

ORIGINAL

KANSAS CORPORATION COMMISSION  
OIL & GAS CONSERVATION DIVISION

Form ACO-1  
September 1999  
Form Must Be Typed

WELL COMPLETION FORM  
WELL HISTORY - DESCRIPTION OF WELL & LEASE

Operator: License # 5399  
Name: American Energies Corporation  
Address: 155 N Market, Suite 710  
City/State/Zip: Wichita KS 67202  
Purchaser: \_\_\_\_\_  
Operator Contact Person: Alan L. DeGood  
Phone: (316) 263-5785  
Contractor: Name: Berentz Drilling Company, Inc.  
License: 5892  
Wellsite Geologist: Doug Davis

Designate Type of Completion:  
 New Well     Re-Entry     Workover  
 Oil     SWD     SLOW     Temp. Abd.  
 Gas     ENHR     SIGW  
 Dry     Other (Core, WSW, Expl., Cathodic, etc)

If Workover/Re-entry: Old Well Info as follows:  
Operator: \_\_\_\_\_

Well Name: \_\_\_\_\_  
Original Comp. Date: \_\_\_\_\_ Original Total Depth: \_\_\_\_\_  
 Deepening     Re-perf.     Conv. to Enhr./SWD  
 Plug Back     Plug Back Total Depth  
 Commingled    Docket No. \_\_\_\_\_  
 Dual Completion    Docket No. \_\_\_\_\_  
 Other (SWD or Enhr.?)    Docket No. \_\_\_\_\_

7-01-04    7-09-04    7/10/04  
Spud Date or    Date Reached TD    Completion Date or  
Recompletion Date    Recompletion Date

API No. 15 - 079-20662-00-00  
County: Harvey  
90W NE NW SE Sec. 15 Twp. 23 S. R. 3  East  West  
2310 feet from (S) N (circle one) Line of Section  
1740 feet from (E) W (circle one) Line of Section

Footages Calculated from Nearest Outside Section Corner:  
(circle one) NE (SE) NW SW  
Lease Name: Epp A Well #: 1  
Field Name: Harvey

Producing Formation: \_\_\_\_\_  
Elevation: Ground: 1458 Kelly Bushing: 1463  
Total Depth: 3401 Plug Back Total Depth: \_\_\_\_\_  
Amount of Surface Pipe Set and Cemented at 346 Feet  
Multiple Stage Cementing Collar Used?  Yes  No  
If yes, show depth set \_\_\_\_\_ Feet  
If Alternate II completion, cement circulated from \_\_\_\_\_  
feet depth to \_\_\_\_\_ w/ \_\_\_\_\_ sx cmt.

Drilling Fluid Management Plan P&A KGR 6/14/07  
(Data must be collected from the Reserve Pit)

Chloride content 1500 ppm Fluid volume 500 bbls  
Dewatering method used Lined pit with Bentonite, allowed to dry and backfill.  
Location of fluid disposal if hauled offsite: \_\_\_\_\_

Operator Name: \_\_\_\_\_  
Lease Name: \_\_\_\_\_ License No.: \_\_\_\_\_  
Quarter \_\_\_\_\_ Sec. \_\_\_\_\_ Twp. \_\_\_\_\_ S. R. \_\_\_\_\_  East  West  
County: \_\_\_\_\_ Docket No.: \_\_\_\_\_

**INSTRUCTIONS:** An original and two copies of this form shall be filed with the Kansas Corporation Commission, 130 S. Market - Room 2078, Wichita, Kansas 67202, within 120 days of the spud date, recompletion, workover or conversion of a well. Rule 82-3-130, 82-3-106 and 82-3-107 apply. Information of side two of this form will be held confidential for a period of 12 months if requested in writing and submitted with the form (see rule 82-3-107 for confidentiality in excess of 12 months). One copy of all wireline logs and geologist well report shall be attached with this form. ALL CEMENTING TICKETS MUST BE ATTACHED. Submit CP-4 form with all plugged wells. Submit CP-111 form with all temporarily abandoned wells.

All requirements of the statutes, rules and regulations promulgated to regulate the oil and gas industry have been fully complied with and the statements herein are complete and correct to the best of my knowledge.

Signature: Alan L. DeGood  
Title: Alan L. DeGood, President Date: 8/3/04

Subscribed and sworn to before me this 3rd day of August,  
2004.

Notary Public: Melinda S. Wooten  
Melinda S. Wooten

Date Commission Expires: 3-12-08

MELINDA S. WOOTEN  
Notary Public - State of Kansas  
My Appt. Expires 3-12-08

KCC Office Use ONLY

No Letter of Confidentiality Received  
If Denied, Yes  Date: \_\_\_\_\_  
 Wireline Log Received  
 Geologist Report Received  
 UIC Distribution

Operator Name: American Energies Corporation Lease Name: Epp A Well #: 1  
 Sec. 15 Twp. 23 S. R. 3  East  West County: Harvey

**INSTRUCTIONS:** Show important tops and base of formations penetrated. Detail all cores. Report all final copies of drill stems tests giving interval tested, time tool open and closed, flowing and shut-in pressures, whether shut-in pressure reached static level, hydrostatic pressures, bottom hole temperature, fluid recovery, and flow rates if gas to surface test, along with final chart(s). Attach extra sheet if more space is needed. Attach copy of all Electric Wireline Logs surveyed. Attach final geological well site report.

Drill Stem Tests Taken  Yes  No  
 (Attach Additional Sheets)  
 Samples Sent to Geological Survey  Yes  No  
 Cores Taken  Yes  No  
 Electric Log Run  Yes  No  
 (Submit Copy)

Log Formation (Top), Depth and Datum  Sample  
 Name Top Datum

**See Attached Drilling Report**

List All E. Logs Run:

**Dual Induction  
 Compensated Density Neutron**

| CASING RECORD <input type="checkbox"/> New <input type="checkbox"/> Used  |                   |                           |                   |               |                |              |                            |
|---|-------------------|---------------------------|-------------------|---------------|----------------|--------------|----------------------------|
| Report all strings set-conductor, surface, intermediate, production, etc. |                   |                           |                   |               |                |              |                            |
| Purpose of String   | Size Hole Drilled | Size Casing Set (In O.D.) | Weight Lbs. / Ft. | Setting Depth | Type of Cement | # Sacks Used | Type and Percent Additives |
| Surface   | 12 1/4            | 8 5/8                     |                   | 346           | 70/30 Poz      | 225          | 3% CC/2% Gel               |
|   |                   |                           |                   |               |                |              |                            |
|   |                   |                           |                   |               |                |              |                            |

| ADDITIONAL CEMENTING / SQUEEZE RECORD |                  |                |             |                            |
|---------------------------------------|------------------|----------------|-------------|----------------------------|
| Purpose:                              | Depth Top Bottom | Type of Cement | #Sacks Used | Type and Percent Additives |
| ___ Perforate                         |                  |                |             |                            |
| ___ Protect Casing                    |                  |                |             |                            |
| ___ Plug Back TD                      |                  |                |             |                            |
| ___ Plug Off Zone                     |                  |                |             |                            |

| Shots Per Foot | PERFORATION RECORD - Bridge Plugs Set/Type<br>Specify Footage of Each Interval Perforated | Acid, Fracture, Shot, Cement Squeeze Record<br>(Amount and Kind of Material Used) | Depth |
|----------------|---|---|-------|
|                |   |   |       |
|                |   |   |       |
|                |   |   |       |
|                |   |   |       |

| TUBING RECORD | Size | Set At | Packer At | Liner Run <input type="checkbox"/> Yes <input type="checkbox"/> No |
|---------------|------|--------|-----------|--|
|               |      |        |           |  |

| Date of First, Resumerd Production, SWD or Enhr. | Producing Method   |
|--|--|
|  | <input type="checkbox"/> Flowing <input type="checkbox"/> Pumping <input type="checkbox"/> Gas Lift <input type="checkbox"/> Other (Explain) |

| Estimated Production Per 24 Hours | Oil Bbls. | Gas Mcf | Water Bbls. | Gas-Oil Ratio | Gravity |
|-----------------------------------|-----------|---------|-------------|---------------|---------|
|                                   |           |         |             |               |         |

Disposition of Gas  Vented  Sold  Used on Lease (If vented, Submit ACO-18.)

METHOD OF COMPLETION  Open Hole  Perf.  Dually Comp.  Commingled  Other (Specify) \_\_\_\_\_

Production Interval \_\_\_\_\_

**TIGHT HOLE  
AMERICAN ENERGIES CORPORATION  
DRILLING REPORT  
Epp "A" #1**

**LOCATION:** 90° W of NE NW SE,  
2310' FSL & 1740' FEL  
Section 15-T23S-R3W  
**API #:** 15-079-20662-00-00

**SURFACE CASING:** Set 8 jts 334' 24# set @ 346'

**COUNTY:** Harvey County  
**GEOLOGIST:** Doug Davis - Cell #316-641-4469  
**CONTRACTOR:** Berentz Drilling

**PRODUCTION CASING:**  
**G.L.:** 1462      **K.B.:** 1467  
**SPUD DATE:** 7/01/04  
**COMPLETION DATE:**  
**Projected RTD:** 3350'

**NOTIFY:**  
American Energies Corporation, Frank Mize, Paul Pitman, III,  
W. Mike Adams, R & T Investments, Helen Petrol, Inc.,  
D & D Investment, Roger A. Schulz, Thomas C. Hyde  
Gar Oil Corporation, JFH Investment Properties, Carl Calam  
Lario Oil and Gas Company

**REFERENCE WELLS:**  
#1 Glacier Pet. - #1 Epp - NW SW SE 15-23-3W  
#2 Harold Milburn - #2 Epp - SW NW SW 15-23-3W  
#3

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| FORMATION:         | SAMPLE LOG: | ELECTRIC LOG TOPS: | COMPARISON: |     |    |
|--------------------|-------------|--------------------|-------------|-----|----|
|                    |             |                    | #1          | #2  | #3 |
| Heebner            | 2313 -850   | 2308 -855          | -10         | NA  |    |
| Lansing            | 2546 -1083  | 2545 -1082         | -1          | -8  |    |
| Iola               | 2740 -1287  | 2752 -1289         | +1          | -17 |    |
| Stark              | 2886 -1423  | 2882 -1419         | -1          | -5  |    |
| Swope              | 2890 -1427  | 2886 -1432         | -1          | -5  |    |
| BKC                | 2966 -1503  | 2969 -1506         | -5          | -6  |    |
| Mississippi Warsaw | 3262 -1799  | 3263 -1800         | flat        | -13 |    |
| RTD                | 3370        |                    |             |     |    |

7/01/04 MIRT, Spud 7/1/04, Drilled 12 1/4" hole, set 8 jts, 334', 8 5/8", 24# surface casing, set @ 346', cemented with 225 sx 70/30 poz, 3% CaCl, 2% gel. Cement circulated. Plug down at 8:30 a.m. on 7/1/04.

7/02/04 Drilling ahead at 346' at 7:00 a.m.

7/03/04 Drilling ahead at 890' at 7:00 a.m.

7/04/04 Drilling ahead at 1655' at 7:00 a.m.

7/05/04 Drilling ahead at 2340' at 7:00 a.m. Bit trip at 2466'.

7/06/04 Drilling ahead at 2769' at 7:00 a.m.

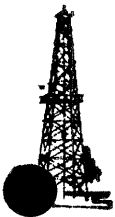
7/07/04 Drilling ahead at 3065' at 7:00 a.m., circulated @ 3307 and 3325.

7/08/04 Preparing to run DST #1 - 3264-3325. Times: 30-60-30-60. Recovered 70' DM. IHP: 1602, FHP: 1592, IFP: 27-39, FFP: 36-47, IBHP: 350, FBHP: 328, BHT: 111 degrees. 1<sup>st</sup> Opening GTS - gauged 23 MCF. 2nd Opening, began at 25 MCF and increased to 26 and stabilized. Will cut to Osage (3400) and test.

7/09/04 Tripping in hole after DST 2 - 3336-3370 (Mississippi Osage). Times: 30-60-30-60. 1<sup>st</sup> opening: GTS - gauged 27 MCF, 2<sup>nd</sup> Opening: gauged 26 MCF. Recovered 525' TF, 80' GCWM (20% G, 20% W, 60%M), 120' GCMW (10% G, 25%M, 65%W), 325' SW. IFP: 66-152, ISIP: 878, FFP: 145-229, FSIP: 872, IHP: 1621, FHP: 1597. Will be logging this afternoon.

7/10/04 Plugging, Ran open hole logs, gas zones of interest were covered in DST # 1 & 2 with negative results. The Warsaw zones was depleted by production on the W/2 of the section and the Mississippian Osage had a small gas cap with water right under the gas zone. Plugging information: Filled hole with rotary mud to 500' and spotted 35 sx cement. Filled hole with rotary mud to 375' and spotted 60 sx of cement. Filled hole with rotary mud to 60' and spotted 25 sx to surface. Put 15 sx in rathole. Plugging approved by Jack Luthi on 7/9/04.

American Energies Corp has decided to postpone the next well on the Seimens Prospect. Until a later date when the weather dries out and further geological studies are done in the area.



# United Cementing and Acid Co., Inc.

Oil Well Cementing & Acidizing  
 (316) 321-4680 • 800-794-0187 • FAX (316) 321-4720  
 2510 West 6th Street • El Dorado, KS 67042

## SERVICE TICKET

5572

6135  
 #110

DATE 7-9-04

COUNTY Harvey CITY \_\_\_\_\_

CHARGE TO American Energies  
 ADDRESS 155 N. Market #710 CITY Wichita ST \_\_\_\_\_ ZIP 67202  
 LEASE & WELL NO. Epp "A" #1 CONTRACTOR Berentz Drilling  
 KIND OF JOB Plug SEC. 2 TWP. 23S RNG. 3W  
 DIR. TO LOC. Burton 2E; 1/2 n, West Int. TIME 7:50 OLD  NEW

| Quantity | MATERIAL USED                   | Serv. Charge |
|----------|---------------------------------|--------------|
| 135 sk   | 60/40 poz + 4% gel @ 4.94       | 500.00       |
| 5 sk     | gel @ 9.70                      | 101.50       |
|          |                                 | 48.50        |
|          |                                 |              |
|          |                                 |              |
| 140 sk   | BULK CHARGE                     | 137.20       |
| 54       | BULK TRK. MILES <u>7.0 tons</u> | 275.94       |
| 54       | PUMP TRK. MILES                 | 110.70       |
|          |                                 |              |
|          | PLUGS                           |              |
|          |                                 |              |
|          |                                 | 109.23       |
|          |                                 | 1843.07      |

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T.D. \_\_\_\_\_ CSG. SET AT \_\_\_\_\_ VOLUME \_\_\_\_\_  
 SIZE HOLE \_\_\_\_\_ TBG SET AT \_\_\_\_\_ VOLUME \_\_\_\_\_  
 MAX. PRESS. \_\_\_\_\_ SIZE PIPE \_\_\_\_\_  
 PLUG DEPTH \_\_\_\_\_ PKER DEPTH \_\_\_\_\_  
 PLUG USED \_\_\_\_\_ TIME FINISHED 10:45

REMARKS: Ran 4 1/2" drill pipe to 500ft. Brake circulation, mix & pump 35 sk 60/40 poz + 4% gel & disp. Pulled up to 375ft. Brake circulation. Mix & pump 40 sk 60/40 poz + 4% gel & disp. Pulled up to 60ft. Brake circulation, mix & pump 25 sk 60/40 poz + 4% gel to surface cement circulated in cellar. Mix & pump 15 sk 60/40 poz + 4% gel in Rat hole

### EQUIPMENT USED

|                            |          |                        |          |
|----------------------------|----------|------------------------|----------|
| NAME                       | UNIT NO. | NAME                   | UNIT NO. |
| <u>Phillip Malone P-10</u> |          | <u>Josh Creely B-7</u> |          |
| <u>James K. Thomas #26</u> |          |                        |          |
| CEMENTER OR TREATER        |          | OWNER'S REP.           |          |

## GENERAL TERMS AND CONDITIONS

All prices are exclusive of any Federal, State or Special Taxes for the sale or use of merchandise or service listed. The amount of taxes required to be paid by the seller shall be added to the quoted prices payable by the buyer.

Unless satisfactory credit has been established, cash payment will be required in advance.

We will make reasonable attempt to get to and from the well under our own power. Should we be unable to do so because of poor or inadequate road conditions, and it becomes necessary to employ a tractor or other pulling equipment, such equipment will be supplied by the customer, or if furnished by us, the cost will be charged to the customer.

We endeavor to design and maintain our equipment to safely service properly drilled and conditioned wells. We carry public liability and property damage insurance, but as there are so many uncertain and unknown conditions not subject to control, we can neither be liable for injuries to property or persons nor for loss or damage arising from the performance of our services or resulting therefrom.

In the event equipment or tools are lost in rendering our services, the customer agrees to make reasonable attempt to recover same. If not recovered, customer agrees to reimburse us for their value.

If a material service is ordered and the customer cancels same after the solution has been prepared, a charge will be made to the customer for the expenses incurred.

Unless otherwise specified, a dead haul charge of \$1.50 per mile, one way, will be made for each service unit ordered but not used.

All prices are subject to change without notice.

All unpaid bills are subject to interest after 60 days from date of invoice.

**ALLIED CEMENTING CO., INC.**

P.O. BOX 31  
 RUSSELL, KS 67665  
 PH (785) 433-3887  
 FAX (785) 483-5566  
 FEDERAL TAX ID# 48-0727860

\*\*\*\*\*  
 \* INVOICE \*  
 \*\*\*\*\*

Invoice Number: 093720

Invoice Date: 07/07/04

Sold American Energies Corp.  
 To: 155 N. Market #710  
 Wichita, KS  
 67202

*cont surface*

Cust I.D.....: Am Eng  
 P.O. Number...: Epp# #1  
 P.O. Date.....: 07/07/04

Due Date.: 08/06/04  
 Terms.....: Net 30

| Item I.D./Desc.               | Qty. Used | Unit | Price    | Net     | TX |
|-------------------------------|-----------|------|----------|---------|----|
| Common                        | 158.00    | SKS  | 7.6500   | 1208.70 | T  |
| Pozmix                        | 67.00     | SKS  | 4.0000   | 268.00  | T  |
| Cl                            | 4.00      | SKS  | 11.0000  | 44.00   | T  |
| Chloride                      | 7.00      | SKS  | 30.0000  | 210.00  | T  |
| Handling                      | 236.00    | SKS  | 1.2500   | 295.00  | E  |
| Mileage (70)                  | 70.00     | MILE | 11.8000  | 826.00  | E  |
| 236 sks @\$ .05 per sk per mi |           |      |          |         |    |
| Surface                       | 1.00      | JOB  | 520.0000 | 520.00  | E  |
| Mileage pmp trk               | 70.00     | MILE | 4.0000   | 280.00  | E  |

All Prices Are Net, Payable 30 Days Following Subtotal: 3651.70  
 Date of Invoice. 1 1/2% Charged Thereafter. Tax.....: 109.04  
 If Account CURRENT take Discount of \$ 365.17 Payments: 0.00  
 ONLY if paid within 30 days from Invoice Date Total...: 3760.74

*— 365.17*

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# ALLIED CEMENTING CO., INC.

15853

REMIT TO P.O. BOX 31  
RUSSELL, KANSAS 67665

SERVICE POINT:  
Medicine Lodge

|                                |                 |  |                 |                            |                            |                          |                           |
|--------------------------------|-----------------|--|-----------------|----------------------------|----------------------------|--------------------------|---------------------------|
| DATE <u>7-2-04</u>             | SEC <u>15</u>   | TWP. <u>23S</u>                          | RANGE <u>3W</u> | CALLED OUT <u>12:30 AM</u> | ON LOCATION <u>4:00 AM</u> | JOB START <u>7:45 AM</u> | JOB FINISH <u>8:00 AM</u> |
| LEASE <u>EPPa</u>              | WELL # <u>1</u> | LOCATION <u>Burton, Ks. 2E, on Hiway</u> |                 | COUNTY <u>Harvey</u>       | STATE <u>Ks.</u>           |                          |                           |
| OLD OR <u>NEW</u> (Circle one) |                 | <u>50 1 1/2 N, W/S</u>                   |                 |                            |                            |                          |                           |

CONTRACTOR Berentz Drilling

TYPE OF JOB surface

HOLE SIZE \_\_\_\_\_ T.D. \_\_\_\_\_

CASING SIZE 8 3/8 DEPTH 246'

TUBING SIZE \_\_\_\_\_ DEPTH \_\_\_\_\_

DRILL PIPE \_\_\_\_\_ DEPTH \_\_\_\_\_

TOOL \_\_\_\_\_ DEPTH \_\_\_\_\_

PRES. MAX 250 MINIMUM \_\_\_\_\_

MEAS. LINE \_\_\_\_\_ SHOE JOINT \_\_\_\_\_

CEMENT LEFT IN CSG. 15'

PERFS. \_\_\_\_\_

DISPLACEMENT 20 1/2 Bbls Freshwater

EQUIPMENT \_\_\_\_\_

PUMP TRUCK CEMENTER Carl Balding

# 352 HELPER Travy Cushmanbery

BULK TRUCK

# 353 DRIVER Dennis Cushmanbery

BULK TRUCK

# \_\_\_\_\_ DRIVER \_\_\_\_\_

OWNER American Energies

CEMENT

AMOUNT ORDERED \_\_\_\_\_

225 sx 70:30=31cc + 21 gel

|          |                 |   |              |                |
|----------|-----------------|---|--------------|----------------|
| COMMON   | <u>158 A</u>    | @ | <u>7.65</u>  | <u>1208.70</u> |
| POZMIX   | <u>67</u>       | @ | <u>4.00</u>  | <u>268.00</u>  |
| GEL      | <u>4</u>        | @ | <u>11.00</u> | <u>44.00</u>   |
| CHLORIDE | <u>7</u>        | @ | <u>30.00</u> | <u>210.00</u>  |
|          |                 | @ |              |                |
|          |                 | @ |              |                |
|          |                 | @ |              |                |
|          |                 | @ |              |                |
|          |                 | @ |              |                |
| HANDLING | <u>236</u>      | @ | <u>1.25</u>  | <u>295.00</u>  |
| MILEAGE  | <u>70 x 236</u> | @ | <u>.05</u>   | <u>826.00</u>  |

TOTAL 2851.70

REMARKS:

Run casing + break circulation

Run 225 sx cement

Displace cement with 20 1/2 Bbls

Fresh water. leave 20' cement

in casing + shut in

Circulate 40 sx cement to pit

SERVICE RECEIVED

DEPTH OF JOB 246'

PUMP TRUCK CHARGE KCC WICHITA 520.00

EXTRA FOOTAGE \_\_\_\_\_ @ \_\_\_\_\_

MILEAGE 70 @ 4.00 280.00

~~FEES~~ @ \_\_\_\_\_

@ \_\_\_\_\_

@ \_\_\_\_\_

TOTAL 800.00

CHARGE TO: American Energies

STREET \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

FLOAT EQUIPMENT

@ \_\_\_\_\_

@ \_\_\_\_\_

@ \_\_\_\_\_

@ \_\_\_\_\_

@ \_\_\_\_\_

To Allied Cementing Co., Inc.  
You are hereby requested to rent cementing equipment and furnish cementer and helper to assist owner or contractor to do work as is listed. The above work was done to satisfaction and supervision of owner agent or contractor. I have read & understand the "TERMS AND CONDITIONS" listed on the reverse side.

TOTAL \_\_\_\_\_

TAX - 0 -

TOTAL CHARGE [scribble]

DISCOUNT [scribble] IF PAID IN 30 DAYS

SIGNATURE [Signature]

PRINTED NAME \_\_\_\_\_

ANY APPLICABLE TAX  
WILL BE CHARGED  
UPON INVOICING

## GENERAL TERMS AND CONDITIONS

**DEFINITIONS:** In these terms and conditions, "Allied" shall mean Allied Cementing Co., Inc., and "Customer" shall refer to the party identified by that term on the front of this contract. As applicable, "Job" relates to the services described on the front side of this contract, "merchandise" refers to the material described on the front of this contract and to any other materials, products, or supplies used, sold, or furnished under the requirements of this contract.

—**TERMS:** Unless satisfactory credit has been established, "CUSTOMER" must tender full cash payment to "ALLIED" before the job is undertaken or merchandise is delivered. If satisfactory credit has been established, the terms of payment for the job and/or merchandise, including bulk cement, are net cash, payable in 30 days from the completion of the job and/or delivery of the merchandise. For all past due invoices, "CUSTOMER" agrees to pay interest on amounts invoiced at a rate of 18 percent per annum until paid. Notwithstanding the foregoing, in no event shall this Contract provide for interest exceeding the maximum rate of interest that "CUSTOMER" may agree to pay under applicable law. If any such interest should be provided for, it shall be and hereby is deemed to be a mistake, and this contract shall be automatically reformed to lower the rate of interest to the maximum legal contract rate, any amounts previously paid as excess interest shall be deducted from the amounts owing from the "CUSTOMER" or at the option of "ALLIED," refunded directly to "CUSTOMER." For purposes of this paragraph, ALLIED and CUSTOMER agree that KANSAS law shall apply. Any discounts granted with this contract are null and void if the charges are not paid when due.

—**ATTORNEY FEES:** In any legal action or proceeding between the parties to enforce any of the terms of this Service Contract, or in any way pertaining to the terms of this Contract, the prevailing party shall be entitled to recover all expenses, including, but not limited to, a reasonable sum as and for attorney's fees.

—**PRICES AND TAXES:** All merchandise listed in "ALLIED'S" current price schedule are F.O.B. ALLIED'S local station and are subject to change without notice. All prices are exclusive of any federal, state, local, or special taxes for the sale or use of the merchandise or services listed. The amount of taxes required to be paid by ALLIED shall be added to the quoted prices charged to CUSTOMER.

—**TOWING CHARGES:** ALLIED will make a reasonable attempt to get to and from each job site using its own equipment. Should ALLIED be unable to do so because of poor or inadequate road conditions, and should it become necessary to employ a tractor or other pulling equipment to get to or from the job site, the tractor or pulling equipment will be supplied by CUSTOMER or, if furnished by ALLIED, will be charged to and paid by CUSTOMER.

—**PREPARATION CHARGES:** If a job and/or merchandise is ordered and CUSTOMER cancels the order after preparation of a chemical solution or other material, CUSTOMER will pay ALLIED for the expenses incurred by ALLIED as a result of the cancellation.

—**DEADHAUL, CHARGES:** Unless otherwise specified on the front of this Contract, a deadhaul charge as set forth in ALLIED'S current price book will be charged each way for each service unit which is ordered by CUSTOMER but not used.

—**SERVICE CONDITIONS AND LIABILITIES:** 1. ALLIED carries public liability and property damage insurance, but since there are so many uncertain and unknown conditions beyond ALLIED'S control, ALLIED shall not be liable for injuries to property or persons or for loss or damage arising from the performance of the job or delivery of the merchandise. Customer shall be responsible for and indemnify, defend, and hold harmless ALLIED, its officers, agents and employees, from and against any and all claims or suits for:

(A) Damage to property or for bodily injury, sickness, disease, or death, brought by any person, including CUSTOMER and/or the well owner; and:

(B) Oil spills, pollution, surface or sub-surface damage, injury to the well, reservoir loss, or damage arising from a well blowout arising out of or in connection with ALLIED'S performance of the job or furnishing of merchandise in accordance with this contract, unless such loss or damage is caused by the willful misconduct or gross negligence of ALLIED or its employees.

2. With respect to any of ALLIED'S tools, equipment, or instruments which are lost in the well or damaged when performing or attempting to perform the job or, in the case of marine operations, are lost or damaged at any time after delivery to the landing for CUSTOMER and before return to ALLIED at the landing, CUSTOMER shall either recover the lost item without cost to ALLIED or reimburse ALLIED the current replacement cost of the item unless the loss or damage results from the sole negligence of ALLIED or its employees.

3. ALLIED does not assume any liability or responsibility for damages or conditions resulting from chemical action in cements caused by contamination of water or other fluids.

**WARRANTIES:** 1. ALLIED warrants all merchandise manufactured or furnished by it to be free from defects in material or workmanship under normal use and service when installed, and used, and/or serviced in the manner provided and intended. ALLIED'S obligation under this warranty is expressly limited to repair, replacement, or allowance for credit, at its option, for any merchandise which is determined by ALLIED to be defective. THIS IS THE SOLE WARRANTY OF ALLIED AND NO OTHER WARRANTY IS APPLICABLE, EITHER EXPRESS OR OTHERWISE IMPLIED, IN FACT OR IN LAW, INCLUDING ANY WARRANTY AS TO MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OR PURPOSE, CUSTOMER'S sole and only remedy with regard to any defective merchandise shall be the repair or replacement thereof or allowance for credit as herein provided, and ALLIED shall not be liable for any consequential, special, incidental, or punitive damages resulting from or caused by defective materials, products or supplies.

2. More specifically:

(A) Nothing in this contract shall be construed as a warranty by ALLIED of the success or the effectiveness of the result of any work done or merchandise used, sold, or furnished under this contract.

(B) Nothing in this contract shall be construed as a warranty of the accuracy or correctness of any facts, information, or data furnished by ALLIED or any interpretation of tests, meter readings, chart information, analysis of research, or recommendations made by ALLIED, unless the inaccuracy or incorrectness is caused by the willful misconduct or gross negligence of ALLIED or its employees in the preparation or furnishing of such facts, information or data.

(C) Work done by ALLIED shall be under the direct supervision and control of the CUSTOMER or his agent and ALLIED will accomplish the job as an independent contractor and not as an employee or agent of the CUSTOMER.