

VICTORY ENERGY CORP
Form 10-Q
November 14, 2008

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

FORM 10-Q

Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the quarterly period ended: September 30, 2008

Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the transition period from: _____ to _____

Commission file number: 2-76219-NY

VICTORY ENERGY CORPORATION
(Exact name of small business issuer as specified in its charter)

NEVADA
(State or other jurisdiction of
incorporation or organization)

87-0564472
(I.R.S. Employer I.D.
Number)

112 N Curry Street, Carson City, Nevada 89703-4934
(Address of principal executive offices)

(702) 989-9735
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days: YES 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.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller Reporting Company

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of September 30, 2008, there were 120,512,710 shares of our common stock outstanding.

Transitional Small Business Disclosure Format. YES NO

INDEX

	Page No.
PART 1. FINANCIAL INFORMATION	
<u>Item 1. Financial Statements</u>	3
<u>Consolidated Balance Sheet, September 30, 2008 (unaudited) and December 31, 2007 (audited)</u>	3
<u>Consolidated Statement of Operations, for the three months ended September 30, 2008 and 2007, and cumulative from inception to June 30, 2008 (unaudited)</u>	4
<u>Consolidated Statement of Stockholders' Equity (Deficit) for the period from January 7, 1982 (inception) through September 30, 2008 (unaudited)</u>	5
<u>Consolidated Statements of Cash Flows, for the three months ended September 30, 2008 and 2007, and cumulative from inception (Jan. 7, 1982) to September 30, 2008 (unaudited)</u>	6
<u>Notes to Condensed Financial Statements (unaudited)</u>	7
<u>Item 2. Management's Discussion and Analysis or Plan of Operation</u>	17
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	21
<u>Item 4. Controls and Procedures</u>	21
PART II. OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	22
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	22
<u>Item 3. Defaults Upon Senior Securities</u>	22
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	22
<u>Item 5. Other Information</u>	22
<u>Item 6. Exhibits and Reports on Form 8-K</u>	22

Item 1. Financial Statements
VICTORY ENERGY CORPORATION AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Balance Sheets

ASSETS

	September 30, 2008 Unaudited	December 31, 2007 (Restated) Note 8
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,337	\$ 3,251
Subscriptions Receivable	160,000	160,000
Prepaid Rent	7,250	-
Total Current Assets	171,587	163,251
FIXED ASSETS, NET	-	-
Other Assets		
Drilling Costs	6,304,000	-
Natural Gas Working Interest	1,430,000	-
Investment in Joint Venture	50,000	50,000
Total Other Assets	7,784,000	50,000
TOTAL ASSETS	\$ 7,955,587	\$ 213,251
LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts Payable	\$ 110,781	\$ 34,803
Accrued Liabilities	320,500	
Credit Line - WFB Business Line	76,414	81,860
Prepaid Subscriptions	203,500	203,500
Loan from Officer	879,306	1,377,879
Total Current Liabilities	1,590,501	1,698,042
Total Liabilities	1,590,501	1,698,042
Commitments and contingencies (Note 6)		
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred Stock, \$0.001 par value, 10,000,000 shares authorized, 2,255,172 issued and outstanding at September 30, 2008		
630,517 issued and outstanding at December 31, 2007	2,255	631
Common Stock, \$0.001 par value, 200,000,000 shares authorized, 120,512,710 issued and outstanding at September 30, 2008		
42,395,366 issued and outstanding at December 31, 2007	120,513	42,395
Additional paid-in capital	14,261,260	7,860,331
Deficit accumulated in the development stage	(8,018,942)	(9,388,148)

Total Stockholders' Equity (Deficit)	6,365,086	(1,484,791)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 7,955,587	\$ 213,251

-3-

VICTORY ENERGY CORPORATION AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Statement of Operations
Unaudited

	For the Three Months Ended September 30, 2008		For the Nine Months Ended September 30, 2008		For the period of Inception, from January 2, 1982 through September 30, 2008
Revenues					
Natural Gas Production	\$ 357,617	\$ -	\$ 758,636	\$ -	\$ 778,843
Costs of Production	11,000	-	11,000	-	11,000.00
	346,617	-	747,636	-	767,843.00
Costs and Expenses					
Royalties	228,894	-	797,322	-	8,431,143.00
Consulting Expense	71,810	95,000	1,779,400	3,007,501	1,937,546.00
Professional Fees	16,425	-	369,285	-	369,285.00
Land Leases	-	-	780	1,680	26,500.00
Wages and Salaries	-	-	-	-	270,500.00
Other General & Administrative	296,907	47,159	156,022	212,502	1,373,479.00
Total Expenses	385,142	142,159	3,102,809	3,221,683	12,408,453.00
Operating Loss	(38,525)	(142,159)	(2,355,173)	(3,221,683)	(11,640,610)
Other Income and (expenses)					
Sale of Net Revenue Interest in Wells	4,678,000	-	7,678,000	-	7,678,000.00
Loss on abandonment of subsidiary					(50,900.00)
Loss from reduction in debt					(48,363.00)
Interest Expense					(5,664.00)
Other Income					2,216.00
Total Other Income and (expenses)	4,678,000	-	7,678,000	-	7,575,289
Net Income (Loss)	\$ 4,639,475	\$ (142,159)	\$ 5,322,827	\$ (3,221,683)	\$ (4,065,321)
Basic and Dilutive net loss per share	\$ 0.04	\$ (0.00)	\$ 0.02	\$ (0.15)	
Weighted average number of shares					
outstanding, basic and diluted	118,933,524	31,285,366	308,036,585	21,461,340	
Dilutive effect of preferred stock,	-	-	225,517,200	-	

(Note 2)

-4-

VICTORY ENERGY CORPORATION AND SUBSIDIARIES

(A Development Stage Company)

Consolidated Statement of Stockholders' Equity (Deficit)

For the nine months ended September 30, 2008

Unaudited

	Common Stock		Preferred Stock		Additional	Accumulated	
	Shares	Amount	Shares	Amount	Paid-in	Deficit During	Total
					Capital	Development	
						Stage	
Balances at December 31, 2007	42,395,366	\$ 42,395	630,517	\$ 631	\$ 7,860,331	\$ (9,388,148)	\$ (1,484,791)
Common stock for services \$0.04/sh	600,000	600			23,400		24,000
Common Stock for services \$0.08/sh	8,550,000	8,550			675,450		684,000
Common stock for services @ \$0.20/sh	2,000,000	2,000			98,000		100,000
Preferred Stock converted to common	4,482,758	4,483	(44,827)	(45)	(4,438)		-
Common Stock for services \$0.23/sh	2,000,000	2,000			458,000		460,000
Preferred stock converted to common	28,568,965	28,569	(285,690)	(286)	(28,283)		-
Common stock for services \$0.20/sh.	2,000,000	2,000			398,000		400,000
Common stock for cash	600,000	600			29,400		30,000
Common stock for services \$0.17/sh.	115,000	115			19,435		19,550
Common stock for consulting \$0.17/sh.	100,000	100			16,900		17,000
Common stock for cash	1,600,000	1,600			78,400		80,000
Warrants exercised for common \$0.25	1,000,000	1,000			249,000		250,000
Common stock for	1,000,000	1,000			129,000		130,000

Edgar Filing: VICTORY ENERGY CORP - Form 10-Q

consulting \$0.13							
Common stock for services \$0.13	1,250,000	1,250			131,250		132,500
Preferred stock issued for debt \$0.10/sh			2,000,000	2,000	198,000		200,000
Stock Dividend declared May 2, 2008						(3,953,621)	(3,953,621)
Stock Dividend paid July 1, 2008	19,767,863	19,768			3,933,853		3,953,621
Conversion of Prferred Stock	4,482,758	4,483	(44,828)	(45)	(4,438)		-
Net income 9 mo. ended Sep 30, 2008						5,322,827	5,322,827
Balances at June 30, 2008	120,512,710	\$ 120,513	2,255,172	\$ 2,255	\$ 14,261,260	\$ (8,018,942)	\$ 6,365,086

VICTORY ENERGY CORPORATION AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Statements of Cash Flows
Unaudited

	For the		For the		Inception
	Three Months Ended		Nine Months Ended		from
	September 30		September 30		Jan. 7, 1982
	2008	2007	2008	2007	through
					Jun. 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net Operating Loss	\$ (38,525)	\$ (142,159)	\$ (2,355,173)	\$ (3,221,683)	(11,640,610)
Adjustments to reconcile net loss to net cash used by operating activities:					
Depreciation					
Non cash issue of common stock for services			1,967,050	1,535,384	8,624,532
Non Operating Losses					(102,711)
Decrease (Increase) in Prepaid Expenses			(7,250)		(7,250)
Increase (Decrease) in Prepaid Subscriptions					203,500
(Increase) Decrease in Subscriptions Receivable				(735,000)	(160,000)
Increase (Decrease) in Accounts Payable	52,807	(5,840)	75,978		110,781
Increase (Decrease) in Accrued Liabilities	320,500		320,500	15,458	320,500
Increase (Decrease) in Accrued Payroll, P'roll Taxes					
Repayment of Long Term Debt					
Net Cash provided by (used by) Operating Activities	334,782	(147,999)	1,105	(2,405,841)	(2,651,258)
CASH FLOWS FROM INVESTING ACTIVITIES					
Drilling Costs	(4,678,000)		(6,304,000)		(6,304,000)
Investment in Natural Gas Working Interest			(1,430,000)		(1,430,000)
Purchase of Fixed Assets					
Investment in Joint Venture					(50,000)
Net Cash (used by) Investing Activities	(4,678,000)	-	(7,734,000)	-	(7,784,000)
CASH FLOWS FROM FINANCING ACTIVITIES					
Bank overdraft		(11,760)		(79)	
Proceeds of sale of working interest in wells	4,678,000		7,678,000		7,678,000
Proceeds of Short Term Advance					
Proceeds (Repayment) of Loans					
Proceeds (repayment) of Credit Line	(131)	218	(5,446)	23,879	76,414
Proceeds (Repayment) of Loan from Officer	(330,472)	159,670	(498,573)	458,150	879,306
Increase (Decrease) in Other Loans Payable					
Proceeds from the sale of Preferred Stock			200,000		246,950

Edgar Filing: VICTORY ENERGY CORP - Form 10-Q

Proceeds from conversion of Preferred Stock				1,189,020		200,000
Proceeds from the sale of Common Stock		110,000		735,000		732,321
Subscriptions Receivable for stock issued						160,000
Proceeds of sale/exchange of warrants		250,000				250,000
Contributed Capital by shareholders						216,604
Net Cash provided by Financing Activities	4,347,397	148,128	7,733,981	2,405,970		10,439,595
NET INCREASE (DECREASE) IN CASH	4,179	129	1,086	129		4,337
CASH AT BEGINNING OF PERIOD	158	-	3,251	-		-
CASH AT END OF PERIOD	\$ 4,337	\$ 129	\$ 4,337	\$ 129	\$	4,337
CASH PAID FOR:						
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	-
Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	-

VICTORY ENERGY CORPORATION
September 30, 2008

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

VICTORY ENERGY CORPORATION
September 30, 2008

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BUSINESS AND CONTINUED OPERATIONS

Victory Energy Corporation (OTC symbol VTYE), formerly known as Victory Capital Holdings Corporation (our "Company") was organized under the laws of the State of Nevada on January 7, 1982, under the name All Things, Inc. On March 21, 1985 the Company's name was changed to New Environmental Technologies Corporation and on April 28, 2003 to Victory Capital Holdings Corporation. The name was changed finally to Victory Energy Corporation on May 3, 2006.

The Company was formed for the purpose of engaging in all lawful businesses. The Company's initial authorized capital consisted of 100,000,000 shares of \$0.001 par value common voting stock. As of the date of this filing the authorized capital is 200,000,000 shares of \$.001 par value common stock.

The consolidated financial statements presented are those of Victory Energy Corporation and subsidiaries. While the information presented in the accompanying interim nine months financial statements is unaudited, it includes all adjustments which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in accordance with the accounting principles generally accepted in the United States of America. All adjustments are of a normal recurring nature.

On October 3, 2001, the Company formed a wholly owned subsidiary named Papadog, Inc. Papadog has since changed its name to Global Card Services, Inc. and then to Global Card Incorporated, ("Global"). As of the date of this report, there has been no activity for this subsidiary.

On November 12, 2003, the Company formed a wholly owned subsidiary named On Demand Communications, Inc., ("On Demand"). As of the date of this report, there has been no activity for this subsidiary.

On November 27, 2006 the company incorporated a Nevada subsidiary, Victory Energy Resources, Inc. The name of the subsidiary was changed to Victory Carbon Solutions, Inc. There has been no activity in this company.

Current Business of the Company

The Company had no material business operations from 1989 to 2003. In 2004, the Company began the search for the acquisition of assets, property or businesses and in 2005 focused on projects in the oil and gas industry, intending to drill for oil and gas on leased land. In 2006 the company entered into a farm-out agreement with the owner of certain oil and gas leases for a 100% working interest in an acreage in Montana, subject to overriding royalties. The Company also secured other mineral rights in Montana and Texas, as well as a joint venture in New Mexico.

-7-

In December 2007 the Corporation contracted to purchase, with institutional investors, through a financial facility, a working interest in six existing and producing gas wells in Crockett County, Texas. The conclusion of the transaction and recording of the wells took place in the first quarter of 2008. This was followed in the second quarter of 2008 with an additional \$2,078,000 investment from the same institutional investors and \$2,600,000 in the third quarter. Funds were used for drilling a total ten wells, which the Corporation owns outright. Drilling was completed by the end of the third quarter, when eight wells were producing, and two pending.

Jon Fullenkamp, the President/C.E.O., is the sole employee and has a great deal of experience in the oil and gas industry. The Company retains independent contractors to assist in operating and managing the prospects and projects.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair Value of Financial Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards (“SFAS”) No. 107, “Disclosures About Fair Value of Financial Instruments.” SFAS No. 107 requires disclosure of fair value information about financial instruments when it is practicable to estimate that value. The carrying amounts of the Company’s financial instruments as of September 30, 2008 and 2007 approximate their respective fair values because of the short-term nature of these instruments. Such instruments consist of cash, accounts payable and accrued expenses. The fair value of related party payables is not determinable.

Income Taxes

The Company utilizes SFAS No. 109, “Accounting for Income Taxes,” which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the tax basis of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The Company generated deferred tax credits through net operating loss carryforwards. However, a valuation allowance of 100% has been established, as the realization of the deferred tax credits is not reasonably certain, based on going concern considerations outlined below.

Going Concern

The Company’s financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has suffered recurring losses. The Company incurred an operating loss of \$2,355,173 in the nine months ended September 30, 2008, but net income of \$5,322,827, primarily due to the sale of net revenue interests in wells. The company has a shareholders’ equity of \$6,365,086 at September 30, 2008. However the Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and to allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease development of operations.

In order to continue as a going concern, develop a reliable source of revenues, and achieve a profitable level of operations the Company will need, among other things, additional capital resources. Management's plans to continue as a going concern include raising additional capital through sales of common stock and sales of royalty rights. In the interim, shareholders of the Company are committed to meeting its operating expenses. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure additional sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Development-Stage Company

The Company is considered a development-stage company, with limited operating revenues during the periods presented, as defined by Statement of Financial Accounting Standards ("SFAS") No. 7. SFAS No. 7 requires companies to report their operations, shareholders deficit and cash flows since inception through the date that revenues are generated from management's intended operations, among other things. Management has defined inception as January 7, 1982. Since inception, the Company has incurred operating losses totaling \$11,640,610, much of which relates to stock-based compensation to officers, directors and consultants as a means to preserve working capital. The Company's working capital has been generated through the sales of common stock, sale of a working interest and royalty rights, loans made by officers of the Company and a bank line of credit. Management has provided financial data since January 7, 1982 "Inception" in the financial statements, as a means to provide readers of the Company's financial information to make informed investment decisions.

Use of Estimates

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

Principles of Consolidation

The consolidated financial statements include those of Victory Energy Corporation and its wholly owned subsidiaries, Global Card Incorporated, On Demand Communications, Inc. and Victory Energy Resources, Inc. All material inter-company items and transactions have been eliminated. There has been no activity in the subsidiaries.

Earnings (Loss) Per Share

Statement of Financial Accounting Standards No. 128 "Earnings Per Share" requires presentation of basic earnings per share and diluted earnings per share. Basic income (loss) per share ("Basic EPS") is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share ("Diluted EPS") is similarly calculated using the treasury stock method except that the denominator is increased to reflect the potential dilution that would occur if preferred stock at the end of the applicable period were exercised. These potential dilutive securities were included in the calculation of earnings per share for the nine months ended September 30, 2008. They were not included in the calculation for September 30, 2007 because the Company incurred a loss in that period, and thus their effect would have been anti-dilutive. At September 30, 2008 potentially dilutive securities consisted of 2,255,172 shares of preferred stock, convertible at the rate of 1 preferred share to 100 common shares.

Edgar Filing: VICTORY ENERGY CORP - Form 10-Q

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the six months ended September 30, 2008 and 2007.

	September 30	
	2008	2007
Numerator:		
Basic and diluted net loss per share:		
Net Income (Loss)	\$ 5,322,827	\$ (3,321,683)
Denominator		
Basic and diluted weighted average number of shares outstanding	308,036,585	21,461,340
Basic and Diluted Net Loss Per Share	\$ 0.02	\$ (0.15)
Dilutive effect of Preferred Stock	225,517,200	0

Equipment and Fixtures

Equipment and fixtures are recorded at cost. Depreciation is provided using accelerated and straight-line methods over the estimated useful lives of the related assets as follows.

Description	Years
Furniture and fixtures	7
Computer hardware and software	3-5

Equipment and fixtures have been fully depreciated.

Accounting for Oil and Gas Producing Activities

The company uses the successful efforts method of accounting for oil and gas producing activities. Under this method, acquisition costs for proved and unproved properties are capitalized when incurred. Exploration costs, including geological and geophysical costs of carrying and retaining unproved properties and exploratory dry hole drilling costs, including the costs to drill and equip development wells, and successful exploratory drilling costs to locate proved reserves are capitalized.

Exploratory drilling costs are capitalized when incurred pending the determination of whether a well has found proved reserves. A determination of whether a well has found proved reserves is made shortly after drilling is completed. The determination is based on a process which relies on interpretations of available geologic, geophysics, and engineering data. If a well is determined to be successful, the capitalized drilling costs will be reclassified as part of the cost of the well.

If a well is determined to be unsuccessful, the capitalized drilling costs will be charged to expense in the period the determination is made. If an exploratory well requires a major capital expenditure before production can begin, the cost of drilling the exploratory well will continue to be carried as an asset pending determination of whether proved reserves have been found only as long as the well has found a sufficient quantity of reserves to justify its completion as a producing well if the required capital expenditure is made and drilling of the additional exploratory wells is under way or firmly planned for the near future.

If drilling in the area is not under way or firmly planned, or if the well has not found a commercially producible quantity of reserves, the exploratory well is assumed to be impaired, and its costs are charged to expense. In the absence of a determination as to whether the reserves that have been found can be classified as proved, the costs of drilling such an exploratory well is not carried as an asset for more than one year following completion of drilling.

If after that year has passed, a determination that proved reserves exist cannot be made, the well is assumed to be impaired, and its costs are charged to expense. Its costs can however, continue to be capitalized if a sufficient quantity of reserves are discovered in the well to justify its completion as a producing well and sufficient progress is made assessing the reserves and the well's economic and operating feasibility. The impairment of unamortized capital costs is measured as a lease level and is reduced to fair value if it is determined that the sum of expected future net cash flows is less than the net book value.

The company determines if impairment has occurred through either adverse changes or as a result of the annual review of all fields. During 2007 and up to the third quarter of 2008 the company did not record any impairment. Development costs of proved oil and gas properties, including estimated dismantlement, restoration and abandonment costs and acquisition costs, are depreciated and depleted on a field basis by the units-of-production method using proved reserves, respectively.

The Costs of unproved oil and gas properties are generally combined and impaired over a period that is based on the average holding period for such properties and the company's experience of successful drilling. Properties related to gathering and pipeline systems and equipment are depreciated using the straight-line method based on estimated useful lives ranging from 10 to 25 years. Generally pipeline and transmission systems are amortized over 12 to 25 years, gathering and compressing equipment is amortized over 10 years and storage equipment and facilities are amortized over 10 to 16 years.

Certain other assets are depreciated on a straight-line basis over 3 to 10 years. Buildings are depreciated on a straight-line basis over 25 years. Costs of retired, sold or abandoned properties that make up a part of an amortization base (partial field) are charged to accumulated depreciation, depletion and amortization if the units-of-production rate is not significantly affected. Accordingly, a gain or loss, if any, is recognized only when a group of proved properties (entire field) that make up the amortization base has been retired, abandoned or sold.

Oil and Gas Revenue Recognition

The company applies the sales method of accounting for natural gas revenue. Under this method, revenues are recognized based on the actual volume of natural gas sold to purchasers.

NOTE 3 – RELATED PARTY TRANSACTIONS

Five ledger accounts in the books of the Company relating to loans, salaries and out-of-pocket expenses payable to the President/C.E.O., Jon Fullenkamp, were combined into one account “Loan from Officer”, which totaled \$879,306 at September 30, 2008. The loan is non-interest bearing and payable on demand. Under the terms of the employment agreement, the employee may at his election convert any and all funds due to him into shares of the Company’s common stock at a conversion price of \$0.01 per share. In practice, funds due to him have been converted at a discounted market value.

In March 2006 the company issued a promissory note to a group of stockholders for consideration of \$141,458 in cash. The terms were to be repayable in one year at an interest rate of 10%, payable quarterly. Interest was deferred. In December, 2006 the note was reclassified to prepaid subscriptions, reflecting an accommodation with the stockholders. In December 2007, the subscription was eliminated in further negotiations.

On May 5, 2008 2,000,000 preferred shares were issued to Jonathan Fullenkamp, President and Chief Executive Officer, for consideration of \$200,000 applied to Officer’s Loan.

NOTE 4 – INVESTMENT IN OIL AND GAS PROPERTIES

In May, 2006 the Company paid \$50,000 to Geosurveys, Inc, a geophysical survey company of oil and gas prospects. This was part of an agreement with Eldorado Exploration, Inc. whereby the Company obtained a 2 ½ percent working interest in a prospective oil well called the Mesa #1 well on leased land in New Mexico. The agreement provides for cost sharing of drilling costs.

In December 2006 the Corporation contracted to purchase a 50% working interest in six existing and producing gas wells in Crockett County, Texas, together with certain drilling costs, for \$3,000,000. The lease is known as the Adams-Baggett Canyon Sandstone gas field. The working interest in turn owns a net revenue interest of 74% in the six wells. Victory Energy’s share of the net revenue interest is 50% of the 74%, (37% of the whole).

The \$3,000,000 purchase price was paid In January 2008. It was capitalized as drilling costs of \$1,570,000 and leasehold interest of \$1,430,000 according to their relative values. Victory Energy’s leasehold interest in the six wells was recorded with the Texas Railroad Commission in Crockett County, Texas on May 12, 2008.

The \$3,000,000 funds for the purchase were provided by an institutional investment group. The investment group received a right to 59% of Victory’s net revenue from the six wells. The 59% is reduced to 49% when the investment is recovered. The balance of net revenue is Victory Capital’s share, 41%, increasing to 51% when the \$3,000,000 investment has been repaid.

The \$3,000,000 sale of the rights to the investment group for a share of net revenue income was recorded as a sale of property under “Other Income”.

The Company received additional drilling funds of \$2,134,000 in June, 2008 from the same investment group for drilling ten new wells in Adams-Baggett Canyon Sandstone gas field. Additional drilling funds of \$2,600,000 were received for the project in July, August and September, 2008. Drilling was completed by September 30, 2008 on the ten wells, of which eight were put into production, (two pending). A contract for an additional three wells was begun, which completed the funding.

The investment group was sold rights to net revenue income from the ten wells, under the same terms as before, i.e. 59%, reducing to 49% when the investment is recovered.

In the nine months ended September 30, 2008, the Company received \$738,636 from proceeds of the sale of gas production. The Company's obligation to the investment group under the terms of the sale of rights is \$435,795, which was paid.

-12-

Edgar Filing: VICTORY ENERGY CORP - Form 10-Q

A geologists report dated January 26, 2007 from Joe C. Neal & Associates indicates the following oil and gas reserves, reported in accordance with Financial Accounting Standards Board pronouncement 69 (FAS-69):

	PROVED UNDEVELOPED
Net Reserves to	
Evaluated Interests:	
Oil, MBBL	0
Gas, MMCF	11,519
Future Cash Inflows	\$ 74,877,000
Ad Valorem Taxes & Severance Taxes	\$ 7,694,000
Operating Costs	\$ 18,768,000
Capital Costs	\$ 12,000,000
Future Net Cash Flows, Undiscounted	\$ 36,415,000
Standardized measure of Per Annum Discounted Future net cash flows relating to proved Oil and gas reserves, Discounted at 10%	\$ 11,434,000
Victory Energy Corporation share 50% x 74% x 41% (15%)	\$ 1,734,538

NOTE 5 - COMMITMENTS AND CONTINGENCIES

There were no additional commitments and contingencies in the nine months ended September 30, 2008.

NOTE 6 – CAPITAL STOCK TRANSACTIONS

2008

In January, 2008, 600,000 shares of common stock were issued for services \$0.04 per share reflecting market value. \$24,000 was recorded as legal fees.

From February 1 to 21, 2008, 8,550,000 shares of common stock were issued for services \$0.08 per share reflecting market value. \$684,000 was recorded as consulting fees.

On February 22, 2008, 2,000,000 shares of common stock were issued for services \$0.20 per share reflecting market value. \$100,000 was recorded as consulting fees.

In March, 2008, 2,000,000 shares of common stock were issued for services \$0.23 per share reflecting market value. \$322,000 was recorded as legal fees. \$138,000 was recorded as consulting fees.

On April 3, April 30, May 5 and June 27, an aggregate of 28,568.96 of preferred shares were converted at the rate of one share of preferred stock to 100 shares of common stock to 28,568,965 common stock.

On April 4, 2008, 2,000,000 shares of common stock were issued to M. Iorlano in settlement of a consulting contract of \$400,000.

On April 28, 2008, 600,000 common shares were sold to R. Zamber, realizing \$30,000.

On April 28, 2008 115,000 common shares were issued to R.D. Jergens in satisfaction of a claim. \$19,550 was recorded as expense.

On April 28, 2008, 100,000 shares were issued to L, Folkes. \$17,000 consulting expense was recorded.

On April 30, 2008 1,600,000 common shares were sold to R. Zamber, realizing \$80,000.

On April 30, 2008, 1,000,000 warrants were exercised by James Consulting for 1,000,000 common shares, realizing \$250,000.

On May 2, 2008, 1,000,000 common shares were issued to Steinfield Consulting. Expense of \$130,000 was recorded.

On May 2, 2008, 1,000,000 common shares were issued to Management Services. Expense of \$132,500 was recorded.

On July 1, 2008, 19,767,863 common shares were issued in payment of a stock dividend to stockholders of record May 2, 2008: one share for each four shares held.

On July 28, 2008, 4,482,758 common shares were issued to preferred stockholders, having converted 44,827.58 preferred shares to common shares in a ratio of 1 preferred to 100 common to 1 preferred.

-14-

The total of issued and outstanding common shares at September 30, 2008 and 2007 was 120,512,710 and 42,395,366 respectively.

Preferred Stock

On March 13, 2008 44,827.58 shares of preferred stock were converted, at the rate of one share of preferred stock to 100 shares of common stock, to 4,482,758 shares common stock.

On April 3, April 30, May 5 and June 27, an aggregate of 28,568.96 of preferred shares were converted, at the rate of one share of preferred stock to 100 shares of common stock, to 28,568,965 shares of common stock.

On May 2, 2008, 2,000,000 preferred shares were issued to Jonathan Fullenkamp for proceeds of \$200,000, applied to Officer Loan.

On July 28, 2008, 44,827.58 shares of preferred stock were converted to 4,482,758 shares of common stock in a ratio of 100 common to 1 preferred share.

The total of issued and outstanding preferred shares at September 30, 2008 and 2007 was 2,255,172 and 630,517 respectively.

NOTE 7 – LITIGATION

The Corporation is not subject to any reportable legal proceedings.

NOTE 8 – RESTATEMENTS

Balance Sheet.

Drilling Costs of \$3,000,000 were aggregated in a previous quarterly reporting, related to the sale of a portion of a net working interest in gas wells. The costs are more specifically separated into components:

Drilling Costs	\$ 1,430,000
Natural Gas Working Interests	\$ 1,570,000
	\$ 3,000,000

This had no effect on net income or net equity.

Officer loan was reclassified from Other Liabilities to Current Liabilities in the restated balance sheet, since the obligation is payable on demand. The reclassification had no effect on net equity, or net income.

Statement of Operations.

Revenue is sub classified as Natural Gas Production. This had no effect on net income or net equity.

Statement of Cash Flows.

Bank Overdraft in a previous quarterly filing was included in the aggregate of ending cash. Bank Overdraft is a borrowing from the bank and is restated as a financing activity in the Statement of Cash Flows. The restatement had no effect on net equity or net income.

NOTE 8 – SUBSEQUENT EVENTS

On October 3, 2008 the Corporation filed with the Secretary of State of Nevada an amendment to the Articles of Incorporation increasing the authorized common stock to 490,000,000 shares.

Item 2. Management's Discussion and Analysis or Plan of Operation

The following discussion includes certain forward-looking statements within the meaning of the safe harbor protections of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements that include words such as “believe,” “expect,” “should,” “intend,” “may,” “anticipate,” “contingent,” “could,” “may,” or other future-oriented statements, are forward-looking statements. Such forward-looking statements include, but are not limited to, statements regarding our business plans, strategies and objectives, and, in particular, statements referring to our expectations regarding our ability to continue as a going concern, generate increased market awareness of, and demand for, our current products, realize profitability and positive cash flow, and timely obtain required financing. These forward-looking statements involve risks and uncertainties that could cause actual results to differ from anticipated results. The forward-looking statements are based on our current expectations and what we believe are reasonable assumptions given our knowledge of the markets; however, our actual performance, results and achievements could differ materially from those expressed in, or implied by, these forward-looking statements. Factors within and beyond our control that could cause or contribute to such differences include, among others, the following: those associated with drilling and subsequent sale of oil and gas, our critical capital raising efforts in an uncertain and volatile economical environment, our ability to maintain relationship with strategic companies, our cash preservation and cost containment efforts, our ability to retain key management personnel, our relative inexperience with advertising, our competition and the potential impact of technological advancements thereon, the impact of changing economic, political, and geo-political environments on our business, as well as those factors discussed elsewhere in this Form 10-QSB and in “Item 1 - Our Business,” “Item 6 - Management’s Discussion and Analysis,” and elsewhere in our most recent Form 10-KSB, filed with the United States Securities and Exchange Commission.

Readers are urged to carefully review and consider the various disclosures made by us in this report and those detailed from time to time in our reports and filings with the United States Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that are likely to affect our business.

Our Business

Victory Energy Corporation (OTC symbol VYEV), formerly known as Victory Capital Holdings Corporation (our “Corporation”) was organized under the laws of the State of Nevada on January 7, 1982, under the name All Things, Inc. On March 21, 1985, our Corporation’s name was changed to New Environmental Technologies Corporation; on April 28, 2003, our name was changed to Victory Capital Holdings Corporation and on May 3, 2006, it was changed to Victory Energy Corporation. Our Corporation was formed for the purpose of engaging in all lawful businesses. Our Corporation’s initial authorized capital consisted of 100,000,000 shares of \$0.001 par value common voting stock and as of the date of this filing our authorized capital is 200,000,000 shares of \$.001 par value common stock.

Our Corporation has had no material business operations since 1989. In 2004, we began the search for the acquisition of assets, property or businesses that may benefit our Corporation and our shareholders. Our goal has been to bring value to the Corporation and to our shareholders through such acquisitions. Each merger and acquisition we approach is done with the intention to position us in markets and sectors where excellent growth is anticipated. We plan to retain a percentage of stock ownership in each subsidiary while spinning them out as their own new public Corporation if such transaction is economically feasible. The balance of the stock will be distributed to the Corporation’s shareholders at the time of spin out of the new public Corporation. This is a non-dilutive method to increase shareholder value as we grow and maintain a position in the market segments selected.

Current Business of the Corporation

Management determined that the Corporation should focus on projects in the oil and gas industry. This is based upon a belief that this industry is an economically viable sector in which to conduct business operations. The Corporation

has targeted specific prospects and intends to engage in the drilling for oil and gas. Jon Fullenkamp, the Corporation's President, has extensive experience in the oil and gas industry and has already recruited additional experience with new directors and advisory board members.

-17-

The Corporation has established a relationship with a private institutional investment group who are providing drilling funds to the Corporation for the further development of oil and gas properties. This group provides for direct participation by the investors in the production of completed wells. The Corporation receives a 15% carried interest in the gas wells and shares in the same value of the production revenue on a monthly basis. Once initial invested cost to acquire or drill each well is returned to the private institutional investment group, the Corporation's participation will increase to 25%. The Corporation will receive the same level of participation in the revenues on a monthly basis at that time.

During the fourth quarter of 2007, the Corporation negotiated the terms to acquire ownership in six term assignments containing six producing gas wells. The term assignments and gas wells are located in Crockett County Texas located in the Permian Basin.

In the first quarter of 2008 the Corporation acquired, with private institutional investors, through a financial facility, 50% of 50% of 74% net revenue interest in six term assignments containing six existing and producing gas wells in Crockett County, Texas. In the transaction of the purchase of 50% of the original six producing gas wells, a 100% of the net royalty interest ownership is 74%. As Victory Energy Corporation purchased 50% of the net royalty interest; this represents 50% of the 74% available. The purchase resulted in acquiring 37% of the 74%, which is equal to 50% of the net royalty interest ownership. The Corporation retains 15% of 50% of the net royalty interest and the investment group retains the remainder. The investment group invested \$1,430,000 for the purchase of these original six producing wells. Victory Energy Corporation did not invest cash.

In December 2007 the Corporation contracted to purchase, with institutional investors, through a financial facility, a working interest in six existing and producing gas wells in Crockett County, Texas. The conclusion of the transaction and recording of the wells took place in the first quarter of 2008. This was followed in the second quarter of 2008 with an additional \$2,078,000 investment from the same institutional investors and \$2,600,000 in the third quarter. Funds were used for drilling a total of ten wells, which the Corporation owns outright. Drilling was completed by the end of the third quarter, when eight wells were producing, and two pending.

Funds for the transaction were provided by a private institutional investment group in exchange for a portion of Victory's interest ownership in each term assignment. Currently Victory maintains 15% of the interest ownership until such time the revenues have paid back the original acquisition investment, then Victory's interest ownership will increase to 25%.

The Corporation has targeted the prolific Canyon Sandstone gas field in the Texas Permian Basin, with the intent to focus on the drilling and completion of natural gas wells in this existing field. The opportunity is of reduced risk due to the extensive historical information available from this specific natural gas field.

The Canyon Sandstone gas play is located in the Texas Permian Basin as part of the large prolific Adams-Baggett Canyon Sandstone gas field. The Canyon Sandstone formation is found at a depth of 4,300 feet to 4,900 feet. Initial flow test for these wells is approximately 250,000 cubic feet of gas per day per well. The average life span of a Canyon Sandstone gas well is approximately 30 years, the decline production curve starting during the second year.

Natural gas from the Canyon Sandstone gas zone receives a 20% premium in price above the standard price due to its higher BTU content per cubic foot of natural gas.

Within this existing gas field are two deeper zones, Strawn Limestone and the Ellenburger Dolomite. The Strawn zone is usually found at 9,000 to 9,800 feet, while the depth of the Ellenburger zone is between 10,500 and 11,500 feet.

To reduce risk in the field, each well drilled has the opportunity to have the Canyon Sandstone gas zone available to produce from. For each of the deeper gas wells drilled in this field, the Corporation will always have the Canyon Sandstone zone available as a fall back opportunity to produce from and recover any additional drilling expenses

incurred from drilling a deeper well.

-18-

The underlying opportunity in drilling a deeper gas well is to first produce the deepest zone, Ellenburger Dolomite, until it is depleted. The next step is then to produce the shallower Strawn Limestone until depletion and finally to produce the Canyon Sandstone zone to depletion.

The Corporation received its first revenue from production sales from this field in March of 2008.

We also hold an interest as a joint venture partner in the Mesa Gas Prospect located in Roosevelt County New Mexico. The Corporation had held 1,960 acres in a prospective oilfield identified as N.E. Glasgow Prospect located in Montana where plans were to incorporate this prospect into the Corporation's developments in Valley County Montana. The acreage was allowed to lapse back to the State of Montana. The Corporation now is currently working with the State of Montana to reacquire the acreage. We had taken on the evaluation of a prospect in Oklahoma identified as the Skedee Prospect. As we progressed into the due diligence of these prospects and the potential production, management determined that the development of the prospect was not worth the required investment capital. Even with the potential reduction in investment dollars, the prospects had an unacceptable pay back time for the initial investment. Management felt the shareholders would be better served by seeking other prospects.

Other than our President, we have no other employees at this time and we will seek to retain independent contractors to assist in operating and managing the prospects as well as to carry out the principal and necessary functions incidental to the oil and gas business. With the intended acquisition of oil and natural gas, we intend to establish ourselves as an industry partner within the industry. With our established revenue base with cash flow, we will seek opportunities more aggressive in nature.

Results of Operations for Period Ended September 30, 2008

As of September 30, 2008, the Corporation has earned revenues of \$758,636 and has incurred a net operating loss to date of \$2,355,173. Other income of \$7,678,000 from the sale of net revenue rights resulted in an overall net income of \$5,322,827. Operations have been primarily seeking potential opportunities in the oil and gas industry through the location of commercially economical prospects, and raising capital and developing revenue generating opportunities and strategic relationships.

During the three month period ended September 30, 2008, we incurred operating expenses in the amount of \$3,202,809. These operating expenses included due diligence expenses, consulting fees, professional fees, land leases, oil and gas leases, and office and general expenses.

Liquidity and Capital Resources

To date, we have financed our operations from funds invested by a drilling consortium, sale of common stock and from funds put into the Corporation by our CEO. We intend to raise future capital from the sale of a percentage of our prospects to fund development and production or through the sale of our common stock to finance the prospects in their entirety.

-19-

Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115”. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 apply only to entities that elect the fair value option. However, the amendment to SFAS No. 115 “Accounting for Certain Investments in Debt and Equity Securities” applies to all entities with available-for-sale and trading securities. SFAS No. 159 is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provision of SFAS No. 157, “Fair Value Measurements”. In February 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115”. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 apply only to entities that elect the fair value option. However, the amendment to SFAS No. 115 “Accounting for Certain Investments in Debt and Equity Securities” applies to all entities with available-for-sale and trading securities. SFAS No. 159 is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provision of SFAS No. 157, “Fair Value Measurements”. The adoption of this statement is not expected to have a material effect on our financial statements.

In September 2006, the SEC issued Staff Accounting Bulletin (“SAB”) No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements.” SAB No. 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB No. 108 requires companies to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. SAB No. 108 is effective for period ending after November 15, 2006. We are currently evaluating the impact of adopting SAB No. 108 but does not expect that it will have a material effect on its financial statements

In September 2006, the FASB issued SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132®”. This statement requires employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The provisions of SFAS No. 158 are effective for employers with publicly traded equity securities as of the end of the fiscal year ending after December 15, 2006. The adoption of this statement did not have a material effect on our reported financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements”. The objective of SFAS No. 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS No. 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. The adoption of this statement is not expected to have a material effect on our future reported financial position or results of operations.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statements No. 109". FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a two-step method of first evaluating whether a tax position has met a more likely than not recognition threshold and second, measuring that tax position to determine the amount of benefit to be recognized in the financial statements. FIN 48 provides guidance on the presentation of such positions within a classified statement of financial position as well as on derecognition, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of this statement is not expected to have a material effect on our future reported financial position or results of operations.

-20-

In September 2006, the SEC issued Staff Accounting Bulletin (“SAB”) No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements.” SAB No. 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB No. 108 requires companies to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. SAB No. 108 is effective for period ending after November 15, 2006. We are currently evaluating the impact of adopting SAB No. 108 but do not expect that it will have a material effect on our financial statements.

In September 2006, the FASB issued SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132®”. This statement requires employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The provisions of SFAS No. 158 are effective for employers with publicly traded equity securities as of the end of the fiscal year ending after December 15, 2006. The adoption of this statement did not have a material effect on our reported financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements”. The objective of SFAS No. 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS No. 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. The adoption of this statement is not expected to have a material effect on our future reported.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

None

Item 4T. Controls and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Corporation. Under the supervision and with the participation of our management, including the Principal Executive Officer and Principal Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15 as of the end of the period covered by this report. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer have concluded that these disclosure controls and procedures require updating to specifically comply with item 601(b) (31) of Regulation S-B and SOX 404 to be effective such that the material information required to be filed in our SEC reports is recorded, processed, summarized and reported within the required time periods specified in the SEC rules and forms. There were no changes in our internal control over financial reporting during the quarter ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. Within the next 15 days the Corporation will engage a consultant to assist the Corporation in establishing internal controls. By November 30th the Corporation will establish an Audit Committee, a Compensation Committee, a Corporate Governance and Nominating Committee, and a Public Policy Committee. Potential investors should be aware that the design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any system of controls and procedures will succeed in

achieving its stated goals under all potential future conditions, regardless of how remote.

-21-

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Corporation is not subject to any reportable legal proceedings.

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

During the three months ended September 30, 2008, no new shares of common stock were issued.

Item 3. Defaults Upon Senior Securities

During the three months ended September 30, 2008, we were not in default on any of our indebtedness.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of our shareholders.

Item 5. Other Information.

None

Item 6. Exhibits

Exhibit Description of Exhibit

No.

31 Certification of Chief Executive/Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 Certification of Chief Executive/Financial Officer pursuant to Section 906

-22-

SIGNATURE

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Victory Energy Corporation

Date: November 12, 2008

By: /s/ Jon Fullenkamp
Jon Fullenkamp
Principal Executive Officer
Principal Financial Officer
Principal Accounting Officer
and Director

Date: Novemebr 12, 2008

By: /s/ Perry Mansell
Perry Mansell
Director