

New Mexico State Land Office
Oil, Gas, and Minerals Division
ONLINE VERSION
CONSOLIDATION OF STATE OIL AND GAS LEASES

Revised May 2016

Advance Energy Partners Hat Mesa, LLC, Lessee, record title owner of State Oil and Gas Leases numbered V0-6151-0001 and V0-8404-0000, requests approval of lease consolidation affecting: Subdivisions Units E & D in Sec 5, T22S-R33E and Units M, L, E and D of Sec 32, T21S-R33E Sect 5, 32, T 22S, 21S, R 33E, NMPM Lea County NM to establish a 240.04 acre proration unit in the Bone Spring formation.

Lessee submits a plat, Exhibit A, showing the subject area, leases involved and the requested consolidation. This plat also delineates the proration unit and locates and designates the completed well and consolidated horizon.

Lessee states that the State of New Mexico, for the assigned beneficiaries, owns the royalty interest under these leases and agrees that the state, at its own election, is entitled to delivery in-kind of its share of all communitized substances produced from the leased area.

Approval is requested pursuant to authority granted by applicable statutes. Approval will promote conservation and is in the best interest of the State.

This consolidation, if approved by the Commissioner of Public Lands, shall be effective June 1, 2019 (date), and shall continue in effect for 365 days and as long thereafter as communitized substances are produced from the consolidated area in paying quantities; provided, that this agreement shall not expire if there is a well capable of producing gas in paying quantities located upon some part of the consolidated area, if such well is shut-in due to the inability of the operator to obtain a pipeline connection or to market the gas therefrom, and if either:

(a) a shut-in royalty has been timely and properly paid pursuant to the provision of one of the State of New Mexico oil and gas leases covering lands subject to this agreement so as to prevent the expiration of such lease; or

(b) each of the State of New Mexico oil and gas leases covering lands subject to this agreement is in its primary term (if a five-year lease), or is in its primary or secondary term (if a ten-year lease), or is held by production from another well.

Provided further, however, that prior to production in paying quantities from the consolidated area, and upon fulfillment of all requirements of the Commissioner of Public Lands with respect to any dry hole or abandoned well drilled upon the consolidated area, this Consolidation may be terminated at any time by the Lessee. This consolidation shall not terminate upon cessation of production of communitized substances if, within sixty (60) days thereafter, reworking or drilling operations on the consolidated area are commenced and are thereafter conducted and prosecuted with reasonable diligence. Intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of such production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall

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be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.

Requesting approval of consolidation of NM state oil and gas leases

David A. Scott For Advance Energy Partners Hat Mesa, L
Print person's name Corporation

Signature

Acknowledgment in an Individual Capacity:

State of _____)
ss)

County of _____)

This instrument was acknowledged before me on _____ Date

by _____
Name(s) of Person(s)

(Notary Seal)

Signature of Notarial Officer

My commission expires: _____

Acknowledgment in a Representative Capacity:

State of Texas _____)
ss)

County of Harris _____)

This instrument was acknowledged before me on _____ Date

by David A. Scott _____
Name(s) of Person(s)

as Vice-President _____ of Advance Energy Partners Hat Mesa, LLC

Type of authority, e.g., officer, trustee, etc.

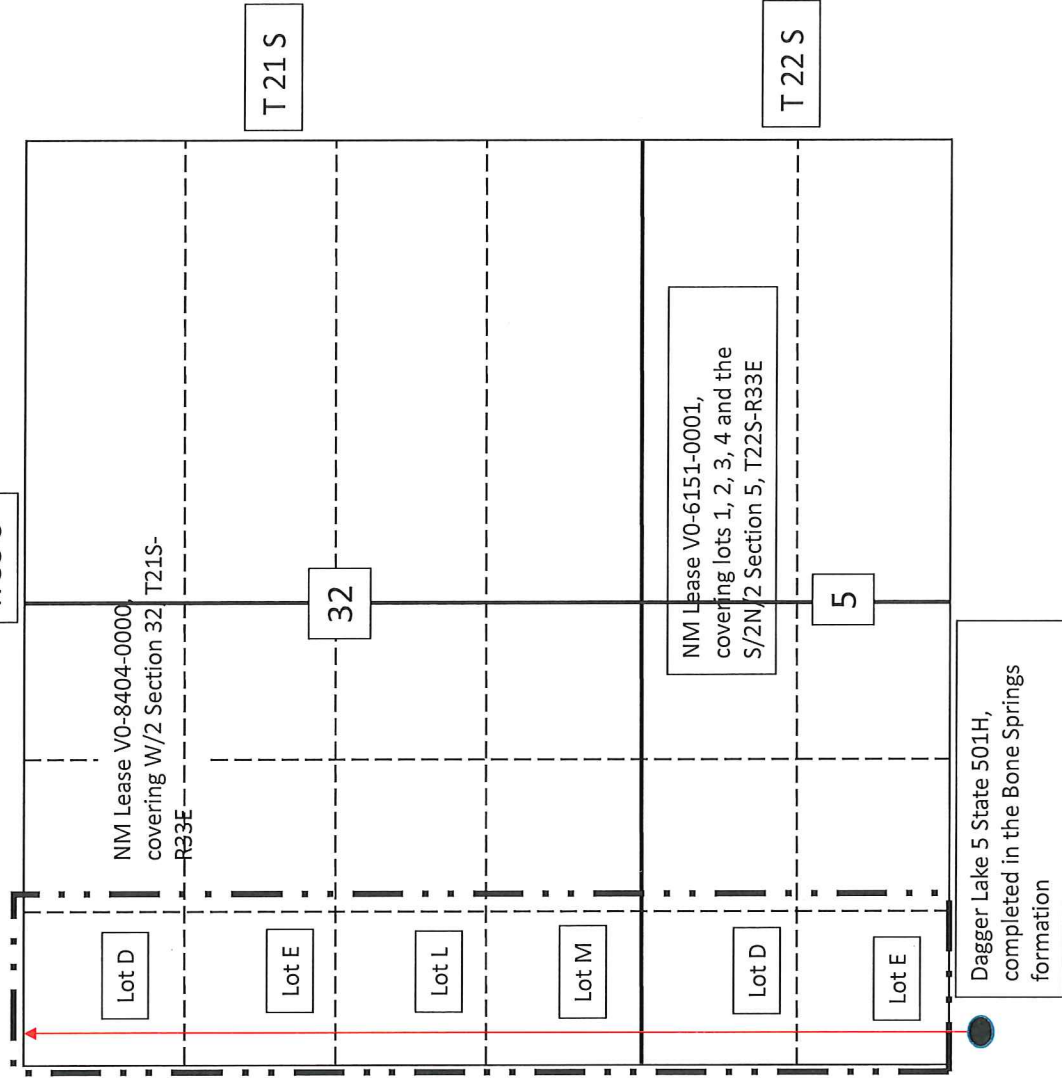
Name of party on behalf of whom this instrument was executed

(Notary Seal)

Signature of Notarial Officer

My commission expires: _____

Exhibit "A"



Description of leases Consolidated:

Tract No. 1

Lessor: State of New Mexico acting by and through its Commissioner of Public Lands

Lessee of Record: Advance Energy Partners Hat Mesa, LLC

Serial No. of Lease: V0-8404-0000

Date of Lease: December 1, 2008

Description of Lands Committed; Subdivisions Units D, E, L and M

Section 32, Twp 21S Rng 33E NMPM, Lea County, NM

No. of Acres: 160

Tract No. 2

Lessor: State of New Mexico acting by and through its Commissioner of Public Lands

Lessee of Record: Advance Energy Partners Hat Mesa, LLC

Serial No. of Lease: V0-6151-0001

Date of Lease: March 1, 2006

Description of Lands Committed; Subdivisions Units D and E

Section 5, Twp 22S Rng 33E NMPM, Lea County, NM

No. of Acres: 80.04

RECAPITULATION

Tract No.	Number of Acres Committed	Percentage of Interest in Consolidated Area
No. 1	160	66.66%
No. 2	80.04	33.34%