



BLR-CON-146

Commissioner

Stephanie Garcia Richard

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

www.nmstatelands.org

Paul Burdick
Advance Energy Partners Hat Mesa, LLC
11490 Westheimer Rd, Suite 950
Houston, TX, 77077

November 15th, 2019

Re: Communitization Agreement Approval
Wool Head 20 State Com #605H
Vertical Extent: Bone Spring
Township: 21 South, Range 33 East, NMPM
Sect 20: W2E2
Sect 17: W2SE4
Lea County, New Mexico

Dear Mr Burdick,

The Commissioner of Public Lands has this date approved the Wool Head 20 State Com #605H Communitization Agreement for the Bone Spring formation effective 8/1/2019. Enclosed are three Certificates of Approval.

The agreement shall remain in effect for One Year, and as long thereafter as communitized substances are produced from the communitized area in paying quantities.

Approval of this agreement does not warrant or certify that the operator and/or other working interest owners hold legal or equitable title to the leases which are committed hereto, nor does the Commissioner's approval constitute adjudication of any federal or private interests, or warrant or certify that the information supplied by the operator regarding federal or private interests is accurate.

If we may be of further service, please contact Niranjana Khalsa at (505) 827-6628.

Sincerely,

A handwritten signature in blue ink that reads "Stephanie Garcia Richard" followed by a stylized monogram.

Stephanie Garcia Richard
COMMISSIONER OF PUBLIC LANDS

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

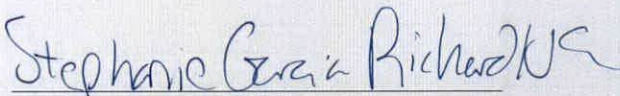
Advance Energy Partners Hat Mesa, LLC
Wool Head 20 State Com #605H
Vertical Extent: Bone Spring
Township: 21 South, Range: 33 East, NMPM
Section 20: W2E2
Section 17: W2SE4
Lea County, New Mexico

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced Agreement dated **August 1, 2019**, which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this **15th Day of November, 2019**.

COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

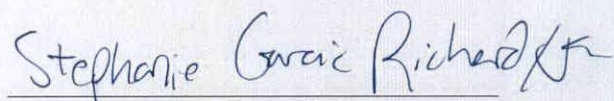
Advance Energy Partners Hat Mesa, LLC
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COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

Advance Energy Partners Hat Mesa, LLC
Wool Head 20 State Com #605H
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Stephanie Garcia Richards

COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

**STATE/STATE OR
STATE/FEE**
Revised March 2017

ONLINE Version

Well Name: **Wool Head 20 State Com #605H**

API #: 30 - 25 - 46266

Lea)

NOW THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the undersigned as follows:

1. The lands covered by this agreement (hereinafter referred to as the "communitized area") are described as follows:

Subdivisions **B, G, J, O Sec 20, J, O Sec 17**

Of Sect(s) **17, 20** Twnshp **21S** Rng **33E** NMPM **Lea** County, NM

containing **240** acres, more or less. It is the judgment of the parties hereto that the communitization, pooling and consolidation of the aforesaid land into a single unit for the development and production of hydrocarbons from the said formation in and under said land is necessary and advisable in order to properly develop and produce the hydrocarbons in the said formation beneath the said land in accordance with the well spacing rules of the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and in order to promote the conservation of the hydrocarbons in and that may be produced from said formation in and under said lands, and would be in the public interest;

AND, for the purposes aforesaid, the parties hereto do hereby communitize for proration or spacing purposes only the leases and/or depths described in Exhibit "A" hereto insofar as they cover hydrocarbons within and that may be produced from the said formation (hereinafter referred to as "communitized substances") beneath the above-described land, into a single communitization, for the development, production, operation and conservation of the hydrocarbons in said formation beneath said lands.

Attached hereto and made a part of this agreement for all purposes, is Exhibit A showing the acreage, depths communitized and ownership (Lessees of Record) of all leases within the communitized area.

2. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leases described in Exhibit "A" hereto in the proportion that the number of surface acres covered by each of such leases and included within the communitized area bears to the total number of acres contained in the communitized area.
3. Subject to Paragraph 4, the royalties payable on communitized substances allocated to the individual leases and the rentals provided for in said leases shall be determined and paid in the manner and on the basis prescribed in each of said leases. Except as provided for under the terms and provisions of the leases described in Exhibit "A" hereto or as herein provided to the contrary, the payment of rentals under the terms of said leases shall not be affected by this agreement; and except as herein modified and changed or heretofore amended, the oil and gas leases subject to this agreement shall remain in full force and effect as originally issued and amended.

4. Advance Energy Partners Hat Mesa, LLC shall be the Operator of the said communitized area and all matters of operation shall be determined and performed by Advance Energy Partners Hat Mesa, LLC

5. The State of New Mexico hereafter is entitled to the right to take in kind its share for the communitized substances allocated to such tract, and Operator shall make deliveries of such royalty share taken in kind in conformity with applicable contracts, laws, and regulations.

6. There shall be no obligation upon the parties hereto to offset any well or wells situated on the tracts of land comprising the communitized area, nor shall the Operator be required to measure separately the communitized substances by reason of the diverse ownership of the separate tracts of land comprising the said communitized area; provided, however, that the parties hereto shall not be released from their obligation to protect the communitized area from drainage of communitized substances by wells which may be drilled within offset distance (as that term is defined) of the communitized area.

7. The commencement, completion, and continued operation or production of a well or wells of communitized substances on the communitized area shall be considered as the commencement, completion, continued operation or production as to each of the leases described in Exhibit "A" hereto.

8. The production of communitized substances and disposal thereof shall be in conformity with the allocations, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State laws. This agreement shall be subject to all applicable Federal and State laws, executive orders, rules and regulations affecting the performance of the provisions hereof, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if compliance is prevented by or if such failure results from compliance with any such laws, orders, rules and regulations.

9. This agreement shall be effective as of the date hereinabove written upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Commissioner of Public Lands, shall remain in full force and effect for a period of one year from the date hereof and as long thereafter as communitized substances are produced from the communitized 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 communitized area, if such a 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 provisions 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 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 communitized 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 communitized area, this agreement may be

terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production of communitized substances if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence. As to State Trust Lands, written notice of intention to commence such operations shall be filed with the Commissioner of Public Lands 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 be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.

10. Operator will furnish the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and the Commissioner of Public Lands of the State of New Mexico, with any and all reports, statements, notices and well logs and records which may be required under the laws and regulations of the State of New Mexico.

11. It is agreed between the parties hereto that the Commissioner of Public Lands, or his duly authorized representatives, shall have the right of supervision over all operations under the communitized area to the same extent and degree as provided in the oil and gas leases described in Exhibit "A" hereto and in the applicable oil and gas regulations of the State of New Mexico.

12. If any order of the Oil Conservation Division of the New Mexico Energy Minerals and Natural Resources Department, upon which this agreement is predicated or based is in anyway changed or modified, then in such event said agreement is likewise modified to conform thereto.

13. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instruments, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

14. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

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

OPERATOR: Advance Energy Partners Hat Mesa, LLC

BY: David A. Scott, Vice President

Name and Title of Authorized Agent

Signature of Authorized Agent

Acknowledgment in an Individual Capacity

State of Texas)
)
County of Harris)

This instrument was acknowledged before me on

Date

By

Name(s) of Person(s)

(Seal)

Signature of Notarial Officer

My commission expires: _____

Acknowledgment in an Representative Capacity

State of TEXAS)
)
County of HARRIS)

This instrument was acknowledged before me on

Date August, 2019

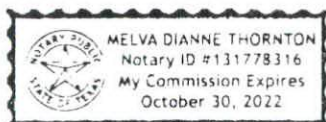
By David A. Scott, Vice President

Name(s) of Person(s)

(Seal)

Signature of Notarial Officer

My commission expires: 10/30/2022



LEASE #: **V0-8725-0000**

LESSEE OF RECORD: **The Allar Company**

BY: **John Chiles Graham, President**

Name & Title of Authorized Agent


Signature of Authorized Agent

Acknowledgment in an Individual Capacity

State of _____)
County of _____)

This instrument was acknowledged before me on _____ Date

By _____
Name(s) of Person(s)

(Seal)

Signature of Notarial Officer

My commission expires: _____

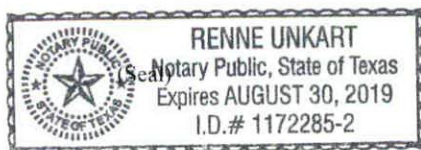
Acknowledgment in an Representative Capacity

State of **Texas**)
County of **Young**)

This instrument was acknowledged before me on **July 30, 2019** Date

By **John Chiles Graham, President of The Allar Company, a Texas corporation, on behalf of said corporation.**

Name(s) of Person(s)





Signature of Notarial Officer

My commission expires: **8/30/2019**

EXHIBIT A

Attached to and made a part of that Communitization Agreement dated

by and between **Advance Energy Partners Hat Mesa, LLC** and **The Allar Company**,

Advance Energy Partners Hat Mesa, LLC **Advance Energy Partners Hat Mesa, LLC**

the Subdivisions **B, G, J, O of Sec 20, O, J of Sec 17**,

Sect **20, 17**, Twnshp **21S**, Rnge **33E**, NMPM **Lea** County, NM

Limited in depth from _____ ft to _____ ft. (enter here what is granted in pooling order if applicable)

OPERATOR of Communitized Area: **Advance Energy Partners Hat Mesa, LLC**

DESCRIPTION OF LEASES COMMITTED:

TRACT NO. 1

Lessor: **The State of New Mexico**

Lessee of Record: **The Allar Company**

Serial No. of Lease: **V0-8725-0000** Date of Lease: **April 1, 2010**

Description of Lands Committed:

Subdivisions: **B, G**

Sect **20** Twnshp **21S** Rng **33E** NMPM **Lea** County NM

No. of Acres: **80**

TRACT NO. 2

Lessor: **The State of New Mexico**

Lessee of Record: **Advance Energy Partners Hat Mesa, LLC**

Serial No. of Lease: **V0-8658-0001** Date of Lease: **January 1, 2010**

Description of Lands Committed:

Subdivisions: **J, O**

Sect **20** Twnshp **21S** Rng **33E** NMPM **Lea** County NM

No. of Acres: **80**

TRACT NO. 3Lessor: **State of New Mexico**Lessee of Record: **Advance Energy Partners Hat Mesa, LLC**Serial No. of Lease: **V0-3427-0004** Date of Lease: **September 1, 1990**

Description of Lands Committed:

Subdivisions: **J, O**Sect **17** Twnshp **21S** Rng **33E** NMPM **Lea** County NMNo. of Acres: **80****TRACT NO. 4**

Lessor:

Lessee of Record:

Serial No. of Lease: Date of Lease:

Description of Lands Committed:

Subdivisions:

Sect Twnshp Rng NMPM County NM

No. of Acres:

RECAPITULATION

Tract number	Number of Acres Committed	Percentage of Interest in Communitized Area
No. 1	80	33.33%
No. 2	80	33.33%
No. 3	80	33.34%
No. 4		
TOTAL	240	100%