



Richard Brantley  
Senior Vice President, Operations  
P.O. Box 553  
Midland, Texas 79702-0553

Tel: (432) 684-4404  
Fax: (432) 682-7456

November 28, 2018

Sandridge Exploration & Production, LLC  
123 Robert S Kerr Ave.  
Oklahoma City, OK 73102

**RE: Notification of Lease Termination**  
UT Lease 109709  
Block 13, S2 of Section 28, All depths  
Andrews County, TX

Via: FedEx Standard Overnight

Mr. Spence Laird,

Our records indicate that the attached Lease(s) is not producing in paying quantities<sup>1</sup> and therefore has terminated under its own terms. As of the date of this letter, Sandridge Exploration & Production, LLC has neither reported any additional production, nor informed University Lands of any additional drilling or reworking operations performed on the Lease(s) to sufficiently hold the Lease(s) in compliance with the lease terms. Therefore, consistent with Texas Law and the terms and conditions of the Lease(s), the Lease(s) have terminated effective February 1, 2016 and this letter serves as formal notice of termination of the Lease(s).<sup>2</sup> One hundred percent (100%) of production of any substance from the Lease(s) after February 1, 2016 belongs to University Lands.

Termination of the Lease(s) does not relieve Sandridge Exploration & Production, LLC of any rentals, royalties, or other financial obligations which have accrued, including but not limited to plugging and abandonment and reclamation obligations. Sandridge Exploration & Production, LLC is required to file Release(s) of Oil and Gas Lease within thirty (30) days of receipt of this notice in Andrews County and provide a copy of the recorded Release(s) to University Lands. The appropriate Release of Oil & Gas Lease form can be found on the University Lands website under the "Forms" link.

Sandridge Exploration & Production, LLC is responsible for plugging and abandoning all well(s), and for restoring the surface of the Lease(s) in accordance with the Lease(s) terms, the Board for Lease Rules<sup>3</sup> and all applicable state and federal codes, rules, laws, regulations and procedures.

The above-referenced items are mandatory obligations of Sandridge Exploration & Production, LLC under the Lease(s) that require action within the time frames specified. Thank you for your prompt attention to this matter. If you have questions regarding this matter or if we can be of further assistance, please contact Cindy Brooks (432) 686-4728, [Cbrooks@utsystem.edu](mailto:Cbrooks@utsystem.edu) or Danielle Jeter, (432) 686-5477, [Ljeter@utsystem.edu](mailto:Ljeter@utsystem.edu).

Sincerely,

Cindy Brooks  
Director – Accounting, Audit and Regulatory

Danielle Jeter  
Landman

CC: Cindy Brooks, Brian Owen, Richard Brantley, Joe Petersen, Danielle Jeter, Drew McEachern, Jim Buice, Claudia Molina, Samantha Major and Crissy Renteria

<sup>1</sup> Article 1.11(n), Board for Lease of University Lands, Rules and Regulations (defining production in paying quantities as production "in quantities sufficient to yield a return in excess of operating costs.").

<sup>2</sup> *Clifton v. Koontz*, 325 S.W.2d 684 (1959) (establishing the two-part test to determine whether lessee has maintained production in paying quantities sufficient to maintain a lease, as (1) determination of whether the subject well turned a profit over a reasonable period of time, and (2) if a well failed to return a profit over a reasonable period of time, the fact finder must determine whether a reasonable and prudent operator would continue to operate the subject well for profit, and not merely for speculation, under the specific circumstances at issue).

<sup>3</sup> Article 2.23, Board for Lease of University Lands, Rules and Regulations ("Each oil and gas Lease issued by the Board shall be subject to, and performance of Lessee's obligations under the Lease shall be in conformance with, rules as adopted from time to time by the Board and Board of Regents.").