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

	March 31, 2012	December 31, 2011
ASSETS		
Current Assets		
Cash	$ 124,218	$ 11,372
Accounts receivable	193,665	91,022
Prepaid expenses and retainers	67,098	46,301
Total Current Assets	384,981	148,695
Properties and Equipment		
Oil and natural gas properties subject to amortization	6,723,180	6,597,433
Office equipment	181,015	11,133
Total Properties and Equipment	6,904,195	6,608,566
Accumulated depreciation, depletion and amortization	(170,504)	(89,376)
Net Properties and Equipment	6,733,691	6,519,190
Refundable lease deposit	75,000	75,000
Total Assets	$ 7,193,672	$ 6,742,885
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable	$ 513,422	$ 100,321
Accrued compensation	-	100,000
Derivative put option	224,048	276,736
Total Current Liabilities	737,470	477,057
Noncurrent Liabilities		
Revolving line of credit	9,244,428	9,244,428
Note payable to Ring Energy, Inc.	1,378,122	853,122
Asset retirement obligations	279,550	274,788
Total Noncurrent Liabilities	10,902,100	10,372,338
Stockholders' Equity (Deficit)		
Common stock - $0.001 par value; 75,000,000 shares authorized; 10,019,808 and 3,440,000 shares outstanding, respectively	3,440	3,440
Additional paid-in capital	495,471	204,585
Accumulated deficit	(4,944,809)	(4,314,535)
Total Stockholders' Equity (Deficit)	(4,445,898)	(4,106,510)
Total Liabilities and Stockholders' Equity (Deficit)	$ 7,193,672	$ 6,742,885

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

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

	Successor For The Three Months Ended March 31, 2012	Predecessor Carve-out For The Three Month Ended March 31, 2012
Oil and Gas Revenues	$ 328,003	$ 70,009
Costs and Operating Expenses		
Oil and gas production costs	157,181	61,267
Oil and gas production taxes	16,750	3,227
Depreciation, depletion and amortization	81,128	2,084
Accretion expense	4,762	2,799
General and administrative expense	657,309	4,500
Total Costs and Operating Expenses	917,130	73,877
Other Income (Expense)		
Gain on derivative put options	52,688	-
Interest expense	(93,835)	-
Net Other Income (Expense)	(41,147)	-
Net Income (Loss)	$ (630,274)	$ (3,868)
Basic Earnings (Loss) per Share	$ (0.18)	$ -
Diluted Earnings (Loss) per Share	$ (0.18)	$ -

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

RING ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF PREDECESSOR OWNERS' NET INVESTMENT (DEFICIT)
FOR THE THREE MONTHS ENDED MARCH 31, 2011

Predecessor	Owners' Net Investment (Deficit)
Balance, December 31, 2010	$ 11,686
Distributions to owners	(24,171)
Net loss	(3,868)
Balance, March 31, 2011	$ (16,353)

RING ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE THREE MONTHS ENDED MARCH 31, 2012

	Common Stock		Additional		Total Stockholders'
Successor	Shares	Amount	Paid-in Capital	Accumulated Deficit	Equity (Deficit)
Balance, December 31, 2011	3,440,000	$ 3,440	$ 204,585	$ (4,314,535)	$ (4,106,510)
Share-based compensation	-	-	290,886	-	290,886
Common stock issued to purchase Ring Energy, Inc.	-	-	-	-	-
Net loss	-	-	-	(630,274)	(630,274)
Balance, March 30, 2012	3,440,000	$ 3,440	$ 495,471	$ (4,944,809)	$ (4,445,898)

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

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

	Successor	Predecessor Carve-Out
	For the Three Months Ended March 31, 2012	For the Three Months Ended April 30, 2011
Cash Flows From Operating Activities		
Net loss	$ (630,274)	$ (3,868)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	81,128	2,084
Accretion expense	4,762	2,799
Share-based compensation	290,886	-
Gain on derivative put options	(52,688)	-
Changes in assets and liabilities:		
Accounts receivable	(102,643)	(15,302)
Prepaid expenses	(20,797)	-
Accounts payable	413,101	38,458
Accrued compensation	(100,000)	-
Net Cash Provided by (Used in) Operating Activities	(116,525)	24,171
Cash Flows from Investing Activities		
Payments to purchase oil and natural gas properties	(11,735)	-
Payments to develop oil and natural gas properties	(114,012)	-
Purchase of office equipment	(169,882)	-
Net Cash Used in Investing Activities	(295,629)	-
Cash Flows From Financing Activities		
Proceeds from borrowings from Ring Energy, Inc.	525,000	-
Proceeds from borrowings under revolving line of credit	-	-
Capital contributions from shareholders	-	-
Capital distributions to owners	-	(24,171)
Net Cash Provided by (Used in) Financing Activities	525,000	(24,171)
Net Increase (Decrease) in Cash	112,846	-
Cash at Beginning of Period	11,372	-
Cash at End of Period	$ 124,218	$ -
Supplemental Cash Flow Information		
Cash paid for interest	$ 93,471	$ -

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

NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

Prior to the acquisition of the Fisher I Property, Stanford had little activity and was a development stage company. Its planned operations were to acquire, develop and operate oil and natural gas properties. Stanford had no revenue, expenses or income during the four months ended April 30, 2011. Changes in Stanford's stockholders' equity for the three months ended March 31, 2011, on a post-split basis, were as follows:

	Common Stock		Additional Paid-in	Total Stockholders' Equity
Successor	**Shares**	**Amount**	**Capital**	**(Deficit)**
Balance, December 31, 2010	5,000,000	$ 5,000	$ (5,000)	$ -
Common stock issued for no consideration	1,250,000	1,250	(1,250)	-
Balance, March 30, 2011	6,250,000	$ 6,250	$ (6,250)	$ -

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

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

Concentration of Credit Risk and Major Customer – The Company has cash in excess of federally insured limits at March 31, 2012. During the three months ended March 31, 2012, sales to three customers represented 39%, 36% and 23%, respectively, of oil and gas revenues. At March 31, 2012, these customers made up 32%, 41% and 25%, respectively, of accounts receivable.

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

All capitalized costs of oil and gas properties, including the estimated future costs to develop proved reserves and estimated future costs of abandonment and site restoration, are amortized on the unit-of-production method using estimates of proved reserves as determined by independent engineers. Investments in unproved properties and major development projects are not amortized until proved reserves associated with the projects can be determined. The Company evaluates oil and gas properties for impairment at least annually. Amortization expense for the three months ended March 31, 2012 was $70,977 based on depletion at the rate of $19.16 per barrel of oil equivalent compared to $2,084 for the three months ended March 31, 2011, based on depletion at the rate of $21.24 per barrel of oil equivalent. These amounts include $10,151 of depreciation for the three months ended March 31, 2012, respectively, with no depreciation for the three months ended March 31, 2011.

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

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

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

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

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

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

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

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

NOTE 2 – EARNINGS (LOSS) PER SHARE INFORMATION

	Successor	Predecessor Carve-out
	For The Three Months Ended March 31, 2012	For The Three Month Ended March 31, 2012
Net Income (Loss)	$ (630,274)	$ (3,868)
Basic Weighted-Average Shares Outstanding	3,440,000	6,250,000
Effect of dilutive securities:		
Stock options	-	-
Diluted Weighted-Average Shares Outstanding	3,440,000	6,250,000
Basic Earnings (Loss) per Share	$ (0.18)	$ -
Diluted Earnings (Lossa) per Share	$ (0.18)	$ -

Stock options to purchase 1,125,000 shares of common stock were excluded from the computation of diluted earnings (loss) per share during the three months ended March 31, 2012 as their effect would have been anti-dilutive. There were no stock options outstanding during the three months ended March 31, 2011.

NOTE 3 – ACQUISITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 4 – REVOLVING LINE OF CREDIT

In May 2011, the Company entered into a credit agreement with a bank that provides for a revolving line of credit of up to $10 million for borrowings and letters of credit. As of March 31, 2012, $705,572 was available to be drawn on the line of credit. The agreement includes a non-usage commitment fee of 0.20% per annum and covenants limiting other indebtedness, liens, transfer or sale of assets, distributions or dividends and merger or consolidation activity. The facility has an interest rate of the bank's prime rate plus 0.75% with the total interest rate to be charged being no less than 4.00%. As of March 31, 2012 the interest rate being charged was 4.00%. The note matured on May 10, 2012 and was extended to May 10, 2013. Two of the Company's stockholders are jointly and severally obligated for outstanding borrowings under the credit facility.

NOTE 5 – ASSET RETIREMENT OBLIGATION

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

Balance, January 1, 2012	$ 274,788
Accretion expense	4,762
Balance, March 31, 2012	$ 279,550

NOTE 6 – EMPLOYEE STOCK OPTIONS

Compensation expense charged against income for share-based awards during the three months ended March 31, 2012 was $290,886 with no comparable amounts for the three months ended March 31, 2011, and is included in general and administrative expense in the accompanying financial statements.

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

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

Risk free interest rate	0.97%
Expected term	6.5 years
Dividend yield	0%
Volatility	32%

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

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

The weighted-average grant-date fair value of options granted during 2011 was $2.32 per share. Share-based compensation expense for the eight months ended December 31, 2011 was $95,897. As of

December 31, 2011, there was approximately $2,463,620 of unrecognized compensation cost related to stock options that is expected be recognized over a weighted-average period of 2.9 years. The aggregate intrinsic value was determined based on the $4.00 market value of the Ring Energy, Inc. common stock on December 31, 2011.

A summary of the status of the stock options as of March 31, 2012 is as follows:

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

As of March 31, 2012, there was approximately $2,172,733 of unrecognized compensation cost related to stock options that will be recognized over a weighted average period of 3.06 years. The aggregate intrinsic value of options expected to vest at March 31, 2012 was $3,417,500. No options were exercisable as of March 31, 2012. The intrinsic value calculations are based on a March 30, 2012 closing price of the Company's common stock of $5.10.

NOTE 7 – CONTINGENCIES AND COMMITMENTS

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

NOTE 8 – PUT OPTIONS

The Company granted put options on the Ring shares transferred in connection with the acquisitions of oil and natural gas properties in December 2011. In December 2011, the Company granted 80,000 options with terms allowing the property seller to require the Company to repurchase the Ring shares at $5.00 per share through December 1, 2012. At the date of issuance, the fair value of this liability was $277,760 and was capitalized as part of the acquisition cost. The put options are contingent consideration classified as liabilities under FASB ASC 305-30 and are recognized at the acquisition date fair value as part of the consideration transferred. They are remeasured to fair value at each reporting date until the contingency is resolved with the change in fair value being recognized in earnings. As of March 31, 2012, the fair value of the remaining liability was $224,048. The following table illustrates the assumptions used in the Black-Scholes option pricing model at March 31, 2012:

Risk free interest rate	0.19%
Expected life (years)	0.67
Dividend yield	-
Volatility	167%

NOTE 9 – FAIR VALUE MEASUREMENTS

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

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

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

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

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

The Company's derivative put option liabilities are remeasured to fair value at each reporting date until the contingency is resolved. The fair value of the non-financial liabilities as of March 31, 2012 was $224,048 and was calculated using Level 2 inputs. See Note 8 above for more information about this liability and the inputs used for calculating fair value.

NOTE 10 – INCOME TAXES

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

NOTE 11 – SUBSEQUENT EVENTS

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

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

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