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

FORM 10-Q

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

For the quarterly period ended: **June 30, 2012**

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

Commission File Number: **000-53920**

RING ENERGY, INC.

(Exact Name of registrant as specified in its charter)

Nevada	**98-0406406**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*
6555 South Lewis Street, Tulsa, OK	**74136**
(Address of principal executive offices)	*(Zip Code)*

(918) 499-3880
(Registrant's telephone number, including area code)

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 preceding 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b-2 of the Exchange Act).
☐ Yes ☒ No

The registrant has one class of common stock of which 10,711,220 shares were outstanding at August 13, 2012.

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Forward-Looking Statements

The statements contained in this report that are not historical facts are forward-looking statements that represent management's beliefs and assumptions based on currently available information. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, need for financing, competitive position, and potential growth opportunities. Our forward looking statements do not consider the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believes," "intends," "may," "should," "anticipates," "expects," "could," "plans," or comparable terminology or by discussions of strategy or trends. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we cannot give any assurances that these expectations will prove to be correct. Such statements by their nature involve risks and uncertainties that could significantly affect expected results, and actual future results could differ materially from those described in such forward-looking statements.

Among the factors that could cause actual future results to differ materially are the risks and uncertainties discussed in this report and in our annual report on Form 10-K for the year ended December 31, 2011. While it is not possible to identify all factors, we continue to face many risks and uncertainties including, but not limited to, changes in the general economic downturn; a further downturn in the securities markets; uncertainties associated with oil and gas exploration and development, and our ability to generate revenue. Should our underlying assumptions prove incorrect or the consequences of the aforementioned risks worsen, actual results could differ materially from those expected. We disclaim any intention or obligation to update publicly or revise such statements whether as a result of new information, future events or otherwise.

There may also be other risks and uncertainties that we are unable to predict at this time or that we do not now expect to have a material adverse impact on our business.

Part I – Financial Information

Item 1. Financial Statements.

The unaudited consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. The Company believes that the disclosures are adequate to make the information presented not misleading.

In the opinion of the Company, all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the consolidated financial position of the Company and the consolidated results of its operations and its cash flows have been made. The results of its operations and its cash flows for the six months ended June 30, 2012 are not necessarily indicative of the results to be expected for the year ending December 31, 2012.

RING ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2012	December 31, 2011
ASSETS		
Current Assets		
Cash	$ 6,614,338	$ 11,372
Accounts receivable	90,754	91,022
Prepaid expenses and retainers	150,949	46,301
Total Current Assets	6,856,041	148,695
Properties and Equipment		
Oil and natural gas properties subject to amortization	7,283,165	6,597,433
Office equipment	194,207	11,133
Total Properties and Equipment	7,477,372	6,608,566
Accumulated depreciation, depletion and amortization	(265,211)	(89,376)
Net Properties and Equipment	7,212,161	6,519,190
Refundable lease deposit	75,000	75,000
Total Assets	**$** 14,143,202	**$** 6,742,885
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable	$ 413,120	$ 100,321
Accrued compensation	-	100,000
Derivative put option	183,328	276,736
Revolving line of credit	5,000,000	-
Total Current Liabilities	5,596,448	477,057
Noncurrent Liabilities		
Revolving line of credit	-	9,244,428
Note payable to Ring Energy, Inc.	-	853,122
Asset retirement obligations	284,312	274,788
Total Noncurrent Liabilities	284,312	10,372,338
Stockholders' Equity (Deficit)		
Common stock - $0.001 par value; 75,000,000 shares authorized; 10,019,808 and 3,440,000 shares outstanding, respectively	10,020	3,440
Additional paid-in capital	13,738,608	204,585
Accumulated deficit	(5,486,186)	(4,314,535)
Total Stockholders' Equity (Deficit)	8,262,442	(4,106,510)
Total Liabilities and Stockholders' Equity (Deficit)	**$** 14,143,202	**$** 6,742,885

The accompanying notes are an integral part of these unaudited consolidated financial statements.

RING ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Successor		Predecessor Carve-out	Successor		Predecessor Carve-out
	For The Three Months Ended June 30, 2012	For The Two Months Ended June 30, 2011	For The Month Ended April 30, 2011	For The Six Months Ended June 30, 2012	For The Two Months Ended June 30, 2011	For The Four Months Ended April 30, 2011
Oil and Gas Revenues	$ 342,522	$ 12,477	$ 26,948	$ 670,525	$ 12,477	$ 96,956
Costs and Operating Expenses						
Oil and gas production costs	218,074	8,549	11,889	375,255	8,549	71,656
Oil and gas production taxes	15,875	575	1,242	32,625	575	4,468
Depreciation, depletion and amortization	94,707	1,657	694	175,835	1,657	2,778
Accretion expense	4,762	781	933	9,524	781	3,732
General and administrative expense	497,190	22,856	1,500	1,154,499	22,856	6,000
Total Costs and Operating Expenses	830,608	34,418	16,258	1,747,738	34,418	88,634
Other Income (Expense)						
Gain on derivative put options	40,720	5,460	-	93,408	5,460	-
Interest expense	(94,011)	(8,754)	-	(187,846)	(8,754)	-
Net Other Income (Expense)	(53,291)	(3,294)	-	(94,438)	(3,294)	-
Net Income (Loss)	$ (541,377)	$ (25,235)	$ 10,690	$ (1,171,651)	$ (25,235)	$ 8,322
Basic Earnings (Loss) per Share	$ (0.15)	$ -	$ -	$ (0.33)	$ -	$ -
Diluted Earnings (Loss) per Share	$ (0.15)	$ -	$ -	$ (0.33)	$ -	$ -

The accompanying notes are an integral part of these unaudited consolidated financial statements.

RING ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF PREDECESSOR OWNERS' NET INVESTMENT (DEFICIT)
FOR THE FOUR MONTHS ENDED APRIL 30, 2011

Predecessor	Owners' Net Investment (Deficit)
Balance, December 31, 2010	$ 11,686
Distributions to owners	(26,416)
Net income	8,322
Balance, April 30, 2011	$ (6,408)

RING ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE TWO MONTHS ENDED JUNE 30, 2011

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders' Equity
Successor	Shares	Amount	Capital	Deficit	(Deficit)
Balance, May 1, 2011	6,250,000	$ 6,250	$ 199,750	$ -	$ 206,000
Capital contributions from shareholders of available-for-sale securities	-	-	40,000	-	40,000
Capital contributions from shareholders	-	-	50,000	-	50,000
Net loss	-	-	-	(25,235)	(25,235)
Balance, June 30, 2011	6,250,000	$ 6,250	$ 289,750	$ (25,235)	$ 270,765

RING ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE SIX MONTHS ENDED JUNE 30, 2012

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders' Equity
Successor	Shares	Amount	Capital	Deficit	(Deficit)
Balance, December 31, 2011	3,440,000	$ 3,440	$ 204,585	$ (4,314,535)	$ (4,106,510)
Share-based compensation	-	-	445,234	-	445,234
Common stock issued to purchase Ring Energy, Inc.	6,579,808	6,580	13,088,789	-	13,095,369
Net loss	-	-	-	(1,171,651)	(1,171,651)
Balance, June 30, 2012	10,019,808	$ 10,020	$ 13,738,608	$ (5,486,186)	$ 8,262,442

The accompanying notes are an integral part of these unaudited consolidated financial statements.

RING ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Successor		Predecessor Carve-Out
	For the Six Months Ended June 30, 2012	For the Two Months Ended June 30, 2011	For the Four Months Ended April 30, 2011
Cash Flows From Operating Activities			
Net income (loss)	$ (1,171,651)	$ (25,235)	$ 8,322
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	175,835	1,657	2,778
Accretion expense	9,524	781	3,732
Share-based compensation	445,234	-	-
Gain on derivative put options	(93,408)	(5,460)	-
Changes in assets and liabilities:			
Accounts receivable	268	(33,396)	4,677
Prepaid expenses	(77,706)	-	-
Accounts payable	302,906	18,656	6,907
Accrued compensation	(100,000)	-	-
Net Cash Provided by (Used in) Operating Activities	(508,998)	(42,997)	26,416
Cash Flows from Investing Activities			
Payments to purchase oil and natural gas properties	(28,006)	(2,073,428)	-
Payments to develop oil and natural gas properties	(474,085)	(15,560)	-
Purchase of office equipment	(179,078)	-	-
Net Cash Used in Investing Activities	(681,169)	(2,088,988)	-
Cash Flows From Financing Activities			
Proceeds from borrowings from Ring Energy, Inc.	1,150,000	-	-
Proceeds from borrowings under revolving line of credit	-	2,073,428	-
Proceeds from issuance of common stock to Ring Energy, Inc. shareholders	10,887,561	-	-
Principal payments on revolving line of credit	(4,244,428)	-	-
Capital contributions from shareholders	-	50,000	-
Capital distributions to owners	-	-	(26,416)
Net Cash Provided by (Used in) Financing Activities	7,793,133	2,123,428	(26,416)
Net Increase (Decrease) in Cash	6,602,966	(8,557)	-
Cash at Beginning of Period	11,372	30,000	-
Cash at End of Period	$ 6,614,338	$ 21,443	$ -
Supplemental Cash Flow Information			
Cash paid for interest	$ 93,471	$ 8,754	$ -
Noncash Investing and Financing Activities			
Oil and natural gas properties acquired	$ -	$ 2,248,605	$ -
Asset retirement obligations assumed	-	(62,255)	-
Payments with Ring Energy, Inc. shares	-	(40,000)	-
Derivative put option incurred	-	(72,922)	-
Cash payments for oil and natural gas properties acquired	$ -	$ 2,073,428	$ -
Issuance of common stock to Ring Energy, Inc. shareholders	$ 13,095,369	$ -	$ -
Accounts payable assumed	9,893	-	-
Less: Elimination of note payable to Ring Energy, Inc.	(2,003,122)	-	-
Less: Prepaid expenses acquired	(26,942)	-	-
Less: Property and equipment acquired	(187,637)	-	-
Proceeds from issuance of common stock to Ring Energy, Inc. shareholders	$ 10,887,561	$ -	$ -
Capital contribution of Ring Energy, Inc. common stock	$ -	$ 40,000	$ -

The accompanying notes are an integral part of these unaudited consolidated financial statements.

NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Consolidated Financial Statements – The accompanying consolidated financial statements have been prepared by the Company and are unaudited. In the opinion of management, the accompanying unaudited financial statements contain all adjustments necessary for fair presentation, consisting of normal recurring adjustments, except as disclosed herein. The financial position and results of operations for the three and six months ended June 30, 2012 are not necessarily indicative of the results to be expected for the full year ending December 31, 2012.

Organization and Nature of Operations –Stanford Energy, Inc. ("Stanford" or the "Company") is a Texas corporation that owns interests in oil and natural gas properties located in Texas. The Company's oil and natural gas sales, profitability and future growth are dependent upon prevailing and future prices for oil and natural gas and the successful acquisition, exploration and development of oil and natural gas properties. Oil and natural gas prices have historically been volatile and may be subject to wide fluctuations in the future. A substantial decline in oil and natural gas prices could have a material adverse effect on the Company's financial position, results of operations, cash flows and quantities of oil and natural gas reserves that may be economically produced.

Reorganization into Ring Energy, Inc. – On June 28, 2012, Ring Energy, Inc. ("Ring") completed the acquisition of Stanford Energy, Inc. through the closing of a stock-for-stock exchange agreement dated May 3, 2012. As a result, Stanford became a wholly-owned subsidiary of Ring. At the closing, the Stanford shareholders exchanged their 1,376 shares of Stanford common stock for 3,440,000 shares of Ring common stock. In addition, Ring assumed and adopted Stanford's equity compensation plan and its outstanding options to purchase 450 shares of Stanford common stock, which represented the right to purchase 1,125,000 shares of Ring common stock at $2.00 per share. Prior to the closing, Ring had 6,110,408 shares of common stock outstanding, of which Stanford shareholders held 793,317 shares. As a result, Stanford's shareholders obtained control of Ring under current accounting guidance.

Since the Stanford shareholders obtained a controlling interest in Ring's common stock and stock options Stanford was determined to be the accounting acquirer and its historical financial statements have been adjusted to reflect its reorganization in a manner equivalent to a 2,500-for-1 stock split. The accompanying historical financial statements prior to the reorganization into Ring are Stanford's financial statements, adjusted to reflect the authorized capital and par value of Ring and to reflect the effects of the stock split for all periods presented.

Predecessor Carve-Out Financial Statements – On May 1, 2011, Stanford acquired developed and undeveloped properties referred to as the Fisher I Property. The Fisher I Property represents Stanford's predecessor under Rule 405 of Regulation C of the Securities Act of 1933, as amended, as the Fisher I Property was Stanford's first interest in producing oil and natural gas properties and Stanford's own operations before the acquisition were insignificant relative to the operations acquired. In that regard, upon consummation of the acquisition, the historical financial statements of the Fisher I Property became the historical financial statements of the Company. The accompanying predecessor financial statements present the full carve-out financial position, the related revenues earned and costs and expenses incurred, and the cash flows of the predecessor owners relative to the Fisher I Property.

Subsequent to the acquisition, the successor financial statements present the financial position, operations and cash flows of the assets acquired, the liabilities assumed and operations of the Fisher I Property as well as those of other properties acquired subsequently and are reflected at their purchase-date fair values. Those fair values are reflected as the cost of the assets acquired and the carrying amounts of the liabilities assumed, and are the basis of the resulting operations of the successor.

Prior to the acquisition of the Fisher I Property, Stanford had little activity and was a development stage company. Its planned operations were to acquire, develop and operate oil and natural gas properties. Stanford had no revenue, expenses or income during the four months ended April 30, 2011. Changes in Stanford's stockholders' equity for the four months ended April 30, 2011, on a post-split basis, were as follows:

	Common Stock		Additional Paid-in	Total Stockholders'
	Shares	Amount	Capital	Equity
Balance, December 31, 2010	5,000,000	$ 5,000	$ (5,000)	$ -
Common stock issued for no consideration	1,250,000	1,250	(1,250)	-
Cash paid in from shareholders without the issuance of additional shares	-	-	206,000	206,000
Balance, April 30, 2011	6,250,000	$ 6,250	$ 199,750	$ 206,000

Stanford's cash flows during the four months ended April 30, 2011 were as follows:

Cash Flows from Investing Activities	
Payments to purchase oil and gas properties	$ (176,000)
Cash Flows From Financing Activities	
Capital contributions from shareholders	206,000
Net Increase in Cash	30,000
Cash at Beginning of Period	-
Cash at End of Period	$ 30,000

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Changes in the future estimated oil and natural gas reserves or the estimated future cash flows attributable to the reserves that are utilized for impairment analysis could have a significant impact on the Company's future results of operations.

Fair Values of Financial Instruments – The carrying amounts reported for the revolving line of credit approximates fair value because the underlying instruments are at interest rates which approximate current market rates. The derivative put options are carried at fair value.

Consolidation – The accompanying consolidated financial statements include the accounts, operations and cash flows of Stanford for all periods presented and the consolidated operations and cash flows of Ring from June 28, 2012. All significant intercompany balances and transactions have been eliminated in consolidation.

Concentration of Credit Risk and Major Customer – The Company has cash in excess of federally insured limits at June 30, 2012. During the six months ended June 30, 2012, sales to three customers represented 39%, 37% and 22%, respectively, of oil and gas revenues. At June 30, 2012, these customers made up 53%, 40% and 10%, respectively, of accounts receivable.

Oil and Gas Properties – The Company uses the full cost method of accounting for oil and gas properties. Under this method, all costs associated with acquisition, exploration, and development of oil and gas reserves are capitalized. Costs capitalized include acquisition costs, geological and geophysical expenditures, lease rentals on undeveloped properties and costs of drilling and equipping productive and non-productive wells. Drilling costs include directly related overhead costs. Capitalized costs are categorized either as being subject to amortization or not subject to amortization.

All capitalized costs of oil and gas properties, including the estimated future costs to develop proved reserves and estimated future costs of abandonment and site restoration, are amortized on the unit-of-production method using estimates of proved reserves as determined by independent engineers. Investments in unproved properties and major development projects are not amortized until proved reserves associated with the projects can be determined. The Company evaluates oil and gas properties for impairment at least annually. Amortization expense for the three and six months ended June 30, 2012 was $94,707 and $175,835, respectively, based on depletion at the rate of $19.87 per barrel of oil equivalent compared to $2,351 and $4,435, respectively, for the three and six months ended June 30, 2011, based on depletion at the rate of $21.24 per barrel of oil equivalent. These amounts include $10,850 and $21,001 of depreciation for the three and six months ended June 30, 2012, respectively, with no depreciation for the three or six months ended June 30, 2011.

In addition, capitalized costs are subject to a ceiling test which limits such costs to the estimated present value of future net revenues from proved reserves, discounted at a 10% interest rate, based on current economic and operating conditions, plus the lower of cost or fair market value of unproved properties. Consideration received from sales or transfers of oil and gas property is accounted for as a reduction of capitalized costs. Revenue is not recognized in connection with contractual services performed on properties in which the Company holds an ownership interest.

Office Equipment – Office equipment is valued at historical cost adjusted for impairment loss less accumulated depreciation. Historical costs include all direct costs associated with the acquisition of office equipment and placing it in service. Depreciation is calculated using the straight-line method based upon an estimated useful life of 5 to 7 years.

Asset Retirement Obligation – The Company records a liability in the period in which an asset retirement obligation ("ARO") is incurred, in an amount equal to the discounted estimated fair value of the obligation that is capitalized. Thereafter, this liability is accreted up to the final estimated retirement cost. An ARO is a future expenditure related to the disposal or other retirement of certain assets. The Company's ARO relates to future plugging and abandonment expenses of its oil and natural gas properties and related facilities disposal.

Revenue Recognition – The Company predominantly derives its revenues from the sale of produced oil and natural gas. Revenue is recorded in the month the product is delivered to the purchasers. At the end of each month, the Company recognizes oil and natural gas sales based on estimates of the amount of production delivered to purchasers and the price to be received. Variances between the Company's estimated oil and natural gas sales and actual receipts are recorded in the month the payments are received.

Share-Based Employee Compensation – The Company has outstanding stock option grants to directors and employees, which are described more fully in Note 7. The Company recognizes the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and recognizes the related compensation expense over the period during which an employee is required to provide service in exchange for the award, which is generally the vesting period.

Share-Based Compensation to Non-Employees – The Company accounts for share-based compensation issued to non-employees as either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The measurement date for these issuances is the earlier of the date at which a commitment for performance by the recipient to earn the equity instruments is reached or the date at which the recipient's performance is complete.

Recent Accounting Pronouncements – The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and does not believe the future adoptions of any such pronouncements are expected to cause a material impact on the Company's financial condition or the results of operations.

Basic and Diluted Earnings (Loss) per Share – Basic earnings (loss) per share are computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if all contracts to issue common stock were converted into common stock, except for those that are anti-dilutive. The dilutive effect of stock options and other share-based compensation is calculated using the treasury method with an offset from expected proceeds upon exercise of the stock options and unrecognized compensation expense.

NOTE 2 – EARNINGS (LOSS) PER SHARE INFORMATION

	Successor		Predecessor Carve-out	Successor		Predecessor Carve-out
	For The Three Months Ended June 30, 2012	For The Two Months Ended June 30, 2011	For The Month Ended April 30, 2011	For The Six Months Ended June 30, 2012	For The Two Months Ended June 30, 2011	For The Four Months Ended April 30, 2011
Net Income (Loss)	$ (541,377)	$ (25,235)	$ 10,690	$ (1,171,651)	$ (25,235)	$ 8,322
Basic Weighted-Average Shares Outstanding	3,584,611	6,250,000	6,250,000	3,512,306	6,250,000	6,250,000
Effect of dilutive securities: Stock options	-	-	-	-	-	-
Diluted Weighted-Average Shares Outstanding	3,584,611	6,250,000	6,250,000	3,512,306	6,250,000	6,250,000
Basic Earnings (Loss) per Share	$ (0.15)	$ -	$ -	$ (0.33)	$ -	$ -
Diluted Earnings (Loss) per Share	$ (0.15)	$ -	$ -	$ (0.33)	$ -	$ -

Stock options to purchase 1,125,000 shares of common stock were excluded from the computation of diluted earnings (loss) per share during the three and six months ended June 30, 2012 as their effect would have been anti-dilutive. There were no stock options outstanding during the three or six months ended June 30, 2011.

NOTE 3 – ACQUISITIONS

Fisher I Property – On May 23, 2011, Stanford purchased proved developed and undeveloped oil and natural gas reserves (the "Fisher I Property") located in the Permian Basin, Andrews County, Texas. The Fisher I Property acquired consisted of 100% of the working interest (75% net revenue interest) in four producing leases, a 99.6% working interest (74.7% net revenue interest) in 640 undeveloped acres and a 92.0% working interest (69.0% net revenue interest) in 960 undeveloped acres. The Fisher I Property was acquired for $2,296,228 of total consideration consisting of cash of $2,183,306, the transfer of 20,000 shares of Ring Energy, Inc. ("Ring") common stock, valued at $2.00 per share or $40,000, and the issuance of a put option relating to the Ring shares valued at $72,922, whereby the holders could put the Ring shares back to Stanford for $5.00 per share through November 24, 2011.

For purposes of acquisition accounting, the fair value of the Ring shares transferred was determined based on the price stockholders of the Company paid to purchase the shares in May 2011 (see Note 11) since there was not an active market for the Ring shares. The value of the put option was determined using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 0.11%; expected life of 0.5 years; dividend yield of 0% and volatility of 207%, which was calculated on Ring stock historical prices. Stanford incurred $30,673 of acquisition-related costs, which were recognized in general and administrative expense for the eight months ended December 31, 2011.

The acquisition qualified as a business combination and as such, Stanford recognized the assets acquired and the liabilities assumed at their fair values as of the May 23, 2011 acquisition date, which is the date the Company obtained control of the properties. Oil and natural gas sales receivable and production costs payable at May 23, 2011 were not material. The estimated fair value of these properties approximated the consideration paid, which the Company concluded approximated the fair value that would be paid by a typical market participant. As a result, neither goodwill nor a bargain purchase gain was recognized related to the acquisition. The following table summarizes the assets acquired and the liabilities assumed:

Proved developed and undeveloped oil and gas properties	$	2,358,483
Asset retirement obligation		(62,255)
Total Identifiable Net Assets	$	2,296,228

Oil and natural gas sales and income from operations before general and administrative expense from the Fisher I Property, for the eight months ended December 31, 2011, were $166,250 and $49,116, respectively.

Miocene Property – On August 17, 2011, Stanford purchased additional proved developed and undeveloped oil and natural gas reserves (the "Miocene Property") located in the Permian Basin, Andrews County, Texas. The Miocene Property consisted of 100% of the working interest (75% to 77% net revenue interest) in three producing leases. The Miocene Property was acquired for cash totaling $1,791,165. The Company incurred $98,984 of acquisition-related costs, which were recognized in general and administrative expense during the eight months ended December 31, 2011.

The acquisition was recognized as a business combination whereby Stanford recorded the assets acquired and the liabilities assumed at their fair values as of August 17, 2011, which is the date the Company obtained control of the properties and was the acquisition date for financial reporting purposes. The estimated fair value of Miocene Property approximated the consideration paid, which the Company concluded approximated the fair value that would be paid by a typical market participant. The following table summarizes the fair values of the assets acquired and the liabilities assumed:

Assets Acquired		
Accounts receivable	$	52,278
Proved developed and undeveloped oil and gas properties		1,810,662
Liabilities Assumed		
Accounts payable		(32,181)
Asset retirement obligation		(39,594)
Total Identifiable Net Assets	$	1,791,165

Oil and natural gas sales and income from operations before general and administrative expense from the Miocene Property, for the eight months ended December 31, 2011, were $217,959 and $60,313, respectively.

Fisher II Property– On December 1, 2011, the Company purchased proved developed and undeveloped oil and natural gas reserves (the "Fisher II Property") located in the Permian Basin, Andrews County, Texas. The Fisher II Property acquired consisted of 100% of the working interest (75% net revenue interest) in one lease. The Fisher II Property was acquired for $1,747,760 of total consideration consisting of cash of $1,150,000, the transfer of 80,000 shares of Ring common stock, valued at $4.00 per share or $320,000, and the issuance of a put option relating to the Ring shares valued at $277,760, whereby the holder can put the Ring shares back to Stanford at $5.00 per share through December 1, 2012.

Due to the lack of an active market for the Ring shares, the fair value of the Ring shares transferred was determined based on the price at which Ring shares were being sold in a private placement active during the time period that this acquisition occurred. The value of the put option was determined using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 0.11%; expected life of 1.0 years; dividend yield of 0% and volatility of 198%, which was calculated on Ring stock historical prices. The Company incurred $6,898 of acquisition-related costs, which were recognized as general and administrative expense during the eight months ended December 31, 2011.

The acquisition of the Fisher II Property was recognized as a business combination. Stanford recorded the assets acquired and the liabilities assumed at their fair values. The estimated fair value of the Fisher II Property approximated the consideration paid, which the Company concluded approximated the fair value that would be paid by a typical market participant. The following table summarizes the fair values of the assets acquired and the liabilities assumed:

Proved developed and undeveloped oil and gas properties	$	1,915,152
Asset retirement obligation		(167,392)
Total Identifiable Net Assets	$	1,747,760

Oil and natural gas sales and loss from operations before general and administrative expense from the Fisher II Property for the eight months ended December 31, 2011, were $4,465 and $(7,416), respectively.

Ring Energy, Inc. – On June 28, 2012, Ring Energy, Inc. ("Ring") completed the acquisition of Stanford Energy, Inc. through the closing of a stock-for-stock exchange agreement dated May 3, 2012. As a result, Stanford became a wholly-owned subsidiary of Ring. As further described in Note 1, Stanford was determined to be the accounting acquirer. The acquisition of Ring was recognized by Stanford as the issuance of the 6,110,408 common shares of Ring that remained outstanding. The fair value of Ring's net assets was more clearly determinable than the fair value of the common shares deemed issued; therefore, the common shares were valued at the fair value of the net assets acquired as follows:

Cash	$	10,887,561
Note payable to Ring cancelled		2,003,122
Prepaid expenses		26,942
Property and equipment		187,637
Accounts payable		(9,893)
Fair value of net assets	$	13,095,369

Pro Forma Results from Operations – The following unaudited pro forma information is presented to reflect the operations of the Company as if the acquisitions had been completed on January 1, 2012 and 2011, respectively:

	For The Three Months Ended June 30, 2012	For The Three Months Ended June 30, 2011	For The Six Months Ended June 30, 2012	For The Six Months Ended June 30, 2011
Oil and Natural Gas Revenues	$ 342,522	$ 259,972	$ 670,525	$ 557,756
Net Income (Loss)	(544,657)	1,603	(1,253,916)	23,158

NOTE 4 – REVOLVING LINE OF CREDIT

In May 2011, the Company entered into a credit agreement with a bank that provides for a revolving line of credit of up to $10 million for borrowings and letters of credit. As of June 30, 2012, $4,950,000 was available to be drawn on the line of credit. The agreement includes a non-usage commitment fee of 0.20% per annum and covenants limiting other indebtedness, liens, transfer or sale of assets, distributions or dividends and merger or consolidation activity. The facility has an interest rate of the bank's prime rate plus 0.75% with the total interest rate to be charged being no less than 4.00%. As of June 30, 2012 the interest rate being charged was 4.00%. The note matured on May 10, 2012 and was extended to May 10, 2013. Two of the Company's stockholders are jointly and severally obligated for outstanding borrowings under the credit facility.

NOTE 5 – ASSET RETIREMENT OBLIGATION

The Company provides for the obligation to plug and abandon oil and gas wells at the dates properties are either acquired or the wells are drilled. The asset retirement obligation is adjusted each quarter for any liabilities incurred or settled during the period, accretion expense and any revisions made to the estimated cash flows. The asset retirement obligation relating to the predecessor carve-out financial statements was computed using an annual credit-adjusted risk-free discount rate of 4.28%. The asset retirement obligation incurred by Stanford upon each of the three acquisitions was computed using the annual credit-adjusted risk-free discount rate at the applicable date, which rates were from 6.55% to 7.62% per annum. Changes in the asset retirement obligation were as follows:

Balance, January 1, 2012	$	274,788
Accretion expense		9,524
Balance, June 30, 2012	$	284,312

NOTE 6 – EMPLOYEE STOCK OPTIONS

Compensation expense charged against income for share-based awards during the three and six months ended June 30, 2012 was $154,348 and $445,234, respectively, with no comparable amounts for the three and six months ended June 30, 2011, and is included in general and administrative expense in the accompanying financial statements.

In 2011, Stanford's Board of Directors and stockholders approved and adopted a long-term incentive plan which allows for the issuance of up to 2,500,000 shares of common stock through the grant of qualified stock options, non-qualified stock options and restricted stock. As of December 31, 2011, there were 1,375,000 shares eligible for issuance under the plan. On December 1, 2011, the Company granted 1,125,000 non-qualified stock options exercisable at $2.00 per share. The stock options vest at the rate of 20% each year over five years beginning one year from the date granted and expire ten years from the date granted.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model and using certain assumptions. The expected volatility is based on the historical price volatility of the Dow Jones U.S. Oil and Gas Index. The Company used the simplified method for estimating the expected term for options granted in 2011. Under the simplified method, the expected term is equal to the midpoint between the vesting period and the contractual term of the stock option. The risk-free interest rate represents the U.S. Treasury bill rate for the expected life of the related stock options. The dividend yield represents the Company's anticipated cash dividend over the expected life of the stock options. The following are the weighted-average assumptions used to determine the fair value of options granted during the eight months ended December 31, 2011:

Risk free interest rate	0.97%
Expected life	6.5 years
Dividend yield	-
Volatility	32%

A summary of the stock option activity as of December 31, 2011, and changes during the eighth months then ended is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, April 30, 2011	-			
Granted	1,125,000	$ 2.00		
Outstanding, December 31, 2011	1,125,000	$ 2.00	9.9 Years	$2,205,000
Exercisable, December 31, 2011	-			

The weighted-average grant-date fair value of options granted during 2011 was $2.32 per share. Share-based compensation expense for the eight months ended December 31, 2011 was $95,897. As of December 31, 2011, there was approximately $2,463,620 of unrecognized compensation cost related to stock options that is expected be recognized over a weighted-average period of 2.9 years. The aggregate intrinsic value was determined based on the $4.00 market value of the Ring Energy, Inc. common stock on December 31, 2011.

A summary of the status of the stock options as of June 30, 2012 is as follows:

	Options	Weighted-Average Exercise Price
Outstanding at December 31, 2011	1,125,000	$ 2.00
Exercised	-	-
Outstanding at June 30, 2012	1,125,000	2.00
Exercisable at June 30, 2012	-	$ -

As of June 30, 2012, there was approximately $1,440,189 of unrecognized compensation cost related to stock options that will be recognized over a weighted average period of 2.96 years. The aggregate intrinsic value of options expected to vest at June 30, 2012 was $2,632,500. No options were exercisable as of June 30, 2012. The intrinsic value calculations are based on a June 29, 2012 closing price of the Company's common stock of $5.12.

NOTE 7 – CONTINGENCIES AND COMMITMENTS

Standby Letters of Credit – A commercial bank has issued standby letters of credit on behalf of the Company to the state of Texas totaling $50,000 to allow the Company to do business there. The standby letters of credit are valid until cancelled or matured and are collateralized by the revolving credit facility with the bank. These letters of credit terms are extended for a term of one year at a time. The Company intends to renew the standby letters of credit for as long as the Company does business in the state of Texas. No amounts have been drawn under the standby letters of credit.

NOTE 8 – PUT OPTIONS

The Company granted put options on the Ring shares transferred in connection with the acquisitions of oil and natural gas properties in December 2011. In December 2011, the Company granted 80,000 options with terms allowing the property seller to require the Company to repurchase the Ring shares at $5.00 per share through December 1, 2012. At the date of issuance, the fair value of this liability was $277,760 and was capitalized as part of the acquisition cost. The put options are contingent consideration classified as liabilities under FASB ASC 305-30 and are recognized at the acquisition date fair value as part of the consideration transferred. They are remeasured to fair value at each reporting date until the contingency is resolved with the change in fair value being recognized in earnings. As of June 30, 2012, the fair value of the remaining liability was $183,328. The following table illustrates the assumptions used in the Black-Scholes option pricing model at June 30, 2012:

Risk free interest rate	0.16%
Expected life (years)	0.42
Dividend yield	-
Volatility	158%

NOTE 9 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The Company's fair value measurements are based on the observability of those inputs. The three levels of the fair value hierarchy are as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. The Company does not have any fair value balances classified as Level 1.

- Level 2 — Inputs other than quoted prices in active markets included in Level 1 that are either directly or indirectly observable. The Company's put options are measured on a recurring basis using Level 2 inputs.

- Level 3 — Includes inputs that are not observable for which there is little, if any, market activity for the asset or liability being measured. The Company does not have any fair value balances classified as Level 3.

In valuing certain contracts, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. For disclosure purposes, assets and liabilities are classified in their entirety in the fair value hierarchy level based on the lowest level of input that is significant to the overall fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels.

The Company's derivative put option liabilities are remeasured to fair value at each reporting date until the contingency is resolved. The fair value of the non-financial liabilities as of June 30, 2012 was $183,328 and was calculated using Level 2 inputs. See Note 8 above for more information about this liability and the inputs used for calculating fair value.

NOTE 10 – INCOME TAXES

Through December 31, 2011, Stanford Energy, Inc. and the predecessor were not taxable entities for U.S. federal income tax purposes. Under Stanford Energy, Inc.'s S-corporation election and the predecessor's tax status, income taxes were generally borne by the shareholders/owners and losses were generally deductible at the shareholder/owner level. Accordingly, no recognition has been given to federal income tax or benefit in the accompanying financial statements.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent to June 30, 2012, the Company sold 63,520 shares of common stock for gross proceeds of $268,812.50 in a private placement at $4.25 per common share. No selling commissions were paid.

Also subsequent to June 30, 2012, the Company sold 627,892 shares of common stock for gross proceeds of $2,825,497 in a private placement at $4.50 per common share. No selling commissions were paid.

Subsequent to June 30, 2012, the Company drilled five wells in Texas. None of the wells have yet been completed and put into operation. It is anticipated that these wells will be completed and placed into service during the third quarter.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations analyzes the major elements of our balance sheets and statements of income. This section should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2011, and our interim unaudited financial statements and accompanying notes to these financial statements.

Stanford Energy, Inc., a Texas Corporation, was formed in 2007. There were no operations prior to acquisitions during 2011. During 2011 Stanford completed three acquisitions of properties with existing production, all with additional potential for development, as well as additional acquisition and leasing of undeveloped acreage. During the six months ended June 30, 2012 Stanford continued leasing additional mineral interest in acreage in which it already owned an interest. On June 28, 2012, Stanford consummated a stock-for-stock exchange with Ring Energy, Inc. Stanford was determined to be the accounting acquirer in this transaction and therefore the historical financial statements presented are those of Stanford. During the six months ended June 30, 2012 but prior to the consummation of the stock-for-stock exchange, Ring completed two acquisitions of undeveloped acreage that are offsetting the assets held by Stanford and which is complimentary.

Results of Operations – For the Three Months Ended June 30, 2012 and 2011

Oil and natural gas sales. For the three months ended June 30, 2012, oil and natural gas sales revenue increased $303,097 to $342,522, compared to $39,425 for the same period during 2011. Oil sales increased $300,128 and natural gas sales increased $2,969. The increases were the result of higher production, which occurred primarily as a result of additional acquisitions between the periods, partially offset by lower oil prices between periods. For the three months ended June 30, 2012, oil sales volume increased 3,667 barrels to 4,004 barrels, compared to 337 barrels for the same period in 2011. The average realized per barrel oil price decreased 28% from $117.033 for the three months ended June 30, 2011 to $84.81 for the three months ended June 30, 2012. For the three months ended June 30, 2012, gas sales volume increased 612 thousand cubic feet (MCF) to 612 MCF, compared to 0 MCF for the same period in 2011. The average realized natural gas price per MCF was $4.86 for the three months ended June 30, 2012 with no volumes being sold during the same period in 2011.

Oil and gas production costs. Our lease operating expenses (LOE) increased from $20,438 or $60.67 per barrel of oil equivalent (BOE) for the three months ended June 30, 2011 to $218,074 or $53.11 per BOE for the three months ended June 30, 2012. The increases in total LOE was the result of additional acquisitions made between periods and work to get properties into proper working condition. The decrease in the per BOE amount was the result of higher production volumes between periods.

Production taxes. Production taxes as a percentage of oil and natural gas sales were 5% during the three months ended June 30, 2011 and remained steady at 5% for the three months ended June 30, 2012. These rates are expected to stay relatively steady unless we make acquisitions in other states with differing production tax rates or the state of Texas changes its production tax rate.

Depreciation, depletion and amortization. Our depreciation, depletion and amortization expense increased by $92,356 to $94,707 for the three months ended June 30, 2012, compared to $2,351 during the same period in 2011. The increase was the result of higher production volume partially offset by a decrease in the average depletion rate from $21.24 per BOE during the three months ended June 30, 2011 to $19.87 per BOE during the three months ended June 30, 2012. The decreased depletion rate was the result of additional acquisitions between periods.

General and administrative expenses. General and administrative expenses increased by $472,834 to $497,190 for the three months ended June 30, 2012, compared to $24,356 during the same period in 2011. The increase was primarily the result of an increase in stock-based compensation expense from $0 for the three months ended June 30, 2011 to $290,886 for the three months ended June 30, 2012 and contract staff compensation.

Interest expense. Interest expense was increased by $85,257 to $94,011 for the three months ended June 30, 2012, compared to the same period in 2011. The increase was primarily due to additional acquisitions and equity transactions financed through our credit facility between periods.

Net loss. Net loss increased from $14,545 for the three months ended June 30, 2011 to $541,377 for the same period in 2012. The primary reason for this increase is compensation expense.

Results of Operations – For the Six Months Ended June 30, 2012 and 2011

Oil and natural gas sales. For the six months ended June 30, 2012, oil and natural gas sales revenue increased $561,091 to $670,525 compared to $109,434 for the same period during 2011. Oil sales increased $549,331 and natural gas sales increased $11,760. The increases were the result of higher production, which occurred primarily as a result of additional acquisitions between the periods. For the six months ended June 30, 2012, oil sales volume increased 6,155 barrels to 7,267 barrels, compared to 1,113 barrels for the same period in 2011. The average realized per barrel oil price decreased 8% from $98.36 for the six months ended June 30, 2011 to $90.64 for the six months ended June 30, 2012. For the six months ended June 30, 2012, gas sales volume increased 3,150 thousand cubic feet (MCF) to 3,150 MCF, compared to 0 MCF for the same period in 2011. The average realized natural gas price per MCF was $3.73 for the six months ended June 30, 2012 with no volumes being sold during the same period in 2011.

Oil and gas production costs. Our lease operating expenses (LOE) increased from $80,205 or $72.09 per barrel of oil equivalent (BOE) for the six months ended June 30, 2011 compared to $375,255 or $48.16 per BOE for the six months ended June 30, 2012. The increases in total LOE was the result of additional acquisitions made between periods and work to get properties into proper working condition. The decrease in the per BOE amount was the result of higher production between period.

Production taxes. Production taxes as a percentage of oil and natural gas sales were 5% during the six months ended June 30, 2011 and remained steady at 5% for the six months ended June 30, 2012. Production taxes vary from state to state. Therefore, these taxes may vary in the future depending on the mix of production we generate from various states, as well as the possibility that any state may raise its production tax rate.

Depreciation, depletion and amortization. Our depreciation, depletion and amortization expense increased by $171,400 to $175,835 for the six months ended June 30, 2012, compared to $4,435 for the same period in 2011. The increase was the result of higher production volume partially offset by a decrease in the average depletion rate from $21.24 per BOE during the six months ended June 30, 2011 to $19.87 per BOE during the six months ended June 30, 2012. The decreased depletion rate was the result of additional acquisitions between periods.

General and administrative expenses. General and administrative expenses increased by $1,125,643 to $1,154,499 for the six months ended June 30, 2012, compared to $28,856 for the same period in 2011. The increase was primarily the result of an increase in stock-based compensation expense from $0 for the six months ended June 30, 2011 to $445,234 for the three months ended June 30, 2012 and contract staff compensation.

Interest expense. Interest expense was increased by $179,092 to $187,846 for the six months ended June 30, 2012, compared to $8,754 for the same period in 2011. The increase was primarily due to additional acquisitions and equity transactions financed through our credit facility between periods.

Net loss. Net loss increased from $16,913 for the six months ended June 30, 2011 to $1,171,651 for the same period in 2012. The primary reason for this increase is compensation expense.

Capital Resources and Liquidity

As shown in the unaudited financial statements for the six months ended June 30, 2012, the Company had cash on hand of $6,614,338, compared to $11,372 as of December 31, 2011. Significant sources of cash inflow during the six months ended June 30, 2012 include proceeds from borrowings from Ring Energy prior to the closing of the stock-for-stock exchange transaction and $10,887,561 in proceeds from issuance of common stock to Ring Energy, Inc. shareholders in the transaction. The only significant sources of cash inflow during the six months ended June 30, 2011 was proceeds from borrowing on the revolving line of credit of $2,073,428.

The Company had net cash used in operating activities for the six months ended June 30, 2012 of $508,998, compared to $16,581 for the same period 2011. Other significant cash outflows during the six months ended June 30, 2012 and 2011 were capital expenditures of $681,169 and $2,088,988, respectively, and $4,244,428 payment on notes payable in 2012.

In May 2011, the Company entered into a credit agreement with a bank that provides for a revolving line of credit of up to $10 million for borrowings and letters of credit. As of June 30, 2012, $4,950,000 was available to be drawn on the line of credit. The agreement includes a non-usage commitment fee of 0.20% per annum and covenants limiting other indebtedness, liens, transfer or sale of assets, distributions or dividends and merger or consolidation activity. The facility has an interest rate of the bank's prime rate plus 0.75% with the total interest rate to be charged being no less than 4.00%. As of June 30, 2012 the interest rate being charged was 4.00%. The note matured on May 10, 2012 and was extended to May 10, 2013. This revolving line of credit is classified as a current liability on the balance sheet. Two of the Company's stockholders are jointly and severally obligated for outstanding borrowings under the credit facility.

To the extent possible, we intend to acquire producing properties and/or developed undrilled properties rather than exploratory properties. We do not intend to limit our evaluation to any one state. We presently have no intention to evaluate off-shore properties or properties located outside of the United States of America.

The pursuit of and acquisition of additional oil and gas properties may again require substantially greater capital than we currently have available and obtaining additional capital would require that we enter into the sale of either short-term or long-term notes payable or the sale of our common stock. Furthermore, it may be necessary for us to retain outside consultants and others in our endeavors to locate desirable oil and gas properties. The cost to retain one or more consultants or a firm specializing in the purchase/sale of oil and gas properties will have an impact on our financial position and will impact our future cash flows.

The process of acquiring one or more additional oil and gas properties will impact our financial position and reduce our cash position. The types of costs that we may incur include travel cost relating to meeting with individuals instrumental in our acquisition of one or more oil and gas properties, obtaining petroleum engineer reports relative to the oil and gas properties that we are investigating, legal fees associated with such acquisition including title reports, and accounting fees relative to obtaining historical information regarding such oil and gas properties. Even though we may incur such costs, there is no assurance that we will ultimately be able to consummate a transaction resulting in our acquisition of an oil and/or gas property.

Off-balance sheet arrangements

The Company does not have any off-balance sheet arrangements and it is not anticipated that the Company will enter into any off-balance sheet arrangements.

Disclosures About Market Risks

Like other natural resource producers, Ring faces certain unique market risks. The two most salient risk factors are the volatile prices of oil and gas and certain environmental concerns and obligations.

Oil and Gas Prices

Current competitive factors in the domestic oil and gas industry are unique. The actual price range of crude oil is largely established by major international producers. Pricing for natural gas is more regional. Because domestic demand for oil and gas exceeds supply, there is little risk that all current production will not be sold at relatively fixed prices. To this extent Ring does not see itself as directly competitive with other producers, nor is there any significant risk that the Company could not sell all production at current prices with a reasonable profit margin. The risk of domestic overproduction at current prices is not deemed significant. The primary competitive risks would come from falling international prices which could render current production uneconomical.

Secondarily, Ring is presently committed to use the services of the existing gatherers in its present areas of production. This gives to such gatherers certain short term relative monopolistic powers to set gathering and transportation costs, because obtaining the services of an alternative gathering company would require substantial additional costs since an alternative gatherer would be required to lay new pipeline and/or obtain new rights-of-way in the lease.

It is also significant that more favorable prices can usually be negotiated for larger quantities of oil and/or gas product, such that Ring views itself as having a price disadvantage to larger producers. Large producers also have a competitive advantage to the extent they can devote substantially more resources to acquiring prime leases and resources to better find and develop prospects.

Environmental

Oil and gas production is a highly regulated activity which is subject to significant environmental and conservation regulations both on a federal and state level. Historically, most of the environmental regulation of oil and gas production has been left to state regulatory boards or agencies in those jurisdictions where there is significant gas and oil production, with limited direct regulation by such federal agencies as the Environmental Protection Agency. However, while the Company believes this generally to be the case for its production activities in Texas it should be noted that there are various Environmental Protection Agency regulations which would govern significant spills, blow-outs, or uncontrolled emissions.

In Texas, specific oil and gas regulations exist related to the drilling, completion and operations of wells, as well as disposal of waste oil. There are also procedures incident to the plugging and abandonment of dry holes or other non-operational wells, all as governed by the Texas Railroad Commission, Oil and Gas Division

Compliance with these regulations may constitute a significant cost and effort for Ring. No specific accounting for environmental compliance has been maintained or projected by Ring to date. Ring does not presently know of any environmental demands, claims, or adverse actions, litigation or administrative proceedings in which it or the acquired properties are involved or subject to or arising out of its predecessor operations.

In the event of a breach of environmental regulations, these environmental regulatory agencies have a broad range of alternative or cumulative remedies to include: ordering a cleanup of any spills or waste material and restoration of the soil or water to conditions existing prior to the environmental violation; fines; or enjoining further drilling, completion or production activities. In certain egregious situations, the agencies may also pursue criminal remedies against the Company or its principals.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required by smaller reporting company.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Our management, with the participation of Robert "Steve" Owens, our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, Mr. Owens concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective in ensuring that information required to be disclosed by us in reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting

There has been no change in our internal control over financial reporting, as defined in Rules 13a-15(f) of the Exchange Act, during our most recent fiscal quarter ended June 30, 2012, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the quarter ended June 30, 2012, we sold 32,920 common shares at $4.25 per share to two accredited investors for gross proceeds of $139,910. Each of the investors was an accredited investor at the time of the sale. The shares were sold without registration under the Securities Act by reason of the exemption from registration afforded by the provisions of Section 4(a)(5) and/or Section 4(a)(2) thereof, and Rule 506 promulgated thereunder, as a transaction by an issuer not involving any public offering. No selling commissions were paid in connection with the sale of the shares.

Item 6. Exhibits

Exhibit Number		Description
10.1		Ring Energy, Inc. Long-Term Incentive Plan
10.2		Form of Option Grant for Long-Term Incentive Plan
10.3		Revolver Loan Agreement with the F&M Bank &Trust Company Dated May 12, 2011
10.4		First Amendment dated May 12, 2012, to Revolver Loan Agreement with F&M Bank & Trust Company
31.1		Rule 13a-14(a) Certification
32.1		Section 1350 Certification
101.	INS	XBRL Instance Document(1)
101.	SCH	XBRL Taxonomy Extension Schema Document(1)
101.	CAL	XBRL Taxonomy Extension Calculation Linkbase Document(1)
101.	DEF	XBRL Taxonomy Extension Definition Linkbase Document(1)
101.	LAB	XBRL Taxonomy Extension Label Linkbase Document(1)
101.	PRE	XBRL Taxonomy Extension Presentation Linkbase Document(1)

(1) XBRL Interactive Data files with detailed tagging will be filed by amendment to this Quarterly Report on Form 10-Q within 30 days of the filing date of this Quarterly Report on Form 10-Q, as permitted by Rule 405(a)(2) of Regulation S-T.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Ring Energy, Inc.

Date: August 14, 2012

By: */s/ Robert Steve Owens*
Robert "Steve" Owens, President
(Principal Executive & Financial Officer)

EXHIBIT 10.1

RING ENERGY, INC.
LONG-TERM INCENTIVE PLAN

(as adopted pursuant to the Stock-for-Stock Exchange Agreement dated May 3, 2012 and by unanimous written consent of the Board of Directors dated June 27, 2012)

Scope and Purpose of the Plan

Ring Energy, Inc., a Nevada corporation (the "***Corporation***"), has adopted this Long-Term Incentive Plan (the "***Plan***") to provide for the granting of:

(a) Incentive Options to certain Employees (Section 5);

(b) Nonstatutory Options to certain Employees, Non-employee Directors and other persons (Section 5); and

(c) Restricted Stock Awards to certain Employees, Non-employee Directors and other persons (Section 6).

The purpose of the Plan is to provide an incentive for Employees, directors and certain consultants and advisors of the Corporation or its Subsidiaries to remain in the service of the Corporation or its Subsidiaries, to extend to them the opportunity to acquire a proprietary interest in the Corporation so that they will apply their best efforts for the benefit of the Corporation, and to aid the Corporation in attracting able persons to enter the service of the Corporation and its Subsidiaries.

SECTION 1. DEFINITIONS

As used in this Plan, the following terms have the meanings set forth below:

1.1 "Award" means the grant of any form of Option or Restricted Stock Award under the Plan, whether granted singly, in combination, or in tandem, to a Holder pursuant to the terms, conditions, and limitations that the Committee may establish in order to fulfill the objectives of the Plan.

1.2 "Award Agreement" means the written document or agreement delivered to Holder evidencing the terms, conditions and limitations of an Award that the Corporation granted to that Holder.

1.3 "Board of Directors" means the board of directors of the Corporation.

1.4 "Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in the State of Nevada are authorized or obligated by law or executive order to close.

1.5 "Cause," with respect to any Holder shall mean: (a) Holder's conviction of, or plea of guilty or nolo contendere to, a crime involving dishonesty, fraud, or unethical business conduct, or any felony of any nature whatsoever, (b) Holder's willful misconduct, (c) Holder's breach of fiduciary duty which involves personal profit, (d) Holder's willful disobedience of Corporate policy, (e) Holder's willful disobedience of a material directive from a supervising officer and/or the Board of Directors, or (f) Holder's abuse of illegal drugs or other controlled substances, or habitual intoxication. No act or failure to act, by the Holder shall be considered "willful" unless committed in bad faith and without a reasonable belief that the act or omission was in the best interests of the Corporation or its clients. Notwithstanding the foregoing, in the case of any Holder who, subsequent to the effective date of this Plan, enters into an employment agreement with the Corporation or any Subsidiary that contains the definition of "cause" (or any similar definition), then during the term of such employment agreement the definition contained in such Employment Agreement shall be the applicable definition of "cause" under the Plan as to such Holder if such Employment Agreement expressly so provides.

1.6 "Change in Control" means the occurrence of any of the following events [other than any of the following events which involve Ring Energy, Inc., a Nevada corporation, or any affiliate or associate thereof (as those terms are defined in Rule 12b-2 under the Exchange Act for purposes of this definition only), such events specifically not constituting a Change of Control]:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "***Person***") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (x) the then outstanding shares of Common Stock of the Corporation (the "***Outstanding Corporation Common Stock***") or (y) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "***Outstanding Corporation Voting Securities***"); *provided*, *however*, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Corporation, (B) any acquisition by the Corporation, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any corporation controlled by the Corporation or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of paragraph (iii) below; or

(ii) Individuals who constitute the Incumbent Board cease for any reason to constitute at least a majority of the Board of Directors; or

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation or an acquisition of assets of another corporation (a "***Business Combination***"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Corporation, or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Corporation Common

Stock and Outstanding Corporation Voting Securities, as the case may be, and (B) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) Approval by the stockholders of the Corporation of a complete liquidation or dissolution of the Corporation.

1.7 "Code" means the Internal Revenue Code of 1986, as amended.

1.8 "Committee" means the Board of Directors of the Corporation or a committee appointed pursuant to Section 3 by the Board of Directors to administer this Plan.

1.9 "Common Stock" means the Corporation's authorized common stock, par value $0.001 per share, as described in the Corporation's Articles of Incorporation.

1.10 "Corporation" means Ring Energy, Inc., a Nevada corporation.

1.11 "Date of Grant" has the meaning given it in Section 4.3.

1.12 "Disability" has the meaning given it in Section 8.5.

1.13 "Effective Date" means the date upon which this Plan shall be approved by the Board of Directors of the Corporation.

1.14 "Eligible Individuals" means (a) Employees, (b) Non employee Directors and (c) any other Person that the Committee designates as eligible for an Award (other than for Incentive Options) because the Person performs bona fide consulting or advisory services for the Corporation or any of its Subsidiaries (other than services in connection with the offer or sale of securities in a capital raising transaction).

1.15 "Employee" means any employee of the Corporation or of any of its Subsidiaries, including officers and directors of the Corporation who are also employees of the Corporation or of any of its Subsidiaries.

1.16 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

1.17 "Exercise Notice" has the meaning given it in Section 5.5.

1.18 "Exercise Price" has the meaning given it in Section 5.4.

1.19 "Fair Market Value" means, for a particular day, the value determined in good faith by the Committee, which determination shall be conclusive for all purposes of this Plan.

For purposes of valuing Incentive Options, the Fair Market Value of Stock: (i) shall be determined without regard to any restriction other than one that, by its terms, will never lapse; and (ii) will be determined as of the time the option with respect to such Stock is granted.

1.20 "Holder" means an Eligible Individual to whom an Award has been granted.

1.21 "Incentive Option" means an incentive stock option as defined under Section 422 of the Code and regulations thereunder.

1.22 "Incumbent Board" means the individuals who, as of the Effective Date, constitute the Board of Directors and any other individual who becomes a director of the Corporation after that date and whose election was approved by stockholders holding a majority of the Voting Securities or (in the case of a vacancy in the board) by appointment by the Board of Directors, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board.

1.23 [reserved]

1.24 "Non-employee Director" means a director of the Corporation who while a director is not an Employee.

1.25 "Nonstatutory Option" means a stock option that does not satisfy the requirements of Section 422 of the Code or that is designated at the Date of Grant or in the applicable Option Agreement to be an option other than an Incentive Option.

1.26 "Non-Surviving Event" means an event of Restructure as described in either subparagraph (b) or (c) of Section 1.32.

1.27 "Option Agreement" means an Award Agreement for an Incentive Option or a Nonstatutory Option.

1.28 "Option" means either an Incentive Option or a Nonstatutory Option, or both.

1.29 "Person" means any person or entity of any nature whatsoever, specifically including (but not limited to) an individual, a firm, a company, a corporation, a limited liability company, a partnership, a trust or other entity. A Person, together with that Person's affiliates and associates (as those terms are defined in Rule 12b-2 under the Exchange Act for purposes of this definition only), and any Persons acting as a partnership, limited partnership, joint venture, association, syndicate or other group (whether or not formally

organized), or otherwise acting jointly or in concert or in a coordinated or consciously parallel manner (whether or not pursuant to any express agreement), for the purpose of acquiring, holding, voting or disposing of securities of the Corporation with that Person, shall be deemed a single "Person."

1.30 "Plan" means the Ring Energy, Inc. Long-Term Incentive Plan, as it may be amended from time to time.

1.31 "Restricted Stock Award" means the grant or purchase, on the terms and conditions that the Committee determines or on the terms and conditions of Section 6, of Stock that is nontransferable or subject to substantial risk of forfeiture until specific conditions are met.

1.32 "Restructure" means the occurrence of any one or more of the following:

(a) The merger or consolidation of the Corporation with any Person, whether effected as a single transaction or a series of related transactions, with the Corporation remaining the continuing or surviving entity of that merger or consolidation and the Stock remaining outstanding and not changed into or exchanged for stock or other securities of any other Person or of the Corporation, cash or other property;

(b) The merger or consolidation of the Corporation with any Person, whether effected as a single transaction or a series of related transactions, with (i) the Corporation not being the continuing or surviving entity of that merger or consolidation or (ii) the Corporation remaining the continuing or surviving entity of that merger or consolidation but all or a part of the outstanding shares of Stock are changed into or exchanged for stock or other securities of any other Person or the Corporation, cash, or other property; or

(c) The transfer, directly or indirectly, of all or substantially all of the assets of the Corporation (whether by sale, merger, consolidation, liquidation or otherwise) to any Person whether effected as a single transaction or a series of related transactions.

1.33 "Retirement" means the separation of the Holder from employment with the Corporation and its Subsidiaries on account of retirement.

1.34 "Rule 16b-3" means Rule 16b-3 under Section 16(b) of the Exchange Act, or any successor rule, as it may be amended from time to time.

1.35 "Section 409A" means Section 409A of the Code and the rules and regulations adopted from time to time thereunder, or any successor law or rule as it may be amended from time to time.

1.36 "Securities Act" means the Securities Act of 1933, as amended.

1.37 "Stock" means Common Stock, or any other securities that are substituted for Stock as provided in Section 7.

1.38 "Subsidiary" means, with respect to any Person, any corporation, limited partnership, limited liability company or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by that Person.

1.39 [reserved]

1.40 "Voting Securities" means any securities that are entitled to vote generally in the election of directors or in the selection of any other similar governing body.

SECTION 2. SHARES OF STOCK SUBJECT TO THE PLAN

2.1 Maximum Number of Shares. Subject to the provisions of Section 7 of this Plan, the maximum aggregate number of shares of Stock in respect of which Awards may be granted for all purposes under the Plan shall be 2,500,000; and provided, further, that if any shares of Stock subject to an Award are forfeited or if any Award based on shares of Stock is otherwise terminated without issuance of such shares of Stock or other consideration in lieu of such shares of Stock, the shares of Stock subject to such Award shall to the extent of such forfeiture or termination, again be available for Awards under the Plan if no participant shall have received any benefits of ownership in respect thereof.

2.2 Description of Shares. The shares to be delivered under the Plan shall be made available from (a) authorized but unissued shares of Stock, (b) Stock held in the treasury of the Corporation, or (c) previously issued shares of Stock reacquired by the Corporation, including shares purchased on the open market, in each situation as the Board of Directors or the Committee may determine from time to time at its sole option.

SECTION 3. ADMINISTRATION OF THE PLAN

3.1 Committee. The Committee shall administer the Plan with respect to all Eligible Individuals or may delegate all or part of its duties under this Plan to a subcommittee or any executive officer of the Corporation, subject in each case to such conditions and limitations as the Board of Directors may establish.

3.2 Committee's Powers. Subject to the express provisions of the Plan and any applicable law with which the Corporation intends the Plan to comply, the Committee shall have the authority, in its sole and absolute discretion, (a) to adopt, amend and rescind administrative and interpretive rules and regulations relating to the Plan, including without limitation to adopt and observe such procedures concerning the counting of Awards against the Plan and individual maximums as it may deem appropriate from time to time; (b) to determine the Eligible Individuals to whom, and the time or times at which, Awards shall be granted;

(c) to determine the amount of cash and the number of Options, shares of Stock or Restricted Stock Awards, or any combination thereof, that shall be the subject of each Award; (d) to determine the terms and provisions of each Award Agreement (which need not be identical), including provisions defining or otherwise relating to (i) the term and the period or periods and extent of exercisability of the Options, (ii) the extent to which the transferability of shares of Stock issued or transferred pursuant to any Award is restricted, (iii) the effect of termination of employment on the Award, and (iv) the effect of approved leaves of absence (consistent with any applicable regulations of the Internal Revenue Service); (e) to accelerate, pursuant to Section 7, the time of exercisability of any Option that has been granted or the time of vesting or settlement of any Restricted Stock Award; (f) to construe the respective Award Agreements and the Plan; (g) to make determinations of the Fair Market Value of the Stock pursuant to the Plan; (h) to delegate its duties under the Plan to such agents as it may appoint from time to time, subject to Section 3.1; and (i) to make all other determinations, perform all other acts, and exercise all other powers and authority necessary or advisable for administering the Plan, including the delegation of those ministerial acts and responsibilities as the Committee deems appropriate subject in all respects to the last two sentences of Section 5.10. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan, in any Award, or in any Award Agreement in the manner and to the extent it deems necessary or desirable to carry the Plan into effect, and the Committee shall be the sole and final judge of that necessity or desirability. The determinations of the Committee on the matters referred to in this Section 3.2 shall be final and conclusive. The Committee shall not have the power to terminate or materially modify or materially amend the Plan. Those powers are vested in the Board of Directors.

3.3 Transferability of Awards. Notwithstanding any limitation on a Holder's right to transfer an Award, the Committee may (in its sole discretion) permit a Holder to transfer an Award, or may cause the Corporation to grant an Award that otherwise would be granted to an Eligible Individual, in any of the following circumstances: (a) pursuant to a qualified domestic relations order, (b) to a trust established for the benefit of the Eligible Individual or one or more of the children, grandchildren or spouse of the Eligible Individual; (c) to a limited partnership or limited liability company in which all the interests are held by the Eligible Individual and that Person's children, grandchildren or spouse; or (d) to another Person in circumstances that the Committee believes will result in the Award continuing to provide an incentive for the Eligible Individual to remain in the service of the Corporation or its Subsidiaries and apply his or her best efforts for the benefit of the Corporation or its Subsidiaries. If the Committee determines to allow such transfers or issuances of Awards, any Holder or Eligible Individual desiring such transfers or issuances shall make application therefor in the manner and time that the Committee specifies and shall comply with such other requirements as the Committee may require to assure compliance with all applicable laws, including securities laws, and to assure fulfillment of the purposes of this Plan. The Committee shall not authorize any such transfer or issuance if it may not be made in compliance with all applicable federal and state securities laws. The granting of permission for such an issuance or transfer shall not obligate the Corporation to register the shares of Stock to be issued under the applicable Award.

SECTION 4. ELIGIBILITY AND PARTICIPATION

4.1 Eligible Individuals. Awards may be granted pursuant to the Plan only to persons who are Eligible Individuals at the time of the grant thereof or in connection with the severance or retirement of Eligible Individuals.

4.2 Grant of Awards. Subject to the express provisions of the Plan, the Committee shall determine which Eligible Individuals shall be granted Awards from time to time. In making grants, the Committee shall take into consideration the contribution the potential Holder has made or may make to the success of the Corporation or its Subsidiaries and such other considerations as the Board of Directors may from time to time specify. The Committee shall also determine the number of shares or cash amounts subject to each of the Awards and shall authorize and cause the Corporation to grant Awards in accordance with those determinations.

4.3 Date of Grant. The date on which an Award is granted (the "***Date of Grant***") shall be the date specified by the Committee as the effective date or date of grant of an Award or, if the Committee does not so specify, shall be the date as of which the Committee adopts the resolution approving the offer of an Award to an individual, including the specification of the number (or method of determining the number) of shares of Stock and the amount (or method of determining the amount) of cash to be subject to the Award, even though certain terms of the Award Agreement may not be determined at that time and even though the Award Agreement may not be executed or delivered until a later time. In no event shall a Holder gain any rights in addition to those specified by the Committee in its grant, regardless of the time that may pass between the grant of the Award and the actual execution or delivery of the Award Agreement by the Corporation or the Holder. An Award shall be valid and binding upon execution by the Corporation and the Holder, the Committee may invalidate an Award at any time prior to execution by both the Corporation and the Holder, and such Award shall be treated as never having been granted.

4.4 Award Agreements. Each Award granted under the Plan shall be evidenced by an Award Agreement that incorporates those terms that the Committee shall deem necessary or desirable. More than one Award may be granted under the Plan to the same Eligible Individual and be outstanding concurrently. If an Eligible Individual is granted both one or more Incentive Options and one or more Nonstatutory Options, those grants shall be evidenced by separate Award Agreements, one for each of the Incentive Option grants and one for each of the Nonstatutory Option grants.

4.5 Limitation for Incentive Options. Notwithstanding any provision contained herein to the contrary, (a) a person shall not be eligible to receive an Incentive Option unless he or she is an Employee of the Corporation or a corporate Subsidiary (but not a partnership or other non-corporate Subsidiary), and (b) a person shall not be eligible to receive an Incentive Option if, immediately before the time the Incentive Option is granted, that person owns (within the meaning of Sections 422 and 424 of the Code) stock possessing more than ten percent of the total combined voting power or value of all classes of stock of the Corporation or a Subsidiary. Nevertheless, this Section 4.5(b) shall not apply if, at the time the Incentive Option is granted, the Exercise Price of the Incentive Option is at least one hundred and ten percent of the Fair Market Value of the Stock underlying the Incentive Option and the Incentive Option is not, by its terms, exercisable after the expiration of five years from the Date of Grant.

4.6 No Right to Award. The adoption of the Plan shall not be deemed to give any person a right to be granted an Award.

SECTION 5. TERMS AND CONDITIONS OF OPTIONS

All Options granted under the Plan shall comply with, and the related Option Agreements shall be deemed to include and be subject to, the terms and conditions set forth in this Section 5 (to the extent each term and condition applies to the form of Option) and also to the terms and conditions set forth in Section 7.1 and Section 8; *provided*, *however*, that the Committee may authorize an Option Agreement that expressly contains terms and provisions that differ from the terms and provisions of Section 8. The Committee may also authorize an Option Agreement that contains any or all of the terms and provisions of Sections 7.2 and 7.3 or that contains terms and provisions dealing with similar subject matter differently than do those Sections; nevertheless, the terms and provisions of Section 7.2 or 7.3 (or any such differing term or provision) shall apply to an Option Agreement unless the Option Agreement expressly states that such term or provision shall not apply.

5.1 Number of Shares. Each Option Agreement shall state the total number of shares of Stock to which it relates.

5.2 Vesting. Each Option Agreement shall state the time, periods or other conditions on which the right to exercise the Option or a portion thereof shall vest and the number (or method of determining the number) of shares of Stock for which the right to exercise the Option shall vest at each such time, period or satisfaction of condition.

5.3 Expiration of Options. Nonstatutory Options and Incentive Options may be exercised during the term determined by the Committee and set forth in the Option Agreement; *provided* that no Incentive Option shall be exercised after the expiration of a period of ten (10) years commencing on the Date of Grant of the Incentive Option.

5.4 Exercise Price. Each Option Agreement shall state the exercise price per share of Stock (the "***Exercise Price***"). The exercise price per share of Stock subject to an Incentive Option shall not be less than the greater of (a) the par value per share of the Stock or (b) 100% of the Fair Market Value per share of the Stock on the Date of Grant of the Option. The exercise price per share of Stock subject to a Nonstatutory Option shall not be less than the greater of (a) the par value per share of the Stock or (b) 100% of the Fair Market Value per share of the Stock on the Date of Grant of the Option.

5.5 Method of Exercise. Each Option shall be exercisable only by written, recorded electronic or other notice of exercise in the manner specified by the Committee from time to time (the "***Exercise Notice***") delivered to the Corporation or to the Person designated by the Committee during the term of the Option, which notice shall (a) state the number of shares of Stock with respect to which the Option is being exercised, (b) be signed or otherwise given by the Holder of the Option or by the person authorized to exercise the Option in the event of the Holder's death or disability, (c) be accompanied by payment of the Exercise Price for all shares of Stock for which the Option is exercised, unless provision for the payment of the Exercise Price has been made pursuant to Section 5.7 or 5.8 or in another manner permitted by law and approved in advance by the Committee, and (d) include such other information, instruments, and documents as may be required to satisfy any other condition to exercise contained in the Option Agreement. The Option shall not be deemed to have been exercised unless all of the requirements of the preceding provisions of this Section 5.5 have been satisfied.

5.6 Incentive Option Exercises. During the Holder's lifetime, only the Holder may exercise an Incentive Option. The Holder of an Incentive Option shall immediately notify the Corporation in writing of any disposition of the Stock acquired pursuant to the Incentive Option that would disqualify the Incentive Option from the incentive option tax treatment afforded by Section 422 of the Code. The notice shall state the number of shares disposed of, the dates of acquisition and disposition of the shares, and the consideration received upon that disposition.

5.7 Medium and Time of Payment. The Exercise Price of an Option shall be payable in full upon the exercise of the Option (a) in cash or by an equivalent means (such as that specified in Section 5.8) acceptable to the Committee, (b) on the Committee's prior consent, with shares of Stock owned by the Holder (including shares received upon exercise of the Option or restricted shares already held by the Holder) and having a Fair Market Value at least equal to the aggregate Exercise Price payable in connection with such exercise, or (c) by any combination of clauses (a) and (b). If the Committee chooses to accept shares of Stock in payment of all or any portion of the Exercise Price, then (for purposes of payment of the Exercise Price) those shares of Stock shall be deemed to have a cash value equal to their aggregate Fair Market Value determined as of the date of the delivery of the Exercise Notice. If the Committee elects to accept shares of restricted Stock in payment of all or any portion of the Exercise Price, then an equal number of shares issued pursuant to the exercise shall be restricted on the same terms and for the restriction period remaining on the shares used for payment.

5.8 Limitation on Aggregate Value of Shares That May Become First Exercisable During any Calendar Year Under an Incentive Option. With respect to any Incentive Option granted under this Plan, the aggregate Fair Market Value of shares of Stock subject to an Incentive Option and the aggregate Fair Market Value of shares of Stock or stock of any Subsidiary (or a predecessor of the Corporation or a Subsidiary) subject to any other incentive stock option (within the meaning of Section 422 of the Code) of the Corporation or its Subsidiaries (or a predecessor corporation of any such corporation) that first become purchasable by a Holder in any calendar year may not (with respect to that Holder) exceed $100,000, or such other amount as may be prescribed under Section 422 of the Code or applicable regulations or rulings from time to time. As used in the previous sentence, Fair Market Value shall be determined as of the date the Incentive Option is granted. For purposes of this Section 5.8 "predecessor corporation" means (a) a corporation that was a party to a transaction described in Section 424(a) of the Code (or which would be so described if a substitution or assumption under that Section had been effected) with the Corporation, (b) a corporation which, at the time the new incentive stock option (within the meaning of Section 422 of the Code) is granted, is a Subsidiary of the Corporation or a predecessor corporation of any such corporations, or (c) a predecessor corporation of any such corporations. Failure to comply with this provision shall not impair

the enforceability or exercisability of any Option, but shall cause the excess amount of shares to be reclassified in accordance with the Code.

5.9 No Fractional Shares. The Corporation shall not in any case be required to sell, issue, or deliver a fractional share with respect to any Option. In lieu of the issuance of any fractional share of Stock, the Corporation shall pay to the Holder an amount in cash equal to the same fraction (as the fractional Stock) of the Fair Market Value of a share of Stock determined as of the date of the applicable Exercise Notice.

5.10 Modification, Extension and Renewal of Options. Subject to the terms and conditions of and within the limitations of the Plan and any applicable law, and any consent required by the last two sentences of this Section 5.10, the Committee may (a) modify, extend or renew outstanding Options granted under the Plan, (b) accept the surrender of Options outstanding hereunder (to the extent not previously exercised) and authorize the granting of new Options in substitution for outstanding Options (to the extent not previously exercised), and (c) amend the terms of an Incentive Option at any time to include provisions that have the effect of changing the Incentive Option to a Nonstatutory Option. Notwithstanding anything herein, the Committee may not "reprice" any Option. "Reprice" means any of the following or any other action that has the same effect: (i) amending an Option to reduce its exercise price, (ii) canceling an Option at a time when its exercise price exceeds the Fair Market Value of a share of Stock in exchange for an Option, Restricted Stock Award or other equity award unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction, or (iii) taking any other action that is treated as a repricing under generally accepted accounting principles, provided that nothing in this Section 5.10 shall prevent the Committee from making adjustments pursuant to Section 7. Without the consent of the Holder, the Committee may not modify any outstanding Options so as to specify a higher Exercise Price or accept the surrender of outstanding Incentive Options and authorize the granting of new Options in substitution therefor specifying a higher Exercise Price. In addition, no modification of an Option granted hereunder shall, without the consent of the Holder, materially alter or impair any rights of the Holder or materially increase the obligations of a Holder under any Option theretofore granted to that Holder under the Plan except, with respect to Incentive Options, as may be necessary to satisfy the requirements of Section 422 of the Code or as permitted in clause (c) of this Section 5.10.

5.11 Other Agreement Provisions. The Option Agreements authorized under the Plan shall contain such provisions in addition to those required by the Plan (including, without limitation, restrictions or the removal of restrictions upon the exercise of the Option and the retention or transfer of shares thereby acquired) as the Committee may deem advisable. Each Option Agreement shall identify the Option evidenced thereby as an Incentive Option or Nonstatutory Option, as the case may be, and no Option Agreement shall cover both an Incentive Option and a Nonstatutory Option. Each Agreement relating to an Incentive Option granted hereunder shall contain such limitations and restrictions upon the exercise of the Incentive Option to which it relates as shall be necessary for the Incentive Option to which such Agreement relates to constitute an incentive stock option, as defined in Section 422 of the Code.

SECTION 6. RESTRICTED STOCK AWARDS

All Restricted Stock Awards granted under the Plan shall comply with, and the related Award Agreements shall be deemed to include, and be subject to the terms and conditions set forth in this Section 6 and also to the terms and conditions set forth in Section 7.1 and Section 8; *provided*, *however*, that the Committee may authorize an Award Agreement relating to a Restricted Stock Award that expressly contains terms and provisions that differ from the terms and provisions of Section 8. The Committee may also authorize an Award Agreement relating to a Restricted Stock Award that contains any or all of the terms and provisions of Sections 7.2 and 7.3 or that contains terms and provisions dealing with similar subject matter differently than do those Sections; nevertheless, the terms and provisions of Section 7.2 or 7.3 (or any such differing term or provision) shall apply to an Award Agreement relating to a Restricted Stock Award unless the Award Agreement expressly states that such term or provision shall not apply.

6.1 Restrictions. All shares of Restricted Stock Awards granted or sold pursuant to the Plan shall be subject to the following conditions:

(a) Transferability. The shares may not be sold, transferred or otherwise alienated or hypothecated until the restrictions are removed or expire.

(b) Conditions to Removal of Restrictions. Conditions to removal or expiration of the restrictions may include, but are not required to be limited to, continuing employment or service as a director, officer, employee, consultant or advisor or achievement of performance objectives described in the Award Agreement.

(c) Legend. Each certificate representing Restricted Stock Awards granted pursuant to the Plan shall bear a legend making appropriate reference to the restrictions imposed.

(d) Possession. At its sole discretion, the Committee may (i) authorize issuance of a certificate for shares in the Holder's name only upon lapse of the applicable restrictions, (ii) require the Corporation, transfer agent or other custodian to retain physical custody of the certificates representing Restricted Stock Awards during the restriction period and may require the Holder of the Award to execute stock powers, endorsed or in blank, for those certificates and deliver those stock powers to the Corporation, transfer agent or custodian, or (iii) may require the Holder to enter into an escrow agreement providing that the certificates representing Restricted Stock Awards granted or sold pursuant to the Plan shall remain in the physical custody of an escrow holder until all restrictions are removed or expire. The Corporation may issue shares subject to stop-transfer restrictions or may issue such shares subject only to the restrictive legend described in subparagraph 6.1(c).

(e) Other Conditions. The Committee may impose other conditions on any shares granted or sold as Restricted Stock Awards pursuant to the Plan as it may deem advisable, including, without limitation, (i) restrictions under the Securities Act or Exchange Act, (ii) the requirements of any securities exchange upon which the shares or shares of the same class are then listed, and (iii) any state securities law applicable to the shares.

6.2 Expiration of Restrictions. The restrictions imposed in Section 6.1 on Restricted Stock Awards shall lapse as determined by the Committee and set forth in the applicable Award Agreement, and the Corporation shall promptly cause to be delivered to the Holder of the Restricted Stock Award a certificate representing the number of shares for which restrictions have lapsed, free of any restrictive legend relating to the lapsed restrictions; provided that (i) a minimum of a one year restriction period shall exist on all Restricted Stock Awards, and (ii) a minimum of a three year restriction period shall exist with respect to any Restricted Stock Award granted solely by reason of tenure of the Holder (provided that a Restricted Stock Award granted solely by reason of tenure may vest in equal thirds, annually, so long as the minimum restriction period for the first vesting period is at least one year). Subject to the limitations set forth above, each Restricted Stock Award may have a different restriction period, in the discretion of the Committee. The Committee may, in its discretion, prospectively reduce the restriction period applicable to a particular Restricted Stock Award in the event of the death, disability or retirement of the Holder. The foregoing notwithstanding, no restriction not required by law shall remain in effect for more than ten years after the date of the Award.

6.3 [reserved]

6.4 Rights as Stockholder. Subject to the provisions of Sections 6.1, the Committee may, in its discretion, determine what rights, if any, the Holder shall have with respect to the Restricted Stock Awards granted or sold, including the right to vote the shares and receive all dividends and other distributions paid or made with respect thereto.

6.5 Other Agreement Provisions. The Award Agreements relating to Restricted Stock Awards shall contain such provisions in addition to those required by the Plan as the Committee may deem advisable.

SECTION 7. ADJUSTMENT PROVISIONS

The Committee may authorize an Award that contains any or all of the terms and provisions of this Section 7 or, with respect to Sections 7.2 and 7.3, that contains terms and provisions dealing with similar subject matter differently than do those Sections; nevertheless, the terms and provisions of Section 7.2 or 7.3 (or any such differing term or provision) shall apply to an Award Agreement unless the Award Agreement expressly states that such term or provision shall not apply.

7.1 Adjustment of Awards and Authorized Stock . The terms of an Award and the number of shares of Stock authorized pursuant to Section 2.1 for issuance under the Plan shall be subject to adjustment, from time to time, in accordance with the following provisions:

(a) If at any time or from time to time, the Corporation shall subdivide as a whole (by reclassification, by a Stock split, by the issuance of a distribution on Stock payable in Stock or otherwise) the number of shares of Stock then outstanding into a greater number of shares of Stock, then (i) the maximum number of shares of Stock available for the Plan as provided in Section 2.1 shall be increased proportionately, and the kind of shares or other securities available for the Plan shall be appropriately adjusted, (ii) the number of shares of Stock (or other kind of shares or securities) that may be acquired under any Award shall be increased proportionately, and (iii) the price (including Exercise Price) for each share of Stock (or other kind of shares or unit of other securities) subject to then outstanding Awards shall be reduced proportionately, without changing the aggregate purchase price or value as to which outstanding Awards remain exercisable or subject to restrictions.

(b) If at any time or from time to time the Corporation shall consolidate as a whole (by reclassification, reverse Stock split, or otherwise) the number of shares of Stock then outstanding into a lesser number of shares of Stock, (i) the maximum number of shares of Stock available for the Plan as provided in Section 2.1 shall be decreased proportionately, and the kind of shares or other securities available for the Plan shall be appropriately adjusted, (ii) the number of shares of Stock (or other kind of shares or securities) that may be acquired under any Award shall be decreased proportionately, and (iii) the price (including Exercise Price) for each share of Stock (or other kind of shares or unit of other securities) subject to then outstanding Awards shall be increased proportionately, without changing the aggregate purchase price or value as to which outstanding Awards remain exercisable or subject to restrictions.

(c) Whenever the number of shares of Stock subject to outstanding Awards and the price for each share of Stock subject to outstanding Awards are required to be adjusted as provided in this Section 7.1, the Committee shall promptly prepare a notice setting forth, in reasonable detail, the event requiring adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the change in price and the number of shares of Stock, other securities, cash or property purchasable subject to each Award after giving effect to the adjustments. The Committee shall promptly give each Holder such a notice.

(d) Adjustments under Section 7.1(a) and 7.1(b) shall be made by the Committee, and its determination as to what adjustments shall be made and the extent thereof shall be final, binding and conclusive. No fractional interest shall be issued under the Plan on account of any such adjustments.

7.2 Changes in Control. Upon the occurrence of a Change in Control for Awards held by Participants who are employees or directors of the Corporation (and their permitted transferees pursuant to Section 3.3 above): (a) all outstanding Options shall immediately become fully vested and exercisable in full, including that portion of any Option that pursuant to the terms and provisions of the applicable Award Agreement had not yet become exercisable (the total number of shares of Stock as to which an Option is exercisable upon the occurrence of a Change in Control is referred to herein as the "***Total Shares***"); and (b) the restriction period of any Restricted Stock Award shall immediately be accelerated and the restrictions expire. If a Change in Control involves a Restructure or occurs in connection with a series of related transactions involving a Restructure and if such Restructure is in the form of a Non-Surviving Event and as a part of such Restructure shares of stock, other securities, cash or property shall be issuable or deliverable in exchange for Stock, then the Holder of an Award shall be entitled to purchase or receive (in lieu of the Total

Shares that the Holder would otherwise be entitled to purchase or receive), as appropriate for the form of Award, the number of shares of stock, other securities, cash or property, to which such Holder would have been entitled, upon the same terms, conditions and restrictions of the Award as existed immediately before the consummation of the Restructure. Nothing in this Section 7.2 shall impose on a Holder the obligation to exercise any Award immediately before or upon the Change of Control, and, unless otherwise provided in the Award Agreement relating to the Award, no Holder shall forfeit the right to exercise the Award during the remainder of the original term of the Award because of a Change in Control or because the Holder's employment is terminated for any reason following a Change in Control.

7.3 Restructure and No Change of Control. In the event a Restructure should occur at any time while there is any outstanding Award hereunder and that Restructure does not occur in connection with a Change in Control or in connection with a series of related transactions involving a Change in Control, then:

(a) no outstanding Options shall immediately become fully vested and exercisable in full merely because of the occurrence of the Restructure; and

(b) the restriction period of any Restricted Stock Award shall not immediately be accelerated nor shall the restrictions expire merely because of the occurrence of the Restructure.

The Corporation shall promptly notify each Holder of any election or action taken by the Corporation under this Section 7.3. In the event of any election or action taken by the Corporation pursuant to this Section 7.3 that requires the amendment or cancellation of any Award Agreement as may be specified in any notice to the Holder thereof, that Holder shall promptly deliver that Award Agreement to the Corporation in order for that amendment or cancellation to be implemented by the Corporation and the Committee. The failure of the Holder to deliver any such Award Agreement to the Corporation as provided in the preceding sentence shall not in any manner affect the validity or enforceability of any action taken by the Corporation and the Committee under this Section 7.3, including, without limitation, any redemption of an Award as of the consummation of a Restructure. Any cash payment to be made by the Corporation pursuant to this Section 7.3 in connection with the redemption of any outstanding Awards shall be paid to the Holder thereof currently with the delivery to the Corporation of the Award Agreement evidencing that Award; provided, however, that any such redemption shall be effective upon the consummation of the Restructure notwithstanding that the payment of the redemption price may occur subsequent to the consummation. If all or any portion of an outstanding Award is to be exercised upon or after the consummation of a Restructure that is in the form of a Non-Surviving Event and as a part of that Restructure shares of stock, other securities, cash or property shall be issuable or deliverable in exchange for Stock, then the Holder of the Award shall thereafter be entitled to purchase or receive (in lieu of the number of shares of Stock that the Holder would otherwise be entitled to purchase or receive) the number of shares of stock, other securities, cash or property to which such number of shares of Stock would have been entitled, upon the same terms, conditions and restrictions of the Award as existed immediately before the consummation of the Restructure.

7.4 Notice of Change in Control or Restructure. The Corporation shall attempt to keep all Holders informed with respect to any Change in Control or Restructure or of any potential Change in Control or Restructure to the same extent that the Corporation's stockholders are informed by the Corporation of any such event or potential event.

SECTION 8. ADDITIONAL PROVISIONS

8.1 Termination of Employment. Subject to the last sentence of Section 7.2, if a Holder is an Eligible Individual because the Holder is an Employee and if that employment relationship is terminated for any reason other than Retirement or that Holder's death or Disability, then the following provisions shall apply to all Awards held by that Holder that were granted because that Holder was an Employee:

(a) If the termination is by the Holder's employer, then the following provisions shall apply: (i) if the termination is for Cause, then that portion, if any, of any and all Awards held by that Holder that are not yet exercisable (or for which restrictions have not lapsed) as of the date of termination shall become null and void; provided, however, that the portion, if any, of any and all Awards held by that Holder which are exercisable (or for which restrictions have lapsed) as of the date of such termination shall survive such termination and shall be exercisable by such Holder for a period of the lesser of (A) the remainder of the term of the Award or (B) five (5) business days following the date of such termination; or (ii) if the termination is not for Cause, then that portion, if any, of any and all Awards held by that Holder that are not yet exercisable (or for which restrictions have not lapsed) as of the date of the termination shall become null and void as of the date of the termination; *provided*, *however*, that the portion, if any, of any and all Awards held by that Holder which are exercisable (or for which restrictions have lapsed) as of the date of such termination shall survive such termination and shall be exercisable by such Holder for a period of the lesser of (A) the remainder of the term of the Award or (B) 365 days following the date of such termination.

(b) If such termination is by the Holder, then, unless otherwise agreed to by the Corporation, any and all Awards held by that Holder, whether or not then exercisable and whether or not restrictions thereon have lapsed (except in full), shall become null and void as of the date of the termination.

8.2 Other Loss of Eligibility. If a Holder is an Eligible Individual because the Holder is serving in a capacity other than as an Employee and if that capacity is terminated for any reason other than the Holder's death, then that portion, if any, of any and all Awards held by the Holder that were granted because of that capacity which are not yet exercisable (or for which restrictions have not lapsed) as of the date of the termination shall become null and void as of the date of the termination; *provided*, *however*, that the portion, if any, of any and all of the Awards held by the Holder that are exercisable (or for which restrictions have lapsed) as of the date of the termination shall survive the termination and shall be exercisable by such Holder for a period of the lesser of (a) the remainder of the term of the Award or (b) 180 days following the date of such termination.

8.3 Death. Upon the death of a Holder, then any and all Awards held by the Holder, including those portions of the Awards that pursuant to the terms and provisions of the applicable Award Agreement

had not yet become exercisable, shall immediately become fully vested and exercisable in full by the Holder, his guardians or his legal representatives, legatees or distributees for a period of the lesser of (a) the remainder of the term of the Award or (b) one year following the date of the Holder's death. Any portion of an Award not exercised upon the expiration of the periods specified in (a) or (b) shall be null and void. Except as expressly provided in this Section 8.3, all Awards held by a Holder shall not be exercisable after the death of that Holder.

8.4 Retirement. If a Holder is an Eligible Individual because the Holder is an Employee and if that employment relationship is terminated by reason of the Holder's Retirement, then the portion, if any, of any and all Awards held by the Holder that are not yet exercisable (or for which restrictions have not lapsed) as of the date of that retirement shall become null and void as of the date of retirement; *provided*, *however*, that the portion, if any, of any and all Awards held by the Holder that are exercisable as of the date of that Retirement shall survive the Retirement and shall be exercisable by such Holder for a period of the lesser of (a) the remainder of the terms of the Award or (b) 180 days following the date of retirement.

8.5 Disability. If a Holder is an Eligible Individual because the Holder is an Employee and if that employment relationship is terminated by reason of the Holder's Disability, then any and all Awards held by the Holder, including those portions of the Awards that pursuant to the terms and provisions of the applicable Award Agreement had not yet become exercisable (or for which restrictions had not lapsed), shall immediately become fully vested and exercisable in full by the Holder, his guardians or his legal representatives for a period of the lesser of (a) the remainder of the term of the Award or (b) one year following the date on which the Holder's employment is terminated due to such Holder's Disability. "Disability" shall have the meaning given it in the employment agreement of the Holder; *provided*, *however*, that if that Holder has no employment agreement, "Disability" shall mean a physical or mental impairment of sufficient severity that, in the opinion of the Corporation, either the Holder is unable to continue performing the duties he performed before such impairment or the Holder's condition entitles him to disability benefits under any insurance or employee benefit plan of the Corporation or its Subsidiaries and that impairment or condition is cited by the Corporation as the reason for termination of the Holder's employment.

8.6 Leave of Absence. With respect to an Award, the Committee may, in its sole discretion, determine that any Holder who is on leave of absence for any reason will be considered to still be in the employ of the Corporation, provided that rights to that Award during a leave of absence will be limited to the extent to which those rights were earned or vested when the leave of absence began.

8.7 Transferability of Awards. In addition to such other terms and conditions as may be included in a particular Award Agreement, an Award requiring exercise shall be exercisable during a Holder's lifetime only by that Holder or by that Holder's guardian or legal representative. An Award requiring exercise shall not be transferrable other than by will or the laws of descent and distribution, except as permitted in accordance with Section 3.3.

8.8 Forfeiture and Restrictions on Transfer. Each Award Agreement may contain or otherwise provide for conditions giving rise to the forfeiture of the Stock acquired pursuant to an Award or otherwise and may also provide for those restrictions on the transferability of shares of the Stock acquired pursuant to an Award or otherwise that the Committee in its sole and absolute discretion may deem proper or advisable. The conditions giving rise to forfeiture may include, but need not be limited to, the requirement that the Holder render substantial services to the Corporation or its Subsidiaries for a specified period of time, and/or agreements regarding non-competition with the Corporation and its Subsidiaries. The restrictions on transferability may include, but need not be limited to, options and rights of first refusal in favor of the Corporation and stockholders of the Corporation other than the Holder of such shares of Stock who is a party to the particular Award Agreement or a subsequent holder of the shares of Stock who is bound by that Award Agreement.

8.9 Delivery of Certificates of Stock. Subject to Section 8.10, the Corporation shall promptly issue and deliver a certificate representing the number of shares of Stock as to which (a) an Option has been exercised after the Corporation receives an Exercise Notice and upon receipt by the Corporation of the Exercise Price and any tax withholding as may be requested; and (b) restrictions have lapsed with respect to a Restricted Stock Award and upon receipt by the Corporation of any tax withholding as may be requested. The value of the shares of Stock, cash or notes transferable because of an Award under the Plan shall not bear any interest owing to the passage of time, except as may be otherwise provided in an Award Agreement. If a Holder is entitled to receive certificates representing Stock received for more than one form of Award under the Plan, separate Stock certificates shall be issued with respect to each such Award and for Incentive Options and Nonstatutory Stock Options separately.

8.10 Conditions to Delivery of Stock. Nothing herein or in any Award granted hereunder or any Award Agreement shall require the Corporation to issue any shares with respect to any Award if that issuance would, in the opinion of counsel for the Corporation, constitute a violation of the Securities Act or any similar or superseding statute or statutes, any other applicable statute or regulation, or the rules of any applicable securities exchange or securities association, as then in effect. At the time of any exercise of an Option, or at the time of any grant of a Restricted Stock Award, the Corporation may, as a condition precedent to the exercise of such Option or vesting of any Restricted Stock Award, require from the Holder of the Award (or in the event of his or her death, his or her legal representatives, heirs, legatees, or distributees) such written representations, if any, concerning the Holder's intentions with regard to the retention or disposition of the shares of Stock being acquired pursuant to the Award and such written covenants and agreements, if any, as to the manner of disposal of such shares as, in the opinion of counsel to the Corporation, may be necessary to ensure that any disposition by that Holder (or in the event of the Holder's death, his legal representatives, heirs, legatees, or distributees) will not involve a violation of the Securities Act or any similar or superseding statute or statutes, any other applicable state or federal statute or regulation, or any rule of any applicable securities exchange or securities association, as then in effect.

8.11 Securities Act Legend. Certificates for shares of Stock, when issued, may have the following legend, or statements of other applicable restrictions endorsed thereon and may not be immediately transferable:

THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT

BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS. THE SHARES MAY NOT BE OFFERED FOR SALE, SOLD, PLEDGED, TRANSFERRED, OR OTHERWISE DISPOSED OF UNTIL THE HOLDER HEREOF PROVIDES EVIDENCE SATISFACTORY TO THE ISSUER (WHICH, IN THE DISCRETION OF THE ISSUER, MAY INCLUDE AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER) THAT SUCH OFFER, SALE, PLEDGE, TRANSFER, OR OTHER DISPOSITION WILL NOT VIOLATE APPLICABLE FEDERAL OR STATE LAWS.

This legend shall not be required for shares of Stock issued pursuant to an effective registration statement under the Securities Act, if any.

8.12 Legend for Restrictions on Transfer. Each certificate representing shares issued to a Holder pursuant to an Award granted under the Plan shall, if such shares are subject to any transfer restriction, including a right of first refusal, provided for under this Plan or an Award Agreement, bear a legend that complies with applicable law with respect to the restrictions on transferability contained in this Section 8.12, such as:

THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY IMPOSED BY THAT CERTAIN INSTRUMENT ENTITLED "RING ENERGY, INC. LONG-TERM INCENTIVE PLAN" AS ADOPTED BY RING ENERGY, INC. (THE "***CORPORATION***") ON _____, 20__, AND AN AGREEMENT THEREUNDER BETWEEN THE CORPORATION AND [HOLDER] DATED _____, _____, AND MAY NOT BE TRANSFERRED, SOLD, OR OTHERWISE DISPOSED OF EXCEPT AS THEREIN PROVIDED. THE CORPORATION WILL FURNISH A COPY OF SUCH INSTRUMENT AND AGREEMENT TO THE RECORD HOLDER OF THIS CERTIFICATE WITHOUT CHARGE ON REQUEST TO THE CORPORATION AT ITS PRINCIPAL PLACE OF BUSINESS OR REGISTERED OFFICE.

8.13 Rights as a Stockholder. A Holder shall have no right as a stockholder with respect to any shares covered by his or her Award until a certificate representing those shares is issued in his or her name. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash or other property) or distributions or other rights for which the record date is before the date that certificate is issued, except as contemplated by Section 7. Nevertheless, dividends and dividend equivalent rights may be extended to and made part of any Award denominated in Stock or units of Stock, subject to such terms, conditions, and restrictions as the Committee may establish. The Committee may also establish rules and procedures for the crediting of interest on deferred cash payments and dividend equivalents for deferred payment denominated in Stock or units of Stock.

8.14 Information. Each Holder shall furnish to the Corporation all information requested by the Corporation to enable it to comply with any reporting or other requirement imposed upon the Corporation by or under any applicable statute or regulation.

8.15 Obligation to Exercise. The granting of an Award hereunder shall impose no obligation upon the Holder to exercise the same or any part thereof.

8.16 Adjustments to Awards. Subject to applicable law and the general limitations set forth in Sections 5, and 7, the Committee may make any adjustment to or the terms of a Nonstatutory Option by canceling an outstanding Nonstatutory Option and regranting a Nonstatutory Option. Such adjustment shall be made by amending, substituting or regranting an outstanding Nonstatutory Option. Such amendment, substitution or regrant may result in terms and conditions that differ from the terms and conditions of the original Nonstatutory Option. Notwithstanding anything herein, the Committee may not "reprice" any Option. "Reprice" means any of the following or any other action that has the same effect: (i) amending an Option to reduce its exercise price, (ii) canceling an Option at a time when its exercise price exceeds the Fair Market Value of a share of Stock in exchange for an Option, Restricted Stock Award or other equity award unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction, or (iii) taking any other action that is treated as a repricing under generally accepted accounting principles. In addition, the Committee may not impair the rights of any Holder to previously granted Nonstatutory Options without that Holder's consent. If such action is effected by amendment, the effective date of such amendment shall be the date of the original grant. Notwithstanding the above, with respect to Performance Awards that are subject to Section 409A of the Code, the Committee shall not have the authority to accelerate or postpone the timing or settlement of a Performance Award in a manner that would cause such award to become subject to the interest and penalty provisions under Section 409A of the Code.

8.17 Remedies. The Corporation and a Holder shall be entitled to recover from the other party reasonable attorneys' fees incurred in connection with the enforcement of the terms and provisions of the Plan and any Award Agreement whether by an action to enforce specific performance or for damages for its breach or otherwise.

8.18 Information Confidential. As partial consideration for the granting of each Award hereunder, the Holder shall agree with the Corporation that the Holder will keep confidential all information and knowledge that the Holder has relating to the manner and amount of his or her participation in the Plan; *provided*, *however*, that such information may be disclosed as required by law and may be given in confidence to the Holder's spouse, tax, legal and financial advisors, or to a financial institution to the extent that such information is necessary to secure a loan. In the event any breach of this promise comes to the attention of the Committee, it shall take into consideration that breach in determining whether to recommend the grant of any future Award to that Holder, as a factor militating against the advisability of granting any such future Award to that individual. The provisions of this Section 8.18 shall be included in each Award Agreement.

8.19 Consideration. No Option shall be exercisable and no restriction on any Restricted Stock Award shall lapse unless and until the Holder shall have paid cash or property to, or performed services for

and/or provided value to, the Corporation or any of its Subsidiaries that the Committee believes is equal to or greater in value than the par value of the Stock subject to such Award.

8.20 Payment of Taxes. The Committee may, in its discretion, require a Holder to pay to the Corporation (or the Corporation's Subsidiary if the Holder is an employee of a Subsidiary of the Corporation), at the time of the exercise of an Award, the amount that the Committee deems necessary to satisfy the Corporation's or its Subsidiary's current or future obligation to withhold federal, state or local income or other taxes that the Holder incurs by exercising an Award.

8.21 Claw-back. If any Holder is substantially responsible for negligence that materially and negatively impacts the Corporation, an Award benefit realized by such Holder during the period commencing in the two (2) years preceding such negligence will be immediately due and payable by such Holder to the Corporation. The Holder will be considered substantially responsible if there was a failure to conduct his or her responsibilities with the degree of skill and care an ordinary prudent person in a like position would exercise under similar circumstances.

SECTION 9. DURATION AND AMENDMENT OF PLAN

9.1 Duration. No Awards may be granted hereunder after the date that is ten (10) years from the date of this Plan.

9.2 Amendment. The Board of Directors may (insofar as permitted by law and applicable regulations), with respect to any shares which, at the time, are not subject to Awards, suspend or discontinue the Plan or revise or amend it in any respect whatsoever, and may amend any provision of the Plan or any Award Agreement to make the Plan or the Award Agreement, or both, comply with Section 16(b) of the Exchange Act and the exemptions therefrom, the Code, the Employee Retirement Income Security Act of 1974, as amended ("***ERISA***"), the regulations promulgated under the Code or ERISA, or any other law, rule or regulation that may affect the Plan. The Board of Directors may also amend, modify, suspend or terminate the Plan for the purpose of meeting or addressing any changes in other legal requirements applicable to the Corporation or the Plan or for any other purpose permitted by law. The Plan may not be amended without the consent of the holders of a majority of the shares of Stock then outstanding to increase materially the aggregate number of shares of Stock that may be issued under the Plan (except for adjustments pursuant to Section 7 of the Plan).

SECTION 10. GENERAL

10.1 Application of Funds. The proceeds received by the Corporation from the sale of shares pursuant to Awards shall be used for general corporate purposes.

10.2 Right of the Corporation and Subsidiaries to Terminate Employment. Nothing contained in the Plan or in any Award Agreement shall confer upon any Holder the right to continue in the employ of the Corporation or any Subsidiary, or interfere in any way with the rights of the Corporation or any Subsidiary to terminate his or her employment at any time.

10.3 No Liability for Good Faith Determinations. Neither the members of the Board of Directors, any member of the Committee nor any individual that the Committee has delegated duties to pursuant to Section 3.1. above shall be liable for any act, omission or determination taken or made in good faith with respect to the Plan or any Award granted under it, and members of the Board of Directors and the Committee shall be entitled to indemnification and reimbursement by the Corporation in respect of any claim, loss, damage or expense (including attorneys' fees, the costs of settling any suit, provided such settlement is approved by independent legal counsel selected by the Corporation, and amounts paid in satisfaction of a judgment, except a judgment based on a finding of bad faith) arising therefrom to the full extent permitted by law and under any directors and officers liability or similar insurance coverage that may from time to time be in effect. This right to indemnification shall be in addition to, and not a limitation on, any other indemnification rights any member of the Board of Directors or the Committee may have.

10.4 Other Benefits. Participation in the Plan shall not preclude the Holder from eligibility in any other stock or stock option plan of the Corporation or any Subsidiary or any old age benefit, insurance, pension, profit sharing, retirement, bonus or other extra compensation plans that the Corporation or any Subsidiary has adopted or may, at any time, adopt for the benefit of its Employees. Neither the adoption of the Plan by the Board of Directors nor the submission of the Plan to the stockholders of the Corporation for approval shall be construed as creating any limitations on the power of the Board of Directors to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options and the awarding of stock and cash otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

10.5 Exclusion from Pension and Profit-Sharing Compensation. By acceptance of an Award (whether in Stock or cash), as applicable, each Holder shall be deemed to have agreed that the Award is special incentive compensation that will not be taken into account in any manner as salary, compensation or bonus in determining the amount of any payment under any pension, retirement or other employee benefit plan of the Corporation or any Subsidiary. In addition, each beneficiary of a deceased Holder shall be deemed to have agreed that the Award will not affect the amount of any life insurance coverage, if any, provided by the Corporation or a Subsidiary on the life of the Holder that is payable to the beneficiary under any life insurance plan covering employees of the Corporation or any Subsidiary.

10.6 Execution of Receipts and Releases. Any payment of cash or any issuance or transfer of shares of Stock or other property to the Holder, or to his legal representative, heir, legatee or distributee, in accordance with the provisions hereof, shall, to the extent thereof, be in full satisfaction of all claims of such persons hereunder. The Committee may require any Holder, legal representative, heir, legatee or distributee, as a condition precedent to such payment, to execute a release and receipt therefor in such form as it shall determine.

10.7 Unfunded Plan. Insofar as it provides for Awards of cash and Stock, the Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Holders who are entitled to

cash, Stock, other property or rights thereto under the Plan, any such accounts shall be used merely as a bookkeeping convenience. The Corporation shall not be required to segregate any assets that may at any time be represented by cash, Stock, other property or rights thereto, nor shall the Plan be construed as providing for such segregation, nor shall the Corporation nor the Board of Directors nor the Committee be deemed to be a trustee of any cash, Stock, other property or rights thereto to be granted under the Plan. Any liability of the Corporation to any Holder with respect to a grant of cash, Stock, other property or rights thereto under the Plan shall be based solely upon any contractual obligations that may be created by the Plan and any Award Agreement; no such obligation of the Corporation shall be deemed to be secured by any pledge or other encumbrance on any property of the Corporation. Neither the Corporation nor the Board of Directors nor the Committee shall be required to give any security or bond for the performance of any obligation that may be created by the Plan.

10.8 No Guarantee of Interests. The Board of Directors, the Committee and the Corporation do not guarantee the Stock of the Corporation from loss or depreciation.

10.9 Payment of Expenses. All expenses incident to the administration, termination or protection of the Plan, including, but not limited to, legal and accounting fees, shall be paid by the Corporation or its Subsidiaries; *provided*, *however*, the Corporation or a Subsidiary may recover any and all damages, fees, expenses and costs arising out of any actions taken by the Corporation to enforce its right to purchase Stock under this Plan.

10.10 Corporation Records. Records of the Corporation or its Subsidiaries regarding the Holder's period of employment, termination of employment and the reason therefor, leaves of absence, re-employment, and other matters shall be conclusive for all purposes hereunder, unless determined by the Committee to be incorrect.

10.11 Information. The Corporation and its Subsidiaries shall, upon request or as may be specifically required hereunder, furnish or cause to be furnished, all of the information or documentation which is necessary or required by the Committee to perform its duties and functions under the Plan.

10.12 Corporation Action. Any action required of the Corporation shall be by resolution of its Board of Directors or by a person authorized to act by resolution of the Board of Directors.

10.13 Severability. If any provision of this Plan is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions hereof, but such provision shall be fully severable and the Plan shall be construed and enforced as if the illegal or invalid provision had never been included herein. If any of the terms or provisions of this Plan conflict with the requirements of Rule 16b-3 (as those terms or provisions are applied to Eligible Individuals who are subject to Section 16(b) of the Exchange Act) or Section 422 of the Code (with respect to Incentive Options), then those conflicting terms or provisions shall be deemed inoperative to the extent they so conflict with the requirements of Rule 16b-3 or Section 422 of the Code unless the Committee has determined that the Plan should not comply with such requirements. With respect to Incentive Options, if this Plan does not contain any provision required to be included herein under Section 422 of the Code, that provision shall be deemed to be incorporated herein with the same force and effect as if that provision had been set out at length herein; provided, further, that, to the extent any Option that is intended to qualify as an Incentive Option cannot so qualify, that Option (to that extent) shall be deemed a Nonstatutory Option for all purposes of the Plan.

10.14 Notices. Whenever any notice is required or permitted hereunder, such notice must be in writing and personally delivered or sent by mail. Any such notice required or permitted to be delivered hereunder shall be deemed to be delivered on the date on which it is personally delivered, or, whether actually received or not, on the third Business Day after it is deposited in the United States mail, certified or registered, postage prepaid, addressed to the person who is to receive it at the address which such person has theretofore specified by written notice delivered in accordance herewith. The Corporation or a Holder may change, at any time and from time to time, by written notice to the other, the address which it or he had previously specified for receiving notices. Until changed in accordance herewith, the Corporation and each Holder shall specify as its and his address for receiving notices the address set forth in the Award Agreement pertaining to the shares to which such notice relates.

10.15 Waiver of Notice. Any person entitled to notice hereunder may waive such notice.

10.16 Successors. The Plan shall be binding upon the Holder, his legal representatives, heirs, legatees and distributees, upon the Corporation, its successors and assigns, and upon the Committee and its successors.

10.17 Headings. The titles and headings of Sections and Paragraphs are included for convenience of reference only and are not to be considered in construction of the provisions hereof.

10.18 Governing Law. All questions arising with respect to the provisions of the Plan shall be determined by application of the laws of the State of Nevada except to the extent Nevada law is preempted by federal law. Questions arising with respect to the provisions of an Award Agreement that are matters of contract law shall be governed by the laws of the state specified in the Award Agreement, except to the extent Nevada corporate law conflicts with the contract law of such state, in which event Nevada corporate law shall govern. The obligation of the Corporation to sell and deliver Stock hereunder is subject to applicable laws and to the approval of any governmental authority required in connection with the authorization, issuance, sale, or delivery of such Stock.

10.19 Word Usage. Words used in the masculine shall apply to the feminine where applicable, and wherever the context of this Plan dictates, the plural shall be read as the singular and the singular as the plural.

RING ENERGY, INC.
STOCK OPTION AGREEMENT

AGREEMENT made as of the __ day of ____, 20__, by and between RING ENERGY, INC., a Nevada Corporation (the "Company"), and _____ (the "Optionee").

W I T N E S S E T H:

WHEREAS, pursuant to the Ring Energy, Inc., Long-Term Incentive Plan (the "Plan"), the Company desires to grant to the Optionee and the Optionee desires to accept an option to purchase shares of common stock, $0.001 par value, of the Company (the "Common Stock") upon the terms and conditions set forth in this agreement;

NOW, THEREFORE, the parties hereto agree as follows:

1. The Company hereby grants to the Optionee an option to purchase _____ shares of Common Stock at a purchase price per share of _____. This option is intended to be treated as a so-called "non-qualified stock option" and this agreement will be construed and interpreted accordingly.

2. Except as specifically provided herein, the option will become exercisable in accordance with the following schedule based upon the number of full years of the Optionee's continuous employment or service with the Company or a Subsidiary (as defined in the Plan) following _____:

Full Years of Continuous Employment Service	Incremental Percentage of Option Exercisable	Cumulative Percentage of Option Exercisable
Less than 1	0%	0%
1	20%	20%
2	20%	40%
3	20%	60%
4	20%	80%
5 or more	20%	100%

No shares of Common Stock may be purchased hereunder unless the Optionee shall have remained in the continuous employ or service of the Company or a Subsidiary through _____. Unless sooner terminated, the option will expire if and to the extent it is not exercised within ten (10) years from the date hereof.

3. The option may be exercised in whole or in part in accordance with the above schedule by delivering to the Secretary of the Company: (a) a written notice specifying the number of shares to be purchased; and (b) payment in full of the exercise price, together with the amount, if any, deemed necessary by the Company to enable it to satisfy any income tax withholding obligations with respect to the exercise (unless other arrangements, acceptable to the Company, are made for the satisfaction of such withholding obligations). The exercise price shall be payable by bank or certified check. The Company may (in its sole and absolute discretion) permit all or part of the exercise price to be paid with previously-owned shares of Common Stock or in installments (together with interest) evidenced by the Optionee's secured promissory note.

4. No shares of Common Stock shall be sold or delivered hereunder until full payment for such shares has been made (or, to the extent payable in installments, provided for). The Optionee shall have no rights as a stockholder with respect to any shares covered by the option until a stock certificate for such shares is issued to him. Except as otherwise provided herein, no adjustment shall be made for dividends or distributions of other rights for which the record date is prior to the date such stock certificate is issued.

5. This option is not assignable or transferable except by will and/or the laws of descent and distribution, and is exercisable during the Optionee's lifetime only by him.

6. If the Optionee ceases to be employed by or to perform services for the Company and any Subsidiary, or in the event of the Optionee’s death or disability (as defined in the Plan), then, unless sooner terminated under the terms hereof, the option will terminate as provided in Section 8 of the Plan.

7. If the shares to be issued upon an exercise of the option are not registered under the Securities Act of 1933, then, as a further condition of the Company's obligation to issue such shares, the Optionee may be required to give a representation in writing that the Optionee is acquiring the shares for his own account as an investment and not with a view to, or for sale in connection with, the distribution of such shares, and the certificates representing such shares shall bear a legend to such effect as the Company's counsel shall deem necessary or desirable. The option shall in no event be exercisable and shares shall not be issued hereunder if, in the opinion of counsel to the Company, such exercise and/or issuance would result in a violation of federal or state securities laws.

8. In case of any stock split, stock dividend or similar transaction which increases or decreases the number of outstanding shares of Common Stock, or in the event of a Change of Control or Restructure (as defined in the Plan) the provisions of Section 7 of the Plan shall govern any adjustment to the number of shares of Common Stock that may be issued, and/or the exercise price payable, upon the exercise of this option.

9. Nothing in this agreement shall give the Optionee any right to continue in the employ or service of the Company or a Subsidiary, or interfere in any way with the right of the Company to terminate the employment or service of the Optionee.

10. The provisions of the Plan shall govern if and to the extent that there are inconsistencies between those provisions and the provisions hereof. The Optionee acknowledges that he has received a copy of the Plan prior to the execution of this agreement. The interpretation and construction of any terms or conditions of the Plan or of this agreement or other matter related to the Plan by any committee of the Company authorized to administer the Plan shall be final and conclusive.

11. This agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, legal representatives and permitted assigns.

12. This agreement shall be governed by and construed in accordance with the laws of the State of Nevada. This agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and may not be modified except by written instrument executed by the parties.

IN WITNESS WHEREOF, this agreement has been executed as of the date first above shown.

RING ENERGY, INC.

By:_____

Name:_____

Title:_____

EXHIBIT 10.3

REVOLVER LOAN AGREEMENT

Dated as of

May 12, 2011

between

STANFORD ENERGY, INC.,
a Texas corporation,

STANLEY M. MCCABE,
an individual,

STANLEY M. MCCABE,
as sole trustee of the McCabe Family Trust,

LLOYD T. ROCHFORD,
an individual

"BORROWERS "

AND

THE F&M BANK & TRUST COMPANY,
a state banking corporation

"BANK"

REVOLVER LOAN AGREEMENT

THIS REVOLVER LOAN AGREEMENT, dated effective as of May 12, 2011, is entered into between and among **STANFORD ENERGY, INC.**, a Texas corporation ("Stanford"), **STANLEY M. MCCABE**, individually ("McCabe"), and as sole trustee of **THE MCCABE FAMILY TRUST**, as amended (the "Trust"), and **LLOYD T. ROCHFORD**, individually ("Rochford", and together with Stanford, McCabe, and the Trust, collectively, the "Borrowers" and each individually, a "Borrower"), and **THE F&M BANK & TRUST COMPANY**, a state banking corporation (the "Bank").

W I T N E S S E T H:

WHEREAS, the Borrowers have requested the Bank to establish a joint and several revolving line of credit facility in favor of the Borrowers in the maximum principal amount of TEN MILLION and NO/100 DOLLARS ($10,000,000.00) (the "Revolver Commitment") until the Revolver Final Maturity Date, to be evidenced by Borrowers' joint and several Promissory Note (Revolver Note) payable to the order of the Bank and dated as of even date herewith in the stated face principal amount of $10,000,000.00 (as renewed, extended, rearranged, substituted, replaced, amended or otherwise modified from time to time, collectively the "Revolver Note"); and

WHEREAS, the Bank is willing to establish the Revolver Commitment and make the Revolver Loan advances from time to time hereunder to the Borrowers in the maximum principal amount of $10,000,000.00, all upon the terms and conditions herein set forth;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, receipt of which is acknowledged by the parties hereto, the parties agree as follows:

ARTICLE I
CERTAIN DEFINITIONS

When used herein, the following terms shall have the following meanings:

"Affiliate" shall mean any Person which, directly or indirectly, controls, or is controlled by, or is under common control with, another Person and any partner, officer or employee of any such Persons. For purposes of this definition, "control" shall mean the power, directly or indirectly, to direct or in effect cause the direction of the management and policies of such Person whether by contract or otherwise.

"Agreement" shall mean this Revolver Loan Agreement, as amended, restated, supplemented or otherwise modified from time to time.

"Base Rate" means an annual rate of interest established from time to time by the Bank and announced from time to time by the Bank and/or published on its website as the "F&M Prime Rate." The Base Rate may be adjusted throughout the term of the loan or loans governed or evidenced hereby, and any change in the Base Rate due to a change in such announced and/or published rate shall be effective on the day of the announced changed in such Base Rate. Such rate shall not necessarily be the Bank's "best" or lowest rate and the Bank may make loans from time to time based or priced on other rates or indices. Should the Base Rate become unavailable during the term of the Revolver Loan evidenced by the Revolver Note or should the Bank otherwise cease to publish or announce a prime rate, or should it be merged, consolidated, liquidated or dissolved in such a manner that it loses its separate corporate or banking identity then the Base Rate shall be a substitute index selected and designated by the Bank and concerning which the Borrowers are notified by the Bank.

"Business Day" shall mean a day other than a Saturday, Sunday or a day upon which banks in the State of Oklahoma are closed to business generally.

"Closing Date" shall mean the effective date of this Agreement.

"Default Rate" shall mean a per annum interest rate equal to the than applicable contract rate of interest plus five additional percentage points per annum (5.0%).

"ERISA" shall mean the Federal Employee Retirement Income Security Act of 1974, as amended, together with all regulations and rulings promulgated with respect thereto.

"Event of Default" shall mean any of the events specified in Section 6.1 of this Agreement, and "Default" shall mean any event, which together with any lapse of time or giving of any notice, or both, would constitute an Event of Default.

"GAAP" shall mean generally accepted accounting principles applied on a consistent basis in all material respects to those applied in the preceding period. Unless otherwise indicated herein, all accounting terms will be defined according to GAAP.

"hereby", "herein", "hereof", "hereunder" and similar such terms shall mean and refer to this Agreement as a whole and not merely to the specific section, paragraph or clause in which the respective word appears.

"Highest Lawful Rate" shall mean, with respect to the Bank, the maximum non-usurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged or received on the Revolver Note or on any other Indebtedness under laws applicable to the Bank which are presently in effect or, to the extent allowed by law, under such applicable laws which may hereafter be in effect and which allow a higher maximum non-usurious interest rate than applicable laws now allow.

"Indebtedness" shall mean and include any and all: (i) indebtedness, obligations and liabilities of the Borrowers to the Bank incurred or which may be incurred or purportedly incurred hereafter pursuant to the terms of this Agreement, or any of the other Loan Documents, and any replacements, amendments, extensions, renewals, substitutions, amendments and increases in amount thereof, including such amounts as may be evidenced by the Revolver Note, and all lawful interest, late charges, service fees, commitment fees, fees in lieu of balances, letter of credit fees and other charges, and all reasonable costs and expenses incurred in connection with the preparation, filing and recording of the Loan Documents, including attorneys fees and legal expenses; (ii) any and all derivative products obligations, direct, contingent or otherwise, whether now existing or hereafter arising, of the Borrowers to the Bank; (iii) all reasonable costs and expenses paid or incurred by the Bank, including attorneys fees, in enforcing or attempting to enforce collection of any Indebtedness and in enforcing or realizing upon or attempting to enforce or realize upon any collateral or security for any Indebtedness, including interest on all sums so expended by the Bank accruing from the date upon which such expenditures are made until paid, at an annual rate equal to the Default Rate; (iv) all sums expended by the Bank in curing any Event of Default or Default of the Borrowers under the terms of this Agreement the other Loan Documents or any other writing evidencing or securing the payment of the Revolver Note together with interest on all sums so expended by the Bank accruing from the date upon which such expenditures are made until paid, at an annual rate equal to the Default Rate and (v) any overdraft, return items or other similar or comparable ACH (automated clearing house) obligations now or hereafter owing by Borrowers to the Bank.

"Laws" shall mean all statutes, laws, ordinances, regulations, orders, writs, injunctions, or decrees of the United States, any state or commonwealth, any municipality, any foreign country, any territory or possession, or any Tribunal.

"Letters of Credit" shall mean any and all letters of credit issued by Bank pursuant to the request of Borrowers in accordance with the provisions of Sections 2.1 and 2.6 hereof which at any time remain outstanding and subject to draw by the beneficiary, whether in whole or in part.

"Letter of Credit Exposure" means, at any date, the sum of (a) the aggregate face amount of all drafts that may then or thereafter be presented by beneficiaries under all Letters of Credit then outstanding, plus (b) the aggregate face amount of all drafts that the Letter of Credit Issuer has previously accepted under Letters of Credit but has not paid or reflected as advances against the Revolver Note.

"Letter of Credit Issuer" means, for any Letter of Credit, Bank, or in the event Bank does not for any reason issue a requested Letter of Credit, an Affiliate thereof or another financial institution designated by Bank to issue such Letter of Credit.

"Lien" shall mean any mortgage, pledge, security interest, assignment, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement or other similar form of public notice under the Laws of any jurisdiction).

"Loan Documents" shall mean this Agreement, the Revolver Note, and all other documents, instruments and certificates executed and delivered to the Bank by any Borrower pursuant to the terms of this Agreement.

"Material Adverse Change" shall mean any material and adverse change to (i) the assets, financial condition, business condition, operations or properties of any Borrower, and any future Subsidiaries thereof taken as a whole different from the facts represented or warranted herein or any of the other Loan Documents, (ii) the ability of any Borrowers to meet its obligations and its other material obligations under the Loan Documents on a timely basis, or (iii) the enforceability of the material terms of any of the Loan Documents.

"Person" shall mean and include an individual, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, and a government or any department, agency or political subdivision thereof.

"Revolver Commitment" shall mean the Bank's obligation to make the Revolver Loan pursuant to the terms, provisions and conditions of this Agreement.

"Revolver Commitment Amount" shall be $10,000,000.00 or such other amount agreed to in writing by the Bank and the Borrowers hereafter from time to time.

"Revolver Final Maturity Date" shall mean May 10, 2012, unless otherwise extended or renewed in writing by the mutual agreement of the Borrowers and the Bank.

"Revolver Loan" shall have the meaning ascribed to it in Section 2.1 of this Agreement.

"Revolver Note" shall have the meaning ascribed thereto in the Preamble of this Agreement, as more fully described and defined in Section 2.2 of this Agreement, together with each and every extension, renewal, modification, replacement, substitution, rearrangement, consolidation and change in form of any thereof which may be from time to time and for any term or terms effected.

"Subsidiaries" means, with respect to Stanford at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of Stanford in Stanford's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held by Stanford, or (b) that is, as of such date, otherwise controlled, by Stanford or one or more subsidiaries of Stanford.

"Taxes" shall mean all taxes, assessments, fees, or other charges or levies from time to time or at any time imposed by any Laws or by any Tribunal.

"Tribunal" shall mean any municipal, state, commonwealth, Federal, foreign, territorial or other sovereign, governmental entity, governmental department, court, commission, board, bureau, agency or instrumentality.

Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all determinations with respect to accounting matters hereunder shall be made, and all financial statements and certificates and reports as to financial matters required to be furnished to the Bank hereunder shall be prepared, in accordance with GAAP, applied on a basis consistent with the financial statements of the Borrowers herein.

ARTICLE II
LOANS

2.1 Revolver Commitment. Bank agrees, upon the terms and subject to the conditions hereinafter set forth, to make revolving loan advances (the "Revolver Loan") to Borrowers from the Closing Date until the Revolver Final Maturity Date, or until such later date as Bank shall have extended its Revolver Commitment in writing unless the Revolver Commitment shall be sooner terminated pursuant to the provisions of this Agreement, in such amounts as may from time to time be requested by Borrowers for the following purposes and any other purposes agreed to by Bank in writing after the date hereof: (i) for acquisition of oil and gas properties, (ii) for oil and gas drilling expenses, (iii) for general working capital purposes, and (iv) standby letters of credit. Notwithstanding the face principal amount of the Revolver Note from time to time, in no event shall the aggregate unpaid principal amount of the Revolver Loan advanced, outstanding and unpaid at any time under the Revolver Note *plus* the amount of any requested Revolver Loan advance *plus* the amount of Letter of Credit Exposure at any time exceed the Revolver Commitment Amount.

2.2 Revolver Note. On the Closing Date, the Borrowers shall execute and deliver to the order of the Bank their joint and several promissory note instrument in the stated face principal amount of $10,000,000.00 (the "Revolver Note"). The Revolver Note shall be dated as of the Closing Date and shall bear interest on unpaid balances of principal from time to time outstanding at a variable annual rate equal from day to day to the Base Rate plus 75 basis points (0.75%), but in no event less than a per annum contract rate of interest of 4.0% or more than the Highest Lawful Rate. The Revolver Note shall be payable in quarterly installments of interest only, due on the last day of each calendar quarter, commencing June 30, 2011, plus a final payment of all unpaid principal and all accrued but unpaid interest due and payable at the Revolver Final Maturity Date. After maturity (whether by acceleration or otherwise), the Revolver Note shall bear interest at a per annum rate equal from day to day to the Default Rate and payable on demand. Interest shall be calculated on the basis of a year of 360 days, but assessed for the actual number of days elapsed in each accrual period. Notwithstanding the stated face principal amount of the Revolver Note from time to time, in no event shall the Borrowers request nor shall the Bank be obligated to make any Revolver Loan advance that causes or results in the aggregate outstanding principal amount of the Revolver Note plus Letter of Credit Exposure to exceed the Revolver Commitment Amount.

All payments and prepayments shall be made in lawful money of the United States of America in immediately available funds. Any payments or prepayments on the Revolver Note received by the Bank after 2:00 o'clock p.m. (applicable current time in Tulsa, Oklahoma) shall be deemed to have been made on the next succeeding Business Day. Any voluntary prepayment may be without any penalty or premium and shall be applied first to accrued but unpaid interest then to the next succeeding installment(s) of principal. All outstanding principal of and accrued interest on the Revolver Note not previously paid hereunder shall be due and payable at the Revolver Final Maturity Date, unless such maturity shall be extended by the Bank in writing or accelerated pursuant to the terms hereof.

2.3 Non-Usage Commitment Fee. From the Closing Date to the date the Revolver Commitment expires or is otherwise terminated, the Borrowers shall pay to the Bank quarterly in arrears in immediately available funds (U.S. Dollars) a fully earned and non-refundable Revolver Commitment non-usage fee equal to twenty basis points (0.20%) per annum of the actual daily unused portion of the Revolver Commitment Amount (computed on the basis of a calendar year of 360 days but assessed for the actual number of days elapsed during each quarterly accrual period) calculated on the average amount thereof in excess of the outstanding principal balance of the Note plus the Letter of Credit Exposure during such calendar quarter. Such Revolver Commitment non-usage fee shall be payable quarterly, commencing with the calendar quarter ending June 30, 2011 (calculated from the Closing Date), and payable within ten (10) days following Borrower's receipt of a written invoice therefor reasonably detailing the Bank's calculation thereof.

2.4 Loan Facility Fee. Borrowers shall pay to the Bank on the date hereof a fully earned and non-refundable 20 basis points (0.20%) loan facility commitment fee on the $10,000,000.00 Revolver Commitment Amount (i.e., $20,000). If and to the extent the Revolver Commitment Amount is subsequently increased, the amount(s) in excess thereof shall be subject to the payment of a concurrent loan facility fee equal to 20 basis points (0.20%) of the excess amount(s) at each closing of such increase(s).

2.5 Payment of Fees. All fees payable under Sections 2.3 and 2.4 above shall be paid on the scheduled dates due, in immediately available funds, US Dollars, to the Bank and shall fully earned and non refundable under any circumstances.

2.6 Letters of Credit. Upon any Borrower's application from time to time by use of the Bank's standard form Letter of Credit Application Agreement and subject to the terms and provisions therein and herein set forth, the Bank agrees to issue standby letters of credit on behalf of the Borrowers under the Revolver Commitment, provided that (i) no letters of credit will be issued on behalf of or on the account of the Borrowers with an expiry (expiration) date later than the Revolver Final Maturity Date, except only for letters of credit with one year maturities that contain automatic renewal language approved by the Bank and a letter of credit in favor of the Railroad Commission of Texas with an expiration date of August 1, 2012, and (ii) no letter of credit will be issued on behalf of or for the account of the Borrowers if at the time of issuance the sum of the outstanding amount of all Revolver Loans under the Revolver Commitment as evidenced by the Revolver Note plus the unfunded amount of issued but unexpired Letters of Credit together with the face amount of the requested Letter of Credit would exceed the then applicable Revolver Commitment Amount. If any letter of credit is drawn upon at any time, each amount drawn, whether a full or partial draw thereon, shall be reflected by the Bank as an advance on the Revolver Note effective as of the date of the Bank's honoring the sight draft. If any letter of credit or letters of credit remain outstanding on the Revolver Final Maturity Date, the Bank, at its option, may make a Revolver Loan advance under the Revolver Commitment in an amount equal to the aggregate face amount of such letter(s) of credit to purchase a certificate of deposit to be held by the Bank as additional security for the Indebtedness. In consideration of the Bank's agreement to issue standby letters of credit hereunder, the Borrowers agree to pay to the Bank letter of credit issuance fees equal to the greater of (i) two hundred basis points (2.00%) per annum on the face amount of each letter of credit or (ii) $500.00 per each such Letter of Credit, together with the Bank's standard letter of credit processing/renewal/amendment fees, which such fee shall be due and payable at the time of issuance of each applicable letter of credit.

ARTICLE III
CONDITIONS PRECEDENT TO LOANS

3.1 Conditions Precedent to Revolver Loan. The obligation of the Bank to make the Revolver Loan is subject to the satisfaction of all of the following conditions on or prior to the Closing Date (in addition to the other terms and conditions set forth herein):

(a) No Default. There shall exist no Default or Event of Default on the Closing Date.

(b) Representations and Warranties. The representations, warranties and covenants set forth in Articles IV and V shall be true and correct on and as of the Closing Date, with the same effect as though made on and as of the Closing Date.

(c) Certificates. Stanford shall have delivered to the Bank a Certificate, dated as of the Closing Date, and signed by the President and Secretary of Stanford certifying (i) to the matters covered by the conditions specified in subsections (a) and (b) of this Section 5.1, (ii) that Stanford has performed and complied with all agreements and conditions required to be performed or complied with by Stanford prior to or on the Closing Date, (iii) to the name and signature of the President and any other officer of the Borrowers authorized to execute and deliver the Loan Documents and any other documents, certificates or writings and to borrow under this Agreement, and (iv) to such other matters in connection with this Agreement which the Bank shall determine to be advisable. McCabe, as trustee of the Trust, shall have delivered to the Bank a trustee certificate in form, scope, and substance acceptable to the Bank. The Bank may conclusively rely on such Certificates until it receives notice in writing to the contrary.

(d) Proceedings. On or before the Closing Date, all corporate proceedings of Stanford shall be taken in connection with the transactions contemplated by the Loan Documents and shall be satisfactory in form and substance to the Bank and its counsel; and the Bank shall have received certified copies, in form and substance satisfactory to the Bank and its counsel, of the Certificate of Formation and Bylaws of Stanford and the resolutions of the directors of Stanford, as adopted, authorizing the execution and delivery of the Loan Documents and the borrowings under this Agreement.

(e) Loan Documents. The Borrowers shall have delivered to the Bank the Revolver Loan Agreement and the other Loan Documents including the Revolver Note, appropriately executed by all parties, witnessed and acknowledged to the satisfaction of the Bank and dated as of the Closing Date.

(f) Payment of Loan Facility Fee. Borrowers shall have paid the loan facility fee detailed in Section 2.4.

(g) Other Information. The Bank shall have received such other information, documents and assurances as shall be reasonably requested by the Bank including, without limitation, certificates (including a current good standing certificate issued by the Texas Secretary of State as to Stanford's status in Texas), resolutions, documents and assurances as Bank shall reasonably request.

ARTICLE IV
COVENANTS

The Borrowers covenant and agree with the Bank that from the date hereof and so long as this Agreement is in effect (by extension, amendment or otherwise) and until payment in full of all Indebtedness and the performance of all other obligations of the Borrowers under this Agreement, unless the Bank shall otherwise consent in writing, which consent will not be unreasonably withheld, conditioned or delayed:

4.1 Payment of Taxes and Claims. Each Borrower will pay and discharge or cause to be paid and discharged all Taxes imposed upon the income or profits of such Borrower or upon the property, real, personal or mixed, or upon any part thereof, belonging to such Borrower before the same shall be in default, and all lawful claims for labor, rentals, materials and supplies which, if unpaid, might become a Lien upon its property or any part thereof; provided however, that no Borrower shall be required to pay and discharge or cause to be paid or discharged any such Tax, assessment or claim so long as the validity thereof shall be contested in good faith by appropriate proceedings, and adequate book reserves shall be established with respect thereto, and such Borrower shall pay such Tax, charge or claim before any property subject thereto shall become subject to execution.

4.2 Maintenance of Legal Existence. Stanford will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights and franchises and will continue to conduct and operate its business substantially as being conducted and operated presently. Stanford will become and remain qualified to conduct business in each jurisdiction where the nature of the business or ownership of property by Stanford may require such qualification.

4.3 Preservation of Property. Borrowers will at all times maintain, preserve and protect all franchises and trade names and keep all the remainder of their properties which are used or useful in the conduct of their businesses whether owned in fee or otherwise, or leased, in good repair and operating condition; from time to time make, or cause to be made, all needful and proper repairs, renewals, replacements, betterments and improvements thereto so that the business carried on in connection therewith may be properly conducted at all times; and comply with all material leases to which it is a party or under which it occupies property so as to prevent any material loss or forfeiture thereunder.

4.4 Insurance. To the extent customary in the oil and gas industry for similarly situated leasehold owners and producers, Stanford will keep or cause to be kept, adequately insured by financially sound and reputable insurers Stanford's property of a character usually insured by businesses engaged in the same or similar businesses. Stanford shall at all times maintain or, where applicable, cause the operators of its oil and gas properties to maintain adequate insurance, by financially sound and reputable insurers, including without limitation, the following coverages: (i) insurance against damage to persons and property, including comprehensive general liability, worker's compensation and automobile liability, and (ii) insurance against sudden and accidental environmental and pollution hazards and accidents.

4.5 Compliance with Applicable Laws. The Borrowers will comply with the material requirements of all applicable Laws (including with limitation, Occupational Safety and Health Administration (OSHA) provisions, rules, regulations and orders of any Tribunal and obtain any licenses, permits, franchises or other governmental authorizations necessary to the ownership of their properties or to the conduct of their business.

4.6 Financial Statements and Reports.

(a) Annual Financial Statements. Within ninety (90) days of the end of the calendar year, Stanford shall furnish to the Bank the following internally and consistently prepared (in conformity with prior such annual reports) consolidated financial statements:

(i) A consolidated balance sheet of Stanford at the end of such period, and

(ii) A consolidated statement of income of Stanford for such period with year-to-date earnings, setting forth in each case in comparative form the figures for the previous fiscal year, if applicable, all in reasonable detail. The report of the preparer of the reports (the president or chief financial officer of Stanford) shall constitute and be deemed a certification that he/she has obtained no knowledge of any Event of Default or Default as defined herein, or, if any Event of Default or Default existed or exists, specifying the nature and period of existence thereof and that Stanford is in compliance with all covenants, warranties, and representations set forth herein.

(b) Personal Financial Statements. Within ninety (90) days of the end of the calendar year, each of McCabe, the Trust, and Rochford shall provide the Bank with personal financial statements in form, scope and substance acceptable to the Bank.

(c) Tax Returns. Each Borrower shall, as soon as practicable and in any event within twenty (20) days after the same become available, submit a signed copy of its federal and state income tax returns for each year, commencing for the year ended December 31, 2010.

(d) Liquidity Statements. Semiannually, commencing on June 30, 2010, the Borrowers shall submit brokerage and/or bank statements demonstrating compliance with Section 4.26.

4.7 Notice of Default. Immediately upon any Borrower becoming aware of any condition or event which constitutes an Event of Default or Default or any default or event of default under any other loan, mortgage, financing or security agreement, such Borrower will give the Bank a written notice thereof specifying the nature and period of existence thereof and what actions, if any, such Borrower is taking and proposes to take with respect thereto.

4.8 Notice of Litigation. Immediately upon becoming aware of the existence of any action, suit or proceeding at law or in equity before any Tribunal, an adverse outcome in which would (i) materially impair the ability of any of the Borrowers to carry on its business substantially as now conducted, (ii) materially and adversely affect the condition (financial or otherwise) of any Borrower, or (iii) result in monetary damages in excess of $100,000, such Borrower will give the Bank a written notice specifying the nature thereof and what actions, if any, the Borrower is taking and proposes to take with respect thereto.

4.9 Notice of Claimed Default. Immediately upon becoming aware that the holder of any note or any evidence of indebtedness or other security of any Borrower has given notice or taken any action with respect to a claimed default or event of default thereunder, if the amount of the note or indebtedness exceeds $50,000 such Borrower will give the Bank a written notice specifying the notice given or action taken by such holder and the nature of the claimed default or event of default thereunder and what actions, if any, such Borrower is taking and proposes to take with respect thereto.

4.10 Change of Management/Business Purpose. Within five (5) days after any change in officers, directors or management of Stanford or the change of a trustee of the Trust, Stanford or the new trustee shall give written notice thereof to the Bank, together with a description of the reasons for the change and a reasonably detailed succession plan for the Bank's review.

4.11 Requested Information. With reasonable promptness, the Borrowers will give the Bank such other data and information relating to the Borrowers as from time to time may be reasonably requested by the Bank.

4.12 Inspection. The Borrowers will keep complete and accurate books and records with respect to their properties, businesses and operations and upon reasonable advance notice will permit employees and representatives of the Bank to review, audit, inspect and examine the same and to make copies thereof and extracts therefrom during normal business hours.

4.13 Maintenance of Employee Benefit Plans. Stanford will maintain each employee benefit plan as to which it may have any liability or responsibility in compliance with ERISA and all other Laws applicable thereto.

4.14 Disposition/Negative Pledge or Encumbrance of Assets. Stanford will not dispose of any of its assets other than in the normal and prudent course of its business operations.

4.15 Limitation on Other Indebtedness. Except for the items listed onExhibit "A" under "Other Obligations," Stanford will not create, incur, assume, become or be liable in any manner in respect of, or suffer to exist, any indebtedness whether evidenced by a note, bond, debenture, agreement, letter of credit or similar or other obligation, or accept any deposits or advances of any kind, except: (i) trade payables and current indebtedness (other than for borrowed money) incurred in, and deposits and advances accepted in, the ordinary course of business; (ii) indebtedness other than to the Bank hereunder not exceeding $250,000 outstanding at any time; (iii) contingent liabilities arising from the operations of the Borrowers in the ordinary course of business such as plugging liabilities and similar operational matters customary for operators in the oil and gas industry; (iv) the Indebtedness; and (v) additional indebtedness arising from fixed asset purchases not in excess of $100,000 outstanding in the aggregate at any time.

4.16 Limitation on Liens. Stanford will not create or suffer to exist any Lien upon any of its property or assets, except (i) Liens (including statutory tax liens to the extent not delinquent) arising in the ordinary course of business for sums not due or sums being contested in good faith and by appropriate proceedings and not involving any deposits, advances, borrowed money or the deferred purchase price of property or services; (iii) Liens securing any of the indebtedness and obligations described in Section 4.15(ii).

4.17 Contingent Liabilities; Advances, Investments, Fixed Asset Purchases. Except only for the items described on Exhibit "A" attached hereto, Stanford will not either directly or indirectly otherwise, (i) make investments in one or more Subsidiaries or other investments not constituting a core part of Stanford's business plan at the Closing Date, guarantee, become surety for, discount, endorse, agree (contingently or otherwise) to purchase, repurchase or otherwise acquire or supply or advance funds in respect of, or otherwise become or be contingently liable upon the indebtedness, obligation or liability of any Person, (ii) guarantee the payment of any dividends or other distributions upon the stock of any corporation, (iii) discount or sell with recourse or for less than the face value thereof, any of its notes receivable, accounts receivable or chattel paper; (iv) loan, agree to loan, or advance money to any Person or make any other loans, advances or investments in excess of an aggregate amount outstanding at any one time of $50,000.00; or (v) enter into any agreement for the purchase or other acquisition of any goods, products, materials or supplies, or for the making of any shipments or for the payment of services, if in any such case payment therefor is to be made regardless of the non-delivery of such goods, products, materials or supplies or the non-furnishing of the transportation or services; provided, however that the foregoing shall not be applicable to endorsement of negotiable instruments presented to or deposited with a bank for collection or deposit in the ordinary course of business.

4.18 Merger, Consolidation, Acquisition, Etc. Stanford will not merge or consolidate with or into any other Person; or permit any Person to merge into Stanford; or acquire all or substantially all of the assets or properties or capital stock of any other Person if not constituting a core part of Stanford's business plan at the Closing Date; or adopt or effect any plan of reorganization, recapitalization, liquidation or dissolution; provided, however, Stanford may enter into letters of intent pertaining to any merger, consolidation or acquisition prohibited by the foregoing subject to obtaining the Bank's written consent (which consent shall not be unreasonably withheld, conditioned or delayed) thereto prior to consummation of the transactions contemplated by such letter(s) of intent.

4.19 Distributions/Dividends. Stanford will not declare, pay or become obligated to declare or pay any capital, cash or other distributions or dividends on any class of its capital stock now or hereafter outstanding, make any distribution of capital, cash or property to holders of any shares of Stanford or shares of such stock, or redeem, retire, purchase or otherwise acquire, directly or indirectly, any shares of any class of its capital stock now or hereafter outstanding except only for (i) distributions to Stanford's shareholders for pass through tax liabilities thereof for tax years ending December 31, 2010, and thereafter, and only for so long as Stanford is a sub chapter S corporation and then only to the extent no Default or Event of Default remains uncured or will result from or be caused by such permitted tax distribution and (ii) any other distributions unless a Default or Event of Default (x) remains uncured or (y) would result therefrom or be caused thereby.

4.20 Change of Fiscal Year. Stanford will not change its fiscal year from its present fiscal year (fiscal year ending December 31).

4.21 Change of Business. Stanford will not engage in any business activity substantially different from or unrelated to present business activities and operations.

4.22 Certificate of Incorporation; Bylaws and Assumed Names. Stanford will not amend, alter, modify or restate its Certificate of Formation or Bylaws in any way which would: (i) change the name or adopt a trade name for the Borrower; or (ii) in any manner adversely affect the rights of the Bank or Stanford's obligations or covenants to the Bank hereunder.

4.23 Transactions with Affiliates. Stanford will not enter into any transaction, including (without limitation) the purchase, sale or exchange of property or the rendering or furnishing of any service with any Affiliate of Stanford, except transactions in the ordinary course of the businesses of Stanford and upon fair and reasonable terms no less favorable than Stanford would obtain in a transaction for the same purpose with a Person that is not an Affiliate of the Stanford.

4.24 Other Agreements. The Borrowers will not enter into or permit to exist any agreement which: (i) would cause an Event of Default or a Default hereunder; or (ii) contains any provision which would be violated or breached by the performance of the Borrowers' obligations hereunder or under any of the other Loan Documents.

4.25 Payment of Indebtedness. The Borrowers hereby agree to pay, when due and owing, all Indebtedness, whether or not evidenced by the Revolver Note.

4.26 Minimum Liquidity. Borrowers shall maintain an aggregate of at least $10,000,000.00 of unencumbered liquidity (cash and cash equivalents) at all times.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

To induce the Bank to enter into this Agreement and to make the Revolver Loan to the Borrowers under the provisions hereof, and in consideration thereof, the Borrowers represent, warrant and covenant as follows:

5.1 Organization and Qualification. Stanford is duly organized, validly existing, and in good standing as a corporation under the Laws of Texas, and is duly licensed and in good standing as a foreign corporation in each jurisdiction in which the nature of the business transacted or the property owned is such as to require licensing or qualification as such.

5.2 Litigation. Except for the actions described on Exhibit "B" attached hereto, if any, to the best of each Borrower's knowledge, there is no action, suit, investigation or proceeding threatened or pending before any Tribunal against or affecting the Borrowers or any properties or rights of the Borrowers which, if adversely determined, would result in a liability of greater than $100,000 or would otherwise result in any material adverse change in the business or condition, financial or otherwise, of any Borrower. The Borrowers are not in default with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Tribunal.

5.3 Financial Statements. Each Borrower's most recent financial statements which have been furnished to the Bank have been prepared in conformity with sound accounting principles, consistently applied, show all material liabilities, direct and contingent, and fairly present the consolidated financial condition of such Borrower as of the date of such statements and the results of its operations for the period then ended, and since the date of such statements there has been no material adverse change in the business, financial condition or operations of such Borrower.

5.4 Conflicting Agreements and Other Matters. To the best of each Borrower's knowledge, no Borrower is in default in the performance of any obligation, covenant, or condition in any material agreement to which it is a party or by which it is bound. No Borrower is a party to any contract or agreement or subject to any other restriction which materially and adversely affects its business, property or assets, or financial condition. No Borrower is a party to or otherwise subject to any contract or agreement which restricts or otherwise affects the right or ability of such Borrower to execute the Loan Documents or the performance of any of their respective terms. Neither the execution nor delivery of any of the Loan Documents, nor fulfillment of nor compliance with their respective terms and provisions will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, or result in the creation of any Lien upon any of the properties or assets of the Borrowers pursuant to, or require any consent, approval or other action by or any notice to or filing with any Tribunal (other than routine filings after the Closing Date with the Securities and Exchange Commission, any securities exchange and/or state blue sky authorities) pursuant to the Certificate of Formation or Bylaws of Stanford, any award of any arbitrator, or any agreement, instrument or Law to which any Borrower is subject.

5.5 Authorization. The directors of Stanford and the trustee of the Trust have duly authorized the execution and delivery of each of the Loan Documents and the performance of their respective terms. No other consent of any other Person, except for the Bank, is required as a prerequisite to the validity and enforceability of the Loan Documents.

5.6 Purposes. No Borrower is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System) and no part of the proceeds of any borrowing hereunder will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock. If requested by the Bank, the Borrowers will furnish to the Bank a statement in conformity with the requirements of Federal Reserve Form U-1, referred to in Regulation U, to the foregoing effect. Neither the Borrowers nor any agent acting on behalf thereof has taken or will take any action which might cause this Agreement or the Note to violate any regulation of the Board of Governors of the Federal Reserve System (including Regulations G, T, U and X) or to violate any securities laws, state or federal, in each case as in effect now or as the same may hereafter be in effect.

5.7 Compliance with Applicable Laws. To the best of its knowledge, each Borrower is in compliance with all Laws, ordinances, rules, regulations and other legal requirements applicable to it and the business conducted by it, the violation of which could or would have a material adverse effect on its business or condition, financial or otherwise. Neither the ownership of any shares of Stanford, nor any continued role of any Person in the management or other affairs of Stanford (i) will result or could result in any Borrower's noncompliance with any Laws, ordinances, rules, regulations and other legal requirements applicable to the Borrowers, or (ii) could or would have a material adverse effect on the business or condition, financial or otherwise, of any Borrower.

5.8 Possession of Franchises, Licenses. The Borrowers possess all franchises, certificates, licenses, permits and other authorizations from governmental political subdivisions or regulatory authorities, free from burdensome restrictions, that are necessary in any material respect for the ownership, maintenance and operation of their properties and assets, and no Borrower is in violation of any thereof in any material respect.

5.9 Leases, Easements and Rights of Way. Each Borrower enjoys peaceful and undisturbed possession of all leases, easements and rights of way necessary in any material respect for the operation of its properties and assets, none of which contains any unusual or burdensome provisions that might materially affect or impair the operation of such properties and assets. All such leases, easements and rights of way are valid and subsisting and are in full force and effect.

5.10 Taxes. Each Borrower has filed all Federal, state and other income tax returns which are required to be filed and have paid all Taxes, as shown on said returns, and all Taxes due or payable without returns and all assessments received to the extent that such Taxes or assessments have become due. All Tax liabilities of the Borrowers are adequately provided for on the books of the Borrowers, including interest and penalties. No income tax liability of a material nature has been asserted by taxing authorities for Taxes in excess of those already paid.

5.11 Disclosure. Neither this Agreement nor any other Loan Document or writing furnished to Bank by or on behalf of Borrowers in connection herewith contains any untrue statement of a material fact nor do such Loan Documents and writings, taken as a whole, omit to state a material fact necessary in order to make the statements contained herein and therein not misleading. There is no fact known to Borrowers and not reflected in the financial statements provided to Bank which materially adversely affects their assets or in the future may materially adversely affect the business, property, assets or financial condition of Borrowers which has not been set forth in this Agreement, in the Loan Documents or in other documents furnished to Bank by or on behalf of Borrowers prior to the date hereof in connection with the transactions contemplated hereby.

5.12 Investment Company Act Representation. No Borrower is an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

5.13 ERISA. Since the effective date of Title IV of ERISA, no Reportable Event has occurred with respect to any Plan. For the purposes of this section the term "Reportable Event" shall mean an event described in Section 4043(b) of ERISA. For the purposes hereof the term "Plan" shall mean any plan subject to Title IV of ERISA and maintained for employees of any Borrower, or of any member of a controlled group of corporations, as the term "controlled group of corporations" is defined in Section 1563 of the Internal Revenue Code of 1986, as amended (the "Code"), of which any Borrower is a part. Each Plan established or maintained by the Borrowers are in material compliance with the applicable provisions of ERISA, and the Borrowers have filed all reports required by ERISA and the Code to be filed with respect to each Plan. The Borrowers have met all requirements with respect to funding Plans imposed by ERISA or the Code. Since the effective date of Title IV of ERISA there have not been any nor are there now existing any events or conditions that would permit any Plan to be terminated under circumstances which would cause the lien provided under Section 4068 of ERISA to attach to the assets of any Borrower. The value of each Plan's benefits guaranteed under Title IV of ERISA on the date hereof does not exceed the value of such Plan's assets allocable to such benefits on the date hereof.

5.14 Fiscal Year. The fiscal year of the Borrowers ends as of December 31 of each year.

5.15 Title to Properties; Authority. Borrowers have full power, authority and legal right to own and operate the properties which they now own and operate, and to carry on the lines of business in which they are now engaged. Borrowers has full power, authority and legal right to execute and deliver and to perform and observe the provisions of this Agreement and the other Loan Documents.

5.16 Oil and Gas Contracts. All contracts, agreements and leases related to any of the oil and gas mining, mineral or leasehold properties and all contracts, agreements, instruments and leases to which any Borrower is a party, to the best of each Borrower's knowledge, are valid and effective in accordance with their respective terms, and all agreements included in the oil and gas mining, mineral or leasehold properties in the nature of oil and/or gas purchase agreements, and oil and/or gas sale agreements are in full force and effect and, to the best of each Borrower's knowledge, are valid and legally binding obligations of the parties thereto and all payments due thereunder have been made, except for those suspended for reasonable cause in the ordinary course of business; and, there is not under any such contract, agreement or lease any existing default known or that should be known to any Borrower by any party thereto or any event which, with notice or lapse of time, or both, would constitute such default, other than minor defaults which, in the aggregate, would result in losses or damages of more than $100,000 to the Borrowers.

5.17 Natural Gas Policy Act and Natural Gas Act Compliance. To the best of each Borrower's knowledge, all material filings and approvals under the Natural Gas Policy Act of 1978, as amended, and the Natural Gas Act, as amended, or with the Federal Energy Regulatory Commission (the "FERC") or required under any rules or regulations adopted by the FERC which are necessary for the operation of the Borrowers' businesses in the manner in which they are presently being operated have been made and the terms of the agreements and contractual rights included in the Borrowers' businesses do not conflict with or contravene any such Law, rule or regulation.

ARTICLE VI
EVENTS OF DEFAULT

6.1 Events of Default. The occurrence of any one or more of the following events shall constitute an Event of Default hereunder (whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of Law or otherwise):

(a) Borrowers shall fail to make any quarterly or other scheduled payment on the Revolver Note when due, or fail to pay the Revolver Note after the same shall become due and payable (whether by extension, renewal, acceleration, maturity or otherwise); or

(b) Any representation or warranty of the Borrowers made herein or in any writing furnished in connection with or pursuant to any of the Loan Documents shall have been false or misleading in any material respect on the date when made and continues to have a material adverse effect on the Borrowers or their financial capacity or business operations; or

(c) Any Borrower shall fail to duly observe, perform or comply with any covenant, agreement or term (other than payment provisions which are governed by Section 6.1(a) hereof) contained in this Agreement or any of the Loan Documents and such default or breach shall have not been cured or remedied within the earlier of thirty (30) days after such Borrower shall know (or should have known) of its occurrence or thirty (30) days following receipt of notice thereof from the Bank; provided, however, in the event it takes longer than thirty (30) days to diligently cure the default, the Bank shall give such Borrower a reasonable amount of additional time to cure said defect so long as such Borrower is using good faith efforts to cure said defect but in no event shall the Bank be obligated to provide more than ninety (90) days in the aggregate for such cure; or

(d) Any Borrower shall default in the payment of principal or of interest on any other obligation for money borrowed or received as an advance (or any obligation under any conditional sale or other title retention agreement, or any obligation issued or assumed as full or partial payment for property whether or not secured by purchase money Lien, or any obligation under notes payable or drafts accepted representing extensions of credit) in excess of $50,000 beyond any grace period provided with respect thereto, or shall default in the performance of any other agreement, term or condition contained in any agreement under which such obligation is created (or if any other default under any such agreement shall occur and be continuing beyond any period of grace provided with respect thereto) if the effect of such default is to cause the holder or holders of such obligation (or a trustee on behalf of such holder or holders) to accelerate the due date of such obligation prior to its scheduled date of maturity; or

(e) Any of the following: (i) any Borrower shall become insolvent or unable to pay its or his debts as they mature, make an assignment for the benefit of creditors or admit in writing its or his inability to pay its or his debts generally as they become due or fail generally to pay its or his debts as they mature; or (ii) an order, judgment or decree is entered adjudicating any Borrower bankrupt or insolvent and such order is not dismissed within thirty (30) days; or (iii) any Borrower shall petition or apply to any Tribunal for the appointment of a trustee, receiver, custodian or liquidator of any Borrower or of any substantial part of the assets of the Borrower, or shall commence any proceedings relating to the Borrower under any bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debts, dissolution, or liquidation Law of any jurisdiction, whether now or hereafter in effect; or (iv) any such petition or application shall be filed, or any such proceedings shall be commenced, of a type described in subsection (iii) above, against any Borrower and such Borrower by any act shall indicate its approval thereof, consent thereto or acquiescence therein, or an order, judgment or decree shall be entered appointing any such trustee, receiver, custodian or liquidator, or approving the petition in any such proceedings, and such order, judgment or decree shall remain unstayed and in effect, if being vigorously contested, for more than sixty (60) days; or (v) any order, judgment or decree shall be entered in any proceedings against any Borrower decreeing the dissolution of such Borrower and such order, judgment or decree shall remain unstayed and in effect for more than thirty (30) days; or (vi) any order, judgment or decree shall be entered in any proceedings against any Borrower decreeing a split-up of such Borrower which requires the divestiture of a substantial part of the assets of such Borrower, and such order, judgment or decree shall remain unstayed and in effect for more than thirty (30) days; or (vii) any Borrower shall fail to make timely payment or deposit of any amount of tax required to be withheld by such Borrower and paid to or deposited to or to the credit of the United States of America pursuant to the provisions of the Internal Revenue Code of 1986, as amended, in respect of any and all wages and salaries paid to employees of such Borrower; or

(f) Any final judgment on the merits for the payment of money in an amount in excess of $100,000 shall be outstanding against any Borrower, and such judgment shall remain unstayed and in effect and unpaid for more than thirty (30) days; or

(g) Any Reportable Event described in Section 5.13 hereof which the Bank determines in good faith might constitute grounds for the termination of a Plan therein described or for the appointment by the appropriate United States District Court of a trustee to administer any such Plan shall have occurred and be continuing thirty (30) days after written notice to such effect shall have been given to the Bank by any Borrower, or any such Plan shall be terminated, or a trustee shall be appointed by a United States District Court to administer any such Plan or the Pension Benefit Guaranty Corporation shall institute proceedings to terminate any such Plan or to appoint a trustee to administer any such Plan; or

(h) Any default or event of default occurs under any of the other Loan Documents, or any default or event of default occurs under any other agreement between any Borrower and the Bank; or

(i) a Material Adverse Change shall occur and not be remedied within ten (10) days of its occurrence or Borrowers' receipt of notification thereof from the Bank.

6.2 Remedies. Upon the occurrence of any Event of Default referred to inSection 6.1(e) the Revolver Commitment shall immediately terminate, and the Revolver Note and all other Indebtedness shall be immediately due and payable, without notice of any kind. Upon the occurrence of any other Event of Default, and without prejudice to any right or remedy of the Bank under this Agreement or the Loan Documents or under applicable Law of under any other instrument or document delivered in connection herewith, the Bank may (i) immediately impose the Default Rate on the Revolver Note and all other outstanding Indebtedness, (ii) declare the Revolver Commitment terminated, and/or (iii) declare the Revolver Commitment terminated and declare the Revolver Note and the other Indebtedness, or any part thereof, to be forthwith due and payable, whereupon the Revolver Note and the other Indebtedness, or such portion as is designated by the Bank shall forthwith become due and payable, without presentment, demand, notice or protest of any kind, all of which are hereby expressly waived by the Borrowers. No delay or omission on the part of the Bank in exercising any power or right hereunder or under the Revolver Note, the Loan Documents or under applicable law shall impair such right or power or be construed to be a waiver of any default or any acquiescence therein, nor shall any single or partial exercise by the Bank of any such power or right preclude other or further exercise thereof or the exercise of any other such power or right by the Bank. In the event that all or part of the Indebtedness becomes or is declared to be forthwith due and payable as herein provided, the Bank shall have the right to set off the amount of all the Indebtedness of the Borrowers owing to the Bank against, and shall have, and is hereby granted by the Borrowers, a lien upon and security interest in, all property of any Borrower in the Bank's possession at or subsequent to such default, regardless of the capacity in which the Bank possesses such property, including but not limited to any balance or share of any deposit, collection or agency account. After Default all proceeds received by the Bank may be applied to the Indebtedness in such order of application and such proportions as the Bank, in its discretion, shall choose. At any time after the occurrence and continuation of any Event of Default, the Bank may, at its option, cause an audit of any and/or all of the books, records and documents of the Borrowers to be made by auditors reasonably satisfactory to the Bank at the expense of the Borrowers. The Bank also shall have, and may exercise, each and every right and remedy granted to it for default under the terms of the other Loan Documents.

ARTICLE VII
MISCELLANEOUS

7.1 Notices. Unless otherwise provided herein, all notices, requests, consents and demands shall be in writing and shall be either hand-delivered (by reputable courier or otherwise) or mailed by certified mail, postage prepaid, to the respective addresses specified below, or, as to any party, to such other address as may be designated by it in written notice to the other parties:

If to any Borrower:
c/o Stanford Energy, Inc.
6555 S. Lewis Ave.
Tulsa, Oklahoma 74136
Attn: Stanley M. McCabe, President

If to the Bank:
The F&M Bank & Trust Company
1330 South Harvard
P.O. Box 4500
Tulsa, Oklahoma 74159-0500
Attn: Christopher Cardoni, Senior Vice President

All notices forwarded or submitted hereunder will be effective when hand-delivered (via reputable courier system or otherwise by personal delivery) to the applicable notice address set forth above or when mailed by certified mail, postage prepaid, addressed as aforesaid.

7.2 Place of Payment. All sums payable hereunder shall be paid in immediately available funds to the Bank, at its principal banking offices in Tulsa, Oklahoma, or at such other place as the Bank shall notify the Borrowers in writing. If any interest, principal or other payment falls due on a date other than a Business Day, then (unless otherwise provided herein) such due date shall be extended to the next succeeding Business Day, and such extension of time will in such case be included in computing interest, if any, in connection with such payment.

7.3 Survival of Agreements. All covenants, agreements, representations and warranties made herein shall survive the execution and the delivery of Loan Documents. All statements contained in any certificate or other instrument delivered by the Borrowers hereunder shall be deemed to constitute representations and warranties by the Borrower.

7.4 Parties in Interest. All covenants, agreements and obligations contained in this Agreement shall bind and inure to the benefit of the respective successors and assigns of the parties hereto, except that the Borrowers may not assign their rights or obligations hereunder without the prior written consent of the Bank.

7.5 Governing Law and Jurisdiction. This Agreement, the Revolver Note, and all other Loan Documents shall be deemed to have been made or incurred under the Laws of the State of Oklahoma and shall be construed and enforced in accordance with and governed by the Laws of Oklahoma.

7.6 SUBMISSION TO JURISDICTION. EACH BORROWER HEREBY CONSENTS TO THE JURISDICTION OF ANY OF THE LOCAL, STATE, AND FEDERAL COURTS LOCATED WITHIN TULSA COUNTY, OKLAHOMA AND WAIVES ANY OBJECTION WHICH SUCH BORROWER MAY HAVE BASED ON IMPROPER VENUE OR FORUM NON CONVENIENS TO THE CONDUCT OF ANY PROCEEDING IN ANY SUCH COURT AND WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT, AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS BE MADE BY MAIL OR MESSENGER DIRECTED TO IT AT THE ADDRESS SET FORTH IN SUBSECTION 7.1 HEREOF AND THAT SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON THE EARLIER OF ACTUAL RECEIPT OR THREE (3) BUSINESS DAYS AFTER MAILED OR DELIVERED BY MESSENGER.

7.7 Highest Lawful Rate. It is the intention of the parties hereto that Bank shall conform strictly to usury laws applicable to it. Accordingly, if the transactions contemplated hereby would be usurious as to the Bank under laws applicable to it (including the laws of the United States of America and the State of Oklahoma or any other jurisdiction whose laws may be mandatorily applicable to the Bank notwithstanding the other provisions of this Agreement), then, in that event, notwithstanding anything to the contrary in any of the Loan Documents or any agreement entered into in connection with or as security for the Revolver Note, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under law applicable to the Bank that is contracted for, taken, reserved, charged or received by the Bank under any of the Loan Documents or agreements or otherwise in connection with the Revolver Note shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be canceled automatically and if theretofore paid shall be credited by the Bank on the principal amount of the Indebtedness (or, to the extent that the principal amount of the Indebtedness shall have been or would thereby be paid in full, refunded by the Bank to the Borrowers); and (ii) in the event that the maturity of the Revolver Note is accelerated by reason of an election of the holder thereof resulting from any Event of Default under this Agreement or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to the Bank may never include more than the maximum amount allowed by such applicable law, and excess interest, if any, provided for in this Agreement or otherwise shall be canceled automatically by the Bank as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by the Bank on the principal amount of the Indebtedness (or, to the extent that the principal amount of the Indebtedness shall have been or would thereby be paid in full, refunded by the Bank to the Borrowers). All sums paid or agreed to be paid to the Bank for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by law applicable to the Bank, be amortized, prorated, allocated and spread throughout the full term of the Loans evidenced by the Revolver Note until payment in full so that the rate or amount of interest on account of any Loans hereunder does not exceed the maximum amount allowed by such applicable law. If at any time and from time to time (i) the amount of interest payable to the Bank on any date shall be computed at the Highest Lawful Rate applicable to the Bank pursuant to this Section 7.7 and (ii) in respect of any subsequent interest computation period the amount of interest otherwise payable to the Bank would be less than the amount of interest payable to the Bank computed at the Highest Lawful Rate applicable to the Bank, then the amount of interest payable to the Bank in respect of such subsequent interest computation period shall continue to be computed at the Highest Lawful Rate applicable to the Bank until the total amount of interest payable to the Bank shall equal the total amount of interest which would have been payable to the Bank if the total amount of interest had been computed without giving effect to this Section 7.7.

7.8 No Waiver; Cumulative Remedies. No failure to exercise, and no delay in exercising, on the part of the Bank, any right, power or privilege hereunder or under any other Loan Document or applicable Law shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege of the Bank. The rights and remedies herein provided are cumulative and not exclusive of any other rights or remedies provided by any other instrument or by law. No amendment, modification or waiver of any provision of this Agreement or any other Loan Document shall be effective unless the same shall be in writing and signed by the parties. No notice to or demand on the Borrowers in any case shall entitle the Borrowers to any other or further notice or demand in similar or other circumstances.

7.9 Costs. The Borrowers jointly and severally agree to pay to the Bank on demand all reasonable and documented costs, fees and expenses (including without limitation reasonable attorneys fees and legal expenses) incurred or accrued by the Bank in connection with the negotiation, preparation, execution, delivery, filing, recording and administration of this Agreement and the other Loan Documents, or any amendment, waiver, consent or modification thereto or thereof, or any enforcement thereof. The Borrowers further agree that all such fees and expenses shall be paid regardless of whether or not the transactions provided for in this Agreement are eventually closed and regardless of whether or not any or all sums evidenced by the Revolver Note are advanced to the Borrowers by the Bank. Upon the Borrowers' failure to pay all such costs and expenses within ten (10) days of the Bank's submission of invoices therefore, the Bank shall pay such costs and expenses by debit to the general account of the Borrowers without further notice to the Borrowers.

7.10 Participation. The Borrowers recognize and acknowledge that the Bank may sell participating interests in the Revolver Loan to one or more financial institutions (the "Participants"). Upon receipt of notice of the identity and address of each such Participant, the Borrowers shall thereafter supply such Participant with the same information and reports communicated to the Bank, whether written or oral. The Borrowers hereby acknowledge that each Participant shall be deemed a holder of the Revolver Note to the extent of its participation, and each Borrower hereby waives its right, if any, to offset amounts owing to the Bank from the Borrowers against any Participant's portion of such Revolver Note.

7.11 **WAIVER OF JURY. EACH BORROWER FULLY, VOLUNTARILY AND EXPRESSLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THE REVOLVER NOTE, THIS AGREEMENT, OR UNDER ANY AMENDMENT, SUPPLEMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED (OR WHICH MAY IN THE FUTURE BE DELIVERED) IN CONNECTION HEREWITH OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT. EACH BORROWER AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.**

7.12 Payments Set Aside. To the extent that any payment by or on behalf of the Borrowers is made to the Bank or the Bank exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Bank in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any bankruptcy or other debtor relief law or otherwise, then, to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred.

7.13 Full Agreement. This Agreement and the other Loan Documents contain the full agreement of the parties and supersede all negotiations and agreements prior to the date hereof.

7.14 Headings. The article and section headings of this Agreement are for convenience of reference only and shall not constitute a part of the text hereof nor alter or otherwise affect the meaning hereof.

7.15 Severability. The unenforceability or invalidity as determined by a Tribunal of competent jurisdiction, of any provision or provisions of this Agreement shall not render unenforceable or invalid any other provision or provisions hereof.

7.16 Exceptions to Covenants. The Borrowers shall not be deemed to be permitted to take any action or fail to take any action which is permitted as an exception to any of the covenants contained herein or which is within the permissible limits of any of the covenants contained herein if such action or omission would result in the breach of any other covenant contained herein.

7.17 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Revolver Loan Agreement to be duly executed and delivered to the Bank in Tulsa, Oklahoma, effective as of the day and year first above written.

"Borrowers"

STANFORD ENERGY, INC.,
a Texas corporation

By */s/ Stanley M. McCabe*
Stanley M. McCabe, President

/s/ Stanley M. McCabe
Stanley M. McCabe, individually

/s/ Stanley M. McCabe
Stanley M. McCabe, sole trustee of the McCabe Family Trust, as amended

/s/ Lloyd T. Rochford
Lloyd T. Rochford, individually

"Bank"

THE F&M BANK & TRUST COMPANY

By */s/ Christopher Cardoni*
Christopher Cardoni, Senior Vice President

LIST OF EXHIBITS AND SCHEDULES
EXHIBITS

Exhibit A	-	Liabilities (§§ 4.17, 4.19)
Exhibit B	-	Pending Litigation (§ 5.2)

LIST OF EXHIBITS

EXHIBIT A

(§ 4.17)

OTHER OBLIGATIONS

NONE

(§ 4.19)

CONTINGENT LIABILITIES

NONE

EXHIBIT B

(§ 5.2)

PENDING LITIGATION

NONE

EXHIBIT B

FIRST AMENDMENT TO
REVOLVER LOAN AGREEMENT

THIS FIRST AMENDMENT TO REVOLVER LOAN AGREEMENT, dated effective as of May 12, 2012 (the "First Amendment"), is made and entered into by and among **STANFORD ENERGY, INC.**, a Texas corporation ("Stanford"), **STANLEY M. MCCABE**, individually ("McCabe"), and as sole trustee of **THE MCCABE FAMILY TRUST**, as amended (the "Trust"), and **LLOYD T. ROCHFORD**, individually ("Rochford", and together with Stanford, McCabe, and the Trust, collectively, the "Borrowers" and each individually, a "Borrower"), and **THE F&M BANK & TRUST COMPANY**, a state banking corporation (the "Bank").

WITNESSETH:

WHEREAS, the Borrowers and the Bank entered into that certain Revolver Loan Agreement dated as of May 12, 2011 (the "Existing Loan Agreement"), pursuant to which the Bank established a revolving line of credit in favor of Borrowers in the maximum principal amount of $10,000,000.00 until May 12, 2012 (the "Revolver Commitment"), as evidenced by a Promissory Note (Revolver Note) in the maximum principal amount of $10,000,000.00 and dated as of May 12, 2011 (the "Revolver Note"); and

WHEREAS, the Borrowers have requested the Bank to amend, modify, and extend the Revolver Note and the Revolver Commitment in the existing maximum principal amount of $10,000,000.00 until the extended Revolver Final Maturity Date of May 10, 2013, as evidenced by that certain replacement promissory note herein described; and

WHEREAS, subject to the terms, provisions and conditions hereinafter set forth, the Bank is willing to extend and renew the Revolver Commitment and the Revolver Note in the existing maximum principal amount of $10,000,000.00 until the extended Revolver Final Maturity Date of May 10, 2013, subject to the terms, provisions, conditions and limitations hereof;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, receipt of which is acknowledged by the parties hereto, the parties agree as follows:

1. Definitions. Any capitalized term used herein (including in the recitals hereto) but not otherwise defined shall have the meaning given to such term in the Existing loan Agreement. In addition, the following definitions in Article I of the Existing Loan Agreement are hereby replaced in their entirety:

"Revolver Final Maturity Date" shall mean May 10, 2013, unless otherwise extended or renewed in writing by the mutual agreement of the Borrowers and the Bank.

2. Revolver Commitment. The Revolver Commitment is hereby extended and renewed in the existing maximum principal amount of $10,000,000.00 until the extended Revolver Final Maturity Date, subject to the restrictions contained in the Existing loan Agreement, as amended by this First Amendment (as amended, the "Loan Agreement").

3. Replacement Revolver Note. Section 2.2 of the Existing Loan Agreement is hereby amended to provide that the Borrowers' obligation to repay the Revolver Loan advances made under the Revolver Commitment, together with interest accruing thereon, shall be evidenced by the Borrowers' replacement promissory note dated as of even date herewith, made payable to the order of the Bank in the face principal amount of $10,000,000.00, in form, scope and substance acceptable to the Bank (the "Replacement Revolver Note"). All references in the Existing Loan Agreement to the "Revolver Note" shall hereafter mean the Replacement Revolver Note.

4. Ratification. The remaining terms, provisions and conditions set forth in the Existing Loan Agreement shall remain in full force and effect for all purposes and are incorporated herein by reference. The Borrowers restate, confirm and ratify the warranties, covenants and representations set forth therein and further represent to the Bank that, as of the date hereof, no Default or Event of Default exists under the Loan Agreement (including this First Amendment).

5. Conditions. The Borrowers shall execute and deliver, or cause to be executed and delivered to the Bank, each of the following as express conditions precedent to the effectiveness of the amendments and modifications contemplated by this First Amendment:

(a) this First Amendment;

(b) the Replacement Note;

(c) a closing certificate and authorizing resolution, as applicable, of Stanford and the Trust, each in form, scope and content acceptable to the Bank concerning the transactions contemplated by this First Amendment; and

(d) such other matters as deemed necessary or appropriate by the Bank.

6. **SUBMISSION TO JURISDICTION. THE BORROWERS HEREBY CONSENT TO THE JURISDICTION OF ANY OF THE LOCAL, STATE, AND FEDERAL COURTS LOCATED WITHIN TULSA COUNTY, OKLAHOMA, AND WAIVE ANY OBJECTION WHICH BORROWERS MAY HAVE BASED ON IMPROPER VENUE OR FORUM NON CONVENIENS TO THE CONDUCT OF ANY PROCEEDING IN ANY SUCH COURT AND WAIVE PERSONAL SERVICE OR ANY AND ALL PROCESS UPON THEM, AND CONSENT THAT ALL SUCH SERVICE OF PROCESS BE MADE BY MAIL OR MESSENGER DIRECTED TO THEM AT THE ADDRESS SET FORTH IN SECTION 7.1 OF THE EXISTING LOAN AGREEMENT AND THAT SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON THE EARLIER OF ACTUAL RECEIPT OR THREE (3) BUSINESS DAYS AFTER MAILED OR DELIVERED BY MESSENGER.**

7. Expenses. The Borrowers agree to pay to the Bank on demand all costs, fees and expenses (including without limitation reasonable attorneys fees and legal expenses incurred or accrued by the Bank in connection with the preparation, negotiation, execution, closing, delivery, and administration of the Loan Agreement (including this First Amendment) and the other Loan Documents (including Security Instruments), or any amendment, waiver, consent or modification thereto or thereof, or any enforcement thereof. In any action to enforce or construe the provisions of the Loan Agreement or any of the Loan Documents, the prevailing party shall be entitled to recover its reasonable attorneys' fees and all costs and expenses related thereto.

8. **WAIVER OF JURY TRIAL. THE BORROWERS FULLY, VOLUNTARILY AND EXPRESSLY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THE LOAN AGREEMENT, THE NOTE, THE OTHER LOAN DOCUMENTS OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED (OR WHICH MAY IN THE FUTURE BE DELIVERED) IN CONNECTION HEREWITH OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THE LOAN AGREEMENT. BORROWERS AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.**

9. Release. In consideration of the amendments contained herein, Borrowers hereby waive and release the Bank from any and all claims and defenses, known or unknown, as of the effective date of this First Amendment, with respect to the Loan Agreement and the Loan Documents and the transactions contemplated thereby.

10. Compliance with Certain Laws. None of the Borrowers or principals of the Borrowers has been convicted of (or pleaded nolo contendre to) a crime involving bank fraud, embezzlement, sex offenses against a minor, mail fraud, or money laundering. For purposes of this representation, "principal" is defined as follows: (i) for a sole proprietorship: the proprietor; (ii) for a partnership: each managing partner and each partner who is a natural person and holds 20% or more ownership interest in the partnership; (iii) for a corporation, limited liability company, association or development company: each director, each of the five most highly compensated executives or officers of the entity, and each natural person who is a direct or indirect holder of 20% or more of the ownership stock or stock equivalent of the entity.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed and delivered in Tulsa, Oklahoma, in multiple counterparts effective as of the day and year first above written.

BORROWERS:

STANFORD ENERGY, INC.,
a Texas corporation

By: */s/ Stanley M. McCabe*
Stanley M. McCabe, President

/s/ Stanley M. McCabe
Stanley M. McCabe, individually

/s/ Stanley M. McCabe
Stanley M. McCabe, sole trustee of the McCabe Family Trust, as amended

/s/ Lloyd T. Rochford
Lloyd T. Rochford, individually

BANK:

THE F&M BANK & TRUST COMPANY, a state banking corporation

By: */s/ Christopher Cardoni*
Christopher Cardoni,
Senior Vice President

CERTIFICATIONS

I, Robert “Steve” Owens, certify that:

1. I have reviewed this Form 10-Q for the quarter ended June 30, 2012, of Ring Energy, 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 registrant 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 end 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 fiscal quarter (the registrant’s fourth fiscal 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 the 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.

Date: August 14, 2012

/s/ Robert “Steve” Owens
Robert “Steve” Owens, President & CFO
(Principal Executive Officer &
Principal Financial Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Ring Energy, Inc. (the "Company") on Form 10-Q for the three months ended June 30, 2012, as filed with the Securities and Exchange Commission (the "Report"), the undersigned principal executive officer and financial officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(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.

Date: August 14, 2012

/s/ Robert "Steve" Owens
Robert "Steve" Owens, President & Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)