



## PDC Bit Rental Agreement

This agreement establishes an agreement between **Keys Enterprises, LLC DBA Keys Bit** ("Keys Bit") and \_\_\_\_\_ ("Operator") to be effective as of \_\_\_\_\_ ("Effective Date") for the rental of the products listed below ("Products") by Keys Bit.

1. Products
  - a. *Matrix Body PDC Drill Bits:* Matrix body PDC drill bits are typically constructed as a two piece welded assembly, consisting of a cast tungsten carbide matrix crown welded to an alloy steel shank with the necessary drill pipe connection. Polycrystalline Diamond Company (PDC) cutters are inserted into pockets on the crown. These products are designed to be repaired and reused many times by rotating or replacing the PDC cutters and repairing the bit body as required.
  - b. *Steel Body PDC Drill Bits:* Steel body PDC drill bits are typically constructed either as a two piece welded assembly, consisting of an alloy steel crown welded to an alloy steel shank, or as a single piece alloy steel bit body, both with the necessary drill pipe connection. Polycrystalline Diamond Compact (PDC) cutters are inserted into pockets in the crown. These products are designed to be repaired and reused many times by rotating or replacing the PDC cutters and repairing the bit body as required.
  - c. *Peripheral Items for PDC Drill Bits:* Peripheral items required for earth boring with PDC drill bits include interchangeable carbide nozzles, nozzle tools, bit breakers, bit boxes and cans, etc.
2. Keys Bit retains all rights and ownership of its Products and is free to manufacture and market each of the Products without limitations. Keys Bit keeps a detailed log of its Product serial numbers, and ownership of the bits will be determined and based on the stamped serial number on each of the Products covered under the terms of this agreement.
3. *Rental Pricing:* Keys Bit will determine the current bit rental rate and sales pricing based on Current Market Value ("CMV") of all Products rented under the terms of this agreement. Keys Bit will invoice Operator based on the CMV of each product. Please note rental pricing is subject to change between each rental made under the terms of this agreement.
4. *Keys Bit Responsibilities:* Keys Bit agrees to supply, based on market opportunities and Keys Bit's financial capabilities, the Products identified above to Operator for the use of earth boring. Keys Bit and its suppliers retain all ownership of the Products supplies under the terms of this agreement. Keys Bit is responsible for the cost of transportation of the Products to and from the Operator's location. Keys Bit may at any time request the return of certain or all Product from Operator to Keys Bit.
5. *Intellectual Property:* Keys Bit and its suppliers retain all intellectual property right to the current products and their designs and specifications. Over the course of future business, Keys Bit, in working with suppliers and operators may make design improvements to these Products, and Keys Bit and its suppliers will retain all intellectual property rights to these improvements and subsequent products.



6. Operators Responsibilities:
  - a. Care of Product: Operator will use reasonable care to ensure safety and security of the Products supplied by Keys Bit.
  - b. Transportation: Operator will be responsible for the transportation of Products from Operators principle locations to and from the drilling sites.
  - c. PDC Bit Application: Operator will be responsible for determining for each rental if the well site is an appropriate application for PDC bits and work with Keys bit to determine the correct size of bit required.
  - d. Reporting:
    - i. Operator shall provide Keys Bit with a run report and other technical information for each well drilled.
    - ii. Operator will also be responsible for completing a Bit Rental Report for each well drilled. The bit rental report can be filed online at [www.keysbit.com](http://www.keysbit.com), sent by email to [accounting@keysbit.com](mailto:accounting@keysbit.com) or by fax at 940-663-5749. In the event that the Operator does not drill using the rented Product, the Operator MUST file a bit rental report with zero footage drilled at minimum **once** each calendar month due on the last calendar day of the month. For each Product that Operator fails to complete the required Bit Rental Report, Operator will incur a non-reporting fee of **\$50.00**. The non-reporting fee will be billed on the first of the calendar month following the period in which no report was filed.
  - e. Product Return: Operator is responsible to initiate the shipping of each Product in need of repair back to Keys Bit within **THREE (3)** business days of last bit rental run. Operator will immediately return any and all Products requested by Keys Bit back to Keys Bit.
  - f. Sales Tax: Sales Tax will be imposed on all rentals based on the location of use. Operator can attach a Sales and Use Tax exemption form to the end of this agreement. Once Keys Bit has this form on file, operator will no longer receive sales tax charges from that date forward but will still be responsible for sales tax charges on all previous invoices billed to operator under the terms of this agreement.
7. Mutual Confidentiality: Keys Bit and Operator agree each of the parties has disclosed or will be disclosing to the other certain information that is regarded as confidential and proprietary by the disclosing party. Keys Bit and Operator agree not to disclose the other party's confidential or proprietary information to third parties without the express consent of the other party. Each of the parties agrees that it will keep confidential the information furnished to it at any time by the other party, so far as is reasonably practicable, and will bind to its secrecy its directors, officers, managers and staff directly or indirectly concerned in, or who may acquire information relating to, the engineering, design, manufacture and production of the products specified herein.
8. Repair of Products: Keys Bit will be responsible for all repairs to the Products. Keys Bit will be responsible for the transportation between Distributor's principle locations and Keys Bit for the repair of Products. Notwithstanding the foregoing, Distributor is responsible for all applicable DBR (Damaged Beyond Repair) charges in such cases that a Product is damaged beyond repair and unsuitable for further use, as determined by Keys Bit on a per-case basis.



9. Terms: Operator will be invoiced for all applicable charges for each rental within **THREE (3)** of receiving bit rental report. Terms will be given to any Operators who have completed the Keys Bit credit application, subject to approval.
10. Duration: This Agreement is for an initial term of **one year**, commencing on the Effective Date, and will be automatically renewed each year for subsequent **one year** terms unless terminated as outlined below.
11. Termination: Either party may terminate this Agreement upon **sixty (60)** days prior written notice to the other party. This Agreement will automatically terminate upon the filing by either party of a petition in bankruptcy or insolvency, or upon any other proceeding or action whether by or against the party under the relevant law on insolvency or bankruptcy, or after the making by the other party of any assignment or attempt of assignment for the benefit of creditors, or upon or after the institution of any proceedings for the liquidation or winding up the other party's business, or for the termination of its corporate charter. Keys Bit may terminate this Agreement immediately upon written notice to Operator if Operator (i) fails to pay Keys Bit any amounts under this Agreement when due or (ii) breaches any material term of this Agreement and fails to remedy such breach within **(30) days** of written notice from Keys Bit. In the event of the giving of a termination notice under this section 11, this Agreement shall terminate upon the termination date specified by the terminating party. Upon the occurrence of any of the events enumerated in this paragraph, (i) any and all Products will be returned to Keys Bit at times as specified by Keys Bit and (ii) all accounts receivable for rental invoices will be collected as soon as possible.
12. Waiver: Any waiver by either party of a breach of any term or condition of this Agreement shall not constitute a waiver of any subsequent breach of the same or any other term or condition of this Agreement.
13. Consequential Damages. In no event will either party be liable to the other for any indirect, incidental, special, consequential, punitive or similar damages including, but not limited to, lost profits, loss of data or business interruption losses. The liability limitations shall apply even if a party has been notified of the possibility or likelihood of such damages occurring and regardless of the form of action, whether in contract, negligence, strict liability, tort, products liability or otherwise. The parties agree that these limits of liability shall survive and continue in full force and effect despite any termination or expiration of this Agreement.
14. DISCLAIMER. EXCEPT AS SPECIFICALLY STATED IN THIS AGREEMENT, ATLAS COPCO DISCLAIMS ALL WARRANTIES, WHETHER EXPRESS OR IMPLIED, WRITTEN OR ORAL, WITH RESPECT TO THE PRODUCTS, INCLUDING ALL IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR USE OR PURPOSE.
15. Changes in Products. Keys Bit and its suppliers may change the design of any Product, or add any new or different Product or line of Products, or discontinue any of the same, at any time or from time to time without notice or obligation to Operator, including, without limitation, with respect to any Products previously ordered or purchased by or delivered to Operator.
16. Assignment. Operator may assign neither this Agreement nor any rights granted by it voluntarily or by operation of law without Keys Bit's prior written consent and any attempted assignment is null and void. For purposes of this Agreement, "assignment" includes the transfer of all or substantially all of the assets of, or a majority interest in the equity or voting rights of, Operator, or the merger of Operator with one or more entities (whether or not operator is the surviving entity and whether or not effecting a change in a majority interest in



the equity or voting rights of the owners). This Agreement inures to the benefit of and is binding upon any successor or assign of Keys Bit.

17. Amendments. No part of this Agreement may be amended, altered or otherwise modified unless done so in a writing duly executed by the parties to this Agreement.
18. Force Majeure. If the performance of any party of this Agreement by Keys Bit or Distributor is prevented, hindered or delayed by reason of any cause or causes beyond the control of Keys Bit or Operator, as the case may be, and which cannot be overcome by due diligence, including but not limited to acts of God, the party affected shall be excused from such performance to the extent that it is necessarily prevented, hindered or delayed during the continuance or any such happening or event, and this Agreement shall be suspended so long as and to the extent that any such cause prevents or delays its performance.
19. Applicable Law. This Agreement is governed, as to validity, construction and effect by the laws of the State of Texas without reference to its conflict of laws provisions.
20. Relationship of the Parties. The relationship between the Operator and Keys Bit under this Agreement is intended to be that of buyer and seller. The Operator is an independent contractor and neither it nor its employees, shall under any circumstances, be considered to be agents or employees of Keys Bit. Neither party shall have the right to enter into contracts or commitments in the name of the other or to bind the other in any respect whatsoever.
21. Notices. Unless otherwise provided herein, any notice, request, instruction or other document to be given hereunder by either party to the other party shall be in writing and delivered personally, or by an internationally recognized courier service (such as Federal Express, DHL, or United Parcel Service), or by electronic email, or by facsimile, or mailed by certified mail, postage prepaid, return receipt requested (such mailed notice to be effective on the date such receipt is acknowledged) as follows (or such other place and with such other copies as any party may designate by written notice to the other party):

If to Keys Bit:  
Keys Enterprises, LLC DBA Keys Bit  
1696 FM 2568  
Quanah, TX 79252

If to Distributor:  
Fax: # \_\_\_\_\_

Email: \_\_\_\_\_

22. Entire Agreement. This Agreement and the Exhibits (as the Exhibits may be revised by Keys Bit from time to time) constitutes the entire agreement between Keys Bit and Operator and may not be amended, altered or changed except by a written agreement signed by both parties. Any terms and conditions in any purchase order or other instrument issued by Operator or any customer in connection with this Agreement which are in addition to or inconsistent with the terms and conditions of this Agreement are not binding on Keys Bit unless consented to in writing.
23. Severability. If any provision of this Agreement is for any reason held illegal or unenforceable, that provision will be deemed separable from the remaining provisions of this Agreement and will in no way affect or impair the validity or enforceability of the remaining provisions of this Agreement.



IN WITNESS WHEREOF, Keys Bit and Operator have duly executed this Agreement as of the day and year first above written above.

Keys Enterprises, LLC DBA Keys Bit

Distributor

\_\_\_\_\_  
Name  
Title

\_\_\_\_\_  
Name  
Title