the whole or any portion of any invoice, Operator shall pay any amount proved to have been correctly invoiced within 7 days of such resolution. Any such amount shall at Contractor's option bear interest from the original due date until payment at the rate of 5 percent per annum.

8 TERM

- 8.1 The term of this Contract shall be deemed to commence when each party has executed the same and shall continue in force thereafter until terminated in any of the ways set out.
- 8.2 Except for those provisions of this Contract which are of a continuing nature and subject to the above provisions this Contract shall terminate on completion of the drilling programme outlined in **Schedule A** hereto unless the term hereof is extended by Operator exercising its option to drill an additional well or wells in which case it shall terminate on completion of the drilling programme for that well or those wells. Operator may reduce this program, without penalty, at any time by giving the contractor 30 days notice.
- 8.3 After completion of said drilling programme the Contractor may, if the landowner who owns the land upon which the well site is located agrees, elect to stack the Drilling Rig at the well site, or move the Rig immediately to another location. In the event Contractor elects to stack the Drilling Rig at the well site after completion of said drilling programme, Contractor shall from that point forward bear all risk related to moving the Rig from the well site to the nearest government sealed road, and shall be due no compensation for delays that may result from inability to move equipment from the well site.
- 8.4 Notwithstanding the termination of this Contract the parties shall continue to be bound by any provisions of this Contract that reasonably require some action or forbearance after the cessation of the day rates provided for hereunder.
- 8.5 Early Termination
- (a) This Contract may be terminated without prejudice to any rights accrued to the date of the termination by either party giving to the other written notice of termination when total loss or destruction of the Rig or a major breakdown thereof causes interruption to or prolonged stoppage of operations (whether caused by an event of Force Majeure or any other cause) for a period in excess of 15 consecutive days.
- (b) By Operator:
- i Notwithstanding the provisions of **Schedule A** with respect to the depth to be drilled, Operator shall have the right to direct the stoppage of the work to be performed by Contractor hereunder at any time prior to reaching the specified depth or drilling all the wells outlined in **Schedule A**, even though Contractor has made no default hereunder. In

such event Operator shall reimburse Contractor as set forth in **Clause 8.6** hereof.

- ii In the event that the Contractor has any execution levied against it in excess of Fifty Thousand Dollars (\$50,000), becomes insolvent, enters into, or proposes or attempts to enter into, any compromise or arrangement with creditors, has an order made, or a resolution passed (or attempted to be passed) for the winding up of the Contractor, or a receiver or receiver and manager is appointed or a mortgagee takes possession of the whole or any part of its property or undertaking or an administrator of the Contractor is appointed, or if any other act, matter, thing or circumstance renders the Contractor incapable of performing the Services; or the Contractor breaches any of the terms or conditions hereof, then the Operator shall have the right, without prejudice to any other of its rights or remedies, by written notice to the Contractor, forthwith to terminate this Contract, and the Contractor's right to compensation shall be as set forth in **Clause 8.6(b)**.

(c) By Contractor:

- i Notwithstanding the provision of **Schedule A** with respect to the depth to be drilled, in the event Operator shall become insolvent, or be adjudicated a 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, or in case a receiver be appointed of the Operator or of the Operator's property, or any part thereof, or Operator's affairs be placed in the hands of a creditor's committee, or following ten days prior written notice to Operator if Operator does not pay Contractor within the time specified in **Clause 7.2**, all undisputed items due and owing, Contractor may, at his option, elect to terminate further performance of any work under this Contract and Contractor's right to compensation shall be as set forth in **Clause 8.6**.

8.6 Early Termination Compensation

- (a) In the event Operator terminates the Contract pursuant to **Clause 8.5(b)(i)** prior to the completion of drilling program or to the depth specified in **Item 3 of Schedule A**, or in the event the Contractor terminates the Contract pursuant to **Clause 8.5(c)**, then Contractor and Operator shall negotiate compensation due to Contractor which will cover the Contractor's out of pocket expenses incurred and to be incurred as a consequence of such early termination. These expenses will not include loss of income due to the rig not operating.
- (b) In the event Operator terminates the Contract pursuant to **Clause 8.5(b)(ii)**, then the Operator shall reimburse the Contractor such part of the payment referred to in the Schedules, which may be due for Services rendered prior to the date of termination and such amount shall be received by the Contractor in full satisfaction and discharge of all claims and demands of any nature whatsoever against the Operator in respect of this Contract.

8.7 Suspension

8.7.1 Weather

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In the event that sustained weather conditions, flooding or other ground conditions prevent continuation of the operations, or in the event that the Operator is unable to obtain relevant Joint Venture or regulatory approvals for the next drilling location, the Operator shall have the right to suspend this Contract by notice to the Contractor, in which case the Operator shall pay to the Contractor Standby With Crew Rate as specified in **Item 12(2) of Schedule B** for a 24 hour period, (or until crews can be evacuated) together with the actual costs to transport the Contractor's personnel away from the Rig, and back to the Rig when notice of the lifting of the suspension is given by the Operator, such costs to be calculated in accordance with **Clause 6**.

8.7.2 Safety

If during the performance of the contract, the Operator's Designated Field Representative is of the opinion that the Contractor is either:

- (i) conducting the Services in breach of the Contractor's safety policies or procedures, or any applicable safety Regulations and Practices or any other safety rules and regulations and procedures supplied by the Operator to the Contractor from time to time or;
- (ii) conducting the Services in such a way as to endanger the life or safety of any persons or which may be likely to cause damage to any property, whether belonging to the Operator or otherwise

- 8.7.2.1 Then the Operator's Designated Field Representative shall notify the Contractor in writing of the breach of safety involved and the Contractor shall rectify the breach notified forthwith.
- 8.7.2.2 In the event the contractor does not rectify the breach of safety notified as above as soon as possible, the Operator's Designated Field Representative may direct the Contractor to suspend performance of the services until such time that the Contractor satisfies the Operator's Designated Field Representative that the Services will be provided in conformity with all applicable safety provisions and Regulations and Practices.
- 8.7.2.3 During such periods of suspension, the Operator shall not be liable for or required to make any payments of what so ever nature to the Contractor.
- 8.7.3.4 In the event that the Contractor fails to rectify the breach of safety for which the Services are suspended pursuant to **Clause 8.7.2** within 30 days of the receipt of such notice or if the Contractors performance of the Services has involved recurring breaches of safety pursuant to **Clause 8.7.2** then the Operator may exercise its powers to terminate the contract forthwith without further obligation to the Contractor.

9 EQUIPMENT CAPACITY

If applicable hereunder, operations shall not be attempted under conditions which exceed the capacity of the equipment specified to be used hereunder. Contractor shall make the final decision as to when an operation or attempted operation would exceed the capacity of specified equipment. Contractor hereby represents that the equipment specified in **Schedule C** has


sufficient capacity to drill to a minimum depth of 2,300m with 4½" drillpipe, and to set all strings of casing as specified in **Item 6 of Schedule A** under normal operating conditions.

10 CASING PROGRAMME

- 10.1 The casing programme shall be as provided in **Item 6 of Schedule A**. The exact setting depth of each string of casing the amount of cement and the process to be used in cementing shall be specified by Operator at the time of each casing setting. If Operator requires a variation in the casing programme requiring the use of additional handling tools same will be furnished by Operator at Operator's expense.
- 10.2 Contractor shall run all strings of casing and shall be compensated therefore at day work rates as set out in **Item 1 of Schedule B**.
- 10.3 Except in emergencies Contractor's pumps shall not be used for pumping cement (but may be used for displacing cement) whilst carrying out Operator's casing programme and Operator shall at its own expense furnish all pumps and other special equipment and service necessary for the running of cement in respect of such programme.
- 10.4 Contractor shall be under no liability to Operator for any loss or damage resulting from casing joints being knocked off in the hole as a result of defective pipe, faulty casing seat, faulty cementing or any operating practice directed by Operator or its Designated Field Representative during running casing. Casing and cementing operations shall be supervised by Operator's Designated Field Representative.

11 DRILLING METHODS AND PRACTICES

- 11.1 Contractor agrees to perform all work to be carried out by it under the terms of this Contract and the specifications and conditions set forth in **Schedule A** with due diligence and care and in accordance with good drilling practice.
- 11.2 Contractor represents to the Operator that the Drilling Rig is capable of and will during this Contract remain capable of :
 - 11.2.1 drilling to the depth specified in **Item 3 of Schedule A** with the pipe specified in **Item 4 of Schedule A** and **Schedule C**; and
 - 11.2.2 carrying out any appropriate testing that the Operator may require; and
 - 11.2.3 completing the well.
- 11.3 Any drill pipe drill collars or substitutes in excess of those furnished by Contractor as specified in **Schedule C** shall be supplied by Operator at its expense.
- 11.4 Contractor agrees to maintain well control equipment in good operating condition at all times checking it as prescribed in **Item 11 of Schedule A** and shall use all reasonable means to control and prevent fires and blowouts to protect the hole and to protect Operator's equipment.
- 11.5 Subject to the terms hereof, and at Operator's cost, at all times during the drilling of the well, Operator shall have the right to control the mud programme.
- 11.6 In the event of Operator requiring the use of any fluid chemical or substance in the mud programme in respect of which any Regulations and Practices requiring the provision of additional or special clothing or equipment for Contractor's employees is then in force Operator shall reimburse to Contractor any additional costs incurred by Contractor in complying with such Regulations and Practices.



- 11.7 Contractor agrees that every effort will be made to drill a straight hole to the specifications described in **Item 8 of Schedule A**. Contractor agrees to run deviation surveys, using a Totco survey tool as reasonably required by Operator. Operator may request Contractor to cement off, re-drill or correct the slope of any hole. While correcting the slope of the hole Contractor shall be paid the applicable day work rates specified in **Item 1 of Schedule B**.
- 11.8 In the event of any difficulty arising which precludes either drilling ahead using reasonably normal procedures or the performance of any other operations planned for a well, Contractor may suspend the work in progress and shall immediately notify the Designated Field Representative of Operator of such suspension in the meantime making reasonable efforts to overcome the difficulty.
- 11.9 Contractor shall be solely responsible for the operation of the Drilling Rig including without limitation supervising moving operations and positioning the Drilling Rig and camp at locations as required by Operator as well as such operations at the drilling site as may be necessary or desirable for the safety of the Drilling Rig.
- 11.10 Throughout the drilling of the well and as directed by the Operator, Contractor shall measure and record the depth in metres of all in-hole tubular in service using an appropriate measuring device.
- 11.11 Contractor will be responsible for the implementation and observation of all health and safety laws and instructions as required by the relevant Regulations and Practices, including applicable occupational health and safety legislation, in the State in which the Rig is operating. Contractor will abide by any other reasonable instructions requested by the Operator.
- 11.12 Without limiting the Contractor's obligations in **Clause 11.12**, the Contractor shall develop, implement and enforce:
- (i) safety management plans and systems;
 - (ii) standard operating procedures;
 - (iii) job hazard analysis,
- as appropriate in the provision of the Services. The Operator shall provide all reasonable assistance to the Contractor as is required from time to time to enable the Contractor to meet its obligations under this **Clause 11.13**.
- 11.13 Contractor shall prior to the Contractor demobilising the Rig from all locations at its cost remove and clean up to the satisfaction of the Operator all material, rubbish, debris, packages, drums, paper, waste, oil, fuel, contaminants and any other material brought onto the wellsite by the Contractor during the performance of this Contract and leave the wellsite in the same condition as when the Contractor first arrived at the wellsite to commence the operations under this Contract.

12 CORING

- 12.1 Contractor agrees to take cores as set out in **Item 9 of Schedule A** or as directed by Operator. All coring shall be paid for at the applicable day work rates set out in **Item 1 of Schedule B**. Operator is to furnish containers for the cores.
- 12.2 Rotary cuttings will be sampled as and when required by the Operator who will furnish sample catcher and containers for the same.

13 REPORTS TO BE FURNISHED BY CONTRACTOR

- 13.1 Contractor shall keep and furnish to Operator a daily drilling report showing depth of the hole and work performed. Drilling report forms may be furnished or specified by Operator but otherwise Contractor shall use the standard IADC or Contractor's standard Daily Tour Report Form. A legible copy of said form signed by Contractor's Designated Field Representative shall be furnished by Contractor to Operator by 06:00 hrs every day the rig is operational.
- 13.2 Contractor shall report to Operator as soon as practicable all incidents, accidents or occurrences arising out of or during the course of operations of Contractor or of any subcontractors of Contractor.
- 13.3 If requested by Operator, Contractor shall furnish Operator with copy of delivery dockets covering any material or supplies provided by Operator and received by Contractor.
- 13.4 All labour, equipment, materials, special tools, supplies or services furnished by Contractor for which Operator is obliged to reimburse Contractor shall be recorded on the Daily Drilling Report or Material Shipment Order.
- 13.5 Contractor, in conjunction with the Operator, shall ensure that as a minimum, quarterly HSE / Maintenance / Operations meetings are conducted in either Adelaide or Hobart to review the performance of the Contract. The first such meeting to be held within 1 month of operations commencing.

14 INSURANCE

- 14.1 At any and all times during the continuation of this Contract and any extension thereof Contractor agrees to arrange insurance of the type and in minimum amounts as follows:-
 - (a) Workers' Compensation insurance in full compliance with applicable laws and regulations and to include the amount of common law coverage held by the Contractor in the applicable State(s).
 - (b) Public Liability insurance (bodily injury and property damage) with a limit of \$10,000,000 for any one accident or incident.
 - (c) Oil and gas well drilling tools insurance on the Rig for their replacement value.
 - (d) Comprehensive automobile liability insurance with limits of liability of the following:-
 - (i) Bodily injury - in respect of statutory liability - unlimited; otherwise \$5,000,000 per person and \$5,000,000 per occurrence.
 - (ii) Property damage - any one occurrence \$10,000,000. Such coverage shall include owned hired and non-owned vehicles.
 - (e) Aircraft Liability Insurance - In any operations hereunder requiring the regular use of aircraft or helicopters (other than those of major airlines or provided by Operator) the Contractor shall utilise the services of recognised charter companies, and shall ensure such companies have appropriate insurances in place. Contractor shall provide if requested by Operator, details of any relevant insurance held by such charter company.
 - (f) Insurance to cover the risks set out in **Clauses 16.1, 16.8, 16.12(a) & 16.12 (c)**.
 - (g) All such insurance shall be carried in a Company or Companies acceptable to Operator and shall be maintained in full force and effect during the continuation of this Contract and any extension thereof. Contractor is allowed to renew or replace the existing insurance policy provided Contractor provides Operator with a Certificate confirming renewal within 7 days of expiry.

- (h) If required by Operator, Contractor will increase its insurance or arrange additional cover(s) above those specified herein. Operator will reimburse Contractor for any increase in premiums resulting from such request.
 - (i) Contractor shall supply certificates of currency in respect of the nominated insurances prior to commencing operations under this Contract.
- 14.2 If Operator consents to Contractor being a self-insurer as to any one or more of the risks for which coverage is herein required such consent must be in writing and signed by Operator.
- 14.3 The effecting of insurance as required by this **Clause 14** shall not in any way limit the responsibilities, obligations or liabilities of the Contractor under other provisions of the Contract.
- 14.4 If the Contractor fails to comply with the requirements of this **Clause 14** the Operator may at the Operator's sole discretion and at the Contractor's sole cost, impose any one or all of the following measures until such time as the Contractor has achieved full compliance:
 - (a) delay the commencement of the Services;
 - (b) suspend the performance of the Services; and/or
 - (c) refuse payment upon any invoice in respect of the Services.

15 CLAIMS

- 15.1 Contractor agrees to pay promptly all proper claims for labour, material, services and supplies furnished by Contractor hereunder (other than labour, material, services or supplies to be paid for by Operator) and agrees to allow no lien or charge to be fixed upon any lease, any well, or the land on which any well is to be drilled, any oil gas or other hydrocarbons produced there from, or other property of Operator. Contractor agrees to indemnify protect and save Operator harmless from and against all such claims and liens, in regard to labour, materials, services and supplies furnished by the Contractor.
- 15.2 If Contractor shall fail or refuse to pay any such proper claim or indebtedness incurred by Contractor in connection with the drilling of any well or wells pursuant to this Contract, Operator shall have the right to pay any such claims or indebtedness out of any money due or to become due to Contractor hereunder. No assignment or transfer by Contractor of rights to monies due to Contractor hereunder shall have any force of effect as far as Operator's rights are concerned until all such claims and indebtedness incurred by Contractor shall have been completely liquidated and discharged.
- 15.3 Before payments are made by Operator to Contractor, Operator may require Contractor to certify that there are no unsatisfied claims for labour, materials, equipment and supplies, or for injuries to persons or property, not covered by insurance which are rightfully the Contractors liability.

16 RESPONSIBILITY FOR LOSS OR DAMAGE

- 16.1 **Contractor's Surface Equipment:** Contractor shall assume liability at all times for damage or destruction of the Rig and Contractor's surface equipment, including but not limited to all drilling tools, machinery, and appliances for use above the surface, regardless of when or how such damage or destruction occurs, and Operator shall be

- under no liability to reimburse Contractor for any such loss except loss or damage under the provisions of Clause 21.4.
- 16.2 **Contractor's Down-Hole Equipment:** Operator shall to the extent Contractor's insurance does not compensate Contractor assume liability at all times for damage to or destruction of Contractor's Down-Hole equipment, including but not limited to drill pipe, drill collars, and tool joints unless loss or damage was caused by the negligence of, or breach of this contract by, the Contractor, employees or subcontractors and Operator shall reimburse Contractor for the value of any such loss or damage, the value to be determined by agreement between Contractor and Operator as current repair cost or current new replacement cost of such equipment delivered to the well site less depreciation of the item(s) replaced as detailed in Schedule H.
- 16.3 **Contractor's Equipment: Environmental Loss or Damage:** Notwithstanding the provisions of Clause 16.1, Operator shall, to the extent Contractor's insurance does not compensate the Contractor, assume liability at all times for damage to or destruction of Contractor's equipment caused by exposure to unusually corrosive or otherwise destructive elements, including those introduced into the drilling fluid from subsurface formations or the use of corrosive additions in the fluid unless such damage was caused or in any way contributed to by the negligence of the Contractor, its employees or subcontractors.
- 16.4 **Operator's Equipment:** Operator shall assume liability at all times for damage or destruction of Operator's equipment, including but not limited to casing, tubing, and well head equipment and Contractor shall be under no liability to reimburse Operator for any such loss or damage unless such loss or damage was caused or in any way contributed to by the negligence of the Contractor, its employees or subcontractors.
- 16.5 **The Hole:** In the event the hole should be lost or damaged, Operator shall be solely responsible for such damage to or loss of the hole, including the casing therein unless such loss or damage was caused by the negligence of the Contractor, its employees or subcontractors.
- 16.6 **Underground Damage:** Operator agrees to defend and indemnify Contractor for any and all claims against Contractor resulting from operations under this Contract on account of injury to, destruction of, or loss or impairment of any property right in or to oil, gas, or other mineral substance or water, if at the time of the act or omission causing such injury, destruction, loss or impairment, said oil, gas or other mineral substance had not been reduced to physical possession above the surface of the earth; and for any loss or damage to any formation, strata, or reservoir beneath the surface of the earth unless such injury, destruction, loss, impairment or damage was caused by or in any way contributed to by the negligence of, or breach of this Contract by, the Contractor, its employees or sub-contractors.
- 16.7 **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 provided Contractor has fulfilled its obligation hereunder.
- 16.8 **Contractor's Indemnification of Operator:** Contractor agrees to protect, defend, indemnify, and save Operator, its officers, directors, employees, and joint venturers harmless from and against all claims, demands, and causes of action of every kind

and character, without limit and without regard to the cause or causes thereof or the negligence of any party or parties, arising in connection herewith in favour of Contractor's employees or Contractor's sub-contractors or their employees, or invitees, on account of bodily injury, death or damage to property. If it is judicially determined that the monetary limits of insurance required hereunder or of the indemnities voluntarily and mutually assumed under this **Clause 16.8** (which Contractor and Operator hereby agree will be supported either by available liability insurance, under which the insurer has no right of subrogation against the indemnitees or voluntarily self-insured, in part or whole) exceed the maximum limits permitted under applicable law, it is agreed that the said insurance requirements or indemnities shall automatically be amended to conform to the maximum monetary limits permitted under such law.

- 16.9 **Operator's Indemnification of Contractor:** Operator agrees to protect, defend, indemnify, and save Contractor, its officers, directors, employees and joint owners harmless from and against all claims, demands, and causes of action of every kind and character, without limit and without regard to the cause of causes thereof or the negligence of any party or parties arising in connection herewith in favour of Operator's employees or Operator's contractors or their employees, or Operator's invitees, on account of bodily injury, death or damage to property.

If it is judicially determined that the monetary limits of insurance required hereunder or of the indemnities voluntary and mutually assumed under this **Clause 16.9** (which Contractor and Operator hereby agree will be supported either by available liability insurance, under which the insurer has no right of subrogation against the indemnitee, or voluntarily self-insured, in part or whole) exceed the maximum limits permitted under applicable law, it is agreed that said insurance requirements or indemnities shall automatically be amended to conform to the maximum monetary limits permitted under such law.

- 16.11 **Liability for Wild Well:** Operator shall be liable for the cost of regaining control of any wild well, as well as for cost of removal of any debris, and shall indemnify Contractor in this regard.

- 16.12 **Pollution and Contamination:** Notwithstanding anything to the contrary contained herein, except the provisions of **Clauses 21.4 and 16.4**, it is understood and agreed by and between Contractor and Operator that the responsibility for pollution and contamination shall be as follows:

- (a) Unless otherwise provided herein, Contractor shall assume all responsibility for, including control and removal of, and protect, defend and save harmless Operator from and against all claims, demands and causes of action of every kind and character arising from pollution or contamination, except pollution from reserve pits, which originates above the surface of the land or water from spills of fuels, lubricants, motor oils, normal water base drilling fluid, pipe dope, paints, solvents, ballast, bilge and garbage, wholly in Contractor's possession and control and directly associated with Contractor's equipment and facilities.
- (b) Operator shall assume all responsibility for, including control and removal of, and protect, defend, indemnify and save Contractor harmless from and against all claims, demands, and causes of action of every kind and character arising directly or indirectly from all other pollution or contamination which may occur during the conduct of operations hereunder, including but not limited to, that which may result from fire, blowout, cratering, seepage or any other

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uncontrolled flow of oil, gas, water or other substance, as well as, the use or disposition of oil emulsion, oil base or chemically treated drilling fluids, contaminated cuttings or cavings, lost circulation and fish recovery materials and fluids save and except for any loss or damage caused by the negligence of the Contractor, the Contractor's employees or subcontractors.

- (c) 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 therefore 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 respecting defence, indemnity, holding harmless and limitation of responsibility and liability, as set forth in (a) and (b) above, shall be specifically applied.

- 16.13 **Consequential Damage:** Neither party shall be liable, to the other for special indirect nor consequential damages resulting from or arising out of this Contract, including, without limitation, loss of profit or business interruptions, however same may be caused.
- 16.14 **Termination of Location Liability:** When Contractor has complied to the satisfaction of the Operator with all obligations (if any) of the Contract regarding restoration of Operator's location, Operator shall thereafter be liable for damage to property, personal injury or death of any person which occurs as a result of conditions of the location and Contractor shall be relieved of such liability; provided, however, if Contractor shall subsequently re-enter upon the location for any reason, including removal of the Rig, any term of the Contract relating to such re-entry activity shall become applicable during such period.
- 16.15 Should the Operator elect to use an oil base mud or introduce into and maintain a mud system which contains in excess of 8 percent of oil, then the Operating Rate as set out in **Item 1 of Schedule B** shall be increased by 8 percent. Operator shall be responsible for the cost of replacement of elastomers damaged as a result of the use of such oil.
- 16.16 Should the Operator elect to use air or air/mist or air/foam then the Rig day rates set out in **Item 1 of Schedule B** shall be increased by a factor to be agreed between the Contractor and Operator. The cost or repair or replacement of equipment damaged during the course of such operation shall be at the Operator's expense.
- 16.17 The Operator shall observe drill stem design operating limits and recommended practices contained in API Bulletin RP7G. Should the Operator elect to exceed these limits or depart from these practices, the Operator shall be responsible for loss or damage to the drill stem and shall compensate the Contractor accordingly.

17 INDEPENDENT CONTRACTOR RELATIONSHIP

- 17.1 Contractor shall be an independent contractor with respect to performance of all work hereunder and neither Contractor nor anyone employed by Contractor shall be deemed for any purpose to be the employee, agent, servant or representative of Operator in the performance of any work or service or any part thereof in any manner dealt with hereunder.
- 17.2 The actual performance and superintendence of all work hereunder shall be by Contractor but Operator's Designated Field Representative and his staff designated in **Item 13 of Schedule A** hereto shall have unlimited access to the site of any well

to determine whether work is being performed by Contractor in accordance with Operator's reasonable directions and with all the provisions of this Contract and **Schedule A**. Such Designated Field Representative shall be empowered to act for Operator in all matters relating to Contractor's performance of the work being undertaken.

- 17.3 The Contractor agrees that the Operator's Designated Field Representative shall not be under any personal liability to the Contractor for anything done or omitted to be done in the exercise of the functions of the Operator's Designated Field Representative (as the case may be).
- 17.4 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 Designated Field Representative of Operator. However, Operator shall not issue any instructions that would be inconsistent with good oilfield practices and Contractor's rules policies or procedures pertaining to the safety of its personnel equipment or the Drilling Rig.
- 17.5 Operator acknowledges that the Contractor has a drug and alcohol policy to keep the well site and all personnel working at the well site drug and alcohol free. Operator shall ensure that all Operator personnel and other contractors under the Operator's control shall comply with this policy.

18 LAWS RULES AND REGULATIONS

Contractor and Operator respectively agree to comply with all laws rules and regulations of the Commonwealth, the State of South Australia and any such other Governmental Authority that may have jurisdiction in the relevant area of operations that are now or may become applicable to operations covered by this Contract or arising out of performance of such operations, including the Regulations and Practices.

19 FORCE MAJEURE

- 19.1 Neither Operator nor Contractor shall be liable to the other for any delays or damage or any failure to act due, occasioned or caused by reason of any laws, rules, regulations or orders promulgated by any Federal, State, or Local government body of the rules, regulations, or orders of any public body or official purporting to exercise authority or control respecting the operations covered hereby, including the procurement or use of tools and equipment or due occasioned or caused by strikes, action of the elements, water conditions, inability to obtain fuel or other critical materials, or other causes beyond the control of the party affected thereby. 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, it is agreed that such party shall give 5 days 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. Notwithstanding any such suspension the Operator shall remain obliged to pay the Contractor the appropriate rate specified in **Item 3 of Schedule B**.