



WARD PETROLEUM CORPORATION

BOX 1187 / 502 S. FILLMORE / ENID, OKLAHOMA 73702 / (580) 234-3229

2520080801741

December 11, 2007

Top Hat Plan Exemption
Pension and Welfare Benefits Administration
Room N-5644
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, D.C.. 20210

07 DEC 20 AM 2:01

Dear Sir/Madam:

Pursuant to the reporting and disclosure requirements of Title I of ERISA under Department of Labor Regulations at 29 C.F.R. Sec. 2520.104-23 for unfunded plans maintained by an employer for a select group of management or highly compensated employees, please be advised that Ward Petroleum Corporation maintains the following plan primarily for the purpose of providing deferred compensation to such employees:

Name of Plan: Ward Petroleum Corporation Stock Appreciation Rights Plan

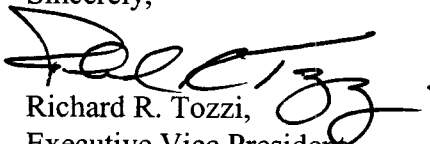
The number of current plan participants: 4

The employer identification number of Ward Petroleum Corporation is 73-0800775, and the address is 502 S. Fillmore, Enid, OK 73703.

A copy of the plan document as amended and restated on 11/30/07 is attached.

Please let us know if you have any questions or comments.

Sincerely,


Richard R. Tozzi,
Executive Vice President,
Ward Petroleum Corporation

Ward Petroleum Corporation Stock Appreciation Rights Plan

Ward Petroleum Corporation (hereinafter the "Company") has heretofore maintained a plan or policy pursuant to which Units (hereinafter "SAR Units") were granted to Richard R. Tozzi, a key Company employee and officer. Said SAR Units entitled Tozzi a compensatory bonus and to deferred compensation measured by the earnings of the Company's shares of common stock and appreciation in value of the Company's common stock. The Company desires to continue the aforesaid plan and policy and to extend it to additional selected key Company management employees. In this regard, the Company hereby adopts this Plan to be known as the "*WPC SAR Plan*", to be administered and governed by the following terms and provisions.

- A. **Purpose of Plan** The purposes of this Plan are to provide an incentive to, and a reward for certain key employees (selected as hereinafter set forth) of Ward Petroleum Corporation, and its majority owned subsidiaries, to provide an incentive for selected employees to expand and improve the profits and prosperity of the Company and its Subsidiaries, and to assist the Company in attracting and retaining key personnel by granting to such employees certain rights (subject to all the terms and provisions of this Plan) to participate in future earnings of the Company and growth in value of the Company, all as expressly set forth in this Plan. It is expressly understood that neither the adoption of this Plan nor the issuance of any SAR Units or rights attached thereto as set forth hereunder shall be construed as entitling any employee to any continued employments rights or to the rights of a stockholder in the Company, it being the intention hereof only to adopt a plan of incentive bonus and deferred compensation and to measure such compensation by the earnings of the Company and future appreciation of the value of the stock of the Company all as hereinafter more fully set forth, but to in no other respect alter the relationship between the Company, its Subsidiaries and the selected key employees to one another than that of employer/employee.

B. **Definitions**

1. **“Adjusted Equity Value”** shall mean the “Total Stockholder Equity” of the Company determined annually for financial statement purposes computed on a consolidated basis in accordance with generally accepted accounting principles consistently applied from year to year, **reduced** by (i) the net book value of Company or Affiliate owned oil and gas properties reflected on the financial statement of the Company, and (ii) the net book value of the Company’s ownership of Frontier Energy Services, LLC; and **increased** by the value of Company owned and the Company’s proportionate share of Affiliates’ owned oil and gas reserves determined by the annual reserve study performed in-house by Company staff for internal use based on “goal” valuation assumptions, excluding “proved developed non-producing reserves” (PDNP) and “proved undeveloped reserves” (PUD). No value shall be attributable to the value of Frontier Energy Services, LLC or to the goodwill, going concern or similar intangibles of the Company. For purposes of defining “Adjusted Equity Value”, the term “Affiliates” shall mean any interest in a limited liability company, partnership, corporation or joint venture owned by the Company, the net worth of which is reflected on the Company’s financial statement.
2. **“Board”** shall mean the Board of Directors of the Company.
3. **“Company”** shall mean Ward Petroleum Corporation, an Oklahoma corporation.
4. **“Disability”** An employee shall be considered disabled if the employee:
 - (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which

can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or

- (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the participant's employer.

- 5. **“Net Income, after Income Tax”** of the Company shall be its net income after appropriate adjustments have been made to reflect current and deferred charges for income tax as reflected on its annual financial statements prepared based on generally accepted accounting principles consistently applied by the Company, provided however, said net income shall be specially adjusted to reflect any proceeds (net of income tax charges) from the sale of oil and gas properties of the Company or its affiliate, Ward X, LLC which are not otherwise reflected in the Company's net income for financial statement purposes.
- 6. **“Participant”** shall mean any officer or employee of the Company to whom a SAR unit is granted under the Plan
- 7. **“Plan”** shall mean this Ward Petroleum Corporation, Stock Appreciation Rights Plan.
- 8. **“Plan Transaction Date”** shall mean the Company's fiscal year end used for financial reporting purposes which is currently January 31st.
- 9. **“SAR Unit”** shall mean that unit of measure utilized in computing the amount of additional compensation attributable to a Participant under the Plan.

- C. **Participation.** Five Thousand (5,000) total SAR Units shall be established under this Plan. This is equivalent to the total number of voting and non-voting common shares of the Company currently outstanding. Each SAR Unit shall be valued as set forth in **Paragraph E** below. The board may, upon recommendation of the President of the Company, grant SAR Units to officers and key employees. Said SAR Units shall be granted to selected employees by participation agreement with a Participant in such form as the Board shall, from time to time approve. Each participation agreement and SAR Units shall comply with and be subject to the provisions set forth below in this Plan. All grants of SAR Units and any redemptions of said Units shall occur on the Plan Transaction Date of each year.
- D. **Nature of Rights.** The contractual rights represented by the SAR Units are intended to be used solely as a device for the measurement and the determination of the amount to be paid to Participants as additional compensation as provided in the provisions of this Plan. The SAR Units shall not constitute or be treated as personal property or as a trust fund of any kind. All Participants' rights hereunder are limited exclusively to the right to receive compensation in the amount and subject to the terms as herein provided. The Company may issue additional shares of its authorized and unissued stock and may otherwise recapitalize without adjusting the rights attributable to any SAR unit or otherwise be required to take into consideration the effect on a previously issued SAR Unit. Upon issue of Units to Participant, the Company may provide for immediate vesting or vesting at a later date. Vesting rights shall only mature if the Participant is an Employee of the Company on the designated vesting date. Upon Termination of the Participant pursuant to Paragraph F.1, all non-vested SAR Units shall be surrendered to the Company at no redemption value.
- E. **Valuation of SAR Units.** The valuation of each SAR Units on each Plan Transaction Date shall be the per share Adjusted Equity Value of the Company as of the Plan

Transaction Date as certified by the Treasurer of the Company. The per share Adjusted Equity Value shall be determined by dividing the Adjusted Equity Value of the Company by the Five Thousand (5,000) SAR units established under this Plan.

F. **Redemption of SAR Units.**

1. **Upon Termination.** In the event a Participant shall cease to be an employee of the Company for any reason, including, but not limited to death, disability, or voluntary or involuntary termination of employment (any of which event is hereinafter referred to as "Termination"), all fully vested SAR Units held by the terminating Participant shall be redeemed by the Company for an amount equal to the excess of the SAR Unit value as of the applicable determination date, over the SAR Unit value on the effective date the SAR Unit was granted (the "redemption price"). For purposes of computing appreciation, as herein set forth, the SAR Unit value, as determined on the Plan Transaction Date immediately preceding Termination, shall be used. All non-vested SAR Units held by the terminating Participant shall be surrendered to the Company at no redemption value.

2. **Other events which may result in redemption of SAR units.** The following events will also result in a call for redemption of vested SAR units held by a Participant:
 - a. A change in the ownership or effective control of Ward Petroleum Corporation, or a change in the ownership of a substantial portion of the assets of Ward Petroleum Corporation, as further defined in Treasury Regulation Section 1.409A-3(i)(5) (Note that this includes, among other transactions and in very simplified terms, greater than 50% ownership changes but excludes related party transfers)
 - b. To the extent that amounts under this plan are deemed to be currently

Taxable due to a determination that some portion or all of this SAR Plan violates requirements under section 409A of the Internal Revenue Code of 1986, as amended.

Upon such call for redemption, each Participant shall offer for redemption all of his or her outstanding SAR Units which are fully vested. Upon being called for redemption by the Company, the value of the SAR Unit, for purposes of computing appreciation and redemption price, shall be the value determined on the Plan Transaction Date immediately preceding the date which said Units are called by the Company. All outstanding SAR Units shall be redeemed by the Company upon termination of this Plan in accordance with Treasury Regulation Sec. 1.409A-3(j)(4)(ix).

- G. **Manner of Redemption.** The Company shall exercise the right of redemption granted in Paragraph F above by giving written notice of such exercise to the Participant at the address set forth in Paragraph O, below.
- H. (Intentionally left blank)
- I. **Computation and Payment Upon Redemption of SAR.** The computations of the SAR Unit values and redemption amount shall be made by the chief financial officer of the Company as of the Plan Transaction Date on which a valuation is required under this Agreement. Payment of the redemption price, as determined pursuant to Paragraph F, shall be made at least six months after Termination, as defined under Paragraph F.1 of the Plan, but prior to eight months after Termination, as defined under Paragraph F.1 of the Plan. In the event of Termination by reason of the death of the Participant, then the proceeds of the redemption shall be paid to the beneficiary designated in writing by the Participant, or if no designation is made, then to the duly appointed personal representative of said Participant.

In the event of a redemption of SAR Units pursuant to any provision of this Agreement, where the aggregate redemption price payable to a Participant (or his or her designated beneficiary) shall exceed \$500,000 then the Company shall be entitled at its option to elect to pay one third (1/3rd) down and the remaining amount owed in two equal annual installments of principal the first of which being due one (1) year from the date of the initial payment. Interest shall accrue on the unpaid balance at a rate equal to the rate being charged by the Company's lending institution on its primary working capital line of credit then in place to be adjusted from time to time in the same manner as the Company's said line of credit or if the Company has no working capital line of credit, then at the prime rate published daily by the Wall Street Journal for commercial loans, to be adjusted on the first day of each calendar quarter.

- J. **Withholding of Taxes.** There shall be deducted from any payment made which is attributable to the redemption of any SAR Unit or any incentive bonus paid pursuant to Paragraph K hereof, any amount of tax required by an governmental authority to be withheld or paid over by the Company to such governmental authority for the account of the Participant (or designated beneficiary(s)) entitled to such distribution.
- K. **Incentive Bonus.** Each Participant shall be paid an annual Incentive Bonus equal to the per share "net income, after income tax", of the Company multiplied times the number of SAR Units held by the Participant on said fiscal year end, whether or not vested. The Incentive Bonus shall be paid within seventy-five (75) days of said fiscal year end. The per share net income of the Company shall be computed in accordance with generally accepted accounting principles consistently applied and shall be determined by the chief financial officer of the Company. If the exact amount cannot be determined within seventy-five days of year end, payment can be made based on an initial projected amount to be adjusted to actual as quickly as practicable.
- L. **Amendment and Termination.** The Board, by resolution, may terminate, amend or

revise the Plan with respect to any SAR Units which have not been granted. The Board may not, without the consent of the Participant, alter or impair any rights attributable to a SAR Unit previously granted under the Plan. This plan is intended to conform to the requirements of Sec. 409A of the Internal Revenue Code of 1986, as amended, as well as regulations and/or rulings promulgated thereunder. The Plan may be revised, altered, or otherwise modified to meet these requirements.

M. **Agreement and Representation of Participants.** As a condition to the grant of any SAR Unit, it is expressly acknowledged by the Participants, that neither the Company nor its officers or directors, nor any of its shareholders, shall have any obligation, expressed or implied, to maximize Company net worth, or Adjusted Equity Value, and it is acknowledged that the Company may make certain business decisions deemed appropriate by the Company, without regard to the effect on the redemption price of SAR Units to be paid to Participants pursuant to this Plan. Furthermore, the Participants expressly acknowledge and represent that the Company shall have no obligation, either expressed or implied, to continue the employment of said Participant as a result of his or her participation under this Plan.

N. **Nonassignability and Binding Effect.** The Stock Appreciation Rights, represented by the SAR Units granted pursuant to this Plan, shall not be transferrable other than by Will or by the law of descent and distribution, and during the Participant's lifetime shall be exercisable only by such Participant. A Successor in interest to any right attributable to an SAR Unit shall be bound to the terms and conditions of the Plan and any participation agreement between the Company and the original Participant.

O. **Notice to Parties.** All notices, and other written correspondence, will be served by registered or certified mail, return receipt requested, if to the Company, as follows:

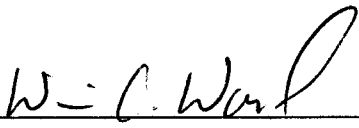
Ward Petroleum Corporation

P.O. Box 1187
Enid, Oklahoma 73702
Attn: William C. Ward

or, if to a Participant, to the address provided to the Company by said Participant at the time the SAR Unit is granted and as subsequently advised by the Participant, in writing. Unless otherwise provided in this Plan, notices will be deemed to have been given on the date the notice is placed in the United States Mail, properly addressed and with postage prepaid.

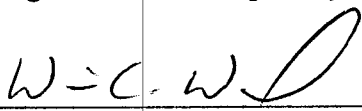
- P. **Effective Date of Plan.** This Amended and Restated WPC SAR Plan supercedes that prior WPC SAR Plan that was dated as approved by Actions of the Board of Directors of the company on the 31st day of October, 2005. The Plan shall be effective from the date that the Plan is approved by the Board.

Approved by Actions of the Board on the 30 day of November,
2007.



William C. Ward, President

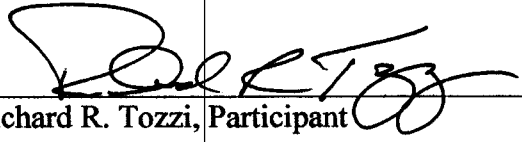
Agreed to and accepted by:



William C. Ward, Participant

11-27-07

Date


Richard R. Tozzi, Participant

11-27-07
Date


David S. Rippee, Participant

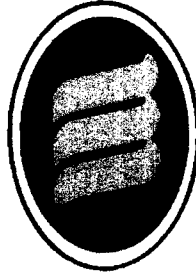
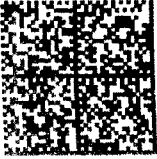
11/27/07
Date


Gilbert Tompson, Participant

11-27-07
Date

Foreign Oil Imports
did NOT make
this Transaction Possible.

UNITED STATES POSTAGE
FITNEY BOWLES
\$ 01.14⁰
02 1A
0004302723 DEC 12 2007
MAILED FROM ZIP CODE 73703



**WARD PETROLEUM
CORPORATION**
BOX 1187 / 502 S. FILLMORE /
ENID, OKLAHOMA 73702 / (580) 234-3229

TO:

Top Hat Plan Exemption
Pension & Welfare Benefits
Administration
Room N-5644
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, D.C. 20210