

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

ORIGINAL

Form ACO-1
September 1999
Form Must Be Typed

WELL COMPLETION FORM
WELL HISTORY - DESCRIPTION OF WELL & LEASE

Operator: License # 30742
Name: Palomino Petroleum, Inc.
Address: 4924 SE 84th St.
City/State/Zip: Newton, KS 67114-8827
Purchaser: None
Operator Contact Person: Klee R. Watchous
Phone: (316) 799-1000
Contractor: Name: Southwind Drilling, Inc.
License: 33350
Wellsite Geologist: Jon R. (Zeb) Stewart

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. _____

10/25/07	11/01/07	11/01/07
Spud Date or Recompletion Date	Date Reached TD	Completion Date or Recompletion Date

API No. 15 - 063-21679 - 00-00
County: Gove County
E/2 - SW - NW - Sec. 17 Twp. 13 S. R. 26 East West
1840 feet from S / (N) (circle one) Line of Section
930 feet from E / (W) (circle one) Line of Section

Footages Calculated from Nearest Outside Section Corner:
(circle one) NE SE (NW) SW
Lease Name: Fossett Well #: 1
Field Name: None (Wildcat)
Producing Formation: LKC
Elevation: Ground: 2522 Kelly Bushing: 2532
Total Depth: 4448 Plug Back Total Depth: _____
Amount of Surface Pipe Set and Cemented at 225 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 II WITH 2-25-08*
Chloride content _____ ppm Fluid volume _____ 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: Klee R. Watchous
Title: President Date: January 28, 2008

Subscribed and sworn to before me this 28 day of January,
2008.

Notary Public: Carla R. Penwell
Date Commission Expires: _____

NOTARY PUBLIC - State of Kansas
CARLA R. PENWELL
My Appt. Expires 12-6-09

KCC Office Use ONLY
 Letter of Confidentiality Received
 If Denied, Yes Date: _____
 Wireline Log Received
 Geologist Report Received
 UIC Distribution
RECEIVED
KANSAS CORPORATION COMMISSION
FEB 01 2008

CONSERVATION DIVISION
WICHITA, KS

Operator Name: Palomino Petroleum, Inc. Lease Name: Fossett Well #: 1
 Sec. 17 Twp. 13 S. R. 26 East West County: Gove County

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 <i>(Attach Additional Sheets)</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Log	Formation (Top), Depth and Datum	<input type="checkbox"/> Sample
Samples Sent to Geological Survey	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Name	Top	Datum
Cores Taken	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Anhy	2054	(+ 478)
Electric Log Run <i>(Submit Copy)</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Base Anhy.	2096	(+ 436)
List All E. Logs Run:		Topeka	3554	(- 1022)
		Heebner	3777	(- 1245)
		LKC	3816	(- 1284)
		LKC "I"	3998	(- 1446)
		LKC "J"	4029	(- 1497)
		LKC "K"	4049	(- 1517)

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"	20#	224'	Common	150	2% gel, 3% c.c.

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		Acid, Fracture, Shot, Cement Squeeze Record	
	Specify Footage of Each Interval Perforated		(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: _____

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 CONSERVATION DIVISION
 WICHITA, KS

LOGS

BKC	4090	(- 1558)
Marmaton	4138	(- 1606)
Pawnee	4237	(- 1705)
Ft. Scott	4300	(- 1768)
Cherokee Sh.	4323	(- 1791)
Miss.	4401	(- 1869)
LTD	4448	(- 1916)

RECEIVED
KANSAS CORPORATION COMMISSION

FEB 01 2008

CONSERVATION DIVISION
WICHITA, KS



INVOICE

24 S. Lincoln Street
 P.O. Box 31
 Russell, KS 67665-2906

Voice: (785) 483-3887
 Fax: (785) 483-5566

RECEIVED
 NOV 03 2007

Invoice Number: 110878
 Invoice Date: Oct 30, 2007
 Page: 1

Bill To:
 Palomino Petroleum, Inc.
 4924 SE 84th St.
 Newton, KS 67114-8827

Federal Tax I.D.#

Customer ID	Well Name# or Customer P.O.	Payment Terms	
Palo	Fossett #1	Net 30 Days	
Sales Rep ID	Camp Location	Service Date	Due Date
	Oakley	Oct 30, 2007	11/29/07

Quantity	Item	Description	Unit Price	Amount
150.00	MAT	Common Class A	12.60	1,890.00
3.00	MAT	Gel	16.65	49.95
5.00	MAT	Chloride	46.60	233.00
158.00	SER	Handling	1.90	300.20
45.00	SER	Mileage 158 sx @.09 per sk per mi	14.22	639.90
1.00	SER	Surface	815.00	815.00
45.00	SER	Mileage Pump Truck	6.00	270.00
1.00	EQP	Surface Plug	60.00	60.00

Subtotal	4,258.05
Sales Tax	157.42
Total Invoice Amount	4,415.47
Payment/Credit Applied	
Total	4,415.47

ALL PRICES ARE NET, PAYABLE
 30 DAYS FOLLOWING DATE OF
 INVOICE. 1 1/2% CHARGED
 THEREAFTER. IF ACCOUNT IS
 CURRENT, TAKE DISCOUNT OF
 425.80

ONLY IF PAID ON OR BEFORE

Nov 29, 2007

RECEIVED
 KANSAS CORPORATION COMMISSION

FEB 01 2008

CONSERVATION DIVISION
 WICHITA, KS

ALLIED CEMENTING CO., INC.

28812

Federal Tax I.D

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

SERVICE POINT:

OAKLEY

DATE <u>10-25-07</u>	SEC <u>17</u>	TWP <u>13S</u>	RANGE <u>26W</u>	CALLED OUT	ON LOCATION <u>8:30 AM</u>	JOB START <u>8:30 AM</u>	JOB FINISH <u>9:00 AM</u>
LEASE # <u>FOSSE #</u>	WELL # <u>1</u>	LOCATION <u>QUARTER 9S-1/4E-1/4S</u>			COUNTY <u>GOVE</u>	STATE <u>KS</u>	
OLD OR <input checked="" type="radio"/> NEW (Circle one)							

CONTRACTOR Southwind MHC. RIG #1

TYPE OF JOB SURFACE

HOLE SIZE 12 1/4" T.D. 225'

CASING SIZE 8 5/8" DEPTH 225'

TUBING SIZE _____ DEPTH _____

DRILL PIPE _____ DEPTH _____

TOOL _____ DEPTH _____

PRES. MAX _____ MINIMUM _____

MEAS. LINE _____ SHOE JOINT _____

CEMENT LEFT IN CSG. 15'

PERFS. _____

DISPLACEMENT 13 1/4 BBLs

OWNER SAME

CEMENT AMOUNT ORDERED 150 SKS COM 3% CC 2% GEL

EQUIPMENT

PUMP TRUCK CEMENTER TERRY

422 HELPER WAYNE

BULK TRUCK DRIVER DARRIN

377 DRIVER _____

BULK TRUCK DRIVER _____

COMMON	<u>150 SKS</u>	@	<u>12.60</u>	<u>1890.00</u>
POZMIX		@		
GEL	<u>3 SKS</u>	@	<u>16.65</u>	<u>49.95</u>
CHLORIDE	<u>5 SKS</u>	@	<u>46.60</u>	<u>233.00</u>
ASC		@		
		@		
		@		
		@		
		@		
		@		
		@		
		@		
HANDLING	<u>158 SKS</u>	@	<u>1.90</u>	<u>300.20</u>
MILEAGE	<u>9¢ PER SKI</u>	MI/CK		<u>639.90</u>
TOTAL				<u>3113.05</u>

REMARKS:
Cement did cure.

SERVICE

DEPTH OF JOB 225'

PUMP TRUCK CHARGE 815.00

EXTRA FOOTAGE _____ @ _____

MILEAGE 4.5 MI @ 6.00 270.00

MANIFOLD _____ @ _____

TOTAL 1085.00

CHARGE TO: PALOMINO PETROLEUM

STREET _____

CITY _____ STATE _____ ZIP _____

PLUG & FLOAT EQUIPMENT

8 5/8" SURFACE PLUG 60.00

TOTAL 60.00

RECEIVED
KANSAS CORPORATION COMMISSION
FEB 01 2008
CONSERVATION DIVISION
WICHITA, KS

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 Frank J. Romer

PRINTED NAME Frank J. Romer

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.



INVOICE

24 S. Lincoln Street
P.O. Box 31
Russell, KS 67665-2906

Voice: (785) 483-3887
Fax: (785) 483-5566

RECEIVED
NOV 10 2007

Invoice Number: 111022
Invoice Date: Nov 7, 2007
Page: 1

Bill To:
Palomino Petroleum, Inc. 4924 SE 84th St. Newton, KS 67114-8827

Federal Tax I.D.#

Customer ID	Well Name # or Customer P.O.	Payment Terms	
Palo	Fossett #1	Net 30 Days	
Sales Rep ID	Camp Location	Service Date	Due Date
	Oakley	Nov 7, 2007	12/7/07

Quantity	Item	Description	Unit Price	Amount
120.00	MAT	Common Class A	12.60	1,512.00
80.00	MAT	Pozmix	6.40	512.00
7.00	MAT	Gel	16.65	116.55
50.00	MAT	Flo Seal	2.00	100.00
208.00	SER	Handling	1.90	395.20
45.00	SER	Mileage 208 sx @.09 per sk per mi	18.72	842.40
1.00	SER	Plug to Abandon	955.00	955.00
45.00	SER	Mileage Pump Truck	6.00	270.00
1.00	EQP	Dry Hole Plug	35.00	35.00

ALL PRICES ARE NET, PAYABLE
30 DAYS FOLLOWING DATE OF
INVOICE. 1 1/2% CHARGED
THEREAFTER. IF ACCOUNT IS
CURRENT, TAKE DISCOUNT OF

\$ 4,738.15

ONLY IF PAID ON OR BEFORE

Dec 7, 2007

Subtotal	4,738.15
Sales Tax	334.04
Total Invoice Amount	5,072.19
Payment/Credit Applied	
TOTAL	5,072.19

KANSAS CORPORATION COMMISSION

FEB 01 2008

CONSERVATION DIVISION
WICHITA, KS

ALLIEL CEMENTING CO., INC.

31788

Federal Tax I.D.#

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

SERVICE POINT:

Oakley

DATE <u>11-1-07</u>	SEC <u>17</u>	TWP <u>13s</u>	RANGE <u>26w</u>	CALLED OUT	ON LOCATION <u>6:30 AM</u>	JOB START <u>8:00 AM</u>	JOB FINISH <u>9:00 AM</u>
LEASE <u>Fossett</u>	WELL # <u>1</u>	LOCATION <u>Quarter 9s 1/4 E 1/4 S into</u>		COUNTY <u>Gove</u>	STATE <u>Ks</u>		
OLD OR <input checked="" type="radio"/> NEW (Circle one)							

CONTRACTOR Southwind Drilling Rig #1 OWNER same

TYPE OF JOB PTA

HOLE SIZE 7 7/8 T.D. 4450' CEMENT

CASING SIZE _____ DEPTH _____ AMOUNT ORDERED 200 sks 60/40 4% gel

TUBING SIZE _____ DEPTH _____ 1/4" Flo-seal

DRILL PIPE 4 1/2 DEPTH 2080'

TOOL _____ DEPTH _____

PRES. MAX _____ MINIMUM _____ COMMON 120 sks @ 12.60 1512.00

MEAS. LINE _____ SHOE JOINT _____ POZMIX 80 sks @ 6.40 512.00

CEMENT LEFT IN CSG. _____ GEL 7 sks @ 16.65 116.55

PERFS. _____ CHLORIDE _____ @ _____

DISPLACEMENT _____ ASC _____ @ _____

EQUIPMENT

PUMP TRUCK CEMENTER Andrew

423-281 HELPER Kelly

BULK TRUCK _____

377 DRIVER Darrin

BULK TRUCK _____

_____ DRIVER _____

_____ @ _____

_____ @ _____

_____ @ _____

_____ @ _____

_____ @ _____

Flo-seal 50# @ 2.00 100.00

_____ @ _____

_____ @ _____

_____ @ _____

_____ @ _____

_____ @ _____

_____ @ _____

HANDLING 208 sks @ 1.90 395.20

MILEAGE 90 sk/mile 842.40

TOTAL 3478.15

REMARKS:

25 sks @ 2080'

100 sks @ 1097'

40 sks @ 274'

10 sks @ 40'

10 sks mouse hole

15 sks Rat hole

Thank you

SERVICE

DEPTH OF JOB 2080'

PUMP TRUCK CHARGE 955.00

EXTRA FOOTAGE _____ @ _____

MILEAGE 45 miles @ 6.00 270.00

MANIFOLD _____ @ _____

_____ @ _____

_____ @ _____

TOTAL 1225.00

CHARGE TO: Palomino Petroleum

STREET _____

CITY _____ STATE _____ ZIP _____

PLUG & FLOAT EQUIPMENT

8 5/8

Dry hole plug @ 35.00

_____ @ _____

_____ @ _____

_____ @ _____

_____ @ _____

TOTAL 35.00

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 Frank J. Rome

Frank J Rome

PRINTED NAME

RECEIVED
KANSAS CORPORATION COMMISSION

FEB 01 2008

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.