

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

FORM 10-QSB

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

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

For the quarterly period ended: September 30, 2003

Commission file number 000-30009

PETROL OIL AND GAS, INC.
(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

88-0453323

(I.R.S. Employer
Identification Number)

2300 Patrick Lane, Suite 26

Las Vegas, Nevada

(Address of Principal Executive Offices)

89119

(Zip Code)

(702) 454-3394

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the last 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 X No

The number of shares of Common Stock, \$0.001 par value, outstanding on October 29, 2003, was 16,651,866 shares, held by approximately 78 shareholders.

Transitional Small Business Disclosure Format (check one):

Yes No X

ITEM 1. FINANCIAL STATEMENTS

Petrol Oil and Gas, Inc. (A Development Stage Company) Condensed Balance Sheet

	September 30, 2003 (unaudited)	December 31, 2002
Assets		
Current assets:		
Cash	\$ 1,039,285	\$ 161,836
Equipment	30,143	--
Accumulated depreciation	(627)	--
	<u>29,516</u>	<u>--</u>
Oil and gas properties using full cost accounting:		
Properties not subject to amortization	890,466	282,956
	<u>\$ 1,959,267</u>	<u>\$ 444,792</u>
Liabilities and shareholders' equity		
Current liabilities:		
Notes payable-current	\$ 414,166	\$ --
Accounts payable	267,931	109,969
Due to officer	47,500	25,000
Total current liabilities	<u>729,597</u>	<u>134,969</u>
Long-term debt	<u>24,009</u>	<u>--</u>
Contingencies and commitments		
Shareholders' equity:		
Preferred stock, \$.001 par, authorized 10,000,000 shares; no shares issued	--	--
Common stock, \$.001 par, authorized 100,000,000 shares; 14,896,993 and 13,151,993 issued and outstanding at September 30, 2003 and December 31, 2002	14,897	13,152
Stock for services not issued 100,000 and 215,000 shares at September 30, 2003 and December 31, 2002	100	107,500
Unamortized cost of stock issued for services	(1,000)	--
Stock paid for not issued 1,089,823 shares at September 30, 2003	1,090	--
Additional paid in capital	2,850,383	898,870
Deficit accumulated under the development stage	(1,659,809)	(709,699)
Total shareholders' equity	<u>1,205,661</u>	<u>309,823</u>
	<u>\$ 1,959,267</u>	<u>\$ 444,792</u>

See notes to condensed financial statements.

Petrol Oil and Gas, Inc.
(A Development Stage Company)
Condensed Statement of Operations
Unaudited

	Nine Months Ended September 30,		Three Months Ended September 30,		March 3, 2000 (inception) to September 30,
	2003	2002	2003	2002	2003
Revenue:	\$ --	\$ --	\$ --	\$ --	\$ --
Professional and consulting fees	712,928	60,610	544,715	60,610	1,352,436
Wages	105,417	--	37,917	--	148,155
Travel	53,192	7,337	30,069	7,337	63,672
Miscellaneous expense	78,573	1,603	39,559	1,581	95,546
Net loss	<u>\$ (950,110)</u>	<u>\$ (69,550)</u>	<u>\$ (652,260)</u>	<u>\$ (69,528)</u>	<u>\$(1,659,809)</u>
Basic and diluted earnings per share	<u>\$ (0.06)</u>	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	<u>\$ (0.01)</u>	<u>\$ (0.19)</u>
Weighted shares outstanding	<u>13,569,363</u>	<u>7,363,565</u>	<u>13,569,363</u>	<u>7,363,565</u>	<u>8,260,541</u>

See notes to condensed financial statements.

Petrol Oil and Gas, Inc.
(A Development Stage Company)
Condensed Statement of Cash Flows
Unaudited

	Nine Months Ended September 30,		March 3, 2000 (inception) to September 30,
	2003	2002	2003
Operating activities:			
Net loss	\$ (950,110)	\$ (69,550)	\$ (1,659,809)
Adjustments to reconcile net income to net cash used in operating activities-			
Depreciation	627	--	627
Stock and options issued for services	483,000	--	969,870
Change in assets and liabilities-			
Accounts payable	157,962	113,972	178,551
Due to officer	22,500	1,000	47,500
Cash used in operating activities	(286,021)	45,422	(463,261)
Investing activities:			
Equipment purchase	(30,142)	--	(30,142)
Additions to oil & gas property not subject to amortization	(607,510)	(44,625)	(750,505)
Cash used in investing activities	(637,652)	(44,625)	(780,647)
Financing activities:			
Stock issued for debt paid by shareholder of Company stock	--	22	6,475
Stock paid for but not issued	1,025,448	47,286	1,025,448
Notes payable	438,175	--	438,174
Stock sold	337,500	--	813,096
Cash provided from financing activities	1,801,123	47,308	2,283,193
Increase in cash	877,449	48,105	1,039,285
Beginning cash	161,836	--	--
Ending cash	\$ 1,039,285	\$ 48,105	\$ 1,039,285
Supplemental cash flow information:			
Interest paid	\$ --	\$ --	\$ --
Income taxes paid	--	--	--
Non cash financing activities:			
Stock issued for assets acquired	\$ --	\$ --	\$ 50,580
Addition to oil & gas property not subject to amortization and accounts payable assumed in asset purchase	--	--	89,381
Stock contributed to paid in capital	--	--	5,826
Unamortized cost of stock issued for services	1,000	--	1,000
Stock for services not issued	100,000	--	100,000
Stock, warrants and options issued for services	393,000	--	799,870

See notes to condensed financial statements.

Petrol Oil and Gas, Inc.
Notes To Condensed Financial Statements

Note 1 -Basis of Presentation

The unaudited condensed financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and reflect all adjustments which, in the opinion of management, are necessary for a fair presentation. All such adjustments are of a normal recurring nature. The results of operations for the interim period are not necessarily indicative of the results to be expected for a full year. Certain amounts in the prior year statements have been reclassified to conform to the current year presentations. The statements should be read in conjunction with the financial statements and footnotes thereto included in the company's Form 10-KSB for the year ended December 31, 2002.

Note 2 –Going Concern

The accompanying condensed financial statements have been prepared using the 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 ability of the Company to continue as a going concern is dependent upon the ability in its endeavors to seek additional sources of capital, and in attaining future profitable operations. Management is currently initiating their business plan and in the process of raising additional capital. The accompanying financial statements do not include any adjustments that might be necessary should the company be unable to continue as a going concern.

Note 3 -Stock Transactions

The Company sold 450,000 shares of common stock during the first and second quarter at a price of \$.75 per share net of any costs associated with the sale. In the third quarter the Company sold 1,089,823 shares of stock at a price of \$1.00 per share. The shares were registered on Form SB-2 with the SEC and were a part of the Company's Initial Direct Public Offering. The costs associated with the sale of these shares totaled \$60,000 for professional fees and \$4,375 for other costs. These costs were netted against the additional paid in capital associated with the sale of the stock. These shares were not issued as of September 30, 2003 and an amount of \$1,090 is recorded in the equity section as stock paid for not issued.

Pursuant to a consulting agreement with William Stoeckinger, the Company owed Mr. Stoeckinger 20,000 shares for each month during the period for a total for the year of 180,000 shares. The value assigned to the consulting fee was \$1.00 per share for the months of July-September and \$.75 per share for the months January-June for a total expense for the nine month period ended September 30, 2003 of \$150,000. 100,000 shares were not issued at September 30, 2003 and \$100 is recorded in the equity section as shares for services not issued.

The Company on April 18, 2003 issued 1,000,000 shares of its common stock to Cornerstone Bank as collateral for a note payable to the bank. The Company on July 7, 2003 paid off the note and the shares have been cancelled. The par value of the shares of \$1,000 was recorded as common stock with an offsetting amount recorded as a reduction of equity under the account unamortized cost of stock issued for services.

Petrol Oil & Gas, Inc.
Notes To Condensed Financial Statements

The Company on July 2, 2003, entered into a Secured Promissory Note Agreement with CPA Directed Investments, whereby CPA loaned the Company \$400,000. The interest rate on the loan is 10% per annum. Proceeds from the loan were used to repay The Cornerstone line of credit and for general working capital. As collateral for the loan the Company issued CPA 1,000,000 shares of its \$0.001 par value common stock to be held until the loan is paid in full under the terms and conditions of the agreement.

The Company awarded 900,000 warrants to Goran Blagojevic on September 1, 2003 for services rendered. The fair market value of the warrants as determined by the Black-Scholes pricing model was \$333,000 which was recorded as professional fee expense. The warrants expire on August 31, 2006 and the exercise price is \$.75 per share.

Note 4-Note Payable

The Company borrowed \$240,000 from Cornerstone Bank under a note that was due August 3, 2003. Interest was 2% over the corporate base rate (6.25% at 2/6/03). The note was repaid July 7, 2003.

On July 1, 2003, the Company entered into an agreement with Enutroff LLC (Enutroff) whereby Enutroff would be paid for introductions that result in completed transactions as follows: 1) Debt financing, notes, loans-for any introductions made by Enutroff a fee will be paid equal to \$10,000 plus 12% of the total value of the financing. 2) Mergers and acquisitions-for any introductions made by Enutroff a fee of 7.5% of the total value of the merger or acquisition. 3) Sale or purchase of real property or mineral rights- a fee of up to 1/32 overriding royalty interest on those mineral rights involved in a transaction. 4) Working interest partners-a fee of up to 1/32 overriding royalty interest on any mineral rights involved with a working interest partner and a fee of 10% of the ultimate value of the transaction. 5) Retainer of \$40,000 to retain the services of Enutroff for a period of one year due on July 1, 2003. The retainer fee has been accrued as an account payable at September 30, 2003.

Enutroff introduced the Company to CPA Directed Investments (CPA) and on July 2, 2003, the Company received a \$400,000 loan from CPA. The interest rate on the loan is 10% per annum. The Company issued on 7/7/03 1,000,000 shares of common stock as collateral to be held by CPA until the loan is paid in full. The loan is for 180 days. Pursuant to the loan agreement, upon the occurrence and during a continuance of default, all remaining amounts of the loan shall, at the option of CPA, become immediately due and payable, and CPA may exercise at any time any rights and remedies available to it under applicable law of the State of Nevada. The loan is due and payable upon the earlier of: (i) 180 days from the date of the agreement, or (ii) within 30 days from closing of the Company's registered offering. Enutroff's fee of \$58,000 is included as an accounts payable.

The Company acquired a truck on September 10, 2003 and financed the purchase with a five-year loan from Mayse Automotive Group. Interest is 8.74% and the first payment is October 10, 2003.

Petrol Oil & Gas, Inc.
Notes To Condensed Financial Statements

Note 5-Subsequent Events

The Company sold an additional 665,050 shares of its common stock at a price of \$1.00 per share, which were a part of the Company's Initial Direct Public Offering.

On November 10, 2003, the Company repaid CPA. The Company is in the process of canceling the 1,000,000 shares issued to CPA.

Item 2. Plan of Operation

This report contains forward-looking statements. Actual results and events could differ materially from those projected, anticipated, or implicit, in the forward-looking statements as a result of the risk factors set forth below and elsewhere in this report.

With the exception of historical matters, the matters discussed herein are forward-looking statements that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements concerning anticipated trends in revenues and net income, the date of introduction or completion of our development and production efforts, projections concerning operations and available cash flow. Our actual results could differ materially from the results discussed in such forward-looking statements primarily as the result of insufficient cash to pursue production and development efforts. The following discussion of our plan of operation should be read in conjunction with our financial statements and the related notes thereto appearing elsewhere herein.

Overview

Petrol Oil and Gas, Inc., a development stage company, was incorporated in the State of Nevada on March 3, 2000 as Euro Technology Outfitters. We changed our name to Petrol Oil and Gas, Inc. on August 20, 2002. We are structured to engage in the exploration, development, acquisition and operation of oil and gas properties. Since our inception, we have not been engaged in any significant operations nor have we had any revenues. Our only recent activities include organization, the negotiation and execution of an asset purchase agreement, and we have registered our securities with the Securities and Exchange Commission in order to raise additional capital and make our financial information equally available to investors or other interested parties. Once we complete the sale of our securities, we intend to contact an authorized NASD market maker for sponsorship of our securities on the Over-the-Counter Electronic Bulletin Board. We believe we will be able to complete that process by the end of the first quarter of fiscal 2004.

Plan of Operation

We have been in discussion with several individuals and entities with regards to potential acquisitions of additional mineral lease properties, working interest partners, farmout arrangements and consulting services. As of the date of this filing we have not finalized any formal agreements with any individual or entity, nor have we determined an acquisition as probable. Once a formal agreement is finalized, if ever, we will file a Form 8-K disclosing the terms and conditions of such agreement.

During the next twelve months we plan to focus our efforts on increasing our production and reserves of natural gas through the development of our existing properties, raising additional equity capital and furthering our business plan.

We intend to fund portions of our field operations through revenues obtained from sales of our CBM gas production, if any. To accelerate the development program we plan to take on working interest (WI) partners that will contribute to the costs of drilling and completion and then share in revenues derived from production. This economic strategy may allow us to utilize our own financial assets toward the growth of our leased acreage holdings, pursue the acquisition of strategic oil and gas producing companies and generally expand our existing operations.

Because of our limited operating history we have yet to generate revenues from the sale of oil or natural gas. Our current operation is based upon an acquisition of mineral leases from Petrol Energy, Inc. Our activities have been limited to the negotiation of an agreement and preliminary analysis. Consequently, we have incurred the expenses of start-up.

Our future financial results will depend primarily on: (i) the ability to continue to source and screen potential projects; (ii) the ability to discover commercial quantities of natural gas and oil; (iii) the market price for oil and gas; and (iv) the ability to fully implement our exploration and development program, which is dependent on the availability of capital resources. We cannot guarantee that we will be successful in any of these respects, that the prices of oil and gas prevailing at the time of production will be at a level allowing for profitable production, or that we will be able to obtain additional funding to increase our currently limited capital resources.

We anticipate the need for at least \$5,000,000, the maximum proceeds we are attempting to raise through our registered offering, of capital over the next 12 months. If we do not raise the maximum proceeds, any additional funds needed may be raised through equity financing, debt financing, or other sources, which may result in further dilution in the equity ownership of our stockholders. There is still no assurance that, even with the funds from the registration and a subsequent private placement, if needed, we will be able to maintain operations at a level sufficient for an investor to obtain a return on their investment in our common stock. Further, we may continue to be unprofitable for an indefinite period of time.

Through the date of this filing, we have raised approximately \$1,754,873 from the registered offering.

We are unable to provide an accurate breakdown to the use of funds to be received from any future private placement as the usage will be solely based upon the outcome of our initial exploration and development program. We have anticipated the need to hire additional staff, continue development and refinement of our operations to meet customer needs and provide additional working capital for our operations.

We will face considerable risk in each of our business plan steps, such as difficulty of hiring competent personnel within our budget and a shortfall of funding due to our inability to raise capital in the equity securities market. If no funding is received during the next twelve months, we will be forced to rely on existing cash in the bank and funds received from the offering.

We have no operating history, no significant current operations, minimum cash on hand, and no profit. Because of these factors, our auditors have issued an audit opinion for Petrol which includes a statement describing our going concern status. This means there is substantial doubt about our ability to continue as a going concern. While we believe we have made good faith estimates of our ability to secure additional capital in the future to reach our goals, there is no guarantee that we will receive sufficient funding to implement any future business plan steps.

Our future operating results will depend on many factors, including our ability to raise adequate working capital, demand for our oil and gas production, the level of competition and our ability to deliver products while maintaining quality and controlling costs.

Field Development

Our current plan of operation for field development starts with identifying the most promising and cost-effective drill sites on our current leased acres, drilling and testing wells to prove reserves, completing the more promising test wells, extracting the oil, gas and other hydrocarbons that we find, and delivering them to market. Although we believe that we have leased enough land to move forward with our field development, we will have to obtain additional financing before we can fully implement this next phase of our operations.

Field development operations began in August 2002, with the drilling and logging of three test wells. Each test well is located on a separate mineral lease in the southwest portion of Coffey County. These drill sites were selected based on a variety of factors, including information gathered from historic records and drill logs (depth, and thickness of coal seams and the results of electric gamma ray readings), proximity to existing interstate distribution pipelines, ease of access for drilling equipment, the presence of oil and natural gas in the immediate vicinity, and consultations with our operator and driller. Since these are considered to be exploratory or test wells they have only been partially completed in order to allow us to investigate the production capacity of selected coal intervals, and to obtain important technical information related to stimulation activities that are almost always required to make CBM wells commercially productive. Thus, we do not presently have any estimates of oil and gas reserves on these properties. Consequently, we have not reported our reserve estimates to any state, or federal authority.

During this phase of our plan of operation we expect to drill, test and complete about 40 coal-bed methane producing wells. These drilling and testing efforts will also allow us to determine whether there are other forms of commercially producible hydrocarbons present, such as oil or other types of natural gas. Each well will be drilled and tested individually. If commercially producible amounts of gas are present, the well will be fully completed and a local distribution pipeline installed. Completed wells that are producing and connected to distribution pipelines will begin generating revenues as soon as they begin pumping, although these revenues may be realized on a quarterly basis.

Once we have identified a proposed drilling site, we, as a licensed operator in the State of Kansas, will be engaged in all aspects of well site operations. As the operator, we will be responsible for permitting the well, which will include obtaining permission from the Kansas Oil and Gas commission relative to spacing requirements and any other state and federal environmental clearances required at the time that the permitting process commences. Additionally, we will formulate and deliver to all interest owners an operating agreement establishing each participant's rights and obligations in that particular well based on the location of the well and the ownership. In addition to the permitting process, we as the operator will be responsible for hiring the driller, geologist and land men to make final decisions relative to the zones to be targeted, confirming that we have good title to each leased parcel covered by the spacing permit and to actually drill the well to the target zones. Should the well be successful, we will be responsible for completing the well and connecting it to the most appropriate transmission facility for the hydrocarbons produced.

As the operator, we will be the caretaker of the well once production has commenced. We have no formal experience in well operations and will have to hire or retain professionals to assist us in our efforts. As the operator, we will be responsible for paying bills related to the well, billing working interest owners for their proportionate expenses in drilling and completing

the well, and selling the production from the well. Again, we have no experience in operating an oil or gas production company, therefore, we will be forced to hire experienced operation staff, when needed. Once the production has been sold, we anticipate that the purchaser thereof will carry out its own research with respect to ownership of that production and will send out a division order to confirm the nature and amount of each interest owned by each interest owner. Once a division order has been established and confirmed by the interest owners, the production purchaser will issue the checks to each interest owner in accordance with its appropriate interest. From that point forward, we as operator will be responsible for maintaining the well and the wellhead site during the entire term of the production or until such time as the operator has been replaced or appropriately abandoned. We anticipate hiring professionals to assist us in our operations until such time as our management has sufficient knowledge and operations ability.

We have a working relationship and have used Well Refined Drilling of Thayer, Kansas, to drill our first three exploratory test wells. Owner/Operator Jeffery Kephart has been a driller since 1978, and has drilled in excess of 10,000 wells in Kansas, Oklahoma, Texas, Wyoming, and Missouri. More than 200 of those wells have been CBM wells. The driller will be responsible for performing or contracting with third parties and supervising their efforts on all aspects of the drilling operation, except for geological services.

We have a one year consulting agreement with Mr. William Stoeckinger, a Certified Petroleum Geologist, from Bartlesville, Oklahoma to provide geological services both in the assessment process and in the development program.

Based on our first three test wells we anticipate that each well in our targeted area will cost approximately \$35,000 to locate, drill and test, an additional \$30,000 to complete, plus an additional \$350 per month per well to pay for electricity, pulling and repairs, pumping and other miscellaneous charges. In support of these operations we have working agreements with local third parties to monitor and maintain our wells and perform drilling and work-over activities

If any of our wells proves to hold commercially producible gas, we will need to install a distribution infrastructure to transport our gas from the wellhead to one of the major distribution pipelines. We have identified several major interstate distribution pipelines that operate within and pass through the counties in which we have lease holdings. These include pipelines owned and operated by Williams Energy, CMS Energy, and Enbridge. We have initiated contact with two of these companies to ascertain the specific locations of their pipelines, their requirements to purchase gas from us (including volume of gas and quality of gas), and the costs to connect to their pipelines. Traditionally, the major distributors of gas in the United States have purchased production from anyone who can get sufficient quantities of quality gas to their distribution pipeline. Because some of these companies have purchased coal bed methane from producing wells in the southern part of Kansas, we believe that if the gas produced from wells drilled in our targeted area meets their criteria in both quantity and quality, they will purchase our gas at market prices. To date, we have not entered into any purchase agreements nor have we received assurances from anyone that they will enter into such agreements with us in the future.

Presently, we cannot accurately predict the costs of transporting our gas products to these existing interstate pipelines. The cost of installing a distribution infrastructure or local gathering system will vary depending upon the distance the gas must travel from our wellhead to the compressor station and high pressure pipeline tap, and whether the gas must be treated to meet the purchasing company's quality standards. However, based on the close proximity of several major distribution pipelines to our leased properties, plus our intent to drill as close to these

pipelines as practicable, we anticipate that the total cost of installing a distribution infrastructure for ten producing wells will be approximately \$150,000, or \$15,000 each, plus a one-time expense of \$50,000 to tap into the high pressure interstate pipeline.

The prices obtained for oil and gas are dependent on numerous factors beyond our control, including domestic and foreign production rates of oil and gas, market demand and the effect of governmental regulations and incentives. We do not have any delivery commitments with respect to any oil or gas produced from any properties that we acquire. However, due to the U.S. government's recent push toward increased domestic production of energy sources the high demand for natural gas, we do not anticipate any difficulties in selling any oil and gas that we produce, once it has been delivered to a distribution facility.

The success of this phase of our plan of operation is dependent upon our ability to obtain additional capital to drill exploratory and test wells and also upon our successfully finding commercially producible amounts of coal bed methane gas or other hydrocarbons in the wells that we drill. We cannot assure you that we will obtain the necessary capital or that we will find commercially producible amounts of gas if our drilling operations commence.

The timing of most of our capital expenditures is discretionary. Currently there are no material long-term commitments associated with our capital expenditure plans. Consequently, we have a significant degree of flexibility to adjust the level of such expenditures as circumstances warrant. We intend to primarily use funds raised through the registered offering, funds raised from private placements and internally generated cash flow, if any, to fund capital expenditures and to fund our working capital needs. The level of our capital expenditures will vary in future periods depending on energy market conditions and other related economic factors.

Liquidity and Capital Resources

A critical component of our operating plan impacting our continued existence is the ability to obtain additional capital through additional equity and/or debt financing. We do not anticipate enough positive internal operating cash flow until such time as we can generate substantial revenues, which may take the next few years to fully realize. In the event we cannot obtain the necessary capital to pursue our strategic plan, we may have to cease or significantly curtail our operations. This would materially impact our ability to continue operations.

Through the date of this filing, we have successfully raised approximately \$1,754,873 from our registered offering. We anticipate these funds to satisfy our working capital needs for at least the next 6 months.

Since inception, we have financed cash flow requirements through debt financing and issuance of common stock for cash and services. As we expand operational activities, we may continue to experience net negative cash flows from operations, pending receipt of revenues, and will be required to obtain additional financing to fund operations through common stock offerings and bank borrowings to the extent necessary to provide working capital.

Over the next twelve months we believe that existing capital and anticipated funds from operations will not be sufficient to sustain operations and planned expansion. Consequently, we will be required to seek additional capital in the future to fund growth and expansion through additional equity or debt financing or credit facilities. Such financing may not be available, and

if available it may take either the form of debt or equity. In either case, the financing could have a negative impact on our financial condition and our Stockholders.

We anticipate incurring operating losses over the next twelve months. Our lack of operating history makes predictions of future operating results difficult to ascertain. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving markets. Such risks include, but are not limited to, an evolving and unpredictable business model and the management of growth. To address these risks we must, among other things, implement and successfully execute our business strategy, continue to develop and upgrade technology and products, respond to competitive developments, and attract, retain and motivate qualified personnel. There can be no assurance that we will be successful in addressing such risks, and the failure to do so can have a material adverse effect on our business prospects, financial condition and results of operations.

Under our current plan of operation, we are required to make certain lease payments to maintain our rights to develop and drill for oil and gas. These lease payments are material obligations to us and our lease holdings are our biggest asset.

As of September 30, 2003, we had assets of \$1,959,267, and \$753,606 in liabilities. Resulting in stockholders equity of \$1,205,661.

On July 2, 2003, we entered into a Secured Promissory Note Agreement with CPA Directed Investments, whereby CPA loaned us \$400,000. The interest rate on the loan is 10% per annum. Proceeds from the loan were used to repay The Cornerstone line of credit and for general working capital. As collateral for the loan we issued CPA 1,000,000 shares of our \$0.001 par value common stock to be held until the loan is paid in full under the terms and conditions of the agreement.

We repaid CPA on November 10, 2003. We are in the process of canceling the 1,000,000 shares issued to CPA.

Item 3. Controls and Procedures

- (a) Paul Branagan, President and Chief Accounting Officer of the Company, evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-14(c) promulgated under the Securities Exchange Act of 1934, as amended, within 90 days prior to the filing date of this report. Based on his evaluation, Mr. Branagan concluded that our disclosure controls and procedures are effective.
- (b) There have been no significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation referenced in paragraph (a) above.

PART II--OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

On July 7, 2003, we issued 1,000,000 shares of our \$0.001 par value common stock to CPA Directed Investments to hold as collateral for a line of credit in the amount of \$400,000. We believe that the issuance of the shares was exempt from registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Sections 4(2), 4(6) and Regulation D. The shares were issued directly by us and did not involve a public offering or general solicitation. The recipient of the shares was afforded an opportunity for effective access to files and records of our company that contained the relevant information needed to make their investment decision, including our financial statements and 34 Act reports. We reasonably believed that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that they were capable of evaluating the merits and risks of their investment. The recipient had the opportunity to speak with our management on several occasions prior to their investment decisions. There were no commissions paid on the issuance of the shares.

On July 29, 2003, our SB-2 registration statement (File No. 333-102643) was declared effective by the SEC. We are offering up to 5,000,000 shares of our common stock at \$1.00 per share through December 31, 2003. As of the date of this filing 1,754,873 shares have been sold.

Warrant

On September 1, 2003, we issued Goran Blagojevic a warrant to purchase 900,000 shares of our common stock at \$0.75 per share. The warrant is exercisable until August 1, 2006. We believe that the issuance of the warrant was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2) and Regulation S.

Use of Proceeds From Sales of Registered Securities

Our Registration Statement on Form SB-2 (File No. 333-102643), related to our initial public offering, was declared effective by the SEC on July 29, 2003. A total of 5,000,000 shares maximum and 500,000 shares minimum of Common Stock were registered with the SEC with an aggregate offering price of \$5,000,000 maximum and \$500,000 minimum. All of these shares were registered on our behalf. The offering commenced in August, and as of September 30, 2003 1,089,823 shares of common stock offered were sold resulting in \$1,089,823 of proceeds to the Company with no commissions paid on funds raised.

We incurred offering expenses of approximately \$64,375 in connection with the offering. Thus the net offering proceeds to us (after deducting offering expenses) were approximately \$1,025,448. No offering expenses were paid directly or indirectly to any of our directors or officers (or their associates), persons owning ten percent (10%) or more of any class of our equity securities or to any other affiliates.

As of September 30, 2003, none of the net proceeds had been used. The remaining net proceeds remain in our operating account pending future use.

Subsequent to September 30, 2003, we sold an additional 665,020 shares resulting in \$665,020 of proceeds to the Company with no commissions paid on funds raised.

Item 3. Defaults by the Company upon its Senior Securities

None

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

None

Item 5. Other Information

Term Sheet of Compensation for Enutroff LLC

On July 1, 2003, we entered into an agreement with Enutroff LLC regarding the compensation that we will pay, or cause to be paid to Enutroff for introductions that result in completed transactions of the following nature:

- ?? Debt financing, notes, or loans,
- ?? Mergers or acquisitions,
- ?? Sale or purchase of real property or minerals rights,
- ?? Working interest partners,
- ?? The acquisition or sale of the company.

For the introduction and completion of any loans, notes or debt financing of any kind which were initiated by Enutroff, we shall pay Enutroff \$10,000 plus a 12% fee based on the total value of the financing, loan, or note.

For the introduction and completion of any merger or acquisition involving Petrol which were initiated by Enutroff, then we shall pay Enutroff a 7.5% fee based on the total value of the merger or acquisition.

For Enutroff initiated transactions involving the sale or purchase of real property or mineral rights, we will provide Enutroff up to a 1/32 Overriding Royalty Interest (ORRI) on those mineral rights involved in the transaction. The amount of the ORRI will be agreed upon in writing prior to closing the sale or purchase and the transfer of mineral rights by or to us.

For Enutroff initiated transactions involving Working Interest Partners (WIP) we will provide Enutroff up to a 1/32 Overriding Royalty Interest (ORRI) on those mineral rights involved in the transaction with the WIP. The amount of the ORRI will be agreed upon in writing prior to closing the WIP agreement and the transfer of mineral rights by us.

In addition to the ORRI we will pay a fee of 10% of the ultimate value of the Working Interest transaction that will be agreed upon in writing by Enutroff for a period of one year, commencing on the signature date of the agreement.

A copy of the Enutroff agreement is attached hereto as an Exhibit.

Item 6. Exhibits and Reports of Form 8-K

(a) Exhibits

10.1 Term Sheet of Compensation for Enutroff, dated 7/01/03.

31.1 Certification of Paul Branagan pursuant to Section 302 of the Sarbanes-Oxley Act

32.1 Certification of Paul Branagan pursuant to Section 906 of the Sarbanes-Oxley Act

(b) Form 8-K

None

SIGNATURES

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

PETROL OIL AND GAS, INC.
(Registrant)

By: /s/ Paul Branagan
Paul Branagan, President

Date: November 13, 2003