

PEDEVCO CORP
Form 10-K/A
April 19, 2013

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

FORM 10-K/A
(Amendment No. 1)

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

For the fiscal year ended December 31, 2012

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

For the transition period from to

Commission file number: 000-53725

PEDEVCO Corp.
(Exact Name of Registrant as Specified in Its Charter)

Texas
(State or other jurisdiction of
incorporation or organization)

22-3755993
(IRS Employer Identification No.)

4125 Blackhawk Plaza Circle, Suite 201
Danville, California 94506
(Address of Principal Executive Offices)

(855) 733-3826
(Registrant's Telephone Number,
Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$0.001 par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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

Act. Yes " No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No "

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

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"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes " No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 29, 2012 based upon the closing price reported on such date was approximately \$3,364,034. Shares of voting stock held by each officer and director and by each person who, as of June 29, 2012, may be deemed to have beneficially owned more than 10% of the outstanding voting stock have been excluded. This determination of affiliate status is not necessarily a conclusive determination of affiliate status for any other purpose.

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes " No "

As of April 18, 2013, 41,739,965 shares of the registrant's common stock, \$.001 par value per share, were outstanding

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EXPLANATORY NOTE

This Annual Report on Form 10-K/A is being filed as Amendment No. 1 to our Annual Report on Form 10-K (“Amendment No. 1”), which amends and restates certain parts of our Annual Report on Form 10-K for the year ended December 31, 2012 (the “Annual Report”), originally filed on March 25, 2013 with the Securities and Exchange Commission.

This Amendment No. 1 restates the following items:

- Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations;
- Part II, Item 8. Financial Statements and Supplementary Data;
- Part II, Item 9A. Controls and Procedures; and
- Part IV, Item 15. Exhibits and Financial Statement Schedules.

This Amendment No. 1 is being filed to restate the financial statements of PEDEVCO Corp. as of December 31, 2012 (i) to properly classify the issuance of 368,345 shares of our Series A Preferred Stock to a related party as a stock subscriptions receivable rather than a note receivable and (ii) to properly present on the balance sheet and the statement of stockholders’ equity the classification of the shares of Series A Preferred Stock issued and outstanding and the par value and additional paid in capital for the 1,666,667 shares of Series A preferred stock presented outside of shareholders’ equity (due to the redemption of such shares being outside of our control). In addition, this Amendment No. 1 includes expanded disclosure under Part II, Item 9A, Controls and Procedures, to include a statement identifying the framework used by management to evaluate the effectiveness of our internal control over financial reporting, and to include a statement that our internal control over financial reporting is not effective.

As required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, new certifications by our principal executive officer and principal financial and accounting officer are filed herewith as exhibits to this Amendment No. 1. This Amendment No. 1 also includes a re-issued audit report of GBH CPAs, PC.

Impact of Restatement

A summary of the effects of this restatement to the financial statements included within this Amendment No. 1 is presented under Note 5, “Restatement of Financial Statements,” to the consolidated financial statements of PEDEVCO Corp.

Special Note Regarding Amendment No. 1

Except for the Items noted above, no other information included in the original Annual Report is being amended or updated by this Amendment No. 1. This Amendment No. 1 continues to describe the conditions as of the date of the original Annual Report and, except as contained therein, we have not updated or modified the disclosures contained in the original Annual Report. Accordingly, this Amendment No. 1 should be read in conjunction with our filings made with the Securities and Exchange Commission subsequent to the filing of the original Annual Report, including any amendment to those filings.

PART II

ITEM 7. 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 Annual Report. 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 "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 U.S., 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 10,224 gross and 2,774 net acres of oil and gas properties in our Niobrara core area. Our current Eagle Ford position is a 3.97% 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 three gross wells in the Niobrara asset with current daily production of approximately 494 BOE (150 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 acquisitions and 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 100% operated working interest in 7,006 gross (6,763 net) acres, and will hold an option to acquire an additional 7,880 gross (7,043 net) acres through May 30, 2013. 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 U.S. 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 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" in Part I, Item 1 above.

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 have 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.

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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.

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 U.S. 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 \$113.93 per Bbl to a low of \$75.67 per Bbl during the year ended December 31, 2011 and from a high of \$108.84 per Bbl to a low of \$77.69 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 U.S. 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, CO₂ 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 CO₂ content sells at a premium to natural gas with high sulfur and CO₂ content because of the added cost to separate the sulfur and CO₂ 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.

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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 our efforts to have our shares listed 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.

Results of Operations

As a result of the reverse acquisition, the financial statements of Pacific Energy Development prior to the merger are presented as the financial statements of the Company. 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 Year Ended December 31, 2012 with the Period from February 9, 2011 (inception) through December 31, 2011

Oil and Gas Revenue. We had total revenue of approximately \$503,000 for the year ended December 31, 2012, comprised of approximately \$357,000 in revenue generated after February 2012 from Pacific Energy Development's two producing wells in the Eagle Ford asset and one producing well in the Niobrara asset and approximately \$146,000 in revenue generated after the merger on July 27, 2012 from the former Blast business ("Blast") operations. Prior to February 2012, Pacific Energy Development was focused on acquiring oil and natural gas properties, and did not yet generate any revenue. Consequently, oil and gas revenue were \$-0- for the period from February 9, 2011 (inception) through the year ended December 31, 2011.

Lease Operating Expense. Operating expenses associated with the oil and gas properties were approximately \$281,000 for the year ended December 31, 2012 comprised of approximately \$176,000 for Pacific Energy Development and approximately \$105,000 attributable to Blast after the merger on July 27, 2012. Prior to February 2012, Pacific Energy Development was focused on acquiring oil and natural gas properties, and did not yet generate any revenue. Consequently, well operating expenses were \$-0- for the period from February 9, 2011 (inception) through the year ended December 31, 2011.

Selling, General and Administrative. Selling, general and administrative ("SG&A") expenses increased by \$3,013,000 to \$3,730,000 for the year ended December 31, 2012 compared to \$717,000 for the period from February 9, 2011 (inception) through December 31, 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 Years Ended			Increase (Decrease)
	December 31, 2012	December 31, 2011		
Payroll and related costs	\$ 1,682	\$ 309	\$ 1,373	
Option and warrant expense	621	-	621	
Legal fees and settlements	162	120	42	
Professional services	910	155	755	

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Insurance	109	10	99
Travel & entertainment	111	75	36
Office rent, communications and other	135	48	87
	\$ 3,730	\$ 717	\$ 3,013

Impairment of Goodwill. Management evaluated the amount of goodwill associated with the merger with Blast following the allocation of fair value to the assets and liabilities acquired and determined that the goodwill should be fully impaired and has reflected the impairment on the statement of operations as of the date of the merger.

Depreciation, Depletion and Amortization (“DD&A”). DD&A costs were approximately \$131,000 for the year ended December 31, 2012, compared to \$1,000 for the period from February 9, 2011 (inception) through December 31, 2011, as recording of depletion commenced in 2012 when the wells began producing revenue.

Gain on Sale of Equity Method Investments. In connection with the White Hawk Sale in May 2012, the Company recorded a gain of \$64,000 representing the difference between the Company’s carrying value of the 50% investment sold (\$1,875,000) and the fair value of the net sale proceeds received from MIE Holdings (\$1,939,000). There was no such sale in 2011.

Loss from Equity Method Investment. Loss from equity method investments was \$358,000 in 2012, compared with \$26,000 in 2011. The Company has two investments accounted for using the equity method, Condor and White Hawk, which was acquired in 2012. The increased loss was due primarily to costs associated with exploration of new, unproven areas within the Condor property and general and administrative costs incurred for a full year of Condor operations (Condor was formed in October of 2011), offset in part by the addition of White Hawk in 2012 which generated net income.

Interest Expense. Interest expense was \$986,000 for the year ended December 31, 2012 compared to \$13,000 for the period from February 9, 2011 (inception) through December 31, 2011, an increase of \$973,000 from the prior period. This increase is primarily due to the amortization of \$507,000 for debt discount and \$63,000 of interest expense related to the Centurion note acquired from Blast in the merger; and \$380,000 of interest incurred on the extension of the due date for a deferred payment related to the acquisition of the Eagle Ford property held in Excellong E&P-2, Inc. (now White Hawk Petroleum, LLC).

Gain on Debt Extinguishment. The Company recorded a loss of \$160,000 for debt extinguishment in connection with modifications made to amounts borrowed from Centurion Credit Funding, LLC under the Note Purchase Amendment dated January 13, 2012 as a significant conversion feature was added to the terms of the note and the Company’s Merger with Blast triggered the contingent conversion feature. The Company recorded a gain on debt extinguishment of \$169,000 in connection with amounts forgiven by Centurion Credit Funding, LLC for the complete extinguishment of the outstanding debt during the year. The net gain on debt extinguishment for the year ended December 31, 2012 was approximately \$9,000.

Loss on Settlement of Payable. During the year, the Company recorded a loss on a settlement of payable in the amount of \$139,874 related to issuance of 279,749 shares of Series A preferred Stock in full satisfaction and release of our obligation to Esenjay.

Net Loss. Net loss increased by \$11,249,000 to a net loss of \$12,013,000 for the year ended December 31, 2012 compared to a net loss of \$764,000 for the period from February 9, 2011 (inception) through December 31, 2011. This increase was primarily due to \$6,820,000 for goodwill impairment, the increase in SG&A of \$3,017,000 in 2012 as described above, increased loss from equity investments of \$332,000, the debt discount amortization and interest of \$578,000 for the Centurion note, loss on settlement of payable to Esenjay in the amount of \$139,874, and \$380,000 of interest expense as described above.

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.

On October 10, 2012, we filed a Registration Statement on Form S-1 with the Securities and Exchange Commission (“SEC”), with a proposed \$50 million underwritten public offering of our common stock (the “Pending Public Offering”). Subject to clearance by the SEC, we anticipate closing the Pending Public Offering in the second quarter of 2013, although there can be no guarantee that we will be able to close the Pending Public Offering, or, if closed, raise the full amount sought in the offering. We intend to use the net proceeds that we receive from the Pending Public Offering to fund capital expenditures for leasehold acquisitions and development as well as for general corporate purposes.

Our future financial condition and liquidity will be impacted by, among other factors, our ability to successfully complete the Pending Public Offering, 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. Assuming the Pending Public Offering closes in a timely manner, we estimate that we will make capital expenditures, excluding capitalized interest and general and administrative expense, of approximately \$38 million during the period from January 1, 2013 to December 31, 2013 in order to achieve our plans.

We expect the proceeds of the Pending Public 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 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 additional 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 merger with Blast, we 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 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 drilled two additional wells for a total drilling cost (not including fracking or completion costs incurred in 2013) net to our interest of \$0.85 million in the Niobrara asset.

We had total current assets of \$2.8 million as of December 31, 2012, including cash of \$2.5 million, compared to total current assets of \$0.6 million as of December 31, 2011, including a cash balance of \$176,000.

We had total assets of \$11.1 million as of December 31, 2012 and \$2.9 million as of December 31, 2011. Included in total assets as of December 31, 2012 and December 31, 2011 were \$2.4 million and \$0, respectively, of proved oil and gas properties subject to amortization and \$0.9 million and \$1.7 million, respectively, in unproved oil and gas properties not subject to amortization.

We had current liabilities of \$4.7 million as of December 31, 2012, compared to current and total liabilities of \$2.1 million as of December 31, 2011.

We had negative working capital of \$1.9 million, total shareholders' equity of \$5.1 million and a total accumulated deficit of \$12.8 million as of December 31, 2012, compared to negative working capital of \$1.5 million, total shareholders' equity of \$0.9 million and a total accumulated deficit of \$0.8 million as of December 31, 2011.

Cash Flows from Operating Activities. Pacific Energy Development had net cash used in operating activities of \$2,804,000 for the year ended December 31, 2012, which was primarily due to a \$12,013,000 loss from continuing operations offset by \$6,820,000 for impairment of goodwill arising from the merger, \$621,000 of stock compensation expense, \$508,000 of amortization of financing costs, \$358,000 in share of equity investment net loss, \$280,000 of preferred stock issued to extend debt maturity and accounted for as interest expense.

Cash Flows from Investing Activities. Pacific Energy Development had net cash used in investing activities of \$3,742,000 for the year ended December 31, 2012. Cash was used for oil and gas property acquisitions in the amount of \$1,500,000, the payment of obligations of our pre-merger company related to the merger in the amount of \$454,000, and cash funded to White Hawk and Condor as notes receivable in the amount of \$2,786,000. 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 \$8,848,000 for the year ended December 31, 2012, which was due primarily to the sale of preferred stock.

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 U.S. 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. Revenue from crude oil sales is recognized when the crude oil is delivered to the purchaser and collectability 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 the Company's oil and gas interests are held all or in part by the following joint ventures which are collectively owned with affiliates of MIE Holdings:

- Condor Energy Technology LLC, a Nevada limited liability company owned 20% by the Company and 80% by an affiliate of MIE Holdings. The Company accounts for its 20% ownership in Condor using the equity method; and
- White Hawk Petroleum, LLC, a Nevada limited liability company owned 50% by the Company and 50% by an affiliate of MIE Holdings. The Company accounts for its 50% interest in White Hawk using the equity method.

The Company evaluated its 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 the Company is the primary beneficiary, in which case consolidation would be required. The Company determined that both Condor and White Hawk qualified as a VIE, but since the Company is not the primary beneficiary of either Condor or White Hawk that consolidation was not required for either entity.

Oil and Gas Properties, Successful Efforts Method. The successful efforts method of accounting is used for oil and gas exploration and production activities. Under this method, all costs for development wells, support equipment and facilities, and proved mineral interests in oil and gas properties are capitalized. Geological and geophysical costs are expensed when incurred. Costs of exploratory wells are capitalized as exploration and evaluation assets pending determination of whether the wells find proved oil and gas reserves. Proved oil and gas reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, (i.e., prices and costs as of the date the estimate is made). Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

Exploratory wells in areas not requiring major capital expenditures are evaluated for economic viability within one year of completion of drilling. The related well costs are expensed as dry holes if it is determined that such economic viability is not attained. Otherwise, the related well costs are reclassified to oil and gas properties and subject to impairment review. For exploratory wells that are found to have economically viable reserves in areas where major capital expenditure will be required before production can commence, the related well costs remain capitalized only if additional drilling is under way or firmly planned. Otherwise the related well costs are expensed as dry holes.

Exploration and evaluation expenditures incurred subsequent to the acquisition of an exploration asset in a business combination are accounted for in accordance with the policy outlined above.

The cost of oil and gas properties is amortized at the field level based on the unit of production method. Unit of production rates are based on oil and gas reserves and developed producing reserves estimated to be recoverable from existing facilities based on the current terms of the respective production agreements. The Company's reserve estimates represent crude oil and natural gas which management believes can be reasonably produced within the current terms of their production agreements.

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 over the estimated developed reserves. 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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The audited consolidated financial statements and supplementary data required by this Item are presented beginning on page F-1 of this Annual Report on Form 10-K/A.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 (the “Exchange Act”) is recorded, processed, summarized and reported, within the time period specified in the SEC’s rules and forms and is accumulated and communicated to the Company’s management, as appropriate, in order to allow timely decisions in connection with required disclosure.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), as of the end of the period covered by this quarterly report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2012, that our disclosure controls and procedures were not effective because of the material weakness in internal control over financial reporting described below.

As a result of our merger with Blast Energy Services, Inc. and the formative stage of our development, the Company has not fully implemented the necessary internal controls for the combined entities. The matters involving internal controls and procedures that the Company's management considered to be material weaknesses under the standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) were: (1) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of accounting principles generally accepted in the United States of America (“GAAP”) and SEC disclosure requirements; and (2) ineffective controls over period end financial disclosure and reporting processes.

Management believes that the material weaknesses set forth above did not have an effect on the Company's financial results reported herein. We are committed to improving our financial organization. As part of this commitment, we will increase our personnel resources and technical accounting expertise as we develop the internal and financial resources of the Company. In addition, at that time, the Company will prepare and implement sufficient written policies and checklists which will set forth procedures for accounting and financial reporting with respect to the requirements and application of GAAP and SEC disclosure requirements.

Management believes that preparing and implementing sufficient written policies and checklists will remedy the following material weaknesses (i) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of GAAP and SEC disclosure requirements; and (ii) ineffective controls over period end financial close and reporting processes.

We will continue to monitor and evaluate the effectiveness of our internal controls and procedures and our internal controls over financial reporting on an ongoing basis and are committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

Management’s Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, but because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. The

Company's internal control over financial reporting includes those policies and procedures that are designed to:

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2012. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control — Integrated Framework. Based on our assessment, management believes that the Company's internal controls over financial reporting were not effective as of December 31, 2012.

As a result of the merger described above, there were changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that are reasonably likely to materially affect our internal control over financial reporting.

During the year December 31, 2012, we reevaluated our most recent assessment of internal controls in conjunction with increased levels of activities in the development of our operations and noted material weaknesses, discussed above, that changed our assessment of internal controls from effective to not effective. In order to remediate the weaknesses identified above, the Company is in the process of hiring additional accounting staff to provide more resources and expand the technical accounting knowledge.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal controls over financial reporting during the fourth quarter of the year ended December 31, 2012, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Limitations on the Effectiveness of Controls

The Company's disclosure controls and procedures are designed to provide the Company's Chief Executive Officer and Chief Financial Officer with reasonable assurances that the Company's disclosure controls and procedures will achieve their objectives. However, the Company's management does not expect that the Company's disclosure controls and procedures or the Company's internal control over financial reporting can or will prevent all human error. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, the design of a control system must reflect the fact that there are internal resource constraints, and the benefit of controls must be weighed relative to their corresponding costs. Because of the limitations in all control systems, no evaluation of controls can provide complete assurance that all control issues and instances of error, if any, within the Company's company are detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur due to human error or mistake. Additionally, controls, no matter how well designed, could be circumvented by the individual acts of specific persons within the organization. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated objectives under all potential future conditions.

Attestation Report of the Registered Public Accounting Firm

This report does not include an attestation report of our registered public accounting firm regarding our internal controls over financial reporting. Under SEC rules, such attestation is not required for smaller reporting companies such as ourselves.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Financial Statements

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Condor Energy Technology, LLC

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White Hawk Petroleum, LLC

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<u>Statement of Members' Equity (Deficit) For the Period from May 11, 2012 (Inception) to December 31, 2012</u>	F-58
<u>Statements of Cash Flows for the Period from May 11, 2012 (Inception) to December 31, 2012</u>	F-59
<u>Notes to Financial Statements</u>	F-60

(b).
List of
Exhibits

Exhibit No.	Description
2.1	Agreement and Plan of Reorganization, dated January 13, 2012, by and among Blast Services, Inc., Blast Acquisition Corp., and Pacific Energy Development Corp. (17)
2.2	First Amendment to the Agreement and Plan of Merger, dated May 29, 2012, by and among Blast Services, Inc., Blast Acquisition Corp., and Pacific Energy Development Corp. (1)
2.3	Articles of Merger (Nevada) by Blast Acquisition Corp. and Pacific Energy Development Corp. (2)
3.1	Amended and Restated Certificate of Formation and Designation by Blast Acquisition Corp. and Pacific Energy Development Corp. (2)
3.2	Amended and Restated Certificate of Designation of Series A Preferred Stock (2)
3.3	Bylaws of Blast Energy Services, Inc. (3)
3.4	Amendment to the Bylaws (25)
4.1	Form of Common Stock Certificate for PEDEVCO Corp. (23)
4.2	Form of PEDEVCO Corp. Series A Preferred Stock Certificate (23)
10.1	2003 Stock Option Plan (4)
10.2	Blast Energy Services, Inc. 2009 Stock Incentive Plan (5)
10.3	Blast Energy Services, Inc. 2012 Equity Incentive Plan (6)
10.4	Blast Energy Services, Inc. 2012 Equity Incentive Plan - Form of Restricted Shares Grant Agreement (23)
10.5	Blast Energy Services, Inc. 2012 Equity Incentive Plan - Form of Stock Option Agreement (23)
10.6	Pacific Energy Development Corp. 2012 Equity Incentive Plan (23)
10.7	Pacific Energy Development Corp. 2012 Plan - Form of Restricted Shares Grant Agreement (23)
10.8	Pacific Energy Development Corp. 2012 Plan - Form of Stock Option Agreement (23)
10.9	Pacific Energy Development Corp. - Form of Restricted Shares Grant Agreement (23)
10.10	Pacific Energy Development Corp. - Form of Stock Option Agreement (23)
10.11	PEDEVCO Corp. - Form of Indemnification Agreement (26)
10.12	Note Purchase Agreement, dated February 24, 2011, by and between Blast Energy Services, Inc. and Centurion Credit Funding, LLC (12)
10.13	Senior Secured Promissory Note (First Tranche), dated February 24, 2011, by Blast Energy Service Inc. in favor of Centurion Credit Funding, LLC (12)
10.14	Senior Secured Promissory Note (Second Tranche), dated April 5, 2012, by Blast Energy Service Inc. and Centurion Credit Funding, LLC (13)
10.15	Guaranty, dated February 24, 2011, by Eagle Domestic Drilling Operations, LLC and Blast AFJ Centurion Credit Funding, LLC (12)
10.16	Security Agreement, dated February 24, 2011, by Blast Energy Services, Inc., Eagle Domestic Drilling Operations, LLC, Blast AFJ, Inc. and Centurion Credit Funding, LLC (12)

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- 10.17 Stock Purchase Agreement, dated February 24, 2011, by and between Blast Energy Services, Inc. and Centurion Credit Funding, LLC (12)
- 10.18 Royalty Payment Letter, dated February 24, 2011, by Blast Energy Services, Inc. and Centurion Credit Funding, LLC (12)
- 10.19 Subordination and Intercreditor Agreement, dated February 24, 2011, by and among Blast Energy Services, Inc., Centurion Credit Funding, LLC and Berg McAfee Companies, LLC (12)
- 10.20 Second Amendment to Placement Agency Agreement, dated May 18, 2011, by and between Trident Partners, Ltd and Blast Energy Services, Inc. (14)
- 10.21 Warrant to Purchase Shares of Common Stock, dated February 2, 2011, issued in favor of Centurion Credit Funding, LLC (15)
- 10.22 First Amendment to Warrant, dated October 6, 2011, by and between Blast Energy Services, Inc. and Centurion Credit Funding, LLC (15)
- 10.23 Second Amendment to Warrant, dated December 16, 2011, by and between Blast Energy Services, Inc. and Centurion Credit Funding, LLC (16)
- 10.24 Placement Agent Warrant Agreement, dated December 22, 2011, by and among Blast Energy Services, Inc. and Trident Partners Ltd. (16)
- 10.25 Modification Agreement with Solimar Energy LLC, dated December 22, 2011, by and between Solimar Energy LLC and Blast Energy Services, Inc. (16)
- 10.26 Form of Voting Agreement, dated January 13, 2012, by and among Blast Energy Services, Inc., Pacific Energy Development Corp. and certain security and debt holders of Blast Energy Services, Inc. (17)
- 10.27 Form of Debt Conversion Agreement, dated January 13, 2012 (17)
- 10.28 BMC Debt Conversion Agreement, dated January 13, 2012, by and among Blast Energy Service, Inc., Berg McAfee Companies, LLC and Clyde Berg (17)
- 10.29 Amendment to the Note Purchase Agreement, dated January 13, 2012, by and between Blast Energy Service, Inc. and Centurion Credit Funding LLC (17)
- 10.30 Amendment to the First Tranche Promissory Note, dated January 13, 2012, by and between Blast Energy Service, Inc. and Centurion Credit Funding LLC (17)

- 10.31 Amendment to the Second Tranche Promissory Note, dated January 13, 2012, by and between Blast Energy Service, Inc. and Centurion Credit Funding LLC (17)
- 10.32 Amendment to the Security Agreement, dated January 13, 2012, by and among Blast Energy Service, Inc., Eagle Domestic Drilling Operations, LLC, Blast AFJ, Inc. and Centurion Credit Funding LLC (17)
- 10.33 Settlement Agreement and Release, dated May 1, 2012, by and among Blast Energy Service, Inc., Trident Partners Ltd. and Brian Schantz and Edward Flynn (18)
- 10.34 Fee Conversion and Settlement Agreement, dated May 1, 2012, by and among Blast Energy Services, Inc., Brian Frank and Lewis Mason (18)
- 10.35 Restated Placement Agent Warrant Agreement, effective December 11, 2011, restated as of May 1, 2011 (18)
- 10.36 PEDCO Guarantee Agreement, dated July 27, 2012, by Pacific Energy Development Corp. in favor of Centurion Credit Funding LLC (17)
- 10.37 Third Amendment to Warrant, dated April 10, 2012, by and between Blast Energy Services, Inc. and Centurion Credit Funding LLC (19)
- 10.38 First Amendment to the Voting Agreement and Debt Conversion Agreement, dated May 29, 2012, by and among Blast Energy Services, Inc., Berg McAfee Companies, LLC and Clyde Berg (20)
- 10.39 Second Amendment to Senior Secured Promissory Note (First Tranche), dated May 29, 2012, by and between Blast Energy Services, Inc. and Centurion Credit Funding LLC (20)
- 10.40 Form of Lockup and Standstill Agreement, dated May 29, 2012, by and between Blast Energy Services and certain of its option and warrant holders (20)
- 10.41 Third Amendment to Senior Secured Promissory Notes (First and Second Tranche), dated August 30, 2012 by and among PEDEVCO Corp and Centurion Credit Funding LLC (21)
- 10.42 Secured Promissory Note of Pacific Energy Development Company LLC, dated February 14, 2011, issued by Frank Ingriselli (23)
- 10.43 Agreement on Joint Cooperation, dated April 27, 2011, by Pacific Energy Development Company LLC and South Texas Reservoir Alliance LLC (23)
- 10.44 Executive Employment Agreement, dated June 10, 2011, by Pacific Energy Development Corp and Frank Ingriselli (23)
- 10.45 Executive Employment Agreement, dated June 10, 2011, by Pacific Energy Development Corp and Clark Moore (23)
- 10.46 Secured Convertible Promissory Note, dated July 6, 2011, issued to Pacific Energy Development Corp by Global Venture Investments LLC (23)
- 10.47 Purchase and Sale Agreement, dated August 23, 2011, by Pacific Energy Development Corp, Esenjay Oil & Gas, Ltd., Winn Exploration Co., Inc., Lacy Properties, Ltd. and Crain Energy, Ltd. (23)
- 10.48 Amendatory Letter Agreement No. 1 to Purchase and Sale Agreement, dated September 30, 2011, by and among Esenjay Oil & Gas, Ltd., Winn Exploration Co., Inc., Lacy Properties, Ltd. and Crain Energy, Ltd., and Pacific Energy Development Corp. (23)
- 10.49 Amendatory Letter Agreement No. 2 to Purchase and Sale Agreement, dated October 27, 2011, by and among Esenjay Oil & Gas, Ltd., Winn Exploration Co., Inc., Lacy Properties, Ltd., Crain Energy, Ltd., and Pacific Energy Development Corp. (23)
- 10.50 Amendatory Letter Agreement No. 3 to Purchase and Sale Agreement, dated October 31, 2011, by and among Esenjay Oil & Gas, Ltd., Winn Exploration Co.,

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Inc., Lacy Properties, Ltd., Crain Energy, Ltd., and Pacific Energy Development Corp. (23)

- 10.51 Consulting Agreement, dated September 19, 2011, by Pacific Energy Development Corp and South Texas Reservoir Alliance LLC (23)
- 10.52 Operating Agreement, dated October 31, 2011, by and between Condor Energy Technology LLC as Operator and the parties named therein (28)
- 10.53 Series A Convertible Preferred Stock Warrant, dated October 31, 2011, issued to Global Venture Investments LLC by Pacific Energy Development Corp (23)
- 10.54 Condor Energy Technology LLC Operating Agreement, dated October 31, 2011, by MIE Jurassic Energy Corporation and Pacific Energy Development Corp (23)
- 10.55 Consulting Agreement, dated November 26, 2011, by and between Condor Energy Technology LLC and South Texas Reservoir Alliance LLC (23)
- 10.56 Stock Purchase Agreement, dated December 16, 2011, by Pacific Energy Development Corp, the Shareholders of Excellong E&P-2, Inc., and Excellong, Inc. (23)
- 10.57 Executive Employment Agreement, dated January 6, 2012, by Pacific Energy Development Corp and Jamie Tseng (23)
- 10.58 Amendatory Letter Agreement to Stock Purchase Agreement, dated February 9, 2012, between Pacific Energy Development Corp., the Shareholders of Excellong E&P-2, Inc. and Excellong, Inc. (23)
- 10.59 Contract Operating Services Agreement, dated February 15, 2012, by and between South Texas Reservoir Alliance and Condor Energy Technology LLC (23)
- 10.60 Amendatory Letter Agreement No. 2 to Stock Purchase Agreement, dated February 29, 2012, between Pacific Energy Development Corp., the Shareholders of Excellong E&P-2, Inc. and Excellong, Inc. (23)
- 10.61 Amendatory Letter Agreement No. 3 to Stock Purchase Agreement, dated March 28, 2012, between Pacific Energy Development Corp., the Shareholders of Excellong E&P-2, Inc. and Excellong, Inc. (23)
- 10.62 Promissory Note, dated March 7, 2012, by Condor Energy Technology LLC in favor of MIE Jurassic Energy Corporation (23)
- 10.63 Form of Common Stock Warrant dated May 24, 2012, issued to MIE Jurassic Energy Corporation, May 24, 2012 (23)
- 10.64 White Hawk Petroleum, LLC Amended and Restated Operating Agreement, dated May 23, 2012, by MIE Jurassic Energy Corporation and Pacific Energy Development Corp. (23)
- 10.65 White Hawk Petroleum, LLC Membership Unit Purchase Agreement, dated May 23, 2012, by MIE Jurassic Energy Corporation, Pacific Energy Development and White Hawk Petroleum, LLC (23)
- 10.66 Consulting Services Agreement, effective June 1, 2012, by and between South Texas Reservoir Alliance and Condor Energy Technology LLC (23)
- 10.67 Gas Purchase Contract, effective as of June 1, 2012, between Condor Energy Technology, LLC and DCP Midstream, LP (23)
- 10.68 Promissory Note, dated June 4, 2012, by White Hawk Petroleum, LLC in favor of Pacific Energy Development Corp. (23)
- 10.69 Promissory Note, dated June 4, 2012, by White Hawk Petroleum, LLC in favor of MIE Jurassic Energy Corporation (23)
- 10.70 Executive Employment Agreement, dated June 16, 2012, by Pacific Energy Development Corp. and Michael Peterson (23)

10.71	Form of Common Stock Warrant, dated July 27, 2012 (23)
10.72	Form of Placement Agent Series A Preferred Stock Warrant, dated July 27, 2012 (23)
10.73	Purchase and Sale Agreement, dated July 26, 2012, by and among Esenjay Oil & Gas, Ltd., Winn Exploration Co., Inc., Lacy Properties, Ltd., Crain Energy, Ltd., Ravco, Inc., Arentee Investments, Schibi Oil & Gas, Ltd., and Condor Energy Technology LLC (23)
10.74	Amendatory Letter Agreement No. 1 to Purchase and Sale Agreement, dated September 21, 2012, by and among Esenjay Oil & Gas, Ltd., Winn Exploration Co., Inc., Lacy Properties, Ltd., Crain Energy, Ltd., Ravco, Inc., Arentee Investments, Schibi Oil & Gas, Ltd., and Condor Energy Technology LLC (23)
10.75	Form of Pacific Energy Development Corp Series A Preferred Stock Subscription Agreement (23)
10.76	Binding Strategic Cooperation Agreement, dated September 24, 2012, by PEDEVCO Corp and Guofa Zhonghai Energy Investment Co., Ltd.(22)
10.77	Promissory Note, dated September 24, 2012, by Condor Energy Technology LLC in favor of Pacific Energy Development Corp. (23)
10.78	Pacific Energy Technology Service, LLC Operating Agreement, dated October 4, 2012, by and between Pacific Energy Development Corp. and South Texas Reservoir Alliance LLC (23)
10.79	Fourth Amendment to Senior Secured Promissory Notes (First and Second Tranche), dated November 23, 2012, by and between Centurion Credit Funding LLC and PEDEVCO Corp. (24)
10.80	Closing Payment Extension Amendatory Letter Agreement, dated November 20, 2012, by and among PEDEVCO Corp, Esenjay Oil & Gas, Ltd., Winn Exploration Co., Inc., Lacy Properties, Ltd., and Crain Energy, Ltd. (24)
10.81	Term Assignment Evaluation Agreement, dated November 26, 2012, by and between Pacific Energy Development Corp. and MIE Jurassic Energy Corporation (26)
10.82	Amendment No. 1 to Employment Agreement, dated January 11, 2013, by and between PEDEVCO Corp. and Michael L. Peterson (27)
10.83	Amendment No. 1 to Employment Agreement, dated January 11, 2013, by and between PEDEVCO Corp. and Frank C. Ingriselli (27)
10.84	Amendment No. 1 to Employment Agreement, dated January 11, 2013, by and between PEDEVCO Corp. and Clark R. Moore (27)
10.85	Termination of Agreement for Purchase of Term Assignment; Agreement to Transfer Performance Deposit and Negotiate in Good Faith, dated February 8, 2013, by and among PEDEVCO Corp., Condor Energy Technology LLC, Berexco LLC, and Hinkle Law Firm LLC (29)
10.86	Secured Subordinated Promissory Note, dated February 14, 2013, by and between Pacific Energy Development Corp. and MIE Jurassic Energy Corporation (30)
14.1	Code of Ethics and Business Conduct (31)
21.1	List of Subsidiaries of PEDEVCO Corp.(32)
23.1	Consent of Ryder Scott Company, L.P.(32)
<u>31.1</u>	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
<u>31.2</u>	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
<u>32.1</u>	

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Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

99.1 Consent of Elizabeth P. Smith (32)

99.2 Consent of David C. Crikelair (32)

99.3 Report of Ryder Scott Company, L.P. for reserves at December 31, 2012 (32)

101.INS XBRL Instance Document**

101.SCH XBRL Taxonomy Extension Schema Document**

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document**

101.DEF XBRL Taxonomy Extension Definition Linkbase Document**

101.LAB XBRL Taxonomy Extension Label Linkbase Document**

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document**

* Filed with this Annual Report on Form 10-K/A.

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

Each document listed in this Exhibit Index that has been previously filed with the SEC is incorporated by reference into this Annual Report on Form 10-K/A.

- (1) Previously filed on May 31, 2012 as an exhibit to the Registrant's Report on Form 8-K incorporated herein by reference.
- (2) Previously filed on August 2, 2012 as an exhibit to the Registrant's Report on Form 8-K incorporated herein by reference.
- (3) Previously filed on March 6, 2008 as an exhibit to the Registrant's Report on Form 8-K incorporated herein by reference.
- (4) Previously filed on November 20, 2003 as an exhibit to the Registrant's Report on Form 10-QSB incorporated herein by reference.
- (5) Previously filed on August 14, 2009 as an exhibit to the Registrant's Report on Form 10-Q incorporated herein by reference.
- (6) Previously filed on August 2, 2012 as an exhibit to the Registrant's Report on Form 8-K.
- (7) Previously filed on February 9, 2010 as an exhibit to the Registrant's Report on Form 8-K incorporated herein by reference.
- (8) Previously filed on September 23, 2010 as an exhibit to the Registrant's Report on Form 8-K incorporated herein by reference.
- (9) Previously filed on November 2, 2010 as an exhibit to the Registrant's Report on Form 8-K incorporated herein by reference.
- (10) Previously filed on January 5, 2011 as an exhibit to the Registrant's Report on Form 8-K incorporated herein by reference.
- (11) Previously filed on January 13, 2011 as an exhibit to the Registrant's Report on Form 8-K incorporated herein by reference.
- (12) Previously filed on March 2, 2011 as an exhibit to the Registrant's Report on Form 8-K incorporated herein by reference.
- (13) Previously filed on April 12, 2011 as an exhibit to the Registrant's Report on Form 10-K incorporated herein by reference.
- (14) Previously filed on August 22, 2011 as an exhibit to the Registrant's Report on Form 10-Q incorporated herein by reference.
- (15) Previously filed on November 14, 2011 as an exhibit to the Registrant's Report on Form 10-Q incorporated herein by reference.
- (16) Previously filed on December 27, 2011 as an exhibit to the Registrant's Report on Form 8-K incorporated herein by reference.
- (17) Previously filed on January 20, 2012 as an exhibit to the Registrant's Report on Form 8-K incorporated herein by reference.
- (18) Previously filed on May 18, 2012 as an exhibit to the Registrant's Report on Form 10-Q incorporated herein by reference.
- (19) Previously filed on April 16, 2012 as an exhibit to the Registrant's Report on Form 10-K incorporated herein by reference.
- (20) Previously filed on May 31, 2012 as an exhibit to the Registrant's Report on Form 8-K incorporated herein by reference.
- (21) Previously filed on September 6, 2012 as an exhibit to the Registrant's Report on Form 8-K incorporated herein by reference.
- (22) Previously filed on October 1, 2012 as an exhibit to the Registrant's Report on Form 8-K incorporated herein by reference.
- (23) Previously filed on October 10, 2012 as an exhibit to the Registrants Registration Statement on Form S-1.
- (24) Previously filed on November 27, 2012 as an exhibit to the Registrant's Report on Form 8-K incorporated herein by reference.
- (25) Previously filed on December 6, 2012 as an exhibit to the Registrant's Report on Form 8-K incorporated herein by reference.

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- (26) Previously filed on December 13, 2012 as an exhibit to the Registrant's Amendment No. 1 to Registration Statement on Form S-1 incorporated herein by reference.
- (27) Previously filed on January 16, 2013 as an exhibit to the Registrant's Amendment No. 2 to Registration Statement on Form S-1 incorporated herein by reference.
- (28) Previously filed on February 5, 2013 as an exhibit to the Registrant's Amendment No. 3 to Registration Statement on Form S-1 incorporated herein by reference.
- (29) Previously filed on February 12, 2013 as an exhibit to the Registrant's Report on Form 8-K incorporated herein by reference.
- (30) Previously filed on February 19, 2013 as an exhibit to the Registrant's Report on Form 8-K incorporated herein by reference.
- (31) Previously filed on August 8, 2012 as an exhibit to the Registrant's Report on Form 8-K incorporated herein by reference.
- (32) Previously filed on March 25, 2013 as an exhibit to the Registrant's Report on Form 10-K incorporated herein by reference.

EXPLANATORY NOTE

On April 11, 2013, the consolidated financial statements, for the period from January 1, 2012 through December 31, 2012, have been restated to properly classify the Company's issuance of 368,345 shares of Series A preferred stock to a related party as a stock subscriptions receivable rather than a note receivable.

In addition, the consolidated financial statements have been restated to properly present on the balance sheet and the statement of shareholders' equity the classification of Series A preferred stock issued and outstanding; the par value and additional paid in capital for the 1,666,667 shares of Series A preferred stock presented outside of shareholders' equity as the redemption of such shares is outside the control of the issuer.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
PEDEVCO Corp. (formerly Blast Energy Services, Inc.)
Danville, California

We have audited the accompanying consolidated balance sheet of PEDEVCO Corp. (formerly Blast Energy Services, Inc.) as of December 31, 2012 and the related consolidated statements of operations, shareholders' equity and cash flows for the year ended December 31, 2012. These consolidated financial statements are the responsibility of PEDEVCO Corp.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of PEDEVCO Corp. as of December 31, 2012 and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We have also audited the calculation of net loss per common share-basic and diluted for the period from February 9, 2011 (Inception) through December 31, 2011. In our opinion, the calculation of net loss per common share-basic and diluted is presented fairly in all material respects and in conformity with accounting principles generally accepted in the United State of America.

The accompanying consolidated financial statements have been prepared assuming that PEDEVCO Corp. will continue as a going concern. As discussed in Note 3 to the financial statements, the Company incurred a loss from continuing operations for the year ended December 31, 2012 and has an accumulated deficit at December 31, 2012 which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 3. These consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

As discussed in Note 5 under the caption "2012 Restatements," these consolidated financial statements have been restated to correct for certain errors related to the Company's classification of stock subscriptions receivable and presentation of redeemable preferred stock.

/s/ GBH CPAs, PC

GBH CPAs, PC

www.gbhcpas.com

Houston, Texas

March 22, 2013, except for Note 5 under the caption "2012 Restatements" as to which the date is April 18, 2013.

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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, before the addition of loss per share, 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.

We were not engaged to audit, review, or apply any procedures to the loss per share calculation for the period from February 9, 2011 (Inception) through December 31, 2011 and, accordingly, we do not express an opinion or any other form of assurance in regards to the loss per share calculation. This amount was audited by other auditors.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 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 3. The financial statements do not include any adjustments that may result from the outcome of this uncertainty.

As discussed in Note 5 under the caption "Initial Restatement", 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 5 under the caption "Second Restatement", 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.

/s/ SingerLewak, LLP

SingerLewak, LLP

San Francisco, California

March 27, 2012, except for Note 5 under the caption "Initial Restatement" as to which the date is May 23, 2012 and except for Note 5 under the caption "Second Restatement" as to which the date is December 12, 2012

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PEDEVCO CORP.
(FORMERLY BLAST ENERGY SERVICES, INC.)
CONSOLIDATED BALANCE SHEETS

Assets	December 31, 2012 (Restated)	December 31, 2011 (Restated)
Current assets:		
Cash	\$ 2,478,250	\$ 176,471
Accounts receivable – oil and gas	16,571	-
Accounts receivable – oil and gas - related party	112,488	302,315
Accounts receivable – related party	83,064	-
Deferred merger costs	-	111,828
Prepaid expenses and other current assets	133,900	26,533
Total current assets	2,824,273	617,147
Oil and gas properties:		
Oil and gas properties, subject to amortization, net	2,420,688	-
Oil and gas properties, not subject to amortization, net	925,382	1,724,234
Total oil and gas properties, net	3,346,070	1,724,234
Equipment, net of accumulated depreciation	87,883	4,694
Notes receivable – related parties	2,786,064	-
Investments – equity method	2,098,334	588,453
Investments – cost method	4,100	4,100
Total assets	\$ 11,146,724	\$ 2,938,628
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 132,243	\$ 145,428
Accounts payable – related party	922,112	-
Accrued expenses	1,449,014	1,904,647
Accrued expenses – related party	36,168	-
Notes payable – related party	2,170,065	-
Total current liabilities	4,709,602	2,050,075
Long-term liabilities:		
Asset retirement obligations	59,298	-
Total liabilities	4,768,900	2,050,075
Commitments and contingencies		
Redeemable Series A convertible preferred stock: 1,667,667 shares issued and outstanding	1,250,000	-

Shareholders' equity:

Series A convertible preferred stock, \$0.001 par value, 100,000,000 shares authorized, 18,704,527 and 6,666,667 shares issued and outstanding at December 31, 2012 and December 31, 2011, respectively	18,704	6,667
Common stock, \$0.001 par value, 200,000,000 shares authorized; 21,550,491 and 15,502,261 shares issued and outstanding at December 31, 2012 and December 31, 2011, respectively	21,551	15,503
Stock subscriptions receivable	(276,326)	
Additional paid-in capital	18,140,583	1,630,060
Accumulated deficit	(12,776,688)	(763,677)
Total shareholders' equity	5,127,824	888,553
Total liabilities and shareholders' equity	\$ 11,146,724	\$ 2,938,628

See accompanying notes to consolidated financial statements.

PEDEVCO CORP.
(FORMERLY BLAST ENERGY SERVICES, INC.)
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Year Ended December 31, 2012 and for the
Period from February 9, 2011 (Inception) through December 31, 2011

	For the Year Ended December 31, 2012	Period from February 9, 2011 (Inception) through December 31, 2011 (Restated)
Revenue:		
Oil and gas sales	\$503,153	\$-
Operating expenses:		
Lease operating costs	281,103	-
Selling, general and administrative expense	3,729,525	717,130
Impairment of goodwill	6,820,003	-
Impairment of oil and gas properties	180,262	-
Depreciation, depletion, amortization and accretion	131,332	662
Loss on settlement of payables	139,874	-
Total operating expenses	11,282,099	717,792
Gain on sale of equity method investments	64,168	-
Loss from equity method investments	(357,612)	(25,875)
Operating loss	(11,072,390)	(743,667)
Other income (expense):		
Interest expense	(986,248)	(12,912)
Interest income	36,359	-
Other expense	-	(7,098)
Gain on debt extinguishment	9,268	-
Total other expense	(940,621)	(20,010)
Net loss	\$(12,013,011)	\$(763,677)
Net loss per common share:		
Basic and diluted	\$(0.65)	\$(0.06)
Weighted average common shares outstanding:		
Basic and diluted	18,615,071	12,073,407

See accompanying notes to consolidated financial statements.

PEDEVCO CORP.
(FORMERLY BLAST ENERGY SERVICES, INC.)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the Period from February 9, 2011 (Inception) through December 31, 2012

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Stock Subscriptions Receivable	Accumulated Deficit
	Shares	Amount	Shares	Amount			
Balances at February 9, 2011	-	\$ -	-	\$ -	\$ -		\$ -
Issuance of common stock for cash	-	-	10,420,000	10,420	-		-
Issuance of common stock for interest in Rare Earth JV	-	-	4,100,000	4,100	-		-
Issuance of Series A preferred stock for cash	4,266,667	4,267	-	-	738,421		
Issuance of Series A preferred stock upon conversion of notes payable	2,400,000	2,400	-	-	897,600		
Issuance costs for Series A preferred stock	-	-	-	-	(106,865)		
Issuance of common stock for services	-	-	285,595	286	28,274		
Issuance of common stock in exchange for services	-	-	696,666	697	68,970		
Stock compensation					3,660		
Net loss							(763,677)
Balances at December 31, 2011 (Restated)	6,666,667	\$ 6,667	15,502,261	\$ 15,503	\$ 1,630,060		\$ (763,677)

Issuance of Series A preferred stock net of placement agent cost	11,053,342	11,053	-	-	8,004,018	
Issuance of Series A preferred stock to related party for services	230,000	230	-	-	172,270	
Issuance of Series A preferred stock for acquisition of oil and gas properties	368,435	368	-	-	275,958	(276,326)
Issuance of Series A preferred stock for settlement of payables	279,749	280	-	-	559,218	-
Issuance of Series A preferred stock for debt extension	133,334	133	-	-	279,868	-
Issuance of restricted common stock for compensation	-	-	2,355,000	2,355	233,145	-
Exercise of common stock options	-	-	60,000	60	4,740	-
Issuance of common stock in connection with Blast merger	-	-	1,422,873	1,423	4,490,802	-
Issuance of common stock for debt conversions	-	-	1,587,514	1,588	1,515,175	-
Beneficial conversion	-	-	-	-	667,418	-

feature							
Cashless exercise of options - common stock	-	-	483,256	483	(483))	-
Cashless exercise of warrants - common stock	-	-	112,587	112	(112))	-
Warrants issued to MIE for sale of equity interests in White Hawk	-	-	-	-	2,586		-
Conversion of preferred stock to common stock	(27,000))	(27))	27,000	27	-
Stock compensation	-	-	-	-	305,920		-
Net loss	-	-	-	-			(12,013,011)
Balances at December 31, 2012 (Restated)	18,704,527	\$ 18,704	21,550,491	\$ 21,551	\$ 18,140,583	(276,326)	\$ (12,776,688)

See accompanying notes to consolidated financial statements.

PEDEVCO CORP.
(FORMERLY BLAST ENERGY SERVICES, INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2012 and the
Period from February 9, 2011 (Inception) through December 31, 2011

	For the Year Ended December 31, 2012 (Restated)	Period from February 9, 2011 (Inception) through December 31, 2011 (Restated)
Cash Flows From Operating Activities:		
Net loss	\$ (12,013,011)	\$ (763,677)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation expense	621,420	73,327
Impairment of goodwill	6,820,003	-
Impairment of oil and gas properties	180,262	-
Depreciation, depletion, amortization and accretion	131,692	662
Loss on settlement of payables	139,874	-
Gain on sale of equity method investments	(64,168)	-
Loss from equity method investments	357,612	25,875
Amortization of debt discount	507,505	-
Series A preferred stock issued for debt extension	280,001	-
Gain on debt extinguishment	(9,268)	-
Changes in operating assets and liabilities:		
Accounts receivable – oil and gas	(14,006)	-
Accounts receivable – oil and gas-related party	(112,488)	-
Accounts receivable - related party	216,686	(302,315)
Prepaid expenses and other current assets	(94,532)	(22,433)
Accounts payable	(38,253)	145,428
Accounts payable – related party	327,294	-
Accrued expenses	(18,802)	32,775
Accrued expenses – related party	(22,164)	-
Net cash used in operating activities	(2,804,343)	(810,358)
Cash Flows From Investing Activities:		
Cash paid for oil and gas properties	(1,500,000)	(2,899,542)
Cash paid for equipment	(1,358)	(5,356)
Deferred costs	-	(111,828)
Cash paid for acquisition of Blast Energy Services, Inc.	(454,614)	-
Issuance of notes receivable – related parties	(2,786,064)	-
Proceeds from sale of equity method investment	1,000,000	-
Net cash used in investing activities	(3,742,036)	(3,016,726)
Cash Flows From Financing Activities:		
Proceeds from issuance of common stock	-	10,420

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Proceeds from issuance of notes payable to related party	1,028,287	1,100,000
Repayment of notes payable	(200,000)	
Repayment of notes payable to related party	-	(200,000)
Proceeds on sales of Series A preferred stock	8,015,071	3,093,135
Proceeds from exercise of options for common stock	4,800	-
Net cash provided by financing activities	8,848,158	4,003,555
Net increase in cash	2,301,779	176,471
Cash at beginning of the year	176,471	-
Cash at end of the year	\$ 2,478,250	\$ 176,471
Supplemental disclosure of cash flow information		
Cash paid for:		
Interest	\$ 11,809	\$ 12,912
Income taxes	\$ -	\$ -
Noncash investing and financing activities:		
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 investor	\$ -	\$ 3,071,640
Issuance of common stock as part of oil and gas interest purchase	\$ -	\$ 28,560
Issuance of 1,666,667 shares of Series A preferred stock in exchange for acquisition of Excellong E&P-2, Inc.	\$ 1,250,000	\$ -
Contribution of Excellong E&P-2, Inc. to White Hawk as equity investment	\$ 3,734,986	\$ -
Cash paid on behalf of PEDEVCO to Excellong E&P-2, Inc. by MIE to acquire interest in White Hawk	\$ 1,000,000	\$ -
Cash paid on behalf of PEDEVCO to Condor by MIE for drilling operations	\$ 1,141,778	\$ -
Accrual of purchase adjustment for sale of White Hawk interest	\$ 58,332	\$ -
Warrants issued to MIE for sale of White Hawk equity interests	\$ 2,586	\$ -
Issuance of 230,000 shares of Series A preferred stock to settle payables	\$ 172,500	\$ -
Issuance of 4,100,000 shares of common stock in exchange for investment in Rare Earth JV	\$ -	\$ 4,100
Issuance of Series A convertible preferred stock in settlement of carried interest payable	\$ 419,624	\$ -
Issuance of Series A convertible preferred stock for stock subscriptions receivable	\$ 276,326	\$ -
Issuance of Series A convertible preferred stock to third party on behalf of Condor for oil and gas properties acquired	\$ 276,326	\$ -
Transfer of unproved properties to proved properties	\$ 697,016	\$ -
Issuance of common stock to settle accrued liabilities	\$ 487,218	\$ -
Issuance of common stock for convertible notes payable	\$ 1,029,545	\$ -
Beneficial conversion feature associated with convertible debt	\$ 667,418	\$ -
Conversion of Series A preferred stock to common stock	\$ 27	\$ -
Cashless exercise of common stock options and warrants	\$ 595	\$ -
Accrual of drilling costs	\$ 1,733,859	\$ -
Asset retirement costs capitalized	\$ 16,552	\$ -

See accompanying notes to consolidated financial statements.

PEDEVCO CORP.
(FORMERLY BLAST ENERGY SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION

The accompanying consolidated financial statements of PEDEVCO CORP., formerly Blast Energy Services, Inc. (“PEDEVCO” or the “Company”), have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and the rules of the Securities and Exchange Commission (“SEC”).

NOTE 2 – DESCRIPTION OF BUSINESS

PEDEVCO’s primary business plan is: (i) engaging in oil and gas exploration, development and production of primarily shale oil and gas and secondarily conventional oil and gas opportunities in the United States (U.S.), and (ii) subsequently utilizing the Company’s strategic relationships for exploration, development and production in Pacific Rim countries, with a particular focus in China.

The Company owns a 20% interest in Condor Energy Technology, LLC (“Condor”), as well as a 50% interest in White Hawk Petroleum, LLC (“White Hawk”). Condor’s operations consist primarily of working interests in oil and gas leases in the Niobrara shale formation located in the Denver-Julesberg Basin in Morgan and Weld Counties, Colorado. The remaining interest in Condor is owned by an affiliate of MIE Holdings Corporation (Hong Kong Stock Exchange code: 1555.HK), one of the largest independent upstream onshore oil companies in China (“MIE Holdings”). White Hawk’s operations consist primarily of working interests in oil and gas leases in the Eagle Ford shale formation in McMullen County, Texas. The remaining interest in White Hawk is also owned by an affiliate of MIE Holdings.

The Company plans to focus initially on developing shale oil and gas assets held by the Company in the U.S., including its first oil and gas working interest known as “the Niobrara Asset” and its second oil and gas working interest known as the “the Eagle Ford Asset”. Subsequently, the Company plans to seek additional shale oil and gas and conventional oil and gas asset acquisition opportunities in the U.S. 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 3 – GOING CONCERN

The accompanying consolidated 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 losses from operations of \$12,776,688 from the date of inception (February 9, 2011) through December 31, 2012 and has negative working capital and/or accumulated deficit at December 31, 2012. 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 current oil and gas assets held and additional oil and gas assets that it may acquire. 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.

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation. The consolidated financial statements herein have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and include the accounts of the Company and those of its wholly owned subsidiaries as follows: (i) Eagle Domestic Drilling Operations LLC, a Texas limited liability company; (ii) Blast AFJ, Inc., a Delaware corporation; (iii) Pacific Energy Development Corp., a Nevada corporation; (iv) Pacific Energy Technology Services, LLC, a Nevada limited liability company; (v) Pacific Energy & Rare Earth Limited, a Hong Kong company; and (vi) Blackhawk Energy Limited, a British Virgin Islands company. All significant intercompany accounts and transactions have been eliminated.

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Equity Method Accounting for Joint Ventures. The majority of the Company's oil and gas interests are held all or in part by the following joint ventures which are collectively owned with affiliates of MIE Holdings:

- Condor Energy Technology LLC, a Nevada limited liability company owned 20% by the Company and 80% by an affiliate of MIE Holdings. The Company accounts for its 20% ownership in Condor using the equity method; and

- White Hawk Petroleum, LLC, a Nevada limited liability company owned 50% by the Company and 50% by an affiliate of MIE Holdings. The Company accounts for its 50% interest in White Hawk using the equity method.

The Company evaluated its 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 the Company is the primary beneficiary, in which case consolidation would be required. The Company determined that both Condor and White Hawk qualified as VIE's, but since the Company is not the primary beneficiary of either Condor or White Hawk, the Company concluded that consolidation was not required for either entity.

Use of Estimates in Financial Statement Preparation. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as certain financial statement disclosures. While management believes that the estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ from these estimates. Significant estimates generally include those with respect to the amount of recoverable oil and gas reserves, the fair value of financial instruments, oil and gas depletion, asset retirement obligations, and stock-based compensation.

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. If the Company sells the asset, the actual results of any sale could be materially different from management's estimated value.

Cash and Cash Equivalents. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. As of December 31, 2012 and December 31, 2011, cash equivalents consisted of money market funds and cash on deposit.

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, 2012, approximately \$2,215,587 of the Company's cash balances were uninsured. The Company has not experienced any losses in such accounts. Sales to two customers comprised 71% and 29% of the Company's total oil and gas revenues for the year ended December 31, 2012. The Company had no revenue for the year ended December 31, 2011. The Company believes that, in the event that its primary customer was unable or unwilling to continue to purchase the Company's production, there are a substantial number of alternative buyers for its production at comparable prices.

Accounts Receivable. Accounts receivable typically consist of oil and gas receivables. The Company has classified these as short-term assets in the balance sheet because the Company expects repayment or recovery within the next 12 months. The Company evaluates these accounts receivable for collectability considering the results of operations of

these related entities and when necessary records allowances for expected unrecoverable amounts. To date, no allowances have been recorded.

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 natural gas. Revenue from crude oil and natural gas sales is recognized when the product is delivered to the purchaser and collectability is reasonably assured. The Company follows the “sales method” of accounting for oil and natural gas revenue, so it recognizes revenue on all natural gas or crude oil sold to purchasers, regardless of whether the sales are proportionate to its ownership in the property. A receivable or liability is recognized only to the extent that the Company has an imbalance on a specific property greater than its share of the expected remaining proved reserves. If collection is uncertain, revenue is recognized when cash is collected.

Equipment. Equipment is stated at cost less accumulated depreciation and amortization. Maintenance and repairs are charged to expense as incurred. Renewals and betterments which extend the life or improve existing equipment are capitalized. Upon disposition or retirement of equipment, the cost and related accumulated depreciation are removed and any resulting gain or loss is reflected in operations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are 3 to 10 years.

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.

Oil and Gas Properties, Successful Efforts Method. The successful efforts method of accounting is used for oil and gas exploration and production activities. Under this method, all costs for development wells, support equipment and facilities, and proved mineral interests in oil and gas properties are capitalized. Geological and geophysical costs are expensed when incurred. Costs of exploratory wells are capitalized as exploration and evaluation assets pending determination of whether the wells find proved oil and gas reserves. Proved oil and gas reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, (i.e., prices and costs as of the date the estimate is made). Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

Exploratory wells in areas not requiring major capital expenditures are evaluated for economic viability within one year of completion of drilling. The related well costs are expensed as dry holes if it is determined that such economic viability is not attained. Otherwise, the related well costs are reclassified to oil and gas properties and subject to impairment review. For exploratory wells that are found to have economically viable reserves in areas where major capital expenditure will be required before production can commence, the related well costs remain capitalized only if additional drilling is under way or firmly planned. Otherwise the related well costs are expensed as dry holes.

Exploration and evaluation expenditures incurred subsequent to the acquisition of an exploration asset in a business combination are accounted for in accordance with the policy outlined above.

Depreciation, depletion and amortization of capitalized oil and gas properties is calculated on a field by field basis using the unit of production method. Lease acquisition costs are amortized over the total estimated proved developed and undeveloped reserves and all other capitalized costs are amortized over proved developed reserves.

Impairment of Long-Lived Assets. The Company reviews the carrying value of its long-lived assets annually or whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the future net undiscounted cash flows expected to result from the asset, including eventual disposition. If the future net undiscounted cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and estimated fair value.

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, the Company will record a liability (an asset retirement obligation or "ARO") on its consolidated balance sheet and capitalize the present value of the asset retirement cost in oil and 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 the 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 over the estimated proved developed reserves. Both the accretion and the depreciation will be included in depreciation, depletion and amortization expense on our consolidated statements of operations.

Income Taxes. The Company utilizes the asset and liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for operating loss and tax credit carry-forwards and for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that the value of such assets will be realized.

Stock-Based Compensation. 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.

The Company estimates volatility by considering the historical stock volatility. The Company has opted to use the simplified method for estimating expected term, which is generally equal to the midpoint between the vesting period and the contractual term.

Earnings or Loss per Common Share. Basic earnings per common share equal net earnings or loss divided by weighted average common shares outstanding during the period. Diluted earnings per share include the impact on dilution from all contingently issuable shares, including options, warrants and convertible securities. The common stock equivalents from contingent shares are determined by the treasury stock method. The Company incurred net losses for the years ended December 31, 2012 and 2011, and therefore, basic and diluted earnings per share for those periods are the same as all potential common equivalent shares would be anti-dilutive. The Company excluded 3,754,615 potentially issuable shares of common stock related to options and 1,800,893 potentially issuable shares of common stock related to warrants due to their anti-dilutive effect.

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.

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.

Reclassifications. Certain amounts in the consolidated financial statements of the prior year have been reclassified to conform to the current presentation for comparative purposes.

Recently Issued Accounting Pronouncements. There were various accounting standards and interpretations issued during 2012 and 2011, none of which are expected to have a material impact on the Company’s financial position, operations or cash flows.

In July 2012 the FASB issued ASU 2012-02 Testing Indefinite-Lived Intangible Assets for Impairment, which amends Topic 350 and gives companies the option first to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount in accordance with Topic 350-30. This ASU shall be applied prospectively for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012 and early adoption is permitted. Implementation of the ASU is not expected

to have a significant impact on the Company's consolidated financial statements.

Subsequent Events. The Company has evaluated all transactions through the date the consolidated financial statements were issued for subsequent event disclosure consideration.

NOTE 5 – PRIOR YEAR RESTATEMENTS

Initial 2011 Restatement

On May 23, 2012, the financial statements for the period from February 9, 2011 (inception) through December 31, 2011 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 8).

\$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 shareholders' 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)

Second 2011 Restatement

On December 12, 2012, the financial statements, for the period from February 9, 2011 (inception) through December 31, 2011, subsequent to the initial restatement discussed above 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 14. The Company originally recorded the \$69,667 value of the award as a stock subscription 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 above) as of December 31, 2011 is as follows:

	As	
	Reported	As Restated
Stock service receivable	\$(69,667)	\$-
Accumulated deficit	\$(694,010)	\$(763,677)
Total shareholders' 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 above) 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)

2012 Restatements

On April 11, 2013, the consolidated financial statements, for the period from January 1, 2012 through December 31, 2012, have been restated to properly classify the Company's issuance of 368,345 shares of Series A preferred stock to a related party as a stock subscriptions receivable rather than a note receivable.

In addition, the consolidated financial statements have been restated to properly present on the balance sheet and the statement of shareholders' equity the classification of Series A Preferred Shares issued and outstanding; the par value and additional paid in capital for the 1,666,667 shares of Series A preferred stock presented outside of shareholders' equity as the redemption of such shares is outside the control of the issuer.

The impact on the previously reported balance sheet as of December 31, 2012 is as follows:

	As Reported	As Restated
Notes receivable – related parties	\$3,062,390	\$2,786,064
Total assets	\$11,423,050	\$11,146,724
Series A convertible preferred stock	\$20,371	\$18,704
Additional paid in capital	\$18,138,916	\$18,140,583
Stock subscriptions receivable	\$-	\$(276,326)
Total shareholder's equity	\$(5,404,150)	\$(5,127,824)
Total liabilities and shareholders' equity	\$11,423,050	\$11,146,724

NOTE 6 - MERGER AGREEMENT – PACIFIC ENERGY DEVELOPMENT CORP.

On July 27, 2012, the Company completed the transactions contemplated by the January 13, 2012, Agreement and Plan of Reorganization (as amended, the “Merger Agreement”), by and between the Company, Blast Acquisition Corp., a wholly-owned Nevada subsidiary of the Company (“MergerCo”), and Pacific Energy Development Corp., a privately-held Nevada corporation (“PEDCO” or “Pacific Energy Development Corp.”).

Pursuant to the Merger Agreement on July 27, 2012, MergerCo was merged with and into PEDCO, with PEDCO continuing as the surviving entity and becoming a wholly-owned subsidiary of the Company, in a transaction structured to qualify as a tax-free reorganization (the “Merger”). In connection with the Merger, the Company issued former security holders of PEDCO 17,917,261 shares of common stock, 19,616,676 shares of new Series A Preferred Stock, warrants to purchase an aggregate of 1,120,000 shares of our common stock, warrants to purchase 692,584 shares of our new Series A Preferred Stock, and options to purchase 4,235,000 shares of the Company’s common stock. As the merger was accounted for as a reverse acquisition, these shares have been reflected as the historical equity of the Company as the accounting acquirer in the recapitalization.

Additionally, immediately prior to the Merger becoming effective, the shareholders of the Company approved an Amended and Restated Certificate of Formation and an Amended and Restated Series A Convertible Preferred Stock Designation which upon effectiveness: (i) converted all 6,000,000 outstanding shares of the Company’s Series A Convertible Preferred Stock and the single outstanding share of Series B Preferred Stock into 6,000,001 shares of common stock of the Company on a one to one basis, and immediately thereafter, (ii) effected a one for one hundred and twelve (1:112) reverse stock split rounding up for all fractional shares of the Company’s then outstanding common stock, resulting in the conversion of approximately 159,238,556 shares of preferred and common stock into 1,422,873 shares of common stock (the “Reverse Split” and the “Amended and Restated Certificate of Formation”). All share and per share amounts in the consolidated financial statements and footnotes have been retroactively restated for the impact of the reverse split.

Furthermore, in connection with the Reverse Split and the Amended and Restated Certificate of Formation, the Company changed its name to “PEDEVCO Corp.”, and amended its Certificate of Formation, to effect various changes to its Certificate of Formation, including, but not limited to increasing the Company’s authorized capitalization to 300,000,000 shares of capital stock post-Reverse Split, which includes 200,000,000 shares of common stock, \$0.001 par value per share (“Common Stock”); and 100,000,000 authorized shares of Preferred Stock, including 25,000,000 authorized shares of Series A Convertible Preferred Stock, \$0.001 par value per share (“New Series A Preferred Stock”), which shares were designated in connection with approval of and filing of the Amended and Restated Certificate of Designations of the Company’s Series A Convertible Preferred Stock, which amended and replaced the prior designation of the Company’s Series A Convertible Preferred Stock (which shares were automatically converted into shares of common stock pursuant to the Amended and Restated Certificate of Formation).

The acquisition was accounted for as a “reverse acquisition,” and Pacific Energy Development Corp. was deemed to be the accounting acquirer in the acquisition. The Company’s assets and liabilities are recorded at their fair value. Pacific Energy Development Corp.'s assets and liabilities are carried forward at their historical costs. The financial statements of Pacific Energy Development Corp. are presented as the continuing accounting entity since it is the acquirer for the purpose of applying purchase accounting. The equity section of the balance sheet and earnings per share of Pacific Energy Development Corp. are retroactively restated to reflect the effect of the exchange ratio established in the Merger Agreement. Goodwill is recorded for the excess of fair value of consideration transferred and fair value of net assets. As a result of the issuance of the shares of common stock pursuant to the Merger Agreement, a change in control of the Company occurred.

The purchase price on the date of acquisition was:

Value of stock issued in acquisition	\$ 4,492,225
Cash advanced from PEDCO prior to merger	507,757
Merger expenses	36,841
Total Purchase Price	\$ 5,036,823
Current assets	978
Fixed assets	112,089
Oil and gas properties	127,088
Current liabilities	(646,787)
Asset retirement obligations assumed	(41,712)
Long-term liabilities	(1,334,836)
	(1,783,180)
Goodwill	\$ 6,820,003

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Management evaluated the amount of goodwill associated with the transaction following the allocation of fair value to the assets and liabilities acquired and determined that the goodwill should be fully impaired and has reflected the impairment on the statement of operations as of the date of the merger.

Centurion Debt Modifications

In connection with the anticipated Merger, on January 13, 2012, Blast entered into an amendment to note purchase agreement (the “Note Purchase Amendment”), with Centurion Credit Funding LLC (“Centurion”), a secured creditor of Blast, and on May 29, 2012, Blast entered into the Second Amendment to First Tranche Promissory Note and the Second Amendment to the Second Tranche Promissory Note (collectively, the “Second Amendments to the Promissory Notes”) with Centurion. The Note Purchase Amendment and the Second Amendments to the Promissory Notes amended the Note Purchase Agreement, dated February 24, 2011 (the “Note Purchase Agreement”), entered into with Centurion primarily in order (i) to grant consent to the Merger, (ii) to waive, solely with respect to the Company post-Merger, certain loan covenants and restrictions as they relate to the assets of PEDCO and the operations of the Company post-Merger, (iii) to waive Centurion’s right of first refusal to provide additional funding to Blast, and (iv) to provide for the conversion of up to 50% of the loan amounts outstanding to Centurion in the original principal amount of \$2,522,111, of which approximately \$1,306,078 was owed as of the date of the parties’ entry into the Note Purchase Amendment, into shares of the Company’s common stock at \$0.75 per share at the option of Centurion at any time after June 9, 2012, provided that the Company in its sole discretion may waive the 50% conversion limitation. The conversion rights described above are subject to Centurion being prohibited from converting any portion of the outstanding notes which would cause it to beneficially own more than 4.99% of the Company’s then outstanding shares of common stock, subject to Centurion’s right to increase such limit to up to 9.99% of the Company’s outstanding shares with 61 days prior written notice to the Company.

The Promissory Notes issued in connection with the Note Purchase Amendment were amended to provide an extension of the maturity date of such Promissory Notes, which were due February 2, 2012 under the terms of the original notes, to the earlier of (i) thirty (30) days after the termination of the Merger Agreement, if the Merger Agreement s terminated before June 1, 2012, (ii) August 1, 2012, or (iii) the date all obligations and indebtedness under such Promissory Notes are accelerated in accordance with the terms and conditions of such Promissory Notes. Furthermore, commencing February 2, 2012, the interest amount on the Promissory Notes was increased from 10% to 18% per annum, and the new interest rate included both the principal amount and the Exit Fee payable described below. Lastly, the Exit Fee, which is 12% of the repayment amount, was increased by an aggregate of \$15,000 for the Promissory Notes and was expensed by Blast at the date of modification.

On August 30, 2012, following the Merger, the Company entered into the Third Amendment to Senior Secured Promissory Notes (First and Second Tranche) with Centurion (the “Third Amendment to the Promissory Notes”), which amended certain provisions of the Senior Secured Promissory Note (First Tranche) and Senior Secured Promissory Note (Second Tranche), each originally dated February 24, 2011 and amended on January 13, 2012 and May 29, 2012 (together, as amended, the “Promissory Notes”). The Promissory Notes were amended to provide an extension of the maturity date which were due as of August 1, 2012, to the earlier of (i) November 30, 2012, or (ii) the date all obligations and indebtedness under such Promissory Notes are accelerated in accordance with the terms and conditions of such Promissory Notes. The Company further agreed to deposit an additional \$700,000 as a “repayment deposit” into the Company’s bank account that is subject to a deposit account control agreement (the “DACA”) between the Company and Centurion in order to provide additional security to Centurion with the DACA being revised to provide that Centurion may not have access to such funds until the maturity date of such Promissory Notes, unless a default or event of default has occurred. Additionally, the Third Amendment to the Promissory Notes removed the prior prohibition which limited Centurion to converting the Promissory Notes only once every thirty days.

The Company applied ASC 470-50-40/55 “Debtor’s Accounting for a Modification or Exchange of Debt Instrument” and concluded that the Note Purchase Amendment dated January 13, 2012 constituted a debt extinguishment rather than a debt modification because a significant conversion feature was added to the terms of the note. The conversion feature was contingent on the completion of the Merger. As such, the Company’s Merger with Blast, triggered the contingent conversion feature. As a result, the Company recorded a loss on debt extinguishment of \$159,913 during the year ended December 31, 2012, as summarized below.

Loss on Extinguishment:

Estimated fair value of debt after modification	\$ 1,494,749
Less: Carrying value of pre-modification debt	(1,334,836)
Loss on debt extinguishment	\$ 159,913

In connection with the Note Purchase Amendment, the convertible debenture was also analyzed for a beneficial conversion feature after the debt modification at which time it was concluded that a beneficial conversion feature existed. Accordingly, a debt discount was recorded at the date of the modification. See detail summary below for carrying value of debt on the date of the merger.

Post-Modification Debt:

Estimated fair value of debt after modification	\$ 1,494,749
Less: beneficial conversion feature recorded as debt discount	(667,418)
Carrying value at date of Merger	\$ 827,331

On August 31, 2012, Centurion converted \$101,250 of principal and accrued interest, into 135,000 shares of the Company's common stock. In October 2012, Centurion converted \$536,250 of principal into 715,000 shares of the Company's common stock. In November 2012, Centurion converted \$392,045 of principal into 522,727 shares of the Company's common stock. Centurion forgave the principal and interest balance of \$169,181 and the balance owed Centurion at December 31, 2012 was paid in full. See detail summary below of loan activity and balance as of December 31, 2012.

Carrying value at merger	\$ 827,331
Accrued interest	75,699
Accretion of beneficial conversion feature recorded as debt discount	667,418
Less: amortization of debt premium	(159,913)
Less: Principal and accrued interest of convertible note converted to common stock	(1,029,545)
Less: Cash payments on principal	(211,809)
Balance of note forgiven by Centurion	(169,181)
Balance at December 31, 2012	\$ -0-

The Company recorded a gain on debt extinguishment in the amount of \$169,181 which was netted against loss on extinguishment in the amount of \$159,913 resulting in a net gain of \$9,268.

Prior to the Merger, as additional security for the repayment of the First Note and Second Note, and pursuant to a Stock Purchase Agreement, the Company sold Centurion one (1) share of its newly designated Series B Preferred Stock, in consideration for \$100, which entitled Centurion to consent to and approve the Company's or any of its subsidiaries' entry into any bankruptcy proceeding, consent to the appointment of a receiver, liquidator or trustee or the assignment by the Company or any of its subsidiaries for the benefit of any creditors. The Company assigned no value to this Series B Preferred Share. The one share of the Company's Series B Preferred Stock was converted on a one-for-one basis into one (1) share of the Company's pre-Reverse Split common stock in connection with the Merger.

Other Debt Conversions

In connection with the Merger, the Company approved the conversion of certain other outstanding debt obligations of the Company at \$2.24 per share. At the time of the Mergers these debt obligations included: \$335,500 of accrued compensation due to the members of Board of Directors, \$6,150 of short term loans from members of the Board of Directors, \$225,958 of accrued salaries and vacation pay owed to the Company's employees for a total amount of \$567,608. These amounts were converted at \$2.24 per share under debt conversion agreements ("Debt Conversion Agreements") into approximately 253,396 shares of the Company's common stock in August and September 2012. Additionally, in May 2012, pursuant to a settlement agreed upon among the Company, Trident Partners Ltd. ("Trident"), and certain principals for Trident, the placement fee owed by the Company to Trident was reduced from \$119,990 to \$47,960 and Trident agreed to convert the remaining amount due at \$2.24 per share into approximately 21,411 shares of the Company's common stock upon completion of the Merger.

NOTE 7 – OIL AND GAS PROPERTIES

The following tables summarize the Company's oil and gas activities by classification for the year ended December 31, 2012 and the period from February 9, 2011 (Inception) through December 31, 2011:

	January 1, 2012	Additions	Disposals	Transfers	December 31, 2012
Unproved properties	1,724,234	78,427	-	(697,016)	1,105,645
Proved properties	-	5,532,519	(3,750,000)	697,016	2,479,535
Asset retirement costs	-	16,552	-	-	16,552
Accumulated depreciation depletion and impairment	-	(270,676)	15,014	-	(255,662)
Total oil and gas assets	1,724,234	5,356,822	(3,734,986)	-	3,346,070

	February 9, 2011	Additions	Disposals	Transfers	December 31, 2011
Unproved properties	-	4,914,624	(3,190,390)	-	1,724,234
Proved properties	-	-	-	-	-
Asset retirement costs	-	-	-	-	-
Accumulated depreciation, depletion and impairment	-	-	-	-	-
Total oil and gas assets	-	4,914,624	(3,190,390)	-	1,724,234

Niobrara Asset

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. The Company assigned 62.50% (\$3,071,640) of the value of the Niobrara interest acquired to Condor, of which the Company owns 20%. The following table details the purchase price components:

Purchase Consideration	Amount
Cash paid at closing	\$ 2,827,387
Amount payable in cash or Series A Preferred Stock on November 13, 2012	1,000,000(1)
Carried interest obligation	699,372(2)
Common stock issued for services	28,560(3)
Series A Preferred Stock issuable	172,500(4)
Other acquisition costs	186,805
Ending balance	\$ 4,914,624

- (1) The Company agreed to issue 1,333,334 shares of Series A Preferred Stock on November 13, 2012, subject to a guaranteed minimum value of \$1 million of the preferred stock. At November 13, 2012, the Sellers had the option to elect to receive the fixed number of 1,333,334 shares or \$1 million in cash, due and payable within five days of their written election to receive cash in lieu of the shares. The agreement does not provide the Sellers the option for a variable number of shares based on the per share value. The obligation of \$1 million was recorded in accrued expenses on the date of the transaction. The Company received elections from the Sellers requesting payment of the obligation in cash due on or about November 20, 2012. On November 26, 2012, the Agreement was amended to provide for the payment of \$100,000 to the Sellers, and 133,334 shares of the preferred stock valued at \$100,000 to extend the \$1 million payment to the Sellers until February 18, 2013. The fair value of

\$280,001 of the 133,334 preferred shares issued and the \$100,000 payment were recorded as interest expense in 2012. The Company subsequently paid the \$1 million on February 18, 2013.

- (2) The Company agreed to provide the Sellers a carried interest for \$699,372 of their share of future drilling costs and was recorded as a liability on the date of the transaction, of which \$279,748 was paid in the three months ending June 30, 2012 and the remaining \$419,624 was satisfied in the three months ending September 30, 2012 through the issuance on September 24, 2012 of 279,749 shares of the Company's Series A Preferred Stock with a fair value of \$559,498. The Company recorded a loss on settlement of payables of \$139,874.
- (3) The Company issued 285,595 shares of common stock in connection with the acquisition at a grant date fair value of \$28,560 to a related party due diligence provider, South Texas Reservoir Alliance, LLC ("STXRA").
- (4) The Company issued 230,000 shares of Series A Preferred Stock in February 2012 at a grant date fair value of \$0.75 per share, or \$172,500, to STXRA in exchange for the portion of working interests earned for worked performed in the transaction.

One of the sellers, Esenjay Oil & Gas, Ltd. ("Esenjay"), retains an overriding royalty interest in the production from the leases assigned equal to the amount, if positive, by which twenty percent (20%) of production exceeds the aggregate of all landowner royalties, overriding royalties and other burdens measured or payable out of the production that cover or affect the subject leases.

The depletion recorded for production on proved properties for the year ended December 31, 2012 amounted to \$90,414. The Company recorded impairment of leases for the year ended December 31, 2012 of \$180,262 for lease acreage that expired during the year due to non-renewals or non-utilization of leases.

During the year ended December 31, 2012, the Company began drilling operations on its FFT2H, Logan 2H and Waves 1H wells. The Company completed the FFT2H well in July 2012 and incurred \$1,143,100 in drilling and completion costs. As of December 31, 2012, the Company has incurred \$246,365 and \$263,382 in drilling costs related to the Logan 2H and Waves 1H wells, respectively, which were completed subsequent to December 31, 2012. As a result of this drilling the Company reclassified \$697,016 of the carrying value of the properties from unproved to proved property.

Eagle Ford Asset

On March 29, 2012, the Company acquired Excellong E&P-2, Inc., a Texas corporation for a total purchase price of \$3.75 million. Excellong E&P-2's sole asset was an approximately 8% 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. This area is currently producing oil and natural gas from three wells, but the remainder of the acreage is under development. The Company transferred these assets to White Hawk. See Note 8.

Guijarral Hills Exploitation Project

In October 2010, Blast entered into Farmout Agreement with Solimar Energy LLC ("Solimar"), to participate in an exploration project in the Guijarral Hills Field located in the San Joaquin basin of central California. In 2011, an initial exploratory well (the "Solimar Well") was drilled on the project, but the zones tested did not result in an oil-producing well. On August 6, 2012, Solimar notified its desire to assign the Solimar Well to Vintage Production California LLC ("Vintage"), the lessor of the well in return for payment of the salvage value of the equipment in the Solimar Well. The Company elected to give up its right to take over the well and all related plugging and abandonment obligations, and agreed to assign its interest in the well to Vintage. As of August 10, 2012, Solimar had offered the well assignment to Vintage but Vintage had not yet responded as to its intentions whether to accept it or not. The Guijarral Hills Field lease expired pursuant to its own terms on September 30, 2012. In connection with the allocation of the purchase price in the Merger, no value was attributed to the Guijarral Project.

NOTE 8 – BUSINESS ACQUISITION AND DISPOSAL

On March 29, 2012, the Company acquired Excellong E&P-2, Inc., a Texas corporation for a total purchase price of \$3.75 million. Excellong E&P-2's sole asset was an approximately 8% 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"). The purchase was accounted for as a business combination; however, the Company acquired no other assets or liabilities other than the working interests and tangible equipment associated with producing wells.

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This area is currently producing oil and natural gas from three wells, with the remainder of the acreage is under development. The purchase price terms were:

Cash paid at closing	\$ 1,500,000
Loan payable	1,000,000(1)
Series A Preferred Stock issued	1,250,000(2)
Total purchase price	\$ 3,750,000

- (1) Payable in 60 days following the closing. The amount was paid in May 2012 by an affiliate of MIE Holdings as consideration for the White Hawk sale described below.
- (2) The Company issued 1,666,667 shares of Series A Preferred Stock at a grant date fair value of \$1,250,000. 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 shareholders' equity on the accompanying balance sheet.

The following table summarizes the allocation of the aggregate contribution as follows:

Asset:	Valuation
Tangible equipment	\$ 147,000
Proved oil and gas reserves	2,958,936
Unproved oil and gas leaseholds	629,050
Total	\$ 3,734,986

On May 11, 2012, the Company merged its wholly-owned subsidiary, Excellong E&P-2, Inc. ("E&P-2"), into White Hawk Petroleum, LLC ("White Hawk"), a newly-formed Nevada limited liability company also wholly-owned by the Company (the "E&P-2 Merger"). The separate corporate existence of E&P-2 ceased as a result of the E&P-2 Merger. White Hawk then held all of the Eagle Ford Assets of the Company. The transaction among entities under common control was recorded at historical cost and no gain or loss was recognized. The assets transferred from E&P-2 to White Hawk amounted to \$147,000 for tangible equipment and \$2,958,936 for proved oil and gas reserves and \$629,050 for unproved oil and gas leaseholds (total Eagle Ford E&P-2 property value of \$3,734,986). The amount of production, depletion and depreciation between the acquisition date and the merger date was not material over this period.

On May 23, 2012, the Company completed the sale of 50% of the common stock of White Hawk (the "White Hawk Sale") to an affiliate of MIE Holdings, which is also the Company's 80% partner in Condor and a significant investor in the Company. As a result of the White Hawk Sale, an affiliate of MIE Holdings and the Company each have an equal 50% ownership interest in White Hawk and each have agreed to proportionately share all expenses and revenues with respect to the Eagle Ford Asset. The sale price consideration for the White Hawk Sale by the affiliate of MIE Holdings was \$1,939,082 as follows:

Cash received at closing	\$ 500,000
Cash received on June 29, 2012	500,000
Payment to Excellong E&P-2	1,000,000(1)
Total cash consideration	2,000,000

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Less: fair value of warrants issued at \$1.25 per share	(1,586)(2)
Less: fair value of warrants issued at \$1.50 per share	(1,000)(2)
Less: purchase price adjustment for net field income activity for March 2012 through sale date	(58,332)(3)
Total sale price	\$1,939,082	

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- (1) \$1.0 million in cash paid directly to the original sellers of E&P-2 on behalf of the Company on May 23, 2012, which was the amount due to such sellers 60 days following the acquisition;
- (2) On May 23, 2012, the Company issued 500,000 warrants valued at \$1,586 to purchase common stock at \$1.25 per share exercisable in cash for a period of two years and an additional 500,000 warrants valued at \$1,000 to purchase common stock at \$1.50 per share exercisable in cash for a period of two years; and
- (3) The effective date of the sale was March 1, 2012. Accordingly, production activity from the effective date until the closing date is reflected as a purchase price adjustment.

The following table summarizes the allocation of the aggregate sale price as follows:

Asset:	Valuation
Tangible equipment	\$ 76,015
Proved oil and gas reserves	1,863,067
Total	\$ 1,939,082

In connection with the White Hawk Sale, the Company recorded a gain of \$64,168 representing the difference between the Company's carrying value of the 50% interest sold (\$1,875,000) and the fair value of the net sale proceeds received from MIE Holdings (\$1,939,168).

The pro forma results of the White Hawk acquisition as if the transaction had occurred at January 1, 2012 and 2011, respectively, is:

	For the Year Ended December 31, 2012			For the Year Ended December 31, 2011		
	PEDEVCO	E&P-2	Combined	PEDEVCO	E&P-2	Combined
Revenue	\$503,153	\$266,867	\$770,020	\$-	\$384,116	\$384,116
Lease operating costs	\$(281,103)	\$(44,099)	\$(325,202)	-	\$(41,422)	\$(41,422)
Net loss	\$(12,013,011)	\$-	\$(11,790,243)	\$(763,677)	\$-	\$(420,983)
Net loss per common share	\$(0.65)	\$-	\$(0.63)	\$(0.06)	\$-	\$(0.03)

NOTE 9 – EQUIPMENT

Property and equipment as of December 31, 2012 and, 2011 consisted of the following:

	December 31, 2012	December 31, 2011
Computer equipment	\$ 6,714	\$ 5,356
Tractor	-	-
Service trailer	-	-
AFJ Rig	112,089	-
Subtotal	118,803	5,356
Less:		
Accumulated depreciation	(30,920)	(662)
Equipment, net	\$ 87,883	\$ 4,694

The AFJ rig, tractor and service trailer were acquired in the Merger transaction. In connection with the Merger, the Company evaluated the carrying value of the AFJ rig and, based upon the independent third party analysis, recorded the estimated fair value of the AFJ rig at \$112,089 at the date of the merger, reflecting a reduction in the carrying value at \$254,000.

Depreciation expense for the year ended December 31, 2012 and for the period from inception to December 31, 2011 was \$30,258, and \$662, respectively and are included in operating expenses in the accompanying statement of operations.

NOTE 10 – EQUITY METHOD INVESTMENTS

Condor Energy Technology, LLC

In October 2011, the Company formed a new subsidiary, Condor Energy Technology LLC (“Condor”), a limited liability company organized under the laws of the State of Nevada. Also, in October 2011, the Company issued 4,000,000 shares of its Series A Preferred Stock and an 80% interest in Condor to MIE Holdings for total proceeds of \$3,000,000 of which the Company allocated \$2,457,312 attributable to the MIE Holdings’ investment in Condor, based on the proportionate fair value of the interest purchased by MIE Holdings. Following the transaction, 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, and contributed the properties for its interest in Condor immediately upon the acquisition. Condor operates the Niobrara Asset. The \$3,000,000 in proceeds received by the Company from the issuance of the 4,000,000 shares of Series A preferred stock were allocated first to MIE Holdings’ interest in Condor based on the original purchase price of the Niobrara asset as follows in the table below, with the balance allocated to the Series A preferred stock purchased by MIE Holdings.

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 MIE Holdings was the primary beneficiary as a result of being in control of the Board and its ability to control the funding commitments to Condor. The Company’s total investment in Condor at December 31, 2012 was \$160,353, after recording its share of Condor’s losses for the year ended December 31, 2012 of \$428,100.

	December 31, 2012	December 31, 2011
Beginning balance	\$ 588,453	\$ -
Contributions	-	614,328
Equity in net loss at 20%	(428,100)	(25,875)
	-	-
Ending balance	\$ 160,353	\$ 588,453

During the years ended December 31, 2012 and December 31, 2011, the Company loaned Condor funds for operations which were documented in a promissory note entered into on February 14, 2013, with an effective date of November 1, 2012, which note permits multiple loans to be made thereunder up to \$8,000,000 and scheduled therein as separate “advances”. The note receivable bears interest at a rate per annum equal to the one (1) month LIBOR rate for U.S. dollar deposits plus four (4.0) percentage points. Principal and interest are due thirty-six (36) months from the date each advance is made under the note, with the first repayment being due September 24, 2015. As of December 31, 2012, the balance of the note receivable is \$2,435,666 plus accrued interest of \$16,963 from Condor.

During the year ended December 31, 2012, the Company issued to Condor a total of 368,435 shares of Series A Preferred Stock valued at \$276,326 based on the grant date fair value of \$0.75 per share. The preferred stock issued to Condor was recorded as a stock subscription receivable by the Company.

The Company has an agreement to provide management services to Condor for which Condor owes \$81,124 at December 31, 2012. Total fees billed to Condor were \$363,102 and \$96,000 in 2012 and 2011.

At December 31, 2012, Condor owes the Company \$112,488 from production sales related to the Company's 18.75% working interest in the Niobrara Asset.

At December 31, 2012, the Company owes Condor \$112,069 from production related expenses and \$802,614 related to capital expenditures incurred by Condor for the drilling of the three wells during the year ended December 31, 2012.

White Hawk Petroleum, LLC

The Company accounts for its 50% ownership in White Hawk using the equity method. The Company evaluated its relationship with White Hawk to determine if White Hawk was a variable interest entity (“VIE”) as defined in ASC 810-10, and whether the Company was the primary beneficiary of White Hawk, in which case consolidation with the Company would be required. The Company determined that White Hawk qualified as a VIE, however the Company concluded that MIE Holdings was the primary beneficiary as a result of its ability to control the funding commitments to White Hawk. The Company’s entire investment in White Hawk is at risk of loss. The Company’s total investment in White Hawk at December 31, 2012 was \$1,937,981 after recording its share of White Hawk’s income for the year ended December 31, 2012 of \$70,488.

	December 31, 2012
Beginning balance	\$ 3,734,986
Sale of equity investment	(1,867,493)
Equity in net earnings at 50%	70,488
Ending balance	\$ 1,937,981

During the year ended December 31, 2012, the Company loaned White Hawk funds for operating expenses and drilling and completion costs for a third Eagle Ford well, pursuant to a promissory note entered into on June 4, 2012, which note permits multiple loans to be made thereunder and scheduled therein as separate “advances”, with no stated maximum limit of loan principal. The note receivable bears interest at a rate per annum equal to the one (1) month LIBOR rate for U.S. dollar deposits plus four (4.0) percentage points. Principal and interest of each loan is due thirty-six (36) months from the date of each advance is made under the note, with the first repayment being due June 4, 2015. As of December 31, 2012, the balance of the note receivable is \$332,974 plus accrued interest of \$460 from White Hawk.

NOTE 11 – NOTES PAYABLE

Related Party Transactions

Related Party Notes Payable

Funding with MIE Jurassic Energy Corporation- a related party

During 2012, MIE Jurassic Energy Corporation (“MIEJ”), a subsidiary of MIE Holdings, advanced funds in excess of its ownership interest in Condor. In November 2012, the Company executed a Secured Subordinated Promissory Note in the principal amount of \$2,170,065. The note bears interest at 10% and is due upon the earlier of 1) an equity or debt financing transaction completed by the Company or December 31, 2013. At December 31, 2012, the balance owed with accrued interest was \$2,206,233.

Global Venture Investments, LLC – a 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 wholly 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 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 preferred stock 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 (\$0.375 per share) of Series A Preferred Stock pursuant to the loan's original conversion terms. The accrued interest of \$8,655 was paid in cash. The Company evaluated the conversion feature and determined no beneficial conversion feature existed as the fair value of the underlying securities fair value was \$0.13 per share and was out-of-the-money.

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 has a three year term and an exercise price equal to the price paid by the investors in the qualified financing. In connection with the initial 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 and a fair value as determined by a Black Scholes option pricing model of \$44,600.

Third Party Transactions

Centurion Note Conversions

On August 31, 2012, Centurion converted \$101,250 of principal and accrued interest, into 135,000 shares of the Company's common stock. In October 2012, Centurion converted \$536,250 of principal into 715,000 shares of the Company's common stock. In November 2012, Centurion converted \$392,045 of principal into 522,727 shares of the Company's common stock. Centurion forgave the principal and interest balance of \$169,181 and the balance owed Centurion at December 31, 2012 was paid in full.

NOTE 12 – COMMITMENTS

Office Lease

In July 2012, the Company entered into a non-cancelable lease agreement with a term of two years ending in July 2014 for its corporate office space located in Danville, California. The obligation under this lease as of December 31, 2012 is \$78,679.

Niobrara Asset - \$1 Million Guarantee

Under the Niobrara Asset purchase agreement, the Company agreed to issue 1,333,334 shares of Series A Preferred Stock on November 13, 2012, subject to a guaranteed minimum value of \$1 million of the preferred stock. At November 13, 2012, the Sellers had the option to elect to receive the fixed number of 1,333,334 shares or \$1 million in cash, due and payable within five days of their written election to receive cash in lieu of the shares. The agreement does not provide the Sellers the option for a variable number of shares based on the per share value. The obligation of \$1 million was recorded in accrued expenses on the date of the transaction. The Company received elections from the Sellers requesting payment of the obligation in cash due on or about November 20, 2012. On November 26, 2012, the Agreement was amended to provide for the payment of \$100,000 to the Sellers, and 133,334 shares of the preferred stock valued at \$100,000 to extend the \$1 million payment until February 18, 2013. The fair value of \$280,001 of the 133,334 preferred shares issued and the \$100,000 payment were recorded as interest expense in 2012. The Company subsequently paid the \$1 million on February 18, 2013.

NOTE 13 – PREFERRED STOCK

Series A Convertible Preferred Stock Designations

At December 31, 2012, the Company was authorized to issue 100,000,000 shares of its Series A Preferred Stock with a par value of \$0.001 per share.

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The holders of our New Series A Preferred Stock are entitled to receive non-cumulative dividends at an annual rate of 6% of the “Original Issue Price” per share, which is \$0.75 per share. 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 said shares are not declared or paid in any calendar year. All declared but unpaid dividends of the shares of New Series A Preferred Stock are payable in cash upon conversion of such shares. Any dividends declared on our New 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. In the event of any liquidation, dissolution or winding up of our Company, either voluntary or involuntary, the holders of our New Series A Preferred Stock will be entitled to receive distributions of any of our assets prior and in preference to the holders of our common stock in an amount per share of New Series A Preferred Stock equal to the sum of (i) the Original Issue Price of \$0.75 per share, and (ii) all declared but unpaid dividends on such shares of New Series A Preferred Stock. Each share of New Series A Preferred Stock will be convertible at the option of the holder into that number of fully-paid, nonassessable shares of common stock determined by dividing the “Original Issue Price” for the New Series A Preferred Stock by the conversion price of \$0.75 per share (subject to adjustment). Therefore, each share of New Series A Preferred Stock will initially be convertible into one share of our common stock. Our shares of New Series A Preferred Stock will automatically convert into shares of common stock according to the conversion rate described above upon the first to occur of (i) the consent of a majority of the outstanding shares of New Series A Preferred Stock or (ii) the date on which the New 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 of 1933, as amended, or another similar exemption. The holders of our New 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.

Preferred Stock Issuances

During 2011 the Company issued 6,666,667 shares of preferred stock as follows:

In October 2011, the Company issued 4,000,000 shares of its New Series A Preferred Stock and an 80% interest in Condor to a subsidiary of MIE Holdings, a related party, for proceeds of \$3,000,000. No offering costs were incurred.

In October 2011, the Company repaid a \$200,000 note payable to its president and chief executive plus accrued interest of \$4,258. Upon receipt of these proceeds, the officer used the proceeds to purchase through an entity owned and controlled by him, 266,667 shares of the Company’s New 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 New Series A Preferred Stock. Pursuant to the terms of the note, the note’s principal converted into New Series A Preferred Stock at a price of \$0.375 per share, which was equal to 50% of the \$0.75 price per share of the New Series A Preferred Stock. As required pursuant to the terms of the note, the Company also issued the note holder a warrant to purchase 480,000 shares of New Series A Preferred Stock with an exercise price of \$0.75 per share.

During 2012 the Company issued 13,845,703 shares of preferred stock as follows:

In 2012, the Company issued 11,053,342 shares of New Series A Preferred Stock to investors for gross cash proceeds of \$8,015,071. Offering costs were \$246,423.

In February 2012, the Company issued 230,000 shares of New Series A Preferred Stock at a value of \$172,500 to South Texas Reservoir Alliance LLC. (“STXRA”). A liability was accrued as of December 31, 2011 for this issuance,

which issuance was made in full satisfaction of certain obligations to STXRA associated with the Niobrara Asset purchase.

In March 2012, the Company issued 1,666,667 shares of its New Series A Preferred Stock valued at \$1,250,000 in connection with the acquisition of Excellong E&P-2. (See Note 7.)

In July 2012, the Company issued 368,435 shares of its New Series A Preferred Stock valued at \$276,326 in exchange for a subscription receivable from Condor in connection with the acquisition of additional interests by Condor in the Niobrara formation of Weld and Morgan Counties, Colorado.

In September 2012, the Company issued 279,749 shares of its New Series A Preferred Stock valued at \$559,498 for settlement of a payable due to Esenjay.

In November 2012, the Company issued 133,334 shares of its New Series A Preferred Stock to Esenjay pursuant to terms of a Modification Agreement wherein the Company extended the due date of a \$1 million payment until February 18, 2013. These shares were recorded as additional interest expense of \$280,001 based on the grant date fair value.

In October 2012, 27,000 shares of the Company's New Series A Preferred Stock were converted by an investor into shares of the Company's common stock.

NOTE 14 – COMMON STOCK

At December 31, 2012, the Company was authorized to issue 200,000,000 shares of its common stock with a par value of \$0.001 per share.

During 2011 the Company issued 15,502,261 shares of common stock as follows:

In October 2011, the Company granted 700,000 shares of its restricted Common Stock valued at \$0.10 per share to an executive of the Company. These shares were valued at \$70,000. The Company recorded stock-based compensation expense of \$65,589 in 2012. The shares are subject to forfeiture in the event the recipient is no longer an officer to the Company, which risk of forfeiture lapses with respect to 50% of the shares on June 1, 2012, 25% on December 31, 2012 and the final 25% on June 1, 2013, 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. At December 31, 2012, 25% of these 700,000 shares were subject to forfeiture.

In February 2011, the Company issued 10,420,000 shares of Common Stock to its founders in exchange for cash in the amount of \$10,420.

In February 2011, the Company issued 4,100,000 shares of Common Stock 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.

In conjunction with the Niobrara Asset acquisition in 2011, 285,595 shares of the Company's Common Stock valued at \$28,560 were issued to STXRA to arrange the transaction and provide various technical and due diligence services to the Company.

In October 2011, the Company signed a letter of intent to merge with a Blast Energy, Inc., a publicly-traded oil and gas exploration and production company. In connection with this proposed merger, the Company issued 696,666 fully vested, nonforfeitable shares of Common Stock to certain investor relations consultants. The Company recorded \$69,667 of stock-based compensation expense on the grant date.

During 2012 the Company issued 6,048,230 shares of common stock as follows:

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 valued at \$0.10 per share. The Company recorded stock-based compensation expense of \$165,500 on the date of grant. 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 six months from the date of grant, 20% twelve months from the date of grant, 20% eighteen months from the date of grant, and the final 10% 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. At December 31, 2012, 50% of these 1,655,000 shares were subject to forfeiture.

In September 2012, as a result of the 1:112 Reverse Split, 1,422,873 shares of common stock were issued to shareholders of Blast. (See Note 6).

In October 2012, 214,787 shares of common stock were issued in connection with the Blast merger in settlement of outstanding debt of the Company of \$487,218. (See Note 6).

In December 2012, the Company granted 40,000 shares of its restricted Common Stock with a grant date fair value of \$80,000 to an independent contractor for services provided pursuant to our 2012 Equity Incentive Plan.

In 2012, 1,372,727 shares of common stock were issued to Centurion pursuant to conversion of debt in the amount of \$1,029,545. (See Note 11).

In June 2012, non-qualified stock options previously granted to South Texas Reservoir Alliance LLC (“STXRA”), were exercised at the \$0.08 exercise price and STXRA paid \$4,800 for the issuance of 60,000 shares of common stock.

In 2012, 483,256 shares of common stock were issued to employees and consultants in connection with the cashless exercise of common stock options.

In 2012, 112,587 shares of common stock were issued to an investor in connection with the cashless exercise of common stock warrants.

In October 2012, 27,000 shares of the Company’s New Series A Preferred Stock were converted by an investor into 27,000 shares of the Company’s Common Stock.

NOTE 15 – STOCK OPTIONS AND WARRANTS

Blast 2003 Stock Option Plan and 2009 Stock Incentive Plan

As of December 31, 2012, 30,615 shares of common stock granted under Blast's 2003 Stock Option Plan and 2009 Stock Incentive Plan remain outstanding and exercisable. No options were issued under these plans in 2012.

2012 Incentive Plan

On July 27, 2012, the shareholders of the Company approved the 2012 Equity Incentive Plan (the "2012 Incentive Plan"), which was previously approved by the Board of Directors on June 27, 2012, and authorizes the issuance of various forms of stock-based awards, including incentive or non-qualified options, restricted stock awards, performance shares and other securities as described in greater detail in the 2012 Incentive Plan, to the Company's employees, officers, directors and consultants. A total of 6,000,000 shares of Common Stock are eligible to be issued under the 2012 Incentive Plan.

PEDCO 2012 Equity Incentive Plan

As a result of the Merger, the Company assumed the PEDCO 2012 Equity Incentive Plan (the "PEDCO Incentive Plan"), which was adopted by PEDCO on February 9, 2012. The PEDCO Incentive Plan authorized PEDCO to issue an aggregate of 3,000,000 shares of common stock in the form of restricted shares, incentive stock options, non-qualified stock options, share appreciation rights, performance share, and performance unit under the PEDCO Incentive Plan. As of December 31, 2012, options to purchase 3,665,000 shares of PEDCO common stock and 1,655,000 shares of PEDCO restricted common stock had been granted under this plan (all of which were granted by PEDCO prior to the closing of the Merger, with such grants being assumed by the Company and remaining subject to the PEDCO Incentive Plan following the consummation of the Merger). The Company does not plan to grant any additional awards under the PEDCO Incentive Plan post-Merger.

Options

In 2011, the Company granted a non-qualified performance-based option to its consulting executive vice president for 300,000 shares of Common Stock 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. This award was modified in February 2012 to a time-based vesting schedule in connection with this consultant becoming a full-time employee of the Company. The vesting terms of the option exercisable for these 300,000 shares are now 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. The fair value of the options on the date of grant using the Black-Scholes model, was \$19,800.

In 2012, options to purchase an aggregate of 265,000 shares of Common Stock were granted to five consultants and employees at an exercise price of \$0.10 per share. The options have terms of 10 years and vest in February 2014. 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 fair value of the options on the date of grant using the Black-Scholes model, was \$20,670.

In 2012, options to purchase an aggregate of 3,400,000 shares of Common Stock were granted to management and employees at an exercise price of \$0.17 per share. The options have terms of 10 years and vest in June 2014. 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 fair value of the options on the date of grant using the Black-Scholes model, was \$272,000.

During the year ended December 31, 2012, the Company recognized option stock-based compensation expense of \$243,081. The remaining amount of unamortized stock options expense at December 31, 2012 is \$122,963. The Black-Scholes option-pricing model was used to determine fair value. Variables used in the Black-Scholes option-pricing model for the options issued include: (1) a discount rate range of 0.27% to 0.41%, (2) expected term of 2 years, (3) expected volatility range of 88% to 173%, and (4) zero expected dividends.

The intrinsic value of outstanding and exercisable options at December 31, 2012 was \$6,870,330 and \$3,144,095, respectively.

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Option activity during the year ended December 31, 2012 was:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (years)
Outstanding at January 1, 2012	530,000	\$0.08	9.75
Granted under Blast merger	38,918	1.72	
Granted	3,665,000	0.16	
Exercised	(571,000)	0.15	
Forfeited and cancelled	(8,303)	127.21	
Outstanding at December 31, 2012	3,654,615	\$0.31	9.30
Exercisable at December 31, 2012	1,684,115	\$0.48	9.20

Option activity during the year ended December 31, 2011 was:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (# years)
Outstanding at January 1, 2011	-	\$-	-
Granted	530,000	0.08	
Exercised	-	-	
Forfeited and cancelled	-	-	
Outstanding at December 31, 2011	530,000	\$0.08	9.75
Exercisable at December 31, 2011	-	\$-	-

Summary of options outstanding and exercisable as of December 31, 2012:

Exercise Price	Weighted Average Remaining Life (years)	Options Outstanding	Options Exercisable
\$ 0.08	1.08	449,000	311,000
0.10	0.60	240,000	107,500
0.17	7.60	2,935,000	1,235,000
10.08	0.02	17,858	17,858
11.20	-	6,740	6,740
22.40	-	2,678	2,678
42.56	-	107	107
44.80	-	893	893

68.32	-	107	107
89.60	-	2,232	2,232
0.08 to			
\$ 89.60	9.30	3,654,615	1,684,115

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Summary of options outstanding and exercisable as of December 31, 2011:

Exercise Price	Weighted Average Remaining Life (years)	Options Outstanding	Options Exercisable
\$ 0.08	9.75	530,000	-

Warrants

All of the warrants described below were issued in 2012.

In connection with the Series A Preferred Stock issuances, the Company issued warrants to its placement agent and an employee thereof to purchase a total of 60,000 shares of Series A Preferred Stock valued at \$0.42 per share on the grant date. These warrants have an exercise price of \$0.75 per share and expire in April 2015.

Warrants to purchase an aggregate of 100,000 shares of Common Stock were granted to an advisor at an exercise price of \$0.10 per share. The warrants have a term of 10 years and are fully vested on the date of grant. The Company recorded \$8,000 of stock compensation expense on the date of grant.

The Company issued warrants to an advisor to purchase a total of 6,500 shares of its Series A Preferred Stock valued at \$0.42 per share on the grant date. These warrants have an exercise price of \$0.75 per share and expire in May 2015. The Company recorded \$2,714 of stock compensation expense on the date of grant.

As part of the sale of 50% of the ownership interests in White Hawk to an affiliate of MIE Holdings, the Company granted a two-year warrant to the affiliate of MIE Holdings exercisable for 500,000 shares of Company common stock at \$1.25 per share valued at \$1,586, exercisable solely on a cash basis, and granted a two-year warrant to the affiliate of MIE Holdings exercisable for 500,000 shares of Company common stock at \$1.50 per share valued at \$1,000, exercisable solely on a cash basis. The Company recorded \$2,586 of stock-based compensation expense for the fair value of the warrants issued on the date of grant.

The Company issued warrants to seven consultants who provided placement agent services to purchase a total of 143,417 shares of its Series A Preferred Stock valued at \$0.42 on the grant date. These warrants have an exercise price of \$0.75 per share and expire in July 2015.

The Company issued warrants to three consultants who provided services for public relations, marketing, and Merger integration support to purchase a total of 125,000 shares of its Common Stock valued at \$0.04 on the grant date. These warrants have an exercise price of \$0.75 per share and expire in July 2015. The Company recorded \$52,156 of stock-based compensation expense for the fair value of the warrants issued on the date of grant.

The Company acquired 206,206 warrants as part of the merger with Blast.

The principals of Trident Partners Ltd. ("Trident principals") were issued an aggregate of 5,010 shares of the Company's common stock upon the cashless net exercise of warrants exercisable for a total of 11,385 shares of the Company's common stock that were originally issued to the Trident principals on June 3, 2011 and December 22, 2011 with an exercise price of \$1.12 per share.

During the year ended December 31, 2012, the Company recognized warrant stock based compensation expense of \$62,839. Fair value was determined by using the Black-Scholes option-pricing model. Variables used in the

Black-Scholes option-pricing model for the warrants issued include: (1) discount rate range of 0.30% to 1.12%, (2) expected term range of 2 to 3 years, (3) expected volatility of 83%, and (4) zero expected dividends.

The intrinsic value of outstanding as well as exercisable warrants at December 31, 2012 was \$1,883,479.

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Warrant activity during the year ended December 31, 2012 was:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (# years)
Outstanding at January 1, 2012	580,000	\$ 0.63	4.04
Granted under Blast merger	206,206	47.27	
Granted	1,437,584	1.14	
Exercised	(320,669)	0.52	
Forfeited and cancelled	(2,232)	11.20	
Outstanding at December 31, 2012	1,900,889	\$ 6.08	2.43
Exercisable at December 31, 2012	1,900,889	\$ 6.08	2.43

Warrant activity during the year ended December 31, 2011 was:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (# years)
Outstanding at January 1, 2011	-	\$ -	-
Granted	580,000	0.63	4.04
Exercised	-	-	
Forfeited and cancelled	-	-	
Outstanding at December 31, 2011	580,000	\$ 0.63	4.04
Exercisable at December 31, 2011	580,000	\$ 0.63	4.04

Summary of warrants outstanding and exercisable as of December 31, 2012 is as follows:

Exercise Price	Weighted Average Remaining Life (years)	Warrants Outstanding	Warrants Exercisable
\$ 0.08	0.46	100,000	100,000
0.10	0.49	100,000	100,000
0.75	0.72	617,584	617,584
1.12	0.00	14,644	14,644
1.25	0.37	500,000	500,000
1.50	0.37	500,000	500,000
22.40	0.00	7,589	7,589
112.00	0.00	6,697	6,697

	161.28	0.02	54,375	54,375
	0.08 to			
\$	\$161.28	2.43	1,900,889	1,900,889

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Summary of warrants outstanding and exercisable as of December 31, 2011 is as follows:

Exercise Price	Weighted Average Remaining Life (years)	Warrants Outstanding	Warrants Exercisable
\$ 0.08	1.69	100,000	100,000
0.75	2.35	480,000	480,000
0.08 to			
\$ \$0.75	4.04	580,000	580,000

NOTE 16 – RELATED PARTY TRANSACTIONS

On the October 31, 2011 following the Company’s acquisition of the Niobrara Asset, 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, 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 Pacific Energy Development Corp., our wholly-owned subsidiary (“PEDCO”), equal to all of our proportional fees and expenses on that project, and has additionally loaned funds to PEDCO sufficient to fund our 20% portion of Condor expenses incurred in connection with the second and third wells drilled and completed by Condor on the Niobrara asset in January and February 2013. These loans were documented through the entry on February 14, 2013 of a Secured Subordinated Promissory Note (the “Note”) with MIEJ, with an effective date of November 1, 2012. Under the Note, PEDCO may draw down multiple advances up to a maximum of \$5 million under the Note, with repaid amounts not being permitted to be re-borrowed. Amounts borrowed under the Note may only be used by PEDCO to fund fees and expenses allocable to PEDCO with respect to its operations in the Niobrara asset located in Weld and Morgan Counties, Colorado (the “Niobrara Asset”). When drawn, principal borrowed under the Note carries an interest rate of 10.0% per annum. Principal and accrued interest under the Note shall be due and payable within ten (10) business days of the earlier to occur of (i) December 31, 2013 or (ii) the closing of a debt or equity financing transaction with gross proceeds to the Company of at least \$10 million. The Note may be prepaid in full by PEDCO without penalty, and is secured by all of PEDCO’s ownership and working interests in the FFT2H well located in the Niobrara Asset, and all corresponding leasehold rights pooled with respect to such well, and PEDCO’s ownership and working interests in each future well drilled and completed in the Niobrara Asset. The Note converts amounts previously advanced by MIEJ to PEDCO in the amount of \$2.17 million to fund operations in the Niobrara Asset through November 1, 2012, as well as an additional \$2 million loaned by MIEJ to PEDCO under the Note on February 14, 2013, for a total current principal amount outstanding under the Note of \$4.17 million on February 14, 2013. There is currently approximately \$830,000 available for future borrowing by PEDCO under the Note.

In October 2011, the Company issued 4,000,000 shares of its Series A Preferred Stock and an 80% interest in Condor to MIE Holdings for proceeds of \$3,000,000.

In May 2012, the Company merged its wholly-owned subsidiary, Excellong E&P-2, Inc., into White Hawk and then sold 50% of its ownership interests in White Hawk to an affiliate of MIE Holdings and issued certain warrants thereto.

During the year ended December 31, 2012, the Company loaned White Hawk funds to fund operating expenses and drilling and completion costs for a third Eagle Ford well, pursuant to a promissory note entered into on June 4, 2012, between the Company and White Hawk, which note permits multiple loans to be made thereunder and schedule therein as separate “advances” with no stated maximum limit of loan principal. The note receivable bears interest at a rate per annum equal to the one (1) month LIBOR rate for U.S. dollar deposits plus four (4.0) percentage points. Principal and interest of each loan is due thirty-six (36) months from the date of each advance under the note, with the first repayment being due June 4, 2015. As of December 31, 2012 the total notes payable and accrued interest are \$332,974 and \$459, respectively.

On September 24, 2012, Condor entered into a promissory note (the “PEDCO Note”) The Company, pursuant to which Condor may borrow, from time to time, cash advances from the Company up to a maximum amount of \$8,000,000 to fund Condor’s operations as permitted under its Operating Agreement. When drawn, principal borrowed under the PEDCO Note carries an interest rate of per annum equal to the one (1) month term, LIBOR, plus four (4.0) percent. Principal and accrued interest under the PEDCO Note shall be due and payable on the date that is 36 months from the date of each advance thereunder, or on demand following the occurrence of an event of default, as defined therein. The PEDCO Note may be prepaid in full by Condor without penalty.

On November 1, 2012, and pursuant to the terms of the Inter-Company Agreement, Condor and the Company amended and restated the PEDCO Note in full to capitalize interest accrued under the PEDCO Note to November 1, 2012. As a result \$1,224 in accrued interest was capitalized as additional principal. During the year ended December 31, 2012, the Company advanced \$2,434,442 in cash and 368,435 shares of PEDEVCO's Series A Preferred Stock valued at \$276,326. As of December 31, 2012, Condor had \$2,711,992 and \$16,963 in loans payable and accrued interest, respectively, to the Company. The note principal includes the \$276,326 value of the 368,435 shares issued by Pedevco.

Accruals for drilling costs due to Condor as a working interest owner and revenue receivable due from Condor as a working interest owner represent capital expenditures, lease operating expenses and revenues allocable to the Company for its 18.75% working interest and 15% net revenue interest in the Niobrara asset.

During the year ended December 31, 2012 and for the period from inception through December 31, 2011, the Company charged \$375,441 and \$96,000, respectively, in expenses related to a management services agreement with Condor. This management fee represents an amount agreed upon between MIEJ and the Company as being reflective of the approximate amount of time and resources the Company personnel dedicates to Condor-related matters on a monthly basis. Prior to November 1, 2012, the Company charged a monthly management of \$28,250 to Condor. On November 1, 2012, the Company began charging a monthly management fee of \$40,300. Condor will be paying a monthly management fee at least for the duration of 2013 based on the agreed upon 2013 budget. As of December 31, 2012 and 2011, the Company had accrued \$81,124 and \$96,000 in amounts due from Condor under the agreement.

NOTE 17 – INCOME TAXES

Due to the Company's net loss, there was no provision for income taxes for the period from February 9, 2011 (Inception) and December 31, 2011 and the year ended December 31, 2012.

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, 2012 are as follows:

	Year ended December 31, 2012	Period from February 9, 2011 (inception) to December 31, 2011
Deferred tax assets		
Net operating loss carryovers	\$ 1,674,813	\$ 272,936
Less valuation allowance	\$ (1,674,813)	\$ (272,936)
Total deferred tax assets	\$ -	\$ -

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, 2012. The net change in the total valuation allowance for the period from February 9, 2011 (Inception) through December 31, 2012 was an increase of \$1,947,749.

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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, 2012, 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, 2012.

As of December 31, 2012 the Company has federal net operating loss carryforwards of approximately \$4,692,988 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.

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 shareholders or public groups.

NOTE 18 – COMMITMENTS AND CONTINGENCIES

Our oil and gas leasehold acreage is subject to expiration of leases if we do not drill and hold such acreage by production. In the Niobrara asset 1,510 net acres expire in 2013, 429 net acres expire in 2014, 123 net acres expire in 2015 and 95 net acres expire thereafter. We plan to hold significantly all of this acreage through an active program of drilling and completing producing wells. Where we are not able to drill a well before lease expiration we will seek to extend leases where able. All "net" acreage reflects our acreage held directly and our 20% proportionate share of acreage held by Condor by virtue of our 20% ownership interest in Condor. In the Eagle Ford asset the balance of our 26 net acres not held by production will expire in 2013. However, we anticipate that none of our Eagle Ford acreage will expire in 2013 or thereafter as we anticipate that (i) the operator of our Eagle Ford asset, Texon Petroleum Limited ("Texon"), will continue to complete wells in which we plan to participate in order to hold these leases, (ii) the third party operator with rights to the shallow depths will continue to complete wells that will hold these leases, and (iii) if required to hold leases, we will seek to sole risk drilling and completion of wells on the asset.

The Company is not aware of any pending or threatened legal proceedings. The foregoing is also true with respect to each officer, director and control shareholder as well as any entity owned by any officer, director and control shareholder, over the last five years.

As part of its regular operations, the Company may become party to various pending or threatened claims, lawsuits and administrative proceedings seeking damages or other remedies concerning its' commercial operations, products, employees and other matters. Although the Company can give no assurance about the outcome of these or any other pending legal and administrative proceedings and the effect such outcomes may have on the Company, except as described above, the Company believes that any ultimate liability resulting from the outcome of such proceedings, to the extent not otherwise provided for or covered by insurance, will not have a material adverse effect on the Company's financial condition or results of operations.

Our board has adopted a compensation program that, effective for periods after 2012, will provide each of our "independent" directors as defined in NYSE MKT rules or under Rule 10A-3 of the Exchange Act with compensation consisting of (a) a quarterly cash payment of \$5,000, and (b) an annual equity award consisting of shares of restricted stock valued at \$60,000, vesting on the date that is one year following the date of grant. Effective upon the completion of the Company's pending public offering of its securities as contemplated by that certain Registration Statement on Form S-1 filed by the Company with the Securities and Exchange Commission on October 10, 2012, as amended (the "Pending Public Offering"), the Company plans to appoint two "independent" directors to the Board, each of whom shall receive an equity award consisting of shares of restricted stock valued at \$60,000, vesting on the date that is one year

following the date of grant, in accordance with this compensation program.

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NOTE 19 – SUBSEQUENT EVENTS

On December 13, 2012, we granted 40,000 shares of common stock with a grant date fair value of \$80,000 to an independent contractor for services provided pursuant to our 2012 Equity Incentive Plan, which shares were issued in January 2013.

On December 19, 2012, a holder of a warrant exercisable for an aggregate of 200,000 shares of our Series A preferred stock exercised the warrant on a cashless net exercise basis, and was issued an aggregate of 141,176 shares of our Series A preferred stock in January 2013.

On January 11, 2013, the Company issued 533,333 shares of common stock upon conversion of 533,333 shares of Series A preferred stock held by a shareholder.

On January 27, 2013 the Company issued 19,979,040 shares of common stock on a 1 for 1 conversion of 19,979,040 outstanding Series A preferred stock, pursuant to the automatic conversion provisions our Series A Convertible Preferred Stock Amended and Restated Certificate of Designations.

On November 30, 2012, Condor Energy Technology LLC (“Condor”), a joint venture between the Company and MIEJ entered into an Agreement for Purchase of Term Assignment (the “Original Mississippian Agreement”) for the acquisition by Condor of interests in the Mississippian Lime covering approximately 13,806 net acres located in Comanche, Harper, Barber and Kiowa Counties, Kansas and Wood County, Oklahoma, and approximately 19.5 square miles of related 3-D seismic data, for an aggregate purchase price of \$8,648,661. Pursuant to the Original Mississippian Agreement, Condor paid an initial deposit in the amount of \$864,866 (the “Initial Deposit”), which was funded equally by MIEJ and the Company. On February 8, 2013, the Company, Condor and Berexco LLC (“Berexco”) entered into a Termination of Agreement for Purchase of Term Assignment; Agreement to Transfer Performance Deposit and Negotiate in Good Faith (the “Mutual Termination and Deposit Transfer Agreement”), in which Condor and Berexco mutually agreed, without fault of either party, to terminate the Original Mississippian Agreement. In the Mutual Termination and Deposit Transfer Agreement, the Company and Berexco agreed they would negotiate in good faith the terms and conditions of an alternative transaction whereby the Company would acquire the rights to the leases previously to be acquired under the Original Mississippian Agreement by Condor (the “Proposed PEDEVCO-Berexco Transaction”). The Initial Deposit continued to be held in escrow pending the entry into a new escrow agreement provided that if no agreement with respect to the Proposed PEDEVCO-Berexco Transaction was entered into by February 22, 2013, then the escrowed funds would be returned to the Company.

On February 22, 2013, Pacific Energy Development MSL LLC (“PEDCO MSL”), a wholly owned subsidiary of the Company, entered into an Agreement for Purchase of Term Assignment (the “Purchase Agreement”) with Berexco for the acquisition of interests in the Mississippian Lime covering approximately 6,763 net acres located in Comanche, Harper, Barber and Kiowa Counties, Kansas (the “Mississippian Asset”) and approximately 10.5 square miles of related 3-D seismic data, for an aggregate purchase price of \$4,207,117. Pursuant to the Purchase Agreement, Berexco applied the Initial Deposit of \$864,866 made in connection with the Original Mississippian Agreement to this new transaction. Closing is anticipated to occur in March 2013, subject to the satisfaction of certain customary closing conditions and the Company's ability to secure sufficient financing, of which there can be no assurances. In addition, PEDCO MSL and Berexco entered into an option agreement, dated February 22, 2013, pursuant to which Berexco granted to PEDCO MSL an exclusive option (an “Option”), expiring on May 30, 2013, to purchase a term assignment with respect to certain interests in the Mississippian Lime covering an additional approximately 7,043 net acres located in Comanche, Harper, Barber and Kiowa Counties, Kansas, and Woods County, Oklahoma and approximately 9.0 square miles of related 3-D seismic data, for an aggregate purchase price upon exercise of the Option of \$4,216,544. The Company remains obligated to MIEJ to refund its portion of the Initial Deposit paid in the amount of \$432,433.

On February 14, 2013, Pacific Energy Development Corp. (“PEDCO”), a wholly owned subsidiary of the Company, entered into a Secured Subordinated Promissory Note (the “Note”) with MIEJ, with an effective date of November 1, 2012. Under the Note, PEDCO may draw down multiple advances up to a maximum of \$5 million under the Note, with repaid amounts not being permitted to be re-borrowed. Amounts borrowed under the Note may only be used by PEDCO to fund fees and expenses allocable to PEDCO with respect to its operations in the Niobrara asset located in Weld and Morgan Counties, Colorado (the “Niobrara Asset”). When drawn, principal borrowed under the Note carries an interest rate of 10.0% per annum. Principal and accrued interest under the Note shall be due and payable within ten (10) business days of the earlier to occur of (i) December 31, 2013 or (ii) the closing of a debt or equity financing transaction with gross proceeds to the Company of at least \$10 million. The Note may be prepaid in full by PEDCO without penalty, and is secured by all of PEDCO’s ownership and working interests in the FFT2H well located in the Niobrara Asset, and all corresponding leasehold rights pooled with respect to such well, and PEDCO’s ownership and working interests in each future well drilled and completed in the Niobrara Asset. The Note converts amounts previously advanced by MIEJ to PEDCO in the amount of \$2.17 million to fund operations in the Niobrara Asset through November 1, 2012, as well as an additional \$2 million loaned by MIEJ to PEDCO under the Note for a total of \$4.17 million outstanding on February 14, 2013. There is approximately \$830,000 available for future borrowing by PEDCO under the Note.

Other Subsequent Events (unaudited)

Mississippian Asset

On March 25, 2013, we acquired an average 97% working interest in the Mississippian Lime covering approximately 7,006 gross (6,763 net) acres located in Comanche, Harper, Barber and Kiowa Counties, Kansas, which we refer to as the Mississippian asset, and approximately 10.5 square miles of related 3-D seismic data, for an aggregate purchase price of \$4,207,117, pursuant to an agreement for purchase of term assignment entered into with Berexco LLC (“Berexco”). Pursuant to this agreement, we acquired the interests through our wholly-owned subsidiary, Pacific Energy Development MSL, LLC (“PEDCO MSL”), which entity serves as the operator of the asset.

In addition, we have entered into an option agreement with Berexco, dated February 22, 2013, pursuant to which for \$300,000 Berexco granted us an exclusive option, expiring on May 30, 2013, to purchase a term assignment with respect to certain interests in the Mississippian Lime covering an additional approximately 7,880 gross (7,043 net) acres located in Comanche, Harper, Barber and Kiowa Counties, Kansas, and Woods County, Oklahoma and approximately 9.0 square miles of related 3-D seismic data, for an aggregate additional purchase price of \$4,216,544 upon exercise of the option.

In connection with the closing of our acquisition of the Mississippian asset, pursuant to a letter agreement, dated March 25, 2013, entered into with STXRA, we are obligated to pay to STXRA a fee equal to \$75.00 per net oil and gas acre acquired by us in the Mississippian asset (the “Completion Fee”), which amount equals \$507,221 based on the 6,763 net acres we acquired, which amount is payable 80% in cash and 20% in our common stock, or \$405,776 in cash and \$101,444 in common stock (the “Equity Consideration”). Such compensation is due and payable to STXRA thirty (30) days following the closing of this offering, with the number of shares of our common stock to be issued being determined by dividing the amount of Equity Consideration by the price per share that we issue our common stock in the offering. STXRA originally identified the Mississippian asset acquisition opportunity for us, and provided substantial acquisition and due-diligence related consulting services to us, with their sole compensation being the Completion Fee.

Amendment of MIEJ-PEDCO Promissory Note

On March 25, 2013, MIE Jurassic Energy Corporation, an affiliate of MIE Holdings (“MIEJ”), and Pacific Energy Development Corp., our wholly-owned subsidiary (“PEDCO”), amended and restated that certain Secured Subordinated Promissory Note, dated February 14, 2013 (the “MIEJ-PEDCO Note”), to increase the maximum amount available for PEDCO to borrow thereunder from \$5 million to \$6.5 million, and to permit amounts borrowed under the MIEJ-PEDCO Note to be used by PEDCO to fund fees and expenses allocable to PEDCO with respect to its operations in the Niobrara asset, Niobrara asset-related acquisition expenses, and repayment of \$432,433 due to MIEJ as a refund of the performance deposit paid by MIEJ with respect to the Mississippian asset acquisition and applied toward our purchase price of the Mississippian asset. When drawn, principal borrowed under the MIEJ-PEDCO Note carries an interest rate of 10.0% per annum. Principal and accrued interest under the MIEJ-PEDCO Note shall be due and payable within ten (10) business days of the earlier to occur of (i) December 31, 2013 or (ii) the closing of a debt or equity financing transaction with gross proceeds to us of at least \$10 million, which would be triggered upon closing of this offering. The MIEJ-PEDCO Note may be prepaid in full by PEDCO without penalty, and is secured by all of PEDCO’s ownership and working interests in the FFT2H, Logan 2H and Waves 1H wells located in the Niobrara asset, and all corresponding leasehold rights pooled with respect to such wells, and PEDCO’s ownership and working interests in each future well drilled and completed in the Niobrara asset.

The MIEJ-PEDCO Note converts amounts previously advanced by MIEJ to PEDCO in the amount of \$2.17 million to fund operations in the Niobrara asset through November 1, 2012, as well as an additional \$2 million loaned by MIEJ to PEDCO under the MIEJ-PEDCO Note on February 14, 2013 and \$2 million loaned by MIEJ to PEDCO under the

MIEJ-PEDCO Note on March 25, 2013, for a total current principal amount outstanding under the MIEJ-PEDCO Note of \$6.17 million on March 25, 2013. There is currently approximately \$330,000 available for future borrowing by PEDCO under the MIEJ-PEDCO Note.

Bridge Financing

On March 22, 2013, we closed a private placement of \$4.0 million aggregate principal amount of secured promissory notes (the "Bridge Notes"), together with warrants exercisable for a total of up to 228,581 shares of our common stock (the "Bridge Warrants," and, together with the Bridge Notes, the "Bridge Securities"). At the closing of the bridge financing (the "Bridge Financing"), we entered into Note and Warrant Purchase Agreements with a total of 16 individual and institutional investors (collectively, the "Bridge Investors"), including ten (10) current shareholders, pursuant to which we sold and issued to the Bridge Investors a total of \$4.0 million aggregate principal amount of Bridge Notes and Bridge Warrants to purchase up to a total of 228,581 shares of our common stock (the "Note and Warrant Purchase Agreements"). The gross aggregate proceeds received by us from the sale of the Bridge Securities was \$4.0 million. Each Bridge Investor has specifically agreed in the Note and Warrant Purchase Agreements to not participate in this offering. Frank C. Ingriselli, our President, Chief Executive Officer, and member of our Board of Directors, and Clark R. Moore, our Executive Vice President and General Counsel, each participated in the Bridge Financing, purchasing Bridge Notes with an aggregate principal amount of \$1 million and receiving Bridge Warrants exercisable for up to 57,143 shares of our common stock, and purchasing Bridge Notes with an aggregate principal amount of \$50,000 and receiving Bridge Warrants exercisable for up to 2,858 shares of our common stock, respectively.

Somerley Limited ("Somerley") acted as our placement agent with respect to a portion of the Bridge Financing sold to non-U.S. investors. As compensation for acting as such, Somerley received total cash fees of \$40,000 and Bridge Warrants to purchase a total of up to 28,572 shares of the Company's common stock at an exercise price of \$1.75 per share.

Use of Proceeds.

The proceeds of the Bridge Financing may only be used by us for (i) the acquisition of the Mississippian asset; (ii) up to \$300,000 to acquire an exclusive option to acquire leases and 3D seismic data covering up to an additional 7,880 gross (7,043 net) Mississippian acres located in Harper, Kiowa, Barber and Comanche Counties, Kansas, and Woods County, Oklahoma; (iii) the payment of Placement Agent Fees; and (iv) general working capital expenses.

Terms of the Bridge Notes.

The Bridge Notes have an annual interest rate of 10% and are due and payable on the earlier to occur of (i) the date that is thirty (30) days following the closing of our next underwritten public offering of our common stock, which this offering will trigger, or (ii) December 31, 2013 (the "Maturity Date"). We may, in our sole discretion, repay the Bridge Notes in whole or in part at any time prior to the Maturity Date. The Bridge Notes are secured by a first priority lien and security interest in, to and under all of our assets, subject to MIEJ's senior lien on our Niobrara assets which secures MIEJ's loans to date under the MIEJ-PEDCO Note (current principal \$6.17 million).

Upon maturity, we are obligated to pay to the holder an additional payment-in-kind ("PIK") cash amount equal to 10% of the original principal amount of the Bridge Note. If an event of default on the Bridge Notes occurs, the principal amount of the Bridge Notes, plus accrued and unpaid interest and the PIK, if any, may be declared immediately due and payable, subject to certain conditions set forth in the Bridge Notes. These amounts may automatically become due and payable upon written notice of holders of a majority of the then-outstanding principal amount in the case of certain types of bankruptcy or insolvency events.

Terms of the Bridge Warrants.

The Bridge Warrants are net-exercisable into shares of our common stock for a period of four (4) years commencing as of their issuance date, at an exercise price of \$1.75 per share; provided, however, that the exercise price shall be adjusted to the price per share at which we issue our common stock in this offering, if such price per share is lower than \$1.75 per share. The Bridge Warrants will have a 4-year life and may be exercised on a cashless basis.

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SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES
(UNAUDITED)

The following supplemental unaudited information regarding PEDEVCO's direct oil and gas activities is presented pursuant to the disclosure requirements of ASC 932, in addition to information about the investments in Condor and White Hawk that PEDEVCO accounts for under the equity method, as well as proved reserves attributable to PEDEVCO's net equity interests in Condor and White Hawk. All oil and gas operations are located in the U.S.

(1) Capitalized costs relating to Oil and Gas Producing Activities:

	2012	2011
Proved leasehold costs	\$792,922	\$-
Costs of wells and development	1,696,593	-
Capitalized asset retirement costs	6,566	-
Total costs of oil and gas properties	2,496,081	-
Option on oil and gas properties	-	-
Accumulated depreciation, amortization and impairment	(75,393)	-
Net capitalized costs	\$2,420,688	\$-
Unproved leasehold costs	\$1,105,644	\$1,724,234
Accumulated impairment	(180,262)	-
Net capitalized costs - unproved properties	\$925,382	\$1,724,234

As of December 31, 2012

Unproved oil and gas properties	\$1,105,644
Proved oil and gas properties	2,496,081
	3,601,725
Accumulated depreciation, amortization and impairment	(255,655)
Net capitalized costs	\$3,346,070

(2) Costs Incurred in Oil and Gas Property Acquisition and Development Costs:

	2012	2011
Acquisition of properties:		
Proved	\$95,906	\$-
Unproved	78,426	1,724,234
Exploration costs	-	-
Development costs	1,703,159	-
	\$1,877,491	\$1,724,234

(3) Results of Operations for Producing Activities:

	2012	2011
Sales	\$503,153	\$
Production costs	(281,103)	-
Depletion, accretion and impairment	(311,594)	-
Income tax benefit	-	-
Results of operations	\$(89,544)	\$-

(4) Reserve quantity information:

The supplemental unaudited presentation of proved reserve quantities and related standardized measure of discounted future net cash flows provides estimates only and does not purport to reflect realizable values or fair market values of the Company's reserves. The Company emphasizes that reserve estimates are inherently imprecise and that estimates of new discoveries are more imprecise than those of producing oil and gas properties. Accordingly, significant changes to these estimates can be expected as future information becomes available. All of the Company's reserves are located in the United States.

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Proved reserves are those estimated reserves of crude oil (including condensate and natural gas liquids) and natural gas that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are those expected to be recovered through existing wells, equipment, and operating methods.

The standardized measure of discounted future net cash flows is computed by applying the average first day of the month price of oil and gas during the 12 month period before the end of the year (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves, less the estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, less estimated future income tax expenses (based on year-end statutory tax rates, with consideration of future tax rates already legislated) to be incurred on pretax net cash flows less tax basis of the properties and available credits, and assuming continuation of existing economic conditions. The estimated future net cash flows are then discounted using a rate of 10 percent per year to reflect the estimated timing of the future cash flows.

The reserve estimates set forth below were prepared by Ryder Scott Company, L.P. ("Ryder Scott"), a professional engineering firm certified by the Texas Board of Professional Engineers (Registration number F-1580), under the direction of Michael F. Stell of Ryder Scott. Ryder Scott, and its employees, have no interest in our Company and were objective in determining our reserves.

The reserve estimates were prepared by Ryder Scott using reserve definitions and pricing requirements prescribed by the SEC.

Ryder Scott estimated the proved reserves for our properties by performance methods and analogy. All of the proved producing reserves attributable to producing wells and/or reservoirs were estimated by performance methods. These performance methods, such as decline curve analysis, utilized extrapolations of historical production and pressure data available through November 2012 in those cases where such data were considered to be definitive. The data utilized were furnished to Ryder Scott by the Company or obtained from public data sources. All of the proved developed non-producing and undeveloped reserves were estimated by analogy.

As there were no proved reserves as of December 31, 2011, the table below does not include reserve quantities for the 2011 fiscal year-end.

Estimated Quantities of Proved Oil and Gas Reserves	2012	
	Oil (MBbls)	Gas (Mmcf)
Proved Developed Producing	49.7	21.0
Proved Developed Non-Producing	31.8	53.0
Total Proved Developed	81.5	74.0
Proved Undeveloped	195.0	324.0
Total Proved as of December 31, 2012	276.5	398.0
	2012	
	Oil (MBbls)	Gas (Mmcf)
Total Proved Reserves:		
Beginning of year	0.0	0.0
Extensions and discoveries	243.2	398.0

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Revisions of previous estimates	0.0	0.0
Purchase of minerals in place	38.4	0.0
Production	(5.1)	0.0
End of year proved reserves	276.5	398.0
End of Year proved developed reserves	81.5	74.0
End of Year proved undeveloped reserves	195.0	324.0

The standardized measure of discounted future net cash flows, in management's opinion, should be examined with caution. The basis for this table is the reserve studies prepared by independent petroleum engineering consultants, which contain imprecise estimates of quantities and rates of future production of reserves. 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 the Company's proved oil and natural gas properties.

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Future income tax expense was computed by applying statutory rates, less the effects of tax credits for each period presented, to calculate the difference between pre-tax net cash flows relating to the 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, 2012 (as there were no proved reserves as of December 31, 2011, 2011 data is not included for the standardized measure of discounted future net cash flows and the changes therein):

	(\$ 000's)
For the year ended December 31, 2012	
Future Cash Inflows	\$26,036
Future production costs	(5,496)
Future development costs	(9,914)
Future income tax expense	(2,487)
Future net cash flows	8,139
10% annual discount	(5,733)
Standardized measure of discounted future net cash flows	\$2,406

Changes in Standardized Measure of Discounted Future Cash Flows

	(\$ 000's)
Beginning of year	\$-
Sales and transfers of oil and gas produced, net of production costs	-
Net changes in prices and production costs	(222)
Extensions, discoveries, additions and improved recovery, net of related costs	2,074
Development costs incurred	-
Revisions of estimated development costs	-
Revisions of previous quantity estimates	-
Accretion of discount	-
Net change in income taxes	(708)
Purchases of reserves in place	1,262
Sales of reserves in place	-
Changes in timing and other	-
End of year	\$2,406

Capitalized costs relating to Oil and Gas producing activities of Equity Method Investees:

	Company's share of Equity Method Investees- Condor Energy Technology, LLC		Company's share of Equity Method Investees- White Hawk Petroleum LLC	
	2012	2011	2012	2011
Oil and Gas properties held directly:				
Proved leasehold costs	\$379,196	\$-	\$1,479,468	\$-
Costs of wells and development	1,081,266	-	463,097	-
Capitalized asset retirement costs	1,647	-	10,566	-
Total costs of oil and gas properties	1,462,109	-	1,953,131	-
Option on oil and gas properties	-	-	-	-
Accumulated depreciation, Amortization and Impairment	(44,046)	-	(107,236)	-
Net capitalized costs - proved properties	\$1,418,063	\$-	\$1,845,895	\$-
Unproved leasehold costs				
Unproved leasehold costs	\$604,168	\$638,078	\$314,525	\$-
Accumulated impairment	(73,807)	-	-	-
Net capitalized costs - unproved properties	\$530,361	\$638,078	\$314,525	\$-

Capitalized costs relating to Oil and Gas producing activities of Equity Method Investees:

	Company's share of Equity Method Investees- Total	
	2012	2011
Oil and Gas properties held directly:		
Proved leasehold costs	\$1,858,664	\$-
Costs of wells and development	1,544,363	-
Capitalized asset retirement costs	12,213	-
Total costs of oil and gas properties	3,415,240	-
Option on oil and gas properties	-	-
Accumulated depreciation, Amortization and Impairment	(151,282)	-
Net capitalized costs - proved properties	\$3,263,958	\$-
Unproved leasehold costs		
Unproved leasehold costs	\$918,693	\$638,078
Accumulated impairment	(73,807)	-
Net capitalized costs - unproved properties	\$844,886	\$638,078

Cost Incurred in Oil and Gas Property Acquisition and development costs of Equity Method Investees:

	Company's share of Equity Method Investees- Condor Energy Technology, LLC		Company's share of Equity Method Investees- White Hawk Petroleum LLC	
	2012	2011	2012	2011
Acquisition of properties				
Proved	\$6,790	\$ -	\$ 1,490,034	\$ -
Unproved	338,496	638,078	314,525	-
Exploration costs	-	-	-	-
Development costs	1,082,913	-	463,097	-
	\$1,428,199	\$ 638,078	\$ 2,267,656	\$ -

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Cost Incurred in Oil and Gas Property Acquisition and development costs of Equity Method Investees:

	Company's share of Equity Method Investees-Total	
	2012	2011
Acquisition of properties		
Proved	\$1,496,824	\$-
Unproved	653,021	638,078
Exploration costs	-	-
Development costs	1,546,010	-
	\$3,695,855	\$638,078

Results of operations for producing activities for Equity Method Investees:

	Company's share of Equity Method Investees- Condor Energy Technology, LLC		Company's share of Equity Method Investees- White Hawk Petroleum LLC	
	2012	2011	2012	2011
Sales	\$130,760	\$-	\$273,171	\$-
Production costs	(84,974)	-	(76,257)	-
Depletion, accretion and impairment	(117,890)	-	(107,903)	-
Income tax benefit	-	-	-	-
Results of operations	\$(72,104)	\$0	\$89,011	\$0

Results of operations for producing activities for Equity Method Investees:

	Company's share of Equity Method Investees-Total	
	2012	2011
Sales	\$403,931	\$-
Production costs	(161,231)	-
Depletion, accretion and impairment	(225,792)	-
Income tax benefit	-	-
Results of operations	\$16,908	\$0

Estimated Quantities of Proved Oil and Gas Reserves of Equity Method Investees	Company's share of Equity Method Investees- Condor Energy Technology, LLC		Company's share of Equity Method Investees- White Hawk Petroleum LLC	
	Oil (MBbls)	Gas (Mmcf)	Oil (MBbls)	Gas (Mmcf)
As of December 31, 2012				
Proved Developed Producing	8.3	13.8	11.2	20.5
Proved Developed Non-Producing	20.8	34.4	0.0	0.0
Total Proved Developed	29.1	48.2	11.2	20.5
Proved Undeveloped	323.2	536.6	127.5	181.0
Total Proved as of December 31	352.3	584.8	138.7	201.5

Estimated Quantities of Proved Oil and Gas Reserves of Equity Method Investees As of December 31, 2012	Company's share of Equity Method Investees-Total	
	Oil (MBbls)	Gas (Mmcf)
Proved Developed Producing	19.5	34.3
Proved Developed Non-Producing	20.8	34.4
Total Proved Developed	40.3	68.7
Proved Undeveloped	450.7	717.6
Total Proved as of December 31	491.0	786.3

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As of December 31, 2012	Company's share of Equity Method Investees- Condor Energy Technology, LLC		Company's share of Equity Method Investees- White Hawk Petroleum LLC	
	Oil (MBbls)	Gas (Mmcf)	Oil (MBbls)	Gas (Mmcf)
Total Proved Reserves:				
Beginning of year	0.0	0.0	0.0	0.0
Extensions and discoveries	353.8	584.8	6.2	1.8
Revisions of previous estimates	0.0	0.0	0.0	0.0
Purchase of minerals in place	0.0	0.0	135.0	202.5
Production	(1.5)	0.0	(2.6)	(2.8)
End of year proved reserves	352.3	584.8	138.7	201.5
End of Year proved developed reserves	29.1	48.2	11.2	20.5
End of Year proved undeveloped reserves	323.2	536.6	127.5	181.0

As of December 31, 2012	Company's share of Equity Method Investees-Total	
	Oil (MBbls)	Gas (Mmcf)
Total Proved Reserves:		
Beginning of year	0.0	0.0
Extensions and discoveries	360.0	586.6
Revisions of previous estimates	0.0	0.0
Purchase of minerals in place	135.0	202.5
Production	(4.0)	(2.8)
End of year proved reserves	491.0	786.3
End of Year proved developed reserves	40.3	68.7
End of Year proved undeveloped reserves	450.7	717.6

The following table sets forth the Company's share of the Equity Method Investees' standardized measure of discounted future net cash flows (stated in thousands) relating to the proved reserves as of December 31, 2012 (as there were no proved reserves as of December 31, 2011, 2011 data is not included for the standardized measure of discounted future net cash flows and the changes therein):

For the year ended December 31, 2012 (000's)	Condor	White	Company's
	Energy Technology, LLC	Hawk Petroleum, LLC	share of Equity Method Investees- Total
Future Cash Inflows	\$ 33,228	\$ 14,594	\$ 47,822
Future production costs	(6,784)	(6,147)	(12,931)
Future development costs	(15,044)	(4,377)	(19,421)

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Future income tax expense	(4,457)	(1,589)	(6,046)
Future net cash flows	6,943	2,481	9,424
10% annual discount	(6,446)	(1,364)	(7,810)
Standardized measure of discounted future net cash flows	\$ 497	\$1,118	\$1,614

	Condor Energy Technology, LLC	White Hawk Petroleum, LLC	Company's share of Equity Method Investees- Total
Changes in Standardized Measure of Discounted Future Cash Flows (000s)			
December 31, 2011	\$ -	\$-	\$-
Sales and transfers of oil and gas produced, net of production costs	(46)	(197)	(243)
Net changes in prices and production costs	-	-	-
Extensions, discoveries, additions and improved recovery, net of related costs	2,099	328	2,427
Development costs incurred	-	-	-
Revisions of estimated development costs	-	-	-
Revisions of previous quantity estimates	-	-	-
Accretion of discount	-	-	-
Net change in income taxes	(1,556)	(904)	(2,460)
Purchases of reserves in place	-	1,890	1,890
Sales of reserves in place	-	-	-
Changes in timing and other	-	-	-
December 31, 2012	\$ 497	\$1,117	\$1,614

Explanatory Note

Rule 3-09 of Regulation S-X provides that if a 50% or less owned person accounted for by the equity method meets the first or third condition of the significant subsidiary tests set forth in Rule 1-02(w) of Regulation S-X, substituting 20% for 10%, separate financial statements for such 50% or less owned person shall be filed. As Condor Energy Technology, LLC met such test as of December 31, 2012 and December 31, 2011, and for the period from October 12, 2011 to December 31, 2011 and for the year ended December 31, 2012, PEDEVCO CORP. has included in this Form 10-K the audited financial statements for the year ended December 31, 2012 and for the period from October 12, 2011 (Inception) to December 31, 2011.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of
Condor Technology Services, LLC
Danville, CA

We have audited the accompanying balance sheets of Condor Technology Services, LLC as of December 31, 2012 and 2011, and the related statements of operations, changes in members' equity and cash flows for the year ended December 31, 2012 and for the period from October 12, 2011 (inception) through December 31, 2011. Condor Technology Services, LLC's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Condor Technology Services, LLC as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the year ended December 31, 2012 and the period from October 12, 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 Condor Technology Services, LLC will continue as a going concern. As discussed in Note 2 to the financial statements, Condor Technology Services, LLC has suffered recurring losses from operations that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ GBH CPAs, PC

GBH CPAs, PC
www.gbhcpas.com
Houston, Texas
March 22, 2013

CONDOR ENERGY TECHNOLOGY, LLC
BALANCE SHEETS

	December 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$756,545	\$ 154,826
Accounts receivable – oil and gas	302,773	-
Accounts receivable – working interest owners	3,191,093	-
Accounts receivable – working interest owners – related party	922,112	-
Prepaid expenses and other current assets	10,194	-
Total current assets	5,182,717	154,826
Oil and gas properties:		
Oil and gas properties, subject to amortization, net	7,090,316	-
Oil and gas properties, not subject to amortization	2,651,804	3,190,390
Total oil and gas properties, net	9,742,120	3,190,390
Deferred acquisition costs	990,220	-
Deposit for asset retirement obligations	85,000	85,000
Other assets	3,000	-
Total assets	\$16,003,057	\$ 3,430,216
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable	\$2,257,016	\$ 38,163
Accounts payable – related parties	100,180	203,750
Management services payable – related party	81,124	96,000
Advances from working interest owners	41,172	-
Revenue payable – working interest owners	286,386	-
Revenue payable – working interest owner – related party	112,488	-
Accrued interest – related parties	74,344	37
Total current liabilities	2,952,710	337,950
Asset retirement obligations	8,421	-
Notes payable – related parties	12,240,161	150,000
Total liabilities	15,201,291	487,950
Commitments and contingencies		
Members' equity		
Members' equity	801,766	2,942,266
Total liabilities and members' equity	\$16,003,057	\$ 3,430,216

See accompanying notes to financial statements.

CONDOR ENERGY TECHNOLOGY, LLC
 STATEMENTS OF OPERATIONS
 For the Year Ended December 31, 2012 and for the
 Period from October 12, 2011 (Inception) through December 31, 2011

	December 31, 2012	Period from October 12, 2011 (Inception) through December 31, 2011
Revenue:		
Oil and gas sales	\$653,802	\$-
Operating expenses:		
Lease operating costs	424,872	-
Exploration expense	759,857	32,080
Selling, general and administrative expense	806,285	97,257
Depreciation, depletion, amortization and accretion	220,412	-
Impairment of oil and gas properties	369,037	-
Total operating expenses	2,580,463	129,337
Loss from operations	(1,926,661)	(129,337)
Other expense:		
Interest expense	(213,839)	(37)
Total other expense	(213,839)	(37)
Net loss	\$(2,140,500)	\$(129,374)

See accompanying notes to financial statements.

CONDOR ENERGY TECHNOLOGY, LLC
 STATEMENT OF CHANGES IN MEMBERS' EQUITY
 For the Period from October 12, 2011 (Inception) through December 31, 2011
 and for the Year Ended December 31, 2012

	Total Members' Equity
Balance at October 12, 2011 (Inception)	\$-
Contribution of oil and gas properties for members' interests	3,071,640
Net loss	(129,374)
Balance at December 31, 2011	2,942,266
Net loss	(2,140,500)
Balance at December 31, 2012	\$801,766

See accompanying notes to financial statements.

CONDOR ENERGY TECHNOLOGY, LLC
STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2012 and for the
Period from October 12, 2011 (Inception) through December 31, 2012

	December 31, 2012	Period from October 12, 2011 (Inception) through December 31, 2011
Cash flows from operating activities:		
Net loss	\$(2,140,500)	\$(129,374)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, depletion, amortization and accretion	220,412	-
Impairment of oil and gas properties	369,037	-
Changes in operating assets and liabilities:		
Accounts receivable – oil and gas	(302,773)	-
Accounts receivable – working interest owners	(3,191,093)	-
Accounts receivable – working interest owners – related party	(2,063,890)	-
Prepaid expenses and other assets	(13,194)	-
Accounts payable	2,218,853	38,163
Accounts payable – related parties	(199,570)	299,750
Management services payable – related party	81,124	-
Advances from working interest owners	41,172	-
Revenue payable – working interest owners	286,386	-
Revenue payable – working interest owner – related party	112,488	
Accrued interest – related parties	212,901	37
Cash flows (used in)/provided by operating activities	(4,368,647)	208,576
Cash flows from investing activities:		
Cash bond deposited for asset retirement obligations	-	(85,000)
Cash paid for oil and gas properties	(1,457,139)	(118,750)
Cash paid for deferred acquisition costs	(990,220)	-
Cash paid for oil and gas drilling operations	(5,399,293)	-
Cash flows used in investing activities	(7,846,652)	(203,750)
Cash flows from financing activities:		
Proceeds from related party notes payable	12,817,018	150,000
Net cash provided by financing activities	12,817,018	150,000
Net increase in cash	601,719	154,826
Cash at beginning of period	154,826	-
Cash at end of period	\$756,545	\$154,826
Supplemental disclosure of cash flow information:		
Cash paid for:		

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Interest	\$-	\$-
Income taxes	\$-	\$-
Noncash investing and financing transactions:		
Contribution of oil and gas properties for members' interests	\$-	\$3,071,640
Asset retirement costs acquired	\$8,237	\$-
Oil and gas drilling costs paid by MIEJ on behalf of PEDEVCO	\$1,141,778	\$-
Oil and gas properties acquired through issuance of PEDEVCO Series A preferred stock	\$276,326	\$-
Unproved oil and gas properties reclassified to proved properties	\$1,892,239	\$-
Accrued interest converted to notes payable – related parties	\$138,594	\$-

See accompanying notes to financial statements.

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CONDOR ENERGY TECHNOLOGY, LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION

The accompanying financial statements of Condor Energy Technology, LLC, (“Condor” or the “Company”), have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and the rules of the Securities and Exchange Commission (“SEC”).

NOTE 2 – DESCRIPTION OF BUSINESS

The Company was formed on October 12, 2011 as a Nevada limited liability company. Initial members’ equity was contributed by Pacific Energy Development Corp. (“PEDCO”), a wholly owned subsidiary of PEDEVCO Corp. (“PEDEVCO”), and MIE Jurassic Energy Corporation (“MIEJ”), a subsidiary of MIE Holdings Corporation (“MIE Holdings”) through the contribution of working interests in certain oil and gas properties in Colorado in the Niobrara formation during October 2011. MIE Holdings (Hong Kong Stock Exchange code: 1555.HK) is one of the largest independent upstream onshore oil companies in China. Condor’s primary business plan is engaging in oil and gas exploration, development and production of primarily shale oil and gas and secondarily conventional oil and gas opportunities in the United States.

Condor’s operations consist primarily of working interests in oil and gas leases in the Niobrara shale formation located in the Denver-Julesberg Basin in Morgan and Weld Counties, Colorado. PEDCO owns a 20% interest in Condor; the remaining interest in Condor is owned by MIEJ.

The Company plans to focus initially on developing shale oil and gas assets held by the Company in the U.S., including its first oil and gas working interest known as “the Niobrara Asset”. Subsequently, the Company plans to seek additional shale oil and gas and conventional oil and gas asset acquisition opportunities in the U.S. and Pacific Rim countries utilizing its strategic relationships and technologies that may provide the Company a competitive advantage in accessing and exploring such assets.

NOTE 3 – 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 losses from operations of \$2,269,874 for the period from October 12, 2011 (inception) through December 31, 2012. 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 current oil and gas assets held and additional oil and gas assets that it may acquire. 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.

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in Financial Statement Preparation. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as certain financial statement disclosures. While management believes that the

estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ from these estimates. Significant estimates generally include those with respect to the amount of recoverable oil and gas reserves, oil and gas depletion and asset retirement obligations.

Cash and Cash Equivalents. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. As of December 31, 2012 and 2011, cash and cash equivalents consisted of money market funds and cash on deposit.

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, 2012, approximately \$490,000 of the Company's cash balances were uninsured. The Company has not experienced any losses in such accounts.

Sales to one customer comprised 100% of the Company's total oil and gas sales for the year ending December 31, 2012. There were no sales in the period ended December 31, 2011. The Company believes that, in the event that its primary customer was unable or unwilling to continue to purchase the Company's production, there are a substantial number of alternative buyers for its production at comparable prices.

Accounts Receivable. Accounts receivable typically consist of oil and gas receivables from our working interest owners. The Company has classified these as short-term assets in the balance sheet because the Company expects repayment or recovery within the next 12 months. The Company evaluates these accounts receivable for collectability considering the results of operations of these related entities and when necessary records allowances for expected unrecoverable amounts. To date, no allowances have been recorded.

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 natural gas. Revenue from crude oil and natural gas sales is recognized when the product is delivered to the purchaser and collectability is reasonably assured. The Company follows the “sales method” of accounting for oil and natural gas revenue, so it recognizes revenue on all natural gas or crude oil sold to purchasers, regardless of whether the sales are proportionate to its ownership in the property. A receivable or liability is recognized only to the extent that the Company has an imbalance on a specific property greater than its share of the expected remaining proved reserves. If collection is uncertain, revenue is recognized when cash is collected.

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.

Oil and Gas Properties, Successful Efforts Method. The successful efforts method of accounting is used for oil and gas exploration and production activities. Under this method, all costs for development wells, support equipment and facilities, and proved mineral interests in oil and gas properties are capitalized. Geological and geophysical costs are expensed when incurred. Costs of exploratory wells are capitalized as exploration and evaluation assets pending determination of whether the wells find proved oil and gas reserves. Proved oil and gas reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, (i.e., prices and costs as of the date the estimate is made). Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

Exploratory wells in areas not requiring major capital expenditures are evaluated for economic viability within one year of completion of drilling. The related well costs are expensed as dry holes if it is determined that such economic viability is not attained. Otherwise, the related well costs are reclassified to oil and gas properties and subject to impairment review. For exploratory wells that are found to have economically viable reserves in areas where major capital expenditure will be required before production can commence, the related well costs remain capitalized only if additional drilling is under way or firmly planned. Otherwise the related well costs are expensed as dry holes.

Exploration and evaluation expenditures incurred subsequent to the acquisition of an exploration asset in a business combination are accounted for in accordance with the policy outlined above.

Depreciation, depletion and amortization of capitalized oil and gas properties is calculated on a field by field basis using the unit of production method. Lease acquisition costs are amortized over total estimated proved developed and undeveloped reserves and all other capitalized costs are amortized over proved developed reserves.

Impairment of Long-Lived Assets. The Company reviews the carrying value of its long-lived assets annually or whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the future net undiscounted cash flows expected to result from the asset, including eventual disposition. If the future net undiscounted cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset’s carrying value and estimated fair value.

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, the Company will record a liability (an asset retirement obligation or “ARO”) on its balance sheet and capitalize the present value of the asset retirement cost in oil and 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 the 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 over the estimated proved developed reserves. Both the accretion and the depreciation will be included in depreciation, depletion and amortization expense on our statements of operations.

Income Taxes. The Company is organized as a Limited Liability Company. A limited liability company is not a taxpaying entity. Any income or operating loss arising from the activities of the company is reported, after appropriate adjustments, on the personal income tax returns of the members. Adjustments to the income or loss allocated to a particular member will be required when the tax basis and accounting basis of net contributions made by an individual member are not equal. Because the company is not a taxpaying entity, its financial statements are different from those of taxpaying entities. Specifically, on the income statements there is no provision for federal income tax expense that must be paid because income was earned during the year. In addition, the balance sheets do not present a liability for income taxes incurred but not yet paid as of the balance sheet dates. Also, the balance sheets does not present any deferred tax assets or liabilities that might arise from different methods used to measure net income for the income statements and taxable income for the individual members.

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.

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.

Recently Issued Accounting Pronouncements. There were various accounting standards and interpretations issued during 2012 and 2013, none of which are expected to have a material impact on the Company’s financial position, operations or cash flows.

In July 2012 the FASB issued ASU 2012-02 Testing Indefinite-Lived Intangible Assets for Impairment, which amends Topic 350 and gives companies the option first to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount in accordance with Topic 350-30. This ASU shall be applied prospectively for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012 and early adoption is permitted. Implementation of the ASU is not expected to have a significant impact on the Company’s financial statements.

Subsequent Events. The Company has evaluated all transactions through the date the financial statements were issued for subsequent event disclosure consideration.

NOTE 5 – OIL AND GAS PROPERTIES

Activities related to oil and gas properties during the year ended December 31, 2012 and the period from October 12, 2011 (Inception) through December 31, 2011 consisted of the following:

Description	December 31, 2012	December 31, 2011
Beginning balance	\$ 3,190,390	\$ -
Additions:		
Unproved properties	1,733,465	3,190,390
Proved properties	5,399,293	-
Asset retirement costs	8,237	-
Disposals	-	-
Impairment	(369,037)	-
Depletion and depreciation	(220,228)	-
Ending balance	\$ 9,742,120	\$ 3,190,390

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The following tables summarize the Company's oil and gas activities by classification for the year ended December 31, 2012 and the period from October 12, 2011 (Inception) through December 31, 2011:

	October 12, 2011	Additions	Disposals	Transfers	December 31, 2011
Unproved properties	-	3,190,390	-	-	3,190,390
Proved properties	-	-	-	-	-
Asset retirement costs	-	-	-	-	-
Accumulated depreciation, depletion and impairment	-	-	-	-	-
Total oil and gas assets	-	3,190,390	-	-	3,190,390

	January 1, 2012	Additions	Disposals	Transfers	December 31, 2012
Unproved properties	3,190,390	1,733,465	-	(1,903,014)	3,020,841
Proved properties	-	5,399,293	-	1,903,014	7,302,307
Asset retirement costs	-	8,237	-	-	8,237
Accumulated depreciation, depletion and impairment	-	(589,265)	-	-	(589,265)
Total oil and gas assets	3,190,390	6,551,730	-	-	9,742,120

Niobrara Asset

PEDCO acquired a 50% working interest in unproved oil and gas leases 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. PEDCO assigned a 31.25% working interest valued at \$3,071,640 of the Niobrara interest acquired to Condor. The oil and gas properties assigned consisted of 4,416 net acres in the Niobrara formation in Colorado.

During the year ended December 31, 2012, the Company began drilling operations on its FFT2H, Logan 2H and Waves 1H wells. The Company completed the FFT2H well in June 2012 and incurred \$3,734,152 in drilling and completion costs. As of December 31, 2012, the Company has incurred \$804,759 and \$860,382 in drilling costs related to the Logan 2H and Waves 1H wells, respectively, which were completed subsequent to December 31, 2012.

On September 24, 2012, the Company acquired an additional 30% working interest and 3,595 net acres from Esenjay Oil & Gas, Ltd. ("Esenjay"), in the Niobrara asset. The purchase price was \$1,381,636, which consisted of \$1,105,310 in cash loaned from MIEJ and 368,435 shares of PEDEVCO's Series A Preferred Stock valued at \$276,326. In addition to this acquisition, the Company incurred \$267,678 in land and title fees related to the additional acreage acquired.

Esenjay retains an overriding royalty interest in the production from the leases assigned equal to the amount, if positive, by which twenty percent (20%) of production exceeds the aggregate of all landowner royalties, overriding royalties and other burdens measured or payable out of the production that cover or affect the subject leases.

In December 2012, the Company acquired 319 net acres for \$84,151 from various working interest owners in the Niobrara asset.

During the year ended December 31, 2012, the Company had leases expire related to 573 net acres in unproved properties. The Company recorded an impairment to unproved properties of \$369,037. For the period from October

12, 2011 to December 31, 2011, there was no impairment of oil and gas properties.

NOTE 6 – DEFERRED ACQUISITION COSTS

On November 30, 2012, Condor, entered into an Agreement for Purchase of Term Assignment (the “Original Mississippian Agreement”) for the acquisition by Condor of interests in the Mississippian Lime covering approximately 13,806 net acres located in Comanche, Harper, Barber and Kiowa Counties, Kansas and Wood County, Oklahoma, and approximately 19.5 square miles of related 3-D seismic data, for an aggregate purchase price of \$8,648,661. Pursuant to the Original Mississippian Agreement, Condor paid an initial deposit in the amount of \$864,866 (the “Initial Deposit”), which was funded equally by MIEJ and PEDEVCO. In addition, as of December 31, 2012, the Company has incurred \$125,354 in due diligence costs related to the acquisition.

NOTE 7 – RELATED PARTY TRANSACTIONS

On the October 31, 2011 following PEDCO’s acquisition of the Niobrara Asset, PEDCO transferred and assigned to Condor, 62.5% of the Niobrara Asset interest acquired by PEDCO, the net result of which is that each of PEDCO and MIEJ have a 50% net working interest in the Niobrara Asset originally acquired by PEDCO. Furthermore, Condor was designated as “Operator” of the Niobrara Asset. Condor’s Board of Managers is comprised of PEDEVCO’s President and Chief Executive Officer, Mr. Frank Ingriselli, and two designees of MIEJ.

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PEDCO

Receivables from related party working interest owner and revenue payable to related party working interest owner are capital expenditures, lease operating expenses and revenues allocable to PEDCO for its 18.75% working interest and 15% net revenue interest in the Niobrara asset.

As of December 31, 2012, the Company had accounts payable of \$100,180 owed to South Texas Reservoir Alliance LLC (“STXRA”), a related party, which performed engineering services on the Niobrara oil and gas properties. As of December 31, 2011, the Company had accounts payable of \$203,750 owed to PEDCO for expenses paid by PEDCO on behalf of the Company.

During the year ended December 31, 2012 and for the period from inception through December 31, 2011, the Company incurred \$375,441 and \$96,000, respectively, in expenses related to a management services agreement with PEDCO. This management fee represents an amount agreed upon between MIEJ and PEDCO as being reflective of the approximate amount of time and resources the PEDCO team dedicates to Condor-related matters on a monthly basis. Prior to November 1, 2012, PEDCO charged a monthly management of \$28,250 to the Company. On November 1, 2012, PEDCO began charging a monthly management fee of \$40,300. The Company will be paying a monthly management fee at least for the duration of 2013 based on the agreed upon 2013 budget. As of December 31, 2012 and 2011, the Company had accrued \$81,124 and \$96,000 in amounts owed under the agreement.

Notes Payable - MIEJ and PEDCO

On March 7, 2012, Condor entered into a promissory note (the “MIEJ Note”) with MIEJ, the holder of 80% of the membership interests in Condor, pursuant to which Condor may borrow, from time to time, cash advances from MIEJ up to a maximum amount of \$8,000,000 to fund Condor’s operations as permitted under its Operating Agreement. When drawn, principal borrowed under the MIEJ Note carries an interest rate of per annum equal to the one (1) month term, LIBOR, plus four (4.0) percent. Principal and accrued interest under the MIEJ Note shall be due and payable on the date that is 36 months from the date of each advance thereunder, or on demand following the occurrence of an event of default, as defined therein. The MIEJ Note may be prepaid in full by Condor without penalty.

On September 24, 2012, Condor entered into a promissory note (the “PEDCO Note”) PEDCO, pursuant to which Condor may borrow, from time to time, cash advances from PEDCO up to a maximum amount of \$8,000,000 to fund Condor’s operations as permitted under its Operating Agreement. When drawn, principal borrowed under the PEDCO Note carries an interest rate of per annum equal to the one (1) month term, LIBOR, plus four (4.0) percent. Principal and accrued interest under the PEDCO Note shall be due and payable on the date that is 36 months from the date of each advance thereunder, or on demand following the occurrence of an event of default, as defined therein. The PEDCO Note may be prepaid in full by Condor without penalty.

On November 1, 2012, and pursuant to the terms of an Inter-Company Agreement entered into by and between PEDCO and MIEJ (the “Inter-Company Agreement”), Condor and MIEJ amended and restated the MIEJ Note in full to capitalize interest accrued under the original MIEJ Note to November 1, 2012, and to increase the maximum amount of cash advances under the note to \$14,000,000. As a result \$137,371 in accrued interest was capitalized as additional principal. During the year ended December 31, 2012, MIEJ advanced \$9,240,798. As of December 31, 2012, the Company had \$9,528,169 and \$57,381 in notes payable and accrued interest, respectively, to MIEJ.

On November 1, 2012, and pursuant to the terms of the Inter-Company Agreement, Condor and PEDCO amended and restated the PEDCO Note in full to capitalize interest accrued under the PEDCO Note to November 1, 2012. As a result \$1,224 in accrued interest was capitalized as additional principal. During the year ended December 31, 2012, PEDCO advanced \$2,434,442 in cash and 368,435 shares of PEDEVCO’s Series A Preferred Stock valued at

\$276,326. As of December 31, 2012, the Company had \$2,711,992 and \$16,963 in loans payable and accrued interest, respectively, to PEDCO. The note principal includes the \$276,326 fair market value of the 368,435 shares issued by Pedevco (a subscription payable).

NOTE 8 – ASSET RETIREMENT OBLIGATIONS

The Company records the fair value of a liability for asset retirement obligations (“ARO”) in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. The present value of the estimated asset retirement costs is capitalized as part of the long-lived asset and is depreciated over the useful life of the asset. The Company accrues an abandonment liability associated with its oil and gas wells when those assets are placed in service or acquired. The ARO is recorded at its estimated fair value and accretion is recognized over time as the discounted liability is accreted to its expected settlement value. Fair value is determined by using the expected future cash outflows discounted at the Company’s credit –adjusted cost of capital risk-free rate. No market premium has been included in the Company’s calculation of the ARO balance.

The following is a description of the changes to the Company’s ARO for the year ended December 31, 2012 and for the period from inception through December 31, 2011. There was no ARO recorded during 2011.

Description	December 31, 2012
Beginning balance	\$ -
Liabilities incurred	8,237
Accretion expense	184
Ending balance	\$ 8,421

NOTE 9 – INCOME TAXES

The Company is organized as a limited liability company and all taxable income is taxed directly to the members thus there is no provision for income taxes. The Company's basis in its assets for financial reporting purposes is lower than that of its tax basis by approximately \$200,000.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The Company is not aware of any pending or threatened legal proceedings. The foregoing is also true with respect to each officer, director and control shareholder as well as any entity owned by any officer, director and control shareholder, over the last five years.

As part of its regular operations, the Company may become party to various pending or threatened claims, lawsuits and administrative proceedings seeking damages or other remedies concerning its' commercial operations, products, employees and other matters. Although the Company can give no assurance about the outcome of these or any other pending legal and administrative proceedings and the effect such outcomes may have on the Company, except as described above, the Company believes that any ultimate liability resulting from the outcome of such proceedings, to the extent not otherwise provided for or covered by insurance, will not have a material adverse effect on the Company's financial condition or results of operations.

NOTE 11 – MEMBERS' EQUITY

On October 31, 2011 following PEDCO's acquisition of the Niobrara Asset, PEDCO transferred and assigned to Condor 62.5% of the Niobrara Asset interest acquired by PEDCO valued at \$3,071,640. As a result of the assignment, PEDCO received a 20% ownership in Condor and MIEJ received an 80% ownership of Condor.

NOTE 12 – SUBSEQUENT EVENTS

On February 8, 2013, PEDEVCO, Condor and Berexco LLC ("Berexco") entered into a Termination of Agreement for Purchase of Term Assignment; Agreement to Transfer Performance Deposit and Negotiate in Good Faith (the "Mutual Termination and Deposit Transfer Agreement"), in which Condor and Berexco mutually agreed, without fault of either party, to terminate the Original Mississippian Agreement. In the Mutual Termination and Deposit Transfer Agreement, PEDEVCO and Berexco agreed they would negotiate in good faith the terms and conditions of an alternative transaction whereby PEDEVCO would acquire the rights to the leases previously to be acquired under the Original Mississippian Agreement by Condor (the "Proposed PEDEVCO-Berexco Transaction"). The Initial Deposit continued to be held in escrow pending the entry into a new escrow agreement provided that if no agreement with respect to the Proposed PEDEVCO-Berexco Transaction was entered into by February 22, 2013, then the escrowed funds would be returned to PEDEVCO.

On February 22, 2013, Pacific Energy Development MSL LLC ("PEDCO MSL"), a wholly owned subsidiary of PEDEVCO, entered into an Agreement for Purchase of Term Assignment (the "Purchase Agreement") with Berexco for the acquisition of interests in the Mississippian Lime. Pursuant to the Purchase Agreement, Berexco applied the Initial Deposit of \$864,866 made in connection with the Original Mississippian Agreement to this new transaction. Closing is anticipated to occur in March 2013, subject to the satisfaction of certain customary closing conditions and PEDEVCO's ability to secure sufficient financing, of which there can be no assurances. PEDEVCO is obligated to pay to Condor the \$432,433 portion of the deposit to be re paid by MIEJ to Condor and PEDEVCO will also re pay its portion of the \$432,333 deposit to Condor.

SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES
(UNAUDITED)

The following supplemental unaudited information regarding Condor's direct oil and gas activities is presented pursuant to the disclosure requirements of ASC 932. All oil and gas operations are located in the U.S.

(1) Capitalized costs relating to oil and gas producing activities:	2012	2011
Proved leasehold costs	\$1,895,979	\$-
Costs of wells and development	5,406,328	-
Capitalized asset retirement costs	8,237	-
Total costs of oil and gas properties	7,310,544	-
Accumulated depreciation, amortization and impairment	(220,228)	-
Net proved capitalized costs	\$7,090,316	\$-
Unproved leasehold costs	\$3,020,841	\$3,190,390
Accumulated impairment	(369,037)	-
Net unproved capitalized costs	\$2,651,804	\$3,190,390

(2) Costs Incurred in oil and gas property acquisition and development costs:	2012	2011
Acquisition of properties		
Proved	\$33,951	\$-
Unproved	1,692,479	3,190,390
Exploration costs	-	-
Development costs	5,414,565	-
	\$7,140,995	\$3,190,390

(3) Results of operations for producing activities:	2012	2011
Sales	\$653,802	\$-
Production costs	(424,872)	-
Depletion, accretion and impairment	(589,449)	-
Income tax benefit	-	-
Results of operations	\$(360,519)	\$-

(4) Reserve quantity information:

The supplemental unaudited presentation of proved reserve quantities and related standardized measure of discounted future net cash flows provides estimates only and does not purport to reflect realizable values or fair market values of the Company's reserves. The Company emphasizes that reserve estimates are inherently imprecise and that estimates of new discoveries are more imprecise than those of producing oil and gas properties. Accordingly, significant changes to these estimates can be expected as future information becomes available. All of the Company's reserves are located in the United States.

Proved reserves are those estimated reserves of crude oil (including condensate and natural gas liquids) and natural gas that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are those expected to be recovered through existing wells, equipment, and operating methods.

The standardized measure of discounted future net cash flows is computed by applying the average first day of the month price of oil and gas during the 12 month period before the end of the year (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves, less the estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, less estimated future income tax expenses (based on year-end statutory tax rates, with consideration of future tax rates already legislated) to be incurred on pretax net cash flows less tax basis of the properties and available credits, and assuming continuation of existing economic conditions. The estimated future net cash flows are then discounted using a rate of 10 percent per year to reflect the estimated timing of the future cash flows.

The reserve estimates set forth below were prepared by Ryder Scott Company, L.P. (“Ryder Scott”), a professional engineering firm certified by the Texas Board of Professional Engineers (Registration number F-1580), under the direction of Michael F. Stell of Ryder Scott. Ryder Scott, and its employees, have no interest in our Company and were objective in determining our reserves.

The reserve estimates were prepared by Ryder Scott using reserve definitions and pricing requirements prescribed by the SEC.

Ryder Scott estimated the proved reserves for our properties by performance methods and analogy. All of the proved producing reserves attributable to producing wells and/or reservoirs were estimated by performance methods. These performance methods, such as decline curve analysis, utilized extrapolations of historical production and pressure data available through November 2012 in those cases where such data were considered to be definitive. The data utilized were furnished to Ryder Scott by the Company or obtained from public data sources. All of the proved developed non-producing and undeveloped reserves were estimated by analogy.

As there were no proved reserves as of December 31, 2011, the table below does not include reserve quantities for the 2011 fiscal year-end.

Estimated Quantities of Proved Oil and Gas Reserves

	2012	
	Oil (MBbls)	Gas (Mmcf)
Proved Developed Producing	41.6	69.0
Proved Developed Non-Producing	103.8	172.0
Total Proved Developed	145.4	241.0
Proved Undeveloped	1,616.2	2,683.0
Total Proved as of December 31, 2012	1,761.6	2,924.0

	2012	
	Oil (MBbls)	Gas (Mmcf)
Total Proved Reserves:		
Beginning of year	-	-
Extensions and discoveries	1,769.0	2,924.0
Revisions of previous estimates	-	-
Purchase of minerals in place	-	-
Production	(7.4)	-
End of year proved reserves	1,761.6	2,924.0
End of year proved developed reserves	145.4	241.0
End of year proved undeveloped reserves	1,616.2	2,683.0

The standardized measure of discounted future net cash flows, in management's opinion, should be examined with caution. The basis for this table is the reserve studies prepared by independent petroleum engineering consultants, which contain imprecise estimates of quantities and rates of future production of reserves. 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 the Company's proved oil and natural gas properties.

As Condor Energy Technology LLC is not a taxable entity and all taxes flow to members, there are no taxes provided.

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, 2012 (as there were no proved reserves as of December 31, 2011, 2011 data is not included for the standardized measure of discounted future net cash flows and the changes therein):

	(\$ 000's)
For the year ended December 31, 2012	
Future cash inflows	\$ 166,139
Future production costs	(33,919)
Future development costs	(75,221)
Future income tax expense	
Future net cash flows	56,999
10% annual discount	(46,737)
Standardized measure of discounted future net cash flows	\$ 10,262

Changes in Standardized Measure of Discounted Future Cash Flows

	(\$ 000's)
Beginning of year	\$-
Sales and transfers of oil and gas produced, net of production costs	(229)
Net changes in prices and production costs	-
Extensions, discoveries, additions and improved recovery, net of related costs	10,491
Development costs incurred	-
Revisions of estimated development costs	-
Revisions of previous quantity estimates	-
Accretion of discount	-
Net change in income taxes	-
Purchases of reserves in place	-
Sales of reserves in place	-
Changes in timing and other	-
End of year	\$10,262

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Explanatory Note

Rule 3-09 of Regulation S-X provides that if a 50% or less owned person accounted for by the equity method meets the first or third condition of the significant subsidiary tests set forth in Rule 1-02(w) of Regulation S-X, substituting 20% for 10%, separate financial statements for such 50% or less owned person shall be filed. As White Hawk Petroleum, LLC met such test as of December 31, 2012 and for the period from May 11, 2012 (Inception) to December 31, 2012, PEDEVCO CORP. has included in this Form 10-K the audited financial statements as of and for the period from May 11, 2012 (Inception) to December 31, 2012.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of
White Hawk Petroleum, LLC
Danville, CA

We have audited the accompanying balance sheet of White Hawk Petroleum, LLC as of December 31, 2012, and the related statements of operations, changes in members' equity and cash flows for period from May 11, 2012 (inception) through December 31, 2012. White Hawk Petroleum, LLC's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 White Hawk Petroleum, LLC as of December 31, 2012, and the results of its operations and its cash flows for the period from May 11, 2012 (inception) through December 31, 2012 in conformity with accounting principles generally accepted in the United States of America.

/s/ GBH CPAs, PC

GBH CPAs, PC
www.gbhcpas.com
Houston, Texas
March 22, 2013

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WHITE HAWK PETROLEUM, LLC
BALANCE SHEET

	December 31, 2012
Assets	
Current assets:	
Cash and cash equivalents	\$66,816
Accounts receivable – operator	69,912
Accounts receivable – oil and gas	110,000
Total current assets	246,728
Oil and gas properties:	
Oil and gas properties, subject to amortization, net	3,544,790
Oil and gas properties, not subject to amortization	629,050
Oil and gas field equipment	147,000
Total oil and gas properties, net	4,320,840
Total assets	\$4,567,568
Liabilities and Members' Equity	
Current liabilities:	
Accounts payable – related party	\$2,273
Accrued expenses – related party	920
Total current liabilities	3,193
Asset retirement obligations	22,465
Notes payable - related parties	665,948
Total liabilities	691,606
Commitments and contingencies	-
Members' equity	3,875,962
Total liabilities and members' equity	\$4,567,568

See accompanying notes to financial statements.

WHITE HAWK PETROLEUM, LLC
 STATEMENT OF OPERATIONS
 For the Period from May 11, 2012 (Inception) through
 December 31, 2012

	Period from May 11, 2012 (Inception) through December 31, 2012
Revenue:	
Oil and gas sales	\$546,341
Operating expenses:	
Lease operating costs	152,514
Exploration expense	2,539
Selling, general and administrative expense	16,744
Depreciation, depletion and accretion	215,805
Total operating expenses	387,602
Income from operations	158,739
Other expense:	
Interest expense	(17,763)
Total other expense	(17,763)
Net income	\$140,976

See accompanying notes to financial statements.

WHITE HAWK PETROLEUM, LLC

STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the Period from May 11, 2012 (Inception) through
December 31, 2012

	Total Members' Equity
Balance at May 11, 2012	\$-
Contribution of Excellong E&P,-2, Inc. for members' interests	3,734,986
Net income	140,976
Balance at December 31, 2012	\$3,875,962

See accompanying notes to financial statements.

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WHITE HAWK PETROLEUM, LLC
STATEMENT OF CASH FLOWS
For the Period from May 11, 2012 (Inception) through
December 31, 2012

	Period from May 11, 2012 (Inception) through December 31, 2012
Cash flows from operating activities:	
Net income	\$ 140,976
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation, depletion and accretion	215,805
Changes in operating assets and liabilities:	
Accounts receivable – operator	(69,912)
Accounts receivable – oil and gas	(110,000)
Accounts payable – related party	2,273
Accrued expenses– related party	920
Cash flows provided by operating activities	180,062
Cash flows from investing activities:	
Cash paid for drilling operations	(779,194)
Cash flows used in investing activities	(779,194)
Cash flows from financing activities:	
Proceeds from related party notes payable	665,948
Net cash provided by financing activities	665,948
Net increase in cash	66,816
Cash at beginning of period	-
Cash at end of period	\$66,816
Supplemental disclosure of cash flow information:	
Cash paid for:	
Interest	\$ 16,844
Income taxes	\$-
Noncash investing and financing activities:	
Contribution of Excellong E&P,-2, Inc. for members’ interests	\$3,734,986
Asset retirement costs acquired	\$21,132

See accompanying notes to financial statements.

White Hawk Petroleum, LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION

The accompanying financial statements of White Hawk Petroleum, LLC (“White Hawk” or the “Company”), have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and the rules of the Securities and Exchange Commission (“SEC”).

NOTE 2 – DESCRIPTION OF BUSINESS

The Company was formed on May 11, 2012 as a Nevada limited liability company. Initial members’ equity was contributed by Pacific Energy Development Corp. (“PEDCO”) a wholly owned subsidiary of PEDEVCO Corp. (“PEDEVCO”) through the contribution of Excellong E&P-2, Inc. and all of its assets and liabilities on that date. On May 23, 2012, PEDCO sold 50% of its interest to MIE Jurassic Energy Corporation (“MIEJ”), an affiliate of MIE Holdings Corporation (Hong Kong Stock Exchange code: 1555.HK), one of the largest independent upstream onshore oil companies in China (“MIE Holdings”). At December 31, 2012, White Hawk is owned 50% by PEDCO and 50% by MIEJ. White Hawk is jointly managed by PEDCO and MIEJ.

The Company plans to focus initially on developing shale oil and gas assets held by the Company in the U.S., including its first oil and gas working interest known as “the Eagle Ford Asset”. Subsequently, the Company plans to seek additional shale oil and gas and conventional oil and gas asset acquisition opportunities in the U.S. utilizing its strategic relationships and technologies that may provide the Company a competitive advantage in accessing and exploring such assets.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in Financial Statement Preparation. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as certain financial statement disclosures. While management believes that the estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ from these estimates. Significant estimates generally include those with respect to the amount of recoverable oil and gas reserves, the fair value of financial instruments, oil and gas depletion, asset retirement obligations, and stock-based compensation.

Cash and Cash Equivalents. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. As of December 31, 2012, cash equivalents consisted of money market funds and cash on deposit.

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, 2012, all of the Company’s cash balances were insured. The Company has not experienced any losses in such accounts.

Sales to two customers comprised 100% of the Company’s total oil and gas revenues for the period ending December 31, 2012. The Company believes that, in the event that its primary customer was unable or unwilling to continue to purchase the Company’s production, there are a substantial number of alternative buyers for its production at comparable prices.

Accounts Receivable. Accounts receivable typically consist of oil and gas receivables. The Company has classified these as short-term assets in the balance sheet because the Company expects repayment or recovery within the next 12 months. The Company evaluates these accounts receivable for collectability considering the results of operations of these related entities and when necessary records allowances for expected unrecoverable amounts. To date, no allowances have been recorded.

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 natural gas. Revenue from crude oil and natural gas sales is recognized when the product is delivered to the purchaser and collectability is reasonably assured. The Company follows the “sales method” of accounting for oil and natural gas revenue, so it recognizes revenue on all natural gas or crude oil sold to purchasers, regardless of whether the sales are proportionate to its ownership in the property. A receivable or liability is recognized only to the extent that the Company has an imbalance on a specific property greater than its share of the expected remaining proved reserves. If collection is uncertain, revenue is recognized when cash is collected.

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.

Oil and Gas Properties, Successful Efforts Method. The successful efforts method of accounting is used for oil and gas exploration and production activities. Under this method, all costs for development wells, support equipment and facilities, and proved mineral interests in oil and gas properties are capitalized. Geological and geophysical costs are expensed when incurred. Costs of exploratory wells are capitalized as exploration and evaluation assets pending determination of whether the wells find proved oil and gas reserves. Proved oil and gas reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, (i.e., prices and costs as of the date the estimate is made). Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

Exploratory wells in areas not requiring major capital expenditures are evaluated for economic viability within one year of completion of drilling. The related well costs are expensed as dry holes if it is determined that such economic viability is not attained. Otherwise, the related well costs are reclassified to oil and gas properties and subject to impairment review. For exploratory wells that are found to have economically viable reserves in areas where major capital expenditure will be required before production can commence, the related well costs remain capitalized only if additional drilling is under way or firmly planned. Otherwise the related well costs are expensed as dry holes.

Exploration and evaluation expenditures incurred subsequent to the acquisition of an exploration asset in a business combination are accounted for in accordance with the policy outlined above.

Depreciation, depletion and amortization of capitalized oil and gas properties is calculated on a field by field basis using the unit of production method. Lease acquisition costs are amortized over total estimated proved developed and undeveloped reserves and all other capitalized costs are amortized over proved developed reserves.

Impairment of Long-Lived Assets. The Company reviews the carrying value of its long-lived assets annually or whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the future net undiscounted cash flows expected to result from the asset, including eventual disposition. If the future net undiscounted cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and estimated fair value.

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, the Company will record a liability (an asset retirement obligation or "ARO") on its balance sheet and capitalize the present value of the asset retirement cost in oil and 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 the 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 over the estimated proved developed reserves. Both the accretion and the depreciation will be included in depreciation, depletion and amortization expense on our statements of operations.

Income Taxes. The Company is organized as a Limited Liability Company. A limited liability company is not a taxpaying entity. Any income or operating loss arising from the activities of the company is reported, after appropriate adjustments, on the personal income tax returns of the members. Adjustments to the income or loss allocated to a particular member will be required when the tax basis and accounting basis of net contributions made by an individual member are not equal. Because the company is not a taxpaying entity, its financial statements are different from those of taxpaying entities. Specifically, on the income statements there is no provision for federal income tax expense that must be paid because income was earned during the year. In addition, the balance sheets do not present a liability for income taxes incurred but not yet paid as of the balance sheet dates. Also, the balance sheets does not present any deferred tax assets or liabilities that might arise from different methods used to measure net income for the income statements and taxable income for the individual members.

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.

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.

Recently Issued Accounting Pronouncements. There were various accounting standards and interpretations issued during 2013 and 2012, none of which are expected to have a material impact on the Company's financial position, operations or cash flows.

In July 2012 the FASB issued ASU 2012-02 Testing Indefinite-Lived Intangible Assets for Impairment, which amends Topic 350 and gives companies the option first to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount in accordance with Topic 350-30. This ASU shall be applied prospectively for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012 and early adoption is permitted. Implementation of the ASU is not expected to have a significant impact on the Company's financial statements.

Subsequent Events. The Company has evaluated all transactions through the date the financial statements were issued for subsequent event disclosure consideration.

NOTE 4 – BUSINESS ACQUISITION

On May 11, 2012, PEDCO merged Excellong E&P-2, Inc. ("E&P-2") into White Hawk, then wholly-owned by PEDCO (the "E&P-2 Merger"). The separate corporate existence of E&P-2 ceased as a result of the E&P-2 Merger. White Hawk then held all of the Eagle Ford Assets of PEDCO. The transaction among entities under common control was recorded at historical cost.

E&P-2's sole asset was an approximately 8% working interest in certain oil and gas leases covering approximately 1,651 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"). White Hawk acquired no other assets or liabilities other than the working interests and tangible equipment associated with producing wells.

This area is currently producing oil and natural gas from three wells, with the remainder of the acreage under development.

The following table summarizes the allocation of the aggregate contribution as follows:

Asset:	Valuation
Tangible equipment	\$ 147,000
Proved oil and gas reserves	2,958,936
Unproved oil and gas leaseholds	629,050
Total	\$ 3,734,986

The estimated future net recoverable oil and gas reserves from proved resources, both developed and undeveloped which were acquired in this transaction are as follows (in thousands):

	Crude Oil (Bbls) (Unaudited)	Natural Gas (Mcf) (Unaudited)
Net recoverable oil and gas reserves from proved resources	7,390.0	16,448.7

Average working interests acquired	7.9%	7.9%
Net recoverable oil and gas reserves, net to Company's interest	583.8	1,299.4

On May 23, 2012, PEDCO completed the sale of 50% of the members' interests of White Hawk (the "White Hawk Sale") to MIEJ. As a result of the White Hawk Sale, MIEJ and PEDCO each have an equal 50% ownership interest in White Hawk and each have agreed to proportionately share all expenses and revenues of White Hawk.

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NOTE 5 – OIL AND GAS PROPERTIES

Activities related to oil and gas properties for the period from May 11, 2012 (Inception) through December 31, 2012 consisted of the following:

Description	2012
Balance at May 11, 2012	\$-
Properties contributed for members' interests	3,734,986
Capitalized drilling costs	779,194
Asset retirement costs	21,132
Disposals	-
Less: Accumulated depletion	(214,472)
Balance at December 31, 2012	\$4,320,840

On May 11, 2012, the Company acquired E&P-2, Inc. from PEDCO as a contribution for member's equity. E&P-2's sole asset was an approximately 8% working interest in certain oil and gas leases covering approximately 1,651 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. This area is currently producing oil and natural gas from three wells, but the remainder of the acreage is under development.

During 2012, the Company acquired 0.68% in additional working interests in the Peeler 1H well for \$0 as the Company's pro rata share of working interests forfeited by a working interest owner that elected to not participate in the drilling and completion operations. The Company incurred \$779,194 in drilling and completion costs related to the Peeler 1H well during the period from inception to December 31, 2012.

NOTE 6 – NOTES PAYABLE – RELATED PARTIES

During the year ended December 31, 2012, PEDEVCO loaned White Hawk funds to fund operating expenses and drilling and completion costs for a third Eagle Ford well, pursuant to a promissory note entered into on June 4, 2012, between PEDEVCO and White Hawk, which note permits multiple loans to be made thereunder and schedule therein as separate "advances" with no stated maximum limit of loan principal. The note receivable bears interest at a rate per annum equal to the one (1) month LIBOR rate for U.S. dollar deposits plus four (4.0) percentage points. Principal and interest of each loan is due thirty-six (36) months from the date of each advance under the note, with the first repayment being due June 4, 2015. As of December 31, 2012 the total notes payable and accrued interest are \$332,974 and \$459, respectively.

During the year ended December 31, 2012, MIEJ loaned White Hawk funds to fund operating expenses and drilling and completion costs for a third Eagle Ford well, pursuant to a promissory note entered into on June 4, 2012, between MIEJ and White Hawk, which note permits multiple loans to be made thereunder and schedule therein as separate "advances" with no stated maximum limit of loan principal. The note receivable bears interest at a rate per annum equal to the one (1) month LIBOR rate for U.S. dollar deposits plus four (4.0) percentage points. Principal and interest of each loan is due thirty-six (36) months from the date of each advance under the note, with the first repayment being due June 4, 2015. As of December 31, 2012, the total notes payable and accrued interest are \$332,974 and \$459, respectively.

NOTE 7 – RELATED PARTY TRANSACTIONS

As discussed in Note 4, in May 2012, PEDCO merged its wholly-owned subsidiary, E&P-2, Inc., into White Hawk and then sold 50% of its ownership interests in White Hawk to MIEJ.

NOTE 8 – INCOME TAXES

The Company is organized as a Limited Liability Company and all taxable income is taxed directly to the members thus there is no provision for income taxes. The Company's basis in its assets for financial reporting purposes is lower than that of its tax basis by approximately \$ 200,000.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Company is not aware of any pending or threatened legal proceedings. The foregoing is also true with respect to each officer, director and control shareholder as well as any entity owned by any officer, director and control shareholder, over the last five years.

As part of its regular operations, the Company may become party to various pending or threatened claims, lawsuits and administrative proceedings seeking damages or other remedies concerning its' commercial operations, products, employees and other matters. Although the Company can give no assurance about the outcome of these or any other pending legal and administrative proceedings and the effect such outcomes may have on the Company, except as described above, the Company believes that any ultimate liability resulting from the outcome of such proceedings, to the extent not otherwise provided for or covered by insurance, will not have a material adverse effect on the Company's financial condition or results of operations.

NOTE 10 – ASSET RETIREMENT OBLIGATIONS

The Company records the fair value of a liability for asset retirement obligations (“ARO”) in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. The present value of the estimated asset retirement costs is capitalized as part of the long-lived asset and is depreciated over the useful life of the asset. The Company accrues an abandonment liability associated with its oil and gas wells when those assets are placed in service or acquired. The ARO is recorded at its estimated fair value and accretion is recognized over time as the discounted liability is accreted to its expected settlement value. Fair value is determined by using the expected future cash outflows discounted at the Company’s credit –adjusted cost of capital risk-free rate. No market premium has been included in the Company’s calculation of the ARO balance.

The following is a description of the changes to the Company’s ARO for the period from inception through December 31, 2012.

Description	December 31, 2012
Beginning balance	\$ -
Liabilities acquired	21,132
Accretion expense	1,333
Ending balance	\$ 22,465

NOTE 11 – MEMBERS’ EQUITY AND ALLOCATION OF INCOME

Initial members’ equity was contributed by PEDCO through the contribution of E&P-2 and all of its assets and liabilities on that date. The transaction was recorded as a transaction between entities under common control. Accordingly, the assets and liabilities of E&P-2 were recorded at the net carrying value of PEDCO.

On May 23, 2012, PEDCO sold 50% of its interest to MIEJ. At December 31, 2012, White Hawk is owned 50% by PEDCO and 50% by MIEJ.

In accordance with the provisions of the operating agreement of the Company, net capital appreciation or depreciation of the Company is allocated to all members in proportion to each member’s ownership interest for each accounting period, as defined in the operating agreement.

SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES
(UNAUDITED)

The following supplemental unaudited information regarding White Hawk's direct oil and gas activities is presented pursuant to the disclosure requirements of ASC 932. All oil and gas operations are located in the U.S.

(1) Capitalized costs relating to oil and gas producing activities:	2012	2011
Proved leasehold costs	\$2,958,936	\$-
Costs of wells and development	926,194	-
Capitalized asset retirement costs	21,132	-
Total costs of oil and gas properties	3,906,262	-
Option on oil and gas properties	0	-
Accumulated depreciation, amortization and impairment	(214,472)	-
Net capitalized costs	\$3,691,790	\$-

Unproved leasehold costs	\$629,050	\$-
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(2) Costs incurred in oil and gas property acquisition and development costs:	2012	2011
Acquisition of properties		
Proved	\$2,980,068	\$-
Unproved	629,050	-
Exploration costs	-	-
Development costs	926,194	-
	\$4,535,312	\$-

(3) Results of operations for producing activities:	2012	2011
Sales	\$546,341	\$-
Production costs	(152,514)	-
Depletion, accretion and impairment	(215,805)	-
Income tax benefit	-	-
Results of operations	\$178,022	\$-

(4) Reserve quantity information:

The supplemental unaudited presentation of proved reserve quantities and related standardized measure of discounted future net cash flows provides estimates only and does not purport to reflect realizable values or fair market values of the Company's reserves. The Company emphasizes that reserve estimates are inherently imprecise and that estimates of new discoveries are more imprecise than those of producing oil and gas properties. Accordingly, significant changes to these estimates can be expected as future information becomes available. All of the Company's reserves are located in the United States.

Proved reserves are those estimated reserves of crude oil (including condensate and natural gas liquids) and natural gas that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are those expected to be recovered through existing wells, equipment, and operating methods.

The standardized measure of discounted future net cash flows is computed by applying the average first day of the month price of oil and gas during the 12 month period before the end of the year (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves, less the estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, less estimated future income tax expenses (based on year-end statutory tax rates, with consideration of future tax rates already legislated) to be incurred on pretax net cash flows less tax basis of the properties and available credits, and assuming continuation of existing economic conditions. The estimated future net cash flows are then discounted using a rate of 10 percent per year to reflect the estimated timing of the future cash flows.

The reserve estimates set forth below were prepared by Ryder Scott Company, L.P. ("Ryder Scott"), a professional engineering firm certified by the Texas Board of Professional Engineers (Registration number F-1580), under the direction of Michael F. Stell of Ryder Scott. Ryder Scott, and its employees, have no interest in our Company and were objective in determining our reserves.

The reserve estimates were prepared by Ryder Scott using reserve definitions and pricing requirements prescribed by the SEC.

Ryder Scott estimated the proved reserves for our properties by performance methods and analogy. All of the proved producing reserves attributable to producing wells and/or reservoirs were estimated by performance methods. These performance methods, such as decline curve analysis, utilized extrapolations of historical production and pressure data available through November 2012 in those cases where such data were considered to be definitive. The data utilized were furnished to Ryder Scott by the Company or obtained from public data sources. All of the proved developed non-producing and undeveloped reserves were estimated by analogy.

As there were no proved reserves as of December 31, 2011, the table below does not include reserve quantities for the 2011 fiscal year-end.

Estimated Quantities of Proved Oil and Gas Reserves	2012	
	Oil (MBbls)	Gas (Mmcf)
Proved Developed Producing	22.3	41.0
Proved Developed Non-Producing	-	-
Total Proved Developed	22.3	41.0

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Proved Undeveloped	255.0	362.0
Total Proved as of December 31, 2012	277.3	403.0
	2012	
	Oil	Gas
	(MBbls)	(Mmcf)
Total Proved Reserves:		
Beginning of year	-	-
Extensions and discoveries	12.4	3.5
Revisions of previous estimates	-	-
Purchase of minerals in place	270.0	405.0
Production	(5.1)	(5.5)
End of year proved reserves	277.3	403.0
End of year proved developed reserves	22.3	41.0
End of year proved undeveloped reserves	255.0	362.0

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The standardized measure of discounted future net cash flows, in management's opinion, should be examined with caution. The basis for this table is the reserve studies prepared by independent petroleum engineering consultants, which contain imprecise estimates of quantities and rates of future production of reserves. 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 the Company's proved oil and natural gas properties.

As White Hawk Petroleum LLC is not a taxable entity and all taxes flow to members, there are no taxes provided.

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, 2012 (as there were no proved reserves as of December 31, 2011, 2011 data is not included for the standardized measure of discounted future net cash flows and the changes therein):

	(\$ 000's)
For the year ended December 31, 2012	
Future cash inflows	\$29,188
Future production costs	(12,293)
Future development costs	(8,753)
Future income tax expense	0
Future net cash flows	8,142
10% annual discount	(4,099)
Standardized measure of discounted future net cash flows	\$4,043

Changes in Standardized Measure of Discounted Future Cash Flows

	(\$ 000's)
Beginning of year	\$-
Sales and transfers of oil and gas produced, net of production costs	(394)
Net changes in prices and production costs	-
Extensions, discoveries, additions and improved recovery, net of related costs	657
Development costs incurred	-
Revisions of estimated development costs	-
Revisions of previous quantity estimates	-
Accretion of discount	-
Net change in income taxes	-
Purchases of reserves in place	3,780
Sales of reserves in place	-
Changes in timing and other	-
End of year	\$4,043