

Oil & Gas Contractor's Equipment (Actual Cash Value)

1. Indemnity Agreement

In the event that any of the property insured be lost, destroyed or damaged by a peril insured against, the Insurer will indemnify the Insured to an amount not exceeding whichever is the least of:

- (a) the actual cash value of the property at the time of loss or damage;
- (b) the interest of the Insured in the property;
- (c) the amount of insurance specified on the "Declaration Page(s)" in respect of the property lost or damaged.

Provided, however, that where the insurance applies to the property of more than one person or interest, the Insurer's total liability for loss sustained by all such persons and interest shall be limited in the aggregate to the amount or amounts of insurance specified on the "Declaration Page(s)".

2. Property Insured

Contractor's Equipment as described on the "Declaration Page(s)" being:

- (a) the property of the Insured; or
- (b) the property of others used in the Insured's contracting business for which the Insured is legally liable under contract; or
- (c) scheduled tools of the Insured.

3. Acquisition Clause

This Form covers additional items of Contractor's equipment acquired by the Insured as owner, subject to notice to this Insurer within thirty (30) days from date of acquisition and payment of pro rata premium hereunder from such date, but this clause shall not operate to increase this Insurer's limit of liability in respect to any one disaster as provided in Clause 5 below.

4. Perils Insured

This Form insures against all risks of direct physical loss of or damage to the property insured from any external cause except as hereinafter excluded.

5. Limit of Liability

This Insurer shall not be liable for more than the amount(s) shown on the "Declaration Page(s)" in any one disaster either in case of partial or total loss or salvage or other charges or expenses or all combined.

6. Deductible

The Insurer is liable for the amount by which the loss or damage caused by any of the perils insured against exceeds the amount of the deductible specified on the "Declaration Page(s)" in any one occurrence.

7. Debris Removal Extension

The Insurer will indemnify the Insured for expenses incurred in the removal from the "project site" of debris of the property insured, occasioned by loss or damage to such property, for which loss or damage insurance is afforded under this Form.

The amount payable under this extension shall not exceed 25% of the total amount payable for the direct physical loss to property insured plus the amount of the applicable deductible.

This extension of coverage does not apply to costs or expenses:

- (i) to "clean up" "pollutants" from land or water; or
- (ii) for testing, monitoring, evaluating or assessing of an actual, alleged, potential or threatened spill, discharge, emission, dispersal, seepage, leakage, migration, release or escape of "pollutants".

Debris removal expense shall not be considered in the determination of actual cash value for the purpose of applying the co-insurance clause.

The above extension of coverage shall not increase the amounts of insurance applying under this Form and are subject to all conditions of this Form.

8. Property Excluded

This Form does not insure:

- (a) Property illegally acquired, kept, stored or transported, or property seized or confiscated for breach of any law or by order of any public authority;
- (b) Aircraft, watercraft, motorcycles or similar conveyances, money, notes, securities, accounts, bills, evidence of debt or valuable papers, plans, blueprints, designs or specifications;
- (c) Personal belongings or personal effects;
- (d) Property while located underground, in caissons or under water, and those parts of any well drilling or service rig or related or appurtenant equipment while underground in any well;
- (e) Property which has become a permanent part of any structure;
- (f) Property while waterborne from the commencement of loading until the completion of discharge except that this Form insures while on a ferry, railway car or transfer barge, all in connection with land transportation;
- (g) Tires or tubes unless the loss or damage is caused by Fire or Theft or is coincident with other loss or damage insured by this Form but in no event for more than the actual cash value of the tires or tubes at the time of loss or damage;
- (h) Property whilst airborne unless otherwise endorsed hereon;
- (i) Property leased, rented or loaned to others unless otherwise endorsed hereon;
- (j) Loss or damage to drilling mud, or any substitute therefore, acid, cement and chemicals;
- (k) Automobiles, motor trucks, trailers, semi-trailers, and the automotive power units designed therefore or any other vehicles designed for highway use to transport persons or property (vehicle on which insured's equipment is permanently mounted excepted) unless unlicensed and not operated on public roads; unless such automobiles, motor trucks, trailers, semi-trailers, and automotive power units are included within the schedule of the insured equipment and the value of such equipment is included in the total sum insured;

8A. Perils Excluded

This Form does not insure:

- (a) Loss or damage caused by or resulting from the weight of any load including the load block, if any, and all rigging exceeding any or all of:
 - (i) the maximum allowable load;
 - (ii) the lifting capacity;
 - (iii) the rated load;
 - (iv) eighty-five percent (85%) of the minimum tipping load; any or all of which may be set out in the manufacturer's specifications, capacity tables, or rating sheets for the particular unit involved;
- (b) Loss, damage or expense caused by or resulting from misappropriation, secretion, conversion, infidelity or any dishonest act on the part of the Insured or other party of interest, the employees or agents of the Insured or any person or persons to whom the property may be entrusted (bailees for hire excepted) or any mysterious disappearance or loss or shortage disclosed upon taking inventory;
- (c) Loss or damage caused by wear and tear, latent defect or inherent vice, mechanical breakdown or derangement;
- (d) Loss or damage caused by deterioration, vermin, corrosion, rust, dampness of atmosphere, freezing or extremes of temperature;
- (e) Loss or damage caused by electrical currents other than lightning unless fire or explosion ensues and then only for such destruction or damage as results from such damage or explosion;
- (f) Loss or damage caused by or resulting from subsidence or breaking through ice, or by sinking in muskeg, swamp, sand or other soft ground;
- (g) Loss or damage caused by a criminal or wilful act or omission of the Insured;
- (h) Loss or damage caused by or resulting from delay, loss of market or loss of use;
- (i) Loss or damage (unless fire or explosion ensues and then only for the loss or damage caused by such ensuing fire or explosion) sustained while the property insured is actually being worked upon and directly resulting therefrom or caused by any repairing, adjusting or servicing of the property insured;
- (j) loss or damage caused by any blasting or dynamiting operation conducted by or under control of the Insured, unless fire ensues, and then only for direct physical loss or damage caused by ensuing fire;
- (k) Loss or damage caused by explosion originating within steam boilers of the property insured;
- (l) Loss, destruction or damage caused by civil commotion, war, invasion, act of foreign enemy, hostilities (whether war be declared or not), civil war rebellion, revolution, insurrection or military power;

- (m) (i) by any nuclear incident as defined in the Nuclear Liability Act or any other nuclear liability act, law or statute, or any law amendatory thereof or nuclear explosion, except for ensuing loss or damage which results directly from fire, lightning or explosion of natural, coal or manufactured gas;
- (ii) by contamination by radioactive material.

8B. Pollution Exclusion

This Form does not insure against:

- (a) loss or damage caused directly or indirectly by any actual or alleged spill, discharge, emission, dispersal, seepage, leakage, migration, release or escape of "pollutants", nor the cost or expense of any resulting "clean up", but this exclusion does not apply:
 - (i) if the spill, discharge, emission, dispersal, seepage, leakage, migration, release or escape of "pollutants" is the direct result of a peril not otherwise excluded under this Form;
 - (ii) to loss or damage caused directly by a peril not otherwise excluded under this Form;
- (b) cost or expense for any testing, monitoring, evaluating or assessing of an actual, alleged, potential or threatened spill, discharge, emission, dispersal, seepage, leakage, migration, release or escape of "pollutants".

9. Locked Motor Vehicle Warranty

With respect to Contractors' Tools insured under item 2 (c) – Property Insured, this Form does not insure against any loss of or damage to insured property caused by or resulting from theft or attempted theft of such property while left unattended in or on any vehicle unless such vehicle is equipped with a fully enclosed metal body or compartment and loss be as a direct result of forcible entry (of which there shall be visible evidence) into such enclosed body, the doors and windows of which shall have been securely locked or from such compartment, which shall have been securely locked.

10. Other Insurance

This Insurer is not liable:

- (a) For more than the portion of any loss or damage covered by this Form which the applicable limit of this Form bears to the total amount of insurance covering against peril of fire irrespective of whether or not such other insurance gives insurance in respect to the perils covered by this Form whether by endorsement thereto or otherwise;
- (b) Where such other insurance does not insure against loss or damage by fire for more than the excess (if any) of any loss or damage over the applicable limit of any other insurance which would attach if this insurance had not been effected.

11. Territorial Limits

This Form insures only within the limits of Canada and the Continental United States of America.

12. Reinstatement

Loss under any item of this Form shall not reduce the applicable amount of insurance.

13. Co-Insurance

The Insurer shall not be liable for a greater proportion of any loss or damage than the amount of insurance of each and every item of property insured hereunder at time and place of loss bears to the percentage stated on the "Declaration Page(s)" of the actual cash value of the property at the time any loss or damage occurs, and in no event for an amount in excess of the limit of liability specified in this Form.

14. Extensions of Coverage

The following extensions apply to Contractor's Equipment insured under this policy, and unless otherwise specified below, are covered against the perils insured applicable to Contractor's Equipment, as specified in the "Declaration Pages(s)". Unless otherwise stated, these extensions do not increase the limit of liability applicable to Contractor's Equipment specified in the "Declaration Page(s)".

(a) Demolition, De-Icing and Dewatering

This policy shall provide reimbursement of all expenses incurred for demolition, removal of ice and dewatering of the property covered hereunder, occasioned by loss, destruction or damage to such property, for which such loss, destruction, or damage covered is afforded under this policy, subject to a sub-limit as stated in the "Declaration Page(s)".

(b) Foam Loss and Fire Fighting Expenses

This policy is extended to cover, subject to a sub-limit as stated in the "Declaration Page(s)", for loss or damage to foam solution or other fire extinguishing materials lost, expended or destroyed in fighting fire involving property of the Insured covered hereunder, to the extent of the value only of such extinguishing materials, and is further extended to cover other fire fighting expenses incurred or for which the Insured is liable in connection with property insured hereunder.

(c) Deliberate Well Firing

Loss or damage to rigs or equipment if the well blows out of control and is fired for safety reasons as determined by either the Operator or any Governmental Authority, however, the amount payable under this extension shall not exceed the Limit of Liability stated on the "Declaration Page(s)" in any one occurrence.

With respect to any such occurrence as described in the foregoing and insured hereunder, it is agreed that the Insurer shall not subrogate against the Operator or Governmental Authorities involved.

15. Warranties

It is warranted under this Form that the following safety provisions will be complied with during all drilling operations:

(a) Master Gate (Drilling Valve)

An approved type Master Gate Valve will be set on the surface casing as soon as surface casing is set. If manually operated, the Master Gate Valve will be equipped with a large master handwheel for opening and closing the valve, and the master handwheel shall operate from a stem extending out beyond the derrick floor. An approved "Blowout" preventer equipped with rams (thus acting as a Master Gate Valve) of similar capacity shall be acceptable as complying with this provision

(b) Blowout Preventer

The Insured warrants that a blowout preventer of standard design and make will be properly installed and tested. Permission is granted to waive this warranty where custom dictates that blowout preventers are not used.

(c) Workover Operations

With respect to Workover Operations, privilege is granted to substitute a Master Gate Valve in lieu of a Blowout Preventer and permission is also given to use a cable tool control head in place of either a Blowout Preventer or Master Gate Drilling Valve when using cable tool servicing instead of rotary drilling equipment to bring in a well.

16. Breach of Warranties

In the event of a breach of any one or more of the above Warranties, this insurance shall not apply to any loss or damage to the particular property at risk on the rig or rigs breaching such warranty or warranties resulting from "blowout" and "cratering" or fire resulting therefrom during the time such breach exists. No claim for return premium made by the Insured shall be allowable for such suspension of insurance.

17. Definitions

Wherever used in this Form:

- (a) "Declaration Page(s)" means the Declaration Page(s) applicable to this Form.
- (b) "Pollutants" means any solid, liquid, gaseous or thermal irritant or contaminant, including odour, vapour, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.
- (c) "Clean up" means the removal, containment, treatment, decontamination, detoxification, stabilisation, neutralisation or remediation of "pollutants", including testing which is integral to the aforementioned processes.
- (d) "Project site" means the site where the Insured is working under contract.
- (e) "Blowout" means the uncontrolled discharge of drilling fluid and/or gas and/or water and/or air and/or oil from a well caused by an eruption from such well. It is understood and agreed that a "kick" as commonly referred to in the drilling of a well, sometimes resulting in the drill-systems becoming stuck, shall not be deemed a "Blowout" unless such "Kick" is immediately followed by a "Blowout" as defined above.
- (f) "Cratering" means the creating of a bowl-shaped depression around a well caused by a "blowout" of such well.