

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

West Texas Resources, Inc.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2016
or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 333-178437

West Texas Resources, Inc.

(Exact name of registrant as specified in its charter)

Nevada
(State or Other Jurisdiction of
Incorporation or Organization)

99-0365272
(I.R.S. Employer Identification
Number)

5729 Lebanon Road, Suite 144
Frisco, Texas 75034

(Address of principal executive offices)

(972) 712-2154
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Act):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

State the aggregate market value of voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$3,205,224.

The number of shares of the registrant's common stock outstanding as of February 8, 2017 was 17,083,908.

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CAUTIONARY NOTICE

This annual report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Those forward-looking statements include our expectations, beliefs, intentions and strategies regarding the future. Such forward-looking statements relate to, among other things, our market, strategy, competition, development plans, financing, revenues, operations and compliance with applicable laws. These and other factors that may affect our financial results are discussed more fully in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this report. Market data used throughout this report is based on published third party reports or the good faith estimates of management, which estimates are presumably based upon their review of internal surveys, independent industry publications and other publicly available information. Although we believe that such sources are reliable, we do not guarantee the accuracy or completeness of this information, and we have not independently verified such information. We caution readers not to place undue reliance on any forward-looking statements. We do not undertake, and specifically disclaim any obligation, to update or revise such statements to reflect new circumstances or unanticipated events as they occur, and we urge readers to review and consider disclosures we make in this and other reports that discuss factors germane to our business. See in particular our reports on Forms 10-K, 10-Q, and 8-K subsequently filed from time to time with the Securities and Exchange Commission.

PART I

Item 1. Business

Overview

West Texas Resources, Inc. (the "company" or "we") was incorporated under the laws of Nevada on December 9, 2010. We are engaged in the business 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 and acquisition of our initial oil and gas properties. We commenced revenue producing oil and gas operations effective as of April 1, 2013.

Our executive offices are located at 5729 Lebanon Road, Suite 144, Frisco, Texas 75034; our telephone number is (972) 712-2154. Our website is located at www.westtexasresources.com. The information on or accessible through our website is not part of this report.

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 with exploration, development and production expertise. We intend to target both new and existing fields and producing wells to be revitalized. We hold operating licenses in Texas and Louisiana and intend to apply for additional operating licenses as circumstances warrant. We have developed an operating strategy that is based on our participation in exploration prospects with a preference to serving as the operator for the prospect, however, we will also participate as a non-operator from time to time. As a non-operator working interest owner, we will rely on outside operators to drill, produce and market our natural gas and oil.

Oil and Gas Interests

Wolfcamp Field

In June and July 2014, we acquired non-operating leases covering approximately 1,070 gross mineral acre leases in the Wolfcamp field located in Hale County, Texas. The leases were acquired for cash payments of \$45,484. The leases have a primary term of five years with our option to extend the term for another five years. The leased properties constitute the surface acreage comprising a natural gas prospect, for which we hold 50% of the working interest and 40% net revenue interest. The leased properties are subject to a 20% royalty interest held by the owners and a third party. We are currently evaluating our options for the exploitation of the leased properties, including our sale of the leases or our farm-out of the leases to a natural gas operator.

Stansell Field

We hold a 1% working interest in an oil prospect located in Floyd County, Texas. The working interest comprises 15,000 leased acres in the southern section of the Palo Duro basin. The initial project will be the re-entry of the Stansell #1-A well, an existing wellbore that was drilled in 2006. The original drilling encountered oil shows in three separate reservoirs and the operator intends to re-enter and recomplete the Stansell #1-A using current fracture stimulation technology. We have a carried 1% working interest in the Stansell #1-A well through the tanks. The operator reentered the Stansell #1-A well in the first quarter of 2015 and the well is currently producing oil at a cash breakeven rate to us.

Kiowa Oil Leases: On September 30, 2015, we agreed to lease from Kiowa Oil Company 100% of the interests, for a period of five years, of properties held by Kiowa Oil Company in North Dakota, Florida, Illinois, and Kentucky. The total price for the subject interests under this lease agreement is \$5,000 and a 15% royalty interest in all the subject interests leased. The total price will be paid in by us through our issuance of common shares at the per share price of \$0.50.

TW Lee Field: We hold a 25% working interest (18.75% net revenue interest) in oil and gas properties located in Gregg County, Texas. The property is known as the T.W. Lee field. The purchase price for the subject interests under this agreement is \$25,000, which will be paid in our common shares at the per share price of \$0.25. The operator has successfully drilled a well on the property and expects to commence production of oil in the fourth quarter.

T.A. Greer Lease: We hold a 25% working interest (19.5% net revenue interest) in an East Texas oil and gas property. The property is known as the T.A. Greer lease and includes two tracts of land totaling approximately 470 acres in Panola County, Texas. We acquired the property from an unaffiliated party in consideration of our payment of \$10,000 and issuance of 60,000 shares of our common stock. The operator has successfully drilled a well on the property and expects to commence production of oil in the fourth quarter.

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 report, we have no understandings or agreements in place concerning our acquisition of an interest in any other properties.

Marketing and Pricing

We 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 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 us, 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. Also, 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 report, 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 additional 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.

Available Information

Our website is located at www.westtexasresources.com. The information on or accessible through our website is not part of this annual report on Form 10-K. A copy of this annual report on Form 10-K is located at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site that contains reports and other information regarding our filings at www.sec.gov.

Glossary of Oil and Natural Gas Terms

The following is a description of the meanings of some of the oil and natural gas industry terms used in this report.

bbl. Stock tank barrel, or 42 U.S. gallons liquid volume, used in this report in reference to crude oil or other liquid hydrocarbons.

bcf. Billion cubic feet of natural gas.

boe. Barrels of crude oil equivalent, determined using the ratio of six mcf of natural gas to one bbl of crude oil, condensate or natural gas liquids.

boe/d. boe per day.

btu. The British thermal unit, a traditional unit of energy equal to about 1055 joules. It is the amount of energy needed to cool or heat one pound of water by one degree Fahrenheit (Physical analogue; one four inch, wooden kitchen match consumed completely generates 1 btu).

Completion. The process of treating a drilled well followed by the installation of permanent equipment for the production of natural gas or oil, or in the case of a dry hole, the reporting of abandonment to the appropriate agency.

Condensate. Hydrocarbons which are in the gaseous state under reservoir conditions and which become liquid when temperature or pressure is reduced. A mixture of pentanes and higher hydrocarbons.

Development well. A well drilled within the proved area of a natural gas or oil reservoir to the depth of a stratigraphic horizon known to be productive.

Drilling locations. Total gross locations specifically quantified by management to be included in the Company's multi-year drilling activities on existing acreage. The Company's actual drilling activities may change depending on the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, drilling results and other factors.

Dry hole. A well found to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well.

Exploratory well. A well drilled to find and produce natural gas or oil reserves not classified as proved, to find a new reservoir in a field previously found to be productive of natural gas or oil in another reservoir or to extend a known reservoir.

Field. An area consisting of either a single reservoir or multiple reservoirs, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition.

Formation. An identifiable layer of rocks named after its geographical location and dominant rock type.

Fracture or fracturing. Hydraulic fracturing, a common practice that is used to stimulate production of oil and natural gas from dense subsurface rock formations. The hydraulic fracturing process involves the injection of water, sand and chemicals under pressure into a formation to fracture the surrounding rock and stimulate production.

Lease. A legal contract that specifies the terms of the business relationship between an energy company and a landowner or mineral rights holder on a particular tract of land and typically grants to the energy company a fee simple determinable estate in the minerals.

Leasehold. Mineral rights leased in a certain area to form a project area.

mbls. Thousand barrels of crude oil or other liquid hydrocarbons.

mboe. Thousand barrels of crude oil equivalent, determined using the ratio of six mcf of natural gas to one bbl of crude oil, condensate or natural gas liquids

mcf. Thousand cubic feet of natural gas.

mcf. Thousand cubic feet equivalent, determined using the ratio of six mcf of natural gas to one bbl of crude oil, condensate or natural gas liquids.

mmbbls. Million barrels of crude oil or other liquid hydrocarbons.

mmbboe. Million barrels of crude oil equivalent, determined using the ratio of six mcf of natural gas to one bbl of crude oil, condensate or natural gas liquids.

mmbtu. Million British Thermal Units.

mmcf. Million cubic feet of natural gas.

Net acres, net wells, or net reserves. The sum of the fractional working interest owned in gross acres, gross wells, or gross reserves, as the case may be.

ngl. Natural gas liquids, or liquid hydrocarbons found in association with natural gas.

Overriding royalty interest. Is similar to a basic royalty interest except that it is created out of the working interest. For example, an operator possesses a standard lease providing for a basic royalty to the lessor or mineral rights owner of 1/8 of 8/8. This then entitles the operator to retain 7/8 of the total oil and natural gas produced. The 7/8 in this case is the 100% working interest the operator owns. This operator may assign his working interest to another operator subject to a retained 1/8 overriding royalty. This would then result in a basic royalty of 1/8, an overriding royalty of 1/8 and a working interest of 3/4. Overriding royalty interest owners have no obligation or responsibility for developing and operating the property. The only expenses borne by the overriding royalty owner are a share of the production or severance taxes and sometimes costs incurred to make the oil or gas salable.

Plugging and abandonment. Refers to the sealing off of fluids in the strata penetrated by a well so that the fluids from one stratum will not escape into another or to the surface. Regulations of all states require plugging of abandoned wells.

Present value of future net revenues (PV-10). The present value of estimated future revenues to be generated from the production of proved reserves, before income taxes, of proved reserves calculated in accordance with Financial Accounting Standards Board guidelines, net of estimated production and future development costs, using prices and costs as of the date of estimation without future escalation, without giving effect to hedging activities, non-property related expenses such as a general and administrative expenses, debt service and depreciation, depletion and amortization, and discounted using an annual discount rate of 10%.

Production. Natural resources, such as oil or gas, taken out of the ground.

Proved oil and gas reserves. Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be economically recoverable in future years from known reservoirs under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

- (i) Reservoirs are considered proved if economic producibility is supported by either actual production or conclusive formation test. The area of a reservoir considered proved includes (A) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any; and (B) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

- (ii) Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are included in the "proved" classification when successful testing by a pilot project, or the operation of an installed program in the reservoir, provides support for the engineering analysis on which the project or program was based.
- (iii) Estimates of proved reserves do not include the following: (A) oil that may become available from known reservoirs but is classified separately as "indicated additional reserves"; (B) crude oil, natural gas, and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors; (C) crude oil, natural gas, and natural gas liquids, that may occur in undrilled prospects; and (D) crude oil, natural gas, and natural gas liquids, that may be recovered from oil shales, coal, gilsonite, and other such sources.

Proved developed oil and gas reserves. Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery should be included as "proved developed reserves" only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

Proved undeveloped reserves. Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances should estimates for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

Productive well. A well that is found to be capable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well.

Project. A targeted development area where it is probable that oil or natural gas can be produced from new wells.

Prospect. A specific geographic area which, based on supporting geological, geophysical or other data and also preliminary economic analysis using reasonably anticipated prices and costs, is deemed to have potential for the discovery of commercial hydrocarbons.

Recompletion. The process of re-entering an existing well bore that is either producing or not producing and completing new reservoirs in an attempt to establish or increase existing production.

Reserves. Oil, natural gas and gas liquids thought to be accumulated in known reservoirs.

Reservoir. A porous and permeable underground formation containing a natural accumulation of producible nature gas and/or oil that is confined by impermeable rock or water barriers and is separate from other reservoirs.

Secondary Recovery. A recovery process that uses mechanisms other than the natural pressure of the reservoir, such as gas injection or water flooding, to produce residual oil and natural gas remaining after the primary recovery phase.

Shut-in. A well that has been capped (having the valves locked shut) for an undetermined amount of time. This could be for additional testing, could be to wait for pipeline or processing facility, or a number of other reasons.

Standardized measure. The present value of estimated future cash inflows from proved oil and natural gas reserves, less future development, abandonment, production and income tax expenses, discounted at 10% per annum to reflect timing of future cash flows and using the same pricing assumptions as were used to calculate PV-10. Standardized measure differs from PV-10 because standardized measure includes the effect of future income taxes.

Successful. A well is determined to be successful if it is producing oil or natural gas, or awaiting hookup, but not abandoned or plugged.

Undeveloped acreage. Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and natural gas regardless of whether such acreage contains proved reserves.

Water flood. A method of secondary recovery in which water is injected into the reservoir formation to displace residual oil and enhance hydrocarbon recovery.

Working interest. The operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and receive a share of production and requires the owner to pay a share of the costs of drilling and production operations.

Item 1A. Risk Factors

There are numerous and varied risks, known and unknown, that may prevent us from achieving our goals. If any of these risks actually occur, our business, financial condition or results of operation may be materially adversely affected. In such case, the trading price of our common stock could decline and investors could lose all or part of their investment.

We are an early stage company and have limited assets. We were formed in 2010 and commenced revenue producing oil and gas operations effective as of April 1, 2013. As an early stage company, we 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, 2016, we had total current assets of \$13,209 and a working capital deficit of \$(235,007). 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. 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. 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. However, as of the date of this report, we have no commitments for the sale of our securities or our acquisition of additional capital through any other means nor can there be any assurance that any funds will be available on commercially reasonable terms, if at all.

The report of our independent registered public accounting firm for the fiscal year ended September 30, 2016 states that due to our losses from operations and lack of working capital there is substantial doubt about our ability to continue as a going concern.

Market conditions for oil and natural gas, and particularly the recent decline in 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. Over the six months preceding the date of this report, the NYMEX settled prices for oil and natural gas have decreased by approximately 50%. For example, during 2013 and 2014, the price of oil per bbl was consistently in the range of \$85 to \$90 per bbl, and hit a two year high of \$101 per bbl on June 21, 2014. However, since then the prices of oil and natural gas have significantly decreased due to an over-supply and decreasing demand, and experts believe that the prices of oil and natural gas will stay suppressed for some time from the price levels experienced during the last few years.

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.

We have limited management and staff and will be dependent for the foreseeable future upon consultants and partnering arrangements. We have developed an operating strategy that is based on our participation in exploration prospects in North America with a preference to serving as the operator for the prospect, however, we will also participate as a non-operator from time to time. 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. Where we participate 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 effect 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.

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 gas 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 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 a 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. 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 and 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 and 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.

No Active Trading market. Our common shares are traded on the OTC Market under the symbol "WTRX." However, we consider our common stock to be "thinly traded" and any last reported sale prices may not be a true market-based valuation of the common stock. Also, the present volume of trading in our common stock may not provide investors sufficient liquidity in the event you wish to sell your common shares. There can be no assurance that an active market for our common stock will develop. In addition, the stock market in general, and early stage public companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. If we are unable to develop a market for our common shares, you may not be able to sell your common shares at prices you consider to be fair or at times that are convenient for you, or at all.

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 affect the ability of brokers to sell our common shares and limit the liquidity of our securities.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Company Executive Offices

Our executive offices are located in 5729 Lebanon Road., Suite 144, Frisco, Texas 75034. We believe that our current facilities are adequate for our foreseeable needs.

Oil and Gas Interests

Eastland County Field

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, 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, a third party conducted the fracture stimulation of the Rutherford #1. In February 2013, the operator placed a pump jack on the Rutherford #1 well, however no meaningful revenue has been derived from the well to date. During the three months ended June 30, 2013, we determined that our investment in the Eastland County prospect was impaired due to an unsuccessful fracture stimulation of the Rutherford #1. Accordingly, we recorded an impairment loss of \$108,373 to write off the capitalized fracture stimulation costs. The operator has undertaken no further activity on the Eastland County prospect as of the date of this report.

Port Hudson Field

In August 2013, we acquired a 7.24625% working interest (5.65158% net revenue interest) in the oil and gas leases, wells and attendant production in the Port Hudson field, Baton Rouge Parish, Louisiana. On April 15, 2014, we sold 44.1% of our original working interest in the Port Hudson field for the total consideration of \$290,000, less any payments received by us for production from the Port Hudson field occurring after January 1, 2014. On April 6, 2015, we entered into an agreement with Hi-Tech Exploration, LLC to sell to Hi-Tech our entire 4.0506% working interest (3.1595% net revenue interest) in the Port Hudson field for the total consideration of \$205,000, less any payments received by us for production from the Port Hudson field occurring after March 1, 2015.

West Cam 225 Field

In September 2013, we acquired a 10.0167% working interest (7.2120% net revenue interest) in an offshore oil and gas field, known as West Cam 225, located in the shallow waters of the Gulf of Mexico near Cameron, Louisiana. On April 6, 2015, we entered into an agreement with Hi-Tech to sell Hi-Tech our entire 10.0167% working interest (7.2118% net revenue interest) in the West Cam 225 property for the total consideration of \$130,500. We had acquired our working interest in the West Cam 225 in September 2013.

Wolfcamp Field

In June and July 2014, we acquired non-operating leases covering approximately 1,070 gross mineral acre leases in the Wolfcamp field located in Hale County, Texas. The leases were acquired for cash payments of \$45,484. The leases have a primary term of five years with our option to extend the term for another five years. The leased properties constitute the surface acreage comprising a natural gas prospect, for which we hold 50% of the working interest and 40% net revenue interest. The leased properties are subject to a 20% royalty interest held by the owners and a third party. We are currently evaluating our options for the exploitation of the leased properties, including our sale of the leases or our farm-out of the leases to a natural gas operator.

Stansell Field

We hold a 1% working interest in an oil prospect located in Floyd County, Texas. The working interest comprises 15,000 leased acres in the southern section of the Palo Duro basin. The initial project will be the re-entry of the Stansell #1-A well, an existing wellbore that was drilled in 2006. The original drilling encountered oil shows in three separate reservoirs and the operator intends to re-enter and recomplete the Stansell #1-A using current fracture stimulation technology. We have a carried 1% working interest in the Stansell #1-A well through the tanks. The operator reentered the Stansell #1-A well in the first quarter of 2015 and the well is currently producing oil at a cash breakeven rate to us.

Kiowa Oil Leases: On September 30, 2015, we agreed to lease from Kiowa Oil Company 100% of the interests, for a period of five years, of properties held by Kiowa Oil Company in North Dakota, Florida, Illinois, and Kentucky. The total price for the subject interests under this lease agreement is \$5,000 and a 15% royalty interest in all the subject interests leased. The total price will be paid in by us through our issuance of common shares at the per share price of \$0.50.

TW Lee Field: We hold a 25% working interest (18.75% net revenue interest) in oil and gas properties located in Gregg County, Texas. The property is known as the T.W. Lee field. The purchase price for the subject interests under this agreement is \$25,000, which will be paid in our common shares at the per share price of \$0.25. The operator has successfully drilled a well on the property and expects to commence production of oil in the fourth quarter.

T.A. Greer Lease: We hold a 25% working interest (19.5% net revenue interest) in an East Texas oil and gas property. The property is known as the T.A. Greer lease and includes two tracts of land totaling approximately 470 acres in Panola County, Texas. We acquired the property from an unaffiliated party in consideration of our payment of \$10,000 and issuance of 60,000 shares of our common stock. The operator has successfully drilled a well on the property and expects to commence production of oil in the fourth quarter.

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 report, we have no understandings or agreements in place concerning our acquisition of an interest in any other properties.

Estimated Proved Reserves and Operating Wells

We have no proved developed or undeveloped reserves or operating wells as of September 30, 2016.

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 reentered the Rutherford #1 well and conducted drilling and casing activities, which were completed in November 2011. In January 2012, a third party conducted the fracture stimulation of the Rutherford #1. In February 2013, the operator placed a pump jack on the Rutherford #1 well, however no meaningful revenue has been derived from the well to date. Our activity on the Rutherford #1 represents our only participation in drilling, exploratory or development activity to date. As of the date of this report, we have no wells in the process of drilling or completion other than the Rutherford #1.

Item 3. Legal Proceedings

As of the date of this report, there are no pending legal proceedings to which we or our properties are subject, except for routine litigation incurred in the normal course of business.

Item 4. Mine Safety Disclosures

Inapplicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Repurchases of Equity Securities

Market Information

Our common stock is quoted on the OTC Market under the symbol “WTRX” Our common stock trades only sporadically and has experienced in the past, and is expected to experience in the future, significant price and volume volatility. The following table shows the reported high and low closing prices per share for our common stock based on information provided by the OTC Market for the periods indicated.

Fiscal Year Ended September 30, 2016	High	Low
Fourth Quarter	\$0.68	\$0.33
Third Quarter	\$0.54	\$0.24
Second Quarter	\$0.36	\$0.18
First Quarter	\$0.40	\$0.10
Fiscal Year Ended September 30, 2015	High	Low
Fourth Quarter	\$0.60	\$0.20
Third Quarter	\$0.60	\$0.20
Second Quarter	\$0.50	\$0.21
First Quarter	\$0.70	\$0.32

Holders of Record

As of February 8, 2017, there were 177 holders of record of our common stock.

Dividend Policy

We have never declared or paid cash dividends on our common stock. We presently intend to retain earnings to finance the operation and expansion 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, 2016 about our stock plans under which our equity securities are authorized for issuance.

	(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	897,223	\$ 0.43	2,102,777
Equity compensation plans not approved by security holders	—	—	—
Total	897,223	\$ 0.43	2,102,777

Unregistered Sales of Equity Securities and Use of Proceeds

During the fiscal year ended September 30, 2016, we conducted the private placement sale of 291,000 shares of our common stock at the offering price of \$0.25 per share for the gross proceeds of \$72,750. The issuances were exempt under Section 4(a)(2) of the Securities Act of 1933 and Rule 506 there under. All of the investors were accredited investors, as such term is defined in Rule 501 under the Securities Act. The offering was conducted by our management. No sales commissions or finders' fees were paid by us or anyone else.

Item 6. Selected Financial Data

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

We were formed on December 9, 2010 under the laws of Nevada for the purpose of oil and gas exploration and development in North America. We commenced revenue producing oil and gas operations effective as of April 1, 2013. From April 1, 2013 to December 2014, all of our revenue was derived from our working interest in the Port Hudson field. Commencing in January 2014, we also derived revenue from our working interest in the West Cam 225 field.

On April 6, 2015, we sold our entire working interest in the Port Hudson field for the total consideration of \$205,000, less any payments received by us for production from the Port Hudson field occurring after March 1, 2015, and on same day we also sold our entire working interest in the West Cam 225 property for the total consideration of \$130,500. Since our sale of the Port Hudson and West Cam 225 properties, we do not have any oil and gas properties that produce revenue in any meaningful amounts.

Results of Operations

During the fiscal years ended September 30, 2015 and 2016, we had \$81,231 and \$657 of revenue, respectively. Our revenue during the fiscal year ended September 30, 2015 consisted of revenue in the amount of \$47,289 from our working interest in the Port Hudson field and revenue in the amount of \$33,942 from our working interest in the West Cam 225 field. Our revenue decreased from fiscal 2015 to fiscal 2016 due to our sale of the Port Hudson and West Cam 225 properties in April 2015.

For the fiscal year ended September 30, 2015, we had general and administrative expenses of \$374,742 compared to general and administrative expenses of \$223,575 during the 2016 fiscal year. The decrease in expenses is attributable to the lower level of acquisition and development activity.

For the fiscal year ended September 30, 2015, we had other expenses of \$809,412 compared to other expenses of \$1,470 during the 2016 fiscal year. The decrease in other expenses was due primarily to amortization of debt discount during fiscal 2015 relating to debt that we repaid in fiscal 2015, a loss on the sale of an oil and gas property in the amount of \$150,050 during fiscal 2015 and an impairment loss on an oil and gas property in the amount of \$317,876 during fiscal 2015.

For the fiscal years ended September 30, 2015 and 2016, we incurred a net loss of \$(1,102,923) and \$(224,388), respectively. The decrease in our net loss was the result of a decreased expenses during fiscal 2015 compared to the 2016 fiscal year.

Subject to our receipt of additional capital, our plan of operations over the next 12 months is 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 report, we have no understandings or agreements in place concerning our acquisition of an interest in any other properties.

At the present time, we have two employees, our chief executive officer, William A. Sawyer, and our chief financial officer, John D. Kerr. Subject to our receipt of significant additional capital, we intend to hire additional senior management and staff with experience in oil and gas exploration. We intend to pursue an operating strategy that is based on our participation in exploration prospects with a preference to serving as the operator for the prospect, however, we will also participate as a non-operator from time to time. 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 or 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 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, 2016, we had total assets of \$293,842 and negative working capital of \$(235,007). Our ability to 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 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. 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. 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. There can be no assurance that we will be able to obtain additional capital on a timely basis in order to complete our acquisition of additional oil and gas interests.

The report of our independent registered public accounting firm for the fiscal year ended September 30, 2016 states that due to our losses from operations and lack of working capital there is substantial doubt about our ability to continue as a going concern.

Off-Balance Sheet Arrangements

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

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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 sheets of West Texas Resources, Inc. as of September 30, 2016 and 2015, and the related statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended September 30, 2016. 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, 2016 and 2015, and the results of its operations and its cash flows for each of the two years in the period ended September 30, 2016, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has not earned any significant revenues since inception and has an accumulated deficit of \$2,604,720 which raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustment that might result from the outcome of this uncertainty.

Farber Hass Hurley LLP

Chatsworth, California
February 10, 2017

West Texas Resources, Inc.
CONSOLIDATED BALANCE SHEETS

	<u>September 30,</u> <u>2016</u>	<u>September 30,</u> <u>2015</u>
ASSETS		
Current Assets		
Cash	\$ 13,209	\$ 142,762
Total Current Assets	<u>13,209</u>	<u>142,762</u>
Equipment	13,200	—
Oil and gas properties, using successful efforts accounting	<u>267,433</u>	<u>217,433</u>
TOTAL ASSETS	<u>\$ 293,842</u>	<u>\$ 360,195</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accrued expenses	\$ 148,165	\$ 161,370
Payroll liabilities	4,000	978
Investment payable	13,600	13,600
Lease payable	5,000	5,000
Equipment loan	6,000	—
Asset retirement obligation	10,000	10,000
Shareholder advances	13,442	45,000
Other payable	<u>48,009</u>	<u>40,414</u>
Total Current Liabilities	<u>248,216</u>	<u>276,362</u>
Commitments and Contingencies	—	—
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; 16,289,908 and 14,515,400 shares issued and outstanding at September 30, 2016 and September 30, 2015, respectively	16,290	14,515
Additional paid-in capital	2,609,056	1,947,896
Common stock issuable	25,000	501,754
Accumulated deficit	<u>(2,604,720)</u>	<u>(2,380,332)</u>
Total Shareholders' Equity	<u>45,626</u>	<u>83,833</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 293,842</u>	<u>\$ 360,195</u>

See accompanying notes to these consolidated financial statements

West Texas Resources, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended September 30,	
	2016	2015
Revenues		
Oil and gas sales	\$ 657	\$ 81,231
General and administrative expenses	223,575	374,742
Operating Loss	(222,918)	(293,511)
Other income (expenses)		
Interest expense	(1,470)	(33,719)
Amortization of debt discount	-	(337,767)
Loss on sale of oil and gas interest	-	(150,050)
Impairment loss on oil and gas properties	-	(317,876)
Other income	-	30,000
Loss Before Income Taxes	(224,388)	(1,102,923)
Tax provision	-	-
Net Loss	\$ (224,388)	\$ (1,102,923)
Loss per share		
Basic and diluted weighted average number of common shares outstanding	15,544,974	14,424,989
Basic and diluted net loss per share	\$ (0.01)	\$ (0.08)

See accompanying notes to these consolidated financial statements

West Texas Resources, Inc.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the Years Ended September 30, 2016 and 2015

	Common Stock		Options	Additional Paid-in Capital	Common Stock Issuable	Accumulated Deficit	Total Shareholders' Equity
	Number of Shares	Amount	Number of Options				
Balance, September 30, 2014	<u>14,415,400</u>	<u>\$ 14,415</u>	<u>800,000</u>	<u>\$ 1,875,955</u>	<u>\$ —</u>	<u>\$ (1,277,409)</u>	<u>\$ 612,961</u>
Issuance of common stock for cash	100,000	100		24,900			25,000
Conversion of notes and interest payable					501,754		501,754
Stock based compensation			200,000	47,041			47,041
Net loss					0	(1,102,923)	(1,102,923)
Balance, September 30, 2015	<u>14,515,400</u>	<u>\$ 14,515</u>	<u>1,000,000</u>	<u>\$ 1,947,896</u>	<u>\$ 501,754</u>	<u>\$ (2,380,332)</u>	<u>\$ 83,833</u>
Issuance of common stock for cash	1,774,508	1,775		629,729	(476,754)		154,750
Stock based compensation				31,431			31,431
Net loss					—	(224,388)	(224,388)
Balance, September 30, 2016	<u>16,289,908</u>	<u>\$ 16,290</u>	<u>1,000,000</u>	<u>\$ 2,609,056</u>	<u>\$ 25,000</u>	<u>\$ (2,604,720)</u>	<u>\$ 45,626</u>

See accompanying notes to these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended September 30,	
	2016	2015
Cash flows from operating activities		
Net loss	\$ (224,388)	\$ (1,102,923)
Adjustments to reconcile net loss to net cash from operating activities:		
Stock-based compensation	31,431	47,041
Loss on sale of oil and gas interest	–	150,050
Impairment loss on investment	–	317,876
Depletion expense	–	20,000
Conversion of interest payable to common stock	–	46,608
Amortization of debt discount	–	337,767
Changes in operating assets and liabilities:		
Accounts receivable	–	45,055
Payroll liabilities	3,022	(2,521)
Lease payable	–	5,000
Other payable	7,595	2,045
Interest payable	–	(19,303)
Accrued expenses	(13,205)	2,115
Net cash used in operating activities	<u>(195,545)</u>	<u>(151,190)</u>
Cash flows from investing activities		
Investments	(10,000)	(5,000)
Purchase of equipment	(7,200)	–
Proceeds from sale of oil and gas interest	–	185,450
Net cash provided by (used for) investing activities	<u>(17,200)</u>	<u>180,450</u>
Cash flows from financing activities		
Proceeds from sale of common stock	72,750	25,000
Repayment on note payable	–	(66,004)
Shareholder advances	10,442	10,000
Net cash provided by (used in) financing activities	<u>83,192</u>	<u>(31,004)</u>
Net (decrease) in cash	(129,553)	(1,744)
Cash, beginning of period	142,762	144,506
Cash, end of period	<u>\$ 13,209</u>	<u>\$ 142,762</u>
Supplemental cash flow disclosure:		
Interest paid	<u>\$ 954</u>	<u>\$ 6,414</u>
Income taxes paid	<u>\$ –</u>	<u>\$ –</u>
Supplemental disclosure of non-cash transactions:		
Conversion of shareholder advances to common stock	<u>\$ 42,000</u>	<u>\$ –</u>
Common stock issued for investments in oil and gas properties	<u>\$ 40,000</u>	<u>\$ –</u>
Acquisition of equipment		
Cost of equipment	\$ 13,200	\$ –
Equipment loan	(6,000)	–
Cash down payment for equipment	\$ 7,200	\$ –
Conversion of notes payable - related parties to common stock	<u>\$ –</u>	<u>\$ 455,146</u>

See accompanying notes to these consolidated financial statements

WEST TEXAS RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies

Organization and business

West Texas Resources, Inc. (the "Company") was incorporated under the laws of Nevada on December 9, 2010 under the name Texas Resources Energy, Inc., a Texas corporation. On June 30, 2011, the Company changed its name to West Texas Resources, Inc. 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. On August 5, 2016, the Company formed a wholly owned subsidiary in the State of Texas, WTXR Operating (Texas) Inc., to operate oil and gas wells in Texas. This subsidiary was incorporated to operate oil and gas wells in which West Texas Resources, Inc. owns interests. The subsidiary will begin with the operation of several leases in South Texas and a lease in East Texas, with operations to begin after the year ended September 30, 2016.

Going concern

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) that contemplate continuation of the Company as a going concern. The Company has not earned any significant revenues since inception. During the years ended September 30, 2016 and 2015, the Company incurred a net loss of \$224,388 and \$1,102,923, respectively. In addition, the Company had an accumulative deficit of \$2,604,720 and \$2,380,332, as of September 30, 2016 and September 30, 2015, respectively. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company will require up to \$1 million of additional capital in order to fund its proposed operations over the next 12 months. Management plans to continue to seek sources of financing on favorable terms; however, there are no assurances that any such financing can be obtained on favorable terms, if at all. Management expects to monitor and control the Company's operating costs until cash is available through financing or operating activities. There are no assurances that the Company will be successful in achieving these plans. The Company anticipates that losses will continue until such time, if ever, as the Company is able to generate sufficient revenues to support its operations.

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.

WEST TEXAS RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016 and 2015

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.

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.

Except for the Eastland County investment, the asset retirement obligations for the other properties are recognized by the operators of these properties and deducted against the revenue interest of the Company.

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

Cash is commonly considered to consist of currency and demand in deposits. 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 with high credit quality financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. 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.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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*.

Management has considered its tax positions and believes that all of the positions taken by the Company in its Federal and State tax returns are more likely than not to be sustained upon examination. The Company is subject to examination by U.S. Federal and State tax authorities from 2013 to the present, generally for three years after they are filed.

The Company has not filed its income tax return for fiscal year 2015. The Company plans to file this tax return in the second quarter 2016. The Company believes that it should not have a material impact on the financials because the Company did not have any tax liabilities due to net loss incurred in fiscal year 2015.

WEST TEXAS RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016 and 2015

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 years ended September 30, 2016 and 2015, 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.

Revenue recognition

In accordance with the requirements ASC topic 605 "Revenue Recognition", revenues are recognized at such time as (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the seller's price to the buyer is fixed or determinable and (4) collectability is reasonably assured.

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

As of September 30, 2016 and September 30, 2015, 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 pronouncement

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09 "Revenue from Contracts with Customers" (Topic 606). Topic 606 supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition", including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, the amendments create a new Subtopic 340-40, "Other Assets and Deferred Costs—Contracts with Customers". In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For a public entity, the amendments in this Update are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is not permitted. Management is currently evaluating the impact this guidance will have on the Company's consolidated financial position and consolidated statement of operations.

In June 2014, the FASB issued ASU No. 2014-12, "Compensation - Stock Compensation (Topic 718)," which makes amendments to the codification topic 718, "Accounting for Share-Based Payments." when the terms of an award provide that a performance target could be achieved after the requisite service period. The new guidance becomes effective for annual reporting periods beginning after December 15, 2015, early adoption is permitted. Management is currently evaluating the impact this guidance will have on the Company's consolidated financial position and consolidated statement of operations.

In August 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-15, "Presentation of Financial Statements – Going Concern", Subtopic 205-40, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." The amendments in this ASU apply to all entities and require management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term substantial doubt, (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The amendments in this Update are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. Management is currently evaluating the impact this guidance will have on Company's financial position and results of operations.

In February 2016, the FASB issued ASU 2016-02 "Leases (Topic 842)" ("ASU 2016-02"). The FASB issued ASU 2016-02 to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under ASU 2016-02, a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-to-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current GAAP. ASU 2016-02 retains a distinction between finance leases (i.e. capital leases under current GAAP) and operating leases. The classification criteria for distinguishing between finance leases and operating leases will be substantially similar to the classification criteria for distinguishing between capital leases and operating leases under current GAAP. The amendments of this ASU are effective for reporting periods beginning after December 15, 2018, with early adoption permitted. An entity will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Management is currently assessing the impact the adoption of ASU 2016-02 will have on the Company's consolidated financial position and consolidated statement of operations.

In March 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is permitted. The Company is currently evaluating the impact that the standard will have on the Company's consolidated financial position and consolidated statement of operations.

2. Oil and Gas Properties

Eastland County Field

In September 2011, we acquired our initial property consisting of a 31.25% working interest in an explanatory oil and gas drilling prospect covering 120 acres in Eastland County, Texas. After explanatory work was performed, we determined that, as of the three months ended June 30, 2013, our investment in the Eastland County prospect was impaired due to an unsuccessful fracture stimulation. The value of this property, subsequent the impairment, was \$20,449. The operator has undertaken no further activity on the Eastland County prospect as of the date of this report.

Port Hudson Field, Baton Rouge Parish, Louisiana

Effective April 1, 2013, the Company acquired a 7.24625% working interest in the oil and gas leases, wells and attendant production in the Port Hudson field, Baton Rouge Parish, Louisiana, for a total consideration of \$702,900. The Company's working interest was subject to certain overriding royalty interests, subject to which it had a 5.65158% net revenue interest in the Port Hudson Field.

On April 5, 2014, the Company entered into an agreement with EnTek Partners, LLC for the sale of 44.1% of the Company's working interest in the Port Hudson field for the total consideration of \$290,000, less any payments received by the Company for production from the Port Hudson field occurring after January 1, 2014. Pursuant to the Company's agreement with EnTek Partners, the Company sold to EnTek an undivided 3.1956% of 8/8th working interest (2.4926% net revenue interest) out of the working interests in the Port Hudson field owned by the Company at that time. The transactions under the EnTek Partners agreement closed on April 16, 2014, with an effective date of January 1, 2014. After giving effect to the sale, the Company continued to hold a 4.0506% working interest (3.1595% net revenue interest) in Port Hudson field. During the year ended September 30, 2014, the Company recorded a loss on sale of the working interest of \$19,983.

Pursuant to the same agreement, EnTek Partners had also agreed to provide to the Company \$275,000 in non-recourse financing to pay for its share of a dual recompletion in the D-1 well at West Cam 225 property in exchange for its agreement to provide EnTek Partners with 75% of the net profits derived by the Company from the West Cam 225 property until such time as EnTek Partners has recouped 100% of the recompletion costs advanced on the Company's behalf and 50% of the net profits thereafter.

West Cam 225, Louisiana

On August 16, 2013, the Company entered into an agreement with Enovation Resources, LLC to purchase a 10.0167% working interest (7.2120% net revenue interest) in an offshore oil and gas field, known as West Cam 225, located in the shallow waters of the Gulf of Mexico near Cameron, Louisiana. The Company's purchase price for the working interest was \$50,000. In addition to the purchase price, the Company paid \$230,459 as advance for costs for development.

Sunshine Prospect, Landry Parish, Louisiana

On August 1, 2014, the Company entered into an agreement with Restech Resources, LLC to purchase a 15% (14.25% net revenue interest) in an oil and gas prospect located in Landry Parish, Louisiana. The working interest concerns 248 gross acres and net acres in the Sunshine Prospect. Our purchase price for the working interest was \$76,500.

Birnie Field, Motley County, Texas

On September 17, 2014, the Company entered into an agreement with Escopeta Oil and Gas Corporation to purchase a 10% working interest (7.5% net revenue interest) in a natural gas prospect located in the Birnie field in Motley County, Texas. The working interest concerns 5,760 leased acres in the Palo Duro Basin prospect. Our purchase price for the working interest was \$70,000. In 2014, the operator drilled an initial well on the prospect, however the drilling was unsuccessful and resulted in a dry hole. The operator agreed to provide us, for no additional consideration, a 1% working interest in the Stansell field prospect described below.

WEST TEXAS RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016 and 2015

Stansell Field, Floyd County, Texas

We hold a 1% working interest in an oil prospect located in Floyd County, Texas. The working interest comprises 15,000 leased acres in the southern section of the Palo Duro basin. The initial project will be the re-entry of the Stansell #1-A well, an existing wellbore that was drilled in 2006. The original drilling encountered oil shows in three separate reservoirs and the operator intends to re-enter and recomplete the Stansell #1-A the Companying current fracture stimulation technology. We have a carried 1% working interest in the Stansell #1-A well through the tanks. In April 2015, the operator has started the re-entry of the Stansell #1-A well.

Wolfcamp Field, Hale County, Texas

In June and July 2014, the Company acquired non-operating leases covering approximately 1,070 gross mineral acre leases in the Wolfcamp field located in Hale County, Texas. The leases were acquired for cash payments of \$45,484. The leases have a primary term of five years with the Company option to extend the term for another five years. The leased properties constitute the surface acreage comprising a natural gas prospect, for which we hold 50% of the working interest and 40% net revenue interest. The leased properties are subject to a 20% royalty interest held by the owners and a third party. The Company is currently evaluating the Company options for the exploitation of the leased properties, including the Company sale of the leases or the Company farm-out of the leases to a natural gas operator.

Sale of Port Hudson Field and West Cam 225

During the quarter ended March 31, 2015, the Company decided to sell 100% of its interest in Port Hudson field and West Cam 225. The net investment of \$653,376 was reclassified as oil and gas properties held for sale and recorded at market value of \$335,500. The Company recorded impairment loss of \$317,876 due to reduction of the market value comparing to the cost of these investments.

On April 6, 2015, the Company entered into agreements with Hi-Tech exploration, LLC to sell its entire interests in the Port Hudson field and the West Cam 225 for a total consideration of \$335,500. The Company completed the sale and paid \$150,050 for outstanding costs and recorded it as loss on sale of oil and gas interest.

Leased Properties from Kiowa Oil Company

On September 30, 2015, the Company entered into an agreement with Kiowa Oil Company to lease 100% of interests, for a period of five years, of properties in North Dakota, Florida, Illinois, and Kentucky. The total price for the subject interests under this lease agreement is \$5,000 and a 15% royalty interest in all the subject interests leased. The total price will be paid in the Company's common shares at the per share price of \$0.50.

TW Lee Field, Gregg County, Texas

On March 3, 2016, the Company entered into an agreement with Two Eagle Resources, a Texas corporation, to purchase 25% working interest (18.75% net revenue interest) in the properties located in Gregg County, Texas. The property is known as T.W. Lee. The purchase price for the subject interests under this agreement is \$25,000, which will be paid in the Company's common shares at the per share price of \$0.25.

T.A. Greer Lease

On May 10, 2016, the Company acquired a 25% working interest (19.5% net revenue interest) in an East Texas oil and gas property. The property is known as the T.A. Greer lease and includes two tracts of land totaling approximately 407 acres in Panola County, Texas. We acquired the property from an unaffiliated party in consideration of our payment of \$10,000 and issuance of 60,000 shares of our common stock at \$0.25 per share for a total consideration of \$25,000.

As of September 30, 2016 and September 30, 2015, total oil and gas properties amounted to \$267,433 and \$217,433, respectively.

3. Notes Payable – Related Parties

On August 14, 2013, the Company entered into a loan agreement with a shareholder, Gary Bryant, pursuant to which Mr. Bryant loaned the Company \$417,762, the proceeds of which were used to partially finance the acquisition of the Port Hudson interest described in Note 2 above. The loan bore interest on the unpaid principal amount at the rate of 8% per annum. All principal and interest were payable over a four year period, commencing November 1, 2013, at the amortized rate of \$10,198 per month. The Company's obligations under the loan were secured by our working interest in the Port Hudson field.

On September 6, 2013, the Company entered into another loan agreement with Mr. Gary Bryant, pursuant to which Mr. Bryant loaned the Company \$130,000, the proceeds of which were used to partially finance the Company's payment of its allocable expenses associated with its working interest in the West Cam 225 field, described in Note 2 above. The loan bore interest on the unpaid principal amount at the rate of 6% per annum. All principal and interest were payable on December 6, 2013 and were convertible into shares of the Company's common stock, at the option of the holder, at the rate of \$0.50 per share. In December 2013, Mr. Bryant and the Company entered to an agreement to extend the due date of the loan to February 6, 2016. The Company's obligations under the loan were secured by its working interest in the Port Hudson field. The Company also entered into an amendment to its loan agreement with Mr. Bryant dated August 14, 2013, in the original principal amount of \$417,762, to provide that all principal and interest under that loan agreement were convertible into shares of the Company's common stock, at the option of the holder, at the rate of \$0.50 per share.

On April 3, 2015, Mr. Bryant agreed to release the security interest in the Port Hudson field as the Company engaged in negotiations to sell the property.

The Company determined that the fair value of the above conversion options and the warrants using the Black–Scholes model with the variables listed below:

- Volatility: 160%
- Risk free rate of return: 0.01% to 0.875%
- Expected term: 0.25 to 4 years

On September 16, 2014, the Company entered into a Note purchase agreement with Lake Oswego Oil Company, LLC, an Oregon limited liability company controlled by one of the shareholders, pursuant to which the Company sold a secured promissory note in the principal amount of \$50,000, for a purchase price of \$50,000. Interest accrues on the unpaid principal balance of the note at the rate of six percent per annum. This note was fully paid off in the quarter ended December 31, 2014. As an inducement to the note holder to enter into this agreement, the Company also granted the note holder a warrant to purchase 100,000 shares of the Company's common stock, and exercisable at \$0.50 per share over a two year period expiring on September 16, 2019.

The Company determined that the fair value of the warrants using Black–Scholes model with the variable listed below:

- Volatility: 340%
- Risk free rate of return: 1.688%
- Expected term: 2 years

On September 30, 2015, Mr. Bryant agreed to convert the outstanding principal amounts of \$325,146 and \$130,000 and accrued interest to the Company's common stock at \$0.5 and \$0.5 per share respectively.

On September 30, 2015, due to conversion of the full outstanding principal amount owed to Mr. Bryant, the related note discount was fully amortized.

4. Shareholder Advances

During the year ended September 30, 2014 and 2013, a shareholder made advances to the Company to support its daily operations. These advances were due on demand and do not bear any interest.

During the year ended September 30, 2015, a shareholder paid a total amount of \$15,000 for payment of legal fees on behalf of the Company through his personal credit line. The outstanding balance was due on demand and bears variable interest of 25.99%. As of September 30, 2015, the total outstanding amount due to the shareholder was \$45,000.

The Company repaid \$6,558 during the six months ended March 31, 2016. In January 2016, the Company issued 450,000 shares of its common stock upon conversion of the outstanding amount of \$45,000. In addition, the shareholder retired 30,000 shares in exchange for \$3,000 overpayment made to him.

During the year ended September 30, 2016, a shareholder paid a total amount of \$17,000 for payment of legal fees on behalf of the Company through his personal credit line. The outstanding balance was due on demand and did not bear any interest. As of September 30, 2016, the total net outstanding amount due to the shareholder was \$13,442.

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.

In September 2015, the Company entered into a subscription agreement with an accredited investor to sell 100,000 shares of the Company's common stock at \$0.25 per share. The total amount of \$25,000 was received and shares were issued in September 2015.

On September 30, 2015, Mr. Bryant, a shareholder and convertible note holder, agreed to convert the outstanding principal amounts of \$325,146 and \$130,000 due to him to the Company's common stock at \$0.50 per share. The Company issued 1,003,508 shares in February 2016 as repayment of the outstanding principal and accrued interest.

In January 2016, the Company issued 450,000 shares of its common stock upon conversion of the outstanding amount of shareholder advances of \$45,000. In addition, the shareholder retired 30,000 shares in exchange for \$3,000 overpayment made to him.

During the quarter ended March 31, 2016, the Company entered into subscription agreements with various accredited investors to sell 191,000 shares of the Company's common stock at \$0.25 per share. The total amount of \$47,750 was received and shares were issued during May 2016.

On March 3, 2016, the Company entered into an agreement with Two Eagle Resources, a Texas corporation, to purchase 25% working interest / 18.75% net revenue interest in the properties known as T.W. Lee located in Gregg County, Texas. The purchase price for the subject interests under this agreement is \$25,000, which will be paid in the Company's common shares at the per share price of \$0.25. As of September 30, 2016, the shares had not been issued and were recorded as common stock issuable.

On May 10, 2016, the Company entered into an agreement with Two Eagle Resources, a Texas corporation, to purchase 25% working interest in the properties known as T.A. Greer located in Panola County, Texas. The purchase price for the subject interests under this agreement is \$10,000 in cash and \$15,000, which will be paid in the Company's common shares at the per share price of \$0.25. The cash portion was paid May 12, 2016 and the shares were issued in August 2016.

During the quarter ended June 30, 2016 the Company entered into subscription agreements with various accredited investors to sell 100,000 shares of the Company's common stock at \$0.25 per share. The total amount of \$25,000 was received and the shares were issued August 2016.

WEST TEXAS RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016 and 2015

As of September 30, 2016 and September 30, 2015, the Company had 16,289,908 and 14,515,400 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.

In 2011, the Company granted 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 for the year ended September 30, 2011.

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

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

On March 7, 2014, the Company granted options to certain consultants to purchase 1,500,000 shares of the Company's common stock, of which 200,000 options vested upon the date of grant and the balance of 1,300,000 options expired in October 2014 in connection with the termination of the consulting arrangement. The 200,000 vested options expire on March 7, 2019. The fair value of the vested options for 200,000 shares, determined to be \$116,137, was recorded in general and administrative expenses for the year ended September 30, 2014.

On March 11, 2014, the Company granted options to its officers to purchase a total of 200,000 shares of the Company's common stock. The options expire on March 11, 2019 and vest immediately. The fair value of these options determined to be \$116,119 and was included in general and administrative expenses for the year ended September 30, 2014.

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

- Volatility: 190%
- Risk free rate of return: 1.5%
- Expected term: 5 years

On April 16, 2015, the Company granted options to Mr. Paul Brogan, the Company's director, to purchase a total of 200,000 shares of the Company's common stock. The options have an exercise price of \$0.5 per share and expire on April 16, 2020 and 66,667 shares vest immediately with the rest vest equally on April 16, 2016 and 2017. The fair value of these options was determined to be \$99,712, of which \$31,431 was amortized and included in general and administrative expenses for the year ended September 30, 2016. As of September 30, 2016, the unrecognized compensation expense related the non-vested stock options was \$21,240 to be amortized over the vesting period.

WEST TEXAS RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016 and 2015

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

- Volatility: 266%
- Risk free rate of return: 1.375%
- Expected term: 5 years

The following information applies to all options outstanding at September 30, 2016:

- Weighted average exercise price: \$0.57
- Options outstanding and exercisable: 563,889
- Average remaining life: 2.73 years

6. Income Taxes

Based on the available information and other factors, management believes it is more likely than not that the net deferred tax assets at September 30, 2016 and 2015 will not be fully realizable. Accordingly, management has recorded a full valuation allowance against its net deferred tax assets at September 30, 2016 and 2015. As of September 30, 2016 and 2015, the Company had federal net operating loss carry-forwards of approximately \$2,605,000 and \$2,380,000, respectively, expiring beginning in 2032.

Deferred tax assets consist of the following components:

	September 30, 2016	September 30, 2015
Net loss carryforward	\$ 920,000	\$ 840,000
Valuation allowance	(920,000)	(840,000)
Total deferred tax assets	\$ —	\$ —

7. Subsequent Event

Events subsequent to September 30, 2016 have been evaluated through the date these consolidated financial statements were issued to determine whether they should be disclosed to keep the consolidated financial statements from being misleading. Management noted the following subsequent event that should be disclosed:

- On October 19, 2016, the Company appointed William A. Sawyer to serve as president and chief executive officer of West Texas Resources, Inc.
- Between November 2016 and January 2017, the Company entered into subscription agreements with various accredited investors to sell a total of 293,000 shares of the Company's common stock and a total of 293,000 warrants at \$0.30 per unit. A unit is determined to be equal to 1 share of the Company's common stock and 1 purchase warrant which is exercisable at \$0.50 per share over a three year period ending November 1, 2019.
- During November 2016, the Company entered into an agreement to purchase a 70% working interest in an oil and gas properties in South Texas. The total consideration was 500,000 shares of the Company's common stock and 5000,000 warrants at \$0.30 per unit. A unit is determined to be equal to 1 share of the Company's common stock and 1 purchase warrant which is exercisable at \$0.50 per share over a three year period ending November 1, 2019.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

Our management, with the participation of our chief executive officer and chief financial officer evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 15a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, our management, including our chief executive officer and chief financial officer, concluded that for the reasons described below our disclosure controls and procedures were not effective as of September 30, 2016 in ensuring all material information required to be filed has been made known in a timely manner.

(b) Changes in internal control over financial reporting.

There were no changes to our internal control over financial reporting, as defined in Rules 15a-15(f) under the Exchange Act that occurred during the fiscal quarter ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(c) Management's report on internal controls over financial reporting.

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting, as defined under Rule 15a-15(f) under the Exchange Act. Our management has assessed the effectiveness of our internal controls over financial reporting as of September 30, 2016 based on the framework established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Our internal control system was designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements. An internal control material weakness is a significant deficiency, or aggregation of deficiencies, that does not reduce to a relatively low level the risk that material misstatements in financial statements will be prevented or detected on a timely basis by employees in the normal course of their work. Our management assessed the effectiveness of our internal control over financial reporting as of September 30, 2016, and this assessment identified the following material weaknesses in our internal control over financial reporting:

- Due to our small size, we do not maintain effective internal controls to assure segregation of duties as we have only two employees who are responsible for initiating and approving of transactions, thereby creating the segregation of duties weakness;
- Our board of directors does not have an audit committee or a financial expert to maintain effective oversight of our financial reporting process; and
- Lack of formal policies or procedures to provide assurance that relevant information is identified, captured, processed, and reported in an appropriate and timely fashion.

Based on that evaluation, management concluded that our internal control over financial reporting was not effective as of September 30, 2016.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Set forth below are our directors and officers.

Name	Age	Position
William A. Sawyer	67	President, Chief Executive Officer and Director
John D. Kerr	50	Chief Financial Officer and Director
Paul Brogan	57	Director
Gordon Johnson	77	Director

Mr. Sawyer has served as our president and chief executive officer and a member of our board of directors since October 2016. Mr. Sawyer has over 40 years of diverse experience in the energy industry, including engineering and management positions with such firms as Lucas Energy, Inc., ARCO, Houston Oil & Minerals, and The Superior Oil Company. Mr. Sawyer co-founded Lucas Energy, Inc. (NYSEMKT: LEI) and served as its president, chief executive officer and member of its board of directors from 2009 to his retirement from the company in 2012. Previously, Mr. Sawyer served as the chief operating officer, vice-president and member of the board of directors of Lucas Energy from 2004 to 2008. From 2012 to the present, Mr. Sawyer has served as the managing partner of Third Coast Partners LLC, a private equity firm he founded. Mr. Sawyer has a Bachelor of Science in Chemical Engineering from Louisiana State University in 1970 and his Masters of Business Administration from Southern Methodist University in 1976.

Mr. Kerr has served as our chief financial officer and a member of our board of directors since our founding on December 9, 2010. Mr. Kerr also served as our chief executive officer from May 2015 to October 2016. For over the past five years, Mr. Kerr has served as a vice president of Newport Capital Consultants, Inc. Mr. Kerr served as a member of the board of directors of Petro Resources Corporation (NYSE-MKT:PRC), an independent oil and gas company now known as Magnum Hunter Resources Corp. (NYSE:MHR), from 2002 to 2005.

Mr. Brogan has served as a member of our board of directors since April 2015. Since January 2015, Mr. Brogan has served as president of C-Bond Systems, LLC, a Houston based business co-founded by Mr. Brogan engaged in development of technologies designed to significantly strengthen glass, increase glass flexibility and enhance the adhesion of glass-to-window film products. From January 2010 to December 2014, Mr. Brogan served as president and chief executive officer of Wintec Security, Inc., a Houston based business engaged in the business of security products. Mr. Brogan has over 30 years of experience in the oil and gas industry. From 1999 to 2010, Mr. Brogan served as president of LEXCO Energy Corporation, a Houston based oil and Gas Company. From 1998 to 1999, Mr. Brogan served on the advisory staff of R.A. Lenser and Associates, a petroleum engineering and geological consulting firm specializing in comprehensive oil and gas reserve reports, geological studies and 3-D seismic interpretation. From January 2000 to 2003, Mr. Brogan served as an advisor to the Venezuelan Ministry of Energy and Mines. From 1992 through 1998, Mr. Brogan was vice president of Rosneftegazstroy International, the former Ministry of Oil, Gas and Construction in Russia. Mr. Brogan initially started in the oil business in 1973 with Green Head Supply Company, a major supplier of oil and gas equipment, serving in the capacity of vice president responsible for financial planning, negotiations, marketing and public relations. Mr. Brogan received a degree in Business Management from Oklahoma City University in 1970.

Mr. Johnson has served as a member of our board of directors since November 2015. Mr. Johnson has over 40 years of experience in the oil and gas industry. Following his graduation from University of Texas, Mr. Johnson was employed by two major and two large independent oil companies, receiving experience in Texas, New Mexico, Oklahoma, Montana, North Dakota, and Louisiana. Subsequently, he joined the ranks of the independent oil operators. He has since served as president of several oil and gas companies. During his career he has been responsible for generating geological prospects, acquisition of oil and gas leases and producing properties, generation of drilling funds, supervision of the drilling and completion of numerous oil and gas wells, and coordination of several mergers. Mr. Johnson is currently president of Bayside Corporation, a company engaged in acquiring existing wells for remediation and re-completion as well as generating development drilling prospects.

Audit and Compensation Committees

We do not have an audit or compensation committee.

Code of Ethics

We have adopted a code of ethics for all our employees, including our chief executive officer, principal financial officer and principal accounting officer or controller, and/or persons performing similar functions.

Limitation of Liability of Directors and Indemnification of Directors and Officers

Nevada corporate law provides that corporations may include a provision in their articles of incorporation 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 articles of incorporation 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.

Item 11. Executive Compensation

Summary Compensation Table

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 years ended September 30, 2016 and 2015. In reviewing the table, please note that William A. Sawyer has served as our President and Chief Executive Officer since October 2016.

Name and Position (a)	Year (b)	Salary (c)	Bonus (d)	Stock Awards (e)	Option Awards (f)	All Other Compensation (g)	Total (h)
John D. Kerr, President and CEO	2016	\$48,000	—	—	\$—	—	\$48,000
	2015	\$41,500	—	—	—	—	\$41,500

The dollar amounts in column (f) reflect the values of options as of the grant date for the year ended September 30, 2016, in accordance with ASC 718, *Compensation-Stock Compensation* and, therefore, do not necessarily reflect actual benefits received by the individuals. Assumptions used in the calculation of these amounts are included in Note 5 to our audited financial statements for the year ended September 30, 2016.

Narrative Disclosure to Summary Compensation Table

Sawyer Compensation Agreements. We have entered into a three year employment agreement with Mr. Sawyer pursuant to which he serves as our president and chief executive officer. Pursuant to the agreement, we will pay Mr. Sawyer receive a minimum base salary of \$90,000 per annum during the term of this agreement payable in monthly increments of \$7,500; provided that \$5,500 of Mr. Sawyer's monthly salary shall accrue until the earlier of the second anniversary of the agreement or such time as we raise a minimum of \$1,000,000 of additional equity capital, at which time the accrued portion of Mr. Sawyer's salary shall decrease from \$5,500 per month to \$3,500 per month until the earlier of the second anniversary of the agreement or such time as we raise a minimum of \$6,000,000 of additional equity capital (inclusive of the initial \$1,000,000 of capital). At such time as Mr. Sawyer's monthly salary is no longer subject to accrual, we shall commence paying him the accrued portion of his salary at the rate of \$500 per month with a lump sum payment of the accrued and unpaid portion of his salary on the third anniversary of the agreement.

We have also granted Mr. Sawyer an option to purchase up to 1,500,000 shares of our common stock at an exercise price of \$0.50. Mr. Sawyer's options shall vest and first and become exercisable as follows:

- Options to purchase 375,000 shares of common stock shall vest and first become exercisable upon our receipt of a minimum of \$1,000,000 of additional equity capital during the twelve (12) calendar months following October 18, 2016 (the date of grant);
- Options to purchase 375,000 shares of common stock shall vest and first become exercisable upon our completion of acquisition and/or financing of at least \$10 million during twenty-four (24) calendar months following the date of grant (inclusive of the Minimum Raise);
- Options to purchase 375,000 shares of common stock shall vest and first become exercisable upon the closing stock price of our common stock trading above of \$2.00 per share, with a minimum average daily trading volume of 10,000 shares (such share and price figures subject to adjustment for splits, combinations and the like), for twenty of thirty consecutive trading days within twenty four (24) months following the date of grant; and
- Options to purchase 375,000 shares of common stock shall vest and first become exercisable upon the increase in daily production to a level of 500 boepd within twenty-four (24) months following the date of grant.

Kerr Compensation Agreements. Mr. Kerr receives a salary of \$3,000 per month. Mr. Kerr is not entitled to receive any other compensatory benefits or consideration, such as medical or life insurance, car allowances or the like. Mr. Kerr has committed to provide his full time to our company, however from our inception to date, and until such time as we receive significant additional capital, his duties to our company will not require his full business time. At such time as Mr. Kerr provides his full business time to our company on a continuous basis, we expect to adjust upward the compensation and benefits payable to him. In March 2014, we granted to Mr. Kerr options to purchase 100,000 shares of our common stock, each, at an exercise price of \$0.60 per share.

Outstanding Equity Awards at September 30, 2016

Option Awards					
Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards:	Option Exercise Price (e)	Option Expiration Date (mm/dd/yyyy) (f)
			Number of Securities Underlying Unexercised Options (#) (d)		
John D. Kerr	200,000	-	-	\$0.25	09/15/2019
John D. Kerr	100,000	-	-	\$0.60	09/15/2019

Compensation of Directors

Upon their appointment to our board of directors, we granted to Paul Brogan and Gordon Johnson options to purchase 200,000 and 400,000 shares of our common stock, respectively. Mr. Brogan's and Mr. Johnson's options include exercise prices of \$0.50 and \$0.30 per share, respectively. Both options have a five year term and vest in equal one-third installments commencing on the date of grant and each of the first two anniversaries of the date of grant.

Except as described above, 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.

Section 16(A) Beneficial Ownership Reporting Compliance

Because our common stock is not registered under the Exchange Act, our officers, directors and 10% stockholders are not required to file with the SEC beneficial ownership reports under Section 16 of the Exchange Act.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth certain information regarding the beneficial ownership of our common stock as of the date of this report 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.

<u>Name and Address</u>	<u>Number of Shares</u>	<u>Percentage Owned (1)</u>
William A. Sawyer (2)(3)	--	--%
John D. Kerr (2)(4)	400,000	2.3%
Paul Brogan (2)(5)	333,333	2.0%
Gordon Johnson (2)(6)	264,000	1.5%
Gary Bryant (7)	6,735,508	39.4%
Danilo Cacciamatta (8)	1,100,000	6.4%
Suzanne Bryant (7)	1,100,400	6.4%
Directors and executive officers as a group	997,333	5.8%

(1) The percentage amounts for each reported person are based on 17,083,908 common shares issued and outstanding as of the date of this report.

(2) The address for the stockholder is 5729 Lebanon Road, Suite 144, Frisco, Texas 75034.

(3) Does not include options to purchase 1,500,000 shares of our common stock, all of which are subject to vesting. See "Management – Executive Compensation – Sawyer Compensation Agreements."

(4) The shares for John D. Kerr include 300,000 shares underlying presently exercisable options.

(5) The shares for Paul Brogan include 133,333 shares underlying presently exercisable options and exclude 66,667 shares underlying shares subject to vesting.

(6) The shares for Gordon Johnson include 264,000 shares underlying presently exercisable options and exclude 136,000 shares underlying shares subject to vesting.

(7) Gary and Suzanne Bryant are married, however they 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.

(8) The address for the Danilo Cacciamatta is 1360 Temple Hills Dr., Laguna Beach, CA 92651.

Item 13. Certain Relationships and Related Transactions, and Director Independence

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. From time to time, Mr. Bryant provides us with advances of funds. The advances are unsecured and do not accrue interest on the principal amount. During the fiscal year ended September 30, 2013, Mr. Bryant agreed to convert \$41,000 of advances into 82,000 shares of our common stock at the rate of \$0.50 per share. At the same time, Mr. Bryant purchased 24,000 shares of our common at a price of \$0.50 per share. As of September 30, 2015 and 2014, the total outstanding amount of advances from Mr. Bryant were \$45,000 and \$35,000, respectively.

In addition to the advances provided by Mr. Bryant, during the fourth fiscal quarter of 2013 Mr. Bryant loaned us a total of \$547,762 for purposes of financing a portion of the Port Hudson and West Cam 225 acquisitions, including a loan for \$417,762, which bears interest on the unpaid principal amount at the rate of 8% per annum and is payable over a four year period at the amortized rate of \$10,198 per month, and another loan for \$130,000, which bears interest on the unpaid principal amount at the rate of 6% per annum and is payable on February 6, 2016. Our obligations under both loans are secured by our working interest in the Port Hudson field and all principal and interest under each loan is convertible, at the option of the holder, into our common shares at the rate of \$0.50 per share. On September 30, 2015, Mr. Bryant converted all principal and accrued interest under both loans, totaling \$501,754, into shares of our common stock at the rate of \$0.50 per share.

On September 30, 2015, we entered into an agreement with Kiowa Oil Company to lease 100% of interests, for a period of five years, of properties in North Dakota, Florida, Illinois, and Kentucky. The total price for the subject interests under this lease agreement is \$5,000 and a 15% royalty interest in all the subject interests leased. The total price will be paid by us in shares of our common stock at the per share price of \$0.50. Kiowa Oil Company is a privately-held investment company controlled by Mr. Bryant.

Except for above-mentioned transactions, and compensation paid or payable by us to our executive officers and reported elsewhere in this report, we have not entered into any other transactions of any value with any of our directors, officers, principal 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.

Item 14. Principal Accountant Fees and Services

The following table sets forth the aggregate fees billed to us for services rendered to us for the years ended September 30, 2016 and 2015 by our independent registered public accounting firm, Farber Hass Hurley LLP, for the audit of our consolidated financial statements for the years ended September 30, 2016 and 2015, and assistance with the reporting requirements thereof, the review of our condensed consolidated financial statements included in our quarterly reports on Form 10-Q, the filing of our Form 8-K, and accounting and auditing assistance relative to acquisition accounting and reporting.

(amounts in thousands)	2016	2015
Audit Fees	\$ 53,000	\$ 54,000
Audit-Related Fees	—	—
	<u>\$ 53,000</u>	<u>\$ 54,000</u>

PART IV

Item 15. Exhibits and Financial Statement Schedules

- (a) Financial statements

Reference is made to the Index and Financial Statements under Item 8 in Part II hereof where these documents are listed.

- (b) Financial statement schedules

Financial statement schedules are either not required or the required information is included in the consolidated financial statements or notes thereto filed under Item 8 in Part II hereof.

- (c) Exhibits

The exhibits to this Annual Report on Form 10-K are set forth below. The exhibit index indicates each management contract or compensatory plan or arrangement required to be filed as an exhibit.

Number	Exhibit Description	Method of Filing
3.1	Articles of Incorporation of the Registrant	Incorporated by reference from the Registrant's Registration Statement on Form S-1 filed on December 9, 2011.
3.2	Amendment to Articles of Incorporation of the Registrant	Incorporated by reference from the Registrant's Registration Statement on S-1 filed on December 9, 2011.
3.3	Bylaws of the Registrant	Incorporated by reference from the Registrant's Registration Statement on S-1 filed on December 9, 2011.
10.1	West Texas Resources, Inc. 2011 Stock Incentive Plan*	Incorporated by reference from the Registrant's Registration Statement on S-1 filed on December 9, 2011.
10.2	Lease Agreement dated August 22, 2011 between Registrant and Bay Energy Services, Inc.	Incorporated by reference from the Registrant's Registration Statement on S-1 filed on December 9, 2011.
10.3	Form of Registration Rights Agreement dated January 24, 2011 between Registrant and Selling Stockholders	Incorporated by reference from the Registrant's Registration Statement on S-1 filed on December 9, 2011.
10.4	Assignment dated September 30, 2011 between Registrant and West Texas Royalties, Inc.	Incorporated by reference from the Amendment No. 1 to Registrant's Registration Statement on S-1 filed on January 23, 2012.
10.5	Joint Operating Agreement between Registrant and West Texas Royalties, Inc.	Incorporated by reference from the Amendment No. 1 to Registrant's Registration Statement on S-1 filed on January 23, 2012.
10.6	Letter Agreement dated July 3, 2013 between the Registrant and Wells Fargo Energy Capital, Inc.	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q filed on August 19, 2013
10.7	Letter Agreement dated August 1, 2013 between Registrant and Gulfex Resources, LLC	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q filed on August 19, 2013
10.8	Loan Agreement dated August 14, 2013 between Registrant and Gary Bryant	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q filed on August 19, 2013

10.9	Promissory Note dated August 14, 2013 made by Registrant in favor of Gary Bryant	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q filed on August 19, 2013
10.10	Letter Agreement dated August 16, 2013 between Registrant and Enovation Resources LLC.	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q filed on August 19, 2013
10.11	Loan Agreement dated September 5, 2013 between Registrant and Gary Bryant, as amended on January 10, 2014	Incorporated by reference from the Registrant's Annual Report on Form 10-K filed on January 14, 2014
10.12	Loan Agreement dated September 5, 2013 between Registrant and Lake Oswego Oil Company, LLC, as amended on January 10, 2014	Incorporated by reference from the Registrant's Annual Report on Form 10-K filed on January 14, 2014
10.13	Letter Agreement dated April 15, 2014 between the Registrant and EnTek Partners, LLC	Incorporated by reference from the Registrant's Current Report on Form 8-K filed on April 21, 2014
10.14	Lease Agreement dated September 30, 2015 between Registrant and Kiowa Oil Company	Filed electronically herewith
10.15	Employment Agreement dated October 18, 2016 between the Registrant and William A. Sawyer*	Filed electronically herewith
14.1	West Texas Resources, Inc. Code of Ethics	Incorporated by reference from the Registrant's Annual Report on Form 10-K filed on January 14, 2013
21.1	List of subsidiaries of Registrant.	Incorporated by reference from the Registrant's Registration Statement on S-1 filed on December 9, 2011.
31.1	Certification under Section 302 of the Sarbanes-Oxley Act of 2002.	Filed electronically herewith.
31.2	Certification under Section 302 of the Sarbanes-Oxley Act of 2002.	Filed electronically herewith.
32.1	Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.	Filed electronically herewith.
101.INS	XBRL Instance Document	Filed electronically herewith
101.SCH	XBRL Taxonomy Extension Schema Document	Filed electronically herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed electronically herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed electronically herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed electronically herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed electronically herewith

* Indicates management compensatory plan, contract or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this annual report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

WEST TEXAS RESOURCES, INC.

Date: February 10, 2017

By: /s/ William A. Sawyer
William A. Sawyer,
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ William A. Sawyer</u> William A. Sawyer	President, Chief Executive Officer and Director (Principal Executive Officer)	February 10, 2017
<u>/s/ John D. Kerr</u> John D. Kerr	Chief Financial Officer and Director (Principal Financial Officer)	February 10, 2017
<u>/s/ Paul Brogan</u> Paul Brogan	Director	February 10, 2017
<u>/s/ Gordon Johnson</u> Gordon Johnson	Director	February 10, 2017

LEASE AGREEMENT

This Lease Agreement (hereinafter the "Agreement"), dated effective as of September 30, 2015, is between Kiowa Oil Company ("Kiowa"), (hereinafter called "Lessor"), and West Texas Resources, Inc. ("Lessee"), (hereinafter called "Lessee").

In consideration of the promises hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I
Lease Agreement

1.1 Lease Agreement. Lessor does hereby agree to lease Lessee and Lessee does hereby agree to lease from Lessor, the Subject Interests (as hereinafter defined), for a period of five (5) years, pursuant to and in accordance with the terms and conditions of this Agreement. In addition, the Lessor hereby grants Lessee the right to exercise at least ninety (90) days prior to the end of this five (5) year Lease term, one (1) additional five (5) year option to Lease the Subject Interests for an additional payment on the same terms as set forth below.

1.2 Subject Interests. Except as expressly provided elsewhere in this Agreement to the contrary, all of the following shall herein be called collectively the "Subject Interests" and individually a "Subject Interest":

(a) 100% of all of the Lessor's rights, titles and interests in, to and under the oil and gas leases, and other contracts described or referenced in Schedule 1, attached hereto and made a part hereof (hereinafter collectively called the "Leases"), together with all of Lessor's rights, titles and interests in and to all property, interests and rights incident or in any way relating to the Leases or which are useful or appropriate in exploring for, developing, operating, producing, treating, storing, marketing and transporting oil, gas and other minerals in, under and that may be produced from the Leases, including but not limited to all contracts, operating agreements, participation agreements, division orders, rights-of-way, easements, licenses, permits and orders except for the leases which have already been leased by the Lessor;

(b) Without limiting and in addition to the foregoing, 100% of all of Lessor's rights, titles and interests in and to the lands covered by the Leases and the lands described in Schedule 1 (the "Lands"), and in and to all oil and gas leases, working interests, contractual rights and all other interests and property of every kind and character, insofar as the same cover or relate to such Lands, and the physical property thereon or used or obtained for use in connection therewith even though such rights, titles and interests be incorrectly or insufficiently described or referred to in, or a description thereof be omitted from, Schedule 1 which will exclude the Lands, Subject Interests or Leases which have previously been leased by Lessor;

1.3 Effective Time. The "Effective Time", as used in this Agreement, shall mean as of September 30, 2015 12:01 a.m., local time where the Subject Interests are located, on the day immediately following the Closing Date. All operating and other costs, expenses and charges attributable to the Subject Interests incurred prior to the Effective Time shall be the responsibility and obligation of Lessor and all operating and other costs, expenses and charges attributable to the Subject Interests and incurred at or after the Effective Time shall be the responsibility and obligation of Lessee. Lessor shall be entitled to all of the proceeds from the lease of the Subject Interests, prior to the Effective Time, of production attributable to the Subject Interests. Lessee shall be allowed to begin work on the property and sell any production obtained, after closing. Lessee shall be entitled to all production and proceeds from the sale of production attributable to the Subject Interests attributable to the period of time after the Effective Time as of the acceptance of the security deposit, excluding any gas imbalances due Lessor and any oil stocks in tanks as of the Effective Time which shall belong to the Lessor. Lessor shall retain any obligations of Lessor to account to others for any under or over payment of production revenues attributable to the Subject Interests prior to the Effective Time.

1.4 Lessee's Evaluation. Lessee acknowledges that it has made an independent evaluation of the Subject Interests and that Lessor has made no statements, warranties, or representations concerning the present or future value of the anticipated income, costs, or profits, if any, to be derived from the Subject Interests or the condition, quality, or fitness of any of the reservoirs, wells, platforms, jackets, quarters, machinery, equipment, appurtenances, or other facilities. Any and all data, information and other materials furnished by Lessor have been provided to Lessee as a convenience and, except as set forth in Section 4.1(d) of this Agreement, Lessor has made no representations or warranties as to the accuracy thereof. Pending Closing, Lessee shall be entitled to conduct such further evaluations, investigations, inspections and due diligence as Lessee may desire, including the right to inspect the Subject Interests at reasonable times upon advance notice to Lessor.

1.5 Condition. The Subject Interests are leased AS IS, WHERE IS, WITH ALL FAULTS, without any statutory, express or implied warranty of merchantability or fitness for a particular purpose, or any other legal warranty (which warranties are expressly disclaimed) except for the representations, warranties and other provisions expressly set forth in this Agreement or in documents delivered pursuant thereto and except that Lessor warrants its title as against the claims and demands of others lawfully claiming the same by, through or under Lessor but not otherwise and assigns to Lessee the right of full substitution and subrogation in and to any and all rights and actions of warranty which Lessor may have against any and all preceding owners and vendors of the Subject Interests.

ARTICLE II
Purchase Price and Adjustments

2.1 Price. The purchase price for 100% of the Subject Interests under this Lease Agreement shall be One Hundred Thousand Dollars (\$100,000), subject to adjustment based as provided herein ("Purchase Price") and a fifteen percent (15%) royalty interest in all the Subject Interests leased herein. On or before the Closing Date, or as soon thereafter as possible, Lessee may obtain an independent valuation of the fair market value of the Subject Interests by an independent and qualified oil and gas valuation firm that is mutually acceptable to the Lessor and Lessee. Lessee shall be responsible for the payment of the fees and costs of the valuation firm. The valuation firm shall determine the present fair market value of the Subject Interests expressed in U.S. dollars and upon the determination of such value the Purchase price shall be adjusted to equal the amount of the Valuation. If Lessee fails to obtain such valuation in a timely manner than the Purchase Price shall be \$100,000, plus the fifteen percent (15%) royalty interest.

2.2 Payment. The Purchase Price shall be paid by Lessee in shares of Lessee's \$0.001 par value common stock ("Common Stock") as set forth herein. Upon the final determination of the Purchase Price pursuant to Section 2.1, Lessee shall issue to Lessor a number of shares ("Purchased Shares") of Common Stock equal to the Purchase Price divided by \$0.50. In other words, Lessor will accept as full and fair consideration for the Subject Interests the Purchased Shares at the rate of \$0.50 per share.

2.3 Prorations and Adjustments.

(a) Ad valorem taxes assessed against the Subject Interests for the year 2015 shall be prorated to the Closing Date, such proration to be calculated and paid by the parties in their prorated shares of Common Stock upon receipt of the tax statement (June 2016). Thereafter, Lessee shall pay all such ad valorem taxes during the term of this five (5) year Lease.

(b) Utility services shall be transferred from Lessor to Lessee as of the Effective Time, and if the meters are not read as of the Effective Time then the interim utility billing shall be equitably prorated between the parties. Lessee shall be responsible for posting any security or service deposits required by the utility provider(s) during the five (5) year term of this Lease or any extension of the five (5) year term.

ARTICLE III

Lessor's Representations and Warranties

3.1 Lessor represents and warrants, to and in favor of Lessee, as follows:

(a) The execution, delivery and performance of this Lease Agreement and the transactions contemplated hereby have been duly and validly authorized by all requisite action on the part of Lessor. The consummation of the transactions contemplated by this Agreement will not violate, or be in conflict with, any provision of any agreement or document to which Lessor is a party or by which Lessor is bound.

(b) Lessor has not incurred any liability, contingent or otherwise, for brokers or finder's fees relating to the transactions contemplated by this Agreement for which Lessee shall have any responsibility.

(c) There is no material uncured event of default by Lessor, which has occurred under any agreement, document, order, law, rule or regulation, which uncured event of default by Lessor would adversely affect the value of the Subject Interests.

(d) No material adverse information in the possession of or known to Lessor affecting Lessor's ability to lease the Subject Interests has been or will be withheld from Lessee or Lessee's representatives.

(e) The Subject Interests are not currently subject to any preferential right to purchase by any third person and there are no consents, except those consents to assign required by Lessor, authorizations or approvals of third persons required in connection with the lease of the Subject Interests to Lessee.

(f) Schedule 1 attached hereto and made a part hereof sets forth all contracts and agreements applicable to the Subject Interests. Lessor owns, and shall lease to Lessee, its interest therein subject to a 15% royalty interest retained by Lessor.

(g) There is no judgment, order, decree or award, or suit, action or administrative, arbitration or other proceeding (including but not limited to bankruptcy proceedings) or governmental investigation of any kind in existence or pending or to Lessor's knowledge threatened against or relating to Lessor or which may have an adverse effect on the Subject Interests or the leasing thereof or the value thereof, and Lessor has not received or been advised of any unsatisfied request for information, notice, administrative inquiry or claim (including, but not limited to, those from the U.S. Environmental Protection Agency or a state or local environmental agency) with respect to any of the Subject Interests.

(h) Lessor has not created or suffered to exist any lien, security interest or encumbrance against, upon or with respect to the Subject Interests, which will not be released as of the Effective Time.

(i) Lessor has not entered into any contract or agreement for the lease of any of the Subject Interests to any third person or which gives any person any right, title or interest (conditional or otherwise) in the Subject Interests.

(j) Lessor acknowledges that it has accessed and reviewed Lessee's reports on file with the U.S. Securities and Exchange Commission, including Lessee's Annual Report on Form 10-K for the fiscal year ended September 30, 2014 and all subsequently filed Quarterly reports on Form 10-Q and Current Reports on Form 8-K ("SEC Filings"). Lessor acknowledges that the offer and payment of the Purchased Shares is being made only by means of this Agreement and understands that Lessee has not authorized the use of, and Lessor confirms that it is not relying upon, any other information, written or oral, other than material contained in this Agreement or the SEC Filings. Lessor is aware that the receipt of the Purchased Shares involves a high degree of risk and that Lessor may sustain, and has the financial ability to sustain, the loss of its entire investment in the Purchased Shares.

(k) Lessor represents to Lessee that either (i) it is an "accredited investor", as such term is defined in Rule 501(a) under the Securities Act of 1933 ("Securities Act") under or (ii) in the event that Lessor is not an "accredited investor", Lessor either alone or with such Lessor's "Lessee representative", as such term is defined in Rule 501(i) under the Securities Act, has such knowledge and experience in financial and business matters that such Lessor is capable of evaluating the merits and risks of the prospective investment in the Purchased Shares.

(l) Lessor is acquiring the Purchased Shares pursuant to this Agreement for its own account, for investment and not with a view to the sale or distribution thereof, and has not granted any other person any interest or participation in or right or option to purchase all or any portion of the Purchased Shares. Lessor is aware that the Purchased Shares are restricted securities within the meaning of Rule 144 under the Securities Act, and may not be sold or otherwise transferred other than pursuant to an effective registration statement or an exemption from registration. Lessor understands and agrees that the certificates for the Purchased Shares shall bear a restrictive legend in substantially the following form:

"The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, and may not be offered for sale, sold, or otherwise disposed of, except in compliance with the registration provisions of such Act or pursuant to an exemption from such registration provisions, the availability of which is to be established to the satisfaction of the Company."

(m) Lessor is not acquiring the Purchased Shares as a result of any form of general solicitation or general advertising including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio, or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising.

(n) Lessor represents and warrants that the address set forth in Section 7.1 to this Agreement is its true and correct address, and understands that Lessee will rely on this representation in making filings under applicable securities laws.

ARTICLE IV
Lessee's Representations and Warranties

4.1 Lessee represents and warrants, to and in favor of Lessor, as follows:

(a) The execution, delivery and performance of this Agreement and the transactions contemplated hereby have been duly and validly authorized by all requisite action, corporate or otherwise, on the part of Lessee. The consummation of the transactions contemplated by this Agreement will not violate, or be in conflict with, any provisions of Lessee's governing documents or any other agreement or document to which Lessee is a party or by which it is bound.

(b) Lessee has incurred no liability, contingent or otherwise, for brokers or finders' fees relating to the transactions contemplated by this Agreement for which Lessor shall have any responsibility.

(c) Lessee is, or shall be as of the Closing Date, duly qualified to transact business in the State of Oklahoma and shall be duly licensed and qualified as an oil and gas lease operator pursuant to rules and regulations of the Oklahoma Corporation Commission.

ARTICLE V
Covenants

5.1 General. As required by economic necessity, Lessee shall have the right of access to Lessor's files and records relating to the Subject Interests, including but not limited to such geological, geophysical, land, title, contract, production and other files, records and data as in Lessor's possession, and Lessor covenants and agrees that Lessor shall not use such materials to compete with Lessee.

5.2 Lessor's Indemnity. Except as specifically set forth elsewhere in this Agreement to the contrary, Lessor agrees to indemnify, defend and hold Lessee harmless from and against any and all claims, damages, costs, expenses, causes of action or judgments of any kind or character arising out of, resulting from or with respect to the ownership or operation of the Subject Interests attributable to the period of time prior to the Effective Time, including but not limited to, those arising out of environmental matters during the term of this Lease Agreement.

5.3 Lessee's Indemnity. Except as specifically set forth elsewhere in this Agreement to the contrary, Lessee agrees to indemnify, defend and hold Lessor harmless from and against any and all claims, damages, costs, expenses, causes of action or judgments of any kind or character arising out of, resulting from or with respect to the ownership or operation of the Subject interests attributable to the period of time after the Effective Time including, but not limited to, those arising out of environmental matters during the term of this Lease Agreement.

5.4 Regulatory and Lease Compliance Obligations. Effective as of the Effective Time, Lessee shall assume all regulatory and lease compliance obligations attendant to the Leases and the Wells including, without limitation, all well plugging and surface reclamation and remediation obligations. Lessor discloses to Lessee that the Lands subject to the Leases have periodically been explored and prospected for oil and gas for more than 100 years, that unknown and unidentified wells may exist (in addition to those identified in Schedule 2) and that wells identified in Schedule 2 as "plugged" may be subject to cracks, leaks, cement and plug failures and the like particularly in the event of fracking or repressurization operations as Lessee may in the future conduct, and Lessee assumes the regulatory and lease compliance obligations associated with such matters.

5.5 Further Assurances

(a) Each of the parties hereto shall execute, acknowledge and deliver or cause to be executed, acknowledged and delivered any additional assignments or other such instruments and take such other action as may be necessary or advisable to carry out their obligations under this Agreement and under any document, certificate or other instrument delivered pursuant hereto.

(b) Lessor and Lessee shall execute appropriate division orders and transfer orders pertaining to the Subject Interests as may be presented by Lessee for execution.

(c) Lessor shall cause to be executed and delivered to Lessee releases and termination statements properly releasing all liens, security interests and encumbrances burdening the Subject Interests in form suitable for recording in the appropriate jurisdictions.

(d) Lessor shall cause to be executed and delivered to Lessee any consents, including those consents to assign required by Lessor in any of the Leases described in Exhibit "A", authorizations and approvals of third persons required in connection with the sale and transfer of the Subject Interests.

ARTICLE VI

Closing

6.1 Closing Date. The Closing shall occur on or before September 30, 2015.

6.2 Place. Closing shall occur at a location mutually acceptable to the parties.

6.3 Closing Deliverables. At Closing:

(a) Lessee shall deliver to Lessor a certificate or other satisfactory evidence of the authorization by Lessee's members for Lessee's performance of its obligations hereunder including, without limitation, the authority of Lessee's signatory to incur indebtedness on behalf of Lessee and to mortgage and encumber the Subject Interests to secure such indebtedness.

(b) Lessor shall deliver to Lessee a certificate or other satisfactory evidence of the authorization by Lessor's members for Lessor's performance of its obligations hereunder including, without limitation, the authority of Lessor's signatory to sell, assign and convey the Subject Interests to Lessee.

(c) Lessor shall execute and deliver to Lessee a Lease, Assignment and Lease Transfer of the Subject Interests in the form of Exhibit "A" attached.

(d) Lessee shall deliver the independent valuation contemplated by Section 2.1 and certificates representing the Purchased Shares.

(e) Lessor shall execute and deliver to Lessee transfer orders, or letters in lieu thereof, directing the first purchaser of production to henceforth remit proceeds of production attributable to the Subject Interests to Lessee.

6.4 Closing Costs.

- (a) Lessor shall pay the cost of recording any Leases, Assignments and Lease Transfers.
- (b) Lessee shall pay the cost of its own investigations and due diligence.
- (c) Each party shall pay their respective attorney's fees.

ARTICLE VII

Miscellaneous

7.1 Notices. All notices and communications required or permitted under this Agreement shall be in writing and any such notice or communication shall be deemed to have been duly given or made if personally delivered, or if mailed by registered or certified mail, postage and certification charges prepaid, or sent by a nationally recognized commercial delivery service, charges prepaid, or by facsimile telecopier, addressed as follows:

If to Lessor:	Kiowa Oil Company 980 Noble Champions Way Bartonville, Texas 76226
If to Lessee:	West Texas Resources, Inc. 5729 Lebanon Road, Suite 144 Frisco, Texas 75034

The effective date of notice shall be the date such notice is received. Any party may, by notice to the other hereunder, change the address or facsimile number to which delivery shall thereafter be made.

7.2 Headings. The headings of the articles and sections of this Agreement are for convenience and shall not limit or otherwise affect any of the provisions of this Agreement. References in this Agreement to Articles, Sections, subsections and Exhibits shall be deemed to refer to Articles, Sections and subsections of and Exhibits to this Agreement except as provided otherwise in this Agreement.

7.3 Governing Law. This Agreement and the transactions contemplated hereby shall be construed in accordance with, and governed by, the laws of the State of Oklahoma, except to the extent the Collateral for the Mortgage and Security Agreement is located outside the State of Oklahoma the law of the jurisdiction in which the Collateral is located shall control.

7.4 Entire Agreement. This Agreement (including the Exhibits and Schedules hereto) constitutes the entire understanding between the parties with respect to the subject matter hereof, superseding all negotiations, prior discussions and prior agreements and understandings relating to such subject matter and the Subject Interests and it is the intention of Lessor and Lessee that upon Closing, there shall exist between the parties hereto only such rights and obligations as are expressly provided herein.

7 . 5 Modifications and Waivers. This Agreement may be amended, modified, or supplemented only by agreement in writing signed by the parties hereto. Neither the failure nor any delay on the part of any party hereto in exercising any right, power or remedy hereunder shall operate as a waiver thereof, or of any other right, power or remedy; nor shall any single or partial exercise of any right, power, or remedy preclude any further or other exercise thereof, or the exercise of any right, power, or remedy. Except as expressly provided herein, no waiver of any of the provisions of this Agreement shall be valid unless it is in writing and signed by the party against whom it is sought to be enforced.

7 . 6 No Third-Party Beneficiaries. There are no third party beneficiaries of this Agreement of the transactions contemplated hereby and nothing contained herein shall be deemed to confer upon anyone other than the parties hereto (and their permitted successors and contributes) any right to insist upon or to enforce the performance of any of the obligations contained herein.

7 . 7 Prevailing Party's Attorneys' Fees and Expenses. In the event any action or proceeding is commenced to obtain a declaration of rights hereunder, to enforce any provision hereof, or to seek rescission of this Agreement for default contemplated herein, whether legal or equitable, the prevailing party in such action shall be entitled to recover its reasonable attorneys' fees in addition to all other relief to which it may be entitled therein.

7 . 8 Waiver of Right to Jury Trial. EACH OF THE PARTIES HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT AND ANY AMENDMENT, INSTRUMENT, DOCUMENT, OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR THEREWITH OR ARISING FROM ANY RELATIONSHIP EXISTING IN CONNECTION WITH ANY OF THE FOREGOING, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

7 . 9 Survival. Except to the extent fully satisfied or performed at or prior to Closing, all representations, warranties, covenants and agreements contained in this Agreement shall survive the Closing.

7.10 Confidentiality. Lessor and Lessee covenant and agree that the terms and provisions of this Agreement shall remain confidential between the parties hereto and not subject to public disclosure, except as may be required for the enforcement hereof, necessary to the filing of the parties' respective income tax returns, necessary to regulatory compliance (including securities laws), or as compelled by legal process.

7.11 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

Signatures on the following page

IN WITNESS WHEREOF this Purchase and Sale Agreement is executed by the parties the day and year first above written.

“Lessee”

“Lessor”

West Texas Resources, Inc.

Kiowa Oil Company

By: /s/ John D. Kerr
John D. Kerr, Chief Executive Officer

By: /s/ Gary Bryant
Gary Bryant, President

SCHEDULE 1

See Attached

EXHIBIT A
("Conveyance")

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("**Agreement**") is entered into on October 18, 2016 ("**Effective Date**") by and between West Texas Resources, Inc., a Nevada corporation ("**Company**"), and William A. Sawyer, an individual ("**Executive**").

RECITAL

Company is desirous of employing Executive in an executive capacity on the terms and conditions and for the consideration, hereinafter set forth and Executive is desirous of being employed by Company on such terms and conditions and for such consideration.

AGREEMENT

It is agreed as follows:

ARTICLE I**DEFINITIONS AND INTERPRETATIONS****1.1 Definitions.**

(a) "**Annual Base Salary**" shall mean Executive's annual base salary as of the date of his Involuntary Termination, determined pursuant to Section 4.1.

(b) "**Board**" shall mean the board of directors of Company.

(c) "**Business Territories**" shall mean all field locations in which the Company has activities directly related to the exploration or production and sale of oil and gas, including but not limited to, any location as to which the Company has devoted any significant efforts for production, analysis, joint venture consideration or interest even if efforts for the actual exploration or production of oil and gas have not yet commenced.

(d) "**Cause**" shall mean Executive (i) has engaged in gross negligence, gross incompetence, or willful misconduct in the performance of his duties at the Company, (ii) has refused, without proper reason, to perform his duties, (iii) has materially breached any provision of this Agreement, (iv) has willfully and materially breached a significant corporate policy or code of conduct established by Company, (v) has willfully engaged in conduct that is materially injurious to Company or its subsidiaries (monetarily or otherwise), (vi) has committed an act of fraud, embezzlement, or breach of a fiduciary duty to Company or an affiliate of Company (including the unauthorized disclosure of material confidential or proprietary information of the Company or an affiliate), (vii) has been convicted of (or pleaded no contest to) a criminal act involving fraud, dishonesty, or moral turpitude or any felony, or (viii) has been convicted for any violation of U.S. or foreign securities laws or has entered into a cease and desist order with the Securities and Exchange Commission alleging violation of U.S. or foreign securities laws.

(e) **"Code"** shall mean the Internal Revenue Code of 1986, as amended.

(f) **"Compensation Committee"** shall mean the Compensation Committee of the Board or, if there is no Compensation Committee at such time, the Board.

(g) **"Disability"** shall mean that, as a result of Executive's incapacity due to physical or mental illness, Executive shall have been absent from the full-time performance of his duties for six consecutive months and shall not have returned to full-time performance of his duties within 30 days after written notice of termination is given to Executive by Company (provided, however, that such notice may not be given prior to 30 days before the expiration of such six-month period).

(h) **"Good Reason"** shall mean the occurrence of any one or more of the following:

(i) a diminution in Executive's Annual Base Salary not in accordance with Section 4.1;

(ii) a material diminution in Executive's authority, duties, or responsibilities from those applicable to him as of the Effective Date, including a material change in the reporting structure so that Executive reports to someone other than the Board;

(iii) a material change in the geographic location at which Executive must perform services, which for purposes of this Agreement includes only Company requiring Executive to involuntarily relocate to a geographic location other than the 20 miles from Frisco, Texas; or

(iv) a material breach by Company of any provision of this Agreement (including, without limitation, the requirements of paragraphs 2.2, 4.2, or 4.3 of this Agreement).

Notwithstanding the foregoing provisions of this Section 1.1(h) or any other provision in this Agreement to the contrary, any assertion by Executive of a termination of employment for "Good Reason" shall not be effective unless all of the following conditions are satisfied: (1) any condition described in clauses (i) through (iv) of this Section 1.1(h) giving rise to Executive's termination of employment must have arisen without Executive's consent; (2) Executive must provide written notice to Company of such condition in accordance with Section 8.1 within 30 days of the initial existence of the condition; (3) the condition specified in such notice must remain uncorrected for a period of 30 days following receipt of such notice by Company; and (4) the date of Executive's termination of employment must occur within one year following the initial existence of the condition specified in such notice.

(i) **"Involuntary Termination"** shall mean any termination of Executive's employment with Company which:

- (i) does not result from a resignation by Executive (other than a resignation pursuant to clause (ii) of this Section 1.1(i)); or
- (ii) results from a resignation by Executive for Good Reason;

provided, however, the term "Involuntary Termination" shall not include a termination for Cause or any termination as a result of death or Disability.

(j) "**Payment Date**" shall mean the later of (i) the date that is 30 days after Executive's termination of employment with Company or (ii) the date upon which the Release described in Section 5.6 becomes irrevocable by Executive.

1.2 Interpretations. In this Agreement, unless a clear contrary intention appears, (a) the words "herein," "hereof," "hereunder," and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, or other subdivision, (b) reference to any Article or Section means such Article or Section hereof, (c) the word "including" (and with correlative meaning, "include") means including, without limiting the generality of any description preceding such term, and (d) where any provision of this Agreement refers to action to be taken by either party, or which such party is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such party.

ARTICLE II

EMPLOYMENT AND DUTIES

2.1 Employment. Effective as of the Effective Date and continuing for the period of time set forth in Section 3.1 of this Agreement, Executive's employment by Company shall be subject to the terms and conditions of this Agreement.

2.2 Positions. From and after the Effective Date, Company shall employ Executive in the position of President and Chief Executive Officer of the Company or in such other position or positions as the parties mutually may agree.

2.3 Duties and Services. Executive agrees to serve in the positions referred to in Section 2.2 and to perform diligently and to the best of his abilities the duties and services appertaining to such offices, as well as such additional duties and services appropriate to such offices which the parties mutually may agree upon from time to time. Executive also agrees to serve, if elected, as an officer or director of any wholly-owned subsidiary or affiliate of Company so long as such service is commensurate with Executive's duties and responsibilities to Company. Executive's employment shall also be subject to the policies maintained and established by Company that are of general applicability to Company's executive employees, as such policies may be amended from time to time.

2.4 Other Interests. Executive agrees, during the period of his employment by Company, to devote substantially all of his business time, energy, and best efforts to the business and affairs of Company and its affiliates and not to engage, directly or indirectly, in any other business or businesses, whether or not similar to that of Company, except as herein permitted or with the consent of the Board. The foregoing notwithstanding, the parties recognize and agree that Executive may engage in passive personal investment and charitable activities and serve on corporate boards of directors that, in any case, do not conflict with the business and affairs of Company or interfere with Executive's performance of his duties hereunder, which shall be at the sole determination of the Board.

2.5 Duty of Loyalty. Executive acknowledges and agrees that Executive owes a fiduciary duty of loyalty to act at all times in the best interests of Company. In keeping with such duty, Executive shall make full disclosure to Company of all business opportunities pertaining to Company's business and shall not appropriate for Executive's own benefit, or appropriate for the benefit of any third party, business opportunities concerning Company's business.

2.6 Place of Employment. Executive's place of employment hereunder shall be at Company's executive offices to be established shortly after the Effective Date in the greater Frisco, Texas metropolitan area.

ARTICLE III

TERM AND TERMINATION OF EMPLOYMENT

3.1 Term. Unless sooner terminated pursuant to other provisions hereof, Company agrees to employ Executive for the period beginning on the Effective Date and ending on the third anniversary of the Effective Date.

3.2 Company's Right to Terminate. Notwithstanding the provisions of Section 3.1, Company shall have the right to terminate Executive's employment under this Agreement at any time for any of the following reasons:

- (a) upon Executive's death;
- (b) upon Executive's Disability;
- (c) for Cause; or
- (d) at any time, for any other reason whatsoever, in the sole discretion of the Board.

3.3 Executive's Right to Terminate. Notwithstanding the provisions of Section 3.1, Executive shall have the right to terminate his employment under this Agreement for any of the following reasons:

- (a) for Good Reason; or
- (b) at any time for any other reason whatsoever, in the sole discretion of Executive.

3.4 Notice of Termination. If Company desires to terminate Executive's employment hereunder at any time prior to expiration of the term of employment as provided in Section 3.1, it shall do so by giving a 30-day written notice to Executive that it has elected to terminate Executive's employment hereunder and stating the effective date and reason for such termination, provided that no such action shall alter or amend any other provisions hereof or rights arising hereunder. If Executive desires to terminate his employment hereunder at any time prior to expiration of the term of employment as provided in Section 3.1, he shall do so by giving a 30-day written notice to Company that he has elected to terminate his employment hereunder and stating the effective date and reason for such termination, provided that no such action shall alter or amend any other provisions hereof or rights arising hereunder.

3.5 Deemed Resignations. Unless otherwise agreed to in writing by Company and Executive prior to the termination of Executive's employment, any termination of Executive's employment shall constitute an automatic resignation of Executive as an officer of Company and each affiliate of Company and an automatic resignation of Executive from the Board (if applicable) and from the board of directors or similar governing body of any affiliate of Company and from the board of directors or similar governing body of any corporation, limited liability entity, or other entity in which Company or any affiliate holds an equity interest and with respect to which board or similar governing body Executive serves as Company's or such affiliate's designee or other representative.

3.6 Meaning of Termination of Employment. For all purposes of this Agreement, Executive shall be considered to have terminated employment with Company when Executive incurs a "separation from service" with Company within the meaning of Section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance issued thereunder.

ARTICLE IV

COMPENSATION AND BENEFITS

4.1 Base Salary. During the period of this Agreement, Executive shall receive a minimum base salary of \$90,000 per annum during the term of this Agreement payable in monthly increments of \$7,500; provided that for up to the first two years of his employment, a portion of Executive's monthly salary shall accrue as follows:

- \$5,500 of Executive's monthly salary shall accrue until the earlier of the second anniversary of the Effective Date or such time as the Company raises a minimum of \$1,000,000 of additional equity capital following the Effective Date ("**First Accrual Adjustment Event**"), at which time the accrued portion of Mr. Sawyer's salary shall decrease from \$5,500 per month to \$3,500 per month;
- Following the First Accrual Adjustment Event, \$3,500 of Executive's monthly salary shall accrue until the earlier of the second anniversary of the Effective Date or such time as the Company raises a minimum of \$6,000,000 of additional equity capital following commencement of his employment (inclusive of the \$1,000,000 of capital referred to above), at which time none of Executive's salary shall accrue; and

- At such time as Executive's monthly salary is no longer subject to accrual, the Company shall commence paying Executive the accrued portion of his salary at the rate of \$500 per month with a lump sum payment of the accrued and unpaid portion of Executive's salary due and payable on the third anniversary of the Effective Date.

Executive's base salary shall be reviewed by the Compensation Committee on an annual basis, and, in the sole discretion of the Compensation Committee, such base salary may be increased, but not decreased (except with the prior written consent of Executive), effective as of any date determined by the Compensation Committee. Executive's base salary shall be paid in equal installments in accordance with Company's standard policy regarding payment of compensation to executives but no less frequently than monthly.

4.2 Option Compensation. Executive acknowledges having been granted a non-statutory stock option to purchase 1,500,000 shares of the Company's common stock, at an exercise equal to \$0.50 per share, pursuant to the terms and subject to the conditions of a Stock Option Agreement dated October 18, 2016 between Executive and Company.

4.3 Annual Bonus. Executive shall be eligible for an annual bonus of up to 100% of Executive's Base Salary based on performance criteria set by the Compensation Committee and to otherwise participate in Company's annual bonus plan or plans applicable to Executive, all as approved from time to time by the Compensation Committee in amounts to be determined by the Compensation Committee based upon criteria established by the Compensation Committee. The performance criteria for Executive's annual bonus during the first full year of employment is set forth in Appendix "A" attached hereto.

4.4 Other Perquisites. During his employment hereunder, Executive shall be afforded the following benefits as incidences of his employment:

(a) **Business and Entertainment Expenses.** Subject to Company's standard policies and procedures with respect to expense reimbursement as applied to its executive employees generally, Company shall reimburse Executive for, or pay on behalf of Executive, reasonable and appropriate expenses incurred by Executive for business-related purposes, including dues and fees to industry and professional organizations and costs of entertainment and business development.

(b) **Vacation.** During his employment hereunder, Executive shall be entitled to two (2) weeks of paid vacation each calendar year (or a pro rata portion of such two-week vacation period for any partial year) and to all holidays provided to executives of Company generally.

(c) **Other Company Benefits.** Executive and, to the extent applicable, Executive's spouse, dependents, and beneficiaries, shall be allowed to participate in all benefits, plans, and programs, including improvements or modifications of the same, which are now, or may hereafter be, available to other executive employees of Company. Such benefits, plans, and programs shall include, without limitation, any profit sharing plan, thrift plan, health insurance or health care plan, life insurance, disability insurance, pension plan, supplemental retirement plan, vacation and sick leave plan, and the like which may be maintained by Company. Company shall not, however, by reason of this paragraph be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any such benefit plan or program, so long as such changes are similarly applicable to executive employees generally.

4.5 Board Representation. During the term of this Agreement and provided that Executive remains an executive officer of the Company, (a) Executive shall be permitted to serve on the Board.

ARTICLE V

EFFECT OF TERMINATION ON COMPENSATION; ADDITIONAL PAYMENTS

5.1 Termination Other Than an Involuntary Termination. If Executive's employment hereunder shall terminate upon expiration of the term provided in Section 3.1 hereof or if Executive's employment hereunder shall terminate for any other reason except those described in Sections 5.2, then Company shall continue to provide all compensation and benefits to Executive hereunder until the date of such termination of employment, and such compensation and benefits shall terminate contemporaneously with such termination of employment.

5.2 Involuntary Termination. Subject to the provisions of Sections 5.6 and 5.7 hereof, if Executive's employment by Company or any successor thereto shall be subject to an Involuntary Termination, then Company shall, as additional compensation for services rendered to Company (including its subsidiaries), pay to Executive the following amounts and take the following actions:

(a) Pay Executive a lump sum cash payment in an amount equal to Executive's Annual Base Salary on or before the Payment Date.

(b) During the portion, if any, of the 12-month period commencing on the date of such Involuntary Termination that Executive is eligible to elect and elects to continue coverage for himself and his eligible dependents under Company's or a subsidiary's group health plans, as applicable, under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and/or Sections 601 through 608 of the Employee Retirement Income Security Act of 1974, as amended, Company shall promptly reimburse Executive on a monthly basis for the difference between the amount Executive pays to effect and continue such coverage and the employee contribution amount that active senior executive employees of Company pay for the same or similar coverage under such group health plans; provided, however, that such reimbursement shall cease to be effective if and to the extent Executive becomes eligible to receive medical and/or dental coverage from a subsequent employer (and any such eligibility shall be promptly reported to Company by Executive).

5.3 Release and Full Settlement. As a condition to the receipt of any severance compensation and benefits under this Agreement, Executive must first execute a release and agreement, in a form reasonably satisfactory to Company, which (a) shall release and discharge Company and its affiliates, and their officers, directors, employees, and agents, from any and all claims or causes of action of any kind or character, including all claims or causes of action arising out of Executive's employment with Company or its affiliates or the termination of such employment, and (b) must be effective and irrevocable within 55 days after the termination of Executive's employment. If Executive is entitled to and receives the benefits provided hereunder, performance of the obligations of Company hereunder will constitute full settlement of all claims that Executive might otherwise assert against Company on account of Executive's termination of employment.

5.4 Payments Subject to Section 409A of the Code. Notwithstanding the foregoing provisions of this Article 5, if the payment of any severance compensation or severance benefits under this Agreement would be subject to additional taxes and interest under Section 409A of the Code because the timing of such payment is not delayed as provided in Section 409A(a)(2)(B) of the Code, then any such payments that Executive (or Executive's estate) would otherwise be entitled to during the first six months following the date of Executive's termination of employment shall be accumulated and paid on the date that is six months after the date of Executive's termination of employment (or if such payment date does not fall on a business day of Company, the next following business day of Company), or such earlier date upon which such amount can be paid under Section 409A of the Code without being subject to such additional taxes and interest. Executive hereby agrees to be bound by Company's determination of its "specified employees" (as such term is defined in Section 409A of the Code) in accordance with any of the methods permitted under the regulations issued under Section 409A of the Code.

5.5 Liquidated Damages. In light of the difficulties in estimating the damages for an early termination of Executive's employment under this Agreement, Company and Executive hereby agree that the payments, if any, to be received by Executive pursuant to this Article 5 shall be received by Executive as liquidated damages.

5.6 Other Benefits. This Agreement governs the rights and obligations of Executive and Company with respect to Executive's base salary and certain perquisites of employment. Except as expressly provided herein, Executive's rights and obligations both during the term of his employment and thereafter with respect to stock options, restricted stock, incentive and deferred compensation, life insurance policies insuring the life of Executive, and other benefits under the plans and programs maintained by Company shall be governed by the separate agreements, plans and other documents and instruments governing such matters.

ARTICLE VI

PROTECTION OF CONFIDENTIAL INFORMATION

6.1 Disclosure to and Property of Company.

(a) **Confidential Information.** As used herein, the term "**Confidential Information**" means any and all trade secrets or other confidential information of any kind, nature or description concerning any matters affecting or relating to the business of Company that derives economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use and which is the subject of efforts by Company that are reasonable under the circumstances to maintain its secrecy. Confidential Information includes all operations and financial information concerning Company and its business, including, but not limited to, exploration and development activities and results, acquisition prospects and agreements, and financing activities.

(b) **Work Product.** Moreover, all documents, videotapes, written presentations, brochures, drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, E-mail, voice mail, electronic databases, maps, drawings, architectural renditions, proposals, and all other writings or materials of any type embodying any of such information, ideas, concepts, improvements, discoveries, inventions, and other similar forms of expression (including but not limited to (i) maps, data, and reports that relate to results of exploration, drilling, drill cores, cuttings, and other samples relating to the production and operation of Company's oil and gas properties (whether owned or prospective) and (ii) title opinions; abstracts of title; land, accounting, production, or operating expense records; engineering, geological, or geophysical data; development plans and permits; or any other material or writing of whatever kind embodying any other information relating to the production and operation of Company's oil and gas properties (whether owned or prospective)) (collectively, "**Work Product**") are and shall be the sole and exclusive property of Company (or its affiliates).

Upon Executive's termination of employment with Company, for any reason, Executive promptly shall deliver such Confidential Information and Work Product, and all copies thereof, to Company.

6.2 Disclosure to Executive. Company has and will disclose to Executive, or place Executive in a position to have access to or develop, Confidential Information and Work Product of Company (or its affiliates); and/or has and will entrust Executive with business opportunities of Company (or its affiliates); and/or has and will place Executive in a position to develop business good will on behalf of Company (or its affiliates). Executive agrees to preserve and protect the confidentiality of all Confidential Information or Work Product of Company (or its affiliates).

6.3 No Unauthorized Use or Disclosure. Executive agrees that he will not, at any time during or after Executive's employment by Company, make any unauthorized disclosure of Confidential Information or Work Product of the Company (or its affiliates), and will not make any use thereof, except in the carrying out of Executive's responsibilities during the course of Executive's employment with Company. Executive shall have no obligation hereunder to keep confidential any Confidential Information if and to the extent disclosure thereof is specifically required by law; provided, however, that in the event disclosure is required by applicable law, Executive shall provide Company with prompt notice of such requirement prior to making any such disclosure, so that Company may seek an appropriate protective order. At the request of Company at any time, Executive agrees to deliver to Company all Confidential Information that he may possess or control. Executive agrees that all Confidential Information of Company (whether now or hereafter existing) conceived, discovered, or made by him during the period of Executive's employment by Company exclusively belongs to Company (and not to Executive), and Executive will promptly disclose such Confidential Information to Company and perform all actions reasonably requested by Company to establish and confirm such exclusive ownership. Affiliates of Company shall be third party beneficiaries of Executive's obligations under this Article 6. As a result of Executive's employment by Company, Executive may also from time to time have access to, or knowledge of, Confidential Information or Work Product of third parties, such as customers, suppliers, partners, joint venturers, and the like, of Company and its affiliates. Executive also agrees to preserve and protect the confidentiality of such third party Confidential Information and Work Product to the same extent, and on the same basis, as Company's Confidential Information and Work Product.

6.4 Ownership by Company. If, during Executive's employment by Company, Executive creates any work of authorship fixed in any tangible medium of expression that is the subject matter of copyright (such as videotapes, written presentations, or acquisitions, computer programs, E-mail, voice mail, electronic databases, drawings, maps, architectural renditions, models, manuals, brochures, or the like) relating to Company's business, products, or services, whether such work is created solely by Executive or jointly with others (whether during business hours or otherwise and whether on Company's premises or otherwise), including any Work Product, Company shall be deemed the author of such work if the work is prepared by Executive in the scope of Executive's employment; or, if the work is not prepared by Executive within the scope of Executive's employment but is specially ordered by Company as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, or as an instructional text, then the work shall be considered to be work made for hire and Company shall be the author of the work. If such work is neither prepared by Executive within the scope of Executive's employment nor a work specially ordered that is deemed to be a work made for hire, then Executive hereby agrees to assign, and by these presents does assign, to Company all of Executive's worldwide right, title, and interest in and to such work and all rights of copyright therein.

6.5 Assistance by Executive. During the period of Executive's employment by Company and thereafter, Executive shall assist Company and its nominee, at any time, in the protection of Company's (or its affiliates') worldwide right, title, and interest in and to Work Product and the execution of all formal assignment documents requested by Company or its nominee and the execution of all lawful oaths and applications for patents and registration of copyright in the United States and foreign countries.

6.6 Remedies. Executive acknowledges that money damages would not be sufficient remedy for any breach of this Article 6 by Executive, and Company or its affiliates shall be entitled to enforce the provisions of this Article 6 by terminating payments then owing to Executive under this Agreement or otherwise and to specific performance and injunctive relief as remedies for such breach or any threatened breach. Such remedies shall not be deemed the exclusive remedies for a breach of this Article 6 but shall be in addition to all remedies available at law or in equity, including the recovery of damages from Executive and his agents.

ARTICLE VII

DISPUTE RESOLUTION

7.1 General. Executive and the Company explicitly recognize that no provision of this Article VII shall prevent either party from seeking to resolve any dispute relating to Article VI of this Agreement in a court of law.

7.2 Negotiation. The parties shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiations between Executive and an executive officer of Company who has authority to settle the controversy. Any party may give the other party written notice of any dispute not resolved in the normal course of business. Within ten days after the effective date of such notice, Executive and an executive officer of Company shall meet at a mutually acceptable time and place within the Dallas, Texas metropolitan area, and thereafter as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the dispute. If the matter has not been resolved within 30 days of the disputing party's notice, or if the parties fail to meet within ten days, either party may initiate arbitration of the controversy or claim as provided in Section 7.3 below. If a negotiator intends to be accompanied at a meeting by an attorney, the other negotiator shall be given at least three business days' notice of such intention and may also be accompanied by an attorney. All negotiations pursuant to this Section 7.2 shall be treated as compromise and settlement negotiations for the purposes of the federal and state rules of evidence and procedure.

7.3 Arbitration. Company and Executive agree that after efforts to negotiate any dispute in accordance with Section 7.2 have failed, then either party may by written notice (the "**Notice**") demand arbitration of the dispute as set out below, and each party hereto expressly agrees to submit to, and be bound by, such arbitration.

(a) Each party will, within ten business days of the Notice, nominate an arbitrator, who shall be a non-neutral arbitrator. Each nominated arbitrator must be someone experienced in dispute resolution and of good character without moral turpitude and not within the employ or direct or indirect influence of the nominating party. The two nominated arbitrators will, within ten business days of nomination, agree upon a third arbitrator, who shall be neutral. If the two appointed arbitrators cannot agree on a third arbitrator within such period, the parties may seek such an appointment through any permitted court proceeding or by the American Arbitration Association ("**AAA**"). The three arbitrators will set the rules and timing of the arbitration, but will generally follow the rules of the AAA and this Agreement where same are applicable and shall provide for a reasoned opinion.

(b) The arbitration hearing will in no event take place more than 180 days after the appointment of the third arbitrator.

(c) The arbitration will take place in Dallas, Texas unless otherwise unanimously agreed to by the parties.

(d) The results of the arbitration and the decision of the arbitrators will be final and binding on the parties, and each party agrees and acknowledges that these results shall be enforceable in a court of law.

(e) All administrative costs and expenses of the mediation and arbitration shall be borne equally by the Company and Executive during the pendency of the proceedings. Such costs and expenses do not include attorney's fees, expert witness fees or other party generated expenses. Upon the conclusion of the proceedings, the prevailing party shall be entitled to recover reasonable and necessary attorneys' fees, expert witness fees, and costs and expenses of arbitration.

ARTICLE VIII

MISCELLANEOUS

8.1 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of (a) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto prior to 3:30 p.m. (Dallas time) on any day except Saturday, Sunday and any day which shall be a federal legal holiday in the United States ("**Business Day**"), (b) the next Business Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto on a day that is not a Business Day or later than 3:30 p.m. (Dallas time) on any Business Day, (c) the 2nd Business Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto. All notices and demands to Executive or the Company may be given to them at the following addresses:

If to Executive to: William A. Sawyer
8724 Cameron Road
Frisco, Texas 75033

If to Company: West Texas Resources, Inc.
5729 Lebanon Road, Suite 144
Frisco, Texas 75034

Such parties may designate in writing from time to time such other place or places that such notices and demands may be given.

8.2 Applicable Law; Submission to Jurisdiction .

(a) This Agreement is entered into under, and shall be governed for all purposes by, the laws of the State of Texas, without regard to conflict of law principals thereof.

(b) With respect to any claim or dispute related to or arising under this Agreement, the parties hereto hereby consent to the exclusive jurisdiction, forum, and venue of the state or federal (to the extent federal jurisdiction exists) courts located in Dallas County in the State of Texas.

8.3 No Waiver. No failure by either party hereto at any time to give notice of any breach by the other party of or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

8.4 Severability. Any provision in this Agreement which is prohibited or unenforceable in any jurisdiction by reason of applicable law shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating or affecting the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.5 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

8.6 Withholding of Taxes and Other Employee Deductions. Company may withhold from any benefits and payments made pursuant to this Agreement all federal, state, city, and other taxes as may be required pursuant to any law or governmental regulation or ruling and all other customary employee deductions made with respect to Company's employees generally.

8.7 Headings. The Section headings have been inserted for purposes of convenience and shall not be used for interpretive purposes.

8.8 Gender and Plurals. Wherever the context so requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural and conversely.

8.9 Assignment. This Agreement shall be binding upon and inure to the benefit of Company and any successor of Company, by merger or otherwise. This Agreement shall also be binding upon and inure to the benefit of Executive and his heirs, representatives and assigns. If Executive shall die prior to full payment of amounts due pursuant to this Agreement, such amounts shall continue to be payable pursuant to the terms of this Agreement. Executive shall not have any right to pledge, hypothecate, anticipate, or assign any portion of this Agreement or any of the rights hereunder, except by will or the laws of descent and distribution.

8.10 Term. This Agreement has a term co-extensive with the term of employment provided in Section 3.1. Termination of this Agreement shall not affect any right or obligation of any party which is accrued or vested prior to such termination. The provisions of Section 3.5 and Article 6 shall survive the termination of this Agreement and shall be binding upon Executive and his or her legal representatives, successors, and assigns following such termination.

8.11 Entire Agreement. This Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof and contains all the covenants, promises, representations, warranties, and agreements between the parties with respect to such subject matter. Without limiting the scope of the preceding sentence, all understandings and agreements preceding the date of execution of this Agreement and relating to the subject matter hereof are hereby null and void and of no further force and effect, including, without limitation, all prior employment and severance agreements, if any, by and between Company and Executive. Any modification of this Agreement will be effective only if it is in writing and signed by the party to be charged.

8.12 Expenses. Each party shall otherwise pay all fees and expenses incurred by such party incident to the negotiation, preparation and execution of this Agreement.

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the date first written above.

"Company"

West Texas Resources, Inc.
a Nevada corporation

By: /s/ John D. Kerr
John D. Kerr,
Chief Financial Officer

"Executive"

William A. Sawyer

/s/ William A. Sawyer
William A. Sawyer, an individual

CERTIFICATIONS

I, William A. Sawyer, certify that:

- (1) I have reviewed this annual report on Form 10-K of West Texas Resources, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

WEST TEXAS RESOURCES, INC.

Date: February 10, 2017

By: /s/ William A. Sawyer

William A. Sawyer, Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, John D. Kerr, certify that:

- (1) I have reviewed this annual report on Form 10-K of West Texas Resources, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

WEST TEXAS RESOURCES, INC.

Date: February 10, 2017

By: /s/ John D. Kerr

John D. Kerr, Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. ss.1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of West Texas Resources, Inc. (the "Company") on Form 10-K for the period ended September 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William A. Sawyer and John D. Kerr, the Chief Executive Officer and Chief Financial Officer of the Company, respectively, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ William A. Sawyer Dated: February 10, 2017
William A. Sawyer

Title: President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ John D. Kerr Dated: February 10, 2017
John D. Kerr

Title: Chief Financial Officer
(Principal Financial Officer)

This certification is made solely for the purposes of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.