

KANA ENERGY, INC.
STANDARD TERMS AND CONDITIONS

Any and All Products, Equipment and Services referenced by any purchasing contract, understanding, invoice, sales ticket, agreement, purchase order or field ticket ("Order") are governed by the following terms and conditions:

I. Definition of Terms. As used in these Standard Terms and Conditions "Buyer" means the person who accepts a quotation from the Seller for the sale of products, the rental of equipment or the provision of services (respectively, "Products", Equipment and "Services"), or whose Order for the same is accepted by Seller. "Seller" means Kana Energy Inc., Inc. and any of its affiliates and subsidiaries. "Parties" means the Buyer and Seller. "Including" means "including without limitation." Definitions used herein are unaffected by the use of tense, case and gender.

II. Purchasing Terms. The terms and conditions herein control the sale, rental and provision of the Products, Equipment and Services, respectively, without regard to any conflicting terms and conditions contained in Buyer's AFE, bid, tender, quote, proposal or request for the same or any Buyer communication even if such document is attached to the Order. Accepted Orders are non-cancelable.

III. Order Acceptance. Buyer's signature on the sales order, invoice, packing slip or any controlling document is deemed to represent its acceptance of the Order and these terms as does Seller's origination of enactment of this Order, with or without the Seller's acknowledgement.

IV. Product Availability. Any Equipment, Services or Products quoted for delivery are subject to availability. Equivalents may be substituted in circumstances beyond Seller's control.

V. Payments. All prices quoted are in U.S. Dollars, FOB ex works unless otherwise specified and excludes taxes and costs to pack, ship, deliver and or install Products, Equipment and Services, which are the responsibility of Buyer even if such costs are prepaid by Seller. All pricing, taxes and costs shall be paid or reimbursed to Seller in U.S. Dollars within thirty (30) days from the Seller's invoice date. Late payments incur a two (2) percent per month price surcharge.

VI. Title and Risk of Loss. Title, subject to Seller's vendor lien for the unpaid amounts owed Seller, and risk of loss shall pass to the Buyer upon delivery of the Products and Equipment to the Buyer's warehouse or field location, as applicable. Risk of loss shall remain with Buyer even if Seller stores such items for Buyer. Title to leased Equipment shall remain with Seller at all times. Seller may retain or retake possession of any Products and Equipment if monies owing therefor are past due.

VII. Field Conditions. Buyer is responsible for all surface and subsurface conditions, operations and occurrences associated with or related to any facility, pipeline, well, well site, reservoir or installation that the Products, Equipment or Services are delivered to, used with or installed, stored or performed upon, including the existence or creation of chemicals, waste, radioactivity and pollution. Buyer shall inform Seller of all unusual or dangerous conditions on such sites that it needs to enter upon so Seller can safely and efficiently perform its activities.

VIII. Limited Warranty. Products shall be free from defects in materials and workmanship for 12 months from the date of installation or 18 months from the date of shipment whichever is earlier. This warranty does not extend to, and Buyer is responsible for, defects or damage to Products and Equipment related to misuse, accident, repair by others or alteration; improper handling, storage, application, installation, operation or maintenance; damage caused by aggressive fluids, lightning and improper voltage; and use contrary to data or reference

materials provided by Seller or in a manner not contemplated by design specifications. Services shall be performed in a workmanlike manner in accordance with good oilfield practices and Seller's warranty therefor runs 12 months from the date of Service performance.

IX.NO OTHER WARRANTIES. SELLER DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

X.Warranty Remedies. Buyer must notify Seller immediately upon discovery of any defect and confirm same in writing to Seller within 30 days of same. Defective Products and Equipment must be adequately packed and returned to Seller's nearest repair facility, FOB facility, freight prepaid, within the warranty period. Seller shall have the right to inspect such items to determine the defect cause. Seller has the option to repair or replace defective items so they conform to the limited warranty herein or refund an equitable portion of the price paid therefor as Seller's sole liability and Buyer's exclusive warranty remedy. Seller shall either re-perform Services that do not comply with Seller's warranty therefor or refund an equitable portion of the price paid therefor as Seller's sole liability and Buyer's exclusive remedy under the foregoing limited warranty for Services.

XI.SELLER'S INDEMNITY. SELLER SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS BUYER AND ITS AFFILIATES AND THEIR DIRECTORS, OFFICERS, EMPLOYEES, CONTRACTORS AND AGENTS ("BUYER GROUP") FROM AND AGAINST ALL LOSSES, CLAIMS, DAMAGES AND COSTS ("LOSSES") ARISING OUT OF OR IN CONNECTION WITH (A) DAMAGE TO OR LOSS OR DESTRUCTION OF PROPERTY OF, OR THE PERSONAL INJURY, ILLNESS OR DEATH OF, ANY MEMBER OF SELLER GROUP ARISING OUT OF OR IN CONNECTION WITH THIS ORDER AND (B) THE BREACH OF SELLER'S COVENANTS HEREIN.

XII.BUYER'S INDEMNITY. BUYER SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS SELLER AND ITS AFFILIATES AND THEIR DIRECTORS, OFFICERS, EMPLOYEES, CONTRACTORS AND AGENTS ("SELLER GROUP") FROM AND AGAINST ALL LOSSES ARISING OUT OF OR IN CONNECTION WITH

• (A) DAMAGE TO OR LOSS OR DESTRUCTION OF PROPERTY OF, OR THE PERSONAL INJURY, ILLNESS OR DEATH OF, ANY MEMBER OF BUYER GROUP ARISING OUT OF OR IN CONNECTION WITH THIS ORDER AND

• (B) THE BREACH OF BUYER'S COVENANTS HEREIN. THE "BUYER GROUP" FOR THIS PURPOSE INCLUDES ANY JOINT VENTURER, LESSOR, INVESTOR, CO -TENANT OF OR CONTRACT COUNTERPARTY OF BUYER AND THEIR DIRECTORS, OFFICERS, EMPLOYEES, CONTRACTORS AND AGENTS. "PROPERTY" INCLUDES ANY PROPERTY OF SUCH PERSONS WHETHER LEASED OR OWNED.

XIII.CONSEQUENTIAL DAMAGES. NEITHER PARTY SHALL BE LIABLE FOR PUNITIVE, INCIDENTAL, INDIRECT, CONSEQUENTIAL, EXEMPLARY, SPECIAL OR SIMILAR DAMAGES, INCLUDING, BUSINESS INTERRUPTION AND LOSS OF PROFITS, USE, PRODUCTION OR TIME.

XIV.SCOPE OF INDEMNITY LANGUAGE. THE ABOVE INDEMNITIES AND LIMITATIONS APPLY TO ANY LOSS REGARDLESS OF CAUSE OR LEGAL THEORY, INCLUDING, THE SOLE, JOINT, CONCURRENT, GROSS, ACTIVE OR PASSIVE NEGLIGENCE OR OTHER FAULT OF THE INDEMNIFIED PARTY.

XV. Insurance. Seller and Buyer agree to maintain adequate insurance to support their indemnity obligations herein. All such insurance shall waive subrogation against the indemnified parties and their insurers and name the indemnified Group as additional insured(s) and loss payee. Such coverage shall be primary to that carried by the indemnified Group. Buyer shall not self-insure without the written consent of Seller.

XVI. Limitation of Liability. Notwithstanding anything herein to the contrary, Seller's liability in respect of the Order under any theory shall not exceed the consideration payable to Seller with respect to this Order.

XVII. Ownership of IP. Seller or its affiliates own all of the rights to the proprietary intellectual property embodied in the Products, Equipment and Services or which are created in the course of providing them to Buyer. This Order does not transfer any ownership rights in such intellectual property to Buyer. Buyer acquires a mere non-assignable license to use such intellectual property. Buyer agrees Seller's Services and performance of this Order is not work for hire.

XVIII. Seller IP Indemnification. Seller shall defend, indemnify and hold harmless Buyer against Losses for intellectual property and infringement claims arising out of Buyer's normal use of Seller's Products, Equipment and Services, but will not be liable for infringement that arises: (i) out of Buyer's use of Seller's Products, Equipment or Services in combination with products, equipment or services provided by others; (ii) where Seller's Products, Equipment or Services have been specially modified, designed and /or manufactured to meet Customer's specifications; (iii) out of unauthorized additions or modifications to Seller's Products, Equipment or Services; or (iv) where Buyer's use of Seller's Products, Equipment or Services do not correspond to Seller's published standards or specifications.

XIX. Buyer IP Covenants. Buyer shall not claim or appropriate any patent, copyright, trademark, trade secret, know how or other contractual, proprietary or intellectual right of Seller. Buyer shall not, and shall cause others to refrain from disassembling or reverse engineering the Products and Equipment. All improvements and betterments to the Products and Equipment, including any intellectual property associated therewith, shall belong to the Seller. Buyer shall assign, and cause others associated with it to assign, such improvements or betterments to Seller upon request. Seller shall not file or apply for any conflicting patent, copyright or trademark on the Products, Equipment or any improvement or betterment thereof.

XX. Address. All communication with Seller shall be addressed to:
Kana Energy Inc., 10550 Bissonnet Houston, TX 77099

XXI. Governing Law - This Order is, governed by the laws of the State of Texas without regard to its conflicts of law rules. The United Nations Convention on Contracts for the International Sale of Goods does not apply to this Order.

XXII. Venue. Venue for disputes arising from or relating to this Order shall lie in the federal or state courts located in Harris County, Texas.

XXIII. Invalidity and Revision. Any provision hereof that conflicts with public policy, is prohibited by any law or is held invalid for any reason shall be deemed automatically amended to the extent necessary to not so conflict, be prohibited or be invalid, and if amendment is impossible, the invalid provision shall be deemed deleted and not invalidate the remainder of these terms and conditions.

XXIV. Assignment. This Order may not be assigned or delegated to anyone other than an affiliate of Seller. Monies paid to the Seller for performance rendered by the Seller's affiliates shall be received and held by Seller as agent for the benefit of such affiliates.

XXV. Force Majeure. Neither Seller nor Buyer shall be liable for any delay or non-performance due to causes beyond their reasonable control, however, no such event shall excuse any payment obligation owed to Seller.

XXVI. Damaged Equipment. All damaged Equipment shall be returned to Seller's repair depot, FOB depot, or shredded, destroyed and certified destroyed to Seller at Seller's option.

XXVII. No Export. Buyer shall not export the Products in violation of US law.