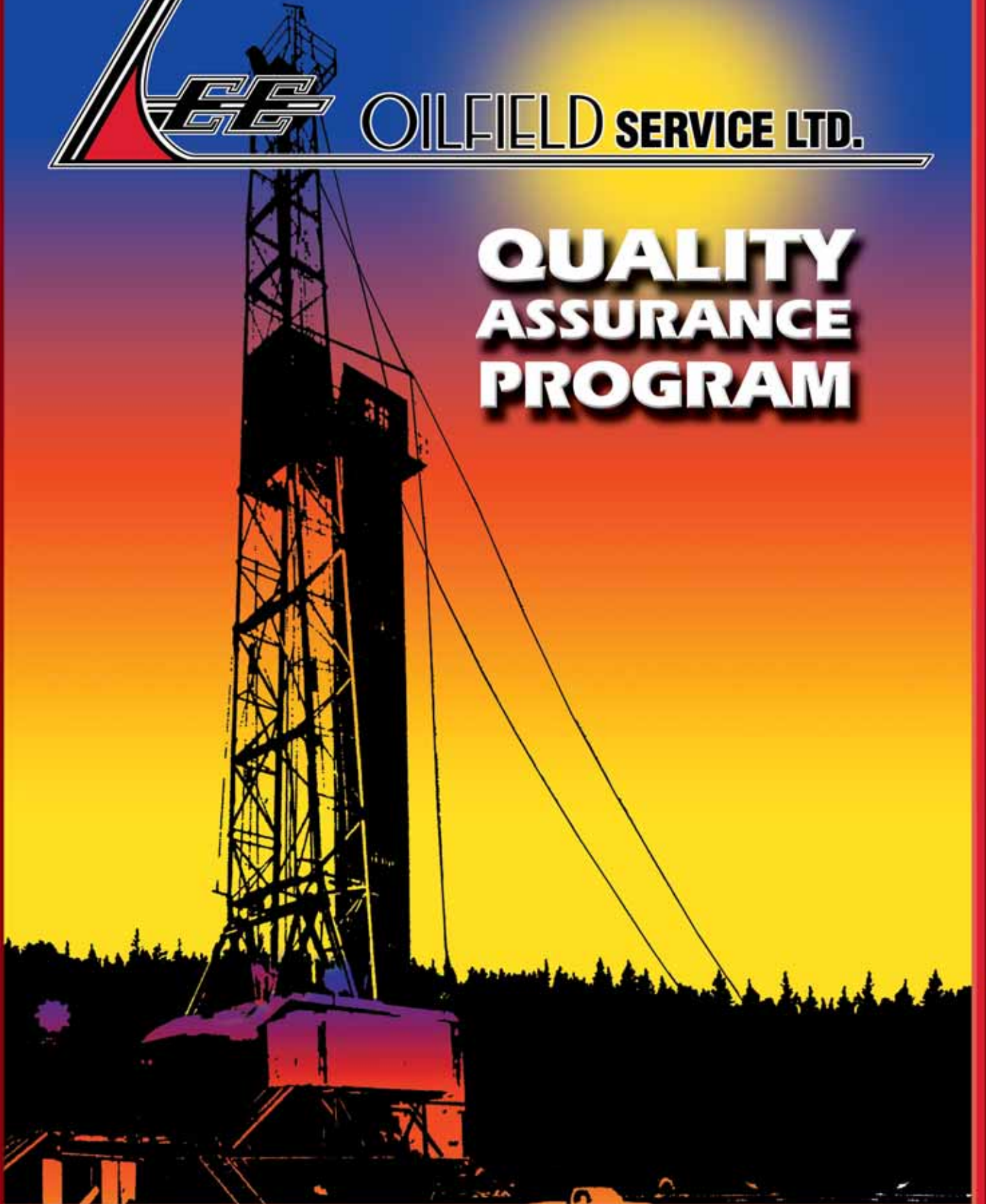




QUALITY ASSURANCE PROGRAM



QUALITY ASSURANCE PROGRAM

table of contents

OVERVIEW: Quality Assurance Program	1
SECTION 1: Management Organization and Responsibility	1
SECTION 2: Personnel Training Requirements and Safety.....	3
SECTION 3: Records of Services.....	5
SECTION 4: Equipment Calibrations.....	7
SECTION 5: Written Procedures	9
SECTION 6: Purchasing Controls.....	10
SECTION 7: Audits and Program Changes.....	11



QUALITY ASSURANCE PROGRAM: overview

Lee Oilfield Service Ltd. has established the following policies and objectives to ensure quality is maintained with all services. This Quality Assurance Program sets forth the responsibilities of all personnel in complying with this system. Quality Assurance will regularly audit the services and program to ascertain its status and adequacy.

Therefore, the Quality Assurance Manager is vested with the responsibility to determine that materials are in accordance with Lee Oilfield Service Ltd. standards, owner specifications and other governing codes and standards. The Quality Assurance Manager will act with Corporate authority to enforce these criteria.

It is the basic management policy of Lee Oilfield Service Ltd. that those in charge of the Quality Assurance Program have independent authority of those performing the activity or service, when possible.

It is Lee Oilfield Service Ltd.'s intent to continue to maintain its leading role in offering quality services through continued development of equipment, procedures, and our quality system.

SECTION ONE: organization and responsibility

OBJECTIVE

To provide an established structure of responsibility for Lee Oilfield Service Ltd. employees to ensure continued performance of quality service.

The final inspection and test for service is the satisfaction of the customer. It is the responsibility of every Lee Oilfield Service Ltd. employee to ensure customer satisfaction. Each employee has the authority to provide the quality of service required by the customer. The personnel illustrated on page 2 are available to Lee Oilfield Service Ltd. employees to ensure that quality of service.

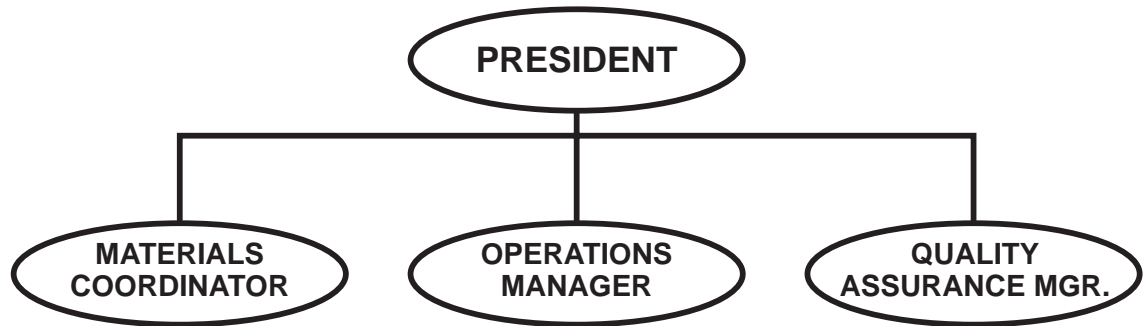
SCOPE

Management commitment to Lee Oilfield Service Ltd. Technicians' and Material Coordinator's documentation of services.

RESPONSIBILITY

Responsibility of this Quality program's effectiveness lies with every employee. Delegation of organization and responsibility within the Program is reviewed by management at least annually.





PRESIDENT

The President provides effective management direction and the administrative and functional guidance to all operating entities. He has responsibility to ensure support and implementation of this Quality Program and responsibility to assure organizations performing activities affecting quality are furnished with appropriate resources and suitable environmental conditions for accomplishing their activity.

QUALITY ASSURANCE MANAGER

The Quality Assurance Manager deals with all quality concerns at every level. The Quality Assurance Manager reviews and is responsible to ensure proper employee training, equipment operation, job documentation, and customer satisfaction. The Quality Assurance Manager generally works with every department within Lee Oilfield Service Ltd. and has authority to implement immediate changes deemed necessary to enhance the quality of service.

OPERATIONS SUPPORT

The Materials Coordinator's responsibility lies in ensuring proper operation of all equipment, equipment repairs, maintenance, calibration and purchasing.

The Operations Manager is responsible to assign the proper technician and equipment to each job with the proper procedures, safe work practices, job reports, data sheets and other documentation required to maintain quality service.

Lee Oilfield Service Ltd. management will review annually to ensure the Quality system is performing to the standards of the Quality Assurance Guidelines. Any changes to the system will be included in all Quality Assurance Manuals, to be implemented by the Quality Assurance Manager. The names of those responsible for the positions described will be noted in all annual reviews of the Quality Assurance Program.

SECTION TWO: personnel training requirements

OBJECTIVE

To describe a system for establishing and documenting the procedures and requirements for Lee Oilfield Service Ltd. technicians.

SCOPE

Personnel training requirements for Lee Oilfield Service Ltd. technicians.

RESPONSIBILITY

It is the responsibility of the Quality Assurance Manager to verify the qualifications of all Lee Oilfield Service Ltd. technicians.

TRAINING AND QUALIFICATIONS

All Lee Oilfield Service Ltd. employees will receive training to perform the services provided to our customers. Training requirements are monitored and implemented on a regular basis in order that the company may have sufficient personnel trained to the appropriate level to provide our customers with quality equipment.

Complete hands-on training by a senior technician is provided along with Quality Assurance procedures and the responsibility for correct and timely documentation.

The Operations Manager is responsible to evaluate the level of understanding and experience of each technician.

SECTION TWO: safety

OBJECTIVE

To establish safety procedures and documentation requirements for Lee Oilfield Service Ltd.

SCOPE

Personnel training requirements for Lee Oilfield Service Ltd. Safety Officer.

RESPONSIBILITY

It is the responsibility of the Quality Assurance Manager to verify the qualifications of the designated Lee Oilfield Service Ltd. Safety Officer. It is the responsibility of the Safety Officer to report occupational injuries, illnesses and hazardous conditions or situations in which employees may be potentially exposed.

SECTION TWO: safety...continued

PROCEDURES AND DOCUMENTATION

Emergency procedures, Health and Safety Manuals will be maintained and posted by Lee Oilfield Service Ltd. These procedures and Manual will be available to the employees of Lee Oilfield Service Ltd. as a reference in dealing with health and safety issues.

TRAINING AND PROCEDURES

Lee Oilfield Service Ltd. has not lost production time due to work related accidents in the past 35 years of operation. It is our goal to continue the practice of work safety in all aspects of our business.

The Safety Officer designate will be properly trained in CPR and First Aid and all shop employees will be familiar with the listed practices and procedures:

WCB Numbers:

LOF Service589982
LO Fishing Tools4818512
LO Manufacturing and Repairs4818521

1. General safety practices used when setting up a work area. Ensure that all work areas are kept clean and place any scrap materials in appropriate containers.
2. Selection of proper clothing, protective equipment and tools for each job function.
3. Identify hazards and state precautions taken when using hand held or stationary electric powered tools, equipment and lathes.
4. Install or repair equipment only if you are qualified.
5. Steps to be taken if/when an emergency or accident does occur.

SECTION THREE: records of services

OBJECTIVE

To describe the control of records which furnish objective evidence that requirements were met.

This follow-up evaluation report is reviewed by the Quality Assurance Manager, the Operations Manager and filed in the QA Report File.

SCOPE

The data to which the quality of service is traceable and its review.

Dissatisfaction in customer remarks on the follow-up report is considered nonconformance. All jobs containing nonconformance will have a quality assessment review generated by the Quality Assurance Manager or designate. Copies of the work procedure and follow-up report are provided in the file as back-up documentation. A copy of this file is supplied to the Operations Manager, who reviews the nonconformance and takes the appropriate action to prevent a reoccurrence of the nonconformance. The Quality Assurance Manager will review the nonconformance, the action taken, appropriate procedures and file in the job file under the customer name. Corrective action taken will be detailed on the procedure for reference by technicians.

RESPONSIBILITY

The Quality Assurance Manager or designate shall be responsible for the control and implementation of this procedure. Lee Oilfield Service Ltd. technicians shall be responsible for submitting the required documents at the completion of each job.

QUALITY SYSTEM

The quality assurance system for Lee Oilfield Service Ltd. includes, but is not limited to, bids sent out, daily job reports, customer drawings, written specifications and invoices.

Quality starts with knowing the customers' needs and continues with the proper handling of the service requested from the customer. As a measure of our customers' satisfaction of quality, a Quality Assurance follow-up report is sent at the completion of a project.

SECTION THREE records of services...continued

DOCUMENT CONTROL

Records shall be maintained which provide objective evidence that requirements were met. These records shall be maintained in the service shop and shall be identified with the name of the customer and the job number. The quality records shall include:

- (a) The Sales Order or Purchase Order number.
- (b) Work Order.
- (c) Internal drawings and calculations.
- (d) Nonconformance reports.
- (e) Original bid or bid documents.

RETENTION OF QUALITY RECORDS

Records shall be retained for a minimum period of five years.

SECTION FOUR: equipment calibrations

OBJECTIVE

To describe the control of measuring and testing equipment by means of a calibration program.

SCOPE

The calibration of measuring and test equipment used in determining whether parts conform to applicable requirements.

RESPONSIBILITY

The application and control of this procedure is the responsibility of the Quality Assurance Manager or a delegate.

IMPLEMENTATION

The Quality Assurance Manager shall ensure that the company owned measuring and test equipment used in determining product acceptability are maintained in an accurate state of calibration.

The physical standards used in calibration shall be traceable to nationally recognized standards, such as ASTM, API, ANSI, or equivalent.

SOURCES OF CALIBRATION

Calibrations performed within the company shall be carried out by the Quality Assurance Manager or Technician, who has been trained and approved.

Calibrations performed by qualified outside agencies, which shall be based on procedures and standards traceable to nationally recognized standards.

CALIBRATION RECORDS

Records shall be kept of calibrations done internally and by outside sources by entering the results of such calibration in a file pertaining to all equipment calibrations.

The Calibration File shall be maintained for all essential data including the identification, acceptance criteria, dates of completed calibration and calibration source.

SECTION FOUR equipment calibrations...continued

EQUIPMENT LABELING

The Quality Assurance Manager shall verify that each piece of equipment is identified with a manufacturer's serial number. Alternatively, a control number shall be affixed to the equipment.

FREQUENCY OF CALIBRATION

The frequency of calibration schedule for test and measuring equipment shall be found in the manufacturer's recommendations. Calibration frequency shall be subject to review depending on changes in the frequency of equipment usage.

EXAMPLE OF EQUIPMENT TO BE CALIBRATED

- (a) Body Joint Thread Gauges.
- (b) Ultrasonic Inspection Units.
- (c) Micrometer Dimensional Measurements.
- (d) Magnetic Strength Gauges.
- (e) Hydraulic Pressure Gauges.



SECTION FIVE: written procedures

OBJECTIVE

To describe the system for establishing and documenting the procedures, activities, and services associated with the contract supplied by Lee Oilfield Service Ltd.

SCOPE

The preparation, review, submittal, and approval of the procedure used in the course of providing equipment to Lee Oilfield Service Ltd. customers.

RESPONSIBILITY

It is the responsibility of every Lee Oilfield Service Ltd. employee to provide an accurate and timely written record of job progress.

It is the responsibility of the Quality Assurance Manager to be sure all employees are trained in the proper documentation of job progress.

WRITTEN PROCEDURES FOR DISASSEMBLY

- (a) Ensure all parts are clean of oil or grease before commencing work.

WRITTEN PROCEDURES FOR ASSEMBLY

- (a) Inspect all parts visually for damages.
- (b) Inspect all parts with magnetic particle or ultrasonic type inspection where appropriate.
- (c) Replace all old seals.
- (d) Assemble as directed in service manual.
- (e) Test for proper functioning.

SECTION SIX: purchasing controls

OBJECTIVE

To describe the control of purchasing materials and supplies which will inherently affect the quality of Lee Oilfield Service Ltd. products.

SCOPE

The purchasing of products or services.

RESPONSIBILITY

The Quality Assurance Manager will be responsible to pre-approve all vendors. The Materials Coordinator will be responsible for ordering, receiving, documenting, and handling products or materials.

VENDOR APPROVAL

The Quality Assurance Manager will be responsible to pre-approve all vendors with respect to quality of product, economy of product, delivery, business stability and past performance. Only after being satisfied with the potential vendor's responses will the Quality Assurance Manager add the vendor name to Lee Oilfield Service Ltd.'s Vendor List.

PURCHASING CONTROLS

To initiate the purchase of a product or service from an approved vendor, a Purchase Order is issued providing itemized cost, shipping instructions, etc.

RECEIVING, HANDLING, STORAGE

When receiving orders from a vendor, a complete inspection of the contents shall be performed to confirm compliance to the purchase order. Defective parts are marked on the packing slip. These parts are set aside in an isolated area until they can be returned to the vendor.

SECTION SEVEN: audits and program changes

OBJECTIVE

To define the system for conducting Quality Assurance audits to verify compliance with governing procedures, documents, policies, and standards which determine the effectiveness of the Quality Assurance Program, as well as to establish a method of updating the Quality Assurance Program.

External audits can be scheduled at anytime. Audits will be performed in accordance with written procedures of appointed personnel not having direct responsibility in the area being audited. Results of audits, their findings, and associated corrective actions will be documented, filed and will be distributed, when deemed necessary, to the appropriate department heads for review and action. All levels of management may have input into the method or degree of corrective action required.

SCOPE

Audits and updates to Lee Oilfield Service Ltd.'s Quality Assurance Program.

RESPONSIBILITY

The Quality Assurance Manager will be responsible for planning, scheduling, and conducting internal and external audits with input and authority coming from the General Manager and Manager.

UPDATES

Updates will be provided by Quality Assurance to improve and correct any deficiencies in the program. It will be the responsibility of the Quality Assurance Manager to coordinate changes and improvements in a timely manner.

AUDITS

The audit program will be planned to include elements of the Quality Assurance Program on a regular basis. Internal audits will be scheduled at the discretion of Quality Assurance when performance of an activity indicates the need, when previous corrective actions have proven ineffective, or when a supplier's history data indicates the need.



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