

Rockdale Resources Corp
Form 10-Q
November 13, 2013

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

FORM 10-Q

Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2013

Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: 000-52690

ROCKDALE RESOURCES CORPORATION
(Exact name of registrant as specified in its charter)

Colorado
(State or other jurisdiction of incorporation or
organization)

86-1061005
(I.R.S. Employer Identification No.)

5114 Balcones Woods Drive, Suite 307-511
Austin, Texas 78759
(Address of principal executive offices, including Zip Code)

(512) 537-2257
(Issuer's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
	None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock
(Title of class)

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 period that the issuer was required to file such reports); and

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(2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark 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. (Check one).

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

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

State the number of shares outstanding of each of the issuer’s classes of common equity, as of the latest practicable date: 14,103,041 shares of common stock as of November 13, 2013.

Table of Contents

TABLE OF CONTENTS

Part I	Financial Information		
Item 1.	<u>Financial Statements</u>		3
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>		10
Item 3.	<u>Controls and Procedures</u>		13
Part II	Other Information		
Item 1.	<u>Legal Proceedings</u>		14
Item 6.	<u>Exhibits</u>	14	
	<u>Signatures</u>		15

Table of Contents

PART I

Item 1. Financial Statements

ROCKDALE RESOURCES CORPORATION
(FORMERLY ART DESIGN, INC.)
BALANCE SHEETS
(Unaudited)

	September 30, 2013	December 31, 2012
ASSETS		
Current assets		
Cash	\$ 118,461	\$ 731,043
Accounts receivable-related party, net	-	4,805
Accounts receivable	41,039	
Other current assets	46,805	28,225
Total current assets	206,305	764,073
Property & equipment		
Oil and gas, on the basis of full cost accounting		
Proved properties	2,969,475	2,125,685
Unproved properties and properties under Development, not being amortized	-	72,950
Furniture, equipment & software	30,966	47,876
Less accumulated depreciation	(92,348)	(36,057)
Net property and equipment	2,908,093	2,210,454
Other assets		
	20,000	20,000
Total assets	\$ 3,134,398	\$ 2,994,527
LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable	\$ 36,814	\$ 43,892
Accounts payable - related party	2,700	-
Accrued liabilities	2,705	22,279
Deferred rent	3,746	2,788
Total current liabilities	45,965	68,959
Deferred rent		
	4,070	7,096
Asset retirement obligations	84,997	52,644
Note payable related party	450,000	
Discount on note payable	(327,722)	
Total Liabilities	257,310	128,699
Stockholders' Equity (Deficit)		

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Preferred stock, \$.10 par value; 1,000,000 shares authorized; No shares issued & outstanding	-	-
Common stock, \$.001 par value; 50,000,000 shares authorized; 14,003,041 and 17,159,748 shares issued and outstanding	14,003	17,160
Additional paid in capital	5,273,173	4,519,856
Treasury stock: 0 and 20,000 shares respectively	-	(5,000)
Accumulated deficit	(2,410,088)	(1,666,188)
Total Stockholders' Equity (Deficit)	2,877,088	2,865,828
Total Liabilities and Stockholders' Equity (Deficit)	\$ 3,134,398	\$ 2,994,527

The accompanying notes are an integral part of these unaudited financial statements.

Table of Contents

ROCKDALE RESOURCES CORPORATION
(FORMERLY ART DESIGN, INC.)
STATEMENT OF EXPENSES
(Unaudited)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Oil and gas sales	\$ 82,722	\$ 39,452	\$ 177,171	\$ 39,452
Operating Expenses				
Lease operating expense	57,214	16,089	120,395	16,089
Production tax	3,812	1,818	8,165	1,818
General and administrative expenses	113,294	543,011	710,815	1,132,838
Bad debt - related party	-	-	-	24,800
Depreciation, depletion and amortization	25,722	2,103	60,178	4,129
Asset retirement obligation accretion	2,507	-	6,009	-
Total operating expenses	202,549	563,021	905,561	1,179,675
Loss from operations	(119,827)	(523,569)	(728,390)	(1,140,223)
Interest (expense)	15,510	-	15,510	-
Net loss from continuing operations before taxes	(135,337)	(523,569)	(743,900)	(1,140,223)
Net loss	\$ (135,337)	\$ (523,569)	\$ (743,900)	\$ (1,140,223)
Loss per share (Basic and fully diluted)	\$ (0.01)	\$ (0.03)	\$ (0.05)	\$ (0.09)
Weighted average number of common shares outstanding	14,003,041	16,716,143	14,944,922	13,178,805

The accompanying notes are an integral part of these unaudited financial statements.

Table of Contents

ROCKDALE RESOURCES CORPORATION
(FORMERLY ART DESIGN, INC.)
STATEMENTS OF CASH FLOWS
(Unaudited)

	(Unaudited) Nine Months Ended September 30, 2013	(Unaudited) Nine Months Ended September 30, 2012
Cash Flows from Operating Activities		
Net loss	\$ (743,900)	\$ (1,140,223)
Adjustment to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	60,178	4,129
Accretion Expense	15,510	
Loss on disposal of assets	5,609	250
ARO Accretion	6,009	-
Stock-based compensation	17,827	77,700
Bad debt expense – related party	-	24,800
Changes in operating assets and liabilities		
Accounts receivable – related party	4,805	(16,450)
Accounts receivable	(41,039)	
Other assets	(19,623)	(39,782)
Accounts payable	(7,078)	6,151
Accounts payable - related party	2,700	(2,350)
Accrued liabilities	(19,574)	4,201
Deferred rent	(2,067)	10,382
Net cash flows from operating activities	(720,642)	(1,071,192)
Cash Flows from Investing Activities		
Purchase property and equipment	(6,200)	(16,823)
Proceeds from sale of property and equipment	20,000	
Purchase of oil and gas properties	-	(475,000)
Capital expenditures on oil and gas properties	(354,840)	(1,525,000)
Cash flows from investing activities:	(341,040)	(2,016,823)
Cash Flows from Financing Activities		
Borrowings on convertible debt – related parties	450,000	-
Short term borrowing from related parties	-	110,557
Short term payments to related parties	-	(156,108)
Purchase of outstanding shares	(900)	(9,126)
Proceeds from issuance of common stock	-	4,272,403

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Cash flows from financing activities	449,100	4,217,726
Net change in cash and cash equivalents	(612,582)	1,129,711
Cash and cash equivalents		
Beginning of period	731,043	392
End of period	118,461	1,130,103
NON-CASH FINANCING DISCLOSURES		
Cancellation of treasury shares (Note 6)	\$ 5,000	\$ -
Discount on related party convertible note payable – warrants and conversion feature (Note 5)	343,232	-
Fair value of shares issued in purchase of oil and gas properties (Note 5)	395,000	-
Cash paid for interest	-	-
Cash paid for taxes	\$ -	\$ -

The accompanying notes are an integral part of these unaudited financial statements.

Table of Contents

ROCKDALE RESOURCES CORPORATION
(FORMERLY ART DESIGN, INC.)
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013
(Unaudited)

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION:

Art Design, Inc. was incorporated in the State of Colorado on January 16, 2002. In April 2012, the Company discontinued its prior operations and became involved in the exploration and development of oil and gas. On May 4, 2012, the Company amended its articles of incorporation to change its name to Rockdale Resources Corporation.

Basis of Presentation

The accompanying unaudited interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (“SEC”), and should be read in conjunction with the audited financial statements and notes thereto contained in the Company’s latest Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the interim periods presented have been reflected herein. The results of operations for such interim periods are not necessarily indicative of operations for a full year. Notes to the consolidated financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year, 2012, as reported in Form 10-K, have been omitted.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As of September 30, 2013, the Company’s significant accounting policies are consistent with those discussed in the audited financial statements as of December 31, 2012.

Earnings Per Share – Basic earnings per share have been calculated based upon the weighted-average number of common shares outstanding. The weighted-average number of common shares outstanding used in the computations of earnings per share was 14,944,922 for the nine-month period ended September 30, 2013 and 13,178,805 for the nine-month period ended September 30, 2012.

Recently Issued Accounting Pronouncements – Various accounting standards updates have been recently issued, most of which represented technical corrections to the accounting literature or were applicable to specific industries. No new accounting pronouncements have been issued that are likely to have a material impact to the Company's financial statements.

Use of Estimates

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

NOTE 3. GOING CONCERN

The Company has suffered recurring losses from operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company plans to generate profits by drilling productive oil or gas wells. However, the Company will need to raise the funds required to drill new wells through the sale of its securities, through loans from third parties or from third parties willing to pay the Company's share of drilling and completing the wells. The Company does not have any commitments or arrangements from any person to provide the Company with any additional capital. If additional financing is not available when needed, the Company may need to cease operations. The Company may not be successful in raising the capital needed to drill oil or gas wells. Any wells which the Company may drill may not be productive of oil or gas. Management believes that actions presently being taken to obtain additional funding provide the opportunity for the Company to continue as a going concern. We have plans to finance our activities through private offerings of our securities, issuance of corporate bonds and/or joint venture agreements. The accompanying financial statements have been prepared assuming the Company will continue as a going concern; no adjustments to the financial statements have been made to account for this uncertainty.

Table of Contents

ROCKDALE RESOURCES CORPORATION
(FORMERLY ART DESIGN, INC.)
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013
(Unaudited)

NOTE 4. RELATED PARTY TRANSACTIONS

At September 30, 2013 the Company had accounts payable – related-party of \$2,700. This amount constitutes the net payment due to RTO Operating, LLC for a piece of equipment purchased in September 2013. RTO Operating, LLC was the Company’s operator of record prior to August 1, 2013. RTO Operating, LLC is partially owned by a significant shareholder.

NOTE 5. EQUITY

Preferred Stock – 1,000,000 shares authorized, none issued or outstanding.

Common Stock –In March 2013, Michael Smith transferred 1,600,000 shares of the Company’s common stock to the Company for consideration of \$100. These shares were returned to treasury and cancelled. In addition, in March 2013, John Barton, a former officer and director of the Company, and a number of other shareholders transferred an aggregate of 2,031,707 shares of the Company’s common stock to the Company for aggregate consideration of \$800. All such shares were returned to treasury and cancelled.

In March 2013, an additional 45,000 outstanding shares of common stock were cancelled, including 20,000 of treasury stock.

In April 2013, the Company was assigned a 100% working interest (75% net revenue interest) in a 623-acre lease in Milam County, Texas. (The Company had previously been assigned an aggregate of 202.5 acres out of this 623-acre lease via an assignment in March 2012 of 200 acres and an assignment in October 2012 of 2.5 acres. See “The Subsequent Kingman Assignment” in Item 5 of the Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2013, filed with the Securities and Exchange Commission on August 14, 2013.) The Company issued 500,000 shares of its common stock valued at \$395,000 as consideration for the release of a security interest encumbering this 623-acre lease.

In June 2013 the Company issued 20,000 shares of its common stock valued at \$5,400 as employee compensation.

On August 5, 2013, Matthew Ferguson was appointed to the Board of Directors of the Company. On the same date, the Company issued 500,000 shares of restricted stock to Matthew Ferguson, as consideration for Mr. Ferguson’s future services. 200,000 shares shall vest in equal quarterly increments over the course of twelve months beginning on November 5, 2013. The remaining 300,000 shares shall vest upon the Company’s attainment of certain production milestones, in increments of 100,000 shares per occurrence. Vesting of all shares is subject to Mr. Ferguson’s continued service as a director. These shares were issued pursuant to a Stand-Alone Restricted Stock Award Agreement between the Company and Mr. Ferguson, and were valued at \$0.27 per share, or an aggregate of \$135,000.00, on the date of grant. As of September 30, 2013, the Company has incurred \$8,285 of stock based compensation expense related to these shares.

On August 5, 2013, the Company issued 300,000 shares of restricted stock to Marc Spezialy as consideration for Mr. Spezialy’s continued service as an executive officer of the Company. These shares shall vest upon the Company’s attainment of certain production milestones, in increments of 100,000 shares per occurrence. Vesting of all shares is

subject to Mr. Spezialy's continued service as an executive officer. These shares were issued pursuant to a Stand-Alone Restricted Stock Award Agreement between the Company and Mr. Spezialy, and were valued at \$0.27 per share, or an aggregate of \$81,000, on the date of grant.

On August 5, 2013, the Company issued 100,000 shares of restricted stock to a Company employee as consideration for such employee's continued service. These shares shall vest in equal quarterly increments over the course of twelve months beginning on November 5, 2013. Vesting of all shares is subject to the employee's continued service. These shares were issued pursuant to a Stand-Alone Restricted Stock Award Agreement between the Company and the employee, and were valued at \$0.27 per share, or an aggregate of \$27,000, on the date of grant. As of September 30, 2013, the Company has incurred \$4,142 of stock based compensation expense related to these shares.

Table of Contents

ROCKDALE RESOURCES CORPORATION
(FORMERLY ART DESIGN, INC.)
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013
(Unaudited)

NOTE 6. CONVERTIBLE DEBT – RELATED PARTY

On June 17, 2013, the Company entered into a Convertible Secured Note and Warrant Purchase Agreement (the “Purchase Agreement”) with Rick Wilber. Pursuant to the Purchase Agreement, the Company agreed to sell, and Mr. Wilber agreed to buy, for aggregate consideration of \$350,000, a convertible secured promissory note in the principal amount of \$350,000 (the “Note”) convertible at \$0.30 per share, and a warrant to purchase 1,000,000 shares of the Company’s common stock (the “Warrant”) at an exercise price of \$0.80 per share. The Company analyzed the Note and the Warrant for derivative accounting consideration and determined that derivative accounting is not applicable for these debts. The Warrant vests immediately and has a term of 10 years. The relative fair value of the Warrant was measured using the Black-Scholes option pricing model and determined to be \$148,925, which was recorded as a debt discount. Variables used in the Black-Scholes option pricing model for the Warrant included: (1) discount rate of 2.19%, (2), expected life of ten years, (3) expected volatility of 196% and (4) zero expected dividends. The Note was then evaluated for a beneficial conversion feature and it was determined that a beneficial conversion feature existed. The intrinsic value of the beneficial conversion feature was determined to be \$102,259 and was recorded as a debt discount. The debt discounts are being amortized over the life of the Note using the effective interest method.

On September 30, 2013, the Company entered into a Convertible Secured Note and Warrant Purchase Agreement (the “September Purchase Agreement”) with Rick Wilber. Pursuant to the September Purchase Agreement, the Company agreed to sell, and Mr. Wilber agreed to buy, for aggregate consideration of \$100,000, a convertible secured promissory note in the principal amount of \$100,000 (the “September Note”) convertible at \$0.30 per share, and a warrant to purchase 285,000 shares of the Company’s common stock (the “September Warrant”) at an exercise price of \$0.80 per share. The Company analyzed the September Note and the September Warrant for derivative accounting consideration and determined that derivative accounting is not applicable for these debts. The September Warrant vests immediately and has a term of 10 years. The relative fair value of the September Warrant was measured using the Black-Scholes option pricing model and determined to be \$46,024 which was recorded as a debt discount. Variables used in the Black-Scholes option pricing model for the September Warrant included: (1) discount rate of 2.64%, (2), expected life of ten years, (3) expected volatility of 196.3% and (4) zero expected dividends. The September Note was then evaluated for a beneficial conversion feature and it was determined that a beneficial conversion feature existed. The intrinsic value of the beneficial conversion feature was determined to be \$46,024 and was recorded as a debt discount. The debt discounts are being amortized over the life of the September Note using the effective interest method.

NOTE 7. COMMITMENTS AND CONTINGENCIES

The Company, as a lessee of oil and gas properties, is subject to various federal, state 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 the Company for the cost of pollution clean-up resulting from operations and subject the Company to liability for pollution damages. In some instances, the Company may be directed to suspend or cease operations in the affected area. The Company is not aware of any environmental claims existing as of September 30, 2013, which have not been provided for, or covered by insurance or which may have a material impact on its financial position or results of operations. There can be no assurance, however, that current regulatory requirements will not change, or past noncompliance with environmental laws will not be discovered on the Company’s properties.

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Office rental expense was approximately \$43,521 and \$40,039 for the nine months ended September 30, 2013 and 2012, respectively. Deferred rent was approximately \$7,817 as of September 30, 2013. Effective November 1, 2013, the Company sublet its office space. The subtenant has assumed the Company's rent obligations under the prime lease, but the Company remains liable under the prime lease should the subtenant default.

Table of Contents

ROCKDALE RESOURCES CORPORATION
(FORMERLY ART DESIGN, INC.)
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013
(Unaudited)

NOTE 8. SUBSEQUENT EVENTS

On October 2, 2013, the Company executed a Paid Up Oil and Gas Lease (the “New Lease”) between Noack Farms, LLC (“Noack”), as Lessor, and the Company, as Lessee.⁽¹⁾ Under the New Lease, Noack leased to the Company 623.29 acres in Milam County, Texas, for the purpose of exploring for, developing, producing, and marketing oil and gas, along with all hydrocarbon and hydrocarbon substances produced in association therewith. The New Lease provides for royalties of 1/6th of the production from the leased premises to be paid to Noack.

The land described in the New Lease was subject to a pre-existing Paid Up Oil and Gas Lease dated June 20, 2011, from Noack, as Lessor, to Ardent 1, LLC, as Lessee (the “Prior Lease”). The New Lease provided that it was subordinate to the Prior Lease, and that it would not become effective until the termination or release of the Prior Lease.

By virtue of a series of assignments, the Prior Lease previously had been assigned to the Company as Lessee effective as of March 20, 2012. (The assignment to the Company is filed as Exhibit 10.7 to the Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2013, filed with the Securities and Exchange Commission on August 14, 2013, and the Prior Lease is filed as Exhibit 10.8 to such Quarterly Report.) All of the Company’s current wells are drilled on the 623.29 acres that constitute the leased premises under the New Lease and the Prior Lease.

On October 24, 2013, the Company filed a release of the Prior Lease.

As consideration for the New Lease, concurrently with Noack’s execution of the New Lease in June 2013, the Company paid Noack \$3,116.45. As further consideration for the New Lease, on October 24, 2013, the Company issued Noack 100,000 shares of the Company’s common stock. Under the New Lease, the Company must pay \$1,000.00 per acre for well sites (with payments for fractions of an acre to be prorated based on the fraction of the acre used) as compensation for surface damages. The Company is also obligated to pay for certain other damages actually caused to the leased premises.

In conjunction with Noack’s execution of the New Lease, on May 31, 2013, the Company entered into a Defense and Indemnity Agreement with Noack Farms, LLC (the “Defense Agreement”). Under the Defense Agreement, the Company agreed to defend and indemnify Noack and certain parties related to Noack against certain claims asserted by any third party relating to the negotiation, execution, recording, or existence of the New Lease.

(1) The New Lease is dated June 3, 2013. Noack executed the New Lease on June 2, 2013, and the Company executed the New Lease on October 2, 2013.

Table of Contents

FORWARD LOOKING STATEMENTS

The information contained in this Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks and uncertainties, including among other things, statements regarding our capital needs, business strategy and expectations. Any statement which does not contain a historical fact may be deemed to be a forward-looking statement. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," "potential," or "continue," the negative of such terms or other comparable terminology. In evaluating forward looking statements, you should consider various factors outlined in our latest Form 10-K, filed with the U.S. Securities Exchange Commission ("SEC") on December 31, 2012, and in other reports we file with the SEC from time to time. These factors may cause our actual results to differ materially from any forward-looking statement. We disclaim any obligation to publicly update these statements, or disclose any difference between our actual results and those reflected in these statements. The following discussion is qualified in its entirety by, and should be read in conjunction with, the Company's condensed financial statements, including the notes thereto, included in this Quarterly Report on Form 10-Q and the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

Background

We were incorporated in Colorado in January 2002.

We planned to sell custom framed artwork, art accessories, and interior design consulting. However, we generated only limited revenue since inception and have been inactive since 2008.

In February 2012 we decided it would be in the best interests of our shareholders to no longer pursue our original business plan and, instead, to become active in the exploration and development of oil and gas properties. In furtherance of our business plan, the following have taken place:

- In February 2012, several of our shareholders, including our former officers and directors, sold an aggregate of 9,125,500 shares of our common stock to an unrelated third party. The unrelated third party sold the shares back to us for \$9,126.
- In April 2012 we sold 1,000,000 shares of our common stock to a group of private investors for an aggregate purchase price of \$51,250.
- In April 2012 we sold 8,367,850 shares of our common stock to our officers, directors and private investors for an aggregate purchase price of \$173,902.
- In May 2012, we changed our name to Rockdale Resources Corporation.
- Between April 1, 2012 and August 31, 2012 we sold an aggregate of 5,781,798 shares of our common stock, at a price of \$0.70 per share, to a group of private investors.

Minerva-Rockdale Field

The Minerva-Rockdale Field, which is located approximately 30 miles Northeast of Austin, was first discovered in 1921 and is approximately 50 square miles in size. The main producing formation for this field is the Upper Cretaceous Navarro Group of sands and shales. The Navarro is typically subdivided into several producing zones from the uppermost "A" and "B" sands to the lower "C" and "D" sands. The "B" sand is the primary producing zone. These sands commonly fine grained and poorly sorted and were deposited close to a shoreline during a cycle of marine regression.

The first well in the Minerva-Rockdale field came on producing 7 bbls/day in 1921. As of April 15, 2013 there were over 14,000 wells drilled and the field has produced 8.5 million bbls of oil. The oil is light, paraffin base, and has an API gravity of around 40 degrees. Water production in the “B” sands is very low.

“Bbl” refers to one stock tank barrel, or 42 U.S. gallons liquid volume, in reference to crude oil or other liquid hydrocarbons.

In April 2012 we entered into an agreement with Kingman Operating Company, Inc. (“Kingman Operating”), then a related party. Pursuant to the terms of the agreement:

- We paid Kingman Operating \$475,000 for the assignment of a 100% working interest (75% net revenue interest) in an oil and gas lease covering 200 acres in the Minerva-Rockdale field (the “Minerva Lease”);
- We paid Kingman Operating \$1,375,000 to drill and complete our first five wells; and
- We paid Kingman Operating \$150,000 to drill and complete our sixth well. The price included the assignment of 100% working interest (75% net revenue interest) in an oil and gas lease covering 2.5 acres on a neighboring tract. We incurred an additional cost of \$41,000 from a third party to fracture and stimulate this well.

Table of Contents

The cost to drill and complete the first five wells on the Minerva Lease was \$275,000 per well. The cost to drill and complete the sixth well on the Minerva Lease was \$191,000. The aggregate cost to drill the most recently completed three wells on the Minerva Lease was \$317,000.

In December 2012, the Company paid Kingman Operating \$106,000 to obtain 3D seismic on the Minerva Lease and an adjacent 420 acres. In April 2013, the Company was assigned a 100% working interest (75% net revenue interest) in the adjacent 420 acres. (In April 2013, the Company was assigned a 623-acre lease in Milam County, Texas. The Company had previously been assigned an aggregate of 202.5 acres out of this 623-acre lease via an assignment in March 2012 of 200 acres and an assignment in October 2012 of 2.5 acres. See “The Subsequent Kingman Assignment” in Item 5 of the Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2013, filed with the Securities and Exchange Commission on August 14, 2013. The Company issued 500,000 shares of its common stock as consideration for the release of a security interest encumbering this 623-acre lease, of which the 420 acres is part.)

Michael D. Smith, a former officer and director of the Company, is an officer and director of Kingman Energy, LLC, which controls Kingman Operating. Kingman Operating formerly served as the Company’s operator pursuant to a contract between the Company and Kingman Operating executed in April 2012. The Company terminated its agreement with Kingman Operating on January 31, 2013.

We will work independently with vendors to drill wells on our lease with the supervision of the Company’s director, Matthew Ferguson.

The wells will be drilled to sufficient depths to test the shallow Navarro B formation (approximate depth of 1,800 feet). Each well will take approximately seven days to drill and complete.

Beginning August 1, 2013, we took over the operating of all wells. As such, we will no longer use RTO Operating, LLC for the day to day monitoring of the wells.

If, in our sole discretion, the estimated future production from wells drilled on the lease in the Minerva-Rockdale Field does not warrant further drilling, we plan to drill wells in other areas.

As of September 30, 2013, we have drilled and completed our first nine oil wells. As of September 30, 2013, these nine wells were collectively producing approximately 30 bbls of oil and 70 bbls of water per day. We have identified drilling sites for four additional wells on our lease in the Rockdale-Minerva Field.

As of October 2013, we began the process of drilling one additional well on our lease in Milam County, Texas. We plan to have this well drilled in December 2013.

Results of Operations/Liquidity and Capital Resources

Since we did not become active in the exploration and production of oil until April 2012, a comparison of our operating results for the nine months ended September 2013 with the comparable period in 2012 would not be meaningful. Instead, the following discussion compares the Company’s operating results for the nine months ended September 2013 with the operating results for the nine months ended December 31, 2012.

During the nine months ended September 30, 2013:

- Sales of oil and gas for the nine-month period ended September 30, 2013, totaled \$177,171, while sales of oil and gas for the nine-month period ended December 31, 2012 totaled \$90,514. We did not begin selling oil until August 2012. Average monthly oil sales for the five months ended December 31, 2012 were \$18,103 and average monthly

oil sales for the nine months ended September 30, 2013 were \$19,686. These numbers have remained fairly constant over both periods because the Company has operated the same wells over both periods, with two wells being added in late June 2013 and one in late August 2013. Production increased in September of 2013 due to fracturing of three wells and drilling of the well in August, but the average monthly production was reduced by lower production in the first eight months of 2013, resulting in similar average monthly production over the periods being compared.

- Lease operating expenses for the nine-month period ended September 30, 2013 totaled \$120,395, while lease operating expenses for the nine-month period ended December 31, 2012 totaled \$35,088. We were not pumping wells until August 2012. Average monthly lease operating expenses for the five-months ended December 31, 2012 were \$7,018 and average monthly lease operating expenses for the nine months ended September 30, 2013 were \$13,377. This increase is due primarily to increased insurance premiums, increased salt water disposal costs and the cost of operating of additional wells.

Table of Contents

For the nine-month period ended September 30, 2013, the Company incurred general and administrative expenses totaling \$710,814. This total comprises primarily the following: salaries and wages expenses of \$283,451; legal expenses of \$191,441; and contract labor and professional fees of \$102,002. General and administrative expenses for the nine-month period ended December 31, 2012 totaled \$1,406,425, and comprised primarily the following: contract labor and professional fees of \$583,874; salaries and wages expenses of \$251,780; and legal expenses of \$104,460.

- Our net losses for the nine-month period ended September 30, 2013 totaled \$713,900, as compared to net losses for the nine-month period ended December 31, 2012 of \$1,392,777. These net losses are a result of lower than expected well production and high overhead costs. We anticipate that we will continue to incur losses unless we are able to drill new (more productive) wells, and are able to further decrease overhead expenses. The net loss in the third quarter of 2013 was \$135,337, which is the smallest quarterly loss incurred over the last six quarters, and an improvement of \$101,293 in comparison to the net loss in the second quarter of 2013 of \$236,630. This improvement was primarily driven by our efforts to further decrease corporate overhead; we experienced a decrease of \$117,102 in general and administrative expenses from the second quarter of 2013 to the third quarter of 2013. We are in the process of drilling new wells and improving current wells, and we are working to further decrease our monthly overhead expenses in an attempt to become profitable. We plan on raising additional capital in order to drill new wells and to continue making improvements on existing wells. We anticipate capital requirements for the next twelve months of approximately \$11,000,000. We plan to use a portion of this capital for acquiring additional oil and gas leases and drilling and completing new wells.

Our sources and (uses) of funds for the nine months ended September 30, 2013 were:

Cash used in operations	\$ (720,642)
Capital expenditures on oil and gas properties	(354,840)
Cash provided (used) by purchase (sale) of PP&E	13,800
Cash provided by financing activities	\$ 449,100

Our anticipated capital requirements for the twelve months ending September 30, 2014 are as follows:

Drilling and completion of oil wells	\$ 10,500,000
Corporate overhead	500,000
	\$ 11,000,000

Plan of Operation

We evaluate undeveloped oil and gas prospects and participate in drilling activities on those prospects which, in the opinion of management, are favorable for the production of oil or gas. If, through our review, a geographical area indicates geological and economic potential, we may attempt to acquire leases or other interests in the area. We may then attempt to sell portions of such leasehold interests in a prospect to third parties, thus sharing the risks and rewards of the exploration and development of the prospect with the other owners. One or more wells may be drilled on a prospect, and if the results indicate the presence of sufficient oil and gas reserves, additional wells may be drilled on the prospect.

Our strategy is to acquire other similar prospects in or adjacent to existing fields with further development potential and minimum risk in the same area.

We may also:

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acquire a working interest in one or more prospects from others and participate with the other working interest owners in drilling, and if warranted, completing oil or gas wells on a prospect; or

- purchase producing oil or gas properties.

Our activities will primarily be dependent upon available financing. We have plans to finance our activities through private offerings of our securities, issuance of corporate bonds and/or joint venture agreements.

Oil and gas leases are considered real property. Title to properties which we may acquire will be subject to landowner's royalties, overriding royalties, carried working and other similar interests and contractual arrangements customary in the oil and gas industry, to liens for current taxes not yet due, liens for amounts owing to persons operating wells, and to other encumbrances. As is customary in the industry, in the case of undeveloped properties little investigation of record title will be made at the time of acquisition (other than a preliminary review of local records). However, drilling title opinions may be obtained before commencement of drilling operations.

Table of Contents

Trends Affecting Future Operations

The factors that will most significantly affect our results of operations are (i) the sale prices of crude oil and natural gas, (ii) the amount of production from oil or gas wells in which we have an interest, and (iii) lease operating expenses. Our revenues will also be significantly impacted by our ability to maintain or increase oil or gas production through exploration and development activities.

It is expected that our principal source of cash flow will be from the production and sale of crude oil and natural gas reserves which are depleting assets. Cash flow from the sale of oil and gas production depends upon the quantity of production and the price obtained for the production. An increase in prices will permit us to finance our operations to a greater extent with internally generated funds, may allow us to obtain equity financing more easily or on better terms, and lessens the difficulty of obtaining financing. However, price increases heighten the competition for oil and gas prospects, increase the costs of exploration and development, and, because of potential price declines, increase the risks associated with the purchase of producing properties during times that prices are at higher levels.

A decline in oil and gas prices (i) will reduce our cash flow, which in turn will reduce the funds available for exploring for and replacing oil and gas reserves, (ii) will increase the difficulty of obtaining equity and debt financing and worsen the terms on which such financing may be obtained, (iii) will reduce the number of oil and gas prospects which have reasonable economic terms, (iv) may cause us to permit leases to expire based upon the value of potential oil and gas reserves in relation to the costs of exploration, (v) may result in marginally productive oil and gas wells being abandoned as non-commercial. However, price declines reduce the competition for oil and gas properties and correspondingly reduce the prices paid for leases and prospects.

Other than the foregoing, we do not know of any trends, events or uncertainties that will have, or are reasonably expected to have, a material impact on our sales, revenues or expenses.

Critical Accounting Policies and New Accounting Pronouncements

See Note 2 to the financial statements included as part of our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on April 1, 2013, for a description of our critical accounting policies and the potential impact of the adoption of any new accounting pronouncements.

Item 3. Controls and Procedures.

(a) We maintain a system of controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended (“1934 Act”), is recorded, processed, summarized and reported within time periods specified in the SEC's rules and forms and to ensure that information required to be disclosed by us in the reports that we file or submit under the 1934 Act is accumulated and communicated to our management, including our Principal Executive and Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As of September 30, 2013, our Principal Executive and Financial Officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our Principal Executive and Financial Officer concluded that our disclosure controls and procedures were effective.

(b) Changes in Internal Controls. There were no changes in our internal control over financial reporting during the quarter ended September 30, 2013 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II

Item 1. Legal Proceedings.

On November 2, 2012, a lawsuit was filed by William D. Veasey IV against the Company and certain other defendants: William D. Veasey IV v. Kingman Energy, LLC, Kingman Operating Company, Inc., Kingman Energy Investors I, L.P., Kingman Energy I, LP, Kingman Energy II, LP, Rockdale Resources Corporation, and Michael D. Smith, Case No. DC-12-12976, filed in the District Court of Dallas County, Texas. The Plaintiff alleges that Michael Smith, on behalf of one or more of the Kingman entities named as Defendants (such entities, collectively, the “Kingman Defendants”), promised the Plaintiff a partnership interest and certain other financial rights in one or more of the Kingman Defendants, and that Mr. Smith failed to keep his promise. Mr. Smith formerly served as an officer and director of the Company; he resigned these positions on January 31, 2013. As part of this suit, the Plaintiff has alleged that the Company is vicariously liable for the actions of Mr. Smith. The Plaintiff is seeking unspecified amounts of actual damages, compensatory damages, punitive damages, consequential damages, and pecuniary damages, plus certain fees and costs, from the Defendants.

On December 3, 2012 (as supplemented on December 18, 2012), the Company filed an answer denying, and specially excepting to, the Plaintiff’s allegations. This case is currently set for trial during the week of November 18, 2013. The Company intends to vigorously defend against the propriety of its involvement in this case, as well as the merits of this matter. However, the final disposition of this case, and the impact of such final disposition, cannot be determined at this time.

Item 6. Exhibits.

31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification pursuant to Section 906 of the Sarbanes-Oxley Act.

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Presentation Linkbase Document

Table of Contents

SIGNATURES

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

ROCKDALE RESOURCES CORPORATION

November 13, 2013

By: /s/ Marc Spezialy
Marc Spezialy
Principal Executive, Financial and
Accounting Officer

