



**STATE OF MICHIGAN**  
**ENTERPRISE PROCUREMENT**  
 Department of Technology, Management, and Budget  
 525 W. ALLEGAN ST., LANSING, MICHIGAN 48913  
 P.O. BOX 30026 LANSING, MICHIGAN 48909

**CONTRACT CHANGE NOTICE**

Change Notice Number 1

to

Contract Number **071B5500081**

<b>CONTRACTOR</b>	Mid State Oil Tools
	1934 Commercial Dr.
	Mt. Pleasant, MI 48858
	Michael Machuta
	989-773-4114
	mikem@midstateoiltools.com
*****6233	

<b>STATE</b>	<b>Program Manager</b>	Paul Janowski	DEQ
		517-284-6832	
		jankowskip@michigan.gov	
	<b>Contract Administrator</b>	Dan Stevens	DTMB
		(517) 284-7049	
		stevensd6@michigan.gov	

**CONTRACT SUMMARY**

PRE-QUALIFICATION CONTRACT FOR THE SERVICES OF PLUGGING, DRILLING, RE-DRILLING, AND SITE RESTORATION OF OIL AND GAS WELLS IN MICHIGAN

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
February 23, 2015	February 22, 2018	3 - 1 Year	February 22, 2018
PAYMENT TERMS		DELIVERY TIMEFRAME	
NET 45		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-Card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**MINIMUM DELIVERY REQUIREMENTS**

N/A

**DESCRIPTION OF CHANGE NOTICE**

OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		
CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE		
\$1,500,000.00	\$1,000,000.00	\$2,500,000.00		

**DESCRIPTION**

Effective December 28, 2016, this Contract is increased by \$1,000,000 for DEQ use. Please note the Contract Administrator has been changed to Dan Stevens (Standard Contract Terms, Section 2 and 3). All other terms, conditions, specifications, and pricing remain the same. Per contractor and agency agreement, and DTMB Procurement approval.

STATE OF MICHIGAN  
 DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET  
 PROCUREMENT  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

**NOTICE  
 OF  
 CONTRACT NO. 071B5500081**  
 between  
**THE STATE OF MICHIGAN**  
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Mid State Oil Tools, Inc. 1934 Commercial Dr. Mt. Pleasant, MI 48858	Michael W. Machuta	mikem@midstateoiltools.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(989) 773-4114	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	DEQ	Paul Jankowski	(517) 284-6832	jankowski@michigan.gov
BUYER:	DTMB	Mary Ostrowski	(517) 284-7021	ostrowskim@michigan.gov

CONTRACT SUMMARY:			
<b>DESCRIPTION:</b>			
<b>Pre-Qualification Contract for the Services of Plugging, Drilling, Re-drilling, and Site Restoration of Oil and Gas Wells in Michigan</b>			
INITIAL TERM	EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS
3 Years	February 23, 2015	February 22, 2018	3, 1 Year Options
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
NET 45	N/A	N/A	N/A
<b>ALTERNATE PAYMENT OPTIONS:</b>			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
<b>MINIMUM DELIVERY REQUIREMENTS:</b>			
N/A			
<b>MISCELLANEOUS INFORMATION:</b>			
N/A			
<b>ESTIMATED CONTRACT VALUE AT TIME OF EXECUTION:</b>			<b>\$1,500,000.00</b>

STATE OF MICHIGAN  
 DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET  
 PROCUREMENT  
 P.O. BOX 30026, LANSING, MI 48909  
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**CONTRACT NO. 071B5500081**  
 between  
**THE STATE OF MICHIGAN**  
 and

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	TELEPHONE	CONTRACTOR #, MAIL CODE
	(989) 773-4114	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	DEQ	Paul Jankowski	(517) 284-6832	jankowskip@michigan.gov
BUYER:	DTMB	Mary Ostrowski	(517) 284-7021	ostrowskim@michigan.gov

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<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
<b>MINIMUM DELIVERY REQUIREMENTS:</b>			
N/A			
<b>MISCELLANEOUS INFORMATION:</b>			
N/A			
<b>ESTIMATED CONTRACT VALUE AT TIME OF EXECUTION:</b>		<b>\$1,500,000.00</b>	

**THIS IS NOT AN ORDER:** This Contract Agreement is awarded on the basis of our inquiry bearing the solicitation #007114B0002655. Orders for delivery will be issued directly by the Department of Insurance & Financial Services through the issuance of a Purchase Order.

**Notice of Contract #: 071B5500081**

<b>FOR THE CONTRACTOR:</b>	<b>FOR THE STATE:</b>
Mid State Oil Tools, Inc. Firm Name	Signature
	Genevieve Hayes, Acting Services Division Director
Authorized Agent Signature	Name/Title
Authorized Agent (Print or Type)	DTMB - Procurement Enter Name of Agency
Date	Date



**STATE OF MICHIGAN**  
**Department of Technology, Management and Budget**  
**Procurement**

**Pre-Qualification Contract for the Services of Plugging, Drilling, Re-drilling,  
and Site Restoration of Oil and Gas Wells in Michigan**

Buyer Name: Mary Ostrowski  
Telephone Number: 517-284-7021  
DTMB-Procurement Telephone Number 1-855-MI-PURCH (1-855-647-8724)  
E-Mail Address: [ostrowskim@michigan.gov](mailto:ostrowskim@michigan.gov)



# STATE OF MICHIGAN

Contract No. 071B5500081

Pre-Qualification Contract for the Services of Plugging, Drilling, Re-drilling, and Site Restoration of Oil and Gas Wells in Michigan

## EXHIBIT A STATEMENT OF WORK CONTRACT ACTIVITIES

### Background

Michigan law requires the Supervisor of Wells (Supervisor) to administer and enforce all regulations pertaining to oil and gas wells and also requires the Supervisor to expend funds for the repair and site restoration of wells when appropriated. Specifically:

Public Acts 451 and 325 (as amended), *the Natural Resources and Environmental Protection Act (NREPA)*, Part 615, MCL 324.61506, *Supervisor of Wells, Powers and Duties*, states, in part, that the Well Supervisor has:

“jurisdiction and authority over administration and enforcement of all matters relating to the conservation of oil and gas, which shall include the authority to ... (c) require the locating, drilling, deepening, re-drilling, or reopening, casing, sealing, operating, and plugging of wells drilled for oil and gas ...; (f) to prevent fires or explosions; (g) prevent blow-outs, seepage, and caving-in, ... (h) regulate the mechanical, physical, and chemical treatment of wells...; (o) issue orders for the classifications of wells ...(and) for secondary recovery projects...”

Public Acts 451 and 325 (as amended), Part 616, MCL 324.61603, *Orphan Well Fund, Expenditures from fund*, states, in part, that the Supervisor:

“shall expend money ... upon appropriation for: (a) (the) plugging of abandoned or improperly closed oil or gas wells, or response activity, or site restoration at oil or gas wells for which no operator is known, for which all operators are insolvent, or ... (when) there exists an imminent threat to the public health and safety.”

There are numerous gas and oil wells throughout the Lower Peninsula of Michigan that are “orphan” wells. Some of these wells were drilled before 1930, and some were not plugged or were plugged ineffectively or incorrectly by owners, or well containment materials finally degrade, leak, or erupt. These wells may leak, or are likely to start leaking gas, oil, brine, or other field wastes, or contaminants, and then pose an environmental threat or pollution hazard, thus creating a threat to public health and safety, which must be addressed.

The State is unable to predict the exact volume of needed well plugging or redrilling in any given year and unable to predict the exact level of need or restoration for any given project. Prior to 1927, no permit or registration system existed in Michigan, and there could be hundreds of wells that are unregistered or “orphaned,” which date from late 1800’s through the 1920’s, where the well containment materials finally degrade, leak, or erupt.

Therefore, this program requires a service contract which is based on service delivery as needed or as directed by the designated State On-Site Coordinator(s) (OSC).

The service need (volume) and the risk to public health and safety require that requests for quotations be issued immediately and draw on a pool of contracted-vendors which can immediately submit a quotation and work plan to provide all services as needed. Thus, a pre-qualified contractors list historically has been utilized to provide these services through the competitive DEQ Request-for-Quotation (RFQ) process.

The Contractor, upon award of an individual well project assignment, must provide all labor, materials, and equipment needed to successfully complete or advance the compliance status of the designated well(s) or well site(s), subject to the direction and priorities set by the State’s DEQ OSC.



**1.10 In Scope**

Program goals and objectives for services include bringing any designated well and site into compliance by the:

- (1) Immediate plugging or redrilling of any orphan or unknown operator wells which become damaged or erupt or leak, or where a current operator fails to repair well or restore the site;
- (2) Scheduled plugging / redrilling of any designated orphan well;
- (3) Site cleanup or restoration after plugging or redrilling.

There are several wells currently listed on Michigan's *Orphan Well List* (this does not include any active, operator wells that could become damaged and leak or erupt, which may also require immediate repair, plugging, or redrilling, or site restoration).

The *Orphan Well List* includes three risk categories:

- (1) Critical (leaking) [two currently];
- (2) Non-leaking, registered wells (20 currently);
- (3) Plugged, but with possible environmental contaminants (23 currently). Services for these sites are on an as-needed basis.

**1.20 Work and Deliverable**

Contractor must provide deliverables, services, and staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth below.

However, the following description of service(s) and tasks are the minimum requirements for the ensuing contract, and the well or site conditions could require other or additional specific actions or even render some of the listed-tasks unnecessary. The following list is not all-inclusive. Contractor may supplement this listing with additional steps, subtasks, or elements, as necessary, to permit the development of alternative approaches or the application of proprietary analytical techniques, in its final work-plan for a given project assignment.

Contractor must also utilize all American Petroleum Industry (API) *Recommended Practices (RP's) and Standards* while providing services as precautions to prevent any avoidable contaminant release to the environment. Any such contaminant release(s) must be cleaned up, with the site restored, pursuant to the direction and final approval of the OSC.

**A. Successfully complete the plugging of the designated well(s) according to instructions provided by the OSC. Plugging operations include site preparation as necessary before plugging commences. The Contractor must assure that adequate equipment is installed on the wellhead so that well control is maintained at all times. Minimum well plugging standards employed by the Office of Oil Gas and Minerals are:**

- 1. The radiation level of well casings, tubulars, and down-hole equipment from the well-bore and miscellaneous substances, soils, or equipment generated on-site during the plugging operation must be determined immediately prior to plugging the well or during the well plugging operation. The testing protocol and instruments to be used must be according to *Supervisor of Wells Instruction 1-92*.
- 2. Casing, tubing, and foreign material must be removed from the well sufficiently to conform to the requirements of Part 615, of the *Natural Resources and Environmental Protection Act* (NREPA) and all rules promulgated from this.
- 3. Annular space behind casing must be avoided where possible and uncovered strings should be perforated and cement squeezed at required intervals.
- 4. Plugging material must be neat cement, conditioned with or without additives, mechanical or electric plugs, mud-laden fluid, a combination thereof, or other materials as approved by the OSC.
- 5. Water used in mixing cement must be from a source approved by the OSC.



6. Plugging fluid or mud-laden fluid must be placed in all portions of the well not filled with cement unless otherwise approved by the OSC. Specific mud weight requirements if necessary will be identified in the plugging instructions furnished by the OSC.
7. Plugging material (cement or mud) must be placed by the balanced in method through small diameter pipe or tubing except where otherwise approved by the OSC. Wherever possible, the well will be circulated at least once prior to placing plugs in the hole to establish static mud conditions.
8. The well must be plugged under static hole conditions at all times unless otherwise approved by the OSC.
9. Each cement plug, except the bottom hole plug, the plug to be set at the base of the surface casing, and the surface plug must be a minimum of 200 feet in length or contain 50 sacks of cement, whichever is the greater volume of cement; unless otherwise approved by the OSC.
10. Each cement plug, except the bottom hole plug and the plug to be set at the base of the surface casing, must be allowed to set undisturbed for a minimum of one hour and must have the fluid level in the casing continuously observed. If the observed fluid level in the casing drops during the hour, the cement plug must be tagged to ensure the plug is still in place before setting the next plug up-hole. If the plug is found not to be in place, the plug must be reset.
11. The bottom-hole cement plug must be a minimum of 200 feet in length, must be allowed to set undisturbed for a minimum of four hours, must have reached a compressive strength of 100 psi or greater, and must be tagged to ensure it is still in place before setting the next plug up-hole; or the Contractor must set a mechanical bridge plug or other approved bridge and place a minimum of 50 feet of cement on the bridge before setting the next plug up-hole.
12. The plug to be set at the base of the surface casing must be set under one of the following methods as approved by the OSC:
  - (a) In static-hole conditions, a cement plug must be set at a minimum of 100 feet below the surface casing and must extend a minimum of 100 feet into the surface casing. The cement plug must be allowed to set undisturbed a minimum of four hours, must have reached a compressive strength of 100 psi or greater, and must be tagged to ensure it is still in place before setting the next plug up-hole. If the plug is found not to be in place the plug must be reset.
  - (b) If surface casing is not present, a mechanical open-hole bridge plug or other approved bridge must be set a minimum of 100 feet below the base of the glacial drift or 100 feet below the deepest fresh water stratum, whichever is the greater depth, and cement circulated to within five feet of the surface.
13. A cement surface plug must be set a minimum of 30 feet below the surface and within five feet of the surface unless otherwise approved by the OSC.
14. The surface pipe or drive pipe abandoned with the hole must be cut off at a point not less than four feet below grade unless otherwise authorized by the OSC. A half-inch (1/2") steel welded plate or other type seal approved by the OSC must be placed across the top of the pipe or pipes. The permit number of the well or other identifications designated by the OSC must be permanently affixed to the plate or approved seal at the top of the well.
15. At the option of the OSC, the well bore may be plugged from bottom to top with a material approved by the Supervisor of Wells, providing that, at no time, the hydrostatic-pressure of the material used exceeds the fracturing pressure of the strata.
16. All other holes (e.g., rat and mouse holes) must be solidly filled from bottom to top with cement or other suitable material, as approved by the OSC, so that they will not cave or slump in.
17. Contractor must file, within 60 days after plugging the final plugging, forms and certified copies of the service company records which must include, but are not limited to, the following:
  - (a) Type of cement and number of sacks used, including the percentages of additives for each cement bridge plug.
  - (b) Type and volume of plugging material used, if not cement.
  - (c) Number of bridge plugs set in the hole and depth.



- (d) Other materials left in the hole.
- (e) Service companies records of cementing operations.
- (f) All available graphics showing pumping, placement of cement, weights, times, pump rates and other pertinent data dealing with the plugging operations.
- (g) Amounts and type of mix water used per sack of cement, if requested by the OSC.
- (h) Volume and types of spacers and flushes used.
- (i) Contractor's daily plugging records.

**B. Successfully complete the retirement and leveling of the drilling pit(s) as necessary. All free liquids above the solids in the pit(s) must be removed to the maximum extent practical and disposed in an approved disposal well or used in a manner approved by the supervisor. Other possible measures to be taken are summarized as follows:**

1. Test the fluids and cuttings remaining in the pit, prior to encapsulation, to determine the concentrations of chloride, benzene, ethylbenzene, toluene, and xylene, and provide certification to the OSC of the test results. The Contractor shall not be required to test the fluids and cuttings remaining in a pit for benzene, ethylbenzene, toluene, and xylene if the well was drilled with fresh water and during the drilling operation did not encounter liquid hydrocarbons.
2. Solidify the pit contents for all pits, where the fluids and cuttings remaining in the pit for encapsulation have a chloride concentration of at least 5,000 ppm and not more than 15,000 ppm, using a solidification method approved by the OSC. Pits having a chloride concentration of over 15,000 ppm will be treated as directed by the OSC.
3. Stiffen the pit contents for all pits, where the fluids and cuttings remaining in the pit for encapsulation have a chloride concentration of less than 5,000 ppm, using pit-stiffening methods approved by the OSC.
4. All drilling mud pits must be stiffened prior to encapsulation, except where solidification of the drilling mud pit is required. Earthen materials must be mixed with the pit contents to stiffen it sufficiently to provide physical stability and support for the pit cover. An alternative pit stiffening process approved by the Supervisor of Wells may be required by the OSC.
5. Apron edges of the liner must be folded over the pit proper.
6. Mud pit(s) must be totally covered with a separate piece of material meeting or exceeding the specifications of a 20-mil virgin polyvinyl chloride cover as approved by the OSC. The cover must extend beyond the outer edges of the pit(s) to cover and entirely encapsulate the pit(s) and must be sloped to provide surface drainage away from the pit.
7. The mud pit must be buried not less than four feet below original ground grade level.

**C. Remove and, if possible, salvage any production equipment. This may include any of the following tasks:**

1. NORM: If required by applicable State or federal law, conduct a Naturally Occurring Radioactive Material (NORM) survey of the well site. Any NORM (material) found as a result of the Contractor's survey will be handled, stored, transported, used or recycled according to applicable law.
2. Tank and vessel cleanout: Liquid wastes must be handled and disposed of according to law. Sludge, tank bottoms, and other non-liquid wastes remaining in the vessels must be removed. Wastes may be safely hauled to a temporary containment area as directed by the OSC. Steam cleaning of the tanks may be required.
3. Contaminated waste containment: If not immediately transported to an approved landfill, sludge, tank bottoms, and all other non-liquid wastes from the cleanout of equipment are to be placed into diked areas lined with 20 mil PVC plastic and covered so that rain water will not accumulate in the diked areas.
4. Equipment set aside: Equipment need not be gathered to a central location unless, in the judgment of the OSC, greater efficiency in the subsequent sale of the equipment may be gained.
5. Disposition of flowlines: Unless otherwise directed by the OSC, any piping less than three feet below grade is to be properly purged and removed for salvage or proper disposal. Any piping three feet below grade or deeper is to be properly purged, cut off at least three feet below grade with the ends properly sealed. Wastes are to be handled the



same as tank wastes. By “flowline” the State means a pipe for the transmission of fluids from/to a well to/from a tank, tank battery, or common pipeline (sales line) manifold. “Flowline” does not include a purchaser’s gathering lines, manifolds, etc.

- 6. Inventory: Unless otherwise directed by the OSC, the Contractor must make two distinct inventories of all equipment to be sold or disposed of. One inventory must be well by well and tank battery by tank battery; listing separately all of the equipment at a particular well site or tank battery. The second inventory must be by equipment category i.e. tanks, casing, pump-jacks, etc. The inventories must include item descriptions, amount, and condition, and identification numbers if available.
- 7. Bid and sale of equipment / salvage:
  - (a) Contractor must make all arrangements for the sale of the salvaged equipment and must oversee the removal of same from the project area.
  - (b) Unless otherwise directed by the OSC, the sale must be under the following conditions: The sale must include all well equipment including pumpjacks, pumps, rods, tubing, wellheads, casing, tanks, separators, flowlines, etc.
  - (c) Contractor must solicit at least three bids on an “as is, where is” basis for all items, including reusable, scrap metal, and junk for disposal, and sell to the highest bidder with payment to the State of Michigan (See Section 1.61 “Price/Payment Terms”).
  - (d) Bids must be reviewed and approved by the OSC.
  - (e) Bids may be taken separately for each category of equipment, such as pumpjacks.
  - (f) The high bidder must submit, to the Contractor, full payment and a detailed inventory of the equipment purchased, within five days after bid acceptance and must remove all equipment under the surveillance of the Contractor no later than five days after payment is made.
  - (g) Reimbursement for any salvage must be made by check payable to “State of Michigan.”
  - (h) The Contractor may not bid on salvage equipment.
  - (i) Contractor agrees that it shall not collect any commission for the salvage sale nor charge any storage, handling, or transportation fees.
- 8. Salvage removal and disposal: Any equipment not salvaged and all debris resulting from the plugging activities are to be removed from the well site and disposed of in the most economical DEQ approved landfill.

**D. Restore the well site, flow-line routes, and access road. Along with Task B above, if necessary; this task will involve:**

- 1. Filling and leveling the well cellar and any other excavations.
- 2. Removing all debris, wastes, and excess fill material.
- 3. Re-contouring the well site and road as nearly as possible to the original or to a condition acceptable to the OSC.
- 4. Stabilizing of erodible slopes with vegetation and / or mulch.
- 5. Plugging and abandoning, properly, of the well site water well(s).

**E. Testing of soils to determine the level of organic and inorganic contamination and removal or remediation of contaminated soils as directed by the OSC.**

**F. Emergency response involving any of the above tasks.**

**G. Preliminary site investigation and work plan development for prospective contract projects. This is a planning effort to compile existing well data and to plan operations, budgets, and schedules.**

**H. Remedial investigations and subsequent response activities. These tasks are not planned during the term of this contract, however, the Contractor may be required to provide these services if particular site circumstances warrant such.**

Final determination of the site-priorities for any given project shall be made by the OSC to achieve the State’s program goals and objectives. Successful completion of these tasks will be determined and verified by the assigned OSC.

Contractor must, at a minimum, satisfy all federal, state, and local statutes, regulations, ordinances, policies, etc., regarding health and safety while delivering services.



- A. **Request for Quotation:** The Contractor is formally pre-qualified and allowed to competitively bid and respond to Requests-for-Quotations (RFQ) issued from the Michigan Department of Environmental Quality (DEQ), Office of Oil Gas and Minerals (OOGM) to provide well plugging, re-drilling, and site restoration services. Instructions on how to participate in this competitive process shall be determined and issued by DEQ-OOGM (e.g.: requirements to provide information regarding status of available equipment or subcontractors; pricing and related information; requirements to attend pre-bid meetings; etc.).
- B. Each RFQ will contain unique service levels and requirements. General deliverables may include, but are not limited to, services outlined in Exhibit A, Statement of Work Contract Activities.
- C. DEQ will issue each RFQ to pre-qualified Contractors. The RFQ will identify the deliverables, period of performance, specific response information required, work evaluation and payment criteria, and any additional terms and conditions that may apply to that RFQ. The process for DEQ issuing and the Contractor(s) responding to an RFQ follows:
  - 1. Issue an RFQ to all pre-qualified Contractors with a timeline including due dates for questions, due dates for responses, and period of performance.
  - 2. Contractor responses must follow criteria required in each SOW.
  - 3. DEQ's selection will be based on a best value evaluation using the criteria identified in the RFQ. Other selection criteria or tools which may be in the best interest of the State may be utilized to make a selection.

**1.30 Roles and Responsibilities**

**1.31 Contractor Staff, Roles, and Responsibilities**

- 1. For any project assignment award accepted, Contractor must provide enough staff and appropriate personnel who possess ability and expertise in the field of oil and gas well plugging / re-plugging and re-drilling services, as described in the specifications of the Contract and any subsequent Requests for Quotation or project specification(s) issued under the Contract by the DEQ-OOGM.
- 2. Contractor's '**Key-Personnel**' are subject to final approval by the State and must include at least the following per project assignment:

**Project Manager:** Minimum experience must include not less than 10 years of directly related field experience and not less than seven years of experience managing projects directly related to this service. This key-personnel role must be filled by the Company representative who will be responsible for issuing the final contractor-approval regarding the Company's final quotation, staff assignment, equipment, subcontractors, and work plan(s).

**Mid State Oil Tools Project Manager's:**  
**John R. Keathley**  
**Michael W. Machuta**

**Site Supervisor:** Minimum experience must include not less than seven years of directly related field experience and not less than three years of prior experience working as a site supervisor for well-drilling/plugging (may or may not be project manager). This key-personnel role must be located on-site at all times during activities and must directly manage implementation of the State OSC's approved work plan, and manage the Contractor's staff, equipment and supplies, and all scheduling, including subcontractor scheduling, for the project assignment.

**Mid State Oil Tools Site Supervisors:**  
**Troy Mills**  
**Adam Riggleman**

**Driller / Operator(s):** Minimum experience must include not less than five years of directly related field experience and not less than three years of prior experience operating a rig. This key-personnel will operate the drill/service rig.

**Mid State Oil Tools Driller/Operator: Joshua D. Sundell**

- Crew:** providing on-site labor, including but not limited to:
- Rig-hand(s) (no minimum experience required);
  - Roustabout(s) (no minimum experience required).



3. Contractor must appoint key individual(s) who will be directly responsible for the day-to-day operations of the Contract (“Key Personnel”). Key Personnel must be specifically assigned to the State account, be knowledgeable on the contractual requirements, and respond promptly to any State inquiries.
4. Contractor’s Site Supervisor must be on-site at all times during any operations.
5. The State has the right to recommend and approve in writing the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, Contractor will notify the State of the proposed assignment, introduce the individual to the State’s Project Manager, and provide the State with a resume and any other information about the individual reasonably requested by the State. The State reserves the right to interview the individual before granting written approval.

In the event the State finds a proposed individual unacceptable, the State will provide a written explanation including reasonable detail outlining the reasons for the rejection. The State may require a 30-calendar day training period for replacement personnel.

Contractor will not remove any Key Personnel from their assigned roles on the Contract without the prior written consent of the State. The Contractor’s removal of Key Personnel without the prior written consent of the State is an unauthorized removal (“**Unauthorized Removal**”). An Unauthorized Removal does not include replacing Key Personnel for reasons beyond the reasonable control of Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation, or for cause termination of the Key Personnel’s employment. Any Unauthorized Removal may be considered by the State to be a material breach of the Contract, in respect of which the State may elect to terminate the Contract for cause under Termination for Cause in the Standard Terms.

It is further acknowledged that an Unauthorized Removal will interfere with the timely and proper completion of the Contract, to the loss and damage of the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of any Unauthorized Removal. Therefore, Contractor and the State agree that in the case of any Unauthorized Removal the State may elect to exercise its rights under Termination for Cause.

**1.32 State Staff, Roles, and Responsibilities**

The DEQ OSC, or another officially designated DEQ representative, will be available on the site when consultation is needed during the service delivery activities. Specifically, the OSC is empowered to:

- A. Receive, evaluate, and issue final recommendation to the State’s Program Manager, all Contractor bid-responses to the DEQ’s Request for Quotation for any project assignment.
- B. Meet with the Contractor prior to the start of any work to discuss and finalize the Contractor’s project work plan.
- C. Direct and require the reassignment of Contractor’s personnel or Subcontractors on given project assignment by communicating such to Contractor’s Project Manager/Site Supervisor.
- D. Require and approve any specific pieces of equipment proposed for use on any project assignment (even after acceptance of initial work plan).
- E. Modify and approve Contractor’s implementation of project specifications.
- F. Receive and approve daily progress reports from the Contractor.
- G. Review and approve (via signature) invoices for work performed under the provisions of the Contract.
- H. Inspect service delivery to insure that individual project assignment specifications are met. If any disputes arise between the Contractor and the OSC, the OSC has the authority to suspend the delivery of services.
- I. Determine Contractor’s culpability and responsibility for any damages that may occur in the process of service delivery.
- J. Provide certification to the Program Manager that all project work has been completed to the State’s satisfaction.



**1.40 Project Plan**

**1.41 Project Plan Management**

1. Contractor must carry out projects under the direction and control of the DEQ-OOGM.
2. Contractor must provide a Final Project Work Plan when and as directed by the OSC, which must be reviewed and approved by the OSC prior to service delivery.
3. There must be continuous liaising with the Contractor during the period of this contract and particularly during any given project assignment. The OSC will meet On-Site with the Contractor's project manager/site supervisor for initial review of the Contractor's work plan prior to beginning service delivery and periodically, as needed, during any service activities. The meetings will provide for reviewing progress and providing necessary guidance to the Contractor regarding the timing of activities and solving issues or problems.
4. The Contractor's site supervisor must be available On-Site at all times during operations and will provide to the OSC a brief, written daily log of progress which outlines the work accomplished, personnel and equipment utilized on-site for that day, and any costs incurred, as well as notification of any significant deviation from previously agreed upon work plans. Problems, real or anticipated, must be brought to the immediate attention of the OSC.

**1.42 Reports**

Contractor must provide the following reports when and as directed by the DEQ-OOGM' OSC:

- Final Project Work Plan (Reviewed and approved by the OSC prior to service delivery)
- Daily Progress Report: The Contractor or the Contractor's site supervisor must provide the OSC a brief, written daily log of progress which outlines the work accomplished, including field tickets, that describe personnel and equipment on-site and all costs incurred.
- Record of Well Plugging or Change of Well Status (DEQ form EQP-7200-08)

**1.50 Acceptance**

**1.51 Criteria**

The following criteria will be used by the State to determine Acceptance of the Services or Deliverables provided under this SOW:

- A. Services provided sufficiently so that the well or site (for a project assignment) comply with all requirements of Part 615, of the *Natural Resources and Environmental Protection Act* (NREPA) and all other rules promulgated therefrom;
- B. Services provided consistent with American Petroleum Industry (API) *Recommended Practices* (RP's) and *Standards*;
- C. Services delivered within the minimum descriptions included, and adjusted as needed, to complete additional or evolving project assignment specifications;
- D. Services delivered within the time-frames identified in DEQ's project specifications;
- E. Avoidable damage, of any nature, incurred as a result of work done (whether by Contractor or Subcontractor), repaired or replaced as directed by OSC;
- F. Managed and scheduled subcontractor(s) according to project specifications and adjusted as needed to satisfactorily complete project;
- G. Equipment provided is maintained and serviced by Contractor so that needs of a project assignment are fulfilled timely and according to DEQ specifications (i.e., equipment is well maintained and operational, as needed and as required, so that time-loss for delivery of service or specific task(s) is minimal and so that the overall project is completed on-time and per above-criteria). It is expected that contractor's equipment will be safe, clean, and function well, relative to the project conditions;
- H. Daily Progress Reports completed so that each are available for immediate reconciliation and verification by the DEQ OSC;
- I. Invoices submitted weekly or monthly, as requested by DEQ OSC;
- J. *Record for Well Plugging* (DEQ form EQP-7200-08) filed within 60 days from project completion.



**1.52 Final Acceptance**

Final acceptance of a project's services and deliverables is achieved when:

- A. OSC certifies that all work associated with the project is completed, records have been submitted to the State's satisfaction, and any required guarantees have been provided by Contractor; and
- B. Proof, identified by project name and invoice number, is received by the OSC and Program Manager that all subcontractors associated or connected with the work on the project assignment have been paid in full; and
- C. Proof is received by the Program Manager that all entities which incurred damage or loss (e.g., owners of property, including growing crops damaged by contract activities, etc.), have been reimbursed by Contractor, as directed by the OSC.

**1.60 Proposal Pricing**

**1.61 Price/Payment Terms**

**A. Payment / Reimbursement Method**

- 1. Reimbursement method for services shall include both a rate per unit of service and cost-based (time and materials) charges, pursuant to the budget document (bid) submitted by the Contractor during the DEQ's competitive Request for Quotation process, for award of an individual project assignment.
- 2. Payment to Contractor for services shall be processed by electronic funds transfer (EFT).
- 3. Contractor shall have the opportunity to modify its prices only during the DEQ's competitive bidding process for each individual project assignment. The unit rate(s) and costs quoted by Contractor for a well-project assignment, will remain FIXED for the life of that assignment once accepted by the State, *except as follows*:
  - (a) A request for change(s) shall be based only on change(s) in actual costs for the delivery of services necessary and required to achieve DEQ program goals and objectives and must include documentation to substantiate any such requested change(s).
  - (b) DEQ reserves the right to consider additional, various pertinent information or sources to evaluate price increase requests (including but not limited to information such as needed emergency equipment, etc.).
  - (c) DEQ also reserves the right to consider other information related to special economic and/or industry market circumstances, when evaluating a price change request.
  - (d) DEQ reserves the right to deny Contractor's request for a rate-change, and have the original, quoted rates remain in effect for the life of the project assignment.
  - (e) Changes may be either increases or decreases, and may be requested by either party.
  - (f) Requests for price changes must be RECEIVED IN WRITING and are subject to written acceptance and approval by the State before becoming effective.
  - (g) In the event new prices are not acceptable, the award of the individual project assignment may be cancelled or withdrawn by the State.
  - (h) Any changes approved by DEQ will be firm and fixed for the remainder of that project period unless further revised by the DEQ during the course of service delivery for that project.
  - (i) The continued payment for any charges due after September 30<sup>th</sup> of any State fiscal year for completion of an individual project assignment (awarded in the prior fiscal year) will be subject to the continued availability of the appropriated funds for this purpose.

**B. Contractor Invoicing Method**

- 1. All Contractor-invoices must be submitted to DEQ within 30 days after project completion, or as directed by the OSC.
- 2. All invoices must reflect only actual work completed (that was pre-approved by DEQ's OSC).
- 3. Preliminary planning work must be invoiced separately from all other units of service or costs.



4. All original invoices detailing actual work performed by the Contractor and Subcontractor(s) must be submitted to the DEQ's OSC, for verification of service delivery and approval. Invoices must include:
  - (a) This Contract number;
  - (b) Official project name;
  - (c) Individual site name, with permit number (if any);
  - (d) DEQ Purchase Order number;
  - (e) Units of Service and Costs: Daily, separately itemized individual units of service and costs, with a sub-total for each category, as applicable, for the following:
    - 1) DEQ requested planning work;
    - 2) Response Activity (e.g., wellhead replacement, etc.);
    - 3) Well Plugging and/or Redrilling;
    - 4) Site Restoration
    - 5) Travel expenditures, (Expenditures must be separately itemized for per diem and mileage, respectively).
5. Travel reimbursement to Contractor must follow, and is subject to, State travel regulations and **cannot exceed the rates established for State employees; such costs must also be pre-approved by the DEQ OSC.**
6. Payment will be made on approved invoices for up to 80% of the invoice total for services provided at the specified site. The remaining 20% of each invoice will be retained and released only upon final State acceptance (see section 1.63 'Holdback' below).
7. For the month of September, invoices for a project must be submitted by Contractor as directed by the DEQ-OSC, DEQ-Program Manager, or the State Buyer or Contract Administrator to meet fiscal year-end closing due dates or other requirements.
8. If the billing is not received as set forth above, no payment shall be made by the State for that billing period unless an exception is specifically authorized by the DEQ Department Director or his/her delegated representative.

**C. Payment to State (from Bidding Salvage)**

Reimbursement to the State for any salvage must be made by check that is payable to: "State of Michigan" (with the project assignment clearly referenced) and directly submitted to the:

Department of Environmental Quality  
 Office of Oil Gas and Minerals  
 ATTN: Budget Unit  
 525 West Allegan Street  
 P.O. Box 30256  
 Lansing, MI 48909-7756

**1.62 Tax Excluded from Price**

- A. Sales Tax: For purchases made directly by the State, the State is exempt from State and Local Sales Tax. Prices must not include the taxes. Exemption Certificates for State Sales Tax will be furnished upon request.
- B. Federal Excise Tax: The State may be exempt from Federal Excise Tax, or the taxes may be reimbursable, if articles purchased under any resulting Contract are used for the State's exclusive use. Certificates showing exclusive use for the purposes of substantiating a tax-free or tax-reimbursable sale will be sent upon request. If a sale is tax exempt or tax reimbursable under the Internal Revenue Code, prices must not include the Federal Excise Tax.

**1.63 Holdback**

**Holdback and Final Payment:** Payment will be made on approved invoices for up to 80% of the invoice total for services provided at the specified site. The remaining 20% of each invoice will be retained and released only upon final State acceptance.

**1.70 Additional Requirements**

**1.71 Additional Terms and Conditions (specific to DEQ-OOGM REQUEST-FOR-QUOTATION PROCESS & PROJECT ASSIGNMENT):**



- A. Acceptance of Project Assignment Award:** As a condition of competing for, or accepting award of, any individual project assignment, the pre-qualified Contractor agrees that it may also be required by the DEQ-OSC to perform the following functions as a part of providing its well plugging/re-drilling service described in § 1.20, *Work and Deliverable*:
1. Provide all information, activities, tasks, and services within the time frames required by the RFQ, evolving job specifications, site priorities, or as may be directed by the DEQ-OSC, to achieve the State's program goals and objectives;
  2. Attend a pre-job site visit meeting, as requested:
    - (a) DEQ-OSC will provide notification of the date, time, and location of any scheduled meeting(s) and indicate whether meeting attendance is mandatory or optional;
    - (b) The purpose of the pre-job site meeting is so that Contractor can familiarize itself with a project through a field review; each project's pre-job meeting will be held for the purpose of reviewing and discussing the specifications for that individual project in detail;
  3. Supply all information for any additional requirements or qualifications that may be added to the specifications for completion of any well project assignment, if it is determined by the DEQ that such modifications are in the best interest of the State or will further the Departmental program goals or objectives;
  4. Comply with any modification of the project specifications issued by the DEQ, which may be based on the information received from and pursuant to all or any of the approved Contractors which are given consideration under the DEQ competitive RFQ process for award of an individual project assignment.



# STATE OF MICHIGAN

## STANDARD CONTRACT TERMS

This STANDARD CONTRACT (“**Contract**”) is agreed to between the State of Michigan (the “**State**”) and Mid State Oil Tools (“**Contractor**”), an incorporated company. This Contract is effective on February 23, 2015 (“**Effective Date**”), and unless terminated, expires on February 22, 2018.

This Contract may be renewed for up to 3 additional 1 year period(s). Renewal must be by written agreement of the parties and will automatically extend the Term of this Contract.

The parties agree as follows:

1. **Duties of Contractor.** Contractor must perform the services and provide the deliverables described in **Exhibit A – Statement of Work** (the “**Contract Activities**”). An obligation to provide delivery of any commodity is considered a service and is a Contract Activity.

Contractor must furnish all labor, equipment, materials, and supplies necessary for the performance of the Contract Activities, and meet operational standards, unless otherwise specified in Exhibit A.

Contractor must: (a) perform the Contract Activities in a timely, professional, safe, and workmanlike manner consistent with standards in the trade, profession, or industry; (b) meet or exceed the performance and operational standards, and specifications of the Contract; (c) provide all Contract Activities in good quality, with no material defects; (d) not interfere with the State’s operations; (e) obtain and maintain all necessary licenses, permits or other authorizations necessary for the performance of the Contract; (f) cooperate with the State, including the State’s quality assurance personnel, and any third party to achieve the objectives of the Contract; (g) return to the State any State-furnished equipment or other resources in the same condition as when provided when no longer required for the Contract; (h) not make any media releases without prior written authorization from the State; (i) assign to the State any claims resulting from state or federal antitrust violations to the extent that those violations concern materials or services supplied by third parties toward fulfillment of the Contract; (j) comply with all State physical and IT security policies and standards which will be made available upon request; and (k) provide the State priority in performance of the Contract except as mandated by federal disaster response requirements. Any breach under this paragraph is considered a material breach.

Contractor must also be clearly identifiable while on State property by wearing identification issued by the State, and clearly identify themselves whenever making contact with the State.

2. **Notices.** All notices and other communications required or permitted under this Contract must be in writing and will be considered given and received: (a) when verified by written receipt if sent by courier; (b) when actually received if sent by mail without verification of receipt; or (c) when verified by automated receipt or electronic logs if sent by facsimile or email.

<b>If to State:</b> Mary Ostrowski, Buyer 525 West Allegan St. Constitution Hall-1 <sup>st</sup> Floor North Lansing, MI 48933 <a href="mailto:ostrowskim@michigan.gov">ostrowskim@michigan.gov</a> (517) 284-7021	<b>If to Contractor:</b> Michael Machuta, VP/CFO 1934 Commercial Dr. Mt. Pleasant, MI 48858 <a href="mailto:mikem@midstateoiltools.com">mikem@midstateoiltools.com</a> (989) 773-4114
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3. **Contract Administrator.** The Contract Administrator for each party is the only person authorized to modify any terms and conditions of this Contract (each a “**Contract Administrator**”):

<b>If to State:</b> Mary Ostrowski, Buyer 525 West Allegan St. Constitution Hall-1 <sup>st</sup> Floor North Lansing, MI 48933	<b>If to Contractor:</b> Michael Machuta, VP/CFO 1934 Commercial Dr. Mt. Pleasant, MI 48858 <a href="mailto:mikem@midstateoiltools.com">mikem@midstateoiltools.com</a>
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<a href="mailto:ostrowskim@michigan.gov">ostrowskim@michigan.gov</a> (517) 284-7021	(989) 773-4114
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4. **Program Manager.** The Program Manager for each party will monitor and coordinate the day-to-day activities of the Contract (each a “Program Manager”):

If to State:	If to Contractor:
Paul Jankowski, Geologist Specialist Orphan Well Program Office of Oil Gas and Minerals Department of Environmental Quality 525 West Allegan Street – 2 <sup>nd</sup> Floor P.O. Box 30256 Lansing, MI 48909-7756 <a href="mailto:jankowskp@michigan.gov">jankowskp@michigan.gov</a> (517) 284-6832	Michael Machuta and John R. Keathley 1934 Commercial Dr. Mt. Pleasant, MI 48858 <a href="mailto:mikem@midstateoiltools.com">mikem@midstateoiltools.com</a> (989) 773-4114

5. **Performance Guarantee.** Contractor must at all times have financial resources sufficient, in the opinion of the State, to ensure performance of the Contract and must provide proof upon request. The State may require a performance bond (as specified in Exhibit A) if, in the opinion of the State, it will ensure performance of the Contract.

6. **Insurance Requirements.** Contractor must maintain the insurances identified below and is responsible for all deductibles. All required insurance must: (a) protect the State from claims that may arise out of, are alleged to arise out of, or result from Contractor's or a subcontractor's performance; (b) be primary and non-contributing to any comparable liability insurance (including self-insurance) carried by the State; and (c) be provided by a company with an A.M. Best rating of "A" or better and a financial size of VII or better.

Insurance Type	Additional Requirements
<b>Commercial General Liability Insurance</b>	
<u>Minimal Limits:</u> \$5,000,000 Each Occurrence Limit \$5,000,000 Personal & Advertising Injury Limit \$10,000,000 General Aggregate Limit \$10,000,000 Products/Completed Operations  <u>Deductible Maximum:</u> \$50,000 Each Occurrence	Contractor must have their policy: (1) endorsed to add “the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees, and agents” as additional insureds using endorsement CG 20 10 11 85, or both CG 2010 07 04 and CG 2037 07 04; (2) include a waiver of subrogation; (3) include sudden and accidental pollution coverage; if pollution coverage is not included, a standalone pollution policy can be purchased; and (4) for a claims-made policy, provide 3 years of tail coverage.
<b>Motor Vehicle Insurance</b>	
<u>Minimal Limits:</u> \$1,000,000 Per Occurrence	
<b>Workers' Compensation Insurance</b>	
<u>Minimal Limits:</u> Coverage according to applicable laws governing work activities.	Waiver of subrogation, except where waiver is prohibited by law.
<b>Employers Liability Insurance</b>	
<u>Minimal Limits:</u> \$100,000 Each Accident \$100,000 Each Employee by Disease \$500,000 Aggregate Disease.	

If Contractor's policy contains limits higher than the minimum limits, the State is entitled to coverage to the extent of the higher limits. The minimum limits are not intended, and may not be construed to limit any liability or indemnity of Contractor to any indemnified party or other persons.



Contractor must: (a) provide insurance certificates to the Contract Administrator, containing the agreement or purchase order number, at Contract formation and within 20 calendar days of the expiration date of the applicable policies; (b) require that subcontractors maintain the required insurances contained in this Section; (c) notify the Contract Administrator within 5 business days if any insurance is cancelled; and (d) waive all rights against the State for damages covered by insurance. Failure to maintain the required insurance does not limit this waiver.

**7. Reserved**

**8. Independent Contractor.** Contractor is an independent contractor and assumes all rights, obligations and liabilities set forth in this Contract. Contractor, its employees, and agents will not be considered employees of the State. No partnership or joint venture relationship is created by virtue of this Contract. Contractor, and not the State, is responsible for the payment of wages, benefits and taxes of Contractor's employees and any subcontractors. Prior performance does not modify Contractor's status as an independent contractor.

**9. Subcontracting.** Contractor may not delegate any of its obligations under the Contract without the prior written approval of the State. Contractor must notify the State at least 90 calendar days before the proposed delegation, and provide the State any information it requests to determine whether the delegation is in its best interest. If approved, Contractor must: (a) be the sole point of contact regarding all contractual matters, including payment and charges for all Contract Activities; (b) make all payments to the subcontractor; and (c) incorporate the terms and conditions contained in this Contract in any subcontract with a subcontractor. Contractor remains responsible for the completion of the Contract Activities, compliance with the terms of this Contract, and the acts and omissions of the subcontractor. The State, in its sole discretion, may require the replacement of any subcontractor.

**10. Staffing.** The State's Contract Administrator may require Contractor to remove or reassign personnel by providing a notice to Contractor.

**11. Background Checks.** Upon request, Contractor must perform background checks on all employees and subcontractors and its employees prior to their assignment. The scope is at the discretion of the State and documentation must be provided as requested. Contractor is responsible for all costs associated with the requested background checks. The State, in its sole discretion, may also perform background checks.

**12. Assignment.** Contractor may not assign this Contract to any other party without the prior approval of the State. Upon notice to Contractor, the State, in its sole discretion, may assign in whole or in part, its rights or responsibilities under this Contract to any other party. If the State determines that a novation of the Contract to a third party is necessary, Contractor will agree to the novation, provide all necessary documentation and signatures, and continue to perform, with the third party, its obligations under the Contract.

**13. Change of Control.** Contractor will notify, at least 90 calendar days before the effective date, the State of a change in Contractor's organizational structure or ownership. For purposes of this Contract, a change in control means any of the following: (a) a sale of more than 50% of Contractor's stock; (b) a sale of substantially all of Contractor's assets; (c) a change in a majority of Contractor's board members; (d) consummation of a merger or consolidation of Contractor with any other entity; (e) a change in ownership through a transaction or series of transactions; (f) or the board (or the stockholders) approves a plan of complete liquidation. A change of control does not include any consolidation or merger effected exclusively to change the domicile of Contractor, or any transaction or series of transactions principally for bona fide equity financing purposes.

In the event of a change of control, Contractor must require the successor to assume this Contract and all of its obligations under this Contract.

**14. Ordering.** Contractor is not authorized to begin performance until receipt of authorization as identified in Exhibit A.

**15. Acceptance.** Contract Activities are subject to inspection and testing by the State within 30 calendar days of the State's receipt of them ("**State Review Period**"), unless otherwise provided in Exhibit A. If the Contract Activities are not fully accepted by the State, the State will notify Contractor by the end of the State Review Period that either: (a) the Contract Activities are accepted, but noted deficiencies must be corrected; or (b) the Contract Activities are rejected. If the State finds material deficiencies, it may: (i) reject the Contract Activities without performing any further inspections; (ii) demand performance at no additional cost; or (iii) terminate this Contract in accordance with Section 19, Termination for Cause.

Within 10 business days from the date of Contractor's receipt of notification of acceptance with deficiencies or rejection of any Contract Activities, Contractor must cure, at no additional cost, the deficiency and deliver unequivocally acceptable Contract Activities to the State. If acceptance with deficiencies or rejection of the Contract Activities impacts the content or delivery of other non-completed Contract Activities, the parties' respective Program Managers must determine an agreed to number of days for re-submission that minimizes the overall impact to the Contract. However, nothing herein affects, alters, or relieves Contractor of its obligations to correct deficiencies in accordance with the time response standards set forth in this Contract.



If Contractor is unable or refuses to correct the deficiency within the time response standards set forth in this Contract, the State may cancel the order in whole or in part. The State, or a third party identified by the State, may perform the Contract Activities and recover the difference between the cost to cure and the Contract price plus an additional 10% administrative fee.

- 16. Terms of Payment.** Invoices must conform to the requirements communicated from time-to-time by the State. All undisputed amounts are payable within 45 days of the State's receipt. Contractor may only charge for Contract Activities performed as specified in Exhibit A. Invoices must include an itemized statement of all charges. The State is exempt from State sales tax for direct purchases and may be exempt from federal excise tax, if Contract Activities purchased under the Contract are for the State's exclusive use. Prices are exclusive of all taxes, and Contractor is solely responsible for payment of any applicable taxes.

The State has the right to withhold payment of any disputed amounts until the parties agree as to the validity of the disputed amount. The State will notify Contractor of any dispute within a reasonable time. Payment by the State will not constitute a waiver of any rights as to Contractor's continuing obligations, including claims for deficiencies or substandard Contract Activities. Contractor's acceptance of final payment by the State constitutes a waiver of all claims by Contractor against the State for payment under this Contract, other than those claims previously filed in writing on a timely basis and still disputed.

The State will only disburse payments under this Contract through Electronic Funds Transfer (EFT). Contractor must register with the State at <http://www.michigan.gov/cpexpress> to receive electronic fund transfer payments. If Contractor does not register, the State is not liable for failure to provide payment.

Without prejudice to any other right or remedy it may have, the State reserves the right to set off at any time any amount then due and owing to it by Contractor against any amount payable by the State to Contractor under this Contract.

- 17. Liquidated Damages.** Liquidated damages, if applicable, shall be specified by the State in its DEQ Request for Quotation based on the site-specific risk category of each individual project assignment.
- 18. Stop Work Order.** The State may suspend any or all activities under the Contract at any time. The State will provide Contractor a written stop work order detailing the suspension. Contractor must comply with the stop work order upon receipt. Within 90 calendar days, or any longer period agreed to by Contractor, the State will either: (a) issue a notice authorizing Contractor to resume work, or (b) terminate the Contract or purchase order. The State will not pay for Contract Activities, Contractor's lost profits, or any additional compensation during a stop work period.
- 19. Termination for Cause.** The State may terminate this Contract for cause, in whole or in part, if Contractor, as determined by the State: (a) endangers the value, integrity, or security of any location, data, or personnel; (b) becomes insolvent, petitions for bankruptcy court proceedings, or has an involuntary bankruptcy proceeding filed against it by any creditor; (c) engages in any conduct that may expose the State to liability; (d) breaches any of its material duties or obligations; or (e) fails to cure a breach within the time stated in a notice of breach. Any reference to specific breaches being material breaches within this Contract will not be construed to mean that other breaches are not material.

If the State terminates this Contract under this Section, the State will issue a termination notice specifying whether Contractor must: (a) cease performance immediately, or (b) continue to perform for a specified period. If it is later determined that Contractor was not in breach of the Contract, the termination will be deemed to have been a Termination for Convenience, effective as of the same date, and the rights and obligations of the parties will be limited to those provided in Section 24, Termination for Convenience.

The State will only pay for amounts due to Contractor for Contract Activities accepted by the State on or before the date of termination, subject to the State's right to set off any amounts owed by the Contractor for the State's reasonable costs in terminating this Contract. The Contractor must pay all reasonable costs incurred by the State in terminating this Contract for cause, including administrative costs, attorneys' fees, court costs, transition costs, and any costs the State incurs to procure the Contract Activities from other sources.

- 20. Termination for Convenience.** The State may immediately terminate this Contract in whole or in part without penalty and for any reason, including but not limited to, appropriation or budget shortfalls. The termination notice will specify whether Contractor must: (a) cease performance of the Contract Activities immediately, or (b) continue to perform the Contract Activities in accordance with Section 21, Transition Responsibilities. If the State terminates this Contract for convenience, the State will pay all reasonable costs, as determined by the State, for State approved Transition Responsibilities.
- 21. Transition Responsibilities.** Upon termination or expiration of this Contract for any reason, Contractor must, for a period of time specified by the State (not to exceed 90 calendar days), provide all reasonable transition assistance requested by the State, to allow for the expired or terminated portion of the Contract Activities to continue without interruption or adverse effect, and to facilitate the orderly transfer of such Contract Activities to the State or its designees. Such transition assistance may include, but is not limited to: (a) continuing to perform the Contract Activities at the established Contract rates; (b) taking all



reasonable and necessary measures to transition performance of the work, including all applicable Contract Activities, training, equipment, software, leases, reports and other documentation, to the State or the State's designee; (c) taking all necessary and appropriate steps, or such other action as the State may direct, to preserve, maintain, protect, or return to the State all materials, data, property, and confidential information provided directly or indirectly to Contractor by any entity, agent, vendor, or employee of the State; (d) transferring title in and delivering to the State, at the State's discretion, all completed or partially completed deliverables prepared under this Contract as of the Contract termination date; and (e) preparing an accurate accounting from which the State and Contractor may reconcile all outstanding accounts (collectively, "**Transition Responsibilities**"). This Contract will automatically be extended through the end of the transition period.

**22. General Indemnification.** Contractor must defend, indemnify and hold the State, its departments, divisions, agencies, offices, commissions, officers, and employees harmless, without limitation, from and against any and all actions, claims, losses, liabilities, damages, costs, attorney fees, and expenses (including those required to establish the right to indemnification), arising out of or relating to: (a) any breach by Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable) of any of the promises, agreements, representations, warranties, or insurance requirements contained in this Contract; (b) any infringement, misappropriation, or other violation of any intellectual property right or other right of any third party; (c) any bodily injury, death, or damage to real or tangible personal property occurring wholly or in part due to action or inaction by Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable); and (d) any acts or omissions of Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable).

The State will notify Contractor in writing if indemnification is sought; however, failure to do so will not relieve Contractor, except to the extent that Contractor is materially prejudiced. Contractor must, to the satisfaction of the State, demonstrate its financial ability to carry out these obligations.

The State is entitled to: (i) regular updates on proceeding status; (ii) participate in the defense of the proceeding; (iii) employ its own counsel; and to (iv) retain control of the defense if the State deems necessary. Contractor will not, without the State's written consent (not to be unreasonably withheld), settle, compromise, or consent to the entry of any judgment in or otherwise seek to terminate any claim, action, or proceeding. To the extent that any State employee, official, or law may be involved or challenged, the State may, at its own expense, control the defense of that portion of the claim.

Any litigation activity on behalf of the State, or any of its subdivisions under this Section, must be coordinated with the Department of Attorney General. An attorney designated to represent the State may not do so until approved by the Michigan Attorney General and appointed as a Special Assistant Attorney General.

**23. Infringement Remedies.** If, in either party's opinion, any piece of equipment, software, commodity, or service supplied by Contractor or its subcontractors, or its operation, use or reproduction, is likely to become the subject of a copyright, patent, trademark, or trade secret infringement claim, Contractor must, at its expense: (a) procure for the State the right to continue using the equipment, software, commodity, or service, or if this option is not reasonably available to Contractor, (b) replace or modify the same so that it becomes non-infringing; or (c) accept its return by the State with appropriate credits to the State against Contractor's charges and reimburse the State for any losses or costs incurred as a consequence of the State ceasing its use and returning it.

**24. Limitation of Liability.** The State is not liable for consequential, incidental, indirect, or special damages, regardless of the nature of the action.

**25. Disclosure of Litigation, or Other Proceeding.** Contractor must notify the State within 14 calendar days of receiving notice of any litigation, investigation, arbitration, or other proceeding (collectively, "**Proceeding**") involving Contractor, a subcontractor, or an officer or director of Contractor or subcontractor, that arises during the term of the Contract, including: (a) a criminal Proceeding; (b) a parole or probation Proceeding; (c) a Proceeding under the Sarbanes-Oxley Act; (d) a civil Proceeding involving: (1) a claim that might reasonably be expected to adversely affect Contractor's viability or financial stability; or (2) a governmental or public entity's claim or written allegation of fraud; or (e) a Proceeding involving any license that Contractor is required to possess in order to perform under this Contract.

**26. Reserved**

**27. Reserved**

**28. Non-Disclosure of Confidential Information.** The parties acknowledge that each party may be exposed to or acquire communication or data of the other party that is confidential, privileged communication not intended to be disclosed to third parties. The provisions of this Section survive the termination of this Contract.



- a. Meaning of Confidential Information. For the purposes of this Contract, the term “**Confidential Information**” means all information and documentation of a party that: (a) has been marked “confidential” or with words of similar meaning, at the time of disclosure by such party; (b) if disclosed orally or not marked “confidential” or with words of similar meaning, was subsequently summarized in writing by the disclosing party and marked “confidential” or with words of similar meaning; and, (c) should reasonably be recognized as confidential information of the disclosing party. The term “Confidential Information” does not include any information or documentation that was: (a) subject to disclosure under the Michigan Freedom of Information Act (FOIA); (b) already in the possession of the receiving party without an obligation of confidentiality; (c) developed independently by the receiving party, as demonstrated by the receiving party, without violating the disclosing party’s proprietary rights; (d) obtained from a source other than the disclosing party without an obligation of confidentiality; or, (e) publicly available when received, or thereafter became publicly available (other than through any unauthorized disclosure by, through, or on behalf of, the receiving party). For purposes of this Contract, in all cases and for all matters, State Data is deemed to be Confidential Information.
  
- b. Obligation of Confidentiality. The parties agree to hold all Confidential Information in strict confidence and not to copy, reproduce, sell, transfer, or otherwise dispose of, give or disclose such Confidential Information to third parties other than employees, agents, or subcontractors of a party who have a need to know in connection with this Contract or to use such Confidential Information for any purposes whatsoever other than the performance of this Contract. The parties agree to advise and require their respective employees, agents, and subcontractors of their obligations to keep all Confidential Information confidential. Disclosure to a subcontractor is permissible where: (a) use of a subcontractor is authorized under this Contract; (b) the disclosure is necessary or otherwise naturally occurs in connection with work that is within the subcontractor’s responsibilities; and (c) Contractor obligates the subcontractor in a written contract to maintain the State’s Confidential Information in confidence. At the State’s request, any employee of Contractor or any subcontractor may be required to execute a separate agreement to be bound by the provisions of this Section.
  
- c. Cooperation to Prevent Disclosure of Confidential Information. Each party must use its best efforts to assist the other party in identifying and preventing any unauthorized use or disclosure of any Confidential Information. Without limiting the foregoing, each party must advise the other party immediately in the event either party learns or has reason to believe that any person who has had access to Confidential Information has violated or intends to violate the terms of this Contract and each party will cooperate with the other party in seeking injunctive or other equitable relief against any such person.
  
- d. Remedies for Breach of Obligation of Confidentiality. Each party acknowledges that breach of its obligation of confidentiality may give rise to irreparable injury to the other party, which damage may be inadequately compensable in the form of monetary damages. Accordingly, a party may seek and obtain injunctive relief against the breach or threatened breach of the foregoing undertakings, in addition to any other legal remedies which may be available, to include, in the case of the State, at the sole election of the State, the immediate termination, without liability to the State, of this Contract or any Statement of Work corresponding to the breach or threatened breach.
  
- e. Surrender of Confidential Information upon Termination. Upon termination of this Contract or a Statement of Work, in whole or in part, each party must, within 5 calendar days from the date of termination, return to the other party any and all Confidential Information received from the other party, or created or received by a party on behalf of the other party, which are in such party’s possession, custody, or control; provided, however, that Contractor must return State Data to the State following the timeframe and procedure described further in this Contract. Should Contractor or the State determine that the return of any non-State Data Confidential Information is not feasible, such party must destroy the non-State Data Confidential Information and must certify the same in writing within 5 calendar days from the date of termination to the other party.

29. **Reserved**

30. **Reserved**

31. **Reserved**

32. **Records Maintenance, Inspection, Examination, and Audit.** The State or its designee may audit Contractor to verify compliance with this Contract. Contractor must retain, and provide to the State or its designee and the auditor general upon request, all financial and accounting records related to the Contract through the term of the Contract and for 7 years after the latter of termination, expiration, or final payment under this Contract or any extension (“**Audit Period**”). If an audit, litigation, or other action involving the records is initiated before the end of the Audit Period, Contractor must retain the records until all issues are resolved.



Within 10 calendar days of providing notice, the State and its authorized representatives or designees have the right to enter and inspect Contractor's premises or any other places where Contract Activities are being performed, and examine, copy, and audit all records related to this Contract. Contractor must cooperate and provide reasonable assistance. If any financial errors are revealed, the amount in error must be reflected as a credit or debit on subsequent invoices until the amount is paid or refunded. Any remaining balance at the end of the Contract must be paid or refunded within 45 calendar days.

This Section applies to Contractor, any parent, affiliate, or subsidiary organization of Contractor, and any subcontractor that performs Contract Activities in connection with this Contract.

- 33. **Warranties and Representations.** Contractor represents and warrants: (a) Contractor is the owner or licensee of any Contract Activities that it licenses, sells, or develops and Contractor has the rights necessary to convey title, ownership rights, or licensed use; (b) all Contract Activities are delivered free from any security interest, lien, or encumbrance and will continue in that respect; (c) the Contract Activities will not infringe the patent, trademark, copyright, trade secret, or other proprietary rights of any third party; (d) Contractor must assign or otherwise transfer to the State or its designee any manufacturer's warranty for the Contract Activities; (e) the Contract Activities are merchantable and fit for the specific purposes identified in the Contract; (f) the Contract signatory has the authority to enter into this Contract; (g) all information furnished by Contractor in connection with the Contract fairly and accurately represents Contractor's business, properties, finances, and operations as of the dates covered by the information, and Contractor will inform the State of any material adverse changes; and (h) all information furnished and representations made in connection with the award of this Contract is true, accurate, and complete, and contains no false statements or omits any fact that would make the information misleading. A breach of this Section is considered a material breach of this Contract, which entitles the State to terminate this Contract under Section 19, Termination for Cause.
- 34. **Conflicts and Ethics.** Contractor will uphold high ethical standards and is prohibited from: (a) holding or acquiring an interest that would conflict with this Contract; (b) doing anything that creates an appearance of impropriety with respect to the award or performance of the Contract; (c) attempting to influence or appearing to influence any State employee by the direct or indirect offer of anything of value; or (d) paying or agreeing to pay any person, other than employees and consultants working for Contractor, any consideration contingent upon the award of the Contract. Contractor must immediately notify the State of any violation or potential violation of these standards. This Section applies to Contractor, any parent, affiliate, or subsidiary organization of Contractor, and any subcontractor that performs Contract Activities in connection with this Contract.
- 35. **Compliance with Laws.** Contractor must comply with all federal, state and local laws, rules and regulations.
- 36. **Reserved**
- 37. **Nondiscrimination.** Under the Elliott-Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, *et seq.*, and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, *et seq.*, Contractor and its subcontractors agree not to discriminate against an employee or applicant for employment with respect to hire, tenure, terms, conditions, or privileges of employment, or a matter directly or indirectly related to employment, because of race, color, religion, national origin, age, sex, height, weight, marital status, or mental or physical disability. Breach of this covenant is a material breach of this Contract.
- 38. **Unfair Labor Practice.** Under MCL 423.324, the State may void any Contract with a Contractor or subcontractor who appears on the Unfair Labor Practice register compiled under MCL 423.322.
- 39. **Governing Law.** This Contract is governed, construed, and enforced in accordance with Michigan law, excluding choice-of-law principles, and all claims relating to or arising out of this Contract are governed by Michigan law, excluding choice-of-law principles. Any dispute arising from this Contract must be resolved in Michigan Court of Claims. Contractor consents to venue in Ingham County, and waives any objections, such as lack of personal jurisdiction or *forum non conveniens*. Contractor must appoint agents in Michigan to receive service of process.
- 40. **Non-Exclusivity.** Nothing contained in this Contract is intended nor will be construed as creating any requirements contract with Contractor. This Contract does not restrict the State or its agencies from acquiring similar, equal, or like Contract Activities from other sources.
- 41. **Force Majeure.** Neither party will be in breach of this Contract because of any failure arising from any disaster or acts of god that are beyond their control and without their fault or negligence. Each party will use commercially reasonable efforts to resume performance. Contractor will not be relieved of a breach or delay caused by its subcontractors. If immediate performance is necessary to ensure public health and safety, the State may immediately contract with a third party.
- 42. **Dispute Resolution.** The parties will endeavor to resolve any Contract dispute in accordance with this provision. The dispute will be referred to the parties' respective Contract Administrators or Program Managers. Such referral must include a description of the issues and all supporting documentation. The parties must submit the dispute to a senior executive if unable



to resolve the dispute within 15 business days. The parties will continue performing while a dispute is being resolved, unless the dispute precludes performance. A dispute involving payment does not preclude performance.

Litigation to resolve the dispute will not be instituted until after the dispute has been elevated to the parties' senior executive and either concludes that resolution is unlikely, or fails to respond within 15 business days. The parties are not prohibited from instituting formal proceedings: (a) to avoid the expiration of statute of limitations period; (b) to preserve a superior position with respect to creditors; or (c) where a party makes a determination that a temporary restraining order or other injunctive relief is the only adequate remedy. This Section does not limit the State's right to terminate the Contract.

- 43. **Media Releases.** News releases (including promotional literature and commercial advertisements) pertaining to the Contract or project to which it relates must not be made without prior written State approval, and then only in accordance with the explicit written instructions of the State.
- 44. **Website Incorporation.** The State is not bound by any content on Contractor's website unless expressly incorporated directly into this Contract.
- 45. **Order of Precedence.** In the event of a conflict between the terms and conditions of the Contract, the exhibits, a purchase order, or an amendment, the order of precedence is: (a) the purchase order; (b) the amendment; (c) Exhibit A; (d) any other exhibits; and (e) the Contract.
- 46. **Severability.** If any part of this Contract is held invalid or unenforceable, by any court of competent jurisdiction, that part will be deemed deleted from this Contract and the severed part will be replaced by agreed upon language that achieves the same or similar objectives. The remaining Contract will continue in full force and effect.
- 47. **Waiver.** Failure to enforce any provision of this Contract will not constitute a waiver.
- 48. **Survival.** The provisions of this Contract that impose continuing obligations, including warranties and representations, termination, transition, insurance coverage, indemnification, and confidentiality, will survive the expiration or termination of this Contract.
- 49. **Entire Contract and Modification.** This Contract is the entire agreement and replaces all previous agreements between the parties for the Contract Activities. This Contract may not be amended except by signed agreement between the parties (a "**Contract Change Notice**").



## Operator Owned Equipment List

- Frank's Double Derrick Service Rig
- Gefco SS-185K 2008 Top Drive Drilling Rig
- 6- High pressure skid mounted mud pumps
- 2- 5x10 Duplex skid mounted mud pumps
- 3- 5-45 Trailer mounted power swivels
- 4- 2.5 Trailer mounted power swivels
- 3- 3.5 Skid mounted power swivels
- 10- Open top mud tanks for circulating
- 10- 400 barrel frac tanks
- 2- 7-1/16 Double ram manual BOPs
- 3- 7-1/16 Hydraulic double ram BOPs
- Skid mounted casing jack capable of 550,000 lb. pull
- 1- Hydraulic casing power tong w/ 4-1/2 thru 9-5/8 heads
- 4- Winch trucks w/full tail rollers
- 2- Boomtrucks
- 6- Tail roller trailers
- 6- Tubing trailers
- 2- Lowboy trailers
- 1- Detach equipment hauling trailer
- 1 - Case 1150 dozer
- 1- Case 850 dozer
- 1- John Deere backhoe w/loader
- Full line of Fishing, Handling and well servicing equipment

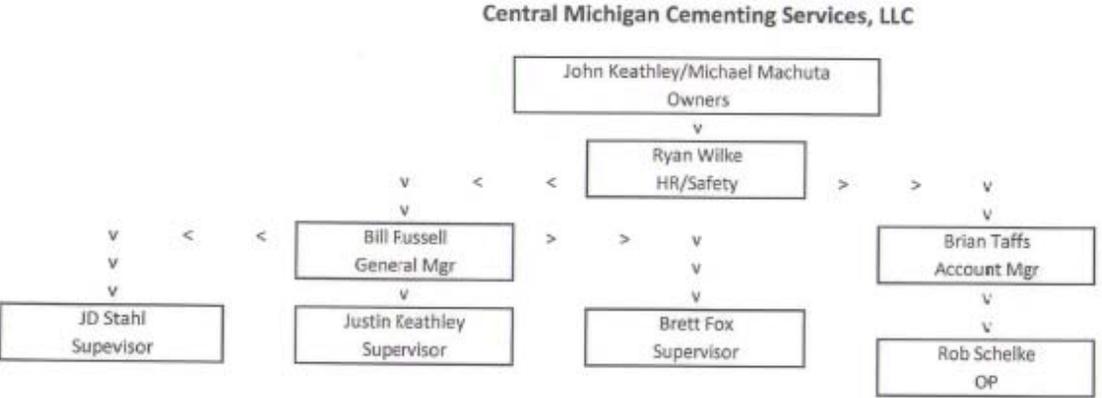
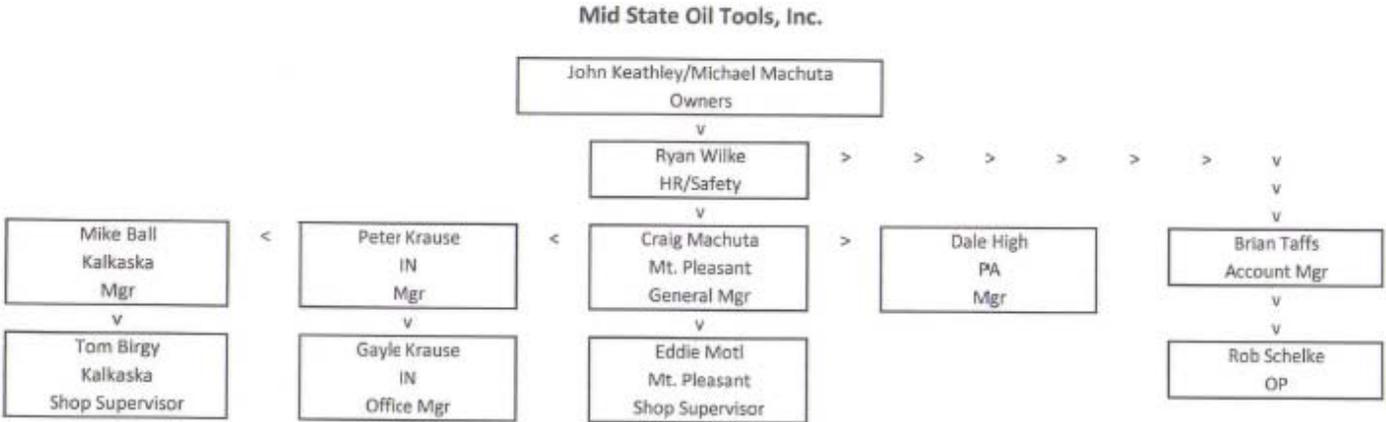


54	1989 Peterbuilt	Tractor		PA-2608	
55	2005 Sterling	Tractor	P-7230		PF-7761&BF-1346-D
78	2006 Sterling	Tractor	B-99	RS-3518	BF-1345&BF-7633
122	1989 International	Tractor		PA-2333	BF-1212
156	1988 Mack	Pumper	B-95	PA-2312	B-877&BF-5810
399	2010 Ford	Pumper			
438	2007 International	Pumper	BD-7154	RS-3518	BF-7760&BF-7766
439	2007 International	Bulk Truck	BD-7154	RS-3518	BF-7760&BF-7766
591	1997 Freightliner	Tractor	BD-103	PA-2705	BF-957
608	2007 Sterling		B-495 (2)	RS-3518	BF-1395-SP
649	1989 International	Pumper	BD-103		BF-957
756		Pumper			
908	2006 Peterbuilt	Bulk Truck	BD-103	RS-2863	BF-1293SPS&BF-7815
1032	2005 Ford	Shop Truck	B-329		BF-7802
1064	2008 Ford	Pick-Up			
1077	2013 Ford	Pick-Up			
1078	2013 Ford	Pick-Up			
<i>1086 2014 Ford Pickup</i>					
Trailers	Make /Year	Type			
101		Lead			
202		Pup			
209		Water Transport			
392-B		Dbl Can			
395		Triple Can			
445		Acid Transport			
703		Triple Can			

Bell Injectors	2
MC2 Boxes	14
Flow Meters	3
1502 Dbl Wings	15
1502 Chicksans	31
Cement Head Manif	3
4-1/2 Cement Head	1
5-1/2 Cement Head	2
7" Cement Head	1
8-5/8 Cement Head	1
9-5/8 Cement Head	1
11-3/4 Cemt Head	1
13-3/8 Cemt Head	1
4-1/2 Swedge	1
5-1/2 Swedge	3
7" Swedge	1
8-5/8 Swedge	4
9-5/8 Swedge	1
11-3/4 Swedge	2
13-3/8 Swedge	1
18-5/8 Swedge	1



# Mid State Oil Tools, Inc. Organizational Chart





## Mid State Oil Tools, Inc. Subcontractor List

Michigan Wireline Services, Inc.  
4854 E. River Rd.  
Mt. Pleasant, MI 48858  
Phone: 989-772-5075  
Downhole wireline services.

Northern A-1 Services Kalkaska  
3947 N. US 131 / PO Box 1030  
Kalkaska, MI 49646  
Phone: 231-258-9961  
Tank cleaning, disposal of downhole waste.

Dubar Drilling Fluids, LLC  
P.O. Box 1054  
Cadillac, MI 49601  
Phone: 231-258-1264  
Supplier of drilling mud and chemicals for well servicing.

M.L. Chartier Inc.  
9195 Marine City Hwy  
Fairhaven, MI 48023  
Phone: 586-725-8373  
Vacuum truck services, excavators, roll off boxes, building of location, general hauling and dirt work.

R.E. Hovey Construction Co.  
4075 E. Denver Rd.  
Rosebush, MI 48878  
Phone: 989-433-2121  
General oilfield excavating and rig moving.

M&L Services, LLC  
1114 Glenwood Dr.  
Mt. Pleasant, MI 48858  
Phone: 989-772-2819  
Frac tanks, half tanks, flow line trailers and filter unit rental. Sale and installation of PVC Pit liner-apron :

J&W Machine Company, Inc.  
315 E. Pickard St.  
Mt. Pleasant, MI 48858  
Phone: 989-773-9951  
Oilfield machine work and on-site welding.