USD ENERGY CORP.
Form 10-Q
August 16, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2010

___ 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: 000-53558

USD ENERGY CORP.

(Name of small business issuer specified in its charter)

Nevada	80-0214005
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
9880 N. Magnolia Ave. #176 Santee, California	92071
	(Zip Code)

(619) 717-8047

(Registrant s telephone number, including area code)

3328 Granada Avenue, San Diego, CA 92104

(Former, name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 T No £

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes T No £

Indicate by check mark whether the registrant is a large accelerated filer, anon –accelerated filer, or a smaller reporting company.

See definitions of large accelerated filer, accelerated filer and smaller reporting company in Section 12b-2 of the Exchange Act.

Large accelerated filer	______	Accelerated filer	______
Non-accelerated filer	______	Smaller reporting company	X

As of June 30, 2010, the issuer had 1,053,900 shares of common stock outstanding.

Transitional Small Business Disclosure Format: Yes £ No £

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PART I – FINANCIAL INFORMATION

Item 1: Financial Statements

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and pursuant to the rules and regulations of the Securities and Exchange Commission (Commission). While these statements reflect all normal recurring adjustments which are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the financial statements and footnotes thereto, which are included in the Company s Reports on Form 10 and 10-K, as amended, previously filed with the Commission.

USD Energy
(An Exploration Stage Company)
Balance Sheet

	June 30, 2010
ASSETS	
Cash	$ -
TOTAL ASSETS	-
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)	
Liabilities	
Notes payable	41,810
Accrued interest	3,502
Due to related parties	5,000
Total Liabilities	50,312
Stockholders' Equity (Deficit)	
Common stock, $.001 par value,	
100,000,000 shares authorized, 1,053,900 shares issued and outstanding	1,054
Paid in capital	14,096
Deficit accumulated during development stage	(65,462)
Total Stockholders Equity (Deficit)	(50,312)
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)	$ -

The Accompanying Notes Are an Integral Part of These Financial Statements

USD Energy

(An Exploration Stage Company)

Statement of Operations

	For the three months ended June 30, 2010	For the six months ended June 30, 2010	From June 27, 2008 (Inception) to June 30, 2010
Income	$ -	$ -	$ -
Operating expenses			
General and administrative	-	-	20
Legal and accounting	2,500	9,700	61,940
Total expenses	2,500	9,700	61,960
Ordinary income (loss)	(2,500)	(9,700)	(61,960)
Interest income (expense)	(988)	(1,862)	(3,502)
Net income (loss)	$ (3,488)	$ (11,562)	$ (65,462)
Loss per share	$ (0.00)	$ (0.01)	$ (0.07)
Weighted average common shares	1,053,900	1,053,900	883,070

The Accompanying Notes Are an Integral Part of These Financial Statements

USD ENERGY CORP.
(An Exploration Stage Company)
Statements of Cash Flows

	For the three months ended June 30, 2010	From June 27, 2008 (Inception) to June 30, 2010
Net Loss	$ (3,488)	$ (65,462)
Total cash used in operations		
Cash from financing activities		
Stock offering	--	15,150
Notes payable	2,500	41,810
Accrued interest	988	3,502
Loans from related parties	--	5,000
Total cash from financing activities	3,488	65,462
INCREASE (DECREASE) IN CASH	--	--
BEGINNING CASH	--	--
ENDING CASH	$ --	$ --

USD Energy Corp.

(An Exploration Stage Company)

Notes to Financial Statements

For the period June 27, 2008 (Inception) through June 30, 2010

NOTE 1: ORGANIZATION

USD Energy Corp. was incorporated on June 27, 2008 in the State of Nevada. The Company has a plan of operations to engage in the business of natural gas and oil production, with an emphasis on providing enhanced methods for redeveloping low risk developmental oil and gas wells. The Company is an exploration stage company as defined in the Accounting Standards Codification Topic No. 915 Development Stage Entities (ASC 915). The Company is devoting its resources to establishing the new business, and its planned operations have not yet commenced, accordingly, no revenues have been earned during the period from June 27, 2008 (date of inception) to June 30, 2010.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary to provide a fair presentation of operating results for the interim period presented have been made. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the year.

The Company s accounting and reporting policies conform to accounting principles generally accepted in the United States of America applicable to exploration stage enterprises.

The functional currency is the United States dollar, and the financial statements are presented in United States dollars.

NOTE 2: **CONTINUED EXISTENCE**

The Company s financial statements at June 30, 2010 and for the period June 27, 2008 (inception) through June 30, 2010 have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business. The Company has incurred a loss of $65,462 through June 30, 2010. In addition, the Company has not generated any revenues. These conditions raise substantial doubt as to the Company s ability to continue as a going concern.

The Company may not be able to obtain additional funds that it may require. The Company does not presently have adequate cash from operations or financing activities to meet its long-term needs. The Company does not currently have any established third-party bank credit arrangements. If the additional funds that the Company may require are not available to it, the Company may be required to curtail significantly or eliminate some or all of its development, sales and marketing programs.

The Company will seek additional funds through equity or debt financings, if available on terms and schedules acceptable to the Company. The Company may also attempt to obtain funds through arrangement with corporate parties or others.

These conditions raise substantial doubt about the Company s ability to continue as a going concern. The 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.

The Company, will perform natural gas and oil production, with an emphasis on providing enhanced methods for redeveloping low risk developmental oil and gas wells. There can be no assurance that the Company will be successful in its endeavor.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Oil and Gas Properties and Equipment

The Company will follow the successful efforts method of accounting. All developmental costs will be capitalized. The Company is predominately engaged in the acquisition and development of proved reserves as opposed to exploration activities. Depreciation and depletion of producing properties will be computed on the unit-of-production method based on estimated proved oil and natural gas reserves. Repairs and maintenance will be expensed, while renewals and betterments will be generally capitalized.

At least quarterly, or more frequently if conditions indicate that long-term assets may be impaired, the carrying value of our properties will be compared to management's future estimated pre-tax cash flow from the properties. If undiscounted cash flows are less than the carrying value, then the asset value will be written down to fair value. Impairment of individually significant unproved properties will be assessed on a property-by-property basis, and impairment of other unproved properties is assessed and amortized on an aggregate basis.

Asset Retirement Obligation

The Company s financial statements will reflect the fair value for any asset retirement obligation, consisting of future plugging and abandonment expenditures related to our oil and gas properties, which can be reasonably estimated. The asset retirement obligation will be recorded as a liability at its estimated present value at the asset's inception, with an offsetting increase to producing properties on the balance sheet. Periodic accretion of the discount of the estimated liability will be recorded as an expense in the statements of operations.

Stock Based Compensation

Shares of the Company s common stock may be issued for services. These issuances are valued at the fair market value of the services provided and the number of shares issued is determined based upon what the price of the common stock is on the date of each respective transaction.

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Fair Value of Financial Instruments

The carrying amounts for the Company s cash and related party payables approximate fair value due to the short-term maturity of these instruments.

Income Taxes

Accounting Standards Codification Topic No. 740 Income Taxes (ASC 740) requires the asset and liability method of accounting be used for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized 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 years 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 income in the period that includes the enactment date.

Earnings (Loss) Per Share

Per Accounting Standards Codification Topic 260 Earnings Per Share (ASC 260), basic EPS is determined using net income divided by the weighted average shares outstanding during the period. Diluted EPS is computed by dividing net income by the weighted average shares outstanding, assuming all dilutive potential common shares were issued.

NOTE 4: DEBT

On February 7, 2009 the Company entered into a Convertible Note with an unrelated third party to borrow up to $25,000 for operating expenses with interest payable at 10% per annum. The Note matured on February 7, 2010 and unpaid principal and interest may be converted at any time at the holder s option into shares of the Company s stock at the market closing price on the day prior to conversion. On February 5, 2010 the note was extended for one year and the limit increased to $50,000 and the price was set at $.0225 per share.

During the three months ended June 30, 2010 the third party paid $2,500 on the Company s behalf for legal and accounting fees. At June 30, 2010 the principal balance due on this note was $41,810, accrued interest on this note at June 30, 2010 was $3,502.

NOTE 5: RELATED PARTY TRANSACTIONS

On June 27, 2008, 20,000 shares of common stock (pre split) were issued to Officer/Director Trisha Malone, pursuant to Section 4(2) of the Securities Act of 1933, in exchange for setup costs and the Company s business plan.

During the period ended December 31, 2008 Ms. Malone paid $5,000 on the Company s behalf for legal fees. This was recorded as an interest free loan by the related party. The loan is due to Ms. Malone upon receipt of funds from a stock offering or other fundraising.

NOTE 6: STOCK OFFERING

In February 2009, 15,130 shares of common stock were offered to investors pursuant to the Company s Regulation D, Rule 504 small corporate offering registered in the state of Illinois and to qualified purchasers in California.

On April 23, 2010 the Company's securities became eligible for deposit at the Depository Trust Company (DTC). The DTC provides clearing, settlement and information services for equity securities, corporate and municipal bonds, government and mortgage backed securities, money market instruments and over-the-counter derivatives for over 3.5 million securities issuers from the United States and 110 other countries and territories.

NOTE 7: STOCK SPLIT

On July 14, 2009, the Company effected a 1 for 30 forward split of its common share capital.

NOTE 8: NEW ACCOUNTING PRONOUNCEMENTS

In 2009, the FASB issued Statement 165, Subsequent Events (SFAS 165) [ASC 855], which defines the period after the balance sheet date that subsequent events should be evaluated and provides guidance in determining if the event should be reflected in the current financial statements. Statement 165 also requires disclosure regarding the date through which subsequent events have been evaluated. The Company adopted the provisions of Statement 165 before the quarter ended June 30, 2010. The Company has evaluated subsequent events through the date that the June 30, 2010, Form 10-Q was filed with the Securities and Exchange Commission. Note 9: Subsequent Events describes all events which occurred subsequent to June 30, 2010 that require disclosure or recognition in these financial statements.

In June 2009, the FASB issued SFAS No. 166, Accounting For Transfers of Financial Assets -- An Amendment Of FASB Statement No. 140 ("SFAS 166") [ASC860], which requires entities to provide more information regarding sales of securitized financial assets and similar transactions, particularly if the entity has continuing exposure to the risks related to transferred financial assets. SFAS 166 eliminates the concept of a "qualifying special-purpose entity", changes the requirements for derecognizing financial assets and requires additional disclosures. SFAS 166 is effective for fiscal years beginning after November 15, 2009. The Company has not completed its assessment of the impact SFAS 166 will have on its financial condition, results of operations or cash flows.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) ("SFAS 167") [ASC 810-10], which modifies how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. SFAS 167 clarifies that the determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. SFAS 167 requires an ongoing reassessment of whether a company is the primary beneficiary of a variable interest entity. SFAS 167 also requires additional disclosures about a company's involvement in variable interest entities and any significant changes in risk exposure due to that involvement. SFAS 167 is effective for fiscal years beginning after November 15, 2009. The Company has not completed its assessment of the impact SFAS 167 will have on its financial condition, results of operations or cash flows.

In June 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-01, Topic 105 Generally Accepted Accounting Principles amendments based on Statement of Financial Accounting Standards No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles.

This Accounting Standards Update includes Statement 168 in its entirety, including the accounting standards update instructions contained in Appendix B of the Statement. The Codification does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. The Codification is effective for interim and annual periods ending after September 15, 2009, and as of the effective date, all existing accounting standard documents will be superseded. The Codification is effective for us in the second quarter of fiscal 2010, and accordingly, this Form 10-Q for the quarter ended June 30, 2010 and all subsequent public filings will reference the Codification as the sole source of authoritative literature.

NOTE 9: SUBSEQUENT EVENTS

In accordance with Accounting Standards Codification Topic No. 855 Subsequent Events (ASC 855), the Company has evaluated subsequent events through the time between the end of the reporting period and the time the June 30, 2010 Form 10Q was filed with the Securities and Exchange Commission, which is the date the financial statements were issued. The following events occurred subsequent to June 30, 2010 that require disclosure or recognition in these financial statements.

On July 6, 2010 the Company s Board of Directors adopted a Code of Ethics, a copy of which was filed as an Exhibit to the form 8-K filed on July 9, 2010.

On July 27, 2010 the Company s Board of Directors approved the conversion of $45,312 in outstanding principal and interest at June 30, 2010 on the note payable dated February 7, 2009 as amended on February 5, 2010 into 2,013,867 shares of Common Stock.

Item 2: Management s Discussion and Analysis or Plan of Operation

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and related notes to the financial statements included elsewhere in this filing as well as with Management s Discussion and Analysis or Plan of Operations contained in the Company s Report on Form 10-12G/A for the period ended December 31, 2008, as amended, and the Company s report on the Form 10-K for the period ended December 31, 2009, both filed with the Securities and Exchange Commission. Financial information for comparative periods has not been included as no significant operations have yet taken place and comparative information would not be useful.

Forward Looking Statements

This discussion and the accompanying financial statements (including the notes thereto) may contain forward-looking statements that relate to future events or our future financial performance. The forward looking statements are based on the Company s current expectations and beliefs concerning future developments and their potential effects on the Company. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks and other factors include, among others, those listed under Risk Factors in Part II Item 1a. and those included elsewhere in this filing. For a more detailed discussion of risks and uncertainties, see the Company s public filings made with the Securities and Exchange Commission. The Company undertakes no obligation to publicly update any forward-looking statements.

Plan of Operations

Our current plan of operations is to engage in the business of natural gas and oil production, with an emphasis on providing enhanced methods for redeveloping low risk developmental oil and gas wells. Over the next twelve months, we anticipate spending $700,000 on building a management team and the acquisition of oil and gas properties.

Oil and natural gas prices are currently at high levels. Based on worldwide supply and demand projections and the potential for instability in areas that currently provide a large proportion of the world s petroleum, we believe that prices are likely to remain at high levels for the foreseeable future. We believe that this presents a tremendous opportunity for our company to grow quickly. The first milestone of our business plan is to assemble an experienced and senior team of professionals to evaluate, acquire and manage available prospects. The experience of this team and its ability to quickly and accurately evaluate prospects and subsequently apply modern exploration, development and production techniques should be key to our company s success. A number of factors, including high product prices, the ease and availability of capital, and the influx of that capital into the oil and natural gas sector has resulted in tremendous competition for prospects, people, equipment and services in recent years. We believe that our planned ability to quickly and accurately assess opportunities worth pursuing, to negotiate the best possible terms and to attract the people, equipment and services required to finance and effect the projects should constitute a competitive advantage.

We will look to establish production, cash flow and reserve value by exploring for, developing, purchasing and producing oil and gas properties within the United States, in areas such as Texas. We will attempt to first purchase leases that would be self supporting from current production and thereafter increase their productivity through the use of enhanced oil recovery methods such as CO^2 injection and swabbing.

USD plans to take advantage of developing global clean energy generation trends. We intend to locate wells which have petroleum reserves as well as deposits of CO^2 gas. USD s strategy is based on an understanding of the energy sectors of the economy in which the Company will be active, and we have defined a clear vision for the Company s future and developed a detailed plan to compete and grow.

Our initial operations will concentrate on the development of an experienced management team and the acquisition and development of wells. Once initial operations are sound, we will be acquiring properties with potential for development and drilling to establish and maintain a significant inventory of undeveloped prospects. This will establish and enhance the Company's foundation for future growth. We will continue to serve as operator of our wells to ensure technical performance and reduction of costs. Relationships will be established with other energy companies to access their undeveloped properties, geological data and financial resources. Financial risk will be carefully managed to mitigate technical risks by drilling in known productive areas with multi-geologic potential. This will accomplish diversifying investment over the interests in the Company's primary operating areas, developing properties that provide a balance between short and long term reserves, and establishing and maintaining a balance among the Company's oil and gas generation activities. On a consistent basis we will maintain low general and administrative expenses.

We will look to establish production, cash flow and reserve value by exploring for, developing, purchasing and producing oil and gas properties within the United States.

Our initial operations will concentrate on the acquisition and development of wells. Once initial operations are sound, we will be acquiring properties with potential for development and drilling to establish and maintain a significant inventory of undeveloped prospects. This will establish and enhance the Company's foundation for future growth. We will continue to serve as operator of our wells to ensure technical performance and reduction of costs. Relationships will be established with other energy companies to access their undeveloped properties, geological data and financial resources. Financial risk will be carefully managed to mitigate technical risks by drilling in known productive areas with multi-geologic potential. This will accomplish diversifying investment over the interests in the Company's primary operating areas, developing properties that provide a balance between short and long term reserves, and establishing and maintaining a balance among the Company's oil and gas generation activities. On a consistent basis we will maintain low general and administrative expenses.

During the next twelve months, we plan to satisfy our cash requirements by this offering and by additional funding from our principals, on which we have survived since our inception. However, we may be unsuccessful in raising additional equity financing, and, thus, be able to satisfy our cash requirements.

We will need a minimum of $700,000 to satisfy our cash requirements for the next 12 months. We will not be able to operate if it we do not obtain equity financing through this offering, subsequent private offerings, or contributions from our principals. If only a minimal amount of shares are sold in this offering, we will continue to satisfy its cash requirements by contributions from our principals, which we expect will continue to contribute for the next twelve months. We depend upon capital to be derived from future financing activities such as subsequent offerings of our stock.

Critical Accounting Estimates and Policies

The discussion and analysis of our financial condition and plan of operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates including, among others, those affecting revenue, the allowance for doubtful accounts, the salability of inventory and the useful lives of tangible and intangible assets. The discussion below is intended as a brief discussion of some of the judgments and uncertainties that can impact the application of these policies and the specific dollar amounts reported on our financial statements. 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 our 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, or if management made different judgments or utilized different estimates. Many of our estimates or judgments are based on anticipated future events or performance, and as such are forward-looking in nature, and are subject to many risks and uncertainties, including those discussed below and elsewhere in this Registration Statement. We do not undertake any obligation to update or revise this discussion to reflect any future events or circumstances.

We have identified below some of our accounting policies that we consider critical to our business operations and the understanding of our results of operations. This is not a complete list of all of our accounting policies, and there may be other accounting policies that are significant to us. For a detailed discussion on the application of these and our other accounting policies, see note 1 to the financial statements for the period ended June 30, 2010, included in this Form 10Q.

Cash Equivalents

Cash equivalents include all highly liquid debt instruments with original maturities of three months or less which are not securing any corporate obligations.

Stock Based Compensation

Shares of the Company s common stock may be issued for services. These issuances are valued at the fair market value of the services provided and the number of shares issued is determined based upon what the price of the common stock is on the date of each respective transaction.

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Advertising Costs

Advertising costs are expensed as incurred. There were no advertising expenses for the period ended June 30, 2010.

Income Taxes

Accounting Standards Codification Topic No. 740 Income Taxes (ASC 740) requires the asset and liability method of accounting be used for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized 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 years 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 income in the period that includes the enactment date.

Earnings (Loss) Per Share

Per Accounting Standards Codification Topic 260 Earnings Per Share (ASC 260), basic EPS is determined using net income divided by the weighted average shares outstanding during the period. Diluted EPS is computed by dividing net income by the weighted average shares outstanding, assuming all dilutive potential common shares were issued.

Segment Reporting

Based on the Company's integration and management strategies, the Company operates in a single business segment. For the period ended June 30, 2010, the Company had no revenue.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

The Company s business activities contain elements of risk. The Company considers a principal type of market risk to be a valuation risk. All assets will be valued at fair value as determined in good faith by or under the direction of the Board of Directors, which will be based on our geologic reports. Market prices of common equity securities in general, are subject to fluctuations which could cause the amount to be realized upon sale to differ significantly from the current reported value. The fluctuations may result from perceived changes in the underlying economic characteristics of the Company s assets, general market conditions and supply and demand.

Item 4: Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the Exchange Act), the Company carried out an evaluation under the supervision and with the participation of the Company s management, including the Chief Executive Officer/Chief Financial Officer, of the effectiveness of the Company s disclosure controls and procedures as of June 30, 2010. In designing and evaluating the Company s disclosure controls and procedures, the Company recognizes that there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their desired control objectives. Additionally, in evaluating and implementing possible controls and procedures, the Company s management was required to apply its reasonable judgment. Based upon the required evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of June 30, 2010, the Company s disclosure controls and procedures are effective to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Act (15 U.S.C. 78a *et seq.*) is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Item 4T: Controls and Procedures

This item is not applicable because this is not an annual report for a fiscal year ending on or after September 30, 2007 but before December 15, 2008.

PART II OTHER INFORMATION

Item 1: Legal Proceedings

In the normal course of business, the Company is, and in the future may be, subject to various disputes, claims, lawsuits, and administrative proceedings arising in the ordinary course of business with respect to commercial, employment and other matters, which could involve substantial amounts of damages. In the opinion of management, any liability related to any such known proceedings would have a material adverse effect on the business or financial condition of the Company. Additionally, from time to time, we may pursue litigation against third parties to enforce or protect our rights under our contracts, trademarks, trade secrets and our intellectual property rights generally. At the present time, the Company is not the subject of any lawsuits or claims.

Item 1A: Risk Factors

We are subject to various risks which may materially harm our business, financial condition and results of operations. You should carefully consider the risks and uncertainties described below and the other information in this filing before deciding to purchase our common stock. If any of these risks or uncertainties actually occurs, our business, financial condition or operating results could be materially harmed. In that case, the trading price of our common stock could decline and you could lose all or part of your investment.

We are a relatively young company with no operating history

Since we are a young company, it is difficult to evaluate our business and prospects. At this stage of our business operations, even with our good faith efforts, potential investors have a high probability of losing their investment. Our future operating results will depend on many factors, including the ability to generate sustained and increased demand and acceptance of our products, the level of our competition, and our ability to attract and maintain key management and employees. While management believes their estimates of projected occurrences and events are within the timetable of their business plan, there can be no guarantees or assurances that the results anticipated will occur.

We expect to incur net losses in future quarters

If we do not achieve profitability, our business may not grow or operate. We may not achieve sufficient revenues or profitability in any future period. We will need to generate revenues from the sales of our products or take steps to reduce operating costs to achieve and maintain profitability. Even if we are able to generate revenues, we may experience price competition that will lower our gross margins and our profitability. If we do achieve profitability, we cannot be certain that we can sustain or increase profitability on a quarterly or annual basis.

We may require additional funds to operate in accordance with our business plan

We may not be able to obtain additional funds that we may require. We do not presently have adequate cash from operations or financing activities to meet our long-term needs. If unanticipated expenses, problems, and unforeseen business difficulties occur, which result in material delays, we will not be able to operate within our budget. If we do not achieve our internally projected sales revenues and earnings, we will not be able to operate within our budget. If we do not operate within our budget, we will require additional funds to continue our business. If we are unsuccessful in obtaining those funds, we cannot assure you of our ability to generate positive returns to the Company. Further, we may not be able to obtain the additional funds that we require on terms acceptable to us, if at all. We do not currently have any established third-party bank credit arrangements. If the additional funds that we may require are not available to us, we may be required to curtail significantly or to eliminate some or all of our development, manufacturing, or sales and marketing programs.

If we need additional funds, we may seek to obtain them primarily through equity or debt financings. Such additional financing, if available on terms and schedules acceptable to us, if available at all, could result in dilution to our current stockholders and to you. We may also attempt to obtain funds through arrangement with corporate partners or others. Those types of arrangements may require us to relinquish certain rights to our intellectual property or resulting products.

We are highly dependent on Trisha Malone, our President and CEO. The loss of Ms Malone, whose knowledge, leadership, and technical expertise upon which we rely, would harm our ability to execute our business plan

We are largely dependent on Trisha Malone, our President and CEO, for specific proprietary technical knowledge and the Company market knowledge. Our ability to successfully market and distribute our products may be at risk from an unanticipated accident, injury, illness, incapacitation, or death of Ms. Malone. Upon such occurrence, unforeseen expenses, delays, losses and/or difficulties may be encountered. Our success may also depend on our ability to attract and retain other qualified management and sales and marketing personnel. We compete for such persons with other companies and other organizations, some of which have substantially greater capital resources than we do. We cannot give you any assurance that we will be successful in recruiting or retaining personnel of the requisite caliber or in adequate numbers to enable us to conduct our business.

Oil and gas exploration involves a high degree of risk, and as a result, we may never become commercially viable

Oil and gas exploration involves a high degree of risk. The projects in which USD Energy holds or acquires an ownership interest may not contain commercial quantities of oil and gas. Hazards such as unusual or unexpected formations and other conditions are involved. Applicable projects may become subject to liability for pollution, fire, explosion, blowouts, cratering and oil spills against which it cannot insure or against which it may elect not to insure. Such events could result in substantial damage to oil and gas wells, producing facilities and other property and/or result in personal injury.

Depending upon the significance of the particular project when compared with our total holdings, any such liability could have a material adverse effect upon our business operations

Volatility of oil and gas prices and markets could make it difficult for us to obtain and sustain profitability and less likely investors in USD Energy common stock will receive a return on their investment.

Our ability to obtain and sustain profitability is substantially dependent on prevailing prices for natural gas and oil. The amounts of and price obtainable for our oil and gas production will be affected by market factors beyond the USD Energy's control. If these factors are not favorable over time to the financial interests of USD Energy, it is likely that owners of USD Energy common stock will lose their investments. Such factors include:

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the extent of domestic production;

- the level of imports of foreign oil and gas;

- the general level of market demand on a regional, national and worldwide basis;

- domestic and foreign economic conditions that determine levels of industrial production;

- political events in foreign oil-producing regions; and

- variations in governmental regulations and tax laws or the imposition of new governmental requirements upon the oil and gas industry.

Prices for oil and gas are subject to wide fluctuation in response to relatively minor changes in supply of and demand for oil and gas, market uncertainty and a variety of additional factors.

If capital is not available to us to expand our business operations, we will not be able to pursue our business plan

We will require substantial additional capital to acquire additional properties and to participate in the development of those properties. Cash flows from operations, to the extent available, will be used to fund these expenditures. We intend to seek additional capital from loans from current shareholders and from public and private equity offerings. Our ability to access capital will depend on its success in participating in properties that are successful in exploring for and producing oil and gas at profitable prices. It will also be dependent upon the status of the capital markets at the time such capital is sought. Should sufficient capital not be available, the development of our business plan could be delayed and, accordingly, the implementation of the USD Energy's business strategy would be adversely affected. In such event it would not be likely that investors would obtain a profitable return on their investments or a return of their investments.

There is a high degree of risk that unproved oil and gas properties will not turn out to be commercially viable

Exploration and development of oil and gas resources involve a high degree of risk that no commercial production will be obtained or that the production will be insufficient to recover drilling and completion costs. The cost of drilling, completing and operating wells is often uncertain. Drilling operations on the improved property in which we have an interest or on properties which we may hold a percentage interest of in the future may be curtailed, delayed or canceled as a result of numerous factors, including title problems, weather conditions, compliance with governmental requirements and shortages or delays in the delivery of equipment. Furthermore, completion of a well does not assure a profit on the investment or a recovery of drilling, completion and operating costs. If USD Energy does not obtain a profitable return on properties in which it invests in the early stages of its business development, it is likely investors will lose their investments.

We must incur the costs of environmental and other government regulation, which costs may significantly burden USD Energy

Oil and gas operations in which USD Energy owns or will own an interest are affected by extensive regulation pursuant to various federal, state and local laws and regulations relating to the exploration for and development, production, gathering and marketing of oil and gas. Oil and gas operations are also subject to numerous laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. New laws or regulations or new interpretations of existing laws and regulations may also increase the cost of regulatory compliance. If properties or oil or gas production activities in which USD Energy is involved do not comply with applicable regulation, or if an industrial accident occurs which creates significant liability under regulations concerning the environment, our operations will be adversely affected.

Since our Directors and Officers have no previous oil and gas experience, investors cannot rely on our Officers and Directors as being experts in the area of oil and gas exploration and production which is our business focus

Our Officers and Directors have no previous oil and gas experience. All business decisions made by them regarding oil and gas exploration and production will be in reliance on the advice of others due to this lack of experience. If reliable advice is not available, it is unlikely our business will succeed.

Risks Relating to Our Common Stock

There is currently no market for our common stock and one may never develop. Therefore, investor s holdings in our common stock may be illiquid

While we do intend to file a Form 211 through a market maker with the NASDAQ Stock Market to establish a quote for our common stock on the over-the-counter bulletin board, there is no assurance that the bulletin board or any other quotation medium will quote our common stock, or that a market will ever develop. If a market never develops for our common stock, it may be difficult or even impossible for investors to sell their common stock.

Our Directors and Executive Officers beneficially own a substantial amount of our common stock

Accordingly, these persons will be able to exert significant influence over the direction of our affairs and business, including any determination with respect to our acquisition or disposition of assets, future issuances of common stock or other securities, and the election or removal of Directors. Such a concentration of ownership may also have the effect of delaying, deferring, or preventing a change in control of the Company or cause the market price of our stock to decline. Notwithstanding the exercise of their fiduciary duties by the Directors and Executive Officers and any duties that such other stockholder may have to us or our other stockholders in general, these persons may have interests different than yours.

We do not expect to pay dividends for the foreseeable future

For the foreseeable future, it is anticipated that earnings, if any, that may be generated from our operations will be used to finance our operations and that cash dividends will not be paid to holders of our common stock.

We expect to be subject to SEC regulations and changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations and other trading market rules, are creating uncertainty for public companies

We are committed to maintaining high standards of corporate governance and public disclosure. As a result, we intend to invest appropriate resources to comply with evolving standards, and this investment may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

The following securities were issued by USD Energy Corp. within the past three years and were not registered under the Securities Act:

In June 2008, 20,000 shares of common stock (pre-split, 600,000 shares post 1 for 30 forward stock split) were issued to Officer and Director Trisha Malone, pursuant to Section 4(2) of the Securities Act of 1933.

In February 2009, 15,130 shares of common stock (pre-split, 453,900 shares post 1 for 30 forward stock split) were offered to investors pursuant to the Company s Regulation D, Rule 504 small corporate offering registered in the state of Illinois and to qualified purchasers in California.

Item 3: Defaults Upon Senior Securities

None

Item 5: Other Information

None

Item 6: Exhibits and Reports on Form 8-K

Exhibit No.	Description
31.1	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a)
31.2	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a)
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

/s/ Trisha Malone

Trisha Malone

Chief Executive Officer, Chief Financial Officer and Director

Date: August 16, 2010