

**SOLICITATION/CONTRACT/ORDER FOR COMMERCIAL ITEMS
OFFEROR TO COMPLETE BLOCKS 12, 17, 23, 24, & 30**

1. REQUISITION NUMBER PAGE 1 OF 3

2. CONTRACT NO. DE-AP91-04WR01109
 3. AWARD/EFFECTIVE DATE 6/4/04
 4. ORDER NUMBER
 5. SOLICITATION NUMBER
 6. SOLICITATION ISSUE DATE

7. FOR SOLICITATION INFORMATION CALL:
 a. NAME
 b. TELEPHONE NUMBER (No collect calls)
 8. OFFER DUE DATE/ LOCAL TIME

9. ISSUED BY U.S. Department of Energy
 NPOSR-CUW
 907 N. Poplar, Suite 150
 Casper WY 82601
 CODE
 10. THIS ACQUISITION IS
 UNRESTRICTED
 SET ASIDE: % FOR
 SMALL BUSINESS
 HUBZONE SMALL BUSINESS
 8(A)
 NAICS:
 SIZE STANDARD:
 11. DELIVERY FOR FOB DESTINATION UNLESS BLOCK IS MARKED
 SEE SCHEDULE
 12. DISCOUNT TERMS Net 30
 13a. THIS CONTRACT IS A RATED ORDER UNDER DPAS (16 CFR 700)
 13b. RATING
 14. METHOD OF SOLICITATION
 RFQ IFB RFP

15. DELIVER TO See Block 9
 CODE
 16. ADMINISTERED BY See Block 9
 CODE

17a. CONTRACTOR/OFFEROR Verdisys
 25025 I-45 North, Suite 525
 The Woodlands TX 77380
 TELEPHONE NO. 281-364-6999
 CODE FACILITY CODE
 18a. PAYMENT WILL BE MADE BY U.S. Department of Energy
 Oak Ridge Operations Office
 Oak Ridge Financial Services Center
 P.O. Box 4937
 Oak Ridge TN 37831
 CODE

17b. CHECK IF REMITTANCE IS DIFFERENT AND PUT SUCH ADDRESS IN OFFER
 18b. SUBMIT INVOICES TO ADDRESS SHOWN IN BLOCK 18a UNLESS BLOCK BELOW IS CHECKED SEE ADDENDUM

19. ITEM NO.	20. SCHEDULE OF SUPPLIES/SERVICES	21. QUANTITY	22. UNIT	23. UNIT PRICE	24. AMOUNT
001	Drill 4 lateral @ 2 Shannon Wells, IAW Scope of Work		2 EA	\$70,000.00	\$140,000.00
002	Mobilization/Demobilization		1 EA	\$17,500.00	\$17,500.00

(Use Reverse and/or Attach Additional Sheets as Necessary)

25. ACCOUNTING AND APPROPRIATION DATA
 26. TOTAL AWARD AMOUNT (For Govt. Use Only) \$157,500.00

27a. SOLICITATION INCORPORATES BY REFERENCE FAR 52.212-1, 52.212-4, FAR 52.212-3 AND 52.212-5 ARE ATTACHED. ADDENDA ARE ARE NOT ATTACHED
 27b. CONTRACT/PURCHASE ORDER INCORPORATES BY REFERENCE FAR 52.212-4. FAR 52.212-5 IS ATTACHED. ADDENDA ARE ARE NOT ATTACHED

28. CONTRACTOR IS REQUIRED TO SIGN THIS DOCUMENT AND RETURN 2 COPIES TO ISSUING OFFICE. CONTRACTOR AGREES TO FURNISH AND DELIVER ALL ITEMS SET FORTH OR OTHERWISE IDENTIFIED ABOVE AND ON ANY ADDITIONAL SHEETS SUBJECT TO THE TERMS AND CONDITIONS SPECIFIED HEREIN.
 29. AWARD OF CONTRACT: REF. OFFER DATED . YOUR OFFER ON SOLICITATION (BLOCK 5), INCLUDING ANY ADDITIONS OR CHANGES WHICH ARE SET FORTH HEREIN, IS ACCEPTED AS TO ITEMS:

30a. SIGNATURE OF OFFEROR/CONTRACTOR
 31a. UNITED STATES OF AMERICA (SIGNATURE OF CONTRACTING OFFICER)

30b. NAME AND TITLE OF SIGNER (Type or print) DAVID M. ADAMS
 30c. DATE SIGNED 6/17/04
 31b. NAME OF CONTRACTING OFFICER (Type or print) Neil Haugland
 31c. DATE SIGNED 6/21/04

AUTHORIZED FOR LOCAL REPRODUCTION PREVIOUS EDITION IS NOT USABLE
 STANDARD FORM 1449 (REV. 4/2002) Prescribed by GSA - FAR (48 CFR) 53.212

RECEIVED JUN 28 2004
 CH

March 01, 2004

Mr. Cecil Foote
 Department of Energy
 907 N Poplar, Ste 150
 Casper, WY 82601

Re: **LETTER OF INTENT - RADIAL DRILLING OPTIMIZATION SERVICES**
 Shannon Sandstone

Dear Cecil:

This letter is to confirm your intent to contract with Verdisys, Inc. to provide radial drilling optimization for the following work scope in your field development penetrating the Shannon Sandstone.

Work Scope: Two wells to be determined by the DoE within pilot project commencing in three to six weeks. Verdisys will jet four laterals up to 300' in length per depth interval in two horizons (8 laterals per well) to a measured depth not to exceed 6,000'.

Verdisys to provide:

- Verdisys Lateral Drilling Unit with crew
- Verdisys lateral drilling equipment
- Fuel and consumables for Verdisys unit

DoE to provide:

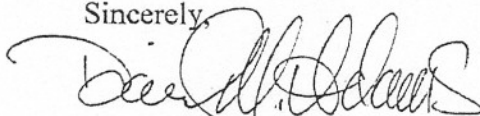
- Pulling unit
- Wireline/logging unit
- Tubing string set at depth
- Lubricator (if required)
- Jetting fluid plus specialty additives

Rate schedule:

• Per-Well Rate	- \$35,000 (4 laterals @ 1 horizon) - \$2,500 per each additional lateral - \$1,000 per hour standby (>2 hrs/occur.)
• Mobilization/demobilization	- \$17,500 (roundtrip)
• Field Engineer (if requested)	- \$800 / day plus expenses (at cost)
• 3rd party equipment/services provided at cost plus 15%	

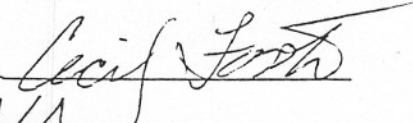
A master service contract is attached for your consideration. We look forward to a mutually successful project that will lead to a continued business relationship between our companies. Should you have any questions, please do not hesitate to contact us.

Sincerely,



David Adams
 President and COO
 Attachment

Accepted By:



Date: 4/14/4