

**KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
WELL COMPLETION FORM
WELL HISTORY - DESCRIPTION OF WELL & LEASE**

Form ACO-1
September 1999
Form Must Be Typed

Operator: License # 31160
 Name: Phillips Exploration Company L.C.
 Address: 4109 N. Ironwood
 City/State/Zip: Wichita, KS 67226
 Purchaser: _____
 Operator Contact Person: James B/ Phillips
 Phone: (316) 636-2256
 Contractor: Name: Duke Drilling Co., Inc
 License: 5929
 Wellsite Geologist: Jim Musgrove/ Josh Austin
 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. _____
 9/11/06 9/17/06
 Spud Date or Date Reached TD Completion Date or
 Recompletion Date Recompletion Date

095

API No. 15 - 455-22056-0000
 County: Kingman
 Sw NW NW Sec. 24 Twp. 27 S. R. 10 East West
940 feet from S (circle one) Line of Section
340 feet from E (circle one) Line of Section
 Footages Calculated from Nearest Outside Section Corner:
 (circle one) NE SE NW SW
 Lease Name: A. Bayer Well #: 1-24
 Field Name: Dresden
 Producing Formation: _____
 Elevation: Ground: 1745 Kelly Bushing: 1753
 Total Depth: 4380 Plug Back Total Depth: _____
 Amount of Surface Pipe Set and Cemented at 267 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
 (Data must be collected from the Reserve Pit) *ALT I WITH 12-17-07*
 Chloride content 4,000 ppm Fluid volume 800 bbls
 Dewatering method used _____
 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: [Signature]
 Title: James B. Phillips Date: 12/27/06
 Subscribed and sworn to before me this 27th day of December
06
 Notary Public: [Signature]
 Date Commission Expires: _____

VICKIE IVY
 Notary Public - State of Kansas
 My Appt. Expires 12-09-2009

KCC Office Use ONLY

Letter of Confidentiality Received
 If Denied, Yes Date: 6-22-07
 Wireline Log Received
 Geologist Report Received
 UIC Distribution

RECEIVED
 KANSAS CORPORATION COMMISSION

JUN 19 2007

CONSERVATION DIVISION
 WICHITA, KS

Operator Name: Phillips Exploration Company L.C. Lease Name: A. Bayer Well #: 1-24
 Sec. 24 Twp. 27 S. R. 10 East West County: Kingman

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 <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>(Attach Additional Sheets)</i> Samples Sent to Geological Survey <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Cores Taken <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Electric Log Run <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>(Submit Copy)</i> List All E. Logs Run: Dual Ind, Comp. Density, | <input checked="" type="checkbox"/> Log Formation (Top), Depth and Datum <input type="checkbox"/> Sample <table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:70%;">Name</td> <td style="width:15%;">Top</td> <td style="width:15%;">Datum</td> </tr> <tr> <td>Heebner</td> <td>3326</td> <td>1575</td> </tr> <tr> <td>Br. Lime</td> <td>3491</td> <td>1740</td> </tr> <tr> <td>B/KC</td> <td>3897</td> <td>2146</td> </tr> <tr> <td>Miss cht</td> <td>4020</td> <td>2269</td> </tr> <tr> <td>Kinderhook</td> <td>4126</td> <td>2375</td> </tr> <tr> <td>Rtd</td> <td>4383</td> <td>2632</td> </tr> </table> | Name | Top | Datum | Heebner | 3326 | 1575 | Br. Lime | 3491 | 1740 | B/KC | 3897 | 2146 | Miss cht | 4020 | 2269 | Kinderhook | 4126 | 2375 | Rtd | 4383 | 2632 |
| Name | Top | Datum | | | | | | | | | | | | | | | | | | | | |
| Heebner | 3326 | 1575 | | | | | | | | | | | | | | | | | | | | |
| Br. Lime | 3491 | 1740 | | | | | | | | | | | | | | | | | | | | |
| B/KC | 3897 | 2146 | | | | | | | | | | | | | | | | | | | | |
| Miss cht | 4020 | 2269 | | | | | | | | | | | | | | | | | | | | |
| Kinderhook | 4126 | 2375 | | | | | | | | | | | | | | | | | | | | |
| Rtd | 4383 | 2632 | | | | | | | | | | | | | | | | | | | | |

| CASING RECORD <input checked="" 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" | 23 | 267 | 60/40 | 275 | 4% cc 2 %gel |
| | | | | | | | |
| | | | | | | | |

| ADDITIONAL CEMENTING / SQUEEZE RECORD | | | | |
|--|------------------|----------------|-------------|----------------------------|
| Purpose: | Depth Top Bottom | Type of Cement | #Sacks Used | Type and Percent Additives |
| <input type="checkbox"/> Perforate <input type="checkbox"/> Protect Casing <input type="checkbox"/> Plug Back TD <input type="checkbox"/> Plug Off Zone | | | | |
| | | | | |

| Shots Per Foot | PERFORATION RECORD - Bridge Plugs Set/Type Specify Footage of Each Interval Perforated | Acid, Fracture, Shot, Cement Squeeze Record (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 _____

RECEIVED
 KANSAS CORPORATION COMMISSION

JUN 19 2007

 CONSERVATION DIVISION
 WICHITA, KS

ALLIED CEMENTING CO., INC.

24614

Federal Tax I.D. [REDACTED]

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

SERVICE POINT:
Medicine LDG.

| | | | | | | | |
|--|----------------|----------------------|---------------------------------|------------------------------|------------------------------|----------------------------|-----------------------------|
| DATE <u>9-11-06</u> | SEC. <u>24</u> | TWP <u>27S</u> | RANGE <u>10W</u> | CALLED OUT <u>12:30 P.M.</u> | ON LOCATION <u>2:30 P.M.</u> | JOB START <u>3:45 P.M.</u> | JOB FINISH <u>4:05 P.M.</u> |
| LEASE <u>Bayet</u> | | WELL # <u>A-1-24</u> | LOCATION <u>Penalosa 4W 1 N</u> | COUNTY <u>Kingman</u> | | STATE <u>KS,</u> | |
| OLD OR <input checked="" type="radio"/> NEW (Circle one) | | | <u>15 E/INTO</u> | | | | |

CONTRACTOR Duke #2
 TYPE OF JOB Surface
 HOLE SIZE 12 1/4 T.D. 268
 CASING SIZE 8 5/8 DEPTH 267
 TUBING SIZE _____ DEPTH _____
 DRILL PIPE 4 1/2 DEPTH 268
 TOOL _____ DEPTH _____
 PRES. MAX 200 PSI MINIMUM _____
 MEAS. LINE _____ SHOE JOINT 15 FT
 CEMENT LEFT IN CSG. 15 FT
 PERFS. _____
 DISPLACEMENT Fresh Water 16 BBLs

OWNER Phillips Exploration
 CEMENT
 AMOUNT ORDERED 275 SX 60:40:4%
CC + 2% Gel

EQUIPMENT
 PUMP TRUCK CEMENTER David W.
 # 372 HELPER Darin F.
 BULK TRUCK
 # 368 DRIVER Clint W.
 BULK TRUCK
 # _____ DRIVER _____

| | | | | | |
|----------|------------|--------------|--------------|--------------|----------------------|
| COMMON | <u>165</u> | <u>A</u> | @ | <u>10.65</u> | <u>1757.25</u> |
| POZMIX | <u>110</u> | | @ | <u>5.80</u> | <u>638.00</u> |
| GEL | <u>5</u> | | @ | <u>16.65</u> | <u>83.25</u> |
| CHLORIDE | <u>12</u> | | @ | <u>46.60</u> | <u>559.20</u> |
| ASC | | | @ | | |
| | | | @ | | |
| | | | @ | | |
| | | | @ | | |
| | | | @ | | |
| | | | @ | | |
| HANDLING | <u>292</u> | | @ | <u>1.90</u> | <u>554.80</u> |
| MILEAGE | <u>30</u> | <u>x 292</u> | <u>x .09</u> | | <u>788.40</u> |
| | | | | | TOTAL <u>4380.90</u> |

REMARKS:

Pipe on Bottom Break CIRC
Pump 275 SX 60:40:2+3% CC
Release Plug Displace w/ 16 BBLs,
Fresh Water shut in cement
did CIRC wash up Rig Down.

SERVICE

| | | | | |
|-------------------|------------------|---|---------------|---------------|
| DEPTH OF JOB | <u>267</u> | | | |
| PUMP TRUCK CHARGE | | | | <u>815.00</u> |
| EXTRA FOOTAGE | | @ | | |
| MILEAGE | <u>30</u> | @ | <u>6.00</u> | <u>180.00</u> |
| MANIFOLD | <u>Head Rent</u> | @ | <u>100.00</u> | <u>100.00</u> |
| | | @ | | |
| | | @ | | |

CHARGE TO: Phillips Exploration
 STREET _____
 CITY _____ STATE _____ ZIP _____

RECEIVED
KANSAS CORPORATION COMMISSION

JUN 19 2007

TOTAL 1095.00

CONSERVATION DIVISION

WICHITA, KS

8 5/8

PLUG & FLOAT EQUIPMENT

1-wooden Plug @ 60.00 60.00

ANY APPLICABLE TAX
WILL BE CHARGED
UPON INVOICING

TOTAL 60.00

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.

TAX _____
 TOTAL CHARGE ~~_____~~
 DISCOUNT ~~_____~~ IF PAID IN 30 DAYS

SIGNATURE John J. Amberly

John J. Amberly
 PRINTED NAME

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 and 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 wilful 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.

ALLIED CEMENTING CO., INC.

24661

Federal Tax I.E.

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

SERVICE POINT:

Med Lodge

| | | | | | | | |
|--|--------------------|-------------------------------|---------------------------|---------------------------|-----------------------------|---------------------------|---------------------------|
| DATE <u>9-19-06</u> | SEC. <u>24</u> | TWP. <u>27s</u> | RANGE <u>10w</u> | CALLED OUT <u>8:00 AM</u> | ON LOCATION <u>11:30 AM</u> | JOB START <u>12:45 PM</u> | JOB FINISH <u>2:15 PM</u> |
| LEASE <u>Bayn A</u> | WELL # <u>1-26</u> | LOCATION <u>Cunningham Ks</u> | | | COUNTY <u>Kingman</u> | STATE <u>Ks</u> | |
| OLD OR <input checked="" type="radio"/> NEW (Circle one) | | | <u>5n 3E 2 1/4s Einto</u> | | | | |

CONTRACTOR Duke #5

TYPE OF JOB Rty Plug

HOLE SIZE 7 7/8 T.D. 1400

CASING SIZE 8 5/8 DEPTH 267

TUBING SIZE _____ DEPTH _____

DRILL PIPE _____ DEPTH _____

TOOL _____ DEPTH _____

PRES. MAX 200 MINIMUM 100

MEAS. LINE _____ SHOE JOINT _____

CEMENT LEFT IN CSG. _____

PERFS. _____

DISPLACEMENT 12 bbls mud

OWNER Phillips Exp

CEMENT AMOUNT ORDERED 155 of 60:40:4

EQUIPMENT

PUMP TRUCK # 343 CEMENTER Mark HELPER Steve

BULK TRUCK # 387 DRIVER Robert

BULK TRUCK # _____ DRIVER _____

| | | | | |
|----------|-----------------------|---|--------------|-------------------|
| COMMON | <u>93 A</u> | @ | <u>10.65</u> | <u>990.45</u> |
| POZMIX | <u>62</u> | @ | <u>5.80</u> | <u>359.60</u> |
| GEL | <u>5</u> | @ | <u>16.65</u> | <u>83.25</u> |
| CHLORIDE | | @ | | |
| ASC | | @ | | |
| | | @ | | |
| | | @ | | |
| | | @ | | |
| | | @ | | |
| | | @ | | |
| | | @ | | |
| HANDLING | <u>160</u> | @ | <u>1.90</u> | <u>304.00</u> |
| MILEAGE | <u>30 x 160 x .09</u> | | | <u>432.00</u> |
| TOTAL | | | | <u>\$ 2169.30</u> |

REMARKS:

1st plug pump 9 bbls mix 35 of pump 3 fresh + 12 mud 2nd plug pump 9 bbls of 0 mix 35 of cement 3 bbls water + 1 mud 3rd plug pump 6 bbls water mix 35 of cement + 2 bbls water 4th plug mix 4 bbls mix 2 bbls rat hole + 1.5 bbls in mouse hole

SERVICE

| | | | |
|-------------------|--------------|---|------------------|
| DEPTH OF JOB | <u>1400'</u> | | |
| PUMP TRUCK CHARGE | | | <u>815.00</u> |
| EXTRA FOOTAGE | | @ | |
| MILEAGE | <u>30</u> | @ | <u>6.00</u> |
| MANIFOLD | | @ | |
| | | @ | |
| | | @ | |
| TOTAL | | | <u>\$ 995.00</u> |

CHARGE TO: Phillips Exp

STREET _____

CITY _____ STATE _____ ZIP _____

PLUG & FLOAT EQUIPMENT

| | | | |
|-----------------------|---|--------------|--------------|
| <u>8 7/8</u> | | | |
| <u>1- wooden plug</u> | @ | | |
| <u>Dry Hole</u> | @ | <u>35.00</u> | <u>35.00</u> |
| | @ | | |
| | @ | | |

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.

ANY APPLICABLE TAX WILL BE CHARGED UPON INVOICING TOTAL \$ 35.00

TAX _____ RECEIVED KANSAS CORPORATION COMMISSION

TOTAL CHARGE JUN 19 2007

DISCOUNT _____ IF PAID IN 30 DAYS CONSERVATION DIVISION WICHITA, KS

SIGNATURE John J Armbruster

John J Armbruster PRINTED NAME

GENERAL TERMS AND CONDITIONS

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(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 and 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 wilful 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.