UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2013

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

For the transition period from _____ to _____.

PETRON ENERGY II, INC.
(Name of registrant in its charter)

Nevada	**333-160517**	**26- 3121630**
(State or other jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification Number)

17950 Preston Road, Suite 960
Dallas, Texas 75252
(Address of principal executive offices)

(972) 272-8190
(Registrant's Telephone Number)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE EXCHANGE ACT:
None.

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE EXCHANGE ACT:
None

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

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes☐ No☑

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter periods 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☐

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-K contained in this form, and no disclosure will 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 ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☑

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 was $1,526,991, based upon the restated price ($0.0275) at which the common stock was sold as of June 28, 2013, the last business day of the registrant's most recently completed second fiscal quarter, multiplied by the approximate number of shares of common stock held by persons other than executive officers, directors and five percent stockholders of the registrant without conceding that any such person is an "affiliate" of the registrant for purposes of the federal securities laws.

At April 7, 2014, there were 1,859,948,597 shares of the registrant's $0.0001 par value common stock issued and outstanding.

Documents Incorporated By Reference: None

PETRON ENERGY II, INC.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements which involve risks and uncertainties, principally in the sections entitled "Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations. "All statements other than statements of historical fact contained in this Annual Report on Form 10-K, including statements regarding future events, our future financial performance, business strategy and plans and objectives of management for future operations, are forward-looking statements. We have attempted to identify forward-looking statements by terminology including "anticipates," "believes," "can," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," or "should," or the negative of these terms or other comparable terminology. We do not make forward-looking statements unless we believe we have a reasonable basis for doing so. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under "Risk Factors" or elsewhere in this Annual Report on Form 10-K, which may cause our or our industry's actual results, levels of activity, performance or achievements expressed or implied by these

forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for us to predict all risk factors, nor can we address the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause our actual results to differ materially from those contained in any forward-looking statements. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements, except as expressly required by law.

You should not place undue reliance on any forward-looking statement, each of which applies only as of the date of this Annual Report on Form 10-K. Before you invest in our securities, you should be aware that the occurrence of the events described in the section entitled "Risk Factors" and elsewhere in this Current Report on Form 8-K could negatively affect our business, operating results, financial condition and stock price. Except as required by law, we undertake no obligation to update or revise publicly any of the forward-looking statements after the date of this Annual Report on Form 10-K to conform our statements to actual results or changed expectations.

Use of Term

Except as otherwise indicated by the context, references in this report to "Company", ***"PEII"****, "we", "us" and "our" are references to* ***Petron Energy II, Inc.*** *All references to "USD" or United States Dollars refer to the legal currency of the United States of America.*

PART I

ITEM 1. BUSINESS

Corporate History

The Company was incorporated in Nevada in August 2008 as a development stage company which planned to operate as a restaurant holding company, specializing in the development and expansion of proven independent restaurant concepts into multi-unit locations through corporate-owned stores, licensing, and franchising opportunities, funding permitting.

In August 2011, the Company entered into an asset purchase agreement with Petron Special ("Petron Asset Purchase Agreement"). Under the Petron Asset Purchase Agreement, the Company agreed to purchase substantially all of Petron Special's assets (which consisted of various oil and gas interests, including Tulsa leases, two pipelines, and equipment).

In August 2011, before the Petron Asset Purchase Agreement was executed, Petron Special entered into an asset acquisition agreement with ONE Energy Capital Corp., ONE Energy International Corp. and their affiliated parties (the "One Energy Asset Acquisition Agreement") to acquire certain leases in Knox County, Texas.

In September 2011, the Company entered into two oil and gas leases and obtained rights to conduct oil and gas development and production activities on an aggregate of 320 acres (160 acres pursuant to each lease) located in Wagoner County, Oklahoma (the "Wagoner County Leases"). The terms of these leases vary but in all cases they remain in effect after the initial term as long as there is oil or gas production.

On September 9, 2011 the Company filed a Certificate of Amendment to the Company's Articles of Incorporation to change the Company's name to Petron Energy II, Inc. and increase the Company's authorized shares of stock to 1,000,000,000 shares of common stock, $0.001 par value per share and 10,000,000 shares of preferred stock, $0.001 par value per share, effective as of October 15, 2011.

In February 2012, the Company entered into the "Plan of Reorganization and Asset Purchase Agreement" with ONE Energy International Corp, ("OEI"), and its Affiliated Companies, which was intended to represent the final definitive agreement contemplated by the One Energy Asset Acquisition Agreement. Pursuant to the terms of the Plan of Reorganization and Asset Purchase Agreement, the Company assumed Petron Special's rights and obligations under the One Energy Asset Acquisition Agreement.

In connection with the closing of the Petron Asset Purchase Agreement and the Plan of Reorganization and Asset Purchase Agreement, we changed our business focus to oil and gas development and production and related operations and ceased undertaking any restaurant related operations.

On December 5, 2013, the company filed a Certificate of Amendment to the Company's Articles of Incorporation to increase the number of authorized shares of the Company's common stock from 1,000,000,000 to 2,989,999,999. The Company filed a Certificate of Amendment to the Company's Articles of Incorporation on February 4, 2014 to increase the number of authorized shares of the Company's common stock from 2,989,999,999 to 6,010,000,000.

On February 27, 2014 the Company filed a Certificate of Amendment to increase the total number of authorized stock of the Corporation from 6,010,000,000 to 15,010,000,000 shares consisting of: (i) 15,000,000,000 shares of common stock, par value $0.001 per share; and (ii) 10,000,000 shares of preferred stock par value $0.001 per share.

On March 27, 2014 the Company filed a Certificate of Amendment to change the par value of its common stock from $0.001 per share to $0.0001 per share.

Business Operations

The Company is engaged primarily in the acquisition, development, production, and sale of oil, gas and gas liquids in the United States. As of December 31, 2013, the Company is operating in the states of Texas and Oklahoma. In addition, the Company operates two gas gathering systems located in the Tulsa, Wagoner, Rogers and Mayes counties of Oklahoma. The pipelines consist of approximately 132 miles of steel and poly pipe, a gas processing plant and other ancillary equipment. The Company sells its oil and gas products primarily to a domestic pipeline and to other oil companies.

We plan to concentrate our development efforts in Texas and Oklahoma. The Petron Asset Purchase Agreement relates to our acquisition from Petron Special of approximately 1,500 leased acres (20 leases), on which the individual leases will need to be reworked in an effort to attempt to re-establish commercial production. We estimate the costs of reworking these leases at approximately $400,000 per lease and estimate that it will take approximately two months to rework each lease, funding permitting. We also assumed the One Energy Asset Acquisition Agreement, described above, located in Texas, including an additional 2,800 leased acres.

Our operations are focused in the United States (Texas and Oklahoma) because we believe focusing our operations in the United States offers us the following advantages:

- Low risk opportunities;
- Growth opportunities;
- Upside profit potential in connection with oil and unconventional gas reserves; and
- Availability of technological improvements which may increase oil and gas reserves.

Our target development market is the Woodford Shale in Oklahoma and the Tannehill Sand in North Texas. We believe both of these formations offer a high success rate with respect to developing productive leases and long-term cash flow. The properties and rights we acquired through the Petron Asset Purchase Agreement and the Plan of Reorganization and Asset Purchase Agreement as well as the Wagoner County leases are all located in the areas described in the Woodford Shale in Oklahoma and the Tannehill Sand in North Texas.

The Woodford Shale, also known as the Devonian Woodford Shale is located in south and north eastern Oklahoma. The Tannehill Sand field is located in Knox County in north central Texas.

The production life of a lease in each area noted above typically is 10 - 25 years. The Woodford Shale is primarily a natural gas trend; however some wells provide oil production along with gas production. In addition to the Woodford Shale, there are 4 separate pay zones (the Tyner, Misner, Burgen and Dutcher) which are oil pay zones, while the Tannehill pay zone in Knox County, Texas is primarily an oil pay zone.

The Company plans to engage primarily in the development and production of oil and gas leases in Oklahoma, East and North Texas and Western Louisiana over the next two years through one or more of the following activities: (i) acquisition of oil and gas leases (similar to the Wagoner County Leases); (ii) contract drilling on leases owned by the Company through investment partnerships and banking relationships sponsored by the Company; (iii) acquisition or oil and gas producing properties; and (iv) acquisition of oil and gas companies having properties (producing and non-producing). The Company will undertake workover projects based on engineering data on a lease by lease basis. At this time, we estimate the cost per lease to complete a workover project to be approximately $400,000.

We plan to continue to operate the natural gas pipelines which we acquired as part of the Petron Asset Purchase Agreement and to undertake workover activities on our oil and natural gas leases. Our currently planned workover activities include “water/CO_2 gas flooding” and “hydraulic fracking,” as elaborated below.

Water/CO_2 gas flooding

In primary natural resource recovery, the initial approach to produce oil is generally via natural reservoir pressure or simple mechanical pumps used to raise oil to the surface. Most shallow oil wells today have to be placed on a pump jack. Primary oil recovery can produce roughly 15-20% of the reservoir oil before the reservoir begins to experience pressure depletion problems. Secondary oil recovery methods are essential when we seek to reestablish commercial production from a reservoir. CO_2-EOR secondary completion is our chosen procedure because it can be both effective and economical.

Recovering remaining oil from proven reservoirs can be achieved by injecting salt water and CO_2 gas. The CO_2-EOR method allows us to maintain reservoir pressure and push oil out of the reservoir rock to be collected. Prolonged oil production can be achieved effectively once primary production has tapered off by implementing an effective secondary recovery plan.

An efficiently designed CO_2-EOR secondary completion plan can be a reliable and cost effective flooding project. The CO_2-EOR method uses centrally located injection wells to re-pressurize the reservoir effectively creating a drive to move the in place oil.

These injection wells use a combination of saltwater and CO_2 gas to force the remaining oil reserves toward the extremities of the oil field. By forcing Saltwater and CO_2 gas into the crevices of an oil reservoir, oil can be 'moved' toward the producing wells and collected. Such techniques can raise production on these outer wells to near initial production numbers as well as allow for a total recovery of up to 15-20% of the remaining reserves.

Oil reservoirs suitable for CO_2-EOR secondary recovery have gone on to produce for several years after implementation of the plan.

Hydraulic fracturing ("fracking")

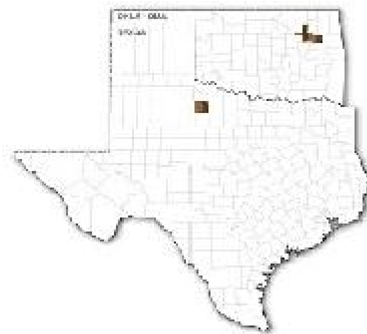
When sandstone rocks contain oil or gas in commercial quantities, recovery can be vastly improved by a process called fracturing ("fracking") which is used to increase permeability to its optimum level. Basically, to fracture a formation, a fracturing service company pumps a specifically blended fluid down the well and into the formation under great pressure. Pumping continues until the formation literally cracks open. Meanwhile, a special type of frack sand is mixed into the fracturing fluid. These materials are called proppants. The proppant enters the fractures in the formation and when pumping is stopped and the pressure is allowed to dissipate, the proppant remains in the fractures. Since the fractures try to close back together after the pressure on the well is released, the proppant is needed to hold or prop the fractures open. These propped-open fractures provide passages for oil or gas to flow into the well.

In addition to new technology and fracking mixtures, a myriad of other technologies can be applied to produce increased production results. We plan to constantly track different well completion strategies and production results to generate an approach that will yield:

- Higher initial flow rates;
- Slower decline rates; and
- Improved recoverability.

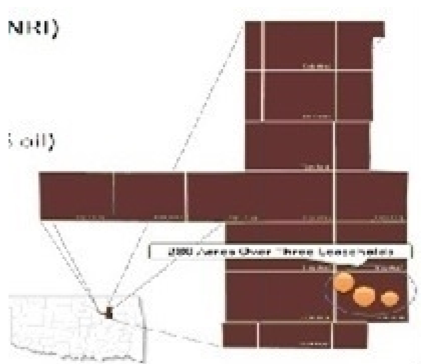
Projects

The chart below shows the location of the Company’s leases in the three counties in which we operate. The leases are in Tulsa County and Wagoner County in Oklahoma, and Knox County in Texas. All of these areas are described in more detail below.



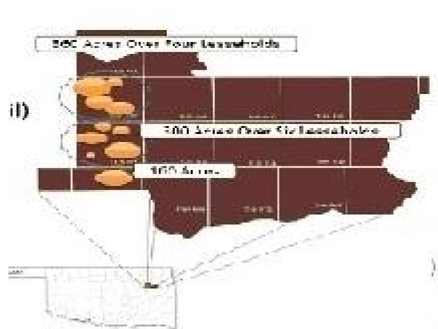
Tulsa County Leases

The Company’s interest in Tulsa County consists of three leases that encompass 280 acres. The Company has a 75% working interest and a 60.0% net revenue interest. The production from these leases consists of 100% oil.



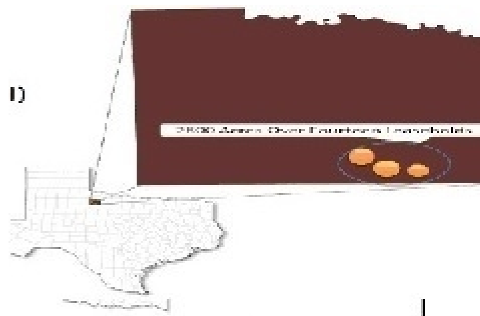
Wagoner County Leases

The Wagoner County leases consist of 820 acres with 9 individual leases. The Company has a 75% working interest in the leases and a 60.9% net revenue interest. The production from these leases consists of 55% oil. These leases have recompletion opportunities for water and natural gas injection.



Knox County Leases

The Company has a 100% working interest in the Knox County leases and an 81.25% net revenue interest. The leases include 2,315 acres (as depicted below) and an additional option on 500 acres. There are 8 leases in this group. The production from these leases consists of 100% oil. There are recompletion opportunities for water and natural gas injection.



Dependence on one or a few major customers

The nature of the oil and natural gas industry is not based on individual customers. Crude oil and natural gas products are sold to local and international brokers as well as to refineries.

Employees

The Company currently has four (4) employees, including Floyd L. Smith, its Chief Executive Officer, President and Director and Bob Currier, Chief Financial Officer.

Intellectual Property

The Company does not currently hold any intellectual property, patent rights, trademarks or copyrights. The Company does however maintain a website at www.petronenergy.net. The information on, or that may be accessed through, our website is not incorporated by reference into this filing and should not be considered a part of this filing.

WHERE YOU CAN GET ADDITIONAL INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy our reports or other filings made with the SEC at the SEC's Public Reference Room, located at 100 F Street, N.E., Washington, DC 20549. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You can also access these reports and other filings electronically on the SEC's web site, www.sec.gov.

ITEM 1A. RISK FACTORS.

Our securities are highly speculative and should only be purchased by persons who can afford to lose their entire investment in our Company. If any of the following risks actually occur, our business and financial results could be negatively affected to a significant extent. The Company's business is subject to many risk factors, including the following:

General Risks Related To The Company

There is substantial doubt as to whether we will continue operations. If we discontinue operations, you could lose your investment.

The following factors raise substantial doubt regarding the ability of our business to continue as a going concern: (i) the losses we have incurred since our inception; (ii) our low level of operating revenues since inception, and (iii) our dependence on the sale of equity securities to continue in operation. We have signed an Investment Agreement for up to $10.0 million through sales of our common stock. We anticipate that we will incur increased expenses without realizing enough revenues from operations in the near future. We

therefore expect to incur significant losses in the near future. The financial statements do not include any adjustments that might result from the uncertainty about our ability to continue our business. If we are unable to obtain adequate additional financing from outside sources and eventually produce enough revenues, we may be forced to curtail or cease our operations. If this happens, you could lose all or part of your investment.

Moving forward we plan to rely on financing and additional funds from current investors of the Company and third party investors in order to support our operations and pay our expenses. Additional funding will likely come from debt and/or equity financing from the sale of our common stock. If we are successful in completing an equity financing, existing shareholders will experience dilution of their interest in our Company. There are no assurances that we will be able to achieve further sales of our common stock or any other form of additional financing. If we are unable to achieve the financing necessary to continue our plan of operations, then we will not be able to continue our business operations. If we are unable to raise the funds we require, your investment could become worthless.

Shareholders may be diluted significantly through our efforts to obtain financing, satisfy obligations, and/or complete acquisitions through the issuance of additional shares of our common stock or other securities.

Wherever possible, our Board of Directors will attempt to use non-cash consideration to satisfy the Company's obligations. In many instances, we believe that the non-cash consideration will consist of restricted shares of our common stock or other securities (including the shares of convertible preferred stock that have been issued to shareholders of ONE Energy Capital Corp., ONE Energy International Corp. and their affiliated parties in connection with the Asset Acquisition Agreement described above).

We have signed an Investment Agreement for up to $10.0 million through sales of our common stock. The Investment Agreement grants the investor the ability to buy a substantial number of shares of common stock in a series of private placement transactions at a price that is at a discount to the market price. If common stock is issued in return for additional funds, the price per share could be lower than that paid by our current stockholders. We anticipate continuing to rely on equity sales of our common stock in order to fund our business operations. If we issue additional stock, investors' percentage interests in us will be diluted. The result of this could reduce the value of current investors' stock.

Additionally, moving forward, we may attempt to conduct acquisitions and/or mergers of other entities or assets using our common stock or other securities as payment for such transactions. Our Board of Directors has authority, without action or vote of the shareholders, to issue all or part of the authorized but unissued shares of common stock and preferred stock with various preferences and other rights. If such transactions occur, this may result in substantial dilution of the ownership interests of existing shareholders, and dilute the book value of the Company's common stock.

We are party to a Plan of Reorganization and Asset Purchase Agreement pursuant to which we paid significant consideration for the acquisition of certain oil and gas assets, which consideration caused substantial dilution to our existing shareholders and may cause dilution in the future.

Pursuant to the Plan of Reorganization and Asset Purchase Agreement, the Company agreed to acquire the assets of ONE Energy Capital Corp., ONE Energy International Corp. and their affiliated parties in aggregate consideration for 5,910,00 shares of the Company's Series B Convertible Preferred stock. Under the Plan of Reorganization and Asset Purchase Agreement, these shares of Series B Convertible preferred stock convert into common shares of the Company having a total value of $5,910,000. In accordance with the Amended and Restated Certificate of Designation of Series B Convertible Preferred Stock, the conversion price was $0.188 per common share or, if conversion could not take place due to the Ownership Limitation as described below, the conversion price is the average trading price of the Company's common stock on the five days prior to the date of conversion; have a vote of 1/100th of a common share; and cannot be converted by the holders thereof if such conversion would result in the acquisition by such holder of more than 9.99% of the Company's outstanding stock (the "Ownership Limitation").

5,199,562 shares of the Series B Convertible stock have been converted into an aggregate of 253,768,320 shares of the common stock of the Company. At March 14, 2014, we had 710,438 shares of Series B Convertible Preferred Stock issued and outstanding which had not converted because of the Ownership Limitation. The shareholders receiving the convertible preferred stock described above also received warrants to purchase an aggregate of 1,000,000 shares of the Company's common stock with an exercise price of $0.08 per share.

Our Chief Executive Officer, Floyd L. Smith, holds Series A Preferred Stock which will provide him continuing voting control over the Company and, as a result, he will exercise significant control over corporate decisions.

Floyd L. Smith, our President and Director, has beneficial ownership of the entire class of the Company's Series A Preferred Stock, which voting together as a class, have the right to vote 51% of the Company's voting shares on any and all shareholder matters. Additionally, the Company shall not adopt any amendments to the Company's Bylaws, Articles of Incorporation, as amended, make any

changes to the Certificate of Designations establishing the Series A Preferred Stock, or effect any reclassification of the Series A Preferred Stock, without the affirmative vote of at least 66-2/3% of the outstanding shares of Series A Preferred Stock. However, the Company may, by any means authorized by law and without any vote of the holders of shares of Series A Preferred Stock, make technical, corrective, administrative or similar changes to such Certificate of Designations that do not, individually or in the aggregate, adversely affect the rights or preferences of the holders of shares of Series A Preferred Stock.

Other than the Super Majority Voting Rights, the Series A Preferred Stock does not have any other dividend, liquidation, conversion, or redemption rights, whatsoever.

As a result of the above, Mr. Smith exercises control in determining the outcome of corporate transactions or other matters, including the election of directors, mergers, consolidations, the sale of all or substantially all of our assets, and also the power to prevent or cause a change in control. Any investors who purchase shares will be minority shareholders and as such will have no say in the direction of the Company and the election of Directors. Investors in the Company should keep in mind that even if you own shares of the Company's common stock and wish to vote them at annual or special shareholder meetings, your shares will have no effect on the outcome of corporate decisions or the election of Directors. Furthermore, investors should be aware that Mr. Smith may choose to elect new Directors to the Board of Directors of the Company and/or take the Company in a new business direction altogether, and, as a result, current shareholders of the Company will have little to no say in such matters.

Shareholders who hold unregistered shares of our common stock are subject to resale restrictions pursuant to Rule 144, due to our previous status as a "Shell Company."

Pursuant to Rule 144 of the Securities Act of 1933, as amended ("Rule 144"), a "shell company" is defined as a company that has no or nominal operations; and, either no or nominal assets; assets consisting solely of cash and cash equivalents; or assets consisting of any amount of cash and cash equivalents and nominal other assets. As such, prior to the completion of the Asset Purchase Agreement and our related Form 8-K filing, we had been considered a " shell company" pursuant to Rule 144, and as such, sales of our securities pursuant to Rule 144 were not able to be made until: 1) we had ceased to be a " shell company," which occurred after the closing the Asset Purchase Agreement); 2) we are subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, and have filed all of our required periodic reports for at least the previous one year period prior to any sale pursuant to Rule 144; and a period of at least twelve months has elapsed from that date. "Form 10 information" has been filed with the Commission reflecting the Company's status as a "non-shell company," incorporated by reference as filed with the Commission on Form 8-K on January 6, 2012.

Pursuant to Rule 144, a one year waiting period from the time of filing was required to "cure" the Company's previous "shell" status. Our "shell" status was thus cured on January 6, 2013 and shareholders of the Company who hold and purchase in the future any restricted securities of the Company will have Rule 144 available if all other requirements of the rule are met.

We rely upon key personnel and if they leave us, our business plan and results of operations could be adversely affected.

We rely heavily on our Chief Executive Officer, President, Treasurer and Director, Floyd L. Smith ("Mr. Smith"). His experience and input creates the foundation for our business and he is responsible for the directorship and control over our operations. We do currently have an employment agreement with Mr. Smith (as described above), and we put into place a "key man" insurance policy on Mr. Smith in the amount of $3,000,000. Moving forward, should we lose the services of Mr. Smith, for any reason, we will incur costs associated with recruiting a replacement and delays in our operations. If we are unable to replace Mr. Smith with another suitably trained individual or individuals, we may be forced to scale back or curtail our business plan. As a result of this, your investment in us could become devalued or worthless and we may be forced to abandon or change our business plan.

We may not be able to successfully manage our growth, which could lead to our inability to implement our business plan.

Our growth is expected to place a significant strain on our managerial, operational and financial resources, especially considering that we currently only have three Directors and two executive officers. Further, as we enter into additional contracts, we will be required to manage multiple relationships with various consultants, businesses and other third parties. These requirements will be exacerbated in the event of our further growth. There can be no assurance that our systems, procedures and/or controls will be adequate to support our operations or that our management will be able to achieve the rapid execution necessary to successfully implement our business plan. If we are unable to manage our growth effectively, our business, results of operations and financial condition will be adversely affected, which could lead to us being forced to abandon or curtail our business plan and operations.

We have a limited operating history in our current business focus of oil and gas production and, because of this, it may be difficult to evaluate our chances for success.

We were formed in August 2008 as a company specializing in restaurant consulting and investment activities. We only generated limited revenues in connection with such operations, and changed our business focus to oil and gas development activities in connection with our acquisition by Petron Special in August 2011 (described above). As such, we have a limited history in our current business of oil and gas development. We are a relatively new company and, as such, run a risk of not being able to compete in the marketplace because of our relatively short existence. New companies in the competitive environment of oil and gas development may face significant competition, and as a result, we may be forced to abandon or curtail our business plan. Under such a circumstance, the value of any investment in us may become worthless.

Our Articles of Incorporation, as amended, and Bylaws limit the liability of, and provide indemnification for, our officers and directors.

Our Articles of Incorporation, as amended, generally limit our officers' and Directors' personal liability to the Company and its stockholders for breach of fiduciary duty as an officer or Director except for breach of the duty of loyalty or acts or omissions not made in good faith or which involve intentional misconduct or a knowing violation of law. Our Articles of Incorporation, as amended, and Bylaws provide indemnification for our officers and Directors to the fullest extent authorized by the Nevada General Corporation Law against all expense, liability, and loss, including attorney's fees, judgments, fines excise taxes or penalties and amounts to be paid in settlement reasonably incurred or suffered by an officer or Director in connection with any action, suit or proceeding, whether civil or criminal, administrative or investigative (hereinafter a " Proceeding ") to which the officer or Director is made a party or is threatened to be made a party, or in which the officer or Director is involved by reason of the fact that he is or was an officer or Director of the Company, or is or was serving at the request of the Company as an officer or director of another corporation or of a partnership, joint venture, trust or other enterprise whether the basis of the Proceeding is an alleged action in an official capacity as an officer or Director, or in any other capacity while serving as an officer or Director. Thus, the Company may be prevented from recovering damages for certain alleged errors or omissions by the officers and Directors for liabilities incurred in connection with their good faith acts for the Company. Such an indemnification payment might deplete the Company's assets. Stockholders who have questions regarding the fiduciary obligations of the officers and Directors of the Company should consult with independent legal counsel. It is the position of the Securities and Exchange Commission that exculpation from and indemnification for liabilities arising under the Securities Act of 1933, as amended, and the rules and regulations thereunder is against public policy and therefore unenforceable.

Risks Relating To The Oil And Gas Operations Of The Company

Oil, gas and natural gas liquid prices are volatile

We anticipate that our future financial results will be highly dependent on the general supply and demand for oil, gas and natural gas liquids (“NGLs”), which will impact the prices we ultimately realize on our future sales of these commodities. A significant downward movement of the prices for these commodities could have a material adverse effect on our future revenues, operating cash flows and profitability. Such a downward price movement could also have a material adverse effect on our future estimated proved reserves, the carrying value of our future oil and gas properties, the level of planned drilling activities and future growth. Historically, market prices have been volatile and are likely to continue to be volatile in the future due to numerous factors beyond our control. These factors include, but are not limited to:

- consumer demand for oil, gas and NGLs;
- conservation efforts;
- OPEC production levels;
- weather;
- regional pricing differentials;
- differing quality of oil produced (i.e., sweet crude versus heavy or sour crude);
- differing quality and NGL content of gas produced;
- the level of imports and exports of oil, gas and NGLs;
- the price and availability of alternative fuels;
- the overall economic environment; and
- governmental regulations and taxes.

Estimates of oil, gas, and NGL reserves are uncertain.

The process of estimating oil, gas and NGL reserves is complex and requires significant judgment in the evaluation of available geological, engineering and economic data for each reservoir, particularly for new discoveries. Because of the high degree of judgment

involved, different reserve engineers may develop different estimates of reserve quantities and related revenue based on the same data. In addition, the reserve estimates for a given reservoir may change substantially over time as a result of several factors including additional development activity, the viability of production under varying economic conditions and variations in production levels and associated costs. Consequently, material revisions to our future reserve estimates may occur as a result of changes in any of these factors. Such revisions to reserves could have a material adverse effect on our future estimates of future net revenue, as well as our financial condition and profitability.

Discoveries or acquisitions of additional reserves will be needed to avoid a material decline in future reserves and production.

The production rates from oil and gas properties generally decline as reserves are depleted, while related per unit production costs generally increase, due to decreasing reservoir pressures and other factors. Therefore, we anticipate our future estimated proved reserves and future oil, gas and NGL production will decline materially as future reserves are produced unless we conduct successful exploration and development activities or, unless we identify additional producing zones in existing wells, secondary or tertiary recovery techniques, or acquire additional properties containing proved reserves. Consequently, our future oil, gas and NGL production and related per unit production costs will be highly dependent upon our level of success in finding or acquiring additional reserves.

Future drilling results are uncertain and involve substantial costs.

Substantial costs are often required to locate and acquire properties and drill wells. Such activities are subject to numerous risks, including the risk that we will not encounter commercially productive oil or gas reservoirs. The costs of drilling and completing wells are often uncertain. In addition, oil and gas properties can become damaged or drilling operations may be curtailed, delayed or canceled as a result of a variety of factors including, but not limited to:

- unexpected drilling conditions;
- pressure or irregularities in reservoir formations;
- equipment failures or accidents;
- fires, explosions, blowouts and surface cratering;
- adverse weather conditions;
- lack of access to pipelines or other transportation methods;
- environmental hazards or liabilities; and
- shortages or delays in the availability of services or delivery of equipment.

A significant occurrence of one of these factors could result in a partial or total loss of our future investment in a particular property. In addition, drilling activities may not be successful in establishing proved reserves. Such a failure could have an adverse effect on our future results of operations and financial condition.

Industry competition for leases, materials, people and capital can be significant.

Strong competition exists in all sectors of the oil and gas industry. We plan to compete with major integrated and other independent oil and gas companies for the acquisition of oil and gas leases and properties. We also plan to compete for the equipment and personnel required to explore, develop and operate properties. Competition is also prevalent in the marketing of oil, gas and NGLs. Typically, during times of high or rising commodity prices, drilling and operating costs will also increase. Higher prices will also generally increase the costs of properties available for acquisition. Our competitors have financial and other resources substantially larger than ours. They also may have established strategic long-term positions and relationships in areas in which we may seek new entry. As a consequence, we may be at a competitive disadvantage in bidding for properties. In addition, many of our larger competitors may have a competitive advantage when responding to factors that affect demand for oil and gas production, such as changing worldwide price and production levels, the cost and availability of alternative fuels, and the application of government regulations.

Public policy, which includes laws, rules and regulations, can change.

Our planned operations are subject to federal laws, rules and regulations in the United States. In addition, we will also be subject to the laws and regulations of various states and local governments. Pursuant to public policy changes, numerous government departments and agencies have issued extensive rules and regulations binding on the oil and gas industry and its individual members, some of which carry substantial penalties for failure to comply. Changes in such public policies could affect our planned operations. Political developments can restrict production levels, enact price controls, change environmental protection requirements, and increase taxes, royalties and other amounts payable to governments or governmental agencies. Existing laws and regulations can also require us to incur substantial costs to maintain regulatory compliance. Our future projected operating and other compliance costs could increase if existing laws and regulations are revised or reinterpreted or if new laws and regulations become applicable to our operations. Although we are unable to predict changes to existing laws and regulations, such changes could significantly impact our future profitability,

financial condition and liquidity, particularly changes related to hydraulic fracturing, income taxes and climate change as discussed below.

Hydraulic Fracturing— The U.S. Congress is currently considering legislation to amend the federal Safe Drinking Water Act to require the disclosure of chemicals used by the oil and natural-gas industry in the hydraulic-fracturing process. Currently, regulation of hydraulic fracturing is primarily conducted at the state level through permitting and other compliance requirements. This legislation, if adopted, could establish an additional level of regulation and permitting at the federal level.

Income Taxes— The U.S. Congress could make significant changes to United States tax laws. Among potential significant changes would be the elimination of the immediate deduction for intangible drilling and development costs.

Climate Change— Policy makers in the United States are increasingly focusing on whether the emissions of greenhouse gases, such as carbon dioxide and methane, are contributing to harmful climatic changes. Policy makers at both the United States federal and state level have introduced legislation and proposed new regulations that are designed to quantify and limit the emission of greenhouse gases through inventories and limitations on greenhouse gas emissions. Legislative initiatives to date have focused on the development of cap-and-trade programs. These programs generally would cap overall greenhouse gas emissions on an economy-wide basis and require major sources of greenhouse gas emissions or major fuel producers to acquire and surrender emission allowances. Cap-and-trade programs would be relevant to our planned operations because the equipment we plan to use to explore for, develop, produce and process oil and natural gas emits greenhouse gases. Additionally, the combustion of carbon-based fuels, such as the oil, gas and NGLs we plan to sell, emits carbon dioxide and other greenhouse gases.

We will incur certain costs to comply with government regulations, particularly regulations relating to environmental protection and safety, and could incur even greater costs in the future.

Our development, production and marketing operations are regulated extensively at the federal, state and local levels and are subject to interruption or termination by governmental and regulatory authorities based on environmental or other considerations. Moreover, we have incurred and will continue to incur costs in our efforts to comply with the requirements of environmental, safety and other regulations. Further, the regulatory environment in the oil and gas industry could change in ways that we cannot predict and that might substantially increase our costs of compliance and, in turn, materially and adversely affect our business, results of operations and financial condition.

Specifically, as an owner or lessee and operator of crude oil and natural gas properties, we are subject to various federal, state, and local regulations relating to the discharge of materials into, and the protection of, the environment. These regulations may, among other things, impose liability on us for the cost of pollution cleanup resulting from operations, subject us to liability for pollution damages and require suspension or cessation of operations in affected areas. Moreover, we are subject to the United States (U.S.) Environmental Protection Agency's (U.S. EPA) rule requiring annual reporting of greenhouse gas (GHG) emissions. Changes in, or additions to, these regulations could lead to increased operating and compliance costs and, in turn, materially and adversely affect our business, results of operations and financial condition.

We are aware of the increasing focus of local, state, national and international regulatory bodies on GHG emissions and climate change issues. In addition to the U.S. EPA's rule requiring annual reporting of GHG emissions, we are also aware of legislation proposed by U.S. lawmakers to reduce GHG emissions.

Additionally, there have been various proposals to regulate hydraulic fracturing at the federal level. Currently, the regulation of hydraulic fracturing is primarily conducted at the state level through permitting and other compliance requirements. Any new federal regulations that may be imposed on hydraulic fracturing could result in additional permitting and disclosure requirements (such as the reporting and public disclosure of the chemical additives used in the fracturing process) and in additional operating restrictions. In addition to the possible federal regulation of hydraulic fracturing, some states and local governments have considered imposing various conditions and restrictions on drilling and completion operations, including requirements regarding casing and cementing of wells, testing of nearby water wells, restrictions on the access to and usage of water and restrictions on the type of chemical additives that may be used in hydraulic fracturing operations. Such federal and state permitting and disclosure requirements and operating restrictions and conditions could lead to operational delays and increased operating and compliance costs and, moreover, could delay or effectively prevent the development of crude oil and natural gas from formations which would not be economically viable without the use of hydraulic fracturing.

We will continue to monitor and assess any new policies, legislation, regulations and treaties in the areas where we operate to determine the impact on our operations and take appropriate actions, where necessary. We are unable to predict the timing, scope and effect of any currently proposed or future laws, regulations or treaties, but the direct and indirect costs of such laws, regulations and treaties (if enacted) could materially and adversely affect our business, results of operations and financial condition.

Environmental matters and costs can be significant.

As an owner, lessee or operator of oil and gas properties, we will be subject to various federal, state, provincial, tribal and local laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on us for the cost of pollution clean-up resulting from our operations in affected areas. Any future environmental costs of fulfilling our commitments to the environment are uncertain and will be governed by several factors, including future changes to regulatory requirements. There is no assurance that changes in or additions to public policy regarding the protection of the environment will not have a significant impact on our planned operations and profitability.

Insurance does not cover all risks.

Development, production and processing of oil, gas and NGLs can be hazardous and involve unforeseen occurrence including, but not limited to blowouts, cratering, fires and loss of well control. These occurrences can result in damage to or destruction of wells or production facilities, injury to persons, loss of life, or damage to property or the environment. We plan to maintain insurance against certain losses or liabilities in accordance with customary industry practices and in amounts that management believes to be prudent. However, insurance against all operational risks will not be available to us.

Because of the inherent dangers involved in oil and gas operations, there is a risk that we may incur liability or damages as we conduct our business operations, which could force us to expand a substantial amount of money in connection with litigation and/or settlements.

The oil and natural gas business involves a variety of operating hazards and risks such as well blowouts, pipe failures, casing collapse, explosions, uncontrollable flows of oil, natural gas or well fluids, fires, spills, pollution, releases of toxic gas and other environmental hazards and risks. These hazards and risks could result in substantial losses to us from, among other things, injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation and penalties and suspension of operations. In addition, we may be liable for environmental damages caused by previous owners of property purchased and/or leased by us. As a result, substantial liabilities to third parties or governmental entities may be incurred, the payment of which could reduce or eliminate the funds available for the purchase of properties and/or property interests, exploration, development or acquisitions or result in the loss of properties and/or force us to expend substantial monies in connection with litigation or settlements. As such, there can be no assurance that any insurance obtained by us in the future will be adequate to cover any losses or liabilities. We cannot predict the availability of insurance or the availability of insurance at premium levels that justify our purchase. The occurrence of a significant event not fully insured or indemnified against could materially and adversely affect our financial condition and operations. We may elect to self-insure if management believes that the cost of insurance, although available, is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. The occurrence of an event not fully covered by insurance could have a material adverse effect on our financial condition and results of operations, which could lead to any investment in us becoming worthless.

Risks Relating To Our Securities

Our common stock is subject to price volatility unrelated to our operations.

The market price of our common stock could fluctuate substantially due to a variety of factors, including market perception of our ability to achieve our planned growth, quarterly operating results of other companies in the same industry, trading volume in our common stock, changes in general conditions in the economy and the financial markets or other developments affecting our competitors or ourselves. In addition, the OTCBB is subject to extreme price and volume fluctuations in general. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to their operating performance and could have the same effect on our common stock.

We do not expect to pay dividends in the foreseeable future.

We have paid no cash dividends on our common stock to date and it is not anticipated that any cash dividends will be paid to holders of our common stock in the foreseeable future. While our dividend policy will be based on the operating results and capital needs of our business operations, it is anticipated that any earnings will be retained to finance our business operations and future

expansion. Therefore, our stockholders will not receive any funds unless they sell their common stock, and stockholders may be unable to sell their shares on favorable terms or at all.

Trading in our common stock on the OTC Bulletin Board is limited and sporadic and fluctuates, making it difficult for our shareholders to sell their shares or liquidate their investments.

Our common stock is quoted on the Over-The-Counter Bulletin Board (the "OTCBB") under the symbol "PEII". We anticipate the market for our common stock on the OTCBB to be subject to fluctuations in response to several factors, including, but not limited to:

- actual or anticipated variations in our results of operations;
- our ability to generate revenues;
- conditions and trends in the market for oil and natural gas; and
- future acquisitions we may make.

Furthermore, our stock price may be impacted by factors that are unrelated or disproportionate to our operating performance. These market fluctuations, as well as general economic, political and market conditions, such as recessions, interest rates, or government regulations may adversely affect the market price and liquidity of our common stock.

If we are late in filing our quarterly or annual reports with the SEC or a Market Maker fails to quote our common stock on the OTCBB for a period of more than four days, we may be de-listed from the OTCBB.

Pursuant to OTCBB rules relating to the timely filing of periodic reports with the SEC, any OTCBB issuer which fails to file a periodic report (Form 10-Q or 10-K) by the due date of such report (not withstanding any extension granted to the issuer by the filing of a Form 12b-25), three times during any 24 month period is automatically de-listed from the OTCBB. Such removed issuer would not be re-eligible to be listed on the OTCBB for a period of one year, during which time any subsequent late filing would reset the one-year period of de-listing. Additionally, if a market maker fails to quote our common stock on the OTCBB for a period of more than four consecutive days, we will be automatically delisted from the OTCBB. If we are late in our filings three times in any 24 month period and are de-listed from the OTCBB or are automatically delisted for failure of a market maker to quote our stock, our securities may become worthless and we may be forced to curtail or abandon our business plan.

We are subject to penny stock regulations and restrictions and you may have difficulty selling shares of our common stock.

Our common stock is subject to the provisions of Section 15(g) and Rule 15g-9 of the Securities Exchange Act of 1934 (the "Exchange Act"), commonly referred to as the "penny stock rule." Section 15(g) sets forth certain requirements for transactions in penny stock, and Rule 15g-9(d) incorporates the definition of "penny stock" that is found in Rule 3a51-1 of the Exchange Act. The SEC generally defines a penny stock to be any equity security that has a market price less than $5.00 per share, subject to certain exceptions. We are subject to the SEC's penny stock rules.

Since our common stock is deemed to be penny stock, trading in the shares of our common stock is subject to additional sales practice requirements on broker-dealers who sell penny stock to persons other than established customers and accredited investors. "Accredited investors" are persons with assets in excess of $1,000,000 (excluding the value of such person's primary residence) or annual income exceeding $200,000 or $300,000 together with their spouse. For transactions covered by these rules, broker-dealers must make a special suitability determination for the purchase of such security and must have the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt the rules require the delivery, prior to the first transaction of a risk disclosure document, prepared by the SEC, relating to the penny stock market. A broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information for the penny stocks held in an account and information to the limited market in penny stocks. Consequently, these rules may restrict the ability of broker-dealer to trade and/or maintain a market in our common stock and may affect the ability of our stockholders to sell their shares of common stock.

There can be no assurance that our shares of common stock will qualify for exemption from the Penny Stock Rule. In any event, even if our common stock was exempt from the Penny Stock Rule, we would remain subject to Section 15(b)(6) of the Exchange Act, which gives the SEC the authority to restrict any person from participating in a distribution of penny stock if the SEC finds that such a restriction would be in the public interest.

State securities laws may limit secondary trading, which may restrict the state in which and conditions under which you can sell shares.

Secondary trading in our common stock may not be possible in any state until the common stock is qualified for sale under the applicable securities laws of the state or there is confirmation that an exemption, such as listing in certain recognized securities manuals, is available for secondary trading in the state. If we fail to register or qualify, or to obtain or verify an exemption for the secondary trading of, the common stock in any particular state, the common stock could not be offered or sold to, or purchased by, a resident of that state. In the event that a significant number of states refuse to permit secondary trading in our common stock, the liquidity for the common stock could be significantly impacted.

Because we are not subject to compliance with rules requiring the adoption of certain corporate governance measures, our stockholders have limited protections against interested director transactions, conflicts of interest, and similar matters.

The Sarbanes-Oxley Act of 2002, as well as rule changes proposed and enacted by the SEC, the New York and American Stock Exchanges and the Nasdaq Stock Market, as a result of Sarbanes-Oxley, require the implementation of various measures relating to corporate governance. These measures are designed to enhance the integrity of corporate management and the securities markets and apply to securities that are listed on those exchanges or the Nasdaq Stock Market. Because we are not presently required to comply with many of the corporate governance provisions and because we chose to avoid incurring the substantial additional costs associated with such compliance any sooner than legally required, we have not yet adopted these measures.

We do not currently have an independent audit or compensation committee. As a result, our Directors have the ability to, among other things; determine their own level of compensation. Until we comply with such corporate governance measures, regardless of whether such compliance is required, the absence of such standards of corporate governance may leave our stockholders without protections against interested director transactions, conflicts of interest, if any, and similar matters and any potential investors may be reluctant to provide us with funds necessary to expand our operations.

We intend to comply with all corporate governance measures relating to Director independence as and when required. However, we may find it very difficult or be unable to attract and retain qualified officers, Directors and members of board committees required to provide for our effective management as a result of the Sarbanes-Oxley Act of 2002. The enactment of the Sarbanes-Oxley Act of 2002 has resulted in a series of rules and regulations by the SEC that increase responsibilities and liabilities of Directors and executive officers. The perceived increased personal risk associated with these recent changes may make it more costly or deter qualified individuals from accepting these roles.

Your ownership interest may be diluted and the value of our common stock may decline by exercising the put right pursuant to the Investment Agreement.

Pursuant to the Investment Agreement, when we deem it necessary, we may raise capital through the private sale of our common stock to an investor at a price equal to a discount of 30% to the lowest closing price of our Common Stock for the ten (10) consecutive trading days immediately before the investor receives our notice of sale. The investor has a financial incentive to sell our common stock immediately upon receiving the shares to realize the profit equal to the difference between the discounted price and the market price. If the investor sells the shares, the price of our Common Stock could decrease. If our stock price decreases, the investor may have a further incentive to sell the shares of our Common Stock that it holds. These sales may have a further impact on our stock price as well as a dilutive impact on your ownership interest.

Nevada law and our Articles of Incorporation authorize us to issue shares of stock, which shares may cause substantial dilution to our existing shareholders.

We have authorized capital stock consisting of 15,000,000,000 shares of common stock, $0.0001 par value per share and 10,000,000 shares of preferred stock, $0.001 par value per share. As of March 14, 2014, we had 1,368,493,108 shares of common stock outstanding, 1,000 shares of Series A Preferred Stock issued and outstanding, and 710,438 shares of Series B Convertible Preferred stock issued and outstanding. As a result, our Board of Directors has the ability to issue a large number of additional shares of common stock without shareholder approval, which if issued could cause substantial dilution to our then shareholders. Additionally, shares of preferred stock may be issued by our Board of Directors without shareholder approval with voting powers, and such preferences and relative, participating, optional or other special rights and powers as determined by our Board of Directors, which may be greater than the shares of common stock currently outstanding. As a result, shares of preferred stock may be issued by our Board of Directors which cause the holders to have super majority voting power over our shares (similar to the Shares A Preferred Stock previously issued by the Board of Directors), provide the holders of the preferred stock the right to convert the shares of preferred stock they hold into shares of our common stock, which may cause substantial dilution to our then common stock shareholders and/or have other rights and preferences

greater than those of our common stock shareholders. Investors should keep in mind that the Board of Directors has the authority to issue additional shares of common stock and preferred stock, which could cause substantial dilution to our existing shareholders. Additionally, the dilutive effect of any preferred stock, which we may issue may be exacerbated given the fact that such preferred stock may have super majority voting rights (similar to the Series A Preferred Stock already issued and outstanding) and/or other rights or preferences which could provide the preferred shareholders with voting control over us subsequent to this filing and/or give those holders the power to prevent or cause a change in control. As a result, the issuance of shares of common stock and/or Preferred Stock may cause the value of our securities to decrease and/or become worthless.

ITEM 1B. UNRESOLVED STAFF COMMENTS

As a “smaller reporting company,” as defined in Rule 12b-2 of the Exchange Act, the Company is not required to provide the information called for by this Item.

ITEM 2. PROPERTIES

We currently lease office space under a lease encompassing approximate 2,100 feet of space. Our offices are at 17950 Preston Road, Suite 960, Dallas, Texas 75252.

In September 2011, we obtained rights to the Wagoner County Leases, encompassing a total of 360 acres, as described above, and in February 2012, we obtained rights to the Tulsa County and Knox County Leases, as described above.

In addition the Company obtained rights to a 75% equity stake in two natural gas pipelines that, combined are 132 miles long in connection with the closing of various agreements as described herein.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company may become subject to various legal proceedings that are incidental to the ordinary conduct of its business. Although the Company cannot accurately predict the amount of any liability that may ultimately arise with respect to any of these matters, it makes provision for potential liabilities when it deems them probable and reasonably estimable. These provisions are based on current information and legal advice and may be adjusted from time to time according to developments.

We know of no material, existing or pending legal proceedings against our Company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which our director, officer or any affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's Common Stock is considered a "penny stock" as defined in the Commission's rules promulgated under the Exchange Act. The Commission's rules regarding penny stocks impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors (generally persons with net worth in excess of $1,000,000 (excluding their principal residence) or an annual income exceeding $200,000 or $300,000 jointly with their spouse). For transactions covered by the rules, the broker-dealer must make a special suitability determination for the purchaser and receive the purchaser's written agreement to the transaction prior to the sale. Thus the Rules affect the ability of broker-dealers to sell the Company's shares should they wish to do so because of the adverse effect that the Rules have upon liquidity of penny stocks. Unless the transaction is exempt under the Rules, under the Securities Enforcement Remedies and Penny Stock Reform Act of 1990, broker-dealers effecting customer transactions in penny stocks are required to provide their customers with (i) a risk disclosure document; (ii) disclosure of current bid and ask quotations if any; (iii) disclosure of the compensation of the broker-dealer and its sales personnel in the transaction; and (iv) monthly account statements showing the market value of each penny stock held in the customer's account. As a result of the

penny stock rules, the market liquidity for the Company's securities may be severely adversely affected by limiting the ability of broker-dealers to sell the Company's securities and the ability of purchasers of the securities to resell them.

Market Information

Our common stock is currently quoted on the OTC Bulletin Board. In October 2009, we obtained quotation for our common stock on the Over-The-Counter Bulletin Board ("OTCBB") under the symbol RCNC.OB; however, our common stock was subsequently delisted from the OTCBB due to our failure to timely file our Quarterly Report on Form 10-Q for the period ended February 28, 2011 on May 23, 2011.Our common stock was re-quoted on the OTCBB effective on August 9, 2011.On October 17, 2011, in connection with the effectiveness of the 100:1 forward stock-split affected pursuant to the Amendment described above, the Company's trading symbol on the Over-The-Counter Bulletin Board changed to RCNCD.OB.

On November 29, 2011 our symbol was changed to "PEII.OB" to reflect our Company's name change to Petron Energy II, Inc. Because we are quoted on the OTC Bulletin Board, our securities may be less liquid, receive less coverage by security analysts and news media, and generate lower prices than might otherwise be obtained if they were listed on a national securities exchange.

The following table sets forth the high and low bid prices for our Common Stock per quarter as reported by the OTCBB for the period from January 1, 2012 through December 31, 2013, based on our fiscal year end December 31. These prices represent quotations between dealers without adjustment for retail mark-up, markdown or commission and may not represent actual transactions.

	Quarter			
	First	Second	Third	Fourth
2012				
High	n/a (1)	n/a (1)	n/a (1)	$ 0.1500
Low	n/a (1)	n/a (1)	n/a (1)	$ 0.1500
2013				
High	$ 0.2450	$ 0.0960	$ 0.1000	$ 0.0290
Low	$ 0.1000	$ 0.0100	$ 0.0069	$ 0.0020

(1) - A trading market for our stock did not exist prior to December 27, 2012.

Description of Capital Stock

We have authorized capital stock consisting of 15,000,000,000 shares of common stock, $0.0001 par value per share ("Common Stock") and 10,000,000 shares of preferred stock, $0.001 par value per share ("Preferred Stock").

Common Stock

The holders of outstanding shares of common stock are entitled to receive dividends out of assets or funds legally available for the payment of dividends of such times and in such amounts as the board from time to time may determine. Holders of common stock are entitled to one vote for each share held on all matters submitted to a vote of shareholders. There is no cumulative voting of the election of directors then standing for election. The common stock is not entitled to pre-emptive rights and is not subject to conversion or redemption. Upon liquidation, dissolution or winding up of our company, the assets legally available for distribution to stockholders are distributable ratably among the holders of the common stock after payment of liquidation preferences, if any, on any outstanding payment of other claims of creditors. Each outstanding share of common stock is duly and validly issued, fully paid and non-assessable.

Preferred Stock

Shares of preferred stock may be issued from time to time in one or more series, each of which shall have such distinctive designation or title as shall be determined by our Board of Directors ("Board of Directors") prior to the issuance of any shares thereof. Preferred stock shall have such voting powers, full or limited, or no voting powers, and such preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated in such resolution or resolutions providing for the issue of such class or series of preferred stock as may be adopted from time to time by the Board of Directors prior to the issuance of any shares thereof. The number of authorized shares of preferred stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all the then outstanding shares of our capital stock entitled to vote generally in the election of the directors, voting together as a single class, without a separate vote of the holders of the preferred stock, or any series thereof, unless a vote of any such holders is required pursuant to any preferred stock designation.

Series "A" Preferred Stock

The designation of 1,000 shares of the Company's Series A Preferred Stock was approved by the Company's Board of Directors on September 7, 2011 and a Certificate of Designations reflecting such Series A Preferred Stock was filed with the Secretary of State of Nevada on September 8, 2011. The Series A Preferred Stock provides the holder thereof, Floyd L. Smith, the right, voting separately as a class, to vote in aggregate 51% of our outstanding voting shares on any and all shareholder matters (the "Super Majority Voting Rights").

Additionally, the Company shall not adopt any amendments to the Company's Bylaws, Articles of Incorporation, as amended, make any changes to the Certificate of Designations establishing the Series A Preferred Stock, or effect any reclassification of the Series A Preferred Stock, without the affirmative vote of at least 66-2/3% of the outstanding shares of Series A Preferred Stock. However, the Company may, by any means authorized by law and without any vote of the holders of shares of Series A Preferred Stock, make technical, corrective, administrative or similar changes to such Certificate of Designations that do not, individually or in the aggregate, adversely affect the rights or preferences of the holders of shares of Series A Preferred Stock.

The Series A Preferred Stock and the rights associated therewith could act to prevent or delay a change in control.

Series "B" Preferred Stock

The Certificate of Designation designating 6,000,000 shares of the Company's Series B Preferred Stock was filed with the Secretary of State of Nevada on February 17, 2012. 5,910,000 shares of the Company's Series B Preferred Stock were issued pursuant to the Plan of Reorganization and Asset Purchase Agreement, described above. A total of 5,199,562 shares of the Series B Convertible Preferred Stock have been converted into an aggregate of 142,653,320 shares of the Common Stock of the Company. At March 14, 2014, we had 710,438 shares of Series B Convertible Preferred Stock issued and outstanding which had not been converted because of the 9.99% ownership limitation set forth in the Certificate of Designation (the "Ownership Limitation"). The Series B Convertible Preferred Stock shares have a vote equal to 1/100th of a common share vote.

Warrants, Options and Convertible Securities

Floyd L. Smith, the Company's Chief Executive Officer, President and Director, owns Stock Options to purchase 1,200,000 shares of the Company's common stock at an exercise price of $0.039 per share, which have a term of five years, expiring on August 31, 2016, which were issued to in connection with his entry into an Executive Employment Agreement with the Company (described above).

The shareholders receiving the Series B Preferred Stock pursuant to the Plan of Reorganization and Asset Purchase Agreement received warrants to purchase an aggregate of 1,000,000 shares of the Company's common stock with an exercise price of $0.80 per share.

An investor was granted a common stock warrant for 100,000 shares. The exercise price is $1.40 per share and the warrant expires on August 9, 2015.

Record Holders

As of March 14, 2014, an aggregate of 1,368,493,108 shares of our common stock were issued and outstanding and were owned by approximately 635 holders of record, based on information provided by our transfer agent. Additionally, there were 1,000 shares of Series A Preferred Stock issued and outstanding, and 710,438 shares of Series B Convertible Preferred stock issued and outstanding.

Dividends

On December 27, 2012, the Company effectuated a reverse split (the "Reverse Split") of its issued common shares whereby every ten (10) pre-split shares of common stock were exchanged for one (1) post-split share of the Company's common stock. As a result, the total issued shares of common stock of the Company decreased from One Hundred Twenty Million Two Hundred Thirty Thousand Six Hundred and Eighty Eight (120,230,688) shares prior to the Reverse Split to Twelve Million Twenty Three Thousand and Sixty Nine (12,023,069) shares following the Reverse Split. FINRA confirmed approval of the Reverse Split on December 20, 2012 and the Reverse Split became effective on December 27, 2012.

Other than the foregoing, we have never declared or paid any cash dividends on our common stock, and we do not anticipate paying any dividends in the foreseeable future. We intend to devote any earnings to fund the operations and the development of our business.

Securities Authorized for Issuance Under Equity Compensation Plans

The Company does not have any equity compensation plans in place, whether approved by the shareholders or not.

Recent Sales of Unregistered Securities

On April 18, 2013, in connection with the TCA credit agreement, the Company issued 3,333,334 shares of its common stock to TCA.

During 2013, the Company issued 7,593,037 shares of its common stock to ASC Recap, LLC in connection with a convertible promissory note entered into by and between the Company and ASC Recap, LLC.

During 2013, the Company issued 26,140,220 shares of its common stock to Asher in connection with convertible promissory notes entered into by and between the Company and Asher.

During 2013, the Company sold an aggregate of 41,141,643 shares of the Company's restricted common stock to 62 "accredited investors" in private transactions for aggregate consideration of $525,150.

During 2013 4,962,502 shares of its Series B Preferred Convertible Stock were converted into 142 ,653,320 shares of the Company's common stock.

During 2013 the Company issued 65,539,280 shares of its common stock to AGS Capital Group, LLC in connection with convertible promissory notes entered into by and between the Company and AGS Capital Group, LLC.

During 2013, the Company issued 63,553,210 shares of its common stock to WHC Capital, LLC in connection with convertible promissory notes entered into by and between the Company and WHC Capital, LLC.

During 2013, the Company issued 68,782,347 shares of its common stock to Continental Equities, LLC in connection with convertible promissory notes entered into by and between the Company and Continental Equities, LLC.

During 2013, the Company issued 4,148,806 shares of its common stock to certain vendors and individuals for services rendered.

During 2013, the Company issued 2,950,477 shares of its common stock to an individual in connection with a settlement agreement.

During 2013, the Company issued 4,273,324 shares to two of the Company's directors for their fees.

ITEM 6. SELECTED FINANCIAL DATA

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are not historical facts but rather are based on current expectations, estimates and projections. We may use words such as "anticipate," "expect," "intend," "plan," "believe," "foresee," "estimate" and variations of these words

and similar expressions to identify forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted. You should read this report completely and with the understanding that actual future results may be materially different from what we expect. The forward looking statements included in this report are made as of the date of this report and should be evaluated with consideration of any changes occurring after the date of this Report. We will not update forward-looking statements even though our situation may change in the future and we assume no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. We encourage you to review our "Risk Factors" set forth above.

PLAN OF OPERATIONS

The Company initially acquired pipelines, equipment and oil and gas rights in Tulsa County, Oklahoma from Petron Special Corporation pursuant to the Petron Asset Purchase Agreement. The Company also acquired certain oil and gas properties in Knox County Texas owned by ONE Energy Capital Corp., ONE Energy International Corp. and their affiliated parties, pursuant to the Plan of Reorganization and Asset Purchase Agreement. We have also separately acquired rights to the Wagoner County Leases.

All existing leases which we acquired through the Petron Asset Purchase Agreement and the Plan of Reorganization and Asset Purchase Agreement will need to be reworked to reestablish production. Although there are several targets available within these existing wells, oil pay zones will be our primary focus considering the higher price point in the oil market currently. The second priority will be gas pay zones, primarily because of very soft price points in the gas market.

Our long-term plan is to grow the Company at an aggressive rate via three approaches, 1) lease acquisition and development, 2) industry level participation through current industry partners, and 3) acquisitions of small operators primarily in Texas and Oklahoma.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2013

The following is a comparative summary statement of operations for the years ended December 31, 2013 and 2012:

	2013	2012
Revenues		
Oil & Gas Sales	$ 276,421	$ 326,343
Costs and Expenses:		
Cost of Revenue	634,945	538,616
Depletion and Depreciation	261,244	186,014
Impairment Charge	48,000	6,046,000
Derivative Expense	1,691,313	—
General and Administrative	1,547,774	1,736,427
Interest	394,240	145,349
Total Expenses	4,577,516	8,652,406
Net Loss	$ (4,301,095)	$ (8,326,063)

Revenue

The decrease in revenue in 2013 compared to 2012 was due to the net impact of the following events:

- Due to a plugging requirement by the State of Texas, the Texas production was suspended until the plugging work was completed. This work was finished in 2014. The impact of this was a decrease in revenue in 2013 of approximately $31,000 compared to 2012.
- Approximately $44,000 of revenue was recorded in 2012 that applied to 2011 production. This type of item did not occur in 2013. Due to questions concerning division of interests, the Company did not receive payment until April of 2012. This revenue was not recorded in 2011 due to the contingent nature of the amount.
- In 2013 the Company brought a lease into production that did not produce in 2012. The revenue from the production on this lease was approximately $43,000.
- Gas production was lower in 2013 due to well and pipeline repairs resulting in shutdowns. The revenue impact was a decrease of approximately $11,000.

Expenses

The Company began recording fees in costs of revenue, according to a Consulting and Operating Agreement with Petron Energy, Inc. in May of 2013. The increase in cost due to the fee of $25,000 per month offset reduced costs due to the lower production.

The increase in depletion and depreciation is related to the depreciation on approximately $996,047 of equipment purchased during 2013.

We recorded an impairment of $48,000 as a result of the ceiling test. In 2013 we started issuing convertible debt that included discounts from the market price for the common stock that is subject to issuance upon conversion. These agreements are the source of the derivative expense. The Company did not have these types of agreements in 2012.

Interest has increased due to the interest cost related to the TCA note that was executed in April 2013. In addition to the interest rate of the note, there is amortization of loan fees that have been recorded in interest expense.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2013, the current liabilities other than the derivative liability were $3,217,526 and the Company's current assets were $24,447. Cash for the period ended December 31, 2013 was $105, compared to $17,089 on December 31, 2012. Effective April 16, 2013, we entered into a Credit Agreement with TCA Global Master Fund, LP ("TCA"). Under the terms of a credit agreement the Company has pledged all of its oil and gas assets as collateral. The Company makes requests for drawdowns periodically and the lender, in its sole discretion, will approve the requests. The funds are to be used for operations and enhancing the oil and gas producing assets of the Company. The first draw, under terms of an 11% note payable due October 17, 2013 was received April 17, 2013 for $450,000. This debt was refinanced in April 2014. Other than stated herein, the Company does not have any current commitments for capital expenditures or any other commitments that would result in a change in cash flow or cash requirements for the next twelve months.

We anticipate that our operations will be supported by funds raised through the sale of debt or equity in the Company in private placement offerings and through revenues generated from our oil and gas operations. We anticipate the need for a minimum of $2.5 million in additional funding to continue our operations for the next twelve months. Assuming we are successful in raising a minimum of $10.0 million subsequent to the date of this filing through the sale of debt or equity securities through private placements, we will use the proceeds to settle the Company's accounts payable and to complete the reworking of six leases. In the event that we are unsuccessful raising additional funds subsequent to the date hereof, we will move forward with our business plan and plan of operations in a scaled down form until such time that we can raise additional funds.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

Contractual Obligations

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Future Financings

We will continue to rely on equity sales of our common shares in order to continue to fund our business operations. Issuances of additional shares will result in dilution to existing stockholders. There is no assurance that we will achieve any additional sales of the equity securities or arrange for debt or other financing to fund our operations and other activities.

Pursuant to the terms of the Investment Agreement, CPUS committed to purchase up to $10,000,000 of our common stock over a period of up to thirty-six (36) months. From time to time during the thirty-six (36) months period commencing from the effectiveness of the registration statement, we may deliver a drawdown notice to CPUS which states the dollar amount that we intend to sell to CPUS on a date specified in the put notice. The maximum investment amount per notice shall be no more than two hundred seventy five percent (275%) of the average daily volume of the common stock for the ten consecutive trading days immediately prior to date of the applicable put notice. The purchase price per share to be paid by CPUS shall be calculated at a thirty percent (30%) discount to the lowest trading price of the common stock as reported by Bloomberg, L.P. during the ten (10) consecutive trading days immediately prior to the receipt by CPUS of the put notice. Additionally, the Company agreed to pay CPUS a commitment fee equal to $12,500 in the form of shares of

the Company's common stock, at a purchase price equal to 50% discount to the price per share on the closing date of the Investment Agreement. We have reserved 332,892,841 shares of our common stock for issuance under the Investment Agreement.

CRITICAL ACCOUNTING POLICIES

Our financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our financial statements. A complete summary of these policies is included in note 2 of the notes to our financial statements. In general, management's estimates are based on historical experience, information from third party professionals, and various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

Recently Issued Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Oil and gas properties

The Company utilizes the full cost method to account for its investment in oil and gas properties. Accordingly, all costs associated with acquisition, exploration and development of oil and gas reserves, including such costs as leasehold acquisition costs, capitalized interest costs relating to unproved properties, geological expenditures, tangible and intangible development costs including direct internal costs are capitalized to the full cost pool. When the Company obtains proven oil and gas reserves, capitalized costs, including estimated future costs to develop the reserves and estimated abandonment costs, net of salvage, will be depleted on the units-of-production method using estimates of proved reserves.

Investments in unproved properties are not depleted pending determination of the existence of proved reserves. Unproved properties are assessed periodically to ascertain whether impairment has occurred. Unproved properties whose costs are individually significant are assessed individually by considering the primary lease terms of the properties, the holding period of the properties, and geographic and geologic data obtained relating to the properties. Where it is not practicable to assess individually the amount of impairment of properties for which costs are not individually significant, such properties are grouped for purposes of assessing impairment. The amount of impairment assessed is added to the costs to be amortized, or is reported as a period expense, as appropriate.

Pursuant to full cost accounting rules, the Company must perform a ceiling test periodically on its proved oil and gas assets. The ceiling test provides that capitalized costs less related accumulated depletion and deferred income taxes for each cost center may not exceed the sum of (1) the present value of future net revenue from estimated production of proved oil and gas reserves using current prices, excluding the future cash outflows associated with settling asset retirement obligations that have been accrued on the balance sheet, at a discount factor of 10%; plus (2) the cost of properties not being amortized, if any; plus (3) the lower of cost or estimated fair value of unproved properties included in the costs being amortized, if any; less (4) income tax effects related to differences in the book and tax basis of oil and gas properties. Should the net capitalized costs for a cost center exceed the sum of the components noted above, an impairment charge would be recognized to the extent of the excess capitalized costs.

Sales of proved and unproved properties are accounted for as adjustments of capitalized costs with no gain or loss recognized, unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and gas, in which case the gain or loss is recognized in the statement of operations.

Exploration activities conducted jointly with others are reflected at the Company's proportionate interest in such activities.

Cost related to site restoration programs are accrued over the life of the project.

Pipeline and Equipment

Depreciation is based on the estimated useful lives of the assets and is computed using the straight line method. Pipeline, trucks and equipment are recorded at cost. Depreciation is provided using the following useful lives:

Pipeline	15 years
Trucks and equipment	5—15 years

Stock-based compensation

The Company accounts for stock options in accordance with FASB ASC 505, "Equity," and FASB ASC 718, "Compensation—stock Compensation. "Accordingly, stock compensation expense has been recognized in the statement of operations based on the grant date fair value of the options for the year ended December 31, 2012.

Under ASC 718 and 505, the fair value of options is estimated at the date of grant using a Black-Scholes-Merton ("Black-Scholes") option-pricing model, which requires the input of highly subjective assumptions including the expected stock price volatility. Volatility is determined using historical stock prices over a period consistent with the expected term of the option. The Company utilizes the guidelines of Staff Accounting bulletin No. 107 (SAB 107) of the Securities and Exchange Commission relative to "plain vanilla" options in determining the expected term of options grants. SAB 107 permits the expected term of "plain vanilla" options to be calculated as the average of the option's vesting term and contractual period.

The Company has used this method in determining the expected term of all options. At such time as the Company has options with graded vesting, the Company will recognize compensation cost for awards with graded vesting on a straight-line basis over the requisite service period for the entire award. The amount of compensation expense recognized at any date is at least equal to the portion of the grant date value of the award that is vested at that date.

Revenue Recognition

Oil and gas revenues are recognized when oil and gas is produced and sold.

Earnings (loss) per share

Basic earnings (loss) per share are computed using the weighted average number of shares outstanding during the period. The treasury stock method is used to determine the diluted effect of stock options and warrants. Diluted loss per share is equal to the basic loss per share for the years ended December 31, 2013 and 2012 because common stock equivalents consisting of stock purchase warrants and stock options outstanding at December 31, 2013 and December 31, 2012, were anti-dilutive.

Income taxes

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns using the liability method. Under this method, deferred tax liabilities and assets are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the year in which the differences are expected to reverse.

Long-Lived Assets Impairment

Long-term assets of the Company are reviewed for impairment when circumstances indicate the carrying value may not be recoverable in accordance with the guidance established in Statement of Financial Accounting Standards No. 144 (SFAS 144) (ASC 360), *Accounting for the impairment or Disposal of Long-Lived Assets*. For assets that are to be held and used, an impairment loss is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value. Fair values are determined based on discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value.

Asset Retirement Obligations

The Company accounts for asset retirement obligations in accordance with the provisions of SFAS 143 (ASC 410) *"Accounting for Asset Retirement Obligations"*. SFAS 143 (ASC 410) requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from

the acquisition, construction, development and/or normal use of the assets. The Asset Retirement Obligation as of December 31, 2013 is $220,347.

Concentration of Credit Risk

The Company has financial instruments that are exposed to concentrations of credit risk and consist primarily of cash and trade accounts receivable. The Company routinely maintains cash and temporary cash investments at certain financial institutions in amounts substantially in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits. Management believes that these financial institutions are of high quality and the risk of loss is minimal.

Financial Instruments

The carrying amount of financial instruments including cash, accounts receivable, accounts payable and accrued liabilities approximate fair value, unless otherwise stated as of the date of this current report.

Fair value estimates of financial instruments are made at the period end based on relevant information about financial markets and specific financial instruments. Because these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value.

Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. Company management and legal counsel assess such contingent liabilities which inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company, or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If management determines that it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability is accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed.

Additional disclosure concerning subpart 1200 of Regulation S-K can be found in the Company's financial statements and notes thereto are hereby incorporated by this reference to the Company's most recent Quarterly Report for the period ended September 30, 2013, as filed on Form 10-Q with the SEC on November 7, 2013, and in this Annual Report for the year ended December 31, 2013.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

PETRON ENERGY II, INC.
Financial Statements
For the Years Ended December 31, 2013 and 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Petron Energy II, Inc.
Dallas, TX 75252

We have audited the accompanying consolidated balance sheets of Petron Energy II, Inc. (a Nevada corporation) and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 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 includes 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 consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide 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 Petron Energy II, Inc. and subsidiaries as of December 31, 2013 and 2012 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company's significant operating losses since inception raise substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/*KWCO, PC*
KWCO, PC
Odessa, TX 79762
April 10, 2014

PETRON ENERGY II, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,			
	2013		2012	
ASSETS				
Current Assets				
Cash	$	105	$	17,089
Accounts Receivable		24,342		18,332
Total Current Assets		24,447		35,421
Pipeline, net of accumulated depreciation of $320,452 and $245,156, respectively		697,548		742,844
Producing Oil & Gas Properties, net of accumulated depletion of $865,165 and $731,795, respectively		1,803,632		1,424,729
Other Depreciable Equipment, net of accumulated depreciation of $125,309 and $45,361, respectively		609,732		71,915
Other Assets		1,532		34,790
TOTAL ASSETS	$	3,136,891	$	2,309,699
LIABILITIES AND STOCKHOLDERS' DEFICIT				
Current Liabilities				
Bank Overdraft	$	57,942	$	—
Accounts Payable--Trade		1,282,779		716,140
Accounts Payable--Related Party		224,425		18,082
Accrued Liabilities		219,649		375,284
Derivative Liability		960,047		—
Notes Payable--current		1,432,731		170,500
Total Current Liabilities		4,177,573		1,280,006

Notes Payable--long-term	—	250,000
Asset Retirement Obligation	220,347	40,278
Stock Issuance Liability	946,551	5,904,090
TOTAL LIABILITIES	5,344,471	7,474,374
STOCKHOLDERS' DEFICIT		
Preferred Stock, 10,000,000 authorized, 5,911,000 designated as follows:		
Series A, $0.001 par value, 1,000 shares designated, issued and outstanding	1	1
Series B, $0.001 par value, 5,910,000 shares designated, 947,498 and 5,910,000 shares issued and outstanding, respectively	947	5,910
Common Stock, $0.0001 par value, 15,000,000,000 shares authorized; 442,085,940 and 11,976,942 issued and outstanding, respectively	44,209	1,198
Additional Paid-In Capital	21,869,581	14,649,439
Accumulated Deficit	(24,122,318)	(19,821,223)
Total Stockholders' Deficit	(2,207,580)	(5,164,675)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 3,136,891	$ 2,309,699

The accompanying notes are an integral part to these consolidated financial statements.

PETRON ENERGY II, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31, 2013	2012
Revenues		
Oil & Gas Sales	$ 276,421	$ 326,343
Costs and Expenses		
Cost of Revenue	634,945	538,616
Depletion and Depreciation	261,244	186,014
Impairment Charge	48,000	6,046,000
Derivative Expense	1,691,313	—
General and Administrative	1,547,774	1,736,427
Interest	394,240	145,349
Total Expenses	4,577,516	8,652,406
Loss from Operations Before Income Taxes	(4,301,095)	(8,326,063)
Income Taxes	—	—
Net Loss	$ (4,301,095)	$ (8,326,063)
Loss per share--basic and diluted	$ (0.04)	$ (0.72)
Weighted average number of shares--basic and diluted	121,078,256	11,517,282

The accompanying notes are an integral part to these consolidated financial statements.

PETRON ENERGY II, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ DEFICIT

Years Ended December 31, 2013 and 2012

	Preferred Stock								
	Series A		Series B		Common Stock		Additional		
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Paid-in Capital	Accumulated Deficit	Total
Balance December 31, 2011	1,000	$ 1	-	$ -	11,072,751	$ 1,107	$ 13,516,557	$ (11,495,160)	$ 2,022,505
Preferred Stock Issued for Oil Lease Acquisition			5,910,000	5,910					5,910
Common Stock Issued for Services					147,016	15	158,632		158,647
Common Stock Sales					717,175	72	838,254		838,326
Common Stock and Warrants Issued for Penalty Interest Related to Convertible Debt					40,000	4	135,996		136,000
Net Loss								(8,326,063)	(8,326,063)
Balance December 31, 2012	1,000	$ 1	5,910,000	$ 5,910	11,976,942	$ 1,198	$ 14,649,439	$ (19,821,223)	$ (5,164,675)
Common Stock and Warrants Issued for Services					8,422,130	842	136,232		137,074
Common Stock Issued in Lawsuit Settlement					2,950,477	296	137,704		138,000
Common Stock Issued for Loan Fees					3,333,334	333	159,967		160,300
Common Stock Sales					41,141,643	4,114	521,036		525,150
Conversion of Notes Payable					231,608,094	23,161	563,615		586,776
Derivative Liability Related to Note Conversions							731,266		731,266

Conversion of Preferred Stock			(4,962,502)	(4,963)	142,653,320	14,265	4,948,239		4,957,541
Imputed Interest on Shareholder Notes							22,082		22,082
Net Loss								(4,301,095)	(4,301,095)
Balance December 31, 2013	1,000	$ 1	947,498	$ 947	442,085,940	$ 44,209	$ 21,869,581	$ (24,122,318)	$ (2,207,580)

The accompanying notes are an integral part to these consolidated financial statements.

PETRON ENERGY II, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN CASH FLOW

	Years Ended December 31, 2013	2012
OPERATING ACTIVITIES		
Net Loss	$ (4,301,095)	$ (8,326,063)
Adjustments to reconcile net loss to		
cash used by operating activities:		
Depletion, depreciation and amortization	261,244	186,014
Accretion of asset retirement obligation	4,186	---
Amortization of debt discount	211,500	—
Derivative expense	1,691,313	—
Impairment charge	48,000	6,046,000
Imputed interest on shareholder loans	22,082	—
Penalty interest	45,250	—
Interest related to convertible debt	—	136,000
Common stock and warrants issued for services	137,075	158,647
Common stock issued for lawsuit settlement	138,000	—
Change in other assets and liabilities:		
(Increase) Decrease in oil and gas receivables	(6,010)	35,134
Decrease (Increase) in other assets	33,258	(3,215)
Increase in accounts payable	595,081	273,026
(Decrease) Increase in accrued liabilities	(203,200)	303,127
Increase (Decrease) in related party payable	56,343	(32,535)
Decrease in asset retirement obligation	(9,739)	---
Cash used in operating activities	(1,276,712)	(1,223,865)
INVESTING ACTIVITIES		
Investment in oil and gas properties	(348,241)	(94,049)
Pipeline investment	(30,000)	—
Accounts payable dedicated for asset purchase	453,000	—
Purchase of other equipment	(617,766)	(30,673)
Cash used in investing activities	(543,047)	(124,722)
FINANCING ACTIVITIES		
Bank overdraft	57,942	—
Proceeds from notes payable	1,515,006	420,500
Payments on notes payable	(225,811)	—

	2013	2012
Proceeds from sales of common stock	525,150	838,326
Advances from shareholders	375,000	—
Repayment of advances from shareholders	(225,000)	—
Loan fees	(138,325)	—
Increase in deposit to lender	(81,187)	—
Cash from financing activities	1,802,775	1,258,826
Decrease in cash	(16,984)	(89,761)
Cash at beginning of the period	17,089	106,850
Cash at end of the period	$ 105	$ 17,089
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 39,105	$ 6,849
Cash paid for income taxes	$ —	$ —
Non-Cash Investing and Financing Activities:		
Oil & gas properties	$ (185,622)	$ (5,924,738)
Borrowings for accounts payable for equipment purchases	480,440	100,000
Accounts payable paid through borrowing	(480,440)	(100,000)
Notes payable	(569,342)	—
Accrued liabilities	(17,434)	14,738
Common stock	37,759	—
Preferred stock	(4,963)	5,910
Additional paid-in capital	6,403,085	—
Derivative liability	(731,266)	—
Stock issuance liability	(4,957,539)	5,904,090
Asset retirement obligation	185,622	—
Loan fees	(160,300)	—
	$ —	$ —

The accompanying notes are an integral part to these consolidated financial statements.

PETRON ENERGY II, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

1. INCORPORATION AND NATURE OF OPERATIONS

Petron Energy II, Inc. (“Petron Energy” or the “Company”) is engaged primarily in the acquisition, development, production, exploration for and the sale of oil, gas and gas liquids in the United States. The Company was incorporated in August 2008 under the laws of the State of Nevada. As of December 31, 2013 the Company is operating in the states of Texas and Oklahoma. In addition, the Company operates two gas gathering systems located in Tulsa, Wagoner, Rogers and Mayes counties of Oklahoma. The pipelines consist of approximately 132 miles of steel and poly pipe, a gas processing plant and other ancillary equipment. The Company sells its oil and gas products primarily to a domestic pipeline and to an oil company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

Subsidiary Name
Petron Energy II Pipeline, Inc.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles of the United States. All intercompany transactions and account balances have been eliminated in consolidation.

Going concern uncertainty

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has incurred a net loss of $4,301,095 for the year ended December 31, 2013 (2012 - $8,326,063) and at December 31, 2013 had an accumulated deficit of $24,122,318 (2012 - $19,821,223). While the Company has recognized significant revenues from operations, the revenues generated are not sufficient to sustain operations. The Company does not have sufficient funds to acquire new business assets or maintain its existing operations at this time. Management's plan is to raise equity and/or debt financing as required but there is no certainty that such financing will be available or that it will be available at acceptable terms. The outcome of these matters cannot be predicted at this time.

These financial statements do not include any adjustments to reflect the future effects on the recoverability and classification of assets or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

Accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles of the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates and assumptions.

Cash and cash equivalents

Cash equivalents comprise certain highly liquid instruments with a maturity of three months or less when purchased. As of December 31, 2013 there were no cash equivalents.

Oil and gas properties

The Company utilizes the full cost method to account for its investment in oil and gas properties. Accordingly, all costs associated with acquisition, exploration and development of oil and gas reserves, including such costs as leasehold acquisition costs, capitalized interest costs relating to unproved properties, geological expenditures, tangible and intangible development costs including direct internal costs are capitalized to the full cost pool. When the Company obtains proven oil and gas reserves, capitalized costs, including estimated future costs to develop the reserves and estimated abandonment costs, net of salvage, will be depleted on the units-of-production method using estimates of proved reserves.

Investments in unproved properties are not depleted pending determination of the existence of proved reserves. Unproved properties are assessed periodically to ascertain whether impairment has occurred. Unproved properties whose costs are individually significant are assessed individually by considering the primary lease terms of the properties, the holding period of the properties, and geographic and geologic data obtained relating to the properties. Where it is not practicable to assess individually the amount of impairment of properties for which costs are not individually significant, such properties are grouped for purposes of assessing impairment. The amount of impairment assessed is added to the costs to be amortized, or is reported as a period expense, as appropriate.

Pursuant to full cost accounting rules, the Company must perform a ceiling test periodically on its proved oil and gas assets. The ceiling test provides that capitalized costs less related accumulated depletion and deferred income taxes for each cost center may not exceed the sum of (1) the present value of future net revenue from estimated production of proved oil and gas reserves using current prices, excluding the future cash outflows associated with settling asset retirement obligations that have been accrued on the balance sheet, at a discount factor of 10%; plus (2) the cost of properties not being amortized, if any; plus (3) the lower of cost or estimated fair value of unproved properties included in the costs being amortized, if any; less (4) income tax effects related to differences in the book and tax basis of oil and gas properties. Should the net capitalized costs for a cost center exceed the sum of the components noted above, an

impairment charge would be recognized to the extent of the excess capitalized costs. In 2013 and 2012 the Company recognized an impairment charge of $48,000 and $5,910,000, respectively, in accordance with the ceiling test.

Sales of proved and unproved properties are accounted for as adjustments of capitalized costs with no gain or loss recognized, unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and gas, in which case the gain or loss is recognized in the statement of operations.

Exploration activities conducted jointly with others are reflected at the Company's proportionate interest in such activities.

Cost related to site restoration programs are accrued over the life of the project.

Pipeline and equipment

Depreciation is based on the estimated useful lives of the assets and is computed using the straight line method. Pipeline, trucks and equipment are recorded at cost. Depreciation is provided using the following useful lives:

Pipeline	15 years
Trucks and equipment	5—15 years

Stock-based compensation

The Company accounts for stock options in accordance with FASB ASC 505, "Equity," and FASB ASC 718, "Compensation—Stock Compensation." Accordingly, stock compensation expense has been recognized in the statement of operations based on the grant date fair value of the options for the year ended December 31, 2013.

Under ASC 718 and 505, the fair value of options is estimated at the date of grant using a Black-Scholes-Merton ("Black-Scholes") option-pricing model, which requires the input of highly subjective assumptions including the expected stock price volatility. Volatility is determined using historical stock prices over a period consistent with the expected term of the option. The Company utilizes the guidelines of Staff Accounting bulletin No. 107 (SAB 107) of the Securities and Exchange Commission relative to "plain vanilla" options in determining the expected term of options grants. SAB 107 permits the expected term of "plain vanilla" options to be calculated as the average of the option's vesting term and contractual period.

The Company has used this method in determining the expected term of all options. At such time as the Company has options with graded vesting, the Company will recognize compensation cost for awards with graded vesting on a straight-line basis over the requisite service period for the entire award. The amount of compensation expense recognized at any date is at least equal to the portion of the grant date value of the award that is vested at that date.

Advertising costs

The Company expenses advertising costs as these are incurred. There were no advertising costs in 2013 or 2012.

Revenue recognition

Oil and gas revenues are recognized when oil and gas is produced and sold.

Earnings (loss) per share

Basic earnings (loss) per share is computed using the weighted average number of shares outstanding during the period. The treasury stock method is used to determine the diluted effect of stock options and warrants. Diluted loss per share is equal to the basic loss per share for the years ended December 31, 2013 and 2012 because common stock equivalents would have been anti-dilutive.

Income taxes

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns using the liability method. Under this method, deferred tax liabilities and assets are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the year in which the differences are expected to reverse.

Long-lived assets impairment

Long-term assets of the Company are reviewed for impairment when circumstances indicate the carrying value may not be recoverable in accordance with the guidance established in Statement of Financial Accounting Standards No. 144 (SFAS 144) (ASC 360), *Accounting for the impairment or Disposal of Long-Lived Assets*. For assets that are to be held and used, an impairment loss is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value. Fair values are determined based on discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value.

Asset retirement obligations

The Company accounts for asset retirement obligations in accordance with the provisions of SFAS 143 (ASC 410) *"Accounting for Asset Retirement Obligations"*. SFAS 143 (ASC 410) requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The Asset Retirement Obligation as of December 31, 2013 is $220,347 which includes an increase of $180,069 for the year ended December 31, 2013.

Concentration of credit risk

The Company has financial instruments that are exposed to concentrations of credit risk and consist primarily of cash and trade accounts receivable. The Company routinely maintains cash and temporary cash investments at certain financial institutions in amounts substantially in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits. Management believes that these financial institutions are of high quality and the risk of loss is minimal. At December 31, 2013 the Company had no cash balances in excess of FDIC limits.

Financial instruments

The carrying amount of financial instruments including cash, accounts receivable, accounts payable and accrued liabilities approximate fair value, unless otherwise stated as of December 31, 2013 and 2012.

Fair value estimates of financial instruments are made at the period end based on relevant information about financial markets and specific financial instruments. Because these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value.

Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. Company management and legal counsel assess such contingent liabilities which inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company, or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If management determines that it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability is accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed.

Commitments

The Company amended its operating lease for its administrative office in Dallas, Texas on May 10, 2011. The lease will expire on April 30, 2014. The only lease commitment the Company has at December 31, 2013 is for $13,416 for the office rent through April 2014.

Total rental expense was approximately $38,776 and $40,012 for years ended December 31, 2013 and 2012, respectively.

Recent Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

3. PRODUCING OIL AND GAS PROPERTIES

The following summarizes the investment in producing oil & gas properties as of December 31, 2013 and 2012:

	2013	2012
Leasehold Cost	$ 753,373	$ 753,373
Development Cost	1,011,106	537,453
Tangible Equipment	876,948	865,698
	2,641,427	2,156,524
Accumulated Depreciation and Depletion	(837,795)	(731,795)
Net Investment	$ 1,803,632	$ 1,424,729

Depletion expense for the years ended December 31, 2013 and 2012 was $106,000 and $103,000, respectively.

4. PIPELINE AND OTHER DEPRECIABLE EQUIPMENT

The following summarizes the investment in pipeline and other depreciable equipment as of December 31, 2013 and 2012:

	2013	2012
Pipeline	$ 1,018,000	$ 988,000
Accumulated Depreciation	(320,452)	(245,156)
Net Pipeline	$ 697,548	$ 742,844
Equipment and Other	$ 735,041	$ 117,276
Accumulated Depreciation	(125,309)	(45,361)
Net Equipment and Other	$ 609,732	$ 71,915

Depreciation expense for the years ended December 31, 2013 and 2012 was $155,244 and $83,014, respectively.

5. RELATED PARTY TRANSACTIONS

Petron Energy, Inc. is a company controlled by the Company's majority shareholder. In 2013 and 2012, the Company paid Petron Energy, Inc. $225,000 and $61,163, respectively. These amounts have been reflected in the accompanying consolidated financial statements as charges from a related party and are included in lease operating expenses for the respective years. The Company has recorded $11,481 and $32,014 in revenue and $11,493 and $36,573 in lease operating expenses (including production taxes) for 2013 and 2012, respectively, representing the operations of wells operated by Petron Energy, Inc. in which the Company has a working interest.

Effective August 31, 2012, the Company entered into an Executive Employment Agreement with Floyd L. Smith. Pursuant to the employment agreement, Mr. Smith agreed to serve as President and Chief Executive Officer of the Company for a term of five years, renewable thereafter for additional one year periods if not terminated by either party. The employment agreement provides for Mr. Smith to receive a salary of $200,000 per year; reimbursement for reasonable business expenses; the ability to earn a yearly bonus in the sole discretion of the Board of Directors of the Company; co-investment rights, providing Mr. Smith the right to participate in the amount of up to 20% of any acquisition, transaction or funding undertaken by the Company during the term of the employment agreement; stock options, as adjusted for the reverse stock split to purchase 1,200,000 shares of the Company's common stock at an exercise price of $0.039 per share, with cashless exercise rights and a five year term, which vested immediately upon the parties' entry into the employment agreement; and 1,000 shares of Series A Preferred Stock which give Mr. Smith Super Majority Voting Rights.

The employment agreement includes a non-competition provision, prohibiting Mr. Smith from competing against the Company in Texas, Louisiana, Oklahoma or New Mexico for a term of 12 months following the termination of the employment agreement.

The employment agreement can be terminated by the Company for cause (as defined in the agreement), without cause, or by Mr. Smith for good reason (as defined in the agreement) or without good reason. If the employment agreement is terminated due to Mr. Smith's death, disability, with cause by the Company or without good reason by Mr. Smith, he is due the consideration earned by him up until the date of termination of the agreement. If the employment agreement is terminated by the Company without cause or by Mr. Smith for good reason, Mr. Smith is due the consideration earned by him up until the date of termination, plus the lesser of six months of salary due to Mr. Smith under the employment agreement and the remaining amount of consideration due pursuant to the terms of the employment agreement in a lump sum.

Mr. Smith also agreed to assign the Company rights to any intellectual property and inventions which he creates or conceives during the term of the employment agreement relating to the Company's business pursuant to the employment agreement.

6. NOTES PAYABLE

The following summarizes the outstanding notes payable as of December 31, 2013 and 2012:

	2013	2012
Draw from a $5,000,000 secured line of credit, interest at 11%, matures April 5, 2014	$ 450,000	$ —
Unamortized loan costs	(87,125)	
Cash deposit held by lender	(81,187)	
	281,688	
Unsecured notes from various investors, interest at 20%--25%, maturing on April 3, 2014, issued for overriding and working interests.	200,000	—
Convertible unsecured notes from a financial institution, interest at 12%, maturing on December 2 and December 6, 2014 with the first dates of conversion eligibility being December 2 and December 6, 2013. The conversion price is the lower of $0.015 per share or 30% of the lowest closing bid price for the common stock during the 20 trading days previous to the conversion date.	139,374	—
Convertible unsecured notes from a financial institution, interest at 8%, maturing October 25, 2014 and November 25, 2014, the respective first date of conversion eligibility for the respective notes with an applicable discount rate of 50% from the average trading price for the lowest three closing prices for the common stock during the 10 trading days previous to the conversion date.	133,000	—

Convertible unsecured notes from a financial institution, interest at 9%, maturing on October 28, 2014 November 22, 2014 and November 29, 2014, the respective first date of conversion eligibility with an applicable discount rate of 50% from the lowest closing bid price for the common stock during the 10 trading days previous to the conversion date.	131,169	—
Unsecured note from an investor, interest at 25%, matures April 3, 2014.	100,000	—
Unsecured notes from various investors, non - interest bearing, maturing from February to November 2014, issued for overriding and working interests.	75,000	250,000
Convertible unsecured note from a financial institution, interest at 8%, matures May 27, 2014. First date of conversion eligibility was February 28, 2014 with an applicable discount rate of 42% from the average trading price for the lowest 3 closing bid prices for the common stock during the 10 trading days previous to the conversion date.	68,000	—
Convertible unsecured note from a financial institution, interest at 8%, matures August 4, 2014. First date of conversion eligibility is April 30, 2014 with an applicable discount rate of 42% from the average trading price for the lowest 3 closing bid prices for the common stock during the 10 trading days previous to the conversion date.	53,000	—
Convertible unsecured note from a financial institution, interest at 10%, maturing on October 8, 2014. The first date of conversion eligibility was October 8, 2013. The conversion price is the lower of $0.0075 per share or 50% from average of the 2 lowest closing bid price for the common stock during the 15 trading days previous to the conversion date.	50,000	—
Initial draw under a convertible unsecured note from a financial institution, 10% original issue discount and a one-time 12% interest charge, matures December 9, 2014. First date of conversion eligibility was December 9, 2013. Conversion price is the lesser of $0.0025 per share or 60% of the lowest traded price for the common stock during the 25 trading days previous to the conversion date.	50,000	—

Unsecured note from an investor, interest at 20%, maturing on April 18, 2014	45,000	—
Convertible unsecured notes from a financial institution, interest at 8%, matures June 19, 2014. First date of conversion eligibility was December 19, 2013 with an applicable discount rate of 45% from the average trading price for the lowest 2 closing bid prices for the common stock during the 25 trading days previous to the conversion date.	44,000	—
Convertible unsecured note from a financial institution, interest at 8%, matures April 15, 2014. First date of conversion eligibility was January 10, 2014 with an applicable discount rate of 42% from the average trading price for the lowest 3 closing bid prices for the common stock during the 10 trading days previous to the conversion date.	32,500	—
Unsecured note from a company, interest at 5%, matures December 18, 2013.	30,000	—
Unsecured convertible note from an investor, interest at 10%, maturing February 9, 2013.	—	65,000
Convertible unsecured note from a financial institution, interest at 5%, matures April 30, 2013. First date of conversion eligibility was January 22, 2013 with an applicable discount rate of 42% from the average trading price for the lowest 3 closing bid prices for the common stock during the 10 trading days previous to the conversion date.	—	63,000
Convertible unsecured note from a financial institution, interest at 5%, matures April 9, 2013. First date of conversion eligibility was March 13, 2013 with an applicable discount rate of 42% from the average trading price for the lowest 3 closing bid prices for the common stock during the 10 trading days previous to the conversion date.	—	42,500
	1,432,731	420,500
Short-term portion	(1,432,731)	(170,500)
Long-term notes payable	$ —	$ 250,000

7. DERIVATIVES

In 2013 the Company entered into numerous convertible debt agreements of six to twelve months in duration. At December 31, 2013 the Company had $701,043 in outstanding convertible debt obligations that bear interest from 5% to 12%. Interest expense recognized related to the convertible debt was $26,218. There were no detachable warrants included in the debt agreements. The derivative liability related to the convertible feature of these notes payable is $960,047 at December 31, 2013. Derivative expense recognized during the year was $1,691,313. The value of the conversion shares was determined using the Black-Scholes formula. In connection with the valuation of the conversion shares, the Company used the following assumptions: dividend yield—0%, risk free interest rate--.07%, volatility—377.99% and an expected term of 1/10th of a year.

8. INCOME TAXES

The Company uses the liability method in accounting for income taxes. Deferred income tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The potential benefit of net operating loss carry forwards has not been recognized in the accompanying consolidated financial statements since the Company cannot be assured that it is more likely than not that such benefit will be utilized in future years.

The Company is subject to United States federal and state income taxes at an approximate rate of 34%. The reconciliation of the provision for income taxes at the United States federal statutory rate compared to the Company's income tax expense as reported for the years ended December 31, 2013 and 2012 is as follows:

	2013	2012
Net Loss	$ 4,301,095	$ 8,326,063
Income Tax Rate	34%	34%
Income Tax Benefit	1,462,372	2,830,861
Permanent Difference	(622,983)	(103,664)
Valuation Allowance Change	(839,389)	(2,727,197)
Deferred Income Tax (Recovery)	$ —	$ —

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Future income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The significant components of future income tax assets and liabilities at December 31, 2013 and 2012 are as follows:

	2013	2012
Net Operating Loss Carryforwards	$ 3,586,257	$ 2,711,283
Impairments	2,071,960	2,055,640
Asset Retirement Obligation	4,080	---
Depletion and Depreciation	(279,485)	(223,500)
Net Deferred Tax Assets	5,382,812	4,543,423
Valuation Allowance	(5,382,812)	(4,543,423)
Deferred Tax Asset	$ —	$ —

The Company has recognized a valuation allowance for the deferred tax assets for which it is more likely than not that the realization will not occur. The valuation allowance is reviewed periodically. When circumstance change and this causes a change in management's judgment about the realizeability of deferred tax assets, the impact of the change on the valuation allowance is generally reflected in current income.

The net operating loss carryforwards for income tax purposes are approximately $10,550,000 and will begin to expire in 2026. Neither the Company nor any of its subsidiaries have ever been the subject of an examination by the Internal Revenue Service.

Pursuant to Section 382 of the Internal Revenue Code, use of the Company's net operating loss carryforwards may be limited if the Company experiences a cumulative change in ownership of greater than 50% in a moving three year period. Ownership changes could impact the Company's ability to utilize net operating losses and credit carryforwards remaining at the ownership change date. The limitation would be determined by the fair market value of common stock outstanding prior to the ownership change, multiplied by the applicable federal rate.

9. STOCKHOLDERS' EQUITY

Preferred Stock

The articles of incorporation of the Company authorize the issuance of 10,000,000 shares of $0.001 par value Preferred Stock. The Board of Directors is authorized, from time to time, to divide the preferred shares into "Series" and to fix and determine separately for each Series any or all of the relative rights and preferences.

In connection with an employment agreement, the Company issued 1,000 shares of Series A Preferred Stock in August 2011. The Series A Preferred Stock has voting rights on all shareholder matters equal to fifty-one percent (51%) of the total vote. There are no other liquidation, conversion or redemption rights.

On February 17, 2012, the Board of Directors designated "Series B Convertible Preferred Stock" with the number of shares initially constituting such series being up to 6,000,000 shares, issuing 5,910,000 for the acquisition of oil & gas properties in Knox County, Texas.

The Board of Directors does not formally approve the declaration of the preferred stock dividends; therefore, as checks for payment of preferred dividends are approved by the CEO of the Company, dividend expense is recognized. For the years ended December 31, 2013 and 2012, there were no preferred stock dividends.

Warrants

The following summarizes the stock purchase warrant transactions for the year ended December 31, 2013 and 2012:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2011	1,000,000	$ 0.8000
Warrants Issued with Convertible Debt	100,000	$ 1.4000
Outstanding, December 31, 2012	1,100,000	$ 0.8545
Warrants Issued to an Officer	807,760	$ 0.0125
Outstanding, December 31, 2013	1,907,760	$ 0.4980

10. FAIR VALUE ESTIMATES

In February 2007 the FASB issued ASC 820 "Fair Value Measurements and Disclosures". The objective of ASC 820 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. ASC 820 defines fair value establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about

fair value measurements. ASC 820 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements.

The Company measures its options at fair value in accordance with ASC 820. 820 specifies a valuation hierarchy based on whether the inputs to those valuations techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's own assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1—Quoted prices for identical instruments in active markets;
Level 2—Quoted prices for similar instruments in active markets, quoted process for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and
Level 3—Valuations derived from valuations techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the Company to minimize the use of unobservable inputs and to use observable market data, if available, when estimating fair value. The fair values of the common stock options, preferred stock and common stock issuances at December 31, 2013 and 2012 were as follows:

	Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
2012				
Stock Warrants	$ —	$ 84,000	$ —	$ 84,000
Common Stock	$ —	$ 52,000	$ —	$ 52,000
2013				
Stock Warrants	$ —	$ 11,400	$ —	$ 11,400
Common Stock	$ —	$ 125,675	$ —	$ 125,675
Convertible Debt Derivative:				
Liability	$ —	$ 960,047	$ —	$ 960,047
Expense	$ —	$ 1,691,313	$ —	$ 1,691,313
Paid-in Capital	$ —	$ 731,266	$ —	$ 731,266

11. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events through April 9, 2014, the date the consolidated financial statements were issued.

The Company filed a Certificate of Amendment (the "Third Amendment") to the Company's Articles of Incorporation on February 4, 2014 to increase the number of authorized shares of the Company's common stock from 2,989,999,999 to 6,000,000,000 and on February 27, 2014 the Company filed a Certificate of Amendment (the "Fourth Amendment") to increase the number of authorized shares of the Company's common stock from 6,000,000,000 to 15,000,000,000. On March 27, 2014 the Company filed a Certificate of Amendment (the "Fifth Amendment") to change the par value of its common stock from $0.001 per share to $0.0001 per share. As of the date of this registration statement, we have authorized capital stock consisting of 15,000,000,000 shares of common stock, $0.0001 par value per share and 10,000,000 shares of preferred stock, $0.001 par value per share.

On December 13, 2013 the Company executed a $10,000,000 Investment Agreement whereby an investor will buy shares of the Company's common stock, subject to certain limitations, as requested by the Company. The purchase price is at a 30% discount from the lowest closing bid price for the ten days before the purchase request. The Investment Agreement cannot be used until the Company as an effective Registration Statement filed with the Securities and Exchange Commission.

Subsequent to December 31, 2013 the Company has issued 1,417,862,657 shares of its common stock. 154,066,994 shares were issued for conversions of Preferred Stock, 990,314,609 were issued from conversions of notes payable and the remaining were purchased by accredited investors or issued for services rendered.

Other than the changes in the authorized shares of common stock and the change in the par value of the common stock, in the opinion of the Company's management, there have been no other significant subsequent events since December 31, 2013.

12. SUPPLEMENTAL INFORMATION ON OIL & GAS (Unaudited)

	2013	2012
Capitalized Costs Relating to Oil and Gas Producing Activities at December 31, 2013 and 2012		
Proved Oil and Gas Properties	$ 2,438,541	$ 1,953,638
Proved Non-producing Oil and Gas Properties	202,886	202,886
	2,641,427	2,156,524
Less Accumulated Depletion	(837,795)	(731,795)
Net Capitalized Costs Relating to Oil and Gas Producing Activities	$ 1,803,632	$ 1,424,729
Costs incurred in Oil and Gas Producing Activities for the year ended December 31, 2013 and 2012		
Property acquisition cost:		
Proved	$ -	$ 5,910,000
Unproved	-	-
Exploration and development costs	348,281	203,662
Depletion rate per equivalent barrel of production	$ 27.89	$ 34.92
Results for Operations for Oil and Gas Producing Activities for the year ended December 31, 2013 and 2012		
Oil and Gas Sales	$ 276,421	$ 293,798
Less: Production Costs	634,945	538,616
Depletion, Depreciation and Amortization	106,000	103,000
Impairment of oil and gas investment	48,000	6,046,000
	(512,524)	(6,393,818)
Income Tax Benefit	-	-
Results of Operations for Oil and Gas Producing Activities (excluding corporate overhead and financing costs)	$ (512,524)	$ (6,393,818)

Reserve Information

The following estimates of proved and proved developed reserve quantities and related standardized measure of discounted net cash flow are estimates only, and do 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, these estimates are expected to change as future information becomes available. All of the Company's reserves are located in the United States.

Proved reserves are estimated reserves of crude oil (including condensates 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 average prices of oil and gas based upon the prior 12 months to the estimated future production of proved oil and gas reserves, less 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% a year to reflect the estimated timing of the future cash flows.

The following table sets forth estimated proved oil and gas reserves together with the changes therein for the years ended December 31, 2013 and 2012:

	2013		**2012**	
	Oil (bbls)	Gas (mcf)	Oil (bbls)	Gas (mcf)
Proved Developed and Undeveloped Reserves:				
Beginning of the year	35,031	106,650	59,191	-
Revisions of previous estimate	3,125	95,541	(30,283)	106,650
Purchases	-	-	8,959	-
Production	(2,478)	(8,580)	(2,836)	-
End of the year	35,678	193,611	35,031	106,650
Proved Developed Reserves:				
Beginning of year	35,031	106,650	59,191	-
End of year	35,678	193,611	35,031	106,650

The following table sets forth the Standardized Measure of Discounted Future Net Cash Flows for 2013 and 2012 and shows the reconciliation of the changes therein:

	2013	**2012**
Standardized measure of Discounted Future Net Cash Flows at December 31		
Future cash inflows	$ 4,167,792	$ 3,611,006
Future production costs	(1,604,556)	(1,383,744)
Future development costs	(45,000)	(45,000)
	2,518,236	2,182,262
Future net cash flows 10% annual discount for estimated timing of cash flows	(725,412)	(757,410)
Standardized measure of Discounted Future Net Cash Flows relating to Proved Oil and Gas Reserves	$ 1,792,824	$ 1,424,852
The following reconciles the change in the standardized measure of discounted future net cash flows during the year:		
Beginning of the year	$ 1,424,852	$ 1,750,619
Purchases of minerals in place	-	231,772
Sales of oil and gas produced, net of production costs	358,524	242,597
Net changes in prices and production costs	(1,317,946)	(496,481)
Development costs incurred during the year which were previously estimated	-	94,661
Net change in estimated future development costs	-	(35,339)
Revisions of previous quantity estimates	1,295,394	(1,133,600)
Change in discount	(32,000)	770,623
End of year	$ 1,792,824	$ 1,424,852

The main reason for the increase in the gas reserves in 2013 was the revision on one lease due to the better than expected production levels. The revision on this lease was an increase of 73,992 mcf. The increase in the gas reserves in 2012 was the result of development activity undertaken in 2012 that resulted in a reserve revision to proved developed.

In 2012 certain development efforts did not result in a favorable outcome when completed so the reserves relative to the lease were revised downward by 11,849. Also in 2012 there were wells taken out of production due to repair issues which resulted in a further downward revision of 16,705 barrels. All other revisions resulted in a net decrease in proved reserves of 1,729 barrels for a net total downward revision in 2012 of 30,283 barrels.

The 2012 purchases of minerals in place were from the acquisition of oil and gas interests in Knox, County, Texas. The Company exchanged preferred stock for these interests on February 27, 2012 as explained in footnote 9.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of disclosure controls and procedures.

Our Chief Executive Officer and Principal Financial Officer, after evaluating the effectiveness of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934, as amended (“Exchange Act”) Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Annual Report on Form 10-K (the "Evaluation Date"), has concluded that as of the Evaluation Date, our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (US GAAP) and includes those policies and procedures that:

- Provide reasonable assurance that the transactions are recorded as necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect of the financial statements.

Management recognizes that there are inherent limitations in the effectiveness of any system of internal control, and accordingly, even effective internal control can provide only reasonable assurance with respect of financial statement preparation and may not prevent or detect misstatements. In addition, effective internal control at a point in time may become ineffective in future periods because of changes in conditions or due to deterioration in the degree of compliance with our established policies and procedures.

As of December 31, 2013, management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control--Integrated Framework issued

by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and SEC guidance on conducting such assessments."

Based on that evaluation, management concluded that, during the period covered by this report, such internal controls and procedures were not effective to detect the inappropriate application of US GAAP rules as more fully described below. This was due to deficiencies that existed in the design or operation of our internal control over financial reporting that adversely affected our internal controls and that taken together may be considered to be a material weakness.

A material weakness is a deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of annual or interim financial statements will not be prevented or detected. In connection with the assessment described above, management identified the following control deficiencies that represent material weaknesses at December 31, 2013:

(1) Inadequate segregation of duties consistent with control objectives. The aforementioned material weakness was identified by our Chief Executive Officer and our Chief Financial Officer in connection with the review of our financial statements.

Management believes that the material weakness set forth in Item (1) above did not have an effect on the Company's financial reporting in 2013. However, management believes that the lack of a functioning audit committee and lack of a majority of outside directors on the Company's board of directors can adversely affect reporting in the future years, when our operations become more complex and less transparent and require higher level of financial expertise from the overseeing body of the Company.

We are committed to improving our financial organization. As part of this commitment, we will, as soon as funds are available to the Company (1) appoint one or more outside directors to our board of directors who shall be appointed to the audit committee of the Company resulting in a fully functioning audit committee who will undertake the oversight in the establishment and monitoring of required internal controls and procedures; (2) create a position to segregate duties consistent with control objectives and will increase our personnel resources; and (3) hire independent third parties to provide expert advice.

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. This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report is not subject to attestation by the Company's independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting during our most recent fiscal quarter that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

In 2013, 4,962,502 shares of the Company's Series B Convertible preferred stock converted into an aggregate of 142,653,320 shares of the common stock of the Company. Under the Plan of Reorganization and Asset Purchase Agreement and the Certificate of Designation, these shares of Series B Convertible preferred stock convert into common shares of the Company having a total value of $5,910,000, based on the average trading price of the Company's common stock on the five days prior to the date of conversion, which was on January 7, 2013 (the "Conversion Date"). However, the Series B cannot be converted by the holders thereof if such conversion would result in the acquisition by such holder of more than 9.99% of the Company's outstanding stock (the "Ownership Limitation"). At March 14, 2013, we had 710,438 shares of Series B Convertible Preferred Stock issued and outstanding, which had not converted because of the Ownership Limitation.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Identification of Directors and Executive Officers

The following table sets forth the name, age and position of our Directors and executive officer. There are no other persons who can be classified as a promoter or controlling person of us. Our executive officer and Directors are as follows:

Name	Age	Position	Date Appointed
Floyd L. Smith	52	Chief Executive Officer, President, Secretary, Treasurer and Director	December 16, 2013
Bob Currier	63	Chief Financial Officer	July 15, 2013
David Knepper	61	Director	December 16, 2013
Judson F. Hoover	55	Director	December 16, 2013

Background and Business Experience of Directors and Executive Officers

Floyd L. Smith

Mr. Smith has served as the President of Petron Energy II, Inc. and its predecessor, Petron Special Energy Corp., an oil and gas exploration company since June 2007. Since May 2004, Mr. Smith has served as President of Petron Properties, LLP, a real estate company. From January 2004 to August 2008, Mr. Smith served as the President and owner of Murray Mortgage. Since October 1998 Mr. Smith has served as President of Petron Energy, Inc. From July 1992 to April 1998, Mr. Smith served as a broker at Grand Energy, Inc., working in sales. From August 1984 to July 1992, Mr. Smith served as a store manager in Wal-Mart Stores, Inc. Mr. Smith obtained his Bachelor's Degree from Harding University, in Searcy, Arkansas in Business Administration in 1984.

Mr. Smith has deep knowledge of the Company's history, strategies, technologies and culture. Having led Petron Special as Chief Executive Officer and as a Director since 2007, Mr. Smith has been the driving force behind the strategies and operations of Petron Special. His leadership of diverse business units and functions before becoming Chief Executive Officer gives Mr. Smith profound insight into the product development, marketing, finance, and operations aspects of the Company.

Bob Currier

Mr. Currier has a CPA certificate and has over 35 years of experience both in the public accounting and corporate sectors. Since 1987, Mr. Currier has been involved with entrepreneurial ventures in industries ranging from medical to real estate to oil and gas. With these companies, he has been responsible for developing financial reporting systems, helping raise capital, implementing internal controls and budget preparation. His experience has included both public and private entrepreneurial companies. He has also worked on SEC reporting engagements on a contract basis.

Mr. Currier started his professional career in 1971 with the audit staff at Ernst & Ernst in Kansas City. After six years, he transferred to the Paris, France office where he spent six years working on the audit of the French national oil company (Elf Aquitaine) and U. S. companies such as Eli Lilly and Harris Corporation. On the French national oil company audit, he was responsible for the exploration and production subsidiaries, the consolidation and joint venture audits. From Paris, he moved to the Dallas office and transitioned from oil and gas auditing to entrepreneurial services and was named the Vice Chairman of the entrepreneurial services group. Mr. Currier's experience with the entrepreneurial services group included working with business plans and financial projections for various start-up companies.

David Knepper

Mr. Knepper has held multiple positions in the oil and gas industry over the course of the last 36 years. Mr. Knepper has served as President of Dogwood Operating Company, Inc., since July 2011. From June 2009 to June 2011, Mr. Knepper served as a Manager and as reorganization officer of MSB Energy. From May 2006 to May 2009, Mr. Knepper served as the Vice President of Engineering of Striker Petroleum. From June 2002 to May 2006, Mr. Knepper served as a private consultant to various oil and gas clients. From February 2000 to June 2002, Mr. Knepper served as a Manager – Special Projects, at Tribo Companies. From October 1993 to February 2000, Mr. Knepper served as Executive Director of Probe Resources. From August 1991 to October 1993, Mr. Knepper served as a Consultant to STZ Petroleum. From February 1990 to August 1991, Mr. Knepper served as Vice President of Acquisitions of DKM Resources. From August 1984 to December 1989, Mr. Knepper served as Manager of Acquisitions of Transco Exploration. From September 1982 to July 1984, Mr. Knepper served as Vice President of Engineering of L&A Energy. From May 1979 to September 1982, Mr. Knepper served as Acquisition Manager for Damson Oil. From May 1975 to May 1979, Mr. Knepper served as Production Engineer, Reservoir Engineer and the chairman of multiple committees at Amoco Production.

Mr. Knepper obtained his Bachelor's Degree from Texas A&M University in 1975. Mr. Knepper is a member of the Society of Petroleum Engineers, the Texas Society of Professional Engineers and the Student Engineers Council – Texas A&M University.

Mr. Knepper has had a long and successful career in the oil and gas industry. He has significant experience in the operations of public and private companies. As evidenced by his broad network of resources developed over many years of involvement in the energy industry. Mr. Knepper understands how to locate, evaluate and negotiate oil and gas properties. Mr. Knepper's depth of experience and expansive network as a board member makes him a significant asset to the Company.

Judson F. Hoover

Judson Rick F. Hoover received his Bachelor of Science degree from Regis University in 1986. Shortly after graduation, he received his Certificate of Public Accounting in the State of Colorado. He has extensive experience in financial matters, mergers, acquisitions, restructuring, public company compliance, oil and gas operations, and real estate. From December 2004 to March 2007, Mr. Hoover served as CFO for Ness Energy International, a publicly traded oil and gas company with operations in Texas and Israel. From June 2007 to June 2009, he served as Controller for Union Drilling, Inc., a publicly traded oil services company. From 1997 to 2004 and from 2007 through 2010, Mr. Hoover provided consulting services relating to various aspects of international and national publicly held energy companies. From March 31, 2011 to September 28, 2012, Mr. Hoover had served as the Chief Financial Officer of Sun River Energy, Inc. With over 20 years of national and international experience in executive management, of which 10 years were in oil and gas and 22 years were served on behalf of publicly traded companies.

Our Directors and any additional Directors we may appoint in the future are elected annually and will hold office until our next annual meeting of the shareholders and until their successors are elected and qualified. Officers will hold their positions at the pleasure of the Board of Directors, absent any employment agreement. Our officers and Directors may receive compensation as determined by us from time to time by vote of the Board of Directors. Such compensation might be in the form of stock options. Directors may be reimbursed by the Company for expenses incurred in attending meetings of the Board of Directors. Vacancies in the Board are filled by majority vote of the remaining Directors.

Term of Office

Each of our officers is elected by the Company's Board of Directors to serve until the next annual meeting of Directors or until their successors are duly elected and qualified. Each of our Directors is elected by the Company's shareholders and shall hold office until the next annual meeting of shareholders and until his/her successor shall have been duly elected and qualified.

Family Relationships

There are no family relationships among our Directors or executive officers.

Involvement in Certain Legal Proceedings

During the past ten years no director, executive officer, promoter or control person of the Company has been involved in the following:

(1) A petition under the Federal bankruptcy laws or any state insolvency law which was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing with the exception of Bob Currier who was the Chief Financial Officer of a non-public mortgage company that declared bankruptcy in May 2011

(2) Such person was convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

(3) Such person was the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities:

    i. Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;

ii. Engaging in any type of business practice; or

iii. Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws;

(4) Such person was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph (f)(3)(i) of this section, or to be associated with persons engaged in any such activity;

(5) Such person was found by a court of competent jurisdiction in a civil action or by the Commission to have violated any Federal or State securities law, and the judgment in such civil action or finding by the Commission has not been subsequently reversed, suspended, or vacated;

(6) Such person was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;

(7) Such person was the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:

i. Any Federal or State securities or commodities law or regulation; or

ii. Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or

iii. Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

(8) Such person was the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Committees of the Board

Our Company currently does not have nominating, compensation or audit committees or committees performing similar functions nor does our Company have a written nominating, compensation or audit committee charter. Our Directors believe that it is not necessary to have such committees, at this time, because the functions of such committees can be adequately performed by the Board of Directors.

Our Company does not have any defined policy or procedural requirements for shareholders to submit recommendations or nominations for Directors. The Board of Directors believes that, given the stage of our development, a specific nominating policy would be premature and of little assistance until our business operations develop to a more advanced level. Our Company does not currently have any specific or minimum criteria for the election of nominees to the Board of Directors and we do not have any specific process or procedure for evaluating such nominees. The Board of Directors will assess all candidates, whether submitted by management or shareholders, and make recommendations for election or appointment.

A shareholder who wishes to communicate with our Board of Directors may do so by directing a written request addressed to our President and Director, at the address appearing on the first page of this filing.

Risk Oversight

Effective risk oversight is an important priority of the Board of Directors. Because risks are considered in virtually every business decision, the Board of Directors discusses risk throughout the year generally or in connection with specific proposed actions. The Board of Directors' approach to risk oversight includes understanding the critical risks in the Company's business and strategy, evaluating the Company's risk management processes, allocating responsibilities for risk oversight among the full Board of Directors, and fostering an appropriate culture of integrity and compliance with legal responsibilities.

Corporate Governance

The Company promotes accountability for adherence to honest and ethical conduct; endeavors to provide full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with the Securities and Exchange Commission and in other public communications made by the Company; and strives to be compliant with applicable governmental laws, rules and regulations. The Company has not formally adopted a written code of business conduct and ethics that governs the Company's employees, officers and Directors as the Company is not required to do so.

In lieu of an Audit Committee, the Company's Board of Directors is responsible for reviewing and making recommendations concerning the selection of outside auditors, reviewing the scope, results and effectiveness of the annual audit of the Company's financial statements and other services provided by the Company's independent public accountants. The Board of Directors reviews the Company's internal accounting controls, practices and policies.

Code of Ethics

Our Board of Directors has not adopted a code of ethics due to the fact that we presently only have three Directors and four employees. We anticipate that we will adopt a code of ethics when we increase either the number of our Directors or the number of our employees.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and Directors, and persons who own more than ten percent of our common stock to file reports of ownership and change in ownership with the Securities and Exchange Commission and the exchange on which the common stock is listed for trading. Executive officers, Directors and more than ten percent (10%) stockholders are required by regulations promulgated under the Exchange Act to furnish us with copies of all Section 16(a) reports filed. Based solely on our review of copies of the Section 16(a) reports filed for the fiscal years ended December 31, 2013, we believe that our executive officers, Directors and ten percent (10%) stockholders complied with all reporting requirements applicable to them.

ITEM 11. EXECUTIVE COMPENSATION.

The following table sets forth the compensation paid to our executive officers during the twelve month periods ended December 31, 2013, 2012 and 2011:

Summary Compensation Table

Name and Principal Position	Year Ended December 31	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Floyd L. Smith CEO, President, Secretary, Treasurer and Director	2011	$181,331	—	$ 4,791 (1)	$ 377,456 (2)	—	—	—	$563,578
	2012	$200,000	—	—	—	—	—	—	$200,000
	2013	$200,000	—	—	—	—	—	—	$200,000
Bob Currier CFO (3)	2013	$ 79,750	—	—	$ 11,400	—	—	—	$ 91,150

The table above does not include prerequisites and other personal benefits in amounts less than 10% of the total annual salary and other compensation. There have been no changes in the Company's compensation policy since the end of the Company's last fiscal year, December 31, 2013.

(1) Represents the value, pursuant to Accounting Standards Codification Topic 718, of 1,000 shares of Series A Preferred Stock that the Company issued to Mr. Smith.

(2) Represents the value, pursuant to Accounting Standards Codification Topic 718, of Stock Options to purchase 12,000,000 shares of the Company's common stock at an exercise price of $0.0039 per share, which were granted to Mr. Smith pursuant to the terms of his Executive Employment Agreement, which grant was effective August 31, 2011. See ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS for additional information on this agreement.

(3) Bob Currier was appointed as the Company's Chief Financial Officer on July 15, 2013. Additionally, the Company entered into an Officer Employment Agreement with Mr. Currier (the "Employment Agreement"), effective July 1, 2013. See ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS for additional information on this agreement.

Outstanding Equity Awards at Fiscal Year-End

The table below summarizes the outstanding equity awards to our executive officers as of December 31, 2013.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END						
	OPTION AWARDS					STOCK AWARDS
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares awarded (#)**
Floyd L. Smith	1,200,000	-	-	$0.039	August 31, 2016	-
Bob Currier	807,760	-	-	$0.0150	June 1, 2016	-
David Knepper	-	-	-	-	-	2,136,662
Judson F. Hoover	-	-	-	-	-	2,136,662

Compensation Discussion and Analysis

Director Compensation

Our Board of Directors currently receive stock consideration for their services as members of the Board of Directors. The Board of Directors reserves the right in the future to award the members of the Board of Directors cash or stock based consideration for their services to the Company, which awards, if granted shall be in the sole determination of the Board of Directors.

Executive Compensation Philosophy

Our Board of Directors determines the compensation given to our executive officers in their sole determination. Our Board of Directors also reserves the right to pay our executives a salary, and/or issue them shares of common stock issued in consideration for services rendered and/or to award incentive bonuses which are linked to our performance, as well as to the individual executive officer's performance. This package may also include long-term stock based compensation to certain executives which is intended to align the performance of our executives with our long-term business strategies. Additionally, the Board of Directors reserves the right to grant stock options in the future if the Board, in its sole determination, believes such grants would be in the best interests of the Company.

Compensation Committee

We currently do not have a compensation committee of the Board of Directors. The Board of Directors as a whole determines executive compensation.

Incentive Bonus

The Board of Directors may grant incentive bonuses to our executive officers in its sole discretion, if the Board of Directors believes such bonuses are in the Company's best interest, after analyzing our current business objectives and growth, if any, and the amount of revenue we are able to generate each month, which revenue is a direct result of the actions and ability of such executives.

Long-term, Stock Based Compensation

In order to attract, retain and motivate executive talent necessary to support the Company's long-term business strategy we may award certain executives with long-term, stock-based compensation in the future, in the sole discretion of our Board of Directors, which we do not currently have any immediate plans to award, other than the stock options previously granted to Mr. Smith, as described above.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Security Ownership of Certain Beneficial Owners

The following table sets forth, as of December 31, 2013, the number and percentage of outstanding shares of our common stock owned by: (a) each person who is known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock; and (b) all current Directors and executive officers, as a group, and includes the 1,000 shares of Series A Preferred Stock and Super Majority Voting Rights associated with such Series A Preferred Stock which the Company agreed to issue to Mr. Smith pursuant to the Employment Agreement.

As of December 31, 2013, and including the securities described above, there were 442,085,940 shares of common stock issued and outstanding, 1,000 shares of Series A Preferred Stock issued and outstanding and 947,498 shares of Series B Preferred Stock issued and outstanding.

Beneficial ownership has been determined in accordance with Rule 13d-3 under the Exchange Act. Under this rule, certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire shares (for example, upon exercise of an option or warrant) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares is deemed to include the amount of shares beneficially owned by such person by reason of such acquisition rights. As a result, the percentage of outstanding shares of any person as shown in the following table does not necessarily reflect the person's actual voting power at any particular date.

To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

Name and Address of Beneficial Owner (1)	Common Stock Beneficially Owned	Percentage of Common Stock Beneficially Owned	Preferred Stock Voting Rights (Represented in Voting Shares) (2)	Total Voting Shares Beneficially Owned (3)	Total Voting Percentage (4)
Floyd L. Smith CEO, President, Secretary, Treasurer and Director	3,966,089	0.9%	460,140,126	464,106,215	51.4%
David Knepper, Director	2,136,662	0.5%	-	2,136,662	0.2%
Judson Hoover, Director	2,136,662	0.5%	-	2,136,662	0.2%
Bob Currier, CFO	-	0.0%	-	-	0.0%
Daniel Vesco	37,500,000	8.5%	3,239	37,503,239	4.2%
AGS Capital Group	36,057,700	8.2%	-	36,057,700	4.0%
All Officers and Directors as a Group (4 persons)	8,239,413	1.9%	460,143,365	468,379,539	51.9%

(1) The address for each officer and Director of the Company, unless otherwise stated, is the Company's principal address, 17950 Preston Road, Suite 960, Dallas, Texas 75252.

(2) The Series A Preferred Stock is not entitled to any dividends, liquidation preference, conversion rights, or redemption rights. The Series A Preferred Stock does however have the right, voting as a separate class, at any annual or special meeting of shareholders to vote in aggregate 51% of our outstanding voting shares on any and all shareholder matters (the "Super Majority Voting Rights").

(3) Not including any options, warrants or non-voting securities held by the named shareholders above.

(4) Based on an aggregate of 902,235,541 outstanding voting shares, calculated based on 442,085,940 shares of common stock issued and outstanding, 9,475 voting shares attributable to the Series B Preferred Stock, and 460,140,126 voting shares attributable to the Series A Preferred Stock.

Changes in Control

There are no present arrangements or pledges of the Company's securities which may result in a change in control of the Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Director Independence

For purposes of determining director independence, we have applied the definitions set out in NASDAQ Rule 5605(a)(2). The OTCBB on which shares of common stock are quoted does not have any director independence requirements. The NASDAQ definition of "Independent Director" means a person other than an Executive Officer or employee of the Company or any other individual having a relationship which, in the opinion of the Company's Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

According to the NASDAQ definition, Floyd Smith is not an independent director because he is also an executive officer of the Company. According to the NASDAQ definition, David Knepper and Judson Hoover are independent directors.

Related Party Transactions

Petron Energy, Inc. is a company controlled by the Company's majority shareholder. In 2013 and 2012, the Company paid Petron Energy, Inc. $225,000 and $61,163, respectively. These amounts have been reflected in the accompanying consolidated financial statement as charges from a related party and are included in general and administrative expenses for the respective years.

Effective August 31, 2012, the Company entered into an Executive Employment Agreement with Floyd L. Smith. Pursuant to the employment agreement, Mr. Smith agreed to serve as President and Chief Executive Officer of the Company for a term of five years, renewable thereafter for additional one year periods if not terminated by either party. The employment agreement provides for Mr. Smith to receive a salary of $200,000 per year; reimbursement for reasonable business expenses; the ability to earn a yearly bonus in the sole discretion of the Board of Directors of the Company; co-investment rights, providing Mr. Smith the right to participate in the amount of up to 20% of any acquisition, transaction or funding undertaken by the Company during the term of the employment agreement; pre-reverse split stock options to purchase 12,000,000 shares of the Company's common stock at an exercise price of $0.0039 per share, with cashless exercise rights and a five year term, which vested immediately upon the parties' entry into the employment agreement; and 1,000 shares of Series A Preferred Stock which give Mr. Smith Super Majority Voting Rights.

The employment agreement includes a non-competition provision, prohibiting Mr. Smith from competing against the Company in Texas, Louisiana, Oklahoma or New Mexico for a term of 12 months following the termination of the employment agreement.

The employment agreement can be terminated by the Company for cause (as defined in the agreement), without cause, or by Mr. Smith for good reason (as defined in the agreement) or without good reason. If the employment agreement is terminated due to Mr. Smith's death, disability, with cause by the Company or without good reason by Mr. Smith, he is due the consideration earned by him up until the date of termination of the agreement. If the employment agreement is terminated by the Company without cause or by Mr. Smith for good reason, Mr. Smith is due the consideration earned by him up until the date of termination, plus the lesser of six months of salary due to Mr. Smith under the employment agreement and the remaining amount of consideration due pursuant to the terms of the employment agreement in a lump sum.

Mr. Smith also agreed to assign the Company rights to any intellectual property and inventions which he creates or conceives during the term of the employment agreement relating to the Company's business pursuant to the employment agreement.

Other than the foregoing, none of the directors or executive officers of the Company, nor any person who owned of record or was known to own beneficially more than 5% of the Company's outstanding shares of its Common Stock, nor any associate or affiliate of such persons or companies, has any material interest, direct or indirect, in any transaction that has occurred during the past fiscal year, or in any proposed transaction, which has materially affected or will affect the Company.

With regard to any future related party transaction, we plan to fully disclose any and all related party transactions in the following manner:

- Disclosing such transactions in reports where required;

- Disclosing in any and all filings with the SEC, where required;
- Obtaining disinterested directors consent; and
- Obtaining shareholder consent where required.

Review, Approval and Ratification of Related Party Transactions

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

	Year Ended December 31, 2013	2012
Audit fees	$ 111,823	$ 116,812
Audit-related fees	—	—
Tax fees	—	—
All other fees	—	—
Total	$ 111,823	$ 116,812

Audit Fees

During the fiscal year ended December 31, 2013, we incurred approximately $111,823 in fees to our principal independent accountants for professional services rendered in connection with the audit and review of our financial statements for fiscal year ended December 31, 2013.

During the fiscal year ended December 31, 2012, we incurred approximately $116,812 in fees to our principal independent accountants for professional services rendered in connection with the audit and review of our financial statements for fiscal year ended December 31, 2012.

Audit-Related Fees

There were no fees billed during the fiscal years ended December 31, 2013 and 2012 for assurance and related services by our principal independent accountants that are reasonably related to the performance of the audit or review of our financial statements (and are not reported under Item 9(e)(1) of Schedule 14A).

Tax Fees

There were no fees billed during the fiscal years ended December 31, 2013 and 2012 for professional services rendered by our principal accountant related to tax compliance, tax advice and tax planning.

All Other Fees

There were no fees billed during the fiscal years ended December 31, 2013 and 2012 for products and services provided by our principal independent accountants (other than the services reported in Items 9(e)(1) through 9(e)(3) of Schedule 14A).

PART IV

ITEM 15. EXHIBITS

Exhibit Number	Description of Exhibit
Exhibit 3.1(1)	Articles of Incorporation
Exhibit 3.2(2)	Certificate of Amendment to Articles of Incorporation (100:1 Forward Split)

Exhibit 3.2a(4)	Certificate of Amendment to Articles of Incorporation dated December 5, 2013 increasing authorized common stock to 2,989,999,999 shares
Exhibit 3.2b(5)	Certificate of amendment to Articles of Incorporation dated February 4, 2014 increasing authorized common stock to 6,000,000,000 shares
Exhibit 3.2c(5)	Certificate of amendment to Articles of Incorporation dated February 27, 2014 increasing authorized common stock to 15,000,000,000 shares
Exhibit 3.2d(6)	Certificate of amendment to Articles of Incorporation dated March 27, 2014 changing the par value of the common stock from $0.001 to $0.0001
Exhibit 3.3(2)	Series A Preferred Stock Designation
Exhibit 3.4(1)	Bylaws
Exhibit 3.5(3)	Series B Preferred Stock Designation
Exhibit 3.6(3)	Plan of Reorganization and Asset Purchase Agreement with One Energy
Exhibit 10.23(2)	Oil and Gas Lease – Wagoner, Oklahoma
Exhibit 10.24*	Reserve Report of Forrest A. Garb & Associates, Inc., Independent Petroleum Engineers for the Year Ended December 31, 2013
Exhibit 31.1*	Certificate of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2*	Certificate of the Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1*	Certificate of the Chief Executive Officer and the Principal Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2*	Certificate of the Principal Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Attached hereto.

(1) Filed as exhibits to the Company's Form S-1 Registration Statement filed with the Commission on July 10, 2009, and incorporated herein by reference.

(2) Filed as an exhibit to the Company's Report on Form 8-K, filed with the Commission on October 18, 2011, and incorporated herein by reference.

(3) Filed as an exhibit to the Company's Report on Form 8-K, filed with the Commission on February 17, 2012, and incorporated herein by reference.

(4) Filed as an exhibit to the Company's S-1 Registration Statement filed with the Commission on December 16, 2013 and incorporated herein by reference.

(5) Filed as an exhibit to the Company's Amendment 2 to its S-1 Registration Statement filed with the Commission on March 3, 2014 and incorporated herein by reference.

(6) Filed as an exhibit to the Company's Report on Form 8-K filed with the Commission on April 3, 2014, and incorporated herein by reference.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PETRON ENERGY II, INC.

Dated: April 10, 2014

By: /s/ Floyd L. Smith

Floyd L. Smith
Chief Executive Officer
(Principal Executive Officer),
President, Treasurer and Director

PETRON ENERGY II, INC.

Dated: April 10, 2014

By: /s/ Bob Currier

Bob Currier
Chief Financial Officer
(Principal Accounting Officer and
Principal Financial Officer),

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

PETRON ENERGY II, INC.

Dated: April 10, 2014

By: /s/ Floyd L. Smith

Floyd L. Smith
Chief Executive Officer
(Principal Executive Officer),
President, Treasurer and Director

PETRON ENERGY II, INC.

Dated: April 10, 2014

By: /s/ David Knepper

David Knepper
Director

PETRON ENERGY II, INC.

Dated: April 10, 2014

By: /s/ Judson Hoover

Judson Hoover
Director