

ReoStar Energy CORP
Form 10-Q
August 14, 2009

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

FORM 10-Q

X Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2009

O 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 **000-52316**

REOSTAR ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

20-8428738

(I.R.S. Employer Identification No.)

3880 Hulen Street, Suite 500, Fort Worth, Texas 76107

(Address of principal executive offices)

(817) 989-7367

(Registrant's telephone number, including area code)

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 x No o

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No o

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 o

Accelerated filer o

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Non-accelerated filer o (Do not check if a smaller reporting company)

Smaller reporting company x

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding at August 12, 2009</u>
Common Stock, par value \$0.001 per share	80,353,912

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Consolidated Balance Sheets**

	June 30, 2009 (unaudited)	March 31, 2009
ASSETS		
Current Assets:		
Cash	\$ 518,822	\$ 426,430
Accounts Receivable:		
Oil & Gas - Related Party	424,701	337,879
Related Party	1,366,835	1,107,854
Other	29,845	15,760
Inventory	24	7,514
Other Current Assets	6,317	6,317
Total Current Assets	2,346,544	1,901,754
Note Receivable	553,536	553,536
Oil and Gas Properties - successful efforts method	25,389,613	25,254,777
Less Accumulated Depletion and Depreciation	(6,786,629)	(6,206,558)
Oil & Gas Properties (net)	18,602,984	19,048,219
Other Depreciable Assets:	2,285,642	2,171,654
Less Accumulated Depreciation	(364,554)	(315,093)
Other Depreciable Assets (net)	1,921,088	1,856,561
Leasehold Held for Sale	150,000	150,000
Total Assets	\$ 23,574,152	\$ 23,510,070
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 46,788	\$ 22,033
Payable to Related Parties	78,476	148,550
Accrued Expenses	104,915	106,141
Accrued Expenses - Related Parties	120,267	130,870
Total Current Liabilities	350,446	407,594
Notes Payable	10,037,236	8,955,202
Notes Payable - Related Parties	3,518,924	3,518,924
Total Long-Term Debt	13,556,160	12,474,126
Asset Retirement Obligation	354,829	344,079
Deferred Tax Liability	1,362,738	1,702,782
Total Liabilities	15,624,173	14,928,581

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Commitments & Contingencies: - -

Stockholders' Equity

Common Stock, \$.001 par, 200,000,000 shares authorized and 80,353,912 and outstanding on June 30, 2009 and March 31, 2009	80,353	80,353
Additional Paid-In-Capital	11,032,868	10,959,965
Retained Deficit	(3,163,242)	(2,458,829)
Total Stockholders' Equity	7,949,979	8,581,489
Total Liabilities & Stockholders' Equity	\$ 23,574,152	\$ 23,510,070

See Accompanying Notes to Consolidated Financial Statements

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ReoStar Energy Corporation
Consolidated Statements of Operations

	Three Months Ended	
	June 30, 2009 (unaudited)	June 30, 2008 (unaudited)
Revenues		
Oil & Gas Sales	\$ 618,071	\$ 2,752,747
Other Income	83,463	99,416
	701,534	2,852,163
Costs and Expenses		
Oil & Gas Lease Operating Expenses	528,203	596,033
Workover Expenses	-	72,425
Severance & Ad Valorem Taxes	34,066	154,620
Depletion & Depreciation	711,566	400,976
ARO Accretion	10,750	-
General & Administrative:		
Salaries & Benefits	201,560	196,376
Legal & Professional	127,851	149,334
Other General & Administrative	145,965	132,326
Interest, net of capitalized interest of \$121,898 and \$161,576 for the three months ended June 30, 2009 and June 30, 2008, respectively	-	-
	1,759,961	1,702,090
Other Income (Expense)		
Interest Income	13,970	61,205
Hedging Losses	-	(6,653)
Income (Loss) from continuing operations before income taxes	(1,044,457)	1,204,625
Income Tax Benefit (Expense)	340,044	(421,618)
Net Income (Loss)	(704,413)	783,007
Basic & Diluted (Loss) Income per Common Share:	-	-
Net Income (Loss) per Common Share	\$ (0.01)	\$ 0.01
Weighted Average Common Shares Outstanding	80,353,912	80,181,310

See Accompanying Notes to Consolidated Financial Statements

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**ReoStar Energy Corporation
Consolidated Statements of Cash Flows**

**Three Months Ended
June 30,
2009
(unaudited)**