FORM 10-K/A

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
(Mark One)

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

For the fiscal year ended August 31, 2010.
OR

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

Commission file number: None

SYNERGY RESOURCES CORPORATION
(Exact name of registrant as specified in its charter)

COLORADO	20-2835920
(State or other jurisdiction of incorporation or organization)	(I.R.S.Employer Identification No.)
20203 Highway 60, Platteville, CO	80651
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (970) 737-1073
Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. [ ]

Indicate by check mark whether the registrant (1) has filed all reports 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 [X] No [ ]

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

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 [ ]
(Do not check if a smaller reporting company) Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act): [ ] Yes [X] No

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing sale price of the registrant's common stock on February 28, 2010, as quoted on the OTC Bulletin Board, was approximately $11,200,000.

As of November 15, 2010, the Registrant had 13,823,481 issued and outstanding shares of common stock.

Documents Incorporated by Reference: None

PART I

Cautionary Statement Concerning Forward-Looking Statements

This report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties and are based on the beliefs and assumptions of management and information currently available to management. The use of words such as "believes", "expects", "anticipates", "intends", "plans", "estimates", "should", "likely" or similar expressions, indicates a forward-looking statement.

The identification in this report of factors that may affect our future performance and the accuracy of forward-looking statements is meant to be illustrative and by no means exhaustive. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

Factors that could cause our actual results to differ materially from those expressed or implied by forward-looking statements include, but are not limited to:

- The success of our exploration and development efforts;
- The price of oil and gas;
- The worldwide economic situation;
- Any change in interest rates or inflation;
- The willingness and ability of third parties to honor their contractual commitments;
- Our ability to raise additional capital, as it may be affected by current conditions in the stock market and competition in the oil and gas industry for risk capital;
- Our capital costs, as they may be affected by delays or cost overruns;
- Our costs of production;
- Environmental and other regulations, as the same presently exist or may later be amended;
- Our ability to identify, finance and integrate any future acquisitions; and
- The volatility of our stock price.

ITEM 1. BUSINESS

Overview

We are an oil and gas operator in Colorado and are focused on the acquisition, development, exploitation, exploration and production of oil and natural gas properties primarily located in the Wattenberg field in the D-J Basin in northeast Colorado. As ofNovember 15, 2010 we had 19,792 gross and 13,556 net acres under lease, all of which are located in the D-J Basin. Of this acreage, 1,507 gross acres are held by production. During the year ended August 31, 2010, we drilled and completed 36 development wells on our acreage. At August 31, 2010, our estimated net proved oil and gas reserves, as prepared by our independent reserve engineering firm, Ryder Scott Company, L.P., were 4.5 Bcf of natural gas and 672.8 MBbls of oil and condensate.

Business Strategy

Our primary objective is to enhance shareholder value by increasing our net asset value, net reserves and cash flow through acquisitions, development, exploitation, exploration and divestiture of oil and gas properties. We intend to follow a balanced risk strategy by allocating capital expenditures in a combination of lower risk development and exploitation activities and higher potential exploration prospects. Key elements of our business strategy include the following:

- Concentrate on our existing core area in the D-J Basin, where we have significant operating experience. All of our current wells and undeveloped acreage are located within the D-J Basin. Focusing our operations in this area leverages our management, technical and operational experience in the basin.

- Develop and exploit existing oil and natural gas properties. Since our inception our principal growth strategy has been to develop and exploit our acquired and discovered properties to add proved reserves. As of November 15, 2010, we have identified over sixty development and extension drilling locations and over twenty recompletion/workover projects on our existing properties and wells.

- Complete selective acquisitions. We seek to acquire undeveloped and producing oil and gas properties, primarily in the PlaceNameplaceD-J PlaceTypeBasin. We will seek acquisitions of undeveloped and producing properties that will provide us with opportunities for reserve additions and increased cash flow through production enhancement and additional development and exploratory prospect generation opportunities.

- Retain control over the operation of a substantial portion of our production. As operator on a majority of our wells and undeveloped acreage, we control the timing and selection of new wells to be drilled or existing wells to be recompleted. This allows us to modify our capital spending as our financial resources allow and market conditions support.

- Maintain financial flexibility while focusing on controlling the costs of our operations. We intend to finance our operations through a mixture of debt and equity capital as market conditions allow. Our management has historically been a low cost operator in the D-J Basin and we continue to focus on operating efficiencies and cost reductions.

Competitive Strengths

We believe that we are positioned to successfully execute our business strategy because of the following competitive strengths:

- Management experience. Our key management team possesses an average of thirty years of experience in the oil and gas industry, primarily within the D-J Basin. Members of our management team have drilled, participated in drilling, and/or operated over 350 wells in the D-J Basin.

- Balanced oil and natural gas reserves and production. At August 31, 2010, approximately 48% of our estimated proved reserves were oil and condensate and 52% were natural gas. We believe this balanced commodity mix will provide diversification of sources of cash flow and will lessen the risk of significant and sudden decreases in revenue from short-term commodity price movements.

- Ability to recomplete D-J Basin wells numerous times throughout the life of a well. We have experience with and knowledge of D-J Basin wells that have been recompleted up to four times since initial drilling. This provides us with numerous high return recompletion investment opportunities on our current and future wells and the ability to manage the production through the life of a well.

- Insider ownership. At November 15, 2010 our directors and executive officers beneficially owned approximately 71 % of our outstanding shares of common stock, providing a strong alignment of interest between management, the board of directors and our outside shareholders.

Recent Developments

On October 7, 2010, we completed the acquisition of oil and gas properties in the Wattenberg Field within the D-J Basin from Petroleum Management, LLC and Petroleum Exploration & Management, LLC for approximately $1.0 million. These properties include 6 producing oil and gas wells (100% working interest/ 80% net revenue interest), 2 shut in oil wells (100% working interest/ 80% net revenue interest), 15 drill sites (net 6.25 wells) and miscellaneous equipment. See Item 13 of this report for more information regarding our affiliation with Petroleum Management and Petroleum Exploration & Management.

On October 14, 2010, we announced the results of initial 24 hour flow tests of four wells on our M&T Farms lease. These initial results are listed in the table below.

Well Name	Primary Producing Formation	SYRG Working Interest	Oil (Bbls)	Gas (Mcf)	BOE
#33-10 D	Codell	72.50%	130.0	210.9	165.2
#10 DD	Codell	72.50%	165.3	353.8	224.3
#43-10 D	Codell	72.50%	187.9	285.8	235.5
#10 XD	Codell	36.25%	162.8	390.8	227.9
#10 TD	J-Sand	36.25%	*	*	*
#34-10	J-Sand	72.50%	*	*	*

* Initial results are not available as of November 15, 2010 as the wells were in the process of being completed.

"Bbl" refers to one stock tank barrel, or 42 U.S. gallons liquid volume in reference to crude oil or other liquid hydrocarbons. "Mcf" refers to one thousand cubic feet. A BOE (i.e. barrel of oil equivalent) combines Bbls of oil and Mcf of gas by converting each six Mcf of gas to one Bbl of oil.

Well and Production Data

Since September 2008, we have drilled and completed 36 oil and gas wells.

During the periods presented, we drilled or participated in the drilling of the following wells. We did not drill any exploratory wells during these years.

	Years Ended August 31,			
	2010		2009	
	Gross	Net	Gross	Net
Development Wells:				
Productive:				
Oil	36	23.8	2	0.75
Gas	--	--	--	--
Nonproductive	--	--	--	--
Total Wells:				
Productive:				
Oil	36	23.8	2	0.75
Gas	--	--	--	--
Nonproductive	--	--	--	--

As of November 15, 2010 two gross (1.2 net) wells, both of which were located in the D.J. Basin, were in the process of completion.

The following table shows our net production of oil and gas, average sales prices and average production costs for the periods presented:

	Years Ended August 31,	
	2010	2009
Production		
Oil (Bbls)	21,080	1,730
Gas (Mcf)	141,154	4,386
Average sales price		
Oil ($/Bbl)	$68.38	$45.59
Gas ($/Mcf)	$5.08	$3.48
Average production costs per BOE	$1.94	$0.85

Production costs may vary substantially among wells depending on the methods of recovery employed and other factors, but generally include severance taxes, administrative overhead, maintenance and repair, labor and utilities.

We are not obligated to provide a fixed and determined quantity of oil or gas to any third party in the future. During the last three fiscal years, we have not had, nor do we now have, any long-term supply or similar agreement with any government or governmental authority.

Prior to September 1, 2008, we did not drill, or participate in the drilling, of any oil or gas wells, or produce or sell any oil or gas.

Oil and Gas Properties and Proven Reserves

We evaluate undeveloped oil and gas prospects and participate in drilling activities on those prospects, which, in the opinion of our management, are favorable for the production of oil or gas. If, through our review, a geographical area indicates geological and economic potential, we will attempt to acquire leases or other interests in the area. We may then attempt to sell portions of our leasehold interests in a prospect to third parties, thus sharing the risks and rewards of the exploration and development of the prospect with the other owners. One or more wells may be drilled on a prospect, and if the results indicate the presence of sufficient oil and gas reserves, additional wells may be drilled on the prospect.

We may also:

- acquire a working interest in one or more prospects from others and participate with the other working interest owners in drilling, and if warranted, completing oil or gas wells on a prospect, or

- purchase producing oil or gas properties.

Our activities are primarily dependent upon available financing.

Title to properties we acquire may be subject to royalty, overriding royalty, carried, net profits, working and other similar interests and contractual arrangements customary in the oil and gas industry, to liens for current taxes not yet due and to other encumbrances. As is customary in the industry, in the case of undeveloped properties little investigation of record title will be made at the time of acquisition (other than a preliminary review of local records). However, drilling title opinions may be obtained before commencement of drilling operations.

The following table shows, as of November 15, 2010, by state, our producing wells, developed acreage, and undeveloped acreage, excluding service (injection and disposal) wells:

State	Productive Wells		Developed Acreage		Undeveloped Acreage(1)	
	Gross	Net	Gross	Net	Gross	Net
Colorado	46	32.6	1,387	1,096	15,630	9,685
Nebraska	-	-	-	-	2,560	2,560
Wyoming	-	-	-	-	215	215
Total	46	32.6	1,387	1,096	18,405	12,460

(1) Undeveloped acreage includes leasehold interests on which wells have not been drilled or completed to the point that would permit the production of commercial quantities of natural gas and oil regardless of whether the leasehold interest is classified as containing proved undeveloped reserves.

The following table shows, as of November 15, 2010, the status of our gross acreage.

State	Held by Production	Not Held by Production
Colorado	1,507	15,510

Nebraska	--	2,560
Wyoming	--	215
	--	---
Total	1,507	18,285
	=====	======

Acres that are Held by Production remain in force so long as oil or gas is produced from the well on the particular lease. Leased acres which are not Held By Production require annual rental payments to maintain the lease until the first to occur of the following: the expiration of the lease or the time oil or gas is produced from one or more wells drilled on the leased acreage. At the time oil or gas is produced from wells drilled on the leased acreage, the lease is considered to be Held by Production.

The following table shows the years our leases, which are not Held By Production, will expire, unless a productive oil or gas well is drilled on the lease.

Leased Acres	Expiration of Lease
1,100	2012
915	2013
4,750	2014
11,520	After 2014

We do not own any overriding royalty interests.

Ryder Scott Company, L.P. ("Ryder Scott") prepared the estimates of our proved reserves, future productions and income attributable to our leasehold interests for the year ended August 31, 2010. Ryder Scott is an independent petroleum engineering firm that has been providing petroleum consulting services worldwide for over seventy years. The estimates of proven reserves, future production and income attributable to certain leasehold and royalty interests are based on technical analysis conducted by teams of geoscientists and engineers employed at Ryder Scott. The report of Ryder Scott is filed as Exhibit 99 to this report. Ryder Scott was selected by two of our officers, Ed Holloway and William E. Scaff, Jr.

Thomas E. Venglar was the technical person primarily responsible for overseeing the preparation of the reserve report. Mr. Venglar earned a Bachelor of Science degree in Petroleum Engineering from Texas A&M University and is a registered Professional Engineer in Colorado. Mr. Venglar has more than 30 years of practical experience in the estimation and evaluation of petroleum reserves.

Ed Holloway, our President, oversaw the preparation of the reserve estimates by Ryder Scott. Mr. Holloway has over thirty years experience in oil and gas exploration and development. We do not have a reserve committee and we do not have any specific internal controls regarding the estimates of our reserves.

Our proved reserves include only those amounts which we reasonably expect to recover in the future from known oil and gas reservoirs under existing economic and operating conditions, at current prices and costs, under existing regulatory practices and with existing technology. Accordingly, any changes in prices, operating and development costs, regulations, technology or other factors could significantly increase or decrease estimates of proved reserves.

Estimates of volumes of proved reserves at year end are presented in barrels (Bbls) for oil and for, natural gas, in millions of cubic feet (Mcf) at the official temperature and pressure bases of the areas in which the gas reserves are located.

The proved reserves attributable to producing wells and/or reservoirs were estimated by performance methods. These performance methods include decline curve analysis, which utilized extrapolations of historical production and pressure data available through August 31, 2010 in those cases where this data was considered to be definitive. The data used in this analysis obtained from public data sources and were considered sufficient for calculating producing reserves.

The proved non-producing and undeveloped reserves were estimated by the analogy method. The analogy method uses pertinent well data, obtained

from public data sources that were available through August 2010.

Below are estimates of our net proved reserves, all of which are located in Colorado.

Summary of Oil and Gas Reserves as of August 31, 2010

	Oil	Gas	BOE
	(Bbls)	(MCF)	
Proved Developed			
Producing	125,159	887,290	273,041
Non- Producing	270,294	1,461,737	513,917
Proved Undeveloped	281,232	2,132,024	636,569
	676,685	4,481,051	1,423,527

Below are estimates of our present value of estimated future net revenues from such reserves based upon the standardized measure of discounted future net cash flows relating to proved oil and gas reserves in accordance with the

provisions of Accounting Standards Codification Topic 932, Extractive Activities - Oil and Gas. The standardized measure of discounted future net cash flows is determined by using estimated quantities of proved reserves and the periods in which they are expected to be developed and produced based on period-end economic conditions. The estimated future production is based upon benchmark prices that reflect the unweighted arithmetic average of the first-day-of-the-month price for oil and gas during the twelve months period ended August 31, 2010. The resulting estimated future cash inflows are then reduced by estimated future costs to develop and produce reserves based on period-end cost levels. No deduction has been made for depletion, depreciation or for indirect costs, such as general corporate overhead. Present values were computed by discounting future net revenues by 10% per year.

	Proved			
	Developed			
	Producing	Non-Producing	Undeveloped	Total Proved
Future gross revenue	$12,323,383	$24,126,662	$28,220,857	$64,670,902
Deductions	(3,591,012)	(10,865,282)	(24,687,877)	(39,144,171)
Future net cash flow	$ 8,732,371	$13,261,380	$ 3,532,980	$25,526,731
Discounted future net cash flow	$ 4,813,654	$ 6,846,165	$ 1,362,578	$13,022,397

In general, the volume of production from our oil and gas properties declines as reserves are depleted. Except to the extent we acquire additional properties containing proved reserves or conducts successful exploration and development activities, or both, our proved reserves will decline as reserves are produced. Accordingly, volumes generated from our future activities are highly dependent upon the level of success in acquiring or finding additional reserves and the costs incurred in doing so.

As of August 31, 2009 our proved developed reserves consisted or 6,430 Bbls of oil and 25,680 Mcf of gas, As of August 31, 2009 we did not have any proved undeveloped reserves. Our proved developed and undeveloped reserves increased substantially during the year ended August 31, 2010, primarily as the result of our drilling and completing 36 gross (23.8) net wells. The technologies used to establish the proved reserves associated with these 36 wells were the same as were used by Ryder Scott to estimate our proved reserves as of August 31, 2010.

Potential Acquisition of Oil and Gas Properties from Petroleum Exploration & Management

We have a nonbinding letter of intent with Petroleum Exploration & Management LLC, a company owned equally by Ed Holloway and William E. Scaff, Jr., two of our officers, to potentially acquire oil and gas properties located in the Wattenberg Field of the D-J Basin.

The assets which we may acquire consist of the following:

- 87 producing oil and gas wells;

- one shut-in well; and
- oil and gas leases covering 6,968 gross acres in the D-J Basin.

PEM's working interest in the wells ranges between 3% and 100%. PEM's net revenue interest in the wells ranges between 2.44% and 80%.

Although, as of November 15, 2010, we had not reached any agreement with Mr. Holloway and Mr. Scaff as to the amount we may pay for PEM's oil and gas properties, or how the purchase price will be paid (which may include a combination of cash, shares of our common or preferred stock, or debt), we estimate the cost of acquiring these assets will range between approximately $14.0 million and $17.0 million, and will be based on the following:

- estimated proved reserves of the oil and gas properties, discounted at 10% value of undeveloped leases;
- value of undeveloped leases;
- value of related oil and gas equipment, including tank batteries, compressors, and distribution lines.

It is our intention not to assume any of PEM's liabilities. However, we may find it advantageous to assume PEM's liabilities, in which case we would need to pay the liabilities as they became due, but the price we would pay for PEM's properties would be reduced.

In our opinion, it would be advantageous to acquire the oil and gas properties from PEM since we believe that the future value of the properties, assuming our efforts to stimulate production from PEM's wells are successful, will be substantially higher than the price we are ultimately willing to pay for these properties.

The completion of the acquisition would be contingent upon the following:

- the approval of the transaction by a majority of our disinterested directors
- the approval of the transaction, at a special meeting of our shareholders, by the vote of shareholders owning a majority of the shares in attendance at the meeting, whether in person or by proxy, with Mr. Holloway and Mr. Scaff not voting, and
- the receipt of "fairness opinion" concerning the price we plan to pay PEM for its oil and gas properties.

Government Regulation

Various state and federal agencies regulate the production and sale of oil and natural gas. All states in which we plan to operate impose restrictions on the drilling, production, transportation and sale of oil and natural gas.

The Federal Energy Regulatory Commission ("FERC") regulates the interstate transportation and the sale in interstate commerce for resale of natural gas.

FERC's jurisdiction over interstate natural gas sales has been substantially modified by the Natural Gas Policy Act under which FERC continued to regulate the maximum selling prices of certain categories of gas sold in "first sales" in interstate and intrastate commerce.

FERC has pursued policy initiatives that have affected natural gas marketing. Most notable are (1) the large-scale divestiture of interstate pipeline-owned gas gathering facilities to affiliated or non-affiliated companies; (2) further development of rules governing the relationship of the pipelines with their marketing affiliates; (3) the publication of standards relating to the use of electronic bulletin boards and electronic data exchange by the pipelines to make available transportation information on a timely basis and to enable transactions to occur on a purely electronic basis; (4) further review of the role of the secondary market for released pipeline capacity and its relationship to open access service in the primary market; and (5) development of policy and promulgation of orders pertaining to its authorization

of market-based rates (rather than traditional cost-of-service based rates) for transportation or transportation-related services upon the pipeline's demonstration of lack of market control in the relevant service market. We do not know what effect FERC's other activities will have on the access to markets, the fostering of competition and the cost of doing business.

Our sales of oil and natural gas liquids will not be regulated and will be at market prices. The price received from the sale of these products will be affected by the cost of transporting the products to market. Much of that transportation is through interstate common carrier pipelines.

Federal, state, and local agencies have promulgated extensive rules and regulations applicable to our oil and natural gas exploration, production and related operations. Most states require permits for drilling operations, drilling bonds and the filing of reports concerning operations and impose other requirements relating to the exploration of oil and gas. Many states also have statutes or regulations addressing conservation matters including provisions for the unitization or pooling of oil and natural gas properties, the establishment of maximum rates of production from oil and gas wells and the regulation of spacing, plugging and abandonment of such wells. The statutes and regulations of some states limit the rate at which oil and gas is produced from our properties. The federal and state regulatory burden on the oil and natural gas industry increases our cost of doing business and affects its profitability. Because these rules and regulations are amended or reinterpreted frequently, we are unable to predict the future cost or impact of complying with those laws.

As with the oil and natural gas industry in general, our properties are subject to extensive and changing federal, state and local laws and regulations designed to protect and preserve our natural resources and the environment. The recent trend in environmental legislation and regulation is generally toward stricter standards, and this trend is likely to continue. These laws and regulations often require a permit or other authorization before construction or drilling commences and for certain other activities; limit or prohibit access, seismic acquisition, construction, drilling and other activities on certain lands lying within wilderness and other protected areas; impose substantial liabilities for pollution resulting from our operations; and require the reclamation of certain lands.

The permits required for many of our operations are subject to revocation, modification and renewal by issuing authorities. Governmental authorities have

the power to enforce compliance with their regulations, and violations are subject to fines, injunctions or both. In the opinion of our management, we are in substantial compliance with current applicable environmental laws and regulations, and we have no material commitments for capital expenditures to comply with existing environmental requirements. Nevertheless, changes in existing environmental laws and regulations or in interpretations thereof could have a significant impact on us, as well as the oil and natural gas industry in general. The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and comparable state statutes impose strict and joint and several liabilities on owners and operators of certain sites and on persons who disposed of or arranged for the disposal of "hazardous substances" found at such sites. It is not uncommon for the neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. The Resource Conservation and Recovery Act ("RCRA") and comparable state statutes govern the disposal of "solid waste" and "hazardous waste" and authorize imposition of substantial fines and penalties for noncompliance. Although CERCLA currently excludes petroleum from its definition of "hazardous substance," state laws affecting our operations impose clean-up liability relating to petroleum and petroleum related products. In addition, although RCRA classifies certain oil field wastes as "non-hazardous," such exploration and production wastes could be reclassified as hazardous wastes, thereby making such wastes subject to more stringent handling and disposal requirements.

Federal regulations require certain owners or operators of facilities that store or otherwise handle oil, such as us, to prepare and implement spill prevention, control countermeasure and response plans relating to the possible discharge of oil into surface waters. The Oil Pollution Act of 1990 ("OPA") contains numerous requirements relating to the prevention of and response to oil spills into waters of the United States. For onshore and offshore facilities that may affect waters of the United States, the OPA requires an operator to

demonstrate financial responsibility. Regulations are currently being developed under federal and state laws concerning oil pollution prevention and other matters that may impose additional regulatory burdens on us. In addition, the Clean Water Act and analogous state laws require permits to be obtained to authorize discharge into surface waters or to construct facilities in wetland areas. The Clean Air Act of 1970 and its subsequent amendments in 1990 and 1997 also impose permit requirements and necessitate certain restrictions on point source emissions of volatile organic carbons (nitrogen oxides and sulfur dioxide) and particulates with respect to certain of our operations. We are required to maintain such permits or meet general permit requirements. The EPA and designated state agencies have in place regulations concerning discharges of storm water runoff and stationary sources of air emissions. These programs require covered facilities to obtain individual permits, participate in a group or seek coverage under an EPA general permit. Most agencies recognize the unique qualities of oil and natural gas exploration and production operations. A number of agencies have adopted regulatory guidance in consideration of the operational limitations on these types of facilities and their potential to emit pollutants. We believe that we will be able to obtain, or be included under, such permits, where necessary, and to make minor modifications to existing facilities and operations that would not have a material effect on us.

The EPA recently amended the Underground Injection Control, or UIC, provisions of the federal Safe Drinking Water Act (the "SDWA") to exclude hydraulic fracturing from the definition of "underground injection." However,

the U.S. Senate and House of Representatives are currently considering the FRAC Act, which will amend the SDWA to repeal this exemption. If enacted, the FRAC Act would amend the definition of "underground injection" in the SDWA to encompass hydraulic fracturing activities, which could require hydraulic fracturing operations to meet permitting and financial assurance requirements, adhere to certain construction specifications, fulfill monitoring, reporting, and recordkeeping obligations, and meet plugging and abandonment requirements. The FRAC Act also proposes to require the reporting and public disclosure of chemicals used in the fracturing process, which could make it easier for third parties opposing the hydraulic fracturing process to initiate legal proceedings based on allegations that specific chemicals used in the fracturing process could adversely affect groundwater.

On December 15, 2009, the EPA published its findings that emissions of carbon dioxide, methane and other greenhouse gases present an endangerment to human health and the environment because emissions of such gases are, according to the EPA, contributing to the warming of the earth's atmosphere and other climatic changes. These findings by the EPA allowed the agency to proceed with the adoption and implementation of regulations that would restrict emissions of greenhouse gases under existing provisions of the federal Clean Air Act. Consequently, the EPA proposed two sets of regulations that would require a reduction in emissions of greenhouse gases from motor vehicles and, also, could trigger permit review for greenhouse gas emissions from certain stationary sources. In addition, on October 30, 2009, the EPA published a final rule requiring the reporting of greenhouse gas emissions from specified large greenhouse gas emission sources in the United States beginning in 2011 for emissions occurring in 2010.

Also, on June 26, 2009, the U.S. House of Representatives passed the American Clean Energy and Security Act of 2009 (the "ACESA") which would establish an economy-wide cap-and-trade program to reduce United States emissions of greenhouse gases including carbon dioxide and methane that may contribute to the warming of the Earth's atmosphere and other climatic changes. If it becomes law, ACESA would require a 17% reduction in greenhouse gas emissions from 2005 levels by 2020 and just over an 80% reduction of such emissions by 2050. Under this legislation, the EPA would issue a capped and steadily declining number of tradable emissions allowances to certain major sources of greenhouse gas emissions so that such sources could continue to emit greenhouse gases into the atmosphere. These allowances would be expected to escalate significantly in cost over time. The net effect of ACESA will be to impose increasing costs on the combustion of carbon-based fuels such as oil, refined petroleum products and natural gas. The U.S. Senate has begun work on its own legislation for restricting domestic greenhouse gas emissions and President Obama has indicated his support of legislation to reduce greenhouse gas emissions through an emission allowance system.

Climate change has emerged as an important topic in public policy debate

regarding our environment. It is a complex issue, with some scientific research suggesting that rising global temperatures are the result of an increase in greenhouse gases, which may ultimately pose a risk to society and the environment. Products produced by the oil and natural gas exploration and production industry are a source of certain greenhouse gases, namely carbon dioxide and methane, and future restrictions on the combustion of fossil fuels or the venting of natural gas could have a significant impact on our future operations.

Competition and Marketing

We will be faced with strong competition from many other companies and individuals engaged in the oil and gas business, many are very large, well established energy companies with substantial capabilities and established earnings records. We may be at a competitive disadvantage in acquiring oil and gas prospects since we must compete with these individuals and companies, many of which have greater financial resources and larger technical staffs. It is nearly impossible to estimate the number of competitors; however, it is known that there are a large number of companies and individuals in the oil and gas business.

Exploration for and production of oil and gas are affected by the availability of pipe, casing and other tubular goods and certain other oil field equipment including drilling rigs and tools. We will depend upon independent drilling contractors to furnish rigs, equipment and tools to drill its wells. Higher prices for oil and gas may result in competition among operators for drilling equipment, tubular goods and drilling crews which may affect our ability expeditiously to drill, complete, recomplete and work-over wells.

The market for oil and gas is dependent upon a number of factors beyond our control, which at times cannot be accurately predicted. These factors include the proximity of wells to, and the capacity of, natural gas pipelines, the extent of competitive domestic production and imports of oil and gas, the availability of other sources of energy, fluctuations in seasonal supply and demand, and governmental regulation. In addition, there is always the possibility that new legislation may be enacted, which would impose price controls or additional excise taxes upon crude oil or natural gas, or both. Oversupplies of natural gas can be expected to recur from time to time and may result in the gas producing wells being shut-in. Imports of natural gas may adversely affect the market for domestic natural gas.

The market price for crude oil is significantly affected by policies adopted by the member nations of Organization of Petroleum Exporting Countries ("OPEC"). Members of OPEC establish prices and production quotas among themselves for petroleum products from time to time with the intent of controlling the current global supply and consequently price levels. We are unable to predict the effect, if any, that OPEC or other countries will have on the amount of, or the prices received for, crude oil and natural gas.

Gas prices, which were once effectively determined by government regulations, are now largely influenced by competition. Competitors in this market include producers, gas pipelines and their affiliated marketing companies, independent marketers, and providers of alternate energy supplies, such as residual fuel oil. Changes in government regulations relating to the production, transportation and marketing of natural gas have also resulted in significant changes in the historical marketing patterns of the industry. Generally, these changes have resulted in the abandonment by many pipelines of long-term contracts for the purchase of natural gas, the development by gas producers of their own marketing programs to take advantage of new regulations requiring pipelines to transport gas for regulated fees, and an increasing tendency to rely on short-term contracts priced at spot market prices.

General

Our offices are located at 20203 Highway 60, Platteville, CO 80651. Our office telephone number is (970) 737-1073 and our fax number is (970) 737-1045.

The Platteville office and equipment yard is rented to us pursuant to a lease with HS Land & Cattle, LLC, a firm controlled by Ed Holloway and William

E. Scaff, Jr., two of our officers. The lease requires monthly payments of $10,000 and expires on July 1, 2011.

As of November 15, 2010, we had seven full time employees.

Neither we, nor any of our properties, are subject to any pending legal proceedings.

ITEM 1A. RISK FACTORS

Not applicable

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable

ITEM 2. PROPERTIES

See Item 1 of this report.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY

On February 27, 2008, our common stock began trading on the OTC Bulletin Board under the symbol "BRSH." There was no established trading market for our common stock prior to that date.

On September 22, 2008, a 10-for-1 reverse stock split, approved by our shareholders on September 8, 2008, became effective on the OTC Bulletin Board and our trading symbol was changed to "SYRG.OB."

Shown below is the range of high and low closing prices for our common stock for the periods indicated as reported by the OTC Bulletin Board. The market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions.

Quarter Ended	High	Low
November 30, 2008	$4.75	$3.10
February 28, 2009	$3.45	$1.25
May 31, 2009	$1.80	$1.45
August 31, 2009	$1.80	$1.10
November 30, 2009	$1.47	$1.00
February 28, 2010	$3.86	$1.35
May 31, 2010	$3.85	$2.40
August 31, 2010	$3.00	$2.25

As of November 15, 2010, we had 13,823,481 outstanding shares of common stock and 110 shareholders of record. The number of beneficial owners of our common stock is substantially higher.

Holders of our common stock are entitled to receive dividends as may be declared by our board of directors. Our board of directors is not restricted from paying any dividends but is not obligated to declare a dividend. No cash dividends have ever been declared and it is not anticipated that cash dividends will ever be paid.

Our articles of incorporation authorize our board of directors to issue up to 10,000,000 shares of preferred stock. The provisions in the articles of incorporation relating to the preferred stock allow our directors to issue preferred stock with multiple votes per share and dividend rights which would have priority over any dividends paid with respect to the holders of our common stock. The issuance of preferred stock with these rights may make the removal of

management difficult even if the removal would be considered beneficial to shareholders generally, and will have the effect of limiting shareholder participation in certain transactions such as mergers or tender offers if these transactions are not favored by our management.

On December 1, 2008, we purchased 1,000,000 shares of our common stock from the Synergy Energy Trust, one of our initial shareholders, for $1,000, which was the same amount which we received when the shares were sold to the Trust. With the exception of that transaction, we have not purchased any of our securities and no person affiliated with us has purchased any of our securities for our benefit.

Additional Shares Which May be Issued

The following table lists additional shares of our common stock, which may be issued as of November 15, 2010 upon the conversion of outstanding notes, the exercise of outstanding options or warrants or the issuance of shares for oil and gas leases:

	Number of Shares	Note Reference
Shares issuable upon the conversion of certain promissory notes	9,630,000	A
Shares issuable upon the exercise of Series C warrants	9,000,000	A
Shares issuable upon the exercise of placement agents' warrants	1,125,000	A
Shares issuable upon exercise of Series A warrants that were sold to those persons owning shares of our common stock prior to the acquisition of Predecessor Synergy	1,038,000	B
Shares issuable upon exercise of Series A warrants sold in prior private offering.	2,060,000	C
Shares issuable upon exercise of Series A and Series B warrants	2,000,000	D
Shares issuable upon exercise of sales agent warrants	126,932	D
Shares issuable upon exercise of options held by our officers and employees	4,270,000	E
Shares which we may issue for oil and gas leases	2,250,000	F
Total	31,499,932	

A. Between December 2009 and March 2010, we sold 180 Units at a price of $100,000 per Unit to private investors. Each Unit consisted of one $100,000 note and 50,000 Series C warrants. The notes can be converted into shares of our common stock, initially at a conversion price of $1.60 per share, at the option of the holder. Each Series C warrant entitles the holder to purchase one share of our common stock at a price of $6.00 per share at any time prior to December 31, 2014. As of November 15, 2010, notes in the principal amount of $2,592,000 had been converted into 1,620,000 shares of our common stock.

We paid Bathgate Capital Partners (now named GVC Capital), the placement agent for the Unit offering, a commission of 8% of the amount Bathgate Capital raised in the Unit offering. We also sold to the placement agent, for a nominal price, warrants to purchase 1,125,000 shares of our common stock at a price of $1.60 per share. The placement agent's warrants expire on December 31, 2014.

B. Each shareholder of record on the close of business on September 9, 2008 received one Series A warrant for each share which they owned on that date (as adjusted for a reverse split of our common stock with was effective on September 22, 2008). Each Series A warrant entitles the holder to purchase one share of

our common stock at a price of $6.00 per share at any time prior to December 31, 2012.

C. Prior to our acquisition of Predecessor Synergy, Predecessor Synergy sold 2,060,000 Units to a group of private investors at a price of $1.00 per Unit. Each Unit consisted of one share of Predecessor Synergy's common stock and one Series A warrant. In connection with the acquisition of Predecessor Synergy, these Series A warrants were exchanged for 2,060,000 of our Series A warrants. The Series A warrants are identical to the Series A warrants described in Note B above.

D. Between December 1, 2008 and June 30, 2009, we sold 1,000,000 units at a price of $3.00 per unit. Each unit consisted of two shares of our common stock, one Series A warrant and one Series B warrant. The Series A warrants are identical to the Series A warrants described in Note B above. Each Series B warrant entitles the holder to purchase one share of our common stock at a price of $10.00 per share at any time prior to December 31, 2012.

In connection with this unit offering, we paid the sales agent for the offering a commission of 10% of the amount the sales agent sold in the offering. We also issued warrants to the sales agent. The warrants allow the sales agent to purchase 31,733 units (which units were identical to the units sold in the offering) at a price of $3.60 per unit. The sales agent warrants will expire on the earlier of December 31, 2012 or twenty days following written notification from us that our common stock had a closing bid price at or above $7.00 per share for any ten of twenty consecutive trading days.

E. See Item 11 of this report for information regarding shares issuable upon exercise of options held by our officers and employees.

F. As of November 15, 2010 we had six non-binding letters of intent relating to the potential acquisition of leases in exchange for approximately 2,250,000 shares of our common stock. The leases which are the subject of these letters of intent cover approximately 110,000 acres in the D-J Basin. The acquisition of any of these leases is subject to a number of conditions, including satisfactory review of title to the leased acreage.

We may sell additional shares of our common stock, preferred stock, warrants, convertible notes or other securities to raise additional capital. We do not have any commitments or arrangements from any person to purchase any of our securities and there can be no assurance that we will be successful in selling any additional securities.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The following discussion and analysis was prepared to supplement information contained in the accompanying financial statements and is intended to explain certain items regarding the financial condition as of August 31, 2010, and the results of operations for the years ended August 31, 2010, and 2009. It should be read in conjunction with the audited financial statements and notes thereto contained in this report.

Overview

We have undergone significant growth since we began our operations. Since September 2008 we have drilled and completed 38 oil and gas wells. Our first oil and gas well began producing in February 2009. Prior to that time we did not have any revenue from the sale of oil or gas. As of August 31, 2010, we had:

- twenty four producing oil and gas wells; and
- fourteen wells which were in the process of completion.

Since August 31, 2010, we acquired eight additional wells, two of which were shut-in as of November 15, 2010.

During the year ended August 31, 2010, we received net cash proceeds of $16.7 million from the sale of convertible promissory notes and warrants. The proceeds were used to fund the 2010 drilling program and to provide working capital.

We reported net losses for every year since inception and we expect to report losses until such time, if ever, that we begin to generate significant revenue from operations.

Our future plans will be dependent upon the amount of capital we are able to raise and the cash flow from our producing properties. We expect that most of our wells will be drilled in the D-J Basin.

Results of Operations

Material changes of certain items in our statements of operations included in our financial statements for the periods presented are discussed below.

Exploration Stage Company. The Company was considered an exploration stage company for accounting purposes until September 1, 2009, as we had not commenced planned principle operations. During the year ended August 31, 2010, the Company drilled 36 development wells, all of which encountered commercially productive formations. Accordingly, our financial statements are presented to reflect our exit from the exploration stage.

For the year ended August 31, 2010, compared to the year ended August 31, 2009

For the year ended August 31, 2010, we reported a net loss of $10,794,172, or $0.88 per share, compared to a net loss of $12,351,873, or $1.14 per share for the period ended August 31, 2009. The comparison between the two years was primarily influenced by (a) increasing revenues and expenses associated with the 2010 drilling program, (b) cash proceeds and associated costs from the $18 million financing transaction, and (c) the costs of share based compensation.

Oil and Gas Production and Revenues - For the year ended August 31, 2010, we recorded total oil and gas revenues of $2,158,444 compared to $94,121 for the year ended August 31, 2009, as summarized in the following table:

	Year Ended August 31,	
	2010	2009
Production:		
Oil (Bbls)	21,080	1,730
Gas (Mcf)	141,154	4,386
Total production in BOE	44,606	2,461
Revenues:		
Oil	$1,441,562	$ 78,872
Gas	716,882	15,249
Total	$2,158,444	$ 94,121
Average sales price:		
Oil (Bbls)	$ 68.38	$ 45.59
Gas (Mcf)	$ 5.08	$ 3.48

"Bbl" refers to one stock tank barrel, or 42 U.S. gallons liquid volume in reference to crude oil or other liquid hydrocarbons. "Mcf" refers to one thousand cubic feet. A BOE (i.e. barrel of oil equivalent) combines Bbls of oil and Mcf of gas by converting each six Mcf of gas to one Bbl of oil.

Net oil and gas production for the year ended August 31, 2010 was 44,606 BOE, or 122 BOE per day. The significant increase in production from the prior year reflects the additional 22 wells that began production during the year.

Production for the fourth quarter averaged 241 BOE per day. The change in average sales price is a function of worldwide commodity prices, which currently trend upward for crude oil (posted price of $82.42 per Bbl as of November 18, 2010) and currently trend downward for natural gas (posted price of $4.18 per Mcf as of November 18, 2010). We do not currently engage in any commodity hedging transactions, but may do so in the future.

Lease Operating Expenses - As summarized in the following table, our lease expenses include the direct operating costs of producing oil and natural gas and taxes on production and properties:

	Year ended August 31,	
	2010	2009
Production costs	$ 86,554	$ 2,094
Severance and ad valorem taxes	236,966	9,478
Total production expenses	$323,520	$11,572
Per BOE:		
Production costs	$ 1.94	$ 0.85
Severance and ad valorem taxes	5.31	3.85
Total per BOE	$ 7.25	$ 4.70

Production costs tend to increase or decrease primarily in relation to the number of wells in production, and, to a lesser extent, on fluctuation in oil field service costs and changes in the production mix of crude oil and natural gas. Taxes tend to increase or decrease primarily based on the value of oil and gas sold, and, as a percent of revenues, averaged 11% in 2010 and 12% in 2009.

Depreciation, Depletion, and Amortization ("DDA") - DDA expense is summarized in the following table:

	Year ended August 31,	
	2010	2009
Depletion expense	$ 692,274	$97,309
Depreciation and amortization	9,126	296
Total DDA	$ 701,400	$97,605
Depletion expense per BOE	$ 15.52	$ 39.54

The determination of depreciation, depletion and amortization expense is highly dependent on the estimates of the proved oil and natural gas reserves. As of August 31, 2010, we had 1,423,524 BOE of estimated net proved reserves with a Standardized Measure of $13,022,397 (based on average prices of $4.76 Mcf and $69.20 Bbl using the new SEC requirements). As of August 31, 2009, we had 10,710 BOE of estimated net proved reserves with a Standardized Measure of $232,957 (at year-end prices of $2.05 Mcf and $61.24 Bbl under the former SEC requirements). This significant increase in reserves resulted in a reduction to the DDA rate.

Impairment of Oil and Gas Properties - We use the full cost accounting method, which requires recognition of impairment when the total capitalized costs of oil and gas properties exceed the "ceiling" amount, as defined in the full cost accounting literature. During the year ended August 31, 2010, no impairment was recorded because our capitalized costs subject to the ceiling test were less than the estimated future net revenues from proved reserves discounted at 10% plus the lower of cost or market value of unevaluated properties. During the year ended August 31, 2009, we recorded $945,079 of non-cash impairment expense as a result of our capitalized costs exceeding estimated future net revenues from then proved reserves. The ceiling test is performed each quarter and there is the possibility for impairments to be recognized in future periods. Once impairment is recognized, it cannot be reversed.

General and Administrative - The following table summarizes the components of general and administration expenses:

	Year Ended August 31,	
	2010	2009
Share based compensation	$ 581,233	$ 10,296,521
Other general and administrative	1,202,624	752,070
Capitalized general and administrative	(95,475)	--
Totals	$ 1,688,382	$ 11,048,591

The share-based compensation recorded in general and administrative expenses related to the issuance of stock grants and stock options to officers, directors, and employees. The expense recorded for stock grants is based on the market value of the common stock on the date of grant. When stock options are issued we estimate their fair value using the Black-Scholes-Merton option-pricing model. The estimated fair value is recorded as an expense on a pro-rata basis over the vesting period.

Other general and administrative expenses, which include salaries, benefits, professional fees, and other corporate overhead, increased approximately $450,000 as we undertook the 2010 drilling program.

Certain general and administrative expenses for the year ended August 31, 2010, were directly related to the acquisition and development of oil and gas properties. Those costs are reclassified from general and administrative expense into capitalized costs in the full cost pool.

Other Income (Expense) - The issuance of $18,000,000 convertible promissory notes and Series C warrants during the year ended August 31, 2010 generated a significant increase in other expenses. The notes bear interest at 8% per year, payable quarterly, and mature on December 31, 2012, unless earlier converted by the noteholders at $1.60 per share or repaid by the Company, and each Series C warrant entitles the holder to purchase one share of common stock at a price of $6.00 per share and expires on December 31, 2014. Interest expense of $551,603, net of capitalized interest of $269,761, was recognized during the year ended August 31, 2010. At March 12, 2010, the day that we completed the offering, fair values of the warrant component and the conversion feature were deemed to be $1,760,048 and $3,455,809, respectively, resulting in a total discount of $5,215,857, which was recorded as a reduction to the liability on the balance sheet and is being accreted to the statement of operations over the 36 month life of the notes, resulting in a non-cash expense of $1,333,590 during the year ended August 31, 2010. A total of $2,041,455 was recorded for issuance costs, which is being recognized pro-rata in expenses over the 36 month amortization period, producing an expense of $453,656 for the year ended August 31, 2010.

A non-cash expense of $7,678,457 was reflected in the statement of operations for the year ended August 31, 2010 to represent the change in the fair value of the derivative conversion liability since issuance of the notes. This conversion feature, considered an embedded derivative and recorded as a liability at its estimated fair value, when marked-to-market, over time is reflected as a non-cash item in the statement of operations. As such, the periodic marking-to-market of the conversion feature may result in non-cash income or expense in the statements of operations of future periods. Certain factors which are beyond our control are used in the determination of the fair

value of our derivative conversion liability. The estimated fair value is derived from the Monte Carlo Simulation ("MCS") model, which uses forward pricing, volatilities and credit risk rates for similar liabilities in active markets (namely, for commercial debt issued by the Company's peer group companies, as such information is published for these peer companies, where it is not for Synergy due to our relatively short history and lack of commercially originated debt).

We estimated the fair value of the warrants and the conversion feature of the notes at inception by using the Black-Scholes-Merton option pricing model.

The Black-Scholes-Merton option-pricing model also requires an assumption about the fair value of our common stock. It was concluded upon issuance of the notes that our stock traded in an illiquid market, and the reported sales prices may not represent fair value. As a result, a model that estimated our enterprise value based upon oil and gas reserve estimates was used to place a value of $1.39 on our common stock. Subsequent to the valuation at inception, the model used to value the derivative conversion liability was changed from the Black-Scholes-Merton option pricing model to the MCS model and the market for our common stock became more active and orderly. The year end valuation model used a value of $2.25 for our common stock based upon the quoted closing price.

The notes contain a conversion feature, at an initial conversion price of $1.60 and subject to adjustment under certain circumstances, which allow the noteholders to convert the $18,000,000 principal balance into a maximum of 11,250,000 common shares, plus conversion of accrued and unpaid interest into common shares, also at $1.60 per share. During the quarter ended August 31, 2010, holders of convertible promissory notes with a face amount of $2,092,000 plus accrued interest of $2,438 elected to convert the notes into 1,309,027 shares of common stock, leaving notes with a principal amount of $15,908,000 outstanding at August 31, 2010. At the time the Notes were converted, the estimated fair value of the derivative conversion liability apportioned to the converted Notes totaled $1,809,149, which was reclassified on the balance sheet from derivative conversion liability to additional paid in capital.

Between September 1, 2010 through November 15, 2010, holders of notes with a face amount of $500,000 converted principal into 312,500 shares of the Company's common stock. After these conversions, notes in the principal amount of $15,408,000 were outstanding.

Conversion of notes into common shares accelerates accretion of unamortized debt discount. As notes are converted, the unamortized discount apportioned to each note is removed from the balance sheet, approximately one-third of which is reclassified to equity and two-thirds of which is recognized as a non-cash expense in the statement of operations, consistent with the composition of the original discount (approximately one-third was the derived fair value of the warrants and two-thirds was the derived fair value of the conversion feature). The unamortized discount apportioned to the notes converted to common shares in the quarter ended August 31, 2010, totaled $488,816. The portion applicable to the conversion option summed $323,604 and was charged to accretion of debt discount in the statement of operations. The unamortized discount applicable to the warrants ($165,212) was reclassified on the balance sheet from debt discount to additional paid in capital on shares issued pursuant to the conversion.

Income Taxes - Our effective tax rate is currently zero. We have reported a net loss every year since inception and for tax purposes have a net operating loss carry forward ("NOL") of approximately $10 million. The NOL is available to offset future taxable income, if any. At such time, if ever, that we are able to

demonstrate that it is more likely than not that we will be able to realize the benefits of our tax assets, we will be able to recognize the benefits in our financial statements.

Liquidity and Capital Resources

Our sources and (uses) of funds for the years ended August 31, 2010 and 2009, are shown below:

	Year Ended August 31, 2010	2009
Cash used in operations	$(2,443,059)	$(1,626,139)
Acquisition of oil and gas properties and equipment	(9,152,175)	(1,558,035)
Option on oil and gas properties	--	(100,000)
Deposit	--	(85,000)
Proceeds from sale of convertible notes, net of debt issuance costs	16,651,023	--
(Repayment) / proceeds from bank loan	(1,161,811)	1,161,811

Proceeds from sale of common stock, net of offering costs	--	2,766,694
Other	--	2,987
Net increase in cash	$ 3,893,978	$ 562,318

Net cash used in operating activities was $2,443,059 and $1,626,139 for the years ended August 31, 2010 and 2009, respectively. Among other uses, the increase in cash employed in operations reflects outstanding joint interest billings to other interest owners for wells in progress.

Capital expenditures totaled $12,635,259 and $1,697,160 for the years ended August 31, 2010 and 2009, respectively, which include cash payments of $9,152,175 and $1,658,035, respectively. Cash paid for acquisition and development as reflected in the statement of cash flows differs from the amount reported herein primarily due to the timing of when the capital expenditures are incurred and when the actual cash payment is made. At August 31, 2010, there were $3,466,439 of accrued capital expenditures related to the wells in progress and $16,645 of mineral leases acquired in exchange for common shares of the Company.

Between December 2009 and March 2010, we received net proceeds of approximately $16.7 million from the private sale of 180 Units. The Units were sold at a price of $100,000 per Unit. Each Unit consisted of one promissory note in the principal amount of $100,000 and 50,000 Series C warrants. The notes bear interest at 8% per year, payable quarterly, and mature on December 31, 2012. At any time after May 31, 2010, the notes can be converted into shares of our common stock, initially at a conversion price of $1.60 per share. Each Series C warrant entitles the holder to purchase one share of our common stock at a price of $6.00 per share at any time on or before December 31, 2014.

As of November 15, 2010 notes in the principal amount of approximately $2.6 million had been converted into 1,620,000 shares of our common stock.

The proceeds from the sale of the Units were used to drill and complete oil and gas wells in the Wattenberg Field located in the D-J Basin. The notes are secured by the 36 gas wells we drilled during the year ended August 31, 2010.

In May 2009 we entered into a loan agreement with a commercial bank which allowed us to borrow up to approximately $1.2 million. The loan was collateralized primarily by pipe used to drill and complete oil and gas wells. In April 2010, the remaining outstanding balance was paid in full. We do not currently have a credit facility with a financial institution.

Our operating cash requirements currently approximate $300,000 per month, which amount includes salaries and corporate overhead costs of $150,000, debt servicing costs of $100,000, and lease operating expenses of $50,000. Through August 31, 2010, we had not generated meaningful cash flow from operations. However, the revenue from wells placed into production late in the year ended August 31, 2010 and early in fiscal 2011 is expected to improve our cash flow and we expect to meet our operating cash requirements with cash flow from operations sometime during fiscal 2011.

Our primary need for cash in fiscal 2011 will be to fund our acquisition and drilling program. Our tentative capital expenditure budget approximates $27,000,000, subject to significant adjustment for drilling success, acquisition opportunities, operating cash flow, and available capital resources. As we do not currently have access to sufficient capital resources to fund our tentative expenditures, we will be required to seek additional funding. Our budget is tentatively allocated to acquisition of proved and unproved properties of approximately $12,000,000 and drilling activities of approximately $15,000,000, which include drilling new wells and reworking existing wells. In October 2010, we acquired eight producing wells for approximately $1.0 million. See additional details about these wells in Item 13.

We plan to generate profits by drilling productive oil or gas wells. However, we will need to raise the funds required to drill new wells through the sale of our securities, from loans from third parties or from third parties willing to pay our share of drilling and completing the wells. We do not have any commitments or arrangements from any person to provide us with any

additional capital. If additional financing is not available when needed, we may need to curtail operations. We may not be successful in raising the capital needed to drill oil or gas wells. Any wells which may be drilled by us may not produce oil or gas.

Contractual Obligations

The following table summarizes our contractual obligations as of August 31, 2010:

	2011	2012	2013	Total
Employment Agreements	$ 600,000	$ 600,000	$ 600,000	$1,800,000
Principal - Convertible Promissory Notes	-	-	$15,908,000	$15,908,000
Interest - Convertible Promissory Notes	$ 1,233,000	$ 1,233,000	$ 617,000	$ 3,083,000

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonable likely to have a current or future material effect on our financial condition, changes in financial condition, results of operations, liquidity or capital resources.

Outlook

The factors that will most significantly affect our results of operations include (i) activities on properties that we do not operate, (ii) the marketability of our production, (iii) our ability to satisfy our substantial capital requirements, (iv) completion of acquisitions of additional properties and reserves, (v) competition from larger companies and (vi) prices for oil and gas. Our revenues will also be significantly impacted by our ability to maintain or increase oil or gas production through exploration and development activities.

It is expected that our principal source of cash flow will be from the production and sale of oil and gas reserves which are depleting assets. Cash flow from the sale of oil and gas production depends upon the quantity of production and the price obtained for the production. An increase in prices will permit us to finance our operations to a greater extent with internally generated funds, may allow us to obtain equity financing more easily or on better terms, and lessens the difficulty of obtaining financing. However, price increases heighten the competition for oil and gas prospects, increase the costs of exploration and development, and, because of potential price declines, increase the risks associated with the purchase of producing properties during times that prices are at higher levels.

A decline in oil and gas prices (i) will reduce our cash flow which in turn will reduce the funds available for exploring for and replacing oil and gas reserves, (ii) will increase the difficulty of obtaining equity and debt financing and worsen the terms on which such financing may be obtained, (iii) will reduce the number of oil and gas prospects which have reasonable economic terms, (iv) may cause us to permit leases to expire based upon the value of potential oil and gas reserves in relation to the costs of exploration, (v) may result in marginally productive oil and gas wells being abandoned as non-commercial, and (vi) may increase the difficulty of obtaining financing. However, price declines reduce the competition for oil and gas properties and correspondingly reduce the prices paid for leases and prospects.

Other than the foregoing, we do not know of any trends, events or uncertainties that will have had or are reasonably expected to have a material impact on our sales, revenues or expenses.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, including oil and gas reserves, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management routinely makes judgments and estimates about the effects of matters that are inherently uncertain. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and assumptions are revised periodically and the effects of revisions are reflected in the financial statements in the period it is determined to be necessary. Actual results could differ from these estimates.

We provide expanded discussion of our more significant accounting policies, estimates and judgments below. We believe these accounting policies reflect our more significant estimates and assumptions used in preparation of our consolidated financial statements. See Note 1 of the Notes to the financial statements for a discussion of additional accounting policies and estimates made by management.

Oil and Gas Properties: We use the full cost method of accounting for costs related to its oil and gas properties. Accordingly, all costs associated with acquisition, exploration, and development of oil and gas reserves (including the costs of unsuccessful efforts) are capitalized into a single full cost pool. These costs include land acquisition costs, geological and geophysical expense, carrying charges on non-producing properties, costs of drilling, and overhead charges directly related to acquisition and exploration activities. Under the full cost method, no gain or loss is recognized upon the sale or abandonment of oil and gas properties unless non-recognition of such gain or loss would significantly alter the relationship between capitalized costs and proved oil and gas reserves.

Capitalized costs of oil and gas properties are amortized using the unit-of-production method based upon estimates of proved reserves. For amortization purposes, the volume of petroleum reserves and production is converted into a common unit of measure at the energy equivalent conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil. Investments in unevaluated properties and major development projects are not amortized until proved reserves associated with the projects can be determined or until impairment occurs. If the results of an assessment indicate that the properties are impaired, the amount of the impairment is added to the capitalized costs to be amortized.

Under the full cost method of accounting, a ceiling test is performed each quarter. The full cost ceiling test is an impairment test prescribed by SEC regulations. The ceiling test determines a limit on the book value of oil and gas properties. The capitalized costs of proved and unproved oil and gas properties, net of accumulated depreciation, depletion, and amortization, and the related deferred income taxes, may not exceed the estimated future net cash flows from proved oil and gas reserves, less future cash outflows associated with asset retirement obligations that have been accrued, plus the cost of unevaluated properties not being amortized, plus the lower of cost or estimated fair value of unevaluated properties being amortized, less income tax effects. Prices are held constant for the productive life of each well. Net cash flows are discounted at 10%. If net capitalized costs exceed this limit, the excess is charged to expense and reflected as additional accumulated depreciation, depletion and amortization. The calculation of future net cash flows assumes continuation of current economic conditions. Once impairment expense is recognized, it cannot be reversed in future periods, even if increasing prices raise the ceiling amount.

For the year ended August 31, 2010, the oil and natural gas prices used to calculate the full cost ceiling limitation are the 12 month average prices, calculated as the unweighted arithmetic average of the first day of the month price for each month within the 12 month period prior to the end of the reporting period, unless prices are defined by contractual arrangements. Prices are adjusted for basis or location differentials. Prior to August 31, 2010, ceiling calculations were based on the spot price on the last day of the

reporting period. This change is a result of the newly approved SEC requirements for reporting oil and gas activities. The new rule, titled "Modernization of Oil and Gas Reporting" was effective for annual reporting periods ending on or after December 31, 2009, and was implemented by us effective August 31, 2010

Adoption of the new rule impacted depreciation, depletion and amortization expense for the year ended August 31, 2010, as well as the ceiling test calculation for oil and gas properties as of August 31, 2010. The new rules further impacted the oil and gas reserve quantities that were estimated by the reservoir engineer. For the year ended August 31, 2010, we used estimated prices of $69.20 per barrel of oil and $4.76 per Mcf of gas. Had the old rules been applied as of August 31, 2010, the prices would have been $64.43 per barrel of oil and $4.47 per Mcf of gas.

The adoption of the new rules is considered a change in accounting principle inseparable from a change in accounting estimate. We do not believe that provisions of the new guidance, other than pricing, significantly impacted the financial statements. We do not believe that it is practicable to estimate the effect of applying the new rules on net loss or the amount recorded for depreciation, depletion and amortization for the year ended August 31, 2010.

Oil and Gas Reserves: The determination of depreciation, depletion and amortization expense, as well as the ceiling test related to the recorded value of our oil and natural gas properties, will be highly dependent on the estimates of the proved oil and natural gas reserves. Oil and natural gas reserves include proved reserves that represent estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. There are numerous uncertainties inherent in estimating oil and natural gas reserves and their values, including many factors beyond our control. Accordingly, reserve estimates are often different from the quantities of oil and natural gas ultimately recovered and the corresponding lifting costs associated with the recovery of these reserves.

Fair Value Measurements: Effective September 1, 2008, we adopted FASB Accounting Standards Codification ("ASC") "Fair Value Measurements and Disclosures", which establishes a framework for assets and liabilities measured at fair value on a recurring basis included in our balance sheets. Effective September 1, 2009, similar accounting guidance was adopted for assets and liabilities measured at fair value on a nonrecurring basis. As defined in the guidance, fair value is the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

We use market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These inputs can either be readily observable, market corroborated or generally unobservable. Fair value balances are classified based on the observability of the various inputs.

Asset Retirement Obligations: Our activities are subject to various laws and regulations, including legal and contractual obligations to reclaim, remediate, or otherwise restore properties at the time the asset is permanently removed from service. The fair value of a liability for the asset retirement obligation ("ARO") is initially recorded when it is incurred if a reasonable estimate of fair value can be made. This is typically when a well is completed or an asset is placed in service. When the ARO is initially recorded, we capitalize the cost (asset retirement cost or "ARC") by increasing the carrying value of the related asset. Over time, the liability increases for the change in its present value (accretion of ARO), while the capitalized cost decreases over the useful life of the asset. The capitalized ARCs are included in the full cost pool and subject to depletion, depreciation and amortization. In addition, the ARCs are included in the ceiling test calculation. Calculation of an ARO requires estimates about several future events, including the life of the asset, the costs to remove the asset from service, and inflation factors. The ARO is initially estimated based upon discounted cash flows over the life of the asset and is accreted to full value over time using our credit adjusted risk free interest rate. Estimates are periodically reviewed and adjusted to reflect changes.

Derivative Conversion Liability: We account for embedded conversion features in our convertible promissory notes in accordance with the guidance for

derivative instruments, which require a periodic valuation of their fair value and a corresponding recognition of liabilities associated with such derivatives. The recognition of derivative conversion liabilities related to the issuance of convertible debt is applied first to the proceeds of such issuance as a debt discount at the date of the issuance. Any subsequent increase or decrease in the fair value of the derivative conversion liabilities is recognized as a charge or credit to other income (expense) in the statements of operations.

Revenue Recognition: Revenue is recognized for the sale of oil and natural gas when production is sold to a purchaser and title has transferred. Revenues from production on properties in which we share an economic interest with other owners are recognized on the basis of our interest. Provided that reasonable estimates can be made, revenue and receivables are accrued and adjusted upon settlement of actual volumes and prices, as payment is received often sixty to ninety days after production.

Stock Based Compensation: We records stock-based compensation expense in accordance with the fair value recognition provisions of US GAAP. Stock based compensation is measured at the grant date based upon the estimated fair value of the award and the expense is recognized over the required employee service period, which generally equals the vesting period of the grant. The fair value of stock options is estimated using the Black-Scholes-Merton option-pricing model. The fair value of restricted stock grants is estimated on the grant date based upon the fair value of the common stock.

Recent Accounting Pronouncements: We evaluate the pronouncements of various authoritative accounting organizations, primarily the Financial Accounting Standards Board ("FASB"), the Securities and Exchange Commission ("SEC"), and the Emerging Issues Task Force ("EITF"), to determine the impact of new pronouncements on US GAAP and the impact on the Company.

We have recently adopted the following new accounting standards:

Oil and Gas Disclosures - On December 29, 2008, the SEC approved new requirements for reporting oil and gas reserves. The new rule, titled "Modernization of Oil and Gas Reporting" was effective for annual reporting periods ending on or after December 31, 2009, and was implemented by us effective August 31, 2010. During 2010 the FASB issued ASU No. 2010-03 and ASU No. 2010-14 to align the ASC with the SEC's revised rules. The new disclosure requirements provide for consideration of new technologies in evaluating reserves, allow companies to disclose their probable and possible reserves to investors, report oil and gas reserves using an average price based on the prior 12 month period rather than year-end prices, and revise the disclosure requirements for oil and gas operations. Accounting for the limitation on capitalized costs for full cost companies was also revised, including the provision that subsequent price increases cannot be considered in the ceiling test calculation.

Fair value measurements and disclosure - In January 2010 the FASB issued ASU No. 2010-06, which amends existing disclosure requirements to require additional disclosures regarding fair value measurements, including the amounts and reasons for significant transfers between Level 1 and Level 2 of the fair value hierarchy. Furthermore, the reconciliation for fair value measurements using significant unobservable inputs now requires separate information about purchases, sales, issuances, and settlements. Additional disclosure is also required about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring measurements. Adoption of this amendment required us to disclose additional fair value information, but otherwise did not have an impact on our financial position, results of operations, or cash flows.

The following accounting standards updates were recently issued and have not yet been adopted by us. These standards are currently under review to determine their impact on our financial position, results of operations, or cash flows.

Derivatives and Hedging - ASU No. 2010-11 was issued in March 2010 and clarifies that the transfer of credit risk that is only in the form of subordination of one financial instrument to another is an embedded derivative feature that should not be subject to potential bifurcation and separate accounting. This ASU will be effective for the first fiscal quarter beginning after June 15, 2010, with early adoption permitted, and is expected to be

adopted by us effective September 1, 2010.

Compensation - Stock Compensation - ASU No. 2010-13 was issued in April 2010 and will clarify the classification of an employee share based payment award with an exercise price denominated in the currency of a market in which the underlying security trades. This ASU will be effective for the first fiscal quarter beginning after December 15, 2010, with early adoption permitted.

There were various other updates recently issued, most of which represented technical corrections to the accounting literature or were applicable to specific industries, and are not expected to have a material impact on our financial position, results of operations or cash flows.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the financial statements and accompanying notes included with this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The information required by this item was previously disclosed in our 8-K report dated December 31, 2009.

ITEM 9A. CONTROLS AND PROCEDURES

An evaluation was carried out under the supervision and with the participation of our management, including our Principal Financial Officer and Principal Executive Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report on Form 10-K. Disclosure controls and procedures are procedures designed with the objective of ensuring that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, such as this Form 10-K, is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and is communicated to our management, including our Principal Executive Officer and Principal Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on that evaluation, our management concluded that, as of August 31, 2010, our disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of our principal executive officer and principal financial officer and implemented by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Ed Holloway, our Principal Executive Officer and Frank L. Jennings, our Principal Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of August 31, 2010 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or the COSO Framework. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls.

Based on this evaluation, management concluded that our internal control over financial reporting was effective as of August 31, 2010.

There was no change in our internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our officers and directors are listed below. Our directors are generally elected at our annual shareholders' meeting and hold office until the next annual shareholders' meeting or until their successors are elected and qualified. Our executive officers are elected by our directors and serve at their discretion.

Name	Age	Position
Edward Holloway	58	President, Chief Executive Officer and Director
William E. Scaff, Jr.	53	Vice President, Secretary, Treasurer and Director
Frank L. Jennings	59	Principal Financial and Accounting Officer
Benjamin J. Barton	47	Director
Rick A. Wilber	62	Director
Raymond E. McElhaney	55	Director
Bill M. Conrad	55	Director
R.W. Noffsinger, III	37	Director
George Seward	61	Director

Edward Holloway - Mr. Holloway has been an officer and director since September 2008 and was an officer and director of our predecessor between June 2008 and September 2008. Mr. Holloway co-founded Cache Exploration Inc., an oil and gas exploration and development company that drilled over 350 wells. In 1987, Mr. Holloway sold the assets of Cache Exploration to LYCO Energy Corporation. He rebuilt Cache Exploration and sold the entire company to Southwest Energy a decade later. In 1997, Mr. Holloway co-founded, and since that date has co-managed, Petroleum Management, LLC, a company engaged in the exploration, operations, production and distribution of oil and natural gas. In 2001, Mr. Holloway co-founded, and since that date has co-managed, Petroleum Exploration and Management, LLC, a company engaged in the acquisition of oil and gas leases and the production and sale of oil and natural gas. Mr. Holloway holds a degree in Business Finance from the University of Northern Colorado and is a past president of the Colorado Oil & Gas Association.

William E. Scaff, Jr. - Mr. Scaff has been an officer and director since September 2008 and was an officer and director of our predecessor between June 2008 and September 2008. Between 1980 and 1990, Mr. Scaff oversaw financial and credit transactions for Dresser Industries, a Fortune 50 oilfield equipment company. Immediately after serving as a regional manager with TOTAL Petroleum between 1990 and 1997, Mr. Scaff co-founded, and since that date co-managed, Petroleum Management, LLC, a company engaged in the exploration, operations,

production and distribution of oil and natural gas. In 2001, Mr. Scaff co-founded, and since that date has co-managed, Petroleum Exploration and Management, LLC, a company engaged in the acquisition of oil and gas leases and the production and sale of oil and natural gas. Mr. Scaff holds a degree in Finance from the University of Colorado.

Frank L. Jennings - Mr. Jennings has been our Principal Financial and Accounting Officer since June 2007. Since 2001, Mr. Jennings has been an independent consultant providing managing and financial services, primarily to smaller public companies. From 2000 to 2005, he served as the Chief Financial Officer and a director of Global Casinos, Inc., a publicly traded corporation, and from

2001 to 2005, he served as Chief Financial Officer and a director of OnSource Corporation, now known as Ceragenix Pharmaceuticals, Inc., also a publicly traded corporation.

Benjamin J. Barton - Mr. Barton has been one of our directors since September 2008 and was a director of our predecessor between June 2008 and September 2008. Between 2003 and 2005, Mr. Barton was a private wealth manager with Merrill Lynch. Since 1986, Mr. Barton has been active in all aspects of venture capital and public stock offerings. Since 2005, Mr. Barton has been the Managing Director of Strategic Capital Partners, LLC, a private investment company specializing in energy companies. Prior to earning an MBA in Finance from UCLA, Mr. Barton received his Bachelor of Science degree in Political Science from Arizona State University.

Rick A. Wilber - Mr. Wilber has been one of our directors since September 2008. Since 1984, Mr. Wilber has been a private investor in, and a consultant to, numerous development stage companies. In 1974, Mr. Wilber was co-founder of Champs Sporting Goods, a retail sporting goods chain, and served as its President from 1974-1984. He has been a Director of Ultimate Software Group Inc. since October 2002 and serves as a member of its audit and compensation committees. Mr. Wilber was a director of Ultimate Software Group between October 1997 and May 2000. He served as a director of Royce Laboratories, Inc., a pharmaceutical concern, from 1990 until it was sold to Watson Pharmaceuticals, Inc. in April 1997 and was a member of its compensation committee.

Raymond E. McElhaney - Mr. McElhaney has been one of our directors since May 2005, and prior to the acquisition of Predecessor Synergy was our President and Chief Executive Officer. Mr. McElhaney began his career in the oil and gas industry in 1983 as founder and President of Spartan Petroleum and Exploration, Inc. Mr. McElhaney also served as a chairman and secretary of Wyoming Oil & Minerals, Inc., a publicly traded corporation, from February 2002 until 2005. From 2000 to 2003, he served as vice president and secretary of New Frontier Energy, Inc., a publicly traded corporation. McElhaney is a co-founder of MCM Capital Management Inc., a privately held financial management and consulting company formed in 1990 and has served as its president of that company since inception.

Bill M. Conrad - Mr. Conrad has been one of our directors since May 2005 and prior to the acquisition of Predecessor Synergy was our Vice President and Secretary. Mr. Conrad has been involved in several aspects of the oil & gas industry over the past 20 years. From February 2002 until June 2005, Mr. Conrad served as president and a director of Wyoming Oil & Minerals, Inc., and from 2000 until April 2003, he served as vice president and a director of New Frontier Energy, Inc. Since June 2006, Mr. Conrad has served as a director of Gold Resource Corporation, a publicly traded corporation engaged in the mining industry. In 1990, Mr. Conrad co-founded MCM Capital Management Inc. and has served as its vice president since that time.

R.W. "Bud" Noffsinger, III - Mr. Noffsinger was appointed as one of our directors in September 2009. Mr. Noffsinger has been the President/ CEO of RWN3 LLC, a company involved with investment securities, since February 2009. Previously, Mr. Noffsinger was the President (2005 to 2009) and Chief Credit Officer (2008 to 2009) of First Western Trust Bank in Fort Collins, Colorado. Prior to his association with First Western, Mr. Noffsinger was a manager with Centennial Bank of the West (now Guaranty Bank and Trust). Mr. Noffsinger's focus at Centennial was client development and lending in the areas of commercial real estate, agriculture and natural resources. Mr. Noffsinger is a graduate of the University of Wyoming and holds a Bachelor of Science degree in Economics with an emphasis on natural resources and environmental economics.

George Seward - Mr. Seward was appointed as one of our directors on July 8, 2010. Mr. Seward cofounded Prima Energy in 1980 and served as its Secretary until 2004, when Prima was sold to Petro-Canada for $534,000,000. At the time of the sale, Prima had 152 billion cubit feet of proved gas reserves and was producing 55 million cubic foot of gas daily from wells in the D-J Basin in Colorado and the Powder River Basin of Wyoming and Utah. Since March 2006 Mr. Seward has been the President of Pocito Oil and Gas, a limited production company, with operations in northeast Colorado, southwest Nebraska and Barber County, Kansas. Mr. Seward has also operated a diversified farming operation, raising wheat, corn, pinto beans, soybeans and alfalfa hay in southwestern Nebraska and northeast Colorado, since 1982.

We believe Messrs. Holloway, Scaff, McElhaney, Conrad and Seward are qualified to act as directors due to their experience in the oil and gas industry. We believe Messrs. Barton, Wilber and Noffsinger are qualified to act as directors as result of their experience in financial matters.

With the exception of Mr. Noffsinger and Mr. Seward, none of our directors are independent as that term is defined Section 803.A of the NYSE Amex.

The members of our compensation committee are Rick Wilber, Raymond McElhaney, Bill Conrad, Ben Barton and R.W. Noffsinger. The members of our Audit Committee are Raymond McElhaney, Bill Conrad and R.W. Noffsinger. Mr. Noffsinger acts as the financial expert for the Audit Committee of our board of directors.

We have adopted a Code of Ethics applicable to our senior executive and financial officers.

ITEM 11. EXECUTIVE COMPENSATION

The following table shows the compensation paid or accrued to our executive officers during the years ended August 31, 2010 and 2009.

Name and Principal Position	Fiscal Year	Salary (1)	Bonus (2)	Stock Awards (3)	Option Awards (4)	All Other Compensation (5)	Total
Ed Holloway, Principal Executive Officer	2010	$175,000	--	--	--	--	$ 175,000
	2009	$150,000	--	--	$5,092,672	--	$5,242,672
William E. Scaff, Jr. Vice President, Secretary and Treasurer	2010	$175,000	--	--	--	--	$ 175,000
	2009	$150,000	--	--	$5,092,672	--	$5,242,672
Frank L. Jennings, Principal Financial Officer	2010	$106,225	--	--	--	--	$ 106,225
	2009	$ 63,716	--	--	--	--	$ 63,716

(1) The dollar value of base salary (cash and non-cash) earned. (2) The dollar value of bonus (cash and non-cash) earned.
(3) The fair value of stock issued for services computed in accordance with ASC 718 on the date of grant.
(4) The fair value of options granted computed in accordance with ASC 718 on the date of grant. (5) All other compensation received that we could not properly report in any other column of the table.

The compensation to be paid to Mr. Holloway and Mr. Scaff will be based upon their employment agreements, which are described below. All material elements of the compensation paid to these officers is discussed below. The compensation we expect to pay to Mr. Jennings will be based upon the time spent each fiscal year by Mr. Jennings on our business. During the years ended August 31, 2009 and 2010, Mr. Jennings spent approximately 55% and 35% of his time, respectively, on our business.

On June 11, 2008, we signed employment agreements with Ed Holloway and William E. Scaff Jr. Each employment agreement provided that the employee would be paid a monthly salary of $12,500 and required the employee to devote approximately 80% of his time to our business. The employment agreements expired on June 1, 2010.

On June 1, 2010, we entered into a new employment agreements with Mr. Holloway and Mr. Scaff. The new employment agreements, which expire on May 31, 2013, provide that we pay Mr. Holloway and Mr. Scaff each a monthly salary of $25,000 and require both Mr. Holloway and Mr. Scaff to devote approximately 80% of their time to our business. In addition, for every 50 wells that begin

producing oil and/or gas after June 1, 2010, whether as the result of our successful drilling efforts or acquisitions, we will issue, to each of Mr. Holloway and Mr. Scaff, shares of common stock in an amount equal to $100,000 divided by the average closing price of our common stock for the 20 trading days prior to the date the fiftieth well begins producing.

The employment agreements will terminate upon the employee's death, or disability or may be terminated by us for cause. If the employment agreement is terminated for any of these reasons, the employee, or his legal representatives as the case may be, will be paid the salary provided by the employment agreement through the date of termination.

For purposes of the employment agreements, "cause" is defined as:

(i) the conviction of the employee of any crime or offense involving, or of fraud or moral turpitude, which significantly harms us;

(ii) the refusal of the employee to follow the lawful directions of our board of directors;

(iii) the employee's negligence which shows a reckless or willful disregard for reasonable business practices and significantly harms us; or

(iv) a breach of the employment agreement by the employee.

We had a consulting agreement with Ray McElhaney and Bill Conrad which provided that Mr. McElhaney and Mr. Conrad would render, on a part-time basis, consulting services pertaining to corporate acquisitions and development. For these services, Mr. McElhaney and Mr. Conrad were paid a monthly consulting fee of $5,000. The consulting agreement expired on September 15, 2009.

Employee Pension, Profit Sharing or other Retirement Plans. Effective November 1, 2010 we adopted a defined contribution retirement plan, qualifying under Section 401(k) of the Internal Revenue Code and covering substantially all of our employees. We match participant's contributions in cash, not to exceed 4% of the participant's total compensation. Other than this 401(k) Plan, we do not have a defined benefit pension plan, profit sharing or other retirement plan.

Stock Option and Bonus Plan

We have a stock option and a stock bonus plan. A summary description of each plan follows.

Non-Qualified Stock Option Plan. Our Non-Qualified Stock Option Plan authorizes the issuance of shares of our common stock to persons that exercise options granted pursuant to the Plan. Our employees, directors, officers, consultants and advisors are eligible to be granted options pursuant to the Plan, provided however that bona fide services must be rendered by such consultants or advisors and such services must not be in connection with promoting our stock or the sale of securities in a capital-raising transaction. The option exercise price is determined by our directors.

Stock Bonus Plan. Our Stock Bonus Plan allows for the issuance of shares of common stock to our employees, directors, officers, consultants and advisors. However, bona fide services must be rendered by the consultants or advisors and such services must not be in connection with promoting our stock or the sale of securities in a capital-raising transaction.

Summary. The following is a summary of options granted or shares issued pursuant to the Plans as of November 15, 2010. Each option represents the right to purchase one share of our common stock.

Name of Plan	Total Shares Reserved Under Plans	Reserved for Outstanding Options	Shares Issued as Stock Bonus	Remaining Options/Shares Under Plans
Non-Qualified Stock Option Plan	2,000,000	270,000	N/A	1,730,000
Stock Bonus Plan	500,000	N/A	--	500,000

Options

In connection with the acquisition of Predecessor Synergy, we issued options to the persons shown below in exchange for options previously issued by Predecessor Synergy. The terms of the options we issued are identical to the terms of the Predecessor Synergy options. The options were not granted pursuant to our Non-Qualified Stock Option Plan. As of November 15, 2010, none of these options have been exercised.

Name	Grant Date	Shares Issuable Upon Exercise of Options	Exercise Price	Expiration Date
Ed Holloway (1)	9-10-08	1,000,000	$ 1.00	6-11-13
William E. Scaff, Jr. (2)	9-10-08	1,000,000	$ 1.00	6-11-13
Ed Holloway (1)	9-10-08	1,000,000	$10.00	6-11-13
William E. Scaff, Jr. (2)	9-10-08	1,000,000	$10.00	6-11-13

(1) Options are held of record by a limited liability company controlled by Mr. Holloway.

(2) Options are held of record by a limited liability company controlled by Mr. Scaff.

The following table shows information concerning our outstanding options as of November 15, 2010.

Name	Shares underlying unexercised Option which are: Exercisable	Unexercisable	Exercise Price	Expiration Date
Ed Holloway	1,000,000	--	$ 1.00	6-11-13
William E. Scaff, Jr.	1,000,000	--	$ 1.00	6-11-13
Ed Holloway	1,000,000	--	$ 10.00	6-11-13
William E. Scaff, Jr.	1,000,000	--	$ 10.00	6-11-13
Employees	10,000(1)	260,000(1)	(1)	(1)

(1) Options were issued to several employees pursuant to our Non-Qualified Stock Option Plan. The exercise price of the options varies between $2.40 and $3.00 per share. The options expire at various dates between December 2018 and October 2020.

The following table shows the weighted average exercise price of the outstanding options granted pursuant to our Non-Qualified Stock Option Plan or otherwise as of August 31, 2010. Neither our Non-Qualified Stock Option Plan nor the issuance of any of our other options have been approved by our shareholders.

Plan category	Number of Securities be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans, Excluding Securities Reflected in Column
Non-Qualified Stock Option Plan	220,000	$2.73	1,780,000
Other Options	4,000,000	$5.50	-

Compensation of Directors During Year Ended August 31, 2010

	Fees Earned or Paid in Cash	Stock Awards (1)	Option Awards (2)	Total

Benjamin Barton	--	$ 88,762	--	$ 88,762
Rick Wilber	--	88,762	--	88,762
Raymond McElhaney	$2,000	92,763	--	94,763
Bill Conrad	$4,000	92,763	--	96,763
R.W. Noffsinger	--	92,763	--	92,763
George Seward	--	88,762	--	88,762
	$6,000	$544,575		$550,575

(1) The fair value of stock issued for services computed in accordance with ASC 718.

(2) The fair value of options granted computed in accordance with ASC 718 on the date of grant.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table shows, as of November 15, 2010, information with respect to those persons owning beneficially 5% or more of our common stock and the number and percentage of outstanding shares owned by each of our directors and officers and by all officers and directors as a group. Unless otherwise indicated, each owner has sole voting and investment powers over his shares of common stock.

Name	Number of Shares (1)	Percent of Class(2)
Ed Holloway	4,070,000 (3)	25.7%
William E. Scaff, Jr.	4,070,000 (4)	25.7%
Frank L. Jennings	4,000	*
Benjamin Barton	688,762 (5)	5.0%
Rick A. Wilber	465,191	3.4%
Raymond E. McElhaney	304,763	2.2%
Bill M. Conrad	319,763	2.3%
R.W. Noffsinger, III	342,763	2.5%
George Seward	526,262	3.8%
All officers and directors as a group (9 persons)	10,791,504	70.6%

* Less than 1%

(1) Share ownership includes shares issuable upon the exercise of options, all of which are currently exercisable, held by the persons listed below.

Name	Share Issuable Upon Exercise of Options	Option Exercise Price	Expiration Date
Ed Holloway	1,000,000	$ 1.00	6-11-13
Ed Hollway	1,000,000	$ 10.00	6-11-13
William E. Scaff, Jr.	1,000,000	$ 1.00	6-11-13
William E. Scaff, Jr.	1,000,000	$ 10.00	6-11-13

(2) Computed based upon 13,823,481 shares of common stock outstanding as of November 15, 2010.

(3) Shares are held of record by various trusts and limited liability companies controlled by Mr. Holloway.

(4) Shares are held of record by various trusts and limited liability companies controlled by Mr. Scaff.

(5) Shares are held of record by a partnership controlled by Mr. Barton.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Our two officers, Ed Holloway and William Scaff, Jr., are currently involved in oil and gas exploration and development. Mr. Holloway and Mr. Scaff,

or their affiliates (collectively the "Holloway/Scaff Parties"), may present us with opportunities to acquire leases or to participate in drilling oil or gas wells. The Holloway/Scaff Parties control three entities with which we have entered into agreements. These entities are Petroleum Management, LLC ("PM"), Petroleum Exploration and Management, LLC ("PEM"), and HS Land and Cattle, LLC ("HSLC").

Any transaction between us and the Holloway/Scaff Parties must be approved by a majority of our disinterested directors. In the event the Holloway/Scaff Parties are presented with or become aware of any potential transaction which they believe would be of interest to us, they are required to provide us with the right to participate in the transaction. The Holloway/Scaff Parties are required to disclose any interest they have in the potential transaction as well as any interest they have in any property which could benefit from our participation in the transaction, such as by our drilling an exploratory well on a lease which is in proximity to leases in which the Holloway/Scaff Parties have an interest. Without our consent, the Holloway/Scaff Parties may participate up to 25% in a potential transaction on terms which are no different than those offered to us.

We had a letter agreement with PM and PEM which provide us with the option to acquire working interests in oil and gas leases owned by these firms and covering lands on the D-J basin. The oil and gas leases covered 640 acres in Weld County, Colorado and, subject to certain conditions, would be transferred to us for payment of $1,000 per net mineral acre. The working interests in the leases we could acquire varied, but the net revenue interest in the leases, could not be less than 75%. Between August 2008 and February 2010, we acquired leases covering 640 gross, 360 net, acres from PM and PEM for $360,000.

Between June 11, 2008 and June 30, 2010, and pursuant to the terms of an Administrative Services Agreement, PM provided us with office space and equipment storage in Platteville, Colorado, as well as secretarial, word processing, telephone, fax, email and related services for a fee of $20,000 per month. Following the termination of the Administrative Services Agreement, and since July 1, 2010 we have leased the office space and equipment storage yard in Platteville from HSLC at a rate of $10,000 per month.

In October 2010, and following the approval of our directors, we acquired oil and gas properties from PM and PEM, for approximately $1.0 million. The oil and gas properties we acquired are located in the Wattenberg Field and consisted of:

- six producing oil and gas wells
- two shut in oil wells
- fifteen drill sites, net 6.25 wells
- miscellaneous equipment

We have a 100% working interest (80% net revenue interest) in the six producing wells and the two shut in wells.

In 2009, PM and PEM acquired the same oil and gas properties sold to us from an unrelated third party for $920,000. The difference in the price we paid for the properties and the price PM and PEM paid for the properties represents interest on the amount paid by PM and PEM for the properties, closing costs and equipment improvements.

In addition to the above, and as mentioned in Item 1 of this report, we have a nonbinding letter of intent relating to the potential acquisition of oil and gas properties from PEM.

Prior to our acquisition of Predecessor Synergy, Predecessor Synergy made the following sales of its securities:

Name	Shares	Series A Warrants	Consideration
Ed Holloway (1)	2,070,000	--	$2,070
William E. Scaff, Jr. (1)	2,070,000	--	$2,070
Benjamin Barton (1)	600,000	--	$ 600
John Staiano (1)	600,000	--	$ 600
Synergy Energy Trust	1,900,000 (2)	--	$1,900
Third Parties	660,000	--	$ 660
Private Investors	1,000,000	1,000,000	$1.00 per Unit (3)

Private Investors	1,060,000	1,060,000	$1.50 per Unit (3)
Total	9,960,000	2,060,000	

(1) Shares are held of record by entities controlled by this person.
(2) In December 2008, we repurchased 1,000,000 shares from the Synergy Energy Trust.
(3) Shares and warrants were sold as units, with each unit consisting of one share of our common stock and one Series A warrant.

In connection with our acquisition of Predecessor Synergy, the 9,960,000 shares of Predecessor Synergy, plus the 2,060,000 Series A warrants, were exchanged for 9,960,000 shares of our common stock, plus 2,060,000 of our Series A warrants.

In contemplation of the acquisition of Predecessor Synergy, our directors declared a dividend of Series A warrants. The dividend provided that each person owning our shares at the close of business on September 9, 2008 will receive one Series A warrant for each post-split share which they owned on that date. Mr. McElhaney and Mr. Conrad, due to their ownership of our common stock on September 9, 2008, received 271,000 and 247,000 Series A warrants, respectively.

Each Series A warrant entitles the holder to purchase one share of our common stock at a price of $6.00 per share. The Series A warrants expire on the earlier of December 31, 2012 or twenty days following written notification from us that our common stock had a closing bid price at or above $7.00 for any ten of twenty consecutive trading days.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

For the year ended August 31, 2010, Ehrhardt Keefe Steiner Hottman P.C. ("EKS&H") served as our independent registered public accounting firm. Stark Schenkein LLP (previously Stark Winter Schenkein & Co., LLP) served as our independent registered public accounting firm for the year ended August 31, 2009. The following table shows the aggregate fees billed to us for these periods by EKS&H and Stark Schenkein LLP.

	Year Ended August 31, 2010	Year Ended August 31, 2009
Audit Fees	$72,213	$53,620
Audit-Related Fees	$ 7,500	$ 1,688
Tax Fees	$ 3,800	$ 5,700
All Other Fees	--	--

Audit fees represent amounts billed for professional services rendered for the audit of our annual financial statements and the reviews of the financial statements included in our Form 10-Q and Form 10-K reports. Audit-related fees include amounts billed for the review of our registration statement on Form S-1. Prior to contracting with either EKS&H or Stark Schenkein LLP to render audit or non-audit services, each engagement was approved by our directors.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibits		Page Number
3.1.1	Articles of Incorporation	(1)
3.1.2	Amendment to Articles of Incorporation	(3)
3.1.3	Bylaws	(1)
10.1	Employment Agreement with Ed Holloway	(2)

10.2	Employment Agreement with William E. Scaff, Jr.	(2)

10.3	Administrative Services Agreement	(3)
10.4	Agreement regarding Conflicting Interest Transactions	(3)
10.5	Consulting Services Agreement with Raymond McElhaney and Bill Conrad	
10.6.1	Form of Convertible Note	
10.6.2	Form of Subscription Agreement	
10.6.3	Form of Series C Warrant	
10.7	Purchase and Sale Agreement with Petroleum Exploration and Management, LLC (wells, equipment and well bore leasehold assignments)	
10.8	Purchase and Sale Agreement with Petroleum Management, LLC (operations and leasehold)	
10.9	Purchase and Sale Agreement with Chesapeake Energy	
10.10	Lease with HS Land & Cattle, LLC	
14.	Code of Ethics	(3)
31	Rule 13a-14(a) Certifications	
32	Section 1350 Certifications	
99	Letter regarding oil and gas reserves	

(1) Incorporated by reference to the same exhibit filed with our registration statement on Form SB-2, File #333-146561.

(2) Incorporated by reference to the same exhibit filed with our report on Form 8-K filed June 4, 2010.

(3) Incorporated by reference to the same exhibit filed with our transition report on Form 10-K for the year ended August 31, 2008.

SYNERGY RESOURCES CORPORATION

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Synergy Resources Corporation

We have audited the accompanying balance sheet of Synergy Resources Corporation (the "Company") of August 31, 2010, and the related statements of operations, changes in shareholders' (deficit) equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Synergy Resources Corporation as of August 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Ehrhardt Keefe Steiner & Hottman PC

November 19, 2010
Denver, Colorado

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
Synergy Resources Corporation

We have audited the accompanying balance sheet of Synergy Resources Corporation (an Exploration Stage Company) as of August 31, 2009, and the related statements of operations, changes in shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Synergy Resources Corporation

(an Exploration Stage Company) as of August 31, 2009, and the results of its operations, and its cash flows for the for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Stark Schenkein, LLP

Denver, Colorado
November 12, 2009

SYNERGY RESOURCES CORPORATION
BALANCE SHEETS
as of August 31, 2010 and 2009

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,748,637	$2,854,659
Accounts receivable:		
Oil and gas sales	377,675	84,643
Joint interest billing	1,930,810	-
Related party receivable	867,835	-
Inventory	387,864	1,132,685
Other current assets	12,310	21,105
Total current assets	10,325,131	4,093,092
Property and equipment:		
Oil and gas properties, full cost method, net	12,692,194	653,435
Other property and equipment, net	150,789	1,041
Property and equipment, net	12,842,983	654,476
Debt issuance costs, net of amortization	1,587,799	-
Other assets	86,000	85,000
Total assets	$24,841,913	$4,832,568
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable:		
Trade	$ 3,015,562	$ 622,734
Related party payable	554,669	-
Accrued expenses	517,921	59,579
Bank loan payable	-	1,161,811
Total current liabilities	4,088,152	1,844,124
Asset retirement obligations	254,648	-
Convertible promissory notes, net of debt discount	12,190,945	-
Derivative conversion liability	9,325,117	-
Total liabilities	25,858,862	1,844,124
Commitments and contingencies (See Note 12)		
Shareholders' equity (deficit):		
Preferred stock - $0.01 par value, 10,000,000 shares authorized: no shares issued and outstanding	-	-
Common stock - $0.001 par value, 100,000,000 shares authorized: 13,510,981 and 11,998,000 shares issued and outstanding as of August 31, 2010, and 2009, respectively	13,511	11,998
Additional paid-in capital	22,308,963	15,521,697

Accumulated (deficit)	(23,339,423)	(12,545,251)
Total shareholders' equity (deficit)	(1,016,949)	2,988,444
Total liabilities and shareholders' equity (deficit)	$24,841,913	$4,832,568

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

SYNERGY RESOURCES CORPORATION
STATEMENTS OF OPERATIONS
for the years ended August 31, 2010 and 2009

	2010	2009
Oil and gas revenues	$ 2,158,444	$ 94,121
Expenses:		
Lease operating expenses	323,520	11,572
Depreciation, depletion, and amortization	701,400	97,605
Impairment of oil and gas properties	-	945,079
General and administrative	1,688,382	11,048,591
Services contract - related party	226,667	240,000
Consulting fees - related party	-	120,000
Total expenses	2,939,969	12,462,847
Operating loss	(781,525)	(12,368,726)
Other income (expense):		
Accretion of debt discount	(1,333,590)	-
Amortization of debt issuance costs	(453,656)	-
Change in fair value of derivative conversion liability	(7,678,457)	-
Interest expense, net	(551,603)	-
Interest income	4,659	16,853
Total other income (expense)	(10,012,647)	16,853
Loss before taxes	(10,794,172)	(12,351,873)
Provision for income taxes	-	-
Net loss	$(10,794,172)	$(12,351,873)
Net loss per common share:		
Basic and Diluted	$ (0.88)	$ (1.14)
Weighted average shares outstanding:		
Basic and Diluted	12,213,999	10,831,053

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

SYNERGY RESOURCES CORPORATION
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
for the years ended August 31, 2010 and 2009

	Number of Common Shares	Common Stock	Additional Paid - In Capital	Stock Subscriptions Receivable	Accumulated (Deficit)	Total Shareholders' Equity (Deficit)
Balance, September 1, 2008	9,943,571	$ 9,944	$2,477,511	$ (27,650)	$ (193,378)	$ 2,266,427
Stock subscription received	-	-	-	27,650	-	27,650
Shares issued for net assets of Brishlin pursuant to September 10, 2008 Exchange Agreement	1,038,000	1,038	10,637	-	-	11,675
Stock options exchanged pursuant to September 10, 2008 Exchange Agreement	-	-	10,185,345	-	-	10,185,345
Shares issued for cash at $1.50 per share pursuant to July 16, 2008 offering memorandum	16,429	16	24,628	-	-	24,644
Shares issued for cash at two shares for $3.00 pursuant to December 1, 2008 offering memorandum	2,000,000	2,000	2,998,000	-	-	3,000,000
Offering costs	-	-	(285,600)			(285,600)
Repurchase of Founder's shares at $.001	(1,000,000)	(1,000)	-	-	-	(1,000)
Share based compensation	-	-	111,176	-	-	111,176
Net (loss)	-	-	-	-	(12,351,873)	(12,351,873)
Balance, August 31, 2009	11,998,000	11,998	15,521,697	-	(12,545,251)	2,988,444
Shares issued pursuant to conversion of debt and accrued interest at $1.60 per share, net of $165,212 unamortized debt discount	1,309,027	1,309	1,927,917	-	-	1,929,226
Reclassification of derivative conversion liability to equity pursuant to early conversion of debt	-	-	1,809,149	-	-	1,809,149
Shares issued for services	197,988	198	544,377	-	-	544,575
Shares issued in exchange for mineral leases	5,966	6	16,639	-	-	16,645
Series C warrants issued in connection with sale of convertible debt at $100,000 per Unit pursuant to November 27, 2009 offering memorandum	-	-	1,760,048	-	-	1,760,048
Series D warrants issued in connection with sale of convertible debt at $100,000 per Unit pursuant to November 27, 2009 offering memorandum	-	-	692,478	-	-	692,478
Share based compensation	-	-	36,658	-	-	36,658
Net (loss)	-	-	-	-	(10,794,172)	(10,794,172)
Balance, August 31, 2010	13,510,981	$ 13,511	$22,308,963	$ -	(23,339,423)	$(1,016,949)

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

SYNERGY RESOURCES CORPORATION
STATEMENTS OF CASH FLOWS
for the years ended August 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Net loss	$(10,794,172)	$(12,351,873)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, depletion, and amortization	701,400	97,605
Impairment of oil and gas properties	-	945,079
Amortization of debt issuance cost	453,656	-
Accretion of debt discount	1,333,590	-
Stock-based compensation	581,233	10,296,521
Change in fair value of derivative liability	7,678,457	-
Changes in operating assets and liabilities:		
Accounts receivable	(3,091,677)	(84,643)
Inventory	744,821	(1,132,685)
Accounts payable	(518,942)	610,261
Accrued expenses	460,780	18,726
Effect of merger on operating assets (liabilities)	-	(31,437)
Other	7,795	6,307

Total adjustments	8,351,113	10,725,734
Net cash used in operating activities	(2,443,059)	(1,626,139)
Cash flows from investing activities:		
Acquisition of property and equipment	(9,152,175)	(1,658,035)
Performance assurance deposit	-	(85,000)
Cash acquired in merger	-	3,987
Net cash used in investing activities	(9,152,175)	(1,739,048)
Cash flows from financing activities:		
Cash proceeds from convertible promissory notes	18,000,000	-
Debt issuance costs	(1,348,977)	-
Cash proceeds from bank loan payable	-	1,161,811
Principal repayments	(1,161,811)	-
Cash proceeds from sale of stock	-	3,052,294
Offering costs	-	(285,600)
Repurchase of shares	-	(1,000)
Net cash provided by financing activities	15,489,212	3,927,505
Net increase in cash and equivalents	3,893,978	562,318
Cash and equivalents at beginning of period	2,854,659	2,292,341
Cash and equivalents at end of period	$ 6,748,637	$ 2,854,659
Supplemental Cash Flow Information (See Note 14)		

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

SYNERGY RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2010 and 2009

1. Organization and Summary of Significant Accounting Policies

Organization: Synergy Resources Corporation (the "Company") represents the result of a merger transaction on September 10, 2008, between Brishlin Resources, Inc. ("Predecessor Brishlin"), a public company, and Synergy Resources Corporation ("Predecessor Synergy"), a private company. The Company is engaged in oil and gas acquisitions, exploration, development and production activities, primarily in the area known as the Denver-Julesburg Basin. The Company has adopted August 31st as the end of its fiscal year.

Merger Transaction: On September 10, 2008, Predecessor Brishlin consummated an Agreement to Exchange Common Stock ("Exchange Agreement") with certain shareholders of Predecessor Synergy to acquire approximately 89% of the outstanding common stock of Predecessor Synergy. In subsequent transactions, all the remaining outstanding common shares of Predecessor Synergy were acquired.

Although the legal form of the transaction reflects the acquisition of Predecessor Synergy by Predecessor Brishlin, the Company determined that the accounting form of the transaction is a "reverse merger", in which Predecessor Synergy is identified as the acquiring company and Predecessor Brishlin is identified as the acquired company. At the time of the transaction, Predecessor Brishlin had ceased most of its operations and liquidated most of its assets and liabilities. In accordance with SEC regulations, the transaction was recorded as a capital transaction rather than a business combination. The transaction is equivalent to the issuance of common stock by Predecessor Synergy in exchange for the net assets of Predecessor Brishlin and a recapitalization of Predecessor Synergy. The assets and liabilities of Predecessor Brishlin were not restated to

their estimated fair market values and no goodwill or other intangible assets were recorded.

Basis of Presentation: The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Exploration Stage Company: Prior to August 31, 2009, the Company was considered an exploration stage company as it had not commenced its planned principal operations and its primary activities were related to its initial organization and other preliminary efforts. Subsequent to August 31, 2009, the Company commenced its planned principal operations and exited from the exploration stage.

Reclassifications: Certain amounts previously presented for prior periods have been reclassified to conform to the current presentation. The reclassifications had no effect on net loss, accumulated deficit, net assets or total shareholders' equity.

Use of Estimates: The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, including oil and gas reserves,

and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management routinely makes judgments and estimates about the effects of matters that are inherently uncertain. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and assumptions are revised periodically and the effects of revisions are reflected in the financial statements in the period it is determined to be necessary. Actual results could differ from these estimates.

Cash and Cash Equivalents: The Company considers cash in banks, deposits in transit, and highly liquid debt instruments purchased with original maturities of three months or less to be cash and cash equivalents.

Inventory: Inventories consist primarily of tubular goods and well equipment to be used in future drilling operations or repair operations and are carried at the lower of cost or market.

Oil and Gas Properties: The Company uses the full cost method of accounting for costs related to its oil and gas properties. Accordingly, all costs associated with acquisition, exploration, and development of oil and gas reserves (including the costs of unsuccessful efforts) are capitalized into a single full cost pool. These costs include land acquisition costs, geological and geophysical expense, carrying charges on non-producing properties, costs of drilling, and overhead charges directly related to acquisition and exploration activities. Under the full cost method, no gain or loss is recognized upon the sale or abandonment of oil and gas properties unless non-recognition of such gain or loss would significantly alter the relationship between capitalized costs and proved oil and gas reserves.

Capitalized costs of oil and gas properties are amortized using the unit-of-production method based upon estimates of proved reserves. For amortization purposes, the volume of petroleum reserves and production is converted into a common unit of measure at the energy equivalent conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil. Investments in unevaluated properties and major development projects are not amortized until proved reserves associated with the projects can be determined or until impairment occurs. If the results of an assessment indicate that the properties are impaired, the amount of the impairment is added to the capitalized costs to be amortized.

Under the full cost method of accounting, a ceiling test is performed each quarter. The full cost ceiling test is an impairment test prescribed by SEC regulations. The ceiling test determines a limit on the book value of oil and gas properties. The capitalized costs of proved and unproved oil and gas properties, net of accumulated depreciation, depletion, and amortization, and the related deferred income taxes, may not exceed the estimated future net cash

flows from proved oil and gas reserves, less future cash outflows associated with asset retirement obligations that have been accrued, plus the cost of unevaluated properties not being amortized, plus the lower of cost or estimated fair value of unevaluated properties being amortized, less (iv) income tax effects. Prices are held constant for the productive life of each

well. Net cash flows are discounted at 10%. If net capitalized costs exceed this limit, the excess is charged to expense and reflected as additional accumulated depreciation, depletion and amortization. The calculation of future net cash flows assumes continuation of current economic conditions. Once impairment expense is recognized, it cannot be reversed in future periods, even if increasing prices raise the ceiling amount.

For the year ended August 31, 2010, the oil and natural gas prices used to calculate the full cost ceiling limitation are the 12 month average prices, calculated as the unweighted arithmetic average of the first day of the month price for each month within the 12 month period prior to the end of the reporting period, unless prices are defined by contractual arrangements. Prices are adjusted for basis or location differentials. Prior to August 31, 2010, ceiling calculations were based on the spot price on the last day of the reporting period.

Capitalized Overhead: A portion of the Company's overhead expenses are directly attributable to acquisition and development activities. Under the full cost method of accounting, these expenses are capitalized in the full cost pool. The Company capitalized overhead expenses of approximately $95,475 and nil for the years ended August 31, 2010 and 2009, respectively.

Oil and Gas Reserves: The determination of depreciation, depletion and amortization expense, as well as the ceiling test related to the recorded value of the Company's oil and natural gas properties, will be highly dependent on the estimates of the proved oil and natural gas reserves. Oil and natural gas reserves include proved reserves that represent estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. There are numerous uncertainties inherent in estimating oil and natural gas reserves and their values, including many factors beyond the Company's control. Accordingly, reserve estimates are often different from the quantities of oil and natural gas ultimately recovered and the corresponding lifting costs associated with the recovery of these reserves.

Capitalized Interest: The Company capitalizes interest on expenditures made in connection with exploration and development projects that are not subject to current amortization. Interest is capitalized during the period that activities are in progress to bring the projects to their intended use. During the years ended August 31, 2010 and 2009, interest capitalized was $269,761, and $25,442, respectively.

Debt Issuance Costs: Debt issuance costs of $2,041,455 were incurred in connection with executing Convertible Promissory Notes between December 29, 2009, and March 12, 2010. (See Note 7) Amortization expense, which is being recognized over the stated three year term, of $453,657 was recorded during the year ended August 31, 2010.

Fair Value Measurements: Effective September 1, 2008, the company adopted FASB Accounting Standards Codification ("ASC") "Fair Value Measurements and Disclosures", which establishes a framework for assets and liabilities measured at fair value on a recurring basis included in the Company's balance sheets. Effective September 1, 2009, similar accounting guidance was adopted for assets and liabilities measured at fair value on a nonrecurring basis. As defined in

the guidance, fair value is the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

The Company uses market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These inputs can either be readily observable, market corroborated or generally

unobservable. Fair value balances are classified based on the observability of the various inputs.

Asset Retirement Obligations: The Company's activities are subject to various laws and regulations, including legal and contractual obligations to reclaim, remediate, or otherwise restore properties at the time the asset is permanently removed from service. The fair value of a liability for the asset retirement obligation ("ARO") is initially recorded when it is incurred if a reasonable estimate of fair value can be made. This is typically when a well is completed or an asset is placed in service. When the ARO is initially recorded, the Company capitalizes the cost (asset retirement cost or "ARC") by increasing the carrying value of the related asset. Over time, the liability increases for the change in its present value (accretion of ARO), while the capitalized cost decreases over the useful life of the asset. The capitalized ARCs are included in the full cost pool and subject to depletion, depreciation and amortization. In addition, the ARCs are included in the ceiling test calculation. Calculation of an ARO requires estimates about several future events, including the life of the asset, the costs to remove the asset from service, and inflation factors. The ARO is initially estimated based upon discounted cash flows over the life of the asset and is accreted to full value over time using the Company's credit adjusted risk free interest rate. Estimates are periodically reviewed and adjusted to reflect changes.

Derivative Conversion Liability: The Company accounts for its embedded conversion features in its convertible promissory notes in accordance with the guidance for derivative instruments, which require a periodic valuation of their fair value and a corresponding recognition of liabilities associated with such derivatives. The recognition of derivative conversion liabilities related to the issuance of convertible debt is applied first to the proceeds of such issuance as a debt discount at the date of the issuance. Any subsequent increase or decrease in the fair value of the derivative conversion liabilities is recognized as a charge or credit to other income (expense) in the statements of operations.

Revenue Recognition: Revenue is recognized for the sale of oil and natural gas when production is sold to a purchaser and title has transferred. Revenues from production on properties in which the Company shares an economic interest with other owners are recognized on the basis of the Company's interest. Provided that reasonable estimates can be made, revenue and receivables are accrued and adjusted upon settlement of actual volumes and prices, as payment is received often sixty to ninety days after production.

Major Customer and Operating Region: The Company operates exclusively within the United States of America. Except for cash and equivalent instruments, all of the Company's assets are employed in and all of its revenues are derived from the oil and gas industry.

The Company's oil and gas production is purchased by a few customers. The table below presents the percentage of oil and gas revenue that was purchased by major customers.

	Year Ended August 31,	
Major Customers	2010	2009
Company A	13%	100%
Company B	30%	0%
Company C	57%	0%

As there are other purchasers that are capable of and willing to purchase the Company's oil and gas production and since the Company has the option to change purchasers on its properties if conditions so warrant, the Company believes that its oil and gas production can be sold in the market in the event that it is not sold to the Company's existing customers, but in some circumstances a change in customers may entail significant transition costs and/or shutting in or curtailing production for weeks or even months during the transition to a new customer.

Stock Based Compensation: The Company records stock-based compensation expense in accordance with the fair value recognition provisions of US GAAP. Stock based compensation is measured at the grant date based upon the estimated fair value of the award and the expense is recognized over the required employee

service period, which generally equals the vesting period of the grant. The fair value of stock options is estimated using the Black-Scholes-Merton option-pricing model. The fair value of restricted stock grants is estimated on the grant date based upon the fair value of the common stock.

Earnings Per Share Amounts: Basic earnings per share includes no dilution and is computed by dividing net income (or loss) by the weighted-average number of shares outstanding during the period. Diluted earnings per share is equivalent to basic earnings per share as all dilutive securities have an antidilutive effect on earnings per share.. The following dilutive securities could dilute the future earnings per share:

	2010	2009
Convertible promissory notes	9,942,500	--
Accrued interest	135,068	--
Warrants(1)	15,286,466	5,161,466
Employee stock options	4,220,000	4,100,000
Total	29,584,034	9,261,466

(1) Also as of August 31, 2010 and 2009, the Company had a contingent obligation to issue 63,466 potentially dilutive securities, all of which were excluded from the calculation because the contingency conditions had not been met.

Income Taxes: Deferred income taxes are recorded for timing differences between items of income or expense reported in the financial statements and those reported for income tax purposes using the asset/liability method of accounting for income taxes. Deferred income taxes and tax benefits are

recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax loss and credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company provides for deferred taxes for the estimated future tax effects attributable to temporary differences and carry-forwards when realization is more likely than not. If the Company concludes that it is more likely than not that some portion or all of the deferred tax asset will not be realized, the balance of deferred tax assets is reduced by a valuation allowance.

The Company adheres to the provisions of the ASC regarding uncertainty in income taxes. No significant uncertain tax positions were identified as of any date on or before August 31. 2010. Given the substantial net operating loss carry-forwards at both the federal and state levels, neither significant interest expense nor penalties charged for any examining agents' tax adjustments of income tax returns prior to and including the year ended August 31, 2010 are anticipated since such adjustments would very likely simply reduce the net operating loss carry-forwards.

Recent Accounting Pronouncements: The Company evaluates the pronouncements of various authoritative accounting organizations, primarily the Financial Accounting Standards Board ("FASB"), the Securities and Exchange Commission ("SEC"), and the Emerging Issues Task Force ("EITF"), to determine the impact of new pronouncements on US GAAP and the impact on the Company.

Accounting Standards Codification - In June 2009 FASB established the Accounting Standards Codification ("ASC") as the single source of authoritative US GAAP to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative US GAAP for SEC registrants. The ASC did not change current US GAAP, but was intended to simplify user access to all authoritative US GAAP by providing all the relevant literature related to a particular topic in one place. All previously existing accounting standards were superseded and all other accounting literature not included in the ASC is considered non-authoritative. New accounting standards issued subsequent to June 30, 2009, are communicated by the FASB through Accounting Standards Updates ("ASUs"). The ASC was effective for the Company on September 1, 2009. Adoption of the ASC did

not have an impact on the Company's financial position, results of operations or cash flows.

The Company has recently adopted the following new accounting standards:

Oil and Gas Disclosures - See the discussion in Note 2 regarding the Company's adoption of revised oil and gas disclosures.

Subsequent Events - In May 2009 the ASC guidance for subsequent events was updated to establish accounting and reporting standards for events that occur after the balance sheet date but before financial statements are issued. The guidance was amended in February 2010 by ASU No. 2010-09. The ASU for subsequent

events sets forth: (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet in its financial statements, and (iii) the disclosures that an entity should make about events or transactions occurring after the balance sheet date in its financial statements. The amended ASC was effective immediately and its adoption had no impact on the Company's financial position, results of operations or cash flows.

Fair value measurements and disclosure - In January 2010 the FASB issued ASU No. 2010-06 - "Improving Disclosures about Fair Value Measurements". This update amends existing disclosure requirements to require additional disclosures regarding fair value measurements, including the amounts and reasons for significant transfers between Level 1 and Level 2 of the fair value hierarchy. Furthermore, the reconciliation for fair value measurements using significant unobservable inputs now requires separate information about purchases, sales, issuances, and settlements. Additional disclosure is also required about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring measurements. Adoption of this amendment required the Company to disclose additional fair value information, but otherwise did not have an impact on the Company's financial position, results of operations, or cash flows.

The following accounting standards updates were recently issued and have not yet been adopted by the Company. These standards are currently under review to determine their impact on the Company's financial position, results of operations, or cash flows.

Derivatives and Hedging - ASU No. 2010-11 was issued in March 2010 and clarifies that the transfer of credit risk that is only in the form of subordination of one financial instrument to another is an embedded derivative feature that should not be subject to potential bifurcation and separate accounting. This ASU will be effective for the first fiscal quarter beginning after June 15, 2010, with early adoption permitted, and is expected to be adopted by the Company effective September 1, 2010.

Compensation - Stock Compensation - ASU No. 2010-13 was issued in April 2010 and will clarify the classification of an employee share based payment award with an exercise price denominated in the currency of a market in which the underlying security trades. This ASU will be effective for the first fiscal quarter beginning after December 15, 2010, with early adoption permitted.

There were various other updates recently issued, most of which represented technical corrections to the accounting literature or were applicable to specific industries, and are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

2. Modernization of Oil and Gas Reporting

On December 29, 2008, the SEC approved new requirements for reporting oil and gas reserves. The new rule, titled "Modernization of Oil and Gas Reporting" was effective for annual reporting periods ending on or after December 31, 2009, and was implemented by the Company effective August 31, 2010. During 2010 the FASB issued ASU No. 2010-03 and ASU No. 2010-14 to align the ASC with the SEC's revised rules. The new disclosure requirements provide for consideration of new

technologies in evaluating reserves, allow companies to disclose their probable and possible reserves to investors, report oil and gas reserves using an average price based on the prior 12 month period rather than year-end prices, and revise the disclosure requirements for oil and gas operations. Accounting for the limitation on capitalized costs for full cost companies was also revised, including the provision that subsequent price increases cannot be considered in the ceiling test calculation.

Adoption of the new rule impacted depreciation, depletion, and amortization expense for the year ended August 31, 2010, as well as the ceiling test calculation for oil and gas properties as of August 31, 2010. The new rules further impacted the oil and gas reserve quantities that were estimated by the reservoir engineer.

The Company believes that the most significant change in the rules was the adoption of a new method to estimate selling prices for oil and gas. Under the new rules prices are determined as an unweighted arithmetic average of the first day of the month price for each of the preceding twelve months. Under the old rules, prices were determined as the spot price on the last day of the reporting period. For the year ended August 31, 2010, the Company used estimated prices of $69.20 per barrel of oil and $4.76 per Mcf of gas. Had the old rules been applied as of August 31, 2010, the prices would have been $64.43 per barrel of oil and $4.47 per Mcf of gas.

The adoption of the new rules is considered a change in accounting principle inseparable from a change in accounting estimate. The Company does not believe that provisions of the new guidance, other than pricing, significantly impacted the financial statements. The Company does not believe that it is practicable to estimate the effect of applying the new rules on net loss or the amount recorded for depreciation, depletion and amortization for the year ended August 31, 2010.

3. Accounts Receivable

Accounts receivable consist primarily of trade receivables from oil and gas sales and amounts due from other working interest owners which have been billed for their proportionate share of wells which the Company operates. For receivables from joint interest owners, the Company typically has the right to withhold future revenue disbursements to recover outstanding joint interest billings. As of August 31, 2010 and 2009, major customers (i.e. those with balances greater than 10% of total receivables) are shown in the following table.

	As of August 31,	
Accounts Receivable from Major Customers	2010	2009
Company A	*	100%
Company D	27%	*

* less than 10%

4. Property and Equipment

Capitalized costs of property and equipment at August 31, 2010 and 2009, consisted of the following:

	As of August 31,	
	2010	2009
Oil and gas properties, full cost method:		
Unevaluated costs, not subject to amortization:		
Lease acquisition costs	$ 848,696	$ 420,478
Evaluated costs:		
Producing and non-producing	12,992,594	689,779
Total capitalized costs	13,841,290	1,110,257
Less, accumulated depletion	(1,149,096)	(456,822)

Oil and gas properties, net	12,692,194	653,435
Other property and equipment:		
Vehicles	89,527	--
Leasehold improvements	32,329	--
Office equipment	36,821	1,337
Less, accumulated depreciation	(7,888)	(296)
Other property and equipment, net	150,789	1,041
Total property and equipment, net	$12,842,983	$ 654,476

The capitalized costs of evaluated oil and gas properties are depleted using the unit-of-production method based on estimated reserves and the calculation is performed quarterly. Production volumes for the quarter are compared to beginning of quarter estimated total reserves to calculate a depletion rate. For the years ended August 31, 2010 and 2009, depletion of oil and gas properties was $692,274 and $97,309, respectively, which is equivalent to $15.52 and $39.54 per barrel of oil, respectively.

Periodically, the Company reviews its unevaluated properties and its inventory to determine if the carrying value of either asset exceeds its market value. The review for the year ended August 31, 2009, indicated that the market value of tubular goods was less than the carrying value and the excess carrying value of $585,566 was reclassified to the full cost pool to be amortized and included in the ceiling test. The review for the year ended August 31, 2010, indicated that asset carrying values were less than market values and no reclassification was required.

On a quarterly basis the Company performs the full cost ceiling test. As a result of the ceiling test performed for the year ended August 31, 2009, the Company recorded an impairment provision of $945,079, including $585,566 related to tubular goods and $359,513 related to oil and gas properties. The ceiling tests performed during the year ended August 31, 2010, did not reveal any impairments.

For the years ended August 31, 2010 and 2009, depreciation of other property and equipment was $7,592 and $296, respectively.

5. Bank Loan Payable

In May 2009 the Company arranged a credit facility with a commercial bank that provided for maximum borrowings up to $1,161,811. Proceeds from the borrowing were used to purchase pipe used to drill and complete oil and gas wells and the borrowing was collateralized primarily by the pipe. In April 2010 the outstanding balance was paid in full. The credit facility bore interest at the prime rate plus 0.5% with a minimum interest rate of 5.5%. Interest costs related to the credit facility of $30,387 and $25,442 were incurred during the years ended August 31, 2010 and 2009, respectively.

6. Asset Retirement Obligations

During the year ended August 31, 2010, the Company drilled 36 wells and will have asset removal obligations once the assets are permanently removed from service. The primary obligations involve the removal and disposal of surface equipment, plugging and abandoning the wells, and site restoration. For the purpose of determining the fair value of ARO incurred during the year ended August 31, 2010, the Company assumed an inflation rate of 5%, an estimated asset life of 24 years, and a credit adjusted risk free interest rate of 10.53%.

The following table summarizes the change in asset retirement obligations for the year ended August 31, 2010:

Balance, August 31, 2009	$ --
Liabilities incurred	253,114
Liabilities settled	--
Accretion	1,534
Revisions in previous estimates	--
Balance, August 31, 2010	$254,648

7. Convertible Promissory Notes and Derivative Conversion Liability

Between December 29, 2009, and March 12, 2010, the Company received gross proceeds of $18,000,000 from the sale of 180 Units at $100,000 per Unit. Each Unit consists of one convertible promissory note ("Note") in the principal amount of $100,000 and 50,000 Series C warrants (collectively referenced as a "Unit"). The Notes bear interest at 8% per year, payable quarterly, and mature on December 31, 2012, unless earlier converted by the Note holders or repaid by the Company. Each Series C warrant entitles the holder to purchase one share of common stock at a price of $6.00 per share and expires on December 31, 2014.

Net cash proceeds of $16,651,023 from the sale of the Units are being used primarily to drill and complete oil and gas wells in the Wattenburg field, located in the Denver-Julesburg Basin. The Notes are collateralized by any oil and gas wells drilled, completed, or acquired with the proceeds from the offering.

The Notes are considered hybrid debt instruments containing a detachable warrant and a conversion feature under which the proceeds of the offering are allocated to the detachable warrants and the conversion feature based on their fair values. The warrants were determined to be a component of equity, and the fair value of the warrants was recorded as additional paid in capital. Since the warrants were recorded as a component of equity, the fair value of $1,760,048 was estimated at inception and will not be re-measured in future periods. The Notes contain a conversion feature, at an initial conversion price of $1.60 and subject to adjustment under certain circumstances, which allow the Note holders to convert the principal balance into a maximum of 11,250,000 common shares, plus conversion of accrued and unpaid interest into common shares, also at $1.60 per share. The conversion feature was determined to be an embedded derivative requiring the conversion option to be separated from the host contract and measured at its fair value. The conversion option will continue to be recorded at fair value each reporting period until settlement or conversion, with changes in the fair value reflected in other income (expense) in the statements of operations. The fair value of the conversion feature was recorded as derivative conversion liability.

As of March 12, 2010, the estimated fair value of the Series C warrants was $1,760,048. The estimated fair value of the conversion feature was $3,455,809. Allocation of value to the components upon issuance of the Notes resulted in a debt discount of $5,215,857, which will be accreted over the 36 month life of the Notes using the effective interest method. The effective interest rate on the Notes is 19%. The Company recorded accretion expense of $1,333,590 during the year ended August 31, 2010, which included the effect of accelerated accretion on early Note conversions. .

In connection with the sale of the Units, the Company paid fees and expenses of $1,348,977 and issued 1,125,000 Series D warrants to the placement agent. The Series D warrants have an exercise price of $1.60 and an expiration date of December 31, 2014. The warrants were valued at $692,478 using the Black-Scholes-Merton option pricing model. The Company recorded $2,041,455 of debt issuance costs, which will be amortized over the three year term of the Notes. Amortization expense of $453,656 was recorded during the year ended August 31, 2010.

During the fourth quarter of 2010, holders of Convertible Promissory Notes with a face amount of $2,092,000 plus accrued interest of $2,438 elected to convert the Notes into 1,309,027 shares of common stock at the conversion price of $1.60 per share. At the time the Notes were converted, the estimated fair value of the derivative conversion liability apportioned to the converted Notes totaled $1,809,149, which was reclassified from derivative conversion liability to additional paid in capital. Similarly, the unamortized debt discount apportioned to the converted Notes totaled $488,816. The unamortized debt discount of $323,604 applicable to the conversion option was charged to accretion of debt discount and the unamortized debt discount of $165,212 applicable to the warrants was reclassified from debt discount to additional paid in capital. As of August 31, 2010, Notes with a principal amount of $15,908,000 were outstanding and the debt discount balance was $3,717,055.

The fair value of the derivative conversion liability is adjusted each quarter to reflect the change in value. The estimated fair value of the derivative conversion liability as of August 31, 2010, was $9,325,117, an increase in fair value of $7,678,457, which was recorded as a change in value of derivative liability since issuance of the Notes.

8. Fair Value Measurements

Assets and liabilities are measured at fair value on a recurring basis for disclosure or reporting, as required by ASC "Fair Value Measurements and Disclosures".

A fair value hierarchy was established that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, listed securities and U.S. government treasury securities.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies, where substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Level 3 - Pricing inputs include significant inputs that are generally less observable than objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 includes those financial instruments that are valued using models or other valuation methodologies, where substantial assumptions are not observable in the marketplace throughout the full term of the instrument, cannot be derived from observable data or are not supported by observable levels at which transactions are executed in the marketplace. At each balance sheet date, the Company performs an analysis of all applicable instruments and includes in Level 3 all of those whose fair value is based on significant unobservable inputs.

For the most part, the Company's financial instruments consisted of cash and equivalents, accounts receivable, accounts payable, accrued liabilities, and bank loan. Due to the short original maturities and high liquidity of cash and equivalents, accounts receivable, accounts payable, and accrued liabilities, carrying amounts approximated fair values. The $1,161,811 carrying amount of the bank loan payable at August 31, 2009, approximated fair value since borrowings bore interest at variable rates.

During the year ended August 31, 2010, the Company sold Note Units (See Note 7), that contained fair value elements. As neither the underlying debt nor the warrants are traded on a public market, the Company developed a methodology to estimate fair value.

The Company estimated the fair value of the warrants and the conversion feature of the Notes at inception by using the Black-Scholes-Merton option-pricing model. The following assumptions were the same for both components: volatility of 55%, dividend yield of 0%, and interest rate of 1.5%. The expected term of the derivative conversion liability is 1.5 years and the expected term of the warrants is 5 years. The Black-Scholes-Merton option pricing model also requires an assumption about the fair value of the Company's common stock. It was concluded upon issuance of the Notes that the Company's stock traded in an illiquid market, and the reported sales prices may not represent fair value. As a result, a model that estimated the enterprise value of the Company based upon oil and gas reserve estimates was used to place a value of $1.39 on the Company's common stock. As the inputs into this model are not observable in the marketplace, the results are considered a Level 3 valuation.

As the warrants were recorded as a component of equity, their derived fair values of the Series C warrants issued with the Notes were assigned a value of $1,760,048. The fair values of the Series C warrants were estimated at inception and will not be re-measured in future periods. The Series D warrants issued to the placement agent were recorded at their estimated fair value of $692,478. The estimated fair value of the conversion feature classified as a long-term liability on the balance sheet was $3,455,809, and is re-measured each reporting period with the resulting change included as a component of other expense in the determination of net income (loss).

Subsequent to the valuation at inception, the model used to value the derivative conversion liability was changed from the Black-Scholes-Merton option pricing model to a Monte Carlo Simulation (MCS) model, as permitted by ASC "Fair Value Measurements and Disclosures" provided that change results in a measurement that is equally or more representative of fair value in the circumstances. The Company believes the MCS model provides a more robust method to determine estimates of the future share prices of the Company's common stock, which is a significant input to the calculation. Further, the use of a MCS model allows the use of stochastic methodology which allows for simulations when the

payoff depends upon the path followed by the underlying variable, i.e., the common stock price. Payoffs can occur at several times during the life of the conversion feature rather than at the end of its life. Inputs to this valuation technique include over-the-counter forward pricing and volatilities for similar liabilities in active markets as well as credit risk considerations, including the incorporation of published interest rates and credit spreads. The assumptions used were: an expected term of 2.3 years, volatility of 53.07%, which was derived from the expected volatility of the Company's peer group, dividend yield of 0%, and a discount rate of 6.64%. Upon evaluation of recent trading of the Company's common stock during the quarter ended August 31, 2010, the preponderance of evidence indicated that the market for the Company's common stock had become both active and orderly. As a result, the Company used the reported closing price of the common stock as a variable in the MCS model to value the derivative conversion liability during the period ended August 31, 2010. All of the significant inputs are observable, either directly or indirectly; therefore, the Company's derivative conversion liability is included within the Level 2 fair value hierarchy.

The change in valuation technique, which is considered a change in accounting estimate by the ASC, also represents a change in the categorization of the valuation from Level 3 to Level 2. The revaluation using this new technique resulted in an increase in derivative conversion liability by approximately $300,000, which was included in the change in the fair value of derivative liability reported as other expense in the statement of operations for the year ended August 31, 2010.

The derivative conversion liability is re-measured each quarter to reflect the change in fair value. The estimated fair value of the derivative conversion liability as of August 31, 2010, was $9,325,117, an increase in fair value of $7,678,457 since issuance of the Notes.

The following table sets forth by level within the fair value hierarchy the Company's financial assets and financial liabilities as of August 31, 2010, that were measured at fair value on a recurring basis.

	As of August 31, 2010	Level 1	Level 2	Level 3
Derivative Conversion Liability	$9,325,117	$ --	$9,325,117	$ --

The Company also measures all nonfinancial assets and liabilities that are not recognized or disclosed on a recurring basis. As discussed in Note 6, the recognition of asset retirement obligations totaling $254,648 was necessary at August 31, 2010, the value of which was determined using Level 3 inputs. The estimated fair value of the obligations was determined using several assumptions and judgments about the ultimate settlement amounts, inflation factors, credit

adjusted discount rates, timing of settlement, and changes in regulations. Changes in estimates are reflected in the obligations as they occur.

9. Related Party Transactions and Commitments

The Company's executive officers control three entities that have entered into agreements to provide various services and office space to the Company as well as an option to acquire certain oil and gas interests. The entities are Petroleum Management, LLC ("PM"), Petroleum Exploration and Management, LLC ("PEM"), and HS Land & Cattle, LLC ("HSLC").

Effective June 11, 2008, the Company entered into an Administrative Services Agreement with PM. The Company paid $10,000 per month for leasing office space and an equipment yard located in Platteville, Colorado, and paid $10,000 per month for office support services including secretarial service, word processing, communication services, office equipment and supplies. The Company paid $206,667 and $240,000 under this agreement for the years ended August 31, 2010 and 2009, respectively. Effective June 30, 2010, the Company terminated the agreement.

Effective August 7, 2008, the Company entered into a letter of intent with the related entities that provides an option to acquire working interests in oil and gas leases which are owned by PM and/or PEM. The oil and gas leases cover 640 acres in Weld County, Colorado, and subject to certain conditions, will be transferred to the Company for payment of $1,000 per net mineral acre. The working interests in the leases vary but the net revenue interest in the leases, if acquired by the Company, will not be less than 75%. The letter of intent expired on August 31, 2010. As of August 31, 2010, the Company had exercised its options on all available leases at a total cost of $360,000.

Effective July 1, 2010, the Company entered into a lease with HSLC, for office space and an equipment yard located in Platteville, Colorado. The lease requires monthly payments of $10,000 and terminates on June 30, 2011. The Company paid $20,000 under this agreement for the year ended August 31, 2010.

On June 1, 2008, the Company entered into an agreement with Energy Capital Advisors, an entity related through common ownership interests. Energy Capital Advisors provided certain services directly related to raising additional capital for the Company. Compensation under the agreement was $30,000 per month through December 31, 2008, and $10,000 per month from January 1, 2009 to May 31, 2009, when the agreement terminated. During the year ended August 31, 2009, the Company paid $170,000 related to this agreement.

During the year ended August 31, 2009, the Company had a consulting agreement with two directors under which the Company paid $120,000.

In addition to the transactions described above, the Company undertook various activities with PM and PEM that are related to the development and operation of oil and gas properties. The Company purchased certain oil and gas equipment, such as tubular goods and surface equipment, from PM. The Company reimbursed PM for the original cost of the equipment. PEM is a joint working

interest owner of certain wells operated by the Company. PEM is charged for their pro-rata share of costs and expenses incurred on their behalf by the Company, and similarly PEM is credited for their pro-rata share of revenues collected on their behalf. The following table summarizes the transactions with PM and PEM during each of the two years ended August 31, 2010 and 2009:

	Year Ended August 31,	
	2010	2009
Purchase of equipment from PM	$1,070,495	$ 1,718,967
Payments to PM for equipment	(531,797)	(1,718,967)
Balance due to PM for equipment	$ 538,698	$ --
Joint interest costs billed to PEM	1,629,895	$ --
Amounts collected from PEM	(762,060)	--

Joint interest billing due from PEM	$ 867,835	$ --
Revenues collected on behalf of PEM	$ 167,499	$ --
Payments to PEM	(151,528)	--
Balance due to PEM for revenues	$ 15,971	$ --

10. Shareholders' Equity

Preferred Stock: The Company has authorized 10,000,000 shares of preferred stock with a par value of $0.01 per share. These shares may be issued in series with such rights and preferences as may be determined by the Board of Directors. Since inception, the Company has not issued any preferred shares.

Common Stock: The Company has authorized 100,000,000 shares of common stock with a par value of $0.001 per share.

Issued and Outstanding: The total issued and outstanding common stock at August 31, 2010, is 13,510,981 common shares, as follows:

i. Effective June 11, 2008, the Company issued 7,900,000 common shares to its founders at $0.001 per share, for aggregate proceeds of $7,900.

ii. Pursuant to a Private Offering Memorandum dated June 20, 2008, the Company sold 1,000,000 units at $1.00 per unit. Each unit consists of one share of restricted common stock and one Series A warrant that entitles the holder to purchase one share of common stock at $6.00 per share through December 31, 2012.

iii. Pursuant to a Private Offering Memorandum dated July 16, 2008, the Company sold 1,060,000 units at $1.50 per unit for total cash proceeds of $1,590,000. Each unit consists of one share of restricted common stock and one Series A warrant that entitles the holder to purchase one share of common stock at $6.00 per share through December 31, 2012.

iv. Effective September 10, 2008, the Company agreed to issue 1,038,000 common shares to the shareholders of Predecessor Brishlin, on an exchange basis of one share of Synergy common stock for each share of Brishlin common stock. In addition, the shareholders of Predecessor Brishlin received 1,038,000 Series A warrants that entitle the holder to purchase one share of common stock at $6.00 per share through December 31, 2012.

v. Effective December 1, 2008, the Company repurchased 1,000,000 shares of its common stock from one of the original Predecessor Synergy shareholders for $1,000, the price at which the shares were originally sold to the shareholder.

vi. Pursuant to a Private Offering Memorandum dated December 1, 2008, the Company sold 1,000,000 units at $3.00 per unit for total cash proceeds of $3,000,000. Offering costs associated with the offering aggregated $285,600, resulting in net cash proceeds of $2,714,400. Each unit consists of two shares of common stock, one Series A warrant and one Series B warrant. Each Series A warrant entitles the holder to purchase one share of common stock at a price of $6.00 per share. The Series A warrants expire on December 31, 2012, or earlier under certain conditions. Each Series B warrant entitles the holder to purchase one share of common stock at a price of $10.00 per share. The Series B warrants expire on December 31, 2012, or earlier under certain conditions.

vii. During the quarter ended August 31, 2010, the Company issued 1,309,027 common shares pursuant to the conversion of Notes in the principal amount of $2,092,000 plus accrued interest of $2,438. The contractual conversion price is $1.60 per share.

viii. Pursuant to an agreement dated June 25, 2010, the Company issued 5,966 common shares in exchange for mineral leases. The transaction was recorded at a value of $16,645 based upon the closing price of the

Company's common stock on June 25, 2010.

ix. As partial compensation to its Directors, the Company issued 197,988 common shares on July 12, 2010. The transaction was recorded at a value of $544,575 based upon the closing price of the Company's common stock on July 12, 2010.

In addition to the warrant issuances described in the preceding paragraphs, the Company issued 31,733 placement agent warrants in connection with the Private Offering Memorandum dated December 1, 2008. Each placement agent warrant entitles the holder to purchase one unit (which unit is identical to the units sold under the Private Offering Memorandum dated December 1, 2008, described in item vi. above) at a price of $3.60. Each unit consisted of two shares of common stock, one Series A warrant, and one Series B warrant. To maintain comparability of the placement agent warrants with the other warrants, the Company presents the placement agent warrants as 63,466 shares at an

exercise price of $1.80. The Series A and Series B warrants issuable upon exercise of the placement agent warrants are not considered outstanding for accounting purposes until such time, if ever, that the placement agent warrants are exercised, and are disclosed as a commitment in Note 12.

Pursuant to an Offering Memorandum dated November 27, 2009, the Company sold 180 convertible promissory note units at $100,000 per unit. (See Note 7.) Each unit consists of one convertible promissory note and 50,000 Series C warrants. Each Series C warrant entitles the holder to purchase one share of common stock at a price of $6.00 per share and warrants were issued to purchase an aggregate of 9,000,000 common shares. The Series C warrants expire on December 31, 2014. In connection with this transaction, the Company issued 1,125,000 Series D warrants to the placement agent. The Series D warrants are exercisable at a price of $1.60 per share and expire on December 31, 2014.

The following table summarizes activity for common stock warrants for each of the two years ended August 31, 2010:

	Number of warrants	Weighted average exercise price
Outstanding, August 31, 2008	2,043,571	$6.00
Granted	3,117,895	$7.20
Exercised	--	
Outstanding, August 31, 2009	5,161,466	$6.72
Granted	10,125,000	$5.51
Exercised	--	
Outstanding, August 31, 2010	15,286,466	$5.92

The following table summarizes information about the Company's issued and outstanding common stock warrants as of August 31, 2010:

Exercise Price	Number of Shares	Remaining Contractual Life (in years)	Exercise Price times Number of Shares
$ 1.60	1,125,000	4.3	$ 1,800,000
$ 1.80	63,466	2.3	114,239
$ 6.00	4,098,000	2.3	24,588,000
$ 6.00	9,000,000	4.3	54,000,000
$10.00	1,000,000	2.3	10,000,000
	15,286,466	3.7	$90,502,239

11. Stock Based Compensation

The Company accounts for stock option activities as provided by ASC "Stock Compensation," which requires the Company to expense as compensation the value

of grants and options as determined in accordance with the fair value based method prescribed in the guidance. The Company estimates the fair value of each stock option at the grant date by using the Black-Scholes-Merton option-pricing model.

The Company recorded stock-based compensation expense of $581,233 and $10,296,521 for the years ended August 31, 2010 and 2009, respectively. The components of the expense for the year ended August 31, 2010 include stock grants of $544,575 to directors and option-based compensation of $36,658.

During June 2008 stock options were granted to purchase 4,000,000 shares of common stock. Effective June 11, 2008, grants covering 2,000,000 shares were issued to the executive officers at an exercise price of $10.00 and a term of five years, and these options will vest over a one year period. The fair value of these options was determined to be nil based upon the following assumptions: expected life of 2.5 years, stock price of $1.00 at date of grant, nominal volatility, dividend yield of 0%, and interest rate of 2.63%. Effective June 30, 2008, grants covering an additional 2,000,000 shares were issued to the executive officers at an exercise price of $1.00 and a term of five years, and these options will vest over a one year period. Based upon a fair value calculation, these options were determined to have a value of $127,000 using the following assumptions: expected life of 2.5 years, stock price of $1.00 at date of grant, nominal volatility, dividend yield of 0%, and interest rate of 2.63%. Stock option compensation expense of $98,800 was recorded for the year ended August 31, 2009.

In connection with the merger, the Company agreed to issue stock option grants covering 4,000,000 shares to replace the similar options described in the preceding paragraph. Using the Black-Scholes-Merton option-pricing model, the Company estimated that the fair value of the replacement options exceeded the fair value of the options surrendered by $10,185,345. The assumptions used in the model were: expected life of 2.5 years, stock price of $3.50 at date of grant, volatility of 166%, dividend yield of 0%, and interest rate of 2.63%. The incremental expense of $10,185,345 was recorded as stock option compensation expense for the year ended August 31, 2009.

Effective December 31, 2008, the Company granted stock options to an employee to purchase 100,000 shares of common stock at an exercise price of $3.00 and a term of ten years. These options vest over a five year period. Based on a fair value calculation, these options were determined to have a value of $185,640 using the following assumptions: expected life of 5 years, stock price of $2.00 at date of grant, volatility of 166%, dividend yield of 0%, and interest rate of 3.13%. Stock option compensation expense of $24,768 and $12,376 were recorded for the years ended August 31, 2010 and 2009, respectively, based on a pro-ration of the fair value over the vesting period.

Effective July 1, 2010, the Company granted stock options to employees to purchase 120,000 shares of common stock at an exercise price of $2.50 and a term of ten years. The options vest over various periods ranging from two to five years. Based on a fair value calculation, these options were determined to have a value of $155,544 using the following assumptions: expected life of 5.875 years, stock price of $2.52 at date of grant, volatility of 53.18%, dividend

yield of 0%, and interest rate of 2.08%. Stock option compensation expense of $11,890 was recorded for the year ended August 31, 2010, based on a pro-ration of the fair value over the vesting period.

The estimated unrecognized compensation cost from unvested stock options as of August 31, 2010, was approximately $292,000, substantially all of which will be recognized during the next two years.

The following table summarizes activity for stock options for each of the two years ended August 31, 2010:

	Number of shares	Weighted average Exercise price
Outstanding August 31, 2008	4,000,000	$5.50

Granted	100,000	$3.00
Exercised	--	
Outstanding August 31, 2009	4,100,000	$5.44
Granted	120,000	$2.50
Exercised	--	
Outstanding, August 31, 2010	4,220,000	$5.36

The following table summarizes information about outstanding stock options as of August 31, 2010:

Exercise Prices	Number of Shares	Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Aggregate Intrinsic Value
$10.00	2,000,000	2.8	$10.00	2,000,000	--
$1.00	2,000,000	2.8	$1.00	2,000,000	$2,500,000
$3.00	100,000	8.3	$3.00	10,000	--
$2.50	120,000	9.8	$2.50	--	--
	4,220,000	3.1	$5.36	4,010,000	$2,500,000

12. Commitments and Contingencies

On June 1, 2010, Synergy entered into new employment agreements with its executive officers. The employment agreements, which expire on May 31, 2013, provide that Synergy will pay each executive officer a monthly salary of $25,000. As additional consideration, the officers will receive shares of the Company's common stock valued at $100,000 based on the average closing price of our stock for the previous 20 trading days for every 50 wells that begin production after June 1, 2010.

The placement agent warrants issued in connection with the Private Offering Memorandum dated December 1, 2008, entitle the holder to purchase units consisting of common stock and warrants. The Series A and Series B warrants issuable upon exercise of the placement agent warrants are not considered outstanding for accounting purposes until such time, if ever, that the placement agent warrants are exercised. In the event that the placement agent warrants are exercised, the Company will be obligated to issue 31,733 Series A warrants and 31,733 Series B warrants.

13. Income Taxes

The components of the provision for income tax expense (benefit) consist of the following:

	Years Ended August 31,	
	2010	2009
Current income taxes	$ --	$ --
Deferred income taxes	(3,994,000)	(4,572,000)
Valuation allowance	3,994,000	4,572,000
Total tax benefit	$ --	$ --

The change in the valuation allowance from August 31, 2009 to August 31, 2010, includes, as a reconciling item, the $1,515,000 tax effect of amounts reclassified to equity from the liability as part of the allocation of fair value from the proceeds of the financing transaction and the corresponding offset benefit from the release of the valuation allowance.

The tax effects of temporary differences that give rise to significant components of the deferred tax assets and deferred tax liabilities at August 31,

2010 and 2009, are presented below:

	As of August 31,	
	2010	2009
Deferred tax assets:		
Net operating loss carry-forward	$3,838,000	$ 481,000
Stock-based compensation	3,834,000	3,820,000
Convertible promissory notes	1,876,000	--
Basis of oil and gas properties	--	357,000
Other	10,000	10,000
Less: valuation allowance	(7,147,000)	(4,668,000)
Subtotal	2,411,000	--
Deferred tax liabilities:		
Basis of oil and gas properties	(2,411,000)	--
Subtotal	(2,411,000)	--
Total	$ --	$ --

A reconciliation of expected federal income taxes on income from continuing operations at statutory rates with the expense (benefit) for income taxes is follows:

	Years Ended August 31,	
	2010	2009
Pre-tax book net income	$ (3,670,000)	$ (4,200,000)
State taxes	(324,000)	(372,000)
Change in valuation allowance	3,994,000	4,572,000
	$ --	$ --

At August 31, 2010, the Company has a net operating loss carry-forward for federal and state tax purposes of approximately $10,374,000 that could be utilized to offset taxable income of future years. Substantially all of the carry-forward will expire in 2029 and 2030.

The realization of the deferred tax assets related to the net operating loss carryforward is dependent upon the Company's ability to generate future taxable income. Given the Company's history of operating losses since inception, it cannot be assumed that the generation of future taxable income is more likely than not. The ability of the Company to utilize net operating loss carry-forwards may be further limited by other provisions of the Internal Revenue Code. The utilization of such carry-forwards may be limited upon the occurrence of certain ownership changes, including the purchase or sale of stock by 5% shareholders and the offering of stock by the Company during any three-year period resulting in an aggregate change of more than 50% in the beneficial ownership of the Company. In the event of an ownership change, Section 382 of the Code imposes an annual limitation on the amount of a Company's taxable income that can be offset by these carry-forwards.

Accordingly, the Company has established a full valuation allowance against the deferred tax assets.

14. Supplemental Schedule of Information to the Statements of Cash Flows

The following table supplements the cash flow information presented in the financial statements for the years ended August 31, 2010 and 2009:

	Year Ended August 31,	
	2010	2009
Supplemental cash flow information:		

Interest paid	$ 617,017	$ 5,325
Income taxes paid	--	--
Non-cash investing and financing activities:		
Conversion of promissory notes into common stock	$2,092,000	$ --
Accrued capital expenditures	3,446,439	--
Warrants issued to placement agent	692,478	--
Asset retirement costs and obligations	253,114	--
Shares issued for mineral leases	16,645	--
Net assets acquired in merger	--	11,675

15. Supplemental Oil and Gas Information (unaudited)

Costs Incurred: Costs incurred in oil and gas property acquisition, exploration and development activities for the years ended August 31, 2010 and 2009, were:

	Years Ended August 31,	
	2010	2009
Acquisition of Property:		
Unproved	$ 1,530,221	$ 420,478
Proved	--	--
Exploration costs	--	--
Development costs	10,360,516	2,408,030
Capitalized internal costs	95,475	--
Total Costs Incurred	$11,986,212	$ 2,828,508

Capitalized Costs Excluded from Amortization: The following table summarizes costs related to unevaluated properties that have been excluded from amounts subject to depletion, depreciation, and amortization at August 31, 2010. There were no individually significant properties or significant development projects included in the Company's unevaluated property balance. The Company regularly evaluates these costs to determine whether impairment has occurred. The majority of these costs are expected to be evaluated and included in the amortization base within three years.

	Period Incurred Year Ended August 31,		As of August 31,
	2010	2009	2010
Unproved leasehold acquisition costs	$ 554,739	$ 293,957	$ 848,696
Unevaluated development costs	--	--	--
Total	$ 554,739	$ 293,957	$ 848,696

Oil and Natural Gas Reserve Information: Proved reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions (prices and costs held constant as of the date the estimate is made). Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

Proved oil and natural gas reserve information at August 31, 2010 and 2009, and the related discounted future net cash flows before income taxes are based on estimates prepared by Ryder Scott Company LP. Reserve information for the properties was prepared in accordance with guidelines established by the

SEC.

The reserve estimates as of August 31, 2010, were prepared in accordance with "Modernization of Oil and Gas Reporting" published by the SEC. The new guidance included updated definitions of proved developed and proved undeveloped oil and gas reserves, oil and gas producing activities and other terms. Proved oil and gas reserves as of August 31, 2010, were calculated based on the prices for oil and gas during the 12 month period before the reporting date, determined as the unweighted arithmetic average of the first day of the month price for each month within such period, rather than the year-end spot prices, which had been used in prior years. This average price is also used in calculating the aggregate amount and changes in future cash inflows related to the standardized measure of discounted future cash flows. Undrilled locations can be classified as having proved undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years. The new guidance broadened the types of technologies that may be used to establish reserve estimates. Prior period data presented throughout Note 15 is not required to be, nor has it been, updated based upon the new guidance.

The following table sets forth information regarding the Company's net ownership interests in estimated quantities of proved developed and undeveloped oil and gas reserve quantities and changes therein for the years ended August 31, 2010 and 2009:

	Oil (Bbl)	Gas (Mcf)
Balance, August 31, 2008	--	--
Revision of previous estimates	--	--
Purchase of reserves in place	--	--
Extensions, discoveries, and other additions	8,160	30,066
Sale of reserves in place	--	--
Production	(1,730)	(4,386)
Balance, August 31, 2009	6,430	25,680
Revision of previous estimates	4,318	24,844
Purchase of reserves in place	--	--
Extensions, discoveries, and other additions	687,017	4,571,680
Sale of reserves in place	--	--
Production	(21,080)	(141,154)
Balance, August 31, 2010	676,685	4,481,051
Proved developed and undeveloped reserves:		
Developed at August 31, 2009	6,430	25,680
Developed at August 31, 2010	395,453	2,349,027
Undeveloped at August 31, 2010	281,232	2,132,024

Standardized Measure of Discounted Future Net Cash Flows: The following analysis is a standardized measure of future net cash flows and changes therein related to estimated proved reserves. Future oil and gas sales have been computed by applying average prices of oil and gas for August 31, 2010, and the year-end spot prices for August 31, 2009. Future production and development costs were computed by estimating the expenditures to be incurred in developing and producing the proved oil and gas reserves at the end of the year, based on year-end costs. The calculation assumes the continuation of existing economic conditions, including the use of constant prices and costs. Future income tax expenses were calculated by applying year-end statutory tax rates, with consideration of future tax rates already legislated, to future pretax cash flows relating to proved oil and gas reserves, less the tax basis of properties involved and tax credits and loss carry-forwards relating to oil and gas producing activities. All cash flow amounts are discounted at 10% annually to derive the standardized measure of discounted future cash flows. Actual future cash inflows may vary considerably, and the standardized measure does not necessarily represent the fair value of the Company's oil and gas reserves. Actual future net cash flows from oil and gas properties will also be affected by factors such as actual prices the Company receives for oil and gas, the amount and timing of actual production, supply of and demand for oil and gas, and changes in governmental regulations or taxation.

The following table sets forth the Company's future net cash flows relating to proved oil and gas reserves based on the standardized measure prescribed in the ASC:

	Year Ended August 31,	
	2010	2009
Future cash inflows	$ 68,167,917	$ 446,485
Future production costs	(19,877,331)	(141,134)
Future development costs	(15,836,965)	--
Future income tax expense	(6,926,890)	--
Future net cash flows	25,526,731	305,351
10% annual discount for estimated timing of cash flows	(12,504,334)	(72,394)
Standardized measure of discounted future net cash flows	$ 13,022,397	$ 232,957

There have been significant fluctuations in the posted prices of oil and natural gas during the last two years. Prices actually received from purchasers of the Company's oil and gas are adjusted from posted prices for location differentials, quality differentials, and BTU content. Estimates of the Company's reserves are based on realized prices. The following table presents the prices used to prepare the estimates, based upon average prices for the year ended August 31, 2010, and year-end spot prices for the year ended August 31, 2009:

	Natural Gas (Mcf)	Oil (Bbl)
August 31, 2009 (Spot Price)	$2.05	$61.24
August 31, 2010 (Average)	$4.76	$69.20

Changes in the Standardized Measure of Discounted Future Net Cash Flows: The principle sources of change in the standardized measure of discounted future net cash flows are:

	Year Ended August 31,	
	2010	2009
Standardized measure, beginning of year	$ 232,957	$ --
Sale and transfers, net of production costs	(1,834,924)	(82,549)
Net changes in prices and production costs	131,153	--
Extensions, discoveries, and improved recovery	17,785,154	315,506
Changes in estimated future development costs	--	--
Development costs incurred during the period	--	--
Revision of quantity estimates	212,851	--
Accretion of discount	30,535	--
Net change in income taxes	(3,535,329)	--
Purchase of reserves in place	--	--
Sale of reserves in place	--	--
Other	--	--
Standardized measure, end of year	$13,022,397	$ 232,957

15. Subsequent Events

The Company evaluated all events subsequent to the balance sheet date of August 31, 2010, through the date of issuance of these financial statements and has determined that except as set forth below, there are no subsequent events that require disclosure.

On October 1, 2010, the Company acquired certain oil and gas properties from PM and PEM for $1,017,435. As more fully discussed in Note 9, both entities are controlled by Ed Holloway and William E. Scaff, Jr., both officers and directors of the Company.

The oil and gas properties consist of:

- 6 producing oil and gas wells (100% working interest/ 80% net revenue interest)
- 2 shut in oil wells (100% working interest/ 80% net revenue interest)
- 15 drill sites (net 6.25 wells)
- Miscellaneous equipment.

The oil and gas properties are located in the Wattenberg field, which is part of the Denver-Julesburg Basin.

During the period subsequent to August 31, 2010, holders of convertible promissory notes in the face amount of $500,000, converted principal into 312,500 shares of the Company's common stock. After these conversions, notes in the principal amount of $15,408,000 were outstanding.

SIGNATURES

In accordance with Section 13 or 15(a) of the Exchange Act, the Registrant has caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on the 2nd day of June, 2011.

SYNERGY RESOURCES CORPORATION

By: /s/ Ed Holloway

Ed Holloway, President

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

Signature	Title	Date
/s/ Ed Holloway Ed Holloway	President, Chief Executive Officer and Director	June 2, 2011
/s/ Frank L. Jennings Frank L. Jennings	Principal Financial and Accounting Officer	June 2, 2011
/s/ William E. Scaff Jr. William E. Scaff, Jr.	Director	June 2, 2011
/s/ Benjamin Barton Benjamin Barton	Director	June 2, 2011
/s/ Rick Wilber	Director	June 2, 2011

Rick Wilber

/s/ Raymond E. McElhaney Raymond E. McElhaney	Director	June 2, 2011
/s/ Bill M. Conrad Bill M. Conrad	Director	June 2, 2011
R. W. Noffsinger, III	Director	
/s/ George Seward George Seward	Director	June 2, 2011

SYNERGY RESOURCES CORPORATION
FORM 10-K
EXHIBITS

SYNERGY RESOURCES CORPORATION

FORM 10-K/A

EXHIBITS

EXHIBIT 10.5

CONSULTING SERVICES AGREEMENT

CONSULTING SERVICES AGREEMENT (this "Agreement") is entered into as of September 15th, 2008 by and between Synergy Resources Corporation, a placeplaceColorado corporation (the "Company"), and Raymond E. McElhaney and Bill M. Conrad, collectively ("Consultants").

RECITALS

A. The Company desires to be assured of the association and services of Consultants and to avail itself of Consultant's experience, skills, abilities, knowledge and background and is therefore willing to engage Consultants upon the terms and conditions set forth herein; and

B. Consultants agree to be engaged and retained by the Company upon the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the covenants, agreements and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby covenant and agree as follows:

1. Consulting Services. Consultants shall, on a part-time basis, provide corporate development and strategic management consulting services to the Company (the "Consulting Services"), including but not limited to: evaluation and due diligence of potential business opportunities, target acquisitions and assistance with all applicable guidelines and responsibilities of being a publically traded company.

2. Term. The term of this Agreement shall commence as of the date hereof and shall be effective for a period of one year (the "Term"). This agreement may be extended under the same terms by mutual agreement between Consultants and the Company.

3. Direction, Control and Coordination. Consultants shall perform the Consulting Services under the sole direction and with the approval of the Company's Board of Directors. Since the Consultants are members of the Company's Board of Directors, Consultants shall perform the consulting services under the direction of an officer of the Company to whom such direction is delegate by resolution of the remaining Board of Directors.

4. Dedication of Resources. Consultants shall devote such time, attention and energy as is necessary to perform and discharge the duties and responsibilities under this Agreement in an efficient, trustworthy and professional manner.

5. Standard of Performance. Consultants shall use their best reasonable efforts to perform the consulting services as an advisor to the Company in an efficient, trustworthy and professional manner. Consultants shall perform their consulting services to the sole satisfaction of, and in conjunction and cooperation with, the Company.

6. Compensation. The Company shall pay to Consultants a total of ten thousand dollars per month in advance on the fifteen day of each month (five thousand dollars each per month) in exchange for the Consulting Services.

7. Confidential Information. Consultants recognize and acknowledge that by reason of performance of Consultant's services and duties to the Company (both during the Term and before or after it) Consultants have and will continue to have access to confidential information of the Company and its affiliates, including, without limitation, information and knowledge pertaining to innovations, designs, ideas, plans, trade secrets, proprietary information, advertising, distribution and sales methods and systems, and relationships between the Company and its affiliates and customers, clients, suppliers and others who have business dealings with the Company and its affiliates

("Confidential Information"). Consultants acknowledge that such Confidential Information is a valuable and unique asset and covenants that it will not, either during or for three (3) years after the term of this Agreement, disclose any such Confidential Information to any person for any reason whatsoever or use such Confidential Information (except as its duties hereunder may require) without the prior written authorization of the Company, unless such information is in the public domain through no fault of the Consultants or except as may be required by law. Upon the Company's request, the Consultants will return all tangible materials containing Confidential Information to the Company. The Consultants also realize that as members of the Board of Directors, they have a fiduciary duty to keep confidential any and all matters sensitive to the Company.

8. Relationship. The only relationship that exists is that Consultants are members of the Board of Directors and this agreement does not create, and shall not be construed to create, any joint venture or partnership between the parties, and may not be construed as an employment agreement. No officer, employee, agent, servant, or independent contractor of Consultants nor its affiliates shall at any time be deemed to be an employee, agent, servant, or broker of the Company for any purpose whatsoever solely as a result of this Agreement, and Consultants shall have no right or authority to assume or create any obligation or liability, express or implied, on the Company's behalf, or to bind the Company in any manner or thing whatsoever.

9. Notices. Any notice required or desired to be given under this Agreement shall be in writing and shall be deemed given when personally delivered, sent by an overnight courier service, or sent by certified or registered mail to the following addresses, or such other address as to which one party may have notified the other in such manner:

If to the Company: Synergy Resource Corporation
600 17th Street, 2800 South
Denver, Colorado 80202
720-359-1591
719-260-8516 (fax)

If to the Consultants: Bill M. Conrad
5415 Widgeon Point
Colorado Springs, CO 80918
719-491-0058

Raymond E. McElhaney
7345 Palmer Divide Ave.
Larkspur, Colorado 80118
719-491-0057

10. Applicable Law. The validity, interpretation and performance of this Agreement shall be controlled by and construed under the laws of the State of placeplaceColorado.

11. Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provisions of this Agreement.

12. Waiver of Breach. The waiver by either party of a breach of any provision of this Agreement by the other shall not operate or be construed as a waiver of any subsequent breach by such party. No waiver shall be valid unless in writing and signed by an authorized officer of the Company or Consultant.

13. Assigns and Assignment. This Agreement shall extend to, inure to the benefit of and be binding upon the parties hereto and their respective permitted successors and assigns; provided, however, that this Agreement may not be assigned or transferred, in whole or in part, by the Consultants except with the prior written consent of the Company.

14. Entire Agreement. This Agreement contains the entire understanding of the parties with respect to its subject matter. It may not be changed orally but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought.

15. Counterparts. This Agreement may be executed by facsimile and in counterparts each of which shall constitute an original document, and both of

which together shall constitute the same document.

Remainder of Page Left Blank Intentionally

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

The Company: SYNERGY RESOURCE CORPORATION

By: /s/ Ed Holloway

Ed Holloway, Chief Executive Officer

The Consultants: RAYMOND E. MCELHANEY

By: /s/ Raymond E. McElhaney

Raymond E. McElhaney

The Consultants: BILL M. CONRAD

By: /s/ Bill M. Conrad

Bill M. Conrad

EXHIBIT 10.6.1

Form of Convertible Note used in Company's
Private Offering of Convertible Notes
and Series C Warrants

8% SECURED NOTE

Platteville, CO 80651
December 31, 2009

FOR VALUE RECEIVED, Synergy Resources Corporation, a Colorado corporation, and its successors and assigns, (the "Company") promises to pay to the order of_____ (the "Holder") or, the principal sum of One Hundred Thousand Dollars ($100,000) in lawful money of the United States of America, together with interest on so much of the principal balance thereof as is from time to time outstanding at the rate hereinafter provided, and payable as hereinafter provided.

This Note is one of a series of Notes, designated the 8% Convertible Notes (individually referred to herein as a "Note," the series of notes is referred to herein collectively as the "Notes"), aggregating up to $18,000,000 issued by the Company. All the Notes shall rank pari passu in respect to payment of principal and interest and upon any dissolution, liquidation or winding-up of the Company. Any action permitted by this Note that is taken by one holder will be deemed to have been taken by all holders in proportion to the Principal Amount of each Holder's Note as compared to the total Principal Amount of the Notes then outstanding.

1. Interest Rate. The unpaid balance of this Note shall bear interest at the rate of eight percent (8%) per annum, simple interest. Interest shall be calculated on a 365-day year and the actual number of days in each month.

2. Payment/Maturity Date. Interest on the Note shall be paid quarterly, on the last day of March, June, September and December in each year, beginning March 31, 2010, and continuing until the Note is finally paid. The total outstanding principal balance hereof, together with accrued and unpaid interest, shall be paid on December 31, 2012. Interest must be paid in cash.

3. Conversion.

(a) The Holder shall have the option to convert all or any part of the principal amount of this Note, together with all accrued interest thereon in accordance with the provisions of and upon satisfaction of the conditions contained in this Note, into fully paid and non-assessable shares of the Company's common stock as is determined by dividing that portion of the outstanding principal balance and accrued interest under this Note as of such date that the Holder elects to convert by the Conversion Price. The initial Conversion Price is $1.60.

(b) No fractional shares of common stock shall be issued upon conversion of this Note, and in lieu thereof the number of shares of common stock to be issued upon each conversion shall be rounded up to the nearest whole number of shares of common stock. (c) The Holder's conversion right set forth in this Section may be exercised at any time and from time to time but prior to payment in full of the principal and accrued interest on this Note.

(d) The Holder may exercise the right to convert all or any portion of this Note only by delivery of a properly completed conversion notice on a Business Day to the Company's principal executive offices. Such conversion shall be deemed to have been made immediately prior to the close of business on the Business Day of such delivery of the conversion notice (the "Conversion Date"), and the Holder shall be treated for all purposes as the record holder of the shares of common stock into which this Note is converted as of such date. For purposes of this Note, a Business Day is any day the Federal Reserve Bank is open.

(e) As promptly as practicable after the Conversion Date, the Company at its expense shall issue and deliver to the Holder of this Note a stock certificate or certificates representing the number of shares of common stock into which this Note has been converted.

(f) Upon the full conversion of this Note the Company shall be forever released from all of its obligations and liabilities under this Note.

(g) Holder acknowledges that the shares of common stock issuable upon conversion of this note are "restricted securities," as such term is defined under the Securities Act. Holder agrees that Holder will not attempt to pledge, transfer, convey or otherwise dispose of such shares except in a transaction that is the subject of either: (i) an effective registration statement under the Securities Act and any applicable state securities laws; or (ii) an opinion of counsel rendered by legal counsel satisfactory to the Company, which opinion of counsel shall be satisfactory to the Company, to the effect that such registration is not required. The Company may rely on such an opinion of Holder's counsel in making such determination. Holder consents to the placement of a legend on the shares of common stock issuable upon the exercise of this Note stating that the shares represented by the certificate have not been registered under the Securities Act and setting forth or referring to the restrictions on transferability and sale thereof.

(h) Except for Exempt Issuances, if the Company sells any additional shares of common stock, or any securities convertible into common stock, at a price below the then applicable Conversion Price, the Conversion Price will be lowered to the price at which the shares were sold or the lowest price at which the securities are convertible, as the case may be. The Conversion Price will also be proportionately adjusted in the event of any stock splits.

(i) The term Exempt Issuance means the sale or issuance of:

i. shares of common stock or options to officers or directors of the Company, not to exceed 1,000,000 shares or options per year for any single officer or director (not to exceed 5,000,000 shares or options per year total), pursuant to any stock or option plan duly adopted by the directors of the Company;

ii. shares of common stock or options to employees or independent consultants of the Company, not to exceed 5,000,000 shares or options per year, pursuant to any stock or option plan duly adopted by the directors of the Company;

iii. shares in connection with an acquisition of oil and gas properties, the acquisition of an unaffiliated company, joint venture or similar strategic transaction where the primary purpose is not to raise cash;

iv. securities upon the conversion of the Notes or the exercise of options or warrants issued and outstanding on November 15, 2009, provided that the securities have not been amended to increase the number of such securities or to decrease the exercise, exchange or conversion prices of the securities.

(j) If the common stock to be issued on conversion of this Note shall be changed into any other class or classes of stock, whether by capital reorganization, reclassification, or otherwise, the holder of this Note shall, upon its conversion be entitled to receive, in lieu of the common stock which the Holder would have become entitled to receive but for such change, a number of shares of such other class or classes of stock that would have been subject to receipt by the Holder if it had exercised its rights of conversion immediately before such changes.

(k) If at any time there shall be a capital reorganization of the Company's common stock (other than a subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 3) or merger of the Company into another corporation, or the sale of the Company's properties and assets as, or substantially as, an entirety to any other person, then, as a part of such reorganization, merger or sale, lawful provision shall be made so that the Holder of this Note will

be entitled to receive the number of shares of stock or other securities or property from the successor corporation resulting from such merger to which the Holder would have been entitled as a result of such capital reorganization, merger or sale if this Note had been converted immediately before such capital reorganization, merger or sale.

(l) The Company will not, by amendment of its Articles of Incorporation or through any reorganization, recapitalization, transfer of assets, merger, dissolution, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed

or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Section and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holder of this Note against impairment.

(m) Upon the occurrence of each adjustment or readjustment pursuant to any provision hereof, the Company at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to the Holder of this Note a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based.

4. Reservation of Shares. At all times while this Note shall be convertible into shares of common stock, the Company shall reserve and keep available out of its authorized but unissued shares of common stock solely for the purpose of effecting the conversion of this Note such number of its shares of such common stock as shall from time to time be sufficient to effect the conversion of this Note in full. In the event that the number of authorized but unissued shares of such common stock shall not be sufficient to effect the conversion of the entire outstanding principal amount of this Note, then in addition to such other remedies as shall be available to the Holder, the Company shall take such corporate action as may be necessary to increase its authorized but unissued shares of such common stock to such number of shares as shall be sufficient for such purpose.

5. Prepayment. The Company may prepay the Notes without penalty at any time after _____. Nothwithstanding the above, the Company may repay the Note, without penalty upon ten days written notice to the Holder if, during any twenty trading days within a period of thirty consecutive trading days, the closing price of the Company's common stock is $3.25 or greater and the Company's common stock has an average trading volume of 200,000 shares or more per day.

6. Default Interest and Attorney Fees. Upon declaration of a default hereunder, the balance of the principal remaining unpaid, interest accrued thereon, and all other costs, and fees shall be immediately due and payable. In the event of default, the Company agrees to pay all costs of collection including reasonable attorney's fees.

7. Security. This Note is secured by the Company's interests in any wells drilled or completed with the proceeds from the sale of this Note.

8. Default. At the option of Holder, the unpaid principal balance of this Note and all accrued interest thereon shall become immediately due, payable, and collectible, without notice or demand, upon the occurrence at any time of any of the following events, each of which shall be deemed to be an event of default hereunder.

(a) The Company fails to make any payment of interest or principal on the date on which such payment becomes due and payable under this Note;

(b) The Company breaches any representation, warranty or covenant or defaults in the timely performance of any other obligation in its agreements with the Note holders and the breach or default continues

uncured for a period of five Business Days after the date on which notice of the breach or default is first given to the Company, or ten trading days after the Company becomes, or should have become aware of such breach or

default;

(c) The Company files for protection from its creditors under the federal bankruptcy code or a third party files an involuntary bankruptcy petition against the Company;

(d) The Company's common stock is not listed on the OTC Bulletin Board or other public trading market, or;

(e) The Company fails for any reason to deliver a certificate within five Business Days after delivery of the certificate is required pursuant to any agreement with the Holder.

Upon the occurrence of any event which might, upon notice or the passage of time constitute an Event of Default, the Company shall notify the Holder of the Note and the Holders of all other Notes of the occurrence of the event of default within ten (10) days.

9. Representations, Warranties and Covenants of the Company. The Company represents, warrants and covenants with the Holder as follows:

(a) Authorization; Enforceability. All action on the part of the Company, necessary for the authorization, execution and delivery of this Note and the performance of all obligations of the Company hereunder has been taken, and this Note constitutes a valid and legally binding obligation of the Company, enforceable in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

(b) Governmental Consents. No consent, approval, qualification, order or authorization of, or filing with, any local, state or federal governmental authority is required on the part of the Company in connection with the Company's valid execution, delivery or performance of this Note.

(c) No Violation. The execution, delivery and performance by the Company of this Note and the consummation of the obligations contemplated hereby will not result in a violation in any material respect of its Articles of Incorporation or By-Laws, or of any provision of any mortgage, agreement, instrument or contract to which it is a party or by which it is bound or, to the best of its knowledge, of any federal or state judgment, order, writ, decree, statute, rule or regulation applicable to the Company or be in material conflict with or constitute, with or without the passage of time or giving of notice, either a material default under any such provision or an event that results in the creation of any material lien,

charge or encumbrance upon any assets of the Company or the suspension, revocation, impairment, forfeiture or nonrenewal of any material permit, license, authorization or approval applicable to the Company, its business or operations, or any of its assets.

(d) Covenants. So long as any Note is outstanding the Company will not pay any dividends or other distributions to the holders of any shares of its preferred stock or common stock unless all payments have been made to the Holders on a current basis.

10. Assignment of Note. This Note may not be assigned by Company. The Note may be assigned by Holder with the express written consent of the Company.

11. Loss of Note. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Note, and in case of loss, theft or destruction of indemnification in form and substance acceptable to the Company in its reasonable discretion, and upon surrender and cancellation of this Note, if mutilated, the Company shall execute and deliver a new Note of like tenor and date.

12. Non-Waiver. No delay or omission on the part of Holder in exercising any rights or remedy hereunder shall operate as a waiver of such right or remedy or of any other right or remedy under this Note. A waiver on any one or more occasion shall not be construed as a bar to or waiver of any such right and/or

remedy on any future occasion.

13. Maximum Interest. In no event whatsoever shall the amount paid, or agreed to be paid, to Holder for the use, forbearance, or retention of the money to be loaned hereunder ("Interest") exceed the maximum amount permissible under applicable law. If the performance or fulfillment of any provision hereof, or any agreement between Company and Holder shall result in Interest exceeding the limit for Interest prescribed by law, then the amount of such Interest shall be reduced to such limit. If, from any circumstance whatsoever, Holder should receive as Interest an amount which would exceed the highest lawful rate, the amount which would be excessive Interest shall be applied to the reduction of the principal balance owing hereunder (or, at the option of Holder, be paid over to Company) and not to the payment of Interest.

14. Purpose of Loan. Company certifies that the loan evidenced by this Note is obtained for business or commercial purposes and that the proceeds thereof will not be used primarily for personal, family, household or agricultural purposes.

15. Waiver of Presentment. Company and the endorsers, sureties, guarantors and all persons who may become liable for all or any part of this obligation shall be jointly and severally liable for such obligation and hereby jointly and severally waive presentment and demand for payment, notice of dishonor, protest and notice of protest, and any and all lack of diligence or delays in collection or enforcement hereof. Said parties consent to any modification or extension of time (whether one or more) of payment hereof, the release of all or any part of the security for the payment hereof, and the release of any party liable for payment of this obligation. Any modification, extension, or release may be without notice to any such party and shall not discharge said party's liability hereunder. 16. Governing Law. As an additional consideration for the extension of credit, Company and each endorser, surety, guarantor, and any other person who may become liable for all or any part of this obligation understand and agree that the loan evidenced by this Note is made in the State of Colorado and the provisions hereof will be construed in accordance with the laws of the State of Colorado.

17. Arbitration. Any controversy or claim arising out of, or relating to this Note, or the making, performance, or interpretation thereof, shall be settled by arbitration in Denver, Colorado in accordance with the rules of the American Arbitration Association then existing, and judgment on the arbitration award may be entered in any court having jurisdiction over the subject matter of the controversy.

18. Binding Effect. The term "Company" as used herein shall include the original Company of this Note and any party who may subsequently become liable for the payment hereof as an assumer with the consent of the Holder, provided that Holder may, at its option, consider the original Company of this Note alone as Company unless Holder has consented in writing to the substitution of another party as Company.

19. Relationship of Parties. Nothing herein contained shall create or be deemed or construed to create a joint venture or partnership between Company and Holder, Holder is acting hereunder as a lender only.

20. Severability. Invalidation of any of the provisions of this Note or of any paragraph, sentence, clause, phrase, or word herein, or the application thereof in any given circumstance, shall not affect the validity of the remainder of this Note.

21. Amendment. This Note may not be amended, modified, or changed, except only by an instrument in writing signed by both of the parties.

22. Time of the Essence. Time is of the essence for the performance of each and every obligation of Company hereunder.

23. Notices. All notices, consents, approvals, requests, demands and other communications which are required or may be given hereunder shall be in writing and shall be duly given if personally delivered, sent by overnight courier or posted by U.S. registered or certified mail, return receipt requested, postage prepaid and addressed to the other parties at the addresses set forth below.

If to the Company:

Synergy Resources Corporation
20203 Highway 60
Platteville, CO 80651
ATTN: Ed Holloway, President and Principal Executive Officer

If to the Holder, at the address as shown on the register maintained by the Company for such purpose.

The Company or the Holder may change their address for purposes of this Section by giving to the other addressee notice of such new address in conformance with this Section. If the Company receives any notice pursuant to this Note or any other Note of this series, it must, not later than five business days thereafter, dispatch a copy of such notice to the Holder of this Note and to each other Holder of any Note as reflected in the current Note Register.

IN WITNESS WHEREOF, the undersigned has executed this Note as of the _____ ___, 20__.

Synergy Resources Corporation

By:

Ed Holloway, President and Principal Executive Officer

EXHIBIT 10.6.2

Form of Subscription Agreement used in Company's
Private Offering of Convertible Notes
and Series C Warrants

IMPORTANT: PLEASE READ CAREFULLY BEFORE SIGNING.
SIGNIFICANT REPRESENTATIONS ARE CALLED FOR HEREIN.

SUBSCRIPTION AGREEMENT
and
LETTER OF INVESTMENT INTENT

Synergy Resources Corporation
20203 Highway 60
Platteville, CO 80651

Gentlemen:

The undersigned (the "Subscriber") hereby tenders this subscription for the purchase of units ("Units" or "Securities") issued by Synergy Resources Corporation (the "Company"). Each Unit consists of one $100,000 Secured Convertible Promissory Note ("Note") and 50,000 common stock purchase warrants ("Warrants"). The Units are being offered at a price of $100,000 per Unit (the "Offering"). By execution below, the Subscriber acknowledges that the Company is relying upon the accuracy and completeness of the representations and warranties contained herein in complying with its obligations under applicable securities laws.

1. Subscription Commitment. The Subscriber hereby subscribes for the purchase of ____ Units at an aggregate purchase price of $_____ as full payment therefor. The purchase price shall be paid to by cashier's check or by wire transfer to "Synergy Resources Escrow Account".

The Subscriber understands that this subscription is not binding on the Company until accepted by the Company, which acceptance is at the sole discretion of the Company and is to be evidenced by the Company's execution of this Subscription Agreement where indicated. If the subscription is rejected, the Company shall return to the Subscriber, without interest or deduction, any payment tendered by the Subscriber, and the Company and the Subscriber shall have no further obligation to each other hereunder. Unless and until rejected by the Company, this subscription shall be irrevocable by the Subscriber.

2. Representations and Warranties. In order to induce the Company to accept this subscription, the Subscriber hereby represents and warrants to, and covenants with, the Company as follows:

(a) Receipt of Document; Access to Information. Subscriber has been provided with a copy of the Company's Confidential Offering Memorandum (the "Memorandum") and the attachments thereto The Memorandum and this Subscription Agreement are referred to herein as the "Documents." The Subscriber has carefully reviewed and is familiar with all of the terms of the Documents, including the Risk Factors contained in the Memorandum. The Subscriber has been given access to full and complete information regarding the Company and has utilized such access to the Subscriber's satisfaction for the purpose of obtaining such information regarding the Company as the Subscriber has reasonably requested; and, particularly, the Subscriber has been given reasonable opportunity to ask questions of, and receive answers from, representatives of the Company concerning the terms and conditions of the offering of the Securities and to obtain any additional information, to the extent reasonably available. The Subscriber acknowledges that the Subscriber has had an opportunity to review all of the Company's SEC filings, which are publicly available at www.SEC.gov.

(b) Reliance. The Subscriber has relied on nothing other than the Documents (including any exhibits thereto) and the Company's SEC filings in deciding whether to make an investment in the Company. Except as set forth in the Documents, no representations or warranties have been made to the Subscriber by the Company, any selling agent of the Company, or any agent, employee, or affiliate of the Company or such selling agent.

(c) Economic Loss. The Subscriber believes that an investment in the Securities is suitable for the Subscriber based upon the Subscriber's investment objectives and financial needs. The Subscriber (i) has adequate means for providing for the Subscriber's current financial needs and personal contingencies; (ii) has no need for liquidity in this investment; (iii) at the present time, can afford a complete loss of such investment; and (iv) does not have overall commitments to investments which are not readily marketable and disproportionate to the Subscriber's net worth, and the Subscriber's investment in the Securities will not cause such overall commitments to become excessive.

(d) Sophistication. The Subscriber, in reaching a decision to subscribe, has such knowledge and experience in financial and business matters that the Subscriber is capable of reading and interpreting financial statements and evaluating the merits and risk of an investment in the Securities and has the net worth to undertake such risks. The investment contemplated hereby is the result of arm's length negotiation between the Subscriber and the Company.

(e) No General Solicitation. The Subscriber was not offered or sold the Securities, directly or indirectly, by means of any form of general advertising or general solicitation, including, but not limited to, the following: (1) any advertisement, article, notice or other communication published in any newspaper, magazine, or similar medium of or broadcast over television or radio; or (2) to the knowledge of the undersigned, any seminar or meeting whose attendees had been invited by any general solicitation or general advertising.

(f) Seek Advice. The Subscriber has obtained, to the extent the Subscriber deems necessary, the Subscriber's own personal professional advice with respect to the risks inherent in the investment in the securities, and the suitability of an investment in the Securities in light of the Subscriber's financial condition and investment needs;

(g) Investment Risks. The Subscriber recognizes that the Securities as an investment involves a high degree of risk, including those set forth under the risk factors contained in the Documents.

(h) Effect and Time of Representations. The information provided by the Subscriber contained in this Subscription Agreement is true, complete and correct in all material respects as of the date hereof. The Subscriber understands that the Company's determination that the exemption from the registration provisions of the Securities Act of 1933, as amended (the "Securities Act"), which is based upon non-public offerings and applicable to the offer and sale of the Securities, is based, in part, upon the representations, warranties, and agreements made by the Subscriber herein. The Subscriber consents to the disclosure of any such information, and any other information furnished to the Company, to any governmental authority or self-regulatory organization, or, to the extent required by law, to any other person.

(i) Restrictions on Transfer; No Market for Securities. The Subscriber acknowledges that (i) the purchase of the Securities is a long-term investment; (ii) the Subscriber must bear the economic risk of investment for an indefinite period of time because the Securities have not been registered under the Securities Act or under the securities laws of any state and, therefore, the Securities cannot be resold unless they are subsequently registered under said laws or exemptions from such registrations are available; (iii) there is presently no public market for the Securities and the Subscriber may be unable to liquidate the Subscriber's investment in the event of an emergency, or pledge

the Securities as collateral for a loan; and (iv) the transferability of the Securities is restricted and (A) requires conformity with the restrictions contained in paragraph 3 below and (B) legends will be placed on the certificate(s) representing the Securities referring to the applicable restrictions on transferability.

(j) No Backup Withholding. The Subscriber certifies, under penalties of perjury, that the Subscriber is NOT subject to the backup withholding provisions of Section 3406(a)(i)(C) of the Internal Revenue Code.

(k) Restrictive Legend. Stop transfer instructions will be placed with the transfer agent for the Securities, and a legend may be placed on any certificate representing the Securities substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), IN RELIANCE UPON THE EXEMPTIONS FROM REGISTRATION PROVIDED IN THE ACT AND REGULATION D UNDER THE ACT AND HAVE NOT BEEN REGISTERED UNDER ANY STATE SECURITIES LAWS. AS SUCH, THE PURCHASE OF THIS SECURITY WAS NECESSARILY WITH THE INTENT OF INVESTMENT AND NOT WITH A VIEW FOR DISTRIBUTION. THEREFORE, ANY SUBSEQUENT TRANSFER OF THIS SECURITY OR ANY INTEREST THEREIN WILL BE UNLAWFUL UNLESS IT IS REGISTERED UNDER THE ACT AND ANY STATE SECURITIES LAWS OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE. FURTHERMORE, IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY OR ANY INTEREST THEREIN, WITHOUT THE OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY THAT THE PROPOSED TRANSFER OR SALE DOES NOT AFFECT THE EXEMPTIONS RELIED UPON BY THE COMPANY IN ORIGINALLY DISTRIBUTING THE SECURITY AND THAT REGISTRATION IS NOT REQUIRED.

(l) Placement Agent. The Subscriber understands that Bathgate Capital Partners LLC is acting as placement agent (the "Placement Agent") on this transaction. The Company will pay the Placement Agent a sales commission of 8% of the gross proceeds of this Offering (2% for sales to persons introduced to the Placement Agent by the Company's officers and directors) and a non-accountable expense allowance of 2% of the gross proceeds. The Placement Agent may re-allow a portion of the commission to participating selling agents. The Company will also sell to the Placement Agent, for nominal consideration, warrants to purchase 6,250 shares of Common Stock for every Unit sold in this Offering. The Warrants will be exercisable at a price of $1.60 per share at any time on or before December 31, 2014.

(m) Notice of Change. The Subscriber agrees that it will notify the Company in writing promptly (but in all events within thirty (30) days after the applicable change) of any actual or anticipated change in any facts or circumstances, which change would make any of the representations and warranties in this Subscription Agreement untrue if made as of the date of such change (after giving effect thereto).

3. Restricted Nature of the Securities; Investment Intent. The Subscriber has been advised and understands that (a) the Securities have not been registered under the Securities Act or applicable state securities laws and that the securities are being offered and sold pursuant to exemptions from such laws; (b) the Documents may not have been filed with or reviewed by certain state securities administrators because of the limited nature of the offering; (c) the Company is under no obligation to register the Securities under the Act or any state securities laws, or to take any action to make any exemption from any such registration provisions available. The Subscriber represents and warrants that

the Securities are being purchased for the Subscriber's own account and for investment purposes only, and without the intention of reselling or redistributing the same; the Subscriber has made no agreement with others regarding any of the Securities; and the Subscriber's financial condition is such that it is not likely that it will be necessary to dispose of any of such Securities in the foreseeable future. The Subscriber is aware that, in the view of the SEC, a purchase of such securities with an intent to resell by reason of any foreseeable specific contingency or anticipated change in market value, or any change in the condition of the Company, or in connection with a contemplated liquidation settlement of any loan obtained for the acquisition of such securities and for which such securities were pledged, would represent an intent inconsistent with the representations set forth above. The Subscriber further represents and agrees that if, contrary to the foregoing intentions, the Subscriber should later desire to dispose of or transfer any of such Securities in any manner, the Subscriber shall not do so unless and until (i) said Securities shall have first been registered under the Act and all applicable securities laws; or (ii) the Subscriber shall have first delivered to the Company a written notice declaring such holder's intention to effect such transfer and describe in sufficient detail the manner and circumstances of the proposed transfer, which notice shall be accompanied either by a written opinion of legal counsel who shall be reasonably satisfactory to the Company, which opinion shall be addressed to the Company and reasonably satisfactory in form and substance to the Company's counsel, to the effect that the proposed sale or transfer is exempt from the registration provisions of the Act and all applicable state securities laws, or by a "no action" letter from the SEC to the effect that the transfer of the Securities without registration will not result

in recommendation by the staff of the Commission that action be taken with respect thereto.

4. Residence. The Subscriber represents and warrants that the Subscriber is a bona fide resident of, is domiciled in and received the offer and made the decision to invest in the Securities in the state set forth on the signature page hereof, and the Securities are being purchased by the Subscriber in the Subscriber's name solely for the Subscriber's own beneficial interest and not as nominee for, or on behalf of, or for the beneficial interest of, or with the intention to transfer to, any other person, trust or organization, except as specifically set forth in this Subscription Agreement.

5. Investor Qualification. The Subscriber represents and warrants that the Subscriber is an "accredited investor" as that term is defined in Regulation D under the Securities Act because the Subscriber comes within at least one category marked below. The Subscriber further represents and warrants that the information set forth below is true and correct. ALL INFORMATION IN RESPONSE TO THIS PARAGRAPH WILL BE KEPT STRICTLY CONFIDENTIAL EXCEPT AS REQUIRED BY LAW. The Subscriber agrees to furnish any additional information which the Company deems necessary in order to verify the answers set forth below. (Please check all that apply.)

Category I ------ The Subscriber is an individual (not a partnership, corporation, etc.) whose individual net worth, or joint net worth with the Subscriber's spouse, presently exceeds $1,000,000.

Explanation. In calculation of net worth the Subscriber may include equity in personal property and real estate, including the Subscriber's principal residence, cash, short term investments, stocks and securities. Equity in personal property and real estate should be based on the fair market value of such property less debt secured by such property.

Category II ------ The Subscriber is an individual (not a partnership, corporation, etc.) who had an individual net income in excess of $200,000 in each of the last two years, or joint income with his/her spouse in excess of $300,000 in each of the last two years, and has a reasonable expectation of reaching the same income level in the current year.

Category III The Subscriber is an executive officer or director of the Company.

Category IV ------ The Subscriber is a bank as defined in Section 3(a)(2) of the Securities Act; a savings and loan as defined in Section 3(a)(5)(A) of the Securities Act; an insurance company as defined in Section 2(13) of the Securities Act; a broker or dealer registered pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"); an investment company registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"), or a business development company as defined in Section 2(a)(48) of the Investment Company Act; a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000; an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of ERISA, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit

plan has total assets in excess of $5,000,000, or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors (this includes IRAs). (Note: If you check this category, the Company may request additional information regarding investment company and ERISA issues.)

(describe entity)

Category V ------ The Subscriber is a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended.

(describe entity)

Category VI The Subscriber is an entity with total assets in excess of $5,000,000 which was not formed for the purpose of investing in the Securities and which is one of the following:

------- a corporation; or

------- a partnership; or

------- a business trust; or

------- a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

(describe entity)

Category VII ------ The Subscriber is an entity all the equity owners of which are "accredited investors" within one or more of the above categories. If relying upon this category alone, each equity owner must complete a separate copy of this Agreement.

(describe entity)

Category VIII ------ The Subscriber is a trust with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the Securities, whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment.

6. FINRA Questionnaire.

(a) Are you a member of FINRA(1), a person associated with a member of FINRA(2), or an affiliate of a member?

Yes -------- No --------

If "Yes," please list any members of FINRA with whom you are associated or affiliated.

---

(1) FINRA defines a "member" as being either any broker or dealer admitted to membership in FINRA or any officer or partner of such a member, or the executive representative of such a member or the substitute for such representative.

(2) FINRA defines a "person associated with a member" as being every sole proprietor, general or limited partner, officer, director or branch manager or such member, or any natural person occupying a similar status or performing similar functions, or any natural person engaged in the investment banking or securities business who is directly or indirectly controlling or controlled by such member (for example, any employee), whether or not any such person is registered or exempt from registration without FINRA. Thus, "person associated with a member" includes a sole proprietor, general or limited partner, officer, director or branch manager or an organization of any kind (whether a corporation, partnership or other business entity) which itself is a "member" or a "person associated with a member." In addition, an organization of any kind is a "person associated with a member" if its sole proprietor or anyone of its general or limited partners, officers, director or branch managers is a "member" or "person associated with a member."

(b) If you are a corporation, are any of your officers, directors or 5% shareholders a member of FINRA, a person associated with a member of FINRA, or an affiliate of a member?

Yes ---- No ----

If "Yes," please list the name of the respective officer, director, or 5% shareholder and any members of FINRA with whom they are associated or affiliated.

---

7. Authority. The undersigned, if other than an individual, makes the following additional representations:

(a) The Subscriber was not organized for the specific purpose of acquiring the Securities;

(b) The Subscriber is fully authorized, empowered and qualified to execute and deliver this Subscription Agreement, to subscribe for and purchase the Securities and to perform its obligations under, and to consummate the transactions that are contemplated by the Subscription Agreement; and

(c) This Subscription Agreement has been duly authorized by all necessary action on the part of the Subscriber, has been duly executed by an authorized officer or representative of the Subscriber, and is a legal, valid and binding obligation of the Subscriber enforceable in accordance with its terms.

8. Use of Proceeds. The Subscriber acknowledges that any proceeds from the sale of the Units will be used by the Company for working capital and research and development expenses as further described in the Memorandum.

9. Compliance with Laws; No Conflict. The execution and delivery of the Subscription Agreement by or on behalf of the Subscriber and the performance of the Subscriber's obligations under, and the consummation of the transactions contemplated by, the Subscription Agreement do not and will not conflict with or result in any violation of, or default under, any provision of any charter, bylaws, trust agreement, partnership agreement or other governing instrument applicable to the Subscriber, or other agreement or instrument to which the Subscriber is a party, or by which the Subscriber is, or any of its assets are,

bound, or any permit, franchise, judgment, decree, statute, rule, regulation or other law applicable to the Subscriber or the business or assets of the Subscriber.

10. Reliance on Representations. The Subscriber understands the meaning and legal consequences of the representations, warranties, agreements, covenants, and confirmations set out above and agrees that the subscription made hereby may be accepted in reliance thereon. The Subscriber acknowledges that the Company has relied and will rely upon the representations and warranties of the Subscriber in this Subscription Agreement. The Subscriber agrees to indemnify and hold harmless the Company and any selling agent (including for this purpose their employees, and each person who controls either of them within the meaning of Section 20 of the Exchange Act) from and against any and all loss, damage, liability or expense, including reasonable costs and attorney's fees and disbursements, which the Company, or such other persons may incur by reason of, or in connection with, any representation or warranty made herein not having been true when made, any misrepresentation made by the Subscriber or any failure

by the Subscriber to fulfill any of the covenants or agreements set forth herein, or in any other document provided by the Subscriber to the Company.

11. Transferability and Assignability. Neither this Subscription Agreement nor any of the rights of the Subscriber hereunder may be transferred or assigned by the Subscriber. The Subscriber agrees that the Subscriber may not cancel, terminate, or revoke this Subscription Agreement or any agreement of the Subscriber made hereunder (except as otherwise specifically provided herein) and that this Subscription Agreement shall survive the death or disability of the Subscriber and shall be binding upon the Subscriber's heirs, executors, administrators, successors, and assigns.

12. Survival. The representations and warranties of the Subscriber set forth herein shall survive the sale of the Securities pursuant to this Subscription Agreement.

13. Notices. All notices or other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered personally or mailed by certified or registered mail, return receipt requested, postage prepaid, as follows: if to the Subscriber, to the address set forth below; and if to the Company to the address at the beginning of this Subscription Agreement, or to such other address as the Company or the Subscriber shall have designated to the other by like notice.

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

15. Governing Law. This Subscription Agreement shall be governed by and construed in accordance with the internal laws (and not the law of conflicts) of the State of Colorado. The parties hereby consent to the non-exclusive jurisdiction of the courts of the State of Colorado and any federal or state court located in Denver, Colorado for any action arising out of this Subscription Agreement.

16. Entire Agreement. This Agreement, including the appendices hereto, constitutes the entire agreement, and supersedes all prior agreements or understandings, among the parties hereto with respect to the subject matter hereof.

IN NO EVENT WILL THE COMPANY, THE PLACEMENT AGENT, OR ANY OF THEIR AFFILIATES OR THE PROFESSIONAL ADVISORS ENGAGED BY THEM BE LIABLE IF FOR ANY REASON THE COMPANY'S OIL AND GAS DRILLING PROGRAM OR THE RESULTS OF OPERATIONS OF THE COMPANY ARE NOT AS PROJECTED IN THE MEMORANDUM. INVESTORS MUST LOOK SOLELY TO, AND RELY ON, THEIR OWN ADVISORS WITH RESPECT TO THE FINANCIAL, TAX AND OTHER CONSEQUENCES OF INVESTING IN THE SECURITIES.

17. Title. Manner in Which Title is To Be Held.

Place an "X" in one space below:

(a) ------ Individual Ownership

(b) ------ Community Property

(c) ------ Joint Tenant with Right of Survivorship (both parties must sign)

(d) ------ Partnership

(e) ------ Tenants in Common

(f) ------ Corporation

(g) ------ Trust

(h) ------ Other (Describe):

Please print above the exact name(s) in which the Securities are to be held.

18. State of Residence. The Subscriber's state of residence and the state in which the Subscriber received the offer to invest and made the decision to invest in the Securities is ---------- .

19. Date of Birth. (If an individual) The Subscriber's date of birth is:

SIGNATURES

The Subscriber hereby represents that it has read this entire Subscription Agreement.

Dated: ----------

INDIVIDUAL (includes Community Property, Joint Tenants, Tenants-in-Common)

	Address to Which Correspondence Should be Directed
---	---
Signature (Individual)	
---	---
Signature (All record holders should sign)	City, State and Zip Code
---	---
Name(s) Typed or Printed	Tax Identification or Social Security Number
	( )
---	---
	Telephone Number

COPY OF DRIVER'S LICENSE OR PASSPORT REQUIRED IF NON-BCP CUSTOMER

Customer Identification Program Notice: To help the government fight the funding of terrorism and money laundering activities, federal law requires financial institutions to obtain, verify, and record information that identifies each client. This means that we will require you to provide the following information: name, date of birth, address, identification number, and a piece of documentary identification. If you are an individual and do not have an account with Bathgate Capital Partners, please include a copy of your driver's license or passport. If you are an entity, please provide a copy of your articles of incorporation, trust document, or other identifying document. If you are unable to produce the information required, we may not be able to complete your investment transaction.

CORPORATION, PARTNERSHIP, TRUST, RETIREMENT ACCOUNT OR OTHER ENTITY

Name of Entity	Address to Which Correspondence Should be Directed
By:	
*Signature	City, State and Zip Code
Its:	
Title	Tax Identification or Social Security Number
	( )
Name Typed or Printed	Telephone Number

*If Securities are being subscribed for by an entity, the Certificate of Signatory must also be completed.

CERTIFICATE OF SIGNATORY

To be completed if Securities are being subscribed for by an entity.

I, _____, am the _____ of _____ (the "Entity").

I certify that I am empowered and duly authorized by the Entity to execute and carry out the terms of the Subscription Agreement and Letter of Investment Intent and to purchase and hold the Securities, and certify that the Subscription Agreement and Letter of Investment Intent has been duly and validly executed on behalf of the Entity and constitutes a legal and binding obligation of the Entity.

IN WITNESS WHEREOF, I have hereto set may hand this _____ day of _____, 2009.

_____
Signature

COPY OF DRIVER'S LICENSE OR PASSPORT REQUIRED IF NON-BCP CUSTOMER

Customer Identification Program Notice: To help the government fight the funding of terrorism and money laundering activities, federal law requires financial institutions to obtain, verify, and record information that identifies each client. This means that we will require you to provide the following information: name, date of birth, address, identification number, and a piece of documentary identification. If you are an individual and do not have an account with Bathgate Capital Partners, please include a copy of your driver's license or passport. If you are an entity, please provide a copy of your articles of

incorporation, trust document, or other identifying document. If you are unable to produce the information required, we may not be able to complete your investment transaction.

ACCEPTANCE

This Subscription Agreement is accepted as of ----------

Synergy Resources Corporation

By: ----------
Ed Holloway
President and CEO

Date: ----------

EXHIBIT 10.6.3

Form of Warrant used in Company's
Private Offering of Convertible Notes
and Series C Warrants

SYNERGY RESOURCES CORPORATION
TERMS OF WARRANTS

Section 1 Definitions

The following terms used in this document shall have the following meanings (unless otherwise expressly provided herein):

The "Act." The Securities Act of 1933, as amended.

The "Commission." The Securities and Exchange Commission.

The "Company." Synergy Resources Corporation, a Colorado corporation.

"Shares." The Shares of the Company's common stock or any other class of stock resulting from successive changes or reclassifications of the Company's common stock consisting solely of changes in par value, or from par value to no par value, or from no par value to par value.

"Current Market Price." The price of the Company's common stock on the OTC Bulletin Board or any other market in the United States where the Company's common stock is publicly traded.

"Exercise Period." The period extending to and through the Expiration Date.

"Exercise Price." $6.00 per Share, as modified in accordance with Section 8, below.

"Expiration Date." 5:00 p.m. Mountain time on December 31, 2014; provided, however, if such date shall be a holiday or a day on which banks are authorized to close in Colorado, the Expiration Date shall mean 5:00 p.m. Mountain Time on the next following day which in Colorado is not a holiday or a day on which banks are authorized to close.

"Holder" or "Warrant Holder." The person to whom a warrant certificate is issued, and any valid transferee thereof pursuant to Section 9 below.

"OTC Bulletin Board." An electronic quotation medium operated by the Financial Regulatory Authority.

"Termination of Business." Any sale, lease or exchange of all, or substantially all, of the Company's assets or business or any dissolution, liquidation or winding up of the Company.

"Warrants." The Warrants issued in accordance with the terms of this Agreement and any Warrants issued in substitution for or replacement of such Warrants, or any Warrants into which such Warrants may be divided or exchanged.

"Warrant Agent." The Company will be the Warrant Agent unless the Company appoints a transfer agent that is registered under the Securities Exchange Act of 1934 to act as Warrant Agent, upon notice to all Warrant Holders.

"Warrant Shares." The Shares acquired upon exercise of a Warrant, and the Shares underlying the unexercised portion of a Warrant.

Section 2 Warrants and Issuance of Warrant Certificates

2.1 Description of Warrants. Each Warrant shall initially entitle the Warrant Holder to purchase one Share on exercise thereof, subject to modification and adjustment as hereinafter provided in Section 8. The Company shall deliver Warrant Certificates in required whole number denominations to the person entitled thereto in connection with the original issuance of Warrant Certificates or any transfer or exchange permitted under this Agreement.

2.2 Warrant Shares. Share Certificates representing the Warrant Shares

shall be issued only upon the exercise of the Warrants or upon transfer or exchange of the Warrant Shares following exercise of the Warrants.

2.3 Form of Certificates. The Warrant Certificates shall be substantially in the form attached hereto as Attachment 1 and may have such letters, numbers or other marks of identification and such legends, summaries or endorsements printed, lithographed or engraved thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement. The Warrant Certificates shall be dated as of the date of issuance, whether on initial issuance, transfer, exchange or in lieu of mutilated, lost, stolen or destroyed Warrant Certificates.

2.4 Execution of Certificates.The Warrant Certificates shall be executed on behalf of the Company by its President and Secretary, by manual signatures or by facsimile signatures printed thereon. If any person whose facsimile signature has been placed upon any Warrant Certificate as the signature of an officer of the Company shall have ceased to be such officer before such Warrant Certificate is countersigned, issued and delivered, such Warrant Certificate may be countersigned, issued and delivered with the same effect as if such person had not ceased to be such officer. Any Warrant Certificate may be signed by, or may bear the facsimile signature of, any person who at the actual date of the preparation of such Warrant Certificate shall be a proper officer of the Company to sign such Warrant Certificate even though such person was not such an officer upon the date of this Agreement.

2.5 Mutilated, Lost, Stolen, or Destroyed Certificate. In case the certificate or certificates evidencing the Warrants shall be mutilated, lost, stolen or destroyed, the Company shall, at the request of the Warrant Holder, issue and deliver in exchange and substitution for and upon cancellation of the mutilated certificate or certificates, or in lieu of and substitution for the certificate or certificates lost, stolen or destroyed, a new Warrant Certificate or Certificates of like tenor and representing an equivalent right or interest, but only upon receipt of evidence satisfactory to the Company of such loss, theft or destruction of such Warrant and a bond of indemnity, if requested, also satisfactory in form and amount, at the applicant's cost. Applicants for such substitute Warrant Certificate shall also comply with such other reasonable regulations and pay such other reasonable charges as the Company may prescribe.

Section 3 Term of Warrants Exercise of Warrant

3.1 Exercise of Warrant. Subject to the terms of this Agreement, the Warrant Holder shall have the right, at any time during the Exercise Period, to purchase from the Company up to the number of fully paid and nonassessable Shares to which the Warrant Holder may at the time be entitled to purchase pursuant to this Agreement, upon surrender to the Company, at its principal office, of the certificate evidencing the Warrants to be exercised, together with the purchase form on the reverse thereof, duly filled in and signed, and upon payment to the Company of the Exercise Price for the number of Shares in respect of which such Warrants are then exercised, but in no event for less than 100 Shares (unless fewer than an aggregate of 100 shares are then purchasable under all outstanding Warrants held by a Warrant Holder).

3.2 Payment of Exercise Price. Payment of the aggregate Exercise Price shall be made in cash or by check, or any combination thereof.

3.3 Delivery of Warrant Certificate. Subject to Section 3.6 and to Section 10, upon receipt of a Warrant Certificate with the exercise form thereon duly executed, together with payment in full of the Exercise Price for the Warrant Shares being purchased by such exercise, the Warrant Agent shall requisition from any transfer agent for the Warrant Shares, and upon receipt shall make delivery of certificates evidencing the total number of whole Warrant Shares for which Warrants are then being exercised. The certificates shall be in such names and denominations as are required for delivery to, or in accordance with the instructions of the Warrant Holder; provided that if fewer than all Warrant Shares issuable on exercise of a Warrant Certificate are purchased, the Warrant Agent (if so requested) shall issue a new Warrant Certificate for the balance of the Warrant Shares. Such certificates for the Warrant Shares shall be deemed to be issued, and the person to whom such Warrant Shares are issued of record shall be deemed to have become a holder of record of such Warrant Shares, as of the date of the surrender of such Warrant Certificate and the payment of the Exercise Price, whichever shall last occur; provided further that if the books of the Company with respect to the Warrant Shares shall be closed as of such

date, the certificates for such Warrant Shares shall be deemed to be issued, and the person to whom such Warrant Shares are issued of record shall be deemed to have become a record holder of such Warrant Shares as of the date on which such books shall next be open (whether before, on or after the applicable Expiration Date) but at the Exercise Price and upon the other conditions in effect upon the date of surrender of the Warrant Certificate and, if the Warrants are exercised, payment of the Exercise Price, whichever shall have last occurred, to the Company.

3.4 Cancellation of Certificates. All Warrant Certificates surrendered upon exercise of Warrants shall be canceled.

3.5 Fractional Shares. On the exercise of the Warrants the Company shall not be required to deliver fractions of Shares; and any fractional share will be rounded to the nearest whole share. By accepting a Warrant Certificate, the holder thereof expressly waives any right to receive a Warrant Certificate evidencing any fraction of a Warrant or to receive any fractional shares upon the exercise of a Warrant.

Section 4. Reservation of Warrant Shares

There has been reserved, and the Company shall at all times keep reserved so long as the Warrants remain outstanding, out of its authorized and unissued Shares, such number of Shares as shall be subject to purchase under the Warrants multiplied by 150%. Every transfer agent for the Shares and other securities of the Company issuable upon the exercise of the Warrants will be irrevocably authorized and directed at all times to reserve such number of authorized shares and other securities as shall be requisite for such purpose. The Company will supply every such transfer agent with duly executed stock and other certificates, as appropriate, for such purpose.

Section 5. Payment of Taxes

The Company will pay all documentary stamp taxes, if any, attributable to the initial issuance of the Warrants or the securities comprising the Warrant Shares and any tax (except federal or state income tax) which may be payable in respect of any transfer or exercise of the Warrants or the securities comprising the Warrant Shares.

Section 6. Warrant Shares to be Fully Paid

The Company covenants that all Warrant Shares that may be issued and delivered to a Holder of this Warrant upon the exercise of this Warrant will be, upon such delivery, validly and duly issued, fully paid and nonassessable and free from all taxes, liens and charges with respect to the issuance thereof.

Section 7. Registration of Transfer

7.1. Exchange of Certificate. A Warrant Certificate may be exchanged for another certificate or certificates entitling the Warrant Holder to purchase a like aggregate number of Warrant Shares as the certificate or certificates surrendered then entitled such Warrant Holder to purchase. Any Warrant Holder desiring to exchange a Warrant Certificate shall make such request in writing delivered to the Company, and shall surrender, properly endorsed, with signatures guaranteed, the Warrant Certificate to be so exchanged. Thereupon, the Company shall execute and deliver to the person entitled thereto a new Warrant Certificate as so requested.

7.2. Assignment or Transfer. Any assignment or transfer of a Warrant shall be made by the presentation and surrender of the Warrant Certificate to the Company, accompanied by a duly executed Assignment Form. Upon the presentation and surrender of these items to the Company, the Company, at its own expense, shall execute and deliver to the new Holder or Holders a new Warrant Certificate or Warrant Certificates, in the name of the new Holder or Holders as named in the Assignment Form, and the Warrant Certificate presented or surrendered shall at that time be canceled.

7.3 Ownership Records. The Warrant Agent shall keep books for registration of ownership and transfer of Warrant Certificates. Such books shall show the names and addresses of the respective holders of the Warrant Certificates and the number of Warrants evidenced by each such Warrant Certificate.

7.4 Ownership Prior to Presentment. Prior to due presentment for registration of transfer thereof, the Company may treat the Warrant Holder as the absolute owner thereof (notwithstanding any notations of ownership or writing thereon made by anyone other than the Company) and the parties hereto shall not be affected by any notice to the contrary.

Section 8 Adjustment of Exercise Price and Shares

The number and kind of securities purchasable upon the exercise of the Warrants and the Exercise Price shall be subject to adjustment from time to time upon the happening of certain events, as follows:

8.1 Adjustments. The number of Warrant Shares purchasable upon the exercise of the Warrants shall be subject to adjustments as follows:

(a) In case the Company shall (i) pay a dividend in Shares or securities convertible into Shares or make a distribution to its stockholders in Shares or securities convertible into Shares; (ii) subdivide its outstanding Shares; (iii) combine its outstanding Shares into a smaller number of Shares; or (iv) issue by reclassification of its Shares other securities of the Company; then the number of Warrant Shares purchasable upon exercise of the Warrants immediately prior thereto shall be adjusted so that the Warrant Holder shall be entitled to receive the kind and number of Warrant Shares or other securities of the Company which it would have owned or would have been entitled to receive immediately after the happening of any of the events described above, had such Warrants been exercised or converted immediately prior to the happening of such event or any record date with respect thereto. Any adjustment made pursuant to this subsection 8.1(a) shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.

(b) If, prior to the expiration of the Warrants by exercise or, by their terms, or by redemption, the Company shall reclassify its outstanding Shares, or in the event of any other material change of the capital structure of the Company or of any successor corporation by reason of any reclassification, recapitalization or conveyance, prompt, proportionate, equitable, lawful and adequate provision shall be made whereby any Warrant Holder shall thereafter have the right to purchase, on the basis and the terms and conditions specified in this Agreement, in lieu of the Warrant Shares theretofore purchasable on the exercise of any Warrant, such securities or assets as may be issued or payable with respect to or in exchange for the number of Warrant Shares theretofore purchasable on exercise of the Warrants had the warrants been exercised immediately prior to such reclassification, recapitalization or conveyance; and in any such event, the rights of any Warrant Holder to any adjustment in the number of Warrant Shares purchasable on exercise of such Warrant, as set forth above, shall continue to be preserved in respect of any stock, securities or assets which the Warrant Holder becomes entitled to purchase.

(c) In case the Company shall issue rights, options, warrants, or convertible securities to all or substantially all holders of its Shares, without any charge to such holders, entitling them to subscribe for or purchase Shares at a price per share which is lower at the record date described in Section 12 than the then Current Market Price, the number of Shares thereafter purchasable upon the exercise of each Warrant shall be determined by multiplying the number of Shares theretofore purchasable upon exercise of the Warrants by a fraction, of which the numerator shall be the number of Shares outstanding

immediately prior to the issuance of such rights, options, warrants or convertible securities plus the number of additional Shares offered for subscription or purchase, and of which the denominator shall be the number of Shares outstanding immediately prior to the issuance of such rights, options, warrants, or convertible securities plus the number of shares which the aggregate offering price of the total number of shares offered would purchase at such Current Market Price. Such adjustment shall be made whenever such rights, options, warrants, or convertible securities are issued, and shall become effective immediately and retroactively to the record date for the determination of shareholders entitled to receive such rights, options, warrants, or convertible securities.

(d) In case the Company shall distribute to all or substantially all

holders of its Shares evidences of its indebtedness or assets (excluding cash dividends or distributions out of earnings) or rights, options, warrants, or convertible securities containing the right to subscribe for or purchase Shares (excluding those referred to in subsection 8.1(b) above), then in each case the number of Warrant Shares thereafter purchasable upon the exercise of the Warrants shall be determined by multiplying the number of Warrant Shares theretofore purchasable upon exercise of the Warrants by a fraction, of which the numerator shall be the then Current Market Price on the date of such distribution, and of which the denominator shall be such Current Market Price on such date minus the then fair value (determined as provided in subsection 8.1(g)(y) below) of the portion of the assets or evidences of indebtedness so distributed or of such subscription rights, options, warrants, or convertible securities applicable to one share. Such adjustment shall be made whenever any such distribution is made and shall become effective on the date of distribution retroactive to the record date for the determination of stockholders entitled to receive such distribution.

(e) Except for Exempt Issuances, if the Company sells any additional shares of common stock, or any securities convertible into common stock at a price below the then applicable Exercise Price of the Warrants, the Warrant Exercise Price will be lowered to the price at which the shares were sold or the lowest price at which the securities are convertible, as the case may be.

(f) No adjustment in the number of Warrant Shares purchasable pursuant to the Warrants shall be required unless such adjustment would require an increase or decrease of at least one percent in the number of Warrant Shares then purchasable upon the exercise of the Warrants or, if the Warrants are not then exercisable, the number of Warrant Shares purchasable upon the exercise of the Warrants on the first date thereafter that the Warrants become exercisable; provided, however, that any adjustments which by reason of this subsection are not required to be made immediately shall be carried forward and taken into account in any subsequent adjustment.

(g) Whenever the number of Warrant Shares purchasable upon the exercise of the Warrant is adjusted, as herein provided, the Exercise Price payable upon exercise of the Warrant shall be adjusted by multiplying such Exercise Price immediately prior to such adjustment by a fraction, of which the numerator shall be the number of Warrant Shares purchasable upon the exercise of the Warrant immediately prior to such adjustment, and of which the denominator shall be the number of Warrant Shares so purchasable immediately thereafter.

(h) In the event that at any time, as a result of an adjustment made pursuant to this Section, the Warrant Holder shall become entitled to purchase any securities of the Company other than Shares, if the Warrant Holder's right to purchase is on any other basis than that available to all holders of the Company's Shares, the Company shall obtain an opinion of an independent investment banking firm valuing such other securities; and thereafter the number of such other securities so purchasable upon exercise of the Warrants shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Warrant Shares contained in this Section.

(i) Upon the expiration of any rights, options, warrants, or conversion privileges, if such shall have not been exercised or converted, the number of Shares purchasable upon exercise of the Warrants, to the extent the Warrants have not then been exercised or converted, shall, upon such expiration, be readjusted and shall thereafter be such as they would have been had they been originally adjusted (or had the original adjustment not been required, as the case may be) on the basis of (i) the fact that the only Shares so issued were the Shares, if any, actually issued or sold upon the exercise of such rights, options, warrants, or conversion privileges, and (ii) the fact that such Shares, if any, were issued or sold for the consideration actually received by the Company upon such exercise plus the consideration, if any, actually received by the Company for the issuance, sale or grant of all such rights, options, warrants, or conversion privileges whether or not exercised; provided, however, that no such readjustment shall have the effect of decreasing the number of Shares purchasable upon exercise of the Warrants by an amount in excess of the amount of the adjustment initially made in respect of the issuance, sale, or grant of such rights, options, warrants, or conversion rights.

8.2 No Adjustment for Dividends. Except as provided in subsection 8.1, no adjustment in respect of any dividends or distributions out of earnings shall be

made during the term of the Warrants or upon the exercise of the Warrants.

8.3 No Adjustment in Certain Cases. No adjustments shall be made pursuant to this Section in connection with an Exempt Issuance.

"Exempt Issuance" means the sale or issuance of:

- shares of common stock or options to officers or directors of the Company, not to exceed 1,000,000 shares or options per fiscal year for any single officer or director (not to exceed 5,000,000 shares or options per year in total), pursuant to any stock or option plan duly adopted by the directors of the Company.

- shares of common stock or options to employees or independent consultants of the Company, not to exceed 5,000,000 shares or options per year, pursuant to any stock or option plan duly adopted by the directors of the Company.

- shares issued in connection with an acquisition of oil and gas properties, the acquisition of an unaffiliated company, a joint venture or similar strategic transaction where the primary purpose is not to raise cash.

- securities upon the conversion of the Notes (issued with this warrant) or the exercise of the Warrants held by the note holders.

- securities upon the conversion of notes or the exercise of options or warrants issued by the Company and outstanding on November 15, 2009, provided that the securities have not been amended to increase the number of such securities or to decrease the exercise, exchange or conversion price of the securities.

8.4 Preservation of Purchase Rights upon Reclassification, Consolidation, etc. In case of any consolidation of the Company with or merger of the Company into another corporation, or in case of any sale or conveyance to another corporation of the property, assets, or business of the Company as an entirety or substantially as an entirety, the Company or such successor or purchasing corporation, as the case may be, shall execute an agreement that the Warrant Holder shall have the right thereafter upon payment of the Exercise Price in effect immediately prior to such action to purchase, upon exercise of the Warrants, the kind and amount of shares and other securities and property which it would have owned or have been entitled to receive after the happening of such consolidation, merger, sale, or conveyance had the Warrants been exercised or converted immediately prior to such action. In the event of a merger described in Section 368(a)(2)(E) of the Internal Revenue Code of 1986, in which the Company is the surviving corporation, the right to purchase Warrant Shares under the Warrants shall terminate on the date of such merger and thereupon the Warrants shall become null and void, but only if the controlling corporation shall agree to substitute for the Warrants, its Warrants which entitle the holder thereof to purchase upon their exercise the kind and amount of shares and other securities and property which it would have owned or been entitled to receive had the Warrants been exercised or converted immediately prior to such merger. Any such agreements referred to in this subsection 8.4 shall provide for adjustments, which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section. The provisions of this subsection shall similarly apply to successive consolidations, mergers, sales, or conveyances.

8.5 Independent Public Accountants. The Company may retain a firm of independent public accountants of recognized national standing (which may be any such firm regularly employed by the Company) to make any computation required under this Section, and a certificate signed by such firm shall be conclusive evidence of the correctness of any computation made under this Section.

8.6 Statement on Warrant Certificates. Irrespective of any adjustments in the number of securities issuable upon exercise of the Warrants, Warrant Certificates theretofore or thereafter issued may continue to express the same number of securities as are stated in the similar Warrant Certificates initially issuable pursuant to this Agreement. However, the Company may, at any time in its sole discretion (which shall be conclusive), make any change in the form of Warrant Certificate that it may deem appropriate and that does not affect the

substance thereof; and any Warrant Certificate thereafter issued, whether upon registration of transfer of, or in exchange or substitution for, an outstanding Warrant Certificate, may be in the form so changed.

8.7 Officers' Certificate. Whenever the Exercise Price or the aggregate number of Warrant Shares purchasable pursuant to this Warrant shall be adjusted as required by the provisions of this Section, the Company shall promptly prepare an officers' certificate executed by the Company's President and Secretary or Assistant Secretary, describing the adjustment and setting forth, in reasonable detail, the facts requiring such adjustment and the basis for and

calculation of such adjustment in accordance with the provisions of this document. Each such officers' certificate shall be made available to the Holders for inspection at all reasonable times, and the Company, after each such adjustment, shall promptly deliver a copy of the officers' certificate relating to that adjustment to the Holders. The officers' certificate described in this subsection shall be deemed to be conclusive as to the correctness of the adjustment reflected therein if, and only if, no Holder delivers written notice to the Company of an objection to the adjustment within 30 days after the officers' certificate is delivered to the Holders. The Company will make its books and records available for inspection and copying during normal business hours by the Holder so as to permit a determination as to the correctness of the adjustment. If written notice of an objection is delivered by a Holder to the Company and the parties cannot reconcile the dispute, the Holder and the Company shall submit the dispute to arbitration pursuant to the provisions of Section (15) below. Failure to prepare or provide the officers' certificate shall not modify the parties' rights hereunder.

Section 9. Restrictions on Transfer; Registration Rights.

9.1. Restrictions on Transfer. The Warrant Holder agrees that prior to making any disposition of the Warrants or the Warrant Shares, the Warrant Holder shall give written notice to the Company describing briefly the manner in which any such proposed disposition is to be made; and no such disposition shall be made if the Company has notified the Warrant Holder that in the opinion of counsel reasonably satisfactory to the Warrant Holder a registration statement or other notification or post-effective amendment thereto (hereinafter collectively a "Registration Statement") under the Act is required with respect to such disposition and no such Registration Statement has been filed by the Company with, and declared effective, if necessary, by, the Commission.

9.2. Registration Rights. Prior to June 12, 2010, the Company will file a registration statement with the Securities and Exchange Commission to register, at the Company's sole expense, the Warrant Shares.

The Company shall comply with the requirements of this Section 9.2 and the related requirements of Section 9.5 at its own expense. That expense shall include, but not be limited to, legal, accounting, consulting, printing, federal and state filing fees, out-of-pocket expenses incurred by counsel, accountants and consultants retained by the Company, and miscellaneous expenses directly related to the registration statement or offering statement and the offering. However, this expense shall not include the portion of any underwriting commissions, transfer taxes and any underwriter's accountable or nonaccountable expense allowances attributable to the offer and sale of the Warrant Shares, all of which expenses shall be borne by the Holder or Holders of the Warrant Shares registered or qualified.

9.3. Inclusion of Information. The Company shall include in the registration statement or qualification, and the prospectus included therein, all information and materials necessary or advisable to comply with the applicable statutes and regulations so as to permit the public sale of the Warrant Shares. As used in Section 9.3, reference to the Company's securities shall include, but not be limited to, any class or type of the Company's securities or the securities of any of the Company's subsidiaries or affiliates.

9.4 Condition of Company's Obligations. As to each registration statement, the Company's obligations contained in this Section 9 shall be conditioned upon a timely receipt by the Company in writing of the following:

(a) Information as to the terms of the contemplated public offering furnished by and on behalf of each Holder or holder intending to make a public distribution of the Warrant Shares or; and

(b) Such other information as the Company may reasonably require from such Holders or holders, or any underwriter for any of them, for inclusion in the registration statement or offering statement.

(9.5) Additional Requirements. In each instance in which the Company shall take any action to register or qualify the Warrant Shares pursuant to this Section the Company shall do the following:

(a) supply to the Holders of the of Warrant Shares are being registered or qualified, if requested by such Holders, one copy of each registration statement or offering statement, and all amendments thereto, and a reasonable number of copies of the preliminary, final or other prospectus, all prepared in conformity with the requirements of the Act and the rules and regulations promulgated thereunder, and such other documents as the Holders shall reasonably request;

(b) cooperate with respect to (i) all necessary or advisable actions relating to the preparation and the filing of any registration statements or offering statements, and all amendments thereto, arising from the provisions of this Section, (ii) all reasonable efforts to establish an exemption from the provisions of the Act or any other federal or state securities statutes, (iii) all necessary or advisable actions to register or qualify the public offering at issue pursuant to federal securities statutes and the state "blue sky" securities statutes of each jurisdiction that the Holders of the Warrant or holders of Warrant Shares shall reasonably request, and (iv) all other necessary or advisable actions to enable the Holders of the Warrant Shares to complete the contemplated disposition of their securities in each reasonably requested jurisdiction; and

(c) keep all registration statements or offering statements to which this Section applies, and all amendments thereto, effective under the Act for a period of at least 9 months after their initial effective date and cooperate with respect to all necessary or advisable actions to permit the completion of the public sale or other disposition of the securities subject to a registration statement or offering statement.

9.6 Reciprocal Indemnification. In each instance in which pursuant to this Section the Company shall take any action to register or qualify the Warrant Shares, prior to the effective date of any registration statement or offering statement, the Company and each Holder or holder of Warrant Shares being registered or qualified shall enter into reciprocal indemnification agreements, in the form customarily used by reputable investment bankers with respect to public offerings of securities. These indemnification agreements also shall contain an agreement by the Holder or shareholder at issue to indemnify and hold

harmless the Company, its officers and directors from and against any and all losses, claims, damages and liabilities, including, but not limited to, all expenses reasonably incurred in investigating, preparing, defending or settling any claim, directly resulting from any untrue statements of material facts, or omissions to state a material fact necessary to make a statement not misleading, contained in a registration statement or offering statement to which this Section applies, if, and only if, the untrue statement or omission directly resulted from information provided in writing to the Company by the indemnifying Holder or shareholder expressly for use in the registration statement or offering statement at issue.

9.7 Survival. The Company's obligations described in this Section shall continue in full force and effect regardless of the exercise, conversion, surrender, cancellation or expiration of this Warrant.

Section (10) Merger or Consolidation of the Company

The Company will not merge or consolidate with or into any other corporation or sell all or substantially all of its property to another corporation, unless the provisions of Section 8.4 are complied with.

Section (11) Modification of Agreement.

The Company may by supplemental agreement make any changes or corrections in this Agreement it shall deem appropriate to cure any ambiguity or to correct any defective or inconsistent provision or mistake or error herein contained. Additionally, the Company may make any changes or corrections deemed necessary which shall not adversely affect the interests of the Warrant Holders, including lowering the exercise price or extending the Exercise Period of the Warrants; provided, however, this Agreement shall not otherwise be modified, supplemented or altered in any respect except with the consent in writing of the Warrant Holders who hold not less than a majority of the Warrants then outstanding and provided further that no such amendment shall accelerate the Warrant Expiration Date or increase the Exercise Price without the approval of all the holders of all outstanding Warrants.

Section (12) Notices to Warrant Holders

12.1 Declaration of Dividend; Reorganization; Dissolutions; Etc. If, prior to the expiration of this Warrant either by its terms or by its exercise in full, any of the following shall occur:

(i) the Company shall declare a dividend or authorize any other distribution on its Shares; or

(ii) the Company shall authorize the granting to the stockholders of its Shares of rights to subscribe for or purchase any securities or any other similar rights; or

(iii) any reclassification, reorganization or similar change of the Shares, or any consolidation or merger to which the Company is a party, or the sale, lease, or exchange of any significant portion of the assets of the Company; or

(iv) the voluntary or involuntary dissolution, liquidation or winding up of the Company; or

(v) any purchase, retirement or redemption by the Company of its Shares;

then, and in any such case, the Company shall deliver to the Holder or Holders written notice thereof at least 30 days prior to the earliest applicable date specified below with respect to which notice is to be given, which notice shall state the following:

(u) the purpose for which a record of stockholders is to be taken;

(w) the number, amount, price, and nature of the Shares or other stock, securities, or assets which will be deliverable on Warrant Shares following exercise of the Warrants if such exercise occurs prior to the record date for such action;

(x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights, or, if a record is not to be taken, the date as of which the stockholders of Shares of record to be entitled to such dividend, distribution or rights are to be determined;

(y) the date on which such reclassification, reorganization, consolidation, merger, sale, transfer, dissolution, liquidation, winding up or purchase, retirement or redemption is expected to become effective, and the date, if any, as of which the Company's stockholders of Shares of record shall be entitled to exchange their Shares for securities or other property deliverable upon such reclassification, reorganization, consolidation, merger, sale, transfer, dissolution, liquidation, winding up, purchase, retirement or redemption; and

(z) if any matters referred to in the foregoing clauses (x) and (y) are to be voted upon by stockholders of Shares, the date as of which those stockholders to be entitled to vote are to be determined.

12.2 Failure to Give Notice. Without limiting the obligation of the Company

hereunder to provide notice to each Warrant Holder, it is agreed that failure of the Company to give notice shall not invalidate corporate action taken by the Company.

Section 13 No Rights as Shareholder

Nothing contained in this Agreement or in the Warrants shall be construed as conferring upon the Warrant Holder or its transferees any rights as a shareholder of the Company, including the right to vote, receive dividends, consent or receive notices as a shareholder in respect to any meeting of shareholders for the election of directors of the Company or any other matter. The Company covenants, however, that for so long as this Warrant is at least partially unexercised, it will furnish any Holder of this Warrant with copies of all reports and communications furnished to the shareholders of the Company. In addition, if at any time prior to the expiration of the Warrants and prior to their exercise, any one or more of the following events shall occur:

(a) any action which would require an adjustment pursuant to Section 8.1 or 8.4; or

(b) a dissolution, liquidation, or winding up of the Company (other than in connection with a consolidation, merger, or sale of its property, assets, and business as an entirety or substantially as an entirety) shall be proposed:

then the Company shall give notice in writing of such event to the Warrant Holder, as provided in Section 12 hereof, at least 20 days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the stockholders entitled to any relevant dividend, distribution, subscription rights or other rights or for the determination of stockholders entitled to vote on such proposed dissolution, liquidation, or winding up. Such notice shall specify such record date or the date of closing the transfer books, as the case may be. Failure to mail or receive notice or any defect therein shall not affect the validity of any action taken with respect thereto.

Section (14) Notices

14.1 The Company. All notices, demands, claims, elections, opinions, requests or other communications hereunder (however characterized or described) shall be in writing and shall be deemed duly given or made if (and then two business days after) sent by registered or certified mail, return receipt requested, postage prepaid and addressed to, in the case of the Company as follows:

Synergy Resources Corporation
20203 Highway 60
Platteville, CO 80651

14.2 The Warrant Holders. Any distribution, notice or demand required or authorized by this Agreement to be given or made by the Company to or on the Warrant Holders shall be sufficiently given or made if sent by mail, first class, certified or registered, postage prepaid, addressed to the Warrant Holders at their last known addresses as they shall appear on the registration books for the Warrant Certificates maintained by the Company.

14.3 Effectiveness of Notice. The Company may send any notice, demand, claim, election, opinion, request or communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, ordinary mail or electronic mail), but no such notice, demand, claim, election, opinion, request or other communication shall be deemed to have been duly given or made unless and until it actually is received by the intended recipient. The Company may change the address to which notices, demands, claims, elections, opinions, requests and other communications hereunder are to be delivered by giving the Warrant Holders notice in the manner herein set forth.

Section (15) Arbitration

The Company and the Holder, and by receipt of a Warrant Certificate or any Warrant Shares, all subsequent Holders or holders of Warrant Shares, agree to submit all controversies, claims, disputes and matters of difference with

respect to this Agreement and the Warrant Certificates, including, without limitation, the application of this Section, to arbitration in Denver, Colorado,

according to the rules and practices of the American Arbitration Association from time to time in force. This agreement to arbitrate shall be specifically enforceable. Arbitration may proceed in the absence of any party if notice of the proceeding has been given to that party. The parties agree to abide by all awards rendered in any such proceeding. These awards shall be final and binding on all parties to the extent and in the manner provided by the rules of civil procedure enacted in Colorado. All awards may be filed, as a basis of judgment and of the issuance of execution for its collection, with the clerk of one or more courts, state or federal, having jurisdiction over either the party against whom that award is rendered or its property. No party shall be considered in default hereunder during the pendency of arbitration proceedings relating to that default.

Section (16) Miscellaneous Provisions

16.1 Persons Benefiting. This Agreement shall be binding upon and inure to the benefit of the Company, the Warrant Agent and their respective successors and assigns and the Warrant Holders. By acceptance of a Warrant Certificate, the Holder accepts and agrees to comply with all of the terms and provisions hereof. Nothing in this Agreement is intended or shall be construed to confer on any other person any right, remedy or claim or to impose on any other person any duty, liability or obligation.

16.2 Severability. If any term contained herein shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other term, which shall otherwise remain in full force and effect, and the effect of such holding, declaration or pronouncement shall be limited to the territory or jurisdiction in which made.

16.3 Termination. This Agreement shall terminate as of the close of business on the Expiration Date, or such earlier date upon which all Warrants shall have been exercised or converted or redeemed; except that the exercise of a Warrant in full or the Expiration Date shall not terminate the provisions of this Agreement as it relates to holders of Warrant Shares.

16.4 Governing Law. These terms and each Warrant Certificate issued hereunder shall be deemed to be a contract under the laws of Colorado and for all purposes shall be construed in accordance with the laws of said state without giving effect to conflicts of laws provisions of such state.

16.5 Agreement Available to Warrant Holders. A copy of these terms shall be available at all reasonable times at the office of the Warrant Agent for inspection by any Warrant Holder. As a condition of such inspection, the Company may require any Warrant Holder to submit a Warrant Certificate held of record for inspection.

16.6 Failure to Perform. If the Company fails to perform any of its obligations hereunder, it shall be liable to the Warrant Holder for all damages, costs and expenses resulting from the failure, including, but not limited to, all reasonable attorney's fees and disbursements.

16.7 Paragraph Headings. Paragraph headings used in this Warrant are for convenience only and shall not be taken or construed to define or limit any of

the terms or provisions of this Warrant. Unless otherwise provided, or unless the context shall otherwise require, the use of the singular shall include the plural and the use of any gender shall include all genders.

ATTACHMENT 1

[FORM OF WARRANT CERTIFICATE]

The Warrant and the underlying Shares represented by this Certificate have not been registered under the Securities Act of 1933 (the "Act"), and are "restricted securities" as that term is defined in Rule144 under the Act. The securities may not be offered for sale, sold or otherwise transferred except pursuant to an effective registration statement under the Act, or pursuant to an exemption from registration under the Act, the availability of which is to be established to the satisfaction of the Company. Additionally, Warrants are only exercisable or convertible when such exercise, and the issuance of the underlying Shares, can be affected in compliance with applicable state securities laws.

SERIES C WARRANT

WARRANT CERTIFICATE

Synergy Resources Corporation

_____Warrants

This Warrant Certificate certifies that or registered assigns (the "Warrant Holder"), is the registered owner of the above-indicated number of Warrants ("Warrants") expiring at 5:00 p.m., Mountain time, on December 31, 2014 (the "Expiration Date"). Each Warrant entitles the Warrant Holder to purchase from Synergy Resources Corporation (the "Company"), a Colorado corporation, at any time commencing on the date it is issued but before the Expiration Date, one fully paid and non-assessable share ("Share") of the Company's common stock at a purchase price of $6.00 per Share (the "Exercise Price") upon surrender of this Warrant Certificate, with the exercise form hereon duly completed and executed, with payment of the Exercise Price, at the principal office of the Company, but only subject to the conditions set forth herein and in the Terms of Warrants ("Warrant Terms"). The Exercise Price, the number of Shares purchasable upon exercise of each Warrant, and the number of Warrants outstanding are subject to adjustments upon the occurrence of certain events set forth in the Warrant Terms. Reference is hereby made to the other provisions of this Warrant Certificate and the provisions of the Warrant Terms, all of which are hereby incorporated by reference herein and made a part of this Warrant Certificate and which shall for all purposes have the same effect as though fully set forth at this place.

Upon due presentment for registration of transfer of this Warrant Certificate at the office of the Company a new Warrant Certificate or Warrant Certificates of like tenor and evidencing in the aggregate a like number of Warrants, subject to any adjustments made in accordance with the Warrant Terms, shall be issued to the transferee in exchange for this Warrant Certificate, subject to the limitations provided in the Warrant Terms.

The Warrant Holder evidenced by this Warrant Certificate may exercise all or any whole number of such Warrants in the manner stated hereon and in the Warrant Terms. The Exercise Price shall be payable in lawful money of the United States of America in cash or by certified or cashier's check or bank draft payable to the order of the Company. Upon any exercise of any Warrants evidenced by this Warrant Certificate in an amount less than the number of Warrants so evidenced, there shall be issued to the Warrant Holder a new Warrant Certificate evidencing the number of Warrants not so exercised or converted. No adjustment shall be made for any dividends on any shares issued upon exercise of this Warrant.

No Warrant may be exercised after 5:00 p.m., Mountain time, on the Expiration Date, and any Warrant not exercised by such time shall become void.

COPIES OF THE WARRANT TERMS, WHICH DEFINES THE RIGHTS, RESPONSIBILITIES AND OBLIGATIONS OF THE COMPANY AND THE WARRANT HOLDERS, ARE ON FILE WITH THE COMPANY. ANY WARRANT HOLDER MAY OBTAIN A COPY OF THE WARRANT TERMS, FREE OF CHARGE, BY WRITTEN A REQUEST TO THE PRINCIPAL OFFICE OF THE COMPANY.

This Warrant Certificate, when surrendered to the Company, in person or by attorney duly authorized in writing, may be exchanged, in the manner and subject to the limitations provided in the Warrant Terms, without payment of a charge, except for any tax or other governmental charge imposed in connection with such exchange, for another Warrant Certificate or Warrant Certificates of like tenor and evidencing a like number of Warrants, subject to any adjustment made in accordance with the Warrant Terms.

The Company may deem and treat the registered holder hereof as the absolute owner of this Warrant Certificate (notwithstanding any notation of ownership or other writing hereon made by anyone) for all purposes and the Company shall not be affected by any notice to the contrary. No Warrant Holder, as such, shall have the rights of a stockholder of the Company, either at law or in equity, and the rights of the Warrant Holder, as such, are limited to those rights expressly provided in the Warrant Terms and in the Warrant Certificates.

The Company shall not be required to issue fractions of Warrants upon any such adjustment or to issue fractions of shares upon the exercise of any Warrants after any such adjustment, but the Company, in lieu of issuing any such fractional interest, shall pay an amount in cash equal to such fraction times the current market value of one Warrant or one share, as the case may be, determined in accordance with the Warrant Terms.

Unless the amendment is able to be effected by the Company in accordance with the Warrant Terms, the Warrant Terms are subject to amendment only upon the approval of holders of not less than a majority of the outstanding Warrants, except that no such amendment shall accelerate the Expiration Date or increase the Exercise Price without the approval of all the holders of all outstanding Warrants.

IMPORTANT: The Warrants represented by this Certificate may not be exercised or converted by a Warrant Holder unless at the time of exercise the underlying Shares are qualified for sale, by registration or otherwise, in the state where the Warrant Holder resides or unless the issuance of the Shares

would be exempt under the applicable state securities laws. Further, a registration statement under the Securities Act of 1933, as amended, covering the exercise of the Warrants must be in effect and current at the time of exercise unless the issuance of Shares upon any exercise is exempt from the registration requirements of the Securities Act of 1933, as amended. Notwithstanding the provisions hereof, unless such registration statement and qualification are in effect and current at the time of exercise, or unless exemptions are available, the Company may decline to permit the exercise of the Warrants and the holder hereof would then only have the choice of either attempting to sell the Warrants, if a market existed therefor, or letting the Warrants expire.

IN WITNESS WHEREOF, the Company has caused this Warrant Certificate to be signed by its President and by its Secretary, each by a facsimile of said officers' signatures, and has caused a facsimile of its corporate seal to be imprinted hereon.

Dated: Synergy Resources Corporation

By: _____ By: _____

Secretary Chief Executive Officer

EXHIBIT 10.7

PURCHASE AND SALE AGREEMENT
(Wells, Equipment, and Well Bore Leasehold Assignments)

THIS PURCHASE AND SALE AGREEMENT ("Agreement") is dated October 1, 2010, and is entered into by and between PETROLEUM EXPLORATION AND MANAGEMENT, LLC ("PEM"), a Colorado limited liability company whose address is 20203 Highway 60, Platteville, Colorado 80651 and SYNERGY RESOURCES CORPORATION ("Synergy") a Colorado corporation whose address is 20203 Highway 60, Platteville, Colorado 80651.

RECITALS

A. PEM wishes to transfer the wells and equipment described in Exhibit 1 attached hereto, and its respective 100% working interest and 80% net revenue interest in the oil and gas leases described in Exhibit 2 attached hereto, insofar and only insofar as such leases pertain to the wells bores listed in such Exhibit 1.

B. Synergy has conducted an independent investigation of the nature and extent of these oil and gas leasehold interests, wells and equipment and wishes to purchase the interests of PEM in these assets.

C. By this instrument, Synergy and PEM set forth their agreement concerning the purchase and sale of these oil and gas leasehold interests, wells and equipment.

AGREEMENT

In consideration of the mutual promises contained herein, PEM and the Synergy agree as follows:

ARTICLE I
PURCHASE AND SALE OF THE ASSETS

1.1 Purchase and Sale. PEM hereby agrees to sell and Synergy hereby agrees to purchase the Assets pursuant to the terms of this Agreement.

1.2 The Assets. As used herein, the term "Assets" refers to all of PEM's right, title and interest in and to the following:

(a) The oil and gas wells and equipment specifically described in Exhibit 1 (collectively, the "Wells"), together with all personal property, fixtures, improvements, permits, rights-of-way and easements used or held for use in connection with the production, treatment, compression, storing, sale or disposal of Hydrocarbons or water produced from the properties and interests described in Section 1.2(b).

(b) The leasehold estates created by the oil and gas leases specifically described in Exhibit 2, insofar and only insofar as they pertain to the well bores described in Exhibit 1 (collectively, the "Leases"),

and the oil, gas, coalbed gas and all other hydrocarbons whether liquid, solid or gaseous (collectively, the "Hydrocarbons") produced or to be produced through such well bores, and all contract rights and privileges, surface, reversionary or remainder interests and other interests associated with the Leases, insofar as they pertain to production of Hydrocarbons through such well bores.

(c) The pooling and communitization agreements, declarations and orders, and the units created thereby (including all units formed under orders, regulations, rules or other acts of any federal, state or other governmental agency having jurisdiction), as well as all other

such agreements relating to the properties and interests described in Sections 1.2(a) and (b) and to the production of Hydrocarbons, if any, attributable to said Leases and Wells.

(d) All existing and effective sales, purchase, exchange, gathering, transportation and processing contracts, operating agreements, balancing agreements, farmout agreements, service agreements, and other contracts, agreements and instruments, insofar as they relate to the Leases and Wells described in Sections 1.2(a) through (c) above, with the exception of any agreements pertaining to the remediation of the Environmental Defects listed on Exhibit 4 (collectively, the "Contracts"), and which Contracts are shown on Exhibit 3.

(e) The files, records and data relating to the items described in Sections 1.2(a) through (d) maintained by PEM and relating to the interests described in Sections 1.2(a) through (d) above (including without limitation, all lease files, land files, well files, accounting records, drilling reports, abstracts and title opinions, seismic data, geophysical data and other geologic information and data), but only to the extent not subject to unaffiliated third party contractual restrictions on disclosure or transfer and only to the extent related to the Assets (the "Records").

1.3 Purchase Price. The purchase price (the "Purchase Price"), for the Assets shall be $830,093.69. The parties agree that PEM will transfer the ad valorem taxes referred to in Section 1.4. If the ad valorem taxes payable by PEM are more than the transferred amount, PEM will promptly pay the additional amount to Synergy. If the ad valorem taxes payable by PEM are less than the transferred amount, Synergy will promptly remit to PEM the difference.

1.4 Effective Time and Date. The purchase and sale of the Assets shall become effective at 7:00 a.m. on October 1, 2010. Revenues and expenses shall be prorated as of the Effective Date; provided, however, that the rights to any amounts withheld from previous production proceeds for the purpose of paying then unpaid ad valorem taxes for 2009 production assessed in 2010 (due in 2011) or for 2010 production assessed in 2010 (due in 2012) will be assigned to Synergy at Closing. If any purchaser of production has not withheld any amounts from 2009 production proceeds for the purpose of paying ad valorem taxes assessed in 2010 (due in 2011) or for 2010

production assessed in 2011 (due in 2011), then (i) the actual amount necessary to pay the then unpaid 2009 and 2010 ad valorem taxes and (ii) the estimated amount that should have been withheld based upon pre-Effective Date production for 2009 and 2010 ad valorem taxes (at the rate indicated by Weld County, being an approximately 9% rate) will be determined, and both amounts will be credited to Synergy at closing. The assignment of, and credit for, these amounts shall serve as a final settlement for ad valorem taxes. PEM shall pay all severance taxes on production obtained from the Assets prior to the Effective Date and Synergy shall pay all severance taxes on production obtained from the Assets after the Effective Date.

1.5 Excluded Assets. The parties agree that the Assets will not include any claim that the Eddy Oil Company has against Kerr-McGee or any other party with respect to the Wolfson 26-6 well, specifically but without limitation, any claim that another party was responsible for "sanding in" the Well, and thus reducing its value.

ARTICLE II
PEM'S REPRESENTATIONS AND WARRANTIES

2.1 General Representations. With respect to itself, and/or the Assets which it owns and has agreed to sell under this Agreement, PEM, makes the following representations and warranties:

(a) Incorporation/Qualification. PEM represents that it is a Colorado limited liability compan y, duly organized, validly existing and in good standing under the laws of the State of Colorado.

(b) Power and Authority. PEM has all requisite power and authority to own its interest in the Assets, to carry on its businesses as presently

conducted, to execute and deliver this Agreement, and to perform its obligations under this Agreement.

(c) No Lien, No Violation. The execution and delivery of this Agreement does not, and the fulfillment of and compliance with the terms and conditions hereof will not, as of Closing, (i) create a lien or encumbrance on the Assets or trigger an outstanding security interest in the Assets that will remain in existence after Closing, (ii) violate, or be in conflict with, any material provision of any statute, rule or regulation applicable to PEM, or any agreement or instrument to which PEM is a party or by which it is bound, or, (iii) to its knowledge, violate, or be in conflict with any statute, rule, regulation, judgment, decree or order applicable to PEM.

(d) Authorization and Enforceability. This Agreement is duly and validly authorized and constitutes the legal, valid and binding obligation of PEM, enforceable in accordance with its terms, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium and other laws for the protection of creditors, as well as to general principles of equity, regardless whether such enforceability is considered in a proceeding in equity or at law.

(e) Liability for Brokers' Fees. PEM has not incurred any liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement for which Synergy shall have any responsibility whatsoever.

(f) No Bankruptcy. There are no bankruptcy proceedings pending, being contemplated by or threatened against PEM.

(g) Litigation. There are no actions, suits, ongoing governmental investigations, written governmental inquiries or proceedings pending against PEM, or the Assets in any court or by or before any federal, state, municipal or other governmental agency that would affect any PEM's ability to consummate the transaction contemplated hereby, or materially adversely affect the Assets or PEM's ownership or operation of the Assets.

2.2 PEM's Representations and Warranties with Respect to the Assets. PEM makes the following representations and warranties regarding the Assets to be sold and assigned hereunder:

(a) Liens. Except for the Permitted Encumbrances, or as otherwise agreed to in writing by Synergy, the Assets will be conveyed to Synergy free and clear of all liens, restrictions and encumbrances created by, through or under PEM. As used in this Agreement, "Permitted Encumbrances" means any of the following matters to the extent the same are valid and subsisting and affect the Assets:

(1) all matters not created by, through or under PEM, including without limitation any matters created by, through or under their predecessors in title;

(2) any liens for taxes and assessments not yet delinquent or, if delinquent, that are being contested in good faith in the ordinary course of business and for which PEM has agreed to pay pursuant to the terms hereof or which have been prorated pursuant to the terms hereof;

(3) the terms, conditions, restrictions, exceptions, reservations, limitations and other matters contained in the agreements, instruments and documents that create or reserve to PEM its interests in the Assets, provided the same do not result in a decrease in the Net Revenue Interest associated with the Wells or Leases;

(4) any obligations or duties to any municipality or public authority with respect to any franchise, grant, license or permit, and all applicable laws, rules, regulations and orders of the United States and the state, county, city and political subdivisions in which the Assets are located and that exercises jurisdiction over such Assets, and any agency, department, board or other

instrumentality thereof that exercises jurisdiction over such Assets (collectively, "Governmental Authority");

(5) any (i) easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations, pipelines, grazing, hunting, logging, canals, ditches, reservoirs or the like and (ii) easements for streets, alleys, highways,

pipelines, telephone lines, power lines, railways and other similar rights-of-way;

(6) all landowner royalties, overriding royalties, net profits interests, carried interests, production payments, reversionary interests and other burdens on or deductions from the proceeds of production relating to the Assets if the net cumulative effect of such burdens does not operate to reduce the Net Revenue Interest of the PEM in any Asset to less than an 80% net revenue interest; (7) all rights to consent by, required notices to, filings with, or other actions by Governmental Authorities in connection with the sale or conveyance of oil and gas leases or interests therein that are customarily obtained subsequent to such sale or conveyance;

(8) all defects and irregularities affecting the Assets which individually or in the aggregate do not operate to reduce the net revenue interests of PEM, increase the proportionate share of costs and expenses of leasehold operations attributable to or to be borne by the working interest of PEM, or otherwise interfere materially with the operation, value or use of the Assets.

(b) Wells, Leases and Equipment. To the best of the PEM's knowledge, (i) the Leases are in full force and effect and are valid and subsisting covering the entire estates that they purport to cover; (ii) they have not been advised by the lessor of any Lease of a default under a Lease or of any demand to drill an additional well on a Lease; (iii) all royalties, rentals and other payments due under the Leases have been fully, properly and timely paid; (iv) PEM has a 100% Working Interest/80% Net Revenue Interest in the Wells and Leases, and (v) the equipment associated with the Wells is functional and in good working order, with the exception of the Wolfson 26-6 well, which is sanded-in and not currently capable of production. PEM will use commercially reasonable efforts to take all action necessary to keep the Leases in force and effect until the Closing.

(c) Prepayments and Wellhead Imbalances. PEM is not obligated, by virtue of a production payment, prepayment arrangement under any contract for the sale of Hydrocarbons and containing a "take or pay," advance payment or similar provision, gas balancing agreement or any other arrangement to deliver Hydrocarbons produced from the Assets at any time after the Effective Time without then or thereafter receiving full payment therefor. None of the Wells have been produced in excess of applicable laws, regulations or rulings.

(d) Taxes. All due and payable production, severance and similar taxes and assessments based on or measured by the ownership of the Assets or the production of Hydrocarbons or the receipt of proceeds from the Assets have been fully paid.

(e) Maintenance of Interests. PEM has maintained, and will continue from date of this Agreement until the Closing maintain, the Assets in a reasonable and prudent manner, in full compliance with applicable law and orders of any governmental authority, and will maintain insurance and bonds now in force with respect to the Assets, to pay when due all costs and expenses coming due and payable in connection with the Asset, and to perform all of the covenants and conditions contained in the Leases, Contracts and all related agreements. The parties understand and acknowledge that the Wells are currently shut for lack of a gas sales contract, and such fact shall not be construed to be a

breach of this paragraph or this Agreement.

(f) Access. To the same extent PEM has such right, at all times prior to the Closing, Synergy and the employees and agents of Synergy shall have access to the Assets at Synergy's sole risk, cost and expense at all reasonable times, and shall have the right to conduct equipment inspections, environmental audits, and any other investigation of the Assets on one day's prior notice to PEM and upon agreement with PEM as to time and place of such actions.

(g) Environmental Matters. Except as shown on Exhibit 4, to PEM's best knowledge, it is not in material violation of any Environmental Laws applicable to the Assets, or any material limitations, restrictions, conditions, standards, obligations or timetables contained in any Environmental Laws. No notice or action alleging such violation is pending or, to PEM's knowledge, threatened against the Assets. For purposes of this Agreement "Environmental Laws" means any federal, state, local, or foreign statute, code, ordinance, rule, regulation, policy, guidelines, permit, consent, approval, license, judgment, order, writ, decree, injunction, or other authorization, including the requirement to register underground storage tanks, relating to (a) emissions, discharges, releases, or threatened releases of Hazardous Materials into the natural environment, including into ambient air, soil, sediments, land surface or subsurface, buildings or facilities, surface water, groundwater, publicly owned treatment works, septic systems, or land, (b) the generation, treatment, storage, disposal, use, handling, manufacturing, transportation, or shipment of Hazardous Materials, or (c) otherwise relating to the pollution of the environment, solid waste handling treatment, or disposal, or operation or reclamation of mines or oil and gas wells.

"Hazardous Material" means (a) any "hazardous substance," as defined by CERCLA, (b) any "hazardous waste," as defined by the Resource Conservation and Recovery Act, as amended, (c) any hazardous, dangerous, or toxic chemical, material, waste, or substance within the meaning of and regulated by any Environmental Law, (d) any radioactive material, including any naturally occurring radioactive material, and any source, special, or byproduct material as defined in 42 U.S.C. ss.2011 et seq. and any amendments or authorizations thereof, (e) any asbestos-containing materials in any form or condition, or (f) any polychlorinated biphenyls in any form or condition.

(h) Obligation to Close. PEM shall take or cause to be taken all actions necessary or advisable to consummate the transactions contemplated by this Agreement and to assure that as of the Closing it will not be under any material, corporate, legal, governmental or contractual restriction that would prohibit or delay the timely consummation of such transactions.

(i) No Third Party Options. There are no existing agreements, options, or commitments with, of or to any person to acquire the Assets.

(j) Production Sale Contracts. To the best of PEM's knowledge, and except as shown on Exhibit 3, no Hydrocarbons produced from the Assets are subject to an oil or natural gas sales contract or other agreement relating to the production, gathering, transportation, processing, treating or marketing of Hydrocarbons and no person has any call upon, option to purchase or similar rights with respect to production from the Assets.

(k) Material Contracts. To the best knowledge of PEM, it is not in default under any material Contract related to ownership or operation of the Assets.

(l) Accuracy of Data. To PEM's best knowledge, it has provided Synergy with accurate information relating to the Assets including, without limitation, production history and characteristics, operating revenue and prices currently being received for production.

(m) Preferential Purchase Rights and Consents. There are no preferential purchase rights in respect of any of the Assets.

ARTICLE III
SYNERGY'S REPRESENTATIONS AND WARRANTIES

Synergy makes the following representations and warranties:

3.1 Organization and Standing. Synergy is a Colorado corporation duly organized, validly existing and in good standing under the laws of the State of Colorado.

3.2 Power. Synergy has all requisite power and authority to carry on its business as presently conducted and to execute and deliver this Agreement and perform its obligations under this Agreement. The execution and delivery of this Agreement and consummation of the transactions contemplated hereby and the fulfillment of and compliance with the terms and conditions hereof will not violate, or be in conflict with, any material provision of its governing documents or any material provision of any agreement or instrument to which it is a party or by which it is bound, or, to its knowledge, any judgment, decree, order, statute, rule or regulation applicable to it.

3.3 Authorization and Enforceability. The execution, delivery and performance of this Agreement and the transaction contemplated hereby have been duly and validly authorized by all requisite corporate action on behalf of

Synergy. This Agreement constitutes Synergy's legal, valid and binding obligation, enforceable in accordance with its terms, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium and similar laws for the protection of creditors, as well as to general principles of equity, regardless whether such enforceability is considered in a proceeding in equity or at law.

3.4 Liability for Brokers' Fees. Synergy has not incurred any liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement for which PEM shall have any responsibility whatsoever.

3.5 Litigation. There is no action, suit, proceeding, claim or investigation by any person, entity, administrative agency or governmental body pending against Synergy before any governmental authority that impedes or is likely to impede its ability (i) to consummate the transactions contemplated by this Agreement or (ii) to assume the liabilities to be assumed by it under this Agreement.

3.6 Evaluation. In entering into this Agreement, Synergy acknowledges and affirms that it has relied and will rely solely on the terms of this Agreement and upon its independent analysis, evaluation and investigation of, and judgment with respect to, the business, economic, legal, tax or other consequences of this transaction, including without limitation, its own estimate and appraisal of the extent and value of the Assets, and the petroleum, natural gas and other reserves associated with the Assets.

ARTICLE IV
TITLE MATTERS

4.1 Examination of Files and Records. PEM has made available to Synergy its existing Lease, Well and title files, accounting records, production records, easements, Contracts, division orders and other information, to the extent not subject to confidentiality agreements, available in its files relating to the Assets. If Closing does not occur, Synergy shall promptly return all such data and other to PEM.

4.2 Title Review. Synergy has reviewed title to the Assets; has agreed to accept title in its current condition; and has decided to proceed with Closing.

ARTICLE V
ENVIRONMENTAL MATTERS

Synergy has had access to and the opportunity to inspect the Assets for all purposes, including without limitation, for the purposes of detecting the presence of hazardous or toxic substances, pollutants or other contaminants,

environmental hazards, naturally occurring radioactive materials ("NORM"), produced water, air emissions, contamination of the surface and subsurface and any other Environmental Defects. PEM understands that its is responsible for notifying appropriate government agencies of any Environmental Defects, and potentionally for any clean-up or remediation with respect to any Environmental Defects. Nothing contained in this Article V limits the provisions of Section 9.1 of this Agreement.

ARTICLE VI
COVENANTS OF PEM PRIOR TO CLOSING

6.1 Affirmative Covenants. Until Closing, PEM, shall do the following:

(a) Continue to pay any shut in royalties which may be due and take any and all other actions necessary to keep the Leases in full force and effect;

(b) Maintain insurance now in force with respect to the Assets;

(c) Comply with all other terms of all Leases and Contracts;

(d) Notify Synergy of any claim or demand which might materially adversely affect title to or operation of the Assets; and

(e) Pay costs and expenses attributable to the Assets as they become due.

6.2 Negative Covenants. Until Closing, PEM shall not do any of the following with regard to the Assets it has agreed to sell and assign hereunder without first notifying Synergy:

(a) Abandon any Well unless required to by a regulatory agency;

(b) Release all or any portion of a Lease, Contract or easement;

(c) Commence an operation in a Well if the estimated cost of the operation exceeds $7,500 net to PEM's interest, except such operations for which Synergy may provide its consent;

(d) Create a lien, security interest or other encumbrance on the Assets;

(e) Remove or dispose of any of the Assets;

(f) Amend a Lease, Contract or easement or enter into any new contracts affecting the Assets; or

(g) Waive, comprise or settle any claim that would materially affect ownership, operation or value of any of the Assets exceeding $3,500 net to PEM's interest.

ARTICLE VII
CLOSING

7.1 Date of Closing. Closing of the transactions contemplated hereby shall be held at 20203 Highway 60, Platteville, CO at 4:00 p.m. on October 1, 2010. Absent a timely closing or a written extension signed by both parties, this Agreement shall conclusively terminate. Time is of the essence in respect of the Closing.

7.2 Place of Closing. The Closing shall be held at the offices of Synergy, or at such other time and place mutually agreed by the parties.

7.3 Closing Obligations. At the Closing, the following shall occur:

(a) PEM shall, execute, acknowledge and deliver an Assignment and Bill of Sale in the form attached as Exhibit 5, conveying the Assets to Synergy, and

(b) Synergy shall pay to PEM $830,093.69 (or the Adjusted Purchase

Price) by bank check payable to PEM.

7.4 Simultaneous Closings. An additional condition of the closing of this Agreement is the simultaneous closing of the separate Purchase and Sale Agreement (Operations and Leaseholds) of even date between Petroleum Management, LLC and Synergy. Such other Purchase and Sale Agreement is and shall remain separate and distinct from this Agreement, but the parties agree that they may be read together for purposes of interpretation and determination of the intent of the parties.

ARTICLE VIII
POST-CLOSING OBLIGATIONS

8.1 Delivery of Records. PEM agrees to make the Records available for pick up by Synergy as soon as is reasonably practical, but in any event on or before seven (7) days after Closing. PEM may retain copies of the Records and PEM shall have the right to review and copy the Records during standard business hours upon reasonable notice for so long as Synergy retains the Records. PEM at all times will maintain the confidential nature of the Records in accordance with Article X. Synergy agrees that the Records will be maintained in compliance with all applicable laws governing document retention. Synergy will not destroy or otherwise dispose of Records after Closing, unless Synergy first gives the PEM reasonable notice and an opportunity to copy the Records to be destroyed. If and to the extent certain portions of the Records are subject to unaffiliated third party contractual restrictions on disclosure or transfer, PEM agrees to use reasonable efforts to obtain the waiver of such contractual restrictions; provided, however, that they shall not be required to expend any money in connection with obtaining such waivers.

8.2 Proceeds and Invoices For Property Expenses Received After Closing. PEM shall be responsible for the payment of all its costs, liabilities and expenses (including severance taxes) incurred in the ownership and operation of the Assets prior to the Effective Time and not yet paid or satisfied. Synergy shall be responsible for payment (at Closing or thereafter if not reflected on the Closing Settlement Statement) of all costs, liabilities and expenses (including severance taxes) incurred in the ownership and operation of the Assets after the Effective Time. After the Closing, those proceeds attributable to the Assets received by a party, or invoices for expenses attributable to the Assets, shall be settled as follows:

(a) Proceeds. Proceeds received by Synergy with respect to sales of Hydrocarbons produced prior to the Effective Time shall be immediately

remitted or forwarded to PEM. Proceeds received by PEM with respect to sales of Hydrocarbons produced after the Effective Time shall be immediately forwarded to Synergy.

(b) Property Expenses. Invoices received by Synergy that relate to operation of the Assets prior to the Effective Time shall be forwarded to PEM by Synergy, or if already paid by Synergy, invoiced by Synergy to PEM. Invoices received by PEM that relate to operation of the Assets after the Effective Time shall be immediately forwarded to Synergy by PEM, or if already paid by PEM, invoiced by them to Synergy.

8.3 Plugging Liability. From and after the Closing, Synergy will assume the expenses and costs of plugging and abandoning the Wells and restoration of operation sites, all in accordance with the applicable laws, regulations and contractual provisions. Notwithstanding the above, Synergy will not be responsible for the remediation of the Environmental Defects listed on Exhibit 4 or reporting the Environmental Defects to any state or federal agency.

8.4 Assumption of Contracts. From and after the Effective Time, Synergy assumes, will be bound by, and agrees to perform all express and implied covenants and obligations of PEM relating to the Assets, whether arising under (i) the Leases, prior assignments of the Leases, the Contracts, the easements, the permits or any other contractually-binding arrangements to which the Assets (or any component thereof) may be subject and which will be binding on PEM and/or the Assets (or any component thereof) after the

Closing or (ii) any applicable laws, ordinances, rules and regulations of any governmental or quasi-governmental authority having jurisdiction over the Assets.

8.5 Access. Synergy shall have the right following Closing to make such nonexclusive use of roads and other access improvements as may now or hereafter exist on the Lands as it believes convenient in connection with its operations on the Leases, subject to its compliance with the Leases or other instruments creating the rights-of way or easements and its payment of an appropriate share of maintenance costs based upon its use of such road or access improvements.

8.6 Further Assurances. From time to time after Closing, PEM and Synergy shall each execute, acknowledge and deliver to the other such further instruments and take such other action as may be reasonably requested in order to accomplish more effectively the purposes of the transactions contemplated by this Agreement.

ARTICLE IX
INDEMNIFICATION

9.1 By the PEM. Except as otherwise provided herein, PEM shall be responsible for and shall indemnify and hold harmless Synergy, its officers, directors, employees and agents, from all claims, losses, costs, liabilities, damages and expenses, including reasonable attorneys' fees and costs, (collectively, "Claims") arising out of or resulting from (i) PEM's ownership or operation of the Assets prior to Closing, including

Claims arising under Environmental Laws, (ii) PEM's disbursement of production proceeds from the Assets accruing prior to the Effective Time, and (iii) any breach of any surviving representations, warranties, covenants or conditions of PEM contained in this Agreement, subject, however, to the limitations set forth in Sections 11.9 and 11.10.

9.2 By Synergy. Except as otherwise provided herein, Synergy shall be responsible for and shall indemnify and hold harmless PEM, its officers, directors, employees and agents, from all Claims arising out of or resulting from (i) Synergy's ownership or operation of the Assets after Closing, including Claims arising under Environmental Laws, and (ii) any breach of any representation, warranties, covenants or conditions of Synergy contained in this Agreement, subject, however, to the limitations set forth in Section 11.10.

ARTICLE X
CONFIDENTIALITY

If the Closing does not occur, Synergy will use its best efforts to keep all the information furnished by PEM to Synergy hereunder or in contemplation hereof strictly confidential including, without limitation, the Purchase Price and other terms of this Agreement, and will not use any of such information to Synergy's advantage or in competition with PEM, except to the extent such information (i) was already in the public domain, not as a result of disclosure by Synergy, (ii) was already known to Synergy, (iii) is developed by Synergy independently from the information supplied by PEM, or (iv) is furnished to Synergy by a third party independently of Synergy's investigation pursuant to the transaction contemplated by this Agreement.

ARTICLE XI
MISCELLANEOUS

11.1 Exhibits. The exhibits to this Agreement are hereby incorporated into this Agreement by reference and constitute a part of this Agreement.

11.2 Notices. All notices and communications required or permitted under this Agreement shall be in writing and addressed as set forth below. Any communication or delivery hereunder shall be deemed to have been duly made and the receiving party charged with notice (i) if personally delivered, when received, (ii) if sent by facsimile transmission or electronic mail, when received (iii) if mailed, five (5) business days after mailing, certified mail, return receipt requested, or (iv) if sent by overnight courier, one day after sending. All notices shall be addressed as follows:

If to the Synergy: Synergy Resources Corporation
20203 Highway 60
Platteville, Colorado 80651
Telephone: (970) 737-1073

If to PEM: Petroleum Exploration and Management, LLC
20203 Highway 60
Platteville, CO 80651
Telephone: (970) 737-1090

Any party may, by written notice so delivered to the other parties, change the address or individual to which delivery shall thereafter be made.

11.3 Amendments. Except for waivers specifically provided for in this Agreement, this Agreement may not be amended nor any rights hereunder waived except by an instrument in writing signed by the party to be charged with such amendment or waiver and delivered by such party to the party claiming the benefit of such amendment or waiver.

11.4 Assignment. Synergy and PEM shall not assign all or any portion of their respective rights or delegate all or any portion of their respective duties hereunder unless they continue to remain liable for the performance of their obligations hereunder. Synergy may not assign the benefits of PEM's indemnity obligations contained in this Agreement, and any permitted assignment shall not include such benefits. No such assignment or obligation shall increase the burden on PEM or impose any duty on it to communicate with or report to any transferee, and PEM may continue to look to Synergy for all purposes under this Agreement.

11.5 Counterparts; Fax Signatures. This Agreement may be executed by Synergy and PEM in any number of counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute but one and the same instrument. Facsimile signatures shall be considered binding.

11.6 Governing Law. This Agreement and the transactions contemplated hereby and any arbitration or dispute resolution conducted pursuant hereto shall be construed in accordance with, and governed by, the laws of the State of Colorado without reference to the conflict of laws principles thereof.

11.7 Entire Agreement. This Agreement, together with the Purchase and Sale Agreement (Operations and Leaseholds) of even date, constitute the entire understanding among the parties, their respective partners, members, trustees, shareholders, officers, directors and employees with respect to the subject matter hereof, superseding all negotiations, prior discussions and prior agreements and understandings relating to such subject matter.

11.8 Binding Effect. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto, and their respective successors and assigns.

11.9 Survival. The representations and warranties of the parties hereto contained in Article II (except Section 2.2(a), (b) and (g)) and Article III and the indemnification of the parties hereto contained in Article IX, and all claims, causes of action and damages with respect thereto, and the provision of paragraph 1.5, shall survive the Closing for a period of twenty-four months thereafter, and then expire and terminate. The representations and warranties contained in Section 2.2(a), (b) and (g) shall not survive the Closing, but shall expire and terminate at the Closing.

11.10 Limitation on Damages; Provision for Recovery of Costs and Attorney's Fees. The parties expressly waive any and all rights to consequential, special, incidental, punitive or exemplary damages, or loss of profits resulting from breach of this Agreement. The prevailing party in any litigation seeking a remedy for the breach of this Agreement shall, however, be entitled to recover all attorneys' fees and costs incurred in such litigation.

11.11 No Third-Party Beneficiaries. This Agreement is intended to benefit only

the parties hereto and their respective permitted successors and assigns.

11.12 Severability. If at any time subsequent to the date hereof, any provision of this Agreement shall be held by any court of competent jurisdiction to be illegal, void or unenforceable, such provision shall be of no force and effect, but the illegality or unenforceability of such provision shall have no effect upon and shall not impair the enforceability of any other provision of this Agreement.

11.13 Waiver. No consent or waiver, express of implied, to or of any breach or default in the performance of any obligation or covenant hereunder shall constitute a consent or waiver to or of any other breach or default in the performance of the same or any other obligations hereunder.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first-above written.

PETROLEUM EXPLORATION AND MANAGEMENT, LLC	SYNERGY RESOURCES CORPORATION
By: /s/ Ed Holloway	By: /s/ William E. Scaff Jr.
Ed Holloway, Manager	William E Scaff Jr., Vice President

EXHIBIT 1
TO
PURCHASE AND SALE AGREEMENT
(Wells, Equipment and Well Bore Leasehold interests)

1. Bowen 25-10 (NWSE of Section 25, 4N-67W-Weld County, CO)

Equipment: Separator - J&S 250# - Built 1/87 - SN 3009

Wellhead - Lubricator ASM

Controller - EDI/TCS JR SN 13-69831107

Tank - NELCO 300# - Built 1985 - SN 3920-F

Pit - Aguilar 1250 BBL

2. Wolfson 23-15 (SWSE of Section 23, 4N-67W-Weld County, CO)

Equipment: Separator - NATCO 250# - Built 1983 - SN 25122

Wellhead - Lubricator ASM

Controller - Ferguson Beauragard SN LIQ98A10

Tank - NELCO 400 BBL - SN 3102 - Built 1988

Pit - Erie 1000 gallon

Other - Line heater

3. Wolfson 23-16 (SESE of Section 23, 4N-67W-Weld County, CO)

Equipment: Separator - NATCO 250# - Built 1983 - SN 25523

Wellhead - Lubricator ASM

Controller - EDI/TSC JR - SN B620004

Tank - NELCO 400 BBL - SN 3423-F - Built 1984

Pit - Aguilar 1000 gallon

4. Wolfson 26-1 (NENE of Section 26, 4N-67W-Weld County, CO)

Equipment: Separator - American 250# SN 19056 - Built 1985

Wellhead - Lubricator ASM

Controller - EDI/TSC JR - SN 23861202

Tank - D&L 300 BBL - SN RM7644 - Built 1984

Pit - Erie 1000 gallon

5. Wolfson 26-2 (NWNE of Section 26, 4N-67W-Weld County, CO)

Equipment: Separator - No ID plate - 250#

Wellhead - Lubricator ASM

Controller - Ferguson Beauragard SN 004921

Tank - NELCO 300 BBL - SN 205781

Pit - Erie 1000 gallon

Flare Stack - LIBCO - no ID plate

6. Wolfson 26-10 (NWSE of Section 26, 4N-67W-Weld County, CO)

Equipment: Separator - NATCO 250# - Built 1/81 - SN 7-376901-48

Wellhead - Lubricator ASM

Controller - EDI-DCSXT JR - No SN

Tank - NELCO 300# - SN 205681

Pit - Erie 1000 gallon

7. Wolfson 26-16 (SESE of Section 26, 4N-67W-Weld County, CO)

Equipment: Separator - Weatherford 250# - Built 3/86 - SN 3714

Wellhead - Lubricator ASM

Controller - Ferguson Beauragard SN 4791

Tank - NELCO 300# - SN 42377

Pit - Erie 1000 gallon

8. Wolfson 26-6 (SENW of Section 26, 4N-67W-Weld County, CO)

Equipment: Separator - National 1000# HLP 13 - SN 37365

Wellhead - Lubricator ASM - No Controller

Tank - Union 400 BBL - Built 3/56 - SN 3477

Pit - Erie 1000 gallon

Other - Line heater

EXHIBIT 2
TO
PURCHASE AND SALE AGREEMENT
(Wells, Equipment and Well Bore Leasehold interests)

Bowen 25-10

Date: September 5, 1984
Recorded: Book 1044 under Rec. 1981056
Lessor: Ralph L. Bowen & Josephine L. Bowen
Lessee: Mission Oil Corporation
Description: Township 4 North, Range 67 West
Section 25: NW1/4SE1/4 only

Date: September 5, 1984
Recorded: Book 1044 under Rec. 1981055
Lessor: Donald W. Bowen & Beverly A. Bowen
Lessee: Mission Oil Corporation
Description: Township 4 North, Range 67 West
Section 25: NW1/4SE1/4 only

Date: September 5, 1984
Recorded: Book 1044 under Rec. 1981056
Lessor: Betty J. L. Bowen
Lessee: Mission Oil Corporation
Description: Township 4 North, Range 67 West
Section 25: NW1/4SE1/4 only

Wolfson 23-15 and 16

Date: April 7, 1970
Recorded: Book 628 under Rec. No. 1549946
Lessor: Helen Marie Purse
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 23: S1/2SE1/4 except 2 railroad strips

Date: April 7, 1970
Recorded: Book 633 under Rec. No. 1554837
Lessor: Albert Wolfson & Alvin J. Johnson, dba Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 23: S1/2SE1/4 except 2 railroad strips

Date: October 20, 1981
Recorded: Book 954 under Rec. No. 1876285
Lessor: Marjorie H. Williams, P.R. of Est. of M. E. Hagen, deceased
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 23: S1/2SE1/4 except 2 railroad strips

Date: April 1, 19921
Recorded: Book 1299 under Rec. No. 2250760
Lessor: Union Pacific Resources Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 23: UPRR ROW strip in S1/2SE1/4

Date: June 1, 19921
Recorded: Book 1312 under Rec. No. 2264693
Lessor: Amoco Production Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 23: Abandoned UPRR ROW strip in S1/2SE1/4

Wolfson 26-1

Date: April 7, 1970
Recorded: Book 628 under Rec. No. 1549946
Lessor: Helen Marie Purse
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NE1/4NE1/4 only

Date: April 7, 1970
Recorded: Book 633 under Rec. No. 1554837
Lessor: Albert Wolfson & Alvin J. Johnson, dba Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NE1/4NE1/4 only

Date: October 20, 1981
Recorded: Book 954 under Rec. No. 1876285
Lessor: Marjorie H. Williams, P.R. of the Estate of M. E. Hagen, deceased
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NE1/4NE1/4 only

Wolfson 26-2

Date: April 7, 1970
Recorded: Book 628 under Rec. No. 1549946
Lessor: Helen Marie Purse
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4NE1/4 only

Date: April 7, 1970
Recorded: Book 633 under Rec. No. 1554837
Lessor: Albert Wolfson & Alvin J. Johnson, dba Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4NE1/4 only

Date: October 20, 1981
Recorded: Book 954 under Rec. No. 1876285
Lessor: Marjorie H. Williams, P.R. of Est. of M. E. Hagen, deceased
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4NE1/4 only

Date: February 12, 1991
Recorded: Book 1290 under Rec. No. 2241811
Lessor: Union Pacific Resources Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: UPRR ROW strip in NW1/4NE1/4 only

Date: October 1, 1990
Recorded: Book 1291 under Rec. No. 2242790
Lessor: Moco Production Company
Lessee: Eddy Oil Company

Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: Abandoned UPRR ROW strip in NW1/4NE1/4 only

Wolfson 26-6

Date: April 7, 1970
Recorded: Book 628 under Rec. No. 1549946
Lessor: Helen Marie Purse
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE3/3NW1/3 only

Date: April 7, 1970
Recorded: Book 633 under Rec. No. 1554837
Lessor: Albert Wolfson & Alvin J. Johnson, dba Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4NW1/4 only

Date: October 20, 1981
Recorded: Book 954 under Rec. No. 1876285
Lessor: Marjorie H. Williams, P.R. of Est. of M. E. Hagen, deceased
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4NW1/4 only

Date: September 11, 1991
Recorded: Book 1323 under Rec. No. 2275064
Lessor: Union Pacific Resources Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: UPRR ROW strip in SE1/4NW1/4 only

Wolfson 26-10

Date: April 7, 1970
Recorded: Book 628 under Rec. No. 1549946
Lessor: Helen Marie Purse
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: April 7, 1970
Recorded: Book 633 under Rec. No. 1554837
Lessor: Albert Wolfson & Alvin J. Johnson, dba Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: October 26, 1981
Recorded: Book 954 under Rec. No. 1876288
Lessor: Paul M. Andrews
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: November 5, 1981
Recorded: Book 954 under Rec. No. 1876289
Lessor: Harry M. & Dora F. Andrews
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: November 5, 1981
Recorded: Book 954 under Rec. No. 1876290
Lessor: Ethel V. & Herman H. Rediess

Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: October 1, 1990
Recorded: Book 1292 under Rec. No. 2243412
Lessor: Amoco Production Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: September 6, 1989
Recorded: Book 1243 under Rec. No. 2191647
Lessor: Weld County, Colorado
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Wolfson 26-16

Date: April 7, 1970.
Recorded: June 25, 1970 in Book 628 at Reception No. 1549946.
Lessor: Helen Marie Purse, a widow
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4SE1/4

Date: April 7, 1970
Recorded: September 18, 1970 in Book 633 at Reception No. 1554837.
Lessors: Albert Wolfson and Alvin J. Johnson, d/b/a Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4SE1/4

Date: October 26, 1981.
Recorded: December 7, 1981 in Book 954 at Reception No. 1876288.
Lessors: Paul M. Andrews, a single man
Lessee: Aeon Energy Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4SE1/4

Date: March 21, 1991
Recorded: December 7, 1981 in Book 954 at Reception No. 1876289.
Lessors: Harry M. Andrews and Dora F. Andrews, husband and wife
Lessee: Aeon Energy Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4SE1/4

Date: November 5, 1981.
Recorded: December 7, 1981 in Book 954 at Reception No. 1876290.
Lessors: Ethel V. Rediess and Herman H. Rediess, wife and husband
Lessee: Aeon Energy Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4SE1/4

End of Exhibit

EXHIBIT 3
CONTRACTS

DCP gas contract

Suncor Energy crude oil contract

EXHIBIT 4
ENVIRONMENTAL DEFECTS

Any and all environmental defects prior to the date of closing were the responsibility of Eddy Oil Company under that certain Purchase and Sale Agreement, dated June 19, 2009, between PM and Eddy Oil Company, Inc.

EXHIBIT 5

ASSIGNMENT, BILL OF SALE AND CONVEYANCE
(Wells, Equipment and Well Bore Leasehold Interests)

THIS ASSIGNMENT, BILL OF SALE AND CONVEYANCE (the "Assignment") is made this 1st day of October, 2010, by and between, PETROLEUM EXPLORATION AND MANAGEMENT, LLC ("Assignor"), a Colorado limited liability company, whose address is 20203 Highway 60, Platteville, Colorado 80651, and Synergy Resources Corporation, (" Assignee") a Colorado Corporation whose address is 20203 Highway 60, Platteville, Colorado, 80651.

W I T N E S S E T H:

WHEREAS, Assignor and Assignee entered into a Purchase And Sale Agreement dated October 1, 2010 (the "Agreement"), pursuant to which Assignor agreed to sell and Assignee agreed to purchase all of the Assignor's interests as defined herein and as described below.

WHEREAS, this Assignment, Bill Of Sale and Conveyance is to evidence the transfer of title necessary to consummate the sale and purchase of such interests in accordance with and pursuant to the Agreement. Terms not otherwise defined herein shall have the meanings ascribed thereto in the Agreement.

NOW, THEREFORE, Assignor, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, has bargained, sold, granted, transferred, assigned and conveyed and does hereby BARGAIN, SELL, GRANT, TRANSFER, ASSIGN and CONVEY unto ASSIGNEE the following:

1. Assignment. Assignor assigns, sells and quitclaims to Assignee all of Assignor's right, title and interest in the Assets. As used herein, the term "Assets" refers to all of the Assignee's right, title and interest in and to the following:

(a) The oil and gas wells and equipment specifically described in Exhibit 1 (the "Wells"), together with all personal property, fixtures, improvements, permits, rights-of-way and easements used or held for use in connection with the production, treatment, compression, storing, sale or disposal of Hydrocarbons or water produced from the properties and interests described in Section 1.2(b).

(b) The leasehold estates created by the oil and gas leases specifically described in Exhibit 2, insofar and only insofar as they pertain to the well bores described in Exhibit 1 (the "Leases"), and the oil, gas, coalbed gas and all other hydrocarbons whether liquid, solid or gaseous (collectively, the "Hydrocarbons") produced or to be produced through such well bores, and all contract rights and privileges, surface, reversionary or remainder interests and other interests associated with the Leases, insofar as they pertain to production of Hydrocarbons through such well bores.

(c) The pooling and communitization agreements, declarations and orders, and the units created thereby (including all units formed under orders, regulations, rules or other acts of any federal, state or othe

governmental agency having jurisdiction), as well as all other such agreements relating to the properties and interests described in Sections 1(a) and (b) above, and to the production of Hydrocarbons, if any,

attributable to said Leases and Wells.

(d) All existing and effective sales, purchase, exchange, gathering, transportation and processing contracts, operating agreements, balancing agreements, farmout agreements, service agreements, and other contracts, agreements and instruments, insofar as they relate to the Leases and Wells described in Sections 1(a) through (c) above (collectively, the "Contracts").

(e) The files, records and data relating to the items described in Sections 1 (a) through (d) maintained by Assignor and relating to the interests described in Sections 1(a) through (d) above (including without limitation, all lease files, land files, well files, accounting records, drilling reports, abstracts and title opinions, seismic data, geophysical data and other geologic information and data), but only to the extent not subject to unaffiliated third party contractual restrictions on disclosure or transfer and only to the extent related to the Assets (the "Records").

2. Limited Warranty. The Assignor warrants that it is transferring 100% of the leasehold/80% net revenue interest, in the Leases which appear on the annexed Exhibit 2, insofar and only insofar as the Leases relate to the well bores of the Wells described in Exhibit 1, free and clear of all liens, restrictions and encumbrances created by, through or under Assignor. Except as provided in the Agreement, Assignor makes no warranty of title whatsover, express or implied, as to any of the items being assigned or sold pursuant to this instrument. In addition, THE ASSIGNOR MAKES NO WARRANTY, EXPRESS OR IMPLIED, CONCERNING THE MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OF ANY OF THE EQUIPMENT OR OTHER PERSONAL PROPERTY BEING SOLD PURSUANT TO THIS INSTRUMENT.

3. Effective Date. Assignor shall be entitled to receive all revenues attributable to Assignor's proportionate interest in production from the Assets through September 30, 2010 and shall pay its proportionate share of expenses relating to such Assets including severance taxes and ad valorem taxes which shall be prorated through the Effective Date (i.e., any amounts now due or shall become due which are associated with production through the effective date shall be paid by Assignor or credited to Assignee). Thereafter, Assignee shall be entitled to such revenue and assume and be responsible for such expenses and taxes.

4. Further Assurances. Assignor agrees to execute and deliver or cause to be executed and delivered, upon the reasonable request of Assignee, such other Assignments, Bills of Sale, Certificates of Title and other matters which are appropriate to transfer the Assets to Assignee.

5. Indemnification. Except as otherwise provided in the Agreement, Assignor shall be responsible for and shall indemnify and hold harmless the Assignee, its officers, directors, employees and agents, from all claims, losses, costs, fines, liabilities, damages and expenses, including reasonable attorneys' fees and costs, (collectively, "Claims") arising out of or resulting from (i) the Assignor's ownership or operation of the Assets prior to the date of this Assignment, including Claims arising under Environmental Laws, as defined in the Agreement, (ii) Assignor's disbursement of production proceeds from the Assets accruing prior to October 1, 2010, and (iii) any breach of any surviving

representations, warranties, covenants or conditions of the Assignor contained in this Agreement, subject, however, to the limitations set forth in the Agreement. Except as otherwise provided herein, Assignee shall be responsible for and shall indemnify and hold harmless the Assignor, its officers, directors, employees and agents, from all Claims arising out of or resulting from (i) Assignee's ownership or operation of the Assets after the date of this Assignment, including Claims arising under Environmental Laws as defined in the Agreement, and rules of the Colorado Oil and Gas Conservation Commission, and (ii) any breach of any representation, warranty, covenants or conditions of Assignee contained in the Agreement, subject, however, to the limitations set forth in the Agreement.

6. Miscellaneous. Exhibits 1 and 2 attached to this Assignment are incorporated herein and shall be considered a part of this Assignment for all purposes. The provisions of this Assignment shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns. This Assignment is made further subject to the terms and conditions of the

Agreement which are incorporated herewith by reference. If there is a conflict between the terms and conditions of this Assignment and the Agreement, the terms and conditions of this Assignment shall control to the extent of such conflict.

(Signatures appear on following page)

IN WITNESS WHEREOF, the Assignor has executed this Agreement as of the day and year first-above written.

ASSIGNOR:

PETROLEUM EXPLORATION AND MANAGEMENT, LLC.

By: /s/ Ed Holloway

Ed Holloway, Manager

STATE OF COLORADO)
) ss.
WELD COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 1st day of October, 2010, by Ed Holloway, the Manager of Petroleum Exploration and Management, LLC.

My commission expires 11-20-2011

/s/ Rhonda L. Sandquist

Notary Public

EXHIBIT 1
TO

ASSIGNMENT, BILL OF SALE AND CONVEYANCE
(Wells, Equipment and Well Bore Leasehold interests)

Cherokee Joint Venture

9. Bowen 25-10 (NWSE of Section 25, 4N-67W-Weld County, CO)

Equipment: Separator - J&S 250# - Built 1/87 - SN 3009

Wellhead - Lubricator ASM

Controller - EDI/TCS JR SN 13-69831107

Tank - NELCO 300# - Built 1985 - SN 3920-F

Pit - Aguilar 1250 BBL

Osage Joint Venture

10. Wolfson 23-15 (SWSE of Section 23, 4N-67W-Weld County, CO)

Equipment: Separator - NATCO 250# - Built 1983 - SN 25122

Wellhead - Lubricator ASM

Controller - Ferguson Beauragard SN LIQ98A10

Tank - NELCO 400 BBL - SN 3102 - Built 1988

Pit - Erie 1000 gallon

Other - Line heater

11. Wolfson 23-16 (SESE of Section 23, 4N-67W-Weld County, CO)

Equipment: Separator - NATCO 250# - Built 1983 - SN 25523

Wellhead - Lubricator ASM

Controller - EDI/TSC JR - SN B620004

Tank - NELCO 400 BBL - SN 3423-F - Built 1984

Pit - Aguilar 1000 gallon

Pawnee Buttes Joint Venture

12. Wolfson 26-1 (NENE of Section 26, 4N-67W-Weld County, CO)

Equipment: Separator - American 250# SN 19056 - Built 1985

Wellhead - Lubricator ASM

Controller - EDI/TSC JR - SN 23861202

Tank - D&L 300 BBL - SN RM7644 - Built 1984

Pit - Erie 1000 gallon

Apache Joint Venture

13. Wolfson 26-2 (NWNE of Section 26, 4N-67W-Weld County, CO)

Equipment: Separator - No ID plate - 250#

Wellhead - Lubricator ASM

Controller - Ferguson Beauragard SN 004921

Tank - NELCO 300 BBL - SN 205781

Pit - Erie 1000 gallon

Flare Stack - LIBCO - no ID plate

14. Wolfson 26-10 (NWSE of Section 26, 4N-67W-Weld County, CO)

Equipment: Separator - NATCO 250# - Built 1/81 - SN 7-376901-48

Wellhead - Lubricator ASM

Controller - EDI-DCSXT JR - No SN

Tank - NELCO 300# - SN 205681

Pit - Erie 1000 gallon

Gilcrest West Joint Venture

15. Wolfson 26-16 (SESE of Section 26, 4N-67W-Weld County, CO)

Equipment: Separator - Weatherford 250# - Built 3/86 - SN 3714

Wellhead - Lubricator ASM

Controller - Ferguson Beauragard SN 4791

Tank - NELCO 300# - SN 42377

Pit - Erie 1000 gallon

Shawnee Joint Venture

16. Wolfson 26-6 (SENW of Section 26, 4N-67W-Weld County, CO)

Equipment: Separator - National 1000# HLP 13 - SN 37365

Wellhead - Lubricator ASM - No Controller

Tank - Union 400 BBL - Built 3/56 - SN 3477

Pit - Erie 1000 gallon

Other - Line heater

EXHIBIT 2
TO

ASSIGNMENT, BILL OF SALE AND CONVEYANCE
(Wells, Equipment and Well Bore Leasehold interests)

Bowen 25-10

Date: September 5, 1984
Recorded: Book 1044 under Rec. 1981056
Lessor: Ralph L. Bowen & Josephine L. Bowen
Lessee: Mission Oil Corporation
Description: Township 4 North, Range 67 West
Section 25: NW1/4SE1/4 only

Date: September 5, 1984
Recorded: Book 1044 under Rec. 1981055
Lessor: Donald W. Bowen & Beverly A. Bowen
Lessee: Mission Oil Corporation
Description: Township 4 North, Range 67 West
Section 25: NW1/4SE1/4 only

Date: September 5, 1984
Recorded: Book 1044 under Rec. 1981056
Lessor: Betty J. L. Bowen
Lessee: Mission Oil Corporation
Description: Township 4 North, Range 67 West

Section 25: NW1/4SE1/4 only

Wolfson 23-15 and 16

Date: April 7, 1970
Recorded: Book 628 under Rec. No. 1549946
Lessor: Helen Marie Purse
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 23: S1/2SE1/4 except 2 railroad strips

Date: April 7, 1970
Recorded: Book 633 under Rec. No. 1554837
Lessor: Albert Wolfson & Alvin J. Johnson, dba Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 23: S1/2SE1/4 except 2 railroad strips

Date: October 20, 1981
Recorded: Book 954 under Rec. No. 1876285
Lessor: Marjorie H. Williams, P.R. of Est. of M. E. Hagen, deceased
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 23: S1/2SE1/4 except 2 railroad strips

Date: April 1, 19921
Recorded: Book 1299 under Rec. No. 2250760
Lessor: Union Pacific Resources Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 23: UPRR ROW strip in S1/2SE1/4

Date: June 1, 19921
Recorded: Book 1312 under Rec. No. 2264693
Lessor: Amoco Production Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 23: Abandoned UPRR ROW strip in S1/2SE1/4

Wolfson 26-1

Date: April 7, 1970
Recorded: Book 628 under Rec. No. 1549946
Lessor: Helen Marie Purse
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NE1/4NE1/4 only

Date: April 7, 1970
Recorded: Book 633 under Rec. No. 1554837
Lessor: Albert Wolfson & Alvin J. Johnson, dba Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NE1/4NE1/4 only

Date: October 20, 1981
Recorded: Book 954 under Rec. No. 1876285
Lessor: Marjorie H. Williams, P.R. of the Estate of M. E. Hagen, deceased
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NE1/4NE1/4 only

Wolfson 26-2

Date: April 7, 1970
Recorded: Book 628 under Rec. No. 1549946
Lessor: Helen Marie Purse

Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4NE1/4 only

Date: April 7, 1970
Recorded: Book 633 under Rec. No. 1554837
Lessor: Albert Wolfson & Alvin J. Johnson, dba Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4NE1/4 only

Date: October 20, 1981
Recorded: Book 954 under Rec. No. 1876285
Lessor: Marjorie H. Williams, P.R. of Est. of M. E. Hagen, deceased
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4NE1/4 only

Date: February 12, 1991
Recorded: Book 1290 under Rec. No. 2241811
Lessor: Union Pacific Resources Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: UPRR ROW strip in NW1/4NE1/4 only

Date: October 1, 1990
Recorded: Book 1291 under Rec. No. 2242790
Lessor: moco Production Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: Abandoned UPRR ROW strip in NW1/4NE1/4 only

Wolfson 26-6

Date: April 7, 1970
Recorded: Book 628 under Rec. No. 1549946
Lessor: Helen Marie Purse
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4NW1/4 only

Date: April 7, 1970
Recorded: Book 633 under Rec. No. 1554837
Lessor: Albert Wolfson & Alvin J. Johnson, dba Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4NW1/4 only

Date: October 20, 1981
Recorded: Book 954 under Rec. No. 1876285
Lessor: Marjorie H. Williams, P.R. of Est. of M. E. Hagen, deceased
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4NW1/4 only

Date: September 11, 1991
Recorded: Book 1323 under Rec. No. 2275064
Lessor: Union Pacific Resources Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: UPRR ROW strip in SE1/4NW1/4 only

Wolfson 26-10

Date: April 7, 1970
Recorded: Book 628 under Rec. No. 1549946
Lessor: Helen Marie Purse
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: April 7, 1970
Recorded: Book 633 under Rec. No. 1554837
Lessor: Albert Wolfson & Alvin J. Johnson, dba Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: October 26, 1981
Recorded: Book 954 under Rec. No. 1876288
Lessor: Paul M. Andrews
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: November 5, 1981
Recorded: Book 954 under Rec. No. 1876289
Lessor: Harry M. & Dora F. Andrews
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: November 5, 1981
Recorded: Book 954 under Rec. No. 1876290
Lessor: Ethel V. & Herman H. Rediess
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: October 1, 1990
Recorded: Book 1292 under Rec. No. 2243412
Lessor: Amoco Production Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: September 6, 1989
Recorded: Book 1243 under Rec. No. 2191647
Lessor: Weld County, Colorado
Lessee: ddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Wolfson 26-16

Date: April 7, 1970.
Recorded: June 25, 1970 in Book 628 at Reception No. 1549946.
Lessor: Helen Marie Purse, a widow
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4SE1/4

Date: April 7, 1970
Recorded: September 18, 1970 in Book 633 at Reception No. 1554837.
Lessors: Albert Wolfson and Alvin J. Johnson, d/b/a Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4SE1/4

Date: October 26, 1981.
Recorded: December 7, 1981 in Book 954 at Reception No. 1876288.
Lessors: Paul M. Andrews, a single man
Lessee: Aeon Energy Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4SE1/4

Date: March 21, 1991
Recorded: December 7, 1981 in Book 954 at Reception No. 1876289.
Lessors: Harry M. Andrews and Dora F. Andrews, husband and wife

Lessee: Aeon Energy Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4SE1/4

Date: November 5, 1981.
Recorded: December 7, 1981 in Book 954 at Reception No. 1876290.
Lessors: Ethel V. Rediess and Herman H. Rediess, wife and husband
Lessee: Aeon Energy Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4SE1/4

EXHIBIT 10.8

PURCHASE AND SALE AGREEMENT
(Operations and Leaseholds)

THIS PURCHASE AND SALE AGREEMENT ("Agreement") is dated October 1, 2010, and is entered into by and between PETROLEUM MANAGEMENT, LLC ("PM"), a Colorado limited liability company whose address is 20203 Highway 60, Platteville, Colorado 80651 and SYNERGY RESOURCES CORPORATION ("Synergy") a Colorado corporation whose address is 20203 Highway 60, Platteville, Colorado 80651.

RECITALS

A. PM wishes to transfer operations of the wells described in Exhibit 1 attached hereto;

B. PM wishes to transfer its respective 100% working interest and 80% net revenue interest in the oil and gas leases described in Exhibit 2 attached hereto, except and excluding such leases as they pertain to the wells bores of wells listed in Exhibit 1 and Exhibit 3 attached hereto;

C. Synergy has conducted an independent investigation of the nature and extent of these oil and gas leasehold interests and wells and wishes to purchase the interests of PM in these assets.

D. By this instrument, Synergy and PM set forth their agreement concerning the purchase and sale of these oil and gas leasehold interests and wells.

AGREEMENT

In consideration of the mutual promises contained herein, PM and the Synergy agree as follows:

ARTICLE I
PURCHASE AND SALE OF THE ASSETS

1.1 Purchase and Sale. PM hereby agrees to sell and Synergy hereby agrees to purchase the Assets pursuant to the terms of this Agreement.

1.3 The Assets. As used herein, the term "Assets" refers to all of PM's right, title and interest in and to the following:

(a) The leasehold estates created by the oil and gas leases specifically described in the annexed Exhibit 2, insofar as they pertain to the lands described therein with respect to each such Lease (collectively, the "Leases"), and the oil, gas, coalbed gas and all other hydrocarbons (liquid, solid or gaseous) (collectively, the "Hydrocarbons") attributable to the Leases and all contract rights and privileges, surface, reversionary or remainder interests and other interests associated with the Leases, EXCEPTING AND RESERVING the Leases as they apply to Hydrocarbons produced or to be produced from

the well bores of the Wells described in the annexed Exhibit 1 and Exhibit 3. The parties agree that as to the Leases listed in Exhibit 1, PM has agreed to acquire the well bore leasehold interests under a separate Purchase and Sale Agreement of even date, between PM and Synergy. The parties further agree that after closing, Eddy Oil Company, Inc. shall except and reserve, and shall retain all of its right, title and interest in, the leases with respect to and only with respect to the well bores of the existing Rule 318A(e) wells described on Exhibit 3, and all related working interests and rights.

(b) The operating rights to the wells specifically described on Exhibit 1 (collectively, the "Wells").

(c) The pooling and communitization agreements, declarations and orders,

and the units created thereby (including all units formed under orders, regulations, rules or other acts of any federal, state or other governmental agency having jurisdiction), as well as all other such agreements relating to the properties and interests described in Sections 1.2(a) and (b) and to the production of Hydrocarbons, if any, attributable to said Leases and Wells.

(d) All existing and effective sales, purchase, exchange, gathering, transportation and processing contracts, operating agreements, balancing agreements, farmout agreements, service agreements, and other contracts, agreements and instruments, insofar as they relate to the Leases and Wells described in Sections 1.2(a) through (c) above, with the exception of any agreements pertaining to the remediation of the Environmental Defects listed on Exhibit 5 (collectively, the "Contracts"), and which Contracts are shown on Exhibit 4.

(e) The files, records and data relating to the items described in Sections 1.2(a) through (d) maintained by PM and relating to the interests described in Sections 1.2(a) through (d) above (including without limitation, all lease files, land files, well files, accounting records, drilling reports, abstracts and title opinions, seismic data, geophysical data and other geologic information and data), but only to the extent not subject to unaffiliated third party contractual restrictions on disclosure or transfer and only to the extent related to the Assets (the "Records").

1.3 Purchase Price. The purchase price (the "Purchase Price"), for the Assets shall be $187,341.16. The parties agree that all of the purchase price shall conclusively be deemed allocated to the leasehold interests. The Purchase Price may be further adjusted in accordance with the terms of this Agreement, and, if adjusted, will be referred to as the "Adjusted Purchase Price." Payment of the Purchase Price shall be made by bank check payable to PM.

1.4 Effective Time and Date. The purchase and sale of the Assets shall become effective at 7:00 a.m. on October 1, 2010. Revenues and expenses shall be prorated as of the Effective Date; provided, however, that the rights to any amounts withheld from previous production proceeds for the purpose of paying then unpaid ad valorem taxes for 2009 production assessed in 2010 (due in 2011) or for 2010 production assessed in 2010 (due in 2012) will be

assigned to Synergy at Closing. If any purchaser of production has not withheld any amounts from 2009 production proceeds for the purpose of paying ad valorem taxes assessed in 2010 (due in 2011) or for 2010 production assessed in 2011 (due in 2011), then (i) the actual amount necessary to pay the then unpaid 2009 and 2010 ad valorem taxes and (ii) the estimated amount that should have been withheld based upon pre-Effective Date production for 2009 and 2010 ad valorem taxes (at the rate indicated by Weld County, being an approximately 9% rate) will be determined, and both amounts will be credited to Synergy at closing. The assignment of, and credit for, these amounts shall serve as a final settlement for ad valorem taxes. PEM shall pay all severance taxes on production obtained from the Assets prior to the Effective Date and Synergy shall pay all severance taxes on production obtained from the Assets after the Effective Date.

1.5 Transfer of Operations. Synergy will take over as Operator of the Leases and Wells upon Closing. Synergy will reasonably cooperate with PM in its efforts to accomplish the releases of PM's bonds (should there by any) with the COGCC, insofar as they pertain to the Wells.

1.6 First Right of Refusal. PM does, by this Agreement, assign to Synergy its rights pursuant to Section 1.6 of that certain Purchase and Sale Agreement, dated June 19, 2009, between PM and Eddy Oil Company, Inc.

1.7 Option to Participate in Infill and/or Boundary Wells.

(a) The parties recognize that by virtue of COGCC Rule 318A(e), the Leases assigned hereunder shall enable Synergy to drill certain "infill or boundary" wells to units which include the Lease lands and other adjacent lands. Should Synergy or other operator propose to drill any

infill and/or boundary wells, as defined in COGCCon Rule 318A(e) on the Leases to be assigned hereunder, then no later than sixty (60) days prior to spudding Synergy shall provide Eddy Oil Company, Inc. ("EOC") with an AFE for such well and shall offer to assign to EOC a 15% working interest in such well, proportionately reduced to the extent the acerage which is subject to the Lease bears to the acreage assigned to Rule 318A(e) unit on which such well is proposed to be drilled. EOC shall have thirty (30) days in which to agree in writing to take such assignment and agree to pay its pro-rata share of the costs of drilling and compeltion. If EOC agrees to take assignment and pay its pro-rata share of such costs, Synergy shall assign such working interest to EOC prior to spudding the well, and EOC shall pay its pro-rata share of such costs upon invoicing. Synergy will use its best efforts to drill two infill or boundary wells within two years of Closing.

(b) If EOC elects not to participate in the drilling, Synergy will assign a 1% overriding royalty proportionately reduced to the extent which the acreage subject to the lease bears to the acreage assigned to the rule 318 A(e) unit. Overriding royalty will be a wellbore assignment. EOC's right to participate, or in the alternative to receive an overriding royalty, in the wellbore under this paragraph shall not be assignable, except to a parent, subsidiary or affiliate of EOC, or to Eddy and/or Vivian Morgigno individually. The rights of EOC and the obligations of Synergy under this Section 1.8 is supported by and form a part of the consideration for this Agreement.

ARTICLE II
PM'S REPRESENTATIONS AND WARRANTIES

2.1 General Representations. With respect to itself, and/or the Assets which it owns and has agreed to sell under this Agreement, PM, makes the following representations and warranties:

(a) Incorporation/Qualification. PM represents that it is a Colorado limited liability company, duly organized, validly existing and in good standing under the laws of the State of Colorado.

(b) Power and Authority. PM has all requisite power and authority to own its interest in the Assets, to carry on its businesses as presently conducted, to execute and deliver this Agreement, and to perform its obligations under this Agreement.

(c) No Lien, No Violation. The execution and delivery of this Agreement does not, and the fulfillment of and compliance with the terms and conditions hereof will not, as of Closing, (i) create a lien or encumbrance on the Assets or trigger an outstanding security interest in the Assets that will remain in existence after Closing, (ii) violate, or be in conflict with, any material provision of any statute, rule or regulation applicable to PM, or any agreement or instrument to which PM is a party or by which it is bound, or, (iii) to its knowledge, violate, or be in conflict with any statute, rule, regulation, judgment, decree or order applicable to PM.

(d) Authorization and Enforceability. This Agreement is duly and validly authorized and constitutes the legal, valid and binding obligation of PM, enforceable in accordance with its terms, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium and other laws for the protection of creditors, as well as to general principles of equity, regardless whether such enforceability is considered in a proceeding in equity or at law.

(e) Liability for Brokers' Fees. PM has not incurred any liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement for which Synergy shall have any responsibility whatsoever.

(f) No Bankruptcy. There are no bankruptcy proceedings pending, being contemplated by or threatened against PM.

(g) Litigation. There are no actions, suits, ongoing governmental investigations, written governmental inquiries or proceedings pending

against PM, or the Assets in any court or by or before any federal, state, municipal or other governmental agency that would affect any PM's ability to consummate the transaction contemplated hereby, or materially adversely affect the Assets or PM's ownership or operation of the Assets.

2.2 PM's Representations and Warranties with Respect to the Assets. PM makes the following representations and warranties regarding the Assets to be sold and assigned hereunder:

(a) Liens. Except for the Permitted Encumbrances, or as otherwise agreed to in writing by Synergy, the Assets will be conveyed to Synergy free and clear of all liens, restrictions and encumbrances created by, through or under PM. As used in this Agreement, "Permitted Encumbrances" means any of the following matters to the extent the same are valid and subsisting and affect the Assets:

(1) all matters not created by, through or under PM, including without limitation any matters created by, through or under their predecessors in title;

(2) any liens for taxes and assessments not yet delinquent or, if delinquent, that are being contested in good faith in the ordinary course of business and for which PM has agreed to pay pursuant to the terms hereof or which have been prorated pursuant to the terms hereof;

(3) the terms, conditions, restrictions, exceptions, reservations, limitations and other matters contained in the agreements, instruments and documents that create or reserve to PM its interests in the Assets, provided the same do not result in a decrease in the Net Revenue Interest associated with the Wells or Leases;

(4) any obligations or duties to any municipality or public authority with respect to any franchise, grant, license or permit, and all applicable laws, rules, regulations and orders of the United States and the state, county, city and political subdivisions in which the Assets are located and that exercises jurisdiction over such Assets, and any agency, department, board or other instrumentality thereof that exercises jurisdiction over such Assets (collectively, "Governmental Authority");

(5) any (i) easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations, pipelines, grazing, hunting, logging, canals, ditches, reservoirs or the like and (ii) easements for streets, alleys, highways, pipelines, telephone lines, power lines, railways and other similar rights-of-way;

(6) all landowner royalties, overriding royalties, net profits interests, carried interests, production payments, reversionary interests and other burdens on or deductions from the proceeds of production relating to the Assets if the net cumulative effect of such burdens does not operate to reduce the Net Revenue Interest of the PM in any Asset to less than an 80% net revenue interest;

(7) all rights to consent by, required notices to, filings with, or other actions by Governmental Authorities in connection with the sale or conveyance of oil and gas leases or interests therein that are customarily obtained subsequent to such sale or conveyance;

(8) all defects and irregularities affecting the Assets which individually or in the aggregate do not operate to reduce the net revenue interests of PM, increase the proportionate share of costs and expenses of leasehold operations attributable to or to be borne by the working interest of PM, or otherwise interfere materially with the operation, value or use of the Assets.

(b) Leases. To PM's best knowledge, (i) the Leases are in full force and effect and are valid and subsisting documents covering the entire estates that they purport to cover; (ii) PM has not been advised by the lessor of any Lease of a default under a Lease or of any demand to drill an additional well on a Lease; and (iii) all royalties, rentals and other payments due under the Leases have been fully, properly and timely paid, and PM owns, and will transfer to Synergy at Closing, a 100% Working Interest/80% Net Revenue interest in the Leases, with the exception of the Leases as they pertain only to the well bores described on Exhibits 1 and 3. PM will use its commercially reasonable efforts to take all action necessary to keep the Leases in force and effect until the Closing.

(c) Prepayments and Wellhead Imbalances. PM is not obligated, by virtue of a production payment, prepayment arrangement under any contract for the sale of Hydrocarbons and containing a "take or pay," advance payment or similar provision, gas balancing agreement or any other arrangement to deliver Hydrocarbons produced from the Assets at any time after the Effective Time without then or thereafter receiving full payment therefor. None of the Wells have been produced in excess of applicable laws, regulations or rulings.

(d) Taxes. All due and payable production, severance and similar taxes and assessments based on or measured by the ownership of the Assets or the production of Hydrocarbons or the receipt of proceeds from the Assets have been fully paid.

(e) Maintenance of Interests. PM has maintained, and will continue from date of this Agreement until the Closing maintain, the Assets in a reasonable and prudent manner, in full compliance with applicable law and orders of any governmental authority, and will maintain insurance and bonds now in force with respect to the Assets, to pay when due all costs and expenses coming due and payable in connection with the Asset, and to perform all of the covenants and conditions contained in the Leases, Contracts and all related agreements. The parties understand and acknowledge that the Wells are currently shut for lack of a gas sales contract, and such fact shall not be construed to be a breach of this paragraph or this Agreement.

(f) Access. To the same extent PM has such right, at all times prior to the Closing, Synergy and the employees and agents of Synergy shall have access to the Assets at Synergy's sole risk, cost and expense at all reasonable times, and shall have the right to conduct equipment inspections, environmental audits, and any other investigation of the Assets on one day's prior notice to PM and upon agreement with PM as to time and place of such actions.

(g) Environmental Matters. To PM's best knowledge, it is not in material violation of any Environmental Laws applicable to the Assets, or any material limitations, restrictions, conditions, standards, obligations or timetables contained in any Environmental Laws. No notice or action alleging such violation is pending or, to PM's knowledge, threatened against the Assets. For purposes of this Agreement "Environmental Laws" means any federal, state, local, or foreign statute, code, ordinance, rule, regulation, policy, guidelines, permit, consent, approval, license, judgment, order, writ, decree, injunction, or other authorization, including the requirement to register underground storage tanks, relating to (a) emissions, discharges, releases, or threatened releases of Hazardous Materials into the natural environment, including into ambient air, soil, sediments, land surface or subsurface, buildings or facilities, surface water, groundwater, publicly owned treatment works, septic systems, or land, (b) the generation, treatment, storage, disposal, use, handling, manufacturing, transportation, or shipment of Hazardous Materials, or (c) otherwise relating to the pollution of the environment, solid waste handling treatment, or disposal, or operation or reclamation of mines or oil and gas wells.

"Hazardous Material" means (a) any "hazardous substance," as defined by CERCLA, (b) any "hazardous waste," as defined by the Resource Conservation and Recovery Act, as amended, (c) any hazardous,

dangerous, or toxic chemical, material, waste, or substance within the meaning of and regulated by any Environmental Law, (d) any radioactive material, including any naturally occurring radioactive material, and any source, special, or byproduct material as defined in 42 U.S.C. ss.2011 et seq. and any amendments or authorizations thereof, (e) any asbestos-containing materials in any form or condition, or (f) any polychlorinated biphenyls in any form or condition.

(h) Obligation to Close. PM shall take or cause to be taken all actions necessary or advisable to consummate the transactions contemplated by this Agreement and to assure that as of the Closing it will not be under any material, corporate, legal, governmental or contractual restriction that would prohibit or delay the timely consummation of such transactions.

(i) No Third Party Options. There are no existing agreements, options, or commitments with, of or to any person to acquire the Assets.

(j) Production Sale Contracts. To the best of PM's knowledge, and except as shown on Exhibit 4 no Hydrocarbons produced from the Assets are subject to an oil or natural gas sales contract or other agreement

relating to the production, gathering, transportation, processing, treating or marketing of Hydrocarbons and no person has any call upon, option to purchase or similar rights with respect to production from the Assets.

(k) Material Contracts. To the best knowledge of PM, it is not in default under any material Contract related to ownership or operation of the Assets.

(l) Accuracy of Data. To PM's best knowledge, it has provided Synergy with accurate information relating to the Assets including, without limitation, production history and characteristics, operating revenue and prices currently being received for production.

(m) Preferential Purchase Rights and Consents. There are no preferential purchase rights in respect of any of the Assets.

ARTICLE III
SYNERGY'S REPRESENTATIONS AND WARRANTIES

Synergy makes the following representations and warranties:

3.2 Organization and Standing. Synergy is a Colorado corporation duly organized, validly existing and in good standing under the laws of the State of Colorado.

3.2 Power. Synergy has all requisite power and authority to carry on its business as presently conducted and to execute and deliver this Agreement and perform its obligations under this Agreement. The execution and delivery of this Agreement and consummation of the transactions contemplated hereby and the fulfillment of and compliance with the terms and conditions hereof will not violate, or be in conflict with, any material provision of its governing documents or any material provision of any agreement or instrument to which it is a party or by which it is bound, or, to its knowledge, any judgment, decree, order, statute, rule or regulation applicable to it.

3.3 Authorization and Enforceability. The execution, delivery and performance of this Agreement and the transaction contemplated hereby have been duly and validly authorized by all requisite corporate action on behalf of Synergy. This Agreement constitutes Synergy's legal, valid and binding obligation, enforceable in accordance with its terms, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium and similar laws for the protection of creditors, as well as to general principles of equity, regardless whether such enforceability is considered in a proceeding in equity or at law.

3.4 Liability for Brokers' Fees. Synergy has not incurred any liability, contingent or otherwise, for brokers' or finders' fees relating to the

transactions contemplated by this Agreement for which PM shall have any responsibility whatsoever.

3.5 Litigation. There is no action, suit, proceeding, claim or investigation by any person, entity, administrative agency or governmental body pending

against Synergy before any governmental authority that impedes or is likely to impede its ability (i) to consummate the transactions contemplated by this Agreement or (ii) to assume the liabilities to be assumed by it under this Agreement.

3.6 Evaluation. In entering into this Agreement, Synergy acknowledges and affirms that it has relied and will rely solely on the terms of this Agreement and upon its independent analysis, evaluation and investigation of, and judgment with respect to, the business, economic, legal, tax or other consequences of this transaction, including without limitation, its own estimate and appraisal of the extent and value of the Assets, and the petroleum, natural gas and other reserves associated with the Assets.

ARTICLE IV
TITLE MATTERS

4.1 Examination of Files and Records. PM has made available to Synergy its existing Lease, Well and title files, accounting records, production records, easements, Contracts, division orders and other information, to the extent not subject to confidentiality agreements, available in its files relating to the Assets. If Closing does not occur, Synergy shall promptly return all such data and other to PM.

4.2 Title Review. Synergy has reviewed title to the Assets; has agreed to accept title in its current condition; and has decided to proceed with Closing.

ARTICLE V
ENVIRONMENTAL MATTERS

Synergy has had access to and the opportunity to inspect the Assets for all purposes, including without limitation, for the purposes of detecting the presence of hazardous or toxic substances, pollutants or other contaminants, environmental hazards, naturally occurring radioactive materials ("NORM"), produced water, air emissions, contamination of the surface and subsurface and any other Environmental Defects. PM understands that its is responsible for notifying appropriate government agencies of any Environmental Defects, and potentionally for any clean-up or remediation with respect to any Environmental Defects. Nothing contained in this Article V limits the provisions of Section 9.1 of this Agreement.

ARTICLE VI
COVENANTS OF PM PRIOR TO CLOSING

6.1 Affirmative Covenants. Until Closing, PM, shall do the following:

(a) Continue to pay any shut in royalties which may be due and take any and all other actions necessary to keep the Leases in full force and effect;

(b) Maintain insurance now in force with respect to the Assets;

(c) Comply with all other terms of all Leases and Contracts;

(d) Notify Synergy of any claim or demand which might materially adversely affect title to or operation of the Assets; and

(e) Pay costs and expenses attributable to the Assets as they become due.

6.2 Negative Covenants. Until Closing, PM shall not do any of the following with regard to the Assets it has agreed to sell and assign hereunder without first notifying Synergy:

(a) Abandon any Well unless required to by a regulatory agency;

(b) Release all or any portion of a Lease, Contract or easement;

(c) Commence an operation in a Well if the estimated cost of the operation exceeds $7,500 net to PM's interest, except such operations for which Synergy may provide its consent;

(d) Create a lien, security interest or other encumbrance on the Assets;

(e) Remove or dispose of any of the Assets;

(f) Materially amend a Lease, Contract or easement or enter into any new contracts affecting the Assets; or

(g) Waive, comprise or settle any claim that would materially affect ownership, operation or value of any of the Assets exceeding $3,500 net to PM's interest.

ARTICLE VII
CLOSING

7.1 Date of Closing. Closing of the transactions contemplated hereby shall be held at 20203 Highway 60, Platteville, CO, at 4:00 p.m. on October 1, 2010. Absent a timely closing or a written extension signed by both parties, this Agreement shall conclusively terminate. Time is of the essence in respect of the Closing.

7.2 Place of Closing. The Closing shall be held at the offices of Synergy, or at such other time and place mutually agreed by the parties.

7.3 Closing Obligations. At the Closing, the following shall occur:

(a) PM shall execute, acknowledge and deliver the following:

(i) an Assignment in the form attached as Exhibit 6, conveying the Assets to PM;

(ii) letters in lieu of transfer orders addressed to each production purchaser, if any, authorizing PM to receive the proceeds of oil and gas produced from the Wells from and after the Effective Time; and

(iii) such certifications and other documents as may be necessary to transfer operations of the Leases by PM to Synergy.

(b) Synergy shall pay to PM $187,341.16 (or the Adjusted Purchase Price) by bank check payable to PM.

7.4 Simultaneous Closings. An additional condition of the closing of this Agreement is the simultaneous closing of the separate Purchase and Sale Agreement (Wells, Equipment, and Well Bore Leasehead Assignments) of even date between Petroleum Exploration and Management, LLC and Synergy. Such other Purchase and Sale Agreement is and shall remain separate and distinct from this Agreement, but the parties agree that they may be read together for purposes of interpretation and determination of the intent of the parties.

ARTICLE VIII
POST-CLOSING OBLIGATIONS

8.1 Delivery of Records. PM agrees to make the Records available for pick up by Synergy as soon as is reasonably practical, but in any event on or before seven (7) days after Closing. PM may retain copies of the Records and PM shall have the right to review and copy the Records during standard business hours upon reasonable notice for so long as Synergy retains the Records. PM at all times will maintain the confidential nature of the Records in accordance with Article X. Synergy agrees that the Records will be maintained in compliance with all applicable laws governing document retention. Synergy will not destroy or otherwise dispose of Records after Closing, unless Synergy first gives the PM reasonable notice and an opportunity to copy the Records to be destroyed. If and to the extent

certain portions of the Records are subject to unaffiliated third party contractual restrictions on disclosure or transfer, PM agrees to use reasonable efforts to obtain the waiver of such contractual restrictions; provided, however, that they shall not be required to expend any money in connection with obtaining such waivers.

8.2 Proceeds and Invoices For Property Expenses Received After Closing. PM shall be responsible for the payment of all its costs, liabilities and expenses (including severance taxes) incurred in the ownership and operation of the Assets prior to the Effective Time and not yet paid or

satisfied. Synergy shall be responsible for payment (at Closing or thereafter if not reflected on the Closing Settlement Statement) of all costs, liabilities and expenses (including severance taxes) incurred in the ownership and operation of the Assets after the Effective Time. After the Closing, those proceeds attributable to the Assets received by a party, or invoices for expenses attributable to the Assets, shall be settled as follows:

(a) Proceeds. Proceeds received by Synergy with respect to sales of Hydrocarbons produced prior to the Effective Time shall be immediately remitted or forwarded to PM. Proceeds received by PM with respect to sales of Hydrocarbons produced after the Effective Time shall be immediately forwarded to Synergy.

(b) Property Expenses. Invoices received by Synergy that relate to operation of the Assets prior to the Effective Time shall be forwarded to PM by Synergy, or if already paid by Synergy, invoiced by Synergy to PM. Invoices received by PM that relate to operation of the Assets after the Effective Time shall be immediately forwarded to Synergy by PM, or if already paid by PM, invoiced by them to Synergy.

8.3 Plugging Liability. From and after the Closing, Synergy will assume the expenses and costs of plugging and abandoning the Wells and restoration of operation sites, all in accordance with the applicable laws, regulations and contractual provisions. Notwithstanding the above, Synergy will not be responsible for the remediation of the Environmental Defects listed on Exhibit 5 or reporting the Environmental Defects to any state or federal agency.

8.4 Assumption of Contracts. From and after the Effective Time, Synergy assumes, will be bound by, and agrees to perform all express and implied covenants and obligations of PM relating to the Assets, whether arising under (i) the Leases, prior assignments of the Leases, the Contracts, the easements, the permits or any other contractually-binding arrangements to which the Assets (or any component thereof) may be subject and which will be binding on PM and/or the Assets (or any component thereof) after the Closing or (ii) any applicable laws, ordinances, rules and regulations of any governmental or quasi-governmental authority having jurisdiction over the Assets.

8.5 Access. Synergy shall have the right following Closing to make such nonexclusive use of roads and other access improvements as may now or hereafter exist on the Lands as it believes convenient in connection with its operations on the Leases, subject to its compliance with the Leases or other instruments creating the rights-of way or easements and its payment of an appropriate share of maintenance costs based upon its use of such road or access improvements.

8.6 Further Assurances. From time to time after Closing, PM and Synergy shall each execute, acknowledge and deliver to the other such further instruments and take such other action as may be reasonably requested in order to accomplish more effectively the purposes of the transactions contemplated by this Agreement.

ARTICLE IX
INDEMNIFICATION

9.1 By the PM. Except as otherwise provided herein, PM shall be responsible for

and shall indemnify and hold harmless Synergy, its officers, directors, employees and agents, from all claims, losses, costs, liabilities, damages and expenses, including reasonable attorneys' fees and costs, (collectively, "Claims") arising out of or resulting from (i) PM's ownership or operation of the Assets prior to Closing, including Claims arising under Environmental Laws, (ii) PM's disbursement of production proceeds from the Assets accruing prior to the Effective Time, and (iii) any breach of any surviving representations, warranties, covenants or conditions of PM contained in this Agreement, subject, however, to the limitations set forth in Sections 11.9 and 11.10.

9.2 By Synergy. Except as otherwise provided herein, Synergy shall be responsible for and shall indemnify and hold harmless PM, its officers, directors, employees and agents, from all Claims arising out of or resulting from (i) Synergy's ownership or operation of the Assets after Closing, including Claims arising under Environmental Laws, and (ii) any breach of any representation, warranties, covenants or conditions of Synergy contained in this Agreement, subject, however, to the limitations set forth in Section 11.10.

ARTICLE X
CONFIDENTIALITY

If the Closing does not occur, Synergy will use its best efforts to keep all the information furnished by PM to Synergy hereunder or in contemplation hereof strictly confidential including, without limitation, the Purchase Price and other terms of this Agreement, and will not use any of such information to Synergy's advantage or in competition with PM, except to the extent such information (i) was already in the public domain, not as a result of disclosure by Synergy, (ii) was already known to Synergy, (iii) is developed by Synergy independently from the information supplied by PM, or (iv) is furnished to Synergy by a third party independently of Synergy's investigation pursuant to the transaction contemplated by this Agreement.

ARTICLE XI
MISCELLANEOUS

11.1 Exhibits. The exhibits to this Agreement are hereby incorporated into this Agreement by reference and constitute a part of this Agreement.

11.2 Notices. All notices and communications required or permitted under this Agreement shall be in writing and addressed as set forth below. Any communication or delivery hereunder shall be deemed to have been duly made and the receiving party charged with notice (i) if personally delivered, when received, (ii) if sent by facsimile transmission or electronic mail, when received (iii) if mailed, five (5) business days after mailing, certified mail, return receipt requested, or (iv) if sent by overnight courier, one day after sending. All notices shall be addressed as follows:

If to the Synergy: Synergy Resources Corporation
20203 Highway 60
Platteville, Colorado 80651
Telephone: (970) 737-1073

If to PM: Petroleum Management, LLC
20203 Highway 60
Platteville, CO 80651
Telephone: (970) 737-1090

Any party may, by written notice so delivered to the other parties, change the address or individual to which delivery shall thereafter be made.

11.3 Amendments. Except for waivers specifically provided for in this Agreement, this Agreement may not be amended nor any rights hereunder waived except by an instrument in writing signed by the party to be charged with such amendment or waiver and delivered by such party to the party claiming the benefit of such amendment or waiver.

11.4 Assignment. Synergy and PM shall not assign all or any portion of their respective rights or delegate all or any portion of their respective duties hereunder unless they continue to remain liable for the performance of their obligations hereunder. Synergy may not assign the benefits of PM's

indemnity obligations contained in this Agreement, and any permitted assignment shall not include such benefits. No such assignment or obligation shall increase the burden on PM or impose any duty on it to communicate with or report to any transferee, and PM may continue to look to Synergy for all purposes under this Agreement.

11.5 Counterparts; Fax Signatures. This Agreement may be executed by Synergy and PM in any number of counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute but one and the same instrument. Facsimile signatures shall be considered binding.

11.6 Governing Law. This Agreement and the transactions contemplated hereby and any arbitration or dispute resolution conducted pursuant hereto shall be construed in accordance with, and governed by, the laws of the State of Colorado without reference to the conflict of laws principles thereof.

11.7 Entire Agreement. This Agreement, together with the Purchase and Sale Agreement (Wells, Equipment and Well Bore Leasehold Assignments) of even date, constitute the entire understanding among the parties, their respective partners, members, trustees, shareholders, officers, directors and employees with respect to the subject matter hereof, superseding all negotiations, prior discussions and prior agreements and understandings relating to such subject matter.

11.8 Binding Effect. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto, and their respective successors and assigns.

11.9 Survival. The representations and warranties of the parties hereto contained in Article II (except Section 2.2(a), (b) and (g)) and Article III and the indemnification of the parties hereto contained in Article IX, and all claims, causes of action and damages with respect thereto, shall survive the Closing for a period of twenty-four months thereafter, and then expire and terminate. The representations and warranties contained in Section 2.2(a), (b) and (g) shall not survive the Closing, but shall expire and terminate at the Closing.

11.10 Limitation on Damages; Provision for Recovery of Costs and Attorney's Fees. The parties expressly waive any and all rights to consequential, special, incidental, punitive or exemplary damages, or loss of profits resulting from breach of this Agreement. The prevailing party in any litigation seeking a remedy for the breach of this Agreement shall, however, be entitled to recover all attorneys' fees and costs incurred in such litigation.

11.11 No Third-Party Beneficiaries. This Agreement is intended to benefit only the parties hereto and their respective permitted successors and assigns.

11.12 Severability. If at any time subsequent to the date hereof, any provision of this Agreement shall be held by any court of competent jurisdiction to be illegal, void or unenforceable, such provision shall be of no force and effect, but the illegality or unenforceability of such provision shall have no effect upon and shall not impair the enforceability of any other provision of this Agreement.

11.13 Waiver. No consent or waiver, express of implied, to or of any breach or default in the performance of any obligation or covenant hereunder shall constitute a consent or waiver to or of any other breach or default in the performance of the same or any other obligations hereunder.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first-above written.

PETROLEUM MANAGEMENT, LLC	SYNERGY RESOURCES CORPORATION
By: /s/ Ed Holloway	By: /s/ William E. Scaff
Ed Holloway, Manager	William E Scaff Jr., Vice President

EXHIBIT 1
TO

ASSIGNMENT, BILL OF SALE AND CONVEYANCE
(Operations and Leaseholds)

1. Bowen 25-10 (NWSE of Section 25, 4N-67W-Weld County, CO)

2. Wolfson 23-15 (SWSE of Section 23, 4N-67W-Weld County, CO)

3. Wolfson 23-16 (SESE of Section 23, 4N-67W-Weld County, CO)

4. Wolfson 26-1 (NENE of Section 26, 4N-67W-Weld County, CO)

5. Wolfson 26-2 (NWNE of Section 26, 4N-67W-Weld County, CO)

6. Wolfson 26-10 (NWSE of Section 26, 4N-67W-Weld County, CO)

7. Wolfson 26-16 (SESE of Section 26, 4N-67W-Weld County, CO)

8. Wolfson 26-6 (SENW of Section 26, 4N-67W-Weld County, CO)

EXHIBIT 2
TO
ASSIGNMENT, BILL OF SALE AND CONVEYANCE
(Operations and Leaseholds)

Bowen 25-10

Date: September 5, 1984
Recorded: Book 1044 under Rec. 1981056
Lessor: Ralph L. Bowen & Josephine L. Bowen
Lessee: Mission Oil Corporation
Description: Township 4 North, Range 67 West
Section 25: NW1/4SE1/4 only

Date: September 5, 1984
Recorded: Book 1044 under Rec. 1981055
Lessor: Donald W. Bowen & Beverly A. Bowen
Lessee: Mission Oil Corporation
Description: Township 4 North, Range 67 West
Section 25: NW1/4SE1/4 only

Date: September 5, 1984
Recorded: Book 1044 under Rec. 1981056
Lessor: Betty J. L. Bowen
Lessee: Mission Oil Corporation
Description: Township 4 North, Range 67 West
Section 25: NW1/4SE1/4 only

Wolfson 23-15 and 16

Date: April 7, 1970
Recorded: Book 628 under Rec. No. 1549946
Lessor: Helen Marie Purse
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 23: S1/2SE4 except 2 railroad strips

Date: April 7, 1970
Recorded: Book 633 under Rec. No. 1554837
Lessor: Albert Wolfson & Alvin J. Johnson, dba Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 23: S1/2SE4 except 2 railroad strips

Date: October 20, 1981
Recorded: Book 954 under Rec. No. 1876285
Lessor: Marjorie H. Williams, P.R. of Est. of M. E. Hagen, deceased
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 23: S1/2SE1/4 except 2 railroad strips

Date: April 1, 19921
Recorded: Book 1299 under Rec. No. 2250760
Lessor: Union Pacific Resources Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 23: UPRR ROW strip in S1/2SE1/4

Date: June 1, 19921
Recorded: Book 1312 under Rec. No. 2264693
Lessor: Amoco Production Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 23: Abandoned UPRR ROW strip in S1/2SE1/4

Wolfson 26-1

Date: April 7, 1970
Recorded: Book 628 under Rec. No. 1549946
Lessor: Helen Marie Purse
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NE1/4NE1/4 only

Date: April 7, 1970
Recorded: Book 633 under Rec. No. 1554837
Lessor: Albert Wolfson & Alvin J. Johnson, dba Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NE1/4NE1/4 only

Date: October 20, 1981
Recorded: Book 954 under Rec. No. 1876285
Lessor: Marjorie H. Williams, P.R. of the Estate of M. E. Hagen, deceased
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NE1/4NE1/4 only

Wolfson 26-2

Date: April 7, 1970
Recorded: Book 628 under Rec. No. 1549946
Lessor: Helen Marie Purse
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4NE1/4 only

Date: April 7, 1970
Recorded: Book 633 under Rec. No. 1554837
Lessor: Albert Wolfson & Alvin J. Johnson, dba Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4NE1/4 only

Date: October 20, 1981
Recorded: Book 954 under Rec. No. 1876285
Lessor: Marjorie H. Williams, P.R. of Est. of M. E. Hagen, deceased
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4NE1/4 only

Date: February 12, 1991
Recorded: Book 1290 under Rec. No. 2241811
Lessor: Union Pacific Resources Company

Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: UPRR ROW strip in NW1/4NE1/4 only

Date: October 1, 1990
Recorded: Book 1291 under Rec. No. 2242790
Lessor: Amoco Production Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: Abandoned UPRR ROW strip in NW1/4NE1/4 only

Wolfson 26-6

Date: April 7, 1970
Recorded: Book 628 under Rec. No. 1549946
Lessor: Helen Marie Purse
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4NW1/4 only

Date: April 7, 1970
Recorded: Book 633 under Rec. No. 1554837
Lessor: Albert Wolfson & Alvin J. Johnson, dba Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4NW1/4 only

Date: October 20, 1981
Recorded: Book 954 under Rec. No. 1876285
Lessor: Marjorie H. Williams, P.R. of Est. of M. E. Hagen, deceased
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4NW1/4 only

Date: September 11, 1991
Recorded: Book 1323 under Rec. No. 2275064
Lessor: Union Pacific Resources Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: UPRR ROW strip in SE1/4NW1/4 only

Wolfson 26-10

Date: April 7, 1970
Recorded: Book 628 under Rec. No. 1549946
Lessor: Helen Marie Purse
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: April 7, 1970
Recorded: Book 633 under Rec. No. 1554837
Lessor: Albert Wolfson & Alvin J. Johnson, dba Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: October 26, 1981
Recorded: Book 954 under Rec. No. 1876288
Lessor: Paul M. Andrews
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: November 5, 1981
Recorded: Book 954 under Rec. No. 1876289
Lessor: Harry M. & Dora F. Andrews

Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: November 5, 1981
Recorded: Book 954 under Rec. No. 1876290
Lessor: Ethel V. & Herman H. Rediess
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: October 1, 1990
Recorded: Book 1292 under Rec. No. 2243412
Lessor: Amoco Production Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: September 6, 1989
Recorded: Book 1243 under Rec. No. 2191647
Lessor: Weld County, Colorado
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Wolfson 26-16

Date: April 7, 1970
Recorded: June 25, 1970 in Book 628 at Reception No. 1549946.
Lessor: Helen Marie Purse, a widow
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4SE1/4

Date: April 7, 1970
Recorded: September 18, 1970 in Book 633 at Reception No. 1554837.
Lessors: Albert Wolfson and Alvin J. Johnson, d/b/a Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4SE1/4

Date: October 26, 1981.
Recorded: December 7, 1981 in Book 954 at Reception No. 1876288.
Lessors: Paul M. Andrews, a single man
Lessee: Aeon Energy Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4SE1/4

Date: March 21, 1991
Recorded: December 7, 1981 in Book 954 at Reception No. 1876289.
Lessors: Harry M. Andrews and Dora F. Andrews, husband and wife
Lessee: Aeon Energy Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4SE1/4

Date: November 5, 1981.
Recorded: December 7, 1981 in Book 954 at Reception No. 1876290.
Lessors: Ethel V. Rediess and Herman H. Rediess, wife and husband
Lessee: Aeon Energy Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4SE1/4

EXHIBIT 3
TO

ASSIGNMENT, BILL OF SALE AND CONVEYANCE

(Operations and Leaseholds)

The following wells are excluded from transaction. Each is a currently existing Rule 318A or 318A(e) well in which EOC is a WI owner. All locations below are surface locations taken from the COGCC website. All wells are located in Township 4 North, Range 67 West of the 6th P.M., Weld County, Colorado.

Boos 20-25	SWSE	Section 25
Farmer 31-25	NWNW	Section 25
Platte 23-26	NESW	Section 26
Platte 27-35	NWNE	Section 35
Gray 26-19	NWNW	Section 26

EXHIBIT 4
CONTRACTS

DCP gas contract
Suncor Energy crude oil contract

EXHIBIT 5
ENVIRONMENTAL DEFECTS

Any and all Environmental defects prior to the date of closing were the responsibility of Eddy Oil Company under that certain Purchase and Sale Agreement, dated June 19, 2009 between PM and Eddy Oil Company, Inc.

EXHIBIT 6

ASSIGNMENT, BILL OF SALE AND CONVEYANCE

THIS ASSIGNMENT, BILL OF SALE AND CONVEYANCE (the "Assignment") is made this 1st day of October, 2010, by and between PETROLEUM MANAGEMENT, LLC ("Assignor"), a Colorado limited liability company whose address is 20203 Highway 60, Platteville, Colorado 80651, and SYNERGY RESOURCES CORPORATION ("Assignee), a Colorado corporation whose address is 20203 Highway 60, Platteville, Colorado 80651.

W I T N E S S E T H:

WHEREAS, Assignor and Assignee entered into a Purchase And Sale Agreement dated October 1, 2010 (the "Agreement"), pursuant to which Assignor agreed to sell and Assignee agreed to purchase all of the Assignor's interests as defined herein and as described below.

WHEREAS, this Assignment, Bill Of Sale and Conveyance is to evidence the transfer of title necessary to consummate the sale and purchase of such interests in accordance with and pursuant to the Agreement. Terms not otherwise defined herein shall have the meanings ascribed thereto in the Agreement.

NOW, THEREFORE, Assignor, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, has bargained, sold, granted, transferred, assigned and conveyed and does hereby BARGAIN, SELL, GRANT, TRANSFER, ASSIGN and CONVEY unto ASSIGNEE the following:

1. Assignment. Assignor assigns, sells and quitclaims to Assignee all of Assignor's right, title and interest in and to the following:

(a) The leasehold estates created by the oil and gas leases specifically described in the annexed Exhibit 2, insofar as they pertain to the lands described therein with respect to each such Lease (the "Leases"), and the oil, gas, coalbed gas and all other hydrocarbons (liquid, solid or gaseous) (collectively, the "Hydrocarbons") attributable to the Leases and all contract rights and privileges, surface, reversionary or remainder interests and other interests associated with the Leases, EXCEPTING AND RESERVING the Leases as they apply to Hydrocarbons produced or to be produced from the well bores of the Wells described in the annexed Exhibit 1 and Exhibit 3. The parties agree that as to the Leases listed in Exhibit 2, Assignee has agreed to acquire the well bore leasehold interests under a separate Purchase and Sale Agreement of even date, with Petroleum Exploration and Management, LLC. The parties further agree that Eddy Oil Company, Inc. ("EOC") shall retain all of its right, title and interest in the Leases with respect to the well bores of the existing Rule 318A(e) Wells described on Exhibit 3, and all related working interests and rights.

(b) The operating rights to the wells specifically described on Exhibit 1 (collectively, the "Wells").

(c) The pooling and communitization agreements, declarations and orders, and the units created thereby (including all units formed under orders, regulations, rules or other acts of any federal, state or other governmental agency having jurisdiction), as well as all other such agreements relating to the properties and interests described in Sections 1(a) and (b) above, and to the production of Hydrocarbons, if any, attributable to said properties and interests.

(d) All existing and effective sales, purchase, exchange, gathering, transportation and processing contracts, operating agreements, balancing agreements, farmout agreements, service agreements, and other contracts, agreements and instruments, insofar as they relate to the properties and interests described in Sections 1(a) through (c) above (collectively, the "Contracts").

(e) The files, records and data relating to the items described in Sections 1(a) through (d) above maintained by Assignor and relating to the interests described in Sections 1(a) through (d) (including without limitation, all lease files, land files, well files, accounting records, drilling reports, abstracts and title opinions, seismic data, geophysical data and other geologic information and data), but only to the extent not subject to unaffiliated third party contractual restrictions on disclosure or transfer and only to the extent related to the Assets (the "Records").

2. Limited Warranty. Assignor warrants that it is transferring 100% of the leashold/80% net revenue interest, in the Leases described on the annexed Exhibit 2, EXCEPTING AND RESERVING the Leases as they apply to Hydrocarbons produced or to be produced from the well bores of the Wells described in the annexed Exhibit 1 and Exhibit 3, free and clear of all liens, restrictions and encumbrances created by, through or under Assignor. Except as provided in the Agreement, Assignor makes no warranty of title whatsover, express or implied, as to any of the items being assigned or sold pursuant to this instrument. In addition, ASSIGNOR MAKES NO WARRANTY, EXPRESS OR IMPLIED, CONCERNING THE MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OF ANY OF THE EQUIPMENT OR OTHER PERSONAL PROPERTY BEING SOLD PURSUANT TO THIS INSTRUMENT.

3. Effective Date. Assignor shall be entitled to receive all revenues attributable to Assignor's proportionate interest in production from the assets through September 30, 2010 and shall pay its proportionate share of expenses relating to such assets including severance taxes and ad valorem taxes which shall be prorated through the Effective Date (i.e., any amounts now due or shall become due which are associated with production through the effective date shall be paid by Assignors or credited to Assignee). Thereafter, Assignee shall be entitled to such revenue and assume and be responsible for such expenses and taxes.

4. Further Assurances. Assignor agrees to execute and deliver or cause to be executed and delivered, upon the reasonable request of Assignee, such other Assignments, Bills of Sale, Certificates of Title and other matters which are appropriate to transfer the assets to Assignee.

5. Indemnification. Except as otherwise provided in the Agreement, Assignor

shall be responsible for and shall indemnify and hold harmless the Assignee, its officers, directors, employees and agents, from all claims, losses, costs, fines, liabilities, damages and expenses, including reasonable attorneys' fees and costs, (collectively, "Claims") arising out of or resulting from (i) the Assignor's ownership or operation of the Assets prior to the date of this

Assignment, including Claims arising under Environmental Laws, as defined in the Agreement, and (ii) any breach of any surviving representations, warranties, covenants or conditions of the Assignor contained in the Agreement, subject, however, to the limitations set forth in the Agreement. Except as otherwise provided herein, Assignee shall be responsible for and shall indemnify and hold harmless the Assignor, its officers, directors, employees and agents, from all Claims arising out of or resulting from (i) Assignee's ownership or operation of the Assets after the date of this Assignment, including Claims arising under Environmental Laws as defined in the Agreement, and rules of the Colorado Oil and Gas Conservation Commission, and (ii) any breach of any representation, warranties, covenants or conditions of Assignee contained in the Agreement, subject, however, to the limitations set forth in the Agreement.

6. Option to Participate in Infill and/or Boundary Wells.

(a) The parties recognize that by virtue of COGCC Rule 318A(e), the Leases assigned hereunder shall enable Assignee to drill certain "infill or boundary" wells to units which include the Lease lands and other adjacent lands. Should Assignee or other operator propose to drill any infill and/or boundary wells, as defined in COGCCon Rule 318A(e) on the Leases to be assigned hereunder, then no later than sixty (60) days prior to spudding Assignee shall provide EOC with an AFE for such well and shall offer to assign to EOC a 15% working interest in such well, proportionately reduced to the extent the acerage which is subject to the Lease bears to the acreage assigned to Rule 318A(e) unit on which such well is proposed to be drilled. EOC shall have thirty (30) days in which to agree in writing to take such assignment and agree to pay its pro-rata share of the costs of drilling and compeltion. If EOC agrees to take assignment and pay its pro-rata share of such costs, Assignee shall assign such working interest to EOC prior to spudding the well, and EOC shall pay its pro-rata share of such costs upon invoicing. Assignee will use its best efforts to drill two infill or boundary wells within two years of Closing.

(b) If EOC elects not to participate in the drilling, Assignee will assign to EOC a 1% overriding royalty proportionately reduced to the extent which the acreage subject to the lease bears to the acreage assigned to the rule 318 A(e) unit. Overriding royalty will be a wellbore assignment. EOC's right to participate, or in the alternative to receive an overriding royalty, in the wellbore under this paragraph shall not be assignable, except to a parent, subsidiary or affiliate of Assingor, or to Eddy and/or Vivian Morgigno individually.

7. Miscellaneous. Exhibits 1 and 2 attached to this Assignment are incorporated herein and shall be considered a part of this Assignment for all purposes. The provisions of this Assignment shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns. This Assignment is made further subject to the terms and conditions of the Agreement which are incorporated herewith by reference. If there is a conflict between the terms and conditions of this Assignment and the Agreement, the terms and conditions of this Assignment shall control to the extent of such conflict.

IN WITNESS WHEREOF, the Assignor has executed this Agreement as of the day and year first-above written.

ASSIGNOR:

PETROLEUM MANAGEMENT, LLC

By: /s/ Ed Holloway

Ed Holloway, Manager

STATE OF COLORADO)
) ss.
COUNTY OF WELD)

The foregoing instrument was acknowledged before me this 1st day of October, 2010, by Ed Holloway, Manager of Petroleum Management, LLC, on behalf of that limited liability company.

My commission expires 11-20-2011

/s/ Rhonda L. Sandquist

Notary Public

EXHIBIT 1
TO

ASSIGNMENT, BILL OF SALE AND CONVEYANCE
(Operations and Leaseholds)

1. Bowen 25-10 (NWSE of Section 25, 4N-67W-Weld County, CO)

2. Wolfson 23-15 (SWSE of Section 23, 4N-67W-Weld County, CO)

3. Wolfson 23-16 (SESE of Section 23, 4N-67W-Weld County, CO)

4. Wolfson 26-1 (NENE of Section 26, 4N-67W-Weld County, CO)

5. Wolfson 26-2 (NWNE of Section 26, 4N-67W-Weld County, CO)

6. Wolfson 26-10 (NWSE of Section 26, 4N-67W-Weld County, CO)

7. Wolfson 26-16 (SESE of Section 26, 4N-67W-Weld County, CO)

8. Wolfson 26-6 (SENW of Section 26, 4N-67W-Weld County, CO)

EXHIBIT 2
TO
ASSIGNMENT, BILL OF SALE AND CONVEYANCE
(Operations and Leaseholds)

Bowen 25-10

Date: September 5, 1984
Recorded: Book 1044 under Rec. 1981056
Lessor: Ralph L. Bowen & Josephine L. Bowen
Lessee: Mission Oil Corporation
Description: Township 4 North, Range 67 West
Section 25: NW1/4SE1/4 only

Date: September 5, 1984
Recorded: Book 1044 under Rec. 1981055
Lessor: Donald W. Bowen & Beverly A. Bowen
Lessee: Mission Oil Corporation
Description: Township 4 North, Range 67 West
Section 25: NW1/4SE1/4 only

Date: September 5, 1984
Recorded: Book 1044 under Rec. 1981056
Lessor: Betty J. L. Bowen
Lessee: Mission Oil Corporation
Description: Township 4 North, Range 67 West
Section 25: NW1/4SE1/4 only

Wolfson 23-15 and 16

Date: April 7, 1970
Recorded: Book 628 under Rec. No. 1549946
Lessor: Helen Marie Purse
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 23: S1/2SE1/4 except 2 railroad strips

Date: April 7, 1970
Recorded: Book 633 under Rec. No. 1554837
Lessor: Albert Wolfson & Alvin J. Johnson, dba Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 23: S1/2SE1/4 except 2 railroad strips

Date: October 20, 1981
Recorded: Book 954 under Rec. No. 1876285
Lessor: Marjorie H. Williams, P.R. of Est. of M. E. Hagen, deceased
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 23: S1/2SE1/4 except 2 railroad strips

Date: April 1, 19921
Recorded: Book 1299 under Rec. No. 2250760
Lessor: Union Pacific Resources Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 23: UPRR ROW strip in S1/2SE1/4

Date: June 1, 19921
Recorded: Book 1312 under Rec. No. 2264693
Lessor: Amoco Production Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 23: Abandoned UPRR ROW strip in S1/2SE1/4

Wolfson 26-1

Date: April 7, 1970
Recorded: Book 628 under Rec. No. 1549946
Lessor: Helen Marie Purse
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NE1/4NE1/4 only

Date: April 7, 1970
Recorded: Book 633 under Rec. No. 1554837
Lessor: Albert Wolfson & Alvin J. Johnson, dba Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NE1/4NE1/4 only

Date: October 20, 1981
Recorded: Book 954 under Rec. No. 1876285
Lessor: Marjorie H. Williams, P.R. of the Estate of M. E. Hagen, deceased
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NE1/4NE1/4 only

Wolfson 26-2

Date: April 7, 1970
Recorded: Book 628 under Rec. No. 1549946
Lessor: Helen Marie Purse
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4NE1/4 only

Date: April 7, 1970

Recorded: Book 633 under Rec. No. 1554837
Lessor: Albert Wolfson & Alvin J. Johnson, dba Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4NE1/4 only

Date: October 20, 1981
Recorded: Book 954 under Rec. No. 1876285
Lessor: Marjorie H. Williams, P.R. of Est. of M. E. Hagen, deceased
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4NE1/4 only

Date: February 12, 1991
Recorded: Book 1290 under Rec. No. 2241811
Lessor: Union Pacific Resources Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: UPRR ROW strip in NW1/4NE1/4 only

Date: October 1, 1990
Recorded: Book 1291 under Rec. No. 2242790
Lessor: Amoco Production Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: Abandoned UPRR ROW strip in NW1/4NE1/4 only

Wolfson 26-6

Date: April 7, 1970
Recorded: Book 628 under Rec. No. 1549946
Lessor: Helen Marie Purse
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4NW1/4 only

Date: April 7, 1970
Recorded: Book 633 under Rec. No. 1554837
Lessor: Albert Wolfson & Alvin J. Johnson, dba Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4NW1/4 only

Date: October 20, 1981
Recorded: Book 954 under Rec. No. 1876285
Lessor: Marjorie H. Williams, P.R. of Est. of M. E. Hagen, deceased
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4NW1/4 only

Date: September 11, 1991
Recorded: Book 1323 under Rec. No. 2275064
Lessor: Union Pacific Resources Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: UPRR ROW strip in SE1/4NW1/4 only

Wolfson 26-10

Date: April 7, 1970
Recorded: Book 628 under Rec. No. 1549946
Lessor: Helen Marie Purse
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: April 7, 1970
Recorded: Book 633 under Rec. No. 1554837

Lessor: Albert Wolfson & Alvin J. Johnson, dba Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: October 26, 1981
Recorded: Book 954 under Rec. No. 1876288
Lessor: Paul M. Andrews
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: November 5, 1981
Recorded: Book 954 under Rec. No. 1876289
Lessor: Harry M. & Dora F. Andrews
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: November 5, 1981
Recorded: Book 954 under Rec. No. 1876290
Lessor: Ethel V. & Herman H. Rediess
Lessee: Aeon Energy Co.
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: October 1, 1990
Recorded: Book 1292 under Rec. No. 2243412
Lessor: Amoco Production Company
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Date: September 6, 1989
Recorded: Book 1243 under Rec. No. 2191647
Lessor: Weld County, Colorado
Lessee: Eddy Oil Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: NW1/4SE1/4 only

Wolfson 26-16

Date: April 7, 1970
Recorded: June 25, 1970 in Book 628 at Reception No. 1549946.
Lessor: Helen Marie Purse, a widow
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4SE1/4

Date: April 7, 1970
Recorded: September 18, 1970 in Book 633 at Reception No. 1554837.
Lessors: Albert Wolfson and Alvin J. Johnson, d/b/a Scottsdale Ranch
Lessee: T.S. Pace
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4SE1/4

Date: October 26, 1981.
Recorded: December 7, 1981 in Book 954 at Reception No. 1876288.
Lessors: Paul M. Andrews, a single man
Lessee: Aeon Energy Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4SE1/4

Date: March 21, 1991
Recorded: December 7, 1981 in Book 954 at Reception No. 1876289.
Lessors: Harry M. Andrews and Dora F. Andrews, husband and wife
Lessee: Aeon Energy Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4SE1/4

Date: November 5, 1981.
Recorded: December 7, 1981 in Book 954 at Reception No. 1876290.
Lessors: Ethel V. Rediess and Herman H. Rediess, wife and husband
Lessee: Aeon Energy Company
Description: Township 4 North, Range 67 West, 6th P.M.
Section 26: SE1/4SE1/4

EXHIBIT 3
TO

ASSIGNMENT, BILL OF SALE AND CONVEYANCE
(Operations and Leaseholds)

The following wells are excluded from this transaction. Each is a currently existing Rule 318A or 318A(e) well in which EOC is a WI owner. All locations below are surface locations taken from the COGCC website. All wells are located in Township 4 North, Range 67 West of the 6th P.M., Weld County, Colorado.

Boos 20-25	SWSE	Section 25
Farmer 31-25	NWNW	Section 25
Platte 23-26	NESW	Section 26
Platte 27-35	NWNE	Section 35
Gray 26-19	NWNW	Section 26

EXHIBIT 10.9

Chesapeake Energy

January 11, 2011

Mr. Edward Holloway
Synergy Resources Corporation
20203 Highway 60
Platteville, CO. 80651

Re: Assignment of Oil and Gas Leases
Weld and Morgan Counties, Colorado and Laramie County, Wyoming

Dear Mr. Holloway:

This letter ("Agreement") shall memorialize the agreement between Synergy Resources Corporation (hereinafter referred to as ("Synergy"), as Assignor, and Chesapeake Exploration, L.L.C. ("Chesapeake"), as Assignee. Subject to the terms and conditions ,contained herein, Synergy agrees to sell and Chesapeake agrees to buy all of Synergy' right, title and interest in and to those certain oil and gas leases covering lands n Weld and Morgan Counties, Colorado and Laramie County, Wyoming, more particularly described on Exhibit "A" attached hereto and made a part hereof (hereinafter collectively referred to as the "Leases"), which Leases cover approximately 2,570.17543 net mineral acres of land, more or less, such lands more particularly described in the Leases (hereinafter referred to as the "Subject Lands").

This letter agreement shall evidence the mutual agreement between Synergy and Chesapeake whereby Synergy shall sell, assign and convey to Chesapeake the Leases, subject to the terms, provisions and conditions hereinafter contained:

1. Subject to a review of Synergy's title and Chesapeake's satisfaction that Synergy owns Marketable Title, as defined below, in and to the Leases, Chesapeake agrees to purchase all of Synergy's right, title and interest in and to the Leases. Upon Closing, Chesapeake shall pay Synergy $5,654,438.59 (hereinafter referred to as the "Purchase Price" and which sum is calculated by multiplying $2,200.00 times the net mineral acres covered by the interest in the Leases to be sold), such Purchase Price to be adjusted for title defects for all acres delivered with Marketable Title.

2. Chesapeake agrees, contemporaneous with the execution of this agreement, to wire transfer to Synergy the total sum of $565,438.59 as earnest money (hereinafter referred to as the ("Earnest Money") to be applied to the Purchase Price. The Earnest Money shall be refundable in the event that Synergy violates the terms of this Agreement or in

the event Chesapeake or Synergy fails to close this transaction. If, at Closing the Earnest Money exceeds the Purchase Price, the difference shall be refunded to Chesapeake. The wire transfer shall be made as follows:

Wells Fargo Bank N.A.
5801 W. 11th. Street, Suite 202
Greeley, CO 80634
ABA 121000248
Credit Account: 1226619979
Credit Account Name: Synergy Resources Corporation
20202 Highway 60
Platteville, CO 89651
EIN: 20-2835920

3. Synergy represents to Chesapeake the following:

(a) The Assignment covers all of Synergy's interest in and to the Leases (which Synergy warrants, by through or under Synergy, but not otherwise, to be a 100% interest of the net acres as identified on Exhibit A).

(b) There are no third party consents or approvals necessary to be obtained prior to Synergy executing this Agreement. Except for necessary consents or approvals contained in the Leases, there are no third party consents or approvals necessary to be obtained prior to Synergy's closing of the transaction contemplated herein.

(c) The Leases are not subject to any claims, liens, investigations, or litigation concerning Synergy's title thereto or concerning any environmental matter known or should have known with a reasonable investigation by Synergy.

(d) There are no contracts, conveyances, assignments, agreements or encumbrances pertaining to the Leases known or should have known with a reasonable investigation by Synergy that would materially and adversely affect full rights of ownership or operation of the leasehold estate to be assigned by Synergy.

(e) It is the intent of Synergy to convey to Chesapeake all of Synergy's right, title, and interest in and to the Leases as to all depths covered thereby.

4. Upon execution of this Agreement the following shall occur:

(a) Chesapeake will begin a due diligence and title review of the Leases and the Subject Lands covered by the Leases.

(b) Synergy shall make available and give complete access to Chesapeake all records relating to the Leases and the Subject Lands covered thereby in its possession or control including but not limited to proof of payment and ownership of the Leases, contracts, agreements, mineral files, well files, lease and title runsheets and data, regulatory work, and title opinions. All of such information will be deemed confidential and subject to item (d) below.

(c) Only for so long as this Agreement remains in effect, Synergy shall not contract to sell and/or assign to any third party or otherwise burden the Leases and/or lands covered by the Leases or any interest other than those existing of record as of the date of this Agreement.

(d) Both parties shall maintain the confidentiality of the existence of this Agreement, the terms of the transaction contemplated hereby and shall disclose it only to those employees, representatives and attorneys who need to know such information in order to directly assist in consummating the transaction.

5. "Marketable Title" shall constitute title to the Leases and mineral estate underlying the Leases which is free of any existing defect, lawsuit, claim, demand, mortgage, lien, or encumbrance that would result in Chesapeake receiving less than the net revenue interest as depicted in Exhibit A, and the full and complete enjoyment of the leasehold.

The Leases will be delivered subject the royalties provided for in the leases, together with any other royalty and overriding royalty interests burdening the Leases as of the date of this Agreement. It is Chesapeake's intent to acquire all or such portions of the Leases to which Synergy owns Marketable Title. However until Closing, Chesapeake shall have the right to decline to purchase any Leases which Chesapeake determines in its good faith opinion are subject to a title defect or defects rendering title less than Marketable. In the event Chesapeake discovers a title defect or defects, it shall give written notice thereof to Synergy stating the particulars of such defect and at Chesapeake's option, the affected lands shall no longer be subject to this Agreement ("Excluded leases"). Thereafter, the parties shall endeavor to reach mutual agreement as to how to cure the title defect(s) to Chesapeake's reasonable satisfaction and if Synergy cures such to Chesapeake's reasonable satisfaction prior to Closing, such Excluded Leases shall then be part of this Agreement and assigned at Closing. If such Excluded eases is not

cured by Closing, an agreement shall be reached to cure the Excluded Leases and such Excluded Leases will be the subject of a separate purchase agreement at the purchase price provided for herein. In the event that more than twenty percent (20%) of net mineral acres recited in this Agreement is determined by Chesapeake to not have Marketable Title, either party hereto shall have the right to terminate this Agreement without liability or obligation to the other party. Notwithstanding the foregoing, if less than twenty percent (20%) is determined to not have Marketable Title both parties shall be obligated to close on the balance of the Leases determined to have Marketable title. Any matter that would otherwise constitute a title defect for which Chesapeake has failed to deliver notice prior to closing of the transaction contemplated herein will be deemed irrevocably waived (other than failure to obtain consent to assign any Leases).

6. Assignment of the Leases will be made on the form of assignment attached hereto as Exhibit "B" ("Assignment").

7. From and after the effective date of this Agreement, Synergy will seek to secure any consents and/or waivers from lessors under the Leases as may be necessary to deliver the Assignment. In the event all of such consents and/or waivers have not been obtained as of Closing (as defined below), Chesapeake will tender that portion of the Purchase Price attributable to the net mineral acres for which such consents or waivers are pending to a mutually acceptable escrow agent under an escrow agreement promulgated by such agent. Likewise, Synergy will tender the Assignment of the affected Lease or Leases to such escrow agent. The escrow agent will be instructed to hold the applicable funds and Assignment until receipt of joint written instructions from both Synergy and Chesapeake authorizing the release of same. In the event the necessary consent and/or waivers have not been obtained within sixty (60) days of closing, Chesapeake may terminate the escrow agreement and this Agreement as to the affected lands. In the event of such termination, the escrow agent will return the escrowed Assignment to Chesapeake, and will deliver the escrowed funds to Chesapeake, and neither party will have any further obligation to the other with respect to such funds or the lease(s) covered by the escrowed Assignment.

8. Closing ("Closing") shall occur at the earlier of March 31, 2011 or within five business days after receipt by Chesapeake of written confirmation from Chesapeake that its title due diligence is complete and all representations of Synergy are true and correct as of the date of Closing. At Closing, the following shall occur simultaneously:

   (a) Synergy shall deliver the Leases (excluding any Excluded Leases) to Chesapeake along with a fully executed and notarized Assignment of the Leases.

   (b) Chesapeake shall pay to Synergy by wire transfer in immediately available funds the Purchase Price covered by the assigned Leases adjusted for any Excluded Leases and less the Earnest Money.

   (c) Chesapeake shall file the Assignment in the real property records of Weld and Morgan County, Colorado and Laramie County, Wyoming.

9. Chesapeake and Synergy agree that a signed fax copy of this Agreement shall be binding.

10. This Agreement constitutes the entire agreement between the parties and supersedes any prior agreements or negotiations regarding the subject matter herein, whether oral or written.

11. Chesapeake is not responsible nor shall incur any third party broker or other fees associated with this transaction which may be incurred by Synergy.

12. This Agreement may not be amended except by an instrument in writing signed by the parties hereto.

13. All terms and provisions of this instrument and attached assignment shall inure to the benefit of and shall be binding on the successors,

heirs, executors, administrators, representatives and assigns of each of the parties to this Agreement.

If the foregoing accurately reflects our agreement, please so indicate by executing this Agreement in the space provided below and return a fully executed copy by fax to the undersigned with the original to follow at your earliest convenience.

Very truly yours,

/s/ Steve McMillen
Steve McMillen

Attachment

By /s/ Henry J. Hood

Henry J. Hood, Senior Vice President -
Land & Legal and General Counsel
Chesapeake Operating, Inc., General Partner

Agreed to and effective this 13th day of January, 2011.

Synergy Resources Corporation:

By /s/ Edward Holloway

Edward Holloway, CEO & President

EXHIBIT "A"

Attached to and made a part of that certain Assignment of Oil and Gas Leases from Synergy Resources Corporation, as Assignor, to Chesapeake Exploration, L.L.C., as Assignee, dated the 10th day of January, 2011, covering lands located described below.

Lessor	Lessee	Lease Date	County. State	Entry	Description	Gross Acres	Net Acres	Term	Annual Rental	NRI	Purchase Info
State of Colorado State Board of Land Commissioners	Synergy Resources Corp	11/20/08	Weld, CO	9819.8	All of Section 36-8N-65W	640.00	640.00	5 Yr	960	87.50%	
State of Colorado State Board of Land Commissioners	Synergy Resources Corp	11/20/08	Weld,C0	9820.8	W/2 of Section 36-8N-67W	320.00	320.00	5 Yr	480	87.50%	
US Dept of Interior, Bureau of Land Management	Synergy Resources Corp	02/12/09	Morgan, CO	C0073441	SE/4 NW/4 (40.0 nma) of Section 1-4N-60W; SW/4 NW/4 (40.0 nma)of Section 2-4N-60W & SE/4 NE/4 (40.0 nma) of Section 3-4N-60W	120.00	120.00	10 Yr	180	87.50%	
US Dept of Interior, Bureau of Land Management	Synergy Resources Corp	02/12/09	Weld, CO	COC73442	N/2 SE/4 of Section 4-6N-62W	80.00	80.00	10 Yr	120	87.50%	
US Dept of Interior, Bureau of Land Management	Synergy Resources Corp	02/12/09	Weld, CO	COC73444	SE/4 of Section 2-7N-67W	160.00	160.00	10 Yr	240	87.50%	
US Dept of Interior, Bureau of Land Management	Synergy Resources Corp	02/12/09	Weld, CO	C0073443	NW/4 NE/4 & N/2 NW/4 of Section 28-7N-63W	120.00	120.00	10 Yr	180	87.50%	
Longs Peak Dairy, LLC	Synergy Resources Corp	02/16/10	Weld, CO	3677222	NE/4; N/2 SE/4; N/2 SW/4; SE/4 SW/4; NW/4 of Section 18-8N-65W	520.00	378.00	3 Yr	n/a	82.00%	2 year option @ $50/acre, 81% NRI
Longs Peak Dairy, LLC	Synergy Resources Corp	02/16/10	Weld, CO	3677223	NE/4 of Section 20-8N-65W	160.00	40.00	3 Yr	n/a	82.00%	2 year option @ $50/acre, 81% NRI

Nancy Morris	Synergy Resources Corp	02/10/10	Weld, CO	3679379	W/2 & SE/4 of Section 34-9N-65W	478.00	119.50	3 Yr	n/a	83.33%	2 year option @ $100/acre
Marlene D. Harding	Synergy Resources Corp	02/25/10	Weld, CO	3679380	W/2 & SE/4 of Section 34-9N-65W	478.00	119.50	3 Yr	n/a	83.33%	2 year option @ $100/acre
Susan Marie Wheeler Trust dated February 25, 2010	Synergy Resources Corp	03/29/10	Weld, CO	3689440	NW/4 NW/4; S/2 NE/4; SE/4 NW/4; N/2 SE/4 of Section 28-8N-67W	240.00	80.00	3 Yr	n/a	83.00%	2 year option @ $300/acre
Sally C. Hays	Synergy Resources Corp	03/29/10	Weld, CO	689441	NW/4 NW/4; S/2 NE/4; SE/4 NW/4; N/2 SE/4 of Section 28-8N-67W	240.00	80.00			83.00%	2 year option @ $300/acre
DSK Ranch,, LLC	Synergy Resources Corp	06/25/10	Laramie, WY	Bk 2172 Pg	N/2 NW/4 of Section 26-14N-64W	55.48	55.48	3 Yr	n/a	82.00%	2 year option @ $175/acre
Jeanne W. Ragsdale	Synergy Resources Corp	07/23/10	Weld, CO	3712608	All that part of SW/4 lying South of Larimer and Weld Irrigation Co Ditch of Section 2-7N-65W	77.00	24.06	3 Yr	n/a	82.00%	2 year option @ $250/acre
Janet K. Slater	Synergy Resources Corp	07/23/10	Weld, CO	3712607	All that part of SW/4 lying South of Larimer and Weld Irrigation Co Ditch of Section 2-7N-65W	77.00	24.06	3 Yr	n/a	85.00%	2 year option @ $250/acre
Richard A. Whitney	Synergy Resources Corp	10/11/10	Weld, CO		All that part of SW/4 lying South of Larimer and Weld Irrigation Co Ditch of Section 2-7N-65W	77.00	4.81	3 Yr	n/a	85.00%	2 year option @ $250/acre
Linda J. McGarr	Synergy Resources Corp	08/04/10	Weld, CO	3712610	All that part of SW/4 lying South of Larimer and Weld Irrigation Co Ditch of Section 2-7N-65W	77.00	4.81	3 Yr	n/a	85.00%	2 year option @ $250/acre
Charles Rollin Powell	Synergy Resources Corp	07/29/10	Weld, CO	3712611	N/2 of Section 26-10N-59W	320.00	8.89	3 Yr	n/a	85.00%	2 year option @ $100/acre
Charles Rollin Powell	Synergy Resources Corp	07/29/10	Weld, CO	3712609	W/2 E/2 of Section 8-7N-63W	160.00	8.89	3 Yr	n/a	85.00%	2 year option @ $100/acre
Charles Rollin Powell	Synergy Resources Corp	07/29/10	Weld, CO	3712612	W/2 of Section 18-9N-67W	320.00	4.44	3 Yr	n/a	85.00%	2 year option @ $100/acre
Cherie Jeanne Spence	Synergy Resources Corp	12/28/10	Weld, CO		W/2 of Section 18-9N-67W	320.00	4.44	3 Yr	n/a	85.00%	2 year option @ $100/acre
Charla Jeanne Spence	Synergy Resources Corp	12/28/10	Weld, CO		N/2 of Section 26-10N-59W	320.00	8.89	3 Yr	n/a	85.00%	2 year option @ $100/acre
Cherie Jeanne Spence	Synergy Resources Corp	12/28/10	Weld, CO		W/2 E/2 of Section 8-7N-63W	160.00	8.89	3 Yr	n/a	85.00%	2 year option @ $100/acre
Charles J. Wheeler	Synergy Resources Corp	12/20/10	Weld, CO		W/2 E/2 of Section 8-7N-63W	160.00	8.89	3 Yr	n/a	85.00%	2 year option @ $100/acre
Charles J. Wheeler	Synergy Resources Corp	12/20/10	Weld, CO		N/2 of Section 26-10N-59W	320.00	8.89	3 Yr	n/a	85.00%	2 year option @ $100/acre
Charles J. Wheeler	Synergy Resources Corp	12/20/10	Weld, CO		W/2 of Section 18-9N-67W	320.00	4.44	3 Yr	n/a	85.00%	2 year option @ $100/acre
John W. Wheeler	Synergy Resources Corp	12/20/10	Weld, CO		W/2 of Section 18-9N-67W	320.00	4.44	3 Yr	n/a	85.00%	2 year option @ $100/acre
John W. Wheeler	Synergy Resources Corp	12/20/10	Weld, CO		W/2 of Section 8-7N-63W	160.00	8.89	3 Yr	n/a	85.00%	2 year option @ $100/acre
John W. Wheeler	Synergy	12/20/10	Weld, CO		N/2 of Section	320.00	8.89	3 Yr	n/a	85.00%	2 year

	Resources Corp			26-10N-59W						option @ $100/acre
Great Northern Properties, LLC	Synergy Resources Corp	08/18/10	Weld, CO	N/2 of Section 26-10N-59W	320.00	13.32	3 Yr	n/a	85.00%	2 year option @ $100/acre
Great Northern Properties, LLC	Synergy Resources Corp	08/18/10	Weld, CO	W/2 of Section 18-9N-67W	320.00	26.64	3 Yr	n/a	85.00%	2 year option @ $100/acre
Great Northern Properties, LLC	Synergy Resources Corp	08/18/10	Weld, CO	W/2 E/2 of Section 8-7N-63W	160.00	26.64	3 Yr	n/a	85.00%	2 year option @ $100/acre
Sharon Lynn Campbell	Synergy Resources Corp	01/07/10	Weld, CO	W/2 E/2 of Section 8-7N-63W	160.00	8.89	3 Yr	n/a	85.00%	2 year option @ $100/acre
Sharon Lynn Campbell	Synergy Resources Corp	01/07/10	Weld, CO	W/2 of Section 18-9N-67W	320.00	4.44	3 Yr	n/a	85.00%	2 year option @ $100/acre
Sharon Lynn Campbell	Synergy Resources Corp	01/07/10	Weld, CO	N/2 of Section 26-10N-59W	320.00	8.89	3 Yr	n/a	85.00%	2 year option @ $100/acre
Marylin Zelle	Synergy Resources Corp		Weld, CO	W/2 E/2 of Section 8-7N-63W	160.00	8.89	3 Yr	n/a	85.00%	2 year option @ $100/acre
Marylin Zelle	Synergy Resources Corp		Weld, CO	W/2 of Section 18-9N-67W	320.00	4.44	3 Yr	n/a	85.00%	2 year option @ $100/acre
Marylin Zelle	Synergy Resources Corp		Weld, CO	N/2 of Section 26-10N-59W	320.00	8.89	3 Yr	n/a	85.00%	2 year option @ $100/acre
				Total:	9,519.48	2,570.16				

It is Assignors intent to convey to Assignee all of Assignor's right, title and interest in and to the above described lands, regardless of the omission of any particular lease or leases, error in description, incorrect or misspelled names or incorrect recording references.

END OF EXHIBIT "A"

EXHIBIT 10.10

LEASE

THIS LEASE is effective as of July 1, 2010 between HS Land & Cattle, LLC (the "Lessor") and Synergy Resources Corporation (the "Lessee").

In consideration of the payment of the rent and the performance of the covenants and agreements by the Lessee set forth below, the Lessor does hereby lease to the Lessee the following described property:

20203 Highway 60, Platteville, CO

TO HAVE AND TO HOLD the same with all the appurtenances unto the said Lessee from twelve o'clock noon on the 1st day of July, 2010, and until twelve o'clock noon on the 1st day of July, 2011, at and for a rental for the full term of $120,000, payable $10,000 each month on the 1st day of each calendar month during the term of this lease at the office of the Lessor.

The Lessee agrees:

1. To pay the rent for the premises above-described.
2. To allow the Lessor to enter upon the premises at any reasonable hour.
3. To pay its prorata share of taxes and utilities, as determined by Lessor, with respect to the building located on said premises.
4. Not to sub-lease said premises without consent of Lessor.

The Lessor agrees:

5. To keep all sidewalks on and around the premises free and clear of ice and snow, and to keep the entire exterior premises free form all litter, dirt, debris and obstructions; to keep the premises in a clean and sanitary condition as required by the ordinances of the city and county in which the property is situate
6. To keep the improvements upon the premises, including sewer connections, plumbing, wiring and glass in good repair, all at Lessor's expense.

IT IS EXPRESSLY UNDERSTOOD AND AGREED BETWEEN LESSOR AND LESSEE AS FOLLOWS:

7. No assent, express or implied, to any breach of any one or more of the agreements hereof shall be deemed or taken to be a waiver of any succeeding or other breach. Any payment by Lessee, or acceptance by Lessor, of a lesser amount than due shall be treated only as a payment on account.
8. If, after the expiration of this lease, the Lessee shall remain in possession of the premises and continue to pay rent without a written agreement as to such possession, then such tenancy shall be regarded as a month-to-month tenancy, at a monthly rental, payable in advance, equivalent to the last month's rent paid under this lease, and subject to all the terms and conditions of this lease.

THIS LEASE supersedes all prior agreements between the parties relating to the subject matter of this lease and shall be binding on the parties, their personal representatives, successors and assigns.

HS LAND & CATTLE, LLC	SYNERGY RESOURCES CORPORATION
By /s/ William E. Scaff	By /s/ Ed Holloway
William E. Scaff, Jr., Manager	Ed Holloway, Chief Executive Officer

EXHIBIT 31

CERTIFICATIONS

I, Ed Holloway, certify that:

1. I have reviewed this annual report on Form 10-K/A of Synergy Resources Corporation;

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 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 cause 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 the 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 significant role in the registrant's internal control over financial reporting.

June 2, 2011

/s/ Ed Holloway

Ed Holloway,
Principal Executive Officer

CERTIFICATIONS

I, Frank L. Jennings, certify that:

1. I have reviewed this annual report on Form 10-K/A of Synergy Resources Corporation;

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 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 cause 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 the 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 significant role in the registrant's internal control over financial reporting.

June 2, 2011

/s/ Frank L. Jennings

Frank L. Jennings,
Principal Financial Officer

EXHIBIT 32

In connection with the Annual Report of Synergy Resources Corporation (the "Company") on Form 10-K/A for the period ending August 31, 2010 as filed with the Securities and Exchange Commission (the "Report"), Ed Holloway, the Company's Principal Executive and Frank L. Jennings, the Company's Principal Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of the Company.

June 2, 2011 By: /s/ Ed Holloway

Ed Holloway, Principal Executive Officer

June 2, 2011 By: /s/ Frank L. Jennings

Frank L. Jennings, Principal Financial Officer

EXHIBIT 99

FAX (303) 623-4258

621 SEVENTEENTH STREET SUITE 1550 DENVER, COLORADO 80293 TELEPHONE (303)623-9147

October 22, 2010

Synergy Resources Corporation
20203 Highway 60
Platteville, Colorado 80651

Gentlemen:

At your request, Ryder Scott Company, L.P. (Ryder Scott) has prepared an estimate of the proved reserves, future production, and income attributable to certain leasehold and royalty interests of Synergy Resources Corporation (Synergy) as of August 31, 2010. The subject properties are located in the state of Colorado. The reserves and income data were estimated based on the definitions and disclosure guidelines of the United States Securities and Exchange Commission (SEC) contained in Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, Final Rule released January 14, 2009 in the Federal Register (SEC regulations). Our third party study, completed on October 22, 2010 and presented herein, was prepared for public disclosure by Synergy in filings made with the SEC in accordance with the disclosure requirements set forth in the SEC regulations. The properties evaluated by Ryder Scott represent 100 percent of the total net proved liquid hydrocarbon reserves and 100 percent of the total net proved gas reserves of Synergy.

The estimated reserves and future net income amounts presented in this report, as of August 31, 2010, are related to hydrocarbon prices. The hydrocarbon prices used in the preparation of this report are based on the average prices during the 12-month period prior to the ending date of the period covered in this report, determined as unweighted arithmetic averages of the prices in effect on the first-day-of-the-month for each month within such period, unless prices were defined by contractual arrangements, as required by the SEC regulations. Actual future prices may vary significantly from the prices required by SEC regulations; therefore, volumes of reserves actually recovered and the amounts of income actually received may differ significantly from the estimated quantities presented in this report. The results of this study are summarized below.

SEC PARAMETERS
Estimated Net Reserves and Income Data
Certain Leasehold and Royalty Interests of
Synergy Resources Corporation
As of August 31, 2010

	Proved			
	Developed			Total
	Producing	Non-Producing	Undeveloped	Proved
Net Remaining Reserves				
Oil/Condensate - Barrels	125,159	270,294	281,232	676,685
Gas - MCF	887,290	1,461,737	2,132,024	4,481,051
Income Data				
Future Gross Revenue	$12,323,383	$24,126,662	$28,220,857	$64,670,902
Deductions	2,955,552	8,942,579	20,319,150	32,217,281
Future Net Income (FNI)	$9,367,831	$15,184,083	$7,901,707	$32,453,621

Discounted FNI @ 10%	$6,120,468	$8,704,767	$1,732,491	$16,557,726

Liquid hydrocarbons are expressed in standard 42 gallon barrels. All gas volumes are reported on an "as sold" basis expressed in thousands of cubic feet (MCF) at the official temperature and pressure bases of the areas in which the gas reserves are located.

The estimates of reserves, future production and income attributable to properties in this report were prepared using the economic software package PHDWin Petroleum Economic evaluation Software, a copyrighted program of TRC Consultants, L.C. Ryder Scott has found this program to be generally acceptable, but notes that certain summaries and calculations may vary due to rounding and may not exactly match the sum of the properties being summarized. Furthermore, one line economic summaries may vary slightly from the more detailed cash flow projections of the same properties, also due to rounding. The rounding differences are not material.

The future gross revenue is after the deduction of production taxes. The deductions incorporate the normal direct costs of operating the wells, ad valorem taxes, recompletion costs and development costs. The future net income is before the deduction of state and federal income taxes and general administrative overhead, and has not been adjusted for outstanding loans that may exist nor does it include any adjustment for cash on hand or undistributed income. Liquid hydrocarbon reserves account for approximately 69 percent and gas reserves account for the remaining 31 percent of total future gross revenue from proved reserves.

The discounted future net income shown above was calculated using a discount rate of 10 percent per annum compounded annually. Future net income was discounted at four other discount rates which were also compounded annually. These results are shown in summary form as follows.

	Discounted Future Net Income As of August 31, 2010
Discount Rate Percent	Total Proved $
5	$22,548,419
8	$18,635,524
12	$14,798,470
15	$12,619,788

The results shown above are presented for your information and should not be construed as our estimate of fair market value.

Reserves Included in This Report

The proved reserves included herein conform to the definition as set forth in the Securities and Exchange Commission's Regulations Part 210.4-10 (a). An abridged version of the SEC reserves definitions from 210.4-10(a) entitled "Petroleum Reserves Definitions" is included as an attachment to this report.

The various reserve status categories are defined under the attachment entitled "Petroleum Reserves Definitions" in this report. The developed non-producing reserves included herein consist of the Shut-In and Behind Pipe categories.

No attempt was made to quantify or otherwise account for any accumulated gas production imbalances that may exist. The gas volumes included herein do not attribute gas consumed in operations as reserves.

Reserves are those estimated remaining quantities of petroleum that are anticipated to be economically producible, as of a given date, from known accumulations under defined conditions. All reserve estimates involve an assessment of the uncertainty relating the likelihood that the actual remaining quantities recovered will be greater or less than the estimated quantities determined as of the date the estimate is made. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal

classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves, and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability. At Synergy's request, this report addresses only the proved reserves attributable to the properties evaluated herein.

Proved oil and gas reserves are those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward. The proved reserves included herein were estimated using deterministic methods. If deterministic methods are used, the SEC has defined reasonable certainty for proved reserves as a "high degree of confidence that the quantities will be recovered."

Proved reserve estimates will generally be revised only as additional geologic or engineering data become available or as economic conditions change. For proved reserves, the SEC states that "as changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data are made to the estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more likely to increase or remain constant than to decrease." Moreover, estimates of proved reserves may be revised as a result of future operations, effects of regulation by governmental agencies or geopolitical or economic risks. Therefore, the proved reserves included in this report are estimates only and should not be construed as being exact quantities, and if recovered, the revenues therefrom, and the actual costs related thereto, could be more or less than the estimated amounts.

Synergy's operations may be subject to various levels of governmental controls and regulations. These controls and regulations may include, but may not be limited to, matters relating to land tenure and leasing, the legal rights to produce hydrocarbons including the granting, extension or termination of production sharing contracts, the fiscal terms of various production sharing contracts, drilling and production practices, environmental protection, marketing and pricing policies, royalties, various taxes and levies including income tax and are subject to change from time to time. Such changes in governmental regulations and policies may cause volumes of proved reserves actually recovered and amounts of proved income actually received to differ significantly from the estimated quantities.

The estimates of proved reserves presented herein were based upon a detailed study of the properties in which Synergy owns an interest; however, we have not made any field examination of the properties. No consideration was given in this report to potential environmental liabilities that may exist nor were any costs included for potential liabilities to restore and clean up damages, if any, caused by past operating practices.

Estimates of Reserves

The estimation of reserves involves two distinct determinations. The first determination results in the estimation of the quantities of recoverable oil and gas and the second determination results in the estimation of the uncertainty associated with those estimated quantities in accordance with the definitions set forth by the Securities and Exchange Commission's Regulations Part 210.4-10(a). The process of estimating the quantities of recoverable oil and gas reserves relies on the use of certain generally accepted analytical procedures. These analytical procedures fall into three broad categories or methods: (1) performance-based methods; (2) volumetric-based methods; and (3) analogy. These methods may be used singularly or in combination by the reserve evaluator in the process of estimating the quantities of reserves. Reserve evaluators must select the method or combination of methods which in their professional judgment is most appropriate given the nature and amount of reliable geoscience and engineering data available at the time of the estimate, the established or anticipated performance characteristics of the reservoir being evaluated and the stage of development or producing maturity of the property.

In many cases, the analysis of the available geoscience and engineering data and the subsequent interpretation of this data may indicate a range of possible outcomes in an estimate, irrespective of the method selected by the evaluator. When a range in the quantity of reserves is identified, the evaluator must determine the uncertainty associated with the incremental quantities of the reserves. If the reserve quantities are estimated using the deterministic incremental approach, the uncertainty for each discrete incremental quantity of the reserves is addressed by the reserve category assigned by the evaluator. Therefore, it is the categorization of reserve quantities as proved, probable

and/or possible that addresses the inherent uncertainty in the estimated quantities reported. For proved reserves, uncertainty is defined by the SEC as reasonable certainty wherein the "quantities actually recovered are much more likely than not to be achieved." The SEC states that "probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered." The SEC states that "possible reserves are those additional reserves that are less certain to be recovered than probable reserves and the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves." All quantities of reserves within the same reserve category must meet the SEC definitions as noted above.

Estimates of reserves quantities and their associated reserve categories may be revised in the future as additional geoscience or engineering data become available. Furthermore, estimates of reserves quantities and their associated reserve categories may also be revised due to other factors such as changes in economic conditions, results of future operations, effects of regulation by governmental agencies or geopolitical or economic risks as previously noted herein.

The proved reserves for the properties included herein were estimated by performance methods or by analogy. One hundred percent of the proved producing reserves attributable to producing wells and/or reservoirs were estimated by performance methods. These performance methods include decline curve analysis which utilized extrapolations of historical production and pressure data available through August, 2010 in those cases where such data were considered to be definitive. The data utilized in this analysis were supplied to Ryder Scott by Synergy or obtained from public data sources and were considered sufficient for the purpose thereof.

One hundred percent of the proved non-producing and undeveloped reserves included herein were estimated by the analogy method. The analogy method utilized pertinent well data supplied to Ryder Scott by Synergy or which we have obtained from public data sources that were available through August, 2010.

To estimate economically recoverable proved oil and gas reserves and related future net cash flows, we consider many factors and assumptions including, but not limited to, the use of reservoir parameters derived from geological, geophysical and engineering data that cannot be measured directly,

economic criteria based on current costs and SEC pricing requirements, and forecasts of future production rates. Under the SEC regulations 210.4-10(a)(22)(v) and (26), proved reserves must be anticipated to be economically producible from a given date forward based on existing economic conditions including the prices and costs at which economic producibility from a reservoir is to be determined. While it may reasonably be anticipated that the future prices received for the sale of production and the operating costs and other costs relating to such production may increase or decrease from those under existing economic conditions, such changes were, in accordance with rules adopted by the SEC, omitted from consideration in making this evaluation.

Synergy has informed us that they have furnished us all of the material accounts, records, geological and engineering data, and reports and other data required for this investigation. In preparing our forecast of future proved production and income, we have relied upon data furnished by Synergy with respect to property interests owned, production and well tests from examined wells, normal direct costs of operating the wells or leases, other costs such as transportation and/or processing fees, ad valorem and production taxes, recompletion and development costs, product prices based on the SEC regulations and adjustments or differentials to product prices. Ryder Scott reviewed such factual data for its reasonableness; however, we have not conducted an independent verification of the data furnished by Synergy. We consider the factual data used in this report appropriate and sufficient for the purpose of preparing the estimates of reserves and future net revenues herein.

In summary, we consider the assumptions, data, methods and analytical procedures used in this report appropriate for the purpose hereof, and we have used all such methods and procedures that we consider necessary and appropriate to prepare the estimates of reserves herein. The proved reserves included herein were determined in conformance with the United States Securities and Exchange Commission (SEC) Modernization of Oil and Gas Reporting; Final Rule, including all references to Regulation S-X and Regulation S-K, referred to herein collectively as the "SEC Regulations." In our opinion, the proved reserves

presented in this report comply with the definitions, guidelines and disclosure requirements as required by the SEC regulations.

Future Production Rates

For wells currently on production, our forecasts of future production rates are based on historical performance data. If no production decline trend has been established, future production rates were held constant, or adjusted for the effects of curtailment where appropriate, until a decline in ability to produce was anticipated. An estimated rate of decline was then applied to depletion of the reserves. If a decline trend has been established, this trend was used as the basis for estimating future production rates.

Offset analogies and other related information were used to estimate the anticipated initial production rates for those wells or locations that are not currently producing. For reserves not yet on production, sales were estimated to commence at an anticipated date furnished by Synergy. Wells or locations that are not currently producing may start producing earlier or later than anticipated in our estimates due to unforeseen factors causing a change in the timing to initiate production. Such factors may include delays due to weather, the availability of rigs, the sequence of drilling, completing and/or recompleting wells and/or constraints set by regulatory bodies.

The future production rates from wells currently on production or wells or locations that are not currently producing may be more or less than estimated because of changes including, but not limited to, reservoir performance, operating conditions related to surface facilities, compression and artificial lift, pipeline capacity and/or operating conditions, producing market demand and/or allowables or other constraints set by regulatory bodies.

Hydrocarbon Prices

The hydrocarbon prices used herein are based on SEC price parameters using the average prices during the 12-month period prior to the ending date of the period covered in this report, determined as the unweighted arithmetic averages

of the prices in effect on the first-day-of-the-month for each month within such period, unless prices were defined by contractual arrangements. For hydrocarbon products sold under contract, the contract prices, including fixed and determinable escalations, exclusive of inflation adjustments, were used until expiration of the contract. Upon contract expiration, the prices were adjusted to the 12-month unweighted arithmetic average as previously described.

Ryder Scott determined the 1st day of the month unweighted arithmetic average price. Synergy furnished us with their monthly data to determine their "average realized prices' in effect on August 31, 2010. These initial SEC hydrocarbon prices were determined using the 12-month average first-day-of-the-month benchmark prices appropriate to the geographic area where the hydrocarbons are sold. These benchmark prices are prior to the adjustments for differentials as described herein. The table below summarizes the "price reference", the "average benchmark prices" and the "average realized prices" used for the geographic area included in the report.

The product prices that were actually used to determine the future gross revenue for each property reflect adjustments to the benchmark prices for gravity, quality, local conditions, and/or distance from market, referred to herein as "differentials." The actual product prices used to determine the differentials used in the preparation of this report were furnished to us by Synergy.

In addition, the table below summarizes the net volume weighted benchmark prices adjusted for differentials and referred to herein as the "average realized prices." The average realized prices shown in the table below were determined from the total future gross revenue before production taxes and the total net reserves for the geographic area and presented in accordance with SEC disclosure requirements for each of the geographic areas included in the report.

Geographic Area	Product	Price Reference	Average Benchmark Prices	Average Realized Prices
North America				
United States	Oil/Condensate	WTI Cushing	$76.85/Bbl	$69.53/Bbl
	Gas	Henry Hub	$4.30/MMBTU	$4.95/MCF

The effects of derivative instruments designated as price hedges of oil and gas quantities are not reflected in our individual property evaluations.

Costs

Operating costs for the leases and wells in this report are based on the operating expense reports of Synergy and include only those costs directly applicable to the leases or wells. The operating costs include a portion of general and administrative costs allocated directly to the leases and wells. The operating costs for non-operated properties include the COPAS overhead costs that are allocated directly to the leases and wells under terms of operating agreements. The operating costs furnished by Synergy were reviewed by us for their reasonableness using information supplied by Synergy for this purpose. No deduction was made for loan repayments, interest expenses, or exploration and development prepayments that were not charged directly to the leases or wells.

Development costs were furnished to us by Synergy and are based on authorizations for expenditure for the proposed work or actual costs for similar projects. The development costs furnished by Synergy were reviewed by us for their reasonableness using information supplied by Synergy for this purpose. Synergy's estimates of zero abandonment costs after salvage value for onshore properties were used in this report. Ryder Scott has not performed a detailed study of the abandonment costs or the salvage value and makes no warranty for Synergy's estimate.

The proved non-producing and undeveloped reserves in this report have been incorporated herein in accordance with Synergy's plans to develop these reserves as of August 31, 2010. The implementation of Synergy's development plans as presented to us and incorporated herein is subject to the approval process adopted by Synergy's management. As the result of our inquires during the course of preparing this report, Synergy has informed us that the development activities included herein have been subjected to and received the internal approvals required by Synergy's management at the appropriate local, regional and/or corporate level. In addition to the internal approvals as noted, certain development activities may still be subject to specific partner AFE processes, Joint Operating Agreement (JOA) requirements or other administrative approvals external to Synergy.

Current costs used by Synergy were held constant throughout the life of the properties.

Standards of Independence and Professional Qualification

Ryder Scott is an independent petroleum engineering consulting firm that has been providing petroleum consulting services throughout the world for over seventy years. Ryder Scott is employee- owned and maintains offices in Houston, Texas; Denver, Colorado; and Calgary, Alberta, Canada. We have over eighty engineers and geoscientists on our permanent staff. By virtue of the size of our firm and the large number of clients for which we provide services, no single client or job represents a material portion of our annual revenue. We do not serve as officers or directors of any publicly traded oil and gas company and are separate and independent from the operating and investment decision-making process of our clients. This allows us to bring the highest level of independence and objectivity to each engagement for our services.

Ryder Scott actively participates in industry related professional societies and organizes an annual public forum focused on the subject of reserves evaluations and SEC regulations. Many of our staff have authored or co-authored technical papers on the subject of reserves related topics. We encourage our staff to maintain and enhance their professional skills by actively participating in ongoing continuing education.

Prior to becoming an officer of the Company, Ryder Scott requires that staff engineers and geoscientists have received professional accreditation in the form of a registered or certified professional engineer's license or a registered or certified professional geoscientist's license, or the equivalent thereof, from an appropriate governmental authority or a recognized self-regulating professional organization.

We are independent petroleum engineers with respect to Synergy. Neither we nor any of our employees have any interest in the subject properties and neither the employment to do this work nor the compensation is contingent on our

estimates of reserves for the properties which were reviewed.

The results of this study, presented herein, are based on technical analysis conducted by teams of geoscientists and engineers from Ryder Scott. The professional qualifications of the undersigned, the technical person primarily responsible for preparing the reserves information discussed in this report, are included as an attachment to this letter.

Terms of Usage

The results of our third party study, presented in report form herein, were prepared in accordance with the disclosure requirements set forth in the SEC regulations and intended for public disclosure as an exhibit in filings made with the SEC by Synergy.

We have provided Synergy with a digital version of the original signed copy of this report letter. In the event there are any differences between the digital version included in filings made by Synergy and the original signed report letter, the original signed report letter shall control and supersede the digital version.

The data and work papers used in the preparation of this report are available for examination by authorized parties in our offices. Please contact us if we can be of further service.

Very truly yours,

RYDER SCOTT COMPANY, L.P.
TBPE Firm Registration No. F-1580

\s\ Thomas E. Venglar

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Senior Petroleum Engineer

Approved:

\s\ James L. Baird
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Senior Vice President