

Oil and Energy Insurance

ENDORSEMENTS AND CLAUSES

I. **Clauses applicable for Section II (Operator Extra Expenses) of Onshore/Offshore Oil & Gas Package Policy:**

1. **EXTENDED REDRILLING AND RESTORATION COST ENDORSEMENT**

In respect of wells insured under Section II and subject to all terms and conditions and exclusions stated therein and the Combined Single Limits of Liability applicable thereto, Sub-Section B of Section II is endorsed to cover reimbursement to the Insured for actual costs and expenses reasonably incurred to restore or redrill a well insured hereunder, or any part thereof, which has been lost or otherwise damaged as a direct result of physical loss of or damage to the drilling and/or workover and/or production equipment and/or platform by lightning, fire, explosion or implosion above the surface of the ground or water bottom; collision with land, sea or air conveyance or vehicle; windstorm; collapse of derrick or mast; flood; strikes; riots; civil commotions or malicious damage; earthquake, volcanic, eruption or tidal wave; and in respect of offshore wells only, collision or impact of anchors, chains, trawl boards or fishing nets.

All other terms, conditions and limitations of this Section II remain unchanged.

2. **DELIBERATE WELL FIRING ENDORSEMENT**

In the event that a well, which gets out of control within the terms and conditions of this Section II, has to be deliberately fired

- A. at the provincial or federal government's direction, or
 - B. by the operator, due to the fact that governmental personnel are not available,
- for safety reasons to protect bodily injury (including employees) and/or property damage to third parties, coverage as afforded hereunder shall not be prejudiced.

All other terms, conditions and limitations of this Section II remain unchanged.

3. **MAKING WELLS SAFE ENDORSEMENT**

In respect of wells insured under Section II and subject to all terms and conditions and exclusions stated therein and the Combined Single Limits of Liability applicable thereto, Sub-Section A of Section II is endorsed to cover reimbursement to the Insured for the actual costs and expenses incurred in preventing the occurrence of a loss insured hereunder when the drilling and/or workover and/or production equipment has been directly lost or damaged by lightning; fire, explosion or implosion above the surface of the ground or water bottom; collision with land, sea or air conveyance or vehicle; windstorm, collapse of derrick or mast; collision or impact of anchors, chains, trawl boards or fishing nets; flood; strikes; riots; civil commotions or malicious

damage; earthquake, volcanic eruption or tidal wave; but only when, in accordance with all regulations, requirements and normal and customary practices in the industry, it is necessary to re-enter the original well(s) in order to continue operations or restore production from or plug and abandon such well(s).

Insurers' liability for costs and expenses incurred by reason of this Endorsement shall cease at the time that

- (1) operations or production can be safely resumed, or
 - (2) the well is or can be safely plugged and abandoned,
- whichever shall first occur.

All other terms, conditions and limitations of this Section II remain unchanged.

4. EVACUATION EXPENSES ENDORSEMENT

In respect of wells insured under Section II and subject to all terms and conditions and exclusions stated therein and the Combined Single Limits of Liability applicable thereto, Sub-Section C of this Section II is endorsed to cover reimbursement to the Insured for reasonable costs and/or expenses which the Insured incurs in the evacuation of people (other than the Insured's employees or those of contractors or sub-contractors of the Insured), animals and/or property (other than the Insured's property or that of contractors or sub-contractors of the Insured), but only where and to the extent that the evacuation has taken place by order of any local, state or federal governmental or regulatory authority or public emergency service, and only following a well out of control as defined in Sub-Section A of Section II, fire, or escape of oil and/or gas or the imminent threat thereof, which has resulted, or would result, in a claim recoverable elsewhere under this Insurance if the Insured's Retention applicable thereto were nil.

Costs and expenses, if covered hereunder by the terms and conditions set forth above, shall include but not be limited to all reasonable costs of transportation, costs of storage, keeping or lodging and/or maintaining evacuated people, animals and/or property.

Exclusion

There shall be no indemnity or liability under this Endorsement for loss of use of evacuated property and loss of earnings or any other income by any evacuated persons.

All other terms, conditions and limitations of this Section II remain unchanged.

5. CARE, CUSTODY AND CONTROL ENDORSEMENT

1. Subject to the Policy Schedule and General Conditions of the Policy and the Additional General Conditions applicable to all Sub-Sections of Section II, Section II is endorsed to cover the Insured's legal or contractual liability as oil lease operator(s) (or Co-

Venturer(s) where applicable) for physical loss or damage to, or expenses of salvage of, oil field equipment including, but not limited to drill pipe, drill collars, subs, drill bits and core barrels, leased or rented by the Insured or in its care, custody and control at the site of any wells insured under Sub-Section A of Section II of this Policy.

2. The Insurers' liability in respect of claims under this Endorsement is limited to USD 500,000 (for 100% interest) any one Occurrence, which shall be separate from and in addition to the Combined Single Limits of Liability for Section II set forth in item 5 of the Policy Schedule.
3. The Insurers' limit of liability specified in Clause 2 of this Endorsement shall be excess of an Insured's Retention of USD 100,000 (for 100% interest) any one Occurrence, which shall be separate from and in addition to the Insured's Retention(s) set forth in Item 6 of the Policy Schedule.
4. In the event that in-hole salvage expenses or fishing costs are incurred in respect of equipment for which the Insured has assumed responsibility and which is lost or damaged as a result of a peril insured against in this Endorsement, the maximum amount recoverable for such salvage expenses or fishing costs shall be 25% of the value of the lost or damaged property in the hole at the time of loss and which is the object of salvage or fishing efforts, always subject to the overall limit of liability specified in this Endorsement.
5. Notwithstanding anything contained herein to the contrary, the Insurers shall not be liable for claims in respect of loss of or damage to:
 - a. equipment owned by the Insured or in which the Insured has a financial interest;
 - b. drilling or workover rigs or any component thereof;
 - c. diamond bits and/or diamond bit core barrels;
 - d. mud, chemicals, cement, the well or casing installed therein;
 - e. in hole equipment whilst in the hole, unless the Insured's liability has resulted from physical loss or damage to such equipment as a result of
 - (i) an Occurrence giving rise to a claim which would be recoverable under Sub-Section A of Section Two of this Policy if the Insured's Retention applicable to Sub-Section A were nil, or
 - (ii) fire, windstorm or total loss of drilling or workover rig.
6. This extension shall not cover or contribute to any loss, damage or expense caused by or resulting from delay; loss of use; wear; tear; gradual deterioration; mysterious disappearance; inventory shortage(s); explosion, rupture or bursting of engines, pumps, piping, tanks or any pressure container from internal pressure; electrical injury or disturbance to electrical appliances or wiring resulting from artificial or natural causes (unless fire ensues, and then from loss or damage by fire only); latent defect; faulty

design; mechanical failure or breakdown of equipment leased or rented by the Insured or in the Insured's care, custody and control.

7. The Insurers shall not be liable for loss of or damage to equipment beyond the actual sound value of such equipment at the time of loss, ascertained with proper deductions for depreciation, wear, tear and obsolescence. As respects leased or rented equipment, the Insurers shall not be liable for any sum greater than that assumed by the Insured under the terms of the rental or lease agreement less any trade or volume discount allowed by the rental company, nor shall the Insurers' liability exceed what it would cost to repair or replace any plant or equipment involved in any loss recoverable hereunder with other equipment of like kind and quality.
8. This Endorsement shall not afford coverage with respect to any drilling operations performed for the Insured or for the account of the Insured by another operator, upon which a written contract with the drilling contractor has not been executed in advance of commencing drilling operations; or within 48 hours thereafter, incorporating all the provisions and conditions to be effective as respects such drilling operations. Further, this Endorsement shall not extend to any oral agreements prior or subsequent to or simultaneously with the execution of the written contract on such operations, and this Endorsement shall not extend to any subsequent written agreement or rider to the original contract, other than to deepen any well below the specified total depth of the original contract, affecting the assumption of liability by the well owner for contractor's plant or equipment.

The Insurers shall have no liability for loss of or damage to plant or equipment if the drilling contract is negotiated on a turnkey or completed well basis.

All other terms, conditions and limitations of this Section II remain unchanged.

6. UNDERGROUND CONTROL OF WELL ENDORSEMENT

In respect of wells insured under Section II and subject to all terms and conditions and exclusions stated therein and the Combined Single Limits of Liability applicable thereto, Sub-Section A of Section II is endorsed to cover reimbursement to the Insured for the actual costs and/or expenses incurred in regaining or attempting to regain control of an unintended subsurface flow of oil, gas, water and/or other fluid from one subsurface zone to another subsurface zone via the bore of a well insured hereunder, which unless controlled prevents continuation of any operations or status set forth in subparagraphs (2) or (3) of this Endorsement.

However, no claim shall be payable by reason of this Endorsement where such flow can promptly be:

- a. stopped by the use of the equipment on site and/or the blowout preventer, storm chokes or other equipment required by Warranty 1.A. in the Policy General Conditions or by the

warranties within Clause 15 of the Additional General Conditions applicable to all Sub-Sections of Section II; or

- b. stopped by increasing the weight by volume of drilling fluid or by the use of other conditioning materials in the well(s); or
- c. safely diverted into production.

nor shall a claim be payable by reason of this Endorsement where such flow can, within a reasonable period of time, be circulated out or bled off through the surface controls.

The Insurers' liability under this Endorsement shall cease at the time that:

- (1) the flow giving rise to a claim payable by reason of this Endorsement stops, is stopped or can be safely stopped; or
- (2) the drilling, deepening, servicing, working over, completing, reconditioning or other similar operation(s) taking place in the well(s) immediately prior to the occurrence giving rise to a claim hereunder is (are) resumed or can be resumed; or
- (3) the well(s) is (are) or can be returned to the same producing, shut-in or other similar status that existed immediately prior to the occurrence giving rise to a claim hereunder; or
- (4) the flow giving rise to a claim payable by reason of this Endorsement is or can be safely diverted into production, whichever shall first occur.

Exclusions

There shall be no indemnity or liability under this Endorsement for:

- (a) costs and/or expenses incurred solely for the purpose of extinguishing or attempting to extinguish fire;
- (b) costs and/or expenses incurred in regaining or attempting to regain control of a flow declared to be out of control by any regulatory authority but which costs and/or expenses would not have been covered under this Endorsement in the absence of such declaration.

All other terms, conditions and limitations of this Section II remain unchanged.

7. CONTINGENT JOINT VENTURE CLAUSE

In the event the Insured becomes legally liable in a court of competent jurisdiction for an amount greater than his proportionate ownership interest, The Insurers hereon agree to provide coverage for the Insured's working interest percentage liability. Even in the event that the Insured becomes legally liable for a greater percentage than his ownership interest, the partial interest portion of the general conditions shall still apply to the combination of the Insured's working interest percentage ownership and the additional percentage(s) for which the Insured becomes legally liable.

The Insurers shall retain all of the Insured's rights of subrogation against any party(ies) for which the Insurers have paid claims on behalf of (under the extension of coverage afforded by this endorsement) to the extent of the Insurers' payments.

All other terms, conditions and limitations of this Section II remain unchanged.

II. Clauses applicable to Section IV (Offshore Project Construction Policy) of Onshore/Offshore Oil & Gas Package Policy:

DEFECTIVE PART EXCLUSION BUY-BACK

(To be agreed for each declaration specifically)

Notwithstanding the provisions of the Defective Part Clause in Sub-Section I of Section IV of the attached Policy, this insurance will pay for the cost of repair or replacement of defective parts which have suffered physical loss and or physical damage during the agreed period declared to the Policy Period, but the recovery of such costs is subject to:

- a) deductible to be agreed each declaration each part, each accident or Occurrence; and
- b) a total aggregate limit of to be agreed each declaration for all losses during the Policy Period, including the Maintenance Period; and
- c) the provisions of the Basis of Recovery Clauses in Sub-Section I of Section IV of the Policy; and
- d) an additional premium to be agreed each declaration being paid in full.

However, it is specifically understood and agreed that this endorsement will not provide recovery for cancellation charges, stand-by costs or consequential costs or expenses that would not be recoverable under the terms and conditions of Section IV of the Policy in the absence of this clause.