

Shaping Recommendation of Technical and Legal Contract Conditions

February 2016



Impress

Information according §5 TMG:

Drilling Constructors Association (DCA)
Charlottenburger Allee 39
52068 Aachen
Germany

Authorised to represent executive board:

1. President: Jorn Stoelinga
 2. Vice-President: Marco Reinhard
- Treasurer: Jürgen Muhl

Contact:

Phone: +49 (0) 241 9019290
Fax: +49 (0) 241 9019299
E-Mail: dca@dca-europe.org

Registration information:

Recorded in the register of associations.
Register Court: Amtsgericht Mönchengladbach
Company registration number: 18VR1860

Accountable for the content according to § 55 Abs. 2 RStV:

Dipl.-Geol. Dietmar Quante
Fabian Quante
Charlottenburger Allee 39
52068 Aachen

2nd Edition - unchanged

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Preface

Horizontal Directional Drilling (HDD) is an aspiring technology that is being applied successfully in and outside of Europe to trenchless lay gas and water pipelines and telecommunication cables. Given the high technical and scientific requirements of personnel and devices at diverse locations, careful planning of all project phases, beginning with the offer phase and the work preparations to the performance and concluding documentation, is essential. The necessary prerequisites to lay pipelines or cables by the HDD method as well as the actual shape of the contract often differ a lot like in many industrial fields in Europe, depending on the country or client. The same is true for necessary authorizations or the differing interpretations of technical standards in the individual countries.

This elaboration of the DCA, titled **"Shaping Recommendations of Technical and legal Contract Conditions"** aims to provide the partners acting in the HDD industry with extensively harmonized recommendations to shape contracts, both in technical and legal respect. The recommendations on hand therefore are directed to clients and contractors likewise and form together with the technical guidelines a canon to formulate contracts when HDD is carried out.

Because of the European orientation of our association and the cross-national activities of our member companies, these recommendations were compiled and published in cooperation between clients and performing contractors in English, German and French. All those that contributed their share in this work are cordially thanked.

Aachen, February 2016

Drilling Contractors Association (DCA)

1. Technical Contract Items

1.1 Definition and description of works to be carried out.

Brief, summarizing project description with focus on works to be carried out under this HDD contract, if possible incorporating by:

- tender documents, must show and define:
 - o responsibilities
 - o acceptable accuracy/deviations for borehole surveying
 - o definition of obstacles
 - o schedule, showing earliest start date and latest finish date
- construction drawings
 - o drilling profile design criterions
- soil investigation report and report including description of local geology

1.2 Scope of work

Scope of work shall describe clearly and in mutually understandable terms the scope and responsibility of works to be carried out, including, but not limited to:

- Drilling profiles/as built drawings
- Mobilisation and demobilisation of drilling equipment and personnel
- Board and lodging of drilling crew
- Geodetic survey works
- Preparation and reinstatement of agreed HDD work sites
- Earth works
- Mud transfer line, if required
- Ballasting, if required
- Identifying on site the location or occurrence of various existing utilities. Diversion of services if required.
- Pipe works – supply, fabrication, material specification, for steel pipes mill coating and field joint coating with acceptance criteria for coating after installation (acceptable damage such as scratches, direct current test criteria etc.). Standards under which the pipe string is fabricated and standards under which pipeline installation has to take place (e.g. ISO, EN, DVGW, NEN, BS, etc.), testing etc.
- Conveyors/rollers, over bend construction
- Abutment/dead man construction for rig, if required
- Drilling services
- Provision of auxiliary equipment
- Supply of consumables for drilling rig, such as fuel, grease, bentonite, drilling protective clothing etc.
- Provision of water for drilling
- Support equipment and personnel at pipe site during pull-back operation
- Disposal and transport of drilling fluids, sand/solids
- Supply and installation of pipeline markers
- Supply and installation of cathodic protection system
- Provision of all necessary permits, a complete permit list to be requested i.e:
 - o permission to drill
 - o work areas, access permit (e.g. from road)
 - o weekend and overtime work
 - o water abstraction
 - o mud/cutting disposal
 - o heavy vehicle transport
 - o safety rules, regulations and requirements
 - o installation of surface coils (Tru-/PARA-Track wire line)
 - o permit to cut down trees
 - o permit for dams in ditches
 - o permit for crossing of dykes
- Administration and agency in respect of
 - o involvement in the project (such as: polder board, municipality, inspection board)
 - o working permits
 - o special local taxes
 - o customs duties/fees
 - o temporary importation



- o lease of land indemnification for utilisation
- Traffic diversions
- Post pilot drilling/installation gyroscope/water pressure survey
- Tolerances
- Documentation in compliance with DCA guidelines

1.3 Schedule

Schedule showing each step of the HDD works, such as, but not limited to:

- Rigging up
- Pilot drilling
- Reaming
- Pull Back
- Grouting, if required
- Rigging down

1.4 Soil Conditions

A comprehensive soil investigation report, following the DCA Guidelines, shall be attached to this part of the contract documents.

2. Legal Contract Items

2.1 Applicable contract type and law

The applicable contract type and law shall be defined hereafter.

2.2 Project-, price- and payment schedule

The applicable price and payment schedule shall be defined hereafter. The related project schedule needs to define milestones and must match with the schedule in 1.3. Advance payment, progress payment, lump sum payment and day rate payment, compensation assets for extra works as well as payment periods, i.e. 14 days, 30 days etc. need to be considered.

The currency being used for payments must be defined.

2.3 Retentions – defining amount of retention and retention period

Bill of quantities - rates for drilling spread or individual personnel etc.

Definition of anticipated ground conditions.

2.4 Penalties and/or damages

Agreement on penalties, if any, should be achieved, i.e. on a daily percentage of the contract sum, not exceeding a sum to be defined. In addition to that a day rate must be defined, to cover situations, where the contractor gets delayed for reasons beyond his responsibility.

2.5 Liability

Agreement on liquidated damages or penalties.

2.6 Validity

Prices are valid for a period of 30/60/90 days from the date of the covering letter, extension to be agreed.

2.7 Insurances

Required insurances to be provided can be, but must not be limited to:

- CAR
- Third Party Liability
- Professional Indemnity Insurance
- Environmental Insurance
- Equipment and Plant Insurance
- Social Insurance
- others

An agreement should be achieved who provides the first four insurances; the social insurance needs to be provided by the contractor.

2.8 Bonds

Required bonds to be provided can be, but must not be limited to:

- Performance bond
- Payment bond
- others

2.9 Permits

- Definition on acceptance of responsibility for the effects of failure or delay in obtaining permits, licences, authorisations and other approvals.
- Definition on payment of fees, dues, royalties, arising from granting of permits, licences, authorisations and other approvals.
- Definition of responsibility for ownership of plant and equipment.
- Definition of responsibility for import and export of equipment.

2.10 Responsibility

- 2.10.1 Design responsibility
Definition of responsibility for design
- 2.10.2 Soil responsibility
Responsibility for soil conditions should be with the client i.e. in compliance with German and Dutch law. A fair distribution of risk should be targeted.

2.11 Disputes

In case, that arbitration will be required, the place of arbitration shall be the COC in Paris/Geneve/local court at

3. Publications

DCA-Europe (Drilling Contractors Association) (1995):

Horizontal Directional Drilling, Technical Guidelines, 1st Edition, 24 pages, Oldenburg

DCA-Europe (Drilling Contractors Association) (2000):

Information and Recommendations for the Planning, Construction and Documentation of HDD- Projects, Technical Guidelines, 2nd Edition, 65 pages, Aachen

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Drilling Contractors Association (DCA)
Verband Güteschutz Horizontalbohrungen e. V.
Association des Entrepreneurs de Forage Dirigé
Charlottenburger Allee 39
52068 Aachen
Germany
Phone: +49 (0) 241 90 19 290
Fax: +49 (0) 241 90 19 299
E-Mail: dca@dca-europe.org
Internet: <http://www.dca-europe.org>