



**MASTER SERVICES AGREEMENT FOR DRILLING AND PRODUCTION
INSPECTION SERVICES**

This AGREEMENT (“Agreement”) is entered by and between **ADC Rig Inspection Americas Corp** (the “Professional”), located at **24285 Katy Freeway, Suite 300, Katy, Texas 77494** and the **City of League City** (“City”), a home-rule municipality, located at 300 W. Walker St., League City, Texas 77573 on the date set forth below.

WHEREAS, the City desires to contract with the Professional from time to time to provide inspection services, document review and related work for the various drilling sites within League City; and

WHEREAS, the Professional is willing to provide such services on a nonexclusive basis; and

WHEREAS this Agreement does not obligate the City to order work from Professional, nor does it obligate Professional to accept orders for work, but it shall control and govern all work accepted by Professional under written Task Orders and shall define the rights, obligations, and liabilities of the City and Professional during the term hereof with respect to the matters covered herein; and

NOW THEREFORE, in consideration of the faithful performance of the terms and conditions set forth herein, the parties hereto agree as follows:

Terms:

1. **Task Orders:** Professional will provide inspection services, document review and related services as required the various drilling sites within League City, and as generally described in Exhibit A, which is attached and incorporated herein, and which shall be more specifically described in Task Orders, which shall be incorporated into this agreement at later dates. If there is a conflict between the terms of this Agreement and Exhibits (A or any applicable Task Orders), the terms of this Agreement will prevail.
 - 1.1 Tasks to be performed in conjunction with this agreement are as outlined in each specific Task Order.
 - 1.2 City may, from time to time, request Professional to perform services (Work) hereunder by issuing Professional a written Task Order, which shall set forth a Scope of Work including:
 - 1.2.1. The location of the Work Site;
 - 1.2.2. The Work required to be performed, including any drawings, plans and/or specifications applicable to such Work;
 - 1.2.3. The time limits within which such Work must be completed to the City’s satisfaction;
 - 1.2.4. The City’s office to which Professional is to render its invoice; and
 - 1.2.5. Any other requirements applicable to such Work not inconsistent with the other terms and conditions of this Agreement’
 - 1.2.6. All Task Orders shall be drafted to the City’s satisfaction.

- 1.3. Professional shall review the Task Order, prepare a cost estimate to complete the Scope of Work, agree to an estimated schedule for performance, and return the Task Order for the City's authorization.
 - 1.4. The City may also issue oral Task Orders to which Professional will respond with a written proposal.
 - 1.5. Upon receipt of the City's written acceptance, the Professional shall commence the Work as detailed on the Task Order. Facsimiles and/or email of executed Task Orders will be accepted in emergency situations to expedite the commencement of Work.
 - 1.6. In the event of conflict between the requirement of a Task Order and this Agreement, the Agreement will, in all cases, take precedence, unless a variance is specifically noted and agreed to by both parties.
2. **Term and Termination:** This Master Agreement shall commence on **date of execution** and shall expire on **May 1, 2028**. The individual project deadlines shall be determined by the applicable Task Order. City reserves the right to terminate this Agreement for convenience upon seven (7) days written notice to Professional. Upon such termination, City shall pay Professional, at the rate set out in the applicable Task Order, for services satisfactorily performed up through the date of termination. Notwithstanding any provision in this Agreement to the contrary, City will not be required to pay or reimburse Professional for any services performed or for expenses incurred by Professional after the date of the termination notice that could have been avoided or mitigated by Professional.
 3. **Compensation:** Professional shall be paid for the services as set forth in the applicable Task Order. In no event shall the aggregate total compensation exceed **\$500,000.00 (Five Hundred Thousand Dollars and No/cents)** during the term of this Agreement.
 - 3.1 Professional will bill for its services as defined on the specific task order. Acceptable contracting methods include lump sum, cost plus, time and materials based on the rate schedule included in specific Task Order or other mutually agreeable method. Use of Professional-owned equipment will be billed in accordance with Professional's standard fee schedule. The Professional's pricing, unless otherwise stated, shall not include any present or future federal, state, or local property, license, privilege, sales, use, excise, gross receipts or other like taxes or assessments, which may be applicable to, measured by, imposed upon, or resulting from the performance of the Work. If used, Revised Rate Schedules will be submitted to the City annually to reflect changes in compensation for the categories listed.
 - 3.2 Professional will submit monthly invoices for services rendered. Payment terms are net thirty (30) days from date of invoice. If City objects to all or any portion of an invoice, it will notify Professional of the same within fifteen (15) days from the date of receipt of the invoice and will pay that portion of the invoice not in dispute within thirty (30) days from the date of the invoice, and the parties shall immediately make every effort to settle the disputed portion of the invoice.
 - 3.3. If City fails to make any payment due Professional within thirty (30) days after receipt of an invoice, other than those amounts being disputed by City as provided in Section 2.2 above, then the amount due Professional will increase at the rate of 1.5 percent per month after the 30th day. In addition, Professional may, after giving seven (7) calendar days' written notice to City, suspend its Services and any deliverables until Professional has been paid in full for all amounts outstanding more than thirty (30) days. In the event that payment in full is not received, Professional reserves the right to have collection handled by Professional's attorneys and any and all costs of collection, including reasonable attorney's fees, shall be paid by City.
 4. **Insurance:** Professional is required during the Contract Term to maintain insurance as set forth below:
 - (a) Comprehensive General Commercial Liability insurance covering bodily injury and property damage, with minimum coverage limits—exclusive of defense costs—of \$1,000,000 per occurrence and \$2,000,000 aggregate;

(b) Professional Liability (errors and omissions/malpractice) insurance with minimum coverage limits—exclusive of defense costs—of \$2,000,000 per occurrence; and

(c) If at any point during the Contract Term it is foreseeable that Professional will enter upon City premises:

(i) Worker's Compensation coverage with statutory limits for the State of Texas, and (ii) Commercial Automobile Liability coverage with minimum coverage limits—exclusive of defense costs—of \$1,000,000 per occurrence and \$2,000,000 aggregate.

All policies must contain a waiver of subrogation against City. Comprehensive General Liability and Commercial Automobile Liability policies must name the City as Additional Insured. Professional shall pay all insurance deductibles and deductibles must not exceed \$10,000 unless approved in advance by City. Professional shall provide City Certificates of Insurance evidencing these insurance requirements prior to the start of work.

5. **Liquidated Damages:** Professional acknowledges that time is of the essence in performing this Agreement. City and Professional (collectively, the "Parties") agree that if Professional is late in performing any service designated as Time Critical on the Scope of Services attached to this Agreement, City will suffer loss, damages, or other harm from Professional's delay. The Parties agree that the amount of loss, damages, or harm likely to be incurred as a result of Professional's delay is incapable or difficult to precisely estimate, and therefore the Parties desire to stipulate the amount of such loss, damages, or harm. Accordingly, Professional shall have deducted from any amounts owed under this Agreement liquidated damages equal to the number of calendar days of the delay(s) times the daily rate, which rate shall be one-tenth of one percent (0.1%) times the compensation shown in the Scope of Services for such Time Critical service. The Parties further agree that: (i) the liquidated damages specified herein are not a penalty but rather bear a reasonable relationship to, and is not plainly or grossly disproportionate to, the probable loss likely to be incurred by City as a result of Professional's delay; (ii) one of the reasons for City and Professional to agree to such amounts is the uncertainty and cost of litigation regarding the question of actual damages; and (iii) City and Professional are sophisticated business parties and negotiated this Agreement at arm's length.
6. **Independent Professional:** Professional is an independent Professional and is not an employee, partner, joint venture, or agent of City. Professional understands and agrees that he/she will not be entitled to any benefits generally available to City employees. Professional shall be responsible for all expenses necessary to carry out the services under this Agreement and shall not be reimbursed by City for such expenses except as otherwise provided in this Agreement.
7. **Intellectual Property:** This Agreement shall be an Agreement for services and the parties intend and consider any work created as a result of this Agreement, including any and all documentation, images, products or results, to be a work (the "Work") for hire under federal copyright law. Ownership of the Work shall belong to and remain the exclusive property of City. The Work may be edited at any time within City's discretion. If the Work would not be considered a work-for-hire under applicable law, Professional hereby assigns, transfers, and conveys any and all rights, title and interest to City, including without limitation all copyrights, patents, rights of reproduction, rights to ownership, and right to secure registrations, renewals, reissues and extensions thereof. As the sole copyright holder of the Work, City maintains and asserts the rights to use, reproduce, make derivative works from, and/or edit the Work in any form of medium, expression or technology now known or hereafter developed, at any time within City's discretion. Professional shall not sell, disclose or obtain any other compensation for the services provided herein or the Work. If the Work is one to which the provisions of 17 U.S.C. § 106A apply, Professional hereby waives and appoints City to assert on Professional's behalf Professional's moral rights or any equivalent rights regarding the form or extent of any alteration to the Work (including, without limitation, removal or destruction) or the making of any derivative works based on the Work, including, without limitation, photographs, drawings or other visual reproductions of the work, in any medium, for City's purposes.
8. **Confidentiality:** During the course of the services to be provided under this Agreement, Professional may become privy to confidential information of City. Professional agrees to treat as confidential the information or knowledge that becomes known to Professional during performance of this Agreement and to not use, copy, or disclose such information to any third party unless authorized in writing by City. This

provision does not restrict the disclosure of any information that is required to be disclosed under applicable law. Professional shall promptly notify City of any misuse or unauthorized disclosure of City's confidential information and upon expiration of this Agreement shall return to City all confidential information in Professional's possession or control. Professional shall further comply with all information security policies of City that may apply and shall not make any press releases, public statements or advertisement referring to the services provided under this Agreement or the engagement of Professional without the prior written approval of City.

9. **Warranties and Representations:** Professional warrants and agrees that Professional shall perform its services and conduct all operations in conformity with all applicable federal, state, and local laws, rules, regulations, and ordinances. For any service performed on premises owned or controlled by City, Professional warrants and agrees that Professional will perform said services in compliance with all City rules, including but not limited to, prohibitions related to tobacco use, alcohol, and other drugs.
10. **Licenses/Certifications:** Professional represents and warrants that it will obtain and maintain in effect, and pay the cost of, all licenses, permits or certifications that may be necessary for Professional's performance of this Agreement. If Professional is a business entity, Professional warrants, represents, covenants, and agrees that it is duly organized, validly existing and in good standing under the laws of the state of its formation; and is duly authorized and in good standing to conduct business in the State of Texas, that it has all necessary power and has received all necessary approvals to execute and deliver the Agreement and is authorized to execute this Agreement according to its terms on behalf of Professional.
11. **Performance/Qualifications:** Professional agrees and represents that Professional has the personnel, experience, and knowledge necessary to qualify Professional for the particular duties to be performed under this Agreement. Professional warrants that all services performed under this Agreement shall be performed consistent with generally prevailing professional or industry standards.
12. **Conflict of Interest:** Professional warrants, represents, and agrees that Professional presently has no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with Professional's performance of the services hereunder. Professional further warrants and affirms that no relationship or affiliation exists between Professional and City that could be construed as a conflict of interest with regard to this Agreement.
13. **INDEMNIFICATION: PROFESSIONAL SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS CITY , AND EACH OF ITS OFFICIALS, OFFICERS, AGENTS AND EMPLOYEES FROM AND AGAINST ALL CLAIMS, ACTIONS, SUITS, DEMANDS, PROCEEDINGS, COSTS, DAMAGES AND LIABILITIES, INCLUDING WITHOUT LIMITATION ATTORNEYS' FEES AND REASONABLE LITIGATION COSTS, ARISING OUT OF, CONNECTED WITH, OR RESULTING FROM ANY ACTS OR OMISSIONS OF PROFESSIONAL OR ANY AGENT, EMPLOYEE, SUBCONTRACTOR, OR SUPPLIER OF PROFESSIONAL IN THE EXECUTION OR PERFORMANCE OF THIS CONTRACT, TO THE EXTENT THE CLAIM ARISES FROM NEGLIGENCE, WILLFUL ACT, BREACH OF CONTRACT OR VIOLATION OF LAW.**
14. **Force Majeure:** Neither party shall be liable to the other for (i) any delay in performance; (ii) any other breach; (iii) any loss or damage; or (iv) any contribution to or aggravation of any of the foregoing; arising solely from uncontrollable forces such as fire, theft, storm, war, or any other cause that could not have been reasonably avoided by the party's exercise of due diligence.

15. **Notices:** Any notice given under this Agreement by either party to the other may be affected either by personal delivery in writing or by mail, registered or certified postage prepaid with return receipt requested. Mailed notices shall be addressed to the addresses of the Parties as they appear in the contract. Notices delivered personally shall be deemed communicated at the time of actual receipt. Mailed notices shall be deemed communicated three (3) days after mailing.
16. **Texas Family Code Child Support Certification:** Pursuant to Section 231.006 of the Texas Family Code, Professional certifies that it is not ineligible to receive the award of or payments under the Agreement and acknowledges that the Agreement may be terminated, and payment may be withheld if this certification is inaccurate.
17. **State Auditor:** Professional understands that acceptance of funds under the Agreement constitutes acceptance of the authority of the Texas State Auditor's Office, or any successor agency (collectively, the "Auditor"), to conduct an audit or investigation in connection with those funds. Professional agrees to cooperate with the Auditor in the conduct of the audit or investigation, including without limitation providing all records requested. Professional will include this provision in all contracts with permitted subprofessionals.
18. **Jurisdiction:** Any disputes under this Agreement shall be brought in a court of competent jurisdiction in Galveston, Texas and governed by Texas law.
19. **Alternative Dispute Resolution:** To the extent that Chapter 2260, Texas Government Code, is applicable to this Contract and is not preempted by other applicable law, the dispute resolution process provided for in Chapter 2260 and the related rules adopted by the Texas Attorney General Pursuant to Chapter 2260, shall be used by City and Professional to attempt to resolve any claim for breach of contract made by Professional that cannot be resolved in the ordinary course of business. The Director of Finance of City shall examine Professional's claim and any counterclaim and negotiate with Professional in an effort to resolve such claims. This provision shall not be construed as a waiver by City of its right to seek redress in the courts.
20. **Entire Agreement:** This Agreement contains the entire understanding between the Parties and supersedes all prior agreements, arrangements, and understanding, oral or written between the Parties relating to this Agreement. This Agreement may not be modified except by mutual written agreement of the Parties executed subsequent to this Agreement. This Agreement consists of this document, Exhibit A and all applicable Tasks Orders.
21. **Eligibility to Receive Payment:** Professional certifies that, as a matter of state law, it is not ineligible to receive the Agreement and payments pursuant to the Agreement and acknowledges that the Agreement may be terminated, and payment withheld if this representation is inaccurate.
22. **Payment of Debt/Delinquency to State:** Professional certifies that it is not indebted to the City of League City and is current on all taxes owed to the City of League City. Professional agrees that any payments owing to Professional under the Agreement may be applied directly toward any debt or delinquency that Professional owes the City of League City regardless of when it arises, until such debt or delinquency is paid in full.
23. **Products and Materials Produced in Texas:** If Professional will provide services under the Agreement, Professional covenants and agrees that in performing its duties and obligations under the Agreement, it will purchase products and materials produced in Texas when such products and materials are available at a price and delivery time comparable to products and materials produced outside of Texas.
24. **Risk of Loss:** All work performed by Professional pursuant to the Agreement will be at Professional's exclusive risk until final and complete acceptance of the work by City. In the case of any loss or damage to the work, or the need to redo or revise the work for any reason except to accommodate a City request

to materially alter the work, prior to City's acceptance, bearing the costs of such loss or damage to or such redo or revision of the work will be Professional's responsibility.

25. **Publicity:** Professional shall not use City's name, logo or likeness in any press release, marketing materials or other public announcement without receiving City's prior written approval.
26. **Legal Construction/Severability:** In the event that any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision, and this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had never been contained in it. To this end, the provisions of this Agreement are declared to be severable. The Parties may mutually agree to renegotiate the Agreement to cure such illegality/invalidity or unconstitutionality if such may be reasonably accomplished.
27. **Limitations:** The Parties are aware that there are constitutional and statutory limitations on the authority of City to enter into certain terms and conditions of the Agreement, including, but not limited to, those terms and conditions relating to liens on City's property; disclaimers and limitations of warranties; disclaimers and limitations of liability for damages; waivers, disclaimers and limitations of legal rights, remedies, requirements and processes; limitations of periods to bring legal action; granting control of litigation or settlement to another party; liability for acts or omissions of third parties; payment of attorneys' fees; dispute resolution; indemnities; and confidentiality (collectively, the "Limitations"). Any terms and conditions related to the Limitations will not be binding on City except to the extent authorized by the laws and Constitution of the State of Texas.
28. **Sovereign Immunity:** The Parties agree that neither the execution of the Agreement by City nor any other conduct, action or inaction of any City representative relating to the Agreement constitutes a waiver of sovereign immunity by City.
29. **Authority:** Professional warrants and represents that Professional has full power and authority to enter into and perform this Agreement and to make the grant of rights contained herein. The person signing on behalf of City represents that he/she has authority to sign this Agreement on behalf of City.
30. **Non-Waiver:** The Parties specifically agree that neither the occurrence of an event giving rise to a breach of contract claim nor the pendency of a claim constitute grounds for the suspension of performance by Professional. No covenant or condition of this Agreement may be waived except by written consent of the waiving party. Forbearance or indulgence by one party in any regard whatsoever shall not constitute a waiver of the covenant or condition to be performed by the other party.
31. **Prohibitions Pursuant to Texas Government Code:** By executing this Agreement Professional verifies that Profession (1) does not boycott Israel and will not during the term of this Agreement per Section 2274.002; (2) is not engaged in business with Iran, Sudan, or any company on the list referenced in Section 2252.152; (3) does not boycott energy companies and will not during the term of this Agreement per 2274.002; and (4) does not have a practice, policy, guidance, or directive of this Agreement against a firearm entity or firearm trade association and will not during the term of this Agreement per 2274.002.

(signature block on next page)

Executed on _____ . *(date to be filled in by City Secretary)*

ADC RIG INSPECTION AMERICAS CORP - “Professional”

Austin Hay, President

CITY OF LEAGUE CITY – “City”

John Baumgartner, City Manager

Attest:

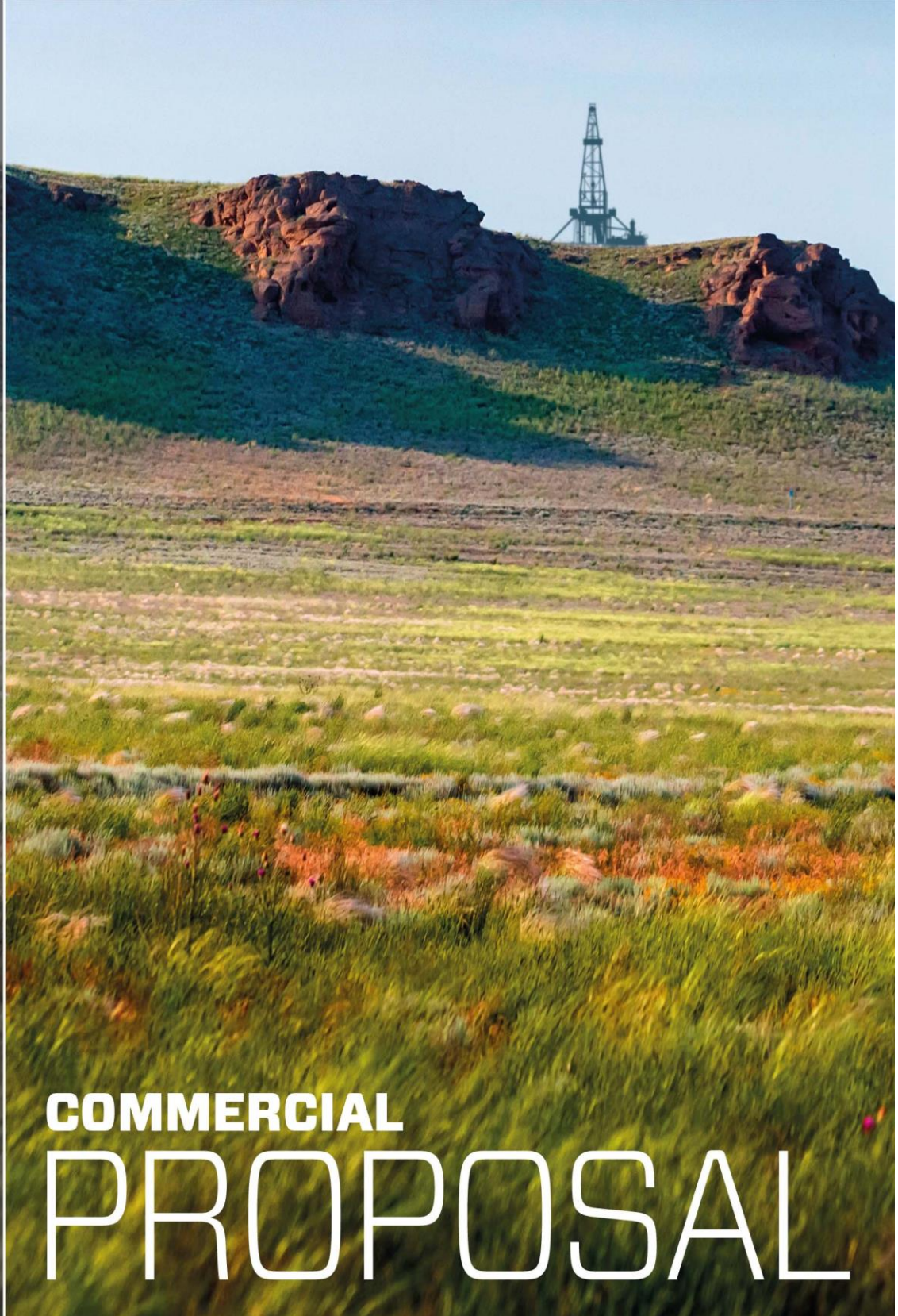
Diana Stapp, City Secretary

Approved as to Form:

Office of the City Attorney

Exhibit A

Proposal by ADC Rig Inspection Americas Corp



RIG INTAKE AND REACTIVATION SERVICES

RIG CONDITION AND ACCEPTANCE TESTING

BOP, WELL CONTROL AND ROV ASSURANCE SERVICES

CYBER RIG CONTROLS AND CYBERSECURITY

DYNAMIC POSITIONING ASSURANCE

SAFETY MANAGEMENT SYSTEMS ASSURANCE AND COMPLIANCE

VIRTUAL ACADEMY TRAINING SERVICES

COMMERCIAL PROPOSAL



Overview of Rig Services



PROPOSAL:
RECIPIENT NAME:
RECIPIENT TITLE:

ADC-US23/689
Michelle L. Villarreal
Deputy City Attorney

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ISO 9001:2015 Quality Management for Rig Inspection Services

ADC's Quality Management System (QMS) is aligned with international standards and requirements to demonstrate the ability to consistently provide high-quality and reliable rig inspection services that meet customer and regulatory requirements. ISO 9001:2015 demonstrates ADC's commitment to maintaining the highest standards of quality and is continuously improving its operations, providing clients with confidence in the company's ability to provide high-quality services and ensures that ADC is regarded as a reputable and trustworthy partner in the industry.



ADC Mission statement

We exist to make the energy industry safer, cleaner and more efficient by providing operational assurance of rigs and vessels to mitigate the environmental, reputational and financial risk to our clients.

1.0 INTRODUCTION

This document contains an overview of services provided by ADC Rig Inspection Americas Corp.'s (hereinafter "ADC") on behalf of City of League City under a pending Master Service Agreement. All scopes described in this document are for information only, any specific scopes of work would be described in the applicable Task Orders.

ADC has been providing City of League City with rig inspection and consultancy services since 2020:

Rig Name	Project Date	Workscope
RES 5506	Mar-23	Land Rig Inspection
Jewel Sidetrack Well	Feb-23	Land Rig Follow up Inspection
Precision 522	Dec-22	Land Rig Inspection Services
Doc Review	Dec-22	Permit Documentation Review
Doc Review	Oct-22	Jewel Side Track Documentation Review
Rig 5530	Aug-22	Rig Inspection
Jewel Pipeline	Apr-22	Pipeline Permit Documentation Review
Rig 8553	Apr-22	Land Rig Inspection
Precision 522	Dec-21	Land Rig Inspection Services
Precision 523	Nov-21	Land Rig Inspection
Tidwell 3 Production Facility	Oct-21	Land Production Site Inspection
Tidwell #3	Oct-21	Land Rig Inspection
Jewel #1	Aug-21	Jewel Unit #1 Doc Review
Tidwell #2 Project Precision 750 Rig	Jul-21	Documentation & Permit Review + Precision 750 Rig Visit.
Jewel Unit A #1	May-21	Documentation + Permit Review
Change of Operator Documentation Review	Nov-20	Oil & Gas Permit Application Document Review
Desktop Review	Jan-20	Oil & Gas Production Permit Application Doc Review

ADC will provide a transparent auditable trail for activities, accompanied by a comprehensive reporting system to demonstrate control and management at all stages of the project with a comprehensive final report when required.

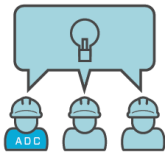
2.0 ADC RIG INSPECTION PHILOSOPHY



Maximising project cost efficiency through Cost Avoidance: Focusing on technical excellence, ADC's objective is to work with our clients to minimise financial risk to the drilling program by ensuring rig downtime is reduced to as low as reasonably practical (ALARP). The relatively small initial upfront investment in ADC's services can save our clients substantially by avoiding unforeseen costs during operations due to equipment failures.



Meeting Regulator Compliance: ADC's rig intake process is held in high regard by regulatory bodies such as BEIS who use ADC's processes as a benchmark against which other companies/processes are reviewed. By attending rig intake meetings between our Operator clients and regulators, ADC continually refines work scopes and processes to provide regulators with the evidence they are looking for to meet compliance standards.



Collaborative Approach: ADC integrate with auditee rig crews and management, aligning objectives and using our expertise and experience to help solve problems as efficiently as possible. ADC can create a Rig Acceptance document tailored to each project which clearly outlines the expectations during the inspection to ensure all parties understand and are on-board with the process.



Investing in our people: ADC make significant investment training our personnel directly with OEMs such as NOV, Aker, Cameron and Kongsberg – giving you the confidence we have an in-depth understanding of the latest rig technologies. By retaining staff, in addition to expanding the team, ADC are able to offer clients consistency and continuity; ensuring ADC projects are managed by competent individuals within an integrated team of specialists.



Evidence based inspections: Analysing our inspection data from the past 15 years to identify common problem areas across rig types, Drilling Contractors, OEMs and locations; using this information to ensure known high-risk areas are targeted.



Inspecting to known standards: All Non-conformances raised by ADC reference applicable standards – an approach that is commended by both our clients and the Drilling Contractors we audit. ADC actively avoid "opinion-based" inspection, which is commonplace in the Industry, as it can lead to confusion and an inefficient inspection process.



Capturing innovation from other industries: ADC recognise there is considerable value in learning and adopting practices from other high-performance branches of engineering. ADC have recruited elite engineering specialists who have maintained and inspected state of the art fighter jets, warships and nuclear submarines, integrating them into our team of highly experienced rig inspectors. The engineering standards, regulations, maintenance and inspection methodologies governing these industries/assets are generally stricter than any other branch of engineering.

3.0 TECHNICAL SCOPE AND OBJECTIVES

Documentation Review

Review of all associated documentation pertaining to permitting for drilling and production including the

- Oil and Gas Drilling, Workover, or Amending Permit Application
- Oil & Gas Pipeline, Pipeline Abandonment, or Pump Station Permit Application
- Associated contractor management systems and plans

Reference documents used include, but not limited to the COLC Drilling Ordinance – Drilling, Chapter 42, Article III and associated API guidelines / standards.

PROVISION of PERSONNEL	Hourly Rate (USD)	Estimated Hours	Estimated Cost (USD)
Documentation Review			
Principal Specialist	\$225	80	\$18,000
ELECTRONIC REPORT FEE			\$3,180

Land Rig / Workover Rig Condition Inspection

The aim is to verify the rig equipment condition of the rig through comprehensive inspection focused in particular on all safety and environmentally critical elements and all equipment that could be expected to cause operational downtime in case of failure. The inspection shall include, but is not limited, to:

- Analysis of equipment condition and standards of maintenance, in accordance with legislative requirements (such as API, ISO, IEC, ASME etc); City Specific Requirements and the original equipment manufacturers (OEM) specifications / recommendations.
- Review full set of current certification including ensuring a system is in place to track the certification of all safety and environmentally critical elements (SECE) and that the system is capable of raising an alert when any item is approaching time for recertification.
- In the absence of adequate documentation or maintenance records, the need for internal inspection of primary equipment may be required to assess that internally, the equipment has been kept in a safe and reliable working condition in accordance with the OEM operational limits.
- Internal inspection for examination where possible that the equipment has been kept in a safe and reliable working condition. As a minimum internal inspection would be expected to be conducted on the:
 - Mud pump(s) (fluid and power end)
 - Drawworks (drive system – chain, sprockets, belt, pulley)
 - Power distribution (SCR, VFD, motor control centre cubicles)
- In case of any concern, function testing, pressure testing, load testing, and insulation resistance checks for all critical equipment of the unit.
- Checking that the proper safety devices are installed and are working correctly to prevent accidents and equipment failures.
- Planned preventative maintenance system (PMS) for all SECE. Where equipment has been changed out, the audit will include review of amendments made to the equipment records.
- Review of critical spares list and standard operating procedure written for the item and readily available on site.

- Review of downtime records for the previous two years to consider the actions taken to prevent recurrence.

During the inspection, the assistance of the crew is required to open and prepare equipment for inspection, run the equipment for testing, and to assist with pressure and load testing of various items.

PROVISION of PERSONNEL	Day Rate (USD)	Estimated Days	Estimated Cost (USD)
Condition Assessment			
Principal Specialist	\$1,800	5	\$9,000
Principal Specialist (Travel)	\$1,800	2	\$3,600
ELECTRONIC REPORT FEE			\$3,180

Acceptance Testing – Rig Equipment and Systems

The aim is to verify compliance of the rig and relevant equipment (or certain defined equipment) to applicable international recognised standards and company specific technical requirements. The acceptance testing program shall integrate and be linked to the previous "rig condition inspection," with any gaps between commissioning and integration included for testing and acceptance.

The approach taken by ADC is to provide acceptance testing witness with the aim of ensuring 'operational assurance' of the equipment and systems on the rig, incorporating the principles of FARSI (functionality, availability, reliability, serviceability, and interdependency).

The inspection shall include, but is not limited, to:

- Function testing, pressure testing, load testing, and insulation resistance checks for all critical equipment and integrated control systems (pressure lines included) of the unit.
- Structural inspection as well as drilling string and bottom hole assembly inspections are carried out only visually unless agreed upon by the parties.
- Verification of compliance with ISO/API international standards, oilfield good practices, and other recognised international code of practice.
- Verification of compliance with company's minimum acceptance standard (i.e. well control policy, SOP and tubular requirements) and technical rig contract specifications (personnel qualification requirements included).
- Verification of certification and safety rules as:
 - Local rules and regulations for the country of activity.
 - Company specific safety requirements (if any).
 - Safety and emergency procedures.
- 12-24 hour acceptance endurance test simulating rig operations to be agreed with the client.

PROVISION of PERSONNEL	Day Rate (USD)	Estimated Days	Estimated Cost (USD)
Endurance Testing			
Principal Specialist	\$1,800	2	\$3,600
Principal Specialist (Travel)	\$1,800	2	\$3,600
ELECTRONIC REPORT FEE			\$3,180

Dropped Object Survey & Drops Management Review

ADC will complete an independent Dropped Objects Survey of the rig to ensure that work areas are “fit for purpose”, in compliance with industry best practices and that management policies and standards are in line with the International DROPS Forum:

1. Dropped Object Sweep Survey to identify potential dropped objects which present improvement opportunities
2. Drops Related Management Systems Audit / Assessment

The Survey

ADC propose to visually examine and survey all potential dropped objects within the scope of the audit and utilise the guidelines supported and published by the DROPS forum to determine the suitability of any primary or secondary retention methods. ADC will also ensure that items at height are using a safety securing method which is an additional method of securing the item to the main structure, to prevent/restrain the item/item components from falling should the primary fixing fail.

Drops Related Management Systems Audit / Assessment

Out with the physical inspection of equipment secured at height, ADC would propose to apply on-site to assess the effectiveness of those management systems, policies and procedures, relevant to managing potential dropped objects.

- Planning and Risk Management
- Working at Height
- Maintenance Systems
- Control of Lifting Equipment and Lifting Operations
- DROPS Profile

PROVISION of PERSONNEL	Day Rate (USD)	Estimated Days	Estimated Cost (USD)
Dropped Object Survey & MSA Review			
Principal Specialist	\$1,800	3	\$5,400
Principal Specialist (Travel)	\$1,800	2	\$3,600
ELECTRONIC REPORT FEE			\$3,180

4.0 COMMERCIAL INFORMATION

PROVISION of PERSONNEL	Day Rate (USD)
Rig Inspection Services	
Principal Specialist	\$1,800
Principal Specialist (Travel)	\$1,800

	Rate (USD)
Mobilisation Preparation Fee	
Per Specialist	\$325
Electronic Report Fee	
Per Report	\$3,180

	Annual Rate (USD)
TRAMS Subscription for NC Management & Historic Report Access	
3 User Licences	\$12,000

	Hourly Rate (USD)
Doc Review & Technical Consultancy	
Principal Specialist	\$225

EXPENSES	
A. Travel by Plane (>6hrs Business Class), Rail, Taxi or Motor Vehicle (Including Airport Car Parking and Car Mileage at \$0.625 per mile)	Documented Cost +10% Handling Fee
B. Accommodation charges plus subsistence or meal allowance	
C. Necessary Visa, Immunisation & PCR Costs	
D. Miscellaneous Expenses including Telephone and Internet, Excess Baggage, Laundry, Work Passes, etc.	

All estimates are based on the following:

- No mandated quarantine periods prior to mobilisation to the rig
- All necessary equipment is readily available and accessible for inspection
- Appropriate level of assistance from Drilling Contractor personnel
- All Documentation relating to the rig is up to date and accessible
- No equipment failures during testing leading to significant knock-on effect to inspection schedule

Please send any Purchase / Service order documents to the below named contact and accounts@adc-engineering.com

Should any commercial clarification be required, please contact:

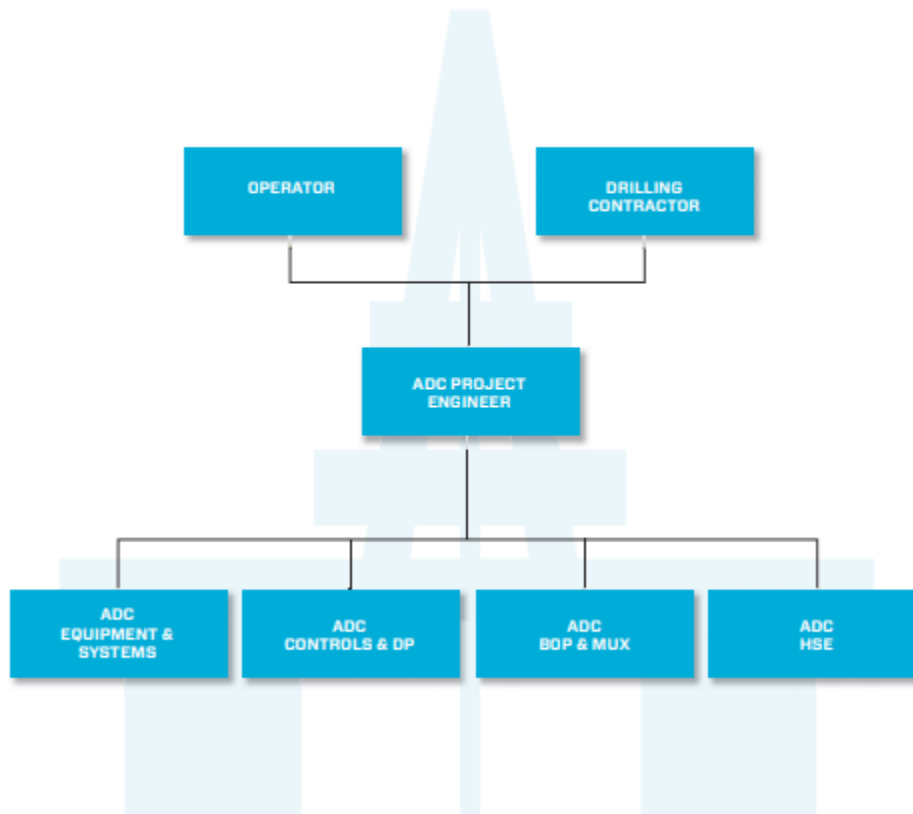
Jason McGill
Business Development Manager
Tel: +44 (0) 1224 974800
Email: jmcgill@adc.energy

Should any technical clarification be required, please contact:

Lance Norris
Senior Project Engineer
Tel: +1-713-814-4849
Email: lnorris@adc.energy

5.0 PROJECT MANAGEMENT

Project Organisation



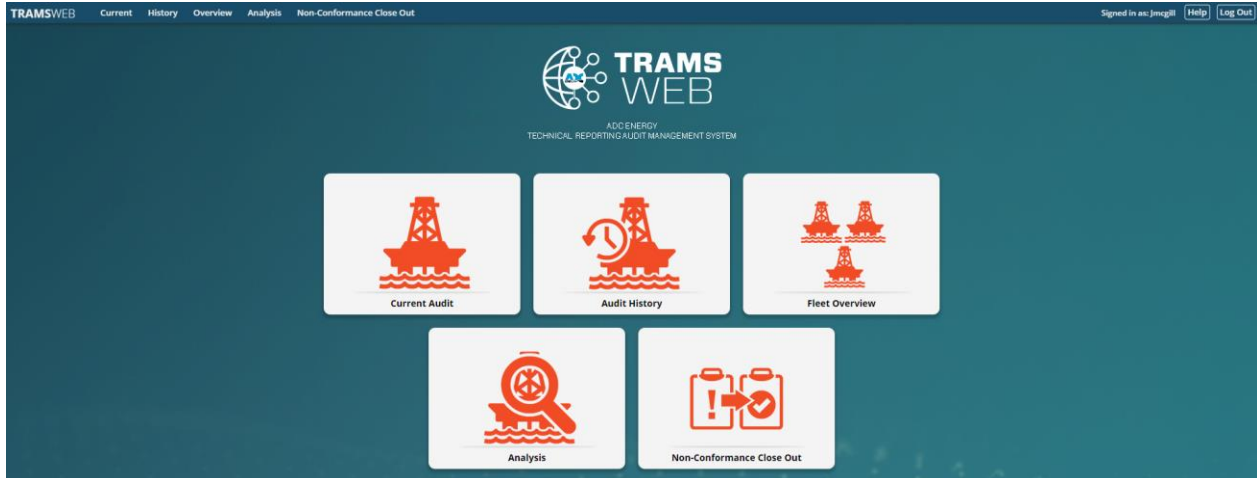
Each project is assigned a dedicated focal point who is responsible for management the communication channels:

- Confirmation with Client of specific inspection requirements including scope, references and timeline
- Using ADC's TRAMS ensure the correct preparation of work packs and job briefs for personnel in accordance with ADC Office Support Process Document
- Conduct pre-job briefs with lead auditor prior to mobilisation.
- Provide office support to inspection team during inspection in accordance with ADC Office Support Process Document.
- Maintain engagement with Client during conductance of inspection - react promptly and effectively to any changing needs.

6.0 REPORTING

City of League City Technical Rig Audit Management System

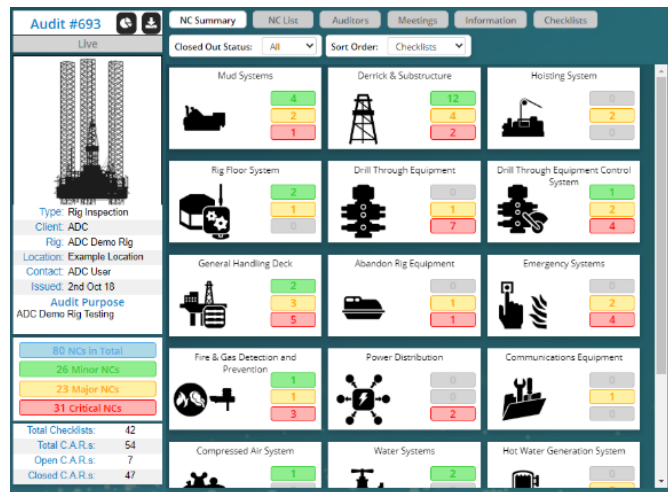
COLC will be granted access for 3 licenses to ADC's Technical Rig Audit Management system (TRAMS) using a unique username and password. This grants users the ability to view and close-out any non-conformances raised during the ADC inspection.



TRAMS – Managing Assets: <https://www.adc.energy/reporting/>

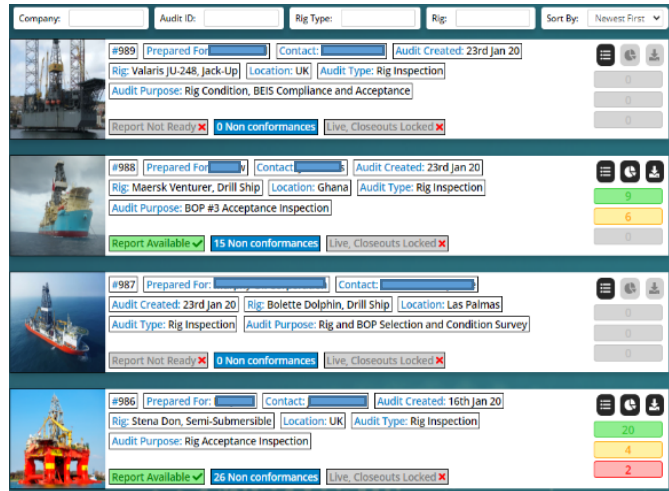
Current Audit Progress Monitoring

View the progress of the current rig inspection for a detailed overview of the non-conformances grouped by equipment or systems. Complete visibility of the workscope including the agreed inspection areas and summary of meetings held on board the rig.



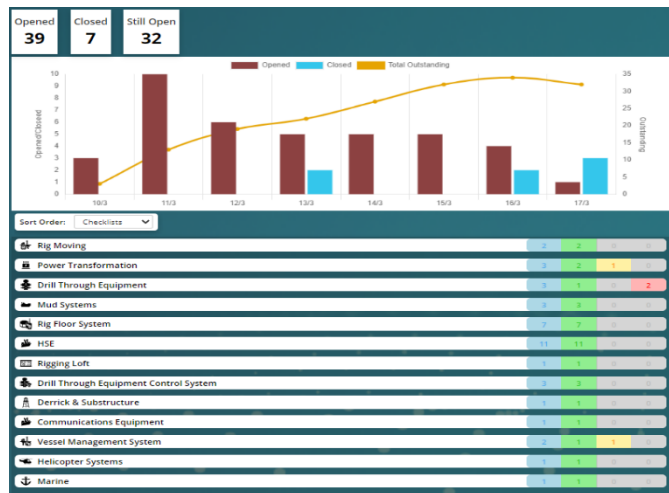
Client-Specific Audit History

All historic inspections that have been carried out for the Client Point of Contact, including the associated final reports, are listed in one interactive page within TRAMS. The historic TRAMS projects can be filtered to show specific rigs, worksopes or rig types.



Management & Closure of Non-Conformances

During the inspection or prior to the rig commencing operations, it's vital that all critical and major non-conformances are managed appropriately. ADC work proactively with the Drilling Contractor during the inspection to close out all non-conformances whilst the team are on board. In order for ADC clients to plan for risk mitigation measures, early communication of long-lead actions required is vital.



ADC Inspection Findings – Non-Conformance Categorisation

CRITICAL	Essential equipment / processes / systems inappropriately used, exceeding operational limits or out of service / obsolete with potential for loss of life, serious injury or environmental damage
MAJOR	Essential equipment, processes and systems that are being ineffectively used, approaching operational limits or experiences some downtime to a point that may lead to damage to essential equipment or have a detrimental effect on the drilling operation.
MINOR	Equipment, processes and systems that may have minor deficiencies observed that may lead to a situation that contributes to an incident or to circumstances in which the required standards of operation are not met.
OBSERVATION	Observations highlight equipment condition, processes or systems that, although not considered non-conformances during the audit, are noteworthy to the client. Observations may or may not be referenced to a specific standard, rule or guidance and should not require further action. However, they are considered useful findings and may become non-conformances in future.

Secured Final Report

The final reports are reviewed in accordance with ADC's Quality Guidelines (accredited to ISO9001:2015 standard) and will be made available within **7 working days** following the return of the inspection team to our office however the non-conformances and inspection summary remain available immediately.

APPENDIX I: ADC PERSONNEL

ADC has a wealth of experienced staff personnel, all of whom contribute to the collective experience of the company. ADC provides a unique integrated approach to rig inspection, with four specialist divisions working collaboratively as a team on and offshore to provide a comprehensive rig inspection. Utilising specific knowledge and experience, these divisions have the ability to conduct standalone projects and operate interdependently when required.

ADC's four specialist divisions are:



Benefits include:

- Accelerated Reporting** presented in a single, understandable format
- Intelligence Sharing** accessible to all divisional teams to produce in-depth analysis
- Reduced inspection** times and resources without compromising quality

We believe our people are our most valuable asset and at a challenging time when our competitors are shedding personnel, we are determined to improve our skills and retain our staff. This approach and commitment to staff retention not only helps to ensure ADC has the best people for the project, it also allows for continuity when supporting our clients.

ADC's Competency Assurance Programme (CAP) has been developed and implemented to recruit, train, maintain and improve our personnel to a level at or beyond the standards required by the industry. The key personnel ADC propose to use on this project are both competent and experienced in their field of expertise, as supported by the CAP.

ADC's extensive OEM training programme enables our rig inspectors to access OEMs such as **Aker Solutions**, **MH Wirth**, **NOV** and **Kongsberg**. This allows for a fully integrated approach in line with OEM testing of equipment for functionality and operability, as well as fault finding and maintenance.



ADC takes pride in tailoring the correct team to each project. Where our inspectors have previous experience with a particular Rig or specialist piece of equipment, we seek to put the right person on the right project.

In order to ensure ADC remains efficient in our methodology without compromising on the quality of our service, we are committed to utilizing Principal Specialists who are multi-disciplined which therefore reduces ADC's rig-footprint and our clients' costs as much as possible.

APPENDIX II: ADC AUDIT PROCESS CHART

