



Purchasing Department Contract Cover Sheet

All Contracts over \$3,000 should be reviewed by Purchasing and Legal prior to being signed. Contracts valued at more than \$3,000 but less than \$10,000 require Director approval, over \$10,000 but less than \$25,000 require Assistant City Manager approval, and over \$25,000 but less than \$50,000 require City Manager approval. All contracts valued over \$50,000 must be approved by Council.

Dept.: Planning Date: 12-7, 2020 Contact: Ann Williams

Vendor: ADC Rig Inspection Amount: 40,000

Contract Terms: 12 years/months Beg. Date: 10/23/20 End Date: Date of Completion

Description of Purchase oil rig inspections

Purchasing Procedure Professional Services

❖ Quotes: Minimum 3 required - No. of Quotes Received _____

- Hubs – At least two (2) located in Galveston County should be contacted to request quotes. Proof of search if no HUB's are available or attempted contact if they are and summary sheet from Comptroller website:
<https://mycpa.cpa.state.tx.us/tpasscmblsearch/index.jsp>

❖ Items or services through a Co-Op (Co-op Contract must be attached as backup)

- Co-op Name _____ Contract No. _____ Exp. Date _____

❖ Sole Source (requires a signed letter from the vendor and approval of the Purchasing Manager)

❖ Emergency Purchase (Signed memo by department director must be attached)

❖ DocuSign, Purchasing Source Review & Signatures – Completed contract packet is to be sent by the department to their purchasing buyer who will review and send for signatures in DocuSign. Department will receive the completed signed copy through DocuSign.

Attachments Included:

- ☐ Quote - (Vendor quotes, Hub's – proof of contact, summary sheet)
- ☐ Signed Sole Source Letter - (Purchasing manager approval)
- ☐ Co-op Contract Information
- ☐ Emergency Purchase (Signed memo by director)
- ☒ Contract / Agreement (signed by Vendor)

[Signature]

12/8/2020

Department Director/Manager

Date

Liz Lopresti

12/8/2020

ECB8E9335ED04D4

Purchasing Manager

Date

[Signature]

12/8/2020

37DDECD8AF054E2...

City Attorney

Date

Contract
Signed

Assistant City Manager

Date

12/8/2020

City Manager

Date

DS

AS



STANDARD AGREEMENT

(version 5-1-2020)

This AGREEMENT ("Agreement") is entered by and between **ADC Rig Inspection Americas Corp** ("Contractor"), located at **1334 Brittmore Road, Suite 2413, Houston, TX 77043** 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.

Terms:

1. **Scope of Services:** Contractor will perform the services and/or provide the products as set forth in **Exhibit A**, which is attached and incorporated herein, and which can be generally described as **Oil and Gas Production Permit Application Documentation Review**. If there is a conflict between the terms of this Agreement and Exhibit A, the terms of this Agreement will prevail.
2. **Term and Termination:** This Agreement shall commence on **date of Agreement execution** and shall expire on to **date of completion**. The period from commencement to expiration is the Contract Term. City reserves the right to terminate this Agreement for convenience upon seven (7) days written notice to Contractor. Upon such termination, City shall pay Contractor, at the rate set out in **Exhibit A**, for services satisfactorily performed or products satisfactorily provided up through the date of termination. Notwithstanding any provision in this Agreement to the contrary, City will not be required to pay or reimburse Contractor for any services performed or for expenses incurred by Contractor after the date of the termination notice that could have been avoided or mitigated by Contractor.
3. **Compensation:** Contractor shall be paid for the services/products as set forth in **Exhibit A**. In no event shall the total compensation exceed **\$40,000** during the term of this Agreement. City shall tender payment (including progress/partial payments) for services/goods only after such services are completed or goods are delivered and are deemed to be acceptable under this Agreement, in the sole reasonable discretion of City. Contractor must submit to City invoices for all goods delivered and services provided, which invoices must include details and dates of service or delivery. Payment by City shall be made within thirty (30) days of receipt of an invoice, except for any portion of the invoiced amount that City disapproves as not compliant under this Agreement, in the sole reasonable discretion of City. If City disapproves any amount submitted for payment by Contractor, City shall give Contractor specific reasons for disapproval in writing.
4. **Insurance:** Contractor is required during the Contract Term to maintain insurance as follows: (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) If Contractor will provide City "professional services," as that term is used in Chapter 252 of the Texas Local Government Code, 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 Contractor 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. Contractor shall pay all insurance deductibles and deductibles must not exceed \$10,000 unless approved in advance by City. Contractor shall provide City Certificates of Insurance evidencing these insurance requirements prior to the start of work.

5. **Liquidated Damages:** Contractor acknowledges that time is of the essence in performing this Agreement. City and Contractor (collectively, the "Parties") agree that if Contractor is late in performing any obligation of this Agreement, City will suffer loss, damages, or other harm from Contractor's delay. The Parties agree that the amount of loss, damages, or harm likely to be incurred is incapable or difficult to precisely estimate, and therefore Contractor agrees to pay City liquidated damages for delay at a daily rate equal to the total compensation allowed under the Agreement divided by the number of days in the Contract Term. 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 Contractor's delay; (ii) one of the reasons for City and Contractor to agree to such amounts is the uncertainty and cost of litigation regarding the question of actual damages; and (iii) City and Contractor are sophisticated business parties and negotiated this Agreement at arm's length.
6. **Independent Contractor:** Contractor is an independent contractor and is not an employee, partner, joint venture, or agent of City. Contractor understands and agrees that he/she will not be entitled to any benefits generally available to City employees. Contractor 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, Contractor 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. Contractor 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, Contractor hereby waives and appoints City to assert on Contractor's behalf Contractor'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, Contractor may become privy to confidential information of City. Contractor agrees to treat as confidential the information or knowledge that becomes known to Contractor 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. Contractor 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 Contractor's possession or control. Contractor 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 Contractor without the prior written approval of City.
9. **Warranties and Representations:** Contractor warrants and agrees that Contractor 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, Contractor warrants and agrees that Contractor 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:** Contractor 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 Contractor's performance of this Agreement. If Contractor is a business entity, Contractor 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 Contractor.
11. **Performance/Qualifications:** Contractor agrees and represents that Contractor has the personnel, experience, and knowledge necessary to qualify Contractor for the particular duties to be performed under this Agreement. Contractor warrants that all services performed under this Agreement shall be performed consistent with generally prevailing professional or industry standards.
12. **Conflict of Interest:** Contractor warrants, represents, and agrees that Contractor presently has no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with Contractor's performance of the services hereunder. Contractor further warrants and affirms that no relationship or affiliation exists between Contractor and City that could be construed as a conflict of interest with regard to this Agreement.
13. **INDEMNIFICATION: CONTRACTOR 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 CONTRACTOR OR ANY AGENT, EMPLOYEE, SUBCONTRACTOR, OR SUPPLIER OF CONTRACTOR 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 City nor Contractor shall be liable for any delay in the performance of this Agreement, nor for any other breach, nor for any loss or damage arising solely from uncontrollable forces such as fire, theft, storm, war, or any other force majeure that could not have been reasonably avoided by the exercise of due diligence.
15. **Notices:** Any notice given under this Agreement by either party to the other may be effected 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, Contractor 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 and/or City Auditor:** Contractor understands that acceptance of funds under the Agreement constitutes acceptance of the authority of the Texas State Auditor's Office, or any successor agency or the City's internal auditor (collectively, the "Auditor"), to conduct an audit or investigation in connection with those funds. Contractor agrees to cooperate with the Auditor in the conduct of the audit or investigation, including without limitation providing all records requested. Contractor will include this provision in all contracts with permitted subcontractors.
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 Contractor to attempt to resolve any claim for breach of contract made by Contractor that cannot be resolved in the ordinary course of business. The Director of Finance of City shall examine Contractor's claim and any counterclaim and negotiate with Contractor 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.
21. **Eligibility to Receive Payment:** Contractor 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:** Contractor 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. Contractor agrees that any payments owing to Contractor under the Agreement may be applied directly toward any debt or delinquency that Contractor 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 Contractor will provide services under the Agreement, Contractor 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:** If applicable, all work performed by Contractor pursuant to the Agreement will be at Contractor's exclusive risk until final and complete acceptance of the work by City. In the case of any loss or damage to the work prior to City's acceptance, bearing such loss or damage will be Contractor's responsibility.
25. **Publicity:** Contractor 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:** Contractor warrants and represents that Contractor 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 Contractor. 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. **Prohibition on Boycotting Israel:** Pursuant to Section 2270.002 of the Texas Government Code, by executing this Agreement Contractor verifies that Contractor: (1) does not boycott Israel; and (2) will not boycott Israel during the term of this Agreement.
32. **Prohibition Against Business with Iran, Sudan or Foreign Terrorists Organizations:** Contractor warrants, covenants, and represents that Contractor is not engaged in business with Iran, Sudan, or any company identified on the list referenced in Section 2252.152 of the Texas Government Code.


(signature block on next page)

Executed on 10/23/2020 (date to be filled in by City Secretary)

ADC RIG INSPECTION AMERICAS CORP - "Contractor"


Christen "Kit" Trahan Vice President-ADC Rig Inspection Americas

CITY OF LEAGUE CITY - "City"

DocuSigned by:

Bo Bass, Assistant City Manager

Attest:

DocuSigned by:

Diana Stapp, City Secretary

Approved as to Form:


DocuSigned by:

Office of the City Attorney

Exhibit A

**Scope of Services/Description of Products/Payment
Schedule** (There are 16 pages for Exhibit A, including this page)

See next pages for proposal

all4one

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



CERTIFIED ISO 9001:2015



REMOTE CAPABILITY

**City of League City Desktop Review and
Equipment Inspection**

RIG NAME:	TBD
PROPOSAL:	ADC-US20/576
RECIPIENT NAME:	David Hoover
RECIPIENT TITLE:	Executive Director

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ISO 9001:2015 Quality Management

The ISO 9001:2015 standard certifies that ADC has a formalized management system in place to prove the business can deliver a consistent level of quality service to its customers. This is achieved by regularly reviewing current operational systems to guarantee they cover all process stages, along with check or test points to confirm that their operational ability is able to consistently supply a product or service that fully meets customer requirements. The scope of the certification, which is awarded by independent and respected organization ISO; includes areas such as customer focus, leadership, engagement of people, improvement, people approach and relationship management.



ADC Mission statement

We constantly seek to engineer our performance through a culture built on meticulous excellence, precision efficiency and visionary innovation. Where time-served expertise is honored and a passion for people nurtured to ensure that we continue to be the most highly regarded, sought after and respected provider of dynamic Rig Inspection anywhere in the world.



AT

CLIENT SIGN-OFF & ORDER CONFIRMATION

Order Confirmation

For

Proposal **ADC-US20/576**

Between


ADC Rig Inspection Americas Corp. ("ADC")

And

City of League City

The Signatories below acknowledge that they have reviewed the Proposal ADC-US20/576 in its entirety and agree to the terms and conditions outlined. If the Client Company's internal systems dictate that a Purchase order or Service order is issued a signature is not required for ADC to commence work.

Signature Section:

<input checked="" type="checkbox"/> 	DocuSigned by:	10/23/2020
Client Representative Signature		Date
<input checked="" type="checkbox"/> Bo Bass		Acting - City Manager
Printed Name		Title / Position

1.0 INTRODUCTION

This document contains ADC Rig Inspection Americas Corp.'s (hereinafter "ADC") Proposal to conduct two desktop reviews on permit applications and perform a visual inspection on the production and rig equipment.

The first part of this proposal is for ADC to conduct a desktop review of the change of operator documentation for the Oil & Gas Production, Well Plugging and Abandonment Permit Application and verify it meets the City of League City ordinances (Article IV. Drilling Production, Plugging and Abandonment). The City of League City will be notified of any discrepancies found between the permit applications and City ordinances/industry standards.

The second part of this proposal is for ADC to conduct a visual inspection of the production and drilling equipment onsite in the City of League City.

The third part of this proposal is for ADC to conduct a desktop review of the City of League City Permit Application for drilling a new well and verify it meets the City of League City ordinances (Article IV. Drilling Production, Plugging and Abandonment). The City of League City will be notified of any discrepancies found between the permit applications and City ordinances/industry standards.

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.

The reputation of Aberdeen Drilling Consultants has been built over many years by consistently providing our clients with an independent, highly efficient and professional service.

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.

ADC's Advantage

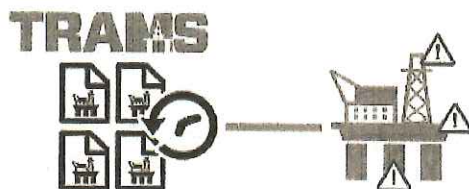
Collaborative approach: Operational office in Aberdeen, Houston and Kuala Lumpur with Operations Managers who can attend inspection planning meetings and morning calls throughout the inspection. We work collaboratively and adopt a solutions-driven approach which greatly increases the speed of the process through fostering a positive and valuable client, contractor, consultant interface.

Evidence based rig inspections: Analysing our inspection data from the past 25 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. This is a key differentiator between ADC and our competitors – especially newly established "rig inspection companies" who don't have an established rig inspection track record nor the systems required to capture this information. ADC has captured and analysed data from over 80 Operators and 600 rigs - this allows ADC to conduct inspections more intelligently, efficiently and can also aid in providing solutions to known problems previously encountered.

Maximising Return on Investment: ADC's knowledge of common problems as well as the strengths of different rigs, Contractors and equipment helps ensure our clients make an informed decision regarding their rig choice. Across an increasingly competitive industry, the advantages using this information to make the right decision and maximise return on investment for well operations in every geography, for every well, are becoming ever-more clear.

Longevity based on reputation – ADC is the longest standing, most experienced and technically advanced rig inspection company in the market today – 35th year of continuous operation.

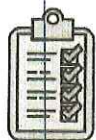
Mitigating Financial Risk through Data Analysis: ADC's Technical Rig Audit Management System (TRAMS) has been developed to capture and analyse the findings from every inspection carried out over the last 10 years of our operations. Armed with this data, we target known areas of risk by conducting a trend analysis on everything from Drilling Contractor, Rig Type/Design, Operational Status, Equipment and Systems on board. Identifying non-conformance trends, allows us to maximise the period of time on board to conduct a transparent and consistent inspection.



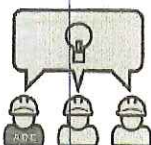
2.0 ADC RIG INSPECTION PHILOSOPHY



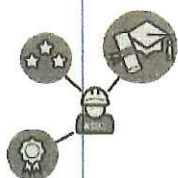
Maximising project cost efficiency through Cost Avoidance: Focusing on technical excellence, ADC's objective is to work with our clients to minimise financial risk to the drilling program by ensuring rig downtime is reduced to as low as reasonably practical (ALARP). The relatively small initial upfront 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.

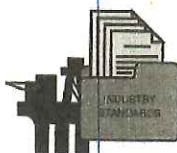


Investing in our people: ADC make significant investment training our personnel directly with OEMs such as NOV, Aker, Cameron and Kongsberg – giving you the confidence we have an in-depth understanding of the latest rig technologies. By retaining staff, in addition to expanding the team, ADC are able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

Aker Cameron NOV



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 common place 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

Part 1: Oil & Gas Production Permit Application Documentation Review Change in Operator

Conduct a desktop review of the Oil & Gas Production Permit Application for the change in operator documentation supplied by Kaler Energy Corp. and verify it meets the City of League City ordinances (Article IV. Drilling Production, Plugging and Abandonment). The City of League City will be notified of any discrepancies found between the permit application and City ordinances/industry standards.

Part 2: Visual Inspection of the Rig and Production Equipment

The aim is to visually inspect the status of the rig and production equipment 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.); Country and City of League 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 Equipment (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.
- Checking that the proper safety devices are installed and are working correctly to prevent accidents and equipment failures.
- Planned preventative maintenance system for all agreed 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 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.

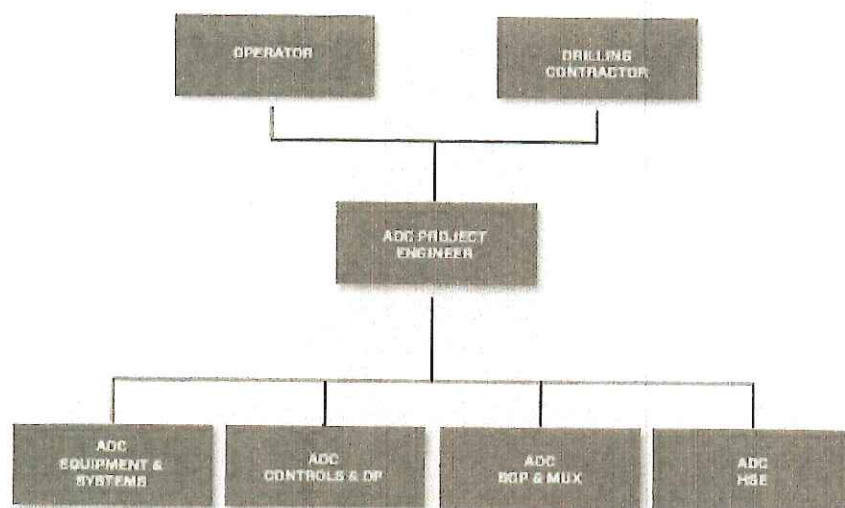
Part 3: Oil & Gas Production Permit Application Documentation Review for Drilling a New Well

Conduct a desktop review of the Oil & Gas Production Permit Application for drilling a new well documentation supplied by Kaler Energy Corp. and verify it meets the City of League City ordinances (Article IV. Drilling Production, Plugging and Abandonment). The City of League City will be notified of any discrepancies found between the permit application and City ordinances/industry standards.

4.0 PROJECT MANAGEMENT

ADC has worked in the majority of major Oil producing countries, and has a wealth of experience ensuring rigs comply with country specific and National Oil company (NOC) regulatory requirements. ADC services the global market from offices strategically located in Aberdeen (UK), Houston (USA), Kuala Lumpur (Malaysia) and local representatives in Canada, Libya and the Middle East.

Project Organisation



Every project is assigned an ADC Snr. Project Engineer 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.

5.0 REPORTING

Daily cost of operating
a 6th/7th generation
rig approx =

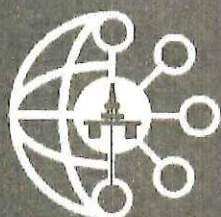
US\$ **360k -**
US\$ **400k**

Typical 30 day shallow/
midwater drilling well
costs =

US\$ **11m -**
US\$ **12m**

Cost of NPT at industry
levels of 15% to 30%
(per well) =

US\$ **1.65m -**
US\$ **3.6m**



ADC clients using TRAMS regularly report rig-related
NPT is lower than 1% (per well) =

US\$ **3.19m - US\$ 3.48m**
SAVED PER WELL

It is important to structure the rig inspection process for transparency and traceability throughout the entire project. ADC's bespoke Technical Rig Audit Management System (**TRAMS**) allows for **Real Time Reporting** of identified threats for unplanned downtime to be addressed immediately. This ultimately ensures that the rig remains operable during the inspection and non-conformances (NCs) can be closed out whilst ADC are still on board.

Project Preparation & Previous Non-Conformances

TRAMS SECURELY
POOLS ANONYMISED
DATA BATHERED
OVER THE:

last
10
years

from
80
operators

and
600
assets

ALMOST 1200
INSPECTIONS
HAVE TAKEN
PLACE SINCE
2011:

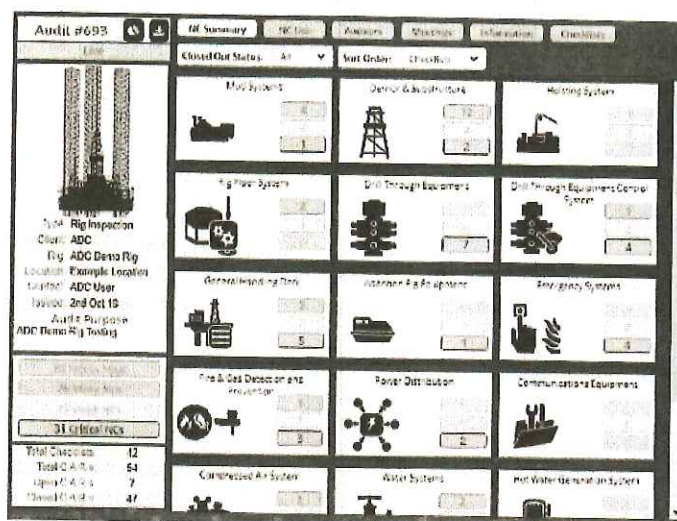
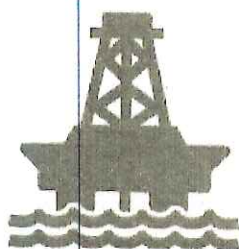
on
92
drillship
projects

and
130
high specification,
dynamically-positioned
semisubmersible

In key hubs of
- UKCS
- Africa
- Gulf of Mexico
- Deepwater
Asia Pacific

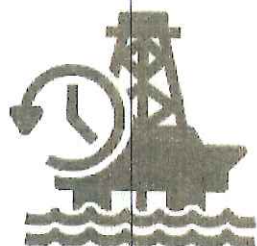
ADC has gathered a wealth of data over the last 35 years which has resulted in an extensive database of previously raised non-conformances for measuring the performance of OEMs, Drilling Contractors and rig types. During the preparation for the project, ADC collates these known issues to ensure they are addressed during the project at hand in order to minimise the risk of occurrence.

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



Company	Audit ID	Rig Type	Rig	Start By	Report Status
Valaris (U-248 Jack Up)	#689	Jack Up	Valaris UK	23rd Jan 20	Report Available
Audit Purpose: Rig Condition, BLS Compliance and Acceptance					
Report Available: 0 Non-conformances 0 Open Outcomes 0 Closed Outcomes					
Maersk Venturer, Drill Ship	#688	Drill Ship	Maersk Venturer	23rd Jan 20	Report Available
Audit Purpose: BOP #3 Acceptance Inspection					
Report Available: 0 Non-conformances 0 Open Outcomes 0 Closed Outcomes					
Bolette Dolphin, Drill Ship	#687	Drill Ship	Bolette Dolphin	23rd Jan 20	Report Available
Audit Purpose: Rig and BOP Selection and Condition Survey					
Report Available: 0 Non-conformances 0 Open Outcomes 0 Closed Outcomes					
Stena Drift, Semi-Submersible	#686	Semi-Submersible	Stena Drift	16th Jan 20	Report Available
Audit Purpose: Rig Acceptance Inspection					
Report Available: 0 Non-conformances 0 Open Outcomes 0 Closed Outcomes					

All historic inspections that have been carried out for the Client Point of Contact (Drilling Manager, Superintendent, Snr Drilling Engineer etc.), 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.

ADC Inspection Findings – Non-conformance Categorisation

CRITICAL	Essential equipment, processes, systems inappropriately used exceeding operational limits or out of service protocols 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.

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. All reports are issued electronically through TRAMS, hardcopies can be requested and will be issued for an additional fee.

6.0 COMMERCIAL INFORMATION

PROVISION of PERSONNEL		Hourly/Day Rate (USD)	Estimated Hours/Days	Estimated Cost (USD)
Part 1: Oil & Gas Production Application Documentation Review Change of Operator				
Principal Engineering Specialist		\$190	40	\$7,600
Part 2: Visual Inspection of Rig and Production Equipment				
Principal Engineering Specialist		\$1,700	3	\$5,100
Part 3: Oil & Gas Production Permit Application Documentation Review for Drilling New Well				
Principal Engineering Specialist		\$190	80	\$15,200
MOBILISATION PREPARATION FEE (per engineer) (USD)			\$325	\$325
ELECTRONIC REPORT FEE				
Report Part 1				\$3,180
Report Part 2				\$3,180
Report Part 3				\$3,180
		Hourly Rate (USD)	Estimated Days	
On-Going Technical Consultancy & NC Closure (onshore)				
Principal Specialist		\$190.00	As Required	
EXPENSES				
A. Travel by Plane (>6hrs Business Class), Rail, Taxi or Motor Vehicle (Including Airport Car Parking and Car Mileage at \$0.58 per mile)				
B. Accommodation charges at home base and at Work Location(s), plus subsistence or meal allowance				
C. Necessary Visa and Immunisation Costs				
D. Miscellaneous Expenses including Telephone and Internet, Excess Baggage, Laundry, Work Passes, etc.				
Documented Cost +10% Handling Fee				
MAKING A TOTAL ESTIMATED COST OF				
\$37,765				

All travel days between rigs and throughout the whole project are charged at full day rates
No travel days have been included in the above estimate.

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

The above quotation is based on the following:

- 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
- ADC staying at the rig camp/onboard for the duration of the inspection

Should any Commercial clarification be required, please contact:

Kit Trahan – ADC Rig Inspection Americas – Vice President

Tel: +1 713 814 4884 / Cell: +1 303 912 2474

eMail: ktrahan@adc-engineering.com

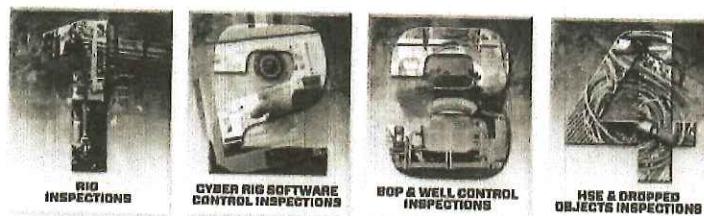
7.0 TERMS & CONDITIONS

Terms and conditions set forth in League City of Texas Standard Agreement (Version 5-1-2020).

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

