

This endorsement forms part of section 1b and is subject otherwise to the terms, provisions, conditions and exclusions contained in the *policy of insurance* or endorsed thereon.

- 1. Indemnification** 1.1. The *insurer* shall indemnify the *insured* in respect of loss of or damage to:
- 1.1.1. drilling and oil and gas well servicing equipment, including spare parts, derricks, drill pipes, tools and miscellaneous appurtenances specified in the attached list, not situated or installed on vessels or drilling barges,
 - 1.1.2. rolling stock, cement, mud, drilling compounds, chemicals, casing, roadways, causeways, earth pits, blueprints, plans, specifications, records specified in the attached list, not situated or installed on vessels or drilling barges.
- 2. Special exclusions** 2.1. The *insurer* shall not indemnify the *insured* in respect of loss of or damage to
- 2.1.1. foam solutions or other fire extinguishing materials as well as all other materials lost, expended or destroyed in fire fighting, blow-out or cratering, or any other expense incidental to fighting fire, controlling or attempting to control blow-out or cratering,
 - 2.1.2. drilling tools, equipment, machinery or parts thereof working underground, unless resulting from blow-out, cratering, fire, or explosion.
- 3. Special conditions** 3.1. Blow-out preventers of standard make shall be set on the surface casing and installed and tested regularly in accordance with good oil-field practice, records being kept thereof (this warranty not being applicable to cable tool rigs).
- 3.2. Oil and/or air or aerated mud shall not be used as a drilling fluid; but this shall not exclude the use of oil base (inverted) mud or the use of oil for “drilling-in” or the use of oil for “washing-over” or other “fishing” purposes.
- 3.3. In respect of rotary drilling and/or work-over units, due diligence shall be used in conducting operations and at all times the rules and regulations governing drilling and work-over operations established by any state, commission, provincial or federal regulatory body having jurisdiction shall be complied with.
- 3.4. The *property insured* shall be operated only by the *insured* or the *insured's employees*, unless otherwise agreed by endorsement hereto.
- 3.5. This endorsement shall not be violated by the waiver of subrogation against service organization and/or lease owners whose contracts stipulate that they are not liable.
- 3.6. In the event that items of the *property insured* are moved from the territory specified in the *policy of insurance*, this endorsement shall continue to cover them subject to prior notification within 10 days and re-negotiation of *premium*.

4. Definitions

4.1. Blow-out shall mean a sudden expulsion of drilling fluid (mud, water) followed by an uncontrolled flow of oil, gas or water from the well that occurs when the pressure of oil, gas or water entering the well at some depth below the surface is greater than the pressure exerted by the column of drilling fluid in the well and results in a complete loss of control of the well.

4.2. Crater shall mean a basin-like opening in the earth's surface surrounding a well caused by the erosive and eruptive action of gas and/or oil and/or water flowing without restriction.