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**J.P.Morgan**

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EXECUTION COPY

***Reimbursement Agreement  
For  
Standby Letter of Credit***

This Agreement is between

**PNM Resources, Inc.**

*and*

***JPMorgan Chase Bank, N.A.  
and its subsidiaries and affiliates***

**REIMBURSEMENT AGREEMENT FOR  
STANDBY LETTER OF CREDIT**

In consideration for the agreement of JPMorgan Chase Bank, N.A. and/or any of its domestic or foreign subsidiaries or affiliates (individually and collectively, “**Bank**”) to issue for the account of the undersigned (the “**Applicant**”) or for the account of the Account Party named in the Application, a standby letter of credit in substantially the form of Exhibit A attached hereto (together with any replacements, extensions or modifications, the “**Credit**”), Applicant agrees with Bank as follows:

1. **Applications/Instructions.** (a) Applicant has submitted an irrevocable request for the Credit in such form as Bank required (an “**Application**”) for Bank to issue the Credit upon application of Applicant and for the account of San Juan Coal Company. Inquiries, communications and instructions (whether oral, telephonic, written, electronic mail or transmission, facsimile or other) regarding the Credit, each Application and this Agreement are each referred to herein as “**Instructions**” (and the term “**Application**” is subsumed within the term “**Instruction**”). Bank’s records of the content of any Instruction shall be conclusive, absent manifest error. Applicant shall be responsible for the final text of the Credit notwithstanding Bank’s recommendation, assistance or drafting or Bank’s use, non-use or refusal to use text submitted by Applicant. Bank may transmit the Credit and any amendment thereto by S.W.I.F.T. message and thereby bind Applicant directly and as indemnitor to the S.W.I.F.T. rules, including rules obligating Applicant or Bank to pay charges.

(b) Applicant and Bank agree that, upon the written request of the applicable beneficiary and Applicant, the Credit will be amended to reduce the stated amount thereof to the amount specified in such written request, with each such amendment to be in such form as may be reasonably required by Bank.

2. **Payment Terms; Obligations Absolute.** (a) For the Credit, Applicant shall pay Bank: (i) the amount of each drawing paid by Bank under the Credit on demand, if under a sight draft and at least one Business Day prior to the date when payment is to be made under a time draft (or acceptance relating thereto) or deferred payment obligation; (ii) (A) a letter of credit fee equal to 0.85% per annum on the available amount of the Credit, payable to Bank quarterly in arrears on the last Business Day of each calendar quarter and (B) such other commissions, fees and charges in respect of the Credit (including, commissions and fees for issuance, transfer, assignment of proceeds, amendments and drawings and of any adviser, confirming institution or entity or other nominated person), at such rates, amounts and times as Bank and Applicant shall mutually agree (or if no agreement, the rate then customarily charged by Bank); (iii) interest on each amount under this Agreement for each day from and including the date such payment is due through the date of payment, on demand, at a rate per annum (computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day) equal to the lesser of (A) Prime plus 2% and (B) the highest rate permitted by applicable law; (iv) Bank’s reasonable charges, costs and expenses (including reasonable external counsel fees, expenses and charges) incurred in connection with the protection or enforcement of Bank’s rights under this Agreement and any correspondent’s charges, with interest from the date paid or incurred by Bank through the date of payment by Applicant, on demand, at a rate per annum equal to Prime plus 2%; and (v) if Bank determines that any Regulatory Change regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on Bank’s capital or on the capital of Bank’s holding company, if any, as a consequence of this Agreement or the Credit, to a level below that which Bank or its holding company could have achieved but for such Regulatory Change (taking into consideration Bank’s policies and the policies of its holding company with respect to capital adequacy and liquidity), then from time to time Applicant will pay to Bank such additional amount or amounts as will compensate it or its holding company for any such reduction suffered (which determination shall be made in good faith (and not on an arbitrary or capricious basis) and consistent with similarly situated customers of Bank after consideration of such factors as Bank then reasonably determines to be relevant). A certificate of Bank setting forth the amount or amounts necessary to compensate it or its holding company, as the case may be, as specified in this Section shall be delivered to Applicant and shall be conclusive absent manifest error. Applicant shall pay Bank the amount shown as due on any such certificate within 10 days after receipt thereof. Failure or delay on the part of Bank to demand compensation pursuant to this Section shall not constitute a waiver of Bank’s right to demand such compensation. “**Regulatory Change**” means (a) the adoption of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the interpretation or application thereof by any Governmental Authority or (c) compliance by Bank (or, for purposes of Section 2(a)(v), by any lending office of Bank or Bank’s holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any

Governmental Authority made or issued after the date of this Agreement; provided that, notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall be deemed to be a “Regulatory Change”, regardless of the date enacted, adopted or issued. **“Governmental Authority”** means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government. **“Business Day”** means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City, New York are authorized or required by law to remain closed. **“Prime”** shall mean the rate of interest per annum announced by Bank from time to time as its Prime Rate; each change in the Prime Rate shall be effective from and including the date such change is announced as being effective.

(b) If the amount drawn under the Credit is in non-United States currency (**“foreign currency”**), Applicant shall pay under Section 2(a)(i) above the United States dollar equivalent of the amount computed at Bank’s selling rate, as of the date of Applicant’s payment, for cable transfers of such foreign currency to the place of payment; provided, further, that if, for any reason, Bank has no selling rate for cable transfers of that currency to such place on the payment date, Applicant shall pay Bank an amount in United States currency equivalent to Bank’s actual cost of settlement of its obligation. Applicant's obligation to make payments in any currency (the **“Contract Currency”**) shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment or otherwise, that is expressed in or converted into any currency other than the Contract Currency, except to the extent that such tender or recovery results in the actual receipt by Bank at its designated office of the full amount of the Contract Currency specified to be payable hereunder. Applicant's obligation to make payments in the Contract Currency shall be enforceable as an alternative or additional cause of action to the extent that such actual receipt is less than the full amount of the Contract Currency specified to be payable hereunder, and shall not be affected by judgment being obtained for other sums due hereunder. Applicant shall indemnify Bank for any shortfall in such actual receipt.

(c) All payments shall be made in immediately available funds, free and clear of and without deduction for any present or future taxes, levies, imposts, deductions, charges, withholdings, set-off or other liabilities. Applicant shall pay all withholding, stamp and other taxes or duties imposed by any taxing authority on payment under the Credit and this Agreement and shall indemnify Bank against all liabilities, costs, claims, and expenses resulting from Bank having to pay or from any omission to pay or delay in paying any duty or tax.

(d) Bank may (but shall not be required to), without demand for payment or notice to Applicant, and in addition to any other right of set-off which Bank may have, (i) debit any account or accounts maintained by Applicant with any office of Bank (now or in the future) and set-off and apply (X) any balance or deposits (general, special, time, demand, provisional, final, matured, unmatured, contingent or absolute) in the account(s) and (Y) any sums due or payable from Bank, to the payment of any and all amounts owed by Applicant to Bank and/or (ii) advance funds to Applicant under any line of credit (committed or uncommitted) made available to Applicant by Bank and apply such funds to said payment obligations.

(e) Applicant’s payment obligations under this Section 2 are absolute, unconditional and irrevocable and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever, including, without limitation: (i) any lack of validity, enforceability or legal effect of the Credit or this Agreement, or any term or provision therein or herein; (ii) payment against presentation of any draft, demand or claim for payment under the Credit or other document presented for purposes of drawing under the Credit (**“Drawing Document”**) that does not comply in whole or in part with the terms of the Credit or which proves to be fraudulent, forged or invalid in any respect or any statement therein being untrue or inaccurate in any respect, or which is signed, issued or presented by a Person (or a transferee of such Person) purporting to be a successor or transferee of the beneficiary of the Credit; (iii) Bank or any of its branches or affiliates being the beneficiary of the Credit; (iv) Bank or any correspondent honoring a drawing against a Drawing Document up to the amount available under the Credit even if such Drawing Document claims an amount in excess of the amount available under the Credit; (v) the existence of any claim, set-off, defense or other right that Applicant or any other Person may have at any time against any beneficiary, any assignee of proceeds, Bank or any other Person; (vi) Bank or any correspondent having

previously paid against fraudulently signed or presented Drawing Documents (whether or not Applicant reimbursed Bank for such drawing); and (vii) any other event, circumstance or conduct whatsoever, whether or not similar to any of the foregoing, that might, but for this Section, constitute a legal or equitable defense to or discharge of, or provide a right of set-off against, Applicant's obligations hereunder (whether against Bank, the beneficiary or any other Person); provided, however, that subject to Section 3 hereof, the foregoing shall not exculpate Bank from such liability to Applicant as may, be finally, judicially determined in an independent action or proceeding brought by Applicant against Bank (provided that such liability shall not be payable by Bank until payment of Applicant's obligations under this Agreement). **"Person"** means any natural Person, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental authority or other entity.

**3. Indemnification; Limitation of Liability.** (a) Applicant shall indemnify and hold harmless Bank, its parent, and correspondents and each of their respective directors, officers, employees and agents (each, including Bank, an **"Indemnified Person"**) from and against any and all claims, suits, judgments, costs, losses, fines, penalties, damages, liabilities, and expenses, including expert witness fees and reasonable legal fees, charges and disbursements of any counsel (including external counsel fees and allocated costs) for any Indemnified Person (**"Costs"**), arising out of, in connection with, or as a result of: (i) the Credit or any pre-advice of its issuance; (ii) any transfer, sale, delivery, surrender, or endorsement of any Drawing Document at any time(s) held by any Indemnified Person in connection with the Credit; (iii) any action or proceeding arising out of or in connection with the Credit or this Agreement (whether administrative, judicial or in connection with arbitration), including any action or proceeding to compel or restrain any presentation or payment under the Credit, or for the wrongful dishonor of or honoring a presentation under the Credit; (iv) any independent undertakings issued by the beneficiary of the Credit; (v) any unauthorized Instruction or error in computer transmission; (vi) an adviser, confirmer or other nominated person seeking to be reimbursed, indemnified or compensated; (vii) any third party seeking to enforce the rights of an applicant, beneficiary, nominated person, transferee, assignee of letter of credit proceeds or holder of an instrument or document; (viii) the fraud, forgery or illegal action of parties other than the Indemnified Person; (ix) the enforcement of this Agreement or any rights or remedies under or in connection with this Agreement or the Credit; (x) Bank's performance of the obligations of a confirming institution or entity that wrongfully dishonors a confirmation; (xi) Bank dishonoring any presentation in compliance with any applicable law, rule or regulation (including pursuant to any administrative, judicial or similar action or proceeding by any governmental authority); (xii) the acts or omissions, whether rightful or wrongful, of any present or future de jure or de facto governmental or regulatory authority or cause or event beyond the control of such Indemnified Person; in each case, including that resulting from Bank's own negligence, provided, however, that such indemnity shall not be available to any Person claiming indemnification under (i) through (xii) above to the extent that such Costs are found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted directly from the gross negligence or willful misconduct of the Indemnified Person claiming indemnity. If and to the extent that the obligations of Applicant under this Section are unenforceable for any reason, Applicant shall make the maximum contribution to the Costs permissible under applicable law.

(b) The liability of Bank (or any other Indemnified Person) under, in connection with and/or arising out of this Agreement or the Credit (or any pre-advice), regardless of the form or legal grounds of the action or proceeding, shall be limited to any direct damages suffered by Applicant that are caused directly by Bank's gross negligence or willful misconduct in (i) honoring a presentation that does not at least substantially comply with a Credit, (ii) failing to honor a presentation that strictly complies with a Credit or (iii) retaining Drawing Documents presented under a Credit. In no event shall Bank be deemed to have failed to act with due diligence or reasonable care if Bank's conduct is in accordance with Standard Letter of Credit Practice or in accordance with this Agreement, including Section 3(c) below. Applicant's aggregate remedies against Bank and any Indemnified Person for wrongfully honoring a presentation under the Credit or wrongfully retaining honored Drawing Documents shall in no event exceed the aggregate amount paid by Applicant to Bank in respect of the honored presentation in respect of the Credit under Section 2 above, plus interest. **Notwithstanding anything to the contrary herein, Bank and the other Indemnified Persons shall not, under any circumstances whatsoever, be liable for any punitive, consequential, indirect or special damages or losses regardless of whether Bank or any Indemnified Person shall have been advised of the possibility thereof or of the form of action in which such damages or losses may be claimed.** Applicant shall take action to avoid and mitigate the amount of any damages claimed against Bank or any Indemnified Person, including by enforcing its rights in the underlying transaction. Any claim by Applicant for damages under or in connection with this Agreement or the Credit shall be reduced by an amount equal to the sum of (i) the amount saved by Applicant as a result of the breach or alleged wrongful conduct and (ii) the amount of the

loss that would have been avoided had Applicant mitigated damages. If a Credit is to be governed by a law other than that of the State of New York, Bank shall not be liable for any Costs resulting from any act or omission by Bank in accord with the UCP or the ISP, as applicable, and Applicant shall indemnify Bank for all such Costs. **“Standard Letter of Credit Practice”** means, for Bank, any domestic or foreign law or letter of credit practices applicable in the city in which Bank issued the Credit or for its branch or correspondent, such laws and practices applicable in the city in which it has advised, confirmed or negotiated the Credit, as the case may be. Such practices shall be (i) of banks that regularly issue letters of credit in the particular city and (ii) required or permitted under the UCP or the ISP, as chosen in the Credit. **“ISP”** means, International Standby Practices 1998 (International Chamber of Commerce Publication No. 590) and any subsequent revision thereof adhered to by Bank on the date the Credit is issued. **“UCP”** means, Uniform Customs and Practice for Documentary Credits 2007 Revision, International Chamber of Commerce Publication No. 600 and any subsequent revision thereof adhered to by Bank on the date the Credit is issued.

(c) Without limiting any other provision of this Agreement, Bank and each other Indemnified Person (if applicable), shall not be responsible to Applicant for, and Bank’s rights and remedies against Applicant and Applicant’s obligation to reimburse Bank shall not be impaired by: (i) honor of a presentation under the Credit which on its face substantially complies with the terms of the Credit; (ii) honor of a presentation of any Drawing Documents which appear on their face to have been signed, presented or issued (X) by any purported successor or transferee of any beneficiary or other party required to sign, present or issue the Drawing Documents or (Y) under a new name of the beneficiary; (iii) acceptance as a draft of any written or electronic demand or request for payment under a Credit, even if nonnegotiable or not in the form of a draft, and may disregard any requirement that such draft, demand or request bear any or adequate reference to the Credit; (iv) the identity or authority of any presenter or signer of any Drawing Document or the form, accuracy, genuineness, or legal effect of any presentation under the Credit or of any Drawing Documents; (v) disregard of any non-documentary conditions stated in the Credit; (vi) acting upon any Instruction which it, in Good Faith, believes to have been given by a Person or entity authorized to give such Instruction; (vii) any errors, omissions, interruptions or delays in transmission or delivery of any message, advice or document (regardless of how sent or transmitted) or for errors in interpretation of technical terms or in translation; (viii) any delay in giving or failing to give any notice; (ix) any acts, omissions or fraud by, or the solvency of, any beneficiary, any nominated Person or any other Person; (x) any breach of contract between the beneficiary and Applicant or any of the parties to the underlying transaction; (xi) assertion or waiver of any provision of the UCP or ISP which primarily benefits an issuer of a letter of credit, including, any requirement that any Drawing Document be presented to it at a particular hour or place; (xii) payment to any paying or negotiating bank (designated or permitted by the terms of the Credit) claiming that it rightfully honored or is entitled to reimbursement or indemnity under the Standard Letter of Credit Practice applicable to it; (xiii) Bank dishonoring any presentation in compliance with any applicable law, rule or regulation (including pursuant to any administrative, judicial or similar action or proceeding by any governmental authority) (provided that Applicant acknowledges that if Bank shall later be required to honor the presentation, Applicant shall be liable therefore in accordance with Section 2 hereof); and (xiv) acting or failing to act as required or permitted under Standard Letter of Credit Practice (or in the case of other independent undertakings or guarantees, the UN Convention) applicable to where it has issued, confirmed, advised or negotiated the Credit, as the case may be. **“Good Faith”** means honesty in fact in the conduct of the transaction concerned. **“UN Convention”** means the United Nations Convention on Independent Guarantees and Standby Letters of Credit.

(d) Applicant shall notify Bank of (i) any noncompliance with any Instruction, any other irregularity with respect to the text of the Credit or any amendment thereto or any claim of an unauthorized, fraudulent or otherwise improper Instruction, within two (2) Business Days of Applicant’s receipt of a copy of the Credit or amendment and (ii) any objection Applicant may have to Bank’s honor or dishonor of any presentation under the Credit or any other action or inaction taken or proposed to be taken by Bank under or in connection with this Agreement or the Credit, within three (3) Business Days after Applicant receives notice of the objectionable action or inaction. The failure to so notify Bank within said times shall discharge Bank from any loss or liability that Bank could have avoided or mitigated had it received such notice, to the extent that Bank could be held liable for damages hereunder; provided, that, if Applicant shall not provide such notice to Bank within five (5) Business Days of the date of receipt in the case of clause (i) or ten (10) Business Days from the date of receipt in the case of clause (ii), Bank shall have no liability whatsoever for such noncompliance, irregularity, action or inaction and Applicant shall be precluded from raising such noncompliance, irregularity or objection as a defense or claim against Bank. Applicant’s acceptance or retention of a Drawing Document presented under or in connection with the Credit (whether or not the document is



genuine) shall ratify Bank's honor of the presentation and preclude Applicant from raising a defense, set-off or claim with respect to Bank's honor of the Credit. Bank shall not be required to seek any waiver of discrepancies from Applicant or to grant any waiver of discrepancies which Applicant approves or requests.

(e) Applicant (i) will comply with all foreign and domestic laws, rules and regulations (including the USA Patriot Act, foreign exchange control regulations, foreign asset control regulations and other trade-related regulations) now or hereafter applicable to the Credit, the transactions underlying the Credit or Applicant's execution, delivery and performance of this Agreement; (ii) will permit Bank (or its representatives) to inspect and audit Applicant's books and records with respect thereto upon reasonable notice; (iii) to the extent not provided to Bank under other agreements, upon request, will furnish Bank with Applicant's most recent year-end and quarterly financial statements (as audited) and such other information as Bank shall reasonably request regarding the financial condition, business or operations of Applicant; (iv) will maintain in effect and enforce policies and procedures designed to ensure compliance by Applicant, its subsidiaries, affiliates and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions; (v) agrees that no goods or vessels used to transport goods will be the subject of any Sanctions; and (vi) will not request the Credit, and shall not use, and shall procure that its subsidiaries, affiliates and its or their respective directors, officers, employees and agents shall not use, the proceeds of the Credit (A) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (B) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, to the extent such activities, businesses or transaction would be prohibited by Sanctions if conducted by a corporation incorporated in the United States or in a European Union member state, or (C) in any manner that would result in the violation of any Sanctions applicable to any party hereto. Further, the undersigned acknowledges and agrees to provide Bank additional information, records, and documentation as requested by Bank, pursuant to Bank's programs enacted to comply with Section 326 of the USA Patriot Act, the applicable regulations promulgated thereunder, and Bank's Customer Identification Program and authorizes Bank to verify information as per the USA Patriot Act Regulation. "**Sanctions**" means all economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or (b) if Applicant is organized outside of the United States of America the United Nations Security Council, the European Union, any European Union member state, Her Majesty's Treasury of the United Kingdom or any other relevant sanctions authority.

(f) Applicant acknowledges that this Agreement and the Credit is entered into (or will be entered into) for commercial purposes. To the extent that Applicant may now or hereafter be entitled, in any jurisdiction in which judicial proceedings may at any time be commenced with respect to this Agreement or the Credit, to claim for itself or its revenues or properties any immunity from the jurisdiction of any court or from legal process (whether from service or notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise), and to the extent that in any such jurisdiction there may be attributed to Applicant any such immunity (whether or not claimed), Applicant hereby irrevocably agrees not to claim, and hereby waives, such immunity in respect of its obligations under this Agreement or the Credit.

**4. Representations and Warranties.** Applicant hereby represents and warrants (i) neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated herein, nor performance of and compliance with the terms and provisions hereof by Applicant will (a) violate or conflict with any provision of its organizational documents, (b) violate, contravene or conflict with any law, regulation (including without limitation, Regulation U and Regulation X), order, writ, judgment, injunction, decree or permit applicable to it, (c) violate, contravene or conflict with contractual provisions of, or cause an event of default under, any indenture, loan agreement, mortgage, deed of trust, contract or other agreement or instrument to which it is a party or by which it may be bound, the violation of which would have or would be reasonably expected to have a material adverse effect upon (a) the business, assets, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of Applicant and its subsidiaries, taken as a whole, (b) the ability of Applicant to perform its obligations under this Agreement or (c) the legality, validity or enforceability of this Agreement or the rights and remedies of Bank hereunder or (d) result in or require the creation of any Lien (as defined in the Credit Agreement) upon or with respect to its properties; (ii) no consent, approval, authorization or order of, or filing, registration or qualification with, any court or Governmental Authority (as defined in the Credit Agreement) or third party is required in connection with the execution, delivery or performance of this Agreement that has not been obtained or completed;

(iii) this Agreement has been duly executed and delivered and constitutes the legal, valid and binding obligation of Applicant enforceable against Applicant in accordance with its terms, except as may be limited by Debtor Relief Laws (as defined in the Credit Agreement) or similar laws affecting creditors' rights generally or by general equitable principles; and further Applicant hereby represents and warrants that, as of the date of this Agreement and as of the date of each issuance, amendment or other modification of a Credit, the representations and warranties made by the Applicant in the Credit Agreement (provided that the representations and warranties in Section 6.7(a) (with respect to clause (a) of the definition of Material Adverse Effect in the Credit Agreement (which Section 6.7(a) shall be deemed to refer to December 31, 2015)) and Section 6.9 of the Credit Agreement, in each case, shall be deemed to have been made only as of the date of this Agreement and as of the date of issuance of the Credit) are true and correct in all material respects (except to the extent that any representation and warranty that is qualified by materiality shall be true and correct in all respects) at and as of such date except to the extent they expressly and exclusively relate to an earlier date (in which case such representation and warranty shall be true and correct as of such earlier date). Further, the undersigned acknowledges and agrees to provide Bank additional information, records, and documentation as requested by Bank, pursuant to Bank's programs enacted to comply with Section 326 of the USA Patriot Act, the applicable regulations promulgated thereunder, and Bank's Customer Identification Program and authorizes Bank to verify information as per the USA Patriot Act Regulation.

**5. Additional Credit Support.** (a) If at any time there shall occur and be continuing any Event of Default, **then**, Applicant shall, upon Bank's demand, deliver to Bank, as additional security for all obligations and liabilities of Applicant to Bank in respect of the Credit issued hereunder and under this Agreement, whether matured or unmatured, absolute or contingent, now existing or hereafter incurred ("**Obligations**"), cash in an amount required by Bank (but not to exceed 110% of the aggregate outstanding amount of the Credit), and Applicant hereby grants to Bank a continuing lien and security interest in, and pledges and assigns to Bank all of Applicant's present and future right, title and interest in, to and under all such deposit accounts maintaining such cash. For the avoidance of doubt and not in limitation of the rights of Bank under Sections 9-104(a)(1), 9-106(a) and 8-106(e) of the Code as adopted by the State of New York, Applicant and Bank (acting as a bank with respect to all such deposit accounts) agree that Bank may direct disposition of the funds in any such deposit account without the consent of Applicant.

(b) To the extent Bank honors a presentation for which Bank remains unpaid, Bank may assert rights of Applicant and Applicant shall cooperate with Bank in its assertion of Applicant's rights against the beneficiary, the beneficiary's rights against Applicant and any other rights that Bank may have by subordination, subrogation, reimbursement, indemnity or assignment.

**6. Events of Default; Obligations Due; Remedies.** (a) Each of the following shall be an "Event of Default" hereunder: Applicant shall fail to reimburse any drawing under the Credit when due; Applicant shall fail to pay any other amount hereunder when due and such failure shall continue for at least 3 Business Days; any representation or warranty made in or in connection with this Agreement shall be incorrect in any material respect when made; Applicant shall fail to perform any agreement contained herein not referred to in the foregoing clauses and such failure shall continue for at least 30 days after notice by Bank to Applicant, provided Applicant's breach of Sections 2(a)(i), 3(e)(iv) – (vi) and/or 5 shall constitute an immediate Event of Default hereunder; Applicant shall repudiate this Agreement or any separate security agreement or other agreement or undertaking supporting this Agreement, or assert its unenforceability in any material respect, or any court or other governmental authority shall issue any order, ruling or determination that this Agreement or such other agreement or undertaking is not in force and effect or is unenforceable in any material respect; or an Event of Default as defined in the Credit Agreement (as amended, extended, restated or otherwise modified from time to time, except that if no longer in force and effect, then as defined in such agreement immediately prior to its ceasing to be in force and effect, the "**Credit Agreement**") dated as of October 31, 2011 among Applicant, as borrower, the Lenders party thereto (including JPMorgan Chase Bank, N.A.), and Wells Fargo Bank, National Association, as Administrative Agent, shall have occurred and be continuing. If any Event of Default shall have occurred and be continuing, Bank may take any one or more of the following actions: (i) declare the amount of the Credit and any other outstanding obligations hereunder immediately due and payable by Applicant (provided that to the extent provided in the Credit Agreement, such amount shall automatically become immediately due and payable), in which case Applicant shall pay such amount to Bank to be applied to any such matured obligations and held as cash collateral in a non-interest bearing account under the exclusive control of Bank for any contingent obligations of Applicant hereunder. To the extent not applied, any remaining cash collateral shall be returned to Applicant within three Business Days after all Events of Default have been cured or waived; (ii) require Applicant to (and Applicant agrees that it shall) use its reasonable efforts to cause

Bank to be promptly released from its obligations under the Credit; (iii) without any requirement for prior demand for payment or notice to Applicant, set-off against any account of Applicant maintained at any office of Bank (whether general or special, provisional or final, time or demand, and in any currency) for any or all of Applicant's obligations hereunder (provided that Bank thereafter endeavors promptly to furnish notice of such set-off to Applicant, but any failure or delay in doing so shall not affect the validity of such set-off); and (iv) exercise any and all other rights and remedies available at law, in equity, or otherwise to secure, collect or enforce Applicant's obligations hereunder.

(b) Upon an Event of Default, all of the Obligations shall be immediately due and payable without notice or demand (whether or not a drawing or claim had in fact been made or paid) and Bank may, in addition to all other rights and remedies it may have at law or in equity, (i) exercise any remedies of a secured party under applicable law, including under the Code, (ii) charge, debit and/or set-off against any general or special account of Applicant maintained at any office of Bank (whether matured or unmatured) for the amount of the Obligations, (iii) amend or terminate, or transfer drawing rights or cure one or more discrepancies under, the Credit, and/or (iv) make payment in satisfaction of the Obligations or hold all amounts and proceeds as security for the Credit.

**7. Continuing Rights and Obligations.** Bank's rights and liens hereunder shall continue unimpaired, and Applicant shall be and remain obligated in accordance with the terms and provisions hereof, notwithstanding the release and/or substitution of any property which may be held as security hereunder at any time, or of any rights or interest therein. Applicant waives any defense whatsoever which might constitute a defense available to, or discharge of, a surety or a guarantor.

**8. Electronic Transmissions.** Bank is authorized to accept and process any Application and any amendments, transfers, assignments of proceeds, Instructions, consents, waivers and all documents relating to the Credit or the Application which are sent to Bank by electronic transmission, including SWIFT, electronic mail, facsimile, courier, mail or other computer generated telecommunications and such electronic communication shall have the same legal effect as if written and shall be binding upon and enforceable against Applicant. Bank may, but shall not be obligated to, require authentication of such electronic transmission or that Bank receives original documents prior to acting on such electronic transmission. If it is a condition of the Credit that payment may be made upon receipt by Bank of an electronic transmission advising negotiation, Applicant hereby agrees to reimburse Bank on demand for the amount indicated in such electronic transmission advice, and further agrees to hold Bank harmless if the documents fail to arrive, or if, upon the arrival of the documents, Bank should determine that the documents do not comply with the terms and conditions of the Credit.

**9. Jurisdiction; Waiver of Jury Trial.** (a) Applicant submits to the nonexclusive jurisdiction of any state or federal court located in the Borough of Manhattan, City of New York, State of New York, for itself and its property and agrees that any such court shall be a proper forum for any action or suit brought by Bank. Service of process in any legal action or proceeding arising out of or in connection with this Agreement, any Instruction or the Credit may be made upon Applicant by mailing a copy of the summons to Applicant either at the address set forth in the applicable Application or at Applicant's last address appearing in Bank's records. Nothing in this Section 9 shall affect the right of Bank to serve legal process in any other manner permitted by law or affect the right of Bank to bring any action or proceeding against Applicant or its property in the courts of any other jurisdiction.

(b) No legal action or proceeding arising out of or in connection with this Agreement, any Instruction or the Credit may be brought by Applicant against Bank except in a state or federal court located in the Borough of Manhattan, City of New York, State of New York.

**(c) APPLICANT WAIVES (I) THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION OR PROCEEDING IN WHICH BANK AND APPLICANT ARE PARTIES (WHETHER OR NOT THE ONLY PARTIES) ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, ANY INSTRUCTION OR THE CREDIT AND (II) THE RIGHT TO INTERPOSE ANY SETOFF OR COUNTERCLAIM OF ANY NATURE OR DESCRIPTION.**

**10. Applicable Law; Severability.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to principles of conflict of laws. The UCP and the ISP are incorporated by reference into this Agreement and are evidence of Standard Letter of Credit Practice with respect to



matters covered therein provided, however, that to the extent permitted by applicable law, this Agreement shall prevail in case of a conflict between this Agreement, the Uniform Commercial Code (**the “Code”**), the UCP, ISP 98 and/or Standard Letter of Credit Practice and the UCP shall prevail in case of conflict between the UCP and the Code or other Standard Letter of Credit Practice if the Credit is a standby Credit governed by the UCP, and the ISP shall prevail in case of a conflict between the ISP and the Code and other Standard Letter of Credit Practice if the Credit is a standby Credit governed by the ISP. Any provisions of this Agreement which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, Applicant hereby waives any provision of law, which prohibits or renders unenforceable any provision of this Agreement.

**11. No Third Party Benefits; Successor; Assignment; Integration; Delivery by Facsimile; Notices.** This Agreement shall be binding upon and inure to the benefit of Bank and Applicant and their respective successors and permitted assigns. This Agreement shall not confer any right or benefit upon any Person other than the parties to this Agreement, the Indemnified Persons and their respective successors and permitted assigns. Bank may assign or sell participations in all or any part of the Credit or this Agreement to another entity. Bank may disseminate information relating to Applicant, this Agreement or the Credit (i) in connection with any assignment or participation; (ii) upon the order of any court or otherwise to the extent required by statute, rule, regulation or judicial process; (iii) to bank examiners or upon the request or demand of any other administrative, regulatory agency, or authority; or (iv) to any domestic or foreign branch, subsidiary or affiliate, representative office or agent of Bank and third parties selected by any of the foregoing entities, wherever situated, for confidential use (including in connection with the provision of any service and for data processing, statistical and risk analysis purposes), or in connection with Bank’s performance, administration or enforcement of this Agreement. Applicant may not assign this Agreement without the prior written consent of Bank. Delivery of an executed copy or signature page of this Agreement by facsimile or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Agreement. Notices to Bank shall be sent to the address of Bank as set forth on the Credit and shall be delivered by hand, overnight courier or certified mail, return receipt requested. Notices to Applicant shall be sent to the address set forth in the Application unless advised otherwise in writing. **THIS AGREEMENT CONSTITUTES THE ENTIRE CONTRACT AND FINAL AGREEMENT AMONG THE PARTIES RELATING TO THE SUBJECT MATTER AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.**

**12. Continuing Agreement.** This Agreement is a continuing agreement and may not be terminated by Applicant except upon (i) thirty (30) days’ prior written notice of such termination by Applicant to Bank at the address of Bank set forth on the most recent Credit issued hereunder, (ii) payment of all Obligations and (iii) the expiration or cancellation of the Credit issued hereunder. Notwithstanding the foregoing sentence, if a Credit is issued in favor of a sovereign or commercial entity, which is to issue a guarantee or undertaking on Applicant’s behalf in connection therewith, or is issued as support for such a guarantee, Applicant shall remain liable with respect to the Credit until Bank is fully released in writing by such entity.

**13. Survival.** The provisions of Sections 2, 3, 5, 9, 10, 12 and 13 shall survive and remain in full force and effect regardless of the consummation of any transactions contemplated hereby, the reimbursement or repayment of any drawings or Obligations, the expiration or termination of the Credit or the termination of this Agreement or any provision hereof.

**14. Limitation of Interest and Other Charges.** Applicant and Bank intend to conform strictly to the applicable usury laws, if any, now or hereafter in force with respect to this Agreement. To such end: the aggregate of all interest and other charges constituting interest under such applicable usury laws and contracted for, chargeable or receivable under this Agreement shall never exceed the maximum amount of interest, nor produce a rate in excess of the maximum contract rate of interest, that Bank is authorized to charge Applicant under such applicable usury laws.

**15. Amendment; Waiver.** Bank shall not be deemed to have amended or modified any term hereof, or waived any of its rights unless Bank consents in writing to such amendment, modification or waiver. No such waiver, unless expressly stated therein, shall be effective as to any transaction which occurs subsequent to such waiver, nor as to

any continuance of a breach after such waiver. Bank's consent to any amendment, waiver, or modification does not mean that Bank shall consent or has consented to any other or subsequent Instruction to amend, modify, or waive a term of this Agreement or the Credit.

**16. Miscellaneous.**

**Installments.** If the Credit is issued subject to UCP 600, unless otherwise agreed, in the event that any installment of the Credit is not drawn within the period allowed for that installment, the Credit may continue to be available for any subsequent installments in the sole discretion of Bank, notwithstanding Article 32 of UCP 600.

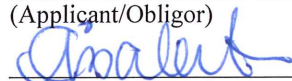
**Auto Extend Notice.** If the Credit provides for automatic extension without amendment, Applicant agrees that it will notify Bank in writing at least sixty (60) days prior to the last day specified in the Credit by which Bank must give notice of nonextension as to whether or not it wishes the Credit to be extended. Any decision to extend or not extend the Credit shall be in Bank's sole discretion and judgment. Applicant hereby acknowledges that in the event Bank notifies the beneficiary of the Credit that it has elected not to extend the Credit and the beneficiary draws on the Credit after receiving the notice of non-extension, Applicant acknowledges and agrees that Applicant shall have no claim or cause of action against Bank or defense against payment under the agreement for Bank's discretionary decision to extend or not extend the Credit.

**Pending Expiry Notice.** If a Credit's terms and conditions provide that Bank give beneficiary a notice of pending expiration, Applicant agrees that it will notify Bank in writing at least sixty (60) days prior to the last day specified in the Credit by which Bank must give such notice of the pending expiration date. In the event Applicant fails to so notify Bank and the Credit is extended, Applicant's Obligations under this Agreement shall continue in effect and be binding on Applicant with regard to the Credit as so extended.

THE UNDERSIGNED HEREBY AGREES TO ALL THE TERMS AND CONDITIONS SET FORTH HEREIN,  
ALL OF WHICH HAVE BEEN READ AND UNDERSTOOD BY THE UNDERSIGNED.

PNM RESOURCES, INC.

(Applicant/Obligor)



(Authorized "Signature")

Elisabeth Eden

(Print Authorized Signor's Name)

Vice President and Treasurer

(Title)

(505) 241-2691

(Phone)

October 21, 2016

(Date)

ACCEPTED AND AGREED:

JPMORGAN CHASE BANK, N.A.

By: \_\_\_\_\_

Its: \_\_\_\_\_

THE UNDERSIGNED HEREBY AGREES TO ALL THE TERMS AND CONDITIONS SET FORTH HEREIN,  
ALL OF WHICH HAVE BEEN READ AND UNDERSTOOD BY THE UNDERSIGNED.

PNM RESOURCES, INC.  
(Applicant/Obligor)

\_\_\_\_\_  
(Authorized "Signature")

\_\_\_\_\_  
(Print Authorized Signor's Name)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Phone)

\_\_\_\_\_  
(Date)

ACCEPTED AND AGREED:

JPMORGAN CHASE BANK, N.A.



By: HELEN D. DAVIS

Its: EXECUTIVE DIRECTOR

EXHIBIT A

FORM OF CREDIT

[Attached]



DRAFT

This Draft LC is provided to you at your request and there is no obligation on our part despite our assistance in the preparation of this Draft LC.

The Draft LC is not to be construed as evidence of commitment on our part to issue such LC's in the future.

Drafted by Maureen Heyne

Date: OCTOBER 18, 2016

-VALUE DATE-

OUR L/C NO.: CTCS-XXXX

CLEAN IRREVOCABLE LETTER OF CREDIT

ON ALL COMMUNICATIONS PLEASE REFER TO:

LETTER OF CREDIT NUMBER: CTCS-XXXXXX

AMOUNT (USD) 19,250,000.00

ACCOUNT PARTY:

SAN JUAN COAL COMPANY

9540 S MAROON CIR, SUITE 200

ENGLEWOOD, CO 80112

TO:

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, FOR ITSELF, AND ON

BEHALF OF ITS PARENTS, AFFILIATES AND SUBSIDIARIES

ONE TOWER SQUARE, H.O. BOND, 7SHS2

HARTFORD, CT 06183

ATTENTION: COLLATERAL PROCESSING, H.O. BOND, 7SHS2

(BRANCH: \_\_\_\_\_ CODE: \_\_\_\_\_)

LADIES AND GENTLEMEN:

BY ORDER OF APPLICANT/OBLIGOR, PNM RESOURCES, INC., 414 SILVER AVENUE, SW, CORPORATE HEADQUARTERS, MS 0905, ALBUQUERQUE, NM 87158 AND FOR THE ACCOUNT OF SAN JUAN COAL COMPANY, WE HEREBY ESTABLISH THIS CLEAN, IRREVOCABLE LETTER OF CREDIT ("CREDIT") IN YOUR FAVOR AS BENEFICIARIES (REFERRED TO HEREIN AS "YOU" OR "YOUR") AND AUTHORIZE YOU TO DRAW ON US UP TO THE AGGREGATE AMOUNT OF NINETEEN MILLION TWO HUNDRED FIFTY THOUSAND AND NO/100 UNITED STATES DOLLARS (\$19,250,000.00) EFFECTIVE IMMEDIATELY. THIS CREDIT IS ISSUED, PRESENTABLE AND PAYABLE AT OUR OFFICE AT 131 SOUTH DEARBORN, 5TH FLOOR, MAIL CODE: IL1-0236, CHICAGO, IL 60603-5506, ATTN: STANDBY LETTER OF CREDIT UNIT. AFTER THIS CREDIT HAS BEEN ISSUED, IT CANNOT BE REVOKED, AMENDED OR REDUCED WITHOUT YOUR WRITTEN ACKNOWLEDGMENT AND CONSENT.

THE TERM "BENEFICIARIES" INCLUDES ANY SUCCESSOR BY OPERATION OF LAW OF THE NAMED BENEFICIARIES INCLUDING, WITHOUT LIMITATION, ANY LIQUIDATOR, REHABILITATOR, RECEIVER OR CONSERVATOR.

WE HEREBY UNDERTAKE TO FULLY AND PROMPTLY HONOR EACH OF YOUR SIGHT DRAFTS DRAWN ON US UNDER THIS CREDIT, FOR ALL OR ANY PART OF THIS CREDIT, IF PRESENTED AT OUR OFFICE SPECIFIED IN PARAGRAPH ONE ON OR BEFORE THE CLOSE OF BUSINESS ON THE EXPIRATION DATE OF OCTOBER . . . ., 2017 OR ANY AUTOMATICALLY EXTENDED EXPIRATION DATE. IF YOU SO CHOOSE, YOU WILL BE ABLE TO DRAW ON THIS CREDIT MORE THAN ONCE, WITHOUT AMENDMENT, PROVIDED THAT THE SUM OF THE AMOUNTS THAT YOU HAVE DRAWN DOES NOT EXCEED THE FULL AMOUNT OF THIS CREDIT.

THIS CREDIT SETS FORTH IN FULL THE TERMS OF OUR UNDERTAKING, AND SUCH UNDERTAKING SHALL NOT IN ANY WAY BE MODIFIED, AMENDED OR AMPLIFIED BY

DRAFT

This Draft LC is provided to you at your request and there is no obligation on our part despite our assistance in the preparation of this Draft LC.

The Draft LC is not to be construed as evidence of commitment on our part to issue such LC's in the future.

LETTER OF CREDIT NO. XXXXXX

DATE: [ISSUE DATE]

REFERENCE TO ANY NOTE, DOCUMENT, INSTRUMENT OR AGREEMENT REFERRED TO HEREIN OR IN WHICH THIS CREDIT IS REFERRED TO OR TO WHICH THE CREDIT RELATES AND ANY SUCH REFERENCE SHALL NOT BE DEEMED TO BE INCORPORATED HEREIN BY REFERENCE. THE OBLIGATION OF JPMORGAN CHASE BANK, N.A. UNDER THIS CREDIT IS NOT SUBJECT TO ANY CONDITION OR QUALIFICATION, AND IS THE INDIVIDUAL OBLIGATION OF JPMORGAN CHASE BANK, N.A., AND IS IN NO WAY CONTINGENT UPON REIMBURSEMENT WITH RESPECT THERETO OR UPON OUR ABILITY TO PERFECT ANY LIEN, SECURITY INTEREST OR ANY OTHER REIMBURSEMENT.

IT IS A CONDITION OF THIS CREDIT THAT IT SHALL BE DEEMED AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR FROM THE EXPIRY DATE HEREOF, OR ANY FUTURE EXPIRATION DATE, UNLESS (1) AT LEAST NINETY (90) DAYS PRIOR TO ANY EXPIRATION DATE WE SEND NOTICE TO YOU BY REGISTERED MAIL OR OVERNIGHT COURIER THAT WE ELECT NOT TO CONSIDER THIS LETTER OF CREDIT EXTENDED FOR ANY SUCH ADDITIONAL PERIOD AND (2) YOU RECEIVE SUCH NOTICE AT LEAST SEVENTY-FIVE (75) DAYS PRIOR TO ANY EXPIRATION DATE, SUCH RECEIPT EVIDENCED BY A SIGNED COURIER RECEIPT OR OTHER RELIABLE EVIDENCE OF RECEIPT. IN THAT EVENT, YOU MAY DRAW YOUR SIGHT DRAFT ON US UNDER THIS CREDIT ON OR BEFORE THE CLOSE OF BUSINESS ON THE THEN RELEVANT EXPIRATION DATE, UP TO THE FULL AMOUNT THEN AVAILABLE HEREUNDER. OUR NOTICE OF ELECTION NOT TO EXTEND SHALL BE SENT BY REGISTERED MAIL OR OVERNIGHT COURIER TO TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA TO THE ATTENTION OF "COLLATERAL PROCESSING, H.O. BOND, 7SHS2."

WE HEREBY REPRESENT AND AFFIRM THAT THE EXECUTION OF THIS CREDIT WILL NOT CONSTITUTE A VIOLATION OF ANY LAW OR REGULATION WHICH MAY LIMIT THE AMOUNT OF CREDIT WHICH CAN BE EXTENDED BY THIS BANK TO ANY SINGLE BORROWER OR CUSTOMER.

THIS CREDIT IS SUBJECT TO AND GOVERNED BY THE LAWS OF THE STATE OF CONNECTICUT AND THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS, 2007 REVISION, INTERNATIONAL CHAMBER OF COMMERCE (PUBLICATION NO. 600) WITH THE EXPRESS EXCEPTION THAT, IF THIS CREDIT EXPIRES DURING AN INTERRUPTION OF BUSINESS AS DESCRIBED IN ARTICLE 36 OF SAID PUBLICATION 600, JPMORGAN CHASE BANK, N.A. HEREBY SPECIFICALLY AGREES TO EFFECT PAYMENT IF THIS CREDIT IS DRAWN AGAINST WITHIN 30 DAYS AFTER THE RESUMPTION OF BUSINESS.

YOURS VERY TRULY,  
JPMORGAN CHASE BANK, N.A.

BY: \_\_\_\_\_  
AUTHORIZED SIGNATURE  
NAME:  
TITLE:  
PHONE: 800-634-1969

DRAFT

This Draft LC is provided to you at your request and there is no obligation on our part despite our assistance in the preparation of this Draft LC.

The Draft LC is not to be construed as evidence of commitment on our part to issue such LC's in the future.

LETTER OF CREDIT NO. XXXXXX

DATE: [ISSUE DATE]

We hereby agree with the format/language of the above drafted letter of Credit, and we request JPMorgan Chase Bank, N.A. to issue the letter of credit as drafted above.

PNM RESOURCES, INC.

BY: \_\_\_\_\_

NAME AND TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_