

Assignment

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12-27-2007



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Electronic Version v1.1

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SUBMISSION TYPE:

NEW ASSIGNMENT

NATURE OF CONVEYANCE:

SECURITY AGREEMENT

CONVEYING PARTY DATA

Name	Execution Date
Varel International Ind., L.P.	11/05/2007

RECEIVING PARTY DATA

Name:	Lehman Commercial Paper Inc., as Collateral Agent
Street Address:	745 Seventh Avenue
City:	New York
State/Country:	NEW YORK
Postal Code:	10019

PROPERTY NUMBERS Total: 19

Property Type	Number
Patent Number:	6837317
Patent Number:	7000712
Patent Number:	6298929
Patent Number:	6892832
Patent Number:	6568492
Patent Number:	6926099
Patent Number:	7258833
Patent Number:	6904983
Patent Number:	5944125
Patent Number:	6450270
Patent Number:	6834733

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PAID
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12/21/2007

PATENT
REEL: 020299 FRAME: 0001

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Patent Number:	6488106
Patent Number:	6973978
Application Number:	11643718
Application Number:	11406470
Application Number:	11555547
Application Number:	11801338
Application Number:	60949419
PCT Number:	US0429331

CORRESPONDENCE DATA

Fax Number: (212)822-5423

Correspondence will be sent via US Mail when the fax attempt is unsuccessful.

Phone: 212-530-5000

Email: jnici@milbank.com

Correspondent Name: Milbank, Tweed, Hadley & McCloy LLP

Address Line 1: One Chase Manhattan Plaza

Address Line 2: Rm. 4640

Address Line 4: New York, NEW YORK 10005

ATTORNEY DOCKET NUMBER: 28490-28300

NAME OF SUBMITTER: Janis Nici

Signature: /janis nici/

Date: 12/21/2007

Total Attachments: 11

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RECEIPT INFORMATION

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EPAS ID:	PAT437727
Receipt Date:	12/21/2007
Fee Amount:	\$760

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12/21/2007

INTELLECTUAL PROPERTY SECURITY AGREEMENT

This INTELLECTUAL PROPERTY SECURITY AGREEMENT (as amended, amended and restated, supplemented or otherwise modified from time to time, the "IP Security Agreement") dated November 5, 2007, is made by the Persons listed on the signature pages hereof (collectively, the "Obligors") in favor of LEHMAN COMMERCIAL PAPER INC., as collateral agent (the "Collateral Agent") for the Secured Parties (as defined in the Guarantee and Security Agreement as referred to below).

WHEREAS, Varel International Ind., L.P., a limited partnership duly organized and validly existing in the State of Delaware ("OpCo"), and Varel Funding Corp., a Delaware corporation (the "Funding Company"), are parties to a certain Registered Lease and License Financing and Purchase Option Agreement, dated as of November 5, 2007 (as modified and supplemented and in effect from time to time, the "Lease Agreement") (terms used herein not otherwise defined herein are used herein as defined in the Lease Agreement).

WHEREAS, the Funding Company, OpCo and the Collateral Agent have also entered into: (1) a Revolving Commodity Purchase Facility Agreement dated as of November 5, 2007 (the "Revolving Commodity Purchase Facility Agreement") and (2) the Mezzanine Commodity Purchase Facility Agreement dated as of November 5, 2007 (the "Mezzanine Commodity Purchase Facility Agreement"), together with the Revolving Commodity Purchase Facility Agreement, and any and all documents or agreements, including acknowledgements and consents with respect thereto, assignments thereof and exhibits and schedules thereto, and all other security documents (including any assignments and notes) purporting to grant a Lien in connection thereto, the "Commodity Purchase Documents" and, together with the Lease Documents, the "Transaction Documents").

WHEREAS, as a condition precedent under the Transaction Documents, each of Varel Acquisition Holdings, Inc. a corporation duly organized and validly existing under the laws of Delaware ("Holdings") and certain subsidiaries of Holdings (each, an "Obligor" and together the "Obligors") has executed and delivered that certain Guarantee and Security Agreement dated November 5, 2007 made by the Obligors to the Collateral Agent (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Guarantee and Security Agreement").

WHEREAS, under the terms of the Guarantee and Security Agreement, Obligors have granted a security interest in, among other property, certain intellectual property of the Obligors to the Collateral Agent for the ratable benefit of the Secured Parties, and have agreed as a condition thereof to execute this IP Security Agreement covering such intellectual property for recording with the U.S. Patent and Trademark Office, the United States Copyright Office and other similar offices in any State of the United States or any political subdivision thereof.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Obligor agrees as follows:

NY1:# 3468976

SECTION 1. GRANT OF SECURITY. Each Obligor hereby grants to the Collateral Agent for the ratable benefit of the Secured Parties a security interest in all of such Obligor's right, title and interest in and to the following (the "Collateral"):

- the patents and patent applications set forth in Schedule A hereto (the "Patents") and all inventions and improvements described in the patents, reissues, divisions, continuations, continuations-in-part, extensions, substitutions, renewals and reexaminations of any of the foregoing in the U.S. or in any foreign country;
- the trademark and service mark registrations and applications set forth in Schedule B hereto (provided that no security interest shall be granted in United States intent-to-use trademark applications to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark applications under applicable federal law), together with the goodwill symbolized thereby (the "Trademarks");
- all copyrights, whether registered or unregistered, now owned or hereafter acquired by such Obligor, including, without limitation, the copyright registrations and applications and exclusive copyright licenses set forth in Schedule C hereto (the "Copyrights");
- any and all claims for damages and injunctive relief for past, present and future infringement, dilution, misappropriation, violation, misuse or breach with respect to any of the foregoing, with the right, but not the obligation, to sue for and collect, or otherwise recover, such damages; and
- any and all proceeds of, collateral for, income, royalties and other payments now or hereafter due and payable with respect to, and supporting obligations relating to, any and all of the Collateral of or arising from any of the foregoing.

SECTION 2. SECURITY FOR OBLIGATIONS. The grant of a security interest in the Collateral by each Obligor under this IP Security Agreement secures the payment or performance, as the case may be, in full of all the Secured Obligations of such Obligor now or hereafter existing under or in respect of the Lease Agreement and Revolving Commodity Purchase Facility Agreement, whether direct or indirect, absolute or contingent, and whether for principal, reimbursement obligations, interest, premiums, penalties, fees, indemnifications, contract causes of action, out-of-pocket costs, expenses or otherwise.

SECTION 3. RECORDATION. Each Obligor authorizes and requests that the Register of Copyrights, the Commissioner for Patents and the Commissioner for Trademarks and any other applicable government officer record this IP Security Agreement.

SECTION 4. EXECUTION IN COUNTERPARTS. This IP Security

Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 5. GRANTS, RIGHTS AND REMEDIES. This IP Security

Agreement has been entered into in conjunction with the provisions of the Guarantee and Security Agreement. Each Obligor does hereby acknowledge and confirm that the grant of the security interest hereunder to, and the rights and remedies of, the Collateral Agent with respect to the Collateral are more fully set forth in the Guarantee and Security Agreement, the terms and provisions of which are incorporated herein by reference as if fully set forth herein.

SECTION 6. GOVERNING LAW. This IP Security Agreement shall be

governed by, and construed in accordance with, the laws of the State of New York.


IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement
as of the day and year first above written.

OBLIGORS:

VAREL INTERNATIONAL IND., L.P.

By: 
Name: F. Michael Pisch
Title: Vice President, CFO

VAREL ACQUISITION HOLDING, INC.

By: 
Name: F. Michael Pisch
Title: Vice President, Treasurer

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LEHMAN COMMERCIAL PAPER INC.,
as Collateral Agent

By

Name:

Title:

NY: #3468976

Intellectual Property Security Agreement

Schedule A

LIST OF PATENTS AND PATENT APPLICATIONS

Country	Title	Application No. / Registration No.	Filing Date / Grant Date	Expiration Date	Entity Name
United States	Bearing seal	6837317	01/04/2005	02/27/2023	Varel International Ind., L.P.
United States	Bearing seal	7000712	02/21/2006	11/13/2022	Varel International Ind., L.P.
United States	Bi-center bit assembly	6298929	10/09/2001	12/07/2019	Varel International Ind., L.P.
United States	Breakable washer earth boring bit	6892832	05/17/2005	11/13/2022	Varel International Ind., L.P.
United States	Drag-type casing mill/drill bit	6568492	05/27/2003	04/19/2021	Varel International Ind., L.P.
United States	Drill out bi- center bit and method for using same	6926099	08/09/2005	05/10/2023	Varel International Ind., L.P.
United States	High-energy cascading of abrasive wear components	7258833	08/21/2007	12/25/2024	Varel International Ind., L.P.
United States	Low-contact area cutting element	6904983	06/14/2005	02/23/2023	Varel International Ind., L.P.
United States	Rock bit with improved thrust face	5944125	08/31/1999	06/19/2017	Varel International Ind., L.P.
United States	Rotary cone bit for cutting removal	6450270	09/17/2002	09/25/2020	Varel International Ind., L.P.
Sweden	Improved rotary cone bit for cutting removal	3365.4	6/22/04		Varel International, Inc.**
United States	Spiral wave bladed drag bit	6834733	12/28/2004	10/08/2022	Varel International Ind., L.P.
United States	Superabrasive cutting element	6488106	12/03/2002	03/01/2021	Varel International Ind., L.P.
United States	Drilling tool having an expandable bladder and method for using same	6973978	12/13/2005	04/23/2023	Varel International Ind., L.P.


Country	Title	Application No. / Registration No.	Filing Date / Grant Date	Expiration Date	Entity Name
United States	PDC cutter for high compressive strength and highly abrasive formations	11/643718	12/20/2006		Varel International, Ltd.**
United States	Drill bit with multiple cutter geometries	11/406470	4/18/2006		Varel International Ind., L.P.
United States	Drill bit with staged durability and ROP characteristics	11/555547	11/1/2006		Varel International Ind., L.P.*
United States	Drill bit with application-specific side-cutting efficiencies	11/801338	5/8/2007		Varel International Ind., L.P.*
United States	Single Mold Milling Process For Fabrication Of Rotary Bits To Include Necessary Features Utilized For Fabrication In Said Process	Provisional filing app. not provided by Varel	7/27/2007		Varel International Ind., L.P.*
United States	Auto Adaptable Cutting Structure	60/949419	7/12/2007		Varel International Ind., L.P.
Australia	High-energy cascading of abrasive wear components	2004271209	09/09/2004		Varel International Ind., L.P.
Canada	High-energy cascading of abrasive wear components	2555589	09/09/2004		Varel International Ind., L.P.
PCT	High-energy cascading of abrasive wear components	PCT/US/2004/02 9331	09/09/2004		Varel Acquisition, Ltd.**
South Africa	High-energy cascading of abrasive wear components	200602914	09/09/2004		Varel Acquisition, Ltd.**
European Community	High-energy cascading of abrasive wear components	1709211A1	09/09/2004		Varel Acquisition, Ltd.**
China	High-energy cascading of abrasive wear components	1890393A	09/09/2004		Varel Acquisition, Ltd.**




* Entity name provided by Varel. Application has not been published to the public thus not able to verify.

** In process of being assigned to Varel International Ind.,L.P.

Schedule B

**LIST OF TRADE NAMES, TRADEMARKS, SERVICE MARKS, TRADEMARK AND
SERVICE MARK REGISTRATIONS AND APPLICATIONS FOR TRADEMARK AND
SERVICE MARK REGISTRATIONS**

Country	Mark	Application No. / Registration No.	Filing Date / Grant Date	Renewal	Entity Name
United States	CHALLENGER	Reg. 2,716,371	(F) 05/29/2001 (G) 05/13/2003	Sec. 8 & 15 due 05/13/2009 (R) 05/13/2013	Varel International Ind., L.P.
United States	RIDGEBACK	Reg. 3,247,874	(F) 08/07/2001 (G) 05/29/2007	Sec. 8 & 15 due 05/29/2013 (R) 05/29/2017	Varel International Ind., L.P.
United States	VAREL INTERNATIONAL (& Design)  VAREL INTERNATIONAL	Ser. 76/678,188	(F) 06/14/2007	Pending	Varel International Ind., L.P.
United States	VAREL	Reg. 1,511,551	(F) 04/27/1988 (G) 11/08/1988	11/08/2008	Varel International Ind., L.P.
United States	DEDICATED TO DRILL BITS	Ser. 76/680424	(F) 08/07/2007	Pending	Varel International Ind., L.P.
United States	WALKER McDONALD (& DESIGN)	Reg. 1,540,144	(F) 09/15/1988 (G) 05/23/1989	05/23/2009	Varel International Ind., L.P.
France	VAREL	1480288	(F) 07/27/1988	07/27/2008	Varel International, Inc.*
Italy	VAREL	844259	(F) 08/13/1998 (G) 04/24/2001	08/13/2008	Varel Manufacturing Company*
Mexico	VAREL	364265	(F) 08/17/1988	08/17/2013	Varel Manufacturing Company *
Venezuela	VAREL	169729			Varel International Ltd.*

Country	Mark	Application No. / Registration No.	Filing Date / Grant Date	Renewal	Entity Name
France	VAREL INTERNATIONAL (& Design)  VAREL INTERNATIONAL	07/3519749	(F) 08/14/2007	08/13/2017	Varel International Ind., L.P.
Australia	VAREL INTERNATIONAL (& Design)  VAREL INTERNATIONAL	1191672	(F) 08/08/2007	Pending	Varel International Ind., L.P.
Saudi Arabia	VAREL INTERNATIONAL (& Design)  VAREL INTERNATIONAL	120472		Pending	Varel International Ind., L.P.

* In process of being assigned to Varel International Ind.,L.P

Schedule C

**LIST OF COPYRIGHTS, COPYRIGHT REGISTRATIONS AND APPLICATIONS FOR
COPYRIGHT REGISTRATIONS**

NONE.