

005

**OIL AND GAS LEASE
(PAID-UP)**

This Agreement is made and entered into the 5th day of January, 2011, by and between Ronald R. Klein and Joyce L. Klein, a married couple, whose address is 22015 County Road 17, Johnstown, Colorado 80534, hereinafter called Lessor (whether one or more); and Synergy Resources Corporation, a Colorado corporation, 20203 Highway 60, Platteville, Colorado 80651, hereinafter called Lessee.

WITNESSETH, That the Lessor, for and in consideration of Ten and more (\$10.00+) Dollars cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind, with rights of way and easements for laying pipe lines, and erection of structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Weld, State of Colorado, described as follows, to-wit:

Township 4 North, Range 67 West, of the 6th P.M.

Section 8: SE/4

and containing 150 acres, more or less.

1. It is agreed that this lease shall remain in force for a term of two (2) years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling or reworking operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled herewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or reworking operations within ninety (90) days from the date of cessation of production or from date of completion of dry hole. If oil and gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith.

2. **This is a PAID-UP LEASE.** In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein; to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land as to any strata or stratum by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

3. The Lessee shall deliver to the credit of the Lessor as royalty, free of cost, in the pipeline to which Lessee may connect its wells the twenty percent (20%) part of all oil produced and saved from the leased premises, or Lessee may from time to time at its option purchase any royalty oil in its possession, paying the market price thereof prevailing for oil of like grade and gravity in the field where produced on the date of purchase. To pay the Lessor, as royalty, twenty percent (20%) of the market value for gas of whatsoever nature or kind, liquid hydrocarbons, and their respective constituent elements, casing head gas or other gaseous substances, produced from the leased premises. The term "market value" shall be deemed to mean the net value realized at the wellhead for gas after deducting any gas used on the leased premises and any actual off-lease transportation costs, with said transportation cost to be allocated between Lessor and Lessee as follows: twenty percent (20%) to be allocated to the Lessor and eighty percent (80%) to be allocated to the Lessee. The Lessee shall incur any and all costs to compress, dehydrate, gather, process, condition or to otherwise bring gas into a marketable condition.

4. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners One Dollar per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of ninety (90) days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.

5. If said Lessor owns a less interest in the above-described land than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operation thereon, except water from the wells of Lessors or other sources utilized by Lessor, subject to applicable rules, regulations and laws of the State of Colorado.

7. Lessee shall bury all pipelines a minimum of forty-eight inches (48") below depth.

8. No well shall be drilled nearer than 200 feet to the house or barn or other structures and improvements now or hereafter placed on said premises without the written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land and for damages caused by Lessee's operations to any and all improvements located now or hereafter placed on the premises or damages to the land surface.

10. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

11. The rights of Lessor and Lessee hereunder may be assigned in whole or in part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payment thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or further division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner, provided however that by virtue of any such assignment, any such assigned leasehold owner shall be and become liable for any act or omission occurring during said leasehold period.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Lessee shall be required in the event a declaration of such unitization or reformation is executed and recorded to provide a recorded copy of same to Lessor within thirty (30) days of recording of said document. Production, drilling or reworking operations or a well shut in for want of a market anywhere on a unit which includes all or part of this lease shall be treated as if it were

production, drilling or reworking operations or a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, please see Exhibit "A" attached hereto.

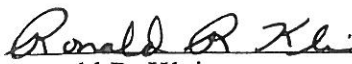
13. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damage, for failure to comply therewith, if compliance is prevented by, or if such failures is the result of, any such Law, Order, Rule or Regulation.


14. Lessor agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above-described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors, and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein. Lessor agrees to execute such further assurances as may be requisite for the full and complete enjoyment of the rights herein granted.

15. The word "Lessor," as used in this lease, shall mean any one or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors, and assigns of Lessor and Lessee.

16. Anything to the contrary herein notwithstanding, if Lessor owns a greater interest in the lands described than is purported to be leased hereby or hereafter acquires any additional interest or title in the lands described, then this lease shall cover such greater or additional after-acquired interest or title, and Lessor agrees to give Lessee written notice of any such acquisition as reasonably soon thereafter as the same is made, in which event the royalties payable to the Lessor shall be increased proportionately.

IN WITNESS WHEREOF, this instrument is executed as of the date first above written.


Ronald R. Klein

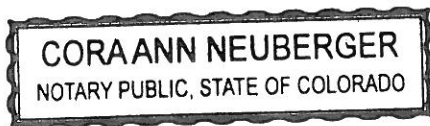

Joyce L. Klein

STATE OF COLORADO)
) SS.
COUNTY OF WELD)

The foregoing instrument was acknowledged before me this 5th day of January, 2011, by Ronald R. Klein and Joyce L. Klein, a married couple to me known to be the identical person(s) described herein, and who executed the forgoing instrument of writing and acknowledgment to me that they duly executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

WITNESS My hand and official seal.

My commission expires: 4-28-2014



My Comm. Expires April 28, 2014

Cora Ann Neuberger
Notary Public

Exhibit "A"

Attached hereto and made part of that certain Oil and Gas Lease dated January 5, 2011, by and between Ronald R. Klein and Joyce L. Klein, Lessor(s) and Synergy Resources Corporation, a Colorado corporation, lessee, covering those certain premises situated in Weld County, Colorado, to wit:

Township 4 North, Range 67 West, of the 6th P.M.
Section 8: SE/4
Containing 150 acres, more or less

To the extent the Oil and Gas Lease identified above contains any provision which are inconsistent with the provisions of the Exhibit "A," such provisions are to the extent hereby revoked and superseded by the following provisions, and anything herein to the contrary,

NOTWITHSTANDING:

1. If at any time, either before or after the expiration of the primary term of this Oil and Gas Lease, there is a well capable of producing oil and/or gas on the lands covered by the lease, or on other lands with which lands covered by this Lease are pooled or unitized, but the well is shut-in pursuant to Paragraph 12 of the Oil and Gas Lease, the Lease shall terminate after three (3) consecutive years from the date the well was shut-in unless, prior to that date, oil or gas from the well is sold or used or the Lease is otherwise maintained as provided herein. If a shut-in payment is missed by Lessee, Lessor shall give the written notice to Lessee and Lessee shall then have thirty (30) days to make such payment to Lessor and if said payment is not made within thirty (30) days, then the lease shall terminate.
2. It is recognized by Lessee that the herein above-described property is now located within the municipal boundaries of the Town of Johnstown, Colorado and may be subject to various ordinances of the Town of Johnstown, Colorado, including special permission and requirements required by the Town of Johnstown, Colorado.
3. That no surface use or occupancy of the above-described property shall occur or take place prior to a mutually satisfactory surface use/damage agreement between Lessor and Lessee has been executed by the parties.
4. Lessee agrees to drill a minimum of eight (8) bottom hole well locations at locations as shall be mutually agreed upon by the Lessor and Lessee with the proposed surface location for the drilling of said eight (8) wells to be in the southwest corner of the above-described property outside and beyond the center sprinkler pivot operation on the premises.

5. Lessee shall "consolidate" the tank battery facilities location directly adjacent to the well heads, as close as permitted pursuant to the rules and regulations of the Colorado Oil and Gas Conservation Commission (COGCC).

6. Drilling activity on the premises shall be restricted to a time frame between November 1st to February 1st of the following year, unless written consent and approval is provided by Lessor, provided, however, that access will be considered from Lessor during the growing/farming season with written approval to be obtained from Lessor, pending ability to drill and complete wells with limited interference to irrigation and harvesting operations. Lessee shall re-claim the location for spring planting prior to March 1st of any respective year. Drilling operations shall be commenced prior to January of any given year with completion and/or fracing of said wells occurring no later than thirty (30) days after the rig is moved off the location of the premises.

7. That drilling operations shall be limited to not more than two and-a-half (2 ½) acres, with no pits to be constructed on the premises as part of the drilling operations.

8. Lessee agrees to consult with Lessor as to the placement of the well sites, access roads and tank batteries prior to the commencement of drilling operations. It is further agreed that the compensation for surface damages related to drilling operations will be agreed upon prior to the commencement of drilling operations.

9. Lessee shall indemnify and hold Lessor harmless from and against any and all loss, damage, liability, claims, demands, causes of action and expenses (collectively, "Losses"), including reasonable and verifiable attorney's fees and expenses, for personal injury or damage asserted by any person or entity and resulting directly from the construction, maintenance, operation, repair, inspection of the leased acreage, by Lessee, to the extent such losses were not caused by the negligent or intentional actions of the Lessor, their agents, invitees, licensees, tenants, or employees.

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10. Lessee shall make all reasonable efforts to make use of the minimum amount of Lessor's property in conducting its operations thereon. Lessee shall make all reasonable efforts to locate all of its facilities constructed or installed under this Lease in such a manner as to minimize damages as much as reasonably practicable. As used herein, the terms "facilities" includes, but not to the exclusion of others, all wells, roads, pipelines, power lines, tanks and other structures. Lessee will do everything possible to stay safe and reasonable distance away from ditches and irrigation facilities.

SIGNED FOR IDENTIFICATION:

Ronald R. Klein
Ronald R. Klein

Joyce L. Klein
Joyce L. Klein