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November 15, 2018

Endeavor Energy Resources
Attn: James Jeffries
110 N Marienfeld St. Ste 200
Midland, TX 79701

RE: Notification of Lease Termination
UT Lease #84503
Block 58, Section 14
Reagan County, TX

Via: FedEx Standard Overnight

Mr. James Jeffries,

Our records indicate that the above referenced Lease(s) is not producing in paying quantities¹ and therefore has terminated under its own terms. As of the date of this letter, Endeavor Energy Resources 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 July 1, 2018 and this letter serves as formal notice of termination of the Lease(s).² One hundred percent (100%) of production of any substance from the Lease(s) after July 1, 2018 belongs to University Lands.

Termination of the Lease(s) does not relieve Endeavor Energy Resources of any rentals, royalties, or other financial obligations which have accrued, including but not limited to plugging and abandonment and reclamation obligations. Endeavor Energy Resources is required to file Release(s) of Oil and Gas Lease within thirty (30) days of receipt of this notice in Reagan 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.

Endeavor Energy Resources 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 Rules³ and all applicable state and federal codes, rules, laws, regulations and procedures.

The above-referenced items are mandatory obligations of Endeavor Energy Resources 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 or Lisa Belue, (432) 686-5479, Lbelue@utsystem.edu.

Sincerely,

Cindy Brooks
Director – Accounting, Audit and Regulatory

Lisa Belue
Associate Landman

CC: Cindy Brooks, Brian Owen, Richard Brantley, Joe Petersen, Lisa Belue, Brazos Peacock, Jim Buice, Claudia Molina, Samantha Major and Sonya Barguiarena

¹ 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.").

² *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).

³ 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.").