Saga Energy, Inc.
Form 10-K
March 29, 2013

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012

Or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______________ to __________________

Commission file number: 000-52692

SAGA ENERGY, INC.
(Exact name of registrant as specified in its chapter)

Florida	65-0921319
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)
1509 East Chapman Ave, Orange, CA	92866
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (714) 532-1500

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

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

Common Stock, no par value
(Title of Class)

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. o Yes þ No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained herein, to the best of 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. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	þ

Indicate by check mark whether the registrant is a shell company. o Yes þ No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter was $1,600,500 (based on 16,005,000 shares at $0.10 per share).

The registrant had 49,100,000 shares of common stock outstanding as of March 20, 2013.

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PART I

ITEM 1. BUSINESS.

Business Development

Saga Energy, Inc. (the "Company") was incorporated as Don Marcos Trading Co. on May 11, 1999 in the state of Florida to be the sole importer and distributor of Don Marcos® coffee.

As of August 15, 2011, however, the Company experienced a change in control in which Earl T. Shannon, Steven W. Hudson, Scott W. Bodenweber, Peter Wright, and Mark E. Tupper, former management and directors, collective owners of an aggregate of 32,100,000 shares of the Company common stock, sold in a private transaction 32,075,000 of the shares held by them to a group of six purchasers for a total sales price of $286,000. In connection with this sale, the former management and directors agreed to have their 5,000,000 options issued on February 1, 2007, constituting all outstanding options to purchase our shares, cancelled. Also in connection with this sale, the Company transferred intellectual property and other assets relating to the Company's old business and ceased operations as an importer and distributor of Don Marcos® coffee.

As agreed between the stockholder groups, Ilyas Chaudhary, George Djuhari, and Boedi Tjahjono replaced the former directors on the Company's Board of Directors. Earl T. Shannon resigned as President, and Ilyas Chaudhary was appointed as President and CEO. Steven W. Hudson resigned as Executive Vice President. Scott W. Bodenweber resigned as Chief Financial Officer and Dading Soetarso was appointed Chief Financial Officer. Peter Wright resigned as Secretary and Aamna Virk was appointed as Secretary. As reported on the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission, Aamna Virk resigned as Secretary and Carla Petty was appointed as Secretary as of February 10, 2012. As reported on the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission, Dading Soetarso resigned as Chief Financial Officer and Ricardo Hsu was appointed Chief Financial Officer, Mr. Hsu and Shingo Araki were appointed to the Company's Board of Directors, and George Djuhari and Boedi Tjahjono resigned from the Company's Board of Directors on January 31, 2013.

On August 15, 2011, and effective February 20, 2012, the consent of a majority of the voting shares authorized an amendment to the Company's Articles of Incorporation to effect a name change from Don Marcos Trading Company to Saga Energy, Inc. to more accurately reflect the business after the change in control transaction. The consent of a majority of the voting shares was also given to change the trading symbol on the Over-the-Counter Quotation Bureau (OTC QB) from DNMO to SAGA to accurately reflect the new name.

Business of Registrant

Saga Energy, Inc. conducts activities in the energy industry, including leasing the Workover Rig (as defined below) and expanding into the upstream sector of the oil industry in the United States.

Service Rig Leasing

On December 22, 2011, the Company formed a wholly-owned subsidiary, Saga Services & Equipment, Inc., a Texas corporation ("SSEI"), to own the Workover Rig and conduct service rig leasing operations. SSEI owns a Cardwell A150 Pulling Unit (Year: 1985, Model: DC9364B) (the "Workover Rig"). The Workover Rig is currently undergoing additional repairs necessary to operate within safety protocols.

The Company has an oral agreement with Jovian Petroleum Corporation ("JPC"), a Delaware corporation, to provide accounting, administrative, and operational support to the Company. JPC offers a wide array of operational services for oil and gas companies such as royalty calculations, oil tax calculations, field operations, marketing, remediation work, compliance, well workovers supervision, and develop and execute enhanced recovery methods. JPC's management and directors have experience operating oil and gas properties in California, Oklahoma, New Mexico, and Texas. The Company intends to repair and rent the Workover Rig for daily rental in Creek County, Oklahoma. The daily rental rate is $1,800 per day without a crew. The Company does not provide the crew.

Expansion into Upstream Activities

The Company does not currently own any upstream (e.g., oil and gas property acquisition, exploration and production) businesses. The Company is exploring other options toward expanding upstream as (i) operating oil and gas properties that are acquired; and (ii) participating as a third party, non-operated interest in exploration wells. All upstream activities are currently planned to be based in the United States. As of the date of this Annual Report on Form 10-K, the Company has not specifically identified any properties for acquisition or any exploration wells in which to participate. The Company intends for any expansion into any upstream activity to be contingent upon (i) management finding suitable opportunities; and (ii) successful financing of identified opportunities.

Property Development and Production

Assuming the Company is able to obtain sufficient funds, it may acquire properties with existing quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible - from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations - prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation ("Proved Reserves"). The Company intends to be the operator for any such properties acquired.

Participation in Exploration Wells

Assuming the Company is able to obtain sufficient funds, it will seek out opportunities to participate in exploration wells, also known as "wildcat wells". The Company does not intend to be the operator for any exploration wells, but only invest in exploration wells operated by known and credible operators as determined by management.

Competition

The Company expects to face significant competition from other companies in the oil and gas industry should the business expand in upstream activities. Such competition can come from major integrated oil and gas companies and numerous independent oil and gas companies. Many competitors have been in these businesses for decades and have an established market presence. With substantially greater financial, marketing, personnel and other resources, allowing these well established companies to easily adapt to changes in federal, state and local laws and regulations, pay more for oil and gas property acquisitions and exploratory participations, and implement new technologies. The Company's success is dependent on management's ability to maintain and market the Workover Rig, to evaluate select acquisition and participation targets, and to consummate such transactions in this highly competitive environment.

Employees

The Company currently has no employees. All services from within the Company are managed with third party agreements.

ITEM 1A. RISK FACTORS

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

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

ITEM 2. PROPERTIES

The Company's office encompasses 800 square feet located in Orange, California in a building owned by Ilyas Chaudhary, our President and CEO. Company management believes these premises are in good condition. Mr. Chaudhary allows us to use this space free of charge on a month to month basis and has informed us that he intends to allow us to continue using the space free of charge until December 31, 2013, unless the building is sold by Mr. Chaudhary. At that time, we would need to relocate to new facilities.

As part of the oral agreement with JPC, the Workover Rig is stored on JPC properties in Slick, Oklahoma. If the oral agreement is terminated with JPC, then the Workover Rig would need to obtain relocated to a new facility for storage.

ITEM 3. LEGAL PROCEEDINGS

To the best knowledge of management, there are no litigation matters pending or threatened against the Company.

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

Market for Common Equity

The Company's common stock is currently quoted on the OTC QB under the symbol "SAGA." However, there is no active trading in the stock. The common stock was first eligible for quotation on the Over-the-Counter Bulletin Board on March 5, 2008 under the symbol "DNMO." The Company changed its symbol from DNMO to SAGA on September 22, 2011. The last sale price of the common stock was $0.10 per share on March 28, 2008, without retail mark-up, mark-down or commissions. The above quotations are inter-dealer quotations from market makers of our common stock. At certain times the actual closing or opening quotations may not represent actual trades that took place.

Holders

As of March 20, 2013, there were 19 shareholders holding certificated securities. The Company engaged Vstock Transfer, LLC as the stock transfer agent, which is located at 77 Spruce Street, Suite 20, Cedarhurst, NY 11598. Their telephone number is (212) 828-8436 and their fax number is (646) 536-3179. The transfer agent is responsible for all record-keeping and administrative functions in connection with our issued and outstanding common stock.

Dividends

The Company has paid no dividends on the common stock since inception and do not anticipate or contemplate paying cash dividends in the foreseeable future.

Recent Sales of Unregistered Securities

On October 10, 2011, the Company entered into a Non-Exclusive Financial Advisory and Investment Banking Services Agreement (the "FA Agreement") with Mundial Financial Group, LLC, a California limited liability company ("Mundial"), under which 25,000 shares of stock where issued to Mundial and agreed to pay Mundial commissions on total equity gross amounts funded to the Company. Both parties mutually cancelled the FA Agreement on of February 13, 2012, and the shares issued thereunder were cancelled.

Each of the above issuances was made pursuant to an exemption from registration in reliance upon Section 4(2) of the Securities Act.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth certain information with respect to our equity compensation plans as of December 31, 2012.

Plan Category	Number of Securities to be issued upon exercise of outstanding	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity

	options, warrants and rights (a)			compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	-0-	$	-0-	5,000,000
Equity compensation plans not approved by security holders	-0-		-0-	-0-
Equity compensation plans approved by security holders	-0-	$	-0-	5,000,000

ITEM 6. SELECTED FINANCIAL DATA

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

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

The following discussion and analysis should be read in conjunction with our financial statements, including the notes thereto, appearing elsewhere in this Report.

Principles of Consolidation

For the year ended December 31, 2012, the Company was consolidated with its wholly-owned subsidiary, SSEI. All inter-company accounts and transactions have been eliminated.

Critical Accounting Policies

Discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. In consultation with our Board of Directors, several accounting principles have been identified that are key to the understanding of the financial statements. These important accounting policies require management's most difficult, subjective judgments.

Revenue Recognition

The Company's only revenue from operations for the years ended December 31, 2012 and 2011 came from SSEI's leasing of the Workover Rig.

Change From Development Stage Enterprise

On December 26, 2011, operations began, through SSEI by leasing the Workover rig, which changed the Company's status from being a development stage enterprise to becoming an operating company. For the years ended December 31, 2012 and 2011, the Company had $25,200 and $9,000, respectively, in revenues from these operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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.

Net Loss Per Share

The Company adopted ASC 260, "Earnings Per Share" that requires the reporting of both basic and diluted earnings (loss) per share. Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. In accordance with ASC 260, any anti-dilutive effects on net income (loss) per share are excluded.

Stock Issued for Non-Cash Transactions

It is the Company's policy to value stock issued for non-cash transactions, such as services, at the fair market value of the goods or services received or the consideration granted, whichever is more readily determinable, at the date the transaction is negotiated.

Oil Field Service Equipment

Oil field service equipment is stated at cost. Major renewals and improvements are charged to the asset accounts while replacements, maintenance and repairs, which do not improve or extend the lives of respective assets, are expensed. At the time the equipment is retired or otherwise disposed of, the assets and related depreciation accounts are relieved of the applicable amounts. Gains or losses from retirements or sales are credited or charged to income.

The Company depreciates our oil field service equipment for financial reporting purposes using the straight-line method over a seven year period.

Going Concern

The Company's financial statements are prepared using generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon our ability to locate sources of capital, and attain future profitable operations. Our management is currently initiating their business plan. The accompanying financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern.

Results of Operations

You should read the selected financial data set forth below along with the Company's discussion and the Company's financial statements and the related notes. The Company has derived the financial data from our financial statements. The Company believe the financial data shown in the table below include all adjustments consisting only of normal recurring adjustments, that the Company considers necessary for a fair presentation of such information. Operating results for the period are not necessarily indicative of the results that may be expected in the future.

Results for the Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011 (unaudited)

	Year Ended December 31, 2012	Year Ended December 31, 2011	Increase/ (Decrease)
Revenue	$ 25,200	$ 9,000	$ 16,200
Operating expenses	248,883	118,217	130,666
Net loss from continuing operations	(223,683)	(109,217)	(114,466)
Net loss from discontinued operations	-	(74,819)	74,819
Net loss	$ (223,683)	$ (184,036)	$ (39,647)
Net loss per share	$ (0.00)	$ (0.00)	$ (0.00)

Revenues

The Company did not have any revenue for the year ended December 31, 2012. Saga Services & Equipment, Inc. had $25,200 of revenue from operations for the year ended December 31, 2012. Saga Energy, Inc. did not have any revenue for the year ended December 31, 2011. Saga Services & Equipment, Inc. had $9,000 of revenue from operations for the year ended December 31, 2011. We began to lease our oil field service equipment on December 26, 2011.

Operating Expenses

The Company had operating expenses of $248,883 for the year ended December 31, 2012 mainly due to professional fees, consulting fees, salaries and contract labor. The Company had operating expenses of $118,217 for the year ended December 31, 2011 mainly due to professional fees, consulting fees and salaries.

Net Loss from Continuing Operations

Primarily as a result of our operating expenses, the company had a net loss from continuing operations of $223,683 for the year ended December 31, 2012. Primarily as a result of our operating expenses, the company had a net loss from continuing operations of $109,217 for the year ended December 31, 2011.

Net Loss from Discontinued Operations

The Company had net losses from discontinued operations of $0 and $74,819 for the years ended December 31, 2012 and 2011, respectively. This is due to our change in operations from distributing coffee to seeking opportunities in the energy industry.

Liquidity and Capital Resources

The Company currently has no material commitments for capital expenditures and have no fixed expenses.

Working capital is summarized and compared as follows:

	December 31, 2012	December 31, 2011
Current assets	$ 6,871	$ 57,945
Current liabilities	246,427	69,629
Deficit	$ (239,556)	$ (11,684)

The changes in our working capital are primarily due to the issuance of a note payable to a shareholder, an increase in accounts payable, a reduction in cash (see Changes in cash flows are summarized as follows section below) and our change in operations for the year ended December 31, 2012. The changes in our working capital are primarily due to the purchase of our common stock and our change in operations for the year ended December 31, 2011.

Changes in cash flows are summarized as follows:

Our net cash used by operations was $187,284 for the year ended December 31, 2012. During the year ended December 31, 2012, the company experienced a net loss from continuing operations of $223,383. There were no activities resulting from discontinued operations in 2012. Cash used by operations was due primarily to noncash activities such as depreciation in the amount of $14,591. The Company had cash provided by an increase in accounts payable of $23,316, a decrease in accounts receivable of $7,013 and an increase in advances to a related entity of $4,000. These were offset by a decrease in accrued expenses of $13,048.

Our net cash used by operations was $132,651 for the year ended December 31, 2011. During the year ended December 31, 2011, we experienced a net loss from continuing operations of $109,217, and a net loss from discontinued operations of $74,819. These included noncash activities such as depreciation in the amount of $995, common stock issued for services in the amount of $1,741, and an abandonment of inventory of $8,820. The Company had cash provided by an increase in accounts payable of $39,426 and an increase in accrued expenses of $12,353. These were offset by an increase in accounts receivable of $7,200, an advance to a related entity of $4,000, and an increase in other receivable of $750.

There was cash used by investing activities of $18,557 and $73,039 for the years ended December 31, 2012 and 2011 due to the purchase of oil field service equipment.

Cash provided by financing activities for the years ended December 31, 2012 and 2011 was $166,530 and $250,000, respectively. We had proceeds from notes payable to a stockholder of $166,530 for the year ended December 31, 2012. We had proceeds from notes payable to a stockholder of $300,000, which was offset by a repayment of notes payable to a stockholder for $50,000 for the year ended December 31, 2011.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

All financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

To the Board of Directors and Stockholders
Saga Energy. Inc.
Orange, California

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the consolidated balance sheet of Saga Energy, Inc. as of December 31, 2012 and 2011 and the related statements of operations, stockholders' equity, and cash flows for the years then ended. Saga Energy, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audit of the financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saga Energy, Inc. as of December 31, 2012 and 2011 and the results of its operations, stockholders' equity, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered losses from operations and had negative cash flows from operations that raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Weaver Martin & Samyn, LLC
Weaver Martin & Samyn, LLC
Kansas City, Missouri
March 29, 2013

SAGA ENERGY, INC. AND SUBSIDIARY
BALANCE SHEETS
DECEMBER 31, 2012 AND 2011

		2012		2011
ASSETS				
CURRENT ASSETS				
Cash	$	6,684	$	45,995
Accounts receivable		187		7,200
Advance to related entity		-		4,000
Other receivable		-		750
TOTAL CURRENT ASSETS		6,871		57,945
OIL FIELD SERVICE EQUIPMENT, NET of ACCUMULATED DEPRECIATION of $15,586 AND $995		86,549		82,583
TOTAL ASSETS	$	93,420	$	140,528
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable				
Related	$	19,852	$	15,162
Unrelated		53,470		34,843
Accrued expenses		6,575		19,624
Notes payable, stockholder		166,530		-
TOTAL CURRENT LIABILITIES		246,427		69,629
TOTAL LIABILITIES		246,427		69,629
STOCKHOLDERS' EQUITY (DEFICIT)				
Preferred stock, no stated value Authorized - 10,000,000 shares; Issued and outstanding -0- shares at December 31, 2012 and 2011, respectively		-		-
Common stock, no par value Authorized - 100,000,000 shares; Issued and outstanding - 49,100,000 and 49,125,000 shares at December 31, 2012 and 2011, respectively		544,972		545,195
Accumulated deficit		(697,979)		(474,296)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)		(153,007)		70,899
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$	93,420	$	140,528

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

SAGA ENERGY, INC. AND SUBSIDIARY
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
REVENUES	$ 25,200	$ 9,000
OPERATING EXPENSES	248,883	118,217
NET LOSS FROM CONTINUING OPERATIONS	(223,683)	(109,217)
NET LOSS FROM DISCONTINUED OPERATIONS	-	(74,819)
NET LOSS	$ (223,683)	$ (184,036)
NET LOSS PER SHARE FROM CONTINUING OPERATIONS – BASIC AND DILUTED	$ (0.00)	$ (0.00)
NET LOSS PER SHARE FROM DISCONTINUED OPERATIONS – BASIC AND DILUTED	$ (0.00)	$ (0.00)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED	49,102,937	48,400,548

The accompanying notes are an integral part of these financial statements

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SAGA ENERGY, INC. AND SUBSIDIARY
TATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
DECEMBER 31, 2012

	Common Stock				Deficit Accumulated During The Development		Accumulated		
	Shares		Amount		Stage		Deficit		Total
BALANCE, DECEMBER 31, 2009	48,300,000	$	243,454	$	(255,620)	$	-	$	(12,166)
Net loss for the year ended December 31, 2010	-		-		(34,640)		-		(34,640)
BALANCE, DECEMBER 31, 2010	48,300,000		243,454		(290,260)		-		(46,806)
Common stock issued for services	225,000		1,741		-		-		1,741
Common stock issued for notes payable	600,000		300,000		-		-		300,000
Transfer from development stage company to operating company	-		-		290,260		(290,260)		-
Net loss for the year ended December 31, 2011	-		-		-		(184,036)		(184,036)
BALANCE, DECEMBER 31, 2011	49,125,000	$	545,195	$	-	$	(474,296)	$	70,899
Canceled shares of common stock	(25,000)		(223)		-		-		(223)
Net loss for the year ended December 31, 2012	-		-		-		(223,683)		(223,683)
BALANCE, DECEMBER 31, 2012	49,100,000	$	544,972	$	-	$	(697,979)	$	(153,007)

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

SAGA ENERGY, INC. AND SUBSIDIARY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

		2012		2011
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss from continuing operations	$	(223,683)	$	(109,217)
Net loss from discontinued operations		-		(74,819)
Adjustments to reconcile net loss to net cash used by operating activities:				
Depreciation		14,591		995
Common stock issued for services		-		1,741
Cancelation of common stock		(223)		-
Abandonment of inventory		-		8,820
Changes in operating assets and liabilities:				
Accounts receivable		7,013		(7,200)
Advance to related entity		4,000		(4,000)
Other assets and receivable		750		(750)
Accounts payable		23,316		39,426
Accrued expenses		(13,048)		12,353
NET CASH USED IN OPERATING ACTIVITIES		(187,284)		(132,651)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of oil field service equipment		(18,557)		(73,039)
NET CASH USED BY INVESTING ACTIVITIES		(18,557)		(73,039)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from notes payable, stockholder		166,530		300,000
Repayment of notes payable, stockholder		-		(50,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES		166,530		250,000
NET INCREASE (DECREASE) in CASH AND CASH EQUIVALENTS		(39,311)		44,310
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		45,995		1,685
CASH AND CASH EQUIVALENTS, END OF YEAR	$	6,684	$	45,995
SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION				
CASH PAID DURING THE YEAR FOR:				
Interest	$	-	$	559
Taxes	$	-	$	-
NON-CASH INVESTING ACTIVITIES				
Oil field service equipment purchase included in accounts payable	$	-	$	10,539
NON-CASH FINANCING ACTIVITIES				
Common stock issued for services	$	-	$	1,741
Conversion of notes payable, stockholder, to shares of common stock	$	-	$	300,000

The accompanying notes are an integral part of these financial statements

SAGA ENERGY, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business and History of Company

Saga Energy, Inc. (unless otherwise indicated, together with its subsidiary Saga Services & Equipment, Inc., "the Company"), formerly known as Don Marcos Trading Co., was incorporated on May 11, 1999 in the state of Florida. On August 15, 2011, control of the Company changed due to the majority shareholders selling their stock to a new group of stockholders. After the sale, the Company's operations are now concentrating on developing energy resources throughout the world, placing an emphasis on oil and gas properties in the U.S.

Saga Services & Equipment, Inc. was formed on December 22, 2011 in the state of Texas. The Company's operations consist of leasing an oil field service rig in the state of Oklahoma.

Principles of Consolidation

For the years ended December 31, 2012 and 2011, the Company was consolidated with its wholly-owned subsidiary, Saga Services & Equipment, Inc. All inter-company accounts and transactions have been eliminated.

Change from Development Stage Enterprise

On December 26, 2011, the Company, through its subsidiary Saga Services & Equipment, Inc., began operations by leasing its oil field service rig, which changed the Company from being a development stage enterprise to an operating company.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Cash and Cash Equivalents

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

Fair value of financial instruments

For certain Company instruments, including cash, accounts receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

Common Stock Issued for Non-Cash Transaction

It is the Company's policy to value stock issued for non-cash transactions, such as services, at the fair market value of the goods or services received or the consideration granted, whichever is more readily determinable, at the date the transaction is negotiated.

Revenue Recognition

Saga Energy, Inc. did not have any revenue for the years ended December 31, 2012 and 2011.

Saga Services & Equipment, Inc. recognizes revenue from the leasing of an oil field service rig when the services are completed. In the years ended December 31, 2012 and 2011, all of the Company's revenues came from a related party.

Net Loss Per Share

The Company adopted ASC 260, "Earnings Per Share," that requires the reporting of both basic and diluted earnings (loss) per share. Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. In accordance with ASC 260, any anti-dilutive effects on net income (loss) per share are excluded.

SAGA ENERGY, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Doubtful Accounts

The allowance for doubtful accounts on accounts receivable is charged to income in amounts sufficient to maintain the allowance at a level management believes is adequate to cover any probable losses. Management determines the adequacy of the allowance based on expected collectability.

Oil Field Service Equipment

Oil field service equipment is stated at cost. Major renewals and improvements are charged to the asset accounts while replacements, maintenance and repairs, which do not improve or extend the lives of respective assets, are expensed. At the time the equipment is retired or otherwise disposed of, the assets and related depreciation accounts are relieved of the applicable amounts. Gains or losses from retirements or sales are credited or charged to income.

The Company depreciates its oil field service equipment for financial reporting purposes using the straight-line method over a seven year period.

Income Taxes

The Company follows the accounting principle for uncertainty in income tax guidance which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Company's income tax filings are subject to audit by various taxing authorities. The Company's open audit periods are 2008 to 2011. In evaluating the Company's tax provisions and accruals, future taxable income, the reversal of temporary differences, and tax planning strategies are considered.

NOTE 2 GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the recoverability of assets and the satisfaction of liabilities in the normal course of business.

The Company's development activities since inception have been financially sustained by issuance of common stock and through stockholder contributions. The Company may raise additional funding to continue its operations through contributions from the current shareholders and stock issuance to other investors.

The ability of the Company to continue as a going concern is dependent upon its ability to raise additional capital from the sale of common stock and, ultimately, the achievement of significant operating revenues. The accompanying financial statements do not include any adjustments that might be required should the Company be unable to recover the value of its assets or satisfy its liabilities.

Management's plan to eliminate the going concern situation includes, but is not limited to, obtaining investors to fund the working capital needs of the Company.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31, 2012 and 2011:

		2012		2011
Accounts receivable	$	187	$	7,200
Less: allowance for doubtful accounts		-		-
	$	187		7,200

There was no allowance for doubtful accounts for the years ended December 31, 2012 and 2011.

SAGA ENERGY, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 4 ADVANCE TO RELATED ENTITY

On December 29, 2011, the Company loaned $4,000 to a related entity. The amount was repaid in March 2012.

NOTE 5 OIL FIELD SERVICE EQUIPMENT

The Company's equipment consists of the following at December 31, 2012 and 2011:

	2012	2011
Oil field service equipment, cost	$ 102,135	$ 83,578
Less: accumulated depreciation	15,586	995
	$ 86,549	$ 82,583

NOTE 6 ACCOUNTS PAYABLE, RELATED

Accounts payable to related entities consists of the following at December 31, 2012 and 2011:

	2012	2011
Legal fees	$ -	$ 5,836
Salaries	13,669	8,616
Office supplies	6,183	710
	$ 19,852	$ 15,162

In the year ended December 31, 2012, the Company made payments totaling approximately $152,000 to unconsolidated related parties.

NOTE 7 ACCOUNTS PAYABLE, UNRELATED

Accounts payable to unrelated entities consists of the following at December 31, 2012 and 2011:

	2012	2011
Legal fees	$ 45,502	$ 18,934
Oil field service equipment	-	10,539
Consulting	5,039	5,000
Office supplies	2,929	370
	$ 53,470	$ 34,843

NOTE 8 NOTES PAYABLE, STOCKHOLDER

During 2012, the Company had notes payable from an officer-stockholder of the Company. The total amount of the notes was $166,530 at December 31, 2012. The notes, which were unsecured, accrued interest at 5%

NOTE 9 PREFERRED STOCK

The Company has not assigned any preference rights to the preferred stock.

SAGA ENERGY, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 10 COMMON STOCK

On October 17, 2011, the Company issued 25,000 shares of its common stock, with an aggregate value of $223 to an investment banking firm for financial advisory and investment banking services for a period of one year.

On November 8, 2011, the Company converted $300,000 of notes payable to a related entity to 600,000 shares of its common stock.

On December 20, 2011, the Company issued an aggregate of 200,000 shares of its common stock, with an aggregate value of $1,518 to one individual for consulting services provided and to its three directors.

On February 13, 2012, the Company cancelled its agreement for financial advisory and investment banking services with an investment banking firm. The investment banking firm returned for cancellation the 25,000 shares of common stock it received under the contract.

NOTE 11 CHANGE OF OWNERSHIP AND DISCONTINUED OPERATIONS

On August 15, 2011, the majority stockholders entered into a Stock Purchase Agreement in which the stockholders sold 32,075,000 shares of common stock to a new group of stockholders.

The following amounts have been segregated from continuing operations and reported as discontinued operations as of December 31, 2012 and 2011:

	2012	2011
Operating expenses	$ -	$ 74,819
Net (loss) from discontinued operations	-	(74,819)

NOTE 12 INCOME TAXES

Provision (Benefit)

There was no income tax provision (benefit) for the years ended December 31, 2012 and 2011.

Deferred Tax Components

Significant components of the Company's deferred tax assets are as follows:

	2012	2011
Net operating loss carryforwards	$ 221,000	$ 33,000
Less valuation allowance	(221,000)	(33,000)
Net deferred tax assets	$ -	$ -

Summary of valuation allowance:

	2012	2011

Balance, beginning of year	$	33,000	$	59,000
Increase (decrease) for the year		(188,000)		(26,000)
Balance, end of year	$	(221,000)	$	33,000

In assessing the realizability of deferred assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

SAGA ENERGY, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Net Operating Loss Carryforwards

Year of Loss		2011		2010	Expiration Date
December 31, 2007	$	87,000	$	87,000	December 31, 2027
December 31, 2008		43,000		43,000	December 31, 2028
December 31, 2009		31,000		31,000	December 31, 2029
December 31, 2010		35,000		35,000	December 31, 2030
January 1, 2011 through August 14, 2011		75,000		-	December 31, 2031
		271,000		196,000	
Carryforwards lost due to sale of common stock to new stockholders		(271,000)		(196,000)	
Subtotal		-		-	
August 15, 2011 through December 31, 2011		109,000		-	December 31, 2031
December 31, 2012		112,000		-	December 31, 2032
Subtotal		221,000		-	
	$	221,000	$	-	

NOTE 13 INTEREST EXPENSE

Interest expense was $5,951 and $1,237 for the years ended December 31, 2012 and 2011, respectively.

NOTE 14 SUBSEQUENT EVENTS

On January 31, 2013, Dading Soetarso resigned from his position as Chief Financial Officer of the Company, George Djuhari tendered his resignation from his position as Director of the Company and Boedi Tjahjono resigned from his position as Director of the Company, effective the date their successors are duly appointed and qualified.

Effective January 31, 2013, Ricardo Hsu has been appointed the Chief Financial Officer and as Director of the Company and Shingo Araki has been appointed as Director of the Company.

The Company has not entered into any written or oral agreement with Mr. Hsu or Mr. Araki. There is no familial relationship between Mr. Araki, Mr. Hsu, and any of the Company's directors or executive officers. There have been no transactions or any currently proposed transactions in which Mr. Hsu or Mr. Araki were or are to be participants in which they have or will have a direct or indirect material interest.

The Company’s management has reviewed all material events through the date of this report in accordance with ASC 855-10, and believes there are no further material subsequent events to report.

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

The Company's President and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) as of the end of period covered by this report. Based upon such evaluation, the President and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our President and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

The Company's management assessed our internal control over financial reporting as of December 31, 2012, the end of our fiscal-year. Our management based its assessment on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our management's assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment.

Based on our assessment, our management has concluded that our internal control over financial reporting was effective as of the end of the fiscal-year to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. The Company reviewed the results of management's assessment with our Board of Directors.

Inherent Limitations on Effectiveness of Controls

The Company's management, including the CEO and CFO, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Our management's report was not subject to attestation by its registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only our management's report in this annual report.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Executive Officers and Directors

On January 31, 2013, our company underwent a change in some of its officers and directors. As of that date, our executive officers and directors are as follows:

Name	Age	Position
Ilyas Chaudhary	66	Director, President and CEO
Ricardo Hsu	39	Director, Chief Financial Officer
Carla Petty	53	Secretary
Shingo Araki	43	Director

Duties, Responsibilities and Experience

Ilyas Chaudhary, President and CEO. Mr. Ilyas Chaudhary has served as our President and CEO since August 2011 and as one of our directors since September 2011. Since November 2005, he has been acting as the Chief Executive Officer and a director of Pyramid Petroleum Inc., a Canadian corporation ("Pyramid (CAN)"), where he acquired oil and gas assets in the Gulf of Mexico. Since March 2010, he has also served as President and Director of Pyramid Petroleum Company (US) ("Pyramid (US)"), a wholly owned Texas subsidiary of Pyramid (CAN), and since July 2011 as the President and the sole director of Pyramid GOM, Inc. ("Pyramid GOM"), a wholly owned Texas subsidiary of Pyramid (US). He has also served as the President of SSEI since its inception in December 2011. Mr. Ilyas Chaudhary has served as the President of Blue Sky Langsa Ltd., an Indonesian company ("Blue Sky Langsa"); Blue Sky Energy; and Blue Sky International Holdings, a Canadian corporation ("Blue Sky International") since December 2009, March 2010 and September 2009, respectively, and has served as a director of Blue Sky Energy since March 2010. He has also served as a Director and President of Capco Energy, Inc., fka Alfa Resources, Inc., from September 1999 through September 2007. In addition, Mr. Ilyas Chaudhary is also a trustee and Executive Director of the Danyal Chaudhary Foundation, a California non-profit corporation (the "Foundation") since May 1997. Mr. Ilyas Chaudhary has 35 years experience in various capacities in the oil and gas industry.

Ricardo Hsu, Chief Financial Officer and Director. Mr. Ricardo Hsu has served as our Chief Financial Officer and Director since January 31, 2013. Mr. Hsu has served as the Chief Financial Officer of Kingstar S.A., a Guatemala corporation involved in trade of goods between Asia, North America & South America, since August 2004. He served as the Chief Financial Officer of Network Fueling Corporation, a Colorado corporation involved in managing truck stops and cardlock facilities across California, Colorado, Nevada, New Mexico, and Wyoming, from January 2002 to July 2004. Mr. Hsu also served as the Chief Financial Officer of Zelcom Industries, Inc., a California based Information Technology company, from October 1998 to December 2001. Mr. Hsu received a Masters in Business Administration from Woodbury University in 1998.

Carla Petty, Secretary. Ms. Petty has served as our Secretary since February 2012. She has also served as the Treasurer and Secretary of SSEI since its inception in December 2011. Ms. Petty has served as Secretary of Pyramid GOM since July 2011 and as an Accounts Manager for Pyramid GOM, since February 2006 and an Accounts Manager for JPC since April 2010. Both Pyramid and JPC are our affiliates and are engaged in oil and gas property acquisition and development activities.

Shingo Araki, Director. Mr. Araki has served as one of our directors since January 2013. Mr. Araki has served as Creative Director for ASG Renaissance, a Michigan based marketing and Public Relations agency for Jaguar and Land Rover North America, since August 2005. He also served as Creative Director for Tuningwerks Magazine, a boutique European automobile publication, from January 2002 to July 2005. Mr. Araki served as Vice President and Creative Director of Zelcom Industries, Inc., a California based Information Technology company, from September 1999 to September 2001. Mr. Araki graduated from the prestigious Art Center College of Design in Pasadena, California in 1994.

Relationships Between Our Officers, Directors and Major Shareholders

Mr. Ilyas Chaudhary is the father of Mr. Faisal Chaudhary and Ms. Aamna Virk, our former Secretary. Each of Mr. Ilyas Chaudhary, Mr. Faisal Chaudhary and Ms. Aamna Virk is a beneficial owner of over 5% of our shares. (See "Security Ownership of Certain Beneficial Owners and Management.")

Blue Sky Energy, an owner of 9.6% of our outstanding common stock, and Blue Sky Langsa are wholly-owned subsidiaries of Blue Sky International, which is wholly owned by the Foundation, our majority shareholder. Ilyas Chaudhary, our President; Aamna Virk, the daughter of Ilyas Chaudhary; and Faisal Chaudhary, the son of Ilyas Chaudhary, hold the following positions in Blue Sky Langsa, Blue Sky Energy, Blue Sky International, and the Foundation:

- Faisal Chaudhary is President; Aamna Virk is Vice President and Secretary; and Aamna Virk and Faisal Chaudhary are directors of Blue Sky International;

- Ilyas Chaudhary is President; Faisal Chaudhary is Vice President; Aamna Virk is Secretary; and Ilyas Chaudhary, Aamna Virk and Faisal Chaudhary are all of the directors of Blue Sky Energy;

- Faisal Chaudhary is President; Aamna Virk is Vice President; and Aamna Virk and Faisal Chaudhary are two of the four directors of Blue Sky Langsa; and

- Aamna Virk is the Secretary; and Aamna Virk and Faisal Chaudhary are two of the five members of the Board of Trustees of the Foundation.

Meetings of the Board of Directors and Information Regarding Committees

There currently are no committees of the Board of Directors.

The Board of Directors held four meetings by written consent in 2012. All Directors attended 100% of the meetings of the Board of Directors.

Involvement in certain legal proceedings

On April 7, 2008, Capco Energy Inc. ("Capco") filed a petition for reorganization under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of Texas, which plan was confirmed on July 22, 2009. Mr. Ilyas Chaudhary, President and CEO and our director, was Chief Executive Officer, Chief Financial Officer and a director of Capco from September 1999 to September 2007.

Other than as set forth above, during the past five years, none of our officers or directors has been a party to or executive officer of an entity that has filed any Bankruptcy petitions. During the past five years, none of our officers or directors have been convicted or been a named subject of any pending criminal proceedings. During the past five years, none of our officers or directors has been held to have violated any State or Federal Securities laws or any Federal commodities law or otherwise have been subject to any order, judgment or decree not subsequently reversed, suspended or vacated permanently enjoining such officer or director from the activities enumerated in Regulation S-K Item 4.01(f)(3).

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 (the ”Exchange Act”) requires that our Officers and Directors and persons who own more than 10% of our common stock, file reports of ownership and changes in ownership with the SEC. Based solely on our review of the SEC’s EDGAR database, copies of such forms received by us, or written representations from certain reporting persons, we believe that during the 2012 fiscal year, the following delinquencies have occurred:

Name and Affiliation	No. of Late Reports	No. of Transactions Not Filed on Timely Basis	Known Failures to File
Ilyas Chaudhary, CEO, President, and Director	1	1	
Carla Petty, Secretary	1		Form 3
Faisal Chaudhary	1		
Aamna Virk	1		

ITEM 11. EXECUTIVE COMPENSATION

Executive and Director Compensation

General Compensation Discussion

All decisions regarding compensation for our executive officers and executive compensation programs are reviewed, discussed, and approved by the Board of Directors. All compensation decisions are determined following a detailed review and assessment of external competitive data, the individual's contributions to our success, any significant changes in role or responsibility, and internal equity of pay relationships.

Summary Compensation Table

Set forth below is a summary of compensation for our principal executive officer. No executive officer received any compensation for his or her service as an executive officer. There have been no annuity, pension or retirement benefits ever paid to our officers, directors or employees.

With the exception of reimbursement of expenses incurred by our principal executive officer during the scope of his employment or service as a director, and unless expressly stated otherwise in a footnote below, our principal executive officer did not receive any other compensation.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
Ilyas Chaudhary, President & CEO, Director (1)	2012	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-

(1) Appointed as an officer on August 18, 2011.

Employment Agreements

The Company currently has no employment agreements with any of its officers.

Other Compensation

There are no annuity, pension or retirement benefits proposed to be paid to our officers, directors, or employees in the event of retirement at normal retirement date as there was no existing plan as of December 31, 2012 provided for or contributed to by us.

Director Compensation

Director Compensation Table

The following table details all compensation earned by our non-employee directors during the fiscal year ended December 31, 2012:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Total ($)
George Djuhari	$ -0-	$ -0-	$ -0-
Boedi Tjahjono	$ -0-	$ -0-	$ -0-

Grants of Plan Based Awards

There were no grants of plan based awards made in 2012 or 2011.

Outstanding Equity Awards at Fiscal Year-End

In order to compensate our officers and directors, the Company adopted an Incentive and Non-Statutory Stock Option Plan on February 1, 2007 (the “2007 Plan”). Under the 2007 Plan, 5,000,000 shares of common stock are reserved for issuance as stock options. The 2007 Plan shall terminate on February 1, 2017.

As of the date hereof, there are no options issued pursuant to the 2007 Plan.

Other than the 2007 Plan, the Company does not currently have any arrangements or contracts pursuant to which its officers and directors are compensated for any services, including any additional amounts payable for committee participation or special assignments.

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

The following table sets forth, as of March 20, 2013, certain information with respect to our equity securities owned of record or beneficially by (i) each of our named executive officers and directors; (ii) each person who owns beneficially more than 5% of each class of our outstanding equity securities; and (iii) all directors and officers as a group. All calculations are based on 49,100,000 shares of common stock outstanding as of March 20, 2013.

Name of Beneficial Owner	Number of Shares of Common Stock		Percent of Class	
Ilyas Chaudhary, President, CEO and Director	4,768,958	(1)	9.7	%
Ricardo Hsu, CFO and Director	2,370,000		4.8	%
Shingo Araki, Director	-0-		*	
Carla Petty, Secretary	-0-		*	
All directors and officers as a group (4 people)	7,138,958		14.5	%
Danyal Chaudhary Foundation	25,801,875		52.5	%
Faisal Chaudhary	5,520,833	(1)	11.2	%
Aamna Virk	5,520,833	(1)	11.2	%
Blue Sky Energy & Power, Inc.	4,718,958		9.6	%
Arshad Farooq	2,776,875		5.7	%

* Less than 1%.

(1) Includes 4,718,958 shares held in the name of Blue Sky Energy, over which Ilyas Chaudhary, Aamna Virk and Faisal Chaudhary share voting power and control Board of Directors. Blue Sky Energy is wholly owned by Blue Sky International, which is wholly owned by the Foundation.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Certain Relationships and Related Transactions

The Company has not entered into any material transactions with any director, executive officer, promoter, security holder who is a beneficial owner of 5% or more of our common stock, or any immediate family member of such persons other than as set forth below.

Office Space

Ilyas Chaudhary, the Company’s President and CEO, furnishes to the Company an office space of 800 square feet, a value of approximately $2,000 per month, on a rent-free, month to month basis until December 31, 2013 or sooner if the property is sold.

Loans from Officers and Stockholders

None

Stock Purchase Agreement with Blue Sky Energy

On November 8, 2011, the Company entered into a Stock Purchase Agreement with Blue Sky Energy pursuant to which the Company sold 600,000 shares of its common stock to Blue Sky Energy for a purchase price of $300,000 ($0.50/share). The purchase price was paid by the conversion of promissory notes owed by us to Blue Sky Energy, including $97,000 in notes payable to Blue Sky Energy and its related entities prior to October 2011 and $201,126.49 loaned to the Company by Blue Sky Energy during October and November 2011.

Transactions with JPC

Mr. Faisal Chaudhary is a member of the Board of Directors and management of JPC, owns over 10% of the outstanding shares of JPC and is: (i) the son of Ilyas Chaudhary, our President and CEO and one of our directors; (ii) the brother of Aamna Virk, a beneficial owner of over 5% of the Company's shares of common stock; and (iii) a beneficial owner of over 5% of our shares of the Company's common stock. See "Item 12. Security Ownership of Certain Beneficial Owners and Management."

As disclosed in Item 9B of this Annual Report on Form 10-K, we also entered into oral agreements with JPC for the leasing of the Workover Rig to JPC and for JPC to provide SSEI with accounting, corporate and operational support.

Transactions with Pyramid (US) and Pyramid GOM

On September 1, 2011, Pyramid (US) orally agreed with certain of its related parties, including us, to have a Pyramid (US) employee provide accounting services to such parties, with each party reimbursing Pyramid (US) for the time spent by such employee working for such party at rates ranging from $55.00 to $84.72 per hour, depending on the nature of services provided. The average hourly rate paid was $76.37 per hour. Under this agreement, we reimbursed Pyramid (US) for $8,616 of such employee's salary.

On December 29, 2011, the Company made a no-interest loan of $4,000 to Pyramid GOM. This loan was repaid in March 2012.

Director Independence

The Company applies the definition of "independent director" provided under the listing rules of The NASDAQ Stock Market LLC ("NASDAQ"). Under NASDAQ rules, the Board has considered all relevant facts and circumstances regarding its directors and has affirmatively determined that all of the directors serving on the Board are independent of us under NASDAQ rules, with the exception of Ilyas Chaudhary, who is also our President and CEO.

Indemnification of Directors and Officers

Our Articles of Incorporation, as well as our Bylaws provide for the indemnification of directors, officers, employees and agents of the corporation to the fullest extent provided by the Corporate Law of the State of Florida, are described in the Articles of Incorporation and the Bylaws. These sections generally provide that we may indemnify any person who was or is a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative except for an action by or in right of the corporation by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation. Generally, no indemnification may be made where the person has been determined to be negligent or guilty of misconduct in the performance of his or her duties to us.

Insofar as indemnification for liabilities arising under the Act may be permitted to our directors, officers, and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the

Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Weaver Martin & Samyn, LLC (f/k/a Weaver & Martin, LLC) ("Weaver")

Weaver is our independent auditor and examined our financial statements for the years ended December 31, 2012 and 2011. Weaver performed the services listed below and was paid the fees listed below for the years ended December 31, 2012 and 2011.

Audit Fees

Weaver was paid aggregate fees of approximately $16,958 and $20,111 for the years ended December 31, 2012 and 2011, respectively, for professional services rendered for the audit of our annual financial statements and for the reviews of the financial statements included in our quarterly reports on Form 10-Q during the first, second and third quarters of 2012 and 2011.

Audit Related Fees

Weaver was not paid additional fees for the years ended December 31, 2012 and 2011 for assurance and related services reasonably related to the performance of the audit or review of our financial statements.

Tax Fees

Weaver was not paid fees for the years ended December 31, 2012 and 2011 or professional services rendered for tax compliance, tax advice, and tax planning during this fiscal year period.

All Other Fees

Weaver was not paid any other fees for professional services during the years ended December 31, 2012 and 2011.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. Financial Statements.

Our consolidated financial statements are included in Part II, Item 8 of this report:

2. Financial Statement Schedules.

All financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

3. Exhibits

Exhibit	Description
3.1	Articles of Incorporation of Don Marcos Trading Co., filed May 11, 1999[1]
3.2	Amendment to Articles of Incorporation of Don Marcos Trading Co., filed February 6, 2003[1]
3.3	Amendment to Articles of Incorporation of Don Marcos Trading Co., filed February 14, 2007[1]
3.4	Amendment to Articles of Incorporation of Don Marcos Trading Co., filed May 4, 2007[1]
3.5	Amendment to Articles of Incorporation of Don Marcos Trading Co., filed August 22, 20115
3.6	Articles of Correction to Articles of Incorporation of Don Marcos Trading Co., filed September 2, 20115
3.7	Amended and Restated Bylaws of Don Marcos Trading Co., dated February 2, 2007[1]
10.1	2007 Incentive and Nonstatutory Stock Option Plan, dated February 1, 2007[1]
10.4	Stock Purchase Agreement with Blue Sky Energy & Power, Inc., dated November 8, 2011[2]
10.5	Bill of Sale with Ricardo Hsu, dated November 8, 2011[2]
10.6	Summary of Oral Repairs Agreement with Jovian Petroleum Corporation[2]
10.7	Promissory Notes with Blue Sky Energy and Power, Inc. and affiliates from June 24, 2011 through November 2, 2011[3]
10.8	Summary of Oral Agreements with Affiliates5
10.1	Promissory Note with Blue Sky Energy & Power, Inc., dated March 31, 2012[6]
14	Code of Ethics[4]
31.1	Certification of Chief Executive Officer Pursuant to the Securities Exchange Act of 1934, Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to the Securities Exchange Act of 1934, Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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1 Incorporated by reference from our Registration Statement on Form SB-2, filed on May 15, 2007, as amended (Registration No. 333-142976).
2 Incorporated by reference from our Current Report on Form 8-K, filed on November 14, 2011.
3 Incorporated by reference from our Quarterly Report on Form 10-Q, filed on November 14, 2011.
4 Incorporated by reference from our Annual Report on Form 10-KSB, filed on March 31, 2008.
5 Incorporated by reference from our Annual Report on Form 10-K, filed on March 30, 2012.
6 Incorporated by reference from our Quarterly Report on Form 10-Q, filed on May 15, 2012.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

SAGA ENERGY, INC.

DATED: March 29, 2013	By: /s/ Ilyas Chaudhary Ilyas Chaudhary Director, President (Principal Executive Officer and Director)

Pursuant to the requirements of 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.

DATED: March 29, 2013	By: /s/ Ilyas Chaudhary Ilyas Chaudhary Director, President (Principal Executive Officer and Director)
DATED: March 29, 2013	By: /s/ Ricardo Hsu Ricardo Hsu Director, Chief Financial Officer (Principal Financial Officer, Principal Accounting Officer and Director)
DATED: March 29, 2013	By: /s/ Shingo Araki Shingo Araki Director