

IMES Ltd

General Conditions

for

Rental of Equipment

between

IMES Ltd (Supplier)

and

XXX Limited (Hirer)

CONDITIONS OF RENTAL

This Agreement for General Conditions for Rental of Tools and Equipment (hereinafter referred to as this "Agreement") is made, and is effective from, this **(DATE)** day of **(MONTH)** **(YEAR)** between **XXXXXXX** "Hirer" (registered in **ENGLAND/SCOTLAND** No.: **000000**) whose office is situated at **XXXXXXXXXX** (hereinafter referred to as the "Hirer") and IMES Ltd registered in Scotland and having its registered address at Greenhole Park, Greenhole Place, Bridge of Don, Aberdeen, AB23 8EU (hereinafter referred to as the "Supplier).

WHEREAS the Hirer requires to rent certain specified tools or items of equipment for use in connection with the provision of its services, and,

WHEREAS Supplier is the owner of tools and equipment required by the Hirer and is willing to rent such tools or items of equipment to the Hirer in accordance with the provisions of this Agreement and any Order issued hereunder.

WHEREAS Supplier and Hirer are the parties to this Agreement it is agreed and intended that this Agreement may be used by either of their respective parent, subsidiary or affiliated companies by referencing this Agreement in any Order placed by the parent, subsidiary or affiliated company of Hirer and accepted by the relevant parent, subsidiary or affiliated company of Supplier.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. Prevailing Effect of this Agreement

- 1.1 The terms and conditions of this Agreement shall apply and shall be incorporated by reference in any Order issued by the Hirer hereunder and shall prevail at all times between the Parties over any other terms and conditions of either party with respect to the rental of tools and equipment, except as modified, supplemented or amended pursuant to Clause 28 hereof.
- 1.2 Nothing in this Agreement shall obligate the Hirer to rent any tools or equipment from Supplier nor shall Supplier be obligated to accept any Order issued hereunder. Supplier shall confirm its acceptance of any Order in writing.

2. Definitions

- 2.1 "Hirer" shall mean XXXXXX Services Limited or any parent, subsidiary or affiliated firm or company named as the Hirer of the tools or equipment on the face of the Order.
- 2.2 "Hirer Group" shall mean and include the Hirer, its parent, subsidiary and associated companies, its Client and its other contractors, sub-contractors and suppliers of any tier excluding Supplier Group and its and their respective officers, directors, employees, agents, servants and insurers.
- 2.3 "Supplier" shall mean IMES Ltd or any parent, subsidiary or affiliated firm or company to whom the Hirer has addressed the Order.
- 2.4 "Supplier Group" shall mean and include the Supplier, its parent, subsidiary and associated companies and its and their other contractors, sub-contractors and suppliers of any tier excluding Hirer Group and its and their respective officers, directors, employees, agents, servants and insurers.
- 2.5 "Client" shall mean the person, firm or company to whom the Hirer is providing its services under contract.

- 2.6 "Equipment" shall mean the tools or other equipment set out in the Appendix attached to any Order issued hereunder together with all replacements and renewals thereof and any component parts and all extras, spare parts and accessories forming part thereof.
- 2.7 "Party" shall mean either the Hirer or the Supplier as may be applicable. "Parties" shall mean both Hirer and Supplier.
- 2.8 "Order" shall mean a written instruction issued by the Hirer to, and accepted by, the Supplier for the rental of Equipment and any subsequent written amendment thereto. Such Order shall detail the Equipment required, date for commencement of hire, estimated hire period, inspection requirements, applicable rates and charges (including refurbishment and lost-in-hole charges) and any special conditions applicable to the Order.

3. Supplier's Equipment

- 3.1 All Equipment provided by Supplier under any Order is and shall at all times be and remain the sole and exclusive property of the Supplier Group. The sole right granted to the Hirer is the right to use such Equipment upon the terms and conditions contained herein or as amended by any specific Order.
- 3.2 Supplier shall provide the Equipment specified in any Order in the quantities specified therein.
- 3.3 Equipment provided by the Supplier shall be fully certified, will meet all relevant Government standards and will not have any known damage or defect such that it can perform according to the manufacturer's specifications continuously during the period of rental.

All Equipment to be used in hazardous areas shall be properly rated for area in which it is intended to be used and shall be clearly identified as to its rating.

Supplier shall maintain all certification of its Equipment throughout the duration of the hire of such Equipment and shall make copies of all inspection certificates available to the Hirer prior to or at the date of commencement of the period of hire.

- 3.4 Supplier shall load/unload the Equipment at its yard at no cost to the Hirer.
- 3.5 Hirer shall, unless otherwise specified in the Order, be responsible for the transportation of Supplier's Equipment between the Supplier's yard and the offshore or onshore location where the Equipment is to be used and subsequent re-delivery to the Supplier's yard.
- 3.6 Other than as detailed in this Clause 3 Supplier makes no warranty or representation, express or implied, as to the design or operation of Equipment delivered to the Hirer under any Order. Supplier makes no warranty of merchantability or fitness of the Equipment for any particular purpose or any other representation or warranty whatsoever.

4. Assignment

- 4.1 Supplier shall not, other than to an affiliated or subsidiary company, assign or sub-contract any part of the Order without the prior written approval of the Hirer which shall not be unreasonably withheld or delayed.

- 4.2 In the event of any assignment or subcontracting of all or any part of the Order, Supplier shall remain responsible and liable to the Hirer for the Equipment to be provided under any Order to the same extent that Supplier would otherwise have been responsible or liable if Supplier itself had provided such Equipment from within its own resources.
- 4.3 The Hirer shall have the right to assign any Order to the Client to whom the Hirer is providing its services. Supplier shall agree to and shall co-operate fully with the Hirer and the Client in execution of such assignment of the Order.

5. Use and Maintenance of the Equipment

- 5.1 The Hirer shall use the Equipment in a proper and skilful manner and shall comply with all the requirements of the law relating to the possession, use, routine maintenance or safety of the Equipment.
- 5.2 Supplier shall, prior to the commencement of the period of hire, inform the Hirer of what measures need to be taken to generally maintain the Equipment in good working order (for example lubrication of moving parts). The Hirer shall be solely responsible for the maintenance of the Equipment whilst such Equipment is under its control and shall comply with measures notified by the Supplier.

6. Breakdown of Equipment

- 6.1 In the event of Equipment failure or breakdown, the Hirer shall return such Equipment to the Supplier. Supplier shall, upon request from the Hirer, provide substitute Equipment to fulfil the Hirer's requirements.
- 6.2 The rental charges for the Equipment shall be suspended for each day or pro rata for part days of breakdown following notification of breakdown and shall be reinstated, subject to Clause 13, following repair or replacement of the Equipment.
- 6.3 All costs and expenses incurred by Supplier in effecting such repairs shall, except where such failure or breakdown was due to either normal wear and tear or the act or omission of the Hirer, be borne by the Supplier.

7. Reconditioning, Redress and/or Repair

Any reconditioning, redress and/or repair of Equipment necessary to return the Equipment to the same condition that it possessed prior to the commencement of the period of hire, fair wear and tear included, shall be carried out by Supplier at its own cost, except to the extent specified in any Order as being to the cost of the Hirer.

Reconditioning, redress and/or repair to be carried out at the cost of the Hirer shall only be carried out with the prior written consent of the Hirer following agreement as to the extent and cost of necessary reconditioning, redress or repair.

No payment of rental for Equipment shall be due by the Hirer to the Supplier during any period of reconditioning, redress and/or repair.

8. Loss or Destruction of the Equipment

- 8.1 If the Equipment is lost or is destroyed or damaged beyond repair for any reason including due to the sole, concurrent or contributory negligence of the Hirer then, subject to the provisions of

Clause 8.2, the Hirer may terminate the rental of the item of Equipment that has been lost, destroyed or damaged beyond repair pursuant to Clause 9 hereof.

- 8.2 If the Equipment is lost or damaged beyond repair whilst in the care, custody or control of the Hirer Group, including whilst being transported to and from, or at, the location of the well, and whilst in the hole then, except to the extent resulting from fair wear and tear, the Hirer shall reimburse the Supplier for the costs of replacing such Equipment at the new replacement cost of such Equipment less depreciation calculated at the rate of 1% per calendar month, or such other rate as may be stated in any Order, from the date which the lost or damaged Equipment was first used up to a maximum depreciation not exceeding 50%.

Where Equipment is subject to substantial renewal and refurbishment of component parts after each usage no depreciation shall be allowable against the replacement costs of such Equipment. Such Equipment shall be identified in and the replacement costs of such Equipment shall be specified in the Order.

- 8.3 No payment of rental for Equipment shall be due by the Hirer to the Supplier for any period following termination of hire due to loss or destruction of the Equipment.
- 8.4 In the event any of Supplier's equipment or property is contaminated by radioactivity Hirer shall be responsible for decontaminating or procuring the decontamination of any such equipment or property and, if such decontamination is not possible, or exceeds the value of such equipment or property, Hirer shall reimburse Supplier for such equipment or property at the current replacement cost of identical or comparable new equipment or property in the condition as originally provided. In the event the equipment or property is decontaminated, Hirer agrees it has sole responsibility for the disposal of any radioactive materials left by the process of decontamination or, in the event the equipment or property is not decontaminated Hirer agrees to be solely responsible for the proper and legal disposal of any contaminated equipment or property. All contaminated equipment shall remain on hire until decontamination has been completed and the equipment has been returned to the Supplier.

9. Termination

- 9.1 In the event that Hirer is unable to repair or replace any Equipment that has failed or broken down the Hirer shall have the right to terminate the Order in whole or in part by giving written notice to the Supplier.
- 9.2 Either party may terminate any Order with immediate effect if (a) the other Party is in default of any of its material obligations under this Agreement or under the relevant Order; or (b) the other Party becomes apparently insolvent, is wound up (other than for purposes of reconstruction while solvent), suffers a liquidator, receiver or administrator to be appointed to its undertaking or any part thereof or enters into any composition with its creditors.
- 9.3 The Hirer reserves the right to terminate an Order for rental of the Equipment at any time, for any reason whatsoever, at its sole discretion, by giving not less than seven days written notice to the Supplier. In such event, the Hirer shall reimburse all costs and expenses reasonably incurred by the Supplier in giving effect to such termination and shall pay to the Supplier any applicable early termination charges specified in the Order together with any costs reasonably and properly incurred by the Supplier in the cancellation of orders with its own sub-contractors.

10. Liens

The Hirer shall indemnify and hold the Supplier harmless from and shall keep the Supplier's

Equipment free and clear of all liens, claims, assessments, fines and levies incurred, created, caused or committed by the Hirer Group.

11. Liabilities and Indemnities

- 11.1 Supplier and Hirer shall each be responsible for and shall release, defend, indemnify and hold harmless the Hirer Group and the Supplier Group respectively, from and against any and all claims, liabilities, costs (including legal costs), damages and expenses of every kind and nature howsoever arising in respect of (i) personal injury to or sickness, illness, disease or death of any member of their respective Group; and, (ii) loss of or damage to any property procured, owned, hired or leased by their respective Group (but excluding the Equipment provided by the Supplier under any Order), as a result of or arising out of or relating to or in connection with any Order, irrespective of cause and irrespective of the sole or contributory negligence or breach of duty (contractual, statutory or otherwise) or any liability in tort, contract, statute or otherwise at law, of the Hirer Group or the Supplier Group, as the case may be.
- 11.2 Notwithstanding the foregoing, the Hirer shall be responsible for and shall release, defend, indemnify and hold harmless the Supplier Group from and against any and all liability for loss of or damage to any Equipment provided by the Supplier under any Order except to the extent that such loss or damage is due to normal wear and tear in Equipment or the negligent acts or omissions of the Supplier Group.
- 11.3 Notwithstanding any other provision herein to the contrary, Supplier and Hirer shall each be responsible for and shall release, defend, indemnify and hold harmless the Hirer Group and the Supplier Group respectively, from and against any and all liability howsoever arising, whether or not foreseeable at the date of entering into the Order, in respect of its own indirect or consequential losses, including but not limited to consequential loss under applicable law, business interruption, loss of production, loss of product, loss of use, facility downtime, loss of revenue, loss of profit or anticipated profit, as a result or arising out of or relating to or in connection with any Order, irrespective of cause and irrespective of the sole or contributory negligence or breach of duty (contractual, statutory or otherwise) or any liability in tort, contract, statute or otherwise at law of the Hirer Group or the Supplier Group, as the case may be.
- 11.4 The provisions of The Contracts (Rights of Third Parties) Act, 1999 shall apply solely to Clause 11 of this Agreement but only to the extent that a third party is identified in either Clause 2.2 or Clause 2.4. Such third party shall be entitled in its own right to enforce, but not assign, the benefit only of the indemnities given to such third party under this Clause 11. The provisions of this Agreement may be rescinded or varied by the Parties without the consent of any third party even if as a result such third party's rights or benefits would be varied or extinguished.
- 11.5 For the purposes of this Clause 11 Client's other contractors are considered part of the Hirer Group only insofar as Hirer has received a reciprocal indemnity on behalf of such other contractors in the applicable contract with its Client.

12. Insurance

- 12.1 Without limiting the obligations, liabilities and indemnities of either Party under this Agreement or at law, each Party shall, at its own cost and expense, take out and maintain in full force and effect for the duration of any Order, the following insurance cover:
- (i) Employer's Liability Insurance, or similar insurance in accordance with and not less than statutory requirements.

(ii) General Public Liability Insurance covering liabilities for death and personal injury and liabilities for loss of or damage to property with combined single limit of not less than five million United States Dollars per occurrence. Hirer Group is permitted to self-insure the Equipment damage obligations of this clause.

- 12.2 The insurance cover described in paragraph (ii) above shall to the extent of the liabilities assumed and indemnities given by one Party to the other Party hereunder, be written or endorsed that the insurance company shall waive its rights of subrogation against the other Party or any member of its Group
- 12.3 Each Party shall, if requested by the other party, provide a certificate of insurance evidencing compliance with the provisions of this Clause 12.
- 12.4 All insurances taken out by either Party in accordance with the provisions of this Clause 12 shall provide that not less than thirty (30) days notice be given to the other Party of cancellation of or material change to any such insurance cover.

13. Notices

All notices and other communications provided for in this Agreement shall be in writing and shall be delivered by post, fax or hand to an authorised representative of the Party to whom such notice is directed at the address shown on any Order or to the address of the registered office or such other address as may, from time to time, be notified to the other Party.

Any notices served shall be deemed effective upon actual receipt by the authorised representative of the receiving Party.

14. Period of Hire

- 14.1 The Hirer shall be responsible for the Equipment from the time and date the Hirer accepts delivery of the Equipment at the Supplier's yard or other agreed point of delivery specified in the Order and shall continue until such time as the Equipment is returned thereto.
- 14.2 Payment for hire of the Equipment shall, unless otherwise specified in the Order, commence at the time and date of delivery and shall cease upon re-delivery of the Equipment to Supplier's yard or other agreed location specified in the order.

15. Suspension

The Hirer may, at its sole discretion, suspend an Order at any time for any reason whatsoever. In such event, Supplier shall have the right to receive payment in accordance with the terms and conditions of the Order for the rental of Equipment supplied to the Hirer until such Equipment is returned to the Supplier's yard or other agreed location specified in the order.

16. Invoicing, Payment, Rates and Charges

- 16.1 The Hirer shall, in consideration of the performance of the Equipment in accordance with the Order pay the rates and charges set out therein. Neither Party may alter the rates and charges without the prior written agreement of the other Party.
- 16.2 Supplier shall submit its invoices for the rental of the Equipment together with all other rates and charges that are due in accordance with any Order following the end of each calendar month, unless otherwise agreed between the Parties. All invoices shall be accompanied by relevant

supporting documentation including, by way of example, despatch and acceptance notes, bills of lading, copies of sub-contractor's invoices.

- 16.3 The Hirer shall make payment of the approved amounts of such invoices within thirty (30) days from the date of its receipt by the Hirer or at such other intervals as may be specified in any applicable Order. If the Hirer disputes any part of the invoice it shall notify the Supplier of such dispute and shall be entitled to withhold payment of the disputed part but shall, upon receipt of a credit note for the disputed portion of the invoice, pay the undisputed portion thereof. Supplier and Hirer shall endeavour to settle the disputed amount as quickly as possible. Following settlement, the Supplier shall issue an invoice for the amount, if any, agreed and payment of such amount shall be made by the Hirer as soon as reasonably practicable thereafter.
- 16.4 Interest shall be payable for late payment of correctly prepared and supported invoices and shall be calculated on a daily basis at the Bank of England Base Rate plus three percent (3%) from the due date for payment until actual payment in full.
- 16.5 Supplier shall submit its final invoice in respect of the hire under any Order and other charges considered due pursuant to any Order within ninety (90) days of date of completion of the hire of Equipment to any well or the date termination of the Order, whichever is the earlier.

17. Tax

- 17.1 Each Party shall, in respect of any taxes of any nature whatsoever incurred, due or owing by such Party, indemnify and hold harmless the other Party from and against any claims, penalties, expenses, liabilities, costs (including legal costs) against the other Party arising out of or in connection with such Order.
- 17.2 The Rates and Charges quoted in any Order shall be quoted exclusive of Value Added Tax (VAT) and Supplier shall, wherever applicable, show the proper amount of VAT as a separate item on any invoice submitted in connection with any Order.

18. Patent and other Proprietary Rights

Supplier shall indemnify and hold harmless the Hirer Group from and against any claim by a third party for infringement of patents, copyrights, trademarks, registered designs or other proprietary rights which may arise out of the provision and/or use of Equipment provided by the Supplier.

19. Independent Contractor

Supplier shall at all times in the performance of its obligations under any Order act as an independent contractor and shall have exclusive direction and control of its agents, employees and sub-contractors and shall control the manner and method of their work in connection with the performance of any Order.

20. Confidential Information and Publicity

- 20.1 All information obtained by either Party in connection with the performance of any Order shall be held confidential for a period of 5 years from completion of the Order and shall not, without the prior written consent of the other Party, be divulged to any third party unless such information is already in the public domain or is required to be disclosed by the other Party in order to comply with any statutory obligation.

20.2 Neither Party shall make use of the other Party's name (or the name of any customer of the Client) for publicity purposes, and shall not publish or permit to be published any information or photographs in connection with its performance of any Order without the prior written consent of the other Party.

21. Compliance with Laws and Regulations

Each Party shall comply with all laws, rules, regulations or directives of any government authority having jurisdiction over the activities of a Party which are effective at the date of any Order or which may in the future become applicable to the business of a Party and shall release subject to the provisions of Clause 11, defend and indemnify the other Party against any fines and penalties which may be asserted or assessed against the indemnifying Party by reason of its infraction of such laws, rules, regulations or directives.

22. Force Majeure

22.1 No failure or omission by either Party to carry out or observe any of the stipulations, conditions or obligations to be performed under any Order shall give rise to any claim by the other Party, or be deemed to be a breach of contract, if such failure or omission arises from a cause beyond the reasonable control of the Party claiming force majeure. For the avoidance of doubt, force majeure expressly excludes financial distress of a Party or industrial disputes solely amongst the employees of the Party claiming force majeure.

22.2 Notwithstanding the occurrence of an event of force majeure, the Hirer shall remain liable for payment of all monies due to Supplier prior to the date of force majeure and for payment of the rate of hire until such time as the Equipment is returned to the Supplier's yard or other agreed location specified in the Order.

23. General Provisions

23.1 The headings used in this Agreement are intended for convenience only and shall not form part of, or be used in the construction or interpretation hereof.

23.2 Words importing the singular only shall also include the plural and vice versa where the context so requires.

23.3 No failure by either Party to enforce all or any part of this Agreement shall be interpreted as a waiver of all or any part of this Agreement unless such waiver is expressly given in writing.

23.4 Any provision of this Agreement that is now or becomes hereafter prohibited, illegal or unenforceable in any applicable jurisdiction shall be ineffective to the extent of such prohibition, illegality or unenforceability without invalidating the remaining provisions hereof.

23.5 In the event any act required under this Agreement is inconsistent with, penalised by or prohibited under the laws of England or any country having jurisdiction over the Order and/or either of the Parties hereto, the Party obligated hereunder to perform such act shall be excused from such performance and this Agreement and the Order construed as if such obligation had not been set forth herein.

23.6 Subject to the provisions of Clause 11, unless otherwise specifically stated in this Agreement, both Hirer and Supplier shall retain all rights and remedies under this Agreement which either Party may have against the other.

- 23.7 Both Hirer and Supplier shall take all reasonable steps to mitigate any loss resulting from any breach of this Agreement by the other Party.
- 23.8 Any exclusion or limitation of liability under this Agreement shall exclude or limit such liability not only in contract but also in tort or otherwise at law.

24. Health, Safety, Welfare and the Working Environment

The Parties shall observe and comply with all guides, codes and regulations issued or amended from time to time by the government or other authority having jurisdiction over the Order relating to health, safety, welfare and the working environment.

25. Status of the Parties

- 25.1 Supplier shall look only to the Hirer for the due performance of any Order and nothing therein contained shall impose any liability upon, or entitle Supplier to commence any proceedings against the Client of the Hirer.
- 25.2 The Hirer shall be entitled to enforce any Order on behalf of its Client in connection with the Order as well as for itself and for this purpose, only the Hirer may commence proceedings against the Supplier.

26. Audit

- 26.1 Supplier shall maintain records of all transactions connected with any Order for a period of not less than twenty four (24) months after the final payment has been made by the Hirer to the Supplier under any such Order. The Hirer shall have the right to audit all reimbursable costs and expenses related to any such Order except to the extent of make up of the rates and lump sum prices.
- 26.2 The right to conduct audits in accordance with the provisions of Clause 26.1 shall extend to the Client of the Hirer and any co-venture of such Client in any applicable licence block or concession area.

27. Entire Agreement

This Agreement, together with the Order and any subsequent amendments or special conditions, represents the entire agreement between Supplier and the Hirer.

28. Survival

Following termination or fulfillment of the obligations of the Parties under any Order, the rights and obligations of the Parties that by their nature survive termination shall remain in full force and effect.

29. Law and Disputes

- 29.1 This Agreement, together with any Order, shall be governed, construed and interpreted and shall take effect in accordance with English Law.
- 29.2 Should a dispute arise between the Hirer and the Supplier out of or in connection with this Agreement or any Order, the Parties shall initially endeavour to resolve such dispute via their appointed representatives, failing which the dispute shall then be referred to the Managing Directors of the Parties. Should the dispute still remain unresolved then the dispute shall then be submitted to the exclusive jurisdiction of the English Courts.

IN WITNESS WHEREOF the Parties hereto have executed and delivered this Agreement for General Conditions for Rental of Tools and Equipment as of the date first above written.

Signed:

Name:

Position:

for **(HIRER)**

Signed:

Name:

Position:

for **SUPPLIER (IMES Ltd)**