SECURITIES & EXCHANGE COMMISSION EDGAR FILING

West Texas Resources

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Registration No. 333-178437

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1 TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

WEST TEXAS RESOURCES, INC.
(Exact name of registrant as specified in its charter)

Nevada	**1311**	**99-0365272**
(State or jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

5729 Lebanon Road, Suite 144
Frisco, Texas 75034
(972) 712-1039
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Stephen E. Jones
5729 Lebanon Road, Suite 144
Frisco, Texas 75034
(972) 712-1039
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
Daniel K. Donahue, Esq.
Greenberg Traurig, LLP
3161 Michelson, Suite 1000
Irvine, CA 92612
(949) 732-6500

Approximate date of commencement of proposed sale to the public:
As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box: ☑

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ❑

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ❑

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ❑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b2 of the Exchange Act.

Large accelerated filer ❑ Accelerated filer ❑
Non-accelerated filer ❑ (Do not check if a smaller reporting company) Smaller reporting company ☑

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The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per share(2)	Proposed maximum aggregate offering price(2)	Amount of registration fee(2)(3)
Common Stock, $.001 par value per share	762,000 shares	$1.00	$762,000	$87.32

(1) In addition, pursuant to Rule 416 under the Securities Act of 1933, this Registration Statement includes an indeterminate number of additional shares as may be issuable as a result of stock splits or stock dividends which occur during this continuous offering.

(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457 under the Securities Act of 1933.

(3) Previously paid.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 24, 2012

PROSPECTUS

762,000 Shares

WEST TEXAS RESOURCES, INC.

Common Stock

This prospectus relates to shares of common stock of West Texas Resources, Inc. that may be offered for sale for the account of the selling stockholders identified in this prospectus. The selling stockholders will offer and sell the shares of our common stock at the price of $1.00 per share. If and when our common stock becomes quoted on the OTC Bulletin Board, the shares owned by the selling stockholders may be sold in the over-the-counter market, or otherwise, at prices and terms then prevailing or at prices related to the then-current market price, or in negotiated transactions. Although we will incur expenses in connection with the registration of the common stock, we will not receive any of the proceeds from the sale of the shares of common stock by the selling stockholders.

Our common stock is not listed for trading on any stock exchange or stock market. Following the effectiveness of the registration statement, which this prospectus is part of, we will apply to list our common shares for quotation on the OTC Bulletin Board. There can be no assurance, however, that we will be able to list our shares on the OTC Bulletin Board or anywhere else.

We may amend or supplement this prospectus from time to time by filing amendments or supplements as required. You should read this entire prospectus and any amendments or supplements carefully before you make your investment decision.

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The shares of common stock offered under this prospectus involve a high degree of risk. See "Risk Factors" beginning at page 3.

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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The date of this prospectus is _____, 2012

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We have not authorized any person to give you any supplemental information or to make any representations for us. You should not rely upon any information about our company that is not contained in this prospectus or in one of our public reports filed with the Securities and Exchange Commission ("SEC") and incorporated into this prospectus. Information contained in this prospectus or in our public reports may become stale. You should not assume that the information contained in this prospectus, any prospectus supplement or the documents incorporated by reference are accurate as of any date other than their respective dates, regardless of the time of delivery of this prospectus or of any sale of the shares. Our business, financial condition, results of operations and prospects may have changed since those dates. The selling stockholders are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted.

In this prospectus, "West Texas Resources," the "company," "we," "us," and "our" refer to West Texas Resources, Inc., a Nevada corporation.

SUMMARY

You should read this summary in conjunction with the more detailed information and financial statements appearing elsewhere in this prospectus.

Our Company

West Texas Resources, Inc. (the "company" or "we") was incorporated under the laws of Nevada on December 9, 2010. The company was formed for the purpose of oil and gas exploration and development in North America. From inception to date, our activities have focused on the raising of capital and the investigation of oil and gas properties. As of the date of this prospectus, we have incurred no revenue from our oil and gas exploration and development activities. In September 2011, we acquired our initial property consisting of a 31.25% working interest in an exploratory oil and gas drilling prospect covering 120 acres in Eastland County, Texas. The operator of the Eastland County prospect is West Texas Royalties, Inc., of Plainview, Texas, an unaffiliated third party. The Eastland County prospect includes two exploratory wells that had been operating at a minimum level required to maintain the lease rights. Prior to acquiring our interest in the Eastland County prospect, we engaged a private oil and gas geological consultant to review on our behalf the geological and geophysical data and analysis assembled by the operator. In addition, the operator obtained a title report on the Eastland County prospect and retained counsel to review title documents and leasehold agreements covering the real property and mineral rights.

Subject to our receipt of additional capital, we intend to pursue the acquisition of additional equity interests in oil and gas properties to be thereafter exploited by us in conjunction with other oil and gas producers. As of the date of this prospectus, we have no understandings or agreements in place concerning our acquisition of an interest in any other properties.

In August 2011, we acquired a water trailer for use in oil and gas drilling sites. Our purchase price was $35,759. In October 2011, we placed the trailer into service pursuant to a lease arrangement with an unaffiliated third party. The lease agreement requires the lessee to pay us $2,500 per month plus 10% of the revenue collected by the lessee from its use or sublease of the trailer. The lease agreement is for a term of two years. To date, we have received a total of $14,305 in revenue from our water trailer. Subject to the availability of additional capital in excess of our commitments and budgets for oil and gas exploration and development, we intend to acquire up to nine additional water trailers. However, we do not expect that water hauling services will be a major part of our operations and we intend to prioritize our available capital and other resources in favor of oil and gas exploration.

Our executive offices are located at 5729 Lebanon Road, Suite 144, Frisco, Texas 75034. Our phone number is (972) 712-1039.

The Offering

This offering relates to the offer and sale of our common stock by the selling stockholders identified in this prospectus. The selling stockholders will offer and sell the shares of our common stock at the price of $1.00 per share. If and when our common stock becomes quoted on the OTC Bulletin Board, the shares owned by the selling stockholders may be sold at prices and terms then prevailing or at prices related to the then-current market price, or in negotiated transactions. Although we have agreed to pay the expenses related to the registration of the shares being offered, we will not receive any proceeds from the sale of the shares by the selling stockholders.

Summary Financial Information

The following summary financial data for the fiscal year ended September 30, 2011 is derived from our audited financial statements. This information is only a summary and does not provide all of the information contained in our financial statements and related notes. You should read the "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 14 of this prospectus and our financial statements and related notes included elsewhere in this prospectus.

Statement of Operations Data:		**From Inception (December 9, 2010) through September 30, 2011**
Revenue	$	-0-
Net Loss	$	(82,047)
Balance Sheet Data:		**September 30, 2011**
Working capital	$	169,346
Total assets	$	223,855
Total liabilities	$	-0-
Shareholders' equity	$	223,855

RISK FACTORS

You should carefully consider the following risk factors before investing in our common stock. Our business and results of operations could be seriously harmed by any of the following risks. The trading price of our common stock could decline due to any of these risks, and you may lose part or all of your investment.

We are a development stage company and have limited assets and insignificant revenues. We were only recently formed and have no revenues to date from our oil and gas operations. In August 2011, we acquired a water trailer for use in oil and gas drilling sites, and we placed the trailer into service pursuant to a lease arrangement with an unaffiliated third party in October 2011. As of the date of this prospectus, we have received a total of $14,305 in revenue from our water trailer. Since our formation, we have focused on raising our initial capital and, to date, we have raised $240,500 through our sale of 962,000 common shares at $0.25 per share. In September 2011, we acquired our initial oil and gas property consisting of a 31.25% working interest in an exploratory oil and gas drilling prospect covering 120 acres in Eastland County, Texas, however we have not acquired or developed any additional assets or operations. We are in the development stage and are subject to all risks inherent in a new venture. The likelihood of our success must be considered in light of problems, expenses, complications and delays frequently encountered in connection with the development of a new business. We do not have a significant operating history and, as a result, there is a limited amount of information about us on which to make an investment decision.

We will require additional capital in order to achieve commercial success and, if necessary, to finance future losses from operations as we endeavor to build revenue, but we do not have any commitments to obtain such capital. The business of oil and gas acquisition, drilling and development is capital intensive and the level of operations attainable by an oil and gas company is directly linked to and limited by the amount of available capital. As of September 30, 2011, we had total assets of $223,855, including working capital of $169,346. We believe that our ability to achieve commercial success and our continued growth will be dependent on our ability to access capital either through the additional sale of our equity or debt securities, bank lines of credit, project financing or cash generated from oil and gas operations. In order to fund our further participation in the Eastland County prospect based on the operator's current expectations and assuming the full development of the prospect, we estimate we will need approximately $1,000,000 of additional capital over the next 12 to 18 months. If we are unable to fund our current 31.25% working interest in the further development of the Eastland County prospect, we will be forced to accept a reduced interest in any production resulting from the further development of the prospect. We will seek to obtain additional working capital through the sale of our securities and, subject to the successful deployment of our cash on hand, we will endeavor to obtain additional capital through bank lines of credit and project financing. However, we have no agreements or understandings with any third parties at this time for our receipt of additional working capital and we have no history of generating cash from oil and gas operations. We may not be able to obtain access to capital as and when needed and the terms of any available financing may not be subject to commercially reasonable terms.

We were formed for the purpose of conducting the joint development of certain oil and gas properties in North America with oil and gas operators. We intend to pursue prospects in partnership with other oil and gas companies with expertise in the exploration, development and production of oil and gas properties in North America. As of the date of this prospectus, we have acquired our initial property consisting of a 31.25% working interest in an exploratory oil and gas drilling prospect covering 120 acres in Eastland County, Texas. Drilling and development of the acreage will be conducted by an unaffiliated third-party. However, we do not have any other agreements in place concerning the acquisition of additional oil and gas properties.

Our management has no prior experience in operating an oil and gas business At the present time, we have two employees, our chief executive officer and our chief financial officer, Stephen Jones and John Kerr, respectively, who also serve as the sole members of our board of directors. Neither Mr. Jones nor Mr. Kerr has any prior experience in the oil and gas business other than as private investors. We intend to expand our management team and board of directors with personnel who have experience in the oil and gas business, however we have no agreements or understandings in place as of the date of this prospectus concerning the appointment of any additional officers or directors. We do not expect to be able to attract senior management or directors with significant oil and gas experience until such time as we raise significant additional capital. Until such time, if ever, as we do, the success of our company will be dependent on the decisions and actions undertaken by Mr. Jones and Mr. Kerr.

We have limited management and staff and will be dependent for the foreseeable future upon consultants and partnering arrangements. At the present time, we have two employees, our chief executive officer and our chief financial officer, Stephen Jones and John Kerr, respectively. We have developed an operating strategy that is based on our participation in exploration prospects in North America as a non-operator for the foreseeable future. We intend to use the services of independent consultants and contractors to perform various professional services, including reservoir engineering, land, legal, environmental and tax services. We will also pursue alliances with partners in the areas of geological and geophysical services and prospect generation, evaluation and prospect leasing. As a non-operator working interest owner, we intend to rely on outside operators to drill, produce and market our natural gas and oil. Our dependence on third party consultants, service providers and operators creates a number of risks, including but not limited to:

- the possibility that such third parties may not be available to us as and when needed; and

- the risk that we may not be able to properly control the timing and quality of work conducted with respect to our projects.

Shortages or increases in costs of equipment, services and qualified personnel could delay the drilling of exploratory wells and adversely affect our future results of operations and the price of our common stock. The demand for qualified and experienced personnel to conduct field operations, geologists, geophysicists, engineers and other professionals in the oil and natural gas industry can fluctuate significantly, often in correlation with oil and natural gas prices, causing periodic shortages. Historically, there have been shortages of drilling rigs and other equipment as demand for rigs and equipment has increased along with the number of wells being drilled. These factors also cause significant increases in costs for equipment, services and personnel. Higher oil and natural gas prices generally stimulate demand and result in increased prices for drilling rigs, crews and associated supplies, equipment and services. Shortages of field personnel and equipment or price increases could significantly hinder the ability of our operating partners to conduct drilling operations, which could adversely affect our results of operations and stock price.

Our industry is highly competitive which may adversely affect our performance, including our ability to participate in ready to drill prospects. Oil and gas exploration and development companies operate in a highly competitive environment. In addition to capital, the principal resources necessary for the exploration and production of oil and natural gas are:

- leasehold prospects under which oil and natural gas reserves may be discovered;
- drilling rigs and related equipment to explore for such reserves; and
- knowledgeable personnel to conduct all phases of oil and natural gas operations.

Numerous large, well-financed firms with large cash reserves are engaged in the acquisition of oil and gas properties in North America. We and our operating partners will face competition in acquisitions, development, exploration and production from major oil companies, numerous independents, individual proprietors and others. We expect competition to be intense for available target oil and gas properties. Such competition could have a material adverse affect on our financial condition and operating results. We and our operating partners may not be able to compete successfully against current and future competitors and competitive pressures faced by us may materially adversely affect our business, financial condition, and results of operations.

Drilling for and producing oil and natural gas are high risk activities with many uncertainties that could delay the anticipated drilling schedule for exploratory wells and adversely affect our future results of operations and stock price. The drilling and completion of exploratory wells are subject to numerous risks beyond our control or the control of our operating partners, including risks that could delay the proposed drilling schedules and the risk that drilling will not result in commercially viable oil and natural gas production. Drilling for oil and natural gas can be unprofitable if dry wells are drilled and if productive wells do not produce sufficient revenues to return a profit. The decisions by us and our operating partners to develop or otherwise exploit certain prospects will depend in part on the evaluation of data obtained through geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. The costs of drilling, completing and operating wells are often uncertain before drilling commences. Overruns in budgeted expenditures are common risks that can make a particular project uneconomical. Even if an exploratory well is successfully completed, it may not pay out the capital costs spent to drill it. Drilling and production operations on an exploratory well may be curtailed, delayed or canceled as a result of various factors, including the following:

- delays imposed by or resulting from compliance with regulatory requirements including permitting;
- unusual or unexpected geological formations and miscalculations;
- shortages of or delays in obtaining equipment and qualified personnel;
- equipment malfunctions, failures or accidents;
- lack of available gathering facilities or delays in construction of gathering facilities;
- lack of available capacity on interconnecting transmission pipelines;
- lack of adequate electrical infrastructure;
- unexpected operational events and drilling conditions;
- pipe or cement failures and casing collapses;
- pressures, fires, blowouts, and explosions;
- lost or damaged drilling and service tools;
- loss of drilling fluid circulation;
- uncontrollable flows of oil, natural gas and natural gas liquids water or drilling fluids;
- natural disasters;
- environmental hazards, such as oil, natural gas and natural gas liquids leaks, pipeline ruptures and discharges of toxic gases or fluids;
- adverse weather conditions such as extreme cold, fires caused by extreme heat or lack of rain, and severe storms or tornadoes;
- reductions in oil, natural gas and natural gas liquids prices;
- oil and natural gas property title problems; and
- market limitations for oil, natural gas and natural gas liquids.

If any of these or other similar industry operating risks occur, we could have substantial losses. Substantial losses also may result from injury or loss of life, severe damage to or destruction of property, clean-up responsibilities, regulatory investigation and penalties and suspension of operations.

Market conditions for oil and natural gas, and particularly volatility of prices for oil and natural gas, could adversely affect our revenue, cash flows, profitability and growth. Our project revenue, cash flows, profitability and future rate of growth depend substantially upon prevailing prices for oil and natural gas. Prices also affect the amount of cash flow available for capital expenditures and our ability to borrow money or raise additional capital. Lower prices may also make it uneconomical for our operating partners to commence or continue production levels of natural gas and crude oil. Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply and demand for oil and natural gas, market uncertainty and a variety of other factors beyond our control or the control of our operating partners , including:

- regional, domestic and foreign supply, and perceptions of supply, of oil, natural gas and natural gas liquids;
- the price of foreign imports;
- U.S. and worldwide political and economic conditions;
- the level of demand, and perceptions of demand, for oil, natural gas and natural gas liquids;
- weather conditions and seasonal trends;
- anticipated future prices of oil, natural gas and natural gas liquids, alternative fuels and other commodities;
- technological advances affecting energy consumption and energy supply;
- the proximity, capacity, cost and availability of pipeline infrastructure, treating, transportation and refining capacity;
- acts of force majeure;
- domestic and foreign governmental regulations and taxation;
- energy conservation and environmental measures; and
- the price and availability of alternative fuels.

For oil, from 2007 through 2010, the highest monthly NYMEX settled price was $140.00 per Bbl and the lowest was $41.68 per Bbl. For natural gas, from 2007 through 2010, the highest monthly NYMEX settled price was $13.35 per MMBtu and the lowest was $2.98 per MMBtu. In addition, the market price of oil and natural gas is generally higher in the winter months than during other months of the year due to increased demand for oil and natural gas for heating purposes during the winter season.

Lower oil and natural gas prices will reduce our revenues and may ultimately reduce the amount of oil and natural gas that is economic to produce from our oil and gas properties. As a result, our operating partners could determine during periods of low oil and natural gas prices to shut in or curtail production from any operating wells. In addition, our operating partners could determine during periods of low oil and natural gas prices to plug and abandon marginal wells that otherwise may have been allowed to continue to produce for a longer period under conditions of higher prices. Specifically, our operating partners may abandon any well or property if it reasonably believes that the well or property can no longer produce oil or natural gas in commercially economic quantities. This could result in termination of our portion of the royalty interest relating to the abandoned well or property.

Investigations of oil and gas properties do not eliminate the risks associated with the selection and the acquisition of such properties. Although we will engage third-party consultants to perform a review of the oil and properties proposed to be acquired, such reviews are subject to uncertainties. It generally is not feasible to review in detail every individual property involved in an acquisition. Even a detailed review of all properties and records may not reveal existing or potential problems; nor will it permit our consultants to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. Inspections are not always performed on every well, and potential problems, such as mechanical integrity of equipment and environmental conditions that may require significant remedial expenditures, are not necessarily observable even when an inspection is undertaken.

Oil and gas exploration and development is subject to complex federal, state, local and other laws and regulations that could adversely affect the cost, manner or feasibility of conducting our operations or expose us to significant liabilities. Our proposed oil and natural gas exploration and production operations are subject to complex and stringent laws and regulations. In order to conduct operations in compliance with these laws and regulations, oil and gas operators must obtain and maintain numerous permits, approvals and certificates from various federal, state and local governmental authorities. Substantial costs may be incurred by our operating partners in order to maintain compliance with these existing laws and regulations. Further, in light of the explosion and fire on the drilling rig Deepwater Horizon in the Gulf of Mexico, as well as recent incidents involving the release of oil and natural gas and fluids as a result of drilling activities in the United States, there has been a variety of regulatory initiatives at the federal and state level to restrict oil and natural gas drilling operations in certain locations. Any increased regulation or suspension of oil and natural gas exploration and production, or revision or reinterpretation of existing laws and regulations, that arises out of these incidents or otherwise could result in delays and higher operating costs, which will be passed along to us by way of our equity interest in the property. Such costs or significant delays could have a material adverse effect on our business, financial condition and results of operations.

Laws and regulations governing oil and natural gas exploration and production may also affect production levels. Oil and gas operators are required to comply with federal and state laws and regulations governing conservation matters, including provisions related to the unitization or pooling of the oil, natural gas and natural gas liquids properties; the establishment of maximum rates of production from wells; the spacing of wells; and the plugging and abandonment of wells. These and other laws and regulations can limit the amount of oil and natural gas operators can produce from their wells, limit the number of wells they can drill, or limit the locations at which they can conduct drilling operations, which in turn could negatively impact our business, financial condition and results of operations.

New laws or regulations, or changes to existing laws or regulations may unfavorably impact our proposed operations, could result in increased operating costs and have a material adverse effect on our financial condition and results of operations. For example, Congress is currently considering legislation that, if adopted in its proposed form, would subject companies involved in oil and natural exploration and production activities to, among other items, additional regulation of and restrictions on hydraulic fracturing of wells, the elimination of most U.S. federal tax incentives and deductions available to oil and natural gas exploration and production activities, and the prohibition or additional regulation of private energy commodity derivative and hedging activities.

These and other potential regulations could increase operating costs, reduce revenue, delay proposed operations, increase direct and third party post production costs associated with the oil and gas properties or otherwise alter the proposed operations of oil and gas properties in which we hold an equity interest, which could have a material adverse effect on our financial condition, results of operations and stock price.

Oil and gas operations are subject to environmental laws and regulations that could adversely affect the cost, manner or feasibility of conducting operations or result in significant costs and liabilities. Oil and natural gas exploration and production operations are subject to stringent and comprehensive federal, state and local laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. These laws and regulations may impose numerous obligations that are applicable to the operation of the properties in which we hold an interest including the acquisition of a permit before conducting drilling; water withdrawal or waste disposal activities; the restriction of types, quantities and concentration of materials that can be released into the environment; the limitation or prohibition of drilling activities on certain lands lying within wilderness, wetlands and other protected areas; and the imposition of substantial liabilities for pollution resulting from operations. Numerous governmental authorities, such as the U.S. Environmental Protection Agency ("EPA") and analogous state agencies, have the power to enforce compliance with these laws and regulations and the permits issued under them, often requiring difficult and costly actions. Failure to comply with these laws and regulations may result in the assessment of administrative, civil or criminal penalties; the imposition of investigatory or remedial obligations; and the issuance of injunctions limiting or preventing some or all of the proposed operations.

There is inherent risk of incurring significant environmental costs and liabilities in the performance of oil and gas operations due to the handling of petroleum hydrocarbons and wastes, because of air emissions and wastewater discharges related to such operations, and as a result of historical industry operations and waste disposal practices. Under certain environmental laws and regulations, our operating partner could be subject to joint and several strict liability for the removal or remediation of previously released materials or property contamination regardless of whether our operating partner was responsible for the release or contamination or if the operations were in compliance with all applicable laws at the time those actions were taken. Private parties, including the owners of properties upon which our operating partners intend to drill wells and facilities where petroleum hydrocarbons or wastes are taken for reclamation or disposal may also have the right to pursue legal actions to enforce compliance, as well as to seek damages for contamination even in the absence of non-compliance, with environmental laws and regulations or for personal injury or property damage. In addition, the risk of accidental spills or releases could expose our operating partners to significant liabilities. All of the foregoing costs and liabilities of our operating partners may be passed along to us by way of our equity interest on the subject oil and gas property, which in turn could have a material adverse effect on our financial condition, results of operations and stock price. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly construction, drilling, water management, completion, waste handling, storage, transport, disposal or cleanup requirements could require our operating partners to make significant expenditures to attain and maintain compliance. We would be responsible for our pro rata share of such costs, which may have a material adverse effect on our results of operations, financial condition or stock price.

Climate change laws and regulations restricting emissions of "greenhouse gases" could result in increased operating costs and reduced demand for oil and natural gas while the physical effects of climate change could disrupt production and cause our operating partners to incur significant costs in preparing for or responding to those effects. On December 15, 2009, the EPA published its findings that emissions of carbon dioxide, methane and other greenhouse gases ("GHGs") present a danger to public health and the environment. These findings allow the agency to adopt and implement regulations that restrict emissions of GHGs under existing provisions of the federal Clean Air Act. Accordingly, the EPA has adopted regulations that require a reduction in emissions of GHGs from motor vehicles and also trigger permit review for GHG emissions from certain large stationary sources. The EPA's rules relating to emissions of GHGs from large stationary sources of emissions are currently subject to a number of political and legal challenges, but the federal courts have thus far declined to issue any injunctions to prevent EPA from implementing, or requiring state environmental agencies to implement, the rules. In addition, on October 30, 2009, the EPA published a final rule requiring the reporting of GHG emissions from specified large GHG emission sources in the United States, beginning in 2011 for emissions occurring in 2010. On November 30, 2010, the EPA published a final rule that expands its October 2009 final rule on reporting of GHG emissions to require certain owners and operators of onshore oil and natural gas production to monitor greenhouse gas emissions beginning in 2011 and to report those emissions beginning in 2012. Both houses of Congress have from time to time considered legislation to reduce emissions of GHGs and almost one-half of the states, either individually or

through multi-state regional initiatives, already have begun implementing legal measures to reduce emissions of GHGs. The adoption and implementation of any regulations imposing reporting obligations on, or limiting emissions of GHGs from the equipment and operations of our operating partners could require our operating partners to incur costs to reduce emissions of GHGs associated with our operations or could adversely affect demand for the oil and natural gas. All of the foregoing costs and liabilities of our operating partners may be passed along to us by way of our equity interest on the subject oil and gas property, which in turn could have a material adverse effect on our financial condition, results of operations and stock price. Finally, it should be noted that some scientists have concluded that increasing concentrations of greenhouse gases in the Earth's atmosphere may produce climate change that could have significant physical effects, such as increased frequency and severity of storms, droughts, and floods and other climatic events; if any such effects were to occur, they could have an adverse effect on our assets and operations.

Federal and state legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays as well as adversely affect our results of operations, financial condition or stock price. Our operating partners may from time to time engage in an production technique known as hydraulic fracturing, an important and common practice used to stimulate production of hydrocarbons from tight formations, such as shales. The process involves the injection of water or other liquids, sand and chemicals under pressure into formations to fracture the surrounding rock and stimulate production. The process is typically regulated by state oil and gas commissions. However, the EPA recently asserted federal regulatory authority over certain hydraulic fracturing practices. At the same time, the EPA has commenced a study of the potential environmental impacts of hydraulic fracturing activities, with initial results of the study anticipated to be available by late 2012 and final results by 2014. Also, legislation has been introduced into Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process. In addition, some states have adopted, and other states are considering adopting, regulations that could restrict hydraulic fracturing in certain circumstances. For instance, in June 2011, Texas adopted a law that requires disclosure to the Railroad Commission of Texas of the additives and other chemicals contained in hydraulic fracturing fluids used in the state, subject to certain trade secret protections. If new laws or regulations that significantly restrict or regulate hydraulic fracturing are adopted, such legal requirements could make it more difficult or costly for our operating partners to perform fracturing to stimulate production from our oil an gas interests and thereby affect the determination of whether a well is commercially viable. Restrictions on hydraulic fracturing could also reduce the amount of oil and natural gas our operating partners are ultimately able to produce in commercial quantities from our oil an gas interests.

Hydraulic fracturing operations may result environmental contamination and other operational risks that could subject us to significant costs, liabilities and loss of investment. Hydraulic fracturing is a process that involves the injection of water or other liquids, sand and chemicals under pressure into formations to fracture the surrounding rock and stimulate production. The process involves the risk that liquids and chemicals injected into the well may migrate into and contaminate water aquifers and wells or surrounding land. The process also involves the risk that water and liquids that are retrieved from the fractured well may be improperly disposed of, thus creating another potential for water or ground contamination. Our operating partners face the possibility of significant costs and liabilities in the event of any environmental contamination resulting from the hydraulic fracturing of wells in which we have an interest, in which event we may become liable for our pro rata share of such costs and liabilities. Also, even in the absence of any actual contamination, we can face significant costs if the operator is required to defend any lawsuits or investigations that allege contamination. Finally, any actual or alleged environmental contamination resulting from a drilling operation on an oil and gas property in which we have an interest can lead to the suspension or abandonment of that property and the loss of our entire investment in such property.

No Dividends. We do not expect to pay cash dividends on our common stock in the foreseeable future.

There is no public trading market for our stock. Prior to this offering, there has been no public trading market for our common stock. While we intend to pursue the listing of our common shares for quotation on the OTCBB, there can be no assurance that we will be able to do so or that a market for our shares will develop.

The offering of up to 762,000 shares of our common stock by selling stockholders could depress our common stock price. Certain of our stockholders are offering pursuant to this prospectus up to 762,000 shares of our common stock in a secondary offering. In the event we are able to list our common shares for quotation on the OTC Bulletin Board, sales of a substantial number of shares of our common stock in the public market could adversely affect our ability to develop a market for our common shares or our ability to develop a market price of our common stock and make it more difficult for us to sell equity securities at times and prices that we determine to be appropriate.

Our common stock may be considered to be a “penny stock” and, as such, any the market for our common stock may be further limited by certain SEC rules applicable to penny stocks. To the extent the price of our common stock remains below $5.00 per share or we have a net tangible assets of $2,000,000 or less, our common shares will be subject to certain “penny stock” rules promulgated by the SEC. Those rules impose certain sales practice requirements on brokers who sell penny stock to persons other than established customers and accredited investors (generally institutions with assets in excess of $5,000,000 or individuals with net worth in excess of $1,000,000). For transactions covered by the penny stock rules, the broker must make a special suitability determination for the purchaser and receive the purchaser’s written consent to the transaction prior to the sale. Furthermore, the penny stock rules generally require, among other things, that brokers engaged in secondary trading of penny stocks provide customers with written disclosure documents, monthly statements of the market value of penny stocks, disclosure of the bid and asked prices and disclosure of the compensation to the brokerage firm and disclosure of the sales person working for the brokerage firm. These rules and regulations adversely the affect the ability of brokers to sell our common shares and limit the liquidity of our securities.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This prospectus and the documents to which we refer you and incorporate into this prospectus by reference contain forward-looking statements. In addition, from time to time, we or our representatives may make forward-looking statements orally or in writing. We base these forward-looking statements on our expectations and projections about future events, which we derive from the information currently available to us. Such forward-looking statements relate to future events or our future performance. You can identify forward-looking statements by those that are not historical in nature, particularly those that use terminology such as “may,” “will,” “should,” “expects,” “anticipates,” “contemplates,” “estimates,” “believes,” “plans,” “projected,” “predicts,” “potential” or “continue” or the negative of these or similar terms. In evaluating these forward-looking statements, you should consider various factors, including those described in this prospectus under the heading “Risk Factors” beginning on page 3. These and other factors may cause our actual results to differ materially from any forward-looking statement. Forward-looking statements are only predictions. The forward-looking events discussed in this prospectus, the documents to which we refer you and other statements made from time to time by us or our representatives, may not occur, and actual events and results may differ materially and are subject to risks, uncertainties and assumptions about us.

SELLING STOCKHOLDERS

This prospectus relates to the offering and sale, from time to time, of up to 762,000 shares of our common stock, held by the stockholders named in the table below. The common shares represent securities sold by us in a private placement conducted in 2011, as described below.

None of the selling stockholders has held a position as an officer or director of the company, nor has any selling stockholder had any material relationship of any kind with us or any of our affiliates. Except as otherwise indicated in the footnotes to the table, the selling stockholders possess sole voting and investment power with respect to the shares shown, and no selling stockholder is a broker-dealer or an affiliate of a broker-dealer. All information with respect to share ownership has been furnished by the selling stockholders. The shares being offered are being registered to permit public secondary trading of the shares and each selling stockholder may offer all or part of the shares owned for resale from time to time.

From January 2011 through September 2011, we conducted the private placement sale of 962,000 shares of our common stock at the offering price of $0.25 per share. The following table sets forth certain information known to us as of the date of this prospectus and as adjusted to reflect the sale of the shares offered hereby, with respect to the beneficial ownership of our common stock by the selling stockholders who participated in the private placement mentioned above. The share amounts under the columns “Shares Beneficially Owned Before the Offering” and “Maximum Number of Shares Offered” consist of the shares of our common stock sold by us in the private placement described above, with the exception of 200,000 common share purchased by certain affiliates of the company who agreed to withhold their shares from this registration. The share amounts under the columns “Shares Beneficially Owned after the Offering” assume all of the offered shares are sold pursuant to this prospectus.

	Shares Beneficially Owned Before the Offering		Maximum Number of Shares	Shares Beneficially Owned After the Offering (1)	
Name of Beneficial Owner	**Number**	**%**	**Offered**	**Number**	**%**
Jan Cecille Anderson	200,000	1.5%	100,000	100,000	*
Dennis McCarter	55,000	*	5,000	50,000	*
Vincent McGuire	104,000	*	4,000	100,000	*
Lowell Brumley	132,000	1.0%	32,000	100,000	*
John Freeze	24,000	*	4,000	20,000	*
Wayne Hamersly	120,000	*	100,000	20,000	*
Terry Niedecken	2,000	*	2,000	-0-	-0-
La Dolce Vita Trust **(2)**	400	*	400	-0-	-0-
Jerry Monday Family Trust **(3)**	1,000	*	1,000	-0-	-0-
Stevan J. Shipp	1,000	*	1,000	-0-	-0-
David Marion Mettauer	400	*	400	-0-	-0-
Timothy J. & Tanya R. Boyd	1,000	*	1,000	-0-	-0-
Nicholas Smith	400	*	400	-0-	-0-
Brett Ussery	1,000	*	1,000	-0-	-0-
Richard L. Faulk	8,000	*	8,000	-0-	-0-
Jon Unger	4,000	*	4,000	-0-	-0-
Michael J. Thompson LLC **(4)**	2,000	*	2,000	-0-	-0-
Ginger Barnes	6,000	*	6,000	-0-	-0-
Pamela Vee Plimpton	400	*	400	-0-	-0-
Fred Wills	1,000	*	1,000	-0-	-0-
Bobby J. Culpepper	1,000	*	1,000	-0-	-0-
Mark L. Ussery	1,000	*	1,000	-0-	-0-
V. Brooks Abbott	1,000	*	1,000	-0-	-0-
Lane Clissold	4,000	*	4,000	-0-	-0-
Peter Varselona, Jr.	2,000	*	2,000	-0-	-0-
Mark E. Swan	1,000	*	1,000	-0-	-0-
James R. Price	1,000	*	1,000	-0-	-0-
Joe A. Lindsey	1,000	*	1,000	-0-	-0-
Carolyn V. Allen Rev. Trust **(5)**	12,000	*	12,000	-0-	-0-
Jeb Swan	1,000	*	1,000	-0-	-0-
Pinnacle Investment, LLC **(6)**	1,000	*	1,000	-0-	-0-
Northside Capital Corp. **(7)**	1,000	*	1,000	-0-	-0-

Virginia Anne Wheeler	4,000	*	4,000	-0-	-0-
G. Monique Saia	2,000	*	2,000	-0-	-0-
Dorcas Gail Garrett	20,000	*	20,000	-0-	-0-
James Anthony Stock	1,000	*	1,000	-0-	-0-
Imran F. Kaiser	1,000	*	1,000	-0-	-0-
Lisa Cooper	2,000	*	2,000	-0-	-0-
Danna Lovelace & Jerry Lovelace	10,000	*	10,000	-0-	-0-
C.F. Pofahl	400	*	400	-0-	-0-
James R. Phillips, Jr.	1,000	*	1,000	-0-	-0-
Larry M. Mallory	1,000	*	1,000	-0-	-0-
David Langley	2,000	*	2,000	-0-	-0-
Jim Hogue	1,000	*	1,000	-0-	-0-
Scott & Joell Hamersley JTWROS.**(8)**	200,000	1.5%	200,000	-0-	-0-
John Kranz	2,000	*	2,000	-0-	-0-
James L. Rogers	1,000	*	1,000	-0-	-0-
Doyle Pennington	1,000	*	1,000	-0-	-0-
Elton R. Storment Trust**(9)**	100,000	*	100,000	-0-	-0-
Diane Pham	10,000	*	10,000	-0-	-0-
Thomas J. Neja	1,000	*	1,000	-0-	-0-
Thomas W. Maher	1,000	*	1,000	-0-	-0-
Stephen L. Fischer	100,000	*	100,000	-0-	-0-

* Less than 1%.

(1) Assumes that all securities offered are sold.

(2) The selling stockholder indicated to us that Jerome Albert Grisaffi, Trustee of the La Dolce Vita Trust, has voting and investment power over the shares it is offering for resale.

(3) The selling stockholder indicated to us that Jerry Monday, Trustee of the Jerry Monday Family Trust, has voting and investment power over the shares it is offering for resale.

(4) The selling stockholder indicated to us that Michael Thompson, Manager of Michael J. Thompson LLC, has voting and investment power over the shares it is offering for resale.

(5) The selling stockholder indicated to us that Carolyn Allen, Trustee of the Carolyn V. Allen Rev. Trust, has voting and investment power over the shares it is offering for resale.

(6) The selling stockholder indicated to us that Shawn Langley, Manager of Pinnacle Investment, LLC, has voting and investment power over the shares it is offering for resale.

(7) The selling stockholder indicated to us that Shawn Langley, President of Northside Capital Corp., has voting and investment power over the shares it is offering for resale.

(8) The selling stockholder identified itself to us as an affiliate of a broker-dealer. it has indicated to us that it purchased the shares in the ordinary course of business, and at the time of the purchase of the shares to be resold, had no agreements or understandings, directly or indirectly, with any person to distribute the shares.

(9) The selling stockholder indicated to us that Elton Storment, Trustee of the Elton R. Storment Trust, has voting and investment power over the shares it is offering for resale.

PLAN OF DISTRIBUTION

The selling stockholders may, from time to time, sell any or all of their shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. The selling stockholders will offer and sell the shares of our common stock at the price of $1.00 per share. If and when our common stock becomes quoted on the OTC Bulletin Board, the shares owned by the selling stockholders may be sold at prices and terms then prevailing or at prices related to the then-current market price, or in negotiated transactions. The selling stockholders may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- short sales;
- broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; and
- any other method permitted pursuant to applicable law.

The selling stockholders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

The selling stockholders may also engage in puts and calls and other transactions in our securities or derivatives of our securities and may sell or deliver shares in connection with these trades.

Broker-dealers engaged by the selling stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The selling stockholders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved. Any profits on the resale of shares of common stock by a broker-dealer acting as principal might be deemed to be underwriting discounts or commissions under the Securities Act. Discounts, concessions, commissions and similar selling expenses, if any, attributable to the sale of shares will be borne by a selling stockholder. The selling stockholders may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the shares if liabilities are imposed on that person under the Securities Act.

The selling stockholders may from time to time pledge or grant a security interest in some or all of the shares of common stock owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of common stock from time to time under this prospectus after we have filed a supplement to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act of 1933 amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus.

The selling stockholders also may transfer the shares of common stock in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus and may sell the shares of common stock from time to time under this prospectus after we have filed a supplement to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act of 1933 amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus.

The selling stockholders and any broker-dealers or agents that are involved in selling the shares of common stock may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares of common stock purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

We are required to pay all fees and expenses incident to the registration of the shares of common stock. We have agreed to indemnify the selling stockholders against certain claims, damages and liabilities, including liabilities under the Securities Act.

The selling stockholders have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their shares of common stock, nor is there an underwriter or coordinating broker acting in connection with a proposed sale of shares of common stock by any selling stockholder. If we are notified by any selling stockholder that any material arrangement has been entered into with a broker-dealer for the sale of shares of common stock, if required, we will file a supplement to this prospectus. If the selling stockholders use this prospectus for any sale of the shares of common stock, they will be subject to the prospectus delivery requirements of the Securities Act.

The anti-manipulation rules of Regulation M under the Securities Exchange Act of 1934 may apply to sales of our common stock and activities of the selling stockholders.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is not listed for trading on any stock exchange or stock market. Following the effectiveness of the registration statement, which this prospectus is part of, we will apply to list our common shares for quotation on the OTC Bulletin Board. There can be no assurance, however, that we will be able to list our shares on the OTC Bulletin Board or anywhere else.

Holders of Record

As of the date of this prospectus, there were 119 record holders of our common stock.

Dividends

We have not paid any cash dividends since our inception and do not contemplate paying dividends in the foreseeable future. It is anticipated that earnings, if any, will be retained for the operation of our business.

Equity Compensation Plan Information

We have adopted the West Texas Resources, Inc. 2011 Stock Incentive Plan providing for the grant of non-qualified stock options and incentive stock options to purchase shares of our common stock and for the grant of restricted and unrestricted share grants. We have reserved 3,000,000 shares of our common stock under the plan. All officers, directors, employees and consultants to our company are eligible to participate under the plan. The purpose of the plan is to provide eligible participants with an opportunity to acquire an ownership interest in our company.

The following table sets forth certain information as of September 30, 2011 about our stock plans under which our equity securities are authorized for issuance.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options	(b) Weighted-Average Exercise Price of Outstanding Options	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected In Column (a))
Equity compensation plans approved by security holders	400,00	$ 0.25	2,600,000
Equity compensation plans not approved by security holders	—	—	—
Total	400,000	$ 0.25	2,600,000

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

On December 9, 2010, we were formed under the laws of Nevada as a wholly-owned subsidiary of Russian Resources Energy, Inc., a Texas corporation ("Russian Resources"), and then spun off to the stockholders of Russian Resources on the same date. Pursuant to the spin-off, each stockholder of Russian Resource as of December 9, 2010 received one share of our common stock for each share of common stock of Russian Resources held by such stockholder. Russian Resources no longer has any ownership of our capital stock and has no affiliation or relationship with us, except that we and Russian Resources share, to a limited degree, common stockholders.

We were formed for the purpose of oil and gas exploration and development in North America. From inception to date, our activities have focused on the raising of capital and the investigation of oil and gas properties. As of the date of this prospectus, we have incurred no revenue from oil and gas exploration, however we have received revenue from our lease of a water trailer. In August 2011, we acquired a water trailer for use in hauling water to and from oil and gas drilling sites. Our purchase price was $35,759. In October 2011, we placed the trailer into service pursuant to a lease arrangement with an unaffiliated third party. The lease agreement requires the lessee to pay us $2,500 per month plus 10% of the revenue collected by the lessee from its use or sublease of the trailer. The lease agreement is for a term of two years. To date, we have received a total of $14,305 in revenue from our water trailer. Subject to the availability of additional capital in excess of our commitments and budgets for oil and gas exploration and development, we intend to acquire up to nine additional water trailers. However, we do not expect that water hauling services will be a major part of our operations and we intend to prioritize our available capital and other resources in favor of oil and gas exploration.

In September 2011, we acquired our initial property consisting of a 31.25% working interest in an exploratory oil and gas drilling prospect covering 120 acres in Eastland County, Texas. The operator of the Eastland County prospect is West Texas Royalties, Inc., of Plainview, Texas, an unaffiliated third party. The Eastland County prospect includes two exploratory wells, known as Rutherford #1 and C.M. Knott #1, that had been operating at a minimum level required to maintain the lease rights. In October 2011, the operator reentered the Rutherford #1 well and conducted drilling and casing activities, which were completed in November 2011. In January 2012, GasFrac, Inc., of Kilgore, Texas, conducted the fracture stimulation of the Rutherford #1 and the operator is presently evaluating the results.

Subject to our receipt of additional capital, we intend to pursue the acquisition of additional equity interests in oil and gas properties to be thereafter exploited by us in conjunction with other oil and gas producers. As of the date of this prospectus, we have no understandings or agreements in place concerning our acquisition of an interest in any other properties.

Plan of Operations

As more fully described below, and subject to our receipt of additional capital, our plan of operations over the next 12 months is to continue our participation in the Eastland County prospect and pursue the acquisition of additional oil and natural gas interests in North America.

As noted above, the operator of the Eastland County prospect, West Texas Royalties, is currently evaluating the results of the facture stimulation of the Rutherford #1 well. If the evaluation of the Rutherford #1 is positive, the operator intends to reenter the C.M. Knott #1 within two to three months and conduct drilling and casing in preparation for its facture stimulation. The operator expects to engage GasFrac, Inc. to conduct any fracture stimulation of the C.M. Knott #1. Based on positive results of the Rutherford #1 and C.M. Knott #1 fracture stimulations, the operator expects to drill two to four new wells on the prospect, with such drilling to commence within six to 12 months of the positive evaluation of the C.M. Knott #1. West Texas Royalties estimates that our share of the cost in reentering and fracture stimulating C.M. Knott #1 will be approximately $125,000 and that our share of the cost in drilling additional new wells will be approximately $220,000 per well.

At the present time, we have two employees, our chief executive officer and chief financial officer, Stephen Jones and John Kerr, respectively, neither of whom has any experience in the oil and gas exploration and development business other than as private investors. Subject to our receipt of significant additional capital, we intend to hire senior management and staff with experience in oil and gas exploration. Until such time, we intend to pursue an operating strategy that is based on our participation in exploration prospects as a non-operator. Based on that strategy, our plan of operations over the next 12 months is to pursue the acquisition of oil and natural gas interests in partnership with other companies with exploration, development and production expertise. We will also pursue alliances with partners in the areas of geological and geophysical services and prospect generation, evaluation and prospect leasing. Pursuant to this strategy, we intend to engage and rely on third party geologists and geophysicists, among others, to review the available data concerning each potential acquisition. In each case, we expect that the operator of the prospect will assemble the appropriate data and conduct the appropriate studies and that our consultants will conduct an independent review of the operator's data and studies for purposes of advising us of the merits of each potential acquisition.

The business of oil and gas acquisition, drilling and development is capital intensive and the level of operations attainable by an oil and gas company is directly linked to and limited by the amount of available capital. Therefore, a principal part of our plan of operations is to acquire the additional capital required to finance the acquisition of such properties and our share of the development costs. As explained under "Financial Condition" below, we will seek additional working capital through the sale of our securities and, subject to the successful deployment of our cash on hand, we will endeavor to obtain additional capital through bank lines of credit and project financing.

Financial Condition

As of September 30, 2011, we had total assets of $223,855 and working capital of $169,346. As noted above, we believe that we may need up to $1,000,000 of additional capital in order to fund our continued participation in the Eastland County prospect, assuming the operator decides to reenter and fracture stimulate the C.M. Knott #1 and drill four new wells. As of the date of this prospectus, we have sufficient capital to fund our foreseeable obligations on the Rutherford #1 well, however we do not have sufficient capital to fund our interest in the further exploration or development of the Eastland County prospect. If we are unable to fund our current 31.25% working interest in the further development of the Eastland County prospect, we will be forced to accept a reduced interest in any production resulting from the further development of the prospect.

Subject to the availability of additional capital in excess of our commitments and budgets for oil and gas exploration and development, we intend to acquire up to nine additional water trailers, at an expected cost of approximately $36,000 per trailer. However, we do not expect that water hauling services will be a major part of our operations and we intend to prioritize our available capital and other resources in favor of oil and gas exploration.

Our ability to fund our continued participation in the Eastland County prospect and otherwise achieve commercial success is dependent on our ability to obtain additional capital either through the additional sale of our equity or debt securities, bank lines of credit, project financing or cash generated from oil and gas operations. We will seek to obtain additional working capital through the sale of our securities and, subject to the successful deployment of our cash on hand, we will endeavor to obtain additional capital through bank lines of credit and project financing. However, we have no agreements or understandings with any third parties at this time for our receipt of additional working capital and we have no history of generating cash from oil and gas operations. We may not be able to obtain access to capital as and when needed and, if so, the terms of any available financing may not be subject to commercially reasonable terms.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet financing arrangements.

PROPOSED BUSINESS

General

We were formed for the purpose of oil and gas exploration and development in North America. We intend to pursue prospects in partnership with other companies with exploration, development and production expertise. In September 2011, we acquired our initial property consisting of a 31.25% working interest in an exploratory oil and gas drilling prospect covering 120 acres in Eastland County, Texas. The Eastland County prospect includes two exploratory wells that had been operating at a minimum level required to maintain the lease rights. Subject to our receipt of additional capital, we intend to pursue the acquisition of additional equity interests in oil and gas properties to be thereafter exploited by us in conjunction with other oil and gas producers. As of the date of this prospectus, we have no understandings or agreements in place concerning our acquisition of an interest in any other properties. As of the date of this prospectus, we have no revenues from our oil and gas operations.

We also intend to engage, to a limited degree, in oil field related water hauling. Water hauling is an essential element of oil and gas exploration and production. Certain drilling techniques, such as hydraulic fracturing, require water to be hauled to the drill site and government regulations require that water flowing from a drill site be transported to a licensed disposal site for remediation. In August 2011, we acquired a water trailer for use in hauling water to and from oil and gas drilling sites. Our purchase price was $35,759. In October 2011, we placed the trailer into service pursuant to a lease arrangement with an unaffiliated third party. The lease agreement requires the lessee to pay us $2,500 per month plus 10% of the revenue collected by the lessee from its use or sublease of the trailer. The lease agreement is for a term of two years. To date, we have received a total of $14,305 in revenue from our water trailer. Subject to the availability of additional capital in excess of our commitments and budgets for oil and gas exploration and development, we intend to acquire up to nine additional water trailers. However, we do not expect that water hauling services will be a major part of our operations and we intend to prioritize our available capital and other resources in favor of oil and gas exploration.

Our Strategy

Our objective is to become an independent energy company engaged in the acquisition, development and exploitation of oil and gas properties in North America in partnership with oil and gas producers. We will pursue strategic acquisitions of interests in oil and gas properties, including prospects with proven and unproven reserves, which we believe to have development potential. We intend to target both new and existing fields and producing wells to be revitalized.

At the present time, we have two employees, our chief executive officer and chief financial officer, Stephen Jones and John Kerr, respectively, neither of whom has any experience in the oil and gas exploration and development business other than as private investors. Subject to our receipt of significant additional capital, we intend to hire senior management and staff with experience in oil and gas exploration and development. Until such time, we intend to pursue an operating strategy that is based on our participation in exploration prospects as a non-operator. Based on that strategy, we intend to pursue the acquisition of oil and natural gas interests, in partnership with other companies with exploration, development and production expertise. We will also pursue alliances with partners in the areas of geological and geophysical services and prospect generation, evaluation and prospect leasing. Pursuant to this strategy, we intend to engage and rely on third party geologists and geophysicists, among others, to review the available data concerning each potential acquisition on our behalf. In each case, we expect that the operator of the prospect will assemble the appropriate data and conduct the appropriate studies and that our consultants will conduct an independent review of the operator's data and studies for purposes of advising us of the merits of each potential acquisition.

Oil and Gas Interests

In September 2011, we acquired our initial property consisting of a 31.25% working interest in an exploratory oil and gas drilling prospect covering 120 acres in Eastland County, Texas. The operator of the Eastland County prospect is West Texas Royalties, Inc., of Plainview, Texas, an unaffiliated third party. Prior to acquiring our interest in the Eastland County prospect, we engaged a private oil and gas geological consultant to review on our behalf the geological and geophysical data and analysis assembled by the operator. In addition, the operator obtained a title report on the Eastland County prospect and retained counsel to review title documents and leasehold agreements covering the real property and mineral rights.

The Eastland County prospect includes two exploratory wells, known as Rutherford #1 and C.M. Knott #1, that had been operating at a minimum level required to maintain the lease rights. In October 2011, the operator reentered the Rutherford #1 well and conducted drilling and casing activities, which were completed in November 2011. In January 2012, GasFrac, Inc., of Kilgore, Texas, conducted the fracture stimulation of the Rutherford #1 and the operator is presently evaluating the results. If the evaluation of the Rutherford #1 is positive, the operator intends to reenter the C.M. Knott #1 within two to three months and conduct drilling and casing in preparation for its facture stimulation. The operator expects to engage GasFrac, Inc. to conduct any fracture stimulation of the C.M. Knott #1 . Based on the results of the Rutherford #1 and C.M. Knott #1 fracture stimulations, the operator expects to drill two to four new wells on the prospect, with such drilling to commence within six to 12 months of the positive evaluation of the C.M. Knott #1. West Texas Royalties estimates that our share of the cost in reentering and fracture stimulating C.M. Knott #1 will be approximately $125,000 and that our share of the cost in drilling additional new wells will be approximately $220,000 per well. The lease held by the operator for the Eastland County prospect allows the operator the right to conduct oil and gas operations on the entire 120 acres for so along as the operator is engaged in continuous exploration, development or production on the leased acreage.

In connection with our participation in the Eastland County prospect, we entered into a joint operating agreement with the operator and the other working interest owners. The joint operating agreement includes standard and customary terms and conditions concerning the operation of the Eastland County prospect. Under the terms of the agreement, each working interest holder is required to participate in the exploration and development of the Rutherford #1 well at the level of its working interest, and thereafter each holder can elect to participate in any further development of the prospect. Any working interest holder electing not to participate in any further development of the prospect will not receive any proceeds from the sale of oil or gas from such further development until the participating working interest holders have received the return of their costs in the further development and a substantial premium. The joint operating agreement also declares an area of mutual interest consisting of 640 acres surrounding and inclusive of the 120 acres making up the Eastland County prospect.

In addition to our participation in any continued development of the Eastland County prospect, and subject to our receipt of additional capital, we intend to pursue the acquisition of additional equity interests in other oil and gas properties in North America. However, as of the date of this prospectus, we have no understandings or agreements in place concerning our acquisition of an interest in any other properties.

Reserves and Production

There are no reserve reports with respect to our initial prospect in Eastland County, Texas nor are there any producing wells on such property.

Acreage

The following tables summarize by geographic area our developed and undeveloped acreage as of September 30, 2011. The term of the undeveloped leasehold acreage ranges from three to five years.

	Developed1		Undeveloped2	
State	**Gross3**	**Net4**	**Gross3**	**Net4**
Texas	--	--	120	37.5
Total	--	--	120	37.5

Drilling and Other Exploratory Activities

We were incorporated in December 2010 and did not participate in any drilling, or other exploratory or development, activity during the fiscal year ended September 30, 2011. In October 2011, we participated in our first drilling operation, which took place at our initial prospect, located in Eastland County, Texas. The Eastland County prospect includes two wells, known as Rutherford #1 and C.M. Knott #1, that had been operating at a minimum level required to maintain the lease rights. In October 2011, the operator of the prospect, West Texas Royalties, Inc., reentered the Rutherford #1 well and conducted drilling and casing activities, which were completed in November 2011. In January 2012, GasFrac, Inc., of Kilgore, Texas, conducted the fracture stimulation of the Rutherford #1 and the operator is presently evaluating the results. Our activity on the Rutherford #1 represents our only participation in drilling, exploratory or development activity to date. As of the date of this prospectus, we have no wells in the process of drilling and we have no wells in the process of completion other than the Rutherford #1.

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1 Developed acreage is acreage spaced for or assignable to productive wells.
2 Undeveloped acreage is oil and gas acreage on which wells have not been drilled or completed to a point that would permit the production of economic quantities of oil or gas regardless of whether such acreage contains proved reserves.
3 A gross acre is an acre in which a working interest is owned. The number of gross acres is the total number of acres in which a working interest is owned.
4 A net acre is deemed to exist when the sum of fractional ownership working interests in gross acres equals one. The number of acres is the sum of the fractional working interests owned in acres expressed as whole numbers and fractions thereof.

Marketing and Pricing

We will derive revenue principally from the sale of oil and natural gas. As a result, our revenues are determined, to a large degree, by prevailing prices for crude oil and natural gas. Our operating partners will to sell our oil and natural gas on the open market at prevailing market prices. The market price for oil and natural gas is dictated by supply and demand, and we cannot accurately predict or control the price we may receive for our oil and natural gas.

Price decreases would adversely affect our revenues, profits and the value of our proved reserves. Historically, the prices received for oil and natural gas have fluctuated widely. Among the factors that can cause these fluctuations are:

- The domestic and foreign supply of natural gas and oil
- Overall economic conditions
- The level of consumer product demand
- Weather conditions
- The price and availability of competitive fuels such as heating oil and coal
- Political conditions in the Middle East and other natural gas and oil producing regions
- The level of oil and natural gas imports
- Domestic and foreign governmental regulations
- Potential price controls

We may enter into hedging arrangements to reduce our exposure to decreases in the prices of oil and natural gas. Hedging arrangements may expose us to risk of significant financial loss in some circumstances including circumstances where:

- There is a change in the expected differential between the underlying price in the hedging agreement and actual prices received
- Our production and/or sales of natural gas are less than expected
- Payments owed under derivative hedging contracts typically come due prior to receipt of the hedged month's production revenue
- The other party to the hedging contract defaults on its contract obligations

In addition, hedging arrangements limit the benefit we would receive from increases in the prices for oil and natural gas. We cannot assure you that any hedging transactions we may enter into will adequately protect us from declines in the prices of oil and natural gas. On the other hand, we may choose not to engage in hedging transactions in the future. As a result, we may be more adversely affected by changes in oil and natural gas prices than our competitors who engage in hedging transactions.

Competition

The oil and gas industry is highly competitive and inherent difficulties exist for any new company seeking to enter an established field. Our proposed business will encounter numerous companies more experienced, better financed, and operationally organized to conduct acquisitions, development and exploration activities in the oil and gas industry in North America. Additionally, a small "start-up" such as the Company, with insignificant resources, is at a serious disadvantage against established competitors, including major oil companies.

Government Regulations

The following is a summary of the more significant existing environmental, health and safety laws and regulations applicable to the oil and natural gas industry and for which compliance may have a material adverse impact on the development or success of our proposed oil and gas operations.

Federal Income Tax. Federal income tax laws will significantly affect our operations. The principal provisions that will affect us are those that permit us, subject to certain limitations, to deduct as incurred, rather than to capitalize and amortize, our share of the domestic "intangible drilling and development costs" and to claim depletion on a portion of our domestic oil and natural gas properties based on 15% of our oil and natural gas gross income from such properties (up to an aggregate of 1,000 Bbls per day of domestic crude oil and/or equivalent units of domestic natural gas).

Environmental Regulation. The exploration, development and production of oil and natural gas are subject to federal, state and local laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. These laws and regulations may, among other things, require permits to conduct drilling, water withdrawal and waste disposal operations; govern the amounts and types of substances that may be disposed or released into the environment; limit or prohibit construction or drilling activities in sensitive areas such as wetlands, wilderness areas or areas inhabited by endangered or threatened species; require investigatory and remedial actions to mitigate pollution conditions arising from oil and gas operations or attributable to former operations; and impose obligations to reclaim and abandon well sites and pits. Failure to comply with these laws and regulations may result in the assessment of sanctions, including monetary penalties, the imposition of remedial obligations and the issuance of orders enjoining operations in affected areas.

The clear trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment, and thus, any changes in environmental laws and regulations or re-interpretation of enforcement policies that result in more stringent and costly construction, drilling, water management, completion, waste handling, storage, transport, disposal, or remediation requirements or emission or discharge limits could have a material adverse effect on the development or success of our proposed oil and gas operations. Moreover, accidental releases or spills may occur in the course of our proposed oil and gas operations, and there can be no assurance that we will not incur significant costs and liabilities as a result of such releases or spills, including any third party claims for damage to property and natural resources or personal injury.

Hazardous Substances and Wastes. The Comprehensive Environmental Response, Compensation and Liability Act, as amended ("CERCLA"), also known as the Superfund law and comparable state laws impose joint and several liability, without regard to fault or legality of conduct, on certain classes of persons who are considered to be responsible for the release of a "hazardous substance" into the environment. These persons include current and prior owners or operators of the site where the release occurred and entities that disposed or arranged for the disposal of the hazardous substances found at the site. Under CERCLA, these "responsible persons" may be subject to strict joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain environmental and health studies. In addition, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances into the environment. CERCLA also authorizes the EPA and, in some instances, third parties to act in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. We may generate materials in the course of our proposed operations that may be regulated as hazardous substances.

We may also generate wastes that are subject to the requirements of the Resource Conservation and Recovery Act, as amended ("RCRA"), and comparable state statutes. RCRA imposes strict requirements on the generation, transportation, treatment, storage, disposal and cleanup of hazardous and non-hazardous wastes. Drilling fluids, produced waters and most of the other wastes associated with the exploration, production and development of crude oil and natural gas are currently exempt from regulation as hazardous wastes under RCRA. However, it is possible that certain oil and natural gas exploration and production wastes now classified as non-hazardous could be classified as hazardous wastes in the future. In September 2010, the Natural Resources Defense Council filed a petition with the EPA requesting them to reconsider the RCRA exemption for exploration, production, and development wastes. To date, the EPA has not taken any action on the petition. Any change in the RCRA exemption for such wastes could result in an increase in costs to manage and dispose of wastes, which could have a material adverse effect on the development or success of our proposed oil and gas operations.

Air Emissions. The Clean Air Act, as amended, and comparable state laws and regulations restrict the emission of air pollutants from many sources and also impose various monitoring and reporting requirements. These laws and regulations may require our operating partners to obtain pre-approval for the construction or modification of certain projects or facilities expected to produce or significantly increase air emissions, obtain and strictly comply with air permit requirements or utilize specific equipment or technologies to control emissions. Obtaining permits has the potential to delay the development of oil and natural gas projects.

Water Discharges. The Federal Water Pollution Control Act, as amended ("Clean Water Act"), and analogous state laws impose restrictions and strict controls regarding the discharge of pollutants into navigable waters. Pursuant to the Clean Water Act and analogous state laws, permits must be obtained to discharge produced waters and sand, drilling fluids, drill cuttings and other substances related to the oil and gas industry into onshore, coastal and offshore waters of the United States or state waters. Any such discharge of pollutants into regulated waters must be performed in accordance with the terms of the permit issued by EPA or the analogous state agency. Spill prevention, control and countermeasure requirements under federal law require appropriate containment berms and similar structures to help prevent the contamination of navigable waters in the event of a petroleum hydrocarbon tank spill, rupture or leak. In addition, the Clean Water Act and analogous state laws require individual permits or coverage under general permits for discharges of storm water runoff from certain types of facilities.

Climate Change. In December 2009, the EPA published its findings that emissions of carbon dioxide, methane and certain other GHGs present an endangerment to public health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the earth's atmosphere and other climatic changes. These findings allow the EPA to adopt and implement regulations that restrict emissions of GHGs under existing provisions of the federal Clean Air Act. Accordingly, the EPA has adopted regulations that require a reduction in emissions of GHGs from motor vehicles and also trigger permit review for GHG emissions from certain large stationary sources. The EPA's rules relating to emissions of GHGs from large stationary sources of emissions are currently subject to a number of legal challenges, but the federal courts have thus far declined to issue any injunctions to prevent the EPA from implementing, or requiring state environmental agencies to implement, the rules. In addition, Congress has actively considered legislation to reduce emissions of GHGs and almost one-half of the states have begun taking actions to control and/or reduce emissions of GHGs, primarily through the planned development of GHG emission inventories and/or regional GHG cap and trade programs. The adoption and implementation of any regulations imposing reporting obligations on, or limiting emissions of GHG gases from, our equipment and operations could require our operators to incur costs to reduce emissions of GHGs associated with our proposed operations or could adversely affect demand for the oil and natural gas we produce.

Endangered Species. The federal Endangered Species Act ("ESA") restricts activities that may affect endangered or threatened species or their habitats. The designation of previously unidentified species as endangered or threatened on properties where we operate could subject us to additional costs or cause our oil and gas activities to be subject to operating restrictions or bans.

Employee Health and Safety. Our proposed operations are subject to a number of federal and state laws and regulations, including the federal Occupational Safety and Health Act, as amended ("OSHA"), and comparable state statutes, whose purpose is to protect the health and safety of workers. In addition, the OSHA hazard communication standard, the EPA community right-to-know regulations under Title III of the federal Superfund Amendment and Reauthorization Act and comparable state statutes require that information be maintained concerning hazardous materials used or produced in oil and gas operations and that this information be provided to employees, state and local government authorities and citizens.

State Regulation. Texas regulates the drilling for, and the production and gathering of, oil, natural gas and natural gas liquids, including requirements relating to drilling permits, the location, spacing and density of wells, unitization and pooling of interests, the method of drilling, casing and equipping of wells, the protection of fresh water sources, the orderly development of common sources of supply of oil, natural gas and natural gas liquids, the operation of wells, allowable rates of production, the use of fresh water in oil, natural gas and natural gas liquids operations, saltwater injection and disposal operations, the plugging and abandonment of wells and the restoration of surface properties, the prevention of waste of oil, natural gas and natural gas liquids resources, the protection of the correlative rights of oil, natural gas and natural gas liquids owners and, where necessary to avoid unfair, unjust or discriminatory service, the fees, terms and conditions for the gathering of natural gas. The effect of these regulations may be to limit the number of wells that our operating partners may drill, impact the locations at which our operating partners may drill wells, restrict the amounts of oil and natural gas that may be produced from wells drilled by our operating partners and increase the costs of operations.

Hydraulic Fracturing. We expect to participate in exploration and drilling projects that seek to recover oil and natural gas through the use of hydraulic fracturing. Hydraulic fracturing, which involves the injection of water, sand and chemicals under pressure into formations to fracture the surrounding rock and stimulate production, is typically regulated by state oil and gas commissions. However, the EPA recently asserted federal regulatory authority over certain hydraulic fracturing practices. At the same time, the EPA has commenced a study of the potential environmental impacts of hydraulic fracturing activities, with initial results of the study anticipated to be available by late 2012 and final results by 2014. Also for the second consecutive session, legislation has been introduced in Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process. In addition, some states have adopted, and other states are considering adopting, regulations that could restrict hydraulic fracturing in certain circumstances. For instance, in June 2011, Texas adopted a law that requires disclosure to the Railroad Commission of Texas of the additives and other chemicals contained in hydraulic fracturing fluids used in the state, subject to certain trade secret protections. If new laws or regulations that significantly restrict hydraulic fracturing are adopted at the Texas state level, such legal requirements could make it more difficult or costly for our operating partners to perform fracturing to stimulate production in the play and thereby affect the determination of whether a well is commercially viable. In addition, if hydraulic fracturing is regulated at the federal level, fracturing activities could become subject to additional permit requirements or operational restrictions and also to associated permitting delays and potential increases in costs. Restrictions on hydraulic fracturing could also reduce the amount of oil or natural gas and natural gas liquids that our operating partners are ultimately able to produce in commercial quantities from our oil and gas properties.

Employees

As of the date of this prospectus, we have two employees, our chief executive officer and chief financial officer. For the foreseeable future, we intend to use the services of independent consultants and contractors to perform various professional services related to our oil and gas operations. Subject to our receipt of significant additional capital, we intend to hire senior management and staff with experience in oil and gas exploration and development. Until such time, we intend to rely on third party consultants to advise and assist us on our oil and gas operations.

Offices and Facilities

Our executive offices are located in 5729 Lebanon Road., Suite 144, Frisco, Texas 75034.

Litigation

There are no pending legal proceedings to which we or our properties are subject.

MANAGEMENT

Set forth below are our directors and officers.

Name	Age	Position
Stephen E. Jones	41	Chairman of the Board, President and Chief Executive Officer
John D. Kerr	45	Chief Financial Officer and Director

Mr. Jones has served as our chairman of the board and president and chief executive officer since our founding on December 9, 2010. From February 2010 to December 2010, Mr. Jones also served as president and chief executive officer of Russian Resources Energy, Inc. Mr. Jones has served as vice president of mergers and acquisitions for Newport Capital Consultants, Inc., a Bartonville, Texas based financial and management and consulting firm, since 2004. Mr. Jones holds a BSB degree in marketing from Oklahoma City University.

Mr. Kerr has served as our chief financial officer and a member of our board of directors since our founding on December 9, 2010. For over the past five years, Mr. Kerr has served as a vice president of Newport Capital Consultants, Inc.

Mr. Jones and Mr. Kerr are each the son-in-law of Gary Bryant, our majority stockholder. Mr. Bryant is the chief executive officer and owner of Newport Capital Consultants, Inc. Newport Capital Consultants, Inc. is an affiliate of our company.

Mr. Jones and Mr. Kerr have each committed to provide their full time to our company, however from our inception to date, and until such time as we receive significant additional capital, their duties to our company will not require their full business time. Until such time as they are required to provide their full time to our company, they will continue to provide services on a limited basis to Newport Capital Consultants, provided that their provision of services to Newport Capital Consultants does not interfere with or otherwise impair their provision of services to our company.

Executive Compensation

The following table sets forth the compensation paid by us to our chief executive officer and to all other executive officers for services rendered during the fiscal year ended September 30, 2011.

Name and Position (a)	Year (b)	Salary (c)	Bonus (d)	Stock Awards (e)	Option Awards (f)	All Other Compensation (g)	Total (h)
Stephen E. Jones, President and CEO	2011	--	--	--	--	--	--
John D. Kerr, CFO	2011	--	--	--	$32,701	--	$32,701

The dollar amounts in columns (f) reflect the value of options as of the grant date for the fiscal year ended September 30, 2011 in accordance with ASC 718, *Compensation-Stock Compensation*. Assumptions used in the calculation of these amounts are included in footnote (5) to our audited financial statements for the fiscal year ended September 30, 2011.

Prior to December 31, 2011, none of our executive officers received any compensation for their services to the company, other than our award of an option to purchase 200,000 shares of our common stock to our chief financial officer, John Kerr. Commencing January 1, 2012, each of our executive officers receives a salary of $3,000 per month. Our executive officers are not entitled to receive any other compensatory benefits or consideration, such as medical or life insurance, car allowances or the like. At such time as our executive officers provide their full business time to our company on a continuous basis, we expect to adjust upward the compensation and benefits payable to our executive officers appropriately.

Compensation of Directors

We have not paid any directors' fees or other compensation to our directors for their services as directors. All of our directors receive reimbursement for out-of-pocket expenses for attending board of directors meetings. We intend to appoint additional members to the board of directors, including outside or non-officer members to the board. There are no understandings or arrangements at this time concerning the appointment of additional directors to our board, and we do not expect to be able to attract directors with significant oil and gas experience until such time as we raise significant additional capital. Any future outside directors may receive an attendance fee for each meeting of the board of directors. From time to time we may also engage certain future outside members of the board of directors to perform services on our behalf and we will compensate such persons for the services which they perform.

Outstanding Equity Awards at September 30, 2011

	Option Awards				
Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)	Option Exercise Price (e)	Option Expiration Date (mm/dd/yyyy) (f)
John D. Kerr	200,000	--	200,000	$0.25	09/15/2016

Related Party Transactions, Promoters and Director Independence

In addition to our executive officers and directors, Mr. Gary Bryant may be deemed to be a promoter of our company. Mr. Bryant and his wife, Suzanne Bryant, each purchased 100,000 shares of our common stock, at a purchase price of $0.25 per share, in connection with our 2011 private placement of common shares. Except for those stock purchases by Mr. and Mrs. Bryant, and compensation paid or payable by us to our executive officers and reported elsewhere in this prospectus, we have not entered into, nor do we expect to enter into, any transactions of any value with any of our directors, officers, five percent stockholders, promoters or any of their family members or affiliates, including entities of which they are also officers or directors or in which they have a financial interest. We have, however, adopted a policy that any transactions that we might enter into with related parties or promoters will only be on terms consistent with industry standards and approved by a majority of the disinterested directors of our board.

We do not have directors at this time that are independent as such term is defined by the listing rules of the New York or American Stock Exchanges or the Nasdaq Stock Market.

Limitation of Liability of Directors and Indemnification of Directors and Officers

Nevada corporate law provides that corporations may include a provision in their certificate of formation relieving directors of monetary liability for breach of their fiduciary duty as directors, provided that such provision shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith and which involve a breach of the director’s duty to the corporation or intentional misconduct or a knowing violation of law, (iii) for unlawful payment of a dividend or unlawful stock purchase or redemption, or (iv) for any transaction from which the director derived an improper personal benefit. Our articles of incorporation provides that directors are not liable to us or our stockholders for monetary damages for breach of their fiduciary duty as directors to the fullest extent permitted by Nevada law. In addition to the foregoing, our bylaws provide that we may indemnify directors, officers, employees or agents to the fullest extent permitted by law and we have agreed to provide such indemnification to each of our directors.

The above provisions in our certificate of formation and bylaws and in the written indemnity agreements may have the effect of reducing the likelihood of derivative litigation against directors and may discourage or deter stockholders or management from bringing a lawsuit against directors for breach of their fiduciary duty, even though such an action, if successful, might otherwise have benefited us and our stockholders. However, we believe that the foregoing provisions are necessary to attract and retain qualified persons as directors.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of our common stock as of the date of this prospectus by:

- each person who is known by us to be the beneficial owner of more than five percent (5%) of our issued and outstanding shares of common stock;
- each of our directors, executive officers and nominees to become directors; and
- all directors and executive officers as a group.

Name and Address	Number of Shares	Percentage Owned
Stephen E. Jones	300,000	2.3%
John D. Kerr	300,000	2.3%
Gary Bryant	8,577,000	65.4%
Danilo Cacciamatta	1,100,000	8.4%
Suzanne Bryant	8,577,000	65.4%
Directors and executive officers as a group (2)	600,000	4.6%

In reviewing the above table, please keep in mind:

- The percentage amounts for each reported party are based on 13,106,500 common shares issued and outstanding as of the date of this prospectus.
- The address for the officers and directors is 5729 Lebanon Road, Suite 144, Frisco, Texas 75034.
- Gary and Suzanne Bryant are married, The reported share amounts for Gary and Suzanne Bryant include 7,477,000 shares owned by Gary Bryant and 1,100,000 shares owned by Suzanne Bryant. Gary and Suzanne Bryant disclaim any interest in the shares held by the other. The address for the Gary and Suzanne Bryant is 980 Noble Champions Way, Bartonville, Texas 76226.
- The address for the Danilo Cacciamatta is 1360 Temple Hills Dr., Laguna Beach, CA 92651.
- The shares for John D. Kerr include 200,000 shares underlying a presently exercisable option.

DESCRIPTION OF SECURITIES

Common Stock

We are authorized to issue 200,000,000 shares of common stock, of which, as of the date of this prospectus, 13,106,500 shares were issued and outstanding and held by 119 record holders. As of the date of this prospectus, there are no outstanding options, warrants or other securities which upon exercise or conversion entitle their holder to acquire shares of common stock, except as set forth below.

Holders of shares of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders generally. The approval of proposals submitted to stockholders at a meeting other than for the election of directors requires the favorable vote of a majority of the shares voting, except in the case of certain fundamental matters (such as certain amendments to the certificate of incorporation, and certain mergers and reorganizations), in which cases Nevada law and our bylaws require the favorable vote of at least a majority of all outstanding shares. Stockholders are entitled to receive such dividends as may be declared from time to time by the board of directors out of funds legally available therefor, and in the event of liquidation, dissolution or winding up, to share ratably in all assets remaining after payment of liabilities. The holders of shares of common stock have no preemptive, conversion, subscription or cumulative voting rights.

Preferred Stock

We are authorized to issue 10,000,000 shares of preferred stock. Our board of directors is authorized to issue from time to time, without shareholder authorization, in one or more designated series or classes, any or all of the authorized but unissued shares of preferred stock with such dividend, redemption, conversion and exchange provisions as may be provided in the particular series. Any series of preferred stock may possess voting, dividend, liquidation and redemption rights superior to that of the common stock. The rights of the holders of common stock will be subject to and may be adversely affected by the rights of the holders of any preferred stock that may be issued in the future. Issuance of a new series of preferred stock, while providing desirable flexibility in connection with possible acquisition and other corporate purposes, could make it more difficult for a third party to acquire, or discourage a third party from acquiring, a majority of the outstanding voting stock of our company.

As of the date of this prospectus, no class or series of preferred stock has been designated and no shares of preferred stock are issued.

Stock Incentive Plan.

We have adopted the West Texas Resources, Inc. 2011 Stock Incentive Plan providing for the grant of non-qualified stock options and incentive stock options to purchase shares of our common stock and for the grant of restricted and unrestricted share grants. We have reserved 3,000,000 shares of our common stock under the plan. All officers, directors, employees and consultants to our company are eligible to participate under the plan. The purpose of the plan is to provide eligible participants with an opportunity to acquire an ownership interest in our company. As of the date of this prospectus, we have granted under the plan options to purchase 400,000 shares of our common stock at an exercise price of $0.25 per share. As of the date of this prospectus, no other options or shares have been granted under the plan.

Dividends

We do not anticipate the payment of cash dividends on our common stock in the foreseeable future.

Transfer Agent

The transfer agent for our common stock is Nevada Agency and Transfer Company, 50 West Liberty Street Suite 880, Reno, Nevada.

LEGAL MATTERS

Certain legal matters with respect to the shares of common stock offered hereby will be passed upon for us by Greenberg Traurig, LLP, Irvine, California.

EXPERTS

Farber Hass Hurley, LLP has audited, as set forth in their report appearing elsewhere in this prospectus, our financial statements as of September 30, 2011 and for the fiscal years then ended. We have included our financial statements in the prospectus in reliance on Farber Hass Hurley, LLP's report, given on their authority as experts in accounting and auditing.

AVAILABLE INFORMATION

Upon the effectiveness of our registration statement on Form S-1, of which this prospectus is made part, we will be subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, will file reports, proxy statements and other information with the SEC. Our reports, proxy statements and other information filed pursuant to the Securities Exchange Act of 1934 may be inspected and copied, at prescribed rates, at the Public Reference Room maintained by the SEC at 100 F. Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the SEC's Web site is http://www.sec.gov.

We have filed with the SEC a registration statement on Form S-1 under the Securities Act of 1933 with respect to the common stock offered hereby. As permitted by the rules and regulations of the SEC, this prospectus, which is part of the registration statement, omits certain information, exhibits, schedules and undertakings set forth in the registration statement. Copies of the registration statement and the exhibits are on file with the SEC and may be obtained from the SEC's Web site or upon payment of the fee prescribed by the SEC, or may be examined, without charge, at the offices of the SEC set forth above. For further information, reference is made to the registration statement and its exhibits.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of West Texas Resources, Inc.

We have audited the accompanying balance sheet of West Texas Resources, Inc. (a development stage enterprise) as of September 30, 2011, and the related statement of income, stockholders' equity, and cash flows for the period beginning December 9, 2010 (date of inception) through September 30, 2011. West Texas Resources, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Texas Resources, Inc. as of September 30, 2011, and the results of its operations and its cash flows the period beginning December 9, 2010 (date of inception) through September 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

Farber Hass Hurley LLP

Granada Hills, California
November 21, 2011

West Texas Resources, Inc.
(A Development Stage Company)
Balance Sheet
As of September 30, 2011

ASSETS	
Current Assets	
Cash	$ 169,346
	169,346
Oil and Gas Properties, using successful effort accounting	18,750
Equipment - Water Truck	35,759
TOTAL ASSETS	$ 223,855
LIABILITIES AND SHAREHOLDERS' EQUITY	
Liabilities	$ -
Shareholders' Equity	
Preferred Stock, $0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding	-
Common stock, $0.001 par value; 200,000,000 shares authorized; 13,106,500 shares issued and outstanding	13,107
Additional paid-in capital	292,795
Accumulated deficit	(82,047)
Total Shareholders' equity	223,855
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 223,855

See accompanying notes to these financial statements.

West Texas Resources, Inc.
(A Development Stage Company)
STATEMENTS OF OPERATIONS

	For the Period Ended September 30, 2011	Cumulative from Inception (December 9, 2010) to September 30, 2011
General and administrative expenses	$ 82,047	$ 82,047
Operating Loss	(82,047)	(82,047)
Other income - interest	-	-
Loss Before Income Taxes	(82,047)	(82,047)
Income taxes	-	-
Net Loss	$ (82,047)	$ (82,047)
Loss per share		
Basic and diluted weighted average number of common shares outstanding	12,346,770	
Basic and diluted net loss per share	$ (0.01)	

See accompanying notes to these financial statements.

West Texas Resources, Inc.
(A Development Stage Company)
STATEMENTS OF SHAREHOLDERS' EQUITY

From Inception (December 9, 2010) to September 30, 2011

	Common Stock		Option	Additional Paid-in Capital	Earnings (Loss) Accumulated During the Development Stage	Total Shareholders' Equity
	Number of Shares	Amount	Number of Options			
Initial capitalization	12,144,500	$ 12,145	-	$ (12,145)	$ -	$ -
Issuance of common stock for cash	962,000	962	-	239,538		240,500
Issuance of options for services			400,000	65,402		65,402
Net loss					(82,047)	(82,047)
Balance, September 30, 2011	13,106,500	$ 13,107	400,000	$ 292,795	$ (82,047)	$ 223,855

See accompanying notes to these financial statements.

West Texas Resources, Inc.
(A Development Stage Company)
STATEMENTS OF CASH FLOWS

	For the Period Ended September 30, 2011	Cumulative from Inception (December 9, 2010) to September 30, 2011
Cash flows from operating activities		
Net loss	$ (82,047)	$ (82,047)
Adjustments to reconcile net loss to net cash from operating activities:		
Stock-based compensation	65,402	65,402
Changes in operating assets and liabilities	-	-
Net cash from operating activities	(16,645)	(16,645)
Cash flows from investing activities		
Investment - West Texas Royalties	(18,750)	(18,750)
Purchase of Water Truck	(35,759)	(35,759)
Net cash used in investing activities	(54,509)	(54,509)
Cash flows from financing activities		
Proceeds from sale of common stock	240,500	240,500
Net cash from financing activities	240,500	240,500
Net increase (decrease) in cash	169,346	169,346
Cash, beginning of period	-	-
Cash, end of period	$ 169,346	$ 169,346

See accompanying notes to these financial statements.

West Texas Resources, Inc.
(A Development Stage Company)
Balance Sheet
As of September 30, 2011

1. Organization and Summary of Significant Accounting Policies

Organization and business

Texas Resources Energy, Inc. ("TREI") was incorporated under the laws of Nevada on December 9, 2010, as a wholly-owned subsidiary of Russian Resources Energy, Inc., a Texas corporation ("RREI"), and then spun off to the shareholders of RRIE on the same date. On March 31, 2011, TREI changed its name to West Texas Resources, Inc. (the "Company"). The Company intends to engage in the acquisition, exploration and development of oil and gas properties in North America. From its inception, the Company has devoted its activities to developing a business plan, raising capital and acquiring operating assets.

The Company is in the development stage, it has not generated any revenues from operations, it has no assurance of any future revenues or its ability to obtain additional capital to fund future acquisitions, or, if such funds might be available, that they will be obtainable on terms satisfactory to the Company.

Oil and gas properties

The Company uses the successful efforts method of accounting for oil and gas producing activities. Costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells that find proved reserves, to drill and equip development wells and related asset retirement costs are capitalized. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed.

Unproved oil and gas properties that are individually significant are periodically assessed for impairment of value, and a loss is recognized at the time of impairment by providing an impairment allowance. Other unproved properties are amortized based on the Company's experience of successful drilling and average holding period. Capitalized costs of producing oil and gas properties, after considering estimated residual salvage values, are depreciated and depleted by the unit-of-production method.

On the sale or retirement of a complete unit of a proved property, the cost and related accumulated depreciation, depletion, and amortization are eliminated from the property accounts, and the resultant gain or loss is recognized. On the retirement or sale of a partial unit of proved property, the cost is charged to accumulated depreciation, depletion, and amortization with a resulting gain or loss recognized in income. On the sale of an entire interest in an unproved property for cash or cash equivalent, gain or loss on the sale is recognized, taking into consideration the amount of any recorded impairment if the property had been assessed individually. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained.

Impairment of long-lived assets

The Company accounts for the impairment and disposition of long-lived assets in accordance with ASC 360-10-35,*Impairment or Disposal of Long-Lived Assets*. In accordance with ASC 360-10-35, long-lived assets are reviewed for events of changes in circumstances, which indicate that their carrying value may not be recoverable. The Company believes there has been no impairment of the value of such assets at September 30, 2011.

Asset retirement obligations

ASC 410-20, *Asset Retirement Obligations*, clarifies that a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. ASC 410-20 requires a liability to be recognized for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated.

Cash, cash equivalents, and other cash flow statement supplemental information

The Company considers all liquid investments with an original maturity of three months or less that are readily convertible into cash to be cash equivalents. The Company places its cash equivalents with high credit quality financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At September 30, 2011, the Company did not have cash balances in excess of the FDIC insurance limit. The Company performs ongoing evaluations of these institutions to limit its concentration of risk exposure. Management believes this risk is not significant due to the financial strength of the financial institutions utilized by the Company.

1. Organization and Summary of Significant Accounting Policies (continued)

Furniture, fixtures and equipment

Furniture, fixtures and equipment are carried at cost depreciated using the straight-line method over their estimated useful lives. Gain or loss on retirement or sale or other disposition of these assets is included in income in the period of disposition.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes

The Company reports certain expenses differently for financial and tax reporting purposes and, accordingly, provides for the related deferred taxes. Income taxes are accounted for under the liability method in accordance with ASC 740, *Income Taxes*.

Basic and diluted net income (loss) per share

Basic net income (loss) per share is based upon the weighted average number of common shares outstanding. Diluted net income (loss) per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period. For the year ended September 30, 2011, all common stock equivalents were anti-dilutive.

Stock –based payments

Compensation costs for all share-based awards are measured based on the grant date fair value and are recognized over the vesting period. The Company has no awards with market or performance conditions. Excess tax benefits will be recognized as an addition to additional paid-in-capital.

Fair value of financial instruments

The accounting standards regarding fair value of financial instruments and related fair value measurements defines financial instruments and requires disclosure of the fair value of financial instruments held by the Company. The Company considers the carrying amount of cash and other current assets and liabilities to approximate their fair values because of the short period of time between the origination of such instruments and their expected realization.

The Company has also adopted ASC 820-10 (formerly SFAS 157, “Fair Value Measurements”) which defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements for fair value measures. The three levels are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.

1. Organization and Summary of Significant Accounting Policies (continued)

Fair value of financial instruments (continued)

- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value.

As of September 30, 2011, the Company did not identify any assets or liabilities that are required to be presented on the balance sheet at fair value in accordance with ASC 820-10.

Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. The new guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and International Financial Reporting Standards. While many of the amendments to U.S. GAAP are not expected to have a significant effect on practice, the new guidance changes some fair value measurement principles and disclosure requirements. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. The Company does not expect the adoption of the standard update to have a significant impact on its financial position or results of operations.

In June 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income, which amends current comprehensive income guidance. This accounting update eliminates the option to present the components of other comprehensive income (loss) as part of the statement of shareholders' equity. Instead, the Company must report comprehensive income (loss) in either a single continuous statement of comprehensive income (loss) which contains two sections, net income (loss) and other comprehensive income (loss), or in two separate but consecutive statements. This guidance will be effective for the Company beginning in fiscal 2013. The Company does not expect the adoption of the standard update to impact its financial position or results of operations.

2. Risks and Uncertainties

The Company is a start up company subject to the substantial business risks and uncertainties inherent to such an entity, including the potential risk of business failure.

3. Equipment

In August 2011, the Company purchased a water truck for $35,759 cash. The Company intends to lease out the truck, which has a useful life of five years. For the period ended September 30, 2011, the Company did not record any depreciation expense because the truck had not been placed in service.

4. Oil and Gas Properties

West Texas Royalties

In September 2011, the Company acquired a 31.25% working interest in an exploratory oil and gas drilling prospect covering 120 acres in Eastland County, Texas, for $18,750 cash.

5. Shareholders' Equity

The Company is authorized to issue 200,000,000 shares of common stock, par value of $0.001, and 10,000,000 shares of preferred stock, par value of $0.001.

Commencing on January 24, 2011, the Company began the sale of up to 2,000,000 shares of its common stock at $.25 per share in a private placement. During fiscal 2011, the Company sold 962,000 shares for gross proceeds of $240,500. No selling commissions were incurred with respect to these sales of stock.

As of September 30, 2011, the Company had 13,106,500 shares of common stock issued and outstanding and had not issued any of its preferred stock.

On September 15, 2011, the Company adopted the West Texas Resources, Inc. 2011 Stock Incentive Plan (the "Plan") providing for the grant of non-qualified stock options and incentive stock options to purchase its common stock and for grant of restricted and unrestricted grants. The Company has reserved 3,000,000 shares of its common stock under the Plan. All officers, directors, employees and consultants to the Company are eligible to participate under the Plan. The purpose of the Plan is to provide eligible participants with an opportunity to acquire an ownership interest in the Company.

The Company issued options to certain consultants to purchase 400,000 shares of the Company's common stock. The options vest immediately and expire on September 15, 2016. The fair value of each share-based award was estimated using the Black-Scholes option pricing model or a lattice model. The fair value of these options, determined to be $65,402, was included in general and administrative expenses in the accompanying statement of operations.

The following assumptions were used in the fair value method calculation:

- Volatility: 83%
- Risk free rate of return: 1%
- Expected term: 5 years

The following information applies to all options outstanding at September 30, 2011:

- Weighted average exercise price: $0.25
- Options outstanding and exercisable: 400,000
- Average remaining life: 5 years

6. Subsequent Events

Events subsequent to September 30, 2011 have been evaluated through the date these financial statements were issued to determine whether they should be disclosed to keep the financial statements from being misleading. Management found no other subsequent events that should be disclosed.

In October 2011, the operator of the Company's Eastland County prospect began drilling and fracturing operations at the initial well. As of November 9, 2011, the drilling and casing is substantially complete and fracturing is expected to begin during the week of November 14, 2011. No revenue has yet to be derived from the wells the Company has an interest in.

In October 2011, the Company's water truck was placed in service pursuant to a lease arrangement with an unaffiliated third party. The lease requires the lessee to pay the Company $2,500 per month plus 10% of the revenue collected by the lessee from its use or sublease of the truck. The lease is for a term of two years and the lessee has the option to purchase the truck at the end of the lease term for 75% of the Company's purchase price.

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762,000 Shares

WEST TEXAS RESOURCES, INC.

Common Stock

Until [90 days after the effective date], 2012, all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a prospectus. This is in addition to the obligation of a dealer to deliver a prospectus when acting as an underwriter and with respect to their unsold allotments.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth estimated expenses we expect to incur in connection with the resale of the shares being registered. All such expenses are estimated except for the SEC registration fee.

SEC registration fee	$	87.33
Printing expenses	$	5,000
Fees and expenses of counsel for the Company	$	25,000
Fees and expenses of accountants for Company	$	15,000
Miscellaneous	$	5,000
Total	$	50,087.33

Item 14. Indemnification of Directors and Officers.

(a) Articles of Incorporation. Our Articles of Incorporation provide that to the fullest extent permitted by the Nevada General Corporation Law as the same exists or may hereafter be amended, a director of our corporation shall not be liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

(b) Bylaws. Our Bylaws provide that we may indemnify our directors, officers, employees and other agents to the fullest extent permitted under the Nevada General Corporation Law. We have obtained liability insurance for our officers and directors.

(c) Agreement. We have entered into separate indemnification agreements with each of our directors and officers. These agreements require us, among other things, to indemnify such persons against certain liabilities that may arise by reason of their status or service as directors or officers (other than liabilities arising from actions not taken in good faith or in a manner the indemnitee believed to be opposed to the best interests of our corporation), to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified.

Item 15. Recent Sales of Unregistered Securities.

West Texas Resources, Inc. (“West Texas”, “us” or “we”) was formed on December 9, 2010 as the wholly-owned subsidiary of Russian Resources, Inc., a Texas corporation (“Russian Resources”). Immediately upon the formation of West Texas, Russian Resources conducted a spin-off of West Texas to the stockholders of Russian Resources by way of stock dividend. Pursuant to that stock dividend, West Texas issued a total of 14,839,500 shares (“Parent Shares”) of its common stock to Russian Resources (of which 2,695,000 shares were subsequently cancelled), and then the board of directors of Russian Resources approved the distribution of the Parent Shares to the Russian Resources stockholders of record as of December 9, 2010.

The Parent Shares were issued by West Texas to Russian Resources pursuant to the exemption from registration set forth at Section 4(2) of the Securities Act of 1933 (“Securities Act”). The distribution of the Parent Shares by Russian Resources to the stockholders of Russian Resources was exempt from the registration requirements of Section 5 of the Securities Act by way of the exemption offered by Section 4(1) of the Securities Act. The Parent Shares distributed by Russian Resources to its stockholders have the status of “restricted securities” as such terms is defined by Rule 144 under the Securities Act.

From December 2010 to September 10, 2011, we conducted the private placement sale of 962,000 shares of our common stock to 57 investors at the offering price of $0.25 per share. The issuances were exempt under Section 4(2) of the Securities Act and Rule 506 there under. All of the investors were accredited investors, as such term is defined in Rule 510 under the Securities Act. The offering was conducted by management of the Company. No sales commissions or finders fees were paid by us or anyone else.

Item 16. Exhibits and Financial Statement Schedules.

3.1 Articles of Incorporation of the Registrant*

3.2 Amendment to Articles of Incorporation of the Registrant*

3.3 Bylaws of the Registrant*

5.1 Opinion of Greenberg Traurig, LLP*

10.1 West Texas Resources, Inc. 2011 Stock Incentive Plan*

10.2 Lease Agreement dated August 22, 2011 between Registrant and Bay Energy Services, Inc.*

10.3 Form of Registration Rights Agreement dated January 24, 2011 between Registrant and Selling Stockholders*

10.4 Assignment dated September 30, 2011 between Registrant and West Texas Royalties, Inc.

10.5 Joint Operating Agreement between Registrant and West Texas Royalties, Inc.

21.1 List of Subsidiaries*

23.1 Consent of Greenberg Traurig, LLP, filed as part of Exhibit 5.1*

23.2 Consent of Farber Hass Hurley, LLP

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*Previously filed.

Item 17. Undertakings.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) For determining any liability under the Securities Act, treat each post-effective amendment that contains a form of prospectus as a new registration statement for the securities offered in the registration statement, and that offering of the securities at that time as the initial bona fide offering of those securities.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described herein, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) That, for the purpose of determining liability under the Securities Act to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment No. 1 to Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in Frisco, Texas on January 23, 2012.

WEST TEXAS RESOURCES, INC.

By: /s/ Stephen E. Jones
Stephen E. Jones, Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Stephen E. Jones Stephen E. Jones	Chief Executive Officer and Director	January 23, 2012
/s/ John D. Kerr John D. Kerr	Chief Financial Officer and Director (Principal Accounting Officer)	January 23, 2012

Assignment of Working Interest

State of Texas §
§ ***Know All Men By These Presents***
County of Eastland §

That WEST TEXAS ROYALTIES, INC. (hereinafter referred to as *"Assignor"),* whose address is P.O. Box 968, Hale Center, Hale County, Texas 79041, in consideration of the sum of TEN and NO/100 Dollars ($10.00) and other valuable consideration paid by WEST TEXAS RESOURCES, INC., (hereinafter referred to as *"Assignee"),* whose address is 5729 Lebanon Road, Suite 144 PMB 345, Frisco, Denton County, Texas 75034, the receipt of which is hereby acknowledged has granted bargained, sold and conveyed and does by these presents grant, bargain, sell and convey, without warranty of title either express or implied, unto Assignee, its successors and assigns, an undivided 31.25% working interest in and to all of its right, title and interest acquired by that certain Assignment and Bill of Sale dated July 7, 2011, from David Burke Robinson and Irvine E. Robinson, Individually and dba Rock Operating to West Texas Royalties, Inc., recorded as Eastland County Document Number 2011-001910, Official Public Records of Eastland County, Texas and covering the following described tracts and wells, to wit:

Tract One: 80 acres, more or less, being the West half (W/2) of the Southeast Quarter (SE/4) of Section 27, Block 2, E.T. RR. Co. Survey, Abstract 106, Eastland County, Texas and the Rock Operating No. 1 C.M. Knott well located 467' FWL and 467' FNL of the W/2 of the SE/4; and

Tract Two: 40 acres, more or less, being the Northeast Quarter (NE/4) of the Northeast Quarter (NE/4) of Section 27, Block 2, E.T. RR. Co. Survey, Abstract 106, Eastland County, Texas and the Dallas Production No. 1 Rutherford well located 467' FNL and 467" FEL of the NE/4.

This Assignment of working interest is subject to all existing royalty and overriding royalties burdening the properties of record in Eastland County, Texas on July 7, 2011 and the interest assigned hereby shall bare its prorata share of same.

It is understood between the parties to this agreement that all conditions between the parties hereunto shall extend to their heirs, executors, administrators, successors and assigns.

In Witness whereof, this instrument is executed the 30th day of September, 2011.

WEST TEXAS ROYALTIES, INC.

By: /s/ John Browning
John Browning, President

State of Texas §
§
County of Eastland §

This instrument was acknowledged before me on the 30th day of September, 2011, by John Browning, President of West Texas Royalties, Inc., on behalf of said corporation.

/s/ Tammy C. Elliott
Notary Public, in and for the State of Texas

PREPARED IN THE OFFICE OF:

Brad Stephenson
Attorney at Law
116 North Seaman Street
P.O. Box 1036
Eastland, Texas 76448-1036

AFTER RECORDING RETURN TO:

Innovative Petroleum Corporation
1901 Post Oak Blvd. #4212
Houston, Texas 77056

JOA 89-03 Revised

OPERATING AGREEMENT

DATED

_____, 2011

OPERATOR WEST TEXAS ROYALTIES, INC. (“WTR”)
1830 CR 130 Plainview, Texas 79072

CONTRACT AREA

Tract 1: 80 Acres, more or less, being the West half (W/2) of the Southeast Quarter (SE/4) of Section 27, Block 2, E.T. RR. Co. Survey, Abstract 106, Eastland County, Texas and the Rock Operating No. 1 C. M. Knott well located 467’ FWL and 467’ FNL of the W/2 of the SE/4.

Tract 2: 40 Acres, more or less, being the Northeast Quarter (NE/4) of the Northeast Quarter (NE/4) of Section 27, Block 2, E.T. RR. Co. Survey, Abstract 106, Eastland County, Texas and the Dallas Production No. 1 Rutherford well located 467’ FNL and 467’ FEL of the NE/4.

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OPERATING AGREEMENT

THIS AGREEMENT is between **WEST TEXAS ROYALTIES, INC. ("WTR") 1830 CR 130 Plainview, Texas 79072** designated and referred to in this Agreement as the "Operator," and the signatory Party or Parties to this Agreement other than the Operator, sometimes referred to individually as "Non-Operator," and collectively as "Non-Operators." Operator and Non-Operator may sometimes be referred to in this Agreement, individually as a "Party," or collectively as the "Parties."

The Parties to this Agreement are owners of Oil and Gas Leases and/or Oil and Gas Interests in the lands identified in Exhibit "A." The Parties have reached an agreement to explore and develop the Leases and/or Oil and Gas Interests for the production of Oil and Gas to the extent and as provided for in this Agreement.

The Parties agree as follows:

ARTICLE I.
DEFINITIONS

As used in this Agreement, the following words and terms shall have the meanings:

A. The term "AFE" shall mean Authority for Expenditure prepared by a Party to this Agreement for the purpose of estimating the costs to be incurred in conducting an operation under this Agreement.

B. The term "Affiliate" shall mean a company, partnership, or other legal entity which controls, or is controlled by or which is controlled by an entity which controls a party to this Agreement. Control means the ownership, directly or indirectly, or more than 50% of the shares or voting rights in a company, partnership, or legal entity.

C. The term "Completion" or "Complete" shall mean a single operation intended to complete a well as a producer of Oil and Gas in one or more Zones, including, but not limited to, the setting of production casing, perforating, well stimulation, and production testing conducted in an operation.

D. The term "Contract Area" shall mean all of the lands, Oil and Gas Leases and/or Oil and Gas Interests intended to be developed and operated for Oil and Gas purposes under this Agreement. The lands, Oil and Gas Leases, and Oil and Gas Interests are described in Exhibit "A."

E. The term "Deepen" when applicable to a vertical well, shall mean a single operation in which a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled, or below the Deepest Zone proposed in the associated AFE, whichever is the lesser. The term "Deepen" when applicable to a Horizontal Well is drilled to a targeted horizontal distance beyond the horizontal distance in which the well was previously drilled, or beyond the targeted horizontal distance proposed in the associated AFE, whichever is the lesser.

F. The terms "Drilling Party" and "Consenting Party" shall mean a Party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this Agreement.

G. The term "Drilling Unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a Drilling Unit is not fixed by any rule or order, a Drilling Unit shall be the Drilling Unit established by the pattern of drilling in the Contract Area unless fixed by express agreement of the Drilling Parties.

H. The term "Drillsite" shall mean the Oil and Gas Lease or Oil and Gas Interest on which a proposed well is to be located.

I. The term “Horizontal Well” shall mean a well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component of the gross completion interval. Any reference in this Agreement to a well, shall apply to a “Horizontal Well” if the well to which the reference is made meets the definition of a “Horizontal Well.”

J. The term “Initial Well” shall mean the well required to be drilled by the Parties as provided in Article VI.A. (Drilling and Development; Initial Well).

K. The term “Non-Consent Well” shall mean a well in which less than all Parties have conducted an operation as provided in Article VI.B.2. (Drilling and Development; Subsequent Operations; Operations by Less Than All Parties.)

L. The terms “Non-Drilling Party” and “Non-Consenting Party” shall mean a Party who elects not to participate in a proposed operation.

M. The term “Oil and Gas” shall mean oil, gas, casinghead gas, gas condensate, and/or all other liquid or gaseous hydrocarbons and other marketable substances produced with them, unless there is an express intent to limit the inclusiveness of this term specifically stated in this Agreement.

N. The term “Oil and Gas Interests” or “Interests” shall mean unleased fee and mineral interests in Oil and Gas in tracts of land lying within the Contract Area which are owned by a Party or Parties to this Agreement.

O. The terms “Oil and Gas Lease,” Lease,” and “Leasehold” shall mean the oil and gas leases or interests in tracts of land lying within the Contract Area which are owned by a Party or Parties to this Agreement.

P. The term “Plug Back” shall mean a single operation in which a deeper Zone is abandoned in order to attempt a Completion in a shallower Zone.

Q. The term “Recompletion” or “Recomplete” shall mean an operation in which a Completion in one Zone is abandoned in order to attempt a Completion in a different Zone within the existing wellbore.

R. The term “Rework” shall mean an operation conducted in the wellbore of a well after it is Completed to secure, restore, or improve production in a Zone which is currently open to production in the wellbore. These operations include, but are not limited to, well stimulation operations, but exclude any routine repair or maintenance work or Drilling, Sidetracking, Deepening, Completing, Recompleting, or Plugging Back of a well.

S. The term “Sidetrack” shall mean the directional control and intentional deviation of a well from vertical so as to change the bottom hole location, unless done to straighten the hole or to drill around junk in the hole to overcome other mechanical difficulties.

T. The term “Zone” shall mean a stratum of earth containing or thought to contain a common accumulation of Oil and Gas separately producible from any other common accumulation of Oil and Gas.

Unless the context clearly indicates otherwise, words in this Agreement, used in the singular include the plural, the word “person” includes natural and artificial persons, the plural includes the singular, and any gender includes the masculine, feminine, and neuter.

ARTICLE II.
EXHIBITS

The following Exhibits, indicated below, are attached to and incorporated in and made a part of this Agreement:

☑ **A.** Exhibit “A,” shall include the following information:

(1) Description of the lands subject to this Agreement,

(2) Restrictions, if any, as to depths, formations, or substances,

(3) Parties to this Agreement with addresses and telephone numbers for notice purposes,
(4) Percentages or fractional interests of the Parties to this Agreement,
(5) Oil and Gas Leases and/or Oil and Gas Interests subject to this Agreement,
(6) Burdens on production.

_____ **B.** Exhibit "B," The Oil and Gas Lease for the Contract Areat.

☑ **C.** Exhibit "C," Accounting Procedures.

☑ **D.** Exhibit "D," Insurance.

_____ **E.** Exhibit "E," Memorandum of Operating Agreement and Financing Statement

If any provision of any Exhibit, is inconsistent with any provision contained in the text of this Agreement, the provisions in the text of this Agreement shall prevail.

ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any Party owns an Oil and Gas Interest in the Contract Area, that Interest shall be treated for all purposes of this Agreement, during its term, as if it were covered by the form of Oil and Gas lease attached as Exhibit "B," and the owner shall be deemed to own both royalty interest in the Lease and the interest of the lessee in the Lease.

B. Interests of Parties in Costs and Production:

Unless changed by other provisions, all costs and liabilities incurred in operations under this Agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the Parties as their interests are set out in Exhibit "A." In the same manner, the Parties shall also own all production of Oil and Gas from the Contract Area; subject, however, to the payment of royalties and other burdens on production as described below.

Regardless of which Party has contributed any Oil and Gas Lease or Oil and Gas Interest on which royalty or other burdens may be payable, unless expressly provided otherwise in this Agreement, each Party shall pay or deliver, or cause to be paid or delivered, all burdens on its share of the production from the Contract Area up to, but not in excess of 100%, and shall indemnify, defend, and hold the other Parties harmless and free from any liability associated with those burdens. Unless provided otherwise in this Agreement, if any Party has contributed any Lease or Interest which is burdened with any royalty, overriding royalty, production payment, or other burden on production in excess of the amounts stipulated above, that Party shall assume and alone bear all the excess obligations and shall indemnify, defend, and hold the other Parties harmless from any and all claims attributable to the excess burden.

No Party shall ever be responsible, on a price basis higher than the price received by the Party, to any other Party's lessor or royalty owner, and if the other Party's lessor or royalty owner should demand and receive settlement on a higher price basis, the Party contributing the affected Lease shall bear the additional royalty burden attributable to the higher price.

Nothing contained in this Article III.B. shall be deemed an assignment or cross-assignment of interests, and in the event two or more Parties contribute to this Agreement jointly owned Leases, the Parties' undivided interests in those Leaseholds shall be deemed separate leasehold interests for the purposes of this Agreement.

C. Subsequently Created Interests:

If any Party has contributed a Lease or Interest that is burdened with an assignment of production given as security for the payment of money, or if, after the date of this Agreement, any Party creates an overriding royalty, production payment, net profits interest, assignment of production, or other burden payable out of production attributable to its working interest, that burden shall be deemed a "Subsequently Created Interest." Further, if any Party has contributed a Lease or Interest burdened with an overriding royalty, production payment, net profits interest, or other burden payable out of production, created prior to the date of this Agreement, and the burden is not shown on Exhibit "A," the burden shall be deemed a Subsequently Created Interest to the extent the burden causes the burdens on the Party's Lease or Interest to exceed the amount stipulated in Article III.A. above.

The Party whose interest is burdened with the Subsequently Created Interest (the "Burdened Party") shall assume and alone bear, pay, and discharge the Subsequently Created Interest and shall indemnify, defend, and hold harmless the other Parties from and against any liability on those interests. Further, if the Burdened Party fails to pay, when due, its share of expenses provided for in this Agreement, all provisions of Article VII.A. shall be enforceable against the Subsequently Created Interest in the same manner as they are enforceable against the working interest of the Burdened Party. If the Burdened Party is required under this Agreement to assign or relinquish to any other Party, or Parties, all or a portion of its working interest and/or the production attributable to its working interest, the other Party, or Parties, shall receive the assignment and/or production free and clear of the Subsequently Created Interest, and the Burdened Party shall indemnify, defend, and hold harmless the other Party, or Parties, from any and all claims and demands for payment asserted by owners of the Subsequently Created Interest.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the Drillsite of any proposed well prior to commencement of drilling operations and, if a majority in interest of the Drilling Parties request or Operator elects, the title shall be examined on the entire Drilling Unit, or maximum anticipated Drilling Unit of the well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty, and other payments out of production under the applicable Leases. Each Party contributing Leases and/or Oil and Gas Interests to be included in the Drillsite or Drilling Unit, if appropriate, shall furnish to Operator all abstracts (including federal lease status reports), title opinions, title papers, and curative material in its possession, free of charge. All information not in the possession of or made available to Operator by the Parties, but necessary for the examination of the title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each Drilling Party. Costs incurred by Operator in procuring abstracts, fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in royalty opinions, and division order title opinions) and other direct charges as provided in Exhibit "C" shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as their interests appear in Exhibit "A." Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of these functions.

Each Party shall be responsible for securing curative matters and pooling amendments or agreements required in connection with Leases or Oil and Gas Interests contributed by the Party. Operator shall be responsible for the preparation and recording of pooling designations or declarations and communitization agreements as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders or any other orders necessary or appropriate to the conduct of operations under the terms of this Agreement. This shall not prevent any Party from appearing on its own behalf at any hearings. Costs incurred by Operator, including fees paid to outside attorneys, which are associated with hearings before governmental agencies, and which costs are necessary and proper for the activities contemplated under this Agreement shall be direct charges to the joint account and shall not be covered by the administrative overhead charges provided in Exhibit "C." Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

No well shall be drilled on the Contract Area until after: (1) the title to the Drillsite or Drilling Unit, if appropriate, has been examined as provided for above; and, (2) the title has been approved by the examining attorney or accepted by all of the Drilling Parties in the well.

B. Loss or Failure of Title:

1. Failure of Title: Should any Oil and Gas Interest or Oil and Gas Lease be lost through failure of title, which results in a reduction of interest from that shown on Exhibit "A," the Party credited with contributing the affected Lease or Interest (including, if applicable, a successor in interest to the Party) shall have ninety (90) days from final determination of title failure to acquire a new lease or other instrument curing the entirety of the title failure, which acquisition will not be subject to Article VIII.A. (Acquisition, Maintenance or Transfer of Interest; Renewal or Extension of Leases), and, failing to do so, this Agreement, nevertheless, shall continue in force as to all remaining Oil and Gas Leases and Interests; and,

(a) The Party credited with contributing the Oil and Gas Lease or Interest affected by the title failure (including, if applicable, a successor in interest to that Party) shall alone bear the entire loss due to the title failure and that Party shall not be entitled to recover from Operator or the other Parties any development or operating costs which it may have previously paid or incurred, but there shall be no additional liability on its part to the other Parties to this Agreement by reason of the title failure;

(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the Lease or Interest which has failed, but the interests of the Parties set out on Exhibit "A" shall be revised on an acreage basis, as of the time it is finally determined that a title failure has occurred, so that the interest of the Party whose Lease or Interest is affected by the title failure will then be reduced in the Contract Area by the amount of the Lease or Interest that failed;

(c) If the proportionate interest of the other Parties to this Agreement in any producing well previously drilled on the Contract Area is increased by reason of the title failure, the Party who bore the costs incurred in connection with the well attributable to the Lease or Interest, which has failed, shall receive the proceeds attributable to the increase in the interest (less costs and burdens attributable to the interest) until it has been reimbursed for unrecovered costs paid by it in connection with the well attributable to the failed Lease or Interest;

(d) Should any person, not a party to this Agreement, who is determined to be the owner of any Lease or Interest which has failed, pay in any manner any part of the cost of operation, development, or equipment, that amount shall be paid to the Party or Parties who bore the costs which are refunded;

(e) Any liability to account to a person not a party to this Agreement for prior production of Oil and Gas which arises by reason of title failure shall be borne severally by each Party (including a predecessor to a current Party) who received production for which an accounting is required based on the amount of the production received, and each Party shall severally indemnify, defend, and hold harmless all other Parties to this Agreement for any liability to account;

(f) No charge shall be made to the joint account for legal expenses, fees, or salaries in connection with the defense of the Lease or Interest claimed to have failed, but if the Party contributing the Lease or Interest elects to defend its title it shall bear all expenses in connection with that defense; and,

(g) If any Party is given credit on Exhibit "A" to a Lease or Interest which is limited solely to ownership of an interest in the wellbore of any well or wells and the production from that well bore, that Party's absence of interest in the remainder of the Contract Area shall be considered a failure of title as to the remaining Contract Area unless that absence of interest is reflected on Exhibit "A."

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, or other payment necessary to maintain all or a portion of an Oil and Gas Lease or Interest is not paid or is erroneously paid, and as a result a Lease or Interest terminates, there shall be no monetary liability against the Party who failed to make the payment. Unless the Party who failed to make the required payment secures a new Lease or Interest covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.A. (Acquisition, Maintenance or Transfer of Interest; Renewal or Extension of Leases), the interests of the Parties reflected on Exhibit "A" shall be revised on an acreage basis, effective as of the date of termination of the Lease or Interest involved, and the Party who failed to make the proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the Lease or Interest which has terminated. If the Party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of Oil and Gas attributable to the lost Lease or Interest, calculated on an acreage basis, for the development and operating costs previously paid on account of the Lease or Interest, it shall be reimbursed for unrecovered actual costs previously paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(a) Proceeds of Oil and Gas produced prior to termination of the Lease or Interest, less operating expenses and lease burdens chargeable to the Party who failed to make payment, previously accrued to the credit of the lost Lease or Interest, on an acreage basis, up to the amount of unrecovered costs;

(b) Proceeds of Oil and Gas, less operating expenses and lease burdens chargeable to the Party who failed to make the payment, up to the amount of unrecovered costs attributable to that portion of Oil and Gas later produced and marketed (excluding production from any wells later drilled) which, in the absence of the Lease or Interest termination, would be attributable to the lost Lease or Interest on an acreage basis and which, as a result of the Lease or Interest termination is credited to other Parties, the proceeds of that portion of the Oil and Gas to be contributed by the other Parties in proportion to their respective interests reflected on Exhibit "A"; and,

(c) Any monies, up to the amount of unrecovered costs, that may be paid by any Party who is, or becomes, the owner of the lost Lease or Interest lost, for the privilege of participating in the Contract Area or becoming a Party to this Agreement.

3. **Other Losses:** All losses of Leases or Interests committed to this Agreement, other than those set forth in Articles IV.B.1. and IV.B.2. above, (Titles; Loss or Failure of Title; Failure of Title, and Loss by Non-Payment or Erroneous Payment of Amount Due), shall be joint losses and shall be borne by all Parties in proportion to their interests shown on Exhibit "A." This shall include but not be limited to the loss of any Lease or Interest through failure to develop or because express or implied covenants have not been performed (other than performance which requires only the payment of money), and the loss of any Lease by expiration at the end of its primary term if it is not renewed or extended. There shall be no readjustment of interests in the remaining portion of the Contract Area on account of any joint loss.

4. **Curing Title:** In the event of a Failure of Title under Article IV.B.1. or a loss of title under Article IV.B.2. above, any Lease or Interest acquired by any Party (other than the Party whose interest has failed or was lost) during the ninety (90) day period provided by Article IV.B.1. and Article IV.B.2. above covering all or a portion of the interest that has failed or was lost shall be offered at cost to the Party whose interest has failed or was lost, and the provisions of Article VIII.B. shall not apply to the acquisition.

ARTICLE V.
OPERATOR

A. Designation and Responsibilities of Operator:

The Party designated as Operator in the first paragraph of this Agreement shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area permitted, required by, and within the limits of this Agreement. In its performance of services for the Non-Operators, Operator shall be an independent contractor not subject to the control or direction of the Non-Operators except as to the type of operation to be undertaken in accordance with the election procedures contained in this Agreement. Operator shall not be deemed, or hold itself out as, the agent of the Non-Operators with authority to bind them to any obligation or liability assumed or incurred by Operator as to any third party. The specific duty of Operator to Non-Operators shall depend on the service performed as follows:

1. In the buying or selling of Oil or Gas for a Non-Operator or in the handling of all moneys received from Non-Operators or from other Parties for the benefit of the joint account, Operator shall have the duties of a fiduciary.

2. In the performance of all other duties on the Contract Area, the Operator shall act as a reasonably prudent Operator in a good and workmanlike manner with due diligence and dispatch in accordance with good oilfield practice and in accordance with applicable law and regulation; **PROVIDED, HOWEVER, EXCEPT FOR OPERATOR'S INTEREST IN THE CONTRACT AREA, NON-OPERATORS SHALL INDEMNIFY OPERATOR FOR, FROM, AND AGAINST ANY AND ALL CLAIMS, DAMAGES, AND LIABILITY OF EVERY KIND AND CHARACTER (INCLUDING ALL COSTS AND EXPENSES, INCLUDING BUT NOT LIMITED TO ATTORNEYS FEES), RESULTING FROM, ARISING OUT OF, OR INCIDENTAL TO OPERATOR'S PERFORMANCE OF DUTIES ON THE CONTRACT AREA EVEN IF THOSE LIABILITIES ARISE FROM OR ARE ATTRIBUTED TO OPERATOR'S NEGLIGENCE. THE ONLY LIABILITIES TO WHICH THIS INDEMNITY OBLIGATION DOES NOT APPLY ARE THOSE RESULTING FROM OPERATOR'S GROSS NEGLIGENCE AND INTENTIONAL TORTS FOR WHICH OPERATOR SHALL BE SOLELY RESPONSIBLE.**

3. For all other duties and responsibilities under this Agreement, Operator shall conduct its activities as a reasonable and prudent operator in a good and workmanlike manner, with due diligence and dispatch in accordance with good oil field practices and in compliance with all applicable laws and regulations.

B. Resignation or Removal of Operator and Selection of Successor:

1.A. Resignation of Operator: Operator may resign at any time by giving written notice of it resignation to Non-Operators. If Operator terminates its legal existence, no longer owns an interest in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Subject to Article VII.D.1., (Expenditures and Liabilities of Parties; Defaults and Remedies; Suit for Damages), the resignation, or removal as provided for in V.1.B. below, shall not become effective until 7:00 a.m. on the first day of the calendar month following the expiration of ninety (90) days after notice of resignation is given by the Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after the effective date of a resignation or removal, shall be bound by the terms of this Agreement as a Non-Operator. A change of a corporate name or structure of Operator, or transfer of Operator's interest to any single subsidiary, parent, or successor corporation shall not be the basis for removal of Operator.

1.B. Removal of Operator: (Select one of the Alternatives)

☑ **Option 1:** (Removal For Cause) Operator may be removed only for good cause by the affirmative vote of Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator. The vote shall not be deemed effective until a written notice has been delivered to the Operator by a Non-Operator detailing the alleged default and Operator has failed to cure the default within thirty (30) days from its receipt of the notice or, if the default concerns an operation then being conducted, within forty-eight (48) hours of its receipt of the notice. For purposes of this provision, "good cause" shall mean not only gross negligence or willful misconduct but also the material breach of or inability to meet the standards of operation contained in Article V.A. (Operator; Designation and Responsibilities of Operator), or material failure or inability to perform the obligations of Operator under this Agreement.

❑ **Option 2:** (Removal Without Cause) Operator may be removed without cause, at any time, by the affirmative vote of Non-Operators owning _____ percent (_____%) interest effective as of the time stated in V.B.1.A. above. The Successor Operator selected shall own no less than _____ percent (_____%) of the Contract Area.

❑ **Option 3:** (Change for Economic Reasons) Once each calendar year, any Non-Operator owning not less than ten percent (10%) of the Contract Area may inform the Operator, in writing, that it is willing to assume the position of Operator and operate at a savings from then existing operator costs of ten percent (10%) or more. Operator may remain and continue to act as Operator if it elects within fifteen (15) days after receipt of that notice to continue to operator at the savings for a year. If Operator fails to respond by making that election, in writing, the Party proposing the savings shall become the successor Operator on the first day of the month after thirty (30) days from the date of Operator's receipt of the original proposal. The Non-Operator taking over operations under this Agreement shall be bound for one (1) year from the date of this change of Operator to operate at the (savings) rate proposed in the original notice to the Operator.

In the event of the removal of the Operator under any of the three Options stated, the successor Operator is expressly authorized to sign on behalf of the removed Operator, any and all necessary Change of Operator forms, on behalf of the former Operator, for the purpose of having the successor Operator recognized as Operator for all purposes under this Agreement.

2. Selection of Successor Operator: On the resignation or removal of Operator under Options 1 or 2 under 1.B. above of this Agreement, a successor Operator shall be selected by the Parties. The successor Operator shall be selected from the Parties owning an interest in the Contract Area at the time the successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more Parties owning a majority interest based on the ownership as shown on Exhibit "A"; provided, however, if an Operator, which has been removed or is deemed to have resigned, fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of the Party or Parties owning a majority interest based on the ownership, as shown on Exhibit "A," remaining after excluding the voting interest of the Operator that was removed or resigned. The former Operator shall promptly deliver to the successor Operator all records and data relating to the operations conducted by the former Operator to the extent the records and data are not already in the possession of the successor Operator. Any cost of obtaining or copying the former Operator's records and data shall be charged to the joint account.

3. Effect of Bankruptcy: If Operator becomes insolvent, bankrupt, or is placed in receivership, it shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. If a petition for relief under the federal bankruptcy laws is filed by or against Operator, and the removal of Operator is prevented by the federal bankruptcy court, all Non-Operators and Operator shall comprise an interim operating committee to serve until Operator has elected to reject or assume this Agreement pursuant to the Bankruptcy Code. An election to reject this Agreement by Operator as a debtor in possession, or by a trustee in bankruptcy for Operator, shall be deemed a resignation as Operator without any action by Non-Operators, except the selection of a successor. During the period of time the operating committee controls operations, all actions shall require the approval of two (2) or more Parties owning a majority interest based on the ownership shown on Exhibit "A." In the event there are only two (2) Parties to this Agreement, during the period of time the operating committee controls operations, a third Party, acceptable to Operator, the Non-Operator, and the federal bankruptcy court, shall be selected as a member of the operating committee, and all actions shall require the approval of two (2) members of the operating committee without regard for their interest in the Contract Area as set out on Exhibit "A."

C. Employees and Contractors:

The number of employees or contractors used by Operator in conducting operations under the terms of this Agreement, their selection, and the hours of labor and the compensation for services performed shall be determined by Operator. All employees or contractors shall be the employees or contractors of Operator.

D. Rights and Duties of Operator:

1. Competitive Rates and Use of Affiliates: All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges shall not exceed the prevailing rates in the area and the rate of those charges shall be agreed on in writing by the Parties, before drilling operations are commenced, and the work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature. All work performed or materials supplied by Affiliates of Operator shall be performed or supplied at competitive rates, pursuant to written agreement, and in accordance with customs and standards prevailing in the industry.

2. Discharge of Joint Account Obligations: Unless specifically provided otherwise in this Agreement, Operator shall promptly pay and discharge expenses incurred in the development and operations of the Contract Area pursuant to this Agreement, and shall charge each of the Parties with their respective proportionate shares on the expense basis provided in Exhibit "C." Operator shall keep an accurate record of the joint account, showing expenses incurred and charges and credits made and received.

3. Protection from Liens: Operator shall pay, or cause to be paid, as and when they become due and payable, all accounts of contractors and suppliers, wages and salaries for services rendered or performed, and for materials supplied on, to, or for the Contract Area or any operations for the joint account, and shall keep the Contract Area free from liens and encumbrances resulting from them, except for those resulting from a bona fide dispute as to services rendered or materials supplied.

4. Custody of Funds: Operator shall hold for the account of the Non-Operators any funds of the Non-Operators advanced or paid to the Operator, either for the conduct of operations under this Agreement, or as a result of the sale of production from the Contract Area, and those funds shall remain the funds of the Non-Operators on whose account they are advanced or paid until used for their intended purpose or otherwise delivered to the Non-Operators or applied toward the payment of debts as provided in Article VII.B. (Expenditures and Liabilities of Parties; Liens and Security Interests). Nothing in this paragraph shall be construed to establish a fiduciary relationship between Operator and Non-Operators for any purpose other than to account for Non-Operator funds as specifically provided. Nothing in this paragraph shall require the maintenance by Operator of separate accounts for the funds of Non-Operators unless the Parties specifically agree otherwise.

5. Access to Contract Area and Records: Operator shall permit each Non-Operator or its duly authorized representative, at the Non-Operator's sole risk and cost, full and free access at all reasonable times to all operations of every kind and character being conducted for the joint account on the Contract Area, and to the records of operations conducted on the Contract Area, or production from it, including Operator's related books and records. These access rights shall not be exercised in a manner interfering with Operator's conduct of an operation and shall not obligate Operator to furnish any geologic or geophysical data of an interpretive nature to any Non-Consenting Party unless the cost of preparation of the interpretive data was charged to the joint account, and a Non-Consenting Party paid its share of those costs. Operator will furnish to each Non-Operator, on written request, copies of any and all reports and information obtained by Operator in connection with production and related items, including, meter and chart reports, production purchaser statements, run tickets and monthly gauge reports, but excluding purchase contracts and pricing information to the extent not applicable to the production of the Non-Operator seeking the information. Any audit of Operator's records relating to amounts expended and the appropriateness of the expenditures shall be conducted in accordance with the audit provisions provided in Exhibit "C."

6. Filing and Furnishing Governmental Reports: Operator will file, and on written request, promptly furnish copies to each requesting Non-Operator, not in default of its payment obligations under this Agreement, all operational notices, reports, or applications required to be filed by local, State, Federal or Indian agencies or authorities having jurisdiction over operations of the Contract Area. Each Non-Operator shall provide Operator, on a timely basis, all information necessary to permit Operator to make all filings.

7. **Drilling and Testing Operations:** The following provisions shall apply to each well drilled under the terms of this Agreement, including but not limited to the Initial Well:

(a) Operator will promptly advise Non-Operators of the date on which the well is spudded, or the date on which drilling operations are commenced.

(b) Operator will send Non-Operators the reports, test results, and notices regarding the progress of operations on the well as the Non-Operators shall reasonably request, including, but not limited to, daily drilling reports, completion reports, and well logs.

(c) Operator shall adequately test all Zones encountered which may reasonably be expected to be capable of producing Oil and Gas in paying quantities as a result of examination of the electric log or any other logs or cores or tests conducted on a well.

8. **Cost Estimates:** On the request of any Consenting Party, Operator shall furnish estimates of current and cumulative costs incurred for the joint account at reasonable intervals during the conduct of any operation conducted under the terms of this Agreement. Operator shall not be held liable for good faith errors in estimates.

9. **Insurance:** At all times while operations are conducted under this Agreement, Operator shall comply with the workers compensation law of the state where the operations are being conducted; provided, however, Operator may be a self-insurer for liability under those compensation laws in which event the only charge that shall be made to the joint account shall be as provided in Exhibit "C." Operator shall also carry or provide insurance for the benefits of the joint account of the Parties as outlined in Exhibit "D" to this Agreement. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workers compensation law of the state where the operations are being conducted and to maintain other insurance as Operator may require.

In the event automobile liability insurance is specified in Exhibit "D," or subsequently receives the approval of the Parties, no direct charge shall be made by Operator for premiums paid for insurance for Operator's automotive equipment.

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before December 1, 2011 Operator shall commence the Reworking and Fracing of one of the two Wells at the following location:

A location to be determined within the property described on "Exhibit A"

and shall continue the Fracing operation until completed.

Vertical Well:

Horizontal Well:

❑ **1.** To a total vertical depth of _____ feet, or a depth sufficient to penetrate the _____ formation, whichever is the lesser, and to a targeted horizontal distance sufficient, in Operator's Opinion, to test the _____ formation.

❑ **2.** To a total vertical depth of _____ feet or to a depth sufficient to penetrate the _____ formation, whichever is the lesser, and to a targeted horizontal distance of at least _____ feet.

❑ **3.** To a total vertical depth sufficient to penetrate the _____ formation and a total targeted measured distance, form the point the well is spudded to the bottom hole location of _____ feet.

The drilling of the Initial Well and the participation in it by all Parties is obligatory, subject to Article VI.C.1. (Drilling and Development; Completion of Wells, Reworking and Plugging Back; Completion), as to participation in Completion operations, and Article VI.F. (Drilling and Development; Termination of Operations) as to termination of operations and Article XI. (Force Majeure) as to occurrence of force majeure.

B. Subsequent Operations:

1. Proposed Operations: If any Party should desire to drill any well on the Contract Area other than the Initial Well, or if any Party should desire to Rework, Sidetrack, Deepen, Recomplete or Plug Back a dry hole or a well no longer capable of producing in paying quantities in which the Party has not otherwise relinquished its interest in the proposed objective Zone under this Agreement, the Party desiring to drill, Rework, Sidetrack, Deepen, Recomplete or Plug Back the a well shall give written notice of the proposed operation to the Parties who have not otherwise relinquished their interest in the objective Zone under this Agreement and to all other Parties in the case of a proposal for Sidetracking or Deepening, specifying the work to be performed, the location, proposed depth, objective Zone, and the estimated cost of the operation. The Parties to whom the notice is delivered shall have thirty (30) days after receipt of the notice within which to notify the Party proposing to do the work if they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of a proposal to Rework, Sidetrack, Recomplete, Plug Back or Deepen may be given by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday, and legal holidays. Failure of a Party to whom a notice is delivered to reply within the stated fixed period shall be deemed to constitute an election by that Party not to participate in the cost of the proposed operation. Any proposal by a Party to conduct an operation conflicting with the operation initially proposed shall be delivered to all Parties within the time and in the manner provided in Article VI.B.6. (Drilling and Development; Subsequent Operations; Order of Preference of Operations)

If all Parties, to whom a notice is delivered, elect to participate in the proposed operation, the Parties shall be contractually committed to participate in the operations, provided the operations are commenced within the time period set forth below, and Operator shall, no later than ninety (90) days after expiration of the notice period of thirty (30) days (or as promptly as practicable after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be), actually commence the proposed operation and complete it with due diligence at the risk and expense of the Parties participating in the operation; provided, however, the commencement date may be extended on written notice of the extension by Operator to the other Parties, for a period of up to thirty (30) additional days if, in the sole opinion of Operator, the additional time is reasonably necessary to obtain permits from governmental authorities, for dealing with surface rights (including rights-of-way), obtaining or contracting for appropriate drilling equipment, or to complete a title examination or curative matters required for title approval or acceptance. If the actual operation has not been commenced within the time provided (including any extension specifically permitted, or in the force majeure provisions of Article IX. [Force Majeure]) and if any Party desires to conduct the operation, written notice proposing the operation must be resubmitted to the other Parties in accordance with the provisions of this Article VI.B.1., as if no prior proposal has been made. Those Parties that did not participate in the drilling of a well for which a proposal to Deepen or Sidetrack is made shall, if Parties desire to participate in the proposed Deepening or Sidetracking operation, reimburse the Drilling Parties in accordance with Article VI.B.4. (Drilling and Development; Subsequent Operations; Deepening) in the event of a Deepening operation, and in accordance with Article VI.B.5. (Drilling and Development; Subsequent Operations; Sidetracking) in the event of a Sidetracking operation.

2. Operations by Less Than All Parties:

(a) Determination of Participation. If any Party to whom a notice is delivered as provided in Article VI.B.1. (Drilling and Development; Subsequent Operations; Proposed Operations), or VI.C.1. (Drilling and Development; Completion of Wells; Reworking and Plugging Back; Completion),(Option No. 2) elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the Party or Parties giving the notice and the other Parties electing to participate in the operation shall, no later than ninety (90) days after the expiration of the notice period of thirty (30) days (or as promptly as practicable after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be) actually commence the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (i) request Operator to perform the work required by the proposed operation for the account of the Consenting Parties; or, (ii) designate one of the Consenting Parties as Operator to perform the work. The rights and duties granted to and imposed on the Operator under this Agreement are granted to and imposed on the Party designated as Operator for an operation in which the original Operator is a Non-Consenting Party. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2. shall comply with all terms and conditions of this Agreement.

If less than all Parties approve any proposed operation, the proposing Party, immediately after the expiration of the applicable notice period, shall advise all Parties of the total interest of the Parties approving the operation and its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday, and legal holidays) after delivery of this notice, shall advise the proposing Party of its desire to (i) limit participation to the Party's interest as shown on Exhibit "A," (ii) carry only its proportionate part (determined by dividing the Party's interest in the Contract Area by the interests of all Consenting Parties in the Contract Area) of the Non-Consenting Parties' interests, or (iii) carry its proportionate part (determined as provided in (ii)) of Non-Consenting Parties' interests together with all or a portion of its proportionate part of any Non-Consenting Parties' interests that any Consenting Party did not elect to take. Any interest of Non-Consenting Parties that is not carried by a Consenting Party shall be deemed to be carried by the Party proposing the operation if the Party does not withdraw its proposal. Failure to advise the proposing Party within the time required shall be deemed an election

under (i). In the event a drilling rig is on location, notice may be given by telephone, and the time permitted for a response shall not exceed a total of forty-eight (48) hours. The proposing Party, at its election, may withdraw a proposal if there is less than 100% participation and shall notify all Parties of that decision within ten (10) days, or within twenty-four (24) hours if a drilling rig is on location, following expiration of the applicable response period. If 100% subscription to the proposed operation is obtained, the proposing Party shall promptly notify the Consenting Parties of their proportionate interests in the operation and the Party serving as Operator shall commence the operation within the period provided in Article VI.B.1. (Drilling and Development; Subsequent Operations; Proposed Operations), subject to the same extension right as provided in that Article.

(b) **Relinquishment of Interest for Non-Participation.** The entire cost and risk of conducting the operations shall be borne by the Consenting Parties in the proportions they have elected to bear them under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in these operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If an operation results in a dry hole, then subject to Articles VI.B.6. (Drilling and Development; Subsequent Operations; Order of Preference of Operations) and VI.E.3. (Drilling and Development; Abandonment of Wells; Abandonment of Non-Consent Operations), the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk, and expense; provided, however, the Non-Consenting Parties that did not participate in the Drilling, Deepening, or Sidetracking of the well shall remain liable for, and shall pay, their proportionate shares of the cost of plugging and abandoning the well and restoring the surface location insofar only as those costs were not increased by the subsequent operations of the Consenting Parties. If any well Drilled, Reworked, Sidetracked, Deepened, Recompleted, or Plugged Back under the provisions of this Article results in a well capable of producing Oil and/or Gas in paying quantities, the Consenting Parties shall Complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator (if the Operator did not conduct the operation) and shall be operated by it at the expense and for the account of the Consenting Parties. On commencement of operations for the Drilling, Reworking, Sidetracking, Recompleting, Deepening, or Plugging Back of any well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of the Non-Consenting Party's interest in the well and share of production from it or, in the case of a Reworking, Sidetracking, Deepening, Recompleting, or Plugging Back, or a Completion pursuant to Article VI.C.1. (Drilling and Development; Completion of Wells; Reworking and Plugging Back; Completion) Option No. 2, all of the Non-Consenting Party's interest in the production obtained from the operation in which the Non-Consenting Party did not elect to participate. This relinquishment shall be effective until the proceeds of the sale of that share, calculated at the well, or its market value if that share is not sold (after deducting applicable ad valorem, production, severance, and excise taxes, royalty, overriding royalty, and other interests not excepted by Article III.C. [Interest of Parties; Subsequently Created Interests] payable out of or measured by the production from the well accruing with respect to the interest until it reverts), shall equal the total of the following:

(i) 200% of each Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including but not limited to stock tanks, separators, treaters, pumping equipment, and piping), plus 100% of each Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article; it being agreed that each Non-Consenting Party's share of these costs and equipment will be that interest which would have been chargeable to the Non-Consenting Party had it participated in the well from the beginning of the operations; and,

(ii) 300% of: (a) that portion of the costs and expenses of Drilling, Reworking, Sidetracking, Deepening, Plugging Back, Testing, Completing, and Recompleting, after deducting any cash contributions received under Article VIII.C. (Acquisition; Maintenance or Transfer of Interest; Acreage or Cash Contributions); and, of (b) that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to the Non-Consenting Party if it had participated in the acquisition of the equipment.

Notwithstanding anything to the contrary in this Article VI.B., if the well does not reach the deepest objective Zone described in the notice proposing the well for reasons other than the encountering of granite or practically impenetrable substance or other condition in the hole rendering further operations impracticable, Operator shall give notice of this to each Non-Consenting Party who submitted or voted for an alternative proposal under Article VI.B.6. (Drilling and Development; Subsequent Operations; Order of Preference of Operations) to drill the well to a shallower Zone than the deepest objective Zone proposed in the notice under which the well was drilled, and each Non-Consenting Party shall have the option to participate in the initial proposed Completion of the well by paying its share of the cost of drilling the well to its actual depth, calculated in the manner provided in Article VI.B.4.(a) (Drilling and Development; Subsequent Operations; Deepening). If any Non-Consenting Party does not elect to participate in the first Completion proposed for the well, the relinquishment provisions of this Article VI.B.2.(b) (Drilling and Development; Subsequent Operations; Operations by Less Than All Parties), shall apply to the Party's interest.

(c) **Reworking, Recompleting, or Plugging Back.** An election not to participate in the Drilling, Sidetracking, or Deepening of a well shall be deemed an election not to participate in any Reworking or Plugging Back operation proposed in a well, or portion of it, to which the initial non-consent election applied, that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Similarly, an election not to participate in the Completing or Recompleting of a well shall be deemed an election not to participate in any Reworking operation proposed in a well, or portion of it, to which the initial non-consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Any Reworking, Recompleting, or Plugging Back operation conducted during the recoupment period shall be deemed part of the cost of operating of the well and there shall be added to the sums to be recouped by the Consenting Parties 300% of that portion of the costs of the Reworking, Recompleting, or Plugging Back operation which would have been chargeable to the Non-Consenting Party had it participated in the operation. If a Reworking, Recompleting, or Plugging Back operation is proposed during the recoupment period, the provisions of this Article VI.B. shall be applicable as between the Consenting Parties in the well.

(d) Recoupment Matters. During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds of that production; Consenting Parties shall be responsible for the payment of all ad valorem, production, severance, excise, gathering and other taxes, and all royalty, overriding royalty, and other burdens applicable to Non-Consenting Party's share of production not excepted by Article III.C. (Interests of Parties; Subsequently Created Interests).

In the case of any Reworking, Sidetracking, Plugging Back, Recompleting, or Deepening operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing, and other equipment in the well, but the ownership of all that equipment shall remain unchanged; and on abandonment of a well after the Reworking, Sidetracking, Plugging Back, Recompleting or Deepening, the Consenting Parties shall account for all the equipment to the owners of it, with each Party receiving its proportionate part in kind or in value, less cost of salvage.

Within ninety (90) days after the completion of any operation under this Article, the Party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of Drilling, Sidetracking, Deepening, Plugging Back, Testing, Completing, Recompleting, and equipping the well for production; or, at its option, the operating Party, in lieu of an itemized statement of the costs of operation, may submit a detailed statement of monthly billings. Each following month, during the time the Consenting Parties are being reimbursed, as provided above, the Party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of Oil and Gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of Oil and Gas produced during any month, Consenting Parties shall use industry accepted methods such as, metering or periodic well tests. Any amount realized from the sale or other disposition of newly acquired equipment in connection with any operation which would have been owned by a Non-Consenting Party had it participated in its acquisition shall be credited against the total unreturned costs of the work done and of the equipment purchased in determining when the interest of the Non-Consenting Party shall revert to it, as provided above; and, if there is a credit balance, it shall be paid to the Non-Consenting Party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests, of the Non-Consenting Party shall automatically revert to it as of 7:00 a.m. on the day following the day on which the recoupment occurs, and, from and after the reversion, the Non-Consenting Party shall own the same interest in the well, the material and equipment in or pertaining to it, and the production from it as the Non-Consenting Party would have been entitled to had it participated in the Drilling, Sidetracking, Reworking, Deepening, Recompleting, or Plugging Back of the well. After that time, the Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of well in accordance with the terms of this Agreement and Exhibit "C."

☐ **Optional Alternative to Article VI.B.2. If this Option is selected, it shall supercede and control over Article VI.B.2.**

Notwithstanding anything in Article VI.B.2 to the contrary, any Non-Consenting Party, shall forfeit and convey to the Consenting Parties all of its interest in the proposed well and lands constituting the proration, producing, or spacing unit allocable to it by the appropriate conservation agency at that time. If there is no established proration, producing, or spacing unit, then the amount of acreage in the unit shall be deemed to be forty (40) acres in the form of a square for a well proposed as an oil well and one-hundred sixty (160) acres in the form of a square for a well proposed as a gas well. If applicable spacing or field rules are established within one (1) years from the date the well is drilled or completed, whichever is the later date, that increase the size of the permitting unit, then the Non-Consenting Party shall forfeit and convey to the Consenting Parties its interest in sufficient acreage to have forfeited the proration, producing, or spacing unit as permitted by the applicable conservation agency as of the end of that one (1) year period.

3. **Stand-By Costs:** When a well which has been Drilled or Deepened has reached its authorized depth, and all tests have been completed and the results of those tests furnished to the Parties, or when operations on the well have been otherwise terminated pursuant to Article VI.F. (Drilling and Development; Termination of Operations), stand-by costs incurred pending response to a Party's notice proposing a Reworking, Sidetracking, Deepening, Recompleting, Plugging Back or Completing operation in a well (including the period required under Article VI.B.6. [Drilling and Development; Subsequent Operations; Order of Preference of Operations] to resolve competing proposals) shall be charged and borne as part of the Drilling or Deepening operation just completed. Stand-by costs subsequent to all Parties responding, or expiration of the response time permitted, whichever occurs first, and prior to agreement as to the participating interests of all Consenting Parties pursuant to the terms of the second grammatical paragraph of Article VI.B.2.(a) (Drilling and Development; Subsequent Operations; Operations by Less Than All Parties; Determination of Participation), shall be charged to and borne as part of the proposed operation, but if the proposal is subsequently withdrawn because of insufficient participation, the stand-by costs shall be allocated between the Consenting Parties in the proportion each Consenting Party's interest, as shown on Exhibit "A," bears to the total interest, as shown on Exhibit "A," of all Consenting Parties.

In the event a notice for a Sidetracking operation is given while the drilling rig to be utilized is on location, any Party may request and receive up to five (5) additional days after expiration of the forty-eight (48) hour response period specified in Article VI.B.1. (Drilling and Development; Subsequent Operations; Proposed Operations) within which to respond by paying for all stand-by costs and other costs incurred during the extended response period. Operator may require the requesting Party to pay the estimated stand-by time in advance as a condition to extending the response period. If more than one Party elects to take additional time to respond to the notice, standby costs shall be allocated between the Parties taking the additional time to respond on a day-to-day basis in the proportion each electing Party's interest, as shown on Exhibit "A," bears to the total interest shown on Exhibit "A," of all the electing Parties.

4. **Deepening:** If less than all the Parties elect to participate in a Drilling, Sidetracking, or Deepening operation proposed pursuant to Article VI.B.1. (Drilling and Development; Subsequent Operations; Proposed Operations), the interest relinquished by the Non-Consenting Parties to the Consenting Parties under Article VI.B.2. (Drilling and Development; Subsequent Operations; Operation by Less Than All Parties) shall relate only and be limited to the lesser of: (i) the total depth actually drilled; or, (ii) the objective depth or Zone of which the Parties were given notice under Article VI.B.1. (Drilling and Development; Subsequent Operations; Proposed Operations)(the "Initial Objective"). The well shall not be Deepened beyond the Initial Objective without first complying with this Article to afford the Non-Consenting Parties the opportunity to participate in the Deepening operation.

In the event any Consenting Party desires to drill or Deepen a Non-Consent Well to a depth below the Initial Objective, the Party shall give notice of that, complying with the requirements of Article VI.B.1. (Drilling and Development; Subsequent Operations; Proposed Operations), to all Parties (including Non-Consenting Parties). Then, Articles VI.B.1. and 2. (Drilling and Development; Subsequent Operations; Proposed Operations; and Operations by Less Than All Parties) shall apply and all Parties receiving the notice shall have the right to participate or not participate in the Deepening of the well pursuant to Articles VI.B.1. and 2. (Drilling and Development; Subsequent Operations; Proposed Operations; and Operations by Less Than All Parties). If a Deepening operation is approved pursuant to those provisions, and if any Non-Consenting Party elects to participate in the Deepening operation, the Non-Consenting Party shall pay or make reimbursement (as the case may be) of the following costs and expenses:

(a) If the proposal to Deepen is made prior to the Completion of the well as a well capable of producing in paying quantities, the Non-Consenting Party shall pay (or reimburse Consenting Parties for, as the case may be) that share of costs and expenses incurred in connection with the drilling of the well from the surface to the Initial Objective which Non-Consenting Party would have paid had the Non-Consenting Party agreed to participate in it, plus the Non-Consenting Party's share of the cost of Deepening and of participating in any further operations on the well in accordance with the other provisions of this Agreement; provided, however, all costs for testing and Completion or attempted Completion of the well incurred by Consenting Parties prior to the point of actual operations to Deepen beyond the Initial Objective shall be for the sole account of Consenting Parties.

(b) If the proposal is made for a Non-Consent Well that has been previously Completed as a well capable of producing in paying quantities, but is no longer capable of producing in paying quantities, the Non-Consenting Party shall pay (or reimburse Consenting Parties for, as the case may be) its proportionate share of all costs of Drilling, Completing, and Equipping the well from the surface to the Initial Objective, calculated in the manner provided in paragraph (a) above, less those costs recouped by the Consenting Parties from the sale of production from the well. The Non-Consenting Party shall also pay its proportionate share of all costs of re-entering the well. The Non-Consenting Parties' proportionate part (based on the percentage of the well the Non-Consenting Party would have owned had it previously participated in the Non-Consent Well) of the costs of salvable materials and equipment remaining in the hole and salvable surface equipment used in connection with the well shall be determined in accordance with Exhibit "C." If the Consenting Parties have recouped the cost of Drilling, Completing, and Equipping the well at the time the Deepening operation is conducted, then a Non-Consenting Party may participate in the Deepening of the well with no payment for costs incurred prior to re-entering the well for Deepening.

The foregoing shall not imply a right of any Consenting Party to propose any Deepening for a Non-Consent Well prior to the drilling of a well to its Initial Objective without the consent of the other Consenting Parties as provided in Article VI.F. (Drilling and Development; Termination of Operations).

5. **Sidetracking:** Any Party having the right to participate in a proposed Sidetracking operation that does not own an interest in the affected wellbore at the time of the notice shall, on electing to participate, tender to the wellbore owners its proportionate share (equal to its interest in the Sidetracking operation) of the value of that portion of the existing wellbore to be utilized as follows:

(a) If the proposal is for Sidetracking an existing dry hole, reimbursement shall be on the basis of the actual costs incurred in the initial drilling of the well down to the depth at which the Sidetracking operation is initiated.

(b) If the proposal is for Sidetracking a well which has previously produced, reimbursement shall be on the basis of the Party's proportionate share of drilling and equipping costs incurred in the initial drilling of the well down to the depth at which the Sidetracking operation is conducted, calculated in the manner described in Article VI.B.4(b) above. The Party's proportionate share of the cost of the well's salvable materials and equipment down to the depth at which the Sidetracking operation is initiated shall be determined in accordance with the provisions of Exhibit "C."

6. **Order of Preference of Operations**. Except as otherwise specifically provided in this Agreement, if any Party desires to propose the conduct of an operation that conflicts with a proposal that has been made a Party under this Article VI. (Drilling and Development), the Party shall have fifteen (15) days from delivery of the initial proposal, in the case of a proposal to drill a well or to perform an operation on a well where no drilling rig is on location, or twenty-four (24) hours, from delivery of the initial proposal, if a drilling rig is on location for the well on which the operation is to be conducted, to deliver to all Parties entitled to participate in the proposed operation the Party's alternative proposal, with the alternate proposal to contain the same information required to be included in the initial proposal. Each Party receiving the proposals shall elect, by delivering a notice to Operator within five (5) days after expiration of the proposal period, or within twenty-four (24) hours if a drilling rig is on location for the well that is the subject of the proposals, to participate in one of the competing proposals. Any Party not electing within the time required shall be deemed not to have voted. The proposal receiving the vote of Parties owning the largest aggregate percentage interest of the Parties voting shall have priority over all other competing proposals; in the case of a tie vote, the initial proposal shall prevail. Operator shall deliver notice of the result to all Parties entitled to participate in the operation within five (5) days after expiration of the election period (or within twenty-four (24) hours, if a drilling rig is on location). Each Party shall then have two (2) days (or twenty-four (24) hours if a rig is on location) from receipt of that notice to elect, by delivering a notice to Operator, to participate in the operation or to relinquish interest in the affected well pursuant to the provisions of Article VI.B.2. (Drilling and Development; Subsequent Operations; Operations by Less Than All Parties). The failure by a Party to deliver a notice within that time period shall be deemed an election **not** to participate in the prevailing proposal.

7. **Conformity to Spacing Pattern.** Notwithstanding the provisions of this Article VI.B.2., it is agreed that no wells shall be proposed to be Drilled to or Completed in or produced from a Zone from which a well located elsewhere on the Contract Area is producing, unless the proposed well conforms to the then-existing well spacing pattern for the Zone.

8. **Paying Wells.** No Party shall conduct any Reworking, Deepening, Plugging Back, Completion, Recompletion, or Sidetracking operation under this Agreement with respect to any well then capable of producing in paying quantities xcept with the consent of all Parties that have not relinquished their interests in the well at the time of the operation.

C. Completion of Wells; Reworking and Plugging Back:

1. **Completion:** Without the consent of all Parties, no well shall be Drilled, Deepened, or Sidetracked, except any well Drilled, Deepened, or Sidetracked pursuant to the provisions of Article VI.B.2. (Drilling and Development; Subsequent Operations; Operations by Less Than All Parties) of this Agreement. Consent to the Drilling, Deepening, or Sidetracking shall include:

☑ **Option No. 1:** All necessary expenditures for the Drilling, Deepening, or Sidetracking, Testing, Completing, and Equipping of the well, including necessary tankage and/or surface facilities.

❑ **Option No. 2:** All necessary expenditures for the Drilling, Deepening, or Sidetracking and Testing of the well. When the well has reached its authorized depth, and all logs, cores, and other tests have been completed, and the results of them furnished to the Parties, Operator shall give immediate notice to the Non-Operators having the right to participate in a Completion attempt whether or not Operator recommends attempting to Complete the well, together with Operator's AFE for Completion costs if not previously provided. The Parties receiving the notice shall have forty-eight (48) hours in which to elect by delivery of notice to Operator to participate in a recommended Completion attempt or to make an alternate Completion proposal with an accompanying AFE. Operator shall deliver any completion proposal, or any Completion proposal conflicting with Operator's proposal, to the other Parties entitled to participate in the Completion in accordance with the procedures specified in Article VI.B.6. (Drilling and Development; Subsequent Operations; Order of Preference of Operations). Election to participate in a Completion attempt shall include consent to all necessary expenditures for the Completing and Equipping of a well, including necessary tankage and/or surface facilities, but excluding any stimulation operation not contained on the Completion AFE. Failure of any Party receiving the notice to reply within the period above fixed shall constitute an election by that Party **not** to participate in the cost of the Completion attempt; provided, that Article VI.B.6. (Drilling and Development; Subsequent Operations; Order of Preference of Operations) shall control in the case of conflicting Completion proposals. If one or more, but less than all of the Parties, elect to attempt a Completion, the provisions of Article VI.B.2. (Drilling and Development; Subsequent Operations; Operations by Less Than All Parties) (the phrase "Reworking, Sidetracking, Deepening, Recompleting or Plugging Back" as contained in Article VI.B.2. shall be deemed to include "Completing") shall apply to the operations later conducted by less than all Parties; provided, however, that Article VI.B.2 shall apply separately to each separate Completion or Recompletion attempt undertaken, and an election to become a Non-Consenting Party as to one Completion or Recompletion attempt shall not prevent a Party from becoming a Consenting Party in subsequent Completion or Recompletion attempts regardless of whether the Consenting Parties as to earlier Completions or Recompletions have recouped their costs pursuant to Article VI.B.2.; provided further, that any recoupment of costs by a Consenting Party shall be made solely from the production attributable to the Zone in which the Completion attempt is made. Election by a previous Non-Consenting Party to participate in a subsequent Completion or Recompletion attempt shall require a Party to pay its proportionate share of the cost of salvable materials and equipment installed in the well pursuant to the previous Completion or Recompletion attempt, insofar and only insofar as the materials and equipment benefit the Zone in which the Party participates in a Completion attempt.

2. Rework, Recomplete or Plug Back: No well shall be Reworked, Recompleted, or Plugged Back, except a well Reworked, Recompleted, or Plugged Back pursuant to the provisions of Article VI.B.2. (Drilling and Development; Subsequent Operations; Operations by Less Than All Parties) of this Agreement. Consent to the Reworking, Recompleting, or Plugging Back of a well shall include all necessary expenditures in conducting the operations and Completing and Equipping the well, including necessary tankage and/or surface facilities.

D. Other Operations:

Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Ten Thousand Dollars ($10,000.00) except in connection with the Drilling, Sidetracking, Reworking, Deepening, Completing, Recompleting, or Plugging Back of a well that has been previously authorized by the terms of this Agreement; provided, however, that, in case of explosion, fire, flood, or other sudden emergency, whether of the same or different nature, Operator may take all steps and incur all expenses as, in its opinion, are required, to deal with the emergency to safeguard life and property, but Operator, as promptly as possible, shall report the emergency to the other Parties. If Operator prepares an AFE for its own use, Operator shall furnish any Non-Operator requesting it an information copy of that AFE for any single project costing in excess of Ten thousand Dollars ($10,000). Any Party who has not relinquished its interest in a well shall have the right to propose that Operator perform repair work or undertake the installation of artificial lift equipment or ancillary production facilities such as salt water disposal wells or to conduct additional work with respect to a well drilled or other similar project (but not including the installation of gathering lines or other transportation or marketing facilities, the installation of which shall be governed by a separate agreement between the Parties) reasonably estimated to require an expenditure in excess of the amount set forth above in this Article VI.D. except in connection with an operation required to be proposed under Articles VI.B.1. (Drilling and Development; Subsequent Operations; Operations by Less Than All Parties) or VI.C.1. Option No. 2, [Drilling and Development; Subsequent Operations; Completion of Wells; Reworking and Plugging Back] which shall be governed exclusively by those Articles). Operator shall deliver the proposal to all Parties entitled to participate in them. If within thirty (30) days after that time Operator secures the written consent of any Party or Parties owning at least 51% of the interests of the Parties entitled to participate in the operation, each Party having the right to participate in the project shall be bound by the terms of the proposal and shall be obligated to pay its proportionate share of the costs of the proposed project as if it had consented to the project pursuant to the terms of the proposal.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled or Deepened pursuant to Article VI.B.2. (Drilling and Development; Subsequent Operations; Operations by Less Than All Parties), any well which has been Drilled or Deepened under the terms of this Agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all Parties. Should Operator, after diligent effort, be unable to contact any Party, or should any Party fail to reply within forty-eight (48) hours after delivery of a notice of the proposal to plug and abandon the well, the Party shall be deemed to have consented to the proposed abandonment. All wells shall be plugged and abandoned in accordance with applicable regulations at the cost, risk, and expense of the Parties who participated in the cost of Drilling or Deepening the well. Any Party who objects to plugging and abandoning a well by notice delivered to Operator within forty-eight (48) hours after delivery of notice of the proposed plugging shall take over the well as of the end of the forty-eight (48) hour notice period and conduct further operations in search of Oil and/or Gas subject to the provisions of Article VI.B. (Drilling and Development; Subsequent Operations). The failure of a Party to provide proof reasonably satisfactory to Operator of the Party's financial capability to conduct the operations or to take over the well within the period or to then conduct operations on the well or plug and abandon the well, shall entitle Operator to retain or take possession of the well and plug and abandon the well. The Party taking over the well shall indemnify Operator (if Operator is an abandoning Party) and the other abandoning Parties against all liability for further operations conducted on the well except for the costs of plugging and abandoning the well and restoring the surface, for which the abandoning Parties shall remain proportionately liable.

2. Abandonment of Wells That Have Produced: Except for any well in which a Non-Consent operation has been conducted for which the Consenting Parties have not been fully reimbursed, as provided for in this Agreement, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all Parties. If all Parties consent to the abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk, and expense of all the Parties. Failure of a Party to reply within sixty (60) days of delivery of a notice of proposed abandonment shall be deemed an election to consent to the proposal. If, within sixty (60) days after delivery of the notice of the proposed abandonment of any well, all Parties do not agree to the abandonment of the well, those wishing to continue its operation from the Zone then open to production shall be obligated to take over the well as of the expiration of the applicable notice period and shall indemnify Operator (if Operator is an abandoning Party) and the other abandoning Parties against liability for any further operations on the well conducted by those Parties. Failure of the Party or Parties to provide proof reasonably satisfactory to Operator of their financial capability to conduct those operations, or to take over the well within the required period, or to later conduct operations on the well, shall entitle Operator to retain or take possession of the well and plug and abandon the well.

Parties taking over a well, as provided above, shall tender to each of the abandoning Parties their proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C," less the estimated cost of salvaging and the estimated cost of plugging and abandoning and restoring the surface; provided, however, in the event the estimated plugging and abandoning and surface restoration costs and the estimated cost of salvaging are higher than the value of the well's salvable material and equipment, each of the abandoning Parties shall tender to the non-abandoning Parties, their proportionate shares of the estimated excess cost. Each abandoning Party shall assign to the non-abandoning Parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all of its interest in the wellbore of the well and related equipment, together with its interest in the Leasehold insofar and only insofar as the Leasehold covers the right to obtain production from that wellbore in the Zone then open to production. If the interest of the abandoning Party is or includes an Oil and Gas Interest, that Party shall execute and deliver to the non-abandoning Party or Parties an oil and gas lease, limited to the wellbore and the Zone then open to production, for a term of one (1) year and so long thereafter as Oil and/or Gas is produced from the Zone covered, the lease to be on the form attached as Exhibit "B." The assignments or leases shall encompass the Drilling Unit on which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based on the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interests in the remaining portions of the Contract Area.

Afterwards, abandoning Parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the Zone then open other than the royalties retained in any lease made under the terms of this Article. On request, Operator shall continue to operate the assigned well for the account of the non-abandoning Parties at the rates and charges provided for in this Agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well. On the proposed abandonment of the producing Zone assigned or leased, the assignors or lessors shall then have the option to repurchase their prior interests in the well (using the same valuation formula) and participate in further operations, subject to the provisions of this Agreement.

3. Abandonment of Non-Consent Operations: The provisions of Article VI.E.1. or VI.E.2. above (Drilling and Development; Abandonment of Wells; Abandonment of Dry Holes; and Abandonment of Wells That Have Produced) shall be applicable as between Consenting Parties in the event of the proposed abandonment of any well excepted from those Articles; provided, however, no well shall be permanently plugged and abandoned unless and until all Parties having the right to conduct further operations have been notified of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article VI.E. (Drilling and Development; Abandonment of Wells); and provided further, that Non-Consenting Parties who own an interest in a portion of the well shall pay their proportionate shares of abandonment and surface restoration costs for the well as provided in Article VI.B.2.(b) (Drilling and Development; Subsequent Operations; Operations by Less Than All Parties).

F. Termination of Operations:

On the commencement of an operation for the Drilling, Reworking, Sidetracking, Plugging Back, Deepening, Testing, Completion, or Plugging of a well, including but not limited to the Initial Well, the operation shall not be terminated without consent of Parties bearing 51% of the costs of the operation; provided, however, in the event granite or other practically impenetrable substance or condition in the hole is encountered which renders further operations impractical, Operator may discontinue operations and give notice of that condition in the manner provided in Article VI.B.1. (Drilling and Development; Subsequent Operations; Proposed Operations), and the provisions of Article VI.B. (Drilling and Development; Subsequent Operations) or VI.E. (Drilling and Development; Abandonment of Wells) shall then apply to operation, as appropriate.

G. Taking Production in Kind: (Select One of the Two Options)

☐ **Option No. 1: Gas Balancing Agreement Attached:**

Each Party shall take in kind or separately dispose of its proportionate share of all Oil and Gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating Oil and Gas for marketing purposes and exclusive of production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any Party of its proportionate share of the production shall be borne by that Party. Any Party taking its share of production in kind shall be required to pay for only its proportionate share of the part of Operator's surface facilities which it uses.

Each Party shall execute division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B. (Expenditures and Liabilities of Parties; Liens and Security Interests), shall be entitled to receive payment directly from the purchaser for its share of all production.

If any Party fails to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the Oil produced from the Contract Area, Operator shall have the right, but not the obligation, subject to the revocation at will by the Party owning it but not the obligation, to purchase the Oil or sell it to others at any time and from time to time, for the account of the non-taking Party. Any purchase or sale by Operator may be terminated by Operator on at least ten (10) days written notice to the owner of the production and shall be always subject to the right of the owner of the production on at least ten (10) days written notice to Operator to exercise at any time its right to take in kind, or separately dispose of, its share of all Oil not previously delivered to a purchaser. Any purchase or sale by Operator of any other Party's share of Oil shall be only for reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

Any sale by Operator shall be in a manner commercially reasonable under the circumstances but Operator shall have no duty to share any existing market or to obtain a price equal to that received under any existing market. The sale or delivery by Operator of a non-taking Party's share of Oil under the terms of any existing contract of Operator shall not give the non-taking Party any interest in or make the non-taking Party a Party to the contract. No purchase shall be made by Operator without first giving the non-taking Party at least ten (10) days written notice of the intended purchase and the price to be paid or the pricing basis to be used.

All Parties shall give timely written notice to Operator of their Gas marketing arrangements for the following month, excluding price, and shall notify Operator immediately in the event of a change in those arrangements. Operator shall maintain records of all marketing arrangements, and of volumes actually sold or transported, which records shall be made available to Non-Operators on reasonable request.

In the event one or more Parties' separate disposition of its share of the Gas causes split-stream deliveries to separate pipelines and/or deliveries which on a day-to-day basis for any reason are not exactly equal to a Party's respective proportionate share of total Gas sales to be allocated to it, the balancing or accounting between the Parties shall be in accordance with any Gas balancing agreement between the Parties, whether the agreement is attached as Exhibit "E," or is a separate agreement. Operator shall give notice to all Parties of the first sales of Gas from any well under this Agreement.

☑ **Option No. 2: No Gas Balancing Agreement:**

Each Party shall take in kind or separately dispose of its proportionate share of all Oil and Gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating Oil and Gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any Party of its proportionate share of the production shall be borne by that Party. Any Party taking its share of production in kind shall be required to pay for only its proportionate share of the part of Operator's surface facilities which it uses.

Each Party shall execute division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B. (Expenditures and Liabilities of Parties; Liens and Security Interests), shall be entitled to receive payment directly from the purchaser for its share of all production.

If any Party fails to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the Oil and/or Gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the Party owning it, but not the obligation, to purchase the Oil and/or Gas or sell it to others at any time and from time to time, for the account of the non-taking Party. Any purchase or sale by Operator may be terminated by Operator on at least ten (10) days written notice to the owner of the production and shall always be subject to the right of the owner of the production, on at least ten (10) days written notice to Operator, to exercise its right to take in kind, or separately dispose of, its share of all Oil and/or Gas not previously delivered to a purchaser; provided, however, that the effective date of any revocation may be deferred, at Operator's election, for a period not to exceed ninety (90) days if Operator has committed the production to a purchase contract having a term extending beyond a ten (10) day period. Any purchase or sale by Operator of any other Party's share of Oil and/or Gas shall only be for reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

Any sale by Operator shall be in a manner commercially reasonable under the circumstances, but Operator shall have no duty to share any existing market or transportation arrangement or to obtain a price or transportation fee equal to that received under any existing market or transportation arrangement. The sale or delivery by Operator of a non-taking Party's share of production under the terms of any existing contract of Operator shall not give the non-taking Party any interest in or make the non-taking Party a Party to a contract. No purchase of Oil and Gas and no sale of Gas shall be made by Operator without first giving the non-taking Party ten (10) days written notice of the intended purchase or sale, and the price to be paid or the pricing basis to be used. Operator shall give notice to all Parties of the first sale of Gas from any well under this Agreement.

All Parties shall give timely written notice to Operator of their Gas marketing arrangements for the following month, excluding price, and shall notify Operator immediately in the event of a change in the arrangements. Operator shall maintain records of all marketing arrangements, and of volumes actually sold or transported, which records shall be made available to Non-Operators on reasonable request.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the Parties to this Agreement shall be several, not joint or collective. Each Party shall be responsible only for its own obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the Parties in Article VII.B. (Expenditures and Liabilities of Parties; Liens and Security Interests) are given to secure only the debts of each severally, and no Party shall have any liability to third Parties to satisfy the default of any other Party in the payment of any expense or obligation under the terms of this Agreement. It is not the intention of the Parties to create, nor shall this Agreement be construed as creating, a mining or other partnership, joint venture, agency relationship or association, or to render the Parties liable as partners, co-ventures, or principals. **EXCEPT AS IT RELATES TO MARKETING AND THE HANDLING OF MONIES AS SPECIFIED IN ARTICLE V.A. (OPERATOR; DESIGNATION AND RESPONSIBILITIES OF OPERATOR), THE PARTIES SHALL NOT BE CONSIDERED FIDUCIARIES OR TO HAVE ESTABLISHED A CONFIDENTIAL RELATIONSHIP, BUT RATHER SHALL BE FREE TO ACT ON AN ARM'S LENGTH BASIS IN ACCORDANCE WITH THEIR OWN RESPECTIVE INTERESTS.**

B. Liens and Security Interests:

Each Party grants to the other Parties a lien on any and all interest it now owns or later acquires in Oil and Gas Leases and Oil and Gas Interests in the Contract Area, and a security interest and/or purchase money security interest in any and all interest it now owns or later acquires in the personal property and fixtures on or used or obtained for use in connection with any interest, to secure performance of all of its obligations under this Agreement, including payment of expense, interest and fees, the proper disbursement of all monies paid under the terms of this Agreement, the assignment or relinquishment of interest in Oil and Gas Leases as required by this Agreement, and the proper performance of operations under the terms of this Agreement. The lien and security interest granted by each Party shall include the Party's leasehold interests, working interests, operating rights, and royalty and overriding royalty interests in the Contract Area now owned or later acquired and in the lands pooled or unitized with the Contract Area or otherwise becoming subject to this Agreement, the Oil and Gas when extracted, and equipment situated on or used or obtained for use in connection with it (including, without limitation, all wells, tools, and tubular goods), and accounts (including, without limitation, accounts arising from gas imbalances or from the sale of Oil and/or Gas at the wellhead), contract rights, inventory, and general intangibles relating to or arising from it, and all proceeds and products of the foregoing.

To perfect the lien and security agreement granted, each Party shall execute and acknowledge the Memorandum of Agreement, recording supplement, and/or any financing statement prepared and submitted by any Party in conjunction with this Agreement or at any time following execution of this Agreement, and Operator is authorized to file this Agreement or the executed Memorandum of Agreement, or recording supplement as a lien or mortgage in the applicable real estate records and as a financing statement with the proper officer under the Uniform Commercial Code in the state in which the Contract Area is situated and all other states as Operator shall deem appropriate to perfect the security interest granted. Any Party may file this Agreement, the executed Memorandum of Agreement, recording supplement, or any other documents it deems necessary as a lien or mortgage in the applicable real estate records and/or a financing statement with the proper officer under the Uniform Commercial Code.

Each Party represents and warrants to the other Parties that the lien and security interest granted by the Party to the other Parties shall be a first and prior lien, and each Party agrees to maintain the priority of the lien and security interest against all persons acquiring an interest in Oil and Gas Leases and Interests covered by this Agreement by, through, or under the Party. All Parties acquiring an interest in Oil and Gas Leases and Oil and Gas Interests covered by this Agreement, whether by assignment, merger, mortgage, operation of law, or otherwise, shall be deemed to have taken subject to the lien and security interest granted by this Article VII.B. as to all obligations attributable to the interest whether or not the obligations arise before or after the interest is acquired.

To the extent Parties have a security interest under the Uniform Commercial Code of the state in which the Contract Area is situated, they shall be entitled to exercise the rights and remedies of a secured party under the Code. Bringing of a suit and obtaining a judgment by a Party for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment of any amounts due. In addition, on default by any Party in the payment of its share of expenses, interests or fees, or on the improper use of funds by the Operator, the other Parties shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of the defaulting Party's share of Oil and Gas until the amount owed by the Party, plus interest as provided in Exhibit "C," has been received, and shall have the right to offset the amount owed against the proceeds from the sale of the defaulting Party's share of Oil and Gas. All purchasers of production may rely on a notification of default from the non-defaulting Party or Parties stating the amount due as a result of the default, and all Parties waive any and all recourse available against purchasers for releasing production proceeds as provided in this paragraph.

If any Party fails to pay its share of cost within Thirty (30) days after rendition of a statement for costs by Operator, the non-defaulting Parties, including Operator, shall, on request by Operator, pay the unpaid amount in the proportion that the interest of each Party bears to the interest of all Parties. The amount paid by each Party paying its share of the unpaid amount shall be secured by the liens and security rights described in this Article VII.B. and each paying Party may independently pursue any remedy available under this Agreement or otherwise.

If any Party does not perform all of its obligations under this Agreement, and the failure to perform subjects the Party to foreclosure or execution proceedings pursuant to the provisions of this Agreement, to the extent allowed by governing law, the defaulting Party waives any available right of redemption from and after the date of judgment, any required valuation or appraisement of the mortgaged or secured property prior to sale, any available right to stay execution or to require a marshalling of assets and any required bond in the event a receiver is appointed. In addition, to the extent permitted by applicable law, each Party grants to the other Parties a power of sale as to any property that is subject to the lien and security rights granted by this Agreement, this power to be exercised in the manner provided by applicable law or otherwise in a commercially reasonable manner and on reasonable notice.

Each Party agrees that the other Parties shall be entitled to utilize the provisions of all Oil and Gas lien laws or other lien laws of any state in which the Contract Area is situated to enforce the obligations of each Party subject to this Agreement. Without limiting the generality of the foregoing, to the extent permitted by applicable law, Non-Operators agree that Operator may invoke or utilize the mechanic's or materialmen's lien laws of the state in which the Contract Area is situated in order to secure the payment to Operator of any sum due for services performed or materials supplied by Operator.

C. Advances:

Operator, at its election, shall have the right from time to time to demand and receive, in advance, from one or more of the other Parties payments of their respective shares of the estimated amount of the expense to be incurred in operations during the next succeeding month, which right may be exercised only by submitting to each Party an itemized statement of the estimated expense, together with an invoice for the Party's share of the estimated amount of expenses. Each statement and invoice for the advance payment of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each Party shall pay to Operator its proportionate share of the estimate within fifteen (15) days after the estimate and invoice is received. If any Party fails to pay its share of the estimate within that time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each Party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Defaults and Remedies:

If any Party fails to discharge any financial obligation under this Agreement, including without limitation the failure to make any advance payment as provided for in Article VII.C. above, or any other provision of this Agreement, within the period required for payment, then in addition to the remedies provided in Article VII.B. (Expenditures and Liabilities of Parties; Liens and Security Interests) or elsewhere in this Agreement, the remedies specified below shall be applicable. For purposes of this Article VII.D., all notices and elections shall be delivered only by Operator, except that Operator shall deliver any notice and election requested by a non-defaulting Non-Operator, and when Operator is the Party in default, the applicable notices and elections can be delivered by any Non-Operator. Election of any one or more of the following remedies shall not preclude the subsequent use of any other remedy specified below or otherwise available to a non-defaulting Party.

1. Suspension of Rights: Any Party may deliver to the Party in default a Notice of Default, which shall specify the default, specify the action to be taken to cure the default, and specify that failure to take the action will result in the exercise of one or more of the remedies provided in this Article. If the default is not cured within thirty (30) days of the delivery of the Notice of Default, all of the rights of the defaulting Party granted by this Agreement may, on notice, be suspended until the default is cured, without prejudice to the right of the non-defaulting Party or Parties to continue to enforce the obligations of the defaulting Party previously accrued or later accruing under this Agreement. If Operator is the Party in default, the Non-Operators shall have in addition this right, by vote of Non-Operators owning a majority in interest in the Contract Area, after excluding the voting interest of Operator, to appoint a new Operator effective immediately. The rights of a defaulting Party that may be suspended at the election of the non-defaulting Parties shall include, without limitation, the right to receive information as to any operation conducted under this Agreement during the period of the default, the right to elect to participate in an operation proposed under Article VI.B. (Drilling and Development; Subsequent Operations) of this Agreement, the right to participate in an operation being conducted under this Agreement even if the Party has previously elected to participate in the operation, and the right to receive proceeds of production from any well subject to this Agreement.

2. Suit for Damages: Non-defaulting Parties, or Operator for the benefit of non-defaulting Parties, may sue (at joint account expense) to collect the amounts in default, plus interest accruing on those amounts recovered, from the date of default until the date of collection, at the rate specified in Exhibit "C." Nothing shall prevent any Party from suing any defaulting Party to collect consequential damages accruing to the Party as a result of the default.

3. Deemed Non-Consent: The non-defaulting Party may deliver a written Notice of Non-Consent Election to the defaulting Party at any time after the expiration of the thirty (30) day cure period following delivery of the Notice of Default, in which event if the billing is for the drilling of a new well or the Plugging Back, Sidetracking, Reworking, or Deepening of a well which is to be or has been plugged as a dry hole, or for the Completion or Recompletion of any well, the defaulting Party will be conclusively deemed to have elected not to participate in the operation and to be a Non-Consenting Party under Article VI.B. or VI.C. (Drilling and Development; Subsequent Operations; and Completion of Wells; Reworking and Plugging Back), as the case may be, to the extent of the costs unpaid by the Party, notwithstanding any election to participate previously made. If an election is made to proceed under this provision, then the non-defaulting Parties may not elect to sue for the unpaid amount pursuant to Article VII.D.2. (Expenditures and Liabilities of Parties; Defaults and Remedies; Suit for Damages).

Until the delivery of the Notice of Non-Consent Election to the defaulting Party, the Party shall have the right to cure its default by paying its unpaid share of costs plus interest at the rate set forth in Exhibit "C"; provided, however, the payment shall not prejudice the rights of the non-defaulting Parties to pursue remedies for damages incurred by the non-defaulting Parties as a result of the default. Any interest relinquished pursuant to this Article VII.D.3. shall be offered to the non-defaulting Parties in proportion to their interests, and the non-defaulting Parties electing to participate in the ownership of the interest shall be required to contribute their shares of the defaulted amount on their election to participate in the interest.

4. Advance Payment: If a default is not cured within thirty (30) days of the delivery of a Notice of Default, Operator, or Non-Operators if Operator is the defaulting Party, may then require advance payment from the defaulting Party of the defaulting Party's anticipated share of any item of expense for which Operator, or Non-Operators, as the case may be, would be entitled to reimbursement under any provision of this Agreement, whether or not the expense was the subject of the previous default. The right includes, but is not limited to, the right to require advance payment for the estimated costs of drilling a well or Completion of a well for which an election to participate in drilling or Completion has been made. If the defaulting Party fails to pay the required advance payment, the non-defaulting Parties may pursue any of the remedies provided for in this Article VII.D. or any other default remedy provided elsewhere in this Agreement. Any excess of funds advanced remaining when the operation is completed and all costs have been paid shall be promptly returned to the advancing Party.

5. Costs and Attorneys' Fees: If any Party is required to bring legal proceedings to enforce any financial obligation of a Party to this Agreement, the prevailing Party in the action shall be entitled to recover all court costs, costs of collection, and reasonable attorney's fees, which shall also be secured by the lien provided for in this Agreement.

E. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments, and minimum royalties which may be required under the terms of any Lease shall be paid by the Party or Parties who subjected the Lease to this Agreement at its or their expense. In the event two or more Parties own and have contributed interests in the same Lease to this Agreement, the Parties may designate one of the Parties to make payments for and on behalf of all the Parties. Any Party may request, and shall be entitled to receive proper evidence of all these payments. In the event of a failure to make a proper payment of any rental, shut-in well payment, or minimum royalty through mistake or oversight where the payment is required to continue the Lease in force, any loss which results from the non-payment shall be borne in accordance with the provisions of Article IV.B.2. (Titles; Loss or Failure of Title; Loss by Non-Payment or Erroneous Payment of Amount Due).

Operator shall notify Non-Operators of the anticipated completion of a shut-in well, or the shutting in or return to production of a producing well, at least five (5) days prior to taking the action, or at the earliest opportunity permitted by circumstances, but assumes no liability for the failure to do so. In the event of a failure by Operator to so notify Non-Operators, the loss of any Lease contributed by Non-Operators for failure to make timely payments of any shut-in well payment shall be borne jointly by the Parties under the provisions of Article IV.B.3. (Titles; Loss or Failure of Title; Other Losses).

F. Taxes:

Beginning with the first calendar year after the effective date of this Agreement, Operator shall render for ad valorem taxation all property subject to this Agreement which by law should be rendered for taxes, and it shall pay all taxes assessed before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties, and production payments) on Leases and Oil and Gas Interests contributed by Non-Operator. If the assessed valuation of any Lease is reduced by reason of its being subject to outstanding excess royalties, overriding royalties, or production payments, the resulting reduction in ad valorem taxes shall inure to the benefit of the owner or owners of that Lease, and Operator shall adjust the charge to the owner or owners to reflect the benefit of the reduction. If the ad valorem taxes are based in whole or in part on separate valuations of each Party's working interest, then charges to the joint account shall be made and paid by the Parties in accordance with the tax value generated by each Party's working interest. Operator shall bill the other Parties for their proportionate shares of all tax payments in the manner provided in Exhibit "C."

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all Parties agree to abandon the protest prior to final determination. During the pendency of an administrative or judicial proceeding, Operator may elect to pay, under protest, all taxes and any interest and penalty. When any protested assessment has been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the Parties, and be paid by them, as provided in Exhibit "C."

Each Party shall pay or cause to be paid all production, severance, excise, gathering, and other taxes imposed on or with respect to the production or handling of a Party's share of Oil and Gas Produced under the terms of this Agreement.

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The Leases covered by this Agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all Parties consent to it. However, should any Party desire to surrender its interest in any Lease or in any portion of a Lease, the Party shall give written notice of the proposed surrender to all other Parties, and the Parties to whom the notice is delivered shall have thirty (30) days after delivery of the notice within which to notify the Party proposing the surrender whether they elect to consent to the surrender. The failure of a Party to whom a notice is delivered to reply within the 30-day period shall be deemed to constitute a consent to the surrender of the Lease(s) described in the notice. If all Parties do not agree or consent to the surrender, the Party desiring to surrender shall assign, without warranty of title express or implied, all of its interest in the Lease, or portion of the Lease, and any well, material, and equipment which may be located on it and any rights in production after the effective date of the assignment to the Parties not consenting to the surrender. If the interest of the assigning Party is or includes an Oil and Gas Interest, the assigning Party shall execute and deliver to the Party or Parties not consenting to the surrender an oil and gas lease covering the Oil and Gas Interest for a term of one (1) year and so long thereafter as Oil and/or Gas is produced from the land covered by that lease, which lease is to be on the form attached as Exhibit "B." On the assignment or lease, the assigning Party shall be relieved from all obligations accruing after (but not before) the effective date of the assignment or lease, with respect to the interest assigned or leased and the operation of any well, and the assigning Party shall have no further interest in the assigned or leased premises and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The Party that is the assignee or lessee shall pay to the Party that is the assignor or lessor the reasonable salvage value of the latter's interest in any well's salvable materials and equipment attributable to the assigned or leased acreage. The value of all salvable materials and equipment shall be determined in accordance with the provisions of Exhibit "C," less the estimated cost of salvaging and the estimated cost of plugging and abandoning and restoring the surface. If the value is less than those costs, then the Party that is the assignor or lessor shall pay to the Party that is the assignee or lessee the amount of the deficit. If the assignment or lease is in favor of more than one Party, the interest shall be shared by those Parties in the proportions that the interest of each bears to the total interest of all the Parties. If the interest of the Parties to whom the assignment is to be made varies according to depth, then the interest assigned shall similarly reflect those variances.

Any assignment, lease, or surrender made under this provision shall not reduce or change the assignor's, lessor's, or surrendering Party's interest as it was immediately before the assignment, lease, or surrender in the balance of the Contract Area; and, the acreage assigned, leased, or surrendered, and subsequent operations on the assigned, leased, or surrendered Lease shall no longer be subject to the terms and provisions of this Agreement but shall be deemed subject to an Operating Agreement in the form of this Agreement.

B. Renewal or Extension of Leases:

If any Party secures a renewal or replacement of an Oil and Gas Lease or Interest subject to this Agreement, then all other Parties shall be promptly notified of the acquisition or, in the case of a replacement Lease taken before expiration of an existing Lease, promptly on expiration of the existing Lease. The Parties notified shall have the right for a period of thirty (30) days following delivery of the notice in which to elect to participate in the ownership of the renewal or replacement Lease, insofar as the Lease affects lands within the Contract Area, by paying to the Party who acquired it their proportionate shares of the acquisition cost allocated to that part of the Lease within the Contract Area, which shall be in proportion to the interests held at that time by the Parties in the Contract Area. Each Party who participates in the purchase of a renewal or replacement Lease shall be given an assignment of its proportionate interest in it by the acquiring Party.

If some, but less than all, of the Parties elect to participate in the purchase of a renewal or replacement Lease, it shall be owned by the Parties, who elect to participate, in a ratio based on the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all Parties participating in the purchase of the renewal or replacement Lease. The acquisition of a renewal or replacement Lease by all of the Parties shall not cause a readjustment of the interests of the Parties stated in Exhibit "A," but any renewal or replacement Lease in which less than all Parties elect to participate shall not be subject to this Agreement but shall be deemed subject to a separate Operating Agreement in the form of this Agreement.

If the interests of the Parties in the Contract Area vary according to depth, then their right to participate proportionately in any renewal or replacement Leases and their right to receive an assignment of interest shall also reflect those depth variances.

The provisions of this Article shall apply to renewal or replacement Leases whether they are for the entire interest covered by the expiring Lease or cover only a portion of its area or an interest in the area. Any renewal or replacement Lease taken before the expiration of its predecessor Lease, or taken or contracted for or becoming effective within six (6) months after the expiration of the existing Lease, shall be subject to this provision so long as this Agreement is in effect at the time of the acquisition or at the time the renewal or replacement Lease becomes effective; but any Lease taken or contracted for more than six (6) months after the expiration of an existing Lease shall not be deemed a renewal or replacement Lease and shall not be subject to the provisions of this Agreement.

The provisions in this Article shall also be applicable to extensions of Oil and Gas Leases.

C. Acreage or Cash Contributions:

While this Agreement is in force, if any Party contracts for a contribution of cash towards the drilling of a well or any other operation on the Contract Area, the contribution shall be paid to the Party who conducted the drilling or other operation and shall be applied by it against the cost of the drilling or other operation. If the contribution is in the form of acreage, the Party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions the Drilling Parties shared the cost of drilling the well. The acreage shall become a separate Contract Area and, to the extent possible, be governed by provisions identical to this Agreement. Each Party shall promptly notify all other Parties of any acreage or cash contributions it may obtain in support of any well or any other operation on the Contract Area. These provisions shall also be applicable to optional rights to earn acreage outside the Contract Area which are in support of well drilled inside the Contract Area.

If any Party contracts for any consideration relating to disposition of the Party's share of produced substances, the consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

D. Assignment; Maintenance of Uniform Interest:

In the event any Party to this Agreement creates a necessity for separate measurement facilities by virtue of any encumbrance or conveyance, that Party and its assignees shall, alone, bear the costs of acquisition, operation, maintenance, and repairs of the facility.

Every sale, encumbrance, transfer or other disposition made by any Party shall be made expressly subject to this Agreement and shall be made without prejudice to the right of the other Parties, and any transferee of an ownership interest in any Oil and Gas Lease or Interest shall be deemed a Party to this Agreement as to the interest conveyed, from and after the effective date of the transfer of ownership; provided, however, that the other Parties shall not be required to recognize any sale, encumbrance, transfer, or other disposition for any purpose until thirty (30) days after they have received a copy of the instrument of transfer or other satisfactory evidence in writing from the transferor or transferee. No assignment or other disposition of interest by a Party shall relieve the assigning Party of obligations previously incurred by that Party with respect to the interest transferred, including without limitation the obligation of that Party to pay all costs attributable to an operation conducted under the terms of this Agreement in which the Party has agreed to participate prior to making an assignment, and the lien and security interest granted by Article VII.B. (Expenditures and Liability of Parties; Liens and Security Interests) shall continue to burden the transferred interest to secure payment of any of those obligations.

If, at any time the interest of any Party is divided among and owned by four or more co-owners, Operator, at its discretion, may require co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for, and approve and pay the Parties' share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of the Party's interest within the scope of the operations covered or subject to this Agreement; however, all the co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the Oil and Gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds from Oil and Gas produced. If a trustee or agent is not appointed within thirty (30) days after written notice from Operator to the Parties, Operator shall have the right to appoint a trustee or agent from the group of Parties and the appointment shall be binding on all of those Parties.

E. Waiver of Rights to Partition:

If permitted by the laws of the state or states in which the property covered by this Agreement is located, each Party owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest.

F. Preferential Right to Purchase:

Check one:

☑ **Applicable.**

❑ **Not Applicable.**

If the Preferential Right to Purchase provision is marked "Applicable," should any Party desire to sell all or any part of its interests under this Agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the other Parties, with full information concerning its proposed disposition, which shall include the name and address of the prospective transferee (who must be ready, willing and able to purchase), the purchase price, a legal description sufficient to identify the property, and all other terms of the offer. The other Parties shall then have an optional prior right, for a period of ten (10) days after the notice is delivered, to purchase for the stated consideration, on the same terms and conditions, the interest which the other Party proposes to sell; and, if this optional right is exercised, the purchasing Parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing Parties. However, there shall be no preferential right to purchase in those cases where any Party wishes to mortgage its interests, to transfer title to its interests to its mortgagee in lieu of or pursuant to foreclosure of a mortgage of its interests, sell the properties included in a "large transaction," as defined below, to dispose of its interests by merger, reorganization, consolidation, or by sale of all or substantially all of its Oil and Gas assets to any Party, or by transfer of its interests to a subsidiary or parent company or to a subsidiary of a parent company, or to any company in which the Party owns a majority of the stock. For the purposes of this provision, a "large transaction" shall mean a sale of an interest in more than _____ well(s), wherever located, and if a Party's interest in the Contract Area is included in a "large transaction," the preferential purchase right provided for in this provision shall not be applicable.

G. Area of Mutual Interest:

Check one:

☑ Applicable.

❑ **Not Applicable.**

If the Area of Mutual Interest provision is marked "Applicable," except for acquisitions made pursuant to Article IV.B.1. (Titles; Loss or Failure of Title; Failure of Title) and Article VIII.B., C. and F., any Party who acquires an interest in oil and gas within the Contract Area or within one-half (l/2) mile of the outer perimeter of the Contract Area shall give notice in writing to all of the other Parties which notice shall contain the description of the interest acquired, the consideration paid for it and all other pertinent information necessary to describe the acquisition. All Parties receiving the notice shall have fifteen (15) days from receipt to advise the acquiring Party in writing of its election to participate in the acquisition. Any Party failing to provide timely notice shall then waive all rights have no right to participate in the acquisition. All Parties electing to participate in the acquisition shall furnish the acquiring Party notice of their election to participate to the extent of their proportionate part (the same interest which they have in the Contract Area) of the cost of the acquisition, failing in which their affirmative responses shall not be deemed effective and shall not entitle the Party to participate in the acquisition. If any Party elects not to participate in the acquisition, the acquiring Party shall notify all other Parties of the refusal and all other Parties shall have the same right to respond within the following fifteen (15) days as required in the case of the first notice. The acquiring Parties agree to execute all assignments and conveyances as are necessary to reflect the acquisition as a matter of record as soon as reasonably possible after determination of the interests of the Parties pursuant to the foregoing provisions. There shall be no obligation of any Party with respect to acquisitions outside the area covered by this provision. The provisions of this paragraph shall terminate at the earlier of: (1) termination of this Operating Agreement; or, (2) twenty (20) years from the date of this Agreement. Parties participating in an acquisition shall be subject to the provisions of this Operating Agreement which shall be referenced in the documents of title reflecting the acquisition.

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

If, for federal income tax purposes, this Agreement and the operations under it are regarded as a partnership, and if the Parties have not otherwise agreed to form a tax partnership pursuant to Exhibit "G" or other agreement between them, each affected Party elects to be excluded from the application of all of the provisions of Subchapter "K," Chapter 1, Subtitle "A," of the Internal Revenue Code of 1986, as amended (the "Code"), as permitted and authorized by Section 761 of the Code and the regulations promulgated under it. Operator is authorized and directed to execute on behalf of each affected Party the evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Treasury Regulations §1.761. Should there by any requirement that each affected Party give further evidence of this election, each Party shall execute documents and furnish any other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No Party shall give any notices or take any other action inconsistent with this election. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K," Chapter 1, Subtitle "A," of the Code, under which an election similar to that provided by Section 761 of the Code is permitted, each affected Party shall make this election as may be permitted or required by those laws. In making this election, each Party states that the income derived by the Party from operations under this Agreement can be adequately determined without the computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single uninsured third Party damage claim or suit arising from operations under this Agreement if the expenditure does not exceed Ten Thousand Dollars ($10,000.00), and if the payment is in complete settlement of the claim or suit. If the amount required for settlement exceeds this amount, the Parties shall assume and take over the further handling of the claim or suit, unless that authority is delegated to Operator. All costs and expenses of handling, settling, or otherwise discharging a claim or suit shall be at the joint expense of the Parties participating in the operation from which the claim or suit arises. If a claim is made against any Party or if any Party is sued on account of any matter arising from operations under this Agreement over which the individual has no control because of the rights given Operator by this Agreement, the Party shall immediately notify all other Parties, and the claim or suite shall be treated as any other claim or suit involving operations under this Agreement.

ARTICLE XI.
FORCE MAJEURE

If any Party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, other than the obligation to indemnify or make money payments or furnish security, that Party shall give all other Parties prompt written notice of the force majeure with reasonably full particulars concerning it; the obligations of the Party giving the notice, so far as it is affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The term "force majeure," shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, or other act of nature, explosion, governmental action, governmental delay, restraint, or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the Party claiming suspension.

The affected Party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable. The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the Party involved, contrary to its wishes; how all difficulties shall be handled shall be entirely within the discretion of the Party concerned.

ARTICLE XII.
NOTICES

All notices authorized or required between the Parties by any of the provisions of this Agreement, unless otherwise specifically provided, shall be in writing and delivered in person or by United States mail, courier service, facsimile or any other form of electronic delivery, postage or charges prepaid, and addressed to the Parties at the addresses listed on Exhibit "A." All telephone, electronic delivery, or oral notices permitted by this Agreement shall be confirmed immediately by written notice. The originating notice given under any provision of this Agreement shall be deemed delivered only when received by the Party to whom the notice is directed, and the time for the Party to deliver any notice in response to the notice received shall run from the date the originating notice is received. "Receipt" for purposes of this Agreement with respect to a written notice delivered shall be actual delivery of the notice to the address of the Party to be notified specified in accordance with this Agreement, or to the telecopy or facsimile of the Party. The second or any responsive notice shall be deemed delivered when deposited in the United States mail or at the office of the courier, or on transmittal by facsimile, or when personally delivered to the Party to be notified, provided, that when a response is required within 24 or 48 hours, the response shall be given orally or by telephone, telecopy or other facsimile within that period. Each Party shall have the right to change its address at any time, and from time to time, by giving written notice of the change to all other Parties. If a Party is not available to receive notice orally or by telephone when a Party attempts to deliver a notice required to be delivered within 24 or 48 hours, the notice may be delivered in writing by any other method and shall be deemed delivered in the same manner provided above for any responsive notice.

ARTICLE XIII.
TERM OF AGREEMENT

This Agreement shall remain in full force and effect as to the Oil and Gas Leases and/or Oil and Gas Interests subject to it for the period of time selected below; provided, however, no Party shall ever be construed as having any right, title, or interest in or to any Lease or Oil and Gas Interest contributed by any other Party beyond the term of this Agreement.

☑ **Option No. 1:** So long as the Oil and Gas Lease subject to this Agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal, or otherwise.

☐ **Option No. 2:** In the event the well described in Article VI.A. (Drilling and Development; Initial Well), or any subsequent well drilled under any provision of this Agreement, results in the completion of a well as a well capable of production of Oil and/or Gas in paying quantities, this Agreement shall continue in force so long as any well is capable of production, and for an additional period of _____ days after that time; provided, however, if, prior to the expiration of additional period, one or more of the Parties are engaged in Drilling, Reworking, Deepening, Sidetracking, Plugging Back, testing or attempting to Complete or Recomplete a well or wells, this Agreement shall continue in force until the operations have been completed and if production results, this Agreement shall continue in force as provided in this Agreement. In the event the well described in Article VI.A. (Drilling and Development; Initial Well), or any subsequent well drilled, results in a dry hole, and no other well is capable of producing Oil and/or Gas from the Contract Area, this Agreement shall terminate unless Drilling, Deepening, Sidetracking, Completing, Recompleting, Plugging Back, or Reworking operations are commenced within _____ days from the date of abandonment of the well. "Abandonment" for these purposes shall mean either: (i) a decision by all Parties not to conduct any further operations on the well; or, (ii) the lapse of 180 days from the conduct of any operations on the well, whichever first occurs.

The termination of this Agreement shall not relieve any Party from any expense, liability, or other obligation or any remedy which has accrued or attached prior to the date of termination.

On termination of and the satisfaction of all obligations under this Agreement, in the event a Memorandum of this Operating Agreement has been filed of record, Operator is authorized to file of record in all necessary recording offices a notice of termination, and each Party agrees to execute a notice of termination as to Operator's interest, on request of Operator, if Operator has satisfied all its financial obligations.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations, and Orders:

This Agreement shall be subject to the applicable laws of the state in which the Contract Area is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of that state; and, to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

This Agreement and all matters pertaining to it, including but not limited to matters of performance, non-performance, breach, remedies, procedures, rights, duties, and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state of Texas shall govern.

C. Regulatory Agencies:

Nothing in this Agreement shall grant, or be construed to grant, Operator the right or authority to waive or release any rights, privileges, or obligations which Non-Operators may have under federal or state laws or under rules, regulations, or orders promulgated under those laws in reference to oil, gas, and mineral operations, including the location, operation, or production of wells, on tracts offsetting or adjacent to the Contract Area.

With respect to the operations under this Agreement, Non-Operators agree to release Operator from any and all losses, damages, injuries, claims, and causes of action arising out of, incident to, or resulting directly or indirectly from Operator's interpretation or application of rules, rulings, regulations, or orders of the Department of Energy or Federal Energy Regulatory Commission or predecessor or successor agencies to the extent the interpretation or application was made in good faith and does not constitute gross negligence. Each Non-Operator further agrees to reimburse Operator for the Non-Operator's share of production or any refund, fine, levy, or other governmental sanction that Operator may be required to pay as a result of an incorrect interpretation or application, together with interest and penalties owing by Operator as a result of any incorrect interpretation or application.

ARTICLE XV.
MISCELLANEOUS

A. Execution:

This Agreement shall be binding on each Non-Operator when this Agreement or a counterpart of it has been executed by the Non-Operator and Operator even though this Agreement is not then or later executed by all of the Parties to which it is tendered or which are listed on Exhibit "A" as owning an interest in the Contract Area or which in fact, own an interest in the Contract Area. Operator may, however, by written notice to all Non-Operators who have become bound by this Agreement, which notice is given at any time prior to the actual spud date of the Initial Well but in no event later than five (5) days prior to the date specified in Article VI.A. (Drilling and Development; Initial Well) for commencement of the Initial Well, terminate this Agreement if Operator in its sole discretion determines that there is insufficient participation to justify commencement of drilling operations. In the event of a termination by Operator, all further obligations of the Parties to this Agreement shall cease as of the termination. In the event any Non-Operator has advanced or prepaid any share of drilling or other costs, all sums advanced shall be returned to the Non-Operator without interest. In the event Operator proceeds with drilling operations for the Initial Well without the execution of this Agreement by all persons listed on Exhibit "A" as having a current working interest in the well, Operator shall indemnify Non-Operators with respect to all costs incurred for the Initial Well which would have been charged to that person under this Agreement if the person had executed the same and Operator shall receive all revenues which would have been received by that person under this Agreement if the person had executed this Agreement.

B. Successors and Assigns:

This Agreement shall be binding on and shall inure to the benefit of the Parties to it and their respective heirs, devisees, legal representatives, successors, and assigns, and the terms of this Agreement shall be deemed to run with the Leases or Interests included within the Contract Area. However, notwithstanding the provisions of the immediate preceding sentence, in the event of a sale by the Operator of all of its interest in the Contract Area, the provisions of Article V.B. (Operator; Resignation or Removal of Operator and Selection of Successor) shall apply to the end that there shall be an election of a Successor Operator pursuant to the provisions of Article V.B.

C. Counterparts:

No assignment or transfer shall be effective unless and until the assignee or transferee agrees in writing to take the assigned or transferred interest subject to this Agreement and to assume its proportionate share of all obligations and restrictions created by this Agreement with respect to the interest assigned or transferred from the effective date of the transfer, and copies of the written agreement have been delivered to the Parties. Notwithstanding any provision to the contrary and unless waived in writing by each of the non-transferring Parties, the assigning or transferring Party shall remain jointly and severally liable with the assignee or transferee to the parties to this Agreement for the performance and satisfaction of all obligations attributable to the interest assigned or transferred, whether the obligation arises before or after the effective date of the assignment or transfer. The provisions of this paragraph shall not apply to any transfer by operation of law or the grant of a mortgage or security interest in any oil and gas interest subject to this Agreement, but shall apply to any transfer of legal title to the interest pursuant to or in lieu of any mortgage or security interest.

This Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

D. Severability:

For the purposes of assuming or rejecting this Agreement as an executory contract pursuant to federal bankruptcy laws, this Agreement shall not be severable, but rather must be assumed or rejected in its entirety, and the failure of any Party to this Agreement to comply with all of its financial obligations provided it in shall be a material default.

ARTICLE XVI.

This Agreement shall be effective as of _____.

OPERATOR
WEST TEXAS ROYALTIES, INC. (“WTR”)

/s/ John Browning

By: John Browning, President

NON-OPERATORS

INNOVATIVE PETROLEUM CORPORATION

/s/ Wayne Hall

By: Wayne Hall, President

WEST TEXAS RESOURCES, INC.

/s/ Stephen Jones

By**:** Stephen Jones, President

KEMMAC GROUP LLC

/s/ Charles Frieda

By**:** Charles Frieda, Manager

Exhibit A
to JOA
Dated _____2011

1. **Description of Lands to Be Assigned:**

Tract 1:	80 Acres, more or less, being the West half (W/2) of the Southeast Quarter (SE/4) of Section 27, Block 2, E.T. RR. Co. Survey, Abstract 106, Eastland County, Texas and the Rock Operating No. 1 C. M. Knott well located 467' FWL and 467' FNL of the W/2 of **the** SE/4.
Tract 2:	40 Acres, more or less, being the Northeast Quarter (NE/4) of the Northeast Quarter (NE/4) of Section 27, Block 2, E.T. RR. Co. Survey, Abstract 106, Eastland County, Texas and the Dallas Production No. 1 Rutherford well located 467' FNL and 467' FEL of the NE/4.
Area of Mutual Interest:	640 acres, more or less, being Section 27, Block 2, E.T. RR. Co. Survey, Abstract 106, Eastland County, Texas

2. **Restrictions, if any, as to Depth Formations or Substances:**none

3. **Parties to this Agreement with Addresses and Telephone Number and Working interest ownership in the leasehold:**

Mr. John Browning WEST TEXAS ROYALTIES, INC. 1830 CR 130 Plainview, TX 79072 Telephone No.: 806-293-9050	25%
INNOVATIVE PETROLEUM CORPORATION 1901 Post Oak Blvd. #4212, Houston, Texas 77056	37.5%
West Texas Resources, Inc. Attn: Stephen Jones/President 5729 Lebanon Rd. Suite 144 PMB 345 Frisco, TX 75034 (972) 712-1039 office (214) 868-3939 mobile esjones1@aol.com	31.25%
KEMMAC GROUP LLC Attn: Charles R. Frieda 8205 E. White Fir Lane Anaheim, CA 92808 (714) 600-3643	6.25%

5. **Burdens on Production:**

Royalty

3001186	JAMES W ARMSTRONG ADDRESS UNKNOWN SUSPENSE,	RI	0.01041700
3001187	MARY RUTH ARMSTRONG P 0 BOX 50806 MIDLAND, TEXAS 79710-0806	RI	0.01041700
3003975	KELLY HOLAMAN 2518 WOODLAKE ABILENE, TEXAS 79606	RI	0.00347200
3004556	C. M. TONY KNOTT ESTATE PAUL KNOTT INDEPENDENT EXECUTOR 1000 AINSLEE MIDLAND, TEXAS 79701	RI	0.06250000
3004870	JAMES WESLEY LOVELL 1726 BEL AIR ABILENE, TEXAS 79603	RI	0.00347200
3006782	WANDA J SIEKMAN 2001 COUNTRY CLUB RD. BRENHAM, TEXAS 77833	RI	0.00347200
3007711	ELVA T WARE ADDRESS UNKNOWN SUSPENSE,	RI	0.03125000

Total for Type Interest "RI"

ORRI

3004556	C. M. TONY KNOTT ESTATE PAUL KNOTT INDEPENDENT EXECUTOR 1000 AINSLEE MIDLAND, TEXAS 79701	OR	0.0625000
3003072	ANN FRAZIER ADDRESS UNKNOWN SUSPENSE,	OR	0.01000000

Total for Type Interest “OR” 0.07250000

Total Override Interest (OR) 0.07250000

Exhibit B
the Oil and Gas Lease. See attached

Exhibit C
to JOA
Dated _____2011

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions.

"Joint Operating" shall mean the real and personal property subject to the Operating Agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection, and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated in the Operating Agreement to conduct the Joint Operations.

"Non-Operators" shall mean the Parties to this Operating Agreement other than the Operator.

"Parties" shall mean the Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological, or other professional skills, and whose primary function in Joint Operations is the handling of specific operation conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies.

2. Statement and Billings.

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. The bills will be accompanied by statements which identify the authority for expenditure, lease, or facility, and all charges and credits summarized by appropriate classifications of investment and expense, except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments of Non-Operators.

A. Unless otherwise provided for in the Operating Agreement, Operator may require Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation within fifteen (15) days after receipt of the billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust each monthly billing to reflect advances received from Non-Operators.

B. Each Non-Operator shall pay its proportion of all bills within thirty (30) days after receipt. If payment is not made within that time, the unpaid balance shall bear interest, monthly, at the prime rate in effect at Abilene Texas on the first day of the month in which the delinquency occurs, plus 1%, or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments.

Payment of any bills shall not prejudice the right of any Non-Operator to protest or question the correctness of the bill; provided, however, all bills and statements rendered to Non-Operators by the Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any calendar year, unless within the twenty-four (24) month period a Non-Operator takes written exception to the bill(s) and makes claim on the Operator for an adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed time period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits.

A. A Non-Operator, on notice in writing to the Operator and all other Non-Operators, shall have the right to audit the Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of a calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year without prior approval of the Operator, except on the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving the audit.

B. The Operator shall reply in writing to an audit report within one hundred eighty (180) days after receipt of the audit.

6. Approval By Non-Operators.

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure, and if the Operating Agreement to which this Accounting Procedure is attached contains no contrary provisions, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Ecological and Environmental.

Costs incurred for the benefit of the Joint Property as a result of governmental or regulatory requirements to satisfy environmental considerations applicable to the Joint Operations. These costs may include surveys of an ecological or archaeological nature and pollution control procedures as required by applicable laws and regulations.

2. Rentals and Royalties.

Lease rentals and royalties paid by the Operator for the Joint Operations.

3. Labor.

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries of First Level Supervisors in the field.

(3) Salaries and wages of Technical Employees directly employed on the Joint Property if the charges are excluded from the overhead rates.

(4) Salaries and wages of Technical Employees, either temporarily or permanently, assigned to and directly employed in the operation of the Joint Property if the charges are excluded from the overhead rates.

B. Operator's cost of holiday, vacation, sickness, and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to a Joint Account under Paragraph 3.A. of this Section II. The costs under this Paragraph 3.B. may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 3.A. of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 3.A. and 3.B. of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3.A. of this Section II.

4. Employee Benefits.

Operator's current costs of established plans for employee's group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 3.A. and 3.B. of this Section II. shall be Operator's actual cost not to exceed the percent most recently recommended by the Council of Petroleum Accountants Societies.

5. Material.

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only those Materials shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operators. The accumulation of surplus stocks shall be avoided.

6. Transportation.

Transportation of employees and Material necessary for the Joint Operations, but subject to the following limitations:

A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store where like material is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties.

B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store where the material is normally available, or railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

C. In the application of subparagraphs A. and B. above, the option to equalize or charge actual trucking cost is available when the actual charge is $500 or less, excluding accessorial charges. The $500 will be adjusted to the amount most recently recommended by the Council of Petroleum Accountants Societies.

7. Services.

The cost of contract services, equipment, and utilities provided by outside sources, except services excluded by Paragraph 10. of Section II. and Paragraphs i, ii, and iii, of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if those changes are excluded from the overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

8. Equipment and Facilities Furnished By Operator.

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Those rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to exceed percent (20_%) per annum. The rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Paragraph 8.A. above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

9. Damages and Losses to Joint Property.

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report of them has been received by Operator.

10. Legal Expense.

Expense of handling, investigating, and settling litigation or claims, discharging of liens, payment of judgments, and amounts paid for settlement of claims incurred in or resulting from operations under the Operating Agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff, or fees, or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III. unless otherwise agreed to by the Parties, except as provided in Section I., Paragraph 3.

11. Taxes.

All taxes of every kind and nature assessed or levied on or in connection with the Joint Property, the operation of it, or the production from it, and which taxes have been paid by the Operator for the benefit of the Parties. If the ad valorem taxes are based in whole or in part on separate valuations of each party's working interest, then notwithstanding anything to the contrary in these Accounting Procedures, charges to the Joint Account shall be made and paid by the Parties in accordance with the tax value generated by each Party's working interest.

12. Insurance.

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Worker's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

13. Abandonment and Reclamation.

Costs incurred for abandonment of the Joint Property, including costs required by governmental or other regulatory authority.

14. Communications.

Cost of acquiring, leasing, installing, operating, repairing, and maintaining communication systems, including radio and microwave facilities directly serving the Joint Property. In the event communication facilities/systems serving the Joint Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 8. of this Section II.

15. Other Expenditures.

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II., or in Section III., and which is of direct benefit to the Joint Property, and is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead – Drilling and Producing Operations

i. As compensation for administrative, supervision, office services, and warehousing costs, Operator shall charge drilling and producing operations on either:

( ) Fixed Rate Basis, Paragraph 1.A.; or,
(x) Percentage Basis, Paragraph 1.B.

Unless otherwise agreed to by the Parties, this charge shall be in lieu of costs and expenses of all offices and salaries, or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3.A., Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting, or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III., unless the cost and expense are agreed to be the Parties as a direct charge to the Joint Account.

ii. The salaries, wages, and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property:

( ) shall be covered by the overhead rates; or,
(x) shall not be covered by the overhead rates.

iii. The salaries, wages, and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel, either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:

( ) shall be covered by the overhead rates; or,
(x) shall not be covered by the overhead rates.

A. Overhead – Fixed Rate Basis.

(1) Operator shall charge the Joint Account at the following rates per well, per month:

Drilling Well Rate $ _____.
(Prorated for less than a full month)

Producing Well Rate $ _____.

(2) Application of Overhead – Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate.

(1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.

(2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work days or more shall be made at the drilling well rate. These charges shall be applied for the period from date workover operations, with rig or other units used in workover, commence through date of rig or other unit release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

(b) Producing Well Rates.

(1) An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.

(2) Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

(3) An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

(4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.

(5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April each year following the effective date of the Operating Agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead – Percentage Basis.

(1) Operator shall charge the Joint Account at the following rates:

(a) Development.

(20%) of the cost of development of the Joint Property exclusive of costs provided under Paragraph 10. of Section II. and all salvage credits.

(b) Operating.

(20%) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 2. and 10. of Section II., all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed, and paid on the mineral interest in and to the Joint Property.

(2) Application of Overhead – Percentage Basis shall be as follows:

For the purpose of determining charges on a Percentage Basis under Paragraph 1.B. of this Section III., development shall include all costs in connection with drilling, redrilling, deepening, or any remedial operations on any or all wells involving the use of drilling rig and crew capable of drilling to the producing interval on the Joint Property; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2. of this Section III. All other costs shall be considered as operating.

2. Overhead – Major Construction.

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for overhead based on the following rates for any Major Construction project in excess of $100,000.00:

Account for overhead based on the following rates for any Major Construction project in excess of $5000.00:

A. 20% of first $100,000 or total cost if less, plus

B. 15% of costs in excess of $100,000 but less than $1,000,000, plus

C. 10% of costs in excess of $1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells and artificial lift equipment shall be excluded.

3. Catastrophe Overhead.

To compensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are necessary to restore the Joint Property to the equivalent condition that existed prior to the event causing the expenditures, Operator shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account for overhead based on the following rates:

A. 20% of total costs through $100,000; plus

B. 15% of total costs in excess of $100,000 but less than $1,000,000; plus

C. 10% of total costs in excess of $1,000,000.

Expenditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhead provisions of this Section III. shall apply.

4. Amendment of Rates.

The overhead rates provided for in this Section III. may be amended from time to time only by mutual agreement between the Parties if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS, AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all Material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, the Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, the disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase the interest of Non-Operators in surplus condition A. and B. Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases.

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reasons, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions.

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following basis exclusive of cash discounts.

A. New Material (Condition A).

(1) Tubular Goods Other than Line Pipe.

(a) Tubular goods, sized 2-3/8 inches OD and larger, except line pipe, shall be priced at Eastern mill published carload base prices effective as of the date of movement plus transportation cost using the 80,000 pound carload weight basis to the railway receiving point nearest the Joint Property for which published rail rates for tubular goods exist. If the 80,000 pound rail rate is not offered, the 70,000 pound or 90,000 pound rail rate may be used. Freight charges for tubing will be calculated from Lorain, Ohio, and casing from Youngstown, Ohio.

(b) For grades which are special to one mill only, prices shall be computed at the mill base of that mill plus transportation cost form that mill to the railway receiving point nearest the Joint Property as provided above in Paragraph 2.A.(1)(a). For transportation cost from points other than Eastern mills, the 30,000 pound Oil Field Haulers Association interstate truck rate shall be used.

(c) Macaroni tubing (size less than 2-3/8 inch OD) shall be priced at the lowest published out-of-stock prices f.o.b. the supplier plus transportation costs, using the Oil Field Haulers Association interstate truck rate per weight of tubing transferred, to the railway receiving point nearest the Joint Property.

(2) Line Pipe.

(a) Line pipe movements (except size 24 inch OD and larger will walls 3/4 inch and over) 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.

(b) Line pipe movements (except size 24 inch OD and larger with walls 3/4 inch and over) less than 30,000 pounds shall be priced at Eastern mill published carload base prices effective as of date of shipment, plus 20 percent, plus transportation costs based on freight rates as set forth under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.

(c) Line pipe 24 inch OD and over, and 3/4 inch wall and larger shall be priced f.o.b. the point of manufacture at current new published prices plus transportation cost to the railway receiving point nearest the Joint Property.

(d) Line pipe, including fabricated line pipe, drive pipe, and conduit not listed on published price lists shall be priced at quoted prices plus freight to the railway receiving point nearest the Joint Property or at prices agreed to by the Parties.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property.

(4) Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current new price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. Unused new tubulars will be priced as provided above in Paragraph 2.A.(1) and (2).

B. Good Used Material (Condition B).

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property.

At seventy-five percent (75%) of current new price, as determined by Paragraph A.

(2) Material used on and moved from the Joint Property.

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as new Material; or,

(b) At sixty-five percent (65%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as used Material.

(3) Material not used on and moved from the Joint Property.

At seventy-five percent (75%) of current new price as determined by Paragraph A.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material.

(1) Condition C.

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph A. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D.

Material, excluding junk, no longer suitable for its original purpose, but usable for some other purpose shall be priced on a basis commensurate with its use. Operator may dispose of Condition D Material under procedures normally used by Operator without prior approval of Non-Operators.

(a) Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing or drill pipe utilized as line pipe shall be priced at used line pipe prices.

(b) Casing, tubing or drill pipe used as higher pressure service lines than standard line pipe, e.g. power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods shall be priced on a non upset basis.

(3) Condition E.

Junk shall be priced at prevailing prices. Operator may dispose of Condition E Material under procedures normally utilized by Operator without prior approval of Non-Operators.

D. Obsolete Material.

Material which is serviceable and usable for its original function but condition and/or value of the Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. The price should result in the Joint Account being charged with the value of the service rendered by the Material.

E. Pricing Conditions.

(1) Loading or unloading costs may be charged to the Joint Account at the rate of twenty-five cents (25¢) per hundred weight on all tubular goods movements, in lieu of actual loading or unloading costs sustained at the stocking point. The above rate shall be adjusted as of the first day of April each year following January 1, _____, by the same percentage increase or decrease used to adjust overhead rates in Section III., Paragraph 1.A.(3). Each year, the rate calculated shall be rounded to the nearest cent and shall be the rate in effect until the first day of April next year. The rate shall be published each year by the Council of Petroleum Accountants Societies.

(2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices.

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes, or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing the Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for the Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten (10) days after receiving notice from Operator, to furnish in kind all or part of his share of the Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished By Operator.

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice, and Representation.

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at any inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories.

Adjustments to the Joint Account resulting from the reconciliation of a physical inventory shall be made within six months following the taking of the inventory. Inventory adjustments shall be made by Operator to the Joint Account for overages and shortages, but, Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories.

Special inventories may be taken whenever there is any sale, change of interest, or change of Operator in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory. In cases involving a change of Operator, all Parties shall be governed by the inventory.

4. Expense of Conducting Inventories.

A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.

B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to change of Operator shall be charged to the Joint Accounting.

EXHIBIT D
TO
JOINT OPERATING AGREEMENT
BETWEEN
WEST TEXAS ROYALTIES, INC.
AND
_____

Insurance Provisions

While operations are conducted under this Agreement with regard to subject properties,Operator shall maintain for the benefit of all parties hereto, insurance of the types and in the amounts as follows. Such insurance may carry reasonable deductibles. Premiums for such insurance shall be charged to the Joint Account.

The Non-Operator shall be named as Additional Insureds on all such insurance policies,but only with respect to the performance of all work hereunder and only to the limits shown in this Agreement. This insurance shall be primary to any insurance carried by the Non-Operator.

The parties agree that subrogation shall be waived against the other parties on any and allinsurance carried by a party.

All such insurance shall be carried by an insurer or insurers acceptable to all Non-Operators shall be maintained in full force and effect during the terms of this Agreement; and shall not be cancelled, altered or amended without 30 days prior written notice having first been furnished the Non-Operators. Operator agrees to have its insurance carrier furnish the Non-Operators certificates of insurance evidencing such insurance coverages required below.

The insurance to be carried shall include the following:

- Workers' Compensation insurance in full compliance with all applicable state and federal laws and regulations.
- Employers Liability in the lesser of: (1) a limit of $1,000,000 per accident covering injury or death to any employee who may bring claim outside the scope of the Workers' Compensation or statute of the state or jurisdiction in which the work is performed or (2) a limit in full compliance with all applicable state and federal laws and regulations.
- Commercial (or Comprehensive) General Liability insurance with Combined Single Limits for each and every occurrence of $1,000,000 for Bodily Injury and Property Damage, with a policy aggregate of $2,000,000.
- Commercial Automobile Liability with a Combined Single Limit for each and every occurrence of $1,000,000 for Bodily Injury and Property Damage. Such insurance shall cover owned, hired and non owned automobiles.

No other insurance shall be carried for the Joint Account, including Property Coverage forany owned property. Any Non-Operator may carry such coverage for its own account but must waive subrogation or have the insurer waive subrogation for the benefit of the Operator.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the inclusion in this Amendment No. 1 to Registration Statement on Form S-1 of West Texas Resources, Inc. of our report dated November 21, 2011 and to the reference to us under the heading “Experts” in the Prospectus, which is part of this Registration Statement.

/s/ Farber Hass Hurley LLP

Granada Hills, California
January 23, 2012