

PEDEVCO CORP  
Form S-1/A  
January 16, 2013

As filed with the Securities and Exchange Commission on January 16, 2013  
Registration No. 333-184346

---

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

---

AMENDMENT NO. 2  
TO  
FORM S-1  
REGISTRATION STATEMENT

UNDER  
THE SECURITIES ACT OF 1933

---

PEDEVCO CORP  
(Exact name of registrant as specified in its charter)

Texas (State or other jurisdiction of incorporation or organization)	1311 (Primary Standard Industrial Classification Code Number)	22-3755993  (I.R.S. Employer Identification No.)
--	---	---

4125 Blackhawk Plaza Circle, Suite 201  
Danville, California 94506  
(855) 733-3826  
(Address, including zip code and telephone number,  
including area code, of registrant's principal place of  
business)

Frank C. Ingriselli  
PEDEVCO CORP.  
4125 Blackhawk Plaza Circle, Suite 201A  
Danville, California 94506  
(855) 733-3826  
(Name, address, including zip code and telephone number,  
including area code, of agent for service)

Copies to:

Lawrence P. Schnapp  
Marc L. Brown  
TroyGould PC

Charles H. Still, Jr.  
Bracewell & Giuliani LLP  
711 Louisiana Street, Suite 2300

Edgar Filing: PEDEVCO CORP - Form S-1/A

Suite 1600  
1801 Century Park East  
Los Angeles, California 90067  
(310) 789-1255

Houston, Texas 77002  
(713) 221-3309

Approximate date of commencement of proposed sale to public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective Registration Statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act Registration Statement number of the earlier effective Registration Statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act Registration Statement number of the earlier effective Registration Statement for the same offering:

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

---

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a) may determine.

---

---

---

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 16, 2013

PRELIMINARY PROSPECTUS

Shares

PEDEVCO CORP.

Common Stock

We are offering \_\_\_\_\_ shares of our common stock.

Our common stock is quoted on the OTC Bulletin Board under the symbol "PEDO." On January 11, 2013, the last reported bid price per share of our common stock as quoted on the OTCBB was \$2.15. We intend to apply to list our common stock on the NYSE MKT under the symbol "\_\_\_\_\_."

Investing in our common stock involves significant risks that are described under "Risk Factors" beginning on page 18 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$ _____	\$ _____
Underwriting discount (1)	\$ _____	\$ _____
Proceeds, before expenses, to us	\$ _____	\$ _____

(1) For additional information about underwriting compensation, see "Underwriting."

We have granted the underwriters an option to purchase from us up to an additional \_\_\_\_\_ shares of our common stock at the public offering price, less the underwriting discount, to cover over-allotments.

The underwriters expect to deliver the shares of common stock on or about \_\_\_\_\_, 2013.

\_\_\_\_\_  
Wunderlich Securities

The date of this prospectus is \_\_\_\_\_, 2013.





## TABLE OF CONTENTS

	Page(s)
PROSPECTUS SUMMARY	1
RISK FACTORS	18
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	45
USE OF PROCEEDS	47
MARKET PRICE OF OUR COMMON STOCK	48
DIVIDEND POLICY	49
CAPITALIZATION	49
DILUTION	50
BUSINESS	52
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	81
MANAGEMENT	89
EXECUTIVE COMPENSATION	93
RELATED PARTY TRANSACTIONS	102
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	105
DESCRIPTION OF CAPITAL STOCK	107
SHARES ELIGIBLE FOR FUTURE SALE	110
MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR COMMON STOCK	112
UNDERWRITING	116
LEGAL MATTERS	120
EXPERTS	120
WHERE YOU CAN FIND MORE INFORMATION	121
INDEX TO FINANCIAL STATEMENTS	F-1





You should rely only on the information that is contained in this prospectus and in any free writing prospectus prepared by or on behalf of us and filed with the Securities and Exchange Commission (the “SEC”). Neither we nor the underwriters have authorized anyone to provide you with additional or different information. We take no responsibility for the accuracy of information that other persons may give to you.

We and the underwriters are offering to sell shares of our common stock, and are seeking offers to buy shares of our common stock, only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the common stock offered by this prospectus. The information may have changed since such date.

#### Industry and Market Data

The market data and certain other statistical information used throughout this prospectus are based on independent industry publications, government publications and other published independent sources. Although we believe that these third-party sources are reliable and that the information is accurate and complete, we have not independently verified the information. Some data are also based on our good faith estimates.

## PROSPECTUS SUMMARY

This summary provides a brief overview of information contained elsewhere in this prospectus and does not contain all of the information you should consider before investing in our common stock. You should carefully read the entire prospectus before making an investment decision, including the information presented under the headings “Risk Factors,” “Cautionary Note Regarding Forward-Looking Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical and pro forma financial statements and related notes included elsewhere in this prospectus. Unless otherwise indicated, information presented in this prospectus assumes that the underwriters’ over-allotment option to purchase additional shares of common stock will not be exercised. We have provided definitions for certain oil and natural gas terms used in this prospectus in the “Glossary of Oil and Natural Gas Terms” beginning on page A-1 of this prospectus.

Throughout this prospectus, unless the context otherwise requires, the terms “we,” “us,” “our,” and “our company” refer to PEDEVCO CORP (d/b/a Pacific Energy Development), which was known as Blast Energy Services, Inc. until July 30, 2012. As described in more detail under “Merger with Pacific Energy Development” beginning on page 11, effective July 27, 2012, we acquired Pacific Energy Development Corp., a privately-held Nevada corporation, which we refer to as Pacific Energy Development.

Throughout this prospectus, except for discussions of historical financial information or except as the context otherwise requires, discussions of our current and future business operations include the operations of Pacific Energy Development.

Except as otherwise noted, all share and per share amounts set forth in this prospectus have been adjusted to reflect the 1 for 112 reverse stock split of our common stock that was effected on July 30, 2012.

### Overview

We are an energy company engaged in the acquisition, exploration, development and production of oil and natural gas resources in the United States, with a primary focus on oil and natural gas shale plays and a secondary focus on conventional oil and natural gas plays. Our current operations are located primarily in the Niobrara Shale play in the Denver-Julesburg Basin in Morgan and Weld Counties, Colorado and the Eagle Ford Shale play in McMullen County, Texas. We also hold an interest in the North Sugar Valley Field in Matagorda County, Texas, though we consider this a non-core asset.

We have approximately 10,801 gross and 2,954 net acres of oil and gas properties in our Niobrara core area. Our current Eagle Ford position is a 4% working interest in 1,331 acres. Condor Energy Technology LLC, which we jointly own and manage with an affiliate of MIE Holdings Corporation as described below, operates our Niobrara interests, including one well in the Niobrara asset with current daily production of approximately 100 boe (31 boe net). We believe our current assets could contain a gross total of 197 drilling locations.

We also have agreements in place (subject to customary closing conditions) for future operations in the Mississippian Lime play in Comanche, Harper, Barber and Kiowa Counties, Kansas, and Woods County, Oklahoma. See “Recent Developments - Mississippian Opportunity (Pending Acquisition).” If the proposed acquisition of the Mississippian asset is completed, upon closing, we will have a 50% working interest in 13,806 acres. We anticipate that Condor or a similar subsidiary or joint venture will operate our Mississippian interests as well. We believe the Mississippian asset could contain a gross total of 84 drilling locations.



We believe that the Niobrara, Eagle Ford and Mississippian Shale plays represent among the most promising unconventional oil and natural gas plays in the United States. We will continue to seek additional acreage proximate to our currently held core acreage. Our strategy is to be the operator, directly or through our subsidiaries and joint ventures, in the majority of our acreage so we can dictate the pace of development in order to execute our business plan. The majority of our capital expenditure budget for the period from October 2012 to December 2013 will be focused on the acquisition, development and expansion of these formations.

The following table presents summary data for our leasehold acreage in our core areas as of September 30, 2012 and our drilling capital budget with respect to this acreage from October 1, 2012 to December 31, 2013.

	Total Gross Acreage	Ownership Interest	Net Acres	Acre Spacing	Drilling & Land Acquisition Capital Budget October 1, 2012 - December 31, 2013				
					Potential Gross -Drilling Locations	Gross Wells	Net Wells	\$/Well	Capital Cost
Current Core Assets:									
Niobrara(1) Acquisition Cost(2)	10,801	27.4 %	2,954	80	180	13	3.60	\$ 4,500,000	\$ 16,200,000
Eagle Ford (3) Current Assets	1,331	4 %	53	60	17	2	0.08	\$ 9,000,000	\$ 720,000
	12,132		3,007		197	15	3.68		\$ 17,920,000

(1) As discussed below, we have a 27.35% net ownership interest in the leased acreage in the Niobrara asset (12.53% of the acreage is held directly by us plus 14.82% of the acreage is held by virtue of our 20% interest in Condor, which in turn holds a 74.10% working interest in the leased acreage in the Niobrara asset).

(2) Represents our remaining payment obligations due in February 2013 for the purchase price of our interests in the Niobrara asset.

(3) As discussed below, we have a 4% ownership in the leased acreage in the Eagle Ford asset (held by virtue of our 50% interest in White Hawk Petroleum, LLC, which holds an 8% working interest in the Eagle Ford asset).

(4) Potential gross drilling locations are calculated using the acre spacings specified for each area in the table and adjusted assuming forced pooling in the Niobrara. Colorado, where the Niobrara asset is located, allows for forced pooling, which may create more potential gross drilling locations than acre spacing alone would otherwise indicate. We have no proved, probable or possible reserves attributable to any of the potential gross drilling locations in the Niobrara asset.

## Strategic Alliances

### MIE Holdings

Through the relationships developed by our founder and Chief Executive Officer, Frank Ingriselli, we formed a strategic relationship with MIE Holdings Corporation (Hong Kong Stock Exchange code: 1555.HK), one of the largest independent upstream onshore oil companies in China, which we refer to as MIE Holdings, to assist us with our plans to develop unconventional shale properties. According to information provided by MIE Holdings, MIE Holdings has drilled and currently operates over 2,000 oil wells in China and brings extensive drilling and completion experience and expertise, as well as a strong geological team. MIE Holdings has also been a significant investor in our operations, and as discussed below, the majority of our oil and gas interests are held all or in part by the following joint ventures which we jointly own with affiliates of MIE Holdings:

Condor Energy Technology LLC, which we refer to as Condor, which is a Nevada limited liability company owned 20% by us and 80% by an affiliate of MIE Holdings; and

White Hawk Petroleum, LLC, which we refer to as White Hawk, which is a Nevada limited liability company owned 50% by us and 50% by an affiliate of MIE Holdings.

We also have entered into an agreement with an affiliate of MIE Holdings to each share 50% of the purchase price, ownership interest, development and operational expenses with respect to the Mississippian asset, assuming the acquisition of the Mississippian asset is completed and subject to MIE Holding's option to decide not to participate in the acquisition.

Although our initial focus is on oil and natural gas opportunities in the United States, we plan to use our strategic relationship with MIE Holdings and our experience in operating U.S.-based shale oil and natural gas interests to acquire, explore, develop and produce oil and natural gas resources in Pacific Rim countries, with a particular focus on China. We intend to use one or more of our joint ventures with MIE Holdings to acquire additional shale properties in the United States and in China, where MIE Holdings and other partners have extensive experience working in the energy sector.

MIE Holdings has been a valuable partner providing us necessary capital in the early stages of our development. It purchased 4 million shares of our Series A preferred stock and acquired an 80% interest in Condor for total consideration of \$3 million, and advanced us the cost of drilling and completing our first Niobrara well. Recently, MIE Holdings has also introduced us to its banking relationships in order for us to start the process of seeking to obtain a line of credit for future acquisition and development costs.

### STXRA

On October 4, 2012, we established a technical services subsidiary, Pacific Energy Technology Services, LLC, which is 70% owned by us and 30% owned by South Texas Reservoir Alliance, LLC, which we refer to as STXRA, through which we plan to provide acquisition, engineering, and oil drilling and completion technology services in joint cooperation with STXRA in the United States and Pacific Rim countries, particularly in China. While Pacific Energy Technology Services, LLC currently has no operations, only nominal assets and liabilities and limited capitalization, we anticipate actively developing this venture in 2013.

STXRA is a consulting firm specializing in the delivery of petroleum resource acquisition services and practical engineering solutions to clients engaged in the acquisition, exploration and development of petroleum resources. In April 2011, we entered into an agreement of joint cooperation with STXRA in an effort to identify suitable energy

ventures for acquisition by us, with a focus on plays in shale oil and natural gas bearing regions in the United States. According to information provided by STXRA, the STXRA team has experience in their collective careers of drilling and completing horizontal wells, including over 100 horizontal wells with lengths exceeding 4,000 feet from 2010 to 2012, as well as experience in both slick water and hybrid multi-stage hydraulic fracturing technologies and in the operation of shale wells and fields. We believe that our relationship with STXRA, both directly and through our jointly-owned Pacific Energy Technology Services LLC services company, will supplement the core competencies of our management team and provide us with petroleum and reservoir engineering, petrophysical, and operational competencies that will help us to evaluate, acquire, develop and operate petroleum resources in the future.

## Our Core Areas

The majority of our capital expenditure budget for the period from October 2012 to December 2013 will be focused on the acquisition and development of our core oil and natural gas properties: the Niobrara, Eagle Ford and Mississippian formations (assuming we complete our proposed acquisition of the Mississippian asset). The following paragraphs summarize each of these core areas. For additional information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” and “Business—Acquisition History.”

Niobrara Asset

As of September 30, 2012, we held 2,954 net acres in oil and natural gas properties covering approximately 10,801 gross acres that are located in Morgan and Weld Counties, Colorado that include the Niobrara formation, which we refer to as the Niobrara asset. We hold 1,353 of our Niobrara leased acreage directly, and hold the remaining 1,601 acres through our ownership in Condor, which holds 8,004 acres in the leased acreage in the Niobrara asset. We and/or Condor own working interests in the Niobrara asset ranging from 18.75%-100%.



Condor is designated as the operator of the Niobrara asset. The day-to-day operations of Condor are managed by our management, and Condor's Board of Managers is comprised of our President and Chief Executive Officer, Mr. Frank Ingriselli, and two designees of MIE Holdings. In addition, MIE Holdings advanced us approximately \$2.15 million to pay our portion of the drilling costs of the initial well on the Niobrara asset.

Based on approximately 250 square miles of 3D seismic data covering the Niobrara asset, we estimate that there are up to 180 potential gross drilling locations in the Niobrara asset, with 14 initial gross well locations already identified for our 2012-2013 Niobrara development plan, including our initial well completed in July 2012 and our second and third wells which we completed drilling in November and December 2012, respectively. We believe that the Niobrara asset affords us the opportunity to participate in this emerging play at an early stage, with a position in the Denver-Julesburg Basin adjacent to significant drilling activity.

Condor completed drilling the initial horizontal well on the Niobrara asset in April 2012, reaching a total combined vertical and horizontal depth of 11,307 feet. Halliburton performed a 20-stage frack of the well in mid-June 2012, with the well being completed in July 2012 with a gross initial production rate of 437 boe per day from the Niobrara formation (137 boe per day net initial production rate). Condor is also making substantial progress with its second and third wells. Condor completed drilling on its second well in November 2012 and third well in early December 2012, and plans to complete hydraulic fracturing and completion operations on both wells in January 2013, with flow testing to commence in early February 2013. Halliburton will perform the hydraulic fracturing and completion operations for both the second and third well.

Based on publicly available information, we believe that average drilling and completion costs for wells in the Niobrara core area, which, for purposes of industry comparisons, we define as Morgan and Weld Counties, Colorado, have ranged between \$3.6 million and \$6.0 million per well with average estimated ultimate recoveries, or EURs, of 200,000 to 300,000 boe per well and initial 30-day average production of 400 to 600 boe per day per well. The costs incurred, EURs and initial production rates achieved by others may not be indicative of the well costs we will incur or the results we will achieve from our wells.

Recently, there has been significant industry activity in the Niobrara Shale play. The most active operators offsetting our acreage position include Carrizo Oil and Gas, Inc. (NASDAQ: CRZO), Continental Resources, Inc. (NYSE: CLR), EOG Resources (NYSE: EOG), Anadarko Petroleum (NYSE: APC), SM Energy (NYSE: SM), Noble Energy (NYSE: NBL), Chesapeake Energy (NYSE: CHK), Whiting Petroleum (NYSE: WLL), Quicksilver Resources (NYSE: KWK), MDU Resources (NYSE: MDU), and Bill Barrett Corp. (NYSE: BBG). According to Drillinginfo, Inc., there were 2,544 drilling permits filed in 2011 and 1,948 filed in 2012 in Weld and Morgan Counties, where our acreage is located. According to Baker Hughes, there were 35 rigs operating in the Denver-Julesburg Basin as of December 31, 2012.

## Eagle Ford Asset

As of September 30, 2012, we held 53 net acres in certain oil and gas leases covering approximately 1,331 gross acres in the Leighton Field located in McMullen County, Texas, which is currently producing oil and natural gas from the highly-prospective Eagle Ford Shale formation, which we refer to as the Eagle Ford asset. We hold these interests through our 50% ownership interest in White Hawk, which holds an 8% working interest in the Eagle Ford asset.

The Eagle Ford asset currently has three wells that have been drilled and are producing, with initial production rates, as publicly disclosed by Texon Petroleum Limited, the operator of the Eagle Ford asset, of 1,202 bbl per day and 782 mcf per day for the first well, 1,488 bbl per day and 700 mcf per day for the second well, and 1,072 bbl per day and 1,137 mcf per day for the third well. During the month of November 2012 the net production to our company from these wells was 384.49 bbl of oil and 463.62 mcf of natural gas. Based on our current understanding of the field, on the approximately 1,331 gross acre Eagle Ford asset, approximately 17 more Eagle Ford gross wells may be drilled. We expect that the operator will drill two additional gross wells through 2013.

First discovered in 2008, according to data provided by Baker Hughes, the Eagle Ford Shale resource area had an active drilling rig count of 233 horizontal rigs as of December 31, 2012, which accounts for nearly half of the 473 horizontal drilling rigs in the State of Texas as of such date.

Based on publicly available information, we believe that average drilling and completion costs for wells in the Eagle Ford core area, which, for purposes of industry comparisons, we define as McMullen County, Texas, have ranged between \$8 million and \$11 million per well with average estimated ultimate recoveries, or EURs, of 300,000 to 500,000, boe per well and initial 30-day average production of 1,000 to 1,500 boe per day per well. The costs incurred, EURs and initial production rates achieved by others may not be indicative of the well costs we will incur or the results we will achieve from our wells.

## Recent Developments

## Mississippian Opportunity (Pending Acquisition)

Our joint venture, Condor, has signed a binding agreement (subject to customary closing conditions) with a third party for the acquisition of interests in the Mississippian Lime covering approximately 13,806 gross acres located in Comanche, Harper, Barber and Kiowa Counties, Kansas, and Woods County, Oklahoma, which we refer to as the Mississippian asset. We have also entered into an agreement with our joint venture partner in Condor providing for the allocation of 50% of the purchase price, ownership interest, development and operational expenses with respect to the Mississippian asset to each of us and our joint venture partner, subject to our partner's determination not to participate in the acquisition. Though we currently only have a 20% interest in Condor, to effect our 50% interest, we intend to either adjust our relative interests in Condor or use a different joint venture entity for the ultimate acquisition. The closing of the acquisition of the Mississippian asset is anticipated to occur in the first quarter of 2013, subject to satisfaction of certain conditions to closing, including the completion of due diligence review of the Mississippian asset, though we cannot guarantee that we will complete the acquisition in the first quarter of 2013, or at all.

We expect that the joint venture that acquires the Mississippian asset will be the operator of the Mississippian asset. We anticipate drilling the first well on the Mississippian asset in the first quarter of 2013, with a total of 7 wells planned in 2013. The Mississippian oil play is one of the latest oil plays that have recently captured attention in the industry, and we believe that there is an opportunity to acquire additional interests in this emerging play on attractive terms.

The following table presents summary data for the leasehold acreage associated with the Mississippian opportunity and our proposed drilling capital budget with respect to this acreage from October 1, 2012 to December 31, 2013, assuming the acquisition of this acreage is completed.

	Total Gross Acreage	Ownership Interest	Net Acres	Potential		Drilling & Land Acquisition Capital Budget October 1, 2012 - December 31, 2013			
				Acre Spacing	Gross-Drilling Locations(2)	Gross Wells	Net Wells	\$/Well	Capital Cost
Mississippian Acquisition	13,806	50 %	6,903	120	84	7	3.50	\$ 3,300,000	\$ 11,550,000
Cost(1)									\$ 4,850,000
									\$ 16,400,000

(1) Represents our share of the anticipated acquisition costs for the Mississippian asset, assuming we pay 50% of the purchase price.

(2) Potential gross drilling locations are calculated using the acre spacing specified in the table. We have no proved, probable or possible reserves attributable to any of these potential gross drilling locations.

Based on publicly available information, we believe that average drilling and completion costs for wells in the Mississippian core area, which, for purposes of industry comparisons, we define as Comanche, Harper, Barber and Kiowa Counties, Kansas and Woods County, Oklahoma, have ranged between \$3.2 million and \$4.0 million per well with average estimated ultimate recoveries, or EURs, of 250,000 to 500,000 boe per well and initial 30-day average production of 250 to 1,500 boe per day per well. The costs incurred, EURs and initial production rates achieved by others may not be indicative of the well costs we will incur or the results we will achieve from our wells.

## Second and Third Niobrara Wells

On November 19, 2012, Condor spudded its second horizontal well in Weld County, Colorado, the Waves 1H well. Drilling of the well was completed on November 27, 2012, to a true vertical depth of approximately 6,220 feet, and a total horizontal length of approximately 4,339 feet in the Niobrara “B” Bench target zone. Condor plans to complete hydraulic fracking and completion operations on this well using Halliburton in January 2013, and commence flow testing in early February 2013.

On November 30, 2012, Condor spudded its third horizontal well in Weld County, Colorado, the Logan 2H well. Drilling of the well was completed on December 8, 2012, to a true vertical depth of approximately 6,150 feet, and a total horizontal length of approximately 6,350 feet in the Niobrara “B” Bench target zone. Condor plans to complete hydraulic fracking completion operations on this well using Halliburton in January 2013, and commence flow testing in early February 2013.

## Additional Niobrara Acreage

On September 24, 2012, Condor completed the acquisition of additional oil and gas leases in the Niobrara asset covering approximately 3,582 net acres in Morgan and Weld Counties, Colorado with a 100% working interest (80% net revenue interest) and including all depths. Condor acquired these additional leases for \$1,105,309 in cash and 368,435 shares of our Series A preferred stock (approximately \$385 net per acre, based on an assumed share price of \$0.75 per share as agreed upon by the parties in July 2012 upon execution of the definitive purchase documentation). With the completion of this acquisition, we now hold leased oil and natural gas acreage in the Niobrara asset covering approximately 10,801 gross acres (2,954 net acres) in Morgan and Weld Counties, Colorado.

## Chinese Gas Shale Blocks

Using the relationships developed by our CEO, Frank Ingriselli, and our strategic partner MIE Holdings, we are currently engaged in discussions with several domestic Chinese energy companies for the purpose of participating in the Chinese government’s recently announced tender of 20 shale gas blocks covering a total area of 20,002 square kilometers (approximately 4,943,000 acres) in eight regions in China that was conducted in the fourth quarter of 2012. We hope to obtain interests in one or more shale gas exploration blocks in China in partnership with one or more domestic Chinese companies.

To this end, on September 26, 2012, we entered into a binding agreement with Guofa Zhonghai Energy Investment Co., Ltd., which we refer to as Guofa Zhonghai Energy, a Chinese energy company, pursuant to which we agreed to jointly participate in China’s 2012 tender for shale gas blocks and provided technical expertise to Guofa Zhonghai Energy in their submission of bids for the acquisition of shale gas blocks, which bids were submitted on October 25, 2012. In December 2012 the Chinese Ministry of Land and Resources (the “Ministry”) announced the results of the tender. Although Guofa Zhonghai Energy was not the highest bidder on any of the tendered blocks, one of its bids was among the top three bids received by the Ministry with respect to one tendered block. We and Guofa Zhonghai Energy are now engaging in discussions with the highest bidder to explore joint participation opportunities with respect to the block. In the event we are successful in our efforts to participate in the block, we plan to negotiate a mutually agreed upon joint operating agreement among the parties which shall set forth the rights and obligations of each party and their respective ownership in the shale gas block, and their economic rights with respect to the block.

If we are able to participate with Guofa Zhonghai Energy, or other domestic Chinese companies, in the joint development of one or more of these China shale gas assets, we plan to provide and apply horizontal drilling and fracturing completion processes and techniques we currently use in the United States shale formations in the development of these assets. Through these partnerships we hope to obtain important knowledge and experience in developing China shale gas that could be beneficial to developing our own shale gas blocks in China, when and if

obtained. If we are successful in obtaining our own shale gas blocks in China, we believe our relationship with MIE Holdings will prove to be extremely beneficial to us as a local operator in gaining access to the necessary equipment, services and labor at appropriate pricing levels.

#### Possible Reverse Stock Split

On December 3, 2012, our company's board of directors approved a possible reverse stock split of its common stock and Series A preferred stock in a ratio ranging between 1-for-2 and 1-for-5, with the specific ratio and effective time (if we decide to proceed with the split) to be later determined by the board of directors. Effective December 5, 2012, holders of a majority of our common stock and Series A preferred stock granted the board of directors discretionary authority to determine the specific ratio and effective time for the reverse split. We have filed and mailed to our shareholders an Information Statement on Schedule 14C in connection with such approval. We have not made any adjustments to the amount of shares disclosed in this prospectus to account for this intended reverse stock split.

#### Business Strategy

Our goal is to increase shareholder value by building reserves, production and cash flows at an attractive return on invested capital. We intend to first focus on growing and developing reserves, production and cash flow in our U.S. core assets and then, if opportunity allows, use our relationships and partnership to expand into the Pacific Rim with a focus on the underdeveloped China shale gas opportunity. We intend to achieve our objectives as follows:

Aggressively drill and develop our existing acreage positions. We plan to aggressively drill our core assets, drilling at least 13 gross wells on the Niobrara asset and at least two gross wells on the Eagle Ford asset through the end of 2013. We intend to drill at least seven gross wells in the Mississippian Lime play through the end of 2013, assuming we complete our acquisition of that interest. We believe our drilling programs will allow us to begin converting our undeveloped acreage to developed acreage with production, cash flow and proved reserves.

Acquire additional oil and natural gas opportunities. We plan to leverage our relationships and experienced acquisition team to pursue additional leasehold assets in our core areas as well as continue to pursue additional oil and natural gas interests. Our joint venture, Condor, has signed a binding agreement (subject to customary closing conditions) for the acquisition of interests in the Mississippian Lime covering approximately 13,806 gross acres located in Comanche, Harper, Barber and Kiowa Counties, Kansas, and Woods County, Oklahoma, and we expect to complete the acquisition during the first quarter of 2013. We estimate there could be up to 84 potential gross drilling locations on the Mississippian asset, and, if we consummate the acquisition, we anticipate drilling 7 gross (3.5 net) wells through the end of 2013. We are also exploring additional oil and natural gas opportunities in our core areas, other areas of the United States and Pacific Rim countries, with a particular focus on China.

Leverage expertise of management and external resources. We plan to focus on profitable investments that provide a platform for our management expertise, as described under "Competitive Strengths." We have also engaged STXRA and other industry veterans as key advisors, and as discussed above, recently formed Pacific Energy Technology Services, LLC with STXRA, for the purpose of providing acquisition, engineering and oil drilling and completion technology services to third parties in the United States and Pacific Rim countries. As necessary, we intend to enlist external resources and talent to operate and manage our properties during peak operations.

Engage and leverage strategic alliances in the Pacific Rim. We have already entered into strategic alliances with MIE Holdings and Guofa Zhonghai Energy, and we intend to partner with additional Chinese energy companies to (a) provide technical horizontal drilling expertise for a fee, thus acquiring valuable experience and data in regards to the China shale formations and successful engineering techniques, and (b) acquire interests in domestic China shale-gas blocks, and commence exploration of the same.

Limit exposure and increase diversification through engaging in joint ventures. We own various of our oil and natural gas interests through joint ventures with MIE Holdings, and may in the future enter into similar joint ventures with respect to other oil and gas interests either with MIE Holdings or other partners. We believe that conducting many of our activities through partially owned joint venture will enable us to lower our risk exposure while increasing our ability to invest in multiple ventures.

Maintain financial strength and flexibility. Other than the \$2.15 million advanced by MIE Holdings for our portion of the costs of the first Niobrara well, we have no short or long-term debt. We expect that the proceeds from this offering and internally generated cash flow will provide us with the financial resources to pursue our leasing and drilling and development programs through 2013. We have met with financial institutions, introduced to us by MIE Holdings, in order to negotiate a line of credit that could be used for both acquisition and development costs where needed.

## Competitive Strengths

We believe we are well positioned to successfully execute our business strategies and achieve our business objectives because of the following competitive strengths:

**Management.** We have assembled a management team with extensive experience in the fields of international business development, petroleum engineering, geology, petroleum field development and production, petroleum operations and finance. Several members of the team developed and ran what we believe were successful energy ventures that were commercialized at Texaco, CAMAC Energy Inc., and Rosetta Resources, while members of our team at Condor have drilled and presently manage over 2,000 oil wells in the Pacific Rim and Kazakhstan. We believe that our management team is highly qualified to identify, acquire and exploit energy resources both in the United States and Pacific Rim countries, particularly China.

Our management team is headed by our President and Chief Executive Officer, Frank C. Ingriselli, an international oil and gas industry veteran with over 33 years of experience in the energy industry, including as the President of Texaco International Operations Inc., President and Chief Executive Officer of Timan Pechora Company, President of Texaco Technology Ventures, and President, Chief Executive Officer and founder of CAMAC Energy Inc. Our management team also includes Chief Financial Officer and Executive Vice President Michael L. Peterson, who brings extensive experience in the energy, corporate finance and securities sectors, including as a Vice President of Goldman Sachs & Co., Chairman and Chief Executive Officer of Nevo Energy, Inc. (formerly Solargen Energy, Inc.), a former director of Aemetis, Inc. (formerly AE Biofuels Inc.). In addition, our Senior Vice President and Managing Director, Jamie Tseng, has over 25 years of financial management and operations experience and was a co-founder of CAMAC Energy Inc., and our Executive Vice President and General Counsel, Clark R. Moore, has nearly 10 years of energy industry experience, and formerly served as acting general counsel of CAMAC Energy Inc.

**Key Advisors.** Our key advisors include STXRA and other industry veterans. According to STXRA, the STXRA team has experience in drilling and completing horizontal wells, including over 100 horizontal wells with lengths exceeding 4,000 feet from 2010 to 2012, as well as experience in both slick water and hybrid multi-stage hydraulic fracturing technologies and in the operation of shale wells and fields. We believe that our relationship with STXRA, both directly and through our jointly-owned Pacific Energy Technology Services LLC services company, will supplement the core competencies of our management team and provide us with petroleum and reservoir engineering, petrophysical, and operational competencies that will help us to evaluate, acquire develop, and operate petroleum resources into the future.

**Significant acreage positions and drilling potential.** Without giving effect to the Mississippian acquisition opportunity, we have accumulated interests in a total of 12,132 gross (3,007 net) acres in our existing core operating areas, each of which we believe represents a significant unconventional resource play. The majority of our interests are in or near areas of considerable activity by both major and independent operators, although such activity may not be indicative of our future operations. Based on our current acreage position and without giving effect to the Mississippian acquisition opportunity, we estimate there could be up to 197 potential gross drilling locations on our acreage, and we anticipate drilling approximately 15 gross (3.68 net) wells through the end of 2013, leaving us a substantial drilling inventory for future years.

## Merger with Pacific Energy Development

On July 27, 2012, in order to carry out our business plan, we acquired through a reverse acquisition, Pacific Energy Development Corp., a privately held Nevada corporation, which we refer to as Pacific Energy Development. As described below, pursuant to the acquisition, the shareholders of Pacific Energy Development gained control of approximately 95% of the voting securities of our company. Since the transaction resulted in a change of control, Pacific Energy Development is the acquirer for accounting purposes. In connection with the merger, which we refer to as the Pacific Energy Development merger, Pacific Energy Development became our wholly owned subsidiary and we changed our name from Blast Energy Services, Inc. to PEDEVCO CORP.

As part of the Pacific Energy Development merger, we issued to the shareholders of Pacific Energy Development (a) 17,917,261 shares of our common stock, (b) 19,616,676 shares of our newly created Series A preferred stock, (c) warrants to purchase an aggregate of 1,120,000 shares of our common stock and 692,584 shares of our Series A preferred stock at various exercise prices, and (d) options to purchase an aggregate of 4,235,000 shares of our common stock at various exercise prices. Pursuant to the Pacific Energy Development merger, we also converted all of our shares of preferred stock that were outstanding prior to the Pacific Energy Development merger into shares of common stock on a one-for-one basis and effected a reverse stock split of our common stock on a 1 for 112 shares basis. All share and per share amounts used in this prospectus have been restated to reflect this reverse stock split.

At the effective time of the Pacific Energy Development merger, (a) Pacific Energy Development owned the Niobrara and Eagle Ford assets and had begun discussions regarding the Mississippian acquisition opportunity, and (b) our primary business was developing the North Sugar Valley Field asset. As a result of our acquisition of Pacific Energy Development in the Pacific Energy Development merger, we acquired these assets and opportunities of Pacific Energy Development.

In connection with the Pacific Energy Development merger, the directors and executive officers of Pacific Energy Development became our directors and executive officers. See “Management.”



The following chart reflects our current core subsidiaries and joint ventures:

12

---

## Risk Factors

An investment in our common stock involves significant risks. In particular, the following considerations may offset our competitive strengths or have a negative effect on our business, financial condition and results of operations, which could cause a decrease in the price of our common stock and result in a loss of all or a portion of your investment:

We have recorded minimal proved reserves, and areas that we decide to drill may not yield oil or natural gas in commercial quantities, or at all.

We have a limited operating history on which to base your evaluation of us, and our future performance is uncertain.

Oil and natural gas prices are volatile. A substantial or extended decline in oil and natural gas prices may adversely affect our business, financial condition and results of operations and our ability to meet our capital expenditure obligations and financial commitments.

Drilling for and producing oil and natural gas are high risk activities with many uncertainties that could adversely affect our business, financial condition and results of operations.

Our exploration and development projects require substantial capital expenditures. We may be unable to obtain required capital or financing on satisfactory terms. While we have previously recorded minimal reserves in connection with what we now consider our non-core assets, we have no proved, probable or possible reserves attributable to any of the drilling locations we disclose in this prospectus for our core Niobrara asset.

Our potential drilling locations are expected to be drilled over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of their drilling.

We are subject to complex federal, state, local and other laws and regulations, including environmental and operational safety laws and regulations, that could adversely affect the timing, cost, manner or feasibility of conducting our operations or expose us to significant liabilities.

This list is not exhaustive. Please read the full discussion of these risks and other risks under the headings “Risk Factors” beginning on page 18 and “Cautionary Note Regarding Forward-Looking Statements” beginning on page 45.

## Corporate Information

Our principal executive offices are located at 4125 Blackhawk Plaza Circle, Suite 201, Danville, California 94506, and our telephone number at that address is (855) 733-3826. Our website address is [www.pacificenergydevelopment.com](http://www.pacificenergydevelopment.com). Information on our website or any other website is not, and will not be, a part of this prospectus and is not, and will not be, incorporated by reference into this prospectus.

## The Offering

Common stock offered by us	shares ( shares if the underwriters' over-allotment option is exercised in full)
Common stock to be outstanding after this offering	shares ( shares if the underwriters' over-allotment option is exercised in full), which is based upon 22,123,814 shares of our common stock outstanding as of January 11, 2013.
Over-allotment option	We have granted the underwriters a 30-day option to purchase up to an aggregate of shares of our common stock to cover any over-allotments.
Use of proceeds	<p>We estimate that our net proceeds from this offering will be approximately \$ million assuming a public offering price of \$ per share, the last reported bid price of our common stock on the OTC Bulletin Board on, January , 2013, and after deducting the underwriting discount and commission and estimated offering expenses. The public offering price will be negotiated between us and representatives of the underwriters based on numerous factors which we discuss in "Underwriting - NYSE MKT Listing; Determination of Public Offering Price." Each \$0.50 increase (decrease) in the public offering price would increase (decrease) our net proceeds by approximately \$ million.</p> <p>We anticipate the offering price to be no less than \$2.00 per share, in accordance with listing requirements for the NYSE MKT.</p> <p>We intend to use the net proceeds that we receive from this offering to fund our fourth quarter of 2012 and 2013 capital expenditures for leasehold acquisitions and development as well as for general corporate purposes, as described under "Use of Proceeds" beginning on page 47.</p>
Dividend policy	We do not anticipate paying any cash dividends on our common stock.
Risk factors	You should carefully review the information under the caption "Risk Factors" beginning on page 18, as well as other information included in this prospectus, for a discussion of factors you should read and consider carefully before investing in our common stock.
OTCBB Symbol	PEDO
Proposed NYSE MKT Symbol	

The number of shares of common stock to be outstanding after this offering as shown above is based on 22,123,814 shares outstanding as of January 11, 2013, and excludes:

3,762,918 shares that are issuable upon the exercise of outstanding options, with exercise prices ranging from \$0.08 to \$161.28 per share;

1,800,893 shares that are issuable upon the exercise of outstanding warrants to purchase capital stock, with exercise prices ranging from \$0.08 to \$1.50 per share;

19,979,037 shares that are issuable upon the conversion of outstanding Series A preferred stock, with a conversion price of \$0.75 per share; and

6,000,000 shares that are authorized for future awards under our employee equity incentive plans, of which 5,960,000 shares remain available for future awards.

Except as otherwise indicated, all information in this prospectus assumes:

that the underwriters will not exercise their over-allotment option; and

our shares of common stock will be sold in this offering at \$      per share, the last reported bid price of our common stock on the OTC Bulletin Board on      , 2013.

Except as otherwise noted, all share and per share amounts set forth in this prospectus have been adjusted to reflect the 1 for 112 reverse stock split of our common stock that was effected on July 30, 2012.

## Summary Historical and Pro Forma Financial Data

On July 27, 2012, we completed our acquisition of Pacific Energy Development Corp., a privately held Nevada corporation, which we refer to as Pacific Energy Development. The acquisition was accounted for as a “reverse acquisition,” and Pacific Energy Development was deemed to be the accounting acquirer in the acquisition. Because Pacific Energy Development Corp. was deemed the acquirer for accounting purposes, the financial statements of Pacific Energy Development are presented as the continuing accounting entity. The assets and operations of our company prior to the merger are included in our financial statements only from the date of the merger. Our company’s pre-merger assets and liabilities are recorded at their fair value. Pacific Energy Development’s assets and liabilities are carried forward at their historical costs. Historical financial statements included below for any time period before the merger only represent historical financial information for Pacific Energy Development.

Set forth below is the following financial information:

summary historical consolidated financial data of Pacific Energy Development as of the year ended December 31, 2011, and for the period from February 9, 2011 (inception) through December 31, 2011;

summary historical consolidated financial data for Pacific Energy Development for the period from February 9, 2011 (inception) until September 30, 2011 and for Pacific Energy Development as the continuing accounting entity for the nine months ended September 30, 2012 ; and

summary pro forma combined financial data for Pacific Energy Development and our company for the year ended December 31, 2011 and for the nine months ended September 30, 2012.

The summary historical consolidated financial data as of and for the year ended December 31, 2011 are derived from Pacific Energy Development’s audited consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated financial data for the period from February 9, 2011 (inception of Pacific Energy Development) to September 30, 2011 and for the nine month period ended September 30, 2012 and as of September 30, 2012 are derived from Pacific Energy Development’s unaudited consolidated financial statements included elsewhere in this prospectus, which, in the opinion of our management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of this information. Results of operations for any period of less than a year are not necessarily indicative of the results of operations for the entire year or any future period.

The summary pro forma combined financial data are derived from the unaudited pro forma combined financial statements included elsewhere in this prospectus and give effect to the Pacific Energy Development merger. The summary pro forma combined statement of operations data give effect to the Pacific Energy Development merger as if it had been completed on January 1, 2011. The summary pro forma combined financial data are not necessarily indicative of what our results of operations would have been if the Pacific Energy Development merger had actually occurred on that date or of our future results of operations or financial position.

Prior to the reverse merger with Pacific Energy Development, our pre-merger company historically had used the full cost method to account for oil and natural gas properties. Pacific Energy Development uses the successful efforts method of accounting for its oil and natural gas properties. Since Pacific Energy Development is the continuing accounting entity, the successful efforts method of accounting is used for our historical and continuing financial data. The summary pro forma combined financial data does not include pro forma adjustments of our company's pre-merger historical results to reflect the successful efforts method of accounting.

The information set forth below should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical and pro forma financial statements and the notes thereto included elsewhere in this prospectus. The financial data included in this prospectus may not be indicative of our future results of operations, financial position and cash flows.

	Historical		Pro Forma		
	Period from February 9, 2011 (Inception) through December 31, 2011 Restated (1)	Period from February 9, 2011 (Inception) through September 30, 2011 (unaudited)	Nine Months Ended September 30, 2012 (unaudited)	Year Ended December 31, 2011 (unaudited)	Nine Months Ended September 30, 2012 (unaudited)
Statement of operations data:					
Total revenue	\$ -	\$ -	\$ 332,848	\$ 446,526	\$ 570,383
Total operating expenses	717,792	288,875	9,175,406	10,154,713	9,826,484
Operating loss	(717,792 )	(288,875 )	(8,857,755 )	(9,708,187 )	(9,256,101 )
Net income (loss)	(763,677 )	(298,688 )	(9,314,492 )	(10,881,013)	(9,826,019 )

	Historical As of December 31, 2011 Restated (1)	As of September 30, 2012 (unaudited)
Balance sheet data:		
Total assets	\$ 2,938,628	\$ 11,627,171
Total liabilities	2,050,075	3,962,589
Stockholders' equity (deficit)	888,553	6,414,532

(1) The financial statements have been restated to adjust Pacific Energy Development's accounting for the fully vested non-forfeitable stock award issued to investor relations consultants. Pacific Energy Development originally recorded the \$69,667 value of the award as a stock service receivable, but we have reconsidered the accounting for this transaction and concluded that the appropriate treatment should have been to expense the value of the award in full.

## RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below as well as the other information in this prospectus before deciding to invest in our company. Any of the risk factors described below could significantly and adversely affect our business, prospects, financial condition and results of operations. Additional risks and uncertainties not currently known or that are currently considered to be immaterial may also materially and adversely affect our business, prospects, financial condition and results of operations. As a result, the trading price or value of our common stock could be materially adversely affected and you may lose all or part of your investment.

### Risks Related to the Oil and Natural Gas Industry and Our Business

We have a limited operating history and expect to continue to incur losses for an indeterminable period of time.

We have a limited operating history and are engaged in the initial stages of exploration, development and exploitation of our leasehold acreage and will continue to be so until commencement of substantial production from our oil and natural gas properties, which will depend upon successful drilling results, additional and timely capital funding, and access to suitable infrastructure. Companies in their initial stages of development face substantial business risks and may suffer significant losses. We have generated substantial net losses and negative cash flows from operating activities in the past and expect to continue to incur substantial net losses as we continue our drilling program. In considering an investment in our common stock, you should consider that there is only limited historical and financial operating information available upon which to base your evaluation of our performance. We face challenges and uncertainties in financial planning as a result of the unavailability of historical data and uncertainties regarding the nature, scope and results of our future activities. New companies must develop successful business relationships, establish operating procedures, hire staff, install management information and other systems, establish facilities and obtain licenses, as well as take other measures necessary to conduct their intended business activities. We may not be successful in implementing our business strategies or in completing the development of the infrastructure necessary to conduct our business as planned. In the event that one or more of our drilling programs is not completed or is delayed or terminated, our operating results will be adversely affected and our operations will differ materially from the activities described in this prospectus. As a result of industry factors or factors relating specifically to us, we may have to change our methods of conducting business, which may cause a material adverse effect on our results of operations and financial condition. The uncertainty and risks described in this prospectus may impede our ability to economically find, develop, exploit and acquire oil and natural gas reserves. As a result, we may not be able to achieve or sustain profitability or positive cash flows provided by our operating activities in the future.

Drilling for and producing oil and natural gas are highly speculative and involve a high degree of risk, with many uncertainties that could adversely affect our business. We have not recorded significant proved reserves, and areas that we decide to drill may not yield oil or natural gas in commercial quantities or at all.

Exploring for and developing hydrocarbon reserves involves a high degree of operational and financial risk, which precludes us from definitively predicting the costs involved and time required to reach certain objectives. Our potential drilling locations are in various stages of evaluation, ranging from locations that are ready to drill to locations that will require substantial additional interpretation before they can be drilled. The budgeted costs of planning, drilling, completing and operating wells are often exceeded and such costs can increase significantly due to various complications that may arise during the drilling and operating processes. Before a well is spud, we may incur significant geological and geophysical (seismic) costs, which are incurred whether a well eventually produces commercial quantities of hydrocarbons or is drilled at all. Exploration wells bear a much greater risk of loss than development wells. The analogies we draw from available data from other wells, more fully explored locations or producing fields may not be applicable to our drilling locations. If our actual drilling and development costs are



significantly more than our estimated costs, we may not be able to continue our operations as proposed and could be forced to modify our drilling plans accordingly.

If we decide to drill a certain location, there is a risk that no commercially productive oil or natural gas reservoirs will be found or produced. We may drill or participate in new wells that are not productive. We may drill wells that are productive, but that do not produce sufficient net revenues to return a profit after drilling, operating and other costs. There is no way to predict in advance of drilling and testing whether any particular location will yield oil or natural gas in sufficient quantities to recover exploration, drilling or completion costs or to be economically viable. Even if sufficient amounts of oil or natural gas exist, we may damage the potentially productive hydrocarbon-bearing formation or experience mechanical difficulties while drilling or completing the well, resulting in a reduction in production and reserves from the well or abandonment of the well. Whether a well is ultimately productive and profitable depends on a number of additional factors, including the following:

- general economic and industry conditions, including the prices received for oil and natural gas;
- shortages of, or delays in, obtaining equipment, including hydraulic fracturing equipment, and qualified personnel;
- potential drainage by operators on adjacent properties;
- loss of or damage to oilfield development and service tools;
- problems with title to the underlying properties;
- increases in severance taxes;
- adverse weather conditions that delay drilling activities or cause producing wells to be shut down;
- domestic and foreign governmental regulations; and
- proximity to and capacity of transportation facilities.

If we do not drill productive and profitable wells in the future, our business, financial condition and results of operations could be materially and adversely affected.

Our success is dependent on the prices of oil and natural gas. Low oil or natural gas prices and the substantial volatility in these prices may adversely affect our business, financial condition and results of operations and our ability to meet our capital expenditure requirements and financial obligations.

The prices we receive for our oil and natural gas heavily influence our revenue, profitability, cash flow available for capital expenditures, access to capital and future rate of growth. Oil and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for oil and natural gas have been volatile. For example, for the four years ended December 31, 2012, the NYMEX — WTI oil price ranged from a high of \$120.92 per bbl to a low of \$33.87 per bbl, while the NYMEX — Henry Hub natural gas price ranged from a high of \$8.26 per MMBtu to a low of \$1.82 per MMBtu. These markets will likely continue to be volatile in the future. The prices we receive for our production, and the levels of our production, depend on numerous factors. These factors include the following:

the domestic and foreign supply of oil and natural gas;

the domestic and foreign demand for oil and natural gas;

the prices and availability of competitors' supplies of oil and natural gas;

the actions of the Organization of Petroleum Exporting Countries, or OPEC, and state-controlled oil companies relating to oil price and production controls;

the price and quantity of foreign imports of oil and natural gas;

the impact of U.S. dollar exchange rates on oil and natural gas prices;

domestic and foreign governmental regulations and taxes;

speculative trading of oil and natural gas futures contracts;

localized supply and demand fundamentals, including the availability, proximity and capacity of gathering and transportation systems for natural gas;

the availability of refining capacity;

the prices and availability of alternative fuel sources;

weather conditions and natural disasters;

political conditions in or affecting oil and natural gas producing regions, including the Middle East and South America;

the continued threat of terrorism and the impact of military action and civil unrest;

public pressure on, and legislative and regulatory interest within, federal, state and local governments to stop, significantly limit or regulate hydraulic fracturing activities;

the level of global oil and natural gas inventories and exploration and production activity;

authorization of exports from the United States of liquefied natural gas;

the impact of energy conservation efforts;

technological advances affecting energy consumption; and

overall worldwide economic conditions.

Declines in oil or natural gas prices would not only reduce our revenue, but could reduce the amount of oil and natural gas that we can produce economically. Should natural gas or oil prices decrease from current levels and remain there for an extended period of time, we may elect in the future to delay some of our exploration and development plans for our prospects, or to cease exploration or development activities on certain prospects due to the anticipated unfavorable economics from such activities, each of which would have a material adverse effect on our business, financial condition and results of operations.

Our exploration, development and exploitation projects require substantial capital expenditures that may exceed our cash flows from operations and potential borrowings, and we may be unable to obtain needed capital on satisfactory terms, which could adversely affect our future growth.

Our exploration and development activities are capital intensive. We make and expect to continue to make substantial capital expenditures in our business for the development, exploitation, production and acquisition of oil and natural gas reserves. The net proceeds we receive from this offering, our operating cash flows and future potential borrowings may not be adequate to fund our future acquisitions or future capital expenditure requirements. The rate of our future growth may be dependent, at least in part, on our ability to access capital at rates and on terms we determine to be acceptable.

Our cash flows from operations and access to capital are subject to a number of variables, including:

- our estimated proved oil and natural gas reserves;
- the amount of oil and natural gas we produce from existing wells;
- the prices at which we sell our production;
- the costs of developing and producing our oil and natural gas reserves;
- our ability to acquire, locate and produce new reserves;
- the ability and willingness of banks to lend to us; and
- our ability to access the equity and debt capital markets.

In addition, future events, such as terrorist attacks, wars or combat peace-keeping missions, financial market disruptions, general economic recessions, oil and natural gas industry recessions, large company bankruptcies, accounting scandals, overstated reserves estimates by major public oil companies and disruptions in the financial and capital markets have caused financial institutions, credit rating agencies and the public to more closely review the financial statements, capital structures and earnings of public companies, including energy companies. Such events have constrained the capital available to the energy industry in the past, and such events or similar events could adversely affect our access to funding for our operations in the future.

If our revenues decrease as a result of lower oil and natural gas prices, operating difficulties, declines in reserves or for any other reason, we may have limited ability to obtain the capital necessary to sustain our operations at current levels, further develop and exploit our current properties or invest in additional exploration opportunities. Alternatively, a significant improvement in oil and natural gas prices or other factors could result in an increase in our capital expenditures and we may be required to alter or increase our capitalization substantially through the issuance of debt or equity securities, the sale of production payments, the sale or farm out of interests in our assets, the borrowing of funds or otherwise to meet any increase in capital needs. If we are unable to raise additional capital from available sources at acceptable terms, our business, financial condition and results of operations could be adversely affected. Further, future debt financings may require that a portion of our cash flows provided by operating activities be used for the payment of principal and interest on our debt, thereby reducing our ability to use cash flows to fund working capital, capital expenditures and acquisitions. Debt financing may involve covenants that restrict our business activities. If we succeed in selling additional equity securities to raise funds, at such time the ownership percentage of our existing stockholders would be diluted, and new investors may demand rights, preferences or privileges senior to those of existing stockholders. If we choose to farm-out interests in our prospects, we may lose operating control over such prospects.

Our oil and natural gas reserves are estimated and may not reflect the actual volumes of oil and natural gas we will receive, and significant inaccuracies in these reserves estimates or underlying assumptions will materially affect the quantities and present value of our reserves.

The process of estimating accumulations of oil and natural gas is complex and is not exact, due to numerous inherent uncertainties. The process relies on interpretations of available geological, geophysical, engineering and production data. The extent, quality and reliability of this technical data can vary. The process also requires certain economic assumptions related to, among other things, oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. The accuracy of a reserves estimate is a function of:

the quality and quantity of available data;

the interpretation of that data;

the judgment of the persons preparing the estimate; and

the accuracy of the assumptions.

The accuracy of any estimates of proved reserves generally increases with the length of the production history. Due to the limited production history of our properties, the estimates of future production associated with these properties may be subject to greater variance to actual production than would be the case with properties having a longer production history. As our wells produce over time and more data are available, the estimated proved reserves will be re-determined on at least an annual basis and may be adjusted to reflect new information based upon our actual production history, results of exploration and development, prevailing oil and natural gas prices and other factors.

Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas most likely will vary from our estimates. It is possible that future production declines in our wells may be greater than we have estimated. Any significant variance to our estimates could materially affect the quantities and present value of our reserves.

There is no guarantee that the proposed acquisition of the Mississippian asset will be completed, and the failure to acquire the Mississippian asset could adversely affect our business and results of operations.

Our joint venture, Condor, has signed a binding agreement to acquire interests in the Mississippian Lime covering approximately 13,806 gross acres located in Kansas and Oklahoma, and we have agreed with our joint venture partner in Condor that we will have a 50% interest in the Mississippian asset. We anticipate that the acquisition will occur during the first quarter of 2013. However, the completion of the Mississippian acquisition is subject to customary closing conditions, including our due diligence review of the asset, and we cannot guarantee that the acquisition will occur during the first quarter of 2013 or at any time thereafter, or that our joint venture partner in Condor will agree to acquire its 50% interest in the Mississippian asset as currently contemplated. The Mississippian asset represents a significant business opportunity for us and, if Condor fails to acquire the Mississippian asset, our anticipated business and results of operations could be adversely affected and there is no guarantee that we could subsequently acquire an equally attractive oil play.

We may have accidents, equipment failures or mechanical problems while drilling or completing wells or in production activities, which could adversely affect our business.

While we are drilling and completing wells or involved in production activities, we may have accidents or experience equipment failures or mechanical problems in a well that cause us to be unable to drill and complete the well or to continue to produce the well according to our plans. We may also damage a potentially hydrocarbon-bearing formation during drilling and completion operations. Such incidents may result in a reduction of our production and reserves from the well or in abandonment of the well.

Our operations are subject to operational hazards and unforeseen interruptions for which we may not be adequately insured.

There are numerous operational hazards inherent in oil and natural gas exploration, development, production and gathering, including:

- unusual or unexpected geologic formations;
- natural disasters;
- adverse weather conditions;
- unanticipated pressures;
- loss of drilling fluid circulation;
- blowouts where oil or natural gas flows uncontrolled at a wellhead;
- cratering or collapse of the formation;
- pipe or cement leaks, failures or casing collapses;
- fires or explosions;
- releases of hazardous substances or other waste materials that cause environmental damage;
- pressures or irregularities in formations; and
- equipment failures or accidents.

In addition, there is an inherent risk of incurring significant environmental costs and liabilities in the performance of our operations, some of which may be material, due to our handling of petroleum hydrocarbons and wastes, our emissions to air and water, the underground injection or other disposal of our wastes, the use of hydraulic fracturing fluids and historical industry operations and waste disposal practices.

Any of these or other similar occurrences could result in the disruption or impairment of our operations, substantial repair costs, personal injury or loss of human life, significant damage to property, environmental pollution and substantial revenue losses. The location of our wells, gathering systems, pipelines and other facilities near populated areas, including residential areas, commercial business centers and industrial sites, could significantly increase the level of damages resulting from these risks.

Insurance against all operational risks is not available to us. We are not fully insured against all risks, including development and completion risks that are generally not recoverable from third parties or insurance. In addition, pollution and environmental risks generally are not fully insurable. Also, we may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the perceived risks presented. Losses could, therefore, occur for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. Moreover, insurance may not be available in the future at commercially reasonable prices or on commercially reasonable terms. Changes in the insurance markets due to various factors may make it more difficult for us to obtain certain types of coverage in the future. As a result, we may not be able to obtain the levels or types of insurance we would otherwise have obtained prior to these market changes, and the insurance coverage we do obtain may not cover certain hazards or all potential losses that are currently covered, and may be subject to large deductibles. Losses and liabilities from uninsured and underinsured events and delay in the payment of insurance proceeds could have a material adverse effect on our business, financial condition and results of operations.

Our strategy as an onshore unconventional resource player may result in operations concentrated in certain geographic areas and may increase our exposure to many of the risks described in this prospectus.

We currently anticipate that our initial operations will be concentrated in the States of Colorado, Texas, Kansas and Oklahoma. This anticipated concentration may increase the potential impact of many of the risks described in this prospectus. For example, we may have greater exposure to regulatory actions impacting these four states, natural disasters in these states, competition for equipment, services and materials available in the areas and access to infrastructure and markets in those areas.

Unless we replace our oil and natural gas reserves, our reserves and production will decline, which would adversely affect our business, financial condition and results of operations.

The rate of production from our oil and natural gas properties will decline as our reserves are depleted. Our future oil and natural gas reserves and production and, therefore, our income and cash flow, are highly dependent on our success in (a) efficiently developing and exploiting our current reserves on properties owned by us or by other persons or entities and (b) economically finding or acquiring additional oil and natural gas producing properties. In the future, we may have difficulty acquiring new properties. During periods of low oil and/or natural gas prices, it will become more difficult to raise the capital necessary to finance expansion activities. If we are unable to replace our production, our reserves will decrease, and our business, financial condition and results of operations would be adversely affected.



Our strategy includes acquisitions of oil and natural gas properties, and our failure to identify or complete future acquisitions successfully could reduce our earnings and hamper our growth.

We may be unable to identify properties for acquisition or to make acquisitions on terms that we consider economically acceptable. There is intense competition for acquisition opportunities in our industry. Competition for acquisitions may increase the cost of, or cause us to refrain from, completing acquisitions. The completion and pursuit of acquisitions may be dependent upon, among other things, our ability to obtain debt and equity financing and, in some cases, regulatory approvals. Our ability to grow through acquisitions will require us to continue to invest in operations, financial and management information systems and to attract, retain, motivate and effectively manage our employees. The inability to manage the integration of acquisitions effectively could reduce our focus on subsequent acquisitions and current operations, and could negatively impact our results of operations and growth potential. Our financial position and results of operations may fluctuate significantly from period to period as a result of the completion of significant acquisitions during particular periods. If we are not successful in identifying or acquiring any material property interests, our earnings could be reduced and our growth could be restricted.

We may engage in bidding and negotiating to complete successful acquisitions. We may be required to alter or increase substantially our capitalization to finance these acquisitions through the use of cash on hand, the issuance of debt or equity securities, the sale of production payments, the sale of non-strategic assets, the borrowing of funds or otherwise. If we were to proceed with one or more acquisitions involving the issuance of our common stock, our shareholders would suffer dilution of their interests. Furthermore, our decision to acquire properties that are substantially different in operating or geologic characteristics or geographic locations from areas with which our staff is familiar may impact our productivity in such areas.

We may purchase oil and natural gas properties with liabilities or risks that we did not know about or that we did not assess correctly, and, as a result, we could be subject to liabilities that could adversely affect our results of operations.

Before acquiring oil and natural gas properties, we estimate the reserves, future oil and natural gas prices, operating costs, potential environmental liabilities and other factors relating to the properties. However, our review involves many assumptions and estimates, and their accuracy is inherently uncertain. As a result, we may not discover all existing or potential problems associated with the properties we buy. We may not become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. We do not generally perform inspections on every well or property, and we may not be able to observe mechanical and environmental problems even when we conduct an inspection. The seller may not be willing or financially able to give us contractual protection against any identified problems, and we may decide to assume environmental and other liabilities in connection with properties we acquire. If we acquire properties with risks or liabilities we did not know about or that we did not assess correctly, our business, financial condition and results of operations could be adversely affected as we settle claims and incur cleanup costs related to these liabilities.

We may incur losses or costs as a result of title deficiencies in the properties in which we invest.

If an examination of the title history of a property that we have purchased reveals an oil and natural gas lease has been purchased in error from a person who is not the owner of the property, our interest would be worthless. In such an instance, the amount paid for such oil and natural gas lease as well as any royalties paid pursuant to the terms of the lease prior to the discovery of the title defect would be lost.

Prior to the drilling of an oil and natural gas well, it is the normal practice in the oil and natural gas industry for the person or company acting as the operator of the well to obtain a preliminary title review of the spacing unit within which the proposed oil and natural gas well is to be drilled to ensure there are no obvious deficiencies in title to the well. Frequently, as a result of such examinations, certain curative work must be done to correct deficiencies in the marketability of the title, and such curative work entails expense. Our failure to cure any title defects may adversely impact our ability in the future to increase production and reserves. In the future, we may suffer a monetary loss from title defects or title failure. Additionally, unproved and unevaluated acreage has greater risk of title defects than developed acreage. If there are any title defects or defects in assignment of leasehold rights in properties in which we hold an interest, we will suffer a financial loss which could adversely affect our business, financial condition and results of operations.

Our identified drilling locations are scheduled over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of their drilling.

Our management team has identified and scheduled drilling locations in our operating areas over a multi-year period. Our ability to drill and develop these locations depends on a number of factors, including the availability of equipment and capital, approval by regulators, seasonal conditions, oil and natural gas prices, assessment of risks, costs and drilling results. The final determination on whether to drill any of these locations will be dependent upon the factors described elsewhere in this prospectus as well as, to some degree, the results of our drilling activities with respect to our established drilling locations. Because of these uncertainties, we do not know if the drilling locations we have identified will be drilled within our expected timeframe or at all or if we will be able to economically produce hydrocarbons from these or any other potential drilling locations. Our actual drilling activities may be materially different from our current expectations, which could adversely affect our business, financial condition and results of operations.

We currently own only a limited amount of seismic and other geological data and may have difficulty obtaining additional data at a reasonable cost, which could adversely affect our future results of operations.

We currently own only a limited amount of seismic and other geological data to assist us in exploration and development activities. We intend to obtain access to additional data in our areas of interest through licensing arrangements with companies that own or have access to that data or by paying to obtain that data directly. Seismic and geological data can be expensive to license or obtain. We may not be able to license or obtain such data at an acceptable cost.

The unavailability or high cost of drilling rigs, completion equipment and services, supplies and personnel, including hydraulic fracturing equipment and personnel, could adversely affect our ability to establish and execute exploration and development plans within budget and on a timely basis, which could have a material adverse effect on our business, financial condition and results of operations.

Shortages or the high cost of drilling rigs, completion equipment and services, supplies or personnel could delay or adversely affect our operations. When drilling activity in the United States increases, associated costs typically also increase, including those costs related to drilling rigs, equipment, supplies and personnel and the services and products of other vendors to the industry. These costs may increase, and necessary equipment and services may become unavailable to us at economical prices. Should this increase in costs occur, we may delay drilling activities, which may limit our ability to establish and replace reserves, or we may incur these higher costs, which may negatively affect our business, financial condition and results of operations.

In addition, the demand for hydraulic fracturing services currently exceeds the availability of fracturing equipment and crews across the industry and in our operating areas in particular. The accelerated wear and tear of hydraulic fracturing equipment due to its deployment in unconventional oil and natural gas fields characterized by longer lateral lengths and larger numbers of fracturing stages has further amplified this equipment and crew shortage. If demand for fracturing services continues to increase or the supply of fracturing equipment and crews decreases, then higher costs could result and could adversely affect our business, financial condition and results of operations.

We have limited control over activities on properties we do not operate.

We are not the operator on some of our properties and, as a result, our ability to exercise influence over the operations of these properties or their associated costs is limited. Our dependence on the operators and other working interest owners of these projects and our limited ability to influence operations and associated costs or control the risks could materially and adversely affect the realization of our targeted returns on capital in drilling or acquisition activities. The success and timing of our drilling and development activities on properties operated by others therefore depends upon a number of factors, including:

- timing and amount of capital expenditures;
- the operator's expertise and financial resources;
- the rate of production of reserves, if any;
- approval of other participants in drilling wells; and
- selection of technology.

The marketability of our production is dependent upon oil and natural gas gathering and transportation facilities owned and operated by third parties, and the unavailability of satisfactory oil and natural gas transportation arrangements would have a material adverse effect on our revenue.

The unavailability of satisfactory oil and natural gas transportation arrangements may hinder our access to oil and natural gas markets or delay production from our wells. The availability of a ready market for our oil and natural gas production depends on a number of factors, including the demand for, and supply of, oil and natural gas and the proximity of reserves to pipelines and terminal facilities. Our ability to market our production depends in substantial part on the availability and capacity of gathering systems, pipelines and processing facilities owned and operated by third parties. Our failure to obtain these services on acceptable terms could materially harm our business. We may be required to shut-in wells for lack of a market or because of inadequacy or unavailability of pipeline or gathering system capacity. If that were to occur, we would be unable to realize revenue from those wells until production arrangements were made to deliver our production to market. Furthermore, if we were required to shut-in wells we might also be obligated to pay shut-in royalties to certain mineral interest owners in order to maintain our leases. We do not expect to purchase firm transportation capacity on third-party facilities. Therefore, we expect the transportation of our production to be generally interruptible in nature and lower in priority to those having firm transportation arrangements.

The disruption of third-party facilities due to maintenance and/or weather could negatively impact our ability to market and deliver our products. The third parties control when or if such facilities are restored and what prices will be charged. Federal and state regulation of oil and natural gas production and transportation, tax and energy policies, changes in supply and demand, pipeline pressures, damage to or destruction of pipelines and general economic conditions could adversely affect our ability to produce, gather and transport oil and natural gas.

Strategic relationships, including with MIE Holdings, Guofa Zhonghai Energy, and STXRA, upon which we may rely are subject to risks and uncertainties which may adversely affect our business, financial conditions and results of operations.

Our ability to explore, develop and produce oil and natural gas resources successfully and acquire oil and natural gas interests and acreage depends on our developing and maintaining close working relationships with industry participants and on our ability to select and evaluate suitable acquisition opportunities in a highly competitive environment. These realities are subject to risks and uncertainties that may adversely affect our business, financial condition and results of operations.

To develop our business, we will endeavor to use the business relationships of our management and board to enter into strategic relationships, which may take the form of contractual arrangements with other oil and natural gas companies, including those that supply equipment and other resources that we expect to use in our business. For example, we have entered into a strategic relationship with MIE Holdings with respect to several of our oil and natural gas interests, a strategic relationship with Guofa Zhonghai Energy with respect to the acquisition of shale gas exploration blocks in China, and have both retained STXRA as a key advisor for our exploration and drilling efforts, and formed Pacific Energy Technology Services, LLC as a jointly-owned technical services venture with STXRA to provide acquisition, engineering, and oil drilling and completion technology services in the United States and abroad, as discussed in greater detail below under "Business." We may not be able to establish these strategic relationships, or if established, we may not be able to maintain them. In addition, the dynamics of our relationships with strategic partners may require us to incur expenses or undertake activities we would not otherwise be inclined to incur in order to fulfill our obligations to these partners or maintain our relationships. If our strategic relationships are not established or maintained, our business, financial condition and results of operations may be adversely affected.



An increase in the differential between the NYMEX or other benchmark prices of oil and natural gas and the wellhead price we receive for our production could adversely affect our business, financial condition and results of operations.

The prices that we will receive for our oil and natural gas production sometimes may reflect a discount to the relevant benchmark prices, such as NYMEX, that are used for calculating hedge positions. The difference between the benchmark price and the prices we receive is called a differential. Increases in the differential between the benchmark prices for oil and natural gas and the wellhead price we receive could adversely affect our business, financial condition and results of operations. We do not have, and may not have in the future, any derivative contracts covering the amount of the basis differentials we experience in respect of our production. As such, we will be exposed to any increase in such differentials.

Our success depends, to a large extent, on our ability to retain our key personnel, including our Chairman of the Board, Chief Executive Officer and President, and the loss of any of our key personnel could disrupt our business operations.

Investors in our common stock must rely upon the ability, expertise, judgment and discretion of our management and the success of our technical team in identifying, evaluating and developing prospects and reserves. Our performance and success are dependent to a large extent on the efforts and continued employment of our management and technical personnel, including our Chairman, President and Chief Executive Officer, Frank C. Ingriselli. We do not believe that they could be quickly replaced with personnel of equal experience and capabilities, and their successors may not be as effective. If Mr. Ingriselli or any of our other key personnel resign or become unable to continue in their present roles and if they are not adequately replaced, our business operations could be adversely affected. Except for a \$3 million insurance policy on the life of Mr. Ingriselli, we do not currently maintain any insurance against the loss of any of these individuals.

We have an active board of directors that meets several times throughout the year and is intimately involved in our business and the determination of our operational strategies. Members of our board of directors work closely with management to identify potential prospects, acquisitions and areas for further development. Three of our directors have been involved with us since our inception and have a deep understanding of our operations and culture. If any of our directors resign or become unable to continue in their present role, it may be difficult to find replacements with the same knowledge and experience and as a result, our operations may be adversely affected.

We may have difficulty managing growth in our business, which could have a material adverse effect on our business, financial condition and results of operations and our ability to execute our business plan in a timely fashion.

Because of our small size, growth in accordance with our business plans, if achieved, will place a significant strain on our financial, technical, operational and management resources. As we expand our activities, including our planned increase in oil exploration, development and production, and increase the number of projects we are evaluating or in which we participate, there will be additional demands on our financial, technical and management resources. The failure to continue to upgrade our technical, administrative, operating and financial control systems or the occurrence of unexpected expansion difficulties, including the inability to recruit and retain experienced managers, geoscientists, petroleum engineers and landmen could have a material adverse effect on our business, financial condition and results of operations and our ability to execute our business plan in a timely fashion.

Financial difficulties encountered by our oil and natural gas purchasers, third-party operators or other third parties could decrease our cash flow from operations and adversely affect the exploration and development of our prospects and assets.

We will derive substantially all of our revenues from the sale of our oil and natural gas to unaffiliated third-party purchasers, independent marketing companies and mid-stream companies. Any delays in payments from our purchasers caused by financial problems encountered by them will have an immediate negative effect on our results of operations.

Liquidity and cash flow problems encountered by our working interest co-owners or the third-party operators of our non-operated properties may prevent or delay the drilling of a well or the development of a project. Our working interest co-owners may be unwilling or unable to pay their share of the costs of projects as they become due. In the case of a farmout party, we would have to find a new farmout party or obtain alternative funding in order to complete the exploration and development of the prospects subject to a farmout agreement. In the case of a working interest owner, we could be required to pay the working interest owner's share of the project costs. We cannot assure you that we would be able to obtain the capital necessary to fund either of these contingencies or that we would be able to find a new farmout party.

The calculated present value of future net revenues from our proved reserves will not necessarily be the same as the current market value of our estimated oil and natural gas reserves.

You should not assume that the present value of future net cash flows included in this prospectus is the current market value of our estimated proved oil and natural gas reserves. We generally base the estimated discounted future net cash flows from proved reserves on current costs held constant over time without escalation and on commodity prices using an unweighted arithmetic average of first-day-of-the-month index prices, appropriately adjusted, for the 12-month period immediately preceding the date of the estimate. Actual future prices and costs may be materially higher or lower than the prices and costs used for these estimates and will be affected by factors such as:

actual prices we receive for oil and natural gas;  
actual cost and timing of development and production expenditures;  
the amount and timing of actual production; and  
changes in governmental regulations or taxation.

In addition, the 10% discount factor that is required to be used to calculate discounted future net revenues for reporting purposes under GAAP is not necessarily the most appropriate discount factor based on the cost of capital in effect from time to time and risks associated with our business and the oil and natural gas industry in general.

We may incur additional indebtedness which could reduce our financial flexibility, increase interest expense and adversely impact our operations and our unit costs.

In the future, we may incur significant amounts of additional indebtedness in order to make acquisitions or to develop our properties. Our level of indebtedness could affect our operations in several ways, including the following:

a significant portion of our cash flows could be used to service our indebtedness;

a high level of debt would increase our vulnerability to general adverse economic and industry conditions;

any covenants contained in the agreements governing our outstanding indebtedness could limit our ability to borrow additional funds, dispose of assets, pay dividends and make certain investments;

a high level of debt may place us at a competitive disadvantage compared to our competitors that are less leveraged and, therefore, may be able to take advantage of opportunities that our indebtedness may prevent us from pursuing; and

debt covenants to which we may agree may affect our flexibility in planning for, and reacting to, changes in the economy and in our industry.

A high level of indebtedness increases the risk that we may default on our debt obligations. We may not be able to generate sufficient cash flows to pay the principal or interest on our debt, and future working capital, borrowings or equity financing may not be available to pay or refinance such debt. If we do not have sufficient funds and are otherwise unable to arrange financing, we may have to sell significant assets or have a portion of our assets foreclosed upon which could have a material adverse effect on our business, financial condition and results of operations.



Competition in the oil and natural gas industry is intense, making it difficult for us to acquire properties, market oil and natural gas and secure trained personnel.

Our ability to acquire additional prospects and to find and develop reserves in the future will depend on our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment for acquiring properties, marketing oil and natural gas and securing trained personnel. Also, there is substantial competition for capital available for investment in the oil and natural gas industry. Many of our competitors possess and employ financial, technical and personnel resources substantially greater than ours, and many of our competitors have more established presences in the United States and the Pacific Rim than we have. Those companies may be able to pay more for productive oil and natural gas properties and exploratory prospects and to evaluate, bid for and purchase a greater number of properties and prospects than our financial or personnel resources permit. In addition, other companies may be able to offer better compensation packages to attract and retain qualified personnel than we are able to offer. The cost to attract and retain qualified personnel has increased in recent years due to competition and may increase substantially in the future. We may not be able to compete successfully in the future in acquiring prospective reserves, developing reserves, marketing hydrocarbons, attracting and retaining quality personnel and raising additional capital, which could have a material adverse effect on our business, financial condition and results of operations.

Our competitors may use superior technology and data resources that we may be unable to afford or that would require a costly investment by us in order to compete with them more effectively.

Our industry is subject to rapid and significant advancements in technology, including the introduction of new products and services using new technologies and databases. As our competitors use or develop new technologies, we may be placed at a competitive disadvantage, and competitive pressures may force us to implement new technologies at a substantial cost. In addition, many of our competitors will have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before we can. We cannot be certain that we will be able to implement technologies on a timely basis or at a cost that is acceptable to us. One or more of the technologies that we will use or that we may implement in the future may become obsolete, and we may be adversely affected.

If we do not hedge our exposure to reductions in oil and natural gas prices, we may be subject to significant reductions in prices. Alternatively, we may use oil and natural gas price hedging contracts, which involve credit risk and may limit future revenues from price increases and result in significant fluctuations in our profitability.

In the event that we choose not to hedge our exposure to reductions in oil and natural gas prices by purchasing futures and by using other hedging strategies, we may be subject to significant reduction in prices which could have a material negative impact on our profitability. Alternatively, we may elect to use hedging transactions with respect to a portion of our oil and natural gas production to achieve more predictable cash flow and to reduce our exposure to price fluctuations. While the use of hedging transactions limits the downside risk of price declines, their use also may limit future revenues from price increases. Hedging transactions also involve the risk that the counterparty may be unable to satisfy its obligations.

We are subject to government regulation and liability, including complex environmental laws, which could require significant expenditures.

The exploration, development, production and sale of oil and natural gas in the United States are subject to many federal, state and local laws, rules and regulations, including complex environmental laws and regulations. Matters subject to regulation include discharge permits, drilling bonds, reports concerning operations, the spacing of wells, unitization and pooling of properties, taxation or environmental matters and health and safety criteria addressing

worker protection. Under these laws and regulations, we may be required to make large expenditures that could materially adversely affect our business, financial condition and results of operations. These expenditures could include payments for:

33

---

personal injuries;  
property damage;  
containment and cleanup of oil and other spills;  
the management and disposal of hazardous materials;  
remediation and clean-up costs; and  
other environmental damages.

We do not believe that full insurance coverage for all potential damages is available at a reasonable cost. Failure to comply with these laws and regulations also may result in the suspension or termination of our operations and subject us to administrative, civil and criminal penalties, injunctive relief and/or the imposition of investigatory or other remedial obligations. Laws, rules and regulations protecting the environment have changed frequently and the changes often include increasingly stringent requirements. These laws, rules and regulations may impose liability on us for environmental damage and disposal of hazardous materials even if we were not negligent or at fault. We may also be found to be liable for the conduct of others or for acts that complied with applicable laws, rules or regulations at the time we performed those acts. These laws, rules and regulations are interpreted and enforced by numerous federal and state agencies. In addition, private parties, including the owners of properties upon which our wells are drilled or the owners of properties adjacent to or in close proximity to those properties, may also pursue legal actions against us based on alleged non-compliance with certain of these laws, rules and regulations.

Part of our strategy involves drilling in existing or emerging shale plays using some of the latest available horizontal drilling and completion techniques. The results of our planned exploratory drilling in these plays are subject to drilling and completion technique risks, and drilling results may not meet our expectations for reserves or production. As a result, we may incur material write-downs and the value of our undeveloped acreage could decline if drilling results are unsuccessful.

Our operations in the Eagle Ford and Niobrara, and anticipated operations in the Mississippian involve utilizing the latest drilling and completion techniques in order to maximize cumulative recoveries and therefore generate the highest possible returns. Risks that we may face while drilling include, but are not limited to, landing our well bore in the desired drilling zone, staying in the desired drilling zone while drilling horizontally through the formation, running our casing the entire length of the well bore and being able to run tools and other equipment consistently through the horizontal well bore. Risks that we may face while completing our wells include, but are not limited to, being able to fracture stimulate the planned number of stages, being able to run tools the entire length of the well bore during completion operations and successfully cleaning out the well bore after completion of the final fracture stimulation stage.

The results of our drilling in new or emerging formations will be more uncertain initially than drilling results in areas that are more developed and have a longer history of established production. Newer or emerging formations and areas have limited or no production history and consequently we are less able to predict future drilling results in these areas.

Ultimately, the success of these drilling and completion techniques can only be evaluated over time as more wells are drilled and production profiles are established over a sufficiently long time period. If our drilling results are less than anticipated or we are unable to execute our drilling program because of capital constraints, lease expirations, access to gathering systems and limited takeaway capacity or otherwise, and/or natural gas and oil prices decline, the return on our investment in these areas may not be as attractive as we anticipate. Further, as a result of any of these developments we could incur material write-downs of our oil and natural gas properties and the value of our undeveloped acreage could decline in the future.

Our acreage must be drilled before lease expiration, generally within three to five years, in order to hold the acreage by production. In the highly competitive market for acreage, failure to drill sufficient wells in order to hold acreage will result in a substantial lease renewal cost, or if renewal is not feasible, loss of our lease and prospective drilling opportunities.

Our leases on oil and natural gas properties typically have a primary term of three to five years, after which they expire unless, prior to expiration, production is established within the spacing units covering the undeveloped acres. Without giving pro forma effect to the proposed Mississippian acquisition, as of September 30, 2012, we had leases representing 180 net acres expiring in 2012, 2,605 net acres expiring in 2013, 418 net acres expiring in 2014 and 96 net acres expiring thereafter. If our extension options expire and we have to renew such leases on new terms, we could incur significant cost increases, and we may not be able to renew such leases on commercially reasonable terms or at all. In addition, on certain portions of our acreage, third-party leases become immediately effective if our leases expire. As such, our actual drilling activities may materially differ from our current expectations, which could adversely affect our business.

Competition and regulation of hydraulic fracturing services and water disposal could impede our ability to develop our shale plays.

The unavailability or high cost of high pressure pumping services (or hydraulic fracturing services), chemicals, proppant, water and water disposal and related services and equipment could limit our ability to execute our exploration and development plans on a timely basis and within our budget. The oil and natural gas industry is experiencing a growing emphasis on the exploitation and development of shale natural gas and shale oil resource plays, which are dependent on hydraulic fracturing for economically successful development. Hydraulic fracturing in shale plays requires high pressure pumping service crews. A shortage of service crews or proppant, chemical, water or water disposal options, especially if this shortage occurred in southern Texas, southern Kansas, northern Oklahoma or eastern Colorado, could materially and adversely affect our operations and the timeliness of executing our development plans within our budget. There is significant regulatory uncertainty as some states have begun to regulate hydraulic fracturing and the United States Environmental Protection Agency is expected to release a progress report on its study of the impact of hydraulic fracturing on drinking water sources in early 2013, which could affect the current regulatory jurisdiction of the states and increase the cycle times and costs to receive permits, delay or possibly preclude receipt of permits in certain areas, impact water usage and waste water disposal and require chemical additives disclosures.

We are subject to federal, state and local taxes, and may become subject to new taxes or have eliminated or reduced certain federal income tax deductions currently available with respect to oil and natural gas exploration and production activities as a result of future legislation, which could adversely affect our business, financial condition and results of operations.

The federal, state and local governments in the areas in which we operate impose taxes on the oil and natural gas products we sell and, for many of our wells, sales and use taxes on significant portions of our drilling and operating costs. In the past, there has been a significant amount of discussion by legislators and presidential administrations concerning a variety of energy tax proposals. Many states have raised state taxes on energy sources, and additional increases may occur. Changes to tax laws that are applicable to us could adversely affect our business and our financial results.

Periodically, legislation is introduced to eliminate certain key U.S. federal income tax preferences currently available to oil and natural gas exploration and production companies. Such possible changes include, but are not limited to, (a) the repeal of the percentage depletion allowance for oil and natural gas properties, (b) the elimination of current deductions for intangible drilling and development costs, (c) the elimination of the deduction for certain United States production activities, and (d) the increase in the amortization period for geological and geophysical costs paid or incurred in connection with the exploration for, or development of, oil or natural gas within the United States. It is unclear whether any such changes will actually be enacted or, if enacted, how soon any such changes could become effective. The passage of any legislation as a result of the budget proposals or any other similar change in U.S. federal income tax law could affect certain tax deductions that are currently available with respect to oil and natural gas exploration and production activities and could negatively impact our business, financial condition and results of operations.

The derivatives legislation adopted by Congress, and implementation of that legislation by federal agencies, could have an adverse impact on our ability to hedge risks associated with our business.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") which, among other things, sets forth the new framework for regulating certain derivative products including the commodity hedges of the type that we may elect to use, but many aspects of this law are subject to further rulemaking and will take effect over several years. As a result, it is difficult to anticipate the overall impact of the Dodd-Frank Act on our ability or willingness to enter into and maintain such commodity hedges and the terms of such hedges. There is a possibility that the Dodd-Frank Act could have a substantial and adverse impact on our ability to enter into and maintain these commodity hedges. In particular, the Dodd-Frank Act could result in the implementation of position limits and additional regulatory requirements on derivative arrangements, which could include new margin, reporting and clearing requirements. In addition, this legislation could have a substantial impact on our counterparties and may increase the cost of our derivative arrangements in the future.

If these types of commodity hedges become unavailable or uneconomic, our commodity price risk could increase, which would increase the volatility of revenues and may decrease the amount of credit available to us. Any limitations or changes in our use of derivative arrangements could also materially affect our future ability to conduct acquisitions.

Federal and state legislation and regulatory initiatives relating to hydraulic fracturing and water disposal could result in increased costs and additional operating restrictions or delays.

Congress has considered, but has not yet passed, legislation to amend the federal Safe Drinking Water Act to remove the exemption from restrictions on underground injection of fluids near drinking water sources granted to hydraulic fracturing operations and require reporting and disclosure of chemicals used by oil and natural gas companies in the hydraulic fracturing process. Hydraulic fracturing involves the injection of water, sand or other propping agents and chemicals under pressure into rock formations to stimulate natural gas production. We routinely use hydraulic fracturing to produce commercial quantities of oil, liquids and natural gas from shale formations. Sponsors of bills before the Senate and House of Representatives have asserted that chemicals used in the fracturing process could adversely affect drinking water supplies. Such legislation, if adopted, could increase the possibility of litigation and establish an additional level of regulation at the federal level that could lead to operational delays or increased operating costs and could, and in all likelihood would, result in additional regulatory burdens, making it more difficult to perform hydraulic fracturing operations and increasing our costs of compliance.

In addition, certain members of Congress have called upon the U.S. Government Accountability Office to investigate how hydraulic fracturing might adversely affect water resources, the U.S. Securities and Exchange Commission to investigate the natural-gas industry and any possible misleading of investors or the public regarding the economic feasibility of pursuing natural-gas deposits in shales by means of hydraulic fracturing, and the U.S. Energy Information Administration to provide a better understanding of that agency's estimates regarding natural-gas reserves, including reserves from shale formations, as well as uncertainties associated with those estimates. The U.S. Government Accountability Office released its report on hydraulic fracturing in September 2012. Depending on the outcome of these studies, federal and state legislatures and agencies may seek to further regulate hydraulic fracturing activities.

The U.S. Environmental Protection Agency, or the EPA, is also involved in regulating hydraulic fracturing. On April 17, 2012, the EPA approved final rules that would subject all oil and gas operations (production, processing, transmission, storage and distribution) to regulation under the New Source Performance Standards (NSPS) and National Emission Standards for Hazardous Air Pollutants (NESHAPS) programs. These rules also include NSPS standards for completions of hydraulically fractured gas wells. These standards include the reduced emission completion (REC) techniques developed in EPA's Natural Gas STAR program along with pit flaring of gas not sent to the gathering line. The standards would be applicable to newly drilled and fractured wells as well as existing wells that are refractured. Further, the proposed regulations under NESHAPS include maximum achievable control technology (MACT) standards for those glycol dehydrators and storage vessels at major sources of hazardous air pollutants not currently subject to MACT standards. We are currently researching the effect these proposed rules could have on our business. While these rules have been finalized, many of the rule's provisions will be phased-in over time, with the more stringent requirements like REC not becoming effective until 2015.

Moreover, the EPA is conducting a comprehensive research study on the potential adverse impacts that hydraulic fracturing may have on drinking water and groundwater. In addition, in December 2011, the EPA published an unrelated draft report concluding that hydraulic fracturing caused groundwater pollution of a natural gas field in Wyoming, although this study remains subject to review and public comments. Consequently, even if federal legislation is not adopted soon or at all, the performance of the hydraulic fracturing study by the EPA could spur further action at a later date towards federal legislation and regulation of hydraulic fracturing or similar production

operations.

37

---

In addition, a number of states are considering or have implemented more stringent regulatory requirements applicable to fracturing, which could include a moratorium on drilling and effectively prohibit further production of natural gas through the use of hydraulic fracturing or similar operations. For example, Texas has adopted legislation that requires the disclosure of information regarding the substances used in the hydraulic fracturing process to the Railroad Commission of Texas and the public. This legislation and any implementing regulation could increase our costs of compliance and doing business.

The adoption of new laws or regulations imposing reporting obligations on, or otherwise limiting, the hydraulic fracturing and related water disposal processes could make it more difficult to complete oil and natural gas wells in shale formations. In addition, if hydraulic fracturing becomes regulated at the federal level as a result of federal legislation or regulatory initiatives by the EPA, fracturing activities could become subject to additional permitting requirements, and also to attendant permitting delays and potential increases in cost, which could adversely affect our business, financial condition and results of operations.

Legislation or regulations restricting emissions of “greenhouse gases” could result in increased operating costs and reduced demand for the natural gas, natural gas liquids and oil we produce while the physical effects of climate change could disrupt our production and cause us to incur significant costs in preparing for or responding to those effects.

On December 15, 2009, the EPA published its final findings that emissions of carbon dioxide, methane and other “greenhouse gases” present an endangerment to public health and welfare 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 allow the EPA to adopt and implement regulations that would restrict emissions of greenhouse gases under existing provisions of the federal Clean Air Act. Accordingly, the EPA has adopted regulations that would require a reduction in emissions of greenhouse gases from motor vehicles and permitting and presumably requiring a reduction in 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. On November 30, 2010, the EPA released a final rule that expands its rule on reporting of greenhouse gas emissions to include owners and operators of petroleum and natural gas systems. The adoption and implementation of any regulations imposing reporting obligations on, or limiting emissions of greenhouse gases from, our equipment and operations could require us to incur costs to reduce emissions of greenhouse gases associated with our operations. Further, various states have adopted legislation that seeks to control or reduce emissions of greenhouse gases from a wide range of sources. Any such legislation could adversely affect demand for the natural gas, oil and liquids that we produce.

Some scientists have concluded that increasing concentrations of greenhouse gases in the Earth’s atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods and other climatic events. If any such effects were to occur, they could have an adverse effect on our exploration and production operations. Significant physical effects of climate change could also have an indirect effect on our financing and operations by disrupting the transportation or process-related services provided by midstream companies, service companies or suppliers with whom we have a business relationship. We may not be able to recover through insurance some or any of the damages, losses, or costs that may result from potential physical effects of climate change.

Our operations are substantially dependent on the availability of water. Restrictions on our ability to obtain water may have an adverse effect on our financial condition, results of operations and cash flows.

Water is an essential component of deep shale oil and natural gas production during both the drilling and hydraulic fracturing, or fracking, processes. According to the Lower Colorado River Authority, during 2011, Texas experienced



the lowest inflows of water of any year in recorded history. As a result of this severe drought, some local water districts have begun restricting the use of water subject to their jurisdiction for hydraulic fracturing in order to protect local water supply. If we are unable to obtain water to use in our operations from local sources, we may be unable to economically produce oil and natural gas, which could have an adverse effect on our financial condition, results of operations and cash flows.

Restrictions on drilling activities intended to protect certain species of wildlife may adversely affect our ability to conduct drilling activities in some of the areas where we operate.

Oil and natural gas operations in our operating areas can be adversely affected by seasonal or permanent restrictions on drilling activities designed to protect various wildlife. Seasonal restrictions may limit our ability to operate in protected areas and can intensify competition for drilling rigs, oilfield equipment, services, supplies and qualified personnel, which may lead to periodic shortages when drilling is allowed. These constraints and the resulting shortages or high costs could delay our operations and materially increase our operating and capital costs. Permanent restrictions imposed to protect endangered species could prohibit drilling in certain areas or require the implementation of expensive mitigation measures.

As a result of a settlement approved by the U.S. District Court for the District of Columbia on September 9, 2011, the U.S. Fish and Wildlife Service is required to consider listing more than 250 species as endangered under the Endangered Species Act. The law prohibits the harming of endangered or threatened species, provides for habitat protection, and imposes stringent penalties for noncompliance. The final designation of previously unprotected species in areas where we operate as threatened or endangered could cause us to incur increased costs arising from species protection measures or could result in limitations, delays, or prohibitions on our exploration and production activities that could have an adverse impact on our ability to develop and produce our reserves.

Potential conflicts of interest could arise for certain members of our management team that hold management positions with other entities.

Frank C. Ingriselli, our Chairman of the Board and Chief Executive Officer, is also president and Chief Executive Officer of Global Venture Investments LLC and Michael L. Peterson, our Chief Financial Officer, is a managing partner of Pascal Management. We believe these positions require only an immaterial amount of Messrs. Ingriselli's and Peterson's time and will not conflict with each of their respective roles or responsibilities with our company. If either of these entities enters into one or more transactions with our company, or if either of these positions require significantly more time than currently anticipated, potential conflicts of interests could arise from Messrs. Ingriselli and Peterson performing services for us and these other entities.

#### Risks Related to this Offering and Our Common Stock

The market price and trading volume of our common stock may be volatile following this offering.

The market price of our common stock could vary significantly as a result of a number of factors. In addition, the trading volume of our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines, you could lose a substantial part or all of your investment in our common stock. Factors that could affect our stock price or result in fluctuations in the market price or trading volume of our common stock include:

- our actual or anticipated operating and financial performance and drilling locations, including reserves estimates;

- quarterly variations in the rate of growth of our financial indicators, such as net income per share, net income and cash flows, or those of companies that are perceived to be similar to us;

- changes in revenue, cash flows or earnings estimates or publication of reports by equity research analysts;

- speculation in the press or investment community;

public reaction to our press releases, announcements and filings with the SEC;

sales of our common stock by us or other shareholders, or the perception that such sales may occur;

the limited amount of our freely tradable common stock available in the public marketplace;

general financial market conditions and oil and natural gas industry market conditions, including fluctuations in commodity prices;

the realization of any of the risk factors presented in this prospectus;

the recruitment or departure of key personnel;

commencement of, or involvement in, litigation;

the prices of oil and natural gas;

the success of our exploration and development operations, and the marketing of any oil and natural gas we produce;

changes in market valuations of companies similar to ours; and

domestic and international economic, legal and regulatory factors unrelated to our performance.

The stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock.

The public offering price of our common stock may not be indicative of the market price of our common stock after the completion of this offering.

The public offering price may not necessarily bear any relationship to our book value or the fair market value of our assets. The public offering price will be negotiated between us and representatives of the underwriters based on numerous factors which we discuss in the "Underwriting" section of this prospectus and may not be indicative of the market price of our common stock after the completion of this offering. Consequently, you may not be able to sell shares of our common stock at prices equal to or greater than the price paid by you in this offering.

An active liquid trading market for our common stock may not develop following this offering.

Our common stock currently trades on the OTC Bulletin Board, although our common stock's trading volume is very low. We intend to file a listing application with the NYSE MKT for our common stock in connection with this offering. Liquid and active trading markets usually result in less price volatility and more efficiency in carrying out investors' purchase and sale orders. However, our common stock may continue to have limited trading volume after the completion of this offering, and many investors may not be interested in owning our common stock because of the inability to acquire or sell a substantial block of our common stock at one time. Such illiquidity could have an adverse effect on the market price of our common stock. In addition, a shareholder may not be able to borrow funds using our common stock as collateral because lenders may be unwilling to accept the pledge of securities having such a limited market. We cannot assure you that an active trading market for our common stock will develop or, if one develops, be sustained.

Purchasers of common stock in this offering will experience immediate and substantial dilution of \$      per share.

Based on an assumed public offering price of \$      per share, purchasers of our common stock in this offering will experience an immediate and substantial dilution of \$      per share in the pro forma as adjusted net tangible book value per share of common stock from the public offering price, and our pro forma as adjusted net tangible book value at September 30, 2012 after giving effect to this offering would be \$      per share. See "Dilution" for a complete description of the calculation of net tangible book value.

We do not presently intend to pay any cash dividends on or repurchase any shares of our common stock.

We do not presently intend to pay any cash dividends on our common stock or to repurchase any shares of our common stock. Any payment of future dividends will be at the discretion of the board of directors and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that our board of directors deems relevant. Cash dividend payments in the future may only be made out of legally available funds and, if we experience substantial losses, such funds may not be available. Accordingly, you may have to sell some or all of your common stock in order to generate cash flow from your investment, and there is no guarantee that the price of our common stock that will prevail in the market after this offering will ever exceed the price paid by you in this offering.

Our intended use of the net proceeds we receive from this offering is as set forth under "Use of Proceeds" in this prospectus, but our budgets may change depending on oil and natural gas prices, the outcome of our drilling and exploration programs and proposed acquisitions.

As we discuss in the "Use of Proceeds" section in this prospectus, we intend to use the net proceeds we receive from this offering and from any exercise of the underwriters' over-allotment option to fund a portion of our anticipated 2012-13 capital expenditure budget for leasehold acquisition and drilling our current and future core assets, to repay certain debt obligations to MIE Holdings and for other general corporate purposes. In the event we do not complete the acquisition of the Mississippian asset as currently contemplated, we anticipate that we will use the proceeds from this offering that we originally intended to use to acquire and develop the Mississippian asset to instead seek to acquire and develop other leasehold interests in the Mississippian Lime play. However, the ultimate amount of capital we will expend may fluctuate materially based on market conditions and our drilling results. Management has broad discretion in applying the net proceeds we receive from this offering. Our shareholders may not agree with the manner in which our management chooses to allocate and spend the net proceeds we receive from this offering. The failure of management to apply these funds effectively will have a material adverse effect on our business, financial condition and results of operations. Pending their use, we may invest our net proceeds from this offering in a manner that does not produce income or that loses value.



Because we are a small company, the requirements of being a public company, including compliance with the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the requirements of the Sarbanes-Oxley Act and the Dodd-Frank Act, may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost-effective manner.

As a public company with listed equity securities, we must comply with the federal securities laws, rules and regulations, including certain corporate governance provisions of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) and the Dodd-Frank Act, related rules and regulations of the SEC and (assuming we obtain listing approval) the NYSE MKT, with which a private company is not required to comply. Complying with these laws, rules and regulations will occupy a significant amount of time of our board of directors and management and will significantly increase our costs and expenses, which we cannot estimate accurately at this time. Among other things, we must:

establish and maintain a system of internal control over financial reporting in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act and the related rules and regulations of the SEC and the Public Company Accounting Oversight Board;

comply with rules and regulations promulgated by the NYSE MKT;

prepare and distribute periodic public reports in compliance with our obligations under the federal securities laws;

maintain various internal compliance and disclosures policies, such as those relating to disclosure controls and procedures and insider trading in our common stock;

involve and retain to a greater degree outside counsel and accountants in the above activities;

maintain a comprehensive internal audit function; and

maintain an investor relations function.

In addition, being a public company subject to these rules and regulations may require us to accept less director and officer liability insurance coverage than we desire or to incur substantial costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee, and qualified executive officers.

Future sales of shares of our common stock by existing shareholders and future offerings of our common stock by us could depress the price of our common stock.

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market after the completion of this offering, and the perception that these sales could occur may also depress the market price of our common stock. Based on 22,123,814 shares outstanding at January 11, 2013, upon completion of this offering we will have outstanding approximately \_\_\_\_\_ shares of common stock and, in addition to the shares sold in this offering, 2,891,780 shares of common stock will be immediately freely tradable, without restriction, in the public market, except to the extent the shares are held by any of our affiliates (generally, directors, executive officers and holders of more than 10% of our shares).

A total of 12,277,651 of our shares, including all shares held by our officers and directors, are subject to lock-up agreements that prohibit the disposition of those shares during the 180-day period beginning on the date of the final prospectus related to this offering, except with the prior written consent of Wunderlich Securities and subject to certain exceptions, including any dispositions pursuant to certain Rule 10b5-1 plans. After the expiration of this 180-day restricted period, all of these shares may be sold in the public market in the United States, subject to prior registration in the United States, if required, or reliance upon an exemption from U.S. registration, including, in the case of shares held by affiliates, compliance with the volume restrictions of Rule 144.

If our existing shareholders sell, or indicate an intent to sell, substantial amounts of our common stock in the public market after any contractual lockup and other legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock could decline significantly and could decline below the public offering price. Sales of our common stock may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales also could cause our stock price to fall and make it more difficult for you to sell shares of our common stock.

We may also sell additional shares of common stock or securities convertible into common stock in subsequent offerings. We cannot predict the size of future issuances of our common stock or convertible securities or the effect, if any, that future issuances and sales of shares of our common stock or convertible securities will have on the market price of our common stock.

Our outstanding options, warrants and convertible securities may adversely affect the trading price of our common stock.

As of January 11, 2013, there were outstanding stock options to purchase approximately 3,762,918 shares of our common stock, outstanding warrants to purchase approximately 1,308,309 shares of common stock, and outstanding warrants to purchase approximately 492,584 shares of Series A preferred stock. In addition, 19,979,037 shares of common stock will be issuable upon the conversion of our outstanding Series A preferred stock. For the life of the options and warrants, the holders have the opportunity to profit from a rise in the market price of our common stock without assuming the risk of ownership. The issuance of shares upon the exercise of outstanding securities will also dilute the ownership interests of our existing stockholders, including purchasers of common stock in this offering.

The availability of these shares for public resale, as well as any actual resales of these shares, could adversely affect the trading price of our common stock. As soon as practicable after effectiveness of the registration statement of which this prospectus is a part, we intend to file a registration statement with the SEC on Form S-8 providing for the registration of 11,950,000 shares of our common stock issuable or reserved for issuance under our equity incentive plans. Subject to the satisfaction of vesting conditions, the expiration of lockup agreements, any management 10b5-1 plans and certain restrictions on sales by affiliates, shares registered under a registration statement on Form S-8 will be available for resale immediately in the public market without restriction.



We cannot predict the size of future issuances of our common stock pursuant to the exercise of outstanding option or warrants or conversion of other securities, or the effect, if any, that future issuances and sales of shares of our common stock may have on the market price of our common stock. Sales or distributions of substantial amounts of our common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may cause the market price of our common stock to decline.

Four of our directors and executive officers will own approximately % of our common stock, and two of our major shareholders will own approximately % of our common stock, after the completion of this offering, which may give them influence over important corporate matters in which their interests are different from your interests.

Four of our directors and executive officers will beneficially own approximately % of our outstanding shares of common stock, and our largest two non-director or officer shareholders will own approximately % of our outstanding shares of common stock (assuming conversion of their Series A preferred stock and exercise of warrants held thereby) following this offering based on a total of shares of common stock outstanding upon completion of this offering. These directors, executive officers and major shareholders will be positioned to influence or control to some degree the outcome of matters requiring a shareholder vote, including the election of directors, the adoption of amendments to our certificate of formation or bylaws and the approval of mergers and other significant corporate transactions. These directors, executive officers and major shareholders, subject to any fiduciary duties owed to the shareholders generally, may have interests different than the rest of our shareholders. Their influence or control of our company may have the effect of delaying or preventing a change of control of our company and may adversely affect the voting and other rights of other shareholders. In addition, due to the ownership interest of these directors and officers in our common stock, they may be able to remain entrenched in their positions.

Furthermore, one of our major shareholders, MIE Holdings, is an independent oil company in China with its own oil and natural gas operations separate from its relationship with us. Potential conflicts of interest could arise as a result, either in the terms of our relationship with MIE Holdings or in MIE Holdings competing with us in its operations outside its relationship with us.

Provisions of Texas law may have anti-takeover effects that could prevent a change in control even if it might be beneficial to our shareholders.

Provisions of Texas law may discourage, delay or prevent someone from acquiring or merging with us, which may cause the market price of our common stock to decline. Under Texas law, a shareholder who beneficially owns more than 20% of our voting stock, or any “affiliated shareholder,” cannot acquire us for a period of three years from the date this person became an affiliated shareholder, unless various conditions are met, such as approval of the transaction by our board of directors before this person became an affiliated shareholder or approval of the holders of at least two-thirds of our outstanding voting shares not beneficially owned by the affiliated shareholder. See “Description of Capital Stock — Business Combinations Under Texas Law.”

Our board of directors can authorize the issuance of preferred stock, which could diminish the rights of holders of our common stock and make a change of control of our company more difficult even if it might benefit our shareholders.

Our board of directors is authorized to issue shares of preferred stock in one or more series and to fix the voting powers, preferences and other rights and limitations of the preferred stock. Accordingly, we may issue shares of preferred stock with a preference over our common stock with respect to dividends or distributions on liquidation or dissolution, or that may otherwise adversely affect the voting or other rights of the holders of common stock. Issuances of preferred stock, depending upon the rights, preferences and designations of the preferred stock, may have the effect of delaying, deterring or preventing a change of control of our company, even if that change of control might benefit our shareholders.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements which are subject to a number of risks and uncertainties, many of which are beyond our control. All statements, other than statements of historical fact included in this prospectus, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs and cash flows, prospects, plans and objectives of management are forward-looking statements. When used in this prospectus, the words “could,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “may,” “should,” “continue,” “predict,” “potential,” similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Forward-looking statements may include statements about our:

business strategy;

reserves;

technology;

cash flows and liquidity;

financial strategy, budget, projections and operating results;

oil and natural gas realized prices;

timing and amount of future production of oil and natural gas;

availability of oil field labor;

the amount, nature and timing of capital expenditures, including future exploration and development costs;

availability and terms of capital;

drilling of wells;

government regulation and taxation of the oil and natural gas industry;  
marketing of oil and natural gas;  
exploitation projects or property acquisitions;  
costs of exploiting and developing our properties and conducting other operations;  
general economic conditions;  
competition in the oil and natural gas industry;  
effectiveness of our risk management and hedging activities;  
environmental liabilities;  
counterparty credit risk;  
developments in oil-producing and natural gas-producing countries;  
future operating results;  
estimated future reserves and the present value of such reserves; and  
plans, objectives, expectations and intentions contained in this prospectus that are not historical.

All forward-looking statements speak only at the date of this prospectus. You should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this prospectus are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved. We disclose important factors that could cause our actual results to differ materially from our expectations under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this prospectus. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf. We do not undertake any obligation to update or revise publicly any forward-looking statements except as required by law, including the securities laws of the United States and the rules and regulations of the SEC.

## USE OF PROCEEDS

We expect to receive net proceeds of approximately \$ million from the sale of the common stock offered by us after deducting estimated expenses of approximately \$ and estimated underwriting discounts and commissions of approximately \$ million, assuming a public offering price of \$ per share, which was the last reported bid price of our common stock on the OTC Bulletin Board on , 2013. If the underwriters' over-allotment option is exercised in full, we estimate that our net proceeds will be approximately \$ million. The public offering price will be negotiated between us and representatives of the underwriters based on numerous factors which we discuss in "Underwriting-NYSE MKT Listing; Determination of Public Offering Price" and may not be indicative of the market price of our common stock after the completion of this offering. Each \$ increase or decrease in the public offering price would increase (decrease) our net proceeds by approximately \$ million.

We intend to use the net proceeds from this offering to fund our fourth quarter of 2012 and 2013 capital expenditures for leasehold acquisition and drilling for our current and future core assets, as well as certain other purposes as set forth below:

## Niobrara asset:

Leasehold Acquisition (1)	\$	1,000,000
Drilling	\$	16,200,000
Total	\$	17,200,000

## Eagle Ford asset:

Leasehold Acquisition		--
Drilling	\$	720,000
Total	\$	720,000

## Mississippian acquisition opportunity

Leasehold Acquisition (2)	\$	4,850,000
Drilling (3)	\$	11,550,000
Total	\$	16,400,000

Additional Acquisition and Development	\$	6,000,000
--	----	-----------

Repayment of debt to MIE Holdings (4)	\$	2,150,000
---------------------------------------	----	-----------

General Corporate Selling, General & Administrative Expenses	\$	3,480,000
--	----	-----------

TOTAL:	\$	45,950,000
--------	----	------------

(1) Represents our remaining payment obligations for the purchase price of our interests in the Niobrara asset.

(2) As described under "Mississippian Opportunity," we anticipate the total leasehold acquisition cost for the Mississippian asset, including certain consulting fees owed to STXRA upon closing, will be approximately \$9.7 million, which we anticipate will be funded 50% by us and 50% by an affiliate of MIE Holdings, if MIE Holdings decides to participate in the acquisition. If MIE Holdings decides not to participate in the acquisition of the Mississippian asset and we are not able to find another partner for the acquisition, our anticipated leasehold acquisition expense will be approximately \$9.7 million, which will reduce the amount of proceeds that may be used for additional acquisitions and development and/or general corporate and other purposes.

- (3) Assuming completion of our acquisition of the Mississippian asset.
- (4) Represents payment obligations owed by our company to MIE Holdings in connection with certain advances by MIE Holdings with respect to drilling expenses associated with the Niobrara asset, as described under “Business.” The payment obligations bear 10.0% interest compounded annually, secured by our interests in the Niobrara wells funded by such advances, with principal and unpaid interest due upon the earlier of December 31, 2013 or the closing of the sale of shares being offered by this prospectus.

Except for the capital expenditures with respect to the Niobrara asset, the Eagle Ford asset and the Mississippian acquisition opportunity and the repayment of debt to MIE Holdings as described above, we do not have a specific plan with respect to the remainder of the net proceeds, but intend to use such funds for the possible acquisition and development of additional assets that we may identify in the future or possible further development of our current core assets and for general corporate purposes. Although we have no current acquisition plans or proposals except with respect to the Mississippian acquisition opportunity as described under “Business,” we may be presented with other opportunities for acquisitions of oil and natural gas interests. In that case, we may decide to use a portion of the remaining net proceeds to finance these acquisitions, and to that end, we have reserved approximately \$6 million in proceeds for acquisition and development costs of additional leasehold interests in the Niobrara and/or Mississippian formations which interests have yet to be identified. If no such additional leasehold interests are identified, these funds will be used to accelerate our development plans of our current core assets. We intend to use the remainder of the net proceeds that are not used for leasehold acquisition or drilling and other development for general corporate purposes.

In the event we do not complete the acquisition of the Mississippian asset as currently contemplated, we anticipate that we will use the proceeds from this offering that we originally intended to use to acquire and develop the Mississippian asset to instead seek to acquire and develop other leasehold interests in the Mississippian Lime play.

While we expect to use the net proceeds from this offering in the manner described above, the ultimate amount of capital we will expend may fluctuate materially based on market conditions and our drilling results. Our future financial condition and liquidity will be impacted by, among other factors, our level of production of oil and natural gas and the prices we receive from the sale of oil and natural gas, the outcome of our exploration and drilling programs, the number of commercially viable oil and natural gas discoveries made and the quantities of oil and natural gas discovered, the speed with which we can bring such discoveries to production, and the actual cost of exploration and development of our oil and natural gas assets. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.” Pending our expenditure of the net proceeds of this offering in the manner described above, we intend to invest the net proceeds from this offering in U.S. treasury bonds or investment grade instruments.

## MARKET PRICE OF OUR COMMON STOCK

## Market Information

Our common stock has been traded on the OTC Bulletin Board over-the-counter market since January 13, 2003 and currently trades under the symbol "PEDO." We intend to apply to list our common stock on the NYSE MKT under the symbol "PED " effective upon the completion of this offering.

On January 11, 2013, the last reported bid price per share of our common stock as quoted on the OTC Bulletin Board was \$2.15. The following price information (a) has been adjusted to reflect the 1 for 112 reverse stock split of our common stock that was effected on July 30, 2012 and (b) does not reflect any value attributable to our merger with Pacific Energy Development, which occurred on that date. Due to the limited trading volume in our common stock, you are cautioned not to rely upon the following price information or on the last reported bid price of our common stock on January 11, 2013 in valuing our common stock for purposes of this offering. The following price information reflects inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions

	Quarter Ended	High	Low
2013	March 31, 2013 (through January 11, 2013)	\$ 2.48	\$ 1.80
2012	March 31, 2012	\$ 2.02	\$ 0.34
	June 30, 2012	1.12	0.34
	September 30, 2012	5.00	0.90
	December 31, 2012	3.50	2.00
2011	March 31, 2011	\$ 22.40	\$ 2.24
	June 30, 2011	22.40	3.36
	September 30, 2011	10.08	3.36
	December 31, 2011	6.72	1.12
2010	March 31, 2010	\$ 10.08	\$ 0.08
	June 30, 2010	6.72	6.72
	September 30, 2010	6.72	6.72
	December 31, 2010	7.84	1.12

On December 3, 2012, our board of directors approved a possible reverse stock split of our common stock and Series A preferred stock in a ratio between 1-for-2 and 1-for-5, with the specific ratio and effective time (if we decide to proceed with the split) to be later determined by the board of directors, which has also been approved by the holders of a majority of our outstanding common stock and Series A preferred stock. We cannot guarantee if or when we will effect this reverse stock split. We have not made any adjustments to the amount of shares or share prices disclosed in this prospectus to account for this intended reverse stock split.

## Shareholders

As of January 13, 2013, there were approximately 765 holders of record of our common stock, not including any persons who hold their stock in "street name."





## DIVIDEND POLICY

We have never declared or paid any dividends on our common stock and do not anticipate that we will pay dividends in the foreseeable future. Any payment of cash dividends on our common stock in the future will be dependent upon the amount of funds legally available, our earnings, if any, our financial condition, our anticipated capital requirements and other factors that the board of directors may think are relevant. However, we currently intend for the foreseeable future to follow a policy of retaining all of our earnings, if any, to finance the development and expansion of our business and, therefore, do not expect to pay any dividends on our common stock in the foreseeable future.

In addition, the holders of the shares of our Series A preferred stock are entitled to receive non-cumulative dividends at an annual rate of 6% of the original issue price per share for the Series A preferred stock, which is \$0.75 per share (as appropriately adjusted for any recapitalizations). These dividends will only accrue and become payable if declared by our board of directors in its discretion. The right to receive dividends on shares of Series A preferred stock is not cumulative, and no right to such dividends will accrue to holders of Series A preferred stock by reason of the fact that dividends on such shares are not declared or paid in any calendar year. All declared but unpaid dividends of the shares of our Series A preferred stock will be payable in cash upon conversion of such shares. Any dividends declared on our Series A preferred stock will be prior and in preference to any declaration or payment of any dividends or other distributions on our common stock. We have never declared or paid any dividends on our Series A preferred stock and do not anticipate that we will pay dividends in the foreseeable future.

## CAPITALIZATION

The following table sets forth our capitalization at September 30, 2012. Our capitalization is presented:

on an actual basis; and

on an as adjusted basis giving effect to this offering, assuming aggregate net proceeds of \$      million are received by us and added to cash and cash equivalents until such proceeds are used as described under "Use of Proceeds."

You should read the following table in conjunction with "Use of Proceeds," "Selected Historical Consolidated and Other Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical consolidated financial statements and related notes thereto appearing elsewhere in this prospectus.

	At September 30, 2012 Actual	As Adjusted
Long-term debt(1)	\$ 0	\$
Redeemable Series A convertible preferred stock(2)	\$ 1,250,000	
Shareholders' equity:		
Series A preferred stock, \$0.001 par value, 25,000,000 shares authorized; 20,237,860 shares issued and outstanding, and actual as adjusted	20,238	
Common stock, \$0.001 par value, 200,000,000 shares authorized; 19,694,921 shares issued and outstanding, actual; and shares issued and outstanding, as adjusted	19,695	
Additional paid-in capital	16,452,768	
Subscriptions receivable	(276,326 )	
Accumulated deficit	(10,078,169)	
Total shareholders' equity (deficit)	\$ 6,138,206	\$ -
Total capitalization	\$ 7,388,206	\$ -

(1) Payment obligations owed by our company to MIE Holdings in connection with certain advances by MIE Holdings with respect to drilling expenses associated with the Niobrara asset, as described under "Business," have not yet been converted into long-term debt or documented by any agreement.

(2) The Company issued 1,666,667 shares of Series A Preferred Stock valued at \$0.75 per share. In accordance with the purchase agreement, the Company has a contingent obligation to repurchase up to the full 1,666,667 shares of Series A Preferred Stock at a price per share of \$0.75 in the event that, on March 29, 2013 (the date that is twelve months from the closing date), the market value of the stock is less than \$1,250,000, and the sellers demand repurchase. Accordingly, the Company has determined that the shares are redeemable at the option of the holder and has classified the Preferred Stock outside of stockholders' equity on the accompanying balance sheet.

#### DILUTION

Purchasers of the common stock in this offering will experience immediate and substantial dilution in the net tangible book value per share of the common stock for accounting purposes. Our net tangible book value at September 30, 2012 was approximately \$7,665,000, or \$0.39 per share of common stock. Net tangible book value per share is determined by dividing our tangible net worth (tangible assets less total liabilities) by the total number of outstanding shares of common stock that will be outstanding immediately prior to the closing of this offering.

After giving effect to the sale of the shares in this offering and further assuming the receipt of the estimated net proceeds to be received by us (after deducting estimated discounts and expenses of this offering), our as adjusted net tangible book value at September 30, 2012 would have been approximately \$ \_\_\_\_\_, or \$ \_\_\_\_\_ per share. This represents an immediate increase in the net tangible book value of \$ \_\_\_\_\_ per share to our existing shareholders and an immediate dilution (i.e., the difference between the offering price and the adjusted net tangible book value after this offering) to new investors purchasing shares in this offering of \$ \_\_\_\_\_ per share. The following table illustrates the per share dilution to new investors purchasing shares in this offering:

Assumed public offering price per share	\$
Net tangible book value per share at September 30, 2012	0.39
Increase per share attributable to new investors in this offering	\$
As adjusted net tangible book value per share after giving effect to this offering	
Dilution in as adjusted net pro forma tangible book value per share to new investors in this offering	\$

The numbers of shares in the above table exclude the following: (a) 4,273,918 shares were issuable upon the exercise of options outstanding as of September 30, 2012, (b) 2,110,180 shares that were upon the exercise of warrants to purchase common stock or Series A preferred stock, outstanding as of September 30, 2012, (c) 20,237,860 shares were issuable upon the conversion of Series A preferred stock outstanding as of September 30, 2012, (d) 931,430 shares were issuable upon the conversion of convertible notes outstanding as of September 30, 2012, and (e) 6,000,000 shares were authorized for future awards under our employee equity incentive plans as of September 30, 2012.

## BUSINESS

### Overview

We are an energy company engaged in the acquisition, exploration, development and production of oil and natural gas resources in the United States, with a primary focus on oil and natural gas shale plays and a secondary focus on conventional oil and natural gas plays. Our current operations are located primarily in the Niobrara Shale play in the Denver-Julesburg Basin in Morgan and Weld Counties, Colorado and the Eagle Ford Shale play in McMullen County, Texas. We also hold an interest in the North Sugar Valley Field in Matagorda County, Texas, though we consider this a non-core asset.

We have approximately 10,801 gross and 2,954 net acres of oil and gas properties in our Niobrara core area. Our current Eagle Ford position is a 4% working interest in 1,331 acres. Condor Energy Technology LLC, which we jointly own and manage with an affiliate of MIE Holdings, operates our Niobrara interests including one well in the Niobrara asset with current daily production of approximately 100 boe (31 boe net). We believe our current assets could contain a gross total of 197 drilling locations.

We also have agreements in place (subject to customary closing conditions) for future operations in the Mississippian Lime play in Comanche, Harper, Barber and Kiowa Counties, Kansas, and Woods County, Oklahoma. See “Recent Developments - Mississippian Opportunity (Pending Acquisition).” If the proposed acquisition of the Mississippian asset is completed, upon closing, we will have a 50% working interest in 13,806 acres. We anticipate that Condor or a similar subsidiary or joint venture will operate our Mississippian interests as well. We believe the Mississippian asset could contain a gross total of 84 drilling locations.

We believe that the Niobrara, Eagle Ford and Mississippian Shale plays represent among the most promising unconventional oil and natural gas plays in the United States. We will continue to seek additional acreage proximate to our currently held core acreage. Our strategy is to be the operator, directly or through our subsidiaries and joint ventures, in the majority of our acreage so we can dictate the pace of development in order to execute our business plan. The majority of our capital expenditure budget for the period from October 2012 to December 2013 will be focused on the acquisition, development and expansion of these formations.

The following table presents summary data for our leasehold acreage in our core areas as of September 30, 2012 and our drilling capital budget with respect to this acreage from October 1, 2012 to December 31, 2013.

	Total Gross Acreage	Ownership		Acre Spacing	Potential Drilling & Land Acquisition Gross-Drilling October 1, 2012 - December 31, 2013			Capital Budget	
		Interest	Net Acres		Locations	Gross Wells	Net Wells	\$/Well	Capital Cost
Current Core Assets:									
Niobrara(1) Acquisition Cost(2)	10,801	27.4 %	2,954	80	180	13	3.6	\$ 4,500,000	\$ 16,200,000 \$ 1,000,000
Eagle Ford (3)	1,331	4 %	53	60	17	2	0.08	\$ 9,000,000	\$ 720,000
Current Assets:	12,132		3,007		197	15	3.68		\$ 17,920,000

(1) As discussed below, we have a 27.35% net ownership interest in the leased acreage in the Niobrara asset (12.53% of the acreage is held directly by us plus 14.82% of the acreage is held by virtue of our 20% interest in Condor, which in turn holds a 74.10% working interest in the leased acreage in the Niobrara asset).

(2) Represents our remaining payment obligations due in February 2013 for the purchase price of our interests in the Niobrara asset.

(3) As discussed below, we have a 4% ownership in the leased acreage in the Eagle Ford asset (held by virtue of our 50% interest in White Hawk Petroleum, LLC, which holds an 8% working interest in the Eagle Ford asset).

(4) Potential gross drilling locations are calculated using the acre spacings specified for each area in the table and adjusted assuming forced pooling in the Niobrara Colorado, where the Niobrara asset is located, allows for forced pooling, which may create more potential gross drilling locations than acre spacing alone would otherwise indicate. We have no proved, probable or possible reserves attributable to any of the potential gross drilling locations in the Niobrara asset.

## Strategic Alliances

### MIE Holdings

Through the relationships developed by our founder and Chief Executive Officer, Frank Ingriselli, we formed a strategic relationship with MIE Holdings Corporation (Hong Kong Stock Exchange code: 1555.HK), one of the largest independent upstream onshore oil companies in China, which we refer to as MIE Holdings, to assist us with our plans to develop unconventional shale properties. According to information provided by MIE Holdings, MIE Holdings has drilled and currently operates over 2,000 oil wells in China and brings extensive drilling and completion experience and expertise, as well as a strong geological team. MIE Holdings has also been a significant investor in our operations, and as discussed below, the majority of our oil and gas interests are held all or in part by the following joint ventures which we jointly own with affiliates of MIE Holdings:

Condor Energy Technology LLC, which we refer to as Condor, which is a Nevada limited liability company owned 20% by us and 80% by an affiliate of MIE Holdings; and

White Hawk Petroleum, LLC, which we refer to as White Hawk, which is a Nevada limited liability company owned 50% by us and 50% by an affiliate of MIE Holdings.

We also have entered into an agreement with an affiliate of MIE Holdings to each share 50% of the purchase price, ownership interest, development and operational expenses with respect to the Mississippian asset, assuming the acquisition of the Mississippian asset is completed and subject to MIE Holding's option to decide not to participate in the acquisition.

Although our initial focus is on oil and natural gas opportunities in the United States, we plan to use our strategic relationship with MIE Holdings and our experience in operating U.S.-based shale oil and natural gas interests to acquire, explore, develop and produce oil and natural gas resources in Pacific Rim countries, with a particular focus on China. We intend to use one or more of our joint ventures with MIE Holdings to acquire additional shale properties in the United States and in China, where MIE Holdings and other partners have extensive experience working in the energy sector.

MIE Holdings has been a valuable partner providing us necessary capital in the early stages of our development. It purchased 4 million shares of our Series A preferred stock and acquired an 80% interest in Condor for total consideration of \$3 million, and advanced us the cost of drilling and completing our first Niobrara well. Recently, MIE Holdings has also introduced us to its banking relationships in order for us to start the process of seeking to obtain a line of credit for future acquisition and development costs.

### STXRA

On October 4, 2012, we established a technical services subsidiary, Pacific Energy Technology Services, LLC, which is 70% owned by us and 30% owned by South Texas Reservoir Alliance, LLC, which we refer to as STXRA, through which we plan to provide acquisition, engineering, and oil drilling and completion technology services in joint cooperation with STXRA in the United States and Pacific Rim countries, particularly in China. While Pacific Energy Technology Services, LLC currently has no operations, only nominal assets and liabilities and has limited capitalization, we anticipated actively developing this venture in 2013. STXRA is a consulting firm specializing in the delivery of petroleum resource acquisition services and practical engineering solutions to clients engaged in the acquisition, exploration and development of petroleum resources. In April 2011, we entered into an agreement of joint cooperation with STXRA in an effort to identify suitable energy ventures for acquisition by us, with a focus on plays in shale oil and natural gas bearing regions in the United States. According to information provided by STXRA,

the STXRA team has experience in their collective careers of drilling and completing horizontal wells, including over 100 horizontal wells with lengths exceeding 4,000 feet from 2010 to 2012, as well as experience in both slick water and hybrid multi-stage hydraulic fracturing technologies and in the operation of shale wells and fields. We believe that our relationship with STXRA, both directly and through our jointly-owned Pacific Energy Technology Services, LLC services company, will supplement the core competencies of our management team and provide us with petroleum and reservoir engineering, petrophysical, and operational competencies that will help us to evaluate, acquire, develop and operate petroleum resources in the future.

## Our Core Areas

The majority of our capital expenditure budget for the period from October 2012 to December 2013 will be focused on the acquisition and development of our core oil and natural gas properties: the Niobrara and Eagle Ford Shale plays and the Mississippian Lime play. The following paragraphs summarize each of these core areas. For additional information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” and “Business—Acquisition History.”



Niobrara Asset

As of September 30, 2012, we held 2,954 net acres in oil and natural gas properties covering approximately 10,801 gross acres that are located in Morgan and Weld Counties, Colorado that include the Niobrara formation, which we refer to as the Niobrara asset. We hold 1,353 of our Niobrara leased acreage directly, and hold the remaining 1,601 acres through our ownership in Condor, which holds 8,004 acres in the leased acreage in the Niobrara asset. We and/or Condor own working interests in the Niobrara asset ranging from 18.75%-100%.

Condor is designated as the operator of the Niobrara asset. The day-to-day operations of Condor are managed by our management, and Condor's Board of Managers is comprised of our President and Chief Executive Officer, Mr. Frank Ingriselli, and two designees of MIE Holdings. In addition, MIE Holdings advanced us approximately \$2.15 million to pay our portion of the drilling costs of the initial well on the Niobrara asset.

Based on approximately 250 square miles of 3D seismic data covering the Niobrara asset, we estimate that there are up to 180 potential gross drilling locations in the Niobrara asset, with 14 initial gross well locations already identified for our 2012-2013 Niobrara development plan, including our initial well completed in July 2012 and our second and third wells which we completed drilling in November and December 2012, respectively. We believe that the Niobrara asset affords us the opportunity to participate in this emerging play at an early stage, with a position in the Denver-Julesburg Basin adjacent to significant drilling activity.

Condor completed drilling the initial horizontal well on the Niobrara asset in April 2012, reaching a total combined vertical and horizontal depth of 11,307 feet. Halliburton performed a 20-stage frack of the well in mid-June 2012, with the well being completed in July 2012 with a gross initial production rate of 437 boe per day from the Niobrara formation (137 boe per day net initial production rate). Condor is also making substantial progress with its second and third well. Condor completed drilling on its second well in November 2012 and third well in early December 2012, and plans to complete hydraulic fracturing and completion operations on both wells in January 2013, with flow testing to commence in early February 2013. Halliburton will perform the hydraulic fracturing and completion operations for both the second and third well.

Based on publicly available information, we believe that average drilling and completion costs for wells in the Niobrara core area, which, for purposes of industry comparisons, we define as Morgan and Weld Counties, Colorado, have ranged between \$3.6 million and \$6.0 million per well with average estimated ultimate recoveries, or EURs, of 200,000 to 300,000 boe per well and initial 30-day average production of 400 to 600 boe per day per well. The costs incurred, EURs and initial production rates achieved by others may not be indicative of the well costs we will incur or the results we will achieve from our wells.

Recently, there has been significant industry activity in the Niobrara Shale play. The most active operators offsetting our acreage position include Carrizo Oil and Gas, Inc. (NASDAQ: CRZO), Continental Resources, Inc. (NYSE: CLR), EOG Resources (NYSE: EOG), Anadarko Petroleum (NYSE: APC), SM Energy (NYSE: SM), Noble Energy (NYSE: NBL), Chesapeake Energy (NYSE: CHK), Whiting Petroleum (NYSE: WLL), Quicksilver Resources (NYSE: KWK), MDU Resources (NYSE: MDU), and Bill Barrett Corp. (NYSE: BBG). According to Drillinginfo, Inc., there were 2,544 drilling permits filed in 2011 and 1,948 filed in 2012 in Weld and Morgan Counties, where our acreage is located. According to Baker Hughes, there were 35 rigs operating in the Denver-Julesburg Basin as of December 31, 2012.

#### Eagle Ford Asset

As of September 30, 2012, we held 53 net acres in certain oil and gas leases covering approximately 1,331 gross acres in the Leighton Field located in McMullen County, Texas, which is currently producing oil and natural gas from the highly-prospective Eagle Ford Shale formation, which we refer to as the Eagle Ford asset. We hold these interests through our 50% ownership interest in White Hawk, which holds an 8% working interest in the Eagle Ford asset.

The Eagle Ford asset currently has three wells that have been drilled and are producing, with initial production rates, as publicly disclosed by Texon Petroleum Limited, the operator of the Eagle Ford asset, of 1,202 bbl per day and 782 mcf per day for the first well, 1,488 bbl per day and 700 mcf per day for the second well, and 1,072 bbl per day and 1,137 mcf per day for the third well. During the month of November 2012 the net production to us from these wells was 384.49 bbl and 483.62 mcf of natural gas. Based on our current understanding of the field, on the approximately

1,331 gross acre Eagle Ford asset, approximately 17 more Eagle Ford gross wells may be drilled. We expect that the operator will drill two additional gross wells through 2013.

First discovered in 2008, according to data provided by Baker Hughes, the Eagle Ford Shale resource area had an active drilling rig count of 233 horizontal rigs as of December 31, 2012, which accounts for nearly half of the 473 horizontal drilling rigs in the State of Texas as of such date.

Based on publicly available information, we believe that average drilling and completion costs for wells in the Eagle Ford core area, which, for purposes of industry comparisons, we define as McMullen County, Texas, have ranged between \$8 million and \$11 million per well with average estimated ultimate recoveries, or EURs, of 300,000 to 500,000, boe per well and initial 30-day average production of 1,000 to 1,500 boe per day per well. The costs incurred, EURs and initial production rates achieved by others may not be indicative of the well costs we will incur or the results we will achieve from our wells.

## Recent Developments

### Mississippian Opportunity (Pending Acquisition)

Our joint venture, Condor has signed a binding agreement (subject to customary closing conditions) with a third party for the acquisition of interests in the Mississippian Lime covering approximately 13,806 gross acres located in Comanche, Harper, Barber and Kiowa Counties, Kansas, and Woods County, Oklahoma, which we refer to as the Mississippian asset. We have also entered into an agreement with our joint venture partner in Condor providing for the allocation of 50% of the purchase price, ownership interest, development and operational expenses with respect to the Mississippian asset to each of us and our joint venture partner, subject to our partner's determination not to participate in the acquisition. Though we currently only have a 20% interest in Condor, to effect our 50% interest, we intend to either adjust our relative interests in Condor or use a different joint venture entity for the ultimate acquisition. The closing of the acquisition of the Mississippian asset is anticipated to occur in the first quarter of 2013, subject to satisfaction of certain conditions to closing, including the completion of due diligence review of the Mississippian asset, though we cannot guarantee that we will complete the acquisition in the first quarter of 2013, or at all.

We expect that the joint venture that acquires the Mississippian asset will be the operator of the Mississippian asset. We anticipate drilling the first well on the Mississippian asset in the first quarter of 2013, with a total of 7 wells planned in 2013. The Mississippian oil play is one of the latest oil plays that have recently captured attention in the industry, and we believe that there is an opportunity to acquire additional interests in this emerging play on attractive terms.

The following table presents summary data for the leasehold acreage associated with the Mississippian opportunity and our proposed drilling capital budget with respect to this acreage from October 1, 2012 to December 31, 2013, assuming the acquisition of this acreage is completed.

	Drilling & Land Acquisition Capital Budget October 1, 2012 - December 31, 2013								
	Total Gross Acreage	Ownership Interest	Net Acres	Acre Spacing	Potential Gross-Drilling Locations(2)	Gross Wells	Net Wells	\$/Well	Capital Cost
Pending Core Assets:									
Mississippian Acquisition Cost(1)	13,806	50 %	6,903	120	84	7	3.50	\$3,300,000	\$11,550,000
									\$4,850,000
									\$16,400,000

(1) Represents our share of the anticipated acquisition costs for the Mississippian asset, assuming we pay 50% of the purchase price.

(2) Potential gross drilling locations are calculated using the acre spacing specified in the table. We have no proved, probable or possible reserves attributable to any of these potential gross drilling locations.

Based on publicly available information, we believe that average drilling and completion costs for wells in the Mississippian core area, which, for purposes of industry comparisons, we define as Comanche, Harper, Barber and Kiowa Counties, Kansas Woods County, Oklahoma, have ranged between \$3.2 million and \$4.0 million per well with average estimated ultimate recoveries, or EURs, of 250,000 to 500,000 boe per well and initial 30-day average production of 250 to 1,500 boe per day per well. The costs incurred, EURs and initial production rates achieved by others may not be indicative of the well costs we will incur or the results we will achieve from our wells.

### Second and Third Niobrara Wells

On November 19, 2012, Condor spudded its second horizontal well in Weld County, Colorado, the Waves 1H well. Drilling of the well was completed on November 27, 2012, to a true vertical depth of approximately 6,220 feet, and a total horizontal length of approximately 4,339 feet in the Niobrara “B” Bench target zone. Condor plans to complete hydraulic fracturing and completion operations on this well using Halliburton in January 2013, and commence flow testing in early February 2013.

On November 30, 2012, Condor spudded its third horizontal well in Weld County, Colorado, the Logan 2H well. Drilling of the well was completed on December 8, 2012, to a true vertical depth of approximately 6,150 feet, and a total horizontal length of approximately 6,350 feet in the Niobrara “B” Bench target zone. Condor plans to complete hydraulic fracturing and completion operations on this well using Halliburton in January 2013, and commence flow testing in early February 2013.

### Additional Niobrara Acreage

On September 24, 2012, Condor completed the acquisition of additional oil and gas leases in the Niobrara asset covering approximately 3,582 net acres in Morgan and Weld Counties, Colorado with a 100% working interest (80% net revenue interest) and including all depths. Condor acquired these additional leases for \$1,105,309 in cash and 368,435 shares of our Series A preferred stock (approximately \$385 net per acre, based on an assumed share price of \$0.75 per share as agreed upon by the parties in July 2012 upon execution of the definitive purchase documentation). With the completion of this acquisition, we now hold leased oil and natural gas acreage in the Niobrara asset covering approximately 10,801 gross acres (2,954 net acres) in Morgan and Weld Counties, Colorado.

### Chinese Gas Shale Blocks

Using the relationships developed by our CEO, Frank Ingriselli, and our strategic partner MIE Holdings, we are currently engaged in discussions with several domestic Chinese energy companies for the purpose of participating in the Chinese government’s recently announced tender of 20 shale gas blocks covering a total area of 20,002 square kilometers (approximately 4,943,000 acres) in eight regions in China that was conducted in the fourth quarter of 2012. We hope to obtain interests in one or more shale gas exploration blocks in China in partnership with one or more domestic Chinese companies.

To this end, on September 26, 2012, we entered into a binding agreement with Guofa Zhonghai Energy Investment Co., Ltd., which we refer to as Guofa Zhonghai Energy, a Chinese energy company, pursuant to which we agreed to jointly participate in China’s 2012 tender for shale gas blocks and provided technical expertise to Guofa Zhonghai Energy in their submission of bids for the acquisition of shale gas blocks, which bids were submitted on October 25, 2012. In December 2012 the Chinese Ministry of Land and Resources (the “Ministry”) announced the results of the tender. Although Guofa Zhonghai Energy was not the highest bidder on any of the tendered blocks, one of its bids was among the top three bids received by the Ministry with respect to one tendered block. We and Guofa Zhonghai Energy are now engaging in discussions with the highest bidder to explore joint participation opportunities with respect to the block. In the event we are successful in our efforts to participate in the block, we plan to negotiate a mutually agreed upon joint operating agreement among the parties which shall set forth the rights and obligations of each party and their respective ownership in the shale gas block, and their economic rights with respect to the block.

If we are able to participate with Guofa Zhonghai Energy, or other domestic Chinese companies, in the joint development of one or more of these China shale gas assets, we plan to provide and apply horizontal drilling and fracturing completion processes and techniques we currently use in the United States shale formations in the development of these assets. Through these partnerships we hope to obtain important knowledge and experience in

developing China shale gas that could be beneficial to developing our own shale gas blocks in China, when and if obtained. If we are successful in obtaining our own shale gas blocks in China, we believe our relationship with MIE Holdings will prove to be extremely beneficial to us as a local operator in gaining access to the necessary equipment, services and labor at appropriate pricing levels.

#### Possible Reverse Stock Split

On December 3, 2012, our company's board of directors approved a possible reverse stock split of its common stock and Series A preferred stock in a ratio ranging between 1-for-2 and 1-for-5, with the specific ratio and effective time (if we decide to proceed with the split) to be later determined by the board of directors. Effective December 5, 2012, holders of a majority of the our common stock and Series A preferred stock granted the board of directors discretionary authority to determine the specific ratio and effective time for the reverse split. We have filed an Information Statement on Schedule 14C in connection with such approval. We have not made any adjustments to the amount of shares disclosed in this prospectus to account for this intended reverse stock split.

## Business Strategy

Our goal is to increase shareholder value by building reserves, production and cash flows at an attractive return on invested capital. We intend to first focus on growing and developing reserves, production and cash flow in our U.S. core assets and then, if opportunity allows, use our relationships and partnership to expand into the Pacific Rim with a focus on the underdeveloped China shale gas opportunity. We intend to achieve our objectives as follows:

Aggressively drill and develop our existing acreage positions. We plan to aggressively drill our core assets, drilling at least 13 gross wells on the Niobrara asset and at least two gross wells on the Eagle Ford asset through the end of 2013. We intend to drill at least seven gross wells in the Mississippian shale play through the end of 2013, assuming we complete our acquisition of that interest. We believe our drilling programs will allow us to begin converting our undeveloped acreage to developed acreage with production, cash flow and proved reserves.

Acquire additional oil and natural gas opportunities. We plan to leverage our relationships and experienced acquisition team to pursue additional leasehold assets in our core areas as well as continue to pursue additional oil and natural gas interests. Our joint venture, Condor has signed a binding agreement (subject to customary closing conditions) for the acquisition of interests in the Mississippian Lime covering approximately 13,806 gross acres located in Comanche, Harper, Barber and Kiowa Counties, Kansas, and Woods County, Oklahoma, and we expect to complete the acquisition during the first quarter of 2013. We estimate there could be up to 84 potential gross drilling locations on the Mississippian asset, and, if we consummate the acquisition, we anticipate drilling 7 gross (3.5 net) wells through the end of 2013. We are also exploring additional oil and natural gas opportunities in our core areas, other areas of the United States and Pacific Rim countries, with a particular focus on China.

Leverage expertise of management and external resources. We plan to focus on profitable investments that provide a platform for our management expertise, as described under "Competitive Strengths." We have also engaged STXRA and other industry veterans as key advisors, and as discussed above, recently formed Pacific Energy Technology Services, LLC with STXRA, for the purpose of providing acquisition, engineering and oil drilling and completion technology services to third parties in the United States and Pacific Rim countries. As necessary, we intend to enlist external resources and talent to operate and manage our properties during peak operations.

Engage and leverage strategic alliances in the Pacific Rim. We have already entered into strategic alliances with MIE Holdings and Guofa Zhonghai Energy, and we intend to partner with additional Chinese energy companies to (a) provide technical horizontal drilling expertise for a fee, thus acquiring valuable experience and data in regards to the China shale formations and successful engineering techniques, and (b) acquire interests in domestic China shale-gas blocks, and commence exploration of the same.

Limit exposure and increase diversification through engaging in joint ventures. We own various of our oil and natural gas interests through joint ventures with MIE Holdings, and may in the future enter into similar joint ventures with respect to other oil and gas interests either with MIE Holdings or other partners. We believe that conducting many of our activities through partially owned joint venture will enable us to lower our risk exposure while increasing our ability to invest in multiple ventures.

Maintain financial strength and flexibility. Other than the \$2.15 million advance by MIE Holdings of our portion of the costs of the first Niobrara well, we have no short or long-term debt. We expect that the proceeds from this offering and internally generated cash flow will provide us with the financial resources to pursue our leasing and drilling and development programs through 2013. We have met with financial institutions, introduced to us by MIE Holdings, in order to negotiate a line of credit that could be used for both acquisition and development costs where needed.





## Competitive Strengths

We believe we are well positioned to successfully execute our business strategies and achieve our business objectives because of the following competitive strengths:

**Management.** We have assembled a management team with extensive experience in the fields of international business development, petroleum engineering, geology, petroleum field development and production, petroleum operations and finance. Several members of the team developed and ran what we believe were successful energy ventures that were commercialized at Texaco, CAMAC Energy Inc., and Rosetta Resources, while members of our team at Condor have drilled and presently manage over 2,000 oil wells in the Pacific Rim and Kazakhstan. We believe that our management team is highly qualified to identify, acquire and exploit energy resources both in the United States and Pacific Rim countries, particularly China.

Our management team is headed by our President and Chief Executive Officer, Frank C. Ingriselli, an international oil and gas industry veteran with over 33 years of experience in the energy industry, including as the President of Texaco International Operations Inc., President and Chief Executive Officer of Timan Pechora Company, President of Texaco Technology Ventures, and President, Chief Executive Officer and founder of CAMAC Energy Inc. Our management team also includes Chief Financial Officer and Executive Vice President Michael L. Peterson, who brings extensive experience in the energy, corporate finance and securities sectors, including as a Vice President of Goldman Sachs & Co., Chairman and Chief Executive Officer of Nevo Energy, Inc. (formerly Solargen Energy, Inc.), a former director of Aemetis, Inc. (formerly AE Biofuels Inc.). In addition, our Senior Vice President and Managing Director, Jamie Tseng, has over 25 years of financial management and operations experience and was a co-founder of CAMAC Energy Inc., and our Executive Vice President and General Counsel, Clark R. Moore, has nearly 10 years of energy industry experience, and formerly served as acting general counsel of CAMAC Energy Inc.

**Key Advisors.** Our key advisors include STXRA and other industry veterans. According to STXRA, the STXRA team has experience in drilling and completing horizontal wells, including over 100 horizontal wells with lengths exceeding 4,000 feet from 2010 to 2012, as well as experience in both slick water and hybrid multi-stage hydraulic fracturing technologies and in the operation of shale wells and fields. We believe that our relationship with STXRA, both directly and through our jointly-owned Pacific Energy Technology Services LLC services company, will supplement the core competencies of our management team and provide us with petroleum and reservoir engineering, petrophysical, and operational competencies that will help us to evaluate, acquire develop, and operate petroleum resources into the future.

**Significant acreage positions and drilling potential.** Without giving effect to the Mississippian acquisition opportunity, we have accumulated interests in a total of 12,132 gross (3,007 net) acres in our existing core operating areas, each of which we believe represents a significant unconventional resource play. The majority of our interests are in or near areas of considerable activity by both major and independent operators, although such activity may not be indicative of our future operations. Based on our current acreage position and without giving effect to the Mississippian acquisition opportunity, we estimate there could be up to 197 potential gross drilling locations on our acreage, and we anticipate drilling approximately 15 gross (3.68 net) wells through the end of 2013, leaving us a substantial drilling inventory for future years.

## Merger with Pacific Energy Development

On July 27, 2012, in order to carry out our business plan, we acquired through a reverse acquisition, Pacific Energy Development Corp., a privately held Nevada corporation, which we refer to as Pacific Energy Development. As discussed below, pursuant to the acquisition, the shareholders of Pacific Energy Development were issued securities in our company giving them control of approximately 95% of the voting securities of our company. Since the transaction

resulted in a change of control, Pacific Energy Development is the acquirer for accounting purposes. In connection with the merger, which we refer to as the Pacific Energy Development merger, Pacific Energy Development became our wholly owned subsidiary and we changed our name from Blast Energy Services, Inc. to PEDEVCO CORP.

As part of the Pacific Energy Development merger, we issued to the shareholders of Pacific Energy Development (a) 17,917,261 shares of our common stock, (b) 19,616,676 shares of our newly created Series A preferred stock, (c) warrants to purchase an aggregate of 1,120,000 shares of our common stock and 692,584 shares of our Series A preferred stock at various exercise prices, and (d) options to purchase an aggregate of 4,235,000 shares of our common stock at various exercise prices. Pursuant to the Pacific Energy Development merger, we also converted all of our shares of preferred stock that were outstanding prior to the Pacific Energy Development merger into shares of common stock on a one-for-one basis and effected a reverse stock split of our common stock on a 1 for 112 shares basis. All share and per share amounts used in this prospectus have been restated to reflect this reverse stock split.

At the effective time of the Pacific Energy Development merger, (a) Pacific Energy Development owned the Niobrara and Eagle Ford assets and the Mississippian acquisition opportunity, and (b) our primary business was developing the North Sugar Valley Field asset. As a result of our acquisition of Pacific Energy Development in the Pacific Energy Development merger, we acquired these assets and opportunities of Pacific Energy Development.

In connection with the Pacific Energy Development merger, the directors and executive officers of Pacific Energy Development became our directors and executive officers. See “Management.”

The following chart reflects our current core subsidiaries and joint ventures:

## Acquisition History

### Niobrara Asset

The Niobrara Shale formation is situated in northeastern Colorado and parts of adjacent Wyoming, Nebraska, and Kansas. Primarily an oil play, it is in the Denver Julesburg Basin, which has long been a major oil and natural gas province. An emerging play, the Niobrara is in its early stages of exploration and companies have been actively leasing land for future drilling. Samson Oil & Gas is one of the earliest companies to establish a position in the Niobrara, which some call the “NeoBakken.” Other operators active in the Niobrara include Carrizo Oil and Gas, Inc. (NASDAQ: CRZO), Continental Resources, Inc. (NYSE: CLR), EOG Resources (NYSE: EOG), Anadarko Petroleum (NYSE: APC), SM Energy (NYSE: SM), Noble Energy (NYSE: NBL), Chesapeake Energy (NYSE: CHK), Whiting Petroleum (NYSE: WLL), Quicksilver Resources (NYSE: KWK), MDU Resources (NYSE: MDU), and Bill Barrett Corp. (NYSE: BBG).

Condor is designated as the operator of the Niobrara asset. Condor completed drilling the initial horizontal well on the Niobrara asset in April 2012, reaching a total combined vertical and horizontal depth of 11,307 feet. Halliburton performed a 20-stage frack of the well in mid-June 2012, with the well being completed in July 2012 with a gross initial production rate of 437 boe per day from the Niobrara formation (137 boe per day net initial production rate).

On November 19, 2012, Condor spudded its second horizontal well in Weld County, Colorado, the Waves 1H well. Drilling of the well was completed on November 27, 2012, to a true vertical depth of approximately 6,220 feet, and a total horizontal length of approximately 4,339 feet in the Niobrara “B” Bench target zone. Condor plans to complete hydraulic fracturing and completion operations on this well using Halliburton in January 2013, and commence flow testing in early February 2013.

On November 30, 2012, Condor spudded its third horizontal well in Weld County, Colorado, the Logan 2H well. Drilling of the well was completed on December 8, 2012, to a true vertical depth of approximately 6,150 feet, and a total horizontal length of approximately 6,350 feet in the Niobrara “B” Bench target zone. Condor plans to complete hydraulic fracturing and completion operations on this well using Halliburton in January 2013, and commence flow testing in early February 2013.

Based on approximately 250 square miles of 3D seismic data covering the Niobrara asset, We estimate that there are up to 180 potential gross drilling well locations in the Niobrara asset, with 14 initial gross well locations already identified for our 2012-2013 Niobrara development plan, including our initial well completed in July 2012 and our second and third wells which we completed drilling in November and December 2012, respectively. We believe that the Niobrara asset will afford us with the opportunity to enter this emerging play at an early stage.

On October 31, 2011, we purchased a 50% interest in certain oil and natural gas interests held by Esenjay Petroleum Corporation and related parties, which we collectively refer to as Esenjay, covering approximately 7,450.30 acres located in the Niobrara Shale play, to a depth of approximately 6,500 feet. The Niobrara asset is located approximately 60 miles northeast of Denver, Colorado, in Weld County, with all subject leases found within the northern quarter of the area known as the “Indian Peaks 3-D area” located within the 7N 59W & 7N 60W townships.

We paid an aggregate purchase price of \$4,483,921 to Esenjay for the Niobrara asset, payable through a combination of (a) \$2,141,960 cash at closing, (b) \$642,588 cash paid into escrow which was released to Esenjay 45 days after closing, (c) the obligation to pay \$1,000,000 or issue 1,333,334 shares of Series A convertible preferred stock at Esenjay’s option to Esenjay on November 10, 2012, and (d) an operating cash carry-forward of up to \$699,372 for the benefit of Esenjay.

Under the purchase agreement with Esenjay, if the shares to be issued to Esenjay did not have an aggregate market value of at least \$1,000,000 at the time of issuance, Esenjay was entitled to elect to require us to pay \$1,000,000 in cash in lieu of issuing the shares. We were notified by Esenjay that they desired to receive cash in lieu of the Series A preferred stock. In order to conserve our cash, we and Esenjay amended the purchase agreement to provide for the deferral of the payment until February 18, 2013, in exchange for an aggregate cash payment of \$100,000 to Esenjay, paid on November 26, 2012, and the issuance of an aggregate of 133,334 shares of Series A preferred stock. Until our payment obligations to Esenjay are satisfied, Esenjay will hold a lien on the Niobrara asset acreage and related equipment, intangibles, accounts, personal property and proceeds.

Effective upon our acquisition of the Niobrara asset, we transferred to Condor (which is owned 20% by us and 80% by an affiliate of MIE Holdings) 2,328 acres of the Niobrara asset acquired by us, the net result of which was that MIE Holdings and we each had a 25% ownership in the Niobrara asset. Subsequently, a partner to the Niobrara joint operating agreement elected not to fully participate in the initial well on the Niobrara asset. That partner held 2,235 acres in the Niobrara asset. Through the terms of the joint operating agreement, Condor acquired the lease acreage from the partner, resulting in an increase of our indirect ownership in the Niobrara asset of 447 net acres.

On September 24, 2012, Condor completed the acquisition of additional oil and gas leases in the Niobrara asset covering approximately 3,582 net acres (716 acres net to the Company) in Morgan and Weld Counties, Colorado with a 100% working interest (80% net revenue interest) and including all depths, pursuant to a purchase and sale agreement entered into on July 26, 2012 with the sellers. Condor acquired these additional leases for \$1,105,309 in cash and 368,435 shares of our Series A preferred stock (approximately \$385 net per acre, based on a fair value of \$0.75 per share). We issued the Series A preferred stock as consideration for our 20% portion of the total purchase price as a 20% owner of Condor, and an affiliate of MIE Holdings paid the full cash consideration as an 80% owner of Condor.

With the completion of this acquisition, we now hold 2,954 net acres in oil and natural gas interests in the Niobrara asset covering approximately 10,801 gross acres in Morgan and Weld Counties, Colorado. We hold approximately 45.8% of our Niobrara lease acreage directly and hold the balance through our ownership in Condor, which holds a 74.10% working interest in the Niobrara asset.

The day-to-day operations of Condor are managed by our management, and Condor's Board of Managers is comprised of our President and Chief Executive Officer, Mr. Frank Ingriselli, and two designees of MIE Holdings, with all major corporate actions by Condor requiring approval from both us and MIE Holdings. In addition, in connection with the drilling and completion of the initial well on the Niobrara asset, and in light of our then-existing cash position, MIE Holdings loaned funds to Condor equal to all of our proportional fees and expenses on that project, and has additionally agreed to loan funds to Condor sufficient to loan us our 20% portion of Condor expenses to be incurred in connection with two additional wells scheduled to be drilled and completed by Condor on the Niobrara asset in 2012. No loan documentation has been completed to date, although the approximate principal amount loaned by MIE Holdings to Condor to cover our 18.75% portion of the initial well expense allocable to us through our separate (outside of Condor) interest in the Niobrara asset is approximately \$1.1 million and the approximate costs of our 20% interest in Condor they have advanced to drill and complete the Niobrara asset is approximately \$1.0 million. We anticipate that the 2nd and 3rd wells will cost approximately \$5 million and \$6.5 million, respectively, and our share of those costs would be \$1.55 million and \$2.02 million. We anticipate that the loans for these advances will be structured as promissory notes bearing 10.0% interest compounded annually, secured by our interests in the Niobrara wells funded by such advances, and with principal and unpaid interest due upon the earlier of December 31, 2013 or the closing of the sale of shares being offered hereby.

### Eagle Ford Asset

On March 29, 2012, we acquired Excellong E&P-2, Inc., which we refer to as Excellong, a corporation whose sole asset was an approximately 8% working interest in certain oil and natural gas leases covering approximately 1,651 gross acres in the Leighton Field located in McMullen County, Texas (currently 1,331 gross acres due to expirations), which is currently producing oil and natural gas from the highly-prospective Eagle Ford Shale formation, which we refer to as the Eagle Ford asset.

First discovered in 2008, according to data provided by Baker Hughes, the Eagle Ford Shale resource area had an active drilling rig count of 233 horizontal rigs as of December 31, 2012, which accounts for nearly half of the 473 horizontal drilling rigs in the State of Texas as of such date. Due to the large amount of oil and natural gas liquids (NGLs) that each Eagle Ford well typically produces, exploration and production (E&P) companies throughout the United States have shown interest in acquiring a position in this relatively mature resource play.

Pursuant to the acquisition agreement with Excellong, we acquired the Eagle Ford asset for an aggregate purchase price of \$3,750,000, consisting of (a) \$1,500,000 in cash paid at closing, (b) \$1,000,000 in cash which was paid to the Excellong shareholders on May 23, 2012 by an affiliate of MIE Holdings on our behalf, and (c) the issuance of approximately 1,670,000 shares of Series A preferred stock to Excellong. If these shares do not have a market value of at least \$1,250,000 twelve months after the closing date, Excellong is entitled to require us to repurchase some or all of the shares at a price per share of \$0.75 for up to an aggregate of \$1,250,000 if Excellong elects to require redemption of all of the shares.

Each of the three wells completed on the Eagle Ford asset to date have had strong initial production rates well above the industry average. As publicly disclosed by Texon Petroleum Limited, the operator of the Eagle Ford asset, (a) the first well completed in December 2010 had an initial production rate of 1,202 Bbl per day and 782 mcf per day; (b) the second well completed in August 2011 had an initial production rate of 1,488 Bbl per day and 700 mcf per day; and (c) the third well completed in July 2012 had an initial production rate of 1,072 Bbl per day and 1,137 mcf per day. The Eagle Ford section in the field is approximately 140 feet thick with favorable porosity, saturations, and mechanical rock properties. Based on our current understanding of the field, on the approximately 1,331 gross acre Eagle Ford asset in which we acquired an interest, 17 more Eagle Ford wells may be drilled.

In May 2012, we merged Excellong into White Hawk, which was our wholly owned subsidiary at the time, with White Hawk continuing as the surviving entity and holder of the Eagle Ford asset. Thereafter, on May 23, 2012, we completed the sale of 50% of the ownership interests in White Hawk to an affiliate of MIE Holdings. As a result of the White Hawk sale, an affiliate of MIE Holdings and we each have an equal 50% ownership interest in the Eagle Ford asset originally acquired by us from Excellong, and we have each agreed to proportionately share all expenses and revenues with respect to the Eagle Ford asset going forward. In consideration for the White Hawk sale, MIE Holdings agreed to pay us an aggregate of \$2,000,000 as follows: (a) \$500,000 in cash was paid to us on May 23, 2012; (b) \$1,000,000 in cash paid to Excellong on behalf of us on March 23, 2012, which amount was due to Excellong following the acquisition by us of the Eagle Ford asset as described above; and (c) \$500,000 in cash was paid to us on July 3, 2012. As further inducement for MIE Holdings to participate in the White Hawk sale, we (a) agreed to share with MIE Holdings all production revenue from the Eagle Ford asset commencing March 1, 2012, (b) granted a two-year warrant to MIE Holdings exercisable for 500,000 shares of our common stock at \$1.25 per share, exercisable solely on a cash basis, and (c) granted a two year warrant to MIE Holdings exercisable for 500,000 shares of our common stock at \$1.50 per share, exercisable solely on a cash basis.

### North Sugar Valley Field Asset

On September 23, 2010, we acquired from Sun Resources Texas, Inc., a privately-held company based in Longview, Texas, which we refer to as Sun, its oil and natural gas interests in the North Sugar Valley Field located in Matagorda

County, Texas for a total purchase price of \$1,181,000. Under the terms of the agreement, we paid the purchase price in cash, common stock and the issuance of a promissory note (which has since been repaid) in exchange for Sun's approximately 65% working interest (net revenue interest of approximately 50%) in three wells: the Millberger #1 and #2 and Oxbow #1 wells. Prior to the acquisition, the acquired wells were producing a total of approximately 43 gross barrels of oil per day (or approximately 21.5 net barrels of oil) from the Gravier Sand formation, which our 2011 year-end reserve report estimates contains approximately 44,640 barrels of proved reserves net to the interest acquired by us.

The effective date of the sale was October 1, 2010. Under the terms of the agreement, Sun will continue to act as operator of the properties. Sun has retained a 1% working interest in the wells.

During late 2011 and early 2012, the down-hole equipment on the Oxbow #1 well began to fail which eventually caused the well to be deemed uneconomic. The Oxbow #1 oil production has declined to a point where it would be more cost effective to have it converted into a salt water disposal well, or SWDs for the water produced by the Millberger #1 and #2 wells. We have given our consent to pursue such a conversion and Sun is seeking to obtain the approvals and permits for the SWD well. If permits or permissions are not able to be obtained, we will pay our share of the plug and abandoning costs and will then most likely seek to drill a disposal well at another location on the leases.



## Pending Acquisition

### Mississippian Opportunity

On November 30, 2012, our joint venture, Condor, signed a binding Agreement for Purchase of Term Assignment, which we refer to as the Mississippian agreement, with a third party pursuant to which we and our joint venture partner plan to acquire for an aggregate purchase price of \$8,648,661 interests in the Mississippian Lime covering approximately 13,806 gross acres located in Comanche, Harper, Barber and Kiowa Counties, Kansas, and Woods County, Oklahoma, which we refer to as the Mississippian asset, and approximately 19.5 square miles of 3-D seismic data. Pursuant to the Mississippian agreement, Condor has paid an initial deposit in the amount of \$864,866, which is refundable in the event the seller defaults under the Mississippian agreement prior to closing or if Condor terminates the Mississippian agreement due to seller's failure to complete any of the necessary closing conditions for which it is responsible. Closing is anticipated to occur in February 2013, subject to certain customary closing conditions, including Condor's satisfactory completion of its due diligence review of the Mississippian asset.

Though we only currently hold a 20% interest in Condor, on November 26, 2012, we entered into an agreement with the affiliate of MIE Holdings that is our joint venture partner in Condor, to provide for the allocation of 50% of the purchase price, ownership interest, development and operational expenses with respect to the Mississippian asset to each of our company and the joint venture partner. To effect our 50% interest, we intend to either adjust our relative interests in Condor or use a different joint venture entity for the ultimate acquisition. MIE Holdings may determine prior to the completion of the acquisition not to participate, however, in which case, its contributions, subject to certain deductions, will be returned to it and if we so decide, the binding agreement to acquire the Mississippian opportunity will be assigned to us. In the event MIE Holdings elects not to participate in the acquisition of the Mississippian asset, we intend to acquire the Mississippian asset through another subsidiary or joint venture with a partner to be determined, allocated 50% to our company, and 50% to such partner.

Pursuant to Condor's consulting agreement with STXRA, upon closing of the acquisition of the Mississippian asset, Condor will also be obligated to pay STXRA a commission equal to \$75 per net acre acquired, or approximately \$1,035,450 assuming 13,806 gross acres are acquired. The commission will be payable 80% in cash, and 20% in shares of preferred stock of our company, in such series and at such value as we are issuing and selling to third parties at the time of the closing.

We expect that our joint venture that acquires the Mississippian asset will be the operator of the Mississippian asset, which includes both undeveloped and held-by-production (HBP) positions. We expect our joint venture to drill our first well in the first half of 2013, with a total of 7 gross (3.5 net) wells planned in 2013.

The Mississippian formation is one of the latest oil plays that has recently captured attention in the industry, and we believe that there is an opportunity for us to acquire interests in this emerging play on attractive terms. The Mississippian Lime formation is located in Oklahoma and Kansas in an area that has a long history of production from vertical wells and that has a well-developed infrastructure system to support further development. The formation is at a relatively shallow depth of approximately 4,500 to 7,500 feet, and consists of carbonate rocks that have a high porosity and permeability. The industry is developing the area using the horizontal drilling that has proven effective in shale plays across North America. Major companies in this emerging play include PetroQuest Energy (NYSE: PQ), Range Resources (NYSE: RRC), SandRidge Energy (NYSE: SD), Chesapeake Energy (NYSE: CHK), and Devon Energy (NYSE: DVN).

## Non-Core Businesses

### Applied Fluid Jet Technology Asset

Over the past several years, we developed a down-hole stimulation service that we believe has the potential to dramatically increase production volumes and reserves from existing or newly drilled wells. We filed for a patent on behalf of the inventor to protect this proprietary applied fluid jet (AFJ) process and recently received an approved patent from the U.S. Patent Office. We are currently in the process of working with the inventor to assign the rights to the patent to us.

During 2009, we tested the AFJ process on wells in the Austin Chalk play in Central Texas operated by Reliance Oil & Gas, Inc., which we refer to as Reliance, and had some initial production success. We subsequently attempted to apply the process to third-party wells in West Texas and in Kentucky. Due to mechanical failures of the surface equipment, we were unable to achieve any lateral jetting in the down-hole environment. Currently, the AFJ rig and other support vehicles have been moved to a storage yard in Spring, Texas. The AFJ asset is a secondary, non-core business focus for our company and may not ever be commercialized.

#### Rare Earth Asset

Through our wholly owned Hong Kong subsidiary, Pacific Energy & Rare Earth Limited, which we refer to as PEARL, we own a 6% interest in Rare Earth Ovonic Metal Hydride JV Co. Ltd., which we refer to as the Rare Earth JV, a China-based rare earth manufacturing joint venture. The Rare Earth JV produces mischmetal-based metal hydride used to manufacture NiMH batteries that are used around the world in hybrid electric vehicles, electric bicycles, stationary applications, consumer electronics, power tools with utility and industrial applications, and 36/42 volt batteries for higher power and energy voltage and storage.

We are seeking to monetize our 6% Rare Earth JV interest, although we cannot guarantee that we will be able to do so on terms that are satisfactory to us, or at all.

#### Shale Oil and Natural Gas Overview

The relatively recent surge of oil and natural gas production from underground shale rock formations has had a dramatic impact on the oil and natural gas market in the United States, where the practice was first developed, and globally. Shale oil production is facilitated by the combination of a set of technologies that had been applied separately to other hydrocarbon reservoir types for many decades. In combination these technologies and techniques have enabled large volumes of oil to be produced from deposits with characteristics that would not otherwise permit oil to flow at rates sufficient to justify its exploitation. The application of horizontal drilling, hydraulic fracturing and advanced reservoir assessment tools to these reservoirs is unlocking a global resource of shale and other unconventional oil and natural gas that the International Energy Agency estimates could eventually double recoverable global oil reserves.

In 2008, U.S. natural gas production was in decline, and the U.S. was on its way to becoming a significant importer of liquefied natural gas (LNG). By 2009, U.S.-marketed natural gas production was 14% higher than in 2005, and in 2010 it surpassed the previous annual production record set in 1973. This turnaround is mainly attributable to shale oil and natural gas output that has more than tripled since 2007. Knowledge is expanding rapidly concerning the shale oil reservoirs that are already being exploited and others that appear suitable for development with current technology. In its preliminary 2011 Annual Energy Outlook, the U.S. Department of Energy (DOE) increased its estimate of recoverable U.S. shale natural gas resources by 238% compared to its previous estimate, bringing U.S. potential natural gas resources to 2,552 trillion cubic feet (TCF), equivalent to more than a century's supply at current consumption rates.

Along with the reduction in economic activity resulting from the recession, the increase in production from shale natural gas has had a significant impact on U.S. average natural gas wellhead prices, which have fallen by more than 30% since 2007. As a result, the value of natural gas has diverged significantly from that of petroleum on an energy-equivalent basis. That has provided substantial economic benefits to natural gas-consuming industries. It has also led to both economic and environmental benefits for the electricity sector, as fired power plants displace power from higher-cost and higher-emitting sources. Shale natural gas has been cited by U.S. Secretary of Energy, Stephen Chu, as helping the world shift to cleaner fuels. A report by the National Petroleum Council (NPC) to Stephen Chu in September 2011 stated that shale oil fields in the United States could produce 2 to 3 million barrels of oil per day by

2025, given the right regulatory environment and technology breakthroughs.

Oil and natural gas produced from shale is considered an unconventional resource. Commercial oil and natural gas production from unconventional sources requires special techniques in order to achieve attractive oil and natural gas flow rates. Unlike conventional oil and natural gas, which is typically generated in deeper source rock and subsequently migrates into a sandstone structure with an overlying impermeable layer forming a “trap,” shale oil and natural gas is generated from organic material contained within the shale and retained by the rock’s inherent low permeability. Permeability is a measure of the ease with which natural gas, oil or other fluids can flow through the material. The same low permeability that secures large volumes of natural gas and liquids in place within the shale strata makes it much more difficult to extract them, even with a large pressure difference between the reservoir and the surface. The location and potential of many of today’s productive shale reservoirs were known for many years, but until the development of current shale oil and natural gas techniques these deposits were considered noncommercial or inaccessible.

The main challenge of shale oil and natural gas drilling is to overcome the low permeability of the shale reservoirs. A conventional vertical oil or natural gas well drilled into one of these reservoirs might achieve production, though at reduced rates and for a limited duration before the oil or natural gas volume in proximity to the wellbore is exhausted. That often renders such an approach impractical and uneconomic for exploiting shale oil and natural gas. The two main technologies associated with U.S. shale oil and natural gas production are horizontal drilling and hydraulic fracturing, or “hydrofracking.” They are employed to overcome these constraints by greatly increasing the exposure of each well to the shale stratum and enabling oil and natural gas located farther from the well to flow through the rock and replace the nearby oil and natural gas that has been extracted to the surface.

Instead of drilling a simple vertical well through the shale and then perforating the well within the zone where it is in contact with the shale, the drilling company drills a directional well vertically to within proximity of the shale and then executes a 90-degree turn in order to intersect the shale and then travel for a significant horizontal distance through it. A typical North American shale well has a horizontal extent of 1,000 feet to 5,000 feet or more.

Once the lateral portion of the well has reached the desired extent, the other main technique of shale oil and natural gas drilling is deployed. After the well has been completed, the farthest section of the lateral is perforated, opening up holes through which fluid can flow. This portion of the reservoir is then hydrofracked by injecting fluid into the well under high pressure to fracture the exposed shale rock and open up pathways through which oil and natural gas can flow. The “fracking fluid” consists mainly of water with a variety of chemical additives intended to reduce friction and dissolve minerals, among other purposes, along with sand or sand-like material to prop open the new pathways created by hydrofracking. This process is then repeated at intervals along the well’s horizontal extent, successively perforating and hydrofracking each section in turn. This process creates a producing well that emulates the effect of a vertical well drilled into a conventional oil and natural gas reservoir by substituting multiple horizontal “pay zones” in the shale stratum for the thinner but more prolific vertical pay zone in a more permeable reservoir. Compared to conventional oil and natural gas drilling, the production of oil and natural gas from shale reservoirs thus entails more drilling, on average, and requires a substantial supply of water.

Shale oil and natural gas are currently being produced from a number of reservoirs in the U.S. Among these are the Bakken Shale in Montana and North Dakota, the Niobrara Shale in northeastern Colorado and parts of adjacent Wyoming, Nebraska, and Kansas, the Eagle Ford Shale in southern Texas, the Mississippian Lime in Kansas and Oklahoma, and the Marcellus Shale spanning several states in the northeastern U.S. According to the 2007 Survey of Energy Resources Report issued by the World Energy Counsel in 2007, the total world resources of shale oil are conservatively estimated at 2.8 trillion barrels, with an estimated nearly 74% of the world’s potentially recoverable shale oil resources being concentrated in the U.S., totaling approximately 1.96 trillion barrels of oil.



## Marketing

The prices we receive for our oil and natural gas production fluctuate widely. Factors that cause price fluctuation include the level of demand for oil and natural gas, weather conditions, hurricanes in the Gulf Coast region, natural gas storage levels, domestic and foreign governmental regulations, the actions of OPEC, price and availability of alternative fuels, political conditions in oil and natural gas producing regions, the domestic and foreign supply of oil and natural gas, the price of foreign imports and overall economic conditions. Decreases in these commodity prices adversely affect the carrying value of our proved reserves and our revenues, profitability and cash flows. Short-term disruptions of our oil and natural gas production occur from time to time due to downstream pipeline system failure, capacity issues and scheduled maintenance, as well as maintenance and repairs involving our own well operations. These situations can curtail our production capabilities and ability to maintain a steady source of revenue for our company. In addition, demand for natural gas has historically been seasonal in nature, with peak demand and typically higher prices during the colder winter months. See “Risk Factors.”

**Oil.** Our crude oil is generally sold under short-term, extendable and cancellable agreements with unaffiliated purchasers based on published price bulletins reflecting an established field posting price. As a consequence, the prices we receive for crude oil move up and down in direct correlation with the oil market as it reacts to supply and demand factors. Transportation costs related to moving crude oil are also deducted from the price received for crude oil.

We have entered into a month-to-month Crude Oil Purchase Contract with a third party buyer, pursuant to which the buyer purchases the crude oil produced from our initial well in the Niobrara, the FFT2H well, periodically at a price per barrel equal to the average monthly “Light Sweet Crude Oil” contract price as reported by NYMEX from the first day of the delivery month through the last day of the delivery month, less \$8.25 per barrel.

**Natural Gas.** Our natural gas is sold under both long-term and short-term natural gas purchase agreements. Natural gas produced by us is sold at various delivery points at or near producing wells to both unaffiliated independent marketing companies and unaffiliated mid-stream companies. We receive proceeds from prices that are based on various pipeline indices less any associated fees.

We have entered into a Gas Purchase Contract, dated June 1, 2012, with DCP Midstream, LP, which we refer to as DCP, pursuant to which we have agreed to sell, and DCP has agreed to purchase, all gas produced from our wells located in Weld County, Colorado as part of our Niobrara asset, at a purchase price equal to 83% of the net weighted average value for gas attributable to us that is received by DCP at its facilities sold during the month, less a \$0.06/gallon local fractionation fee, for a period of ten years, terminating June 1, 2022.

## Title to Properties

We endeavor to assure that title to our properties is in accordance with standards generally accepted in the oil and natural gas industry. Some of our acreage will be obtained through farmout agreements, term assignments and other contractual arrangements with third parties, the terms of which often will require the drilling of wells or the undertaking of other exploratory or development activities in order to retain our interests in the acreage. Our title to these contractual interests will be contingent upon our satisfactory fulfillment of these obligations. Our properties are also subject to customary royalty interests, liens incident to financing arrangements, operating agreements, taxes and other burdens that we believe will not materially interfere with the use and operation of or affect the value of these properties. We intend to maintain our leasehold interests by making lease rental payments or by producing wells in paying quantities prior to expiration of various time periods to avoid lease termination.





## Competition

The oil and natural gas industry is highly competitive. We compete and will continue to compete with major and independent oil and natural gas companies for exploration opportunities, acreage and property acquisitions. We also compete for drilling rig contracts and other equipment and labor required to drill, operate and develop our properties. Most of our competitors have substantially greater financial resources, staffs, facilities and other resources than we have. In addition, larger competitors may be able to absorb the burden of any changes in federal, state and local laws and regulations more easily than we can, which would adversely affect our competitive position. These competitors may be able to pay more for drilling rigs or exploratory prospects and productive oil and natural gas properties and may be able to define, evaluate, bid for and purchase a greater number of properties and prospects than we can. Our competitors may also be able to afford to purchase and operate their own drilling rigs.

Our ability to drill and explore for oil and natural gas and to acquire properties will depend upon our ability to conduct operations, to evaluate and select suitable properties and to consummate transactions in this highly competitive environment. Our competitors have a longer history of operations than we have, and most of them have also demonstrated the ability to operate through industry cycles.

## Operating Summary

### Productive Wells

The following table presents our total gross and net productive wells by core operating area and by oil or natural gas completion as of September 30, 2012:

September 30, 2012	Gross Productive Wells			Net Productive Wells			% Operated
	Oil	Natural Gas	Total	Oil	Natural Gas	Total	
Niobrara (1)	1	0	1	.31	0	.31	100 %
Eagle Ford	3	0	3	.12	0	.12	0 %
Sugar Valley	2	0	2	1.00	0	1.00	0 %
Total	6	0	6	1.43	0	1.43	

(1) Operated by Condor, which our company jointly owns and manages with MIE Holdings.

“Gross wells” represents the number of wells in which a working interest is owned, and “net wells” represents the total of our fractional working interests owned in gross wells.

## Acreage

The following table sets forth certain information regarding the developed and undeveloped acreage in which we own a working interest as of September 30, 2012 for each of our core operating areas. Acreage related to royalty, overriding royalty and other similar interests is excluded from this summary.

As of September 30, 2012	Undeveloped Acres		Developed Acres		Total		% of Acreage Held-by- Production	
	Gross	Net	Gross	Net	Gross	Net		
Current Assets:								
Niobrara	10,721	2,929	80	25	10,801	2,954	6	%
Eagle Ford	1,133	53	198	7.9	1,331	61	52.7	%
Sugar Valley	0	0	251	164.0	251	164	100	%
Total	11,854	2,982	529	196.9	12,383	3,179		

## Undeveloped Acreage Expirations

The following table sets forth the number of gross and net undeveloped acres on our Niobrara, Eagle Ford, and North Sugar Valley assets as of September 30, 2012 that will expire over the next three years unless production is established within the spacing units covering the acreage prior to the expiration dates:

	As of September 30, 2012							
	2012		2013		2014		Thereafter	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
	581	180	9,664	2,605	160	418	316	96

Many of the leases comprising the acreage set forth in the table above will expire at the end of their respective primary terms unless production from the leasehold acreage has been established prior to such date, in which event the lease will remain in effect until the cessation of production in commercial quantities. While we may attempt to secure a new lease upon the expiration of certain of our acreage, there are some third-party leases that may become effective immediately if our leases expire at the end of their respective terms and production has not been established prior to such date. We have options to extend some of our leases through payment of additional lease bonus payments prior the expiration of the primary term of the leases. Our leases are mainly fee leases with three to five years of primary term. We believe that our leases are similar to our competitors' fee lease terms as they relate to primary term and reserved royalty interests.

## Drilling Activity

The following table summarizes our operated and non-operated drilling activity for exploratory and development wells drilled from 2010 through the first nine months of 2012 on our Niobrara, Eagle Ford, and North Sugar Valley assets. No wells were drilled in 2009.

	Net Exploratory			Net Development		
	2010	2011	2012	2010	2011	2012
Wells Drilled						
Productive	0	0	2	0	0	.35
Dry	0	1	0	0	.5	0
Total	0	1	2	0	.5	.35

## Estimated Proved Reserves

The following summarizes information with respect to our proved oil reserves as of December 31, 2011 and 2010 solely related to our North Sugar Valley Field asset, which we no longer consider a core asset of our company. We are also providing limited information for our proved oil reserve as of December 31, 2011 related to our Eagle Ford asset, which did not become an asset of our company until March 29, 2012.

We cannot provide information regarding proved, probable or possible reserves attributable to the Niobrara asset at this time because our company acquired this asset after the end of the fiscal year ended December 31, 2011 and there was only undeveloped acreage with no oil or gas production at that time. We anticipate providing estimates of proved, probable or possible reserves attributable to the Niobrara asset with our annual report for the fiscal year ended December 31, 2012. We also cannot provide information regarding proved, probable or possible reserves attributable to the Mississippian opportunity because the acquisition of such asset is still pending and not anticipated to be completed until February 2013.

Estimated Proved Reserves for the Eagle Ford Asset. In connection with this offering, STXRA has prepared for us a reserve report, for the Eagle Ford asset, which estimates as of December 31, 2011 net oil reserves of 244 MBbl and net gas reserves of 346 Bcf resulting in a standardized measure of discounted future net cash flows before income taxes of \$3,763,520. We hold interests in the Eagle Ford asset through White Hawk (formerly known as Excellong E&P-2, Inc.), which we acquired on March 29, 2012. In May 2012, we sold 50% of our ownership interest in White Hawk to an affiliate of MIE Holdings, so White Hawk is now owned 50% by us and 50% by an affiliate of MIE Holdings. Accordingly, 50% of the values shown in the report would be attributable to our company, resulting in Eagle Ford asset reserve estimates as of December 31, 2011 of net oil reserves of 122 MBbl and net gas reserves of 173 Bcf with a standardized measure of discounted future net cash flows before income taxes of \$1,881,760 net to us. We have filed the reserve report as an exhibit to the registration statement of which this prospectus is a part. The Eagle Ford asset did not become an asset of our company until March 29, 2012, and therefore was not our asset as of the year ended December 31, 2011. We anticipate providing estimates of proved, probable or possible reserves attributable to the Eagle Ford asset for the year ended December 31, 2012 with our annual report for the fiscal year ended December 31, 2012.

Estimated Proved Reserves for the North Sugar Valley Field Asset. The following table sets forth proved oil reserves as of December 31, 2011 and 2010 for the North Sugar Valley Field asset. The North Sugar Valley Field asset does not contain any proved undeveloped oil reserves or any proved developed or undeveloped natural gas reserves. Units of oil are in thousands of barrels (MBbls). The downward revisions to estimated reserve quantities are the result of reductions in estimated reserve quantities for our Oxbow and Milberger #1 wells in Matagorda County, Texas as a result of declines in monthly production rates.

Proved reserves:	2011	2010
Beginning of period	75.1	-
Revisions	(25.5 )	-
Extensions and discoveries	-	-
Sales of minerals-in-place	-	-
Purchases of minerals-in-place	-	76.5
Production	(5.0 )	(1.5 )
End of period	44.6	75.0
Proved developed reserves:		
Beginning of period	75.1	-
End of period	44.6	75.0
Standardized measure of discounted future net cash flows (1) at December 31, 2011 and 2010		
	\$925,230	\$1,128,400

(1) In accordance with applicable financial accounting and reporting standards of the SEC, the estimates of our proved reserves and the standardized measure of discounted future net cash flows set forth herein reflect estimated future gross revenue to be generated from the production of proved reserves, net of estimated production and future development costs (if any), using prices and costs under existing economic conditions at December 31, 2011. For purposes of determining prices, we used the unweighted arithmetical average of the prices on the first day of each month within the 12- month period ended December 31, 2011. The average prices utilized for purposes of estimating our proved reserves were \$96.19 per barrel of oil. The prices should not be interpreted as a prediction of future prices. The amounts shown do not give effect to non-property related expenses, such as corporate general administrative expenses and debt service, future income taxes or to depreciation, depletion and amortization.

Average prices received for oil production were \$92.39 and \$76.82 per barrel for the year ended December 31, 2011 and 2010, respectively. Average production cost per barrel of oil was \$54.13 and \$45.90 for the year ended December 31, 2011 and 2010, respectively.

The standardized measure of discounted future net cash flows, in management's opinion, should be examined with caution. Revisions of previous year estimates can have a significant impact on these results. Therefore, the standardized measure of discounted future net cash flow is not necessarily indicative of the fair value of our company's proved oil and natural gas properties.

Future income tax expense was computed by applying statutory rates, less the effects of tax credits for each period presented, to the difference between pre-tax net cash flows relating to our company's proved reserves and the tax basis of proved properties, after consideration of available net operating loss and percentage depletion carryovers.

The following table sets forth the standardized measure of discounted future net cash flows (stated in thousands) relating to the proved reserves as of December 31, 2011 and 2010:

	2011	2010
Future cash inflows	\$4,088	\$5,777
Future costs:		
Production	(2,775 )	(3,951 )
Development	-	-
Income taxes	-	-
Future net cash inflows	1,313	1,826
10% discount factor	(388 )	(698 )
Standardized measure of discounted net cash flows	\$925	\$1,128

The estimated present value of future cash flows relating to the proved reserves is extremely sensitive to prices used at any measurement period. The price used for the year ended December 31, 2011 was \$96.19.

**Internal Controls Over Reserve Estimates.** Our proved reserve information for our Eagle Ford asset included in this prospectus was estimated by our independent petroleum consultant, STXRA, a Certified Professional Petroleum Engineering Company, State of Texas Registration Number F-13460, in accordance with definitions and guidelines established by the SEC. STXRA estimation procedures, credentials and statement of independence are discussed in greater detail in the reserve report which has been filed as an exhibit to the registration statement of which this prospectus is a part in connection with this offering. The technical persons responsible for preparing the reserves estimates presented herein meet the requirements regarding qualifications, independence, objectivity and confidentiality set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers.

STXRA is a related party to us by virtue of its co-ownership with us of Pacific Energy Technology Services, LLC, our technical services subsidiary, which is 70% owned by us and 30% by STXRA, and through which we plan to provide acquisition, engineering, and oil drilling and completion technology services in joint cooperation with STXRA in the United States and Pacific Rim countries, particularly in China. We are also a party to an agreement of joint cooperation with STXRA in an effort to identify suitable energy ventures for acquisition by us, with a focus on plays in shale oil and natural gas bearing regions in the United States. STXRA also serves as Condor Energy Technology LLC's operating contractor with respect to the Niobrara asset held by Condor Energy Technology LLC and us. Condor Energy Technology LLC is jointly owned and managed by us and an affiliate of MIE Holdings Corporation. STXRA is also a holder of our capital stock and options exercisable for our capital stock. No aspect of the remuneration to STXRA as either a fee or as a stock option was contingent upon, or related to, the results or conclusions reached in the STXRA reserves report prepared for the Eagle Ford asset.

Frank Ingriselli, President, our President and Chief Executive Officer, and Michael Peterson, our Executive Vice President and Chief Financial Officer, provide company data (such as well ownership interests, oil and gas prices, production volumes and well operating costs) to STXRA, and are the primary company employees responsible for reviewing STXRA's use of our data and STXRA's estimation of our reserves. Mr. Peterson and our company controller provide STXRA with technical data (such as well logs, geological information and well histories). Mr. Ingriselli has over twenty years' experience in the oil and gas exploration and production industry.

Messrs. Ingriselli and Peterson each reviewed the preliminary STXRA reserve estimates and the financial inputs in the estimates. Our company controller calculated the disclosed changes in reserve estimates and the disclosed changes in the Standardized Measure relating to proved oil and gas reserves.

Our Company Code of Business Conduct and Ethics provides general internal controls for preventing and detecting errors or fraud by our employees responsible for the reserve estimation procedures and disclosure in our filings with the SEC.

Our proved reserve information for our North Sugar Valley Field asset included in this prospectus was prepared by Mire & Associates Inc.

The calculations were prepared using standard geological and engineering methods generally accepted by the petroleum industry and in accordance with SEC financial accounting and reporting standards.

Our 2011 year-end reserve report was prepared by Mire & Associates Inc. based upon a review of property interests being appraised, production from such properties, current costs of operation and development, current prices for production, agreements relating to current and future operations and sale of production, geosciences and engineering data, and other information originally provided to them by Roger P. (Pat) Herbert, our former Interim President and Chief Executive Officer, and John MacDonald, our former Chief Financial Officer, in late 2011 and early 2012. This information was reviewed at that time by Messrs. Herbert and MacDonald to ensure accuracy and completeness of the data prior to submission to Mire & Associates Inc. Upon analysis and evaluation of data provided, Mire & Associates Inc. issued a preliminary appraisal report of our reserves in early 2012. The preliminary appraisal report and changes in our reserves were reviewed by Messrs. Herbert and MacDonald in early 2012. Once all questions had been addressed, Mire & Associates Inc. issued the final appraisal report reflecting their conclusions for inclusion in our Annual Report on Form 10-K. In connection with the presentation of the 2011 year-end reserve report prepared by Mire & Associates Inc. in this prospectus, Messrs. Ingriselli and Peterson confirmed the accuracy and completeness of the data previously provided by the company to Mire & Associates Inc. in connection with the preparation of the report, and have reviewed the report as presented in this prospectus.

Mire & Associates Inc. is an independent petroleum consulting firm specializing in the technical and financial evaluation of oil and gas assets. Mire & Associates Inc.'s report was conducted under the direction of Kurt Mire, principle consultant and owner of Mire & Associates, Inc. Mr. Mire holds a BS degree in Petroleum Engineering from the University of Louisiana at Lafayette and has more than 25 years of experience in production engineering, reservoir engineering, acquisitions and divestments, field operations and management. Mire & Associates Inc. and its employees have no interest in our Company and were objective in determining our reserves.

Mire & Associates Inc. used a combination of engineering and geological methods widely accepted in the industry for reservoir performance evaluation. Extrapolations were made of various historical well performance data including oil, gas and water production and pressure readings to calculate our reserves estimates.

#### Mississippian Opportunity Summary (Pending Acquisition)

##### Acreage

The following table sets forth certain information regarding the developed and undeveloped acreage as of September 30, 2012, with respect to the acreage associated with the proposed Mississippian opportunity, if such acquisition is completed. Acreage related to royalty, overriding royalty and other similar interests is excluded from this summary.

	Undeveloped Acres		Developed Acres		Total		% of Acreage Held-by- Production	%
	Gross	Net	Gross	Net	Gross	Net		
Mississippian	13,806	6,903	0	0	13,806	6,903	0	

##### Undeveloped Acreage Expirations

With respect to the acreage we intend to acquire in connection with the Mississippian acquisition opportunity, we expect that the gross and net undeveloped acres will expire as follows, unless production is established within the spacing units covering the acreage prior to the expiration dates:

	2012		2013		2014		Thereafter	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
	--	--	334	167	13,472	6,736	--	--

Many of the leases comprising the acreage set forth in the table above will expire at the end of their respective primary terms unless production from the leasehold acreage has been established prior to such date, in which event the lease will remain in effect until the cessation of production in commercial quantities. While we may attempt to secure a new lease upon the expiration of certain of our acreage, there are some third-party leases that may become effective immediately if our leases expire at the end of their respective terms and production has not been established prior to such date. We have options to extend some of our leases through payment of additional lease bonus payments prior the expiration of the primary term of the leases. Our leases are mainly fee leases with three to five years of primary term. We believe that our leases are similar to our competitors' fee lease terms as they relate to primary term and reserved royalty interests.

##### Regulation

##### Oil and Natural Gas Regulation

Our oil and natural gas exploration, development, production and related operations are subject to extensive federal, state and local laws, rules and regulations. Failure to comply with these laws, rules and regulations can result in substantial penalties. The regulatory burden on the oil and natural gas industry increases our cost of doing business and affects our profitability. Because these rules and regulations are frequently amended or reinterpreted and new rules and regulations are promulgated, we are unable to predict the future cost or impact of complying with the laws, rules and regulations to which we are, or will become, subject. Our competitors in the oil and natural gas industry are generally subject to the same regulatory requirements and restrictions that affect our operations. We cannot predict the impact of future government regulation on our properties or operations.

Texas, Colorado, Kansas, Oklahoma and many other states require permits for drilling operations, drilling bonds and reports concerning operations and impose other requirements relating to the exploration, development and production of oil and natural gas. Many states also have statutes or regulations addressing conservation of oil and natural gas matters, including provisions for the unitization or pooling of oil and natural gas properties, the establishment of maximum rates of production from wells, the regulation of well spacing, the surface use and restoration of properties upon which wells are drilled, the sourcing and disposal of water used in the drilling and completion process and the plugging and abandonment of these wells. Many states restrict production to the market demand for oil and natural gas. Some states have enacted statutes prescribing ceiling prices for natural gas sold within their boundaries. Additionally, some regulatory agencies have, from time to time, imposed price controls and limitations on production by restricting the rate of flow of oil and natural gas wells below natural production capacity in order to conserve supplies of oil and natural gas. Moreover, each state generally imposes a production or severance tax with respect to the production and sale of oil, natural gas and natural gas liquids within its jurisdiction.

Some of our oil and natural gas leases are issued by agencies of the federal government, as well as agencies of the states in which we operate. These leases contain various restrictions on access and development and other requirements that may impede our ability to conduct operations on the acreage represented by these leases.

Our sales of natural gas, as well as the revenues we receive from our sales, are affected by the availability, terms and costs of transportation. The rates, terms and conditions applicable to the interstate transportation of natural gas by pipelines are regulated by the Federal Energy Regulatory Commission (FERC) under the Natural Gas Act, as well as under Section 311 of the Natural Gas Policy Act. Since 1985, FERC has implemented regulations intended to increase competition within the natural gas industry by making natural gas transportation more accessible to natural gas buyers and sellers on an open-access, non-discriminatory basis. The natural gas industry has historically, however, been heavily regulated and we can give no assurance that the current less stringent regulatory approach of FERC will continue.

In 2005, Congress enacted the Energy Policy Act of 2005. The Energy Policy Act, among other things, amended the Natural Gas Act to prohibit market manipulation by any entity, to direct FERC to facilitate market transparency in the market for sale or transportation of physical natural gas in interstate commerce, and to significantly increase the penalties for violations of the Natural Gas Act, the Natural Gas Policy Act of 1978, or FERC rules, regulations or orders thereunder. FERC has promulgated regulations to implement the Energy Policy Act. Should we violate the anti-market manipulation laws and related regulations, in addition to FERC-imposed penalties, we may also be subject to third-party damage claims.

Intrastate natural gas transportation is subject to regulation by state regulatory agencies. The basis for intrastate regulation of natural gas transportation and the degree of regulatory oversight and scrutiny given to intrastate natural gas pipeline rates and services varies from state to state. Because these regulations will apply to all intrastate natural gas shippers within the same state on a comparable basis, we believe that the regulation in any states in which we operate will not affect our operations in any way that is materially different from our competitors that are similarly situated.





The price we receive from the sale of oil and natural gas liquids will be affected by the availability, terms and cost of transportation of the products to market. Under rules adopted by FERC, interstate oil pipelines can change rates based on an inflation index, though other rate mechanisms may be used in specific circumstances. Intrastate oil pipeline transportation rates are subject to regulation by state regulatory commissions, which varies from state to state. We are not able to predict with certainty the effects, if any, of these regulations on our operations.

In 2007, the Energy Independence & Security Act of 2007 (the “EISA”), went into effect. The EISA, among other things, prohibits market manipulation by any person in connection with the purchase or sale of crude oil, gasoline or petroleum distillates at wholesale in contravention of such rules and regulations that the Federal Trade Commission may prescribe, directs the Federal Trade Commission to enforce the regulations and establishes penalties for violations thereunder. We cannot predict any future regulations or their impact.

#### U.S. Federal and State Taxation

The federal, state and local governments in the areas in which we operate impose taxes on the oil and natural gas products we sell and, for many of our wells, sales and use taxes on significant portions of our drilling and operating costs. In the past, there has been a significant amount of discussion by legislators and presidential administrations concerning a variety of energy tax proposals. President Obama has recently proposed sweeping changes in federal laws on the income taxation of small oil and natural gas exploration and production companies such as us. President Obama has proposed to eliminate allowing small U.S. oil and natural gas companies to deduct intangible U.S. drilling costs as incurred and percentage depletion. Many states have raised state taxes on energy sources, and additional increases may occur. Changes to tax laws could adversely affect our business and our financial results.

#### Environmental Regulation

The exploration, development and production of oil and natural gas, including the operation of saltwater injection and disposal wells, are subject to various federal, state and local environmental laws and regulations. These laws and regulations can increase the costs of planning, designing, installing and operating oil and natural gas wells. Our activities are subject to a variety of environmental laws and regulations, including but not limited to the Oil Pollution Act of 1990 (OPA 90), the Clean Water Act (CWA), the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the Resource Conservation and Recovery Act (RCRA), the Clean Air Act (CAA), the Safe Drinking Water Act (the SDWA) and the Occupational Safety and Health Act (OSHA), as well as comparable state statutes and regulations. We are also subject to regulations governing the handling, transportation, storage and disposal of wastes generated by our activities and naturally occurring radioactive materials (NORM) that may result from our oil and natural gas operations. Civil and criminal fines and penalties may be imposed for noncompliance with these environmental laws and regulations. Additionally, these laws and regulations require the acquisition of permits or other governmental authorizations before undertaking some activities, limit or prohibit other activities because of protected wetlands, areas or species and require investigation and cleanup of pollution. We intend to remain in compliance in all material respects with currently applicable environmental laws and regulations.

OPA 90 and its regulations impose requirements on “responsible parties” related to the prevention of crude oil spills and liability for damages resulting from oil spills into or upon navigable waters, adjoining shorelines or in the exclusive economic zone of the United States. A “responsible party” under OPA 90 may include the owner or operator of an onshore facility. OPA 90 subjects responsible parties to strict joint and several financial liability for removal costs and other damages, including natural resource damages, caused by an oil spill that is covered by the statute. It also imposes other requirements on responsible parties, such as the preparation of an oil spill contingency plan. Failure to comply with OPA 90 may subject a responsible party to civil or criminal enforcement action. We may conduct operations on acreage located near, or that affects, navigable waters subject to OPA 90.



The CWA imposes restrictions and strict controls regarding the discharge of produced waters and other wastes into navigable waters. These controls have become more stringent over the years, and it is possible that additional restrictions will be imposed in the future. Permits are required to discharge pollutants into state and federal waters and to conduct construction activities in waters and wetlands. Certain state regulations and the general permits issued under the federal National Pollutant Discharge Elimination System program prohibit the discharge of produced water, produced sand, drilling fluids, drill cuttings and certain other substances related to the oil and natural gas industry into certain coastal and offshore waters. Furthermore, the EPA has adopted regulations requiring certain oil and natural gas exploration and production facilities to obtain permits for storm water discharges. Costs may be associated with the treatment of wastewater or developing and implementing storm water pollution prevention plans. The CWA and comparable state statutes provide for civil, criminal and administrative penalties for any unauthorized discharges of oil and other pollutants and impose liability for the costs of removal or remediation of contamination resulting from such discharges. In furtherance of the CWA, the EPA promulgated the Spill Prevention, Control, and Countermeasure (SPCC) regulations, which require certain oil-storing facilities to prepare plans and meet construction and operating standards.

CERCLA, also known as the “Superfund” law, and comparable state statutes impose liability, without regard to fault or the legality of the original conduct, on various classes of persons that are considered to have contributed to the release of a “hazardous substance” into the environment. These persons include the owner or operator of the disposal site where the release occurred and companies that disposed of, or arranged for the disposal of, the hazardous substances found at the site. Persons who are responsible for releases of hazardous substances under CERCLA may be subject to joint and several liability for the costs of cleaning up the hazardous substances and for damages to natural resources. In addition, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances released into the environment. Our operations may, and in all likelihood will, involve the use or handling of materials that may be classified as hazardous substances under CERCLA. Furthermore, we may acquire or operate properties that unknown to us have been subjected to, or have caused or contributed to, prior releases of hazardous wastes.

RCRA and comparable state and local statutes govern the management, including treatment, storage and disposal, of both hazardous and nonhazardous solid wastes. We generate hazardous and nonhazardous solid waste in connection with our routine operations. At present, RCRA includes a statutory exemption that allows many wastes associated with crude oil and natural gas exploration and production to be classified as nonhazardous waste. A similar exemption is contained in many of the state counterparts to RCRA. At various times in the past, proposals have been made to amend RCRA to eliminate the exemption applicable to crude oil and natural gas exploration and production wastes. Repeal or modifications of this exemption by administrative, legislative or judicial process, or through changes in applicable state statutes, would increase the volume of hazardous waste we are required to manage and dispose of and would cause us, as well as our competitors, to incur increased operating expenses. Hazardous wastes are subject to more stringent and costly disposal requirements than are nonhazardous wastes.

The CAA and comparable state laws restrict the emission of air pollutants from many sources, including oil and natural gas production. These laws and any implementing regulations impose stringent air permit requirements and require us to obtain pre-approval for the construction or modification of certain projects or facilities expected to produce air emissions, or to use specific equipment or technologies to control emissions. On July 28, 2011, the EPA proposed new regulations targeting air emissions from the oil and natural gas industry. The proposed rules, if adopted, would impose new requirements on production and processing and transmission and storage facilities.

Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly waste handling, storage, transport, disposal or cleanup requirements or operating requirements could materially adversely affect our operations and financial position, as well as those of the oil and natural gas industry in general. For instance, recent scientific studies have suggested that emissions of certain gases, commonly referred to

as “greenhouse gases,” and including carbon dioxide and methane, may be contributing to the warming of the Earth’s atmosphere. As a result, there have been attempts to pass comprehensive greenhouse gas legislation. To date, such legislation has not been enacted. Any future federal laws or implementing regulations that may be adopted to address greenhouse gas emissions could, and in all likelihood would, require us to incur increased operating costs adversely affecting our profits and could adversely affect demand for the oil and natural gas we produce depressing the prices we receive for oil and natural gas.

On December 15, 2009, the EPA published its finding that emissions of greenhouse gases presented an endangerment to human health and the environment. These findings by the EPA allow the agency to proceed with the adoption and implementation of regulations that would restrict emissions of greenhouse gases under existing provisions of the CAA. Subsequently, the EPA proposed and adopted two sets of regulations, one of which requires a reduction in emissions of greenhouse gases from motor vehicles and the other of which regulated emissions of greenhouse gases from certain large stationary sources. In addition, on October 30, 2009, the EPA published a rule requiring the reporting of greenhouse gas emissions from specified sources in the U.S. beginning in 2011 for emissions occurring in 2010. On November 30, 2010, the EPA released a rule that expands its final rule on greenhouse gas emissions reporting to include owners and operators of onshore and offshore oil and natural gas production, onshore natural gas processing, natural gas storage, natural gas transmission and natural gas distribution facilities. Reporting of greenhouse gas emissions from such onshore production will be required on an annual basis beginning in 2012 for emissions occurring in 2011. The adoption and implementation of any regulations imposing reporting obligations on, or limiting emissions of greenhouse gases from, our equipment and operations could, and in all likelihood will, require us to incur costs to reduce emissions of greenhouse gases associated with our operations adversely affecting our profits or could adversely affect demand for the oil and natural gas we produce depressing the prices we receive for oil and natural gas.

Some states have begun taking actions to control and/or reduce emissions of greenhouse gases, primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap and trade programs. Although most of the state-level initiatives have to date focused on significant sources of greenhouse gas emissions, such as coal-fired electric plants, it is possible that less significant sources of emissions could become subject to greenhouse gas emission limitations or emissions allowance purchase requirements in the future. Any one of these climate change regulatory and legislative initiatives could have a material adverse effect on our business, financial condition and results of operations.

Underground injection is the subsurface placement of fluid through a well, such as the reinjection of brine produced and separated from oil and natural gas production. In our industry, underground injection not only allows us to economically dispose of produced water, but if injected into an oil bearing zone, it can increase the oil production from such zone. The SDWA establishes a regulatory framework for underground injection, the primary objective of which is to ensure the mechanical integrity of the injection apparatus and to prevent migration of fluids from the injection zone into underground sources of drinking water. The disposal of hazardous waste by underground injection is subject to stricter requirements than the disposal of produced water. We currently do not own or operate any underground injection wells, but may do so in the future. Failure to obtain, or abide by, the requirements for the issuance of necessary permits could subject us to civil and/or criminal enforcement actions and penalties.

Oil and natural gas exploration and production, operations and other activities have been conducted at some of our properties by previous owners and operators. Materials from these operations remain on some of the properties, and, in some instances, may require remediation. In addition, we occasionally must agree to indemnify sellers of producing properties from whom we acquire reserves against some of the liability for environmental claims associated with these properties. We cannot assure you that the costs we incur for compliance with environmental regulations and remediating previously or currently owned or operated properties will not result in material expenditures that adversely affect our profitability.

Additionally, in the course of our routine oil and natural gas operations, surface spills and leaks, including casing leaks, of oil or other materials will occur, and we will incur costs for waste handling and environmental compliance. It is also possible that our oil and natural gas operations may require us to manage NORM. NORM is present in varying concentrations in sub-surface formations, including hydrocarbon reservoirs, and may become concentrated in scale, film and sludge in equipment that comes in contact with crude oil and natural gas production and processing streams. Some states, including Texas, have enacted regulations governing the handling, treatment,

storage and disposal of NORM. Moreover, we will be able to control directly the operations of only those wells for which we act as the operator. Despite our lack of control over wells owned by us but operated by others, the failure of the operator to comply with the applicable environmental regulations may, in certain circumstances, be attributable to us.

We are subject to the requirements of OSHA and comparable state statutes. The OSHA Hazard Communication Standard, the “community right-to-know” regulations under Title III of the federal Superfund Amendments and Reauthorization Act and similar state statutes require us to organize information about hazardous materials used, released or produced in our operations. Certain of this information must be provided to employees, state and local governmental authorities and local citizens. We are also subject to the requirements and reporting set forth in OSHA workplace standards.

We cannot assure you that more stringent laws and regulations protecting the environment will not be adopted or that we will not otherwise incur material expenses in connection with environmental laws and regulations in the future. The clear trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment and, thus, any changes in environmental laws and regulations or re-interpretation of enforcement policies that result in more stringent and costly waste handling, storage, transport, disposal or remediation requirements could have a material adverse effect on our operations and financial position. We may be unable to pass on such increased compliance costs to our customers. Moreover, accidental releases or spills may occur in the course of our operations, and we cannot assure you that we will not incur significant costs and liabilities as a result of such releases or spills, including any third party claims for damage to property, natural resources or persons.

We maintain insurance against some, but not all, potential risks and losses associated with our industry and operations. We do not currently carry business interruption insurance. For some risks, we may not obtain insurance if we believe the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. If a significant accident or other event occurs and is not fully covered by insurance, it could materially adversely affect our financial condition and results of operations.

#### Hydraulic Fracturing Regulation

We use hydraulic fracturing as a means to maximize the productivity of our oil and natural gas wells in most wells that we drill and complete. Although average drilling and completion costs for each area will vary, as will the cost of each well within a given area, on average approximately 60% of the drilling and completion costs for our horizontal wells are associated with hydraulic fracturing activities. These costs are treated in the same way that all other costs of drilling and completion of our wells are treated and are built into and funded through our normal capital expenditures budget.

Hydraulic fracturing technology, which has been used by the oil and natural gas industry for more than 60 years and is constantly being enhanced, enables companies to produce crude oil and natural gas that would otherwise not be recovered. Specifically, hydraulic fracturing is a process in which pressurized fluid is pumped into underground formations to create tiny fractures or spaces that allow crude oil and natural gas to flow from the reservoir into the well so that it can be brought to the surface. The makeup of the fluid used in the hydraulic fracturing process is typically more than 99% water and sand, and less than 1% highly diluted chemical additives. While the majority of the sand remains underground to hold open the fractures, a significant percentage of the water and chemical additives flow back and are then either recycled or safely disposed of at sites that are approved and permitted by the appropriate regulatory authorities. Hydraulic fracturing generally takes place thousands of feet underground, a considerable distance below any drinking water aquifers, and there are impermeable layers of rock between the area fractured and the water aquifers.



Recently, there has been increasing regulatory scrutiny of hydraulic fracturing, which is generally exempted from regulation as underground injection on the federal level pursuant to the SDWA. However, the U.S. Senate and House of Representatives have considered legislation to repeal this exemption. If enacted, these proposals would amend the definition of "underground injection" in the SDWA to encompass hydraulic fracturing activities. If enacted, such a provision 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. These legislative proposals have also contained language to require the reporting and public disclosure of chemicals used in the fracturing process. If the exemption for hydraulic fracturing is removed from the SDWA, or if other legislation is enacted at the federal, state or local level, any restrictions on the use of hydraulic fracturing contained in any such legislation could have a significant impact on our business, financial condition and results of operations.

In addition, at the federal level and in some states, there has been a push to place additional regulatory burdens upon hydraulic fracturing activities. Certain bills have been introduced in the Senate and the House of Representatives that, if adopted, could increase the possibility of litigation and establish an additional level of regulation at the federal level that could lead to operational delays or increased operating costs and could, and in all likelihood would, result in additional regulatory burdens, making it more difficult to perform hydraulic fracturing operations and increasing our costs of compliance. At the state level, Wyoming and Texas, for example, have enacted requirements for the disclosure of the composition of the fluids used in hydraulic fracturing. On June 17, 2011, Texas signed into law a mandate for public disclosure of the chemicals that operators use during hydraulic fracturing in Texas. The law went into effect September 1, 2011. State regulators have until 2013 to complete implementing rules. In addition, several local governments in Texas have imposed temporary moratoria on drilling permits within city limits so that local ordinances may be reviewed to assess their adequacy to address hydraulic fracturing activities. Additional burdens upon hydraulic fracturing, such as reporting requirements or permitting requirements for the hydraulic fracturing activity, will result in additional expense and delay in our operations.

We are not able to predict the timing, scope and effect of any currently proposed or future laws or regulations regarding hydraulic fracturing, but the direct and indirect costs of such laws and regulations (if enacted) could materially and adversely affect our business, financial conditions and results of operations. See "Risk Factors," including "Our operations are subject to operational hazards and unforeseen interruptions for which we may not be adequately insured," at page 24, and "Federal and state legislation and regulatory initiatives relating to hydraulic fracturing and water disposal could result in creased costs and additional operating restrictions or delays," at page 37.

#### International Regulation

Our anticipated future exploration and production operations outside the United States will be subject to various types of regulations imposed by the respective governments of the countries in which our operations may be conducted and that may affect our operations and costs. We currently have no operations outside of the United States. We have not yet assessed the scope and effect of any currently proposed or future foreign laws, regulations or treaties, including those regarding climate change and hydraulic fracturing, but the direct and indirect costs of such laws, regulations and treaties (if enacted) could materially and adversely affect our business, results of operations, financial condition and competitive position.

#### Office Lease

Our corporate headquarters are located in approximately 2,000 square feet of office space at 4125 Blackhawk Plaza Circle, Suite 201, Danville, California 94506. We lease that space pursuant to a lease that expires on June 30, 2013 and that has a base monthly rent of approximately \$4,100.



## Employees

At January 11, 2013, we had 10 full-time employees. We believe that our relationships with our employees are satisfactory. No employee is covered by a collective bargaining agreement. In order to expand our operations in accordance with our business plan, we intend to hire additional employees with expertise in the areas of corporate development, petroleum engineering, geological and geophysical sciences and accounting, as well as hiring additional technical, operations and administrative staff. We are not currently able to estimate the number of employees that we will hire during the next twelve months since that number will depend upon the rate at which our operations expand and upon the extent to which we engage third parties to perform required services.

From time to time, we use the services of independent consultants and contractors to perform various professional services, particularly in the areas of geology and geophysics, construction, design, well site surveillance and supervision, permitting and environmental assessment and legal and income tax preparation and accounting services. Independent contractors, at our request, drill our wells and perform field and on-site production operation services for us, including pumping, maintenance, dispatching, inspection and testing.

## Legal Proceedings

Although we may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business, we are not currently a party to any material legal proceeding. In addition, we are not aware of any material legal or governmental proceedings against us, or contemplated to be brought against us.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes appearing elsewhere in this prospectus. The following discussion contains “forward-looking statements” that reflect our future plans, estimates, beliefs and expected performance. We caution you that assumptions, expectations, projections, intentions or beliefs about future events may, and often do, vary from actual results and the differences can be material. See “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements.”

On July 27, 2012, we completed our acquisition of Pacific Energy Development Corp., which we refer to as Pacific Energy Development. The acquisition was accounted for as a “reverse acquisition,” and Pacific Energy Development was deemed to be the accounting acquirer in the acquisition. Because Pacific Energy Development Corp. was deemed the acquirer for accounting purposes, the financial statements of Pacific Energy Development are presented as the continuing accounting entity and the below discussion solely relates to the financial information of Pacific Energy Development as the continuing accounting entity.

### Overview

We are an energy company engaged in the acquisition, exploration, development and production of oil and natural gas resources in the United States, with a primary focus on oil and natural gas shale plays and a secondary focus on conventional oil and natural gas plays. Our current operations are located primarily in the Niobrara Shale play in the Denver-Julesburg Basin in Morgan and Weld Counties, Colorado and the Eagle Ford Shale play in McMullen County, Texas. We also hold an interest in the North Sugar Valley Field in Matagorda County, Texas, though we consider this a non-core asset.

We have approximately 10,801 gross and 2,954 net acres of oil and gas properties in our Niobrara core area. Our current Eagle Ford position is a 4% working interest in 1,331 acres. Condor Energy Technology LLC, which we jointly own and manage with an affiliate of MIE Holdings Corporation as described below, operates our Niobrara interests, including one well in the Niobrara asset with current daily production of approximately 100 boe (31 boe net). We believe our current assets could contain a gross total of 197 drilling locations.

We also have agreements in place (subject to customary closing conditions) for future operations in the Mississippian Lime play in Comanche, Harper, Barber and Kiowa Counties, Kansas, and Woods County, Oklahoma. If the proposed acquisition of the Mississippian asset is completed, upon closing, we will have a 50% working interest in 13,806 acres. We anticipate that Condor or a similar subsidiary or joint venture will operate our Mississippian interests as well. We believe the Mississippian asset could contain a gross total of 84 drilling locations.

We believe that the Niobrara, Eagle Ford and Mississippian Shale plays represent among the most promising unconventional oil and natural gas plays in the United States. We will continue to seek additional acreage proximate to our currently held core acreage. Our strategy is to be the operator, directly or through our subsidiaries and joint ventures, in the majority of our acreage so we can dictate the pace of development in order to execute our business plan. The majority of our capital expenditure budget for the period from October 2012 to December 2013 will be focused on the acquisition, development and expansion of these formations.

Detailed information about our business plans and operations, including our core Niobrara, Eagle Ford and Mississippian assets, is contained under “Business” beginning on page 52.

### How We Conduct Our Business and Evaluate Our Operations

Our use of capital for acquisitions and development allows us to direct our capital resources to what we believe to be the most attractive opportunities as market conditions evolve. We have historically acquired properties that we believe had significant appreciation potential. We intend to continue to acquire both operated and non-operated properties to the extent we believe they meet our return objectives.

We will use a variety of financial and operational metrics to assess the performance of our oil and natural gas operations, including:

production volumes;

realized prices on the sale of oil and natural gas, including the effects of our commodity derivative contracts;

oil and natural gas production and operating expenses;

capital expenditures;

general and administrative expenses;

net cash provided by operating activities; and

net income.

#### Production Volumes

Production volumes will directly impact our results of operations. We currently have minimal production, all from the initial producing well associated with the Niobrara asset, three gross producing wells associated with our Eagle Ford asset, and three gross producing wells associated with our North Sugar Valley field, but expect to increase production assuming drilling success in the future.

#### Realized Prices on the Sale of Oil and Natural Gas

##### Factors Affecting the Sales Price of Oil and Natural Gas

We expect to market our crude oil and natural gas production to a variety of purchasers based on regional pricing. The relative prices of crude oil and natural gas are determined by the factors impacting global and regional supply and demand dynamics, such as economic conditions, production levels, weather cycles and other events. In addition, relative prices are heavily influenced by product quality and location relative to consuming and refining markets.

Oil. The New York Mercantile Exchange—West Texas Intermediate (NYMEX-WTI) futures price is a widely used benchmark in the pricing of domestic crude oil in the United States. The actual prices realized from the sale of crude oil differ from the quoted NYMEX-WTI price as a result of quality and location differentials. Quality differentials to NYMEX-WTI prices result from the fact that crude oils differ from one another in their molecular makeup, which plays an important part in their refining and subsequent sale as petroleum products. Among other things, there are two characteristics that commonly drive quality differentials: (a) the crude oil's American Petroleum Institute, or API, gravity and (b) the crude oil's percentage of sulfur content by weight. In general, lighter crude oil (with higher API gravity) produces a larger number of lighter products, such as gasoline, which have higher resale value and, therefore, normally sell at a higher price than heavier oil. Crude oil with low sulfur content ("sweet" crude oil) is less expensive to refine and, as a result, normally sells at a higher price than high sulfur-content crude oil ("sour" crude oil).

Location differentials to NYMEX-WTI prices result from variances in transportation costs based on the produced crude oil's proximity to the major consuming and refining markets to which it is ultimately delivered. Crude oil that is produced close to major consuming and refining markets, such as near Cushing, Oklahoma, is in higher demand as compared to crude oil that is produced farther from such markets. Consequently, crude oil that is produced close to major consuming and refining markets normally realizes a higher price (i.e., a lower location differential to NYMEX-WTI).

In the past, crude oil prices have been extremely volatile, and we expect this volatility to continue. For example, the NYMEX-WTI oil price ranged from a high of \$113.39 per bbl to a low of \$75.40 per bbl during the year ended December 31, 2011 and from a high of \$109.39 per bbl to a low of \$77.72 per bbl during the year ended December 31, 2012.

Natural Gas. The NYMEX-Henry Hub price of natural gas is a widely used benchmark for the pricing of natural gas in the United States. Similar to crude oil, the actual prices realized from the sale of natural gas differ from the quoted NYMEX-Henry Hub price as a result of quality and location differentials. Quality differentials to NYMEX-Henry Hub prices result from: (a) the Btu content of natural gas, which measures its heating value, and (b) the percentage of sulfur, CO<sub>2</sub> and other inert content by volume. Wet natural gas with a high Btu content sells at a premium to low btu content dry natural gas because it yields a greater quantity of natural gas liquids (NGLs). Natural gas with low sulfur and CO<sub>2</sub> content sells at a premium to natural gas with high sulfur and CO<sub>2</sub> content because of the added cost to separate the sulfur and CO<sub>2</sub> from the natural gas to render it marketable. Wet natural gas is processed in third-party natural gas plants and residue natural gas as well as NGLs are recovered and sold. Dry natural gas residue from our properties is generally sold based on index prices in the region from which it is produced.

Location differentials to NYMEX-Henry Hub prices result from variances in transportation costs based on the natural gas' proximity to the major consuming markets to which it is ultimately delivered. Also affecting the differential is the processing fee deduction retained by the natural gas processing plant generally in the form of percentage of proceeds. Generally, these index prices have historically been at a discount to NYMEX-Henry Hub natural gas prices.

In the past, natural gas prices have been extremely volatile, and we expect this volatility to continue. For example, the NYMEX-Henry Hub natural gas price ranged from a high of \$4.92 per MMBtu to a low of \$2.84 per MMBtu during the year ended December 31, 2011, and from a high of \$3.20 per MMBtu to a low of \$1.82 per MMBtu during the year ended December 31, 2012.

Commodity Derivative Contracts. We expect to adopt a commodity derivative policy designed to minimize volatility in our cash flows from changes in commodity prices. We have not determined the portion of our estimated production, if any, for which we will mitigate our risk through the use of commodity derivative instruments, but in no event will we maintain a commodity derivative position in an amount in excess of our estimated production. Should we reduce our estimates of future production to amounts which are lower than our commodity derivative volumes, we will reduce our positions as soon as practical. If forward crude oil or natural gas prices increase to prices higher than the prices at which we have entered into commodity derivative positions, we may be required to make margin calls out of our working capital in the amounts those prices exceed the prices we have entered into commodity derivative positions.

Oil and Natural Gas Production Expenses. We will strive to increase our production levels to maximize our revenue. Oil and natural gas production expenses are the costs incurred in the operation of producing properties and workover costs. We expect expenses for utilities, direct labor, water injection and disposal, and materials and supplies to comprise the most significant portion of our oil and natural gas production expenses. Oil and natural gas production expenses do not include general and administrative costs or production and other taxes. Certain items, such as direct labor and materials and supplies, generally remain relatively fixed across broad production volume ranges, but can

fluctuate depending on activities performed during a specific period. For instance, repairs to our pumping equipment or surface facilities may result in increased oil and natural gas production expenses in periods during which they are performed.



A majority of our operating cost components will be variable and increase or decrease as the level of produced hydrocarbons and water increases or decreases. For example, we will incur power costs in connection with various production related activities such as pumping to recover oil and natural gas and separation and treatment of water produced in connection with our oil and natural gas production. Over the life of hydrocarbon fields, the amount of water produced may increase for a given volume of oil or natural gas production, and, as pressure declines in natural gas wells that also produce water, more power will be needed to provide energy to artificial lift systems that help to remove produced water from the wells. Thus, production of a given volume of hydrocarbons may become more expensive each year as the cumulative oil and natural gas produced from a field increases until, at some point, additional production becomes uneconomic.

**Production and Ad Valorem Taxes.** Texas regulates the development, production, gathering and sale of oil and natural gas, including imposing production taxes and requirements for obtaining drilling permits. For oil production, Texas currently imposes a production tax at 4.6% of the market value of the oil produced and an additional 3/16 of one cent per barrel of crude petroleum produced, and for natural gas, Texas currently imposes a production tax at 7.5% of the market value of the natural gas produced. Colorado imposes production taxes ranging from 2% to 5% based on gross income and a conservation tax ranging from 0.07% to 1.5% based on the market value of oil and natural gas production. Wyoming imposes production taxes at a base rate of 6% and conservation tax of 0.04% based on the market value of oil and natural gas production. Ad valorem taxes are generally tied to the valuation of the oil and natural gas properties; however, these valuations are reasonably correlated to revenues, excluding the effects of any commodity derivative contracts.

**General and Administrative Expenses.** General and administrative expenses related to being a publicly traded company include: Exchange Act reporting expenses; expenses associated with Sarbanes-Oxley compliance; expenses associated with listing on the NYSE MKT; independent auditor fees; legal fees; investor relations expenses; registrar and transfer agent fees; director and officer liability insurance costs; and director compensation. As a publicly-traded company, we expect that general and administrative expenses will continue to be significant.

**Income Tax Expense.** We are a C-corporation for federal income tax purposes, and accordingly, we are directly subject to federal income taxes which may affect future operating results and cash flows. We are also subject to taxation through our membership interests in our joint ventures, which are limited liability companies taxed as pass-through entities.

## Liquidity and Capital Resources

### Liquidity Outlook

We expect to incur substantial expenses and generate significant operating losses as we continue to explore for and develop our oil and natural gas prospects, and as we opportunistically invest in additional oil and natural gas properties, develop our discoveries which we determine to be commercially viable and incur expenses related to operating as a public company and compliance with regulatory requirements.

Our future financial condition and liquidity will be impacted by, among other factors, the success of our exploration and appraisal drilling program, the number of commercially viable oil and natural gas discoveries made and the quantities of oil and natural gas discovered, the speed with which we can bring such discoveries to production, and the actual cost of exploration, appraisal and development of our prospects. We estimate that we will make capital expenditures, excluding capitalized interest and general and administrative expense, of approximately \$34 million during the period from October 1, 2012 to December 31, 2013 in order to achieve our plans.

We expect the proceeds of this offering, cash flow from operations, proceeds from asset divestitures and our existing cash on hand will be sufficient to fund our planned capital expenditures until the end of 2013. Because the wells funded by our 2013 drilling plans represent only a small percentage of our potential drilling locations, we will be required to generate or raise additional amounts of capital to develop our entire inventory of potential drilling locations, if we elect to do so. We may seek additional funding through asset sales, farm-out arrangements, lines of credit and public or private equity or debt financings.

Our capital budget may be adjusted as business conditions warrant. The amount, timing and allocation of capital expenditures is largely discretionary and within our control. If oil and natural gas prices decline or costs increase significantly, we could defer a significant portion of our budgeted capital expenditures until later periods to prioritize capital projects that we believe have the highest expected returns and potential to generate near-term cash flows. We routinely monitor and adjust our capital expenditures in response to changes in prices, availability of financing, drilling and acquisition costs, industry conditions, timing of regulatory approvals, availability of rigs, success or lack of success in drilling activities, contractual obligations, internally generated cash flows and other factors both within and outside our control.

#### Historical Liquidity and Capital Resources

Prior to the completion of the Pacific Energy Development merger, Pacific Energy Development raised approximately \$11.5 million through the sale of Series A preferred stock, which we refer to as the Pacific Energy Development offering. The Pacific Energy Development offering closed on July 27, 2012.

The proceeds of the Pacific Energy Development offering were used by Pacific Energy Development to purchase our Niobrara and Eagle Ford assets and for general working capital expenses. The Eagle Ford asset had two producing wells when purchased and we have been receiving revenues since March 2012 from those wells. A well was drilled and completed in July 2012 in the Niobrara asset, resulting in oil revenues from this well in the quarter ended September 30, 2012. In the last quarter of 2012, Condor has completed drilling two additional wells for a total drilling cost net to our interest of \$3.57 million in the Niobrara asset.

Pacific Energy Development had total current assets of \$5,759,000 as of September 30, 2012, including cash of \$5,348,000, compared to total current assets of \$617,000 as of December 31, 2011, including a cash balance of \$176,000.

Pacific Energy Development had total assets of \$11.6 million as of September 30, 2012 and \$2.9 million as of December 31, 2011. Included in total assets as of September 30, 2012 and December 31, 2011 were \$1.2 million and \$0, respectively, of proved oil and gas properties subject to amortization.

Pacific Energy Development had total liabilities of \$4.0 million as of September 30, 2012, including current liabilities of \$3.9 million, compared to total liabilities of \$2.1 million as of December 31, 2011, including current liabilities of \$2.1 million.

Pacific Energy Development had working capital of \$1.8 million, total stockholders' equity of \$6.4 million and a total accumulated deficit of \$10.1 million as of September 30, 2012, compared to negative working capital of \$1.4 million, total stockholders' equity of \$0.9 million and a total accumulated deficit of \$0.7 million as of December 31, 2011.

**Cash Flows From Operating Activities.** Pacific Energy Development had net cash used in operating activities of \$1,473,000 for the nine months ended September 30, 2012, which was primarily due to a \$9,314,000 loss from continuing operations offset by \$6,820,000 for impairment of goodwill arising from the merger, \$417,000 of stock compensation expense, \$254,000 of amortization of financing costs, and a \$174,000 increase in accounts receivable.

**Cash Flows from Investing Activities.** Pacific Energy Development had net cash used in investing activities of \$2,075,000 for the nine months ended September 30, 2012. Cash was used for oil and gas property acquisitions in the amount of \$1,500,000, the payment of obligations of Blast related to the merger in the amount of \$445,000, cash funded to White Hawk as notes receivable in the amount of \$429,000, and \$700,000 of restricted cash in connection with an amendment to its debt agreement with Centurion Credit Funding LLC. This usage of cash was partially offset by \$1,000,000 received from the sale of 50% of the White Hawk subsidiary to an affiliate of MIE Holdings.

Cash Flows from Financing Activities. Pacific Energy Development had net cash provided from financing activities of \$8,020,000 for the nine months ended September 30, 2012, which was due primarily to the sale of preferred stock.

#### Results of Operations

As discussed above, the financial statements of Pacific Energy Development are presented as the continuing accounting entity and the below discussion relates to the financial information of Pacific Energy Development as the continuing accounting entity. The financial statements prior to the date of the merger represent the operations of pre-merger Pacific Energy Development only. After the date of the merger, the financial statements include the operations of the combined companies.

Comparison of the Nine Months Ended September 30, 2012 with the Period from February 9, 2011 (inception) through September 30, 2011

Oil and Gas Properties. For the nine months ended September 30, 2012, Pacific Energy Development has received \$270,000 in revenues. These revenues were generated after February 2012 from the two producing wells in the Eagle Ford asset and one producing well in the Niobrara asset. Prior to such time, Pacific Energy Development was focused on acquiring oil and natural gas properties, and did not yet generate any revenue. Oil and gas revenue for the former Blast business ("Blast") operations was an additional \$62,000 for the nine months ended September 30, 2012. Operating expenses associated with the oil and gas properties was \$116,000 for Pacific Energy Development and an additional \$55,000 for the nine months ended September 30, 2012 for Blast. There was no oil and gas revenue and no well operating expenses for Pacific Energy Development for the period from February 9, 2011 (inception) through September 30, 2011.

Depreciation, Depletion and Amortization (“DD&A”). DD&A costs were \$73,000 for the nine months ended September 30, 2012, compared to none for Pacific Energy Development for the period from February 9, 2011 (inception) through September 30, 2011, as depletion was only recorded for Pacific Energy Development starting in 2012 when the wells were producing revenue.

Selling, General and Administrative. Selling, general and administrative (“SG&A”) expenses increased by \$1,830,000 to \$2,112,000 for the nine months ended September 30, 2012 compared to \$282,000 for the period from February 9, 2011 (inception) through September 30, 2011. The increase was primarily due to increased staff, professional service fees, legal fees in connection with the Pacific Energy Development merger, and stock compensation expense in 2012 not applicable to 2011.

(in thousands)	For the Nine Months Ended		Increase (Decrease)
	September 30, 2012	September 30, 2011	
Payroll and related costs	\$ 818	\$ 175	\$ 643
Option and warrant expense	417	-	417
Legal fees & settlements	278	13	265
External services	420	28	392
Insurance	53	4	49
Travel & entertainment	72	34	38
Office rent, communications, misc.	54	28	26
	\$ 2,112	\$ 282	\$ 1,830

Other Expense/Income. Other expense was \$457,000 for the nine months ended September 30, 2012 compared to \$10,000 for the period from February 9, 2011 (inception) through September 30, 2011. The increase in other expenses in 2012 resulted mostly from the loss of \$160,000 recorded on a debt extinguishment and \$254,000 related to the amortization of the debt discount

Interest Expense. Interest expense was \$298,000 for the nine months ended September 30, 2012 compared to \$10,000 for the period from February 9, 2011 (inception) through September 30, 2011, an increase of \$288,000 from the prior period. This increase is primarily due to the amortization of \$254,000 for a debt discount for our operations and the inclusion of interest on the pre-merger debt of our company, which because Pacific Energy Development is deemed to be the acquiring entity, was treated as the assumption of debt when the Pacific Energy Development merger closed in July 2012.

Net Loss. Net loss increased by \$9,022,000 to a net loss of \$9,314,000 for the nine months ended September 30, 2012 compared to a net loss of \$292,000 for the period from February 9, 2011 (inception) through September 30, 2011. This increase was primarily due to \$6,820,000 for goodwill impairment, the increase in SG&A of \$1,830,000 in 2012 as described above, the amortization of \$254,000 for the debt discount and the loss of \$160,000 on the debt extinguishment.

Operations from February 9, 2011 (inception) through December 31, 2011

Oil and Gas Properties. For the period from inception through December 31, 2011, Pacific Energy Development had no revenues. No revenues were generated until after February 2012 when two producing wells in the Eagle Ford asset were acquired. During 2011, Pacific Energy Development was focused on acquiring oil and natural gas properties, and did not yet generate any revenue. Operating expenses associated with wells was therefore also zero for the fiscal year ended December 31, 2011.

Depreciation, Depletion and Amortization (“DD&A”). DD&A costs were \$662 for the period from inception through December 30, 2011. There were no depletion costs as depletion costs were only recorded for Pacific Energy Development starting in 2012 when wells were producing revenue. All DD&A costs in 2011 were for depreciation.

Selling, General and Administrative. Selling, general and administrative (“SG&A”) expenses were \$717,792 for the period from inception through December 31, 2011. The expenses were primarily for staff costs, professional service fees, and legal fees as we acquired the Niobrara asset in October, 2011 and performed due diligence on the Eagle Ford asset as well as other acquisition opportunities.

Other Expense/Income. Other expense was \$32,973 for the period from inception through December 31, 2011 due primarily to a loss of \$25,875 recorded in the fiscal year ended December 31, 2011 for an equity method investment.

Interest Expense. Interest expense was \$12,912 for the period from inception through December 31, 2011 due to interest paid on notes payable.

Net Loss. Net loss for the period from inception through December 31, 2011 was \$763,677 due primarily to the SG&A expenses described above.

## Recent Accounting Pronouncements

In July 2012, the FASB amended its authoritative guidance related to testing indefinite-lived intangible assets for impairment. Under the revised guidance, entities testing their indefinite-lived intangible assets for impairment have the option of performing a qualitative assessment before performing further impairment testing. If entities determine, on a basis of qualitative factors, that it is more-likely-than-not that the asset is impaired, a quantitative test is required. The guidance becomes effective in the beginning of fiscal 2014, with early adoption permitted. We are currently evaluating the timing of adopting this guidance which is not expected to have an impact on our consolidated financial statements.

In September 2011, the FASB issued an update to ASC Topic 350, “Intangibles — Goodwill and Other.” This ASU amends the guidance in ASC Topic 350-20 on testing for goodwill impairment. The revised guidance allows entities testing for goodwill impairment to have the option of performing a qualitative assessment before calculating the fair value of the reporting unit. The ASU does not change how goodwill is calculated or assigned to reporting units, nor does it revise the requirement to test annually for impairment. The ASU is limited to goodwill and does not amend the annual requirement for testing other indefinite-lived intangible assets for impairment. We adopted this ASU for our 2012 goodwill impairment testing. The adoption of this ASU did not impact on our consolidated financial statements.

In June 2011, the FASB issued new accounting guidance related to the presentation of comprehensive income (loss) that eliminates the current option to report other comprehensive income (loss) and its components in the statement of changes in equity. Under this guidance, an entity can elect to present items of net income (loss) and other comprehensive income (loss) in one continuous statement or two consecutive statements. This guidance is effective for us beginning July 1, 2012. We do not believe the adoption of this guidance will have a material effect on our consolidated financial statements and related disclosures.

In May 2011, the FASB issued updated accounting guidance related to fair value measurements and disclosures that result in common fair value measurements and disclosures between U.S. GAAP and International Financial Reporting Standards. This guidance includes amendments that clarify the application of existing fair value measurements and disclosures, in addition to other amendments that change principles or requirements for fair value measurements or disclosures. The adoption of this guidance did not have a material effect on our consolidated financial statements and related disclosures.

## Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based on 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 judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We base our estimates on historical experience and on various other assumptions that we believe 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. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our most significant judgments and estimates used in preparation of our financial statements.

**Revenue Recognition.** All revenue is recognized when persuasive evidence of an arrangement exists, the service or sale is complete, the price is fixed or determinable and collectability is reasonably assured. Revenue is derived from the sale of crude oil and down hole services. Revenue from crude oil sales is recognized when the crude oil is delivered to the purchaser and collectability is reasonably assured. Revenue from services is recognized when the service is delivered or completed and collection is reasonably assured. We follow the “sales method” of accounting for

oil and natural gas revenue, which means we recognize revenue on all natural gas or crude oil sold to purchasers, regardless of whether the sales are proportionate to our ownership in the property. A receivable or liability is recognized only to the extent that we have an imbalance on a specific property greater than our share of the expected remaining proved reserves. If collection is uncertain, revenue is recognized when cash is collected. We recognize reimbursements received from third parties for out-of-pocket expenses incurred as service revenues and account for out-of-pocket expenses as direct costs.



Equity Method Accounting for Joint Ventures. The majority of our oil and gas interests are held all or in part by the following joint ventures which we jointly own with affiliates of MIE Holdings:

- Condor Energy Technology LLC, which we refer to as Condor, which is a Nevada limited liability company owned 20% by us and 80% by an affiliate of MIE Holdings. We account for our 20% ownership in Condor using the equity method; and

- White Hawk Petroleum, LLC, which we refer to as White Hawk, which is a Nevada limited liability company owned 50% by us and 50% by an affiliate of MIE Holdings. We also account for our 50% interest in this entity using the equity method.

We evaluated our relationship with Condor and White Hawk to determine if either qualified as a variable interest entity ("VIE"), as defined in ASC 810-10, and whether we were the primary beneficiary, in which case consolidation with us would be required. We determined that both Condor and White Hawk qualified as a VIE, but since we were not the primary beneficiary of either Condor or White Hawk that consolidation was not required for either entity.

Oil and Natural Gas Properties, Successful Efforts Method. We use the successful efforts method of accounting for oil and gas producing activities. Under the successful efforts method, costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells that find proved reserves, and to drill and equip development wells are capitalized. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed as incurred. We evaluate our proved oil and gas properties for impairment on a field-by-field basis whenever events or changes in circumstances indicate that an asset's carrying value may not be recoverable. We follow Accounting Standards Codification ASC 360 - Property, Plant, and Equipment, for these evaluations. Unamortized capital costs are reduced to fair value if the undiscounted future net cash flows from our interest in the property's estimated proved reserves are less than the asset's net book value.

Accounting for Asset Retirement Obligations. If a reasonable estimate of the fair value of an obligation to perform site reclamation, dismantle facilities or plug and abandon wells can be made, we will record a liability (an asset retirement obligation or "ARO") on our consolidated balance sheet and capitalize the present value of the asset retirement cost in oil and natural gas properties in the period in which the retirement obligation is incurred. In general, the amount of an ARO and the costs capitalized will be equal to the estimated future cost to satisfy the abandonment obligation assuming the normal operation of the asset, using current prices that are escalated by an assumed inflation factor up to the estimated settlement date, which is then discounted back to the date that the abandonment obligation was incurred using an assumed cost of funds for our company. After recording these amounts, the ARO will be accreted to its future estimated value using the same assumed cost of funds and the capitalized costs are depreciated on a unit-of-production basis within the related full cost pool. Both the accretion and the depreciation will be included in depreciation, depletion and amortization expense on our consolidated statement of income.

Stock-Based Compensation. Pursuant to the provisions of FASB ASC 718, Compensation – Stock Compensation, which establishes accounting for equity instruments exchanged for employee service, we utilize the Black-Scholes option pricing model to estimate the fair value of employee stock option awards at the date of grant, which requires the input of highly subjective assumptions, including expected volatility and expected life. Changes in these inputs and assumptions can materially affect the measure of estimated fair value of our share-based compensation. These assumptions are subjective and generally require significant analysis and judgment to develop. When estimating fair value, some of the assumptions will be based on, or determined from, external data and other assumptions may be derived from our historical experience with stock-based payment arrangements. The appropriate weight to place on historical experience is a matter of judgment, based on relevant facts and circumstances. We estimate volatility by considering historical stock volatility. We have opted to use the simplified method for estimating expected term,

which is equal to the midpoint between the vesting period and the contractual term.

## MANAGEMENT

## Executive Officers, Directors and Director Nominees

The following table sets forth the name, age and position held by each of our executive officers, directors and director nominees. Effective upon closing of this offering, Michael L. Peterson and Jamie Tseng will resign as directors, and Elizabeth P. Smith and David C. Crikelair will be appointed as members of our board of directors. Directors are elected for a period of one year and thereafter serve until the next annual meeting at which their successors are duly elected by the shareholders.

Name	Age	Position
Frank C. Ingriselli	58	Executive Chairman of the Board, Chief Executive Officer and President
Michael L. Peterson	50	Chief Financial Officer, Executive Vice President, and Director
Jamie Tseng	58	Senior Vice President, Managing Director and Director
Clark Moore	39	Executive Vice President, General Counsel and Secretary
Elizabeth P. Smith	63	Director Nominee (1)
David C. Crikelair	65	Director Nominee (1)

(1) These individuals will become directors effective upon the completion of this offering.

## Business Experience

The following is a brief description of the business experience and background of our current directors and executive officers and our director nominees. There are no family relationships among any of the directors, director nominees or executive officers.

## Frank C. Ingriselli, Executive Chairman of the Board, President and Chief Executive Officer

Mr. Ingriselli has served as our Executive Chairman of the Board, Chief Executive Officer and President since our acquisition of Pacific Energy Development in July 2012. Mr. Ingriselli has served as the President, Chief Executive Officer, and Director of Pacific Energy Development since its inception. Mr. Ingriselli began his career at Texaco, Inc. in 1979 and held management positions in Texaco's Producing-Eastern Hemisphere Department, Middle East/Far East Division, and Texaco's International Exploration Company. While at Texaco, Mr. Ingriselli negotiated a successful foreign oil development investment contract in China in 1983. In 1992, Mr. Ingriselli was named President of Texaco International Operations Inc. and over the next several years directed Texaco's global initiatives in exploration and development. In 1996, he was appointed President and CEO of the Timan Pechora Company, a Houston, Texas headquartered company owned by affiliates of Texaco, Exxon, Amoco and Norsk Hydro, which was developing an investment in Russia. In 1998, Mr. Ingriselli returned to Texaco's Executive Department with responsibilities for Texaco's power and natural gas operations, merger and acquisition activities, pipeline operations and corporate development. In August 2000, Mr. Ingriselli was appointed President of Texaco Technology Ventures, which was responsible for all of Texaco's global technology initiatives and investments. In 2001, Mr. Ingriselli retired from Texaco after its merger with Chevron, and founded Global Venture Investments LLC, which we refer to as GVEST, an energy consulting firm, for which Mr. Ingriselli continues to serve as the President and Chief Executive Officer. We believe Mr. Ingriselli's positions with GVEST require only an immaterial amount of Mr. Ingriselli's time

and do not conflict with his roles or responsibilities with our company. In 2005, Mr. Ingriselli co-founded CAMAC Energy Inc. (NYSE: CAK) (formerly Pacific Asia Petroleum, Inc.) an independent energy company headquartered in Houston, Texas, and served as its President, Chief Executive Officer and a member of its Board of Directors from 2005 to July 2010.

From 2000 to 2006, Mr. Ingriselli sat on the Board of the Electric Drive Transportation Association (where he was also Treasurer) and the Angelino Group, and was an officer of several subsidiaries of Energy Conversion Devices Inc., a U.S. public corporation engaged in the development and commercialization of environmental energy technologies. From 2001 to 2006, he was a Director and Officer of General Energy Technologies Inc., a “technology facilitator” to Chinese industry serving the need for advanced energy technology and the demand for low-cost high quality components, and Eletra Ltd, a Brazilian hybrid electric bus developer. Mr. Ingriselli currently sits on the Advisory Board of the Eurasia Foundation, a Washington D.C.-based non-profit that funds programs that build democratic and free market institutions in the new independent states of the former Soviet Union. Since 2006, Mr. Ingriselli has also served on the board of directors and as an executive officer of Brightening Lives Foundation Inc., a New York charitable foundation headquartered in Danville, California.

Mr. Ingriselli graduated from Boston University in 1975 with a Bachelor of Science degree in Business Administration. He also earned a Master of Business Administration degree from New York University in both Finance and International Finance in 1977 and a Juris Doctor degree from Fordham University School of Law in 1979.

Mr. Ingriselli brings to the board over 33 years’ experience in the energy industry. The board of directors believes that Mr. Ingriselli’s experience with our company’s recently acquired subsidiary Pacific Energy Development and the insights he has gained from these experiences will benefit our company’s future plans to evaluate and acquire additional oil producing properties and that they qualify him to serve as a director for our company.

Michael L. Peterson, Chief Financial Officer and Executive Vice President

Mr. Peterson has served as our Chief Financial Officer and Executive Vice President since our acquisition of Pacific Energy Development in July 2012. Mr. Peterson joined Pacific Energy Development as its Executive Vice President in September 2011 and assumed the additional office of Chief Financial Officer in June 2012. Mr. Peterson formerly served as Interim President and CEO (from June 2009 to December 2011) and as director (from May 2008 to December 2011) of Blast, as a director (from May 2006 to July 2012) of Aemetis, Inc. (formerly AE Biofuels Inc.), a Cupertino, California-based global advanced biofuels and renewable commodity chemicals company (AMTX), and as Chairman and Chief Executive Officer of Nevo Energy, Inc. (NEVE) (formerly Solargen Energy, Inc.), a Cupertino, California-based developer of utility-scale solar farms which he helped form in December 2008 (from December 2008 to July 2012). In addition, since February 2006, Mr. Peterson has served as founder and managing partner of California-based Pascal Management, a manager of hedge and private equity investments, which we believe requires only an immaterial amount of Mr. Peterson’s time and does not conflict with his roles or responsibilities with our company. From 2005 to 2006, Mr. Peterson co-founded and became a managing partner of American Institutional Partners, a venture investment fund based in Salt Lake City. From 2000 to 2004, he served as a First Vice President at Merrill Lynch, where he helped establish a new private client services division to work exclusively with high net worth investors. From September 1989 to January 2000, Mr. Peterson was employed by Goldman Sachs & Co. in a variety of positions and roles, including as a Vice President with the responsibility for a team of professionals that advised and managed over \$7 billion in assets. Mr. Peterson speaks Mandarin Chinese.

Mr. Peterson received his MBA at the Marriott School of Management and a BS in statistics/computer science from Brigham Young University.

Our board of directors believes that Mr. Peterson brings to our board of directors extensive experience in the energy, corporate finance and securities sectors, which will provide crucial guidance for our company’s capital raising efforts.



Jamie Tseng, Senior Vice President, Managing Director and Director

Mr. Tseng has served as our Senior Vice President, Managing Director and a director since our acquisition of Pacific Energy Development in July 2012. Mr. Tseng has served as Pacific Energy Development's Senior Vice President, Managing Director and director, since its inception, and as Chief Financial Officer from inception until June 2012. In 2005, Mr. Tseng co-founded CAMAC Energy Inc. (NYSE: CAK) (formerly Pacific Asia Petroleum, Inc.), an independent energy company headquartered in Houston, Texas, and served as its Executive Vice President from 2005 through his retirement from our company in January 2010. From February 2000 to August 2005, Mr. Tseng served as Chief Financial Officer of General Energy Technologies Inc., a "technology facilitator" to Chinese industry serving the need for advanced energy technology and the demand for low cost high quality components. From 1998 to February 2000, Mr. Tseng served as Chief Financial Officer of Multa Communications Corporation, a California-based Internet service provider focusing on China. From 1980 until 1998, he held management positions with Collins Company, Hilton International, China Airlines and Tatung Company of America. Mr. Tseng is fluent in Chinese Mandarin. He has a BD degree in Accounting from Soochow University in Taiwan.

Mr. Tseng brings to our board of directors more than 25 years of financial management and operations experience in the People's Republic of China, the Republic of China and the United States. The board of directors believes that Mr. Tseng's experience with our company's recently acquired subsidiary Pacific Energy Development and the insights he has gained from these experiences will benefit our company's future plans to evaluate and acquire additional oil producing properties and that they qualify him to serve as a director for our company.

Clark R. Moore, Executive Vice President, General Counsel and Secretary

Mr. Moore has served as our Executive Vice President, General Counsel, and Secretary since our acquisition of Pacific Energy Development in July 2012 and has served as the Executive Vice President, General Counsel, and Secretary of Pacific Energy Development since its inception. Mr. Moore began his career in 2000 as a corporate attorney at the law firm of Venture Law Group located in Menlo Park, California, which later merged into Heller Ehrman LLP in 2003. In 2004, Mr. Moore left Heller Ehrman LLP and launched a legal consulting practice focused on representation of private and public company clients in the energy and high-tech industries. In September 2006, Mr. Moore joined CAMAC Energy Inc. (NYSE: CAK) (formerly Pacific Asia Petroleum, Inc.), an independent energy company headquartered in Houston, Texas, as its acting General Counsel and continued to serve in that role through June 2011.

Mr. Moore received his J.D. with Distinction from Stanford Law School and his B.A. with Honors from the University of Washington.

Elizabeth P. Smith, Director Nominee

Ms. Smith will be appointed to our Board of Directors effective upon the completion of this offering. Ms. Smith retired from Texaco Inc. as Vice President-Investor Relations and Shareholder Services in late 2001 following its merger with Chevron Corp. Ms. Smith was also the Corporate Compliance Officer for Texaco and was a member of the Board of The Texaco Foundation. Ms. Smith joined Texaco's Legal Department in 1976. As an attorney in the Legal Department, Ms. Smith handled administrative law matters and litigation. She served as Chairman of the American Petroleum Institute's Subcommittee on Department of Energy Law for the 1983-1985 term. Ms. Smith was appointed Director of Investor Relations for Texaco, Inc. in 1984, and was named Vice President of the Corporate Communications division in 1989. In 1992, Ms. Smith was elected a Vice President of Texaco Inc. and assumed additional responsibilities as head of that company's Shareholder Services Group. In 1999, Ms. Smith was named Corporate Compliance Officer for Texaco. Ms. Smith served as a Director of Pacific Asia Petroleum, Inc. until its merger with CAMAC Energy, Inc. in April of 2010.

Ms. Smith was elected to the Board of Finance of Darien, Connecticut, in November 2007, and since November 2010, has been serving as the Chairman. In June of 2012, Ms. Smith was elected a Trustee of St. Luke's School in New Canaan, Connecticut. From 2007 through 2010, Ms. Smith has also served as a Board Member of the Community Fund of Darien, Connecticut, and from 1996 through 2006, Ms. Smith served on the board of directors of INROADS/Fairfield Westchester Counties, Inc. From 2002 through 2005 Ms. Smith served as a member of the Board of Families With Children From China-Greater New York, and from 2004 through 2005 she served as a member of the Board of The Chinese Language School of Connecticut. While at Texaco, Ms. Smith was an active member in NIRI (National Investor Relations Institute) and the NIRI Senior Roundtable. She has been a member and past President of both the Investor Relations Association and the Petroleum Investor Relations Institute. Ms. Smith was a member of the Board of Trustees of Marymount College Tarrytown from 1993 until 2001. She was also a member of the Board of The Education and Learning Foundation of Westchester and Putnam Counties from 1993 to 2002.

Ms. Smith graduated from Bucknell University in 1971 with a Bachelor of Arts degree, cum laude, and received a Doctor of Jurisprudence degree from Georgetown University Law Center in 1976.

The board of directors believes that Ms. Smith's over 30 years' experience in corporate compliance, investor relations, and law in the energy industry working at a major U.S. oil and gas company, and the insights she has gained from these experiences, will provide crucial guidance for our company's future operations and compliance efforts.

David C. Crikelair, Director Nominee

Mr. Crikelair will be appointed to our Board of Directors effective upon the completion of this offering. Mr. Crikelair has more than 40 years of experience in the oil and gas industry, and has broad experience in the areas of corporate finance, banking, capital markets and financial reporting. Since 2001, Mr. Crikelair has been as co-owner and serves as a Managing Partner of FrontStreet Partners, LLC, a privately-held energy and real estate investment firm. Previously, Mr. Crikelair spent most of his career with Texaco Inc. and Affiliates, serving in various financial and operating positions, including: Vice President of Texaco Inc. (1991 - 1999), corporate Treasurer (1986 - 1991), and Head of the Alternate Energy Department (1991 - 1996), responsible for worldwide co-generation and power businesses, technology licensing, gasification business, ethanol manufacturing, intellectual property, and non-oil and gas natural resources. Mr. Crikelair also served as Chief Financial Officer of Equilon Enterprises, LLC (1998 - 1999), the major Houston based joint venture of the Shell Oil Company and Texaco Inc. focused on the refining, marketing, trading, transportation and lubricant businesses. Mr. Crikelair also served as a Director of Caltex Petroleum Corporation, the principal international refining and marketing joint venture company owned by Texaco Inc. and Chevron. He also served as Chief Financial Officer for a privately-held software company focused on collaborative supply chain activities.

Mr. Crikelair has served as a member of various not for profit community and governmental organizations and boards. He continues to be involved in a number of charitable organizations. Mr. Crikelair graduated from Franklin and Marshall College in 1969 with a Bachelor of Arts degree in Mathematics and received a Masters of Business Administration in Corporate Finance from the New York University Graduate School of Business Administration in 1971.

The board of directors believes that Mr. Crikelair's over 40 years' experience in corporate finance, banking, capital markets and financial reporting in the energy industry, and the insights he has gained from these experiences, will provide crucial guidance for our company's future operations, capital raising efforts, and oversight of our financial reporting and internal controls.





## Director Independence

Our board of directors has determined that none of our current directors is an independent director as defined in the NYSE MKT rules governing members of boards of directors or as defined under Rule 10A-3 of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. Effective upon completion of this offering, two of our three current directors, Messrs. Peterson and Tseng, will resign and Ms. Smith and Mr. Crikelair, each of whom has agreed to serve as a director effective upon the completion of this offering, will be appointed to the board. Our board of directors has determined that Ms. Smith and Mr. Crikelair will each be an independent director as defined in the NYSE MKT rules governing members of boards of directors and as defined under Rule 10A-3 of the Exchange Act. Therefore, effective upon completion of this offering, a majority of the members of our board of directors will be independent as defined in the NYSE MKT rules governing members of boards of directors and as defined under Rule 10A-3 of the Exchange Act.

During the fiscal year ended December 31, 2011, our board of directors consisted of Roger P. Herbert and Donald E. Boyd, who resigned in connection with the Pacific Energy Development merger, and Michael E. Peterson, who resigned from our board of directors in December 2011 until his reappointment in connection with the Pacific Energy Development merger. Donald E. Boyd was the only independent director as defined in the NYSE MKT rules governing members of boards of directors or as defined under Rule 10A-3 of the Securities Exchange Act of 1934, as amended, on our board of directors during the fiscal year ended December 31, 2011 and the period of the current fiscal year leading up to Pacific Energy Development merger.

## Committees of our Board of Directors

Upon the completion of this offering, we intend to have an audit committee, a compensation committee and a nominating and corporate governance committee, each of which will initially be comprised solely of our two independent director nominees. We anticipate that each of these committees will have the duties described below and that each committee will operate under a charter that will be approved by our board of directors and which will be posted on our website no later than the date of the completion of this offering. Our website address is <http://www.pacificenergydevelopment.com>.

### Audit Committee

The audit committee will select, on behalf of our board of directors, an independent public accounting firm to audit our financial statements, discuss with the independent auditors their independence, review and discuss the audited financial statements with the independent auditors and management, and recommend to the board of directors whether the audited financials should be included in our Annual Reports to be filed with the SEC. Mr. Crikelair will serve as Chair of the Audit Committee and our board has determined that Mr. Crikelair is as an “audit committee financial expert” as defined under Item 407(d)(5) of Regulation S-K of the Exchange Act.

### Compensation Committee

The compensation committee will review and approve (a) the annual salaries and other compensation of our executive officers, and (b) individual stock and stock option grants. The compensation committee also will provide assistance and recommendations with respect to our compensation policies and practices and assist with the administration of our compensation plans. Ms. Smith will serve as Chair of the Compensation Committee.

### Nominating and Corporate Governance Committee

The nominating and corporate governance committee will assist our board of directors in fulfilling its responsibilities by: identifying and approving individuals qualified to serve as members of our board of directors, selecting director nominees for our annual meetings of shareholders, evaluating the performance of our board of directors, and developing and recommending to our board of directors corporate governance guidelines and oversight procedures with respect to corporate governance and ethical conduct. Ms. Smith will serve as Chair of the Nominating and Corporate Governance Committee.

#### Code of Ethics

In 2012, in accordance with SEC rules, the then audit committee and our board of directors adopted a Code of Business Conduct and Ethics for our directors, officers and employees. Our board of directors believes that these individuals must set an exemplary standard of conduct. This code sets forth ethical standards to which these persons must adhere and other aspects of accounting, auditing and financial compliance, as applicable. The Code of Business Conduct and Ethics is available on our website at [www.pacificenergydevelopment.com](http://www.pacificenergydevelopment.com). Please note that the information contained on our website is not incorporated by reference in, or considered to be a part of, this document.

## EXECUTIVE COMPENSATION

Upon completion of the Pacific Energy Development merger, our existing directors and officers resigned and we appointed our current officers and directors.

### Current Employment Agreements

Frank Ingriselli. Pacific Energy Development, our wholly owned subsidiary, has entered into an employment agreement, dated June 10, 2011, as amended January 11, 2013, with Frank Ingriselli, its Chairman, President and Chief Executive Officer, pursuant to which, effective June 15, 2011, Mr. Ingriselli has been employed by Pacific Energy Development, and since the Pacific Energy Development merger, our company, with a base annual salary of \$200,000 (\$350,000 commencing November 1, 2011), and a target annual cash bonus of between 20% and 40% of his base salary, awardable by the board of directors in its discretion. In addition, Mr. Ingriselli's employment agreement includes, among other things, severance payment provisions that would require our company to make lump sum payments equal to 36 months' salary and target bonus to Mr. Ingriselli in the event his employment is terminated due to his death or disability, terminated without "Cause" or if he voluntarily resigns for "Good Reason" (48 months in connection with a "Change of Control"), and continuation of benefits for up to 48 months, as such terms are defined in the employment agreement. The employment agreement also prohibits Mr. Ingriselli from engaging in competitive activities during and following termination of his employment that would result in disclosure of company's confidential information, but does not contain a general restriction on engaging in competitive activities.

For purposes of Mr. Ingriselli's employment agreement, the term "Cause" shall mean his (1) conviction of, or plea of nolo contendere to, a felony or any other crime involving moral turpitude; (2) fraud on or misappropriation of any funds or property of our company or any of its affiliates, customers or vendors; (3) act of material dishonesty, willful misconduct, willful violation of any law, rule or regulation, or breach of fiduciary duty involving personal profit, in each case made in connection with his responsibilities as an employee, officer or director of our company and which has, or could reasonably be deemed to result in, a Material Adverse Effect upon our company; (4) illegal use or distribution of drugs; (5) material violation of any policy or code of conduct of our company; or (6) material breach of any provision of the employment agreement or any other employment, non-disclosure, non-competition, non-solicitation or other similar agreement executed by him for the benefit of our company or any of its affiliates, all as reasonably determined in good faith by the board of directors of our company. However, an event that is or would constitute "Cause" shall cease to be "Cause" if he reverses the action or cures the default that constitutes "Cause" within 10 days after our company notifies him in writing that Cause exists. No act or failure to act on Mr. Ingriselli's part will be considered "willful" unless it is done, or omitted to be done, by him in bad faith or without reasonable belief that such action or omission was in the best interests of our company. Any act or failure to act that is based on authority given pursuant to a resolution duly passed by the board of directors, or the advice of counsel to our company, shall be conclusively presumed to be done, or omitted to be done, in good faith and in the best interests of our company.

For purposes of the employment agreement, "Material Adverse Effect" means any event, change or effect that is materially adverse to the condition (financial or otherwise), properties, assets, liabilities, business, operations or results of operations of our company or its subsidiaries, taken as a whole.

For purposes of Mr. Ingriselli's employment agreement, "Good Reason" means the occurrence of any of the following without his written consent: (a) the assignment to him of duties substantially inconsistent with this employment agreement or a material adverse change in his titles or authority; (b) any failure by our company to comply with the compensation provisions of the agreement in any material way; (c) any material breach of the employment agreement by our company; or (d) the relocation of him by more than fifty (50) miles from the location of our company's principal office located in Danville, California. However, an event that is or would constitute "Good Reason" shall cease to be "Good Reason" if: (i) he does not terminate employment within 45 days after the event occurs; (ii) before he

terminates employment, our company reverses the action or cures the default that constitutes “Good Reason” within 10 days after he notifies us in writing that Good Reason exists; or (iii) he was a primary instigator of the “Good Reason” event and the circumstances make it inappropriate for him to receive “Good Reason” termination benefits under the employment agreement (e.g., he agrees temporarily to relinquish his position on the occurrence of a merger transaction he assists in negotiating).

For purposes of Mr. Ingriselli’s employment agreement, “Change of Control” means: (i) a merger, consolidation or sale of capital stock by existing holders of capital stock of our company that results in more than 50% of the combined voting power of the then outstanding capital stock of our company or its successor changing ownership; (ii) the sale, or exclusive license, of all or substantially all of our company’s assets; or (iii) the individuals constituting our company’s board of directors as of the date of the employment agreement (the “Incumbent Board”) cease for any reason to constitute at least 1/2 of the members of the board of directors; provided, however, that if the election, or nomination for election by our stockholders, of any new director was approved by a vote of the Incumbent Board, such new director shall be considered a member of the Incumbent Board. Notwithstanding the foregoing and for purposes of clarity, a transaction shall not constitute a Change in Control if: (w) its sole purpose is to change the state of our company’s incorporation; (x) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held our company’s securities immediately before such transaction; or (y) it is a transaction effected primarily for the purpose of financing our company with cash (as determined by the board of directors in its discretion and without regard to whether such transaction is effectuated by a merger, equity financing or otherwise).

Michael L. Peterson. On September 1, 2011, Pacific Energy Development, our wholly owned subsidiary, entered into a Consulting Agreement engaging Michael L. Peterson to serve as Executive Vice President of Pacific Energy Development. This Consulting Agreement was superseded by an employment offer letter dated February 1, 2012, which employment offer letter was later amended and restated in full on June 16, 2012. Pursuant to Mr. Peterson’s current employment offer letter, Mr. Peterson serves as our company’s Chief Financial Officer and Executive Vice President at an annual base salary of \$275,000, and a target annual cash bonus of between 20% and 40% of his base salary, awardable by the board of directors in its discretion. Mr. Peterson previously served as a member of the board of directors and as the Interim President and Chief Executive Officer of Blast.

We have also issued to Mr. Peterson an option to purchase 300,000 shares of our company’s common stock, with an exercise price of \$0.08 per share, which vested 50% on March 1, 2012, 25% on June 1, 2012, and the balance of 25% on January 1, 2013. In addition, Mr. Peterson holds an aggregate of 1,450,000 shares of restricted common stock of the Company, of which (a) 700,000 are subject to forfeiture in the event Mr. Peterson is no longer an employee, officer, director or consultant to our company, which risk of forfeiture lapsed with respect to 50% of the shares on June 1, 2012 and 25% of the shares on December 1, 2012, and which risk of forfeiture will lapse with respect to the remaining 25% of the shares on June 1, 2013 (this vesting schedule was adopted on February 9, 2012, and superseded the original vesting schedule which provided for vesting based on achievement of Pacific Energy Development fundraising and “going public” milestones), and (b) 750,000 are subject to forfeiture in the event Mr. Peterson is no longer an employee, officer, director or consultant to Pacific Energy Development, which risk of forfeiture lapsed with respect to 50% of the shares on August 9, 2012, and which risk of forfeiture will lapse with respect to the remaining 20% of the shares on February 9, 2013, 20% of the shares on August 9, 2013, and the balance of 10% of the shares on February 9, 2014. In connection with our acquisition of our company, we have assumed these option obligations.

In addition, on January 11, 2013, Mr. Peterson’s employment offer letter was amended to revise the termination and severance provisions to parallel those of Mr. Clark Moore, our Executive Vice President, Secretary and General Counsel, as described below. Mr. Peterson’s employment offer letter amendment provides for, among other things, severance payment provisions that would require our company to make lump sum payments equal to 18 months’ salary and target bonus to Mr. Peterson in the event his employment is terminated due to his death or disability, terminated without “Cause” or if he voluntarily resigns for “Good Reason” (36 months in connection with a “Change of Control”), and

continuation of benefits for up to 36 months (48 months in connection with a “Change of Control”), as such terms are defined in the employment offer letter amendment.

For purposes of Mr. Peterson's employment offer letter amendment, the term "Cause" shall mean his (1) conviction of, or plea of nolo contendere to, a felony or any other crime involving moral turpitude; (2) fraud on or misappropriation of any funds or property of our company or any of its affiliates, customers or vendors; (3) act of material dishonesty, willful misconduct, willful violation of any law, rule or regulation, or breach of fiduciary duty involving personal profit, in each case made in connection with his responsibilities as an employee, officer or director of our company and which has, or could reasonably be deemed to result in, a Material Adverse Effect upon our company; (4) illegal use or distribution of drugs; (5) material violation of any policy or code of conduct of our company; or (6) material breach of any provision of the employment agreement or any other employment, non-disclosure, non-competition, non-solicitation or other similar agreement executed by him for the benefit of our company or any of its affiliates, all as reasonably determined in good faith by our board of directors. However, an event that is or would constitute "Cause" shall cease to be "Cause" if he reverses the action or cures the default that constitutes "Cause" within 10 days after our company notifies him in writing that Cause exists. No act or failure to act on Mr. Peterson's part will be considered "willful" unless it is done, or omitted to be done, by him in bad faith or without reasonable belief that such action or omission was in the best interests of our company. Any act or failure to act that is based on authority given pursuant to a resolution duly passed by the board of directors, or the advice of counsel to our company, shall be conclusively presumed to be done, or omitted to be done, in good faith and in the best interests of our company.

For purposes of the employment offer letter amendment, "Material Adverse Effect" means any event, change or effect that is materially adverse to the condition (financial or otherwise), properties, assets, liabilities, business, operations or results of operations of our company or its subsidiaries, taken as a whole.

For purposes of Mr. Peterson's employment offer letter amendment, "Good Reason" means the occurrence of any of the following without his written consent: (a) the assignment to him of duties substantially inconsistent with this employment agreement or a material adverse change in his titles or authority; (b) any failure by our company to comply with the compensation provisions of the agreement in any material way; (c) any material breach of the employment agreement by our company; or (d) the relocation of him by more than fifty (50) miles from the location of our company's principal office located in Danville, California. However, an event that is or would constitute "Good Reason" shall cease to be "Good Reason" if: (i) he does not terminate employment within 45 days after the event occurs; (ii) before he terminates employment, our company reverses the action or cures the default that constitutes "Good Reason" within 10 days after he notifies our company in writing that Good Reason exists; or (iii) he was a primary instigator of the "Good Reason" event and the circumstances make it inappropriate for him to receive "Good Reason" termination benefits under the employment agreement (e.g., he agrees temporarily to relinquish his position on the occurrence of a merger transaction he assists in negotiating).

For purposes of Mr. Peterson's employment offer letter amendment, "Change of Control" means: (i) a merger, consolidation or sale of capital stock by existing holders of our capital stock that results in more than 50% of the combined voting power of the then outstanding capital stock of our company or its successor changing ownership; (ii) the sale, or exclusive license, of all or substantially all of our company's assets; or (iii) the individuals constituting our company's board of directors as of the date of the employment agreement (the "Incumbent Board") cease for any reason to constitute at least 1/2 of the members of the board of directors; provided, however, that if the election, or nomination for election by our company's stockholders, of any new director was approved by a vote of the Incumbent Board, such new director shall be considered a member of the Incumbent Board. Notwithstanding the foregoing and for purposes of clarity, a transaction shall not constitute a Change in Control if: (w) its sole purpose is to change the state of our company's incorporation; (x) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held our company's securities immediately before such transaction; or (y) it is a transaction effected primarily for the purpose of financing our company with cash (as determined by the board of directors in its discretion and without regard to whether such transaction is effectuated by a merger, equity financing or otherwise).

Jamie Tseng. On January 6, 2012, Pacific Energy Development, our wholly owned subsidiary, entered into an employment offer letter with Jamie Tseng, Senior Vice President, Director and Managing Director of our company, pursuant to which Mr. Tseng is paid an annual base salary of \$120,000.

Clark Moore. Pacific Energy Development, our wholly owned subsidiary, has entered into an employment agreement, dated June 10, 2011, as amended January 11, 2013, with Clark Moore, its Executive Vice President, Secretary and General Counsel, pursuant to which, effective June 1, 2011, Mr. Moore has been employed by Pacific Energy Development, and since the Pacific Energy Development merger, our company, with a base annual salary of \$150,000 (\$250,000 commencing November 1, 2011), and a target annual cash bonus of between 20% and 40% of his base salary, awardable by the board of directors in its discretion. In addition, Mr. Moore's employment agreement includes, among other things, severance payment provisions that would require our company to make lump sum payments equal to 18 months' salary and target bonus to Mr. Moore in the event his employment is terminated due to his death or disability, terminated without "Cause" or if he voluntarily resigns for "Good Reason" (36 months in connection with a "Change of Control"), and continuation of benefits for up to 36 months (48 months in connection with a "Change of Control"), as such terms are defined in the employment agreement. The employment agreement also prohibits Mr. Moore from engaging in competitive activities during and following termination of his employment that would result in disclosure of our company's confidential information, but does not contain a general restriction on engaging in competitive activities.

For purposes of Mr. Moore's employment agreement, the term "Cause" shall mean his (1) conviction of, or plea of nolo contendere to, a felony or any other crime involving moral turpitude; (2) fraud on or misappropriation of any funds or property of our company or any of its affiliates, customers or vendors; (3) act of material dishonesty, willful misconduct, willful violation of any law, rule or regulation, or breach of fiduciary duty involving personal profit, in each case made in connection with his responsibilities as an employee, officer or director of our company and which has, or could reasonably be deemed to result in, a Material Adverse Effect upon our company; (4) illegal use or distribution of drugs; (5) material violation of any policy or code of conduct of our company; or (6) material breach of any provision of the employment agreement or any other employment, non-disclosure, non-competition, non-solicitation or other similar agreement executed by him for the benefit of our company or any of its affiliates, all as reasonably determined in good faith by our board of directors. However, an event that is or would constitute "Cause" shall cease to be "Cause" if he reverses the action or cures the default that constitutes "Cause" within 10 days after our company notifies him in writing that Cause exists. No act or failure to act on Mr. Moore's part will be considered "willful" unless it is done, or omitted to be done, by him in bad faith or without reasonable belief that such action or omission was in the best interests of our company. Any act or failure to act that is based on authority given pursuant to a resolution duly passed by the board of directors, or the advice of counsel to our company, shall be conclusively presumed to be done, or omitted to be done, in good faith and in the best interests of our company.

For purposes of the employment agreement, "Material Adverse Effect" means any event, change or effect that is materially adverse to the condition (financial or otherwise), properties, assets, liabilities, business, operations or results of operations of our company or its subsidiaries, taken as a whole.

For purposes of Mr. Moore's employment agreement, "Good Reason" means the occurrence of any of the following without his written consent: (a) the assignment to him of duties substantially inconsistent with this employment agreement or a material adverse change in his titles or authority; (b) any failure by our company to comply with the compensation provisions of the agreement in any material way; (c) any material breach of the employment agreement by our company; or (d) the relocation of him by more than fifty (50) miles from the location of our company's principal office located in Danville, California. However, an event that is or would constitute "Good Reason" shall cease to be "Good Reason" if: (i) he does not terminate employment within 45 days after the event occurs; (ii) before he terminates employment, our company reverses the action or cures the default that constitutes "Good Reason" within 10 days after he notifies our company in writing that Good Reason exists; or (iii) he was a primary instigator of the "Good Reason" event and the circumstances make it inappropriate for him to receive "Good Reason" termination benefits under the employment agreement (e.g., he agrees temporarily to relinquish his position on the occurrence of a merger



transaction he assists in negotiating).

For purposes of Mr. Moore's employment agreement, "Change of Control" means: (i) a merger, consolidation or sale of capital stock by existing holders of our capital stock that results in more than 50% of the combined voting power of the then outstanding capital stock of our company or its successor changing ownership; (ii) the sale, or exclusive license, of all or substantially all of our company's assets; or (iii) the individuals constituting our company's board of directors as of the date of the employment agreement (the "Incumbent Board") cease for any reason to constitute at least 1/2 of the members of the board of directors; provided, however, that if the election, or nomination for election by our company's stockholders, of any new director was approved by a vote of the Incumbent Board, such new director shall be considered a member of the Incumbent Board. Notwithstanding the foregoing and for purposes of clarity, a transaction shall not constitute a Change in Control if: (w) its sole purpose is to change the state of our company's incorporation; (x) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held our company's securities immediately before such transaction; or (y) it is a transaction effected primarily for the purpose of financing our company with cash (as determined by the board of directors in its discretion and without regard to whether such transaction is effectuated by a merger, equity financing or otherwise).

## Equity Incentive Plans

### 2012 Plan

**General.** On June 26, 2012, our board adopted the Blast Energy Services, Inc. 2012 Equity Incentive Plan, which we refer to as the 2012 Plan, which was approved by our shareholders on July 30, 2012. The 2012 Plan provides for awards of incentive stock options, non-statutory stock options, rights to acquire restricted stock, stock appreciation rights, or SARs, and performance units and performance shares. Subject to the provisions of the 2012 Plan relating to adjustments upon changes in our common stock, an aggregate of 6,000,000 shares of common stock have been reserved for issuance under the 2012 Plan.

**Purpose.** Our board adopted the 2012 Plan to provide a means by which our employees, directors and consultants may be given an opportunity to benefit from increases in the value of our common stock, to assist in attracting and retaining the services of such persons, to bind the interests of eligible recipients more closely to our company's interests by offering them opportunities to acquire shares of our common stock and to afford such persons stock-based compensation opportunities that are competitive with those afforded by similar businesses.

**Administration.** Unless it delegates administration to a committee, our board administers the 2012 Plan. Subject to the provisions of the 2012 Plan, our board has the power to construe and interpret the 2012 Plan, and to determine: (a) the fair value of common stock subject to awards issued under the 2012 Plan; (b) the persons to whom and the dates on which awards will be granted; (c) what types or combinations of types of awards will be granted; (d) the number of shares of common stock to be subject to each award; (e) the time or times during the term of each award within which all or a portion of such award may be exercised; (f) the exercise price or purchase price of each award; and (g) the types of consideration permitted to exercise or purchase each award and other terms of the awards.

**Eligibility.** Incentive stock options may be granted under the 2012 Plan only to employees of our company and its affiliates. Employees, directors and consultants of our company and its affiliates are eligible to receive all other types of awards under the 2012 Plan.

**Terms of Options and SARs.** The exercise price of incentive stock options may not be less than the fair market value of the common stock subject to the option on the date of the grant and, in some cases, may not be less than 110% of such fair market value. The exercise price of nonstatutory options also may not be less than the fair market value of the common stock on the date of grant.

Options granted under the 2012 Plan may be exercisable in cumulative increments, or "vest," as determined by our board. Our board has the power to accelerate the time as of which an option may vest or be exercised. The maximum term of options, SARs and performance shares and units under the 2012 Plan is ten years, except that in certain cases, the maximum term is five years. Options, SARs and performance shares and units awarded under the 2012 Plan generally will terminate three months after termination of the participant's service, subject to certain exceptions.

A recipient may not transfer an incentive stock option otherwise than by will or by the laws of descent and distribution. During the lifetime of the recipient, only the recipient may exercise an option, SAR or performance share or unit. Our board may grant nonstatutory stock options, SARs and performance shares and units that are transferable to the extent provided in the applicable written agreement.

**Terms of Restricted Stock Awards.** Our board may issue shares of restricted stock under the 2012 Plan as a grant or for such consideration, including services, and, subject to the Sarbanes-Oxley Act of 2002, promissory notes, as determined in its sole discretion.

Shares of restricted stock acquired under a restricted stock purchase or grant agreement may, but need not, be subject to forfeiture to us or other restrictions that will lapse in accordance with a vesting schedule to be determined by our board. In the event a recipient's employment or service with our company terminates, any or all of the shares of common stock held by such recipient that have not vested as of the date of termination under the terms of the restricted stock agreement may be forfeited to our company in accordance with such restricted stock agreement.

Rights to acquire shares of common stock under the restricted stock purchase or grant agreement shall be transferable by the recipient only upon such terms and conditions as are set forth in the restricted stock agreement, as our board shall determine in its discretion, so long as shares of common stock awarded under the restricted stock agreement remain subject to the terms of such agreement.

Adjustment Provisions. If any change is made to our outstanding shares of common stock without our receipt of consideration (whether through reorganization, stock dividend or stock split, or other specified change in the capital structure of our company, other than in connection with the reverse stock split discussed above in connection with the Pacific Energy Development merger), appropriate adjustments may be made in the class and maximum number of shares of common stock subject to the 2012 Plan and outstanding awards. In that event, the 2012 Plan will be appropriately adjusted in the class and maximum number of shares of common stock subject to the 2012 Plan, and outstanding awards may be adjusted in the class, number of shares and price per share of common stock subject to such awards.

Effect of Certain Corporate Events. In the event of (a) a liquidation or dissolution of our company; (b) a merger or consolidation of our company with or into another corporation or entity (other than a merger with a wholly-owned subsidiary); (c) a sale of all or substantially all of the assets of our company; or (d) a purchase or other acquisition of more than 50% of the outstanding stock of our company by one person or by more than one person acting in concert, any surviving or acquiring corporation may assume awards outstanding under the 2012 Plan or may substitute similar awards. Unless the stock award agreement otherwise provides, in the event any surviving or acquiring corporation does not assume such awards or substitute similar awards, then the awards will terminate if not exercised at or prior to such event.

Duration, Amendment and Termination. Our board may suspend or terminate the 2012 Plan without stockholder approval or ratification at any time or from time to time. Unless sooner terminated, the 2012 Plan will terminate ten years from the date of its adoption by our board, i.e., in March 2022.

Our board may also amend the 2012 Plan at any time, and from time to time. However, except as relates to adjustments upon changes in common stock, no amendment will be effective unless approved by our stockholders to the extent stockholder approval is necessary to preserve incentive stock option treatment for federal income tax purposes. Our board may submit any other amendment to the 2012 Plan for stockholder approval if it concludes that stockholder approval is otherwise advisable.

As of the date of this prospectus, 40,000 shares of restricted stock have been issued under the 2012 Plan, with 5,960,000 shares of common stock remaining available for issuance under the 2012 Plan.

#### 2012 Pacific Energy Development (Pre-Merger) Plan

On February 9, 2012, prior to the Pacific Energy Development merger, Pacific Energy Development adopted the Pacific Energy Development 2012 Equity Incentive Plan, which we refer to as the 2012 Pre-Merger Plan. We assumed the obligations of the 2012 Pre-Merger Plan pursuant to the Pacific Energy Development merger, though the 2012 Pre-Merger Plan has been superseded by the 2012 Plan.

The 2012 Pre-Merger Plan provides for awards of incentive stock options, non-statutory stock options, rights to acquire restricted stock, stock appreciation rights, or SARs, and performance units and performance shares. Subject to the provisions of the 2012 Pre-Merger Plan relating to adjustments upon changes in our common stock, an aggregate of 3,000,000 shares of common stock have been reserved for issuance under the 2012 Pre-Merger Plan.

The board of Pacific Energy Development adopted the 2012 Pre-Merger Plan to provide a means by which its employees, directors and consultants may be given an opportunity to benefit from increases in the value of its common stock, to assist in attracting and retaining the services of such persons, to bind the interests of eligible recipients more closely to our company's interests by offering them opportunities to acquire shares of our common stock and to afford such persons stock-based compensation opportunities that are competitive with those afforded by similar businesses.

The exercise price of incentive stock options may not be less than the fair market value of the common stock subject to the option on the date of the grant and, in some cases, may not be less than 110% of such fair market value. The exercise price of nonstatutory options also may not be less than the fair market value of the common stock on the date of grant. Options granted under the 2012 Pre-Merger Plan may be exercisable in cumulative increments, or "vest," as determined by the board of Pacific Energy Development at the time of grant.

Shares of restricted stock could be issued under the 2012 Pre-Merger Plan as a grant or for such consideration, including services, and, subject to the Sarbanes-Oxley Act of 2002, promissory notes, as determined in the sole discretion of the Pacific Energy Development board. Shares of restricted stock acquired under a restricted stock purchase or grant agreement could, but need not, be subject to forfeiture or other restrictions that will lapse in accordance with a vesting schedule determined by the board of Pacific Energy Development at the time of grant. In the event a recipient's employment or service with our company terminates, any or all of the shares of common stock held by such recipient that have not vested as of the date of termination under the terms of the restricted stock agreement may be forfeited to our company in accordance with such restricted stock agreement.



Appropriate adjustments may be made to outstanding awards in the event of changes in our outstanding shares of common stock, whether through reorganization, stock dividend or stock split, or other specified change in capital structure of our company. In the event of liquidation, merger or consolidation, sale of all or substantially all of the assets of our company, or other change in control, any surviving or acquiring corporation may assume awards outstanding under the 2012 Pre-Merger Plan or may substitute similar awards. Unless the stock award agreement otherwise provides, in the event any surviving or acquiring corporation does not assume such awards or substitute similar awards, then the awards will terminate if not exercised at or prior to such event.

As of the date of this prospectus 855,000 options and 2,117,816 shares of restricted stock remain outstanding under the 2012 Pre-Merger Plan. These options have a weighted average exercise price of \$0.14 per share, and have expiration dates ranging from February 8, 2022 to June 18, 2022.

#### 2009 Stock Incentive Plan

Effective July 30, 2012, our 2009 Stock Incentive Plan, which we refer to as the 2009 Plan was replaced by the 2012 Plan. The 2009 Plan was intended to secure for us the benefits arising from ownership of our common stock by the employees, officers, directors and consultants of our company. The 2009 Plan was designed to help attract and retain for our company and its affiliates personnel of superior ability for positions of exceptional responsibility, to reward employees, officers, directors and consultants for their services and to motivate such individuals through added incentives to further contribute to the success of our company and its affiliates.

Pursuant to the 2009 Plan, our board of directors (or a committee thereof) had the ability to award grants of incentive or non-qualified options, restricted stock awards, performance shares and other securities as described in greater detail in the 2009 Plan to our employees, officers, directors and consultants. The number of securities issuable pursuant to the 2009 Plan was initially 44,643, provided that the number of shares available for issuance under the 2009 Plan would be increased on the first day of each fiscal year beginning with our 2011 fiscal year, in an amount equal to the greater of (a) 17,857 shares; or (b) three percent (3%) of the number of issued and outstanding shares of our company on the first day of such fiscal year. The 2009 Plan was to expire in April 2019. As of the date of this prospectus 17,858 options remain outstanding under the 2009 Plan. These options have a weighted average exercise price of \$10.08 per share, and have an expiration date of February 2, 2021.

#### 2003 Stock Option Plan

Effective April 1, 2009, our 2003 Stock Option Plan was replaced by the 2009 Plan. The number of securities originally grantable pursuant to the 2003 Stock Option Plan were 71,429. Any options granted pursuant to the 2003 Stock Option Plan remain in effect until they otherwise expire or are terminated according to their terms.

#### Compensation of Executive Officers

The following table sets forth the compensation for services paid in all capacities for the two fiscal years ended December 31, 2011 and 2010 to (a) Roger P. (Pat) Herbert, who was serving as Interim President and Chief Executive Officer at fiscal year end, (b) John A. MacDonald and Andrew G. Wilson, who were the two most highly compensated executive officers at fiscal year end, and (c) Michael Peterson, for whom disclosure would have been provided as a most highly compensated executive officer but for the fact that the individual was not serving as an executive officer at fiscal year-end. There were no other executive officers who received compensation in excess of \$100,000 in either 2010 or 2011.



## Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)(5)	All Other Compensation (\$)	Total (\$)
Roger P. (Pat) Herbert(1)	2011	-	-	-	-	60,000 (6)	60,000
Interim President and CEO	2010	-	-	-	-	60,000 (7)	60,000
Michael Peterson(2)	2011	-	-	-	84,685 (8)	48,000 (6)	132,685
Former Interim President and CEO	2010	-	-	-	-	48,000 (7)	48,000
John A. MacDonald(3)	2011	112,500 (9)	-	-	25,405 (11)	-	137,905
CFO and Secretary	2010	100,000 (10)	-	-	-	-	100,000
Andrew G. Wilson(4)	2011	138,542 (12)	-	-	59,280 (14)	-	197,822
Non-executive V.P. Business Development	2010	118,667 (13)	-	-	-	-	118,667

(1) On December 22, 2011, Michael L. Peterson resigned as an officer and director of our company and Roger P. (Pat) Herbert, the then Chairman of the Board, was appointed by the board as Interim President and Chief Executive Officer. Mr. Herbert resigned as an officer and director of our company on July 27, 2012.

(2) Mr. Peterson served as Interim President and Chief Executive Officer from June 2009 to December 2011.

(3) Mr. MacDonald resigned his Chief Financial Officer and Corporate Secretary positions with our company on July 27, 2012.

(4) Mr. Wilson resigned from our company on July 27, 2012.

(5) Amounts in this column represent the aggregate grant date fair value of awards computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. For additional information on the valuation assumptions with respect to the option grants, refer to Note 12 of our financial statements for the year ended December 31, 2011. These amounts do not correspond to the actual value that will be recognized by the named directors from these awards.

(6) Reflects 2011 board fees accrued and unpaid at December 31, 2011.

(7) Reflects 2010 board fees accrued and unpaid at December 31, 2011.

(8) Consists of non-qualified options granted in February 2011 to purchase 8,928 shares of our common stock at \$10.08 per share. The option was immediately vested and will expire ten years from the date of grant.

(9) Reflects salary paid in cash of \$56,250 and \$56,250 of salary accrued and unpaid at December 31, 2011.

(10) Reflects 2010 salary paid in cash during 2010.

(11) Consists of non-qualified options granted in February 2011 to purchase 2,678 shares of our common stock at \$10.08 per share. The option was immediately vested and will expire ten years from the date of grant or six months following his separation from our company.

(12) Reflects salary paid in cash of \$51,042 and \$56,250 of salary accrued and unpaid at December 31, 2011.

(13) Reflects salary paid in cash of \$87,500 and \$31,167 of salary accrued and unpaid at December 31, 2010.

(14) Consists of non-qualified options granted in February 2011 to purchase 6,250 shares of our common stock at \$10.08 per share. The option was immediately vested and will expire on January 27, 2013, six months after Mr.



Wilson's resignation.

#### Former Executive Employment Agreements

John A. MacDonald. John A. MacDonald was employed by us pursuant to an Employment Agreement entered into upon the confirmation of the Plan of Reorganization on February 27, 2008. Mr. MacDonald was employed as Executive Vice President and CFO of our company at an annual salary of \$150,000. The term of the agreement was for one year and was automatically renewed unless cancelled by the Board. On June 15, 2009, at the request of the Board, Mr. MacDonald's annual salary was temporarily reduced to \$75,000 until September 1, 2010. In December 2010, Mr. MacDonald was informed by our company that his contract would not be renewed on February 28, 2011 and that he would continue to be employed month to month on an at-will basis. Mr. MacDonald resigned as an officer of our company effective July 27, 2012, and continues to serve as an employee of our company on a month-to-month basis on an at-will basis.

Andrew G. Wilson. Andrew G. Wilson was employed by us pursuant to an Employment Agreement entered into upon the confirmation of the Plan of Reorganization on February 27, 2008. Mr. Wilson was employed as Vice President - Business Development (a non-executive position) of our company at an annual salary of \$175,000. The term of the agreement was for one year and was automatically renewed unless cancelled by the Board. On June 15, 2009, at the request of the Board, Mr. Wilson's salary was temporarily reduced to \$87,500. Mr. Wilson returned to full-time employment on September 1, 2010, but elected to defer half his salary until such time that business activities generated adequate cash flow to support his full salary. In December 2010, Mr. Wilson was informed by our company that his contract would not be renewed on February 28, 2011 and that he would continue to be employed month to month on an at-will basis. Mr. Wilson resigned from all positions with our company on July 27, 2012.

#### 2011 Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information as of December 31, 2011 concerning unexercised options, unvested stock and equity incentive plan awards for the executive officers named in the Summary Compensation Table. All outstanding option awards were proportionally adjusted in light of the July 2012 reverse stock split.

Outstanding Equity Awards at Year Ended December 31, 2011

Name	Option Awards		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable				
Michael L. Peterson	1,340	(1)	-	-	\$ 22.40	5/28/2018
	8,928	(2)	-	-	\$ 10.08	2/2/2021
John A. MacDonald	1,786	(3)(4)	-	-	\$ 22.40	5/15/2013
	893	(5)	-	-	\$ 44.80	3/14/2015
	447	(6)	-	-	\$ 89.60	12/31/2015
	2,679	(2)	-	-	\$ 10.08	2/2/2021

- (1) Fully vested as of May 28, 2011 following grant on May 28, 2008.  
(2) Vested immediately upon grant on February 2, 2011.  
(3) Represents award of warrants. All other equity awards represent options.  
(4) Vested immediately following grant on May 15, 2008.  
(5) Vested immediately following grant on March 14, 2005.  
(6) Vested immediately following grant on December 31, 2005.

## Compensation of Directors

Subsequent to the Pacific Energy Development merger, each of our directors has also served as an officer of our company and has received no additional compensation for his service as a director. We do not anticipate that directors who also serve as our employees will receive any additional compensation for their service as directors after the completion of this offering. We have reimbursed our directors for travel and lodging expenses in connection with their attendance at board and committee meetings and anticipate continuing that policy after the completion of this offering.

We anticipate that we will adopt a compensation program that, effective for periods after the completion of this offering, will provide each of our non-employee directors with compensation consisting of (a) an annual cash retainer, (b) a cash payment for each board or board committee meeting attended, and (c) an annual equity award consisting of a stock option and/or shares of restricted stock.

Until the Pacific Energy Development merger, non-employee Board members received the following monthly retainers fees:

Position	Amount
Chairman of the Board	\$2,500
Board Member	\$2,500
Audit Committee Chair	\$1,500
Compensation Committee Chair	\$1,000
Nominating and Governance Committee Chair	\$1,000

During the fiscal year ended December 31, 2011, our board of directors consisted of Roger P. Herbert and Donald E. Boyd, who resigned in connection with the Pacific Energy Development merger, and Michael L. Peterson, who resigned from our board of directors in December 2011 until his reappointment in connection with the Pacific Energy Development merger. The compensation paid to Mr. Herbert and Mr. Peterson for their services as directors during the fiscal year ended December 31, 2011 is discussed above under Executive Compensation. Donald E. Boyd, our only director during the fiscal year ended December 31, 2011 who did not also serve as an officer at some point during such year, was entitled to receive \$48,000 in compensation for his services as a director. In August 2012, Mr. Herbert, Mr. Peterson and Donald E. Boyd, each converted accrued and unpaid board fees due at a conversion rate of \$2.24 per share into 37,947, 21,429 and 30,358 shares of common stock, respectively.

## RELATED PARTY TRANSACTIONS

On November 26, 2012, we entered into an agreement with our joint venture partner in Condor, an affiliate of MIE Holdings, providing for the allocation of 50% of the purchase price, ownership interest, development and operational expenses with respect to the Mississippian asset to each of our company and the joint venture partner, as discussed in greater detail under “Business - Acquisition History- Mississippian Opportunity” above. We are partners with affiliates of MIE Holdings in several joint ventures, including Condor and White Hawk, and MIE Holdings is a significant stockholder of our company.

### Pacific Energy Development (Prior to Pacific Energy Development merger)

The following transactions were engaged in by Pacific Energy Development and persons that may be deemed “related persons” to Pacific Energy Development pursuant to applicable rules under the Exchange Act, prior to our acquisition of Pacific Energy Development in July 2012.

#### Transactions with Directors and Officers

From its inception, Frank Ingriselli has been the Chief Executive Officer, President, and a Director of Pacific Energy Development. Starting in September 2011, Mr. Peterson has been the Chief Financial Officer and Executive Vice President of Pacific Energy Development. From its inception, Jamie Tseng has been the Senior Vice President, a Director and Managing Director, of Pacific Energy Development, and its Chief Financial Officer from inception until September 2011. Since its inception, Clark Moore has been the Executive Vice President, General Counsel and Secretary of Pacific Energy Development. Each of the foregoing individuals also was beneficial owner of more than 5% of the shares of common stock of Pacific Energy Development.

Upon our acquisition of Pacific Energy Development, the foregoing individuals became officers and directors of our company, with the same positions set forth above, and in each case became beneficial owners of more than 5% of our shares of common stock. Prior to our acquisition of Pacific Energy Development, Mr. Peterson formerly served as Interim President and Chief Executive Officer (from June 2009 to December 2011) and as director (from May 2008 to December 2011) of Blast, as discussed in greater details above.

#### Founders

Since the founding of Pacific Energy Development, an aggregate of 14,520,000 fully-vested shares of common stock have been directly and indirectly purchased by various parties as founder’s shares for nominal value as follows: 7,600,000 shares to Frank C. Ingriselli (including the shares issued to GVEST, as described below); 2,000,000 shares to Jamie Tseng; and 1,900,000 shares to Clark R. Moore.

Global Venture Investments LLC, which we refer to as GVEST, an entity wholly owned and controlled by Mr. Ingriselli, and Pacific Energy Development entered into a Subscription Agreement, dated April 30, 2011, pursuant to which GVEST contributed a 6% joint venture interest in Rare Earth Ovonic Metal Hydride JV Co. Ltd. Joint Venture, a Chinese rare earth metal manufacturing and production company, to Pacific Energy Development in exchange for 4,100,000 fully-vested shares of common stock.

### Share Grants to Management

The majority of the shares of Pacific Energy Development held by Messrs. Ingriselli, Tseng and Moore were acquired through the direct purchase of such shares from Pacific Energy Development at a price of approximately \$0.001 per share, and are fully-vested. A total of 350,000 of the shares of Pacific Energy Development held by Mr. Peterson are subject to forfeiture in the event Mr. Peterson is no longer an employee, officer, director or consultant to Pacific Energy Development, which risk of forfeiture lapsed with respect to 50% of the shares on December 1, 2012, and will lapse with respect to the remaining 50% of the shares on June 1, 2013. An additional 350,000 of the shares of Pacific Energy Development held by Mr. Peterson were similarly subject to restrictions that lapsed on June 1, 2012. In addition, 750,000, 500,000, and 250,000 of the shares of Pacific Energy Development held by Messrs. Peterson, Ingriselli and Moore, respectively, were acquired through a grant of such shares as restricted stock by Pacific Energy Development, and are or were subject to forfeiture in the event the holder is or was no longer an employee, officer, director or consultant to Pacific Energy Development, which risk of forfeiture lapsed with respect to 50% of the shares on August 9, 2012, and the risk of forfeiture lapses with respect to 20% of the shares on February 9, 2013, 20% of the shares on August 9, 2013, and the balance of 10% of the shares on February 9, 2014.

### Loans from Directors and Officers

GVEST loaned Pacific Energy Development \$900,000, as evidenced by a secured convertible promissory note, dated July 6, 2011, which we refer to as the GVEST Note. The GVEST Note accrued interest at a rate of 3% per annum, compounded annually. Pursuant to the terms of the GVEST Note, all principal under the GVEST Note was converted into 2,400,000 shares of Pacific Energy Development Series A preferred stock on October 31, 2011, all accrued interest in the amount of \$8,655 was paid in cash, and the GVEST Note was cancelled. In addition, upon conversion of the GVEST Note effective October 31, 2011, Pacific Energy Development issued to GVEST a 3-year warrant to purchase an additional 480,000 shares of Pacific Energy Development Series A preferred stock with an exercise price equal to \$0.75 per Share. The warrants may be exercised on a cashless basis.

Mr. Frank Ingriselli loaned Pacific Energy Development \$200,000 pursuant to a Secured Promissory Note, dated February 14, 2011, which we refer to as the Ingriselli Note. The Ingriselli Note accrued interest at a rate of 3% per annum, compounded annually. All principal and accrued interest under the Ingriselli Note was paid in full on October 31, 2011, and the Ingriselli Note was cancelled. Upon receipt of the repayment of principal under the Ingriselli Note, GVEST purchased 266,667 shares of Pacific Energy Development Series A preferred stock at a purchase price of \$0.75 per share pursuant to a subscription agreement entered into with Pacific Energy Development on October 31, 2011.

### Agreements with Affiliates

MIE Holdings Corporation, which we refer to as MIE Holdings, an independent upstream onshore oil company operating in China and abroad, may be deemed to be an affiliate of our company due to its beneficial ownership of 4,000,000 shares of our Series A preferred stock, representing beneficial ownership of greater than 5% of our outstanding common stock. MIE Holdings acquired 4,000,000 shares of preferred stock from Pacific Energy Development on October 31, 2011 at a price of \$0.75 per share; the shares were converted into 4,000,000 shares of our Series A preferred stock in the Pacific Energy Development merger; and MIE Holdings continues to hold these shares.

As discussed above under "Business," which is incorporated herein by reference, Pacific Energy Development and an affiliate of MIE Holdings jointly own and operate Condor, which holds part of our interests in the Niobrara asset, and White Hawk, which currently holds our interests in the Eagle Ford asset.

Investor Relations

Pacific Energy Development entered into a Consulting Agreement with Liviakis Financial Communications, Inc., dated December 5, 2011, for certain investor relations services post-merger, pursuant to which Pacific Energy Development issued an aggregate of 696,666 fully-vested shares of Pacific Energy Development Common Stock to Liviakis Financial Communications, Inc., and an employee thereof. John Liviakis, the President and owner of Liviakis Financial Communications, Inc., beneficially owned an aggregate of 1,333,333 fully-vested shares of Pacific Energy Development Common Stock (including shares held by Liviakis Financial Communications, Inc.), representing greater than 5% of the outstanding common stock of Pacific Energy Development at the time.

#### Blast (Prior to the Acquisition of Pacific Energy Development)

The following transactions were engaged in by our company and persons that may be deemed “related persons” to Blast pursuant to applicable rules under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), prior to the Pacific Energy Development merger.

#### Conversion of Deferred Board Fees

In February 2011, as payment of deferred board fees accrued from October 2008, we issued 13,392 shares of common stock to Roger (Pat) Herbert, 8,928 shares of common stock to Michael L. Peterson, and 2,380 shares of common stock to Joseph J. Penbera as payment of deferred board fees accrued from October 2008. Mr. Herbert served as Chairman of our Board from June 2005 to July 2012 and as Interim President and Chief Executive Officer from December 2011 to July 2012. Mr. Peterson formerly served as Interim President and Chief Executive Officer from June 2009 to December 2011 and as director from May 2008 to December 2011. Mr. Penbera formerly served as a Director from April 1999 to October 2009. Fees were converted into shares at \$10.08 per share, based on the closing market price of our company’s stock on February 2, 2011.

In August 2012, in connection with the transactions contemplated by the Debt Conversion Agreement discussed below, Messrs. Herbert, Peterson and Boyd, each converted \$85,000, \$48,000 and \$68,000, respectively, of accrued and unpaid board of directors fees, at a conversion rate of \$2.24 per share into 37,947, 21,429, and 30,358 shares of common stock, respectively. In addition, John MacDonald (our company’s Chief Financial Officer at the time), and Andrew Wilson (a non-executive officer of our company at the time) each converted \$72,159, and \$153,800, respectively, of outstanding accrued pay and vacation at a conversion rate of \$2.24 per share into 32,213 and 68,660 shares of common stock of our company, respectively.

#### Loans from Directors and Officers

Our company was advanced \$2,050 from each of Messrs. Herbert, Peterson and Boyd, who were officers and directors at the time, for the purpose of paying our Directors’ and Officers’ insurance premiums in the month of September 2011. These advances were noninterest bearing, unsecured and were due on demand. Each of these loans were converted into 915 shares of common stock of our company at a conversion rate of \$2.24 per share in August 2012 in connection with the transactions contemplated in the Debt Conversion Agreement discussed below. This share issuance became effective before the reverse stock split.

#### BMC and Clyde Berg Notes

Each of Berg McAfee Companies, LLC, which we refer to as BMC, and Clyde Berg, an affiliate of BMC, may have been deemed “related persons” under applicable rules of the Exchange Act at the time of the following transactions by virtue of their beneficial ownership of greater than 5% of our common stock. After our acquisition of Pacific Energy Development in July 2012, they no longer are deemed related persons under such rules.

On February 27, 2008, in connection with our bankruptcy plan, BMC was issued a promissory note, which we refer to as the BMC Note, for \$1.12 million, that carried an 8% interest rate and was convertible into common stock at \$22.40 per share. The BMC Note had a maturity date of February 27, 2011. On January 5, 2011, our company and BMC amended the 2008 AFJ Note to among other things, extend the maturity date to February 27, 2013; to subordinate the security for such note to our obligations due to and in connection with the drilling and completion of the Guijarral Hills development project; and to provide BMC the right to convert the amount outstanding under the BMC Note into shares of our common stock at a reduced rate of \$8.96 per share, rather than \$22.40 per share. Our company also agreed to amend the terms of our then outstanding Series A preferred stock to provide for a reduction in the



conversion price of such preferred stock from \$56.00 per share to \$22.40 per share.

On May 19, 2011, we entered into a \$100,000 promissory note with Mr. Berg, which we refer to as the Berg Note. The Berg Note carried a 25% interest rate, had a one-year term and was guaranteed by Eric McAfee, another affiliate of BMC. The proceeds from this note were used to partially pay the cost of testing operations on the Solimar Energy 76-33 well located in our Guijarral Hills development project.

On January 13, 2012, we entered into a Debt Conversion Agreement, which we refer to as the BMC Debt Conversion Agreement, with BMC and Mr. Berg. The BMC Debt Conversion Agreement modified the BMC and the Berg Note to provide that all principal and accrued interest under such note could be converted into shares of our common stock at a conversion price of \$2.24 per share at our option in connection with its shareholder meeting with respect to the Pacific Energy Development merger. Pursuant to the BMC Debt Conversion Agreement, on June 26, 2012, the BMC Note and accrued interest thereon was converted into 673,461 shares of common stock and the Berg Note and accrued interest thereon was converted into 57,009 shares of common stock. In conjunction with the conversion, a previous revenue sharing agreement with BMC with respect to the Guijarral Hills development project was eliminated.

In January 2012, BMC and Mr. Berg also entered into a Voting Agreement with us and agreed to vote our company capital stock held by them in favor of the transactions contemplated by the Agreement and Plan of Reorganization, dated January 13, 2012.

#### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below sets forth certain information with respect to beneficial ownership of our securities as of January 11, 2013 by:

persons known by us to be the beneficial owners of more than five percent (5%) of our issued and outstanding common stock;

each of our executive officers and directors; and

all of our executive officers and directors as a group.

Unless otherwise stated, the address of each shareholder is c/o PEDEVCO Corp., 4125 Blackhawk Plaza Circle, Suite 201, Danville, CA 94506.

Name and Address of Beneficial Owner Current Executive Officers, Directors and Director Nominees	Common Stock		Series A Preferred			
	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned(1)		Number of Shares Beneficially Owned(2)	Percentage of Shares Beneficially Owned(3)	
Frank C. Ingriselli	6,949,437 (4)	31.4 %		6,668 (5)	*	
Michael L. Peterson	1,948,263 (6)	8.8 %		--	--	
Jamie Tseng	3,070,000 (7)	13.9 %		--	--	
Clark R. Moore	2,251,220 (8)	10.2 %		--	--	
Elizabeth P. Smith(9)	200,000 (10)	*		200,000	*	%
David C. Crikelair(9)	--	--		--	--	
	14,418,920	65.2 %		206,668	1	%

All Executive Officers, Directors and Director

Nominees as a Group (six persons)

Greater than 5% Stockholders

MIE Holdings Corporation(9)	5,000,000	(12)	22.6	%	4,000,000	20.0	%
Gregory G. Galdi(13)	2,091,176	(14)	9.5	%	1,991,176 (14)	10.0	%

105

---

\* Less than 1%.

- (1) Ownership voting percentages are based on 22,123,814 total shares of common stock which were outstanding as of January 11, 2013. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and/or investing power with respect to securities. We believe that, except as otherwise noted and subject to applicable community property laws, each person named in the following table has sole investment and voting power with respect to the securities shown as beneficially owned by such person. Additionally, shares of common stock subject to options, warrants or other convertible securities that are currently exercisable or convertible, or exercisable or convertible within 60 days of the applicable date below, are deemed to be outstanding and to be beneficially owned by the person or group holding such options, warrants or other convertible securities for the purpose of computing the percentage ownership of such person or group, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person or group.
- (2) As discussed in greater detail under "Description of Capital Stock," each share of Series A preferred stock is currently convertible into one share of common stock at the option of the holder. As a result of this conversion feature, holders of our Series A preferred stock are deemed to also beneficially own the number of shares of common stock which could be issued upon conversion of such shares of Series A preferred stock. The holders of our Series A preferred stock vote together with the holders of our common stock on an as converted basis.
- (3) Ownership voting percentages are based on 19,979,037 total shares of Series A preferred stock which were outstanding as of January 11, 2013. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and/or investing power with respect to securities. We believe that, except as otherwise noted and subject to applicable community property laws, each person named in the following table has sole investment and voting power with respect to the securities shown as beneficially owned by such person. Additionally, shares of Series A preferred stock subject to options, warrants or other convertible securities that are currently exercisable or convertible, or exercisable or convertible within 60 days of the applicable date below, are deemed to be outstanding and to be beneficially owned by the person or group holding such options, warrants or other convertible securities for the purpose of computing the percentage ownership of such person or group, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person or group.
- (4) Includes: (a) 3,540,369 fully-vested shares of common stock held by Mr. Ingriselli; (b) 500,000 shares of common stock held by Mr. Ingriselli which vest with respect to 50% of the shares of August 9, 2012, 20% of the shares on February 9, 2013, 20% of the shares on August 9, 2013, and 10% of the shares on February 9, 2014; (c) 2,380,000 fully-vested shares of common stock held by Global Venture Investments LLC, a limited liability company owned and controlled by Mr. Ingriselli, which we refer to as GVEST; (d) options to purchase 522,400 shares of common stock exercisable by Mr. Ingriselli as of December 18, 2012 at an exercise price of \$0.17 per share; (e) 5,668 shares of Series A preferred stock held by GVEST; and (f) warrants exercisable for 1,000 shares of Series A preferred stock held by GVEST at \$0.75 per share. Mr. Ingriselli has voting control over his unvested shares of common stock.
- (5) Includes: (a) 5,668 shares of Series A preferred stock held by GVEST; and (b) warrants exercisable for 1,000 shares of Series A preferred stock held by GVEST at \$0.75 per share.
- (6) Consisting of the following: (a) 80,000 fully-vested shares of common stock held by Mr. Peterson's minor children; (b) 128,694 fully-vested shares of common stock (including shares held by a family trust which Mr. Peterson is deemed to beneficially own); (c) 350,000 shares of common stock held by Mr. Peterson vesting with respect to 175,000 of the shares on December 1, 2012, and 175,000 of the shares on June 1, 2013; (d) 750,000 shares of common stock held by Mr. Peterson vesting with respect to 50% of the shares on August 9, 2012, 20% of the shares of February 9, 2013, 20% of the shares on August 9, 2013, and 10% of the shares on February 9, 2014; (e) options to purchase 150,000 shares of common stock exercisable by Mr. Peterson as of March 1, 2012 at an exercise price of \$0.08 per share; (f) options to purchase 75,000 shares of common stock exercisable by Mr. Peterson as of June 1, 2012 at an exercise price of \$0.08 per share; (g) options to purchase 404,300 shares of common stock exercisable by Mr. Peterson as of December 18, 2012 at an exercise price of \$0.17 per share; and (h) 10,269 shares of common stock underlying currently exercisable options, of which options to purchase 8,929

shares are exercisable at \$10.08 per share and options to purchase 1,340 shares are exercisable at \$22.40 per share. Mr. Peterson has voting control over his unvested shares of common stock.

- (7)Includes: (a) 2,000,000 fully-vested shares of common stock held by Mr. Tseng; (b) 1,000,000 fully-vested shares of common stock held by Uni-bright Technology Limited, an entity owned and controlled by Mr. Tseng; and (c) options to purchase 50,000 shares of common stock exercisable by Mr. Tseng on August 9, 2012 at an exercise price of \$0.10 per share and 20,000 shares of common stock exercisable by Mr. Tseng on February 9, 2012 at an exercise price of \$0.10 per share.
- (8)Includes: (a) 1,617,920 fully-vested shares of common stock; (b) 50,000 fully-vested shares of common stock held by each of Mr. Moore's two minor children, which he is deemed to beneficially own; (c) 250,000 shares of common stock held by Mr. Moore vesting with respect to 50% of the shares on August 9, 2012, 20% of the shares of February 9, 2013, 20% of the shares on August 9, 2013, and 10% of the shares on February 9, 2014; and (d) options to purchase 283,300 shares of common stock exercisable by Mr. Moore as of December 18, 2012 at an exercise price of \$0.17 per share. Mr. Moore has voting control over his unvested shares of common stock.
- (9)Director nominee.
- (10)Includes 200,000 shares of Series A preferred stock held by Ms. Smith.
- (11)Address: c/o MIE Holdings Corporation, Suite 1501, Block C, Grand Palace, 5 Huizhong Road, Chaoyong District, Beijing, China 100101. To the best of our knowledge, the beneficial owners of MIE Holdings Corporation are Zhang Ruilin, its Executive Director, Chairman and Chief Executive Officer, and Zhao Jiangwei, its Executive Director, Vice Chairman and Senior Vice President.
- (12)Representing 4,000,000 Series A preferred stock shares, warrants to purchase 500,000 shares of common stock with an exercise price of \$1.25 per share, and warrants to purchase 500,000 shares of common stock with an exercise price of \$1.50 per share.
- (13)Address: c/o PEDEVCO Corp., 4125 Blackhawk Plaza Circle, Suite 201, Danville, CA 94506.
- (14)Includes: (a) 1,324,509 shares of Series A preferred stock held by Mr. Galdi; (b) 666,667 shares of Series A preferred stock held in joint tenancy by Mr. Galdi and his spouse; and (c) 100,000 shares of common stock held by an entity owned and controlled by Mr. Galdi.

## Changes in Control

Our board of directors is not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of our company.

## DESCRIPTION OF CAPITAL STOCK

The following summary of certain provisions of our common stock and preferred stock does not purport to be complete. You should refer to our amended and restated certificate of formation and our bylaws, which are filed with the registration statement relating to this offering filed by us with the SEC. The summary below is also qualified by reference to the provisions of the Texas Business Corporation Act.

In connection with the Pacific Energy Development merger, all shares of our preferred stock that were outstanding prior to the Pacific Energy Development merger were converted into shares of common stock on a one-for-one basis, and we effected a reverse stock split of our common stock on a 1-for-112 shares basis. We are currently authorized to issue 200 million shares of \$0.001 par value common stock and 100 million shares of \$0.001 par value preferred stock, of which 25 million shares have been designated as Series A preferred stock. As of the date of this prospectus, we had 22,123,814 shares of common stock issued and outstanding and 19,979,037 shares of preferred stock issued and outstanding.

On December 3, 2012, our company's board of directors approved a possible reverse stock split of its common stock and Series A preferred stock in a ratio ranging between 1-for-2 and 1-for-5, with the specific ratio and effective time (if we decide to proceed with the split) to be later determined by the board of directors. Effective December 5, 2012, holders of a majority of the our common stock and Series A preferred stock granted the board of directors discretionary authority to determine the specific ratio and effective time for the reverse split. We have filed and mailed to our shareholders an Information Statement on Schedule 14C in connection with such approval. We have not made any adjustments to the amount of shares disclosed in this prospectus to account for this intended reverse stock split.

### Common Stock

The holders of our common stock are entitled to equal dividends and distributions per share with respect to the common stock when, as and if declared by the board of directors from funds legally available therefore. No holder of any shares of common stock has a preemptive right to subscribe for any of our securities, nor are any common shares subject to redemption or convertible into other securities. Upon liquidation, dissolution or winding-up of our company, and after payment of creditors and preferred shareholders, if any, the assets will be divided pro rata on a share-for-share basis among the holders of the shares of common stock. All shares of common stock now outstanding are, and all shares that we are selling in this offering, upon their issuance and sale, will be, fully paid, validly issued and non-assessable. Each share of our common stock is entitled to one vote with respect to the election of any director or any other matter upon which shareholders are required or permitted to vote.

### Preferred Stock

Under our amended and restated certificate of formation, our board of directors has the power, without further action by the holders of the common stock, to designate the relative rights and preferences of the preferred stock, and to issue the preferred stock in one or more series as designated by our board of directors. The designation of rights and preferences could include preferences as to liquidation, redemption and conversion rights, voting rights, dividends or other preferences, any of which may be dilutive of the interest of the holders of the common stock or the preferred stock of any other series. The issuance of preferred stock may have the effect of delaying or preventing a change in control of our company without further shareholder action and may adversely affect the rights and powers, including

voting rights, of the holders of the common stock.

Pursuant to the merger, in July 2012 we issued and sold to the then shareholders of Pacific Energy Development 19,616,676 shares of Series A preferred stock, in exchange for the shares of preferred stock of Pacific Energy Development then held by such shareholders. In addition to these shares issued and sold in July 2012 in connection with the merger, we have issued and sold 648,184 shares of Series A preferred stock to certain leasehold sellers in connection with interest acquisitions consummated by our company in the Niobrara field in October 2011 and September 2012.

Other than our Series A preferred stock, there are no other shares of preferred stock currently issued or outstanding. The voting rights, preferences as to dividends and liquidation, redemption provisions and other terms of the Series A preferred stock are set forth in a certificate of designations of preferences, rights and limitations that is part of our amended and restated certificate of formation filed as an exhibit to the registration statement of which this prospectus is a part. The following is a description of the material terms of our Series A preferred stock:

The holders of shares of Series A preferred stock are entitled to receive non-cumulative dividends at an annual rate of \$0.045 per share. These dividends only accrue and become payable if declared by our Board of Directors in its discretion. The right to receive dividends on shares of Series A preferred stock is not cumulative, and no right to such dividends will accrue to holders of Series A preferred stock by reason of the fact that dividends on said shares are not declared or paid in any calendar year. All declared but unpaid dividends of the shares of Series A preferred stock are payable in cash upon conversion of such shares. Any dividends declared on our Series A preferred stock will be prior and in preference to any declaration or payment of any dividends or other distributions on our common stock. We have never declared or paid any dividends on our Series A preferred stock and do not anticipate that we will pay dividends in the foreseeable future.

The holders of Series A preferred stock vote together with the holders of our common stock as a single class (on an as converted basis) on all matters to which our shareholders have the right to vote, except as may otherwise be required by law. In addition, approval of the holders of a majority of the Series A preferred stock will be required to: (a) increase or decrease (other than by redemption or conversion) the total number of authorized shares of Series A preferred stock; (b) effect an exchange, reclassification, or cancellation of all or a part of the Series A preferred stock; (c) effect an exchange, or create a right of exchange, of all or part of the shares of another class of shares into shares of Series A preferred stock; (d) alter or change the rights, preferences or privileges of the shares of Series A preferred stock so as to affect adversely the shares of such series; (e) authorize or issue, or obligate us to issue, any other equity security, including any other security convertible into or exercisable for any equity security having a preference over (or on parity with) the Series A preferred stock with respect to voting, dividends or upon liquidation; or (f) amend or waive any provision of our amended and restated certificate of formation or designations or bylaws relative to the Series A preferred stock so as to affect adversely the shares of Series A preferred stock.

Each share of Series A preferred stock is convertible at the option of the holder at any time into one share of our common stock (subject to adjustment). In addition, all shares of Series A preferred stock will automatically convert into shares of common stock on January 27, 2013 (assuming that on such date we are current with all of our SEC reporting obligations), or on such earlier date as consented to by the holders of a majority of such shares.

#### Business Combinations under Texas Law

A number of provisions of Texas law, our certificate of formation and bylaws could make more difficult the acquisition of our company by means of a tender offer, a proxy contest or otherwise and the removal of incumbent officers and directors. These provisions are intended to discourage coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of our company to negotiate first with our board of directors.

We are subject to the provisions of Title 2, Chapter 21, Subchapter M of the Texas Business Organizations Code (the "Texas Business Combination Law"). That law provides that a Texas corporation may not engage in specified types of business combinations, including mergers, consolidations and asset sales, with a person, or an affiliate or associate of that person, who is an "affiliated shareholder." An "affiliated shareholder" is generally defined as the holder of 20% or more of the corporation's voting shares, for a period of three years from the date that person became an affiliated shareholder. The law's prohibitions do not apply if the business combination or the acquisition of shares by the affiliated shareholder was approved by the board of directors of the corporation before the affiliated shareholder



became an affiliated shareholder; or the business combination was approved by the affirmative vote of the holders of at least two-thirds of the outstanding voting shares of the corporation not beneficially owned by the affiliated shareholder, at a meeting of shareholders called for that purpose, not less than six months after the affiliated shareholder became an affiliated shareholder.

Because we have more than 100 shareholders, we are considered an “issuing public corporation” for purposes of this law. The Texas Business Combination Law does not apply to the following:

the business combination of an issuing public corporation: where the corporation’s original charter or bylaws contain a provision expressly electing not to be governed by the Texas Business Combination Law; or that adopts an amendment to its charter or bylaws, by the affirmative vote of the holders, other than affiliated shareholders, of at least two-thirds of the outstanding voting shares of the corporation, expressly electing not to be governed by the Texas Business Combination Law and so long as the amendment does not take effect for 18 months following the date of the vote and does not apply to a business combination with an affiliated shareholder who became affiliated on or before the effective date of the amendment;

a business combination of an issuing public corporation with an affiliated shareholder that became an affiliated shareholder inadvertently, if the affiliated shareholder divests itself, as soon as possible, of enough shares to no longer be an affiliated shareholder and would not at any time within the three-year period preceding the announcement of the business combination have been an affiliated shareholder but for the inadvertent acquisition;

a business combination with an affiliated shareholder who became an affiliated shareholder through a transfer of shares by will or intestacy and continuously was an affiliated shareholder until the announcement date of the business combination; and

a business combination of a corporation with its wholly owned Texas subsidiary if the subsidiary is not an affiliate or associate of the affiliated shareholder other than by reason of the affiliated shareholder’s beneficial ownership of voting shares of the corporation.

Neither our certificate of formation nor our bylaws contain any provision expressly providing that we will not be subject to the Texas Business Combination Law. The Texas Business Combination Law may have the effect of inhibiting a non-negotiated merger or other business combination involving our company, even if that event would be beneficial to our shareholders.

#### Limitation of Liability and Indemnification of Officers and Directors

Our certificate of formation provides that our directors are not liable to us or our shareholders for monetary damages for an act or omission in their capacity as a director. A director may, however, be found liable for:

- any breach of the director’s duty of loyalty to us or our shareholders;
- acts or omissions not in good faith that constitute a breach of the director’s duty to the us;
- acts or omissions that involve intentional misconduct or a knowing violation of law;
- any transaction from which the director receives an improper benefit; or
- acts or omissions for which the liability is expressly provided by an applicable statute.

Our certificate of formation also provides that we will indemnify our directors, and may indemnify our agents, to the fullest extent permitted by applicable Texas law from any expenses, liabilities or other matters. Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the “Securities Act”) may be permitted for directors, officers and controlling persons of our company under our certificate of formation, it is the position of the SEC that such indemnification is against public policy as expressed in the Securities Act and is,

therefore, unenforceable.

109

---

## Indemnification Agreements

We have entered into indemnification agreements with each of our officers and directors pursuant to which we have agreed, to the maximum extent permitted by applicable law and subject to the specified terms and conditions set forth in each agreement, to indemnify a director or officer who acts on our behalf and is made or threatened to be made a party to any action or proceeding against expenses, judgments, fines and amounts paid in settlement that are incurred by such officer or director in connection with the action or proceeding. The indemnification provisions apply whether the action was instituted by a third party or by us. We also maintain insurance on behalf of our officers and directors that provides coverage for expenses and liabilities incurred by them in their capacities as officers and directors.

## Transfer Agent and Registrar

The transfer agent and registrar for our common stock is First American Stock Transfer, Inc., located at 4747 N. 7th Street, Suite 170, Phoenix, Arizona 85014.

## SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the distribution of our common stock under this prospectus, we will have outstanding an aggregate of \_\_\_\_\_ shares of our common stock, or \_\_\_\_\_ shares if the underwriters' over-allotment option is exercised in full. The \_\_\_\_\_ shares, or \_\_\_\_\_ shares if the underwriters' over-allotment option is exercised in full, which constitute the \_\_\_\_\_ shares to be distributed pursuant to this prospectus and certain other shares distributed pursuant to previous registered offerings or sold pursuant to Rule 144, will be freely tradable without restriction or further registration under the Securities Act unless the shares are owned by our "affiliates" as that term is defined in Rule 144 under the Securities Act. Under the Securities Act, an "affiliate" of a company is a person who directly or indirectly controls, is controlled by or is under common control with that company. Such affiliates may include our directors, executive officers and principal stockholders.

The 17,917,261 shares of our common stock issued pursuant to the Pacific Energy Development merger, the 5,355,000 shares issuable upon options and warrants issued pursuant to the Pacific Energy Development merger, and 214,787 shares of our common stock issued to certain of our former directors, officers and employees in our recent debt conversion transactions are restricted securities under Rule 144 in that they were issued in private transactions not involving a public offering. Any shares of our common stock issued by us in private transactions not involving a public offering or otherwise issued pursuant to an exemption from registration are similarly deemed restricted securities. Any shares of our common stock held by "affiliates" and any "restricted shares" may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144, which is summarized below.

In addition, in the Pacific Energy Development merger, we issued 19,616,676 shares of Series A preferred stock and warrants to purchase an additional 694,457 shares of Series A preferred stock. Each share of Series A preferred stock is convertible at the option of the holder at any time into one share of our common stock (subject to adjustment). In addition, all shares of Series A preferred stock will automatically convert into shares of common stock on January 27, 2013 (assuming that on such date we are current with all of our SEC reporting obligations), or on such earlier date as consented to by the holders of a majority of such shares. Upon issuance, shares of our common stock issued upon conversion of the Series A preferred stock will be freely tradable without restriction or further registration under the Securities Act unless the shares are owned by our "affiliates" as that term is defined in Rule 144 under the Securities Act.



#### Rule 144

In general, under Rule 144 of the Securities Act as currently in effect, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during 90 days preceding a sale and who has beneficially owned the restricted shares proposed to be sold for at least six months, including the holding period of any prior owner other than our affiliates, is entitled to sell such shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to our compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then such person is entitled to sell such shares without complying with any of the requirements of Rule 144.

In general, under Rule 144, as currently in effect, our affiliates or persons selling shares on behalf of our affiliates are entitled to sell within any three-month period (after satisfying the six-month holding period described above with respect to restricted shares) a number of shares of common stock that does not exceed the greater of:

1% of the number of shares of common stock then outstanding; or

the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

#### Employee Stock Plans

We currently expect to file a registration statement on Form S-8 under the Securities Act to register up to 11,950,000 shares of common stock that are issuable under our 2012 Plan and certain other non-plan grants. Shares issued upon the exercise of options after the effective date of such registration statement, other than shares issued to affiliates, generally will be freely tradable without further registration under the Securities Act.

#### 10b5-1 Plans

Messrs. Ingriselli Peterson and Moore have adopted written plans, known as Rule 10b5-1 plans, in which they have contracted with a broker to sell shares of our common stock on a periodic basis. Mr. Ingriselli has made 175,000 shares of common stock subject to his Rule 10b5-1 plan, and Messrs. Peterson and Moore each have made 125,000 of their shares of common stock subject to their Rule 10b5-1 plans. Under a Rule 10b5-1 plan and subject to the lock-up agreements described under "Underwriting," a broker executes trades pursuant to parameters established by the director or officer when entering into the plan, without further direction from them. The director or officer may amend or terminate the plan in some circumstances. Our directors and executive officers may also buy or sell additional shares outside of a Rule 10b5-1 plan when they are not in possession of material, nonpublic information.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS  
OF OUR COMMON STOCK

The following is a summary of the material United States federal income tax consequences to non-U.S. holders (as defined below) of the acquisition, ownership and disposition of our common stock. This discussion is not a complete analysis of all of the potential U.S. federal income tax consequences nor does it address any estate and gift tax consequences or any tax consequences arising under any state, local or non-U.S. tax laws or any other U.S. federal tax laws. This discussion is based on the Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations promulgated under the Code, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the “IRS”), all as in effect as of the date of this offering. These authorities may change, possibly retroactively, resulting in U.S. federal income tax consequences that are different from those discussed below. No ruling has been or will be sought from the IRS with respect to the matters discussed below, and there is no assurance that the IRS will not take a contrary position regarding the tax consequences of the acquisition, ownership or disposition of our common stock or that any such contrary position would not be sustained by a court.

This discussion is limited to non-U.S. holders who purchase our common stock issued pursuant to this offering and who hold such common stock as a “capital asset” within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a particular holder in light of such holder’s particular circumstances, nor does it address any aspects of the unearned income medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010. This discussion also does not consider any specific facts or circumstances that may be relevant to holders subject to special rules under the U.S. federal income tax laws, including, without limitation:

financial institutions, banks and thrifts;

insurance companies;

tax-exempt organizations or governmental organizations;

partnerships or other pass-through entities;

real estate investment trusts;

investors whose functional currency is other than the U.S. dollar;

traders in securities that elect to mark to market;

broker-dealers or dealers in securities or currencies;

U.S. expatriates;

“controlled foreign corporations,” “passive foreign investment companies” or corporations that accumulate earnings to avoid U.S. federal income tax;

persons that own, or are deemed to own, more than five percent of our outstanding common stock (except to the extent specifically set forth below);

persons deemed to sell our common stock under the constructive sale provisions of the Code;

persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation;

persons subject to the alternative minimum tax; or

persons that hold our common stock as a position in a hedging transaction, “straddle,” “conversion transaction” or other risk reduction transaction.



This discussion is for general information only and is not tax advice. Prospective investors should consult their tax advisors regarding the particular U.S. federal income tax consequences to them of acquiring, owning and disposing of our common stock, as well as any tax consequences arising under any state, local or non-U.S. tax laws and any other U.S. federal tax laws.

#### Definition of Non-U.S. Holder

For purposes of this discussion, a non-U.S. holder is any beneficial owner of our common stock that is not a “U.S. person” or a partnership for U.S. federal income tax purposes. A U.S. person is any of the following:

an individual citizen or resident of the United States;

a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to U.S. federal income tax regardless of its source; or

a trust (a) whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (b) that has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

If a partnership holds the common stock, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the common stock should consult its tax advisor with regard to the U.S. federal income tax treatment of an investment in the common stock.

#### Distributions on Our Common Stock

We do not anticipate paying dividends on our common stock after the completion of this offering. However, if we make cash or other property distributions on our common stock, such distributions generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and will first be applied against and reduce a non-U.S. holder’s tax basis in the common stock, but not below zero. Distributions in excess of our current and accumulated earnings and profits and in excess of a non-U.S. holder’s tax basis in its shares will be taxable as capital gain realized on the sale or other disposition of the common stock and will be treated as described under “Dispositions of Our Common Stock” below.

Dividends paid out of earnings and profits, as described above, to a non-U.S. holder of our common stock that are not effectively connected with a U.S. trade or business generally will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of such dividends, or such lower rate specified by an applicable income tax treaty. To receive the benefit of a reduced treaty rate, a non-U.S. holder must furnish to us or our paying agent (a) a valid IRS Form W-8BEN (or applicable successor form) or other appropriate version of IRS Form W-8 properly certifying qualification for the reduced rate or (b) in the case of payments made outside the United States to an offshore account (generally an account maintained by you at an office or branch of a bank or other financial institution at any location outside the United States), other documentary evidence establishing your entitlement to the lower treaty rate in accordance with applicable U.S. Treasury Regulations) certifying such holder’s qualification for the reduced rate. This certification must be provided to us or our paying agent prior to the payment of dividends and must be updated periodically. Non-U.S. holders that do not timely provide us or our paying agent with the required certification, but that qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an

appropriate claim for refund with the IRS. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under an applicable income tax treaty.

Dividends paid on our common stock that are effectively connected with a non-U.S. holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment maintained by the non-U.S. holder in the United States) will generally be exempt from the U.S. federal withholding tax described above. To claim the exemption, the non-U.S. holder must generally furnish to us or our paying agent a properly executed IRS Form W-8ECI (or applicable substitute or successor form) properly certifying eligibility for such exemption.

Any dividends paid on our common stock that are effectively connected with a non-U.S. holder's U.S. trade or business (and if required by an applicable income tax treaty, attributable to a permanent establishment or fixed base maintained by the non-U.S. holder in the U.S.) generally will be subject to U.S. federal income tax on a net income basis at the regular graduated U.S. federal income tax rates in much the same manner as if such holder were a resident of the United States. A non-U.S. holder that is a corporation also may be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain items. Non-U.S. holders should consult any applicable income tax treaties that may provide for different rules.

#### Dispositions of Our Common Stock

Subject to the discussion below regarding backup withholding, a non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of our common stock, unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States, and if required by an applicable income tax treaty, attributable to a permanent establishment or fixed base maintained by the non-U.S. holder in the U.S.;

- the non-U.S. holder is a nonresident alien individual present in the U.S. for a period or periods aggregating 183 days or more during the taxable year in which the sale or disposition occurs, and certain other requirements are met; or

- our common stock constitutes a "U.S. real property interest" by reason of our status as a U.S. real property holding corporation (a "USRPHC"), for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the disposition or the non-U.S. holder's holding period for our common stock.

Gain described in the first bullet point above will be subject to U.S. federal income tax on a net income basis at the regular graduated U.S. federal income tax rates in much the same manner as if such holder were a resident of the U.S. A non-U.S. holder that is a corporation also may be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain items. Non-U.S. holders should consult any applicable income tax treaties that may provide for different rules.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a flat 30% rate (or such lower rate specified by an applicable income tax treaty), but may be offset by U.S. source capital losses (even though the individual is not considered a resident of the U.S.), provided that the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we are a USRPHC for United States federal income tax purposes because our only assets are U.S. real property holdings in the form of oil and gas properties. It is possible that sometime in the future if and when the fair market value of our United States real property interests is less than 50% of the fair market value of such interests, non-U.S. real property interests and assets used in other trades or businesses. There can be no assurance that we will not be a USRPHC at any time in the future. Notwithstanding that we are a USRPHC,

gain arising from the sale or other taxable disposition by a non-U.S. holder of our common stock will not be subject to tax if such class of stock is “regularly traded,” as defined by applicable Treasury Regulations, on an established securities market, and such non-U.S. holder owned, actually or constructively, 5% or less of such class of our stock throughout the shorter of the five-year period ending on the date of the sale or exchange or the non-U.S. holder’s holding period for such stock. We expect our common stock to be “regularly traded” on an established securities market, although we cannot guarantee it will be so traded. If gain on the sale or other taxable disposition of our stock were subject to taxation under the third bullet point above, the non-U.S. holder would be subject to regular United States federal income tax with respect to such gain generally in the same manner as a United States person.

## Information Reporting and Backup Withholding

We must report annually to the IRS and to each non-U.S. holder the amount of distributions on our common stock paid to such holder, the name and address of the recipient and the amount, if any, of tax withheld with respect to those distributions. These information reporting requirements will apply in certain circumstances even if no withholding is required, such as where the distributions are effectively connected with the holder's conduct of a U.S. trade or business or withholding is reduced or eliminated by an applicable income tax treaty. This information also may be made available under a specific treaty or agreement with the tax authorities in the country in which the non-U.S. holder resides or is established.

Backup withholding, however, generally will not apply to distributions to a non-U.S. holder of our common stock provided the non-U.S. holder establishes an exemption from withholding, such as by furnishing to us or our paying agent the required certification as to its non-U.S. status, such as by providing a valid IRS Form W-8BEN or IRS Form W-8ECI, or certain other requirements are met. Notwithstanding the foregoing, backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that the holder is a U.S. person that is not an exempt recipient.

Unless a non-U.S. holder complies with certification procedures to establish that it is not a U.S. person, information returns may be filed with the IRS in connection with, and the non-U.S. holder may be subject to backup withholding on the proceeds from, a sale or other disposition of our common stock. The certification procedures described in the above paragraph will satisfy these certification requirements as well.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

## Additional Withholding Requirements

Under recently enacted legislation and administrative guidance, the relevant withholding agent may be required to withhold 30% of any dividends paid after December 31, 2013 and the gross proceeds of a sale of our common stock paid after December 31, 2014 to (a) a foreign financial institution unless such foreign financial institution agrees to verify, report and disclose its United States accountholders and meets certain other specified requirements or (b) a non-financial foreign entity that is the beneficial owner of the payment unless such entity certifies that it does not have any substantial United States owners or provides the name, address and taxpayer identification number of each substantial United States owner and such entity meets certain other specified requirements. Investors should consult their own tax advisors regarding this legislation.

## UNDERWRITING

Wunderlich Securities, Inc. is acting as representative of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement between us and the representative, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of common stock set forth opposite its name below.

Underwriter	Number of Shares
Wunderlich Securities, Inc	

## Total

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased, other than the shares covered by the option described below unless and until this option is exercised.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make for certain liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

## Commissions and Discounts; Underwriter Compensation

The underwriters have advised us that they propose to offer the shares of common stock directly to the public at the public offering price set forth on the cover page of this prospectus and to dealers at the public offering price less a selling concession not in excess of \$\_\_ per share. The underwriters also may allow, and dealers may reallow, a concession not in excess of \$ per share to brokers and dealers. After the offering, the underwriters may change the offering price and the other selling terms.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional shares.

	Per Share	Total Without Over-allotment Exercise	Total With Over-allotment Exercise
Public offering price	\$	\$	\$
Underwriting discount paid by us			
Proceeds, before expenses, to us			

The expenses of the offering, not including the underwriting discount, are estimated at \$\_\_ and are payable by us, including reimbursement of certain expenses of Wunderlich Securities, Inc. We have agreed to reimburse Wunderlich Securities, Inc. for its reasonable expenses (including legal fees and expenses) incurred in connection with this

offering, subject to a cap of \$75,000.

116

---

In addition, at the closing of this offering, Wunderlich Securities, Inc., its officers and its affiliates will have the option, but not the obligation, to purchase from us, at a purchase price of \$0.001 per warrant, warrants to purchase 1,000,000 shares of our common stock. The warrants will have a term of three (3) years, shall be transferable to Wunderlich's employees and affiliates, and will be exercisable after one year at an exercise price per share equal to the per share public offering price of the shares of common stock in this offering. We will have the right to repurchase the warrants at a price per warrant equal to the difference between the market price per share of our common stock at the time of the repurchase and the exercise price per share then in effect. The warrants will be issued pursuant to a definitive warrant agreement containing customary provisions, including customary anti-dilution provisions and the option of one cashless exercise of the warrants. Holders of the warrants also will be granted certain registration rights with respect to the shares of common stock underlying the warrants. The terms of the warrants will comply with FINRA Rule 5100(f)(2)(H), and the warrants will be subject to restrictions on transferability during a period of 180 days following the date of this prospectus as provided in FINRA Rule 5110(g).

#### Option to Purchase Additional Shares

We have granted to the underwriters an option to purchase up to an aggregate of additional shares of common stock at the public offering price less the underwriting discount. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. The underwriters may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

#### Lock-Up Agreements

We and each of our executive officers and directors have agreed not to do any of the following, directly or indirectly, for 180 days after the date of this prospectus without the prior written consent of the representative (regardless whether the transactions described in the first two bullet points are settled in securities, cash or otherwise):

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any shares of our common stock, preferred stock or other capital stock, or any options or warrants to purchase any shares of our common stock, preferred stock or other capital stock, or any securities convertible into, exchangeable for or that represent the right to receive shares of our common stock, preferred stock or other capital stock, whether now owned or later acquired or owned directly or beneficially by the shareholder (including holding as a custodian);

- engage in any hedging or other transaction that is designed to or reasonably expected to lead to, or result in, a sale or disposition of such securities (such prohibited hedging or other transactions includes any short sale (whether or not against the box) or any purchase, sale or grant of any right (including any put or call option or any swap or other arrangements that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of such securities) with respect to any of such securities or with respect to any security that includes, relates to, or derives any significant part of its value from such securities); and

- file or cause the filing of any registration statement with respect to any of our common stock, preferred stock or other capital stock or any securities convertible into or exercisable or exchangeable for any of our common stock, preferred stock or other capital stock, other than certain registration statements filed to register securities to be sold to the underwriters pursuant to the underwriting agreement and to register common stock to be issued pursuant to certain of our stock compensation plans.



The restrictions described above do not apply to (a) the issuance of common stock by us to the underwriters pursuant to this offering, (b) the issuance of common stock and options by us in the ordinary course of business pursuant to certain stock compensation plans, (c) the issuance of shares of common stock by us upon the exercise of certain outstanding options, warrants and convertible preferred stock, (d) bona fide gifts, other than by us, or transfers by will or intestacy, (e) transfers, other than by us, to any trust for the direct or indirect benefit of the shareholder or the immediate family of the shareholder, (f) transfers, other than by us, to limited partners or shareholders of the shareholder, (g) sales of our common stock, other than by us, pursuant to trading plans established in accordance with Rule 10b5-1 under the Exchange Act as described under “Shares Available for Future Sale - 10b5-1 Plans,” and (h) issuances by us in connection with our acquisition of oil and natural gas interests. In the case of (c), (d) and (e) above, (x) the transferee must deliver a signed lock-up agreement for the balance of the 180-day period, (y) the transfer must not involve a disposition for value, (c) the transfer must not be publicly reportable under any law other than pursuant to Section 16(a) of the Exchange Act, and (d) the shareholder must not otherwise voluntarily effect any public filing, report or announcement regarding such transfer other than pursuant to Section 16(a) of the Exchange Act.

If (a) during the last 17 days of the 180-day period, we issue an earnings release or material news or a material event relating to us occurs or (b) prior to the expiration of the 180-day period, we announce that we will release earnings results or become aware that material news or a material event will occur during the 16-day period beginning on the last day of the 180-day period, then the restrictions above will continue to apply until the expiration of the 18-day period beginning on the date of the issuance of the earnings release or the occurrence of the material news or material event, as the case may be, unless the representative waives, in writing, such extension.

#### NYSE MKT Listing; Determination of Public Offering Price

We intend to apply to list our shares of common stock on the NYSE MKT under the symbol “PED.”

Our common stock is quoted on the OTC Bulletin Board under the symbol “PEDO.” Prior to this offering, there has been a limited public market for our common stock. Accordingly, the public offering price is expected to be determined by negotiations between us and the representative. Among the factors to be considered in determining the public offering price will be the information set forth in this prospectus; our history, present state of development and future prospects; an assessment of our management, its past and present operations and the prospects for and timing of future revenues; the history of and future prospects for our industry in general; our revenues, earnings and certain other financial and operating information in recent periods; and the price-earnings ratios, price-sales ratios, market prices of securities, valuation multiples and certain financial and operating information of companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the public offering price.

#### Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include over-allotment and stabilizing transactions, passive market making and purchases to cover syndicate short positions created in connection with this offering. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. “Covered” short sales are sales made in an amount not greater than the underwriters’ option to purchase additional shares described above. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option to purchase additional shares. “Naked” short sales are sales in excess of the option to purchase additional shares. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters also may impose a penalty bid, whereby the underwriters may reclaim selling concessions allowed to syndicate members or other broker-dealers in respect of the common stock sold in the offering for their account if the underwriters repurchase the shares in stabilizing or covering transactions.

These activities may stabilize, maintain or otherwise affect the market price of the common stock, which may be higher than the price that might otherwise prevail in the open market. The underwriters may conduct these transactions on the NYSE MKT, in the over-the-counter market or otherwise.0

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

#### Electronic Distribution

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail.

#### Conflicts of Interest

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve our securities and/or instruments. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

#### Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), no offer of shares may be made to the public in that Relevant Member State other than:

- A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- B. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or
- C. in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares shall require us or the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State (other than a Relevant Member State where there is a Permitted Public Offer) who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed that (a) it is a “qualified investor” within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive, and (b) in the case of any shares acquired by it as a

financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, the shares acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than “qualified investors” as defined in the Prospectus Directive, or in circumstances in which the prior consent of the Subscribers has been given to the offer or resale. In the case of any shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

We, the representative and its affiliates will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

This prospectus has been prepared on the basis that any offer of shares in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares. Accordingly any person making or intending to make an offer in that Relevant Member State of shares which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of shares in circumstances in which an obligation arises for us or the underwriters to publish a prospectus for such offer.

For the purpose of the above provisions, the expression “an offer to the public” in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

#### Notice to Prospective Investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (a) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) and/or (b) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

#### LEGAL MATTERS

The validity of the common stock offered by this prospectus will be passed upon by TroyGould PC, Los Angeles, California. Certain legal matters in connection with this offering will be passed upon for the underwriters by Bracewell & Giuliani LLP, Houston, Texas.

#### EXPERTS

Our consolidated financial statements as of December 31, 2011 and 2010 and for each of the two fiscal years in the period ended December 31, 2011 that are included in this prospectus have been audited by GBH CPAs, PC, an independent registered public accounting firm, as stated in their report appearing in this prospectus. Such financial statements are included in this prospectus in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of Pacific Energy Development Corporation as of December 31, 2011 and for the period from February 9, 2011 (inception) to December 31, 2011 that are included in this prospectus have been

audited by SingerLewak LLP, an independent registered public accounting firm, as stated in their report appearing in this prospectus. Such financial statements are included in this prospectus in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

## WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. We have also filed with the SEC under the Securities Act a registration statement on Form S-1 with respect to the common stock offered by this prospectus. This prospectus, which constitutes part of the registration statement, does not contain all the information set forth in the registration statement or the exhibits and schedules which are part of the registration statement, portions of which are omitted as permitted by the rules and regulations of the SEC. Statements made in this prospectus regarding the contents of any contract or other document are summaries of the material terms of the contract or document. With respect to each contract or document filed as an exhibit to the registration statement, reference is made to the corresponding exhibit. For further information pertaining to us and the common stock offered by this prospectus, reference is made to the registration statement, including the exhibits and schedules thereto, copies of which may be inspected without charge at the public reference facilities of the SEC at 100 F Street, NE., Room 1580, Washington, D.C. 20549, as may the other reports, statements and information we file with the SEC. Copies of all or any portion of the registration statement may be obtained from the SEC at prescribed rates. Information on the public reference facilities may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website that contains reports, proxy and information statements and other information that is filed through the SEC's EDGAR System. The website can be accessed at <http://www.sec.gov> .



## PEDEVCO CORP.

## INDEX TO FINANCIAL STATEMENTS

Index to Financial Statements	Page
Audited Financial Statements for the Year Ended December 31, 2011	F-2
Report of Independent Registered Public Accounting Firm	F-3
Consolidated Balance Sheet—December 31, 2011	F-4
Consolidated Statements of Operations— For the Period From February 9, 2011 (Inception) through December 31, 2011	F-5
Consolidated Statement of Stockholders' Equity—For the Period From February 9, 2011 (Inception) through December 31, 2011	F-6
Consolidated Statements of Cash Flows— For the Period From February 9, 2011 (Inception) through December 31, 2011	F-7
Notes to Consolidated Financial Statements	F-8
Unaudited Financial Statements For the Nine Months Ended September 30, 2012 and 2011	F-26
Unaudited Consolidated Balance Sheets as of September 30, 2012 and December 31, 2011	F-26
Unaudited Consolidated Statements of Operations For the Nine Months Ended September 30, 2012 and for the period from February 9, 2011 to December 31, 2011	F-27
Unaudited Consolidated Statements of Cash Flows For the Nine Months Ended September 30, 2012 and for the period from February 9, 2011 to December 31, 2011	F-28
Notes to Unaudited Consolidated Financial Statements	F-29
Audited Financial Statements for the Year Ended December 31, 2011 – Excellong E&P-2, Inc.	F-52
Report of Independent Registered Public Accounting Firm	F-52
Statements of Combined Revenues and Direct Operating Expenses for the years ending December 31, 2011 and December 31, 2010	F-53
Statements of Combined Revenues and Direct Operating Expenses for the Three Months Ending March 31, 2012 and 2011 (unaudited)	F-53
Notes to Financial Statements	F-54
Audited Financial Statements for Blast for the Years Ended December 31, 2011 and 2010	F-59
Report of Independent Registered Public Accounting Firm	F-59
Consolidated Balance Sheets as of December 31, 2011 and 2010	F-60
Consolidated Statements of Operations for the years ended December 31, 2011 and 2010	F-61
Consolidated Statements of Stockholders' Equity (Deficit), for the years ended December 31, 2011 and 2010	F-62
	F-63

Consolidated Statements of Cash Flows for the years ended December 31, 2011 and 2010

Notes to Consolidated Financial Statements F-64

PRO FORMA FINANCIAL INFORMATION F-88

Unaudited Pro Forma Information giving effect to the Pacific Energy Development Corporation Merger F-88

Pro Forma Combined Statements of Operations for the Year Ending December 31, 2011 F-89

Pro Forma Combined Statements of Operations for the Nine Months Ending September 30, 2012 F-90

Notes to Financial Statements F-91

F-1

---

PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD FROM FEBRUARY 9, 2011 (INCEPTION)  
THROUGH DECEMBER 31, 2011

F-2

---

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To Board of Directors  
Pacific Energy Development Corporation  
4125 Blackhawk Plaza Circle, Suite 201A  
Danville, CA 94506

We have audited the accompanying consolidated balance sheet of Pacific Energy Development Corporation and its subsidiary (the "Company") as of December 31, 2011, and the related consolidated statements of operations, stockholders' equity and cash flows for the period from February 9, 2011 (Inception) to December 31, 2011. 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 auditing standards generally accepted in the United States of America. 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 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 the Company as of December 31, 2011, and the results of its operations and its cash flows for the period from February 9, 2011 (Inception) through December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 4 to the financial statements, the Company has incurred net losses from operations and has no revenue producing activities at December 31, 2011. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 4. The financial statements do not include any adjustments that may result from the outcome of this uncertainty.

As discussed in Note 2, these financial statements have been restated to correct for certain errors related to the Company's accounting for its deferred costs and equity method investment.

As discussed in Note 3, these financial statements have been restated to adjust the Company's accounting related to the issuance of a fully-vested non-forfeitable stock award. We were engaged to audit the restatement adjustments in accordance with the standards of the Public Company Accounting Oversight Board. We audited the adjustments necessary to restate these financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

SingerLewak, LLP

San Francisco, California

March 27, 2012, except for Note 2 as to which the date is May 23, 2012 and except for Note 3 as to which the date is December 12, 2012



PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED BALANCE SHEET

ASSETS	(As Restated) December 31, 2011
Current assets	
Cash and cash equivalents	\$ 176,471
Receivables from related entities	302,315
Prepaid expenses	26,533
Deferred costs	111,828
<b>Total current assets</b>	<b>617,147</b>
Oil and gas property and equipment, net	1,728,928
Equity method investment	588,453
Other investment	4,100
<b>Total assets</b>	<b>\$ 2,938,628</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
Current liabilities	
Accounts payable	\$ 145,428
Accrued liabilities	1,904,647
<b>Total current liabilities</b>	<b>2,050,075</b>
Commitments and Contingencies (Note 7)	
Stockholders' equity	
Series A convertible preferred stock, \$0.001 par value	
Authorized shares - 100,000,000	
Issued and outstanding shares - 6,666,667	6,667
(liquidation preference of \$5,000,000)	
Common stock, \$0.001 par value, Authorized shares - 200,000,000	
Issued and outstanding shares - 15,502,261	15,503
Additional paid in capital	1,630,060
Accumulated deficit	(763,677)
<b>Total stockholders' equity</b>	<b>888,553</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,938,628</b>

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

F-4

---

PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED STATEMENT OF OPERATIONS  
For the period from February 9, 2011  
(Inception) through December 31, 2011

	(As Restated)
Operating expenses:	
Occupancy	\$18,538
Travel and entertainment	75,092
Professional services	274,867
Personnel	312,348
Administration	36,947
Total operating expenses	717,792
Loss from operations	(717,792 )
Other Expense	
Interest expense	(12,912 )
Equity in loss of equity method investment	(25,875 )
Other expenses	(7,098 )
Total other expenses	(45,885 )
Net loss	\$(763,677 )

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



PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
For the period from February 9, 2011  
(Inception) through December 31, 2011

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Service Receivable	Accumulated Deficit	(As Restated) Total
	Shares	Amount	Shares	Amount				
Balances at February 9, 2011	-	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of common stock for cash	-	-	10,420,000	10,420	-	-	-	10,420
Issuance of common stock for interest in Rare Earth JV	-	-	4,100,000	4,100	-	-	-	4,100
Issuance of Series A preferred stock for cash	4,266,667	4,267	-	-	738,421	-	-	742,688
Issuance of Series A preferred stock upon conversion of notes payable	2,400,000	2,400	-	-	897,600	-	-	900,000
Issuance costs for Series A preferred stock	-	-	-	-	(106,865)	-	-	(106,865)
Issuance of common stock for services	-	-	285,595	286	28,274	-	-	28,560
Issuance of common stock in exchange for services	-	-	696,666	697	68,970	-	-	69,677
Stock compensation	-	-	-	-	3,660	-	-	3,660
Net loss	-	-	-	-	-	-	(763,677)	(763,677)
Balances at December 31, 2011	6,666,667	\$ 6,667	15,502,261	\$ 15,503	\$ 1,630,060	\$ -	\$ (763,677)	\$ 888,553

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

F-6

---

PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED STATEMENT OF CASH FLOWS  
For the period from February 9, 2011  
(Inception) through December 31, 2011

	(As Restated) Year Ended December 31, 2011
Cash flows from operating activities	
Net loss	\$ (763,677)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	662
Stock based compensation expense	73,327
Equity in loss of equity method investment	25,875
Changes in operating assets and liabilities:	
Receivables from related entities	(302,315)
Prepaid expenses	(22,433)
Accounts payable	145,428
Accrued liabilities	32,775
Net cash used in operating activities	(810,358)
Cash flows from investing activities	
Deferred costs	(111,828)
Acquisition of oil and gas interest	(2,899,542)
Acquisition of property and equipment	(5,356)
Net cash used in investing activities	(3,016,726)
Cash flows from financing activities	
Proceeds from issuance of notes payable to related party	1,100,000
Repayment of notes payable to related party	(200,000)
Proceeds from issuance of common stock	10,420
Proceeds from issuance of Series A preferred stock (net of issuance costs of \$106,865)	3,093,135
Net cash provided by financing activities	4,003,555
Net increase in cash and cash equivalents	176,471
Cash and cash equivalents, February 9, 2011	-
Cash and cash equivalents, December 31, 2011	\$ 176,471
<b>Supplemental Disclosures of Cash Flow Information</b>	
Interest paid	\$ 12,912
<b>Supplemental disclosure of noncash investing and financing activities:</b>	
Issuance of 4,100,000 shares of common stock in exchange for investment in Rare Earth JV	\$ 4,100

Edgar Filing: PEDEVCO CORP - Form S-1/A

Accrual of oil and gas interest purchase obligations	\$	1,871,872
Conversion of notes payable into 2,400,000 shares of Series A preferred stock	\$	1,800,000
Contribution of 62.5% of oil and gas interest to equity method investee	\$	3,071,640
Issuance of common stock as part of oil and gas interest purchase	\$	28,560

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

F-7

---

PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2011

## NOTE 1 – DESCRIPTION OF BUSINESS

Pacific Energy Development Corporation and subsidiary (the “Company”) is a development stage company formed for the purpose of (i) engaging in the business of oil and gas exploration, development and production of primarily shale oil and gas and secondarily conventional oil and gas opportunities in the United States, and (ii) subsequently utilizing the Company’s strategic relationships for exploration, development and production in Pacific Rim countries, with a particular focus in China. In October 2011, the Company formed a new subsidiary called Condor Energy Technology LLC (“Condor”), a limited liability company organized under the laws of the State of Nevada. The Company owns 20% of Condor and a corporate investor owns 80%. The Company also holds a 6% joint venture interest in Rare Earth Ovonic Metal Hydride JV Co. Ltd. Joint Venture, a Chinese rare earth metal manufacturing and production company (the “Rare Earth JV”) through its 100% owned subsidiary Pacific Energy & Rare Earth Inc. The Company was originally formed in February 2011 as a limited liability company, and converted to a C corporation in June 2011.

The Company plans to focus initially on developing shale oil and gas assets held by the Company in the United States, including its first oil and gas working interest known as “the Niobrara Asset” and, if and when acquired, “the Eagle Ford Asset”, each as described below. Subsequently, the Company plans to seek additional shale oil and gas and traditional oil and gas asset acquisition opportunities in the United States and Pacific Rim countries utilizing its strategic relationships and technologies that may provide the Company a competitive advantage in accessing and exploring such assets. Some or all of these assets may be acquired by subsidiaries, including Condor, or others that may be formed at a future date.

## NOTE 2 – INITIAL RESTATEMENT

These financial statements have been restated as a result of two errors discovered subsequent to their original issuance. These errors are as follows:

- \$87,668 of improperly deferred costs associated with the Eagle Ford Asset acquisition (as described in Note 14).
- \$19,200 of improper intercompany profit eliminations related to intercompany transactions between Condor and the Company.

The impact on the previously reported balance sheet as of December 31, 2011 is as follows:

	As Reported	As Restated
Deferred costs	\$ 199,496	\$ 111,828
Total current assets	\$ 704,815	\$ 617,147
Equity method investment	\$ 607,653	\$ 588,453
Total assets	\$ 3,045,496	\$ 2,938,628
Accumulated deficit	\$ 587,142	\$ 694,010
Total stockholders’ equity	\$ 995,121	\$ 888,553

The impact on the previously reported loss from operations and net loss for the period from February 9, 2011 (Inception) through December 31, 2011 is as follows:

	As Reported	As Restated
Equity in loss of equity method investment	\$(6,675 )	\$(25,875 )
Loss from operations	\$(560,457 )	\$(648,125 )
Net loss	\$(587,142 )	\$(694,010 )

#### NOTE 3 – SECOND RESTATEMENT

These financial statements subsequent to the initial restatement discussed in Note 2, have been restated again to adjust the company's accounting for the fully vested non-forfeitable stock award issued to investor relations consultants as disclosed in Note 10. The Company originally recorded the \$69,667 value of the award as a stock service receivable in the balance sheet as performance was not required until the Company had completed a reverse merger transaction, at which time the 18 month service period would commence. Because the award is fully vested and non-forfeitable and the Company has no ability to compel specific performance, the Company reconsidered its accounting for this transaction and concluded that the appropriate treatment should have been to expense the value of the award in full. These financial statements are being restated to reflect this change.

The impact on the previously reported balance sheet (after adjustment for the initial restatement discussed in Note 2) as of December 31, 2011 is as follows:

	As Reported	As Restated
Stock service receivable	\$ (69,667)	\$ 0
Accumulated deficit	\$ (694,010)	\$ (763,677)
Total stockholders' equity	\$ 888,553	\$ 888,553

The impact on the previously reported loss from operations and net loss for the period from February 9, 2011 (Inception) through December 31, 2011 (after adjustment for the initial restatement discussed in Note 2) is as follows:

	As Reported	As Restated
Professional services	\$ 205,200	\$ 274,867
Loss from operation	\$ (648,125)	\$ (717,792)
Net loss	\$ (694,010)	\$ (763,677)

#### NOTE 4 – GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred net losses from operations of \$763,677 from the date of inception (February 9, 2011) through December 31, 2011 and as of December 31, 2011, has no revenue producing activities. Additionally the Company is dependent on obtaining additional debt and or equity financing to roll-out and scale its planned principal business operations. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Management's plans in regard to these matters consist principally of seeking additional debt and/or equity financing combined with expected cash flows from planned oil & gas asset acquisitions. There can be no assurance that the Company's efforts will be successful. The financial statements do not include any adjustments that may result from the outcome of this uncertainty.

F-8

---

PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2011

---

NOTE 5 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

The consolidated financial statements include the Company and its wholly-owned subsidiary, Pacific Energy and Rare Earth, Inc. All inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates.

The Company's most significant estimates relate to the valuation of its investment in the Rare Earth JV and its valuation of its common stock, options and warrants. With respect to the Rare Earth JV, given that there is no established market for this interest combined with the highly speculative nature of this investment, management used their best good faith judgment and estimated a nominal value of \$4,100 for this asset at the time of its exchange for shares of the Company's common stock. Management considered the following in arriving at their judgment of value: the joint venture's historical operating results, the lack of marketability, restrictions on transfer, and its minority interest position. The Company intends to sell this asset and the actual results of a subsequent sale could be materially different from management's estimated value.

Cash and Cash Equivalents

The Company classifies all highly liquid investments purchased with an original maturity of three months or less at the date of purchase as cash equivalents. As of December 31, 2011, cash equivalents consisted of money market funds.

Deferred Property Acquisition Costs

The Company defers the costs, such as title and legal fees, related to oil and gas property acquisitions. At the time the acquisition is completed, these costs are reclassified and included as part of the purchase price of the property acquired. To the extent a property acquisition is not consummated these costs are expensed.

Property and Equipment, Net

Property and equipment includes assets such as furniture and equipment, leasehold improvements, and computer equipment. The Company accounts for property and equipment at cost less accumulated depreciation and amortization. Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets (generally three years for computer equipment, and five years for furniture and fixtures. Expenditures for repairs and maintenance are charged to expense as incurred. Upon disposition, the costs and related accumulated depreciation are



removed from the accounts and the resulting gain or loss is reflected in the statement of operations.

#### Long-lived Assets

The Company reviews long-live assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower or carrying amount or the fair value less costs to sell. No such impairments have been identified to date.

F-9

---

PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2011

---

NOTE 5 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk include cash deposits placed with financial institutions. The Company maintains its cash in bank accounts which, at times, may exceed federally insured limits as guaranteed by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2011, none of the Company's cash balances were uninsured. The Company has not experienced any losses in such accounts.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires, among other things, that deferred income taxes be provided for temporary differences between the tax basis of the Company's assets and liabilities and their financial statement reported amounts. In addition, deferred tax assets are recorded for the future benefit of utilizing net operating losses and tax credit carry-forwards. A valuation allowance is provided against deferred tax assets unless it is more likely than not that they will be realized.

Significant judgment is required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, the Company considers all available evidence, including past operating results, estimates of future taxable income and the feasibility of tax planning strategies. In the event that the Company changes its determination as to the amount of deferred tax assets that is more likely than not to be realized, the Company will adjust its valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

The Company adopted authoritative guidance regarding uncertain tax positions. This guidance requires that realization of an uncertain income tax position must be more likely than not (i.e. greater than 50% likelihood of receiving a benefit) before it can be recognized in the financial statements. The guidance further prescribes the benefit to be realized assuming a review by taxing authorities having all relevant information and applying current conventions. The interpretation also clarifies the financial statement classification of tax related penalties and interest and sets forth new disclosures regarding unrecognized tax benefits. The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits as income tax expense.

Stock Based Compensation

ASC 718, Compensation-Stock Compensation ("ASC 718"), establishes accounting for share-based awards exchanged for employee services and requires companies to expense the estimated fair-value of these awards over the requisite employee service period. Under ASC 718, share-based compensation cost related to stock options is determined at the grant date using an option-pricing model. The value of the award that is ultimately expected to vest is recognized as expense on a straight-line basis over the employee's requisite service period.

PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2011

---

NOTE 5 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The Company follows Financial Accounting Standards Board (“FASB”) ASC 820, Fair Value Measurement (“ASC 820”), which clarifies fair value as an exit price, establishes a hierarchal disclosure framework for measuring fair value, and requires extended disclosures about fair value measurements. The provisions of ASC 820 apply to all financial assets and liabilities measured at fair value.

As defined in ASC 820, fair value, clarified as an exit price, represents the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As a result, fair value is a market-based approach that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

As a basis for considering these assumptions, ASC 820 defines a three-tier value hierarchy that prioritizes the inputs used in the valuation methodologies in measuring fair value.

Level 1 Quoted prices in active markets for identical assets or liabilities.

1 –

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as  
– quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are  
– significant to the fair value of the assets or liabilities.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

At December 31, 2011 the Company had no financial instruments for which disclosure of fair value was required.

PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2011

---

## NOTE 5 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRSs (“ASU 2011-04”), to converge the guidance in generally accepted accounting principles in the United States of America (“US GAAP”) and International Financial Reporting Standards (“IFRS”). The amended guidance changes several aspects of the fair value measurement guidance in ASC 820. In addition, the amended guidance includes several new fair value disclosure requirements, including, among other things, information about valuation techniques and unobservable inputs used in Level 3 fair value measurements and a narrative description of Level 3 measurements’ sensitivity to changes in unobservable inputs. For nonpublic entities, the amended guidance must be applied prospectively for annual periods beginning after December 15, 2011.

In June 2011, the FASB issued ASU 2011-05, “Presentation of Comprehensive Income” (ASU 2011-05) which amends ASC Topic 220, Comprehensive Income. The updated guidance in ASC Topic 220 gives an entity the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The updated guidance in ASC Topic 220 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011.

Implementation of these recent accounting pronouncements is not expected to have a significant impact on the Company’s financial statements.

## NOTE 6 – OIL AND GAS PROPERTY AND EQUIPMENT, NET

The Company had not commenced drilling operations as of December 31, 2011. Property and equipment as of December 31, 2011 consisted of the following:

Oil and gas interests	\$ 1,724,234
Computers and software	5,356
Accumulated depreciation	(662)
<b>Property and equipment, net</b>	<b>\$ 1,728,928</b>

Depreciation expense for the period from February 9, 2011 (Inception) through December 31, 2011 was \$662, and is included in operating expenses in the accompanying statement of operations.

PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2011

---

NOTE 6 – PROPERTY AND EQUIPMENT, NET (Continued)

Oil and gas interests -- The Company acquired oil and gas interests in Colorado in a geologic formation known as the Niobrara formation (“the Niobrara Asset”) on October 31, 2011 for a total cost of \$4,914,624. 62.50% of the value of the Niobrara interest acquired by the Company was assigned into Condor (see Note 7), of which the Company owns 20%. The following details the purchase price components:

\$2,827,387 cash paid at closing.

1,333,334 shares of Series A Preferred, with a guaranteed minimum value of \$1 million to be issued on November 10, 2012.\*

\$699,372 cash carry of the Sellers share of future drilling costs.\*

285,595 shares of Common Stock of the Company valued at \$28,560 issued to a due diligence provider, South Texas Reservoir Alliance, LLC (“STXRA”)

230,000 shares of Series A Preferred Stock to be issued in February of 2012 at a share price of \$0.75, or \$172,500 to STXRA.\*

Other acquisition transaction costs in the amount of \$186,806.

\*These obligations totaling \$1,871,872 have been recorded as part of accrued liabilities in the balance sheet.

NOTE 7 – EQUITY METHOD INVESTMENT

In October 2011, the Company formed a new subsidiary called Condor Energy Technology LLC (“Condor”), a limited liability company organized under the laws of the State of Nevada. The Company owns 20% of Condor and a subsidiary of MIE Holdings Corporation (“MIE Holdings”) owns 80%. The Company acquired oil and gas interests in the Niobrara formation (the “Niobrara Asset”) on October 31, 2011. 62.50% of the value of the Niobrara interest acquired by the Company has been assigned into Condor at a value of \$3,071,640. In connection with this transaction, the Company recorded \$614,328 as its investment in Condor and the difference of \$2,457,312 was recorded as a reduction of the Series A preferred stock proceeds received from MIE Holdings. Because the Series A preferred stock funding, formation of Condor and purchase of the Niobrara asset transactions were completed in contemplation of each other, the Company concluded that this accounting best represented the economic substance.

PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2011

## NOTE 7 – INVESTMENTS IN OTHER ENTITIES (Continued)

The Company accounts for its 20% ownership in Condor using the equity method. The Company evaluated its relationship with Condor to determine if Condor was a variable interest entity, (“VIE”) as defined in ASC 810-10, and whether the Company was the primary beneficiary of Condor, in which case consolidation with the Company would be required. The Company determined that Condor qualified as a VIE, however the Company concluded that the MIE Holdings was the primary beneficiary as a result of its voting and Board control combined with its funding commitments to Condor. The Company’s entire investment in Condor is at risk of loss. The Company’s total investment in Condor at December 31, 2011 was \$588,453, after recording its share of Condor’s 2011 losses of \$25,875.

Condor’s financial information, derived from its unaudited financial statements, is as follows:

	As of December 31, 2011
Current assets	\$ 154,826
Noncurrent assets	\$ 3,275,390
<b>Total Assets</b>	<b>\$ 3,430,216</b>
Current liabilities	\$ 487,979
<b>Total Liabilities</b>	<b>\$ 487,949</b>
	For the Period from October 31, 2011 (inception) through December 31, 2011
Gross Revenue	\$ -
Net Loss	\$ (129,374)

During the period from inception through December, 31, 2011, the Company advanced Condor \$299,750 for organizational, administrative, managerial and other costs. Subsequent to December 31, 2011 all of the advances were repaid in full. These advances are included in the balance sheet at December 31, 2011 as part of receivables from related entities.

## NOTE 8 – NOTES PAYABLE TO RELATED PARTY

In February 2011, the Company received a \$200,000 loan from its president and chief executive officer. Interest accrued at an annual rate of 3%, and principal and interest were due on October 31, 2011. The loan plus accrued interest of \$4,258 was repaid in full on October 31, 2011. Upon receipt of these proceeds, the president and chief executive officer used the proceeds to purchase through Global Venture Investments, LLC, an entity owned and controlled by him, 266,667 shares of the Company's Series A Preferred Stock at a price of \$0.75 per share.

PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2011

---

NOTE 8 – NOTES PAYABLE TO RELATED PARTY (Continued)

In July 2011, the Company received a \$900,000 loan from Global Venture Investments, LLC. Interest accrued at an annual rate of 3%, and principal and interest were due on November 30, 2011. The note was convertible into equity securities of the Company in the event of the closing of a qualified financing (defined as receipt of at least \$2,000,000 in gross proceeds), and the note converted into the securities being sold in the qualified financing at a 50% discount. The qualified financing occurred in October 2011 and the principal amount of this note was converted into 2,400,000 shares of Series A Preferred Stock pursuant to the loan's original conversion terms. The accrued interest of \$8,655 was paid in cash.

The note agreement also provided for the issuance of a warrant to the holder in the event that the note was automatically converted into a qualified financing. The warrant would have a three year term and an exercise price equal to the price paid by the investors in the qualified financing. In connection with the closing of the Company's Series A Preferred Stock financing in October 2011, which was a qualified financing, the Company issued this warrant for 480,000 shares of Series A Preferred Stock at an exercise price of \$0.75 per share.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Company has entered into a non-cancelable lease agreement ending in June 2012 for certain office space. As of December 31, 2011, the remaining obligation under this lease was \$12,227.

NOTE 10 – STOCKHOLDERS' EQUITY

Common Stock

At December 31, 2011, the Company was authorized to issue 200,000,000 shares of its common stock with a par value of \$0.001, of which 10,420,000 shares had been issued to its founders in exchange for cash in the amount of \$10,420 in February 2011. The shares issued are fully vested. An additional 4,100,000 shares were issued in February 2011 to a company that is wholly owned by the Company's president and chief executive officer in exchange for that company's 6% interest in the Rare Earth JV. These shares were valued at \$4,100. As of December 31, 2011, the Company had issued a total of 14,520,000 shares of common stock to its founders for total value received of \$14,520.



PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2011

---

NOTE 10 – STOCKHOLDERS’ EQUITY (Continued)

Common Stock (continued)

In October 2011, the Company’s board of directors granted 700,000 shares of its restricted common stock to a non-employee executive vice president. The shares were originally subject to forfeiture by the Company in the event the officer was no longer an employee, officer, director or consultant to the Company, which risk of forfeiture would lapse with respect to 75% of the shares if the Company (i) received \$6 million in financing (excluding funds raised from certain investors) and (ii) “goes public” through the effectiveness of the registration of a class of the Company’s securities under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or through the Company’s merger with a public company. The remaining 25% of the shares would have been released from the risk of forfeiture on that date six months from the latter date of these two events. In addition, if the Company did not raise \$6 million (excluding funds raised from certain investors), then 50% of the shares would have been released from the risk of forfeiture if the Company (i) received \$3 million in financing (excluding funds raised from certain investors) and (ii) “goes public” through the effectiveness of the registration of a class of the Company’s securities under the Exchange Act or through the Company’s merger with a public company. Furthermore, 25% of the shares would have been released from the risk of forfeiture six months from the latter date of these two events, and the remaining 25% would have been released from the risk of forfeiture six months later. Contemporaneous with this grant, the executive vice president received an option exercisable for 300,000 shares of the Company’s common stock that may be exercised at \$0.08 per share, with vesting occurring at various intervals based upon achievement of certain objectives, and expiring in October 2021 if not exercised earlier. As of December 31, 2011, none of the vesting milestones had been reached so none of the shares were vested and as a result they are not being shown as outstanding shares in the financial statements. In February 2012 the Company’s board of directors and the executive vice president agreed to a revised time-based vesting schedule with respect to these shares and options in connection with this executive vice president becoming a full-time employee of the Company (see Note 14 – Subsequent Events).

In conjunction with the Niobrara Asset acquisition, a grant of 285,595 fully vested shares of the Company’s common stock was paid to the company that arranged the purchase and provided various technical and due diligence assistance services to the Company. These shares were valued at \$0.10 per share.

In October 2011, the Company signed a non-binding letter of intent to merge with a publicly traded oil and gas exploration and production company. Related to this merger, the Company issued fully vested stock awards for a total of 696,666 common shares to certain investor relations consultants, but performance is not required until after the merger is complete. These shares were valued at \$0.10 per share and the total value of the award of \$69,667 has been expensed and included in professional services in the statement of operations. and

PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2011

---

NOTE 10 – STOCKHOLDERS' EQUITY (Continued)

Preferred Stock

At December 31, 2011, the Company was authorized to issue 100,000,000 shares of its preferred stock with a par value of \$0.001. 6,666,667 shares of its Series A Preferred Stock were issued and outstanding at December 31, 2011.

In October 2011, the Company sold 4,000,000 shares of its Series A Preferred Stock to a corporate investor for \$3,000,000.

When the Company acquired the Niobrara Asset on October 31, 2011, additional consideration due to the sellers on November 10, 2012 is 1,333,334 shares of the Company's Series A Preferred Stock. The Company has guaranteed to the sellers that the market value of these shares will be no less than \$1 million on such date, calculated as the 30 day average closing sales price quoted for the Company's publicly-traded securities (if, and as applicable). Under certain conditions, the sellers may elect to receive their proportionate share of the \$1 million in cash rather than shares, including in the event the Company's shares are not publicly-traded. As collateral for this obligation, from October 31, 2011 until the Company satisfies this obligation to the sellers, the sellers hold a lien on all of the Company's interests in the Niobrara Asset, together with tangible and intangible assets attributable thereto.

In October 2011, the Company repaid the \$200,000 note payable to its president and chief executive plus accrued interest of \$4,258. Upon receipt of these proceeds, the president and chief executive officer used the proceeds to purchase through an entity owned and controlled by him, 266,667 shares of the Company's Series A Preferred Stock at a price of \$0.75 per share.

In October 2011, the Company converted the \$900,000 note payable to Global Venture Investments, LLC into 2,400,000 shares of the Company's Series A Preferred Stock. Pursuant to the terms of the note, the note's principal converted into Series A Preferred Stock at a price per share of \$0.375, which was equal to 50% of the \$0.75 price per share of the Series A Preferred Stock, as required pursuant to the note. As required pursuant to the terms of the note, the Company also issued a warrant to purchase 480,000 shares of Series A Preferred Stock to the noteholder as described in Note 8.

PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2011

---

NOTE 10 – STOCKHOLDERS' EQUITY (Continued)

Preferred Stock (continued)

The rights, preferences, and conversion privileges of the Series A Preferred Stock are as follows:

Liquidation Preferences

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, holders of the Series A Preferred Stock are entitled to receive, prior and in preference to any distribution of any of the assets of the Company to the holders of the common stock, an amount per share equal to the amount paid for their shares and all declared but unpaid dividends on such shares of Series A Preferred Stock. If upon the liquidation, dissolution or winding up of the Company, the assets of the Company legally available for distribution to the holders of the Series A Preferred Stock are insufficient to permit the payment to such holders of the full amounts due to them, then the entire assets of the Company legally available for distribution shall be distributed with equal priority and pro rata among the holders of the Series A Preferred Stock in proportion to the full amounts they would otherwise be entitled to receive.

Dividend Rights

Dividends, if and when declared by the board of directors, accrue at an annualized rate of 6% and are not cumulative.

Conversion Rights

Holders of Series A Preferred Stock may voluntarily convert their shares into the identical number of shares of the Company's common stock. Automatic conversion will be effective at the time one of the following events occurs:

The date on which the shares of Series A Preferred Stock issued on the original issuance date to holders who are not affiliates of the Company may be re-sold by such holders without registration in reliance on Rule 144 promulgated under the Securities Act or another similar exemption under the Securities Act is available for such resale.

The holders of a majority of the then outstanding shares of Series A Preferred Stock elect to convert all of their shares of Series A Preferred Stock into shares of common stock.

The conversion price is subject to adjustment in the event of stock splits, stock dividends, reclassifications, reorganization and other equity restructuring type transactions.

PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2011

---

NOTE 10 – STOCKHOLDERS' EQUITY (Continued)

Warrants

In October 2011, the Company signed a non-binding letter of intent to merge with a publicly traded oil and gas exploration and production company. The Company issued a warrant to purchase 100,000 shares of its common stock at an exercise price of \$0.08 per share to an adviser in this possible transaction. The warrant expires in October 2021, but is revocable by the Company if the transaction does not close by June 1, 2012.

In October 2011, the Company issued a warrant to purchase 480,000 shares of Series A Preferred Stock to an entity owned and controlled by the Company's president and chief executive officer in connection with the conversion of outstanding principal under a promissory note into Series A Preferred Stock of the Company as described in Note 8. The warrant has a three year term and has an exercise price of \$0.75 per share.

NOTE 11 – STOCK-BASED COMPENSATION

Stock-based compensation expense for all share-based payment awards granted in 2011 is based on the grant-date calculated fair value. The Company recognizes these compensation costs, net of an estimated forfeiture rate, and recognizes the compensation costs for only those shares expected to vest on a straight-line basis over the requisite service period of the award. As of December 31, 2011, the Company had not adopted a stock option plan.

For the year ended December 31, 2011, the Company recorded stock-based compensation expense of \$3,660. At December 31, 2011 there was approximately \$12,210 of unamortized stock based compensation cost related to unvested stock options which is expected to be recognized over a weighted average period of 1.75 years.

In October 2011, the Company granted to three of its consultants and employees, non-qualified and incentive stock options exercisable for a total of 110,000 shares of its common stock at an exercise price of \$0.08 per share. 50% of the shares subject to the options vest six months from the date of grant, 20% vest one year from the date of grant, 20% vest eighteen months from the date of grant, and the final 10% vest two years from the date of grant, all contingent upon the recipient's continued service with the Company. The options have a ten year term.

In October 2011, the Company also granted options, exercisable for 120,000 shares of the Company's common stock at an exercise price of \$0.08 per share with a ten year term, as partial consideration for STXRA's agreement to provide consulting services to the Company and serve as the operator of the Niobrara Asset. 50% of the shares subject to the option vest six months from the date of grant, 25% vest one year from the date of grant, and the balance of 25% vests eighteen months from the date of grant, all contingent upon the operator's continued service with the Company.

PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2011

## NOTE 11 – STOCK-BASED COMPENSATION (Continued)

In October 2011, the Company granted a non-qualified performance-based option to its consulting executive vice president for 300,000 shares at \$0.08 per share with a term of 10 years. At December 31, 2011 none of the performance milestones had been met and, as a result, no expense was recorded in 2011 for this award. As discussed in Note 14 - Subsequent Events, this awards was modified in February 2012 to a time-based vesting schedule in connection with this consultant becoming a full-time employee of the Company.

Stock option activity for the year ended December 31, 2011 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Options granted	530,000	0.08	
Options exercised	-	-	
Options cancelled/forfeited/expired	-	-	
Outstanding at December 31, 2011	530,000	0.08	9.75
Vested and exercisable at December 31, 2011	-		

The weighted average grant date calculated fair value of options granted during the year ended December 31, 2011 was \$0.069.

No cash was received for option exercises and purchases of shares of Company common stock as stock-based compensation for the year ended December 31, 2011.

The calculated fair value of option grants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions for the year ended December 31, 2011.

Expected dividend yield (1)	0%
Risk-free interest rate (2)	0.41%
Expected volatility (3)	173%
Expected life (in years) (4)	3.0

- (1) The Company has no current plans to pay dividends.
- (2) The risk-free interest rate is based on the U.S. Treasury yield for a term consistent with the expected life of the awards in effect at the time of grant.
- (3) The Company estimated the volatility based on comparable public companies.

- (4) The expected life represents the period of time that options granted are expected to be outstanding.

F-20

---

PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2011

---

## NOTE 12 – INCOME TAXES

Due to the Company's net loss, there was no provision for income taxes for the period from February 9, 2011 (Inception) through December 31, 2011.

The difference between the income tax expense of zero shown in the statement of operations and pre-tax book net loss times the federal statutory rate of 34% is principally due to the change in the valuation allowance.

Deferred income taxes assets for the period from February 9, 2011 (Inception) through December 31, 2011 are as follows:

Deferred tax assets	
Net operating loss carryovers	\$ 272,936
Less valuation allowance	(272,936)
<b>Total deferred tax assets</b>	<b>\$ -</b>

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of deferred assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Based on the available objective evidence, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, management has applied a full valuation allowance against its net deferred tax assets at December 31, 2011. The net change in the total valuation allowance for the period from February 9, 2011 (Inception) through December 31, 2011 was an increase of \$272,936.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2011, the Company did not have any significant uncertain tax positions or unrecognized tax benefits. The Company did not have associated accrued interest or penalties, nor was any interest expense or penalties recognized during the period from February 9, 2011 (Inception) through December 31, 2011.

As of December 31, 2011 the Company has net operating loss carryforwards of approximately \$659,302 for federal and state tax purposes, respectively. If not utilized, these losses will begin to expire beginning in 2031 for both federal and state purposes.

PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2011

---

NOTE 12 – INCOME TAXES (Continued)

Utilization of NOL and tax credit carryforwards may be subject to a substantial annual limitation due to ownership change limitations that may have occurred or that could occur in the future, as required by the Internal Revenue Code (the “Code”), as amended, as well as similar state provisions. In general, an "ownership change" as defined by the Code results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 50 percent of the outstanding stock of a company by certain stockholders or public groups.

NOTE 13 – RELATED PARTY TRANSACTIONS

As discussed in Note 8, the Company repaid a loan from the president and chief executive officer and a company wholly owned by its president and chief executive officer.

Effective upon the closing of the Company’s acquisition of the Niobrara Asset in October 2011, the Company transferred and assigned to Condor, a Nevada limited liability company owned 20% by the Company and 80% by an affiliate of MIE Holdings, 62.5% of the Niobrara Asset interest acquired by the Company, the net result of which is that each of the Company and MIE Holdings have a 50% net working interest in the Niobrara Asset originally acquired by the Company. Furthermore, Condor was designated as “Operator” of the Niobrara Asset. Condor’s Board of Managers is comprised of the Company’s President and Chief Executive Officer, Mr. Frank Ingriselli, and two designees of MIE Holdings. In addition, MIE Holdings has agreed to carry the Company at both the Condor and the Company levels for all of the Company’s proportional fees and expenses due in connection with the drilling and completion of the initial well on the Niobrara Asset, which carry shall be in the form of loans made by MIE Holdings to Condor and repayable by Condor from production from the Niobrara Asset.

In October 2011, the Company also sold 4,000,000 shares of its Series A Preferred Stock to MIE Holdings for \$3,000,000.

NOTE 14 – SUBSEQUENT EVENTS

The Company evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through March 27, 2012, which is the date the financial statements were available to be issued.

On January 9, 2012, the Company sold 835,002 shares of its Series A Preferred Stock for a total of \$626,251 in cash proceeds.



PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2011

---

NOTE 14 – SUBSEQUENT EVENTS (Continued)

On January 25, 2012, the Company sold 863,868 shares of its Series A Preferred Stock for a total of \$647,901 in cash proceeds.

On February 9, 2012, the Company issued 230,000 shares of Series A Preferred Stock at a value of \$172,500 to STXRA. See Note 4 above.

On February 23, 2012, the Company sold 206,667 shares of its Series A Preferred Stock for a total of \$155,001 in cash proceeds.

In February 2012, the Company adopted an equity incentive plan that provides for the issuance of incentive and nonqualified stock options, restricted stock, restricted units and performance grants to employees, directors and consultants of the Company or any parent or subsidiary of the Company. The Company reserved 3,000,000 shares of common stock for issuance under the plan.

In February 2012, the Company granted to five of its consultants and employees a total of 1,655,000 shares of its restricted common stock. The shares are subject to forfeiture in the event the recipient is no longer an employee, officer, director or consultant to the Company, which risk of forfeiture lapses with respect to 50% of the shares on the date that is six months from the date of grant, 20% on the date that is twelve months from the date of grant, 20% on the date that is eighteen months from the date of grant, and the final 10% on the date that is twenty-four months from the date of grant, all contingent upon the recipient's continued service with the Company. These awards were authorized and issued under the Company's equity incentive plan adopted in February 2012.

In February 2012, the Company granted to five of its consultants and employees options exercisable for a total of 265,000 shares of its common stock at an exercise price of \$0.10 per share and a ten-year term. 50% of the shares subject to the options vest six months from the date of grant, 20% vest one year from the date of grant, 20% vest eighteen months from the date of grant, and the final 10% vest two years from the date of grant, all contingent upon the recipient's continued service with the Company. These awards were authorized and issued under the Company's equity incentive plan adopted in February 2012.

PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2011

---

NOTE 14 – SUBSEQUENT EVENTS (Continued)

In February of 2012, the vesting terms were revised for two restricted stock and option grants issued in October 2011 to an executive vice president of the Company as described in Note 8. In October 2011, the Company's board of directors originally granted the officer 700,000 shares of its restricted common stock, subject to a Company right of forfeiture in the event certain milestones were not achieved. The revised terms provide that the Company's right of forfeiture shall lapse with respect to 50% of the shares on June 1, 2012, 25% on December 1, 2012, and the final 25% on June 1, 2013, all contingent upon the recipient's continued service with the Company, with 100% of the shares being released from the Company's right of forfeiture in the event the Company terminates his relationship with the Company without cause (as defined in the grant agreement). The vesting terms of the option exercisable for 300,000 shares of the Company's common stock at an exercise price of \$0.08 per share were also revised in February 2012, with 50% of the shares subject to the option vesting on March 1, 2012, 25% on June 1, 2012, and the balance of 25% on January 1, 2013, all contingent upon the recipient's continued service with the Company.

On January 13, 2012, the Company signed a reverse merger agreement with Blast Energy Services, Inc. ("BLAST"), an oil and gas development and production company that is publicly traded on the over-the-counter exchange in the U.S. under the symbol BESV. At closing, BLAST is expected to acquire the Company as a wholly-owned subsidiary and to issue shares of BLAST common stock and BLAST preferred stock, as applicable, to the stockholders of the Company upon the terms and conditions set forth in the merger agreement. BLAST Acquisition Corp. is a wholly-owned subsidiary corporation of BLAST that is expected to be merged with and into the Company, whereupon the Company will be the surviving corporation of the merger and will become a wholly-owned subsidiary of BLAST. In connection with the merger, Blast will be required to convert all of its existing preferred stock into common stock and consummate a reverse stock split resulting in no more than 2,400,000 shares of its common stock remaining issued and outstanding on a fully-diluted basis prior to the merger's effective date, subject to downward adjustment in the event Blast does not reimburse the Company for certain of Blast's transaction-related fees and expenses currently being funded by the Company (see below for advances made to date). As a result of the merger, the Company stockholders will receive one (1) share of Blast's common stock or Series A preferred stock for each share of the Company's common stock or Series A Preferred Stock, respectively, and the stockholders of the Company are anticipated to receive up to approximately 95% of the issued and outstanding capital stock of BLAST. The merger is expected to close as soon as possible, but no later than June 1, 2012, subject to the satisfaction of a number of conditions precedent and milestones, including the conversion of various outstanding debts of BLAST into equity of BLAST, and the approval of the merger by the BLAST and the Company boards of directors and stockholders, respectively. As of March 13, 2012, advances made to BLAST by the Company amount to \$228,016 and as of December 31, 2011 the Company had advanced Blast \$112,138, which is shown in the balance sheet as part of deferred costs.

PACIFIC ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2011

---

NOTE 14 – SUBSEQUENT EVENTS (Continued)

The Company signed amendatory letters on each of February 9, 2012 and February 29, 2012 that amended a Stock Purchase Agreement entered into by and among the Company, Excellong, Inc., and various other sellers, dated December 16, 2011 (the Stock Purchase Agreement, as amended, the “SPA”). Pursuant to the SPA, the Company plans to acquire Excellong E&P-2, Inc., a Texas corporation whose sole asset is an approximately 8 percent working interest in certain oil and gas leases covering approximately 1,650 net acres in the Leighton Field located in McMullen County, Texas, which is currently producing oil and natural gas from the Eagle Ford shale formation (the “Eagle Ford Asset”). This area is currently producing oil and natural gas from two wells, but the remainder of the land is under development. The total purchase price was negotiated to be approximately \$3.75 million, consisting of \$1.5 million in cash to be paid at closing, an additional \$1.0 million due 60 days following closing, and \$1.25 million worth of the Company’s Series A preferred stock, issued at the same terms as the Company’s initial Series A financing closing, and with a guaranteed value of \$1.25 million on the date that is twelve months from the date of closing. The amendment signed on February 29, 2012 provides that the acquisition of the Eagle Ford Assets is to be closed by March 29, 2012.

On March 15, 2012, the Company sold 301,334 shares of its Series A Preferred Stock for a total of \$226,000 in cash proceeds.

## PEDEVCO CORP.

CONSOLIDATED BALANCE SHEETS  
(unaudited)

Assets	September 30, 2012 Restated	December 31, 2011 Restated
Current assets:		
Cash	\$4,648,428	\$176,471
Restricted cash	700,000	-
Accounts receivable – oil and gas	2,357	-
Accounts receivable – related party operator	127,931	302,315
Accounts receivable – related party	81,875	-
Deferred merger costs	-	111,828
Prepaid expenses and other current assets	198,168	26,533
Total current assets	5,758,759	617,147
Oil and gas properties:		
Oil and gas properties, subject to amortization	1,226,792	-
Oil and gas properties, not subject to amortization	1,499,830	1,724,233
Less: accumulated depletion and impairment	(52,256 )	-
Total oil and gas properties, net	2,674,366	1,724,233
Equipment, net of accumulated depreciation	112,557	4,695
Notes receivable – related parties	429,116	-
Investments – equity method	2,371,897	588,453
Investments – cost method	4,100	4,100
Total assets	\$11,350,795	\$2,938,628
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$182,764	\$145,428
Accounts payable – related party operator	1,366,699	699,372
Accrued expenses	1,299,401	1,205,275
Accrued expenses – related party	58,332	-
Convertible note payable net of discount of \$253,753 and \$0, respectively	1,012,866	-
Total current liabilities	3,920,062	2,050,075
Long-term liabilities:		
Asset retirement obligations	42,527	-
Total liabilities	3,962,589	2,050,075
Commitments and contingencies		
Redeemable Series A convertible preferred stock	1,250,000	-
Stockholders' equity:		

Edgar Filing: PEDEVCO CORP - Form S-1/A

Series A convertible preferred stock, \$0.001 par value, 100,000,000 shares authorized, 20,237,860 and 6,666,667 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	20,238	6,667
Common stock, \$0.001 par value, 200,000,000 shares authorized; 19,694,921 and 15,502,261 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	19,695	15,503
Additional paid-in capital	16,452,768	1,630,060
Subscriptions receivable	(276,326 )	-
Accumulated deficit	(10,078,169)	(763,677 )
Total stockholders' equity	6,138,206	888,553
 Total liabilities and stockholders' equity	 \$11,350,795	 \$2,938,628

See accompanying notes to unaudited consolidated financial statements.

PEDEVCO CORP.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
For the Three and Nine Months Ended September 30, 2012 and  
Three Months ended September 30, 2011 and the  
Period from February 9, 2011 (Inceptions) through September 30, 2011  
(unaudited)

	For the Three Months Ended September 30,	2011	For the Nine Months Ended September 30,	2012	Period from February 9, 2011 (Inception) through September 30, 2011
Revenue:	2012				